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BY EMAIL

August 17, 2022

Ms. Nancy Marconi
Registrar
Ontario Energy Board
2300 Yonge Street, 27th Floor
Toronto ON M4P 1E4
Registrar@oeb.ca

Dear Ms. Marconi:

**Re: Independent Electricity System Operator / Smart Metering Entity
2023 to 2027 Smart Metering Charge Application
Ontario Energy Board File Number: EB-2022-0137**

In accordance with Procedural Order No. 1, please find attached the OEB staff submission on the Settlement Proposal dated August 8, 2022, filed by the Independent Electricity System Operator, in its capacity as the Smart Metering Entity, in the above referenced proceeding.

Yours truly,

Michael Bell
Senior Advisor, Application Policy & Conservation

Encl.

cc: Parties to EB-2022-0137



ONTARIO ENERGY BOARD

OEB Staff Submission on Settlement Proposal

Independent Electricity System Operator / Smart Metering Entity

Application for approval of smart metering charge for 2023-2027

EB-2022-0137

August 17, 2022

Background

On March 31, 2022, the Independent Electricity System Operator (IESO), in its capacity as the Smart Metering Entity (SME), filed an application with the Ontario Energy Board (OEB) under section 78 of the *Ontario Energy Board Act, 1998*, seeking approval to charge distributors a monthly smart metering charge (SMC) of \$0.43 per meter per month for the five-year period commencing on January 1, 2023 (Application).

The SME proposed a revenue requirement of \$137.5 million that will be funded through the SMC collected from all electricity distributors for each applicable customer in the Residential and General Service <50kW service classifications. The Application also included, amongst other things, a request to establish an Operating Reserve Balancing Account (ORBA) with a balance of up to \$2.5 million and to discontinue the Balancing Variance Account (BVA).

The OEB approved an SMC of \$0.43 per meter per month on an interim basis effective April 1, 2022 until December 31, 2022.¹ This replaced the SMC of \$0.57 per meter per month which was approved by the OEB in the EB-2017-0290 proceeding for the period from January 1, 2018 to December 31, 2022. The Application stated that the interim SMC will cover the costs of the SME in the conduct of its activities from April 1, 2022 to December 31, 2022 and will reduce the forecast overcollection that would otherwise occur.²

Status of Issues

A settlement conference was held on July 20 and 21, 2022. The IESO and the following intervenors participated in the settlement conference: Consumers Council of Canada, Electricity Distributors Association, Energy Probe Research Foundation, Environmental Defence, Niagara-on-the-Lake Hydro Inc., and Vulnerable Energy Consumers Coalition (collectively, the Parties).

The IESO filed a settlement proposal on August 8, 2022 (Settlement Proposal). The Settlement Proposal reflects a comprehensive settlement on all issues included on the OEB approved Issues List. All of the Parties supported the Settlement Proposal, except for Environmental Defence, which took no position with respect to, and did not oppose, any of the issues.

The Settlement Proposal would result in: (i) a decrease to the SME's 2023-2027 proposed revenue requirement from \$137.5 million to \$137.1 million; (ii) a decrease to

¹ Interim Smart Metering Charge Order, April 14, 2022.

² Exhibit A / Schedule 1 / p. 3.

the proposed SMC from \$0.43 per meter per month to \$0.42 per meter per month (iii) a decrease to the proposed ORBA balance from \$2.5 million to \$2.0 million; and (iv) an added requirement for any balance in the ORBA to be invested in accordance with the IESO's Treasury Policy as approved by the Ministry of Finance.

Submission

OEB staff submits that the Settlement Proposal is in the public interest, and that the accompanying explanation and rationale is adequate to support the Settlement Proposal. OEB staff's submission provides reasons for OEB staff's position by commenting on its most material aspects, rather than examining each issue on the approved issues list individually.

For the following reasons, OEB staff supports the agreement reached by the Parties:

- OEB staff is of the view that the Parties have provided sufficient explanation in the Settlement Proposal for why the agreed upon resolution is appropriate, including by citing the applicable sections of the evidence.
- The Application proposed a 2023-2027 revenue requirement of \$137.5 million. In the Settlement Proposal, the revenue requirement was revised to \$137.1 million. The Settlement Proposal states that Parties agreed that it is appropriate to revise the SME's revenue requirement for the 2023-2027 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.³

OEB staff submit that the revised revenue requirement of \$137.1 million is reasonable.

- The Application proposed an SMC of \$0.43 per meter per month. In the Settlement Proposal, the SMC was revised to \$0.42.

In the Application, the proposed SMC of \$0.43 represents a \$0.14 decrease from the OEB approved SMC for the 2018-2022 period.⁴ This decrease is largely attributable to a higher number of installed meters forecast for 2023-2027 than the prior five-year period, savings in contractor costs and operating service provider costs, savings attained as a result of negotiated discounts on software maintenance contracts, and a lower number of planned capital improvements and associated costs for the 2023-2027 period.⁵

³ Settlement Proposal, p. 5.

⁴ EB-2017-0290, Decision and Order, March 1, 2018.

⁵ VECC-5, June 30, 2022.

The Settlement Proposal notes that the proposed SMC of \$0.43 per meter per month in the Application was reduced to \$0.42 as a result of a reduced revenue requirement of \$137.1 million and the revised forecast of installed smart meters for the January 1, 2023 to December 31, 2027 period.⁶ The Settlement Proposal states that Parties agreed 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 growth than the 0.8% growth rate initially stated in the Application.⁷ OEB staff submits that the calculation of the \$0.42 charge effective January 1, 2023 is reasonable.

With respect to the interim SMC of \$0.43 per meter per month for the period from April 1, 2022 to December 31, 2022, the Parties proposed that the interim SMC should be made final at \$0.43 per smart meter per month effective April 1, 2022 until December 31, 2022. OEB staff agrees.

- The Settlement Proposal indicates that the ORBA balance was decreased to \$2.0 million from the originally proposed \$2.5 million in the Application. The Settlement Proposal notes that for the 2018-2022 period, an operating reserve of up to \$2.5 million was approved based on a revenue requirement of \$170.6 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.⁸ OEB staff submits that the reduction to the ORBA balance is reasonable.
- In the Settlement Proposal, the SME agreed to invest any balance in the ORBA in accordance with the IESO's Treasury Policy as approved by the Ministry of Finance. The Settlement Proposal indicates that any investment income earned from investing the balance in the ORBA shall be retained in the ORBA and 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.⁹ OEB staff submits that the proposed approach to distributing the ORBA balance is reasonable.
- When the OEB approved the SMC for the first time, for the period May 1, 2013 to October 31, 2018, a provision was made for electricity distributors to pass through the SMC to their own customers.¹⁰ This provision was also approved in

⁶ Settlement Proposal, p. 8.

⁷ Settlement Proposal, p. 9.

⁸ Settlement Proposal, p. 10.

⁹ Settlement Proposal, pp. 10-11.

¹⁰ EB-2012-0100/EB-2012-0211, Decision and Order, March 28, 2013, p. 5.

the SME's proceeding for the 2018-2022 period.¹¹ In the Settlement Proposal, the Parties agreed that the same provision should be included in the OEB's final decision and order in this matter. 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. Similar to the SME's proceeding for the 2018-2022 period, the decision and order could include as an attachment a letter to be sent to all licensed distributors identified in the OEB's annual Yearbook of Electricity Distributors, advising them of the revised charge.¹² OEB staff agrees.

- The SME agreed to 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 30th, like it currently does in respect of the BVA.¹³ A minor change is that the Settlement Proposal would provide Parties and OEB staff 10 business days to submit their questions on the annual report, up from 10 calendar days. OEB staff supports adding that extra time.

~All of which is respectfully submitted~

¹¹ EB-2017-0290, Decision and Order, March 1, 2018, p. 3.

¹² Settlement Proposal, p. 8.

¹³ EB-2017-0290, Settlement Proposal, January 31, 2018, p. 13.