



Ontario Energy Board Commission de l'énergie de l'Ontario

ORDER

EB-2015-0297

SMART METERING ENTITY

**Application for renewal of the Smart Metering Entity Licence and
the extension of agreements between the Smart Metering Entity
and Electricity Distributors**

BY DELEGATION BEFORE: Peter Fraser
Vice President
Industry Operations & Performance

January 26, 2016

INTRODUCTION AND SUMMARY

The Independent Electricity System Operator¹ applied to the Ontario Energy Board on November 13, 2015 under section 60 of the *Ontario Energy Board Act, 1998* for an order renewing the Smart Metering Entity licence (ES-2007-0750) and extending the agreements between the SME and local distribution companies (the “SME/LDC Agreements”).²

The current SME licence was issued on January 27, 2011 and, together with the SME/LDC Agreements, is set to expire on January 26, 2016. The applicant requested a renewal of the licence and the SME/LDC Agreements for a further five-year period and proposed a small number of editorial updates.

The OEB has considered the application without holding a hearing pursuant to section 6(4) of the OEB Act. The OEB finds the request for a renewal reasonable and the requested amendments to be appropriate. However, for the reasons cited below, the licence and the SME/LDC Agreements will be renewed until December 31, 2016.

FINDINGS

The SME was created through legislation passed in 2006 as amendments to the *Electricity Act, 1998*. Its objectives are set out in s. 53.8 of the *Electricity Act*, and they include the following:

2. To collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers’ consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data. ...
4. To provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the IESO and other persons,

¹ The Independent Electricity System Operator was designated as the Smart Metering Entity by Ontario Regulation 393/07 made under the *Electricity Act, 1998*.

² The application also included a request for an order to dispose of the balance of the SME’s Service Levels Credit Account for the period from May 1, 2013 to December 31, 2014. This disposition request is in accordance with the Accounting Order dated May 14, 2013, which requires that the balance be disposed at the earlier of i) the date on which the balance meets or exceeds \$2 million; or ii) January 26, 2016. This aspect of the application is rates-related and will be addressed by a separate order of the Ontario Energy Board (EB-2015-0298).

- i. to the information and data referred to in paragraph 2, and
- ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies.

Since that time much has been achieved related to the establishment of the SME as an institution in Ontario's electricity sector: the IESO was designated as the SME by regulation in 2007, a governance structure was established, and investments in the necessary data infrastructure – the Meter Data Management Repository (MDM/R) – have been made. The SME currently processes and manages the smart meter data to support local distribution companies' billing of electricity consumers and, since 2013, the costs associated with that infrastructure and activity have begun to be recovered from electricity consumers. The SME is obliged to report quarterly to the OEB on the MDM/R operating performance. The latest report (covering the period July through September 2015) indicates a high level of performance.

While the SME is functioning, it has yet to achieve the value inherent in a single provincial repository of electricity consumption data from over 4 million smart meters. The value of a province-wide database of customer consumption data would support many activities at the provincial or regional level including, among others: the design of conservation and demand management programs, the assessment of the effectiveness of time of use pricing, the design of distribution rates and time of use prices, and the regional planning of transmission and distribution systems. Indeed, it has been the OEB's experience that the limited data provided to the SME pursuant to the SME/LDC agreement has slowed the OEB's work, particularly in the areas of time of use pricing and rate design.

As well, the OEB has long recognized that there are potentially much greater benefits to consumers from this consumption data, in particular by making non-personal information available to third parties to assist them in developing new innovative products and services that will enhance customer choice and control. In 2013, as part of its Renewed Regulatory Framework for Electricity Distributors, the OEB issued a report on the Smart Grid³ which recognized the opportunity for innovation that the MDM/R data represented, and recommended that the SME investigate opportunities for providing third party access to non-personal, generic data.

³Report of the Board, [Supplemental Report on Smart Grid](#), EB-2011-0004, February 11, 2013.

The IESO has attempted to address both of these areas of concern in 2015 through the development of the Foundation Project, which issued its final report in November of 2015⁴. The report was the result of an extensive stakeholder engagement and made recommendations relating to information that is to be provided (address and occupant change information), and a framework for third party access to suitably depersonalized data. The report did not, however, include an implementation plan, noting that costs had not yet been assessed and, more importantly, that the recommendation to pair consumption information with addresses would raise privacy concerns.

One of the major constraints in achieving the full potential of the MDM/R is the limited amount of customer information required to be supplied by the local distribution companies to the MDM/R. Thus, for example, it is not possible with certainty to determine whether data from a particular meter comes from a residential or a business customer. Moreover, there is no locational information provided of any kind, nor is there information relating to whether a customer is in fact on time of use pricing offered by the Regulated Price Plan (RPP) or is served by a retailer. Without this information, the current MDM/R database cannot be used for the broader purposes for which it was intended. The SME does not have access to the data necessary for it to discharge fully its mandate.

The IESO's Foundation Project had the stated intent of addressing these shortcomings and consulted with stakeholders before reaching its recommendations. However, the recommendation to include address information has raised privacy concerns. In fact, it is possible to get useful locational information without the street address, thereby eliminating privacy concerns. For example, Statistics Canada routinely makes available income and other household data available by postal code. This application contains no mention of the Foundation Project recommendations, or how they would be implemented. It is unclear based on this application when the SME will move forward with these recommendations and enable the MDM/R to realize its potential.

Innovation is about creating new value. The SME, through its provision of reliable provincial energy consumption data from over 4 million meters, was in part established to provide an opportunity for provincial electricity agencies, individual local distribution companies, and third parties seeking to create new value to benefit consumers. Ontario's head start on smart meters is an opportunity that could be leveraged to enhance innovation. The opportunity must be pursued in a more timely way. The OEB is of the view that closer regulatory scrutiny is required to ensure that the SME move with increased speed to enhance the value of the MDM/R data.

⁴ Independent Electricity System Operator, [Foundation Project Final Report](#), November 4, 2015.

The OEB therefore:

1. Renews the licence of the Smart Metering Entity and the associated SME/LDC Agreements until December 31, 2016 rather than the five year period requested.
2. Requires that the Smart Metering Entity shall, effective January 1, 2017, collect the following information associated with each meter (modified where necessary to sufficiently render it non-personal information):
 - a. The postal code.
 - b. The distributor rate class.
 - c. The commodity rate class.
 - d. Occupant change data.
3. Requires the Smart Metering Entity to prepare an implementation plan to be included with its next application for a licence renewal.

The next SME licence application will need to be filed prior to the date these changes are to be implemented. The OEB also expects that the next licence application will address the SME's implementation plan with respect to third party access to this enhanced SME data, including an assessment of the cost implications.

Finally, the OEB will be launching a policy review shortly to determine the best regulatory mechanisms, such as the amendment of the SME licence and corresponding amendments to the LDC licences, to ensure that the SME has adequate information to carry out its mandate. The SME and other parties will be notified when the OEB proceeds with this initiative.

IT IS ORDERED THAT:

1. The application to renew the Smart Metering Entity licence and to extend the expiry date of the SME/LDC Agreements is granted, on such conditions as are contained in this Order.

DATED at Toronto January 26, 2016

ONTARIO ENERGY BOARD

Original signed by

Peter Fraser
Vice President, Industry Operations & Performance



Smart Metering Entity Licence

ES-2007-0750

Valid Until
December 31, 2016

Original signed by

Peter Fraser
Vice President, Industry Operations & Performance
Ontario Energy Board

Date of Issuance: January 26, 2016

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1 Definitions

1.1 In this Licence:

"**Act**" means the *Ontario Energy Board Act, 1998*, S.O. 1998, c. 15, Schedule B;

"**Board**" means the Ontario Energy Board;

"**Distributor**" means a person who owns or operates a distribution system;

"**Electricity Act**" means the *Electricity Act, 1998*, S.O. 1998, c. 15, Schedule A;

"**IESO**" means the Independent Electricity System Operator;

"**IESO-controlled grid**" means the transmission systems with respect to which, pursuant to agreements, the IESO has the authority to direct operations;

"**Licensee**" means the Smart Metering Entity;

"**Market Rules**" means the rules made under section 32 of the Electricity Act;

"**Rate Order**" means an order or orders of the Board establishing rates the Licensee is permitted to charge;

"**Regulations**" means regulations made under the Act or the Electricity Act;

"**Retailer**" means a person who retails electricity; and

"**Smart Metering Entity**" means the smart metering entity established under Part IV.2 of the Electricity Act, or more specifically, the IESO which is designated as the Smart Metering Entity by Ontario Regulation 393/07.

2 Interpretation

2.1 In this Licence, words and phrases shall have the meaning ascribed to them in the Act or the Electricity Act. Words or phrases importing the singular shall include the plural and vice versa. Headings are for convenience only and shall not affect the interpretation of the Licence. Any reference to a document or a provision of a document includes an amendment or supplement to, or a replacement of, that document or that provision of that document. In the computation of time under this Licence, where there is a reference to a number of days between two events, they shall be counted by excluding the day on which the first event happens and including the day on which the second event happens and where the time for doing an act expires on a holiday, the act may be done on the next day that is not a holiday.

3 Authorization

3.1 The Licensee is authorized, under Part V of the Act, to exercise its powers and perform its duties under the Act or under the Electricity Act subject to the terms and conditions set out in this Licence.

3.2 The Licensee is authorized to require licensed Distributors to enter into an agreement with the Licensee. The agreement shall set out the respective roles and responsibilities of the Distributor and the Licensee in relation to metering and the information required to be exchanged to allow for

the conduct of these respective roles and responsibilities. The agreement must be approved by the Board before the Licensee can require licensed Distributors to sign the agreement.

4 Obligation to Comply with Legislation, Regulations and Market Rules

4.1 The Licensee shall comply with all applicable provisions of the Act, the Electricity Act, and the Regulations.

4.2 The Licensee shall comply with all applicable Market Rules.

5 Rates

5.1 The Licensee shall not charge for meeting its obligations under the Act or under the Electricity Act except in accordance with a Rate Order of the Board, or as permitted by law.

6 Non-Discriminatory Access

6.1 The Licensee shall provide and promote non-discriminatory access by Distributors, Retailers, the IESO, and other persons to the Licensee's:

- (a) information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from Distributors; and
- (b) telecommunication system that permits the Licensee to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies, in accordance with the terms of this licence.

7 Separation of Business Activities and Accounting

7.1 The Licensee shall keep its financial records associated with the smart metering initiative separate from the IESO's financial records associated with other IESO activities, unless otherwise required or authorized by the Board.

7.2 The Licensee shall maintain proper books of account and adhere to generally accepted accounting practices, and shall maintain such financial records or accounts as the Board may require. The Licensee shall notify the Board of any material change to its accounting procedures.

8 Provision of Information to the Board

8.1 The Licensee shall provide, in the manner and form determined by the Board, such information as the Board may require from time to time.

8.2 Without limiting the generality of paragraph 8.1, the Licensee shall:

- (a) provide such information as the Board may require from time to time to enable the Board to monitor the Licensee's compliance with the conditions of this Licence and any other legislative or regulatory requirements set out in this Licence;
- (b) notify the Board of any material change in circumstances that adversely affects or is likely to adversely affect the Licensee's ability to comply with this Licence, its financial integrity, or its ability to carry out its responsibilities under the Act or the Electricity Act, as soon as practicable after the occurrence of any such change, but in any event within fifteen days of the date upon which such change becomes known to the Licensee; and

- (c) provide the Board with a description of any processes established by the Licensee under section 53.14 of the Electricity Act and any changes to such processes.

9 Restrictions on Provision of Information

- 9.1 The Licensee shall not use information regarding a Distributor, consumer, Retailer, or any other person obtained for one purpose for any other purpose without the written consent of the consumer, Retailer, or other person.
- 9.2 The Licensee shall not disclose information regarding a Distributor, consumer, Retailer, or any other person to any other party without the written consent of the Distributor, consumer, Retailer, or other person, except where such information is required to be disclosed:
 - (a) to comply with any legislative or regulatory requirements, including the conditions of this Licence;
 - (b) for purposes related to billing, settlement, market operations, and other statutory objects of the IESO; or
 - (c) for law enforcement purposes.
- 9.3 The Licensee may disclose information regarding Distributors, consumers, Retailers, or any other person where the information has been sufficiently de-identified such that the Distributors', consumers', Retailers', or other person's particular information cannot reasonably be identified.
- 9.4 The Licensee shall inform Distributors, consumers, Retailers, and any other person of the conditions under which their information may be released to a third party without their consent.
- 9.5 If the Licensee discloses information under this section, the Licensee shall ensure that the information provided will not be used for any other purpose except the purpose for which it was disclosed.

10 Term of Licence

- 10.1 This Licence shall take effect on January 26, 2016 and terminate on December 31, 2016. The Board may extend the term of this Licence.

11 Fees and Assessments

- 11.1 The Licensee shall pay all fees charged to it by the Board and all amounts assessed to it by the Board.

12 Communication

- 12.1 The Licensee shall designate a person that will act as a primary contact with the Board on matters related to this Licence. The Licensee shall notify the Board promptly should the contact details change.
- 12.2 All official communication relating to this Licence shall be in writing.
- 12.3 All written communication is to be regarded as having been given by the sender and received by the addressee:
 - (a) when delivered in person to the addressee by hand, by registered mail or by courier;

- (b) ten (10) business days after the date of posting if the communication is sent by regular mail; and
- (c) when received by facsimile or electronic transmission by the addressee, according to the sender's transmission report.

13 Copies of the Licence

13.1 The Licensee shall:

- (a) make a copy of this Licence available for inspection by members of the public at the Licensee's head office during normal business hours; and
- (b) provide a copy of this Licence to any person who requests it.

13.2 The Licensee may impose a fair and reasonable charge for the cost of providing the copies referred to in section 13.1(b).

14 Dispute Resolution

14.1 The Licensee shall:

- (a) have a process for resolving disputes with Distributors, consumers, Retailers, and any other person that deals with disputes in a fair, reasonable and timely manner;
- (b) publish information which will make Distributors, consumers, Retailers, and any other person aware of, and help them to use, the dispute resolution process;
- (c) make a copy of the dispute resolution process available for inspection at the Licensee's head office during normal business hours; and
- (d) give or send, free of charge, a copy of the process to any person who reasonably requests it.