



Smart Metering Entity (SME)

2024 Cost and Variance Account Report

EB-2022-0137



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1. Introduction

This 2024 Cost and Variance Report (the “2024 Report”) provides an overview of the financial status of the Smart Metering Entity (the “SME”) as of December 31, 2024. This is the second year of the 2023 – 2027 revenue requirement and Smart Metering Charge (“SMC”) as approved in the Ontario Energy Board’s (“OEB’s”) September 8, 2022 [Decision and Order](#) on the 2023 – 2027 SMC Application (OEB file EB-2022-0137).

In 2022, the SME received OEB approval to expand third party access (“TPA”) to de-identified smart meter data beyond the OEB and the Independent Electricity System Operator (the “IESO”), to Canadian Governmental Entities (OEB file EB-2021-0292). The OEB [Decision and Order](#) on TPA required the SME to include in each Annual Cost and Variance Account Report information on TPA requests received by the SME in the preceding calendar year. Information on TPA requests received by the SME in calendar year 2024 is provided in Section 5. In that Decision and Order, the OEB also required the SME to provide an assessment of expanding the TPA program beyond its currently approved parties by no later than April 30, 2025. The SME filed a [Letter Report](#) presenting the results of its assessment on December 16, 2024.

2. Operational Background

As set out in the *Electricity Act, 1998* – O. Reg. 393/07 the IESO is designated as the SME. The SME maintains and operates Ontario’s centralized meter data management and repository (“MDM/R”) and is [licenced](#) by the OEB.

The MDM/R is the province’s central platform for smart meter data and processes all electricity consumption data that is used for residential and general service (<50kW) customer billing by Ontario’s local distribution companies (“LDCs”). This central model avoids the need for the 55 LDCs served by the MDM/R to invest in duplicative, non-uniform infrastructure and ensures consistent, rigorous data processing regardless of the different metering technologies used by LDCs.

The MDM/R was built following the foundational principles of [Privacy by Design](#), as established by the Information and Privacy Commissioner of Ontario, so that the data collected, stored and managed in the MDM/R complies with stringent industry protocols that ensure encrypted data transmitted over smart metering infrastructure is secure. The MDM/R also has a disaster recovery facility at a geographically separate location that will resume all MDM/R functions should a business interruption occur at the primary site.

The MDM/R has grown over time into one of the largest shared service and transactional systems in the world, reliably supporting LDCs’ monthly billing of approximately 5.3 million smart meters by processing approximately 125 million records every day.

The services provided by the MDM/R are delivered by an operational service provider, a competitively procured vendor (IBM) who is responsible for the day-to-day operations and service level obligations to the LDCs (the “Operational Service Provider”).

Other key services provided by the Operational Service Provider include:

- providing support and maintenance for the environment and licences required by the SME to operate software which supports the MDM/R,
- providing software licences, maintenance and support services for the IT service management platform used by the SME to serve LDCs, and
- providing support for the database technology platform on which the MDM/R DataMart, is built.

The activities of the SME are funded through the revenue it collects through the SMC.¹

More information about the provincial Smart Metering Initiative and the MDM/R is available on the IESO's SME website (<http://www.ieso.ca/sector-participants/smart-metering-entity>), the OEB website (<https://www.oeb.ca>), and the Ministry of Energy and Mines website (<https://www.ontario.ca>).

¹ The IESO has allocated OEB costs to the SME as recommended by the consultancy BDR in its report which was filed with the OEB as part of a prior IESO Revenue Requirement application: EB-2018-0143, Exhibit C-3-1, Attachment 1

3. 2024 Financials

3.1 Financial Results Overview

As of December 31, 2024, the SME achieved an operating surplus of \$2.1 million, compared to a budgeted deficit of \$0.7 million. As shown in Table 1 below, the \$2.8 million variance is a result of lower than budgeted expenses, as further described in latter sections of this 2024 Report.

The 2024 operating surplus will be rebated to smart meter customers in accordance with the OEB's 2023 – 2027 SMC Decision and Order.²

Table 1: 2024 Revenues and Expenses Compared to 2024 Budget

(\$ millions)	YTD December 2024		
	Actual	Budget	Favourable/ (Unfavourable) Variance
Total SME Revenue	27.0	27.0	-
Total SME Expenses	24.9	27.7	2.8
Total SME Operating Surplus/(Deficit)	2.1	(0.7)	2.8

3.2 Total SME Revenue

In its 2023 – 2027 SMC Decision and Order, the OEB approved an SMC of \$0.42 per meter per month for the period January 1, 2023, to December 31, 2027.³ SME revenues collected in 2024 based on the approved charge were \$27 million, which is aligned with the OEB-approved budgeted amount.

3.3 Total SME Expenses

Table 2 details the SME's 2024 expenses and variances against its 2024 budget.

² The 2003 – 2027 SMC Decision and Order approved returning to ratepayers any year-end balance in the ORBA exceeding \$2 million, which results in a rebate to smart meter customers of \$0.05 per meter or greater, three months after the May 31 filing of the SME's Annual Cost and Variance Account Report with the OEB.

³ The 2023 – 2027 SMC Decision and Order was issued September 8, 2022, OEB file EB-2022-0137.

Table 2: 2024 Expenses Compared to 2024 Budget

		YTD December 2024			
	(\$ millions)	Actual	Budget	Favourable/ (Unfavourable) Variance	% Variance
1	Operating & Administration	19.9	20.6	0.7	3%
2	Compensation & Benefits	4.3	4.9	0.6	12%
3	Professional & Consulting	0.7	2.0	1.2	63%
4	Amortization	0.1	0.2	0.1	54%
5	Net Interest	(0.2)	-	0.2	100%
	Total SME Operating Expenses	24.9	27.7	2.8	10%

Total SME expenses were \$24.9 million in 2024, which is \$2.8 million lower than budgeted. The following is a summary of the variance drivers:

- Operating & Administration expenses were \$19.9 million for the year, which represents an underspend of \$0.7 million (3%) compared to the budget. Actions taken by the SME to renegotiate aspects of MDM/R service provider contracts were the primary driver of the underspend.
- Compensation & Benefits expenses were \$4.3 million for the year, which represents a savings of \$0.6 million compared to the budget. The primary drivers of these savings are as follows:
 - Savings of \$0.4 million from hiring delay of 1 full-time employee and lower costs associated with staffing mix (i.e., regular vs temporary);
 - Lower than planned allocation of IESO support functions resulted in \$0.2 million savings. The support functions represent IESO resources leveraged by the SME primarily in the areas of finance, settlements, legal, regulatory, information technology, and human resources. This support work is resourced on a time-and-materials basis and the costs of IESO resources utilized by the SME are charged to the SME.
- Professional & Consulting expenses were \$0.7 million for the year, which represents a savings of \$1.2 million compared to the budget. The primary drivers of these savings are as follows:
 - Deferred start on certain MDM/R change requests and other projects leading to \$0.9 million savings in contractor costs.

- Savings of \$0.3 million was achieved through strategic negotiations undertaken in respect of the SME's 5-year CSAE 3416 audit project.⁴
- Amortization was overall aligned to budget.
- Net Interest was \$0.2 million in 2024, the result of investment income associated with the 2022 operating reserve balance.

⁴ Pursuant to its terms-of-service agreements with LDCs, the IESO is required to undertake the CSAE 3416 audit annually. The CSAE 3416 audit is the Canadian accounting standard for reviewing and reporting on controls at a service organization.

4. SME Capital Expenses

Table 3 outlines the SME's 2024 capital expenses and variances against its 2024 budget.

Table 3: 2024 Capital Expenses Compared to 2024 Budget

(\$ millions)	YTD December 2024			
	Actual	Budget	Favourable/ (unfavourable) Variance	% Variance
Meter Data Management and Repository (MDM/R)	0.3	1.0	0.7	73%
Total SME Capital Expenses	0.3	1.0	0.7	73%

On July 1, 2023, [Ontario Regulation 393/07](#) was amended, expanding the SME's role to include the exclusive authority to collect and process data on the electricity conveyed into the grid by net-metered customers on the regulated price plan (RPP) from a generation or energy storage system installed behind the customer's meter. In response, in 2024, the SME undertook the necessary updates to the MDM/R to manage bi-directional smart metering data to support a centralized billing solution for LDCs to bill RPP customers, including net-metered customers, according to their choice of pricing plan. The MDM/R solutions were fully operational on January 1, 2025, the date the SME's exclusive authority over conveyance data came into force. It is notable that the SME completed this significant and originally unbudgeted project within the current SMC, at no additional costs to ratepayers.



5. Service Level Credit Balance

The Service Level Credit balance was \$0 as at December 31, 2024, as there were no MDM/R operational incidents requiring payment by the Operational Service Provider.

6. Third Party Data Access Requests

In 2024, the Smart Metering Entity received 12 Third Party Access data requests. Three of these requests were fulfilled through public SME data available via the IESO website, 1 request is in progress, and 7 were unfulfilled. Descriptions of each data request, and their status, are provided in Table 4.

Table 4: SME Data Requests

	Requested By	Date Received	TPA Request Summary	Eligible CGE's	Request Granted?	Resolution
Fulfilled Data Requests (Public Data)						
1	City of Toronto	August 2024	Electricity consumption data by Forward Sortation Area to support a technical analysis informing the development of building emissions performance standards. As part of the process, the city plans to model baseline and projected energy and GHG emissions performance for Toronto buildings and how it may change in response to interventions (e.g., retrofits)	Yes	Yes	Fulfilled with Public Data from the IESO website

2	City of Toronto	September 2024	Smart metering data for the purpose of undertaking an energy demand forecasting exercise for the Portlands alongside a broader energy modeling exercise for the city at large.	Yes	Yes	Fulfilled with Public Data from the IESO website .
3	City of Toronto	October 2024	Daily or hourly electricity consumption data for an area in the city of Toronto for a city planning study (Growing Glencairn)	Yes	Yes	Fulfilled with Public Data from the IESO website .
In-Progress Data Requests						
4	Canmet ENERGY Research Centre/ Natural Resources Canada	January 2024	Hourly consumption data for federally owned residential housing units rented to military staff.	Yes	In-progress	The SME expects to finalize this request in Q1 2025.
Unfulfilled Data Requests						
5	City of Ottawa	February 2024	Request for Residential, Small General Service (less than 50kW) from 2018-01-01 to 2022-12-31 to link the data to "City zone mapping for district energy potential"	Yes	No	Not available Commercial & Industrial data and suite meter and feeder information.

6	McGill University	February 2024	Residential hourly consumption data for the period 2021-01-01 to 2023-11-30 for the purpose of using the smart meter data to train a model that will predict a generic household power consumption based on time of day, calendar month, weather, electricity price etc.	Yes	No	SME paused request fulfilment. Additional information required from requestor to complete.
7	PhD Student, University of Waterloo	May 2024	Hour and minute-resolution smart meter data to enhance the performance and effectiveness of the PhD student's research in multi-energy optimization and energy management using deep reinforcement learning.	No	No	Not an eligible party.
8	Ontario Power Generation	May 2024	Hourly demand for residential and small business for purposes of rate forecasting.	Yes	No	SME paused request fulfilment. Additional information required from requestor to complete.
9	Oshawa Power and Utilities Corporation	June 2024	Monthly aggregate kWh consumption by distributor rate classification, including	No	No	Re-directed to the SME Service Desk to request

	(OPUC) Networks Inc.		number of accounts for each month for each classification for load forecasting			OPUC-specific data through the appropriate process.
10	Individual	June 2024	Hourly smart meter data for the purpose of identifying loads by type and geography, within LDCs.	No	No	Not an eligible party.
11	Student, McMaster University	September 2024	Number of smart meters installed in the city of Hamilton for a class study.	No	No	Directed to request the data from the city of Hamilton.
12	City of Markham	November 2024	Monthly, daily, and hourly smart metering data from 2016 to 2023 to update the Municipal Energy Plan.	Yes	No	Not available Commercial & Industrial (C&I) data.

As in previous year, in 2024 there were no complaints received by the SME from customers, LDCs or any other audiences in relation to the TPA program.

7. SME Operating Reserve Balancing Account

As agreed to in settlement and approved in the 2023 – 2027 SMC Decision, the Balance Variance Account (BVA) was replaced by the ORBA effective January 1, 2023. Any year-end balance in the ORBA will be rebated to smart meter customers where the balance exceeds the OEB-approved operating reserve of \$2.0 million and would result in a rebate of \$0.05 per meter or greater three months after the May 31 filing of the SME's Annual Cost and Variance Account Report with the OEB.

Table 6 below represents the ORBA balance as of December 31, 2024. In total, the expected rebate to smart meter customers is \$2.1 million, representing the SME's 2024 operating surplus.

The resulting rebate to each smart meter customer is approximately \$0.39. This amount has been determined by dividing the rebate amount of \$2.1 million by the 5,404,328 residential and small commercial customers as provided in the OEB's latest Electricity Reporting & Record Keeping Requirements. This calculation methodology is consistent with that approved through the OEB's Decision on the 2023 – 2027 SMC application.

Table 6: SME ORBA Position

(\$ millions)	Dec 31, 2023	Dec 31, 2024	Dec 31, 2025	Dec 31, 2026	Dec 31, 2027
Balance (as of Jan 1)	2.5	2.0			
SME Operating Surplus (Deficit)	3.7	2.1			
Service Level Credits	-				
Rebate to Smart Meter Customers of in-year operating surplus	(3.7)	(2.1)			
Rebate to Smart Meter Customers to reduce ORBA balance to approved amount	(0.5)				
SME ORBA (as of Dec 31)	2.0	2.0			

8. 2024 Financial Statements

Table 7: SME Statement of Financial Position

(in \$ millions)	Dec 31, 2023	Dec 31, 2024
FINANCIAL ASSETS		
Cash	5.4	2.5
TOTAL FINANCIAL ASSETS	5.4	2.5
LIABILITIES		
Accounts payable & accrued liabilities	0.2	0.2
Rebate to Smart Metering Customers	4.2	2.1
Debt	-	-
TOTAL LIABILITIES	4.4	2.3
NET DEBT	1.0	0.2
NON-FINANCIAL ASSETS		
Meter Data Management/Repository (MDM/R)	2.2	0.3
Short-term prepaid expenses	0.8	1.5
TOTAL NON-FINANCIAL ASSETS	3.0	1.8
TOTAL ACCUMULATED SURPLUS	4.0	2.0

Table 8: 2024 SME Financial Report Reconciliation to IESO Draft Financial Statements

SME Financial Report Reconciliation to IESO Audited Financial Statements	
(\$ millions)	
Smart metering charge - actual revenue	27.0
Smart metering charge - annual report	25.1
Amount to reconcile	1.9
Smart metering expenses - actual expenses	24.9
Smart metering expenses - annual report	27.1

Amount to reconcile	(2.3)
Total amount to reconcile	(0.4)
Add: accrued rebate in annual report	2.1
Less: Interest Income recategorized as expense offset	(0.2)
Add: Interest Income recategorized as expense offset	(0.2)
Less: amortization of MDM/R asset	(2.1)
Total reconciled	(0.4)

Table 9: 2024 SME Pro-Forma Financials

	YTD December 2024		
(\$ millions)	Actual	Budget	Favourable/ (unfavourable) Variance
SMC Fee	27.0	27.0	0.0
Third-Party Access Revenues	0.0	0.0	0.0
Total SME Revenues	27.0	27.0	0.0
Compensation & Benefits	4.3	4.9	0.6
Professional & Consulting	0.7	2.0	1.2
Operating & Administration	19.9	20.6	0.7
Operating Expenses before TPA, Amortization and Interest	25.0	27.5	2.5
Third-Party Access Expenses	0.0	0.0	0.0
Amortization	0.1	0.2	0.1
Net Interest	(0.2)	-	0.2
Total SME Operating Expenses	24.9	27.7	2.8
Total SME Operating Surplus/(Deficit)	2.1	(0.7)	2.8

9. Terms and Definitions

"Balance Variance Account (BVA)" has the meaning specified in Section 7.

"Compensation & Benefits" means the salary and benefits paid to employees.

"IESO" has the meaning specified in the Recitals.

"LDC" has the meaning specified in Section 1.

"MDM/R" has the meaning specified in Section 1.

"MDM/R DataMart" means a replica data store of the MDM/R that supports smart metering data analytics.

"MOEM" means Ministry of Energy and Mines

"Net Metering Project" means a new SME project based on an [OEB Bulletin issued January 17, 2023](#) which was followed by a Ministry of Energy and Mines proposal ([ERO number 019-652](#)).

"OEB" has the meaning specified in the Recitals.

"Operational Service Provider" has the meaning specified in Section 1.

"Operating & Administration" means the costs associated with any administrative expenses.

"Operating Reserve Balancing Account (ORBA)" is an OEB approved Operating Reserve Balance Account to fund the SME's operations in the event of revenue shortfalls or unanticipated expenditures in 2023 and going forward.

"Professional & Consulting" means costs of any external service provider.

"Service Level Credit Balance" means the penalties that are charged to the Operational Service Provider if the Operational Service Provider fails to deliver on certain services. To ensure the optimal operation of the MDM/R, the Operational Service Provider must consistently meet all service level operating requirements for the MDM/R. In the event that a service level target is missed, the Operational Service Provider applies a service level credit.

"Smart Metering Initiative" has the meaning given to in the *Electricity Act, 1998*.

"SMC" has the meaning specified in the Recitals.

"SME" has the meaning specified in the Recitals.

"2023-2027 SMC Application" refers to the IESO's application for the SME's 2023-2027 SMC, OEB file EB-2022-0137.

"2023-2027 SMC Decision and Order" refers to the OEB's September 8, 2022 decision and order on the SME's 2023-2027 SMC, OEB file EB-2022-0137.

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