

OEB STAFF INTERROGATORY 1

1.0 Staff – 1

INTERROGATORY

Reference: Exhibit B, Tab 1, Schedule 1, Page 1 of 8

Preamble:

At Exhibit B, Tab 1, Schedule 1, Page 1 of 8, the SME states:

“The SME recognizes that additions and upgrades to hardware and software solutions will be undertaken during the January 1, 2018 to December 31, 2022 period and these costs are properly attributed to and recovered during this time period.”

Questions:

- a. The budget table entitled “Smart Metering Budget: 2018 – 2022” at Exhibit B, Tab 1, Schedule 1, Page 1 of 8 has been extracted and is shown as Figure 1. As demonstrated in Figure 1, the SME forecast that costs associated with hardware and software upgrades will be incurred during the 2018-2020 period. Please confirm that the SME will not incur any IT related upgrade costs in 2021 or 2022.

Figure 1: Smart Metering Budget: 2018-2022

Total Operating Budget	28.8	28.8	30.0	29.3	29.4	146.3
Total MDMR 8.x Upgrade Budget	17.2	6.6	1.0	-	-	24.8
Total Uncollected SME Debt	1.4	1.4	1.4	1.4	1.4	7.0
Total Smart Metering Budget	47.4	36.8	32.4	30.7	30.8	178.1

RESPONSE

- a. The costs associated with the proposed hardware and software refresh as part of the major Meter Data Management MDM/R 8.x Upgrade will be incurred during the 2018-2020 period. There are provisions for other IT changes throughout the 2018-2020 period which are included in the MDM/R Change Initiative budget as described on page 4 of Exhibit B-1-1. These provisions will support new functionality to the MDM/R if required, change requests from LDCs, minor upgrades and enhancements to ServiceNow, the helpdesk and incident

1 management tool used to support the LDCs, and enhancements to the DataMart repository
2 used for LDC extracts and reports.

1 OEB STAFF INTERROGATORY 2

2 **1.0 Staff – 2**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 4 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 4 of 8, the SME states:

7 “The MDM/R Change Initiative budget includes provisions for MDM/R upgrades,
8 maintenance, and changes outside of the operating costs of the MDM/R. This includes
9 change requests from LDCs, costs associated with facilitating LDC mergers, and new
10 initiatives similar to those described in Exhibit B-4-1, MDM/R Governance and Ongoing
11 Stakeholder Outreach.”

12 Questions:

- 13 a. The table presented in this section of the SME’s application demonstrates that a budget of
14 \$15.0 million has been assigned to various MDM/R activities, including upgrades. Please
15 clarify how this budget differs from the MDM/R 8.X upgrade budget of \$24.8 million
16 presented at Exhibit B, Tab 1, Schedule 1, Page 5 of 8.
- 17 b. Who is responsible for covering the costs of MDM/R changes required to support LDC
18 mergers or CIS upgrades?
- 19 i. If applicable, what process is used to allocate and recover costs incurred by the SME to
20 support mergers from LDCs?

21 RESPONSE

- 22 a. The MDM/R 8.x upgrade budget of \$24.8 million is a one-time cost for the major upgrade of
23 the Meter Data Management solution to the latest vendor-supported solution. As stated in
24 response to BOMA Interrogatory 3 at Exhibit I, Tab 1.0, Schedule 2.03 BOMA 3, the existing
25 hardware, software and infrastructure for the MDM/R were implemented in 2013. While the
26 current performance and availability levels are still at their highest levels, many components
27 of the hardware and software solution will not be supported by the vendor after 2020. To
28 maintain these high performance and availability levels in support of the LDCs time of use
29 billing functions, it is imperative that the MDM/R systems remain fully supported by the
30 vendor so that the latest security patches and updates are available and implemented.

- 1 As described on page 4 of Exhibit B-1-1 and as quoted above, the MDM/R Change Initiative
2 Budget of \$15 million is for, amongst other things, *“other MDM/R upgrades, maintenance,*
3 *and changes outside of the operating costs of the Meter Data Management system.”* These
4 changes could include new functionality to the MDM/R if required, change requests from
5 LDCs, minor upgrades and enhancements to ServiceNow, the helpdesk and incident
6 management tool used to support the LDCs, and enhancements to the DataMart repository
7 used for LDC extracts and reports.
- 8 b. As described on page 4 of Exhibit B-1-1, the SME funds the costs of any MDM/R changes to
9 support LDC mergers through the SME’s MDM/R Change Initiative Budget. To date there
10 have been no MDM/R changes needed to support LDC CIS upgrades. If there were any such
11 requests in the future, changes to the MDM/R required to support CIS upgrades would be
12 funded through the MDM/R Change Initiatives Budget.
- 13 i. The SME does recover costs incurred by the SME to support LDCs mergers, provisions
14 for LDCs mergers over the next budget cycle are included in the MDM/R Changes
15 budget category.

1 OEB STAFF INTERROGATORY 3

2 **1.0 Staff – 3**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 5 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 5 of 8, the SME states:

7 “This project will position the MDM/R with a simpler architecture to safeguard against
8 future increases in the costs of maintaining and operating the MDM/R.”

9 At Exhibit B, Tab 1, Schedule 1, Page 5 of 8, the SME states:

10 “No provision has been made for material changes to the MDM/R or its operation.”

11 Question:

- 12 a. Please clarify these statements given the significant investments occurring to the MDM/R
13 through completion of the \$24.8 million MDM/R 8.X upgrade.

14 RESPONSE

- 15 a. The first quotation, “This project will position the MDM/R with a simpler architecture to
16 safeguard against future increases in the costs of maintaining and operating the MDM/R”
17 refers to the MDM/R 8.x upgrade project. This project will allow the SME to continue to
18 provide high levels of service to LDCs without changes to how the LDCs interact with the
19 SME. Rather, the MDM/R 8.x Upgrade will move the MDM/R to the latest version of the
20 EnergyIP platform and upgrade the associated database. The architecture will be based on
21 the Linux Operating System on an Intel platform with the Oracle 12c database. The Linux
22 Operating System is an open source system that allows for a simpler, more robust, and
23 ultimately lower cost architecture than other options.

24 The second quotation “No provision has been made for material changes to the MDM/R or
25 its operation” refers to any changes in the processes and procedures of the MDM/R
26 operations and its functions as they relate to the delivery of the core functions of data
27 processing in support of time of use billing for the LDCs as service recipients.

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1 OEB STAFF INTERROGATORY 4

2 **1.0 Staff – 4**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 4 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 4 of 8, the SME states:

7 “The operating and administration costs of the SME include...computer hardware and
8 software costs, training and other staff expenses.”

9 Question:

10 The description of Operating & Administration costs found in the above referenced statement
11 indicate that these costs are necessary to support, amongst other areas, SME hardware and
12 software requirements. How are these costs different from those costs described in the MDM/R
13 Change Initiative Budget and MDM/R 8.X Upgrade budget?

14 RESPONSE

15 The MDM/R Change Initiative Budget and MDM/R 8.X Upgrade budget refer to the costs to run
16 and maintain the Meter Data Management System, the MDM/R DataMart, and the ServiceNow
17 incident management tool; all used to support the meter-to-bill processes for the LDCs.

18 The “computer hardware and software costs” that is part of the operating and administration
19 budget refers to the desktop computers, laptops, printers, network equipment and associated
20 software that are used for the administration and office functions of the SME staff.

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1 OEB STAFF INTERROGATORY 5

2 **1.0 Staff – 5**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 3 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 3 of 8, the SME states:

7 “The SME currently has 17 FTEs and is proposing to add up to three FTEs over the
8 budgeting period, with one FTE added in each of 2018, 2019 and 2020, as needed.”

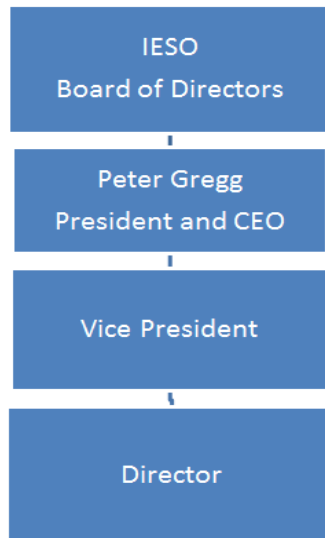
9 Questions:

- 10 a. Please provide the SME’s organizational chart, including demonstration of the SME’s
11 reporting relationship(s) to the IESO.
- 12 b. Please provide the needs assessment undertaken by the SME that supports the requirement
13 of adding three new staff.
- 14 c. Did the SME receive internal approval for these three additional staff? If so, who provided
15 approval and what process was followed to attain it?
- 16 d. What would the implications be were the OEB to deny the approval of some of those
17 proposed incremental FTEs?

18 RESPONSE

- 19 a. The following diagram depicts the SME management and the reporting relationship to the
20 IESO’s CEO and Board of Directors:

Smart Metering Entity Organization Chart and Reporting Relationship to the IESO



1

- 2 b. As stated on page 3 of Exhibit B-1-1, the incremental FTEs will help support third-party
3 access and other change initiatives, and will only be added as needed. The three new FTEs
4 are proposed based on the projected workload over the next five years, and include
5 estimates for potential new projects such as net metering, as well as projections to support
6 third party requests for data. The actual incremental FTE requirements will depend upon
7 work requirements, the volume and complexity of the data requests associated with third
8 party access and any new MDM/R projects as they may arise.
- 9 c. These new FTE positions are pending approval from the OEB via the present new SME fee
10 application. Assuming the OEB approves the FTE positions IESO senior management
11 approval for these new positions will be required when the need is firmly identified and
12 prior to beginning the hiring process.
- 13 d. If the OEB were to deny the approval of the budget required for some of the additional
14 FTEs, the SME may need to delay, cancel or not undertake certain projects as described
15 above and reprioritize others. The SME is already quite stretched in the delivery of its
16 current functions which have grown over time with the undertaking of the OEB Orders
17 implementation and new ad hoc projects (such as LDCs mergers, the deployment of the
18 MDM/R DataMart, or feasibility studies on new projects such as net metering), while the
19 staff levels have not been adjusted accordingly.

1 OEB STAFF INTERROGATORY 6

2 **1.0 Staff – 6**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 3 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 3 of 8, the SME states:

7 “The compensation and benefits costs include the SME’s costs to perform services
8 pertaining to the operation of the MDM/R, including on-boarding and supporting LDCs,
9 overseeing the Operational Service Provider’s (‘OSP’ - IBM) support of the MDM/R,
10 managing the design, testing and implementation of changes to the MDM/R, LDCs
11 communications and training, and all of the other required functions of the SME.”

12 Questions:

13 The table presented in this section of the SME’s application demonstrates a 5-year employee
14 compensation budget of \$19.4 million. Based on the SME’s proposed budget and staffing
15 requirements, average all-in compensation (i.e., salary plus benefits) for SME staff ranges from
16 \$194,444 in 2018 to \$210,000 in 2022.

- 17 a. Please provide annual staff compensation separated between salary and benefits.
- 18 b. Please provide average staff compensation (both salary and benefits) for 2016 and 2017. If
19 applicable, why does the compensation range for the 2018-2022 period vary from 2016-2017
20 levels?
- 21 c. Has the SME completed a compensation benchmarking study specifically for SME staff? If
22 so, were the results of the study used to establish the proposed compensation levels?
- 23 d. Through its application, the SME has indicated that additional resource costs will be
24 incurred through use of IESO staff.
- 25 i. What is the full-time equivalent (FTE) of these staff?
- 26 ii. Please provide a specific budget for these resources and provide another table
27 demonstrating FTEs, compensation and benefits of all resources required to implement
28 SME functions.
- 29 e. In its 2017 Revenue Requirement Application (EB-2017-0150), the IESO indicated that
30 average all in compensation for employees over the 2017-2019 period ranged from

1 approximately \$153,370 to approximately \$150,529, respectively (reference: Exhibit A-2-2,
2 Page 13 of 31 within EB-2017-0150).

3 i. Please describe the drivers for the variance in compensation between IESO and SME
4 staff.

5 ii. Please clarify why average all-in IESO compensation reduces over the 2017-2019 period
6 while SME compensation increases.

7 RESPONSE

8 The breakdown of the compensation and benefit budget is as follows:

Compensation & Benefits (In millions of dollars)	2018	2019	2020	2021	2022
SME Labour - Regular Staff	3.0	3.2	3.5	3.6	3.7
SME Labour - Students	0.1	0.1	0.1	0.1	0.1
SME Overtime	0.2	0.2	0.1	0.1	0.1
IESO Shared Services	0.2	0.2	0.2	0.2	0.2
Compensation & Benefits Total	3.5	3.7	4.0	4.1	4.2

9
10 a. The budgeted SME labour costs split between salary, benefits and pension for 2018 – 2022
11 are in the table below.

SME Labour - Regular Staff (In millions of dollars)	2018	2019	2020	2021	2022
SME Salary	2.3	2.5	2.7	2.8	2.9
SME Benefits	0.5	0.5	0.6	0.6	0.6
SME Pension	0.2	0.2	0.2	0.2	0.2
SME Labour - Regular Staff Total	3.0	3.2	3.5	3.6	3.7

12
13 b. The actual SME labour costs split between salary, benefits and pension in 2016 and 2017 are
14 in the table below.

SME Labour - Regular Staff (In millions of dollars)	2016	2017
SME Salary	1.9	1.9
SME Benefits	0.4	0.4
SME Pension	0.3	0.2
SME Labour - Regular Staff Total	2.5	2.5

15
16 The average compensation range for the 2018 – 2022 level is in line with the 2016 and 2017
17 levels. In comparing the average compensation from 2016 – 2022, there is an average annual

1 increase of 3% per year, mostly driven by negotiated increases due to collective agreements
2 with union staff.

Year	Total Compensation (In millions of dollars)	FTEs	Avg Compensation
2016*	2.5	15.5	162,692
2017*	2.5	15.0	169,175
2018	3.0	18.0	165,559
2019	3.2	19.0	170,264
2020	3.5	20.0	175,128
2021	3.6	20.0	180,382
2022	3.7	20.0	185,794

3
4 * In 2016 and 2017, the budgeted FTEs were 17. In 2016 and 2017 the SME was under its
5 budgeted FTEs due to vacancies. The SMEs actual FTE for 2016 was 15.5 FTEs and in 2017
6 was 15.0 FTEs.

7 c. A compensation study performed specifically for SME staff has not been completed. All
8 dedicated SME staff are IESO staff. SME staff are organizationally separated from the IESO
9 and their compensation costs are recovered through the SME fee rather than the IESO's
10 usage fees. IESO staff, including SME staff, compensation levels are set by the IESO. SME
11 staff promotions and or salary increases are managed by SME management.

12 As part of the settlement agreement reached between parties in the IESO's 2017 Revenue
13 Requirement Submission (EB-2017-0150) the IESO agreed to undertake a total compensation
14 study and file this with its 2019 Revenue Requirement Submission. The exact wording of the
15 settlement on this is:

16 *The IESO has agreed to conduct a total compensation study, including all components of*
17 *compensation and benefits, for its represented and non-represented staff, excluding the*
18 *IESO executives. IESO executives are excluded from the study as the IESO is already*
19 *conducting an executive compensation benchmarking study as part of the development of*
20 *its Executive Compensation Framework in accordance with the Broader Public Sector*
21 *Executive Compensation Framework regulation (O. Reg. 304/16) which came into force*
22 *in 2016 for implementation in 2017. The IESO will hire a third-party consultant to*
23 *undertake the study of represented and non-represented staff in 2018 to ensure that the*
24 *most recent market data is used and will file the study in its 2019 Revenue Requirement*
25 *Submission.*

1 d. i) In the SME budget, a provision was made for services provided by IESO staff to the SME,
 2 called "IESO Shared Services". This includes finance, human resources, information and
 3 technology, regulatory and legal staff. IESO shared services has been budgeted as a fixed
 4 amount each year which is estimated at approximately 1.5 FTEs annually.

5 ii) The budgeted IESO Shared Services costs split between salary, benefits and pension for
 6 2018 – 2022 are in the table below:

IESO Shared Services (In millions of dollars)	2018	2019	2020	2021	2022
IESO Shared Services Salary	0.18	0.19	0.19	0.19	0.19
IESO Shared Services Benefits	0.04	0.04	0.04	0.04	0.04
IESO Shared Services Pension	0.02	0.01	0.01	0.01	0.01
IESO Shared Services Total	0.24	0.24	0.24	0.24	0.24

8 The total resource budget (SME staff + IESO Shared Services) costs split between salary,
 9 benefits and pension for 2018 – 2022 are in the table below:

Total Resource Cost (In millions of dollars)	2018	2019	2020	2021	2022
Total Resource Cost Salary	2.5	2.7	2.9	3.0	3.1
Total Resource Cost Benefits	0.5	0.6	0.6	0.6	0.7
Total Resource Cost Pension	0.2	0.2	0.2	0.2	0.2
Total Resource Cost Total	3.2	3.5	3.7	3.8	4.0

10

11 e. i) The average compensation (salary + benefits) values for SME staff for the budget period
 12 2018 – 2022, is in the table below:

Year	Total Compensation (In millions of dollars)	FTE	Avg Compensation
2018	3.0	18.0	165,559
2019	3.2	19.0	170,264
2020	3.5	20.0	175,128
2021	3.6	20.0	180,382
2022	3.7	20.0	185,794

13

14 The main driver for the increase in average salary in comparison to the IESOs business plan
 15 is resource mix. Given the highly specialized nature of the SME operation, the SME staff is
 16 comprised of more senior employees, with fewer reporting staff, proportionately, compared
 17 to the rest of the IESO.

1 ii) The SME average compensation costs are increasing year-over-year due to salary
2 escalations.

3 The IESOs average compensation costs are also increasing year-over-year due to salary
4 escalations. The values below are from the IESOs 2017 – 2019 business plan which show
5 average compensation increasing in each planning year.

Description	2017	2018	2019
Compensation & Benefits (in millions of dollars)	109.2	110.7	113.8
Core FTEs	687	685	681
Average Compensation & Benefits (in dollars)	158,952	161,606	167,107

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OEB STAFF INTERROGATORY 7

1.0 Staff – 7

INTERROGATORY

Reference: Exhibit B, Tab 3, Schedule 1, Page 1 of 5

Preamble:

At Exhibit B, Tab 3, Schedule 1, Page 1 of 5, the SME states:

“Revenue Account: The projected balance in the Revenue Account as of December 31, 2017 is a deficiency of \$32.6 million. The projected revenue deficiency is a result of the discrepancy between the revenue requirement period approved in EB-2012-0100/EB-2012-0211 (up to December 31, 2017) and the collection period for the SMC (May 1, 2013 to October 31, 2018). Under the current SMC, the SME is forecast to collect a total of \$248.6 million by October 31, 2018.”

The Revenue Account budget table demonstrated at Exhibit B, Tab 3, Schedule 1,

Figure 2: Revenue Account Balance

(In millions of dollars)	2016 Life-to-Date*	2017 Projected	2018	2013 - 2017 OEB Approved Budget
Revenue - Actual	168.7	47.3	-	216.0
Revenue - Budget	165.8	45.2	37.7	248.6
Cost Account Balance	3.0	2.1	37.7	(32.6)

* As reported in the 2016 Annual Cost Variance Account Report to the OEB

Page 2 of 5 has been extracted and is shown as Figure 2.

Questions:

- a. Please explain why the Costs Account includes a projected balance as of December 31, 2017 while the Revenue Account includes a revenue forecast up to October 31, 2018.
- b. Please explain why it is appropriate to recognize forecast revenue in 2018 as part of the uncollected SME debt and include 2018 revenues as part of the recovery of the revenue requirement over the 2018-2022 period.

1 RESPONSE

2 a. The Cost Account tracks the actual and budgeted operating costs of the SME from
3 January 1, 2013 to December 31, 2017. The budgeted operating cost for the SME during this
4 period was \$148.5 million.

5 The Revenue Account tracks the actual and budgeted revenue requirement of the SME from
6 January 1, 2013 to December 31, 2017, to be collected through the currently approved SMC
7 of \$0.79/meter/month from May 1, 2013 to October 31, 2018. The budgeted revenue
8 requirement for the SME during the period is \$248.6 million, which represents
9 \$148.5 million in operating costs and \$100.1 million in SME debt recovery.

10 b. The \$37.7 million of 2018 budgeted revenues is included in the budgeted revenue
11 requirement for the SME as noted in part a. Excluding this amount will not give a true
12 picture of the revenue variance at the end December 31, 2017. Total revenue budget is
13 \$248.6 million (including the \$37.7 million), while the total revenue collected at the end of
14 December 31, 2017 will be \$216.0 million. This has resulted in a revenue variance of
15 (\$32.6) million due to uncollected revenue.

16 The current forecast for the December 31, 2017 balance of the uncollected SME debt is
17 \$4.5 million, \$2.5 million less than forecast in the August 31, 2017 application due to cost
18 savings in Q3 and Q4 2017.

19 The \$4.5 million is the sum of the balances in the Cost and Revenue Accounts.

- 20
- 21 • The balance in the Cost Variance account is \$28.1 million, which represents cost savings
22 against a budget of \$148.5 million.
 - 23 • The balance in the Revenue Variance account is (\$32.6) million, which represents
24 revenue uncollected against a budget of \$248.6 million.
 - The remaining SME debt to be collected in the 2018 – 2022 rate case is \$4.5 million.

1 OEB STAFF INTERROGATORY 8

2 **1.0 Staff – 8**

3 INTERROGATORY

4 Reference: Exhibit C, Tab 1, Schedule 1, Pages 1 through 8

5 Preamble:

6 At Exhibit B, Tab 3, Schedule 1, Page 6 of 8, the SME states:

7 “The Roadmap aligns to the existing Third-Party Access Framework, design principles,
8 and project schedule as submitted to the Board in September 2016 as a part of the SME’s
9 licence renewal application (EB-2016-0284). The Roadmap also considers the pilot use
10 cases that will be used to refine the Third-Party Access Framework and establish early
11 success.”

12 EB-2016-0284 - Decision and Order (Application for renewal of Smart Metering Entity License).
13 Page 5 of 8 of the Decision and Order states:

14 “With the application, the SME provided a document entitled Third Party Access
15 Implementation Plan (the Implementation Plan). A number of high-level timelines and
16 activities are described in the Implementation Plan. Foremost, the

17 Implementation Plan indicates that the SME will complete the implementation of the
18 Order in five phases by the end of 2018. **As well, the Implementation Plan specifies**
19 **that a detailed costing analysis associated with the project will be filed with the next**
20 **SME fee application in 2017** (*emphasis added*).”

21 Questions:

- 22 a. Through its Smart Metering Entity License renewal application (EB-2016-0284), the SME
23 indicated that a detailed costing analysis associated with its Third Party Access
24 Implementation Plan would be filed as part of its 2018-2022 Smart Metering Charge
25 application. However, the SME has not included such a costing analysis within its
26 application.
- 27 i. Why has the SME chosen not to include a detailed costing analysis of its Third Party
28 Implementation Plan within its current application?
- 29 • If a detailed costs analysis is now available, please provide it.
 - 30 • If a detailed costing analysis is unavailable, is the SME in a position to provide an
31 estimate of the overall costs of administering the Third Party Implementation plan?

- 1 ii. Please provide specific detail on the anticipated scope of the SME's planned 2018 Third
2 Party Access submission as discussed at Exhibit C, Tab 1, Schedule 1, Page 7 of 8.

3 RESPONSE

4 a. i and ii.:

5 The SME updated the expected filing date for the detailed costing analysis for third-party
6 access as it was determined that a number of design elements required further analysis and
7 consideration following the development of the Third Party Access Roadmap. The
8 Roadmap represents a more refined version of the Third Party Access implementation plan,
9 which was approved by the OEB as part of SME's License renewal application (EB-2016-
10 0284). The Roadmap was developed in 2017 in collaboration with Privacy Analytics Inc., the
11 privacy consultant originally recommended by the Information and Privacy Commissioner
12 of Ontario to support the IESO in the development of the Third Party Access project as per
13 the OEB Order in EB-2016-0284. The Roadmap contains 15 recommendations spanning over
14 a period of 18+ months and outlines the discrete steps and design options for third party
15 access processes that will define the requirements for people, processes and technologies.
16 The Roadmap recommendations have been reviewed with the Information and Privacy
17 Commissioner of Ontario who have been supportive of the SME's approach in defining the
18 project deliverables and the due diligence in ensuring that the third party access plan
19 carefully considers a broad range of operational, stakeholder engagement and
20 privacy/ethics/fairness aspects. The Roadmap recommendations are also subject of the
21 discussions in DSAC and the broader engagement initiative. As described in Exhibit C-1-1
22 the SME intends to make a submission to the OEB in 2018 with a proposed model for third
23 party access to data in the MDM/R.

24 Some of the key elements that have taken place in 2017 to pave a sound path for third party
25 access in 2017 are as follows:

- 26 • In Q2 2017, the SME formed the Data Strategy Advisory Council (DSAC), which OEB
27 staff attends as an observer, to provide input to the SME on the development of the
28 various elements of the third-party access implementation plan. A number of test cases
29 were submitted by the members of DSAC to be completed prior to the broader
30 operationalization of the plan in 2018 and beyond. These test cases (submitted by
31 Enbridge, City of Guelf, Oxford County, Ontario Clean Water Agency, OEB and the
32 IESO), while time and labour intensive given their complexity, are setting the
33 foundation for a privacy compliant approach to third party access, while maximizing the
34 utility of the electricity consumption data that the third party requestors will soon
35 benefit from (the test cases are now in final stages of completion).

- 1 • In Q4 2017, the SME launched a province wide public engagement initiative, seeking
2 broader stakeholder input to inform the third-party access implementation plan. As
3 discussed on page 7 of Exhibit C-1-1, following the test cases, execution and
4 development of the Roadmap deliverables, the SME will be in a better position to
5 determine the full resource requirements, the process, the tools, the costs, and a potential
6 monetization model for the value of the data in the MDM/R and these will inform the
7 detailed cost analysis for the project. As stated earlier, the SME will file an application
8 with the OEB in 2018 with a model for third party access.
- 9 • The SME notes that DSAC input to date recommends a “pay-per-use” type of cost-
10 recovery model from the third party requestors. Such a cost recovery model would be
11 one way of assuring that fulfilment costs associated with Third Party Access will not
12 impact the proposed 5-year SME fee.

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1 OEB STAFF INTERROGATORY 9

2 **1.0 Staff – 9**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 1 of 8

5 Preamble:

6 At Exhibit B, Tab 1, Schedule 1, Page 1 of 8, the SME states:

7 “The SME is proposing a 5-year budget and recovery period as this is consistent with
8 current industry norms and with the expected life of information technology assets.”

9 At Exhibit B, Tab 1, Schedule 1, Page 5 of 8, the SME states:

10 “This project will position the MDM/R with a simpler architecture to safeguard against
11 future increases in the costs of maintaining and operating the MDM/R.”

12 Question:

- 13 a. Does the SME expect that the life of the IT assets invested in as part of the MDM/R 8.X
14 upgrade to expire in 2022? If no, when does the SME anticipate these assets becoming
15 obsolete and therefore requiring replacement?

16 RESPONSE

- 17 a. The minimum expected life of information technology assets such as the hardware and
18 infrastructure to be implemented as part of the MDM/R 8.X upgrade is approximately
19 5 years. With a planned implementation at the beginning of 2020, it is anticipated that the
20 equipment will not need to be replaced until 2024 at the earliest. It is expected that minor
21 software upgrades will be required during that period for functionality enhancements, and
22 to address software bugs and security patches.

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OEB STAFF INTERROGATORY 10

1.0 Staff – 10

INTERROGATORY

Reference: Exhibit B, Tab 1, Schedule 1, Page 1 of 8

Preamble:

At Exhibit B, Tab 1, Schedule 1, Page 1 of 8, the SME states:

“The proposed revenue requirement includes costs for operating the MDM/R, a necessary hardware and software refresh (EnergyIP 8.X) that will be completed by the end of 2019; repayment of the remaining debt including associated financing costs; and preliminary provisions for implementing third party access to the MDM/R data as per the 2016 OEB Orders to the SME (EB-2016-0284).”

Questions:

- a. Table 1 demonstrates the annual variance between the SME’s proposed operating budget and the revenue it anticipates collecting based on the requested SMC of \$0.59. As demonstrated, rather than setting an annual SMC that would generate revenue equal to its annual operating budget, the SME has proposed to hold the SMC constant over the 5-year term of their application (i.e., a rate-smoothing approach). In the context of rate-payer value, please explain why the SME believes a rate-smoothing approach is more appropriate than setting annual rates at a level that matches annual operating budgets?

Table 1: Annual SME Budget vs. Revenue Variance Analysis (\$ millions)

	2018	2019	2020	2021	2022	Total
Proposed Operating Budget	\$47.4	\$36.8	\$32.4	\$30.7	\$30.8	\$178.1
Collected Revenue	\$35.6	\$35.6	\$35.6	\$35.6	\$35.6	\$178.1
Annual Over/Under Collection	(\$11.80)	(\$1.20)	\$3.20	\$4.90	\$4.80	\$0

- 1 b. Per Table 1, how will the SME finance the under-collection of revenue (i.e., debt) incurred in
 2 years 2018 and 2019? If applicable, what is the anticipated cost to rate-payers associated
 3 with the financing of this debt?
- 4 c. Table 2 demonstrates the annual SMC that would allow the SME to annually recover the
 5 costs of their budgeted expenditures.
- 6 iii. What administrative challenges would be introduced if the SME was required to set
 7 their annual SMC to the amounts demonstrated in Table 2?
- 8 iv. In the opinion of the SME, to what extent would any administrative challenges
 9 associated with annual rate changes be offset by the benefits provided to rate-payers?

10 *Table 2: Annual SME Budget vs. Revenue Variance Analysis (\$ millions)*

	2018	2019	2020	2021	2022
SMC Required Match Operating Budget	\$0.79	\$0.61	\$0.54	\$0.51	\$0.51

11 RESPONSE

- 12 a. The proposal to have a flat fee for the proposed period continues the current practice for the
 13 SME fee agreed to in the 2013 Settlement Proposal¹ ultimately approved by the OEB for the
 14 current fee. In that Settlement Proposal, parties agreed that there would be no annual
 15 automatic adjustment to update the SME's billing determinant as the regulatory costs of
 16 seeking annual approval for the rate adjustment would outweigh the benefits of the
 17 adjustment. A flat fee for customers and the LDCs also offers predictability with less
 18 administrative burden, while allowing the SME the operational stability to run its long-term
 19 contracts and the flexibility to scale up and down certain aspects of the operation depending
 20 on priorities (such new obligations or requirements, or ramping up for third party access
 21 according to market conditions, i.e. data requests complexity and volumes over time).
- 22 b. The under-collection of revenue in 2018 – 2019 will be funded by the IESO's note payable to
 23 the OEFC and the IESO's corporate credit facility as described on page 7 of Exhibit B-1-1.
- 24 c. iii) The technical administration of adjusting the SMC annually would not be a major
 25 challenge for the SME.

¹ EB-2012-0100/EB-2012-0211 Settlement Agreement, Page 8 of 12, March 8, 2013

1 There would be however significantly larger administrative challenges and potentially high
2 cost if the SME was required to file an application with the OEB annually and the
3 applications were subject to a full hearing including interrogatories, settlement and a
4 written or oral hearing. The SME has not planned or budgeted for annual applications to
5 adjust the SMC in this filing. Any such filing would need to include these costs with the
6 SME seeking to recover these costs from ratepayers in the proposed SMC. If the SMC could
7 be adjusted annually based on a simplified filing by the SME without a full review through
8 a hearing, the administrative challenges and costs would be significantly lower than if there
9 was hearing process. As was stated in the Settlement Agreement in EB-2012-0100 on this
10 issue:

11 *The regulatory costs that would be incurred by the SME, and ultimately paid by ratepayers, in*
12 *seeking annual approval for the rate adjustment would outweigh the benefits of the adjustment.*

13 A variable annual fee would also offer less market predictability, potentially create
14 customer/LDC confusion and communication challenges, and may limit the SME's
15 operational stability to run its long term contracts and the flexibility to scale up and down
16 certain longer-term aspects of the operation depending on priorities.

17 iv) The SME believes that the rate stability provided by the SME's proposed flat fee is a
18 benefit to ratepayers and there would be no resulting administrative charges from adjusting
19 the fee or associated with any regulatory filings, reviews and approval processes. If the OEB
20 believes that it is more beneficial to ratepayers to adjust the fee annually to reflect costs, the
21 SME cannot compare the administrative costs and burden without understanding the
22 annual regulatory filing, review and approval process that would be required.

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1 BOMA INTERROGATORY 1

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit A, Tab 1, Schedule 1, Page 3 of 5**

5 *The persons affected by this application are all LDCs licensed by the Board and their*
6 *respective residential and general service <50kW customers.*

7 **Interrogatory:** When and how will the SME engage the residential and general service <50kW
8 customers?

9 RESPONSE

10 The SME does not engage directly with residential and general service <50 kW customers as the
11 LDCs have the relationship with these customers. This is consistent with historical practice and
12 respects the LDC's relationship with their customers.

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1 BOMA INTERROGATORY 2

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B, Tab 1, Schedule 1, Page 1 of 8**

5 *The total revenue requirement of the SME inclusive of financing costs for the period from*
6 *January 1, 2018 to December 31, 2022 is \$178.1 million. The proposed revenue*
7 *requirement includes costs for operating the MDM/R; a necessary hardware and software*
8 *refresh (Energy IP 8.X) that will be completed by the end of 2019; repayment of the*
9 *remaining debt including associated financing costs; and preliminary provisions for*
10 *implementing third party access to the MDM/R data as per the 2016 OEB Orders to the*
11 *SME (EB-2016-0284).*

12 **Interrogatory:** Please provide the cost benefit analyses of all the options considered for the
13 implementation of third party access to the MDM/R data. Please provide the work plan and the
14 reasons for the selected option. It is expected that the work plan would include key milestones,
15 the allocation of responsibilities and the expected results to be achieved by the end of each year
16 in the five-year plan.

17 RESPONSE

18 Please refer to OEB Staff Interrogatory 8 at Exhibit I, Tab 1.0, Schedule 1.08.

19 In its response to EB-2016-0284 - Decision and Order (Application for Renewal of Smart Metering
20 Entity Licence) the SME implementation plan proposed a number of high-level timelines and
21 activities over five phases in 2018.

22 Following the SME's licence renewal at the end of 2016, the SME has developed in 2017 a more
23 detailed Roadmap that outlines a number of steps to be undertaken over the next 18+ months,
24 to bring the project from pilot stage, to implementation, to value generation, with activities
25 spanning over three domains (people, processes and technologies). The specific
26 recommendations outlined in the Roadmap are currently underway. Please
27 see: [http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-advisory-](http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-advisory-council)
28 [council](http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-advisory-council).

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1 BOMA INTERROGATORY 3

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2016-0290, Exhibit B-4-1. Attachment 1, Smart Metering Entity (SME), MDM/R**
5 **Report, 2nd Quarter 2017. Page 4 of 10**

6 *In the second quarter of 2017, the MDM/R was operationally stable by **exceeding** service*
7 *levels for 99.99% of meter reads, 100% of billing quantity requests, and 100% of master*
8 *data updates.*

9 **Interrogatory:** Given these high-performance levels why is a hardware and software refresh
10 (Energy IP 8.X) necessary? Given that this was delayed from the original timing for the refresh,
11 what reduction in performance levels resulted from previous levels.

12 RESPONSE

13 The existing hardware, software and infrastructure for the MDM/R were implemented in 2013.
14 While the current performance and availability levels are still at their highest levels, many
15 components of the hardware and software solution will not be supported by the vendor after
16 2020. To maintain these high performance and availability levels in support of the LDCs time of
17 use billing functions, it is imperative that the MDM/R systems remain fully supported by the
18 vendor so that the latest security patches and updates are available and implemented.

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1 BOMA INTERROGATORY 4

2 **Issue 1**

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B-1-1, Attachment 2, Page 3 of 10**

5 *MDM/R Changes and Initiatives were \$1.4MM for the year which is \$3.2MM lower*
6 *than planned: The MDM/R 7.7 upgrade including deployment, testing and resources*
7 *was able to deliver a successful implementation ahead of schedule. In addition, efforts*
8 *dedicated to meeting the requirements of the OEB order (EB-2015-0297), specifically the*
9 *collection of the additional information from the LDCs (postal codes, distributor and*
10 *commodity rate classes and occupant change date) deferred the start of major technical*
11 *projects such as the MDM/R 8.x upgrade strategy. Also, no significant effort was applied*
12 *to the Toronto Hydro Integration as the project start date was moved back to 2017.*

13 **Interrogatory:** Clearly financial resources were not limited, so what was the reason for the
14 deferral of projects not associated with collecting additional information from the LDCs? Did
15 the SME consider additional projects to enhance the value of the smart metering infrastructure?
16 As smart metering is about so much more than the meter itself and the use of data for billing,
17 what other initiatives were considered? Does the SME have an inventory of how the LDCs are
18 using smart metering beyond billing?

19 RESPONSE

20 As stated at Exhibit B-1-1, Attachment 2, page 3 the resources of the SME were focused on
21 meeting the requirements of the OEB order (EB-2015-0297) to collect certain data, beginning
22 January 1, 2017.

23 It is not in the SME's mandate to monitor the individual LDCs activities as to how they are
24 using smart metering beyond billing.

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1 BOMA INTERROGATORY 5

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit C, Tab 1, Schedule 1, Page 1 of 8**

5 *THIRD PARTY ACCESS IMPLEMENTATION STATUS AND NEXT STEPS*

6 **Interrogatory:** How does this initiative relate to the Green Button Initiative, the public sector
7 energy and water O Reg 397/11 and the more recent regulation for all privately owned
8 buildings over 50,000 square feet.

9 RESPONSE

10 The third party access implementation initiative is not related to any of the initiatives described in this
11 interrogatory.

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1 BOMA INTERROGATORY 6

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2015-0297, Report on the Application for renewal of the Smart Metering Entity**
5 **License and the extension of agreements between the Smart Metering Entity and Electricity**
6 **Distributors, page 3. (Board Comment)**

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

15 **Interrogatory:** What additional strategic initiatives has the SME considered beyond Third Party
16 Access to realize this vision? If not, why not?

17 RESPONSE

18 The SME has been actively working to meet the requirements of the OEB Orders, EB-2015-0297
19 and EB-2016-084, as described in the response to OEB Staff Interrogatory 8, at Exhibit I, Tab 1.0,
20 Schedule 1.08 OEB Staff 8. Through its work to fulfill the requirements of the OEB's Orders, EB-
21 2015-0297 and EB-2016-0284, the SME is assisting in building this innovative vision. While the
22 SME has not undertaken additional strategic initiatives during this time, the SME will be
23 prepared to respond to future initiatives within the SME's mandate, as a result of the work to
24 meet the OEB Orders or other initiatives.

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1 BOMA INTERROGATORY 7

2 Issue 1

3 INTERROGATORY

4 **Reference: Ontario's Long-Term Energy Plan, page 64**

5 *Now is the time to build on our investments in smart meters and the smart grid. A study*
6 *by an expert third party in 2015 found that Ontario's consumers and businesses stand to*
7 *gain \$6.3 billion in economic, environmental and reliability benefits if the grid is*
8 *modernized over the coming decades. A modern grid would be more resilient to the effects*
9 *of climate change and utilize the real-time data needed to respond to problems or address*
10 *them before they happen. However, that same study found there were several barriers to*
11 *modernizing the grid further in Ontario. LDCs, for example, are challenged by diffuse*
12 *benefits. This is when they bear the costs of technologies such as energy storage, but do*
13 *not get the benefits, which can accrue to customers other parties in the electricity sector.*
14 *Without clear rules for addressing diffuse benefits, LDCs are less motivated to explore*
15 *solutions that may be more cost-effective and provide greater benefits to the grid. Ontario*
16 *is committed to removing these barriers so that utilities can make the right investments.*

17 **Interrogatory:** It has almost been a decade since the SME was established. What are the
18 reasons that the SME has apparently not perceived itself as a catalyst for this vision?

19 RESPONSE

20 The SME continues to fulfill its role and mandate to produce consistent and reliable time of use
21 billing quantity data for the LDCs in Ontario. The design, development and deployment of the
22 MDM/R over the last 10 years (the Meter Data Management Repository) as a unique and
23 complex multi-tenant data processing engine for the province's smart meters represents a major
24 achievement. As a result of the work undertaken by the SME to prepare for third party access
25 the SME will be better prepared to respond to future initiatives or requirements within the
26 SME's mandate. Through its work to fulfill the requirements of the OEB's Orders, EB-2015-0297
27 and EB-2016-0284, the SME is assisting in building this innovative vision. As the OEB stated in
28 its EB-2015-0297 Order:

29 *Innovation is about creating value. The SME, through its provision of reliable provincial energy*
30 *consumption data from over 4 million meters, was in part established to provide an opportunity*

1 *for provincial electricity agencies, individual local distribution companies, and third parties to*
2 *create new value to benefit consumers.*¹

3 The work being done to enable third-party access to certain MDM/R data, while meeting all
4 privacy-related requirements, is a fundamental step in achieving the vision described in the
5 Long-Term Energy Plan of building “on our investments in smart meters and the smart grid”.

¹ EB-2015-0297 Order, January 26, 2016, page 3

1 BOMA INTERROGATORY 8

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B Tab 1, Schedule 1. Page 4 of 8**

5 *Compensation and Benefits: The SME currently has 17 FTEs and is proposing to add up*
6 *to three FTEs over the budgeting period, with one FTE added in each of 2018, 2019 and*
7 *2020, as needed. The incremental FTEs will help support third-party access and other*
8 *change initiatives as later described.*

9 **Interrogatory:** What decision criteria will be used to determine “as needed”? The average
10 compensation and benefits cost per FTE almost \$200,000. What is the highest cost and what is
11 the lowest cost?

12 RESPONSE

13 The quoted reference in this interrogatory is from page 3 of 8 of Exhibit B-1-1. The incremental
14 FTEs will help support third-party access and other operational initiatives such as system
15 upgrades and maintenance, requests from LDCs to optimize system functions, work associated
16 with facilitating LDC mergers and responding to future initiatives or requirements. The extent
17 to which these incremental FTEs will be needed is dependent on the scope and scale of support
18 necessary for implementing the above mentioned work and any future initiatives or
19 requirements. Specifically on third party access, one key aspect of the implementation effort
20 required will be dependent on the volume and complexity of the third party data requests
21 which will only be known in the future following completion of the pilot stage and further
22 operationalization of the concept with the interested audiences.

23 Please also refer to the response to OEB Staff Interrogatory 6, at Exhibit I, Tab 1.0, Schedule 1.06,
24 OEB Staff 6.

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1 BOMA INTERROGATORY 9

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B, Tab 1, Schedule 1, Page 4 of 8**

5 *The professional and consulting costs include all externally contracted resources in*
6 *support of the MDM/R operations. These costs include provisions for the core operating*
7 *MDM/R services provided by the OSP; other MDM/R change initiatives; the annual*
8 *CSAE 3416 audit and other audits; privacy and security projects; external legal services;*
9 *and LDC communications and stakeholder engagements among other requirements. The*
10 *forecasted professional and consulting costs total 74.9 million over the 5-year plan.*

11 **Interrogatory:** On average each FTE appears to manage almost \$1 million dollars of
12 professional and consulting per year. How are these contracts procured and managed? Given
13 that the function is not going to be transferred to the Electricity Distributors Association, is this
14 approach sustainable or advisable in the long term?

15 RESPONSE

16 The Operational Service Provider and other externally contracted resources are procured
17 through a competitive Request for Proposal or Vendor of Record and in compliance with the
18 Ontario Public Service Procurement directive. Contract administration and management of
19 these resources has, and continues to be performed by SME staff and is expected to be
20 sustainable in the long term.

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1 BOMA INTERROGATORY 10

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B Tab 1, Schedule 1, Page 6 of 8**

5 *The SME's conservative business model given the planned transition from the IESO to*
6 *the EDA (this matter was concluded in the fall of 2015 with the EDA indicating they are*
7 *no longer interested in assuming governance of the SME)*

8 **Interrogatory:** Will the SME develop a different business model given the references from the
9 in Interrogatories #6 and #7?

10 RESPONSE

11 The SME does not intend to develop a different business model as the SME's current business
12 model allows it to be responsive to government policy and OEB direction to enable innovation
13 and build on investments in smart meters and the smart grid. As shown by its response to OEB
14 Order, EB-2015-0297, the SME's business model has proven sufficiently flexible to allow the
15 SME to successfully implement the OEB's requirement to collect certain information associated
16 with each smart meter from all LDCs, while respecting provincial privacy requirements, and
17 within stringent timelines. The SME's proposed revenue requirement also allows the SME the
18 flexibility to undertake any new initiatives and requirements.

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1 BOMA INTERROGATORY 11

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B-1-1, Attachment 1, Page 1 of 1**

5 *Smart Metering Budget: 2018 - 2022 (By Category)*

6 **Interrogatory:** Please provide the previous smart metering budget and actual expenditures for
 7 the previous five years using the same categories in this exhibit.

8 RESPONSE

9 The 2013 – 2017 budget using the same categories as requested is provided in the table below:

Operating Budget						
(In millions of dollars)	2013	2014	2015	2016	2017	Total
Compensation & Benefits	3.3	3.3	3.5	3.6	3.7	17.3
Professional & Consulting	20.4	17.5	16.8	16.5	16.2	87.4
Operating & Administration	0.8	2.1	2.4	2.4	2.5	10.1
Total Operating Budget	24.5	23.0	22.6	22.4	22.3	114.8
Total MDMR Change Initiative Budget	3.1	4.6	4.6	4.6	4.6	21.6
Financial Costs	1.8	1.8	3.0	3.1	2.3	12.1
Total Operating Budget	29.4	29.4	30.3	30.1	29.3	148.5

10

11 The 2013 – 2016 actuals and the 2017 forecast are provided in the table below:

Operating Actual/Forecast	Actual				Forecast	
(In millions of dollars)	2013	2014	2015	2016	2017	Total
Compensation & Benefits	2.6	2.9	2.5	2.6	2.8	13.5
Professional & Consulting	18.0	18.5	15.8	17.2	15.7	85.2
Operating & Administration	1.0	2.1	1.8	2.8	2.7	10.3
Total Operating Budget	21.6	23.5	20.1	22.6	21.2	108.9
Total MDMR Change Initiative Budget	1.3	1.5	2.2	1.4	2.9	9.3
Financial Costs	1.6	1.3	1.0	0.5	0.3	4.6
Total Operating Budget	24.4	26.3	23.2	24.6	24.3	122.8

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1 BOMA INTERROGATORY 12

2 Issue 1

3 INTERROGATORY

4 **Reference: EB-2017-0290, Exhibit B, Tab 3, Schedule 1, Page 5 of 5**

5 *The SME faces risks in both its revenues and operating expenses. The SME's expenses*
6 *and revenues are forecast based on both the experience of IESO and SME staff and the*
7 *best information available at the time. While the SME and the IESO strive to reduce*
8 *uncertainty in the inputs in order to make the resulting revenue requirement and SMC*
9 *as robust as possible, all forecasts are inherently uncertain. Some of the potential risks the*
10 *IESO faces may be anticipated but not quantifiable, while others are simply not known.*
11 *A number of risks and potential other sources of variances to the SME's forecasts have*
12 *been identified, including:*

- 13 • *the US-Canada exchange rate which has, and will potentially further impact, the*
14 *SME's operating expenses as some invoices are billed in US dollars;*
15 • *increases in interest rates which would increase financing costs;*
16 • *the potential impacts of new or changing policy initiatives or requirements,*
17 *including any related to provincial initiatives such as net metering or expanding*
18 *service to additional customer classes;*
19 • *the potential expanding scope of the SME's business model in light of third-party*
20 *access requirements; and*
21 • *potential technical enhancements as requested by LDCs.*

22 **Interrogatory:** How do any of these risks differentiate the SME from any regulated entity? Has
23 the SME considered developing a proactive approach, plan and budget which would enhance
24 the value of Ontario rate payers' significant investment in smart metering given the references
25 in Interrogatories #6 and #7?

26 RESPONSE

27 While the SME is not in a position to state whether some or all of these risks may also be faced
28 by other regulated entities, it is reasonable to assume that other regulated entities may face
29 some of the same risks. This information was provided to allow the OEB to understand the risks
30 that the SME faces and which may impact the SME during the 2018 – 2022 period.

- 1 Please also refer to the response to BOMA Interrogatories 6, 7 and 10 at Exhibits I, Tab 1.0,
- 2 Schedules 2.06, 2.07 and 2.10, respectively.

1 EDA INTERROGATORY 1

2 **1.0 Is the SME's proposed \$178.1 million revenue requirement for the January 1, 2018 to**
3 **December 31, 2022 period appropriate?**

4 **1.0 EDA – 1**

5 INTERROGATORY

6 Reference: Exhibit A, Tab 3, Schedule 1, Page 1 of 2, lines 13-20

7 Preamble:

8 At Exhibit A, Tab 3, Schedule 1, Page 1 of 2, lines 13-20, the SME states:

9 “The SME’s MDM/R is a meter data management repository for smart meter data and is utilized
10 to collect, manage, store and retrieve the information and data related to the metering of low
11 volume consumers’ consumption or use of electricity in Ontario. It has the capability to receive
12 smart meter consumption data from an LDC’s advanced metering infrastructure; validate,
13 estimate, and edit the smart metering data; and transmit billing quantity data back to the LDC
14 for use in customer billing. The MDM/R became operational in 2008 and further development
15 of, and updates to, the MDM/R have occurred since then and new functionality continues to be
16 implemented.”

17 Question:

18 a. Please confirm that the above cited evidence provides a complete list of SME services
19 provided to LDCs, customers and smart metered consumers in the period up to and
20 including December 31, 2016; alternatively, please revise the list.

21 RESPONSE

22 a. For the period up to December 31, 2016, the core services of the SME provided to LDCs,
23 customers and smart metered consumers is accurately defined in Exhibit A-3-1, page 1,
24 lines 13-20. In addition to these services, ancillary operational services to the LDCs such as
25 MDM/R training (offered via classroom training or onsite at the LDCs location or the SME
26 Academy – an online self-learning application), LDC Mergers, Crossed Meter Data
27 corrections, daily or monthly scheduled reports or ad-hoc extracts to LDCs own data from
28 the MDM/R DataMart have been provided on a per request basis.

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1 EDA INTERROGATORY 2

2 **1.0 EDA – 2**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Attachment 2, Page 8 of 10

5 Questions:

- 6 a. Please identify and discuss the additional services that the SME expects to provide in the
7 2018-22 period (e.g. accommodating net metering).
- 8 b. Please explain how these costs impact the SME’s revenue requirement of the period and
9 its proposed Smart Metering Charge.

10 RESPONSE

- 11 a. The Long-Term Energy Plan 2017 states that “Updates to the Province’s net metering
12 framework will increase the ability of consumers to generate their own renewable
13 electricity and receive a credit on electricity bills for any extra power they send to their
14 local distribution company.”¹ As there are currently no specific plans or directions for
15 the SME to provide additional services, including net metering, in the 2018-2022 period
16 any additional work that may be required by the SME has not been specifically planned
17 for.
- 18 b. The provisions within the current SME fee application to cover for new initiatives such
19 as net metering (should the SME receive government direction for implementation) have
20 been included in the MDM/R Change Initiative Budget category (Exhibit B-1-1, page 4)
- 21 c. The unrealized costs of such new initiatives (or should the SME be required to provide
22 additional services beyond the provisions captured in the current fee applications) will
23 be funded from the proposed Operating Reserve or will be tracked and settled through
24 the Balancing Variance Account (BVA), as described at Exhibit B-3-1, page 3 & 4.

¹ Ontario’s Long-Term Energy Plan 2017, page 7

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1 EDA INTERROGATORY 3

2 **1.0 EDA – 3**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Attachment 2, Page 6 of 10

5 Questions:

- 6 a. Please identify and explain the proposed services that the SME will provide to enable
7 third-party access.
- 8 b. Please update the estimated costs and state the costing methodology.
- 9 c. Please explain if and how the SME's one-time, ongoing and future costs of third party
10 access will impact the SME's 2018-22 revenue requirement.
- 11 d. Please assume that the authorized Smart Metering Charge is \$0.59/month/meter; please
12 discuss the SME's ability to enable 3rd party access assuming:
- 13 i) no other initiative is to be mitigated;
- 14 ii) a single initiative will be cancelled or deferred to a future period.

15 RESPONSE

16 a. The specific services that the SME will provide to enable third-party access are still under
17 development at this time. The key elements of these services are defined in the Third Party
18 Access Roadmap, which contains recommendations and options on dimensions around the
19 three major areas of implementation: people, processes and technologies Please
20 see: [http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-](http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-advisory-council)
21 [advisory-council](http://www.ieso.ca/en/sector-participants/smart-metering-entity/data-strategy-advisory-council). The SME is currently working with stakeholders, through the Data
22 Strategy Advisory Council (DSAC) and the broader engagement initiative to refine the
23 Roadmap elements. These efforts will assist and inform the SME's application to be filed
24 with the OEB in 2018 with a costing model for third-party access that will include this
25 information. The pending application is more fully described on page 7 of Exhibit C-1-1.

26 b. and c.:

27 As described on page 7 of Exhibit C-1-1, following the test cases, execution, and the
28 development of the Third-Party Access Roadmap deliverables, the SME will be in a better
29 position to determine, amongst other things, the costs associated with third-party access of
30 the MDM/R data. As described in the response to part (a) above, the SME will file an

- 1 application with the OEB in 2018 with a model for third-party access that will include
2 estimated costs. The SME notes that DSAC input to date recommends a “pay-per-use” type
3 of cost-recovery model from the third party requestors. Such a cost recovery model would
4 be one way of assuring that fulfilment costs associated with Third Party Access will not
5 impact the proposed 5-year SME fee.
- 6 d. For parts i) and ii), as stated at Exhibit C-1-1 and further described in the response to part b.
7 above, the SME will be in a better position to determine, amongst other things, the costs
8 associated with third-party access of the MDM/R data following the test cases, execution,
9 and the development of the Third-Party Access Roadmap deliverables. As any additional
10 costs associated with third-party access are not known at this time, the SME is unable to
11 assess the extent of third-party access the SME can achieve under the requested scenarios.

1 EDA INTERROGATORY 4

2 **1.0 EDA – 4**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 4, Schedule 1, Page 1 of 4

5 Questions:

- 6 a. Please comment on the ongoing status of this provision of the SME-LDC Agreement,
7 and discuss whether it is reflected in the proposed Terms of Service.
- 8 b. Please describe the status of the process that will culminate in the Terms of Service and
9 the role that Ontario’s LDCs play in this process.
- 10 c. Please describe if and how the proposed Terms of Service will address liabilities and
11 indemnifications associated with third party access.

12 RESPONSE

- 13 a. The proposed Terms of Service will provide for the continuation of the SME Steering
14 Committee (“SSC”). This is a committee of representative LDCs throughout the
15 province assisting the SME in strategic, operational and technical initiatives for the
16 MDM/R.
- 17 b. The proposed Terms of Service were discussed at several SSC meetings in 2017. The SME is
18 in the process of considering feedback from the SSC and will present a revised version of the
19 Terms of Service at a future SME Steering Committee meeting.
- 20 c. The IESO has not made as yet any specific determinations at this time, if and how to address
21 any liability and indemnification associated with third-party access in the above mentioned
22 Terms of Service. The IESO will consider any input it receives on liability and
23 indemnification associated with third-party access before determining if and how this issue
24 will be addressed in the Terms of Service.

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1 EDA INTERROGATORY 5

2 **1.0 EDA – 5**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 1, Schedule 1, Page 1 of 8, lines 4-5

5 Questions:

- 6 a. Please provide the business case supporting the proposed hardware and software
7 refresh.
- 8 b. Please itemize the services that the proposed refresh will allow the SME to provide and
9 the industry sectors/participants that are expected to utilize each service

10 RESPONSE

- 11 a. Please refer to the response to BOMA Interrogatory 3 at Exhibit I, Tab 1.0, Schedule 2.03
12 BOMA 3.
- 13 b. There are no additional services that the proposed refresh will allow the SME to deliver. As
14 described in the response to part (a) above and BOMA Interrogatory 3 the refresh is
15 necessary to maintain performance levels, availability, security patches and vendor support.

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1 NOTL INTERROGATORY 1

2 Issue 1

3 INTERROGATORY

4 Has the SME looked at outsourcing the SME services to see if a third party could provide the
5 same services at a lower cost? If so, please provide the results of the Request for Proposals.

6 RESPONSE

7 The SME outsources MDM/R services with a number of service providers to enable the SME to
8 fulfill its responsibilities. These services, including those of the Operational Service Provider
9 (OSP), have been selected via a competitive request for proposal process that is consistent with
10 the Ontario Public Service Procurement Directive and is overseen by a Fairness Advisor.

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1 NOTL INTERROGATORY 2

2 Issue 2

3 INTERROGATORY

4 The SME has been given exclusive authority to carry out certain functions under Ontario
5 Regulation 393/07. Will the SME allow a Local Distribution Company (LDC), or a group of
6 LDCs, to undertake these functions, either by themselves or through a third party, for that LDC
7 or group of LDCs, if the LDCs will commit to providing that service at a rate lower than
8 \$0.59 per smart meter per month? It is recognized that the LDC or group of LDCs would
9 require Ontario Energy Board approval for the lower rate.

10 RESPONSE

11 The option of allowing a single LDC, group of LDCs or another party to undertake one or more
12 of the functions described in O. Reg. 393/07 has not been examined by the SME. As the
13 interrogatory indicates, given the exclusive authority provided to the IESO as the SME under
14 O. Reg. 393/07 and O. Reg. 288/14, even if an LDC or a group of LDCs were to undertake one or
15 more of the functions included in the abovementioned regulations, accountability for these
16 functions would remain with the IESO as the SME.

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1 NOTL INTERROGATORY 3

2 Issue 2

3 INTERROGATORY

4 The SME has now been operational for close to ten years. If regulatory approval can be
5 obtained, will the SME consent to allow competitors to offer the same services to LDCs as an
6 alternative to the SME? The competitors would be paid from the \$0.59 per smart meter per
7 month.

8 RESPONSE

9 Please refer to the response to NOTL Interrogatory 2 at Exhibit I, Tab 1.0, Schedule 4.02
10 NOTL 2.

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1 NOTL INTERROGATORY 4

2 Issue 2

3 INTERROGATORY

4 Would the SME response to questions 2 and 3 above be different if the SME was allowed a one-
5 time charge to all smart meter accounts to pay off the remaining Smart Metering Debt?

6 RESPONSE

7 No.

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1 OEB STAFF INTERROGATORY 11

2 **7.0 Staff – 11**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 3, Schedule 1, Page 3 of 5

5 Preamble:

6 At Exhibit B, Tab 3, Schedule 1, Page 3 of 5, the SME states:

7 “The SME seeks to establish a new variance account, the Balance Variance Account
8 (“BVA”), and to have the Costs Account, the Revenue Account and the Service Level
9 Credits Account made sub accounts of the BVA.”

10 Questions:

- 11 a. Please describe the SME’s rationale for establishing the BVA. What advantages does the
12 proposed BVA have over the SME’s current process of tracking and reporting variance
13 accounts?
- 14 b. How will the BVA benefit the SME as well as the ability of the OEB and other stakeholders
15 to scrutinize related expenditures?
- 16 c. Please describe any changes that the introduction of the BVA would have on the current
17 processes used to financially track and report activities within the Cost Account, the
18 Revenue Account and the Service Level Credits Account.

19 RESPONSE

20 a. and b.:

21 If the SME’s proposed future treatment of the Service Level Credits Account is approved,
22 any future balance in it will be a credit to SME ratepayers rather than to LDCs as has been
23 the past practice. With this change to the treatment of the Service Level Credits Account, the
24 SME proposes to continue tracking and reporting on the three existing variance accounts
25 but as sub-accounts of the BVA. These three sub-accounts will be consolidated in the BVA
26 and the BV, if approved as proposed, will provide a consolidated statement of the balances
27 in the three existing variance accounts which will be sub-accounts of the BVA. The tracking
28 and reporting within the three existing variance account will be unchanged.

- 29 c. The SME is seeking to have the current balance in the Service Level Account cleared
30 effective January 1, 2018. Going forward, any variances in revenue, costs and service level

1 credits will be reflected in the BVA. The benefit of the BVA is the addition of a proposed
2 rebate mechanism described on page 4 of Exhibit B-3-1. If approved as proposed, any rebate
3 would be triggered after the filing of the SME's annual report to the OEB when the
4 following criteria are met:

- 5 • The balance in the BVA exceeds the proposed \$2.5 million operating reserve; and
- 6 • The balance in excess of \$2.5 million amounts to greater than \$0.05 per meter.

1 OEB STAFF INTERROGATORY 12

2 **7.0 Staff – 12**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 3, Schedule 1, Page 3 of 5

5 Preamble:

6 At Exhibit B, Tab 3, Schedule 1, Page 3 of 5, the SME states:

7 “The SME is seeking to accumulate a reserve of \$2.5 million in the BVA and retain this
8 amount as an operating reserve, similar to the \$10 million the IESO has approval to
9 retain in its Forecast Variance and Deferral Account (FVDA).”

10 Questions:

- 11 a. The requested BVA represents approximately 5% of the SME’s total 2018 budget of \$47.4
12 million. This is consistent with the IESO’s approved FVDA which is also set at
13 approximately 5% of the IESO’s total annual budget. From years 2019 through 2022, the
14 SME’s annual budget declines from 2018 levels. Consequently, the requested BVA grows to
15 represent approximately 6.7% to 8.1% of the SME’s total annual budget over this period.
- 16 i. Please provide the rationale for why the SME requires a reserve of greater than 5% of
17 total budget in years 2019-2022.
- 18 b. The SME suggests that a primary reason for accumulating the \$2.5 million reserve is to
19 mitigate risks associated with both its revenues and operating expenses. The SME describes
20 these risks at Exhibit B, Tab 3, Schedule 1, Page 5 of 5.
- 21 i. Please describe the process used by the SME to determine that \$2.5 million is the
22 appropriate amount to accumulate as a reserve to provide reasonable protection against
23 these identified risks.
- 24 ii. Please describe how the SME’s business planning activities consider these risks as well
25 as the steps the SME has taken – or plans to take – in order to mitigate risks. For
26 planned activities, please identify when the risk mitigation step will be implemented.
27 Please also describe how the steps taken by the SME to limit ratepayers’ exposure to
28 those identified risks.

1 RESPONSE

2 a. i) The SME has sought to retain an operating reserve of \$2.5 million as it believes this is a
3 reasonable minimum amount to retain in its proposed operating reserve. As identified by
4 OEB Staff, the proposed operating reserve represents approximately 8% of the SME's
5 proposed 2022 budget of \$30.8 million. Conversely, 5% of the 2022 budget equals
6 approximately \$1.5 million. Setting the SME's operating reserve as a percentage of its annual
7 budget can result in a smaller than useful operating reserve and a fluctuating reserve year
8 over year. There is a threshold under which an operating reserve does not provide an
9 effective and useful reserve. Given the risks that the SME faces as described on page 5 of
10 Exhibit B-3-1 \$2.5 million was proposed as this is seen as a reasonable amount which would
11 allow the SME to deal with the financial impact should one or more of those risks
12 materialize. It should be noted that any interest generated on the balance in the BVA,
13 including the operating reserve, will be tracked and will be included in the proposed rebate
14 calculation.

15 b. i) Please see part a. i) above.

16 ii) The IESO is exposed to financial risks in the normal course of its business operations,
17 including market risks resulting from volatilities in equity, debt and foreign currency
18 exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks
19 and the IESO's strategy for managing these risks have not changed significantly from the
20 prior year and these are described in Note 12 of the IESO's 2016 Annual Report which is
21 available through the IESO's Publications webpage at <http://www.ieso.ca/corporate-ieso/media/publications>.
22

23 The SME's historical approach has been to proactively identify and manage various
24 operating risks to ensure that ratepayers' exposure is mitigated to the maximum extent. On
25 operational costs, a key risk that is being actively managed by the SME is higher than
26 anticipated costs and implementation timelines for the MDM/R 8.x upgrade. To mitigate
27 this risk the SME has invested significant time and effort in 2017 in detailed project
28 planning, internal to the SME and with the OSP, detailed financial planning discussions and
29 deployment scenario planning. A number of workshops were undertaken in 2017, with
30 participants from all key players in the project, to ensure an intimate understanding of the
31 project deliverables and risks prior to starting the implementation in 2018. Senior IESO
32 management has been kept informed throughout this process with direction and/or
33 approval sought as required. Additionally, a number of contractual supports are currently
34 under consideration with the OSP to ensure SME's protection on overruns or unexpected
35 deployment issues. The project will be closely monitored as it proceeds.

1 Technical risks that could impact the LDCs meter to bill process are addressed by a number
2 of stringent Service Level Agreements with the OSP that they have successfully met over the
3 past 2 years.

4 Furthermore, the active dialogue and stakeholder engagement practiced by the SME and
5 described in response to OEB Staff Interrogatory 8, at Exhibit I, Tab 1.0, Schedule 1.08
6 OEB Staff 8 ensures that projects are developed with awareness and input from the
7 impacted audiences to minimize changes in direction or project re-design.

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1 OEB STAFF INTERROGATORY 13

2 **13.0 Staff – 13**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 4, Schedule 1, Page 2 of 4

5 Preamble:

6 At Exhibit B, Tab 4, Schedule 1, Page 2 of 4, the SME discusses the recently held “Enhancing the
7 Value of Data” session.

8 Questions:

- 9 a. What were the key takeaways as well as SME obligations resulting from this session?
10 b. How have the SME’s obligations and/or commitments resulting from the session been
11 reflected in this SMC application?

12 RESPONSE

- 13 a. The “Enhancing the Value of Data” session referred to on page 2 of Exhibit B-4-1 was a
14 province wide LDC event held for the first time in September 2016 to raise the awareness
15 and understanding of the LDCs community on the value of data opportunities associated
16 with the implementation of the OEB Orders, and to clarify any processes associated with the
17 collection of the additional data from the LDCs as per OEB Orders. The event featured both
18 internal and external speakers on the benefits that can be derived from analytics of the
19 electricity consumption data. A key takeaway from the event was on the importance of
20 organizing such open and inclusive forums where all LDCs have an opportunity to hear
21 direct updates from the SME while having the opportunity to ask questions, either in a
22 public forum to the benefit of other LDCs or separately to the SME experts. There were no
23 SME obligations resulting from this session however, based on the feedback received from
24 the LDCs on this first event, the SME conducted a second such event in November 2017
25 which has received very high ratings on the quality of the information presented and its
26 usefulness to the LDCs. Such events re-affirm the SME’s commitment to an open and
27 collaborative format with the LDCs community on all matters related to the value of the
28 services the SME provides to the province.
- 29 b. As stated in part a) above, there were no SME obligations resulting from this session.

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1 OEB STAFF INTERROGATORY 14

2 **13.0 Staff – 14**

3 INTERROGATORY

4 Reference: Exhibit B, Tab 4, Schedule 1, Page 4 of 4

5 Preamble:

6 At Exhibit B, Tab 4, Schedule 1, Page 4 of 4, the SME states:

7 “In 2016, the MDM/R Annual CSAE 3416 Audit resulted in a 7th consecutive year of “no
8 qualifications” result.”

- 9 a. Please describe all meaningful findings/recommendations resulting from each annual audit
10 undertaken as well as how the SME has responded to recommendations.

11 RESPONSE

- 12 a. The CSAE 3416 Audit is conducted by PricewaterhouseCoopers LLP (PwC) every year to
13 provide reasonable assurance to the MDM/R service recipients and their auditors that the
14 IESO’s internal controls governing the operation of the MDM/R are suitably designed and
15 operating effectively. In its report, over the past 7 years, PwC has provided an unqualified
16 opinion on the controls the IESO has put in place relating to the MDM/R System.

17 During this time there have been no findings or recommendations from these audits.

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1 EDA INTERROGATORY 6

2 **13. Are the current stakeholder efforts undertaken by the SME sufficient and do these efforts**
3 **meet the specific needs of all LDCs?**

4 **13. EDA – 6**

5 INTERROGATORY

6 Question:

7 References: Exhibit C, Tab 1, Schedule 1, Page 3 of 8, lines 10-11 and Exhibit C, Tab 1, Page 4
8 of 8, lines 1-14

- 9 a) Please identify how the SME will engage Ontario's LDCs as it develops and deploys
10 third party access, other than through DSAC. Please describe how LDCs' comments,
11 findings and concerns can be incorporated in the SME's service development process.

12 RESPONSE

13 a. Please refer to pages 3-5 of Exhibit C-1-1 for the proposed stakeholder engagement model.

14 In addition to the Data Strategy Advisory Council ("DSAC"), the SME launched a broader
15 engagement initiative¹ in Q4 2017, seeking input to inform the third party access
16 implementation plan. This engagement initiative is an open engagement where all
17 interested parties, including LDCs, are invited to participate and provide input in the
18 development of the third-party access implementation plan. Both the DSAC and the
19 engagement initiative are conducted in adherence to the IESO's engagement principles²
20 including:

- 21 • *Promote openness and transparency*, where the IESO will remain open to consider input
22 than can influence recommendations and decisions. The IESO will also ensure that it
23 communicates how advice, input and feedback is being used.
- 24 • *Communicate outcomes*, where the IESO will communicate decisions, the rationale for the
25 decision, and how input was taken into account in the decision. Input received will be
26 communicated to decision makers prior to decisions being made.

¹ <http://www.ieso.ca/en/sector-participants/engagement-initiatives/engagements/smart-metering-entity-third-party-access-implementation-plan>

² <http://www.ieso.ca/sector-participants/engagement-initiatives/overview/engagement-principles>

1 Furthermore, the SME has been taking a most active communications role with the
2 LDCs community over the last years and will continue to do so in the future. Whether
3 through collaboration with the SME Steering Committee, productive dialogue with the
4 EDA, the well-attended province-wide LDC events, LDC webinars and other means of
5 communication, the SME remains committed to keeping the LDC community informed
6 and engaged in all key initiatives for the LDC customers and the province.

1 NOTL INTERROGATORY 5

2 Issue 13

3 INTERROGATORY

4 Did the SME prepare a business case and/or a cost benefit analysis for the planned Third Party
5 Access prior to its development? If so please provide.

6 RESPONSE

7 Please refer to the response to OEB Staff Interrogatory 8 at Exhibit I, Tab 1.0, Schedule 1.08 OEB
8 Staff 8.

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1 NOTL INTERROGATORY 6

2 Issue 13

3 INTERROGATORY

4 Did the SME prepare an estimate of the costs of the LDCs to comply with the expanded Data
5 Collection for the Third Party Access and, if so, did it compare actual compliance costs with this
6 estimate?

7 RESPONSE

8 The SME did not prepare estimates of LDC costs to comply with the data collection for third-
9 party access required by the OEB as this is beyond the scope of the SME. LDCs would be in a
10 better position to assess any cost implications to them of complying with the expanded Data
11 Collection for Third Party Access.

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