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January 5, 2016

Ms. Kirstin Walli
Board Secretary
Ontario Energy Board
P.O. Box 2319
2300 Yonge Street, 27th Floor
Toronto, ON M4P 1E4

Re: Application by the Smart Metering Entity for extension of the SME/LDC Agreement and Disbursement of the Service Levels Credit Account; OEB File: EB-2015-0298

Dear Ms. Walli:

On December 18, 2015 London Hydro filed a request to the OEB to make the Application by the Smart Metering Entity for extension of the SME/LDC Agreement and Disbursement of the Service Levels Credit Account; OEB File: EB-2015-0298 a public review.

This document will highlight on a high level London Hydro's concerns of transparency, efficiency and effectiveness, impact to London Hydro's customers and consideration of additional opinions.

First off, London Hydro is concerned about the transparency of the proposed proceeding and the applications request that the proceeding be disposed of without a hearing. London Hydro is concerned that as a party to the agreement it is not being afforded the opportunity to review, comment or submit interrogatory questions on the contents of the agreement.

The following is an excerpt from the OEB's December 29, 2015 Toronto Hydro Decision and Order:

Toronto Hydro did not develop its plan in conjunction with its customer engagement activities. It sought input to **confirm the plan it had already prepared rather than**



engaging its customers to ascertain their preferred options in the context of Toronto Hydro's current cost and reliability situations.

Achievement of RRFE outcomes relies on an ongoing effort by the distributor to engage customers in a process designed to inform its plans. Without this, it is unlikely that a distributor will be able to align customer needs with its business needs. This **engagement process is intended to educate customers and distributors of each other's issues and priorities**. The OEB expects distributors to develop plans based on its customers' informed input on the service that distributors provide¹.

London Hydro would expect that the OEB, at the least, uphold its own expectations of electricity distributors to all of its licensed market participants.

In the 2014 Auditor General's report, a recommendation (7) was: "To ensure that ratepayers are not burdened with the duplicated and ongoing costs of system development and integration, the Ministry of Energy should work with the IESO and OEB and the distribution companies to re-evaluate options around operating the provincial data center and/or having separate local systems at individual distribution companies in order to determine the cost-effectiveness of various options and avoid continued duplication of systems and costs."² In that report the OEB responded that "The OEB would be pleased to work with the Ministry of Energy and others in the assessment that the Ministry may initiate in respect of options regarding the cost-effective use of the resources of the provincial meter data management system and local distribution systems." While there may be some work regarding role-clarity between the Ministry and the OEB, there has been an universal principle to engage directly with consumers to be able to implement a regulatory framework that not only reflects the evolution of the energy sector and considers the broader public interest, but that also delivers outcomes that are meaningful to those who pay the bill.

Second, London Hydro would suggest that the efficiency and effectiveness of the MDM/R operations be opened to public dialogue. Since the date of conception and inception of the SME, technological advances have been developed that may not have necessarily been

¹ DECISION AND ORDER EB-2014-0116 TORONTO HYDRO-ELECTRIC SYSTEM LIMITED December 29, 2015

² Office of the Auditor General of Ontario 2014 Annual Report page 399.



considered for inclusion in the operation. London Hydro wishes to be allowed to propose operational changes for consideration. With respect to efficiency, MDM/R should not be considered in isolation, but rather part of the ever evolving AMI (Advanced Metering Infrastructure) landscape. There are considerable ongoing operational and system maintenance costs that Utilities must recover as a consequence of being mandated to use the MDM/R. This is a perfect opportunity to provide utilities an Opt-out in order to investigate a more favorable business case for rate-payers. Arguments have been made in the past against opt-out due to the inflexibility of the MDM/R to scale to lower volumes. This may indicate the cross-subsidization of MDM/R system costs from one LDC to another. While revenue collection is done on a per-bill basis, the underlying cost allocation of the system may not match. Without a business analysis of the known-unknowns of the MDM/R business case it remains unknown if the MDM/R is financially viable and competitive.

As the MDM/R acts as a service provider to the LDCs (a monopoly service to the monopoly utilities) it should set the example of providing services that are cost competitive and creating value. MDM/R enhancements such as Global Adjustment pro-rating or higher availability are not being provided.

Considering optimization of the TOU/AMI process may also not be enough scope to evaluate the effectiveness of the MDM/R. The MDM/R must also be looked at in the overall context of the mission of the Utilities. TOU was initially brought on to help with conservation initiatives. Navigant's Time of Use Rates in Ontario Impact Analysis prepared for the OEB illustrated the most significant result was a 3.3% On-Peak summer reduction. Demand response is an effect of good pricing and not a cause. While there is no doubt some value of gathering the data, the smart meters themselves are capable of generating monthly TOU billing amounts, such that an MDM/R is not entirely needed to realize TOU billing altogether. Thus the overall costs of the MDM/R should be evaluated by the capability provided beyond its role in the TOU data value chain.

Third, London Hydro customers, as an indirect party to the agreement, have been directed to contribute in excess of \$1.4 Million annually to the operation of the MDM/R. As the customer agent to this agreement London Hydro believes that it is incumbent on us ensure that the customer's interest is being attended to.



Fourth, London Hydro would suggest that section 3.11 Smart Metering Initiative of 2014 Annual Report of the Office of the Auditor General of Ontario be included for consideration for this agreement.

The Ontario Energy Board Act, 1998, sets out guiding objectives of the Board, one of which is:

To protect the interests of consumers with respect to prices

The Auditor General of Ontario's recently released 2015 Annual Report spawned numerous newspaper headlines akin to "Ontario's Liberals have completely broken the electricity system"³. Maintaining the present trajectory will certainly produce the same criticism in forthcoming years.

With this application by the Smart Metering Entity (SME) for a non-public extension of prevailing SME/LDC Services Agreements, London Hydro is concerned that perhaps the regulator may be lulled into complacency by the promise of a minuscule rate reduction via disposition of a variance account credit. The Auditor General's 2014 Annual Report (and specifically Section 3.11, Smart Metering Initiative) provided commentary that whereas the monthly charge for SME services is \$0.79 / customer, most LDC's were able to install an Operational Data Store (ODS) system (in tandem with their AMI) that provides real-time functionality well beyond the trivial data Validation, Editing and Estimating (VEE) services provided by the SME at a cost of \$0.21 / customer, i.e. about one-quarter the cost. In our mind, the Auditor General is essentially stating that the inflated \$0.79 / customer / month initially approved by the OEB certainly weren't protecting the interest of consumers with respect to prices.

The Auditor General's 2014 Annual Report suggests that Smart Metering Charge of \$0.79 / customer / month is for the period May 1, 2013 to October 31, 2018. It is therefore curious why the SME is requesting that the prevailing agreements be extended to January 2021.

Please do hesitate to contact me if you have questions.

³ The Globe and Mail; Wednesday, December 2nd, 2015 edition; article available electronically at URL:: <http://www.theglobeandmail.com/globe-debate/editorials/ontarios-liberals-have-completely-broken-the-electricity-system/article27571292/>



Yours Truly,

A handwritten signature in black ink that reads "M Benum".

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cc Adrian Pye, Independent Electricity System Operator
 Martha McOuat, Ontario Energy Board