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**BY EMAIL**

February 7, 2018

Ontario Energy Board  
P.O. Box 2319  
27th Floor  
2300 Yonge Street  
Toronto ON M4P 1E4

Attention: Ms. Kirsten Walli, Board Secretary

Dear Ms. Walli:

**Re: OEB Staff Submission on Settlement Proposal  
Independent Electricity System Operator (IESO) / Smart Metering Entity  
Smart Metering Charge 2018-2022  
OEB File Number: EB-2017-0290**

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Pursuant to Procedural Order No. 1, please find attached OEB staff's submission on the settlement proposal filed by the IESO, in its capacity as the Smart Metering Entity, in the above referenced proceeding.

Yours truly,

*Original Signed By*

Michael Bell  
Project Advisor, Application Policy & Climate Change

Parties to EB-2017-0290

# **ONTARIO ENERGY BOARD**

## **OEB Staff Submission on Settlement Proposal**

**Independent Electricity System Operator / Smart Metering Entity**

**Application for approval of smart metering charge  
for 2018-2022**

**EB-2017-0290**

**February 7, 2018**

## INTRODUCTION

The Independent Electricity System Operator (IESO), in its capacity as the Smart Metering Entity (SME), filed an application with the Ontario Energy Board (OEB) on August 31, 2017 under subsections 78(2.1), (3.0.1), (3.0.2) and (3.0.3) of the *Ontario Energy Board Act, 1998*, seeking approval for its 2018-2022 smart metering charge (SMC).

Pursuant to Procedural Order No. 1, a settlement conference was held on January 16-17, 2018. On January 31, 2018, the SME filed a settlement proposal for OEB approval.

## SUBMISSION

OEB staff recommends that the OEB approve the settlement proposal.

The settlement proposal represents a full settlement on all issues on the OEB-approved Issues List. The settlement would depart from the SME's original filing in the following ways:

- A decrease to the SME's 2018-2022 requested revenue requirement from \$178.1 million to \$170.6 million. This \$7.5 million reduction represents approximately 4 percent of the SME's original revenue requirement request. The reduction reflects the SME's acknowledgement that:
  - historically, the SME has underspent against budget; and,
  - as of December 31, 2017, the SME's actual balance in the uncollected SME debt account is \$2.5 million lower than originally forecast.
- Prior to the release of the SME's annual SME Annual Cost and Variance Account Report, the SME will provide intervenors and OEB staff with detail on the balances of all variance accounts as well as explanations on the drivers for any differences between budget and actual expenditures within these accounts. Further, the SME will facilitate a question and answer period that will allow intervenors and OEB staff to explore the SME's expenditures prior to the SME submitting the report to the OEB on May 31 of each year.

OEB staff submits that the settlement proposal reflects a reasonable evaluation of the SME's planned outcomes in this proceeding, appropriate consideration of the relevant issues and ensures there are sufficient resources to allow the SME to achieve its identified objectives over the five-year term of their application. OEB staff submits that the outcomes arising from the OEB's approval of the issues settled would adequately reflect the public interest and would result in just and reasonable charge for customers.

OEB staff is satisfied that the settlement proposal includes sufficient explanation in support of the agreed upon outcomes, as required by the *Practice Direction on Settlement Conferences*.

As a result of the decrease to the revenue requirement, the monthly SMC would be reduced from the existing level of \$0.79 per smart meter to \$0.57, instead of the \$0.59 originally proposed in this application. The newly introduced process prior to the SME submitting its annual report to the OEB providing the year-end balances in the Balancing Variance Account would allow stakeholders and OEB staff with an opportunity to scrutinize any annual variances and ask questions to the SME.

### **Effective date of the new SMC**

OEB staff observes that the parties have agreed on an effective date of January 1, 2018. OEB staff has no concerns because the OEB previously approved a variance account to record the difference between actual revenues accrued and forecast revenues from May 1, 2013 to October 1, 2018. OEB staff observes that an approval of a new and lower SME charge effective January 1, 2018 would act to reduce the variance that would otherwise accrue in the revenue variance account for disposition at a later date.

### **Pass-through of SMC by distributors**

When the OEB approved the SMC for the first time,<sup>1</sup> for the period May 1, 2013 to October 31, 2018, it made provision for distributors to pass through the SMC to their own customers. In OEB staff's view, the same provision should be included in the OEB's final decision and order in this matter. That is, the decision and order should make it clear that distributors shall charge their customers the same \$0.57 per smart meter that the distributors will pay to the SME. Like the last time, the decision and order could include as an attachment a letter to be sent to all licensed distributors identified in the OEB's annual Yearbook of Electricity Distributors, advising them of the revised charge.

OEB staff submits that the OEB's decision and order should provide directions to distributors for passing through the rebate that they will receive from the SME pursuant to section 3.0 of the settlement proposal to reflect the difference between the current SMC and the lower SMC that will take effect as of January 1, 2018. OEB staff recommends that distributors be required to pass the entirety of the rebate received from the SME through to their eligible customers in the form of a one-time rebate. The rebate should be applied to the line item on customers' bills that relates to the SMC. The total value of the rebate will continue to accrue until such time that the reduced SMC is approved by the OEB and operationalized by distributors.

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<sup>1</sup> EB-2012-0100/EB-2012-0211.

A copy of the correspondence that was sent to all licensed distributors in the previous SME proceeding is attached in Appendix A of this submission.

OEB staff further submits that the decision and order should provide that distributors can continue to use the SMC-related variance accounts that were approved in EB-2012-0100/EB-2012-0211.

### **Issues raised by Niagara-on-the-Lake Hydro Inc. (NOTL)**

On January 9, 2018, NOTL filed a letter asking the OEB to require the following:

- 1. The IESO to commission an independent survey of LDCs to assess if, given the choice, LDCs would continue to use the SME, would use an alternative service provider or would manage these services on their own. The survey should also examine whether LDCs believe they need the services currently provided by the SME or would drop them altogether if they could.*
- 2. The IESO to commission an independent analysis of the costs and benefits of opening the services the SME provides to a competitive market.*
- 3. The publication of the full results of both of these reports.*

As part of the settlement package, all parties agreed that the SME would file, on the same day as the settlement proposal, a separate letter explaining why it could not agree to NOTL's proposal. The SME filed the letter on January 31, 2018.

It is not necessary in this proceeding for the OEB to make any determinations regarding NOTL's request, or the SME's response. NOTL's request is not directly connected to any of the issues on the approved issues list. In any case, OEB staff agrees with the SME that, because the IESO has been designated as the SME under O. Reg. 393/07, and the SME has the exclusive authority to collect, manage and store smart metering data, it would not be appropriate for the OEB to require the SME to undertake the survey and analysis sought by NOTL. OEB staff also notes that NOTL acknowledged that a review of the type it is contemplating is outside the scope of the current proceeding.

**All of which is respectfully submitted**

**APPENDIX A**

**OEB Staff Submission**

**Smart Metering Entity**

**EB-2017-0290**

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**BY EMAIL**

March 28, 2013

**To: All Licensed Electricity Distributors**

**Re: Smart Metering Entity Charge (“SME charge”)**

On March 28, 2013, the Ontario Energy Board (the “Board”) issued its Decision and Order in the proceeding EB-2012-0100 / EB-2012-0211 which approved the SME charge effective May 1, 2013.

**Amount to be Charged by Distributors**

Effective May 1, 2013, the SME charge to be levied and collected by the licensed electricity distributors identified in the Board’s annual *Yearbook of Electricity Distributors* from Residential and General Service <50kW customers shall be \$0.79 per month. The SME charge shall be in effect from May 1, 2013 to October 31, 2018.

Yours truly,

*Original Signed By*

Kirsten Walli  
Board Secretary