

BURLINGTON HYDRO INC.

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August 12, 2004

Mr. John Zych
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 26th Floor
Toronto, Ontario
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Dear Mr. Zych:

RE: RP-2004-0196 Comments on OEB Discussion Paper

The purpose of this letter is to provide comments from Burlington Hydro Inc. ("BHI") on the Ontario Energy Board Staff Discussion Paper, issued July 19, 2004, related to proceeding RP-2004-0196, Implementation Plan for Smart Meters in Ontario.

3 ESSENTIAL ELEMENTS OF AN IMPLEMENTATION PLAN

3.1 Procurement Strategy

While there are potential cost advantages to a comprehensive procurement strategy, it is BHI's opinion that each LDC should have the ability to choose the technology that will work best for the infrastructure that is currently in place. Each LDC may also require various solutions to address specific requirements of various customers/customer classes. Where local conditions and economics make sense, LDCs will share the procurement process on their own.

3.2 Implementation priorities

BHI acknowledges that specific groups of customers may be identified as being priorities for implementation of smart meters (e.g. over 50 kW). BHI notes that while targeting these customers may be a good approach, the ability to simultaneously attach other customers of different rate classes at that geographic location has time and cost advantages. An example is completing the installation of all customers within a mall, regardless of customer class.

BHI agrees that new installations should be targeted as soon as possible. This will assist the LDCs in being able to address inventory of existing metering equipment and to reduce costs (hardware, labour and potential stranded costs) associated with switching these customers to a 'smart meter' in the future.

BHI supports any initiative that will reduce the impact of stranded assets. This may include instalment of a meter capable of 'smart metering' but not installing all functionality at the time of putting the meter in place.

BHI feels strongly that the final solution from the OEB and the Ministry must address and minimize the impact of stranded costs to the LDCs.

3.3 Interim targets

One approach to determining targets for individual LDCs will be to require a proportional amount of customers be implemented by December 31, 2007. Based on the figures above, this would mean that each LDC would be responsible for 800,000/4,300,000 or 18.6% of their customers installed with smart meters by the end of 2007.

With the exception of customers over 50 kWh (which have already been identified), BHI feels that it is important that the OEB only set numbers and not the order in which types of customers be attached. Factors such as technical complexity of some general service connections and geography should be left to the LDC to determine the best approach to installation.

BHI does not feel that it would be appropriate to require monthly targets be met as there are seasonal implications of doing this type of work.

3.4 Process driver

It would be expected that the new Conservation Bureau as defined in Bill 100 would drive this process. In lieu of that it should be the OEB.

4 COST RECOVERY

Given that this is a legislated initiative with a target of having 100% of customers on smart meters in a given time frame, the best approach is to allow any capital investments into rate base. This approach is consistent with the basis of this initiative in that all customers in Ontario will see benefits to the full installation of smart meters and the associated demand management initiatives. LDCs should include a forecasted schedule of additions to rate base in either a cost of service rebasing period, or have an allowable adjustment to rate base for each year in a PBR term. Consistent with this is a fair treatment of O&M costs associated with this initiative.

4.2 Third tranche

It is strongly felt that at least some substantial proportion of the third instalment of the MARR be allocated to the implementation of smart meters. The implementation of smart meters in Ontario is a key initiative towards demand management and it would be imprudent to disallow any spending towards this legislated goal.

5 METERING FUNCTIONS

BHI does not feel that time of use meters are an appropriate technology solution. It is anticipated that the installation of 'smart meters' themselves is only the beginning of further demand management initiatives. The installation of an interval meter provides a gateway to layering on additional demand management tools. The use of an interval meter is also more capable to adjustments in consumer behaviour (eg should demand management initiatives cause shifts in when peaks may occur). The installation of a time of use meter at this time

may satisfy current needs, but may not be able to address further needs as the environment matures.

6 OWNERSHIP

BHI feels strongly that the contestability of metering and services has yet to be proven advantageous in other jurisdictions. Given the number of initiatives within the electric sector at this time, it would be premature to introduce contestability and the ensuing customer confusion.

7 OTHER CONSIDERATIONS

BHI is concerned that given all LDCs will be attempting to reach the targets outlined by the Ministry, that despite thorough planning, such high demand for skilled workers to assist in meter installation may result in an LDC not be able to meet targets. It is not felt that in this case it would be appropriate for an LDC to be faced with penalties of any sort.

BHI appreciates the opportunity to comment on these important issues and hope that these comments are of assistance to the Board. Please do not hesitate to contact me for anything further by phone at 905-332-2260 or by email at arampado@burlingtonhydro.com.

Yours truly,

Anne Rampado
Market Compliance and Rates Specialist