

Attn: Board Secretary

Ontario Energy Board
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Toronto, Ontario M4P 1E4

Re: SMART Meter Initiative-further consultations
Board File no.: RP-2004-0196

Mr. Board Secretary, Ontario Energy Board, Interested Parties:

Please allow the following correspondence to serve as responses to the 2-way communications questions as recently posed by the Assistant Board Secretary.

1. What are the benefits and drawbacks of mandating a 2-way communications network?

A. Minimal benefits are associated with mandating 2-way communications. There already exists 2 way communications providers within the private sector. The ROI justifying the investment for a 2-way communications business case for SMART Meter deployment cannot be realized at this time. It seems that the only apparent mandated 2 way communications benefit would be accrued to the UTELCOs. And, absent a financial guarantee in the event of default provided by the parent Local Distribution Company and its shareholder, normally the municipality itself no business case is sufficiently compelling. The drawback is obvious regarding mandating 2 way communications. There is not enough Ontario ratepayer and taxpayer dollars to subsidize the deployment initiative and therefore, the SMART Meter targets of full deployment provincially by year end 2010 will not be realized.

2. Should electric distributors be responsible for operating the communications network?

A. Electric distributors should NOT be responsible for operating the communications network. There are several, sufficient compelling reasons for this unequivocal statement. Combined with a historical legacy of insufficiently managing the electric transmission and distribution grid within the Province of Ontario there is no track record of experience that would remotely suggest that these groups can be representing both their shareholders (in most cases, the municipalities themselves-representing the actual taxpayers) and the Local Distribution Company ("LDC") ratepayers (in most cases, identical to the taxpayers) in a maximum value-added fashion.

All of the UTELCOs or municipal hydroelectric telecom companies might legally be and are classified as separate companies under the Canada Business Corporations Act. Structurally, and in the vast majority of cases, i.e., Hydro One, ENWIN, Hamilton Hydro, Guelph Hydro, Toronto Hydro, and all the other Fibrewired, Fibretech and additional members of UTELCO consortia, are companies operating as wholly-owned subsidiaries of the local distribution company which are wholly-owned subsidiaries of the municipalities themselves.

First, the appearance of impropriety at a very fundamental level exists. It is a real, legitimate, legal construct that illegal cross-subsidy is occurring or has occurred. To cure this perception, conduct a physical audit ensuring no cross subsidy in any shape form or fashion has occurred from inception. This would include, but not be limited to, customer information records transfer at UTELCO incorporation, from the LDC to the unregulated subsidiary, predatory pricing tactics, possibly even pole use agreement conflicts. Secondly, the OEB should not justify the UTELCO business case. As a ratepayer I was not consulted nor have I experienced any increase in the reliability, safety and ensurability of hydroelectricity transmission and distribution. As a taxpayer, which jurisdictionally and legally equates to being a shareholder in the LDC by virtue of ownership and reporting I was neither consulted in a referendum nor voted for the LDC to enter into an unregulated business. Accreted benefits have never materialized. Therefore, a track record has never been established which would provide any semblance of rational expectations that one would be forthcoming if ITELCOs operated this network. Neither reductions in my electricity rates nor maximize shareholder value of my taxpayer dollars has been forthcoming. Aggregately, Property Taxes across the province at municipal levels continue to increase. I would vote FOR LDCs and their UTELCOS if an only if they can raise the financing necessary for building owning and operating an unregulated business in the money and capital markets ABSENT RECOURSE TO THE PARENT. It would be very interesting to see if the UTELCOs could effectively compete against the private sector absent guarantee in event of default. Of course, as a taxpayer I am legitimately underwriting their (LDC) ventures. I have no reasonable expectation that a Return on Investment has been realized. I as both a ratepayer and a taxpayer have been an unwilling participant in the UTELCO venture. Now, let's look at legacy. The Province of Ontario is on record that it will cost \$100 Billion to upgrade infrastructure in the Province. This infrastructure consists of roads, bridges sewers, water, etc. It is estimated that it will cost \$50 Billion to upgrade the transmission and distribution network for electricity. Add on top of that \$40 Billion for social services. That is a \$190 Billion Infrastructure bill overdue. This practically and effectively compromises an entire younger generation of Canadians and specifically, the 12.3+ Million Ontarian residents. The Ontario Hydro debacle has equated to a \$20 Billion Stranded Debt issue which resides directly on the backs of ratepayers. Ontario Hydro is now

known as Hydro One and the requisite LDCs. There is absolutely no sufficient compelling rationale for the OEB and the Ontario Energy Ministry to justify the sunk-in expenses that these LDCs absorbed by mandating that they own and buildout a communications network. This compromises the private sector. And, quite frankly, the Province of Ontario, if it wants to create and sustain employment, attract businesses, increase productivity and FIX the electricity grid is going to require the investment financing and requisite products and services offerings from the private sector. Therefore, privatization is an absolute prerequisite to resolving this serious, critical problem. If the LDCs could demonstrate on a historical basis that their unregulated undertakings, specifically UTELCO operations have resulted in a significant, directly measurable reduction in both property taxes and rate stabilization I would say yes. However coupled with the report card grade of an F for financial management, i.e., the Hydro Stranded Debt, I do not advise the OEB to compromise the private sector thru mandating that taxpayer owned UTELCOs can maximize the value of their taxpayer dollars.

3. If not, how should a communications operator(s) be selected?

A. The selection of a communications operator or operators should be determined solely on the basis of maximizing shareholder value, -----that is the municipality, and, therefore, logically and practically the taxpayer and minimizing the potential additional financial liability of the hydroelectric/power ratepayer. This is the only way the SMART Meter initiative will work and work for the longer term. Sacrificing short term gains at the expense of long term gains must stop now. The OEB should also consider the fact that in a mandated situation the private sector does have the option to exercise its rights against the UTELCOs or any other governmental body under certain multilateral trade provisions. Some of these trade provisions which can be lawfully enforced exist within the NAFTA Guidelines and the WTO in general.

4. How would rates for the communications operators be set and/or collected? Market rates

A. Rates should be market driven and based. Rates cannot be set by a governmental regulatory body as this is outside the direct purview of the OEB and the LDCs. If regulation of rates does occur for 2-way communications by both the OEB and the LDCs then the private sector will be compromised and therefore, no investment dollars critical to effective practical SMART Meter deployment will be forthcoming. You will stifle if not completely suffocate innovation. Innovation only comes from the private sector with no attachments to the public sector. This statement is consistent with the inherent risk-return relationship in any business endeavour.

5. If a two-way network, would an open data protocol aid the development and availability of end devices and services?

A. Open standards pertaining to any technological application should be the de facto platform. Security and Privacy issues are of paramount concern. A balance between security and privacy and technological application is optimally achieved within a "hands-off" approach regarding standards.

Thank you for your time and consideration.

Sincerely,

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