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August 9, 2011

Ms. Kirsten Walli  
Board Secretary  
Ontario Energy Board  
P.O. Box 2319  
2300 Yonge Street, 27<sup>th</sup> Floor  
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**Re: Reply Submission – EB-2011-0224**

Bluewater Power Distribution Corporation (“Bluewater”) provides the following reply submission to the Board Staff submission dated August 2, 2011. This reply submission is structured to first provide an elaboration on our request, which we hope will help to clarify the nature of our request. We will then provide a point by point response to the observations and the conclusion offered by Board Staff in its submission.

The request for an extension was driven by the change by the IESO from R7.0 to R7.2 and, in particular, the delay by the IESO in implementing that change. The upgrade to R7.2 is intended to achieve compliance with the Measurement Canada requirement for register reads on bills and to switch to XML format for billing data. The Board is familiar with the Measurement Canada requirement, but we attach the letter that we received from Measurement Canada dated June 3, 2011 for the Board’s convenience.

It is important for the Board to keep in mind on this application for an extension that Bluewater answers to two regulators and there are two competing deadlines: October 2011 for TOU Billing and January 1, 2012 for TOU Billing that displays register reads (in compliance with the Measurement Canada direction). The path that we have chosen, can only achieve compliance with a request for a three month extension from the OEB.

The reasons that Bluewater has requested an extension to the TOU deadline from the OEB (rather than request an extension to the January 1, 2012 deadline from Measurement Canada) are threefold.

*...cont’d*

First, the Measurement Canada deadline essentially represents Measurement Canada choosing to forego prosecution of non-compliance provided that all LDCs and the IESO are compliant by January 1, 2012. There is no mechanism for an individual LDC to request an extension of a deadline of that nature.

Second, the challenge with the Measurement Canada deadline is more than just a compliance issue. The IESO will take steps such that the MDM/R will only communicate in XML format (that is, the format that accommodates register reads) commencing January 1, 2012. Past that date, the MDM/R will only be able to communicate in XML format and, if Bluewater was not compliant with that format, then we would not be able to carry out TOU Billing. In other words, had we implemented R7.0 and met the TOU Billing deadline of October 2011, then we would have ceased billing on January 1, 2012 until our upgrades to accommodate the R7.2 format was complete sometime in mid-February (discussed in more detail below).

The third reason is that we believe the decision to request an extension from the Board is the most prudent decision. The changes represented by the movement from R7.0 to R7.2 are significant changes and Bluewater decided in April of 2011 that we would build our system to R7.2 standards. That solution was the most cost-effective as it would not lead to duplication of effort and investment in a R7.0 system that would only be operational for 2 months when replaced by the R7.2 system. At that time, the plan was also achievable by the October 2011 TOU Billing Deadline. That changed on May 12, 2011 when the IESO delayed implementation of R7.2. At that point, the only solution available was a parallel implementation of R7.0 and R7.2, for which we lack the internal staff resources and consultants to carry out.

It is our submission that this request for an extension meets the test that the delay was the result of “extraordinary and unanticipated circumstances”. In making that submission, we will address the Board Staff Submissions which contains three observations and one submission as follows:

- 1. “Staff observe that it is Bluewater that made the decision to halt Unit Testing because of the upgrade to the IESO’s system. This is the reason that the subsequent delays to the IESO’s upgrade have had the impact of delaying Bluewater’s TOU implementation. If Bluewater had proceeded as scheduled, it would be able to meet the October 2011 TOU date.”**

Had Bluewater continued on a path to implement TOU Billing within the existing R7.0 system, we would have implemented TOU Billing by October 1<sup>st</sup>. However, we would then be required to commence development, testing and implementation under the R7.2 system utilizing the same six staff and outside consultants. That second project could not be carried out in parallel due to a lack of resources.

The IESO timeline filed with our application shows an original timeline (see yellow timeline labelled “IESO Wave Schedule to Meet October 2011 TOU Date”) and indicates a 19 week schedule for Unit testing, SIT, QT and cut-over plus an additional 5 weeks for historical data collection (7 weeks of collecting historical data, with a 2 week overlap with Cut-over). That schedule is tight as, for example, we included only 7 weeks of Unit Testing but the IESO recommends 2-3 months for Unit Testing. The timeline for the second project to accommodate the upgrade to R7.2 system would involve development time as well as testing and implementation. Development would be approximately 8 weeks and testing was estimated at the time by the IESO to be 10 weeks (see page 2 of Bluewater letter dated May 4, 2011 indicating that the IESO Schedule to “Deploy R7.2 to sandbox, and LDC regression testing” was from August to mid-October, 2011). In reality, the IESO has not formalized a test protocol for conversion from R7.0 to R7.2, but the information available at the time would suggest that the length of time for the second project to upgrade to R7.2 was approximately 18 weeks.

In other words, on May 25, 2011 when Bluewater became aware of the slip in schedule at the IESO for implementation of R7.2, we reasonably forecasted two consecutive projects totalling 37 weeks. At that point in time, there were 31 weeks remaining before the January 1, 2012 Measurement Canada deadline. Hence, our conclusion was that our only option was to seek an extension, and we filed our application on June 6, 2011.

Had we continued on a path to implement R7.0 and then converted to R7.2, we would not have completed implementation of R7.2 until mid-February. That would mean that for a period of approximately six weeks following the IESO’s conversion to XML format on January 1, 2012, Bluewater would not be able to bill as we would be unable to interact with the IESO.

The decision made by Bluewater was the only decision that would lead to the utility implementing TOU Billing on an uninterrupted basis. Further, a course of action that would have led to the starting and stopping of TOU Billing would have created unacceptable levels of customer confusion.

It could be argued that Bluewater ought to have been able to achieve both targets by implementing a parallel development, testing and implementation under both the R7.0 system and the R7.2 system. It is our submission that such an implementation would have required heavy reliance on outside consultants not familiar with our CIS. It is our experience that implementations fail when they only involve minimal interaction with our internal IT staff as well as the users of the system. That conclusion comes with years of experience with the SAP system. Working in conjunction with our internal staff is not only the least costly approach, but it is the most reliable approach.

That point deserves some emphasis. The Board Staff submission noted that Bluewater “has not performed a formal analysis of costs and resources”. While that statement is partially true, we have performed a high level analysis of the costs involved and we

estimate that, because a parallel implementation would be so heavily reliant on outside consultants, the incremental cost of implementing in R7.0 first and, then, implementing in R7.2 immediately thereafter, would be at least \$500,000. We question the prudence of continuing testing and implementation under the current R7.0 system, just to create a system that would be redundant within a matter of weeks and at a cost of approximately a half-million dollars to our customers.

Before closing our response to the Board Staff observation, we want to take the opportunity to remind the Board that we have been in consultation with the IESO at all times during this process. We take our regulatory compliance very seriously and every possible scenario was discussed with the IESO prior to our decision to submit to the OEB for an extension. Moreover, we continue to work diligently to progress alongside the IESO with their efforts to go-live January 2012. In fact, we have re-deployed our consultants and internal resources fully over to the new version, and have already begun Unit testing under R7.2 system as of July 25, 2011. Assuming all testing goes well, our system will be ready for TOU Billing as soon as the IESO releases the R7.2 system into production.

**2. “Staff notes that technological systems are constantly being upgraded. For example, earlier this year, the IESO upgraded from Release 6.3 to Release 7.0. Therefore, an upgrade in and of itself does not constitute an extraordinary and unanticipated circumstance.”**

First of all, we dispute that the upgrade from R7.0 to R7.2 is an ordinary “upgrade”. It is a change in the language through which the system communicates. In fact, the scope and implications of the upgrade have become more clear during our development and testing phases and those efforts have validated our decision to treat this as more than a simple “upgrade”. We can advise that, to date, the “upgrade” requires significant modification to four of the five required interfaces. In other words, this will be a complex transition affecting the majority of business processes.

Second, while we agree that upgrades to technological systems are a fact of life, we dispute that “upgrades” of this magnitude happen “constantly”. It is important to remember that this upgrade is not only significant in scope it is driven by an external factor, Measurement Canada’s requirement for register reads, and that external factor has a firm deadline.

Finally, the Board Staff comment that an upgrade “in and of itself” does not constitute necessary grounds to justify an extension. Bluewater’s rationale for this request for an extension request does not rest on the upgrade “in and of itself”, but on the circumstances in which the upgrade occurred. We remind the Board of the facts set out in our application which provide those circumstances and that can be summarized as follows:

- (1) April 14, 2011, the IESO released its R7.2 Deployment schedule. While other LDCs with an October 2011 TOU Billing deadline may have already commenced development or testing, Bluewater had sufficient time to develop a plan to immediately move to the R7.2 standard. Such a course of action was far superior from a cost perspective and achievable given the IESO timeline.
- (2) By letter dated May 4, 2011, Bluewater notified the OEB of our intention to move directly to the R7.2 format and monitor the IESO's performance in meeting its schedule.
- (3) May 12, 2011 the IESO notified LDCs of a four week delay in the development of the R7.2 system.
- (4) May 25, 2011, a conference call was held with IESO in which we were advised that IESO scheduling would not permit our deployment under R7.2 in time to meet the October 2011 TOU Billing deadline.
- (5) At that point, we had 31 weeks remaining in the year and, had we commenced consecutive implementation under R7.0 and R7.2, we would have required 37 weeks, and that assumed no further delays or problems arising. The only available alternative was a parallel implementation, which we could not support.
- (6) June 6, 2011 we applied to the OEB for an extension to the TOU Billing deadline.

3. **"Staff also observes that no other distributor has come forward with a TOU extension application based on delays of the IESO's R7.2 system upgrade. Further, ten distributors, including Bluewater, currently have an October 2011 mandatory TOU date. Six of these distributors have not applied for an extension. Four of these distributors, including Bluewater, have requested an extension to their mandatory date. However, unlike Bluewater, the other three distributors requesting an extension did not delay their testing schedules because of the IESO's R7.2 upgrade. All three have completed System Integration ("SIT"), One has completed Qualification Testing ("QT") and the other two began QT in July 2011. All three have stated that they will recomplete SIT testing and QT testing after the IESO completes the R7.2 system upgrade."**

Bluewater cannot comment specifically on other distributor's situations. It could be that the other distributors were on a different testing schedule (despite having the same October 2011 implementation date) and may have commenced development and testing prior to the April 14, 2011 release of the IESO's schedule for R7.2 system. It could also be that others are more reliant on outside consultants, such that they do not face the same restrictions caused by limited internal staff.

We can comment that the timelines for testing are prescribed by the IESO and are exhaustive. If the goal is to carry out two implementations between June and the end of the year and each implementation requires approximately 19 weeks, then getting started one or two months earlier than June can make a significant difference. For

example, Board Staff raised the issue of 3 other LDC's that have requested an extension but have not based that request on implication of the release of R7.2 system (Ottawa River, Hydro 2000 and Co-operative Hydro Embrun). Having reviewed those applications, it would appear that those utilities finished unit testing in early June. That would suggest that they were approximately 8 weeks ahead of Bluewater in the commencement of testing. Had we completed testing by early June, we would likely have been in a position to turnaround and complete development, testing and implementation of R7.2 by the January 1, 2012 deadline.

In closing, we would point out that it is dangerous to compare distributors without considering their precise circumstances. It may very well be that some of the other distributors to which the OEB seeks to compare Bluewater will not be compliant with both deadlines, but that fact may not yet have been realized. The only thing that Bluewater can say with certainty, is that we have consulted with the IESO very closely and we are satisfied that, based on our current understanding of the circumstances, our current path is the only path that will lead to full compliance and a stable implementation of TOU Billing.

4. **“Therefore, Staff submits that Bluewater has not provided sufficient evidence regarding why it faces unique circumstances that make it unable to meet its October 2011 mandatory TOU date. Staff requests Bluewater, in its reply, should present a schedule for completing TOU implementation without further delay.”**

The test that Bluewater is required to meet to be eligible for an extension of the TOU deadline is to prove that the delay was the result of “extraordinary and unanticipated circumstances” and we submit that the circumstances of this request meet both elements of the test.

The circumstances are extraordinary because Bluewater chose to avoid redundant projects and proceed directly to R7.2 system. That course of action was financially beneficial to our ratepayers and the plan was achievable based on the best information available at the time. Having taken those prudent steps in the best interest of its ratepayers, Bluewater acknowledges that it was now vulnerable to delays with the IESO. We identified that fact in our letter to the OEB dated May 4, 2011 and we advised the Board that we would closely monitor the IESO's progress. Hence, we made a prudent choice and we managed the risk.

It may be that Bluewater's use of a unique SAP CIS created a circumstance that was different than other LDCs and necessitated our utility to seek the most cost effective solution of implementing TOU Billing. For example, many LDCs utilize “off the shelf” CIS systems where development of the product has already taken place, in which case the LDC is truly just testing its data and systems to ensure proper flow of information. In Bluewater's case, we are developing the solution within our SAP system; if a problem is encountered in R7.0 our consultants would need to build a

solution in order to complete testing, even though we might already know at that point that the problem does not exist in R7.2. Since we are developing the system whereas others are simply testing an existing system, we need to ensure our resources are spent as cost effectively as possible and, hence, our decision to avoid redundant spending on the R7.0 system and transition directly to R7.2.

That decision is what makes our situation extraordinary. The delay at the IESO was the unanticipated factor that ultimately led to our need for an extension. While delays are not uncommon, we submit that it was reasonable to rely upon an entity like the IESO to meet its schedule in this circumstance. The IESO is an entity that has exceptional resources available to meet its objectives and the IESO was working toward its own deadline with Measurement Canada. Those factors, combined with our ongoing consultations with the IESO made us comfortable to rely on the IESO's ability to meet its deadline. In fact, we point out that the entire industry is dependent upon the IESO. Our decision to wait for R7.2 simply added one more layer of dependence.

With respect to the Board Staff request that we provide a schedule for completing TOU implementation without further delay, our position is that the timeline we submitted with our application on June 6, 2011 is the shortest timeline to achieve TOU implementation.

#### CONCLUSION:

It is our submission that a fair and comprehensive review of the facts set out in our application and summarized in this submission point to a conclusion that our situation represents an "extraordinary and unanticipated circumstance" and that our request for an extension is justified.

We also take this opportunity to remind the Board that our ability to implement TOU Billing is tied to the IESO's ability to meet its deadlines on implementation of R7.2. We have asked for an extension to "a new date of January 2012 or 14 weeks after the start date the Independent Electricity System Operator ("IESO") confirms Bluewater's wave assignment."

Hence, we repeat our request for extension as follows:

*“An extension to Bluewater Power Distribution Corporation’s mandated time-of-use (“TOU”) pricing date from October 2011 until the latter date of January 2012 or fourteen weeks after the start date the IESO confirms as Bluewater Power’s wave assignment for testing within the R7.2 and Energy IP 2011 Measurement Canada solution.”*

Sincerely,

A handwritten signature in black ink, appearing to read 'APL', is positioned below the word 'Sincerely,'.

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June 3, 2011

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**RE : Electricity Bills – Legal Units of Measure & Meter Readings**

Dear MS. MCMICHAEL:

In February of 2010, Measurement Canada issued the Information Bulletin "*Units of Measurement Applied to the Sale of Electricity or Natural Gas in Canada and the Provision of Meter Registration Information*". In short, the Bulletin advised suppliers (sellers) of electricity or natural gas of their obligations under the *Electricity and Gas Inspection Act* regarding the use of recognized legal units of measure and the need to establish supplied quantities on the basis of approved and verified meter readings.

With specific regard to Ontario's electricity market, the Bulletin advised electricity suppliers:

- that the use of "adjusted" kWhrs would not be permitted for the purposes of establishing the basis of a sale for supplied electricity quantities; and
- start and finish meter registrations originating from an approved and verified meter need to be utilized as the basis for establishing supplied electricity quantities during a particular calendar based billing period.

The purpose of this letter is to remind electricity contractors (utilities and retailers) of their obligations in this regard and to reiterate Measurement Canada's expectations. Where a contractor is currently in non-compliance with the above noted requirements, appropriate corrective actions must be implemented such that full compliance is achieved by January 1, 2012.

For more information or to discuss these requirements further, please contact our office or visit our website.

Sincerely,

Mike Rogers  
Regional Manager, Ontario

Canada 

