ONTARIO ENERGY BOARD

BOARD STAFF SUBMISSION

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

EnWin Utilities Ltd.

Board File No.: EB-2012-0405

January 24, 2013

BACKGROUND

On October 16, 2012 EnWin Utilities Ltd. (“EnWin”) filed an application under section 74 of the *Ontario Energy Board Act, 1998* (the “Act”) for a licence amendment granting an extension in relation to the mandated date for the implementation of time-of-use (“TOU”) pricing rates for Regulated Price Plan (“RPP”) customers. The Board assigned the application file number EB-2012-0405.

On August 4, 2010 the Board issued a determination under Section 1.2.1 of the Standard Supply Service Code to require the implementation of TOU pricing for RPP customers. The determination established mandatory TOU implementation dates for each electricity distributor.

In a previous proceeding (EB-2010-0367), EnWin was granted an extension to its mandated TOU pricing date from June 30, 2011 to December 1, 2012. EnWin requested the extension due to the time required to convert its old Customer Information System (“CIS”) to a new CIS. The need and timing for a new CIS was first recognized in EnWin’s 2009 Cost of Service Rates Application (EB-2008-0227).

EnWin has requested another extension to its mandated TOU pricing date until April 30, 2014. EnWin states the reasons for the requested extension are that its new CIS used to implement TOU pricing has not yet been brought into service. EnWin states in order to implement TOU pricing it requires the new CIS to be in place as the use of the current CIS for TOU implementation would be unduly risky and expensive.

The Board issued a Notice of Application and Hearing for the application on November 28, 2012. Board staff filed interrogatories on the application on December 20, 2012. EnWin responded to those interrogatories on January 9, 2013.

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

STAFF SUBMISSION

Having reviewed the application and evidence, Board staff has concerns with EnWin's 2nd request for extension to its mandated TOU pricing date. Board staff notes that EnWin has sought the longest extension of time to implement TOU pricing of any other distributor for all its customers. Board staff suggests that there are certain factors the Board should consider when evaluating EnWin's application for an extension.

The first factor is the timeliness of EnWin's application. On April 13, 2011 the Board granted an extension to EnWin's mandatory date for TOU pricing to December 1, 2012. On April 11, 2011, prior to the Board issuing its decision for EB-2010-0367, EnWin wrote a letter to the Board requesting a temporary suspension of its application for an exemption from its mandatory TOU pricing date for RPP customers.

EnWin's April 11, 2011 letter stated that "there is a reasonable chance that new material and relevant information will arise in the coming weeks that would prompt EnWin to seek a different Mandatory TOU date than the date requested in this Application." The letter stated further that "In the event that the Board does not grant this request and renders its Decision in the near term, EnWin intends to continue with its planned due diligence in the CIS project. If that internal evaluation and decision-making process results in the need for a Mandatory TOU date that is later than December 2012 (or whichever date is determined by the Board in this proceeding), *EnWin anticipates filing a new application for a revised extension as soon as possible*." (emphasis added)

In response to Board staff interrogatory 2(a) in this application EnWin stated that "EnWin Audit and Finance Committee met on April 26, 2011 and, at that meeting, declined to recommend the Deloitte/SAP CIS to the EnWin Board of Directors."

Board staff notes that the April 26, 2011 decision by its Audit and Finance Committee was not reflected in EnWin's monthly reporting to the Board on smart meter deployment and application of TOU pricing.

On November 21, 2011 EnWin issued a Request for Information ("RFI") "to identify potential CIS solutions and firms that can provide services to implement and support a new CIS solution." (Exhibit 3, Tab 3, Schedule 4, Page 5)

Submissions to the RFI were due by December 21, 2011. EnWin undertook analysis of the RFI responses in 2012.

Board staff notes that the RFI process was not reflected in EnWin's monthly reporting to the Board on smart meter deployment and application of TOU pricing.

On May 28, 2012, in response to a letter from Board staff, EnWin stated:

> "It is now clear that EnWin will not be in a position to select a replacement CIS, implement that CIS and roll-out TOU by December 1, 2012. What is not yet clear is the date by which EnWin will be in a position to roll-out TOU commodity rates to all of its ratepayers. That date is dependent upon the outcome of the CIS procurement process, which has not yet concluded.
>
> "Once the replacement CIS is selected and the implementation timeline is known, EnWin intends to prepare and file an application for a further temporary exemption from Mandatory TOU with all due haste and, in any event, in advance of the expiry of its current exemption."

On October 16, 2012 EnWin filed its application for an extension to its mandated TOU pricing date until April 30, 2014.

EnWin states that "the EnWin Board of Directors resolved at a meeting on July 12, 2012 to have management proceed with contract negotiations with NorthStar for the procurement and implementation of a new CIS, including TOU functionality." (Exhibit B, Tab 3, Schedule 1, Page 13)

Board staff notes that the July 12, 2012 resolution was not reflected in EnWin's monthly reporting to the Board on smart meter deployment and application of TOU pricing.

Given the evidence, Board staff suggests that a consideration should be that EnWin should have informed the Board of its inability to meet its December 1, 2012 deadline and applied for an extension earlier than its actual application date of October 16, 2012. Board Staff notes that in its application EnWin states that it expects integration with the Smart Metering Entity ("SME) to take approximately 7 months (Exhibit B, Tab 3, Schedule 1, Page 17). A seven month timeline means that EnWin would have had to begin SME integration on June 1, 2012 in order to meet its mandatory TOU date of December 1, 2012. However, EnWin was not ready to integrate with the SME because it had not yet started to bring into service a new CIS. Further, EnWin's application states that "EnWin expects that it will take up to 18 months to complete the installation of the new NorthStar CIS, including the implementation of TOU pricing."

Based on the timelines and evidence in EnWin's application (and the timelines and evidence in EnWin's previous application), Board staff suggests that EnWin had enough information by late 2011 or early 2012 to conclude that it would not be in a position to meet its mandatory TOU date of December 1, 2012.

Further, Board staff notes that the Board's August 4, 2010 determination to mandate TOU pricing states "The Board acknowledges that distributors may encounter extraordinary and unanticipated circumstances during the implementation of TOU pricing. The Board requests that any distributor encountering such circumstances bring these matters to the Board's attention *without delay* in order that the Board can assess the impact on the distributor's mandatory TOU date and assess whether any adjustment in that date is warranted." (emphasis added)

Based on this information, Board staff suggests that the Board take into consideration the timeliness of EnWin's application when assessing EnWin's request for an extension.

A second factor Board staff suggests the Board consider is EnWin's implementation of its new CIS. To implement TOU pricing, EnWin is undertaking the installation of a new NorthStar CIS. The NorthStar CIS is replacing EnWin's previous PeopleSoft CIS. In its EB-2010-0367 application for an extension, EnWin included an August 23, 2010 letter to Board staff stating:

> "…the status of EnWin's PeopleSoft CIS is unsupported and it would require considerable investment and effort to become capable of handling voluminous TOU data. Assessments to date suggest it could take a re-installation on a scale comparable to the SAP CIS Development. Finally, setting-up PeopleSoft CIS with TOU capabilities would provide only short-term benefit since the entire system will be decommissioned within a couple years when SAP CIS goes live. In short, EnWin does not consider it to be prudent to move to TOU in its PeopleSoft CIS."

Further, during EB-2010-0367, in response to Board staff interrogatory 2(c), EnWin stated that “with the PeopleSoft CIS being so fragile, adding a large MDM/R interface and TOU billing customizations would not be prudent. The additional demands placed on the system could have rendered the PeopleSoft CIS entirely inoperable. This was not an acceptable risk.” This response by EnWin was filed on January 27, 2011.

In EnWin’s current application, in response to Board staff interrogatory 2(a) EnWin stated that on April 26, 2011 its “Audit and Finance Committee directed management to assess the status of the current CIS system and whether it could be upgraded to accommodate TOU pricing. When it was determined that this was not advisable, the decision was made to investigate other options for a new CIS.”

It is unclear to Board staff why EnWin would identify the need to assess the status of the current system when it had gone on record in the EB-2010-0367 proceeding as stating that it did not consider it prudent to move to TOU with its PeopleSoft CIS.

Further, EnWin’s application states that “EnWin management advised that it was not advisable to take interim steps to transition to TOU pricing using the legacy CIS. The risks to the system, as well as the likelihood of duplicated and wasted costs and effort associated with transitioning to TOU pricing using the legacy CIS, and then again using the new CIS, were considered to outweigh any benefits associated with being able to transition to TOU pricing more quickly.” (Exhibit B, Tab 3, Schedule 1, Page 6)

It is unclear to Board staff why EnWin found it necessary to devote time and resources to reassess its legacy CIS in 2011 given the evidence presented by EnWin in the EB-2010-0367 proceeding that it had already determined it would not be acceptable risk to implement TOU using its legacy CIS. Board staff has concerns with the reasons for this delay as well as the apparent duplicated effort and inefficient use of resources by EnWin. Board staff suggests that the Board may wish to take into consideration the unnecessary delay and re-assessing of the legacy CIS when deciding on EnWin’s application and its request for extension.

Another factor Board staff suggests the Board consider is the cost of EnWin's CIS initiative. In response to Board staff interrogatory 10(a), regarding the costs associated with EnWin's decision to not implement Phase 2 of a SAP CIS using Deloitte as originally planned, EnWin responded that "EnWin does not believe that this question is relevant to this proceeding, which is directed at the deadline for EnWin to implement TOU pricing. At the time that EnWin seeks cost recovery of the costs associated with the new CIS, all appropriate information will be provided."

Board staff notes that the basis for EnWin's application for TOU extension is based on their conclusion that "continuing with the "Comprehensive ERP" philosophy was not in the interests of ratepayers or the utility." (Exhibit B, Tab 1, Schedule 1, Page 3)

Further, EnWin's application states "it became apparent to EnWin that proceeding with Deloitte for the implementation of a new SAP CIS would be much more expensive than anticipated. This led to a decision to explore other options, which has extended the time required in moving to CIS and TOU implementation […] this approach has led to a more cost-effective outcome, in the best interest of EnWin and its ratepayers." (Exhibit B, Tab 2, Schedule 1, Page 6). Board staff notes that since EnWin did not file CIS costs, the Board has no information on which to assess the cost-effectiveness of EnWin's approach in this application.

Therefore, based on the evidence provided by EnWin, Board staff is of the view that CIS replacement costs are the driver of EnWin's application for an extension. As a result, Board staff is of the view that costs are relevant to this proceeding and it is unclear as to why EnWin would not provide these replacement costs to support its grounds for a further extension to its mandated TOU pricing date.

A final factor to consider is the impact of delayed TOU implementation on EnWin's customers. Board staff observes that in response to Board staff interrogatory 2(b) EnWin included a slide presentation stating "EnWin Regulatory believes that approximately 40% of customers save money under Time of Use billing." (Attachment #2b, April 26, 2011, Project One Phase II Realization Discussion with the Board of Directors Presentation, Slide 19). Board staff has concerns with the fact that EnWin has not been able to provide these savings to its customers during the time prescribed by the Board. Board staff suggests that the Board take into consideration the costs to these customers of further delay to TOU implementation when assessing EnWin's application and its 2nd request for an extended mandated TOU pricing date.

If the Board decides to grant an extension, given the concerns expressed above, Board staff submits that the Board should order regular and stringent reporting requirements on progress until TOU pricing is fully implemented.

All of which is respectfully submitted.