

**Independent Electricity System Operator,  
in its capacity as the Smart Metering Entity**

**Application for approval of a Smart Metering Charge  
for the years 2023 to 2027 and related matters**

**Settlement Proposal**

**EB-2022-0137**

**August 8, 2022**

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## A. PREAMBLE

This Settlement Proposal is filed with the Ontario Energy Board (“**OEB**”) in connection with the Application by the Independent Electricity System Operator (“**IESO**”), designated as the Smart Metering Entity (“**SME**”), for a Smart Metering Charge (“**SMC**”) for the period January 1, 2022 to December 31, 2027 and related matters.

In Procedural Order No. 1 dated May 13, 2022 (“**PO No. 1**”), the OEB established an issues list and a process to address the Application, including interrogatories and a Settlement Conference.

A Settlement Conference was held virtually on July 20 and 21, 2022. Andrew Mandyam and Brandon Ott of Utilis Consulting acted as facilitators for the Settlement Conference. This Settlement Proposal arises from the Settlement Conference.

The SME and the following intervenors, as well as OEB technical staff (“**OEB Staff**”), participated in the Settlement Conference:

- Consumers Council of Canada (“**CCC**”)
- Electricity Distributors Association (“**EDA**”)
- Energy Probe Research Foundation (“**Energy Probe**”)
- Environmental Defence Canada Inc. (“**ED**”)
- Niagara-on-the-Lake Hydro Inc. (“**NOTL**”)
- Vulnerable Energy Consumers Coalition (“**VECC**”)

The Settlement Proposal deals with the relief sought in this proceeding. As set out in more detail below, a full settlement has been reached on all issues.

The SME and all intervenors listed above have agreed to the settlement described on the following pages. Any reference to “**Parties**” in this Settlement Proposal is intended to refer to the SME and the intervenors listed above. Notwithstanding any other clause in this Settlement Proposal, ED takes no position with respect to, and does not oppose, any of the issues.

All Parties participated virtually in the Settlement Conference and subsequent discussions. OEB Staff is not a party to the Settlement Proposal. After the Settlement Proposal is filed, OEB Staff will file a submission on the Settlement Proposal. Also, as noted in the OEB’s *Practice Direction on Settlement Conferences*, OEB Staff who participated in the Settlement Conference are bound by the same confidentiality and privilege rules that apply to the Parties to the proceeding.

This document is called a “Settlement Proposal” because it is a proposal by the Parties to the OEB to settle the issues in this proceeding. It is termed a proposal as between the Parties and the OEB. However, as between the Parties, and subject only to the OEB’s approval of this Settlement Proposal, this document is intended to be a legal agreement, creating mutual obligations, and binding and enforceable in accordance with its terms. As set forth below, this Settlement Proposal is subject to a condition subsequent, that if it is not accepted by the OEB in its entirety, then unless amended by the Parties, it is null and void and of no further effect. In entering into this agreement, the Parties understand and agree that, pursuant to the *Ontario Energy Board Act, 1998*, the OEB has exclusive jurisdiction with respect to the interpretation or enforcement of the terms hereof.

Best efforts have been made to identify all the evidence that relates to each settled issue. The supporting evidence for each settled issue is identified individually by reference to its exhibit number in an abbreviated format; for example, Exhibit B, Tab 3, Schedule 1 is referred to as B-3-1. The identification and listing of the evidence that relates to each settled issue is provided to assist the OEB. The Settlement Proposal describes the agreements reached on the issues list and the settled issues. The Settlement Proposal provides a direct link between each settled issue and the supporting evidence in the record to date.

In this regard, the Parties are of the view that the evidence provided, as supplemented by the information contained in and appended to this Settlement Proposal, is sufficient to support the Settlement Proposal in relation to the settled issues and, moreover, that the quality and detail of the supporting evidence, together with the corresponding rationale, will allow the OEB to make findings agreeing with the proposed resolution of the settled issues. If the OEB does not accept the proposed settlement of any issue, then subject to the Parties' agreement on non-severability set out in the final paragraph below, further evidence may be required on the issue for the OEB to consider it fully.

None of the Parties can withdraw from the Settlement Proposal except in accordance with Rule 30 of the OEB's *Rules of Practice and Procedure*. Further, unless stated otherwise, a settlement of any particular issue in this proceeding is without prejudice to the positions Parties might take with respect to the same issue in future proceedings.

The Parties acknowledge that the Settlement Conference (including subsequent related discussions) is confidential in accordance with the OEB's Practice Direction on Settlement Conferences. The Parties understand that confidentiality in that context does not have the same meaning as confidentiality in the OEB's *Practice Direction on Confidential Filings*, and the rules of that latter document do not apply. Instead, in the Settlement Conference, and in this Settlement Proposal, the Parties have interpreted "confidential" to mean that the documents and other information provided during the course of the Settlement Conference, the discussion of each issue, the offers and counteroffers, and the negotiations leading to the settlement of each issue during the Settlement Conference are strictly privileged and without prejudice. None of the foregoing is admissible as evidence in this proceeding, or otherwise, with one exception, the need to resolve a subsequent dispute over the interpretation of any provision of this Settlement Proposal.

Further, the Parties shall not disclose those documents or other information to persons who were not attendees at the Settlement Conference. The Parties agree that "attendees" is deemed to include, in this context, persons who were not virtually in attendance at the Settlement Conference but were: a) any persons or entities that the Parties engage to assist them with the Settlement Conference, and b) any persons or entities from whom they seek instructions with respect to the negotiations; in each case provided that any such persons or entities have agreed to be bound by the same confidentiality provisions. It is fundamental to the agreement of the Parties that none of the provisions of this Settlement Proposal are severable. If the OEB does not, prior to the commencement of the hearing of the evidence in this proceeding, accept the provisions of the Settlement Proposal in their entirety, there is no Settlement Proposal (unless the Parties agree that any portion of the Settlement Proposal that the OEB does accept may continue as a valid Settlement Proposal).

## **B. OVERVIEW**

The Parties have reached a package settlement of issues in this proceeding (the "**Package Settlement**"). The Package Settlement includes agreement on all issues on the OEB-approved issues list attached as Schedule A to PO No. 1.

The Package Settlement includes acceptance of the SME'S proposals in respect of all issues as stated in the Application unless otherwise modified in this Settlement Proposal.

## C. THE SETTLED ISSUES

All Issues have been settled, a summary of the items agreed to in the Settlement Agreement is below:

- A five-year term from January 1, 2023 to December 31, 2027;
  - A revenue Requirement of \$137.1M for the five-year term;
  - An SMC of \$0.43 per meter per month from April 1, 2022 to December 31, 2022;
  - A SMC of \$0.42 per meter per month from January 1, 2023 to December 31, 2027;
  - The SME will be able to implement net metering under the agreed to \$137.1M revenue requirement;
  - The SME's forecast of the installed smart meters for Residential and General Service <50 kW customers for the five-year term will utilize an annual growth rate of 1.0%;
  - As part of the SME's next application to set the SMC, the SME shall identify available data sources other than the OEB Yearbook (including internal SME data) that could be utilized to accurately forecast the number of installed smart meters for Residential and General Service <50 kW customers for the next rate period. The SME's application shall identify which of the available data sources has been selected as the basis of the SME's forecast and provide a rationale for the SME's decision;
  - The proposed staffing levels are appropriate and reasonable;
  - The establishment of and reporting on the Operating Reserve Balancing Account ("ORBA") as a replacement for the Balancing Variance Account ("BVA") is appropriate;
  - The operating reserve in the ORBA will be \$2.0 million and any year-end balance in the ORBA will be rebated to ratepayers where the balance:
    - exceeds the operating reserve of \$2.0 million;
    - would result in a rebate to ratepayers of \$0.05 per meter or greater; and
    - any rebate shall be paid by the SME within three months after the filing of the SME's annual report with the Board on May 31<sup>st</sup>.
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?**

The Parties agree that it is appropriate to revise the SME's revenue requirement for the January 1, 2023 to December 31, 2027 period to \$137.1 million from the originally proposed revenue requirement of \$137.5 million to better align with the information contained in the Application.

The table below shows the revised revenue requirement and the forecast revenues that will be generated using the agreed upon SMC of \$0.42 per meter month for the January 1, 2023 to December 31, 2027 period (see Issue 2) and the revised annual growth rate of smart meters (see Issue 5).

<b>Pro-forma Financial Statement</b> (\$ Millions)	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>Total</b>
<b>Revenue</b>	<b>26.7</b>	<b>27.0</b>	<b>27.3</b>	<b>27.5</b>	<b>27.8</b>	<b>136.3</b>
Compensation and Benefits	4.8	4.9	5.0	5.1	5.2	25.0
Professional and Consulting	2.0	2.0	2.0	2.0	2.0	10.0
Operating and Administration	20.5	20.6	18.6	18.7	20.9	99.3
<b>OM&amp;A Expenses</b>	<b>27.3</b>	<b>27.5</b>	<b>25.6</b>	<b>25.8</b>	<b>28.1</b>	<b>134.3</b>
Amortization	0	0.2	0.4	0.6	1.6	2.8
<b>Total Operating Expenses</b>	<b>27.3</b>	<b>27.7</b>	<b>26.0</b>	<b>26.4</b>	<b>29.7</b>	<b>137.1</b>
<b>Operating Surplus/(Deficit)</b>	<b>(0.6)</b>	<b>(0.7)</b>	<b>1.3</b>	<b>1.1</b>	<b>(1.9)</b>	<b>(0.8)</b>

As part of this Package Settlement, the SME has agreed to provide the additional detail below with respect to the forecast “Professional and Consulting” and “Operating and Administration” contained in the response to EDA Interrogatory 7 (Ex I-2-7).

**Drivers of the variance in the combined Professional & Consulting and Operating & Administration categories from 2022 to 2023**

	<b>2022 Forecast</b>	<b>2023 Budget</b>	<b>Variance of</b>	<b>Reason for the Variance</b>
	<b>(\$M)</b>	<b>(\$M)</b>	<b>(\$M)</b>	
<b>Professional &amp; Consulting (“P&amp;C”)</b>				
<b>Contractors and other consulting and legal services</b>	1	2	1	For 6 months of 2022 there was a delay in filling positions to complete work. This backlog of filling contracts resulted in work which was anticipated to be completed in 2022 has now been shifted into 2023.
<b>OSP</b>	12.3		-12.3	This difference in the Operational Service Provider amounts is a result of Economic Change Adjustment due to cost of living as a result of previous negotiations
<b>Total Professional and Consulting</b>	<b>13.3</b>	<b>2</b>	<b>-11.3</b>	

<b>Operating &amp; Administration (“O&amp;A”)</b>				
<b>OSP</b>		12.7	12.7	See OSP above
<b>MDMR Software Vendor</b>	2.1	2.3	0.2	Result of the exchange rate, currently invoiced in USD
<b>MDMR Database Vendor</b>	1.4	1.8	0.4	Additional Oracle subscription services to support the Data Mart and an annual maintenance and support uplift.
<b>Other maintenance of MDMR</b>	0.6	1.9	1.3	Planned maintenance work was delayed in 2022 and rescheduled to 2023. Future maintenance work includes upgrades, security patches and defect fixes.
<b>Other Administration costs</b>	1.7	1.8	0.1	Increase in expenses for travel, training and other that have been lagging in 2022 due to pandemic impacts on in-person gatherings and hybrid working conditions.
<b>Total Operating and Administration</b>	<b>5.8</b>	<b>20.5</b>	<b>14.7</b>	
<b>Total P&amp;C + O&amp;A</b>	<b>19.1</b>	<b>22.5</b>	<b>3.4</b>	

Through Interrogatories the SME was asked whether it could make the necessary changes to the Meter Data Management Repository to facilitate time-of-use rates for net-metered customers (Residential and General Service <50 kW) within a revenue requirement of \$137.1 million. The IESO confirms it could make the necessary changes to the Meter Data Management Repository to facilitate time-of-use rates for net-metered customers (Residential and General Service <50 kW) within the agreed to revenue requirement of \$137.1M The SME expects that the implementation costs would be less than \$250,000 and that ongoing costs would not be material. Detailed costing has not been undertaken at this time and would depend on the technical configuration.

*Evidence:*

- Exhibit A-1-1 Application
- Exhibit A-3-1 Background and Legal Authority
- Exhibit B-1-1 SME Revenue Requirement

*Interrogatories:*

- Exhibit I-2, EDA 1 to 5, EDA 7, EDA 8,
- Exhibit I-3, ED 1 to 3
- Exhibit I-6, VECC 4
- Exhibit I-7, Energy Probe 1

**2. Is the proposed Smart Metering Charge (SMC) of \$0.43 per smart meter per month appropriate?**

The Parties agree that it is appropriate to revise the SMC for the January 1, 2023 to December 31, 2027 period to \$0.42 per smart meter per month for each applicable Residential and General Service <50 kW customer. This is a \$0.01 reduction from the originally proposed rate of \$0.43 per smart meter per month. This reduction is a result of:

- a reduced revenue requirement of \$137.1 million, as discussed in more detail under Issue 1; and
- the revised forecast of installed smart meters for the for the January 1, 2023 to December 31, 2027 period, as discussed in more detail under Issue 5.

In its Interim Smart Metering Charge Order dated April 14, 2022, the OEB approved an interim rate of \$0.43 per smart meter per month for each applicable Residential and General Service <50 kW customer effective April 1, 2022. The Parties agree that the interim rate shall be made final at \$0.43 per smart meter per month until December 31, 2022.

When the OEB approved the SMC for the 2017 to 2022 period it made provision for distributors to pass through the SMC to their own customers. Parties agree the same provision should be included in the OEB's final decision and order on this application. That is, the decision and order should make it clear that distributors shall charge their customers the same amount per smart meter that the distributors will pay to the SME as described above. The 2017-2022 SMC decision and order included as an attachment a letter to be sent to all licensed distributors identified in the annual Yearbook of Electricity Distributors published by the OEB (the "**OEB Yearbook**"), advising them of the revised charge.

*Evidence:*

Exhibit A-1-1 Application  
Exhibit A-3-1 Background and Legal Authority  
Exhibit B-1-1 SME Revenue Requirement

*Interrogatories:*

Exhibit I-2, EDA 9  
Exhibit I-6, VECC 6, 7 & 8

**3. Is the proposed January 1, 2023 effective date for the SME fee appropriate?**

**4. Is the proposed five-year term, January 1, 2023 to December 3, 2027, for the SMC appropriate?**

The Parties agree that the proposed effective date and five-year term of January 1, 2023 to December 3, 2027 are appropriate.

*Evidence:*

Exhibit A-1-1 Application  
Exhibit A-3-1 Background and Legal Authority  
Exhibit B-1-1 SME Revenue Requirement  
Exhibit B-2-1 Smart Metering Charge and Calculation of the Charge

*Interrogatories:*



Exhibit I-2, EDA 2 to 7, 9  
 Exhibit I-5 CCC 3  
 Exhibit I-6, VECC 6 to 8

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

The Parties agree that the SME’s forecast of the installed smart meters for Residential and General Service <50 kW customers for the 2023 to 2027 period should be revised utilizing an annual growth rate of 1.0% as this better reflects past historical growth trends. The SME’s revised forecast is set out in the table below.

IESO Billing Year	Residential	% Residential increase	SGS< 50	% SGS<50 increase	Total SDPs (D+F)
2022*	4,801,697		446,066		5,247,763
2023	4,849,714	1.00%	450,527	1.00%	5,300,241
2024	4,898,211	1.00%	455,032	1.00%	5,353,243
2025	4,947,193	1.00%	459,582	1.00%	5,406,775
2026	4,996,665	1.00%	464,178	1.00%	5,460,843
2027	5,046,632	1.00%	468,820	1.00%	5,515,452

\* Smart Meter count numbers from 2020 OEB Yearbook

The Parties agree that, as part of the SME’s next application to set the SMC, the SME shall identify available data sources other than the OEB Yearbook (including internal SME data) that could be utilized to accurately forecast the number of installed smart meters for Residential and General Service <50 kW customers for the next rate period. The SME’s application shall identify which of the available data sources has been selected as the basis of the SME’s forecast and provide a rationale for the SME’s decision.

*Evidence:* The evidence in relation to this issue includes the following:

Exhibit B-2-1 Smart Metering Charge and Calculation of the Charge

*Interrogatories:*

Exhibit I-2, EDA 9  
 Exhibit I-6, VECC 6, 8

**6. Are the forecast staffing levels appropriate and reasonable?**

The Parties agree that the proposed staffing levels are appropriate and reasonable.

*Evidence:*

Exhibit A-1-1-Application  
 Exhibit B-1-1-SME Revenue Requirement

*Interrogatories:*

Exhibit I-1, OEB staff 1  
 Exhibit I-7, Energy Probe 4

Exhibit I-6, VECC 3, 9 & 10

**7. Is the proposal to establish the Operating Reserve Balancing Account appropriate?**

The Parties agree that the SME's proposal to establish and report on the Operating Reserve Balancing Account ("ORBA") as a replacement for the Balancing Variance Account ("BVA") is appropriate as modified below.

The SME will establish a separate account for the ORBA and shall invest any balance in the ORBA in accordance with the IESO's Treasury Policy as approved by the Ministry of Finance. Any investment income earned shall be retained in the ORBA and rebated to ratepayers in accordance with the SME's proposal agreed to under Issue 9, which is consistent with the IESO operates.

The SME shall provide an annual report with the final year-end balance in the ORBA and an explanation of any balance to all Parties and OEB Staff by April 30<sup>th</sup>. Parties and OEB Staff may ask the SME questions on the report within 10 business days of the report being sent by the SME and the SME will respond to these questions. The SME will file the annual report with the OEB by May 31<sup>st</sup> under OEB File No. EB-2022-0137.

*Evidence:* The evidence in relation to this issue includes the following:

Exhibit B-3-1 SME Operating Reserve Balance Account

*Interrogatories:*

Exhibit I-1, OEB staff 2, 3  
Exhibit I-2, EDA 11, 12  
Exhibit I-5 CCC 2

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

In EB-2017-0290, the OEB approved the SME's use of an operating reserve of \$2.5 million in the BVA based on a revenue requirement of \$170.6 million. The SME proposed to continue the \$2.5 million operating reserve under the ORBA for the 2023 to 2027 period.

The Parties agree the SME's operating reserve in the ORBA should be set at \$2.0 million. The Parties agree that a \$2.0 million operating reserve is appropriate in light of the \$137.1 million revenue requirement for the 2023 to 2027 period.

*Evidence:* The evidence in relation to this issue includes the following:

Exhibit B-3-1 SME Operating Reserve Balance Account

*Interrogatories:*

Exhibit I-1, OEB staff 2, 3  
Exhibit I-2, EDA 11, 12  
Exhibit I-7, Energy Probe 5  
Exhibit I-6, VECC 12, 13

**9. Is the proposal to return to ratepayers any year-end balance in the Operating Reserve Balancing Account, exceeding \$2.5 million and which results in a rebate to ratepayers**

**of \$0.05 per meter or greater, three months after the filing of the SME's annual report with the Board on April 30th appropriate?**

The Parties agree that it is appropriate for any year-end balance in the ORBA to be rebated to ratepayers where the balance:

- exceeds the operating reserve of \$2.0 million; and
- would result in a rebate to ratepayers of \$0.05 per meter or greater.

The Parties agree that any rebate shall be paid by the SME within three months after the filing of the SME's annual report with the Board on May 31<sup>st</sup>.

*Evidence:*

Exhibit B-3-1 SME Operating Reserve Balance Account

*Interrogatories:*

Exhibit I-1, OEB staff 2, 3  
Exhibit I-2, EDA 11  
Exhibit I-7, Energy Probe 5  
Exhibit I-6, VECC 13