Ontario Energy Board
Commission de l'énergie de l'Ontario

ORDER

EB-2015-0297

SMART METERING ENTITY

Application for renewal of the Smart Metering Entity Licence and the extension of agreements between the Smart Metering Entity and Electricity Distributors

BY DELEGATION BEFORE: **Peter Fraser**
Vice President
Industry Operations & Performance

January 26, 2016

INTRODUCTION AND SUMMARY

The Independent Electricity System Operator[1] applied to the Ontario Energy Board on November 13, 2015 under section 60 of the *Ontario Energy Board Act, 1998* for an order renewing the Smart Metering Entity licence (ES-2007-0750) and extending the agreements between the SME and local distribution companies (the "SME/LDC Agreements").[2]

The current SME licence was issued on January 27, 2011 and, together with the SME/LDC Agreements, is set to expire on January 26, 2016. The applicant requested a renewal of the licence and the SME/LDC Agreements for a further five-year period and proposed a small number of editorial updates.

The OEB has considered the application without holding a hearing pursuant to section 6(4) of the OEB Act. The OEB finds the request for a renewal reasonable and the requested amendments to be appropriate. However, for the reasons cited below, the licence and the SME/LDC Agreements will be renewed until December 31, 2016.

FINDINGS

The SME was created through legislation passed in 2006 as amendments to the *Electricity Act*, *1998*. Its objectives are set out in s. 53.8 of the Electricity Act, and they include the following:

> 2. To collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data. ...
>
> 4. To provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the IESO and other persons,

[1] The Independent Electricity System Operator was designated as the Smart Metering Entity by Ontario Regulation 393/07 made under the *Electricity Act, 1998*.

[2] The application also included a request for an order to dispose of the balance of the SME's Service Levels Credit Account for the period from May 1, 2013 to December 31, 2014. This disposition request is in accordance with the Accounting Order dated May 14, 2013, which requires that the balance be disposed at the earlier of i) the date on which the balance meets or exceeds $2 million; or ii) January 26, 2016. This aspect of the application is rates-related and will be addressed by a separate order of the Ontario Energy Board (EB-2015-0298).

i. to the information and data referred to in paragraph 2, and

ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies.

Since that time much has been achieved related to the establishment of the SME as an institution in Ontario's electricity sector: the IESO was designated as the SME by regulation in 2007, a governance structure was established, and investments in the necessary data infrastructure – the Meter Data Management Repository (MDM/R) – have been made. The SME currently processes and manages the smart meter data to support local distribution companies' billing of electricity consumers and, since 2013, the costs associated with that infrastructure and activity have begun to be recovered from electricity consumers. The SME is obliged to report quarterly to the OEB on the MDM/R operating performance. The latest report (covering the period July through September 2015) indicates a high level of performance.

While the SME is functioning, it has yet to achieve the value inherent in a single provincial repository of electricity consumption data from over 4 million smart meters. The value of a province-wide database of customer consumption data would support many activities at the provincial or regional level including, among others: the design of conservation and demand management programs, the assessment of the effectiveness of time of use pricing, the design of distribution rates and time of use prices, and the regional planning of transmission and distribution systems. Indeed, it has been the OEB's experience that the limited data provided to the SME pursuant to the SME/LDC agreement has slowed the OEB's work, particularly in the areas of time of use pricing and rate design.

As well, the OEB has long recognized that there are potentially much greater benefits to consumers from this consumption data, in particular by making non-personal information available to third parties to assist them in developing new innovative products and services that will enhance customer choice and control. In 2013, as part of its Renewed Regulatory Framework for Electricity Distributors, the OEB issued a report on the Smart Grid[3] which recognized the opportunity for innovation that the MDM/R data represented, and recommended that the SME investigate opportunities for providing third party access to non-personal, generic data.

[3]Report of the Board, Supplemental Report on Smart Grid, EB-2011-0004, February 11, 2013.

The IESO has attempted to address both of these areas of concern in 2015 through the development of the Foundation Project, which issued its final report in November of 2015[4]. The report was the result of an extensive stakeholder engagement and made recommendations relating to information that is to be provided (address and occupant change information), and a framework for third party access to suitably depersonalized data. The report did not, however, include an implementation plan, noting that costs had not yet been assessed and, more importantly, that the recommendation to pair consumption information with addresses would raise privacy concerns.

One of the major constraints in achieving the full potential of the MDM/R is the limited amount of customer information required to be supplied by the local distribution companies to the MDM/R. Thus, for example, it is not possible with certainty to determine whether data from a particular meter comes from a residential or a business customer. Moreover, there is no locational information provided of any kind, nor is there information relating to whether a customer is in fact on time of use pricing offered by the Regulated Price Plan (RPP) or is served by a retailer. Without this information, the current MDM/R database cannot be used for the broader purposes for which it was intended. The SME does not have access to the data necessary for it to discharge fully its mandate.

The IESO's Foundation Project had the stated intent of addressing these shortcomings and consulted with stakeholders before reaching its recommendations. However, the recommendation to include address information has raised privacy concerns. In fact, it is possible to get useful locational information without the street address, thereby eliminating privacy concerns. For example, Statistics Canada routinely makes available income and other household data available by postal code. This application contains no mention of the Foundation Project recommendations, or how they would be implemented. It is unclear based on this application when the SME will move forward with these recommendations and enable the MDM/R to realize its potential.

Innovation is about creating new value. The SME, through its provision of reliable provincial energy consumption data from over 4 million meters, was in part established to provide an opportunity for provincial electricity agencies, individual local distribution companies, and third parties seeking to create new value to benefit consumers. Ontario's head start on smart meters is an opportunity that could be leveraged to enhance innovation. The opportunity must be pursued in a more timely way. The OEB is of the view that closer regulatory scrutiny is required to ensure that the SME move with increased speed to enhance the value of the MDM/R data.

[4] Independent Electricity System Operator, Foundation Project Final Report, November 4, 2015.

The OEB therefore:

1. Renews the licence of the Smart Metering Entity and the associated SME/LDC Agreements until December 31, 2016 rather than the five year period requested.
2. Requires that the Smart Metering Entity shall, effective January 1, 2017, collect the following information associated with each meter (modified where necessary to sufficiently render it non-personal information):
    a. The postal code.
    b. The distributor rate class.
    c. The commodity rate class.
    d. Occupant change data.
3. Requires the Smart Metering Entity to prepare an implementation plan to be included with its next application for a licence renewal.

The next SME licence application will need to be filed prior to the date these changes are to be implemented. The OEB also expects that the next licence application will address the SME's implementation plan with respect to third party access to this enhanced SME data, including an assessment of the cost implications.

Finally, the OEB will be launching a policy review shortly to determine the best regulatory mechanisms, such as the amendment of the SME licence and corresponding amendments to the LDC licences, to ensure that the SME has adequate information to carry out its mandate. The SME and other parties will be notified when the OEB proceeds with this initiative.

IT IS ORDERED THAT:

1. The application to renew the Smart Metering Entity licence and to extend the expiry date of the SME/LDC Agreements is granted, on such conditions as are contained in this Order.

DATED at Toronto January 26, 2016

ONTARIO ENERGY BOARD

Original signed by

Peter Fraser
Vice President, Industry Operations & Performance