Ontario Energy Association

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Peter H. O'Dell
Acting Board Secretary
Ontario Energy Board
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RP-2004-0196 – Ministers Directive on Implementing Smart Electricity Meters in Ontario

Dear Mr. O'Dell:

The OEA is pleased to respond to the Board's four-phase approach to fulfill the Minister's Directive on smart electricity meters and to comment on the Board's staff discussion paper.

A smart meter implementation plan must be carefully planned, tested and coordinated with an appropriate rate structure and other Demand Side Management measures. Implementation on anything like the scale envisaged by the Government is a very complex initiative. Effective implementation will require a substantial investment and the cooperation and full support of stakeholders. As the Board notes, it is vital to determine in advance the various functional options and targets, implementation and ongoing costs and benefits to consumers and to the entire system, how these costs will be funded, the barriers to implementation (e.g. shorter re-certification periods for electronic vs. electromagnetic meters) and how such barriers can be overcome.

In fact, we recommend that the Board have a standing policy of cost-benefit analysis in developing the business case for all such major proposed initiatives.

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Board's Approach

We support the Board's four-phased, consultative approach. The proposed working group(s) should be identified and established as soon as feasible. Although the focus is electricity metering, participation by experts from the Ontario natural gas industry should be encouraged so that the Board has the benefit of this knowledge, experience and foresight.

The OEA will be pleased to participate on the working group(s).

Board Staff Discussion Paper

The Board staff paper is comprehensive in scope and provides a good basis for discussion. It identifies the major questions that must be addressed.

A high priority is to decide the mandatory technical requirements that define a smart meter in Ontario. It is preferable that the specifications be flexible to accommodate the possibility of multiple competitive providers and a degree of anticipated technology improvement and sophistication. To be effective smart meters must accommodate pricing responsive to changes in demand and supply, and price changes must be visible so that the customer can respond in ways that are time metered, measurable and rewarded. Customer education and empowerment is vital. For lowest cost, we believe that meter procurement, installation and support should be competitive and advantage be taken of the potential for economies of scale. Of course, the pre-eminent requirement for energy conservation is for full cost pricing to customers, as promised by the Government.

A related priority is to discuss the technical requirements for the support operations of distributors. Without smart pricing combined with smart reading and billing systems, the smart meter, which we agree is simply a tool, cannot be effective. Given technical metering requirements and proposed rates structures, distributors can advise on the feasibility, costs and logistics of various levels of implementation, including the proposed interim targets when established. Distributors will continue to seek equitable and certain recovery of stranded asset costs, including those related to existing meters and systems.

The 800,000 meter installation target by December 31, 2007 is itself very ambitious. In setting interim targets it is likely that some customer groups, such as in the commercial and institutional sectors and customers in new residential subdivisions, would be earlier targets for pilots and implementation, while others such as those in remote communities might not be able to benefit. The potential for reducing system losses and congestion is also a consideration in target setting and ensuring benefits commensurate with costs.

The Board is required to present a smart meter implementation plan to the Minister by February 15, 2005 and a rates plan to take effect May 1, 2005. As stressed above, these two tasks are interrelated and complementary: smart metering must facilitate application of time of use rates that send the price signals necessary to reduce power consumption and also ensure that power costs are fully covered. At this juncture, these two activities appear to be running on separate tracks, but must come together at some point in the relatively near future.

The OEA will provide more detailed comments on implementation matters in the consultations.

Yours truly,

Bernard Jones
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