



August 13, 2004

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

BY FAX: 416 440 7656

Re: BOMA Toronto Submission to RP-2004-0196 - Minister's Directive in Implementing Smart Meters

Dear Mr. O'Dell:

As per your letter of July 19, 2004 please accept these comments from BOMA Toronto related to this ambitious undertaking.

By way of background, the Building Owners and Managers Association is an International organization of over 19,000 commercial real estate professionals. It is recognized as the leading industry voice for property owners and managers in North America. BOMA Toronto, with a network of over 670 members, represents the association in the Greater Toronto Area. Both BOMA International and BOMA Toronto are strong advocates of the move to competitive energy markets.

BOMA members are typical of the large general service class of customers served by LDCs. As such they generally have interval meters already in place. Also, many BOMA members have arranged for interval meter installation in smaller buildings as part of energy management or procurement plans.

We believe our experience as consumers exposed to hourly pricing, users of the data provided by smart meters, and having been involved in their installation, would be of value to the consultation as it prepares plans for more widespread implementation. We offer our comments from this perspective.

1. Lack of demand response increases costs for all consumers

The discussion paper properly recognizes that customers require both a *means* to measure their hourly usage and *time-based prices* to be motivated to adjust their usage.

To the extent that customers are indifferent to adjusting their usage at peaks times, all consumers pay higher costs. Large commercial customers are effectively being penalized by the inaction of smaller consumers who currently are indifferent to price. For this reason BOMA Toronto strongly endorses efforts to increase the demand responsiveness of all consumers and believes that the broad implementation of smart meters into progressively smaller customer classes is an essential means to that end.

2. Do not rely on LDC's to dictate customer needs

We have observed a tendency amongst many LDC's to prejudge the needs and behaviour of customers with respect to metering, rates, and the ability to control loads. There appears to be a strong sentiment amongst some LDCs that "residential consumers are not asking for smart meters/TOU rates ... only want a simple fixed price....are not interested in load control....have no any loads they can shift...etc." We believe such positions are highly presumptuous and condescending to consumers. It denies the opportunity for customer choice, innovation, and efficiencies that we believe are possible by providing consumers with the means to select options. Certainly the rapid adoption of cell phones, portable data devices, internet banking, on line stock trading, etc. provide clear evidence of the predilection of consumers to seek out benefits when offered choice.

3. Cost reduction in smart meters can be achieved through market forces

Currently the typical price a commercial consumer pays to an LDC for optional installation of an interval meter is \$2500. While this cost can be rationalized for accounts using from \$50,000-300,000 / yr, it cannot be justified for small accounts. We understand costs for standard electro-mechanical meters at the residential level are below \$50. The large premiums for electronic smart meters should be expected to decline, ultimately to this level, through volume deployment.

In this regard, the substantial numbers in the implementation plan would suggest that a number of meter manufacturers and meter service providers will be required to participate. Procurement exercises should anticipate the need for multiple suppliers, and not seek to award a single supplier.

4. Interval meters vs. TOU meters

We believe that investment in any meter that cannot record hourly values would simply be creating more stranded assets. The prospect of critical time pricing, variable TOU rate options, or simply exposure to hourly market prices, requires at a minimum the ability to record hourly values. Pre-programmed TOU meters, recording usage according to predefined periods, are fundamentally limiting.

5. Ability of LDC's to fulfill metering functions

The substantial targets suggest the need to develop considerable infrastructure and resources for implementation. In our experience LDCs have not typically had the capabilities for mass meter deployment. Requests for interval meter installations in advance of market opening were generally met with considerable delays and in some cases “moratoriums” on installation, due to lack of resources.

We suggest that if LDCs are to continue to retain ownership and responsibility for meter installations they will likely need to employ outsourced services. As an alternative, making meter services a competitive offering may be the only way of achieving large installation targets.

6. Implementation priorities

We suggest focussing on the smaller General Service class as a priority. This could provide a useful means to build capability as meter types will be common to the existing interval meters used for larger general service customers. We note that a number of progressive LDCs have already moved their threshold for interval metering below the 1000 kW requirement – some going as low as 100 kW. An orderly plan to capture all GS>50kW customers is certainly within grasp. And it would begin to mobilize resources, including competition between meter providers, as a precursor to the larger volumes for small consumers.

7. Costs

Commercial consumers have had to bear the full cost of interval meters – either through the current regulated charges, or as a direct payment to the LDC for incremental meter costs in those cases where interval meters have been requested outside of DSC requirements.

BOMA Toronto strongly supports that the costs of smart meter deployment be borne by the respective customer classes, and not cross subsidized by all consumers.

The smart meter initiative is a bold undertaking that will increase both energy efficiencies and market efficiencies. BOMA Toronto endorses this initiative as a necessary evolution of our electrical market. Thank you for the opportunity to provide these comments. We would be pleased to participate in any further consultations.

Yours truly,

Chuck Stradling
Executive Vice President