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Ontario Energy Board

Implementation Plan for Smart Meters in Ontario

**Comments on Ontario Energy Board Staff
Discussion Paper**

By Wirebury Connections Inc.

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On July 14th, 2004 the Minister of Energy sent the Ontario Energy Board a directive requiring the OEB to develop an implementation plan for the achievement of the Government of Ontario's smart meter targets. The government's targets that had previously been established called for the installation of 800,000 smart electricity meters by December 31, 2007 and the installation of smart meters for all Ontario customers by the end of 2010. The minister's directive required the OEB to consult with stakeholder with respect to the implementation plan. Consequently, on July 19th, 2004 the Ontario Energy Board initiated the consultation process and released a Discussion Paper on the Implementation Plan for Smart Meters in Ontario.

This Board's process requested comments with respect to its discussion paper

Wirebury Connections Inc. (Wirebury) is pleased to submit the following comments on some of the issues raised in Board Staff's Discussion Paper. Wirebury is a new business that was established in 2002 to operate in the deregulated electricity market in Ontario by offering electricity distribution service in the residential market.

Wirebury's business plan always included the use of interval electricity meters for its customers as it believed that this technology was the technology that would best address the changing Ontario market. Wirebury continues to hold this belief.

Technical Standards

Wirebury notes that the minister's directive, at paragraph 5, requires the OEB identify mandatory technical standards for smart meters. In order for the government to accomplish its objectives the smart meter technology must specify full interval meters. However, technology itself will not accomplish the

government's objectives. Smart meters are an enabling technology that allows customers to respond to appropriate price signals created through innovative rate design and pass through pricing. Therefore, the meter technology must be able to match the electricity pricing intervals from the IMO administered market in order to generate the appropriate price responses from the market and measure peak consumption to assist customers in reducing system demand.

Time of day pricing which could be considered to go some way towards moderating consumer demand should only be considered a transition to the closer alignment of consumption and price that interval data allows. Therefore the technology needed for time of day measurement should not be considered an option since it does not go far enough in driving out the needed market response. In fact, within the time of day pricing periods, there are frequently intervals where prices could be as low in the peak period as in the off period. Therefore customers could be economically constrained from time shifting consumption in the manner wanted by the government. Consequently, time of day technology will not result in the appropriate consumer behavior.

The technical requirements also indicate a need to provide for customer feedback. Such feedback will not get customers to respond to the price signals if they are not inclined to do so. Therefore additional technologies that facilitate certain elements of customer feedback and load control may best be left as options the customer can request in order for them to maximize the value of the meter technology.

Procurement Strategy

Board Staff, at page 10, suggest that centralized procurement might be a way to realize economies of scale in the procurement of smart meters and related technology. While bulk purchasing can result in economies of scale care must be exercised that it does not frustrate competition amongst manufacturers which would not be in the best interest of the market.

Competition in and of itself drives out economies and innovation. Focusing on a few suppliers in the early days of the government's plan would likely be premature. Metering technology is likely to continue to evolve and may not suit all distributors.

Single source procurement may also not result in the most efficient and lowest cost solution for all distributors since metering technology needs to be integrated into existing systems. Therefore, a distributor will want to look at the best overall solution for its respective circumstances.

Cost Recovery

At page 14 of its Discussion Paper the Board Staff speaks to the issue of cost recovery. This is really a transitional issue, i.e. how to recover cost of smart meters and their associated operating costs during that period when some customers have smart meters and others do not. Two suggestions are provided, to roll the cost into the distributors cost of service and recover the cost from all customers or the itemize a meter charge on the bill. Wirebury assumes that in the latter case the meter charge would only apply to those customers with a smart meter and thus could be considered a surcharge. Wirebury favours the surcharge approach.

Ongoing innovation should result in the lowering of metering costs on a going forward basis. Such cost reductions can be better reflected through the reduction in metering surcharges than through the rebalancing of rates which would be required if the cost of smart metering were simply rolled into distributors' cost of service.

A surcharge also provides consumers with a direct line of sight between their metering costs and the benefits that the advanced metering brings. It also would permit the promotion of specific initiatives from distributors or retailers to offset

the surcharge. Again the customer would directly see the benefit that they have derived from their smart meter.

Conclusion

In summary Wirebury is supportive of the government's plan to more broadly introduce smart metering into the electricity market place in Ontario. It is pleased to provide these brief comments and looks forward to providing additional input as the Board moves this important initiative forward.