AMPCO

Association of Major Power Consumers in Ontario

August 13, 2004

Mr. Peter H. O'Dell
Acting Board Secretary
Ontario Energy Board
P.O. Box 2319
26th. Floor, 2300 Yonge Street
Toronto ON M4P 1E4

Dear Mr. O'Dell:

Re: RP-2004-0196 - Minister's Directive on Implementing Smart Electricity Meters

Your June 19th letter to Licensed Electricity Distribution Companies, Licensed Retailers and Listed Stakeholders to RP-2003-0144 regarding the Board's approach to fulfilling the Minister's Directive to the Board on smart electricity meters requested stakeholders to submit their comments on the Board Staff Discussion Paper by August 13th. As requested AMPCO's comments are attached to this letter.

Yours truly,

MEHRichardson

Mary Ellen Richardson
President

cc. Mr. Ken Snelson, Consultant to AMPCO

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AMPCO Submission On
RP-2004-0196
Minister's Directive on Implementing Smart Electricity Meters

The Association of Major Power Consumers Ontario (AMPCO) is a province-wide industry organization that advocates competitive electricity rates and promotes a reliable supply of electricity for all customers. AMPCO members represent a wide range of resource, manufacturing and processing industries that use very large amounts of electrical energy. All AMPCO members have usage in excess of 5 MW and are either directly connected to the Hydro One transmission system, Direct Customers using the Hydro One LV (Low Voltage) system or Large Users of other Local Distribution Companies. As noted in the Discussion Paper, all Wholesale Market Participants, existing distribution customers over 1 MW and new distribution customers over 500 kW already have interval meters. Therefore all AMPCO members already have interval meters which meet all the requirements of the smart metering directive.

Since the programs in response to this directive will not directly affect AMPCO members, it would be inappropriate for AMPCO to take detailed positions on the design and implementation of these programs. Instead AMPCO will confine its comments to some general requirements that must be taken into consideration in the design and implementation of the programs.

Although AMPCO members will not be subject to the new programs, AMPCO has an interest in the extension of smart metering to other sections of the market. The market lacks demand-side responses to market prices because most of the retail sector does not meet the three identified conditions in the Discussion Paper for being price responsive:

– a price that changes over time in response to demand and supply forces;

– the ability of consumers to see and respond to a price signal; and

– measurement of the response so that consumers get credit for their action.

AMPCO members and other interval-metered customers already meet these three conditions and have an incentive to respond to market prices. To the extent that they take this opportunity and curtail demand in high price hours, the high prices are moderated for all consumers.

AMPCO supports the extension of smart metering to other customer groups, where justifiable economically, so that others have the opportunity to support an efficient market by responding to prices in a similar way that AMPCO members and other interval metered customers have that incentive already.

AMPCO has two general concerns about the implementation of programs to extend smart metering to additional classes of customers:

(i) The cost of the metering must be justifiable in terms of the reductions in the cost of energy supply.

(ii) The cost of the new metering must be allocated in an appropriate manner for recovery from the customer groups that benefit.

With regard to economic justification, AMPCO is concerned about the arbitrary nature of the targets stated in the Minister's Directive. The Minister has stated targets of 800,000 smart meters by Dec 31, 2007 and all Ontario customers by Dec 31, 2010. AMPCO is not aware of any economic analysis that shows that these targets are achievable with economically justifiable programs. It is likely that there are small customers where the cost of smart meters will never be recovered in savings from price responsive behaviour and other benefits such as automatic meter reading.

AMPCO recognizes that the Minister's Directive asks the Board to recommend programs to achieve the targets rather than asking the Board to re-evaluate the targets themselves. However, to evaluate programs the Board must consider the economics of each program. AMPCO recommends that in its response to the Minister the Board should include:

- the total cost of the programs,
- the cost (if any) of the programs in excess of the economically justifiable costs
- the proportion of the Minister's target that the Board estimates can be achieved with economically justifiable programs.

With regard to cost allocation, AMPCO remains concerned that Distribution Rates are not based on cost allocation. There is no reason to believe that the current distribution rates are consistent with allocating costs to customer classes according to the costs of serving them. On July ? AMPCO wrote to the Acting Board Secretary to express its objections to the delay until 2007 of a thorough rebasing of distribution rates using cost allocation (see attached letter). AMPCO is concerned that the smart metering program should not become another way to impose additional costs on large customers that are not related to the costs of serving them.

The Discussion Paper notes that the Large Users and the General Service Customers who have interval meters today have paid the full incremental costs of the metering installation. AMPCO recommends that this principle be maintained in the design of future smart meter programs.

Programs can be designed to recover the incremental cost of the smart metering from individual customers that receive them and therefore can benefit from the cost savings of controlling their demand. This is the preferred method of cost recovery.

It may be argued that the customers who participate create benefits for all customers whether or not they participate through a moderation in market prices. There may also be savings in shared costs. For example the smart meters may allow automatic reading of meters reducing the cost of meter reading.

If it is decided that the wider benefits justify the sharing of some of the costs of smart meters between participating and non-participating customers, this cost sharing should take place within the customer class and should not extend to other customer classes.

Given that the Large Users already bare the full cost of their interval meter installations, it would be unacceptable double charging to require them to pay part of the cost of smart meters for other customer classes.

Within the General Service customer class new customers over 500 kW and existing customers over 1 MW have paid for interval meter installations. To avoid double charging, these customers should also be exempt from any additional charges for smart metering for other customers.

The existing interval-metered customers may benefit from new smart meters installed for other customers as the price responses tend to moderate high market prices. However, this does not justify charging the existing interval-metered customers a share of the new smart meter programs. The existing interval-metered customers create similar benefits for other customers. Today this is a benefit to other customers which the existing interval-metered customers have paid for. The additional benefits as smart meters are installed for other customer groups is a reasonable quid-pro-quo for the benefits being provided to the other customers today.