

ONTARIO ENERGY BOARD

IN THE MATTER OF subsections 78(2.1), (3.0.1), (3.0.2) and (3.0.3) of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF subsection 53.8(8) of the *Electricity Act, 1998*;

AND IN THE MATTER OF Ontario Regulation 453/06 made under the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by the Independent Electricity System Operator as Smart Metering Entity for an Order fixing a Smart Metering Charge for July 1, 2012 to December 31, 2017.

AND IN THE MATTER OF a proceeding being commenced on the Ontario Energy Board's own motion, pursuant to section 19 of the *Ontario Energy Board Act, 1998*.

SUPPLEMENTAL PRE-FILED EVIDENCE

1. This Supplemental Pre-filed Evidence is being submitted by the Independent Electricity System Operator ("IESO") in its capacity as the Smart Metering Entity ("SME"). This evidence relates to the SME's process for selecting an Operational Service Provider ("OSP") for the MDM/R for the post-February 2014 period and the implications of that selection on the Smart Metering Charge.
2. On May 17, 2012, the IESO issued a Request for Information ("RFI") and based on responses determined that there was significant interest and credible service providers for the OSP role.
3. On July 30, 2012, the IESO issued a Request for Proposal ("RFP") for the OSP scope of services, with responses due by the end of September 2012. The

procurement process was rigorous and fair, overseen by IESO's Internal Audit team. It was also designed to attract competitive bidders, select and contract with the most qualified and economical bidders and transition to the new OSP without disruption to distributors' business operations. Five organizations submitted proposals in response to the RFP.

4. As a result of the RFP process, IBM Canada Ltd. ("IBM Canada") was selected as the new OSP. A contract with IBM Canada was ratified on December 21, 2012. Under the contract, IBM Canada is responsible for operating the Meter Data Management and Repository ("MDM/R") with new computing infrastructure and an updated operating environment. The SME has entered into a 5-year commitment with IBM Canada (commencing after the end of the current contract) that can be extended at the SME's option to a 7 or 10 year total term.

5. Attached as Appendix "A" are the SME's updated cost projections to December 2017 and a comparison of the revised forecast to the SME's Prefiled Evidence dated March 23, 2012 (Exhibit C-1, pages 3 and 4). The SME is forecasting a decrease in its total project costs of \$4,209,244 from the forecast contained in its Pre-filed Evidence. When financing costs attributable to the delay in commencing the collection period are included, the SME is projecting a reduction of \$319,473 in the forecast costs identified in the Pre-filed Evidence.

6. Further details about the changes to the SME's forecast costs are provided below:

(a) *Phase 3 (MDM/R Operation)*: The SME is forecasting an increase of \$353,981 in total Phase 3 costs as follows:

(i) *IESO Costs*: A forecast decrease of \$365,715 associated with actual costs incurred to 2012, reduced regulatory expenses,

and deferred activities to future periods on account of higher priority initiatives.

- (ii) *Vendor Costs*: An overall increase of \$435,260 is forecast for Vendor costs due to maintenance on software developed for the Measurement Canada solution and other changes to the MDM/R. The amount of \$5,529,005 was shifted from Vendor Base Contract to Software Maintenance as a result of the SME contracting directly with eMeter (eMeter is a subcontractor to IBM Canada under the existing contract). The forecast cost of \$4,210,704 for LDC Testing Facilities has been included in the new contract with IBM Canada and now forms part of the Vendor Base Contract line item.
- (iii) *OSP Procurement*: This item was added to reflect the \$284,437 in actual costs incurred for external legal counsel to support the procurement for the MDM/R OSP.
- (b) *Phase 4 (Accelerated TOU Rollout Plan & OEB Mandate)*: Phase 4 has now been completed under budget. Actual costs were \$206,356 less than forecast.
- (c) *Release 7.2, MC 2011, MC 2012 Part 1 Solution*: This project was completed \$385,783 under budget.
- (d) *Measurement Canada 2012 Solution and Required Upgrades*: Forecast costs were reduced by \$2,274,990. The upgrade from Oracle 10g to 11g was completed on schedule and within budget. A significant portion of Measurement Canada Solution (referred to as "MC 2012 Part 1") was brought ahead of schedule as part of the deployment

of Release 7.2 and the Measurement Canada 2011 Solution. This has reduced the project costs to deliver the Measurement Canada 2012 Solution and Required Upgrades.

- (e) *Provision for Changes to the MDM/R and Contingency:* This forecast has decreased by \$1,696,097 based on the scope of contracted services with IBM Canada and IBM Canada's proposed approach for refresh of the information technology computing infrastructure for the MDM/R.
- (f) *Financing Costs:* Financing costs increased by \$3,889,771 due to the delayed start if the projected cost recovery period from July 1, 2012 to May 1, 2013.

7. The projected reduction of \$319,473 amounts to approximately 0.1% of the SME's total revenue requirement. The SME considers this amount to be immaterial and does not propose to recalculate the Smart Metering Charge (detailed in the response to Undertaking No. JTC1.3) to account for this reduction.