



January 7, 2005

Ontario Energy Board
P.O. Box 2319 26th Floor
2300 Yonge Street
Toronto, ON M4P 1E4

Attention: John Zych, Board Secretary

Re: Smart Meter Initiative – Further consultations, Board File No. RP-2004-0196

Dear Mr. Zych:

Please accept the following response from Niagara Falls Hydro regarding the Smart Meter Initiative – Further consultations letter dated December 21, 2004.

The format of this response addresses each question stated in the December 21, 2004 letter.

1. What are the benefits and drawbacks of mandating a two-way communication network?

In reply to this question, we have addressed the following benefits and drawbacks of mandating a two-way communication network.

Benefits

- ❖ Two-way communication will provide the functionality to control load; which may be advantageous to both collection and conservation practices. If required, the utility would be able to load limit on a customer level remotely decreasing collection costs and time. The utility would be able to enhance earlier payment, cut off, and power on processes.
- ❖ Two-way communication represents a full solution in regards to smart metering. This may enhance customer awareness, as well as, service provided to the customer.

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Drawbacks

- ❖ Risk of integration. As the network is integrated, other processes outside of communication such as billing are impacted. For example, a failure in communication may result in delayed billing, impacted cash flow, essentially a domino effect.
- ❖ Potential cost duplication. Two-way communication may not be a cost effective initially. Utilities would need to consider access fees to cell phone towers, increase staff for contingency.
- ❖ Business re-engineering. Today, billing is reliant on the manual reading and verification of a meter. Looking ahead, manual reading and verifications would only be done for exceptions (for example, when communications fail.) This will result in additional training, staff, and technology costs with no known timing when these costs could be recovered.

2. In the event of Province-wide two-way communication, should electricity distributors be responsible for operating the communication network?

Central communication network is definitely strategically beneficial. No, electricity distributors should not be responsible for operating the communication network. If there was a central communication operator, standards of data and protocols can be better managed and facilitated. Each distributor could comply with protocols of data communication; and potentially seek service from vendor/operator that would undertake the build and maintenance of the network.

3. If not, how should a communication operator or operators be selected?

A communication operator or operators can be selected based on the following attributes:

- ❖ Infrastructure in place
- ❖ Availability of financial and technical resources
- ❖ Proof of establishment within industry
- ❖ History and experience

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

If the communication network were set up similar to the retailer/distributor hub/network, vendors may set fees. Vendors may need to have rates approved by a regulatory party that would also issue standards of data and communication protocols.



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Fees could be charged within a timely manner; annually, quarterly, monthly. Fees may be representative of service charges for provision of build and maintenance of network; in addition, fee for the number of times data is uploaded multiplied by minutes or size of data packet. Fees would need to be competitive.

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

Yes, an open data protocol could aid the development and availability of end devices and services. It may represent a secure FTP site, and standards for data format and communications.

In addition to one electronic copy in Adobe Acrobat (PDF), six (6) paper copies have also been sent via mail to the attention of the Board Secretary, Ontario Energy Board.

If you have any questions or require additional information regarding our response, please do not hesitate to contact our office.

Sincerely,

Ms. Margaret Battista
Market Compliance Supervisor

Attach.
MB/mb