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August 13, 2004

VIA EMAIL and COURIER

John Zych, Board Secretary
ONTARIO ENERGY BOARD
2300 Yonge Street, 26th Floor
Toronto ON M4P 1E5

Dear Mr. Zych:

Re: RP-2004-0196 – July 19th, 2004 invitation to comment on Board Staff's Discussion Paper: Implementation Plan for Smart Meters in Ontario.

Direct Energy is pleased to provide this letter of comment in response to the Board's July 19th, 2004 notice to interested parties in this proceeding. As invited in the notice, Direct Energy's comments herein will focus on the process for the inquiry as set out in the notice, and the scope of the discussion in Board Staff's paper; *Implementation Plan for Smart Meters in Ontario*.

The Process.

Direct Energy endorses the Board's process, as outlined in its July 19th notice. It is very helpful that the notice clearly sets out the process envisioned. The process set out strikes an appropriate balance between expedition and consultation. Direct Energy supports the formation and use of a balanced and representative working group supplemented with broader opportunity for input from all interested stakeholders.

Direct Energy also finds the release of a Board Staff paper very helpful in focusing discussions and comments.

The Scope.

Board Staff's July 19th discussion paper (the "*Paper*") contemplates an appropriately broad scope for this review. Direct Energy particularly endorses consideration of: i) relevant experience in other jurisdictions; ii) appropriate meter functionality; iii) unbundling of meter costs and the prospect of contestability of meter services; iv) federal requirements for meter certification and operation, and v) implementation priorities.

- i. **Relevant Experience in Other Jurisdictions.** Direct Energy supports consideration of the relevant experience in other jurisdictions in development and implementation of plans for smart meters. In our own experience, we have been able to take valuable lessons from other markets in which we operate.
- ii. **Appropriate Meter Functionality.** The *Paper* is suitably forward looking in respect of the energy use products and services that might be developed in future, and the technology required supporting such products and services. The review should include discussion of functionalities such as:
 - The "fineness" of the time intervals supported.
 - Bidirectional communication.
 - Open protocol systems to support meter/data access by a range of potential providers offering a range of potential products and services.
 - Real time information capabilities.

For example, Direct Energy Business Services currently provides load control services that rely on real-time meter monitoring and data communication to manage load. At present, these services are provided only following the installation of a second, more fully functional, meter along side the existing basic meter at the customer's premises. This redundant metering raises capital costs, thus precluding access to these more sophisticated services to all but the largest customers. Specifying as standard meters of sufficient functionality would allow service providers like Direct Energy to extend these load control services to smaller volume customers. The increased costs of the more complex meters should be considered in light of the long lifespan of new meters and the degree to which new meters will be able to support future value-added services such as those referenced above.

- iii. **Unbundling of Meter Costs and Contestability of Meter Services.** It is important to consider the unbundling of meter costs, quite apart from the need for such unbundling to direct meter cost recovery. Unbundling of metering service costs represents an extremely low cost initiative by which to establish transparency in meter costs. Transparency will, in turn, facilitate identification of opportunities for synergies and innovation in respect of metering services.
- iv. **Federal Requirements for Meter Certification and Operation (i.e. Measurement Canada Requirements).** It will be necessary to consider

regulatory requirements that may impact on implementation timing and costs of smart metering in Ontario. These include the potential for more frequent recertification requirements for smart meters as opposed to conventional meters, and the lengthy approvals process related to new devices.

- v. **Implementation Priorities.** The *Paper* fairly discusses implementation priorities with a view to maximizing initial benefits and minimizing costs through a strategic rollout. It may be appropriate to prioritize metering for consumers whose annual peak electricity consumption exceeds 50 kW, for new homes and in congested areas. At the same time, caution should be exercised so as not to erect barriers to early adopters or to private sector innovation through potential early new product offerings to a broader set of customers.

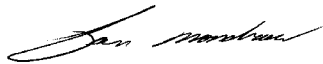
Conclusion.

Direct Energy appreciates this opportunity to provide comment on the process for, and the scope of, this review. We look forward to continued participation as the matter proceeds.

Yours truly,

DIRECT ENERGY MARKETING LIMITED

Per:

A handwritten signature in black ink, appearing to read 'Ian Mondrow', written in a cursive style.

Ian A. Mondrow

Vice-President, Government & Regulatory Affairs – Eastern Canada