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

Dear Mr. O'Dell:

Re: RP-2004-0196 - LPMA Comments on Staff Discussion Paper

The following are comments on behalf of the London Property Management Association (LPMA) on the Staff discussion paper entitled 'Implementation Plan for Smart Meters in Ontario' dated July 19, 2004. These comments have been provided by the LPMA's consultant in this matter:

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Section 3 – Essential Elements of an Implementation Plan

3.2.1 - All Over 50 kW

LPMA agrees that these larger customers should be a priority for meter installation. These customers have larger loads that can potentially be shifted, provided benefits to all customers. These customers should be included in the target of 800,000 smart meters to be installed by the end of 2007.

3.2.2 – New Homes

All new homes should be given smart meters upon their connection to the system. This will avoid the creation of additional stranded assets, or costs, or putting on standard meters which would then be replaced with a smart meter well before the end of its useful life.

The same approach should be applied to new general service/small businesses.

Over the period from the beginning of the use of smart meters (May, 2005) through to the end of the time horizon of having all customers using smart meters (December, 2010), it is expected that many existing meters will need to be replaced as they come to the end of

their useful life. It would be useful for parties to know how many meters are replaced on an annual or monthly basis on a province-wide basis. This may provide a better estimate of the incremental meters that will need to be installed on a monthly basis over the time horizon of the program.

3.2.4 – Self-selection

Self-selection should be allowed, but not relied on. Customers who are eager to have smart meters and dynamic meters should be allowed to request meters ahead of time. Such customers are the ones most likely to be able to reduce and/or shift their load, providing an immediate benefit to the system as a whole. An amendment to the RSC and DSC should be made so that these customers are treated in the same manner as other customers who are receiving smart meters. That is, the self-selecting customers should not be expected to pay the cost of the smart meter just because they have requested one.

3.3 – Interim Targets

Larger customers and rate classes should be targeted first, as it is these customers that have a greater ability to respond to dynamic pricing, providing a quick benefit to the system

An appropriate commodity pricing mechanism needs to be in place for smart meters to be of any value. It is our understanding that the OEB will initiate a process to set the commodity rate that is to be in place by May, 2005. There does not appear to be any reason why smart meters could not be installed before this point in time and used essentially as a "dumb" meter until the commodity pricing mechanism is put in place. This would allow utilities to get a jump start on installing meters, even if the commodity pricing mechanism implementation is delayed beyond the target date.

Section 4 – Cost Recovery

The current policy under the DSC for consumers to pay the full incremental cost of installing and supporting interval meters needs to be changed. Costs need to spread and recovered in a fair manner.

The highest priority is for the cost associated with obtaining and installing the smart meters to be minimized. More comments on this issue are presented below.

LPMA believes that the cost of the smart meters, including installation costs, should continue to be recovered through rates. As these assets are put into service, they increase rate base, allowing the utilities to earn a return on these assets and recovering the depreciation costs through rates. This spreads the costs of these assets over all customers and over a long period of time, reducing the rate impact on customers. This approach is reasonable, given that the benefits associated with smart meters accrue to the system as a whole.

Stranded assets deal with the un-amortized value of the existing meters on the distributor's books. More information is needed regarding the net impact on this un-

amortized value. For example, what is this province-wide projected value at the end of 2004? How will this value be impacted by the ordinary replacement of meters that need to be replaced between 2005 and 2010?

LPMA suggests that the one way to deal with these stranded assets is to transfer the un-amortized value of these assets as they are retired to a deferral account which could then be amortized over a period of time, 10 years for example, and be recovered through rates by each of the utilities. Each of the utilities in the province would have a different cost to be recovered from its customers, resulting in customers paying different rates related to theses stranded assets. If it were determined that it was more fair to recover these costs on a province-wide basis, then a single entity could be given the responsibility to purchase these assets from all the utilities at the un-amortized value. This entity would then be responsible for disposing of these assets (refurbishing, reselling out of province, scrap value, etc.) for the maximum value. The remaining costs could then be added to the debt that is being recovered through the debt recovery rate that is applicable to distribution customers.

One way to help reduce the overall stranded asset value is to increase the depreciation rate applicable to distribution meters, which is currently 4.0%. The OEB could increase the depreciation rate on these assets to, say, 8.0%, starting in 2006, as part of the 2006 rate setting process that is currently underway. With a higher depreciation rate in 2006 through 2010, the un-amortized value of these assets would be reduced without having a significant impact on rates in 2006 through 2010.

As noted above, priority should be given to minimizing the cost of acquiring and installing the smart meters. Costs associated with these meters appear to range from $400 to $150, or lower. The provincial government should consider providing a grant per smart meter installed to the utilities. This grant would not be included in rate base, thus resulting in no costs to customers. The amount of the grant could be based on the reduced costs to the government based on the projected savings associated with the smart meters and the corresponding reduced amount of generation that would have to built/replaced.

The federal government should be approached for a similar grant per meter installed by the utilities. Perhaps Kyoto-related funds could be procured on the basis of the reduced generation (and fossil fuel use) projected by the use of smart meters.

Corporate and private donations targeted at the acquisition and installation of smart meters at either the provincial or local utility level could also be encouraged through special tax breaks to these corporations and individuals.

Finally, LPMA supports the limited use of the DSM funds related to the third tranche of the ROE to help pay for the cost of the smart meters. Perhaps a cap on the proportion of the DSM funds available to each utility should be considered for the purchase of smart meters.

4.1 – Meter Charge

LPMA does not support, at this time, a meter charge on the bill. There is already substantial customer confusion at the number of line items on an electricity bill. Adding another item will only add to the confusion.

LPMA believes that during the transition period the old and new costs should be spread across the rate class. This reflects that all customers, not just those using smart meters, are expected to benefit from the use of smart meters.

Section 5 - Metering Functions

LPMA believes that the addition of features such as the ability to control the meter and internal loads should be marked based and paid for directly by the customer that want these additional features. In order words, individual customers should assess their additional costs versus benefits and decide to invest in these additional features themselves. It is not likely that residential and small business customers would be interested in such features, but > 50 kW customers may be interested.

5.1 – Measurement

LPMA believes that a 'standard' smart meter should be capable of recording usage on an hourly basis, for reasons outlined below.

A regulated price plan is being developed by the OEB for implementation in May, 2005. This plan may or may not include simple peak and off-peak rates, or hourly rates. Regardless, this may change in the future. For example, the peak period hours may be adjusted in the future as customers shift load. As a result, hourly recording of usage would appear to be the best approach for the long term.

As the market evolves, there may be more than just a peak and off-peak period, such as a shoulder period. Hourly data would allow for the inclusion of a third period in the pricing of the commodity.

Some customers already pay the hourly Ontario energy price from the IMO-administered real-time energy market. For customers to be able to make an apples to apples comparison of commodity costs, they need to be able to compare these hourly prices from retailers to that from the regulated providers.

Hourly recordings would also enable small consumers (residential and small businesses) to sell power into the grid (solar and wind, for example) and make this more economic to these potential mini-generators.

5.4 – Bi-directional Communication

Other than for prepay systems, which could be considered an additional feature that some customers may wish to utilize, is there any reason that real-time display of usage directly to the customer is necessary for residential and small business customers? Also, what is

the cost of this functionality? LPMA believes that if a customer wants this functionality they should pay for it. It should not be a cost that is spread across a rate class where the majority of customers would and, indeed, could not use it.

LPMA believes that it is sufficient to influence behaviour via detailed monthly (or bi-monthly) billing information. LPMA also suggests that customers should be able to access their historical usage via the internet.

In general, bi-directional communication would not be practical for residential and small business customers as the costs would likely far exceed any benefit.

For larger customers (>50 kW) and, in particular, interruptible loads, the bi-directional communication and the added functionality that this can provide may be useful.

Section 6 – Ownership

LPMA believes that for the transition period, the ownership of the meter should remain with the distribution company. Contestability for meter provision and service should be reviewed at some point in the future, but not during the transition period. Contestability may end up be regional in nature, with providers offering such services in large urban areas, but not in smaller urban, rural or remote areas. Such a potential dichotomy should be avoided during the transition period as it is likely to only add to the confusion for the customer.

Other Issues

Non-Commodity Time of Use Rates

The Staff discussion paper indicates that non-commodity time of use rates are part of the 2006 Electricity distribution rates process. If 'standard' smart meters have the capability to record hourly usage, as recommended above, for residential and small business customers, then it would be possible to implement a demand charge for these customers (i.e. the peak hourly usage would be known). This is an option that could be utilized instead of through a distribution rate charge per kWh that varies between the peak and off peak periods (or other periods that may evolve over time).

However, it is not clear to the LPMA how such a non-commodity time of use rate (either through the distribution charge or a new demand charge) could be implemented for 2006 rates, given that the cost allocation/rate design information required to do so is not expected to be available until the 2007 rates year. It may be advisable to postpone any discussion of non-commodity time of use rates until the 2007 rates when the required cost allocation and load data is available.

Timing

LPMA believes that it is imperative to decide on the type of smart meters that are to be used as quickly as possible. It may be appropriate that the determination of the type of smart meters to be used for large customers (> 50 kW) be determined in advance of the

type of smart meters to be used for residential and small business customers. This would allow the utilities to begin the process of switching over the larger customers as soon as possible.

However, the decision on the type of smart meters to be used for small customers needs to be made as soon as possible as well. Thousands of new customers (new construction) are added monthly across the province and thousands of existing meters are replaced each month. Each month of delay in a decision on the type of smart meters will only add to the magnitude of the stranded meter assets cost.

Summary

LPMA hopes that the above comments will be of use to the working group(s) in Phase II of this process. Parties that have any questions on the above comments are requested to contact Mr. Aiken at the address given at the beginning of this letter.

Sincerely,

Randy Aiken
Aiken & Associates

cc: London Property Management Association