



EB-2012-0100
EB-2012-0211

IN THE MATTER OF subsections 78(2.1), (3.0.1), (3.0.2) and (3.0.3) of the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF subsection 53.8(8) of the *Electricity Act, 1998*;

AND IN THE MATTER OF Ontario Regulation 453/06 made under the *Ontario Energy Board Act, 1998*;

AND IN THE MATTER OF an Application by the Independent Electricity System Operator as Smart Metering Entity for an Order fixing a Smart Metering Charge for July 1, 2012 to December 31, 2017;

AND IN THE MATTER OF a proceeding on the Ontario Energy Board's own motion to review the options for and ultimately determine the appropriate allocation and recovery of the Smart Metering Charge pursuant to section 19 of the *Ontario Energy Board Act, 1998*.

DECISION AND ORDER ON ISSUES LIST

November 2, 2012

On March 28, 2007, the Independent Electricity System Operator ("IESO") was designated as the Smart Metering Entity (the "SME") by Ontario Regulation 393/07 made under the *Electricity Act, 1998*. In its role as the SME, the IESO is managing the development of the meter data management/repository ("MDM/R") to collect, manage, store and retrieve information related to the metering of customers' use of electricity in Ontario.

The IESO, in its capacity as the SME, has applied to the Ontario Energy Board (the “Board”) for approval of a Smart Meter Charge (“SMC”) of \$0.806 per Residential and General Service <50kW customer per month which the IESO proposes to collect from all licensed electricity distributors (“Distributors”) for the period July 1, 2012 to December 31, 2017.

The SME has also asked for an annual automatic adjustment mechanism to update the billing determinant with the annual changes in the number of Residential and General Service <50kW Customers listed in the OEB Electricity Distributor Handbook; a variance account to deal with changes in the SME costs, or any revenue surplus; and approval of the Smart Metering Agreement for Distributors for use by the SME and Distributors (the “SME/LDC Agreement”). The Board assigned File No. EB-2012-0100 to this application.

Pursuant to section 19 of the Act, the Board commenced a proceeding on its own motion to review the options for and ultimately determine the appropriate allocation and recovery of the SMC. The Board assigned File No. EB-2012-0211 to this proceeding.

Pursuant to its powers under section 21(5) of the Act, the Board combined the hearing of the SME application for the SMC with the Board’s proceeding on its own motion to determine the appropriate allocation and recovery of the SMC (the “Combined Proceeding”).

The Board issued a Notice of Application May 18, 2012 with respect to this Combined Proceeding.

By way of letter issued on May 31, 2012 the Board deemed the Electricity Distributors Association (“EDA”) and distributors to be intervenors in the Combined Proceeding.

On June 22, 2012, the Board issued its Decision on intervenor requests and cost eligibility as well as Procedural Order No. 1.

SMART METERING AGREEMENT FOR DISTRIBUTORS

In Procedural Order No. 1, the Board asked for submissions on the following preliminary issue (“Preliminary Issue”):

Given section 5.4.1 of the Distribution System Code (“DSC”) and section 3.2 of ES-2007-0750, what is the scope of the Board’s approval of an agreement between the SME and Distributors?

On July 6, 2012, the Board issued Procedural Order No. 2 granting the EDA’s request to file submissions on the Preliminary Issue at the same time as the SME.

The Board’s Decision and Order and Procedural Order No. 3 was issued on August 2, 2012. The document provided the Board’s Decision on the preliminary issue and established the dates for oral submissions on the appropriate application of the Board’s mandate to the SME/LDC Agreement and Terms of Service filed in evidence. The oral hearing was held on September 20, 2012. A decision on the appropriate application of the Board’s mandate to the SME/LDC Agreement and Terms of Service will be issued in due course.

On October 1, 2012, the Board issued Procedural Order No. 4 that set out a number of procedural dates, including the date for the filing of submissions on the draft issues list.

On October 12, 2012, the Board issued Procedural Order No. 5 that provided parties that were not served Procedural Order No. 4 an opportunity to make submissions on the draft issues list.

ISSUES LIST DECISION

The Board received submissions from the SME, Vulnerable Energy Consumers Coalition (“VECC”), Association of Major Power Consumers in Ontario (“AMPCO”) and Canadian Manufacturers & Exporters (“CME”).

The SME proposed that draft issues 1.1 and 1.2 be consolidated into a single review of all MDM/R costs. The SME argued that a review of all costs (whether capital or OM&A) on a phase by phase basis as opposed to a capital and OM&A basis would be more efficient. A precise distinction between capital and OM&A, in the SME’s view, was not required for rate making purposes given that the SME is not seeking to earn a return on rate base. The SME also proposed revised language for issue 1.5(a) that it argued more precisely reflects the proposed rate design in the application, namely a monthly charge per Residential and General Service <50kW Customers.

VECC submitted that the scope of draft issue 1.5 is too narrow. VECC indicated that part (a) addresses the SME's proposal to derive the charges based on the average of the actual and proposed costs for the period 2006-2017, but that the proposed issues list does not address the SME's proposal to recover the costs on a "per customer" basis nor does it address issues related to the "customers" the SME proposes to include in its billing determinant as set out in Exhibit C, Tabs 2 and 3. VECC proposed to re-title draft issue 1.5 "Proposed Rate Structure and Automatic Rate Adjustment" and VECC's proposal to include the following additional issue:

Is the proposed rate structure, including the definition of customer, appropriate?

AMPCO and CME supported VECC's submission.

The Board has reviewed and considered all submissions on the draft issues list.

The SME has proposed to condense draft issues 1.1 and 1.2 and to eliminate the separate identification of OM&A and capital costs.

The Board has determined that while it will consolidate draft issues 1.1 and 1.2 under one issue heading entitled "MDM/R Costs" it will confirm through the wording of this issue that it includes both capital and OM&A costs. While the Board recognizes that the SME is not seeking to earn a rate of return on its assets, the Board does not believe that the usual categorisation of the two types of costs will lead to a less efficient review. The categorization of the costs in and of itself is informative of the nature of the cost and of the associated intended value of the goods or service acquired.

Both the SME and VECC, which was supported by AMPCO and CME, made submissions on draft issue 1.5 that propose to either expand, in the VECC submission or align the issue with the application, in the SME submission, so as to consider matters related to the end use customers of distributors.

The Board, on its own motion, initiated a proceeding (EB-2012-0211) to review the options for and ultimately determine the appropriate allocation and recovery of the SMC to end use customers.

The Board recognises the significant nexus between the issues to be determined in EB-2012-0211 and EB-2012-0100. It was with this awareness that the Board determined that it would be appropriate to combine these two proceedings.

The SME application contains a proposed calculation of the SMC based on a “per customer” approach as well as a proposed SMC rate structure. The Board notes that the proposed purpose of the calculation is to help determine the amount that each distributor that is currently or intended to receive services from the MDM/R will be invoiced on a monthly basis.

The basis for the calculation is supported in the SME’s application as being in alignment with the accompanying proposed rate design (i.e. on a per residential and GS<50kW customer basis). The proposed rate design is supported in the SME’s application by the SME’s evidence of its consistency with well-established criteria of a sound rate structure.

The EB-2012-0211 proceeding is the proceeding in which the Board will make determinations on the allocation and recovery of the SMC by distributors. The Board has ordered evidence relating to methodologies that should be considered for licensed electricity distributors to allocate and recover the costs remitted to the SME. The EDA has filed such evidence and an interrogatory process is currently underway. The Board will order further procedural steps as it sees fit to advance that proceeding.

The Board considers that the proposed SMC calculations and rate design proposals in the SME’s application are solely intended to establish an invoicing methodology to collect its required revenues from the entities that utilise its MDM/R services.

The Board does not consider it axiomatic that the Board approved SMC charge determinants used to calculate invoices to distributors be evaluated on a common criteria with the Board approved cost allocation and recovery mechanisms that will govern the distributors’ collection of its required revenues associated with the SMC from its customers. The Board is of the view however that the conclusions reached in the establishment of either mechanism should inform the other. The Board will deal with this requirement for iterative and comparative analysis within the realm of these combined proceedings as it deems appropriate.

It is in this light that the Board has determined that it is appropriate to maintain the general scope of draft issues 1.5 in the final issues list. The sub-issues in issue 1.4 (previously draft issue 1.5) should be considered in the context of what the SMC is intended to satisfy which is the collection of the SME's revenue requirement from the distributors it serves.

In recognition of the need for clarity on this point the Board has added an element to issue 1.4.

THE BOARD ORDERS THAT:

1. The Issues List for this proceeding, attached as Appendix A to this order, is approved by the Board.

ISSUED at Toronto, November 2, 2012.

ONTARIO ENERGY BOARD

Original signed by

Kirsten Walli
Board Secretary

APPENDIX A

FINAL ISSUES LIST

EB-2012-0100 / EB-2012-0211

SME APPLICATION FOR SMART METERING CHARGE

November 2, 2012

EB-2012-0100/EB-2012-0211

FINAL ISSUES LIST¹

SME APPLICATION FOR SMART METERING CHARGE

1.0 SMART METER COSTS

1.1 MDM/R Costs

- (a) Are the 2006 to 2011 OM&A and capital costs proposed to be recovered by the SME reasonable and appropriate?
- (b) Are the forecast 2012 to 2017 OM&A and capital costs proposed by SME reasonable and appropriate?

1.2 Financing Costs

- (a) Are the SME's proposals for financing reasonable and appropriate?

1.3 IESO/SME Cost Allocation

- (a) Have shared OM&A, Capital and Financing costs with the IESO been appropriately allocated to the SME?

1.4 Proposed Rate Structure and Automatic Rate Adjustment

- (a) Is the SME's proposal to recover its actual and forecasted costs for the period July 1, 2012 to December 31, 2017 reasonable and appropriate?
- (b) Is the SME's proposal to use a "per customer" approach as a SMC determinant appropriate?
- (c) Is the SME's proposal for an annual automatic adjustment to update the billing determinant with the annual changes in the number of Residential and General Service <50kW Customers listed in the OEB Electricity Distributor Yearbook reasonable and appropriate?
- (d) What other adjustment mechanisms, if any, should be considered?

¹ Note that this Final Issues List relates only to the application by the SME for an order approving a monthly Smart Metering Charge, an annual automatic adjustment mechanism and a variance account. It does not relate to the allocation and recovery of the SMC or to the SME/LDC Agreement.

1.5 *Miscellaneous Matters*

- (a) Is the SME's proposal to establish a variance account for changes in the SME costs or revenue surplus reasonable and appropriate?
- (b) Is the SME's proposal regarding service level credits reasonable and appropriate?