



# **Ontario Energy Board Commission de l'énergie de l'Ontario**

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## **DECISION AND ORDER**

**EB-2015-0298**

### **SMART METERING ENTITY**

**Application for disposition of the balance of the Service Level  
Credits Account**

**BY DELEGATION BEFORE: Lynne Andersen**  
Vice President,  
Applications

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**May 4, 2017**

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## 1 INTRODUCTION AND SUMMARY

The Independent Electricity System Operator<sup>1</sup> in its capacity as the Smart Metering Entity (SME) applied to the Ontario Energy Board on November 13, 2015 under section 78 (3.0.1) of the *Ontario Energy Board Act, 1998* (OEB Act) for an order disposing the balance in the SME's Service Levels Credit Account for the period May 1, 2013 to December 31, 2014.<sup>2</sup>

In its Decision on Accounting Order issued May 14, 2013<sup>3</sup> (the Accounting Order), the OEB approved the establishment of the Service Levels Credit Account. The account was established to record and report on the amount of reduction in fees or recovered amounts (referred to as credits) in relation to a failure or breach resulting in a reduction of the fees payable to the Operational Service Provider by the SME, or any amount recovered from the Operational Service Provider in respect of any such failure or breach, on or after May 1, 2013 pursuant to section 7.6 of the SME/LDC Agreement. In accordance with the SME/LDC Agreement, the Accounting Order requires the SME to apply to the OEB to clear the account on the earlier of i) the date on which the balance in the variance account meets or exceeds \$2 million, or ii) January 26, 2016.

The balance in the account was a credit of \$368,711 as at December 31, 2014. As specified in the Accounting Order, no interest is accumulated on the balance in this account.

The SME also requested that the OEB approve disbursement of the Service Levels Credit Account for 2015, 2016 and 2017 in a similar manner to the proposed treatment of the 2013-2014 balance.

Appendix D of the SME's application contained a copy of its April 10, 2015 Annual Cost and Variance Account Report for 2014. The report demonstrated that, as of December 31, 2014, the SME had collected an excess of revenues over its costs incurred of \$3,162,443. At that time, the SME submitted in its report that an application to adjust the Smart Metering Charge was not warranted.

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<sup>1</sup> The Independent Electricity System Operator was designated as the Smart Metering Entity by Ontario Regulation 393/07 made under the *Electricity Act, 1998*.

<sup>2</sup> The Application also included a request for an order extending the agreements between the SME and local distribution companies (the SME/LDC Agreements). This aspect of the application was addressed by a separate order of the Ontario Energy Board issued on January 26, 2016 (EB-2015-0297).

<sup>3</sup> EB-2012-0100/EB-2012-0211, Proceeding to fix a Smart Meter Charge, and determine its appropriate allocation and recovery

For the reasons set out herein, the OEB will not issue an order at this time disposing the balance in the SME's Service Levels Credit Account.

## 2 THE PROCESS

The OEB has considered this application without holding a hearing pursuant to section 6(4) of the OEB Act. In this case, the SME provided written evidence to support its application. Staff from the SME and the OEB engaged in further discussions through emails and phone calls. Based on all of this information, a draft Decision and Order was provided to the SME on January 28, 2016. In its draft Decision and Order, the OEB was planning to order the SME to file an application with the OEB no later than December 31, 2016 with a five-year forecast of costs, including consideration of the costs of the “Implementation Plan” ordered by the OEB in the licence proceeding EB-2016-0297.

The SME was given the opportunity to provide its comments on the draft for consideration prior to finalizing this Decision and Order. In its comments, the SME requested that the OEB consider a filing date of the application of Q2 2017 or later to accommodate the timing of the preparation of audited financial statements, as well as the timing of the policy review as outlined in the OEB's Order of January 26, 2016<sup>4</sup>, which will have a significant impact on its five year forecast of costs.

On April 28, 2017, the SME provided its Smart Meter Entity Annual Cost and Variance Account Report for 2016<sup>5</sup>, providing an overview of the SME's financial status as of the end of 2016, high level considerations on the SME operations covering the remainder of the current Smart Meter Charge period, and recommendations for the next steps on a new Smart Meter Charge submission with supporting analysis and rationale.

The OEB has considered the SME's comments on the draft decision and the information in the Annual Costs and Variance Report for 2016 in this final decision.

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<sup>4</sup> EB-2015-0297

<sup>5</sup> Per EB-2012-0100/EB-2012-0211, Decision and Order

### 3 DECISION

#### 3.1 Disposition of the Service Levels Credit Account

The SME proposed to dispose of \$368,711 related to four incidents that took place between July 2013 and October 2014. The proposed allocation of the balance was determined in accordance with guidelines for disbursement approved by the SME Steering Committee, which has been established to represent the interests of stakeholders. The majority of members represent local distribution companies that are receiving the services of the Meter Data Management Repository (MDM/R). In accordance with the terms of the SME/LDC Agreements, the SME is required to provide pertinent information to the SME Steering Committee to enable it to determine which MDM/R service recipients were affected by the service failures.

The SME Steering Committee determined that all incidents were equally impactful for all LDCs. The guidelines for disbursement approved by the SME Steering Committee require that the balance be disbursed on the basis of the proportion of customers of each LDC as per the OEB's Yearbook of Distributors for the year that the Service Levels Credits were accumulated.

The SME proposed to dispose of the balance through a one-time payment to the affected LDCs and provided a schedule of proposed payments to each LDC based on its proportion of provincial customers.<sup>6</sup> Payments to the LDCs ranged from a low of approximately \$100 for the smallest utilities to approximately \$100,000 for Hydro One Networks Inc.

The SME also requested that the OEB approve disbursement of the Service Levels Credit Account for 2015, 2016 and 2017 in a similar manner to the proposed treatment of the 2013-2014 balance. The SME proposed that it would apply to the OEB for disposition on the earlier of i) the date on which the balance of the account meets or exceeds \$2 million or ii) October 1, 2018, which corresponds to the date of availability of the 2017 financial information and variance report.

In its 2016 Annual Cost and Variance Report, the SME provided an updated cumulative balance in the Service Levels Credit Account of \$390,408. Proposed payments to the LDCs were not updated.

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<sup>6</sup> No payment was proposed for Toronto Hydro-Electric System Limited, as it does not make use of the provincial MDM/R.

## Findings

The proposed disposition of the credit balance of \$368,711, even if updated to \$390,408, results in disposition amounts that are immaterial when allocated to all eligible LDCs in the province. The OEB finds that the balance in the Service Levels Credit Account does not require disposition at this time. The SME should seek disposition as part of the application to be filed for the Smart Meter Charge, as discussed in the next section below.

### 3.2 Smart Metering Charge

In this application, the SME provided a copy of its April 2015 Annual Cost and Variance Account Report for 2014, showing a variance for that year of \$3,162,443 from budgeted costs.

The cumulative variance for the cost and revenue variance accounts for 2013 to 2014 was an overall credit of \$8,768,621.

At that time, the SME submitted that an application to adjust the Smart Meter Charge was not warranted. The SME stated that any unallocated revenues received during 2014 and 2015 would be utilized to reduce its \$74.5 million debt and associated financing costs.

While in the SME's comments on the draft decision it had indicated that a Smart Meter Charge application could be filed in Q2 2017, in the Annual Cost and Variance Account Report for 2016 the SME is now proposing to file an application by September 2017. The cover letter indicated that the SME would be seeking an effective date of January 1, 2018.

This application did not seek the OEB's approval for when to file a Smart Meter Charge application. The OEB will therefore not in this proceeding make an order setting a filing deadline. Nevertheless, given the amount the current Smart Meter Charge has collected above the costs, having a new charge in place by January 1, 2018 would seem appropriate. To meet that date, the IESO should consider filing an application in advance of September.

## 4 ORDER

### IT IS ORDERED THAT:

1. The balance in the Service Levels Credit Account shall not be disposed at this time. This balance shall continue to accumulate until the earlier of i) the date on which the balance in the account meets or exceeds \$2 million, or ii) the OEB issues a decision on the disposition of the Service Level Credits Account.

**DATED** at Toronto May 4, 2017

**ONTARIO ENERGY BOARD**

*Original Signed By*

Kirsten Walli  
Board Secretary