

**ACCENTURE BUSINESS SERVICES FOR UTILITIES INC.
COMMENTS REGARDING THE SMART METER INITIATIVE
RP2004-0196**

Accenture Business Services for Utilities Inc. ("Accenture Business Services") is pleased to have the opportunity to comment on the Ontario Energy Board's Staff Discussion Paper of the Implementation Plan for Smart Meters in Ontario.

Accenture Business Services is a wholly owned indirect subsidiary and part of Accenture group of companies, a global management, consulting and business process outsourcing organization. Accenture Business Services has entered into a long term outsourcing arrangement with CustomerWorks Limited Partnership ("CWLP") whereby Accenture Business Services provides subcontracted utilities customer care services to CWLP's clients, including Enbridge Gas Distribution Inc., Terasen Gas Inc. and Direct Energy. Accenture Business Services provides full service customer care outsourcing services (customer contact, billing, meter reading services, credit and collections, and payment processing) to more than 6 million end-use customers of regulated utilities, municipalities and retail energy companies.

As a result of Accenture's global utilities practice it has had the opportunity to work with a number of clients in multiple jurisdictions that have implemented or tried to implement smart meters. It is based on that experience that we offer the following comments and observations on the Implementation Plan for Ontario.

Re. Section 2.2.1 Benefits for customers

Accenture Business Services agrees that initiatives that provide consumers with greater control over their costs and can demonstrate an immediate payback are generally more successful than initiatives that show results over time. We have also observed that changing utility customers' behavior takes time and requires incentives and reminders. Generally, consumers want to do the right thing for the environment and keep their rates down, however getting consumers to take action does not happen overnight.

Our experience suggests that consumers respond better and faster when they can clearly see the benefits to themselves and others and when change in consumption behavior is easy for the customer to observe and understand.

- 1) In the initial marketing of the concept, demonstrating to consumers how certain actions can have a positive financial impact for them can have a real influence on behavior, (i.e. turning the dishwasher or washing machine and dryer on during non-peak hours = \$XX savings and will have Y environmental impact). The customer must be able to correlate his/her action of energy conservation with an observable reduction in energy consumption from the smart meter. The faster the access to meter consumption data (e.g. 15 seconds from time of action) the better the impact on behavior. Correlation of the immediate consumption data and exact price data may be obtained at a later point to reinforce the behavior.
- 2) Trending data must be available at a sufficiently detailed level. The majority of individual consumer energy consumption activities in the residential home are less than 30 minutes in duration (e.g. one load of laundry, one dishwasher cycle, showers). Trend data should make it simple, easy and quick to identify individual activities that should be migrated to a different time of day to take advantage of lower rates. Ideally, the Smart Meter should have the technical ability to report in 15 or 30 minute increments – real time data for immediate action.
- 3) Changes in consumption patterns must be easy for the customer to observe and understand. The task of gathering smart meter data must be as easy as reading a web screen or paper report, otherwise the customer will become frustrated with the activity. The Board may want to consider mandating certain minimum standards for data presentation for the customer to ensure ease of use and understanding to facilitate successful implementation and take-up of the program.

Our experience also suggests that the customer mindset tends to compress satisfaction or dissatisfaction from the service into a single billing period. Simple, explicit and repeated forecasting and actual results reporting tends to have the best impact on consumer behavior.

Re. Section 2.2.5 Benefits for distributors

Although our experience confirms that there are many benefits of smart metering for distributors, we have not yet found that these benefits can on their own support the business case for a wholesale move to smart metering technology on a small scale. There are multiple stakeholders beyond distributors including, consumers, retailers, transmission operators, generation, regulatory and government and all must have an equal stake in the outcome, benefits and success of a program of this nature.

In fact the Enel example clearly illustrates the benefits for a monopoly utility which has full control over all aspects of retail, distribution and rights of access on the country's entire electric system. The large infrastructure investment required to fully realize the business case benefits was made possible because this monopoly had a strategy to offer multiple services across the same infrastructure.

The very nature of this initiative, however, namely the facilitation of true DSM combined with the large scale of the proposed implementation may combine to make the business case viable for a distributor only.

We have found that the scale for a positive business case (distributor only) is in excess of 1M meters, so other elements such as customer benefits must be included in the equation. The costs that create the >1M customer threshold values are comprised of overhead costs such as:

- Infrastructure hardware and software (at each distributor);
- Communication hardware and software (to/from each distributor);
- Integration of smart meter solution into billing and operations (for each distributor);

- Program management of smart meter design and implementation (for each distributor);
- Ongoing back office operations and maintenance of Infrastructure (for each distributor);
and
- Smart Meter installation and maintenance (per customer).

We believe that size and scale will be critical to the success of the business case for distributors.

Re. Section 3.1 Procurement Strategy

There are a number of considerations with regard to procurement strategy. As illustrated by the Enel example, some distributors may look at the Smart Meter as a way to offer other services and leverage the investment in infrastructure across multiple services. Some distributors make look to feature a Smart Meter as a competitive differentiator.

Given these and other consideration along with the evolving nature of the industry and technology establishing a minimum standard for operation and functionality may offer the best solution for the consumer.

Distributors should be allowed to use their own free market capabilities and a relatively unfettered procurement process to allow them to offer the products and services which allow them to leverage their investment and infrastructure. Successful implementation is defined as that which provides the lowest cost technology and manpower, in a timely manner, given the supply and demand constraints in the global economy and which allows the distributor to pursue their own unique business strategy.

To ensure the optimal approach (two way meter communication) works, the distributor must integrate the smart meter into their business processes. The distributor needs to determine which brand of smart meter support technology fits their infrastructure and business, choosing from among over 70 different manufacturers of meter support technology including the large dominant meter hardware companies. The distributor will also need to integrate changes to the billing and customer care systems for the smart meter program. These changes will be different for each distributor and likely require a different program schedule.

The 'Board sets the standards and the distributor chooses technology' approach would provide the lowest cost, highest quality implementation and allow integration with the ongoing operations of each distributor.

Re. Section 3.3 Interim Targets

Accenture Business Services believes that the aggressive nature of the smart meter implementation targets (800,000 by December 31, 2007 and 4.3 million by December 31, 2010) dictates there will need to be rewards for early adopters. Early adoption will be important to ensure the success of the plan.

Re. Section 4 Cost Recovery

Our experience suggests that in situations where the consumer alone is responsible for the entire incremental cost of installing and supporting the Smart Meter, take-up will be slow and behavior change will be difficult to achieve. From the business cases we have developed it has been shown that all stakeholders need to share in the cost and the benefits from the use of smart metering.

The Board should establish a cost sharing formula that provides cost allocation to each party that will receive the benefits of the smart metering program. This puts the onus of achieving the benefits appropriately on each party and strongly encourages the individual consumer to

recover his/her cost allocation through behavior change. This also drives innovation in the use of cost efficient components, technology, process and resources.

Re. Section 5 Metering Functions

As we suggested with procurement strategy, to ensure a level playing field for all consumers, the Board should be responsible for establishing the base required functionality for the smart meters, with any additional functionality to be decided on a business-case basis by each distributor. To mandate options which are not strictly necessary for the provision of effective DSM is to fundamentally dictate the strategic direction of individual distributors and may add unnecessary functionality and costs onto consumers.

Re. Section 5.3 Data Storage

Our experience indicates that one of the largest costs for retailers and distributors in the ongoing management of customers is the handling of their billing data. By increasing the frequency requirement for meter data the cost overhead for a distributor will increase. The cost of the additional overhead should be known to ensure it can be included in the funding strategy for the overall smart meter plan.

Re. Section 5.4 Bi-directional communication

As discussed in Section 5, it is believed that the addition of features such as bi-directional communication should be made by individual distributors based on the creation of viable business case. Although bi-directional communication prepares the platform for non-distribution services, it is unrealistic to believe that all distribution regions are equally prepared to avail themselves of this functionality, and thus unrealistic to believe that all distributors can justify the expense of this added functionality.

It also should be noted that in the Enel example the large infrastructure investment required to enable bi-directional communication to all locations was made possible because of the monopoly situation and the strategy to offer telecommunication and others services across the same infrastructure.

Re. Section 6 Ownership

Operating margins in the meter business are not large and scale is a definite factor in viability for any operation. Due to the responsibilities of service presently placed upon a distributor it would be difficult to allow ownership of the retail metering to transfer to a third party as part of the smart meter plan unless it is a consolidation of the ownership across the entire province.

Several issues:

- The certification and responsibilities transferred to the third party would create significant issues to overcome during implementation timeframe. This would possibly extend or jeopardize the implementation schedule.
- Smart metering needs to be tightly integrated with the billing/customer inquiry function. Allowing a third party to only complete metering would introduce additional interface points between all parties.
- There would also be question as to the amount of upfront investment that each distributor would be willing to make in the smart meter plan if each meter could be owned/operated by a third party.

- There would need to be a minimum scale and reliability standard established so a meter business operator could be assured to be in business after several years.

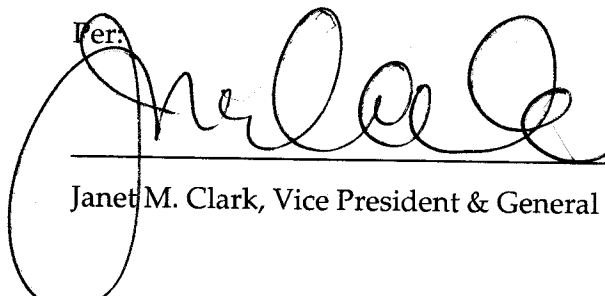
Conclusion

Accenture Business Services supports the government's initiative to help consumers control their electricity bills through conservation and demand side management, and thanks the Board for the opportunity to provide these comments.

Respectfully Submitted,

ACCENTURE BUSINESS SERVICES FOR UTILITIES INC.

Per:



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