

Independent Electricity System Operator

2023 to 2027 Smart Metering Charge Application

EB-2022-0137

Electricity Distributors Association Interrogatories

June 10, 2022

Issue #1 Is the Independent Electricity System Operator, in its capacity as the Smart Metering Entity (SME), proposed \$137.5 million revenue requirement for the January 1, 2023, to December 31, 2027, period appropriate?

EDA Question #1 – Accrual Accounting

References: Ex B, T1, S1, Page 2 / Ex B, T3, S1, Page 2

Preamble

The SME proposes to adopt accrual accounting as of January 1, 2023.

Question

Please provide a table that shows the impact of the transition from cash-based accounting to accrual-based accounting on the SME’s revenue requirement. Please provide:

- the revenue requirement for the bridge year 2022 presented using cash-based accounting
- the proposed 2023 test year revenue requirement presented in using cash-based accounting and accrual accounting
- the proposed 2024 test year revenue requirement presented using accrual accounting

Please be detailed, state all assumptions, and provide all supporting calculations.

EDA Question #2 – Financial Statements

Reference: nil

Question

Please provide pro forma financial statements for each year in the 2023-2027 period.

EDA Question #3

References: Ex A, T3, S1, Page 1, Paragraph 3; Ex B, T1, S1, Page 5; Ex B, T1, S1, Page 4, Paragraph 7; Ex B, T4, S2, Pages 1-3

Question

Please provide a break-out the proposed annual revenue requirement for 2023-2027 for the activities identified in the cited evidence references.

EDA Question #4

Reference: Ex B, S4, T1, Page 1-4 / Ex B, T1, S1, Page 1

Preamble: The SME has undertaken multiple outreach activities with stakeholders and 3 consultations with local distribution companies (“LDCs”) during the 2018-2022 period.

Question

Please describe the stakeholding activities that the SME will undertake in 2023-2027.

Please identify the line item of the proposed revenue requirement that includes the costs of stakeholding activities and quantify the portion of that line item related to stakeholding activities; please present the response in the form of Table 1 provided at Ex B, T1, S1, Page 1.

EDA Question #5

Reference: Ex B, T1, S1, Page 3, 5

Please provide an asset continuity schedule for the period 2021 - 2027 in the format provided below; please use a materiality threshold of 0.50% of the SME’s proposed Revenue Requirement for each year.

Please group assets according to their nature (e.g., software) and, if required, provide subgroupings based on the applicable depreciable life.

Please state the assumed depreciable life of each asset group.

Cost				Accumulated Depreciation				
Opening Balance ⁸	Additions ⁴	Disposals ⁶	Closing Balance	Opening Balance ⁸	Additions	Disposals ⁶	Closing Balance	Net Book Value
			\$ -				\$ -	\$ -
			\$ -				\$ -	\$ -

EDA Question #6

Reference Ex B, T1, S1, Page 4

Question

Please provide an itemized list of the services that the IESO will provide to the SME and show the annual cost of each for the period 2023-2027.

EDA Question #7

Reference: Ex B, T1, S1, Page 6, Table 1

Question

Please expand the table to provide actual 2021 values and 2022 values stated on a Bridge Year basis (i.e., using as many months of actual data as is available and estimating the data for the remaining months).

Please provide a variance analysis for each line item; please be detailed and specific and provide all supporting data and assumptions.

EDA Question #8

Reference: Ex B, T3, S1, p5

Question

Please quantify the impact to the proposed 2023 revenue requirement of a 1% change in each identified risk.

Issue #5 Is the SME's forecast of installed smart meters for the 2023 to 2027 period based on appropriate data and a sound methodology?

EDA Question #9

Reference: Ex B, T2, S1, Page 3

Preamble: The SME forecasts that:

- approximately 5.29 million smart meters will be enrolled in the MDM/R in 2023
- the number of smart meters will increase at a rate of 0.8% per year in the period from January 1, 2023, to December 31, 2027.

The 0.8% growth rate is based on a 5-year historical average of smart meter growth for both residential and general service.

The March 23, 2022 OEB Bulletin describes that some electricity LDCs are experiencing difficulty obtaining smart meters and that LDCs will not be at risk of compliance actions if, subject to certain expectations that are set out in the Bulletin, the LDC provides a conventional meter instead of a smart meter.

Question

- a) Please discuss the appropriateness of the SME's assumption that the number of residential and General Service <50kW customers reported in the OEB's Statistical Yearbook represents the number of Smart Meters in Ontario.
- b) Please discuss how the SME reconciles its data of number of Smart Meters with the customer count data set out in the OEB's Statistical Yearbook.
- c) Please provide a detailed derivation of the proposed 0.8% growth rate; please provide all supporting facts and state all assumptions
- d) Please provide a table that presents the SME's annual forecast of smart meters by rate class for the 2023-2027 period.
- e) Please provide a table that compares the SME's previously approved historical forecast of the number of smart meters in the 2016-2020 period versus the actual number of smart meters reported in the OEB Yearbook. Please identify the drivers of the year over year changes and describe how the SME monitors the accuracy of its forecast of the number of deployed smart meters.
- f) Please confirm that customers who are conventionally metered are charged the Smart Metering Entity Charge. Please describe the services that the SME provides customers who are conventionally metered.
- g) Please discuss whether Electric Vehicles could be smart metered and if so, how has this been incorporated in the proposed growth rate.
- h) Please identify, explain, and quantify any incremental costs that the SME may incur if Electric Vehicles are smart metered; please be detailed, state all assumptions and provide all supporting facts.

Issue 6. Are the forecast staffing levels appropriate and reasonable.

EDA Question #10

Reference: Ex B, T1, S1, Pages 3-4

Preamble: the SME proposes to increase its workforce by 3 FTEs during the 2023 to 2027 period to support ongoing core operations, to address an existing understaffing situation and to reduce the SME's reliance on consultants and external vendors.

Question

- a) Please provide the job descriptions for each proposed new FTE and the status of the job description (e.g., whether draft, pending approval, approved)
- b) Please discuss when each new FTE will be recruited for and the assumed starting date.
- c) Please describe and quantify the anticipated reduction in consultant or vendor costs of recruiting 3 new FTEs.

Issue 8. Is the proposal to retain \$2.5 million in the Operating Reserve Balancing Account as an operating reserve for the SME appropriate?

EDA Question #11

Reference: Ex B, T3, S1, Pages 1-5

Preamble: The historical SME debt and approximately \$5 million of residual debt and financing costs were paid off ahead of schedule, by December 31, 2020, rather than the end of this five-year budget period, December 31, 2022, as forecast in the prior SMC application. As a result, the BVA had a surplus exceeding \$2.5 million in 2020, which resulted in a rebate of \$2.5 million to ratepayers in 2020 and, as will be provided in the annual Cost and Variance Report to be filed with the Board by May 31, 2022, a forecast rebate of \$13.7 million in 2021.

Questions

- a) Please provide the accounting entries that the SME would make to the ORBA in the event of:
 - a. a revenue shortfall
 - b. an unanticipated expenditure occurring
- b) Please describe the approval process for making these accounting entries
- c) Will the ORBA attract carrying charges? If so, please provide the associated accounting entries
- d) Is the \$2.5 million balance recorded in the ORBA account Principal or Principal and Carrying charges?

EDA Question #12

Reference: Ex B, T3, S1, Pages 1-5

Preamble: the SME's maximum balance that can be retained in the predecessor account was determined in a period when the SME's revenue requirement was greater than that proposed for the 2023-2027 period.

Question

Please explain the appropriateness of continuing to rely on a maximum account balance that represents a larger proportion of the revenue requirement than it did in the period when the maximum balance amount was first approved.