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June 1, 2011

Ms. Kirsten Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, Suite 2700
Toronto ON M4P 1E4

Dear Ms. Walli:

**Re: Enersource Hydro Mississauga Inc. – Extension to Mandated Time of
Use Pricing Date for Regulated Price Plan Consumers
Board File No.: EB-2011-0028**

Please find enclosed Board Staff submission respecting the above application.

Please forward the submission along with this cover letter to the applicant in this proceeding.

Yours truly,

Original signed by

George Dimitropoulos
Advisor, Licence Applications

Attachment



ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

Application for Extension to Mandated Time of Use Pricing Date for Regulated Price Plan Consumers

Enersource Hydro Mississauga Inc.

EB-2011-0028

June 1, 2011

BACKGROUND

Enersource Hydro Mississauga Inc. (“Enersource”) filed an application dated January 28, 2011 with the Ontario Energy Board for a licence amendment to extend the mandated date for the implementation of time-of-use (“TOU”) pricing rates for Regulated Price Plan consumers (the “Initial Application”) from June 2011 to May 2012.

Enersource stated the extension is necessary due to concerns it had with the time required in implementing TOU pricing with respect to demands on call centre response handling as well the high risk of errors in converting such a large number of customers to TOU billing in a short period of time. The Board issued a Notice of Application and Written Hearing on February 25, 2011. On March 16, 2011 Enersource submitted an amendment to its application (the “Application Amendment”). The Application Amendment stated that “three prerequisite conditions for Enersource to be able to complete implementation of TOU rates by May 2012 have not yet materialized” and requested an indefinite extension to its mandated TOU pricing date. Board staff filed interrogatories on the application on March 25, 2011. Enersource responded to these interrogatories on May 30, 2011.

This submission is being provided by Board staff following a review of the application and evidence filed in this proceeding.

STAFF SUBMISSION

Board staff has a number of concerns and observations regarding Enersource’s application for a TOU implementation extension, in particular, Enersource’s Application Amendment requesting “an indefinite exemption from TOU implementation.” Board staff is of the view that the stated prerequisite conditions that are delaying Enersource’s TOU implementation are neither unique nor specific to Enersource and do not represent an unanticipated and extraordinary circumstance to justify an indefinite extension to Enersource’s mandated TOU pricing date.

Enersource’s Application Amendment stated that “three prerequisite conditions for Enersource to be able to complete implementation of TOU rates by May, 2012 have not yet materialized.”

Enersource's first prerequisite condition was that version 7.0 of the Meter Data Management/Repository (the "MDM/R") was not available. In its response to staff interrogatory 1(b), Enersource stated that *"MDM/R v7.0 was made available in early April, 2011"* and that it *"is set to begin enrollment testing June 20, 2011."* Therefore, staff is of the view that while version 7.0 of the MDM/R may have previously been a valid reason for delaying Enersource's original TOU implementation plan, this perceived obstacle no longer exists and is not a valid reason for Enersource to request an indefinite exemption to TOU implementation.

Enersource's second prerequisite condition was *"the SME agreement between the IESO and Enersource has not yet been executed and, as such, represents an unquantifiable risk."* In its response to staff interrogatory 2(b),(c), and (f) Enersource stated that the current Memorandum of Understanding (the "MOU") that the IESO has executed with certain electricity distributors does not meet Enersource's needs, stating that *"Without an Agreement, Enersource's operational and billing risk is significant but not exactly quantifiable,"* including *"jeopardizing the distributor's ability to pay its own bill."* Enersource also stated that it is *"bound by Section 5.4.1 of the Distribution System Code which requires electricity distributors to enter into an agreement with the SME upon being requested to do so, in a form approved by the Board."*

Staff notes that although a form has not yet been approved by the Board, Section 5.4.1 of Distribution System Code does not prohibit Enersource from entering into an MOU with the SME. Further, staff observes that as of March 31, 2011 there were 4,640,439 installed smart meters, 2,949,521 meters enrolled with the MDM/R and 2,064,312 customers on TOU billing.¹ Also, as of March 31, 2011, 11 electricity distributors were in enrollment testing with the MDM/R, 29 electricity distributors were in production (i.e., had completed enrollment testing) with 11 electricity distributors (including Toronto Hydro, which does not bill through the MDM/R) billing customers on a TOU basis.² These figures identify the fact that while other Ontario utilities faced similar issues with regard to MDM/R testing and an MOU with the SME, these utilities have progressed in their implementation of TOU rates.

Staff is of the view that Enersource has not provided compelling evidence that Enersource's circumstances are such that the lack of an SME agreement impacts

¹ OEB, Monitoring Report: Smart Meter Deployment and TOU Pricing – March 2011:
http://www.oeb.gov.on.ca/OEB/_Documents/SMdeployment/SM_Monitoring_Report_Mar2011.pdf

² Ibid.

Enersource to a greater extent than other utilities. Board staff does not see this as an obstacle to TOU implementation and not a valid reason for an indefinite exemption.

Enersource's third prerequisite condition was that *"a comprehensive resolution of the issue of smart meter compliance with Measurement Canada ("MC") legislation has not been reached. Enersource has determined that it is an unacceptable business risk to operate in non-compliance with MC regulations."* Enersource stated that SME was offering a partial solution that *"would require Enersource to label the customer invoice as "estimated"."* Enersource states further that it *"can only estimate what the level of customer calls into its call centre would be if every residential customer were sent a new TOU bill with the word "estimate" on every bill, for the foreseeable future. In order to deal with the deluge of calls Enersource might have to double its call centre resources, resulting in significant costs. For some customers an estimated bill is ignored until the "actual" bill is provided, and this would greatly increase Enersource's risk of many customers withholding payments."*

Board staff notes that dealing with customer complaints is part of normal business function as a utility and not unique to Enersource. Board staff is not persuaded that the expectation of an increase of customer calls into a utility's call centre with no analysis or comparable utility data to support this claim is reason to delay TOU pricing indefinitely. Enersource has provided no analysis to substantiate its claims of increased call centre volumes or customer withholding payments. In addition, Board staff does not see anticipated concerns over "estimated" bills to be an extraordinary and unanticipated circumstance. Currently, 11 utilities are billing customers on TOU.

Staff further notes that a letter included in Enersource's interrogatory responses from the Ministry of Energy to Enersource dated March 23, 2011 states: *"We have also been assured by the IESO that its proposed MDM/R-based solution is acceptable to Measurement Canada, and can be implemented on a schedule that will meet Measurement Canada's needs."*

In light of the observations above, staff is of the view that Enersource has not provided compelling evidence that the Measurement Canada compliance issue is an obstacle to TOU implementation or grounds for an indefinite exemption. Enersource's reasons for requesting an exemption have been based on external factors. Enersource has not raised any internal obstacles to TOU implementation (e.g., CIS upgrades or smart meter installations) that would be specific to Enersource and represent an unanticipated or

extraordinary circumstance. Staff notes that Enersource referred to Hydro Ottawa's application for an indefinite extension in its interrogatory responses. Hydro Ottawa, which cited concerns similar to Enersource (e.g., MDM/R stability and Measurement Canada compliance) in addition to requesting an indefinite extension, recently withdrew its application for a TOU implementation extension and stated it plans to meet its original June 2011 TOU pricing date.

Staff is of the view that Enersource's request for an indefinite extension should be denied as Enersource has provided no evidence establishing such an extension is warranted or needed. However, it is clear that Enersource will not be able to meet its current mandated TOU implementation date of June 2011. If the Board decides an extension is warranted, staff notes that according to Enersource's current TOU implementation activity timelines, it is scheduled to complete its transition to production operations on August 22, 2011.³ To assist the Board in considering options, staff suggests that Enersource provide a schedule for enrolling meters with the MDM/R and billing customers on a TOU basis in its reply submission. The schedule should indicate when meters are enrolled with the MDM/R, when customers are placed on TOU billing, and a clear rationale for the schedule, including why a more accelerated schedule is not possible. Staff notes that Enersource proposed a plan that would complete implementation of TOU rates by May 2012 in its original application. As a result, staff is of the view that a May 2012 deadline would provide a reasonable implementation schedule to complete TOU conversions.

Staff understands the IESO has indicated that it may provide written submissions on some of the issues raised by Enersource related to the SME. Staff believes that this additional information will assist the Board in deciding how to proceed with Enersource's TOU implementation extension request.

All of which is respectfully submitted.

³ [http://www.ontarioenergyboard.ca/html/touimplementation/toufilings_monthly_read.cfm?utility=Enersource Hydro Mississauga Inc.&mthdate=31-MAR-11&tab=2](http://www.ontarioenergyboard.ca/html/touimplementation/toufilings_monthly_read.cfm?utility=Enersource%20Hydro%20Mississauga%20Inc.&mthdate=31-MAR-11&tab=2)