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VIA EMAIL & COURIER

August 13, 2004

Ontario Energy Board
P.O. Box 2319
2300 Yonge Street
26th Floor
Toronto, ON M4P 1E4

Attention: Peter H. O'Dell, Acting Board Secretary

Dear Mr. O'Dell:

RE: IMPLEMENTATION PLAN FOR SMART METERS IN ONTARIO (RP-2004-0196)

Rodan Meter Services Inc. ("Rodan") is pleased to be able to comment directly on OEB RP-2004-0196 "Implementation Plan for Smart Meters in Ontario." Rodan commends the Ontario Energy Board and the Minister of Energy for their progressive and thorough approach to developing an infrastructure and complimentary regulatory framework in Ontario that will enable energy consumers to manage demand for electricity in Ontario in order to make more efficient use of the current supply of electricity.

Rodan will draw on its experience as Ontario's leading Meter Service Provider ("MSP") licensed by the Independent Electricity Market Operator ("IMO") providing wholesale and retail metering and energy management solutions to generators, distributors and load consumers in all geographic regions of Ontario.

1. ESSENTIAL ELEMENTS OF AN IMPLEMENTATION PLAN

(a) Procurement Strategy

The OEB Staff Paper on Smart Metering states, "One of the ways to maximise economy of scale is through a comprehensive procurement strategy for meters and related technologies rather than having each distributor source its requirements separately." This creates a fundamental issue relating to consumer choice and best of class options. Commercial and industrial ("C&I") consumers have certain technological requirements to facilitate their energy management needs and would be prepared to pay the associated costs. Other C&I consumers with multiple locations across the province may want to standardize on a metering technology and communications platform together with a service provider that meets their metering and energy management requirements. Some residential energy consumers may, for example, wish to have bi-directional metering for solar panels that feed back to the grid or use their meter as a communication gateway. Customers may want certain characteristics that meet

their needs such as alarming, power quality, waveform capture, SCADA type functionality, real-time data capture through Ethernet protocol communication and other functionality. The purpose of the Government's smart metering initiative is to provide technologies to customers that will be utilized to facilitate better energy usage practices. The risk with a mass procurement strategy is it does not consider customer specific requirements and may not provide the appropriate tools to achieve the energy policy objectives of the Minister's directive.

Rodan recommends that the OEB establish a minimum hardware standard, whereby they would establish a Conforming Meter List by providing an up-to-date catalogue of the manufacturers and meters accepted by the OEB, and a Retail Revenue Metering Standard (Hardware) which would detail the requirements for metering installations for use in the OEB-Administered "smart metering" market. The OEB should provide consumers with the choice to acquire technology that meets or exceeds these minimum standards. This will lead to innovation and better utilization of the metering technology.

(b) Implementation priorities

Based upon our experience there are significant loads, especially in the C&I sector, that would see an immediate benefit by becoming early adopters and reduce the dissonance other slow adopters may have with this initiative.

(i) Over 50kW

All over 50kW loads should be the priority for meter installation. However, the technologies they are required to install must allow for maximum flexibility (choice and options) which are based upon minimum hardware standards for communication and data that have been sample tested by the OEB to verify that the meters are by design compatible with the OEB's metering communication facilities and software when the conditions of acceptance are met.

For this customer segment, the hardware standard should be designed so that it aligns with the IMO's hardware standard as many of these consumers may be candidates for participation in the IMO's wholesale market. There are advantages to participation in the wholesale market such as the ability to physically contract for power, demand response programs and embedded dispatchable load or generation programs. The IMO is currently contemplating a new standard for small (less than 2 MW) generation. This standard should be extended to load consumers and adopted by the OEB as a standard for consumers over 50 kW to facilitate better access to wholesale market participation and aggregation by energy consumers.

The OEB should also revisit the default application of total loss factors for embedded loads and generation. Under the present framework, distributors may charge a default loss factor for distribution system losses on loads that are connected on their distribution network. This costs many load customers several hundred thousand dollars per year and could be reduced significantly by allowing them to calculate line losses using engineering calculations which more accurately reflect the true losses on the distribution network to their metering installation.

(ii) Interim targets

As with the roll-out of the wholesale market upgrade in Ontario, the retail market may encounter numerous technical and regulatory challenges during the initial two years of the implementation plan. The first two years of the roll-out should be much slower and gradual - then rapidly ramped up after any initial difficulties are resolved. A reward and penalty strategy should be developed to motivate early adopters and those that meet the targets; and sanction those that do not comply with the requirements set by the OEB.

The challenge will be to further clarify and define implementation targets. To achieve these targets, local distribution companies ("LDCs") should be given maximum flexibility and encouraged to outsource the design, engineering, implementation, training, consumer education and ongoing maintenance of this new metering framework. LDCs should be permitted to allow contestability in their service territories for some or all of these services (including metering procurement and installation, and meter data management) and be permitted to divest themselves of the asset ownership and maintenance of metering.

To facilitate this process the OEB should develop a framework whereby OEB licensed retail metering service providers may carry out the specialized work of installing and maintaining metering installations. The LDC or metered market participant (depending on the framework adopted by the OEB and the LDC) and the Metering Service Provider are free to make any suitable commercial arrangement. The Retail Market Rules should require each metering service provider to qualify and be registered with the OEB (or its designate). This will mean a market that has numerous Metering Service Providers that are fully licensed and regulated in order to ensure a high standard of technical and regulatory competence in revenue metering.

(iii) Process driver

A retail metering system operator under the authority of the OEB could be a primary driver of the process. This entity may act as a regulatory body (similar to the IMO's Metering Group) that will review technical matters and oversee the regulatory framework for revenue metering in the retail electricity (and possibly the natural gas and water) marketplace. A retail metering system operator could enforce technical and regulatory standards, encourage implementation of smart metering technology and provide consumer protection and education.

2. COST RECOVERY

A pooled approach was used in the wholesale market, which may be modified for adoption in the retail marketplace. We agree that cost recovery methods should be pooled and distributed evenly across all customers in a class.

Many C&I customers currently receive a form of distinct meter charge for some of their metering services (although many services are still bundled into the distribution rate). A distinct credit system could be developed to facilitate the payment and roll-out of metering. Such a credit could be sufficient to cover minimum metering requirements but could also be used to off-set higher costs if a consumer chooses a higher standard or greater level of service from its provider.

Metering pools can be set-up and administered by third parties which, as a regulated and bankruptcy remote asset, could have a lower cost of capital than an LDC. Similar pools to those established for water heater rental equipment can be developed which may provide for rental and maintenance, whereby after a certain number of years (after seal expiry for example) a consumer could receive hardware and software upgrades as new technologies developed.

3. METERING FUNCTIONS

Feedback to customers regarding their consumption (whether in real-time or daily) is important to influence use. Information systems within a facility (enabled by Ethernet-type protocols, for example) or a graphical user interface providing usage and cost of usage information inside the home (enabled by power line carrier for example) are key to the success of this initiative. A metering standard should be designed to allow consumers to extract that data in a timely and economical manner. Bi-directional communication is critical in order to achieve such a result.

4. OWNERSHIP

Currently in Ontario's wholesale marketplace, metering ownership is the responsibility of the metered market participant (generator or consumer) and metering services are a contestable function. The idea of contestability of meter provision and service in Ontario was first broached by the original Market Design Committee – Final Report. In its report, the MDC recommended that retail metering be competitive for customers with loads greater than 50kW. The Retail Technical Panel recommended that "...ownership should be subject to review by the OEB three years after market opening..."

The unbundling of the provision of wholesale metering services and the allowance for open competition has resulted in a reduction as high as 70 percent in the cost of monthly maintenance and support services for Metered Market Participants (MMPs), or wholesale participants, who are also enjoying many more innovative service and technology offerings. Under the close scrutiny of the IMO, Rodan along with 13 other IMO licensed MSPs are competing for wholesale metering services.

Of particular note, Rodan is assisting an increasing number of wholesale metered customers with demand side management and demand response initiatives and more customers are beginning to embrace Enterprise Energy Management systems as a means by which to manage behaviour/consumption for electricity, gas and other pipe commodities such as water/wastewater. For the most part, this has been made possible because of the contestability of metering service and provision.

If the OEB intends to introduce meter contestability in Ontario to help achieve the smart meter targets for the commercial industrial and/or the residential sector, we recommend that the same be done for electricity, gas and other pipe commodities such as water/wastewater. This would facilitate one meter service provider at a facility or home and drive down the cost of service. Secondly, if the contestability of metering service is introduced, the OEB must overhaul the

current Affiliate Relationship Code to provide the necessary safeguards to govern the interaction between utilities and their affiliates in a competitive marketplace, to avoid market-power abuses and cross-subsidization between regulated and unregulated activities. This is necessary if the OEB wishes to encourage third party participation and a vibrant metering services marketplace.

At a minimum, we believe that the OEB should enable LDCs with ability to choose whether to allow for contestability of metering services within their service territory. LDCs should have a choice to open their service territory to contestability of meter service and provision, in addition to their ability to outsource services. Furthermore, LDCs should also have a choice and an appropriate regulatory process to divest or outsource their metering asset management to third parties. This may assist in providing possibilities for innovative third party funding, services and technologies.

5. OTHER CONSIDERATION – PRODUCTION AND INSTALLATION

The installation of metering and the provision of metering and data management services should be a licensed and regulated service. Metering service providers should be licensed and regulated based upon specified standards in order to act as an agent of the regulator and to ensure the integrity of metering in Ontario.

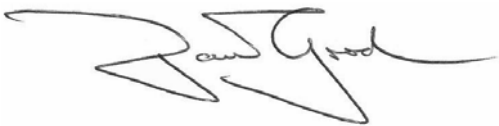
CONCLUSION

Rodan is very appreciative of the openly consultative manner the Government and OEB have adopted to move forward with the development of an implementation plan for smart meters in Ontario. As the only licensed MSP that is not LDC-affiliated, Rodan is keen to further participate through submission of written comments and in particular in any working group the OEB establishes. Furthermore, Rodan's staff have significant retail and wholesale revenue metering expertise of electricity, gas, and water commodities from both a technical (including engineering, data management and communications) and regulatory perspective.

Thank you for providing Rodan Meter Services Inc. an opportunity to participate in this consultative process.

Yours very truly,

RODAN METER SERVICES INC.

A handwritten signature in black ink, appearing to read "Paul M. Grod", with a stylized, flowing script.

Paul M. Grod
President