



Direct Dial: 905 943 6267
Fax: 905 943 6418
E-mail: Indy.ButanyDeSouza@na.centrica.com

January 11, 2005

BY E-MAIL & DELIVERY

John Zych, Board Secretary
ONTARIO ENERGY BOARD
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto ON M4P 1E4

Dear Mr. Zych:

Re: RP-2004-0196 – Smart Meter Initiative – Further Consultation.

By way of this letter we are providing further comments in the captioned proceeding, in response to the Board's letter to interested stakeholders dated December 21, 2004. In its letter the Board invited further comments on issues related to the proposition, offered by several organizations in their earlier submissions herein, that the Board should consider two-way communication systems for the transfer of smart meter data between customers and utilities.

As a preliminary note, Direct Energy respectfully submits that the question should not be whether to mandate infrastructure for two-way communication between customers and utilities, but rather whether to mandate such infrastructure for communication between customers and their electricity suppliers/energy service providers.

In our submission dated November 29, 2004, Direct Energy commented that many of the product and service innovations that are necessary to truly leverage the investment in smart meters will require: a) two way communication with the home's energy systems; and b) real time access to consumption data. The proposed basic smart meter system would only have one-way communication protocols, with data access only after the fact (the following day). It was submitted that in order to allow for expansion of the basic specified system in a cost effective manner, the specified meter characteristics should include a port for external communications on the meter itself. The additional infrastructure costs to the LDC, if any, should be negligible. In addition, it was submitted that as amendments are made to regulatory instruments to accommodate smart meters, it is important to ensure that the rules allow customers to make additions to the meter, provided that the integrity of the meter itself is not compromised.

As we understand the Board's December 21st letter, in response to the submissions by several organizations that the Board consider mandating two-way communications systems, the Board is interested in further comment on this topic. In our review of the submissions of other stakeholders in this proceeding, we have been unable to identify any specific recommendations for a model for such a two-way communication network or any detail on how such a model would be used.

It is our understanding that wireless, broadband and DSL (digital subscriber line) are relatively expensive options for communications of metering data, as such communications would not generally entail a high volume of data traffic. The most cost effective approach may be to use the existing distribution wires for sending data pulses to and from customers' meters. However, such an option presents both opportunities and concerns, particularly if the proposal is to mandate the LDCs to build and /or operate such a system. Among those concerns are the following:

- Ontario's LDCs are responsible not only for providing monopoly distribution services, but also for the provision of default electricity supply. Through affiliates (and in many cases still directly), many LDCs also engage in a host of non-core services. The addition of the monopoly control over a communications network would further complicate matters, moving the situation further from what Direct Energy submits should be the ultimate objective of constituting the LDCs as "wires only" businesses.
- Managing a communications network would be an operational and technological endeavor completely unfamiliar to Ontario's LDCs. This would present risks to both the project and to the LDCs.
- Regulation of such a network on a cost of service basis would likely be of concern to competing communications providers. On the other hand, not regulating such a communications network would raise significant market power concerns given the simultaneous use of the core infrastructure in provision of a monopoly service subject to regulated rates. The proposition also raises questions regarding competing jurisdiction over the regulation of communications.

Conclusion.

Direct Energy notes that the Ontario Ministry of Energy has recently released a discussion document entitled *Electricity Transmission and Distribution in Ontario – A Look Ahead*. Direct Energy anticipates broad stakeholder discussion in the coming months regarding the appropriate future role of Ontario’s electricity distribution utilities. In light of what are to date relatively ill defined proposals for a communications infrastructure for smart meters, and the concerns as well as opportunities that such proposals raise, Direct Energy suggests that the topic might best be addressed as part of such a broader review.

Yours truly,
DIRECT ENERGY
Per:



Indy Butany DeSouza
Manager, Government & Regulatory Affairs – Eastern Region