



OFFICE OF THE PRESIDENT

September 7, 2004

Mr. Peter O'Dell
Assistant Secretary
Ontario Energy Board
Suite 2601, 2300 Yonge Street
PO Box 2319
Toronto, ON M4P 1E4

Dear Mr. O'Dell

Re: *Ontario Energy Board Smart Meter Initiative*
(OEB File No. RP-2004-0196)

I would like to thank you and the Ontario Energy Board (OEB) for allowing our Association to comment on the Board's Staff Discussion Paper, *Implementation Plan for Smart Meters in Ontario*.

We apologize for the delay of our letter, but due to our Annual Conference, we were unable to respond until now.

As you know, the Association of Municipalities of Ontario (AMO) has a direct interest in this issue and the electricity system as a whole. Our members are both the shareholders of local distribution companies (LDCs) and large consumers of electricity.

AMO recognizes the benefits of interval meters and dynamic pricing that reflects off/on peak demand that are outlined in the OEB Discussion Paper. If prices are higher during peak usage, customers will make efforts to shift their loads to times when prices are lower. This increases system reliability and reduces the rate at which generation capacity needs to be expanded as well as congestion/system losses. Municipal local distribution companies (LDCs) also benefit because there will be more efficiencies found for meter reading/billing and better theft/tamper detection.

However, there are some challenges to this ambitious smart metering project. Between May 1, 2005 and December 31, 2007, 25,000 meters would have to be produced, approved and installed per month. This jumps to approximately 100,000 per month after that. It is noted in your Report that in Italy, 40,000 meters are being produced and installed per month by 7,000 people. The targets set by the Ministry of Energy may be difficult to achieve.

Some have also questioned the benefits (versus the costs) of replacing current meters with interval meters in cases where there are smaller loads. It may be better to replace the meters at installations with smaller loads at a later date and develop a phasing plan that recognizes this. It should include smaller municipal loads.

It should also be noted that it may not be easy to shift electricity usage for some municipal operations. For example, the TTG will still have to run at capacity during rush hour. We also note that streetlights are generally not metered currently. They are flat rated instead. We would recommend that this practice continue as the capital costs will be large, and smart metering (or metering) will not change usage, given the health and safety objectives of street lighting.

It is argued in the Discussion Paper that larger customers (who would likely benefit from dynamic pricing and interval meters), those with new installations, or those in congested areas, should be targeted first in terms of the implementation of smart meters. It is true that most municipalities in these categories would benefit from a quicker installation of a smart meter. For example, why would a municipality purchase a regular meter for a new installation, when they will need to purchase a new interval meter only a few years later? However, this may not always be the case. Municipalities already facing fiscal pressures should be able to choose when each of their facilities has smart meters installed. AMO would expect that whatever changes are adopted by the government, municipalities will not receive surprise costs that would have to be accommodated- within an approved budget. This would make it difficult for municipal governments to achieve other community objectives provided in the approved budgets.

LOGs will also be impacted by this project. Whatever costs they incur as a result of this initiative need to be recovered and in a timely way. In addition, successful Demand Side Management (DSM) programs will decrease the revenue of LOGs. This issue needs to be addressed by the Ontario Energy Board when setting LOG rates in the future, as distributors should not be punished for their successful efforts in implementing government policy.

The question of who should purchase the meters is asked in the Discussion Paper. The OEB notes that there are advantages with regard to economies of scale if there is a comprehensive procurement strategy with one purchaser. In addition to this, a single (or a limited number of buyer(s) for over 4 million meters may be able to negotiate direct economic benefits for the Province. But, it is also argued that competition might hasten the implementation of the meters and foster more innovation, so third parties should be able to supply the meters.

The EDA argues that LDGs (if they choose) should continue to be responsible for supplying the meters as they have a closer relationship with customers and "... should be able to choose which technology works best for them and their community." However, ***some municipalities and many businesses have more than one LDC serving them. It would be helpful to them if the meters and data were compatible. Perhaps an export/import standard could be developed, so whatever energy conservation software program a municipality or business uses, it will be able to receive and compare data from the various types of meters in the field.*** Also, if LOGs are made responsible for purchasing meters, they should be fully compensated for any costs in a timely fashion - as they should for any costs associated with this initiative.

The OEB staff note in the Discussion Paper that it might be possible to allow LOGs to use their third tranche of funding (for their return on equity) for DSM purposes to purchase meters and/or enabling infrastructure. This flexibility makes sense and we suggest that LOGs be given discretionary authority to use this funding to purchase these devices (and related infrastructure/software) for municipal operations and for other municipal DSM projects. It should

not be forgotten that 141 municipalities are shareholders in LDCs.

The Discussion Paper also contains a review of metering functions and technical requirements as well. Currently, some municipal loads are designated and receive the regulated price - others do not because the load is not designated (due to a limited definition of municipality in legislation) or because the municipality has chosen to purchase power separately. It should be noted that AMO has requested that all municipal loads be designated - unless the municipality chooses to make other arrangements.

Municipalities with loads under the regulated rate plan will likely need less information (beyond off-peak vs. peak usage) than those on the market. The Minister's Directive "... requires that a smart meter be adaptable or suitable, without removal of the meter, for seasonal and time of use commodity rates, critical peak pricing, and other foreseeable electricity rate structures." The Directive also requires that customers receive daily feedback on their usage. The Board notes that this level of feedback may not be necessary.

Some municipalities and larger consumers, however, may require this information to ensure that their conservation programs are working. Those municipalities on the market will likely want more features, including access to real-time data, and bi-directional communication to signal when there are price peaks and for load control.

In addition, municipalities may want to combine water, gas and electricity metering for not only their own operations, but also for their residents. This may provide capital and operational savings to the municipalities and LDCs. Municipalities should be given the option of having the features they need to institute conservation programs and purchase electricity. The "capability of multi-meter readings (for example, gas and water metering in addition to electricity metering)," is noted in the Minister's Directive.

Once again, thank you for allowing us to comment on the Discussion Paper. We look forward to working with you and the Ontario Energy Board, to implement this important initiative.

Yours truly,

Original signed by

Roger Anderson
President

cc: Hon. Dwight Duncan, Minister of Energy
Hon. John Gerretsen, Minister of Municipal Affairs and Housing
Electricity Distributors Association
AMO Electricity Task Force
LAS Energy Implementation Committee