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TO: **JIM KELBERT, IMO**

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CC: TECHNICAL PANEL MEMBERS

MR-00202: REGULATION OF DEFAULT METERING SERVICE PROVIDERS DURING THE TRANSITION PERIOD

The market rule amendment submission contained in MR-0202 proposes to amend section 3.2 of Chapter 6 to empower the IMO to sanction default metering service providers for non-compliance with market rules in respect of a particular metering installation. The proposed sanctions would entail financial penalties. The reason given for this amendment is that the current market rules do not provide the IMO with a fair or effective way of enforcing compliance in respect of complaints, which the IMO has received from several metered market participants.

Hydro One Networks (Networks) objects to this proposal as being against the spirit of the market rules embodied currently in section 3.2 of chapter. Furthermore, this proposal, if it were to proceed, is likely to increase the costs to the marketplace and potentially impact the development of competitive metering service provision.

The original intent of section 3.2 of Chapter 6 was to put in place rules that would transition metering arrangements from those in existence prior to market opening to those at the earliest re-seal date for the particular metering installation. At that time the metered market participant would make a decision with respect to its choice of a metering service provider. This section established rules for the default metering service providers who owned the metering installations prior to or at market opening. As such, the rules permit the default metering service provider for a metering installation to enter into agreements with metered market participant at that installation.

At market opening, Networks became such a default metering service provider by virtue of its owning the vast majority of the wholesale metering installations that fell under the auspices of the market rules. Accordingly Networks entered into agreements with market participants which were metered through Networks metering installations. None of these agreements are commercial agreements that would be found in existence if a competitive metering service provision market were in place. Consequently the agreements do not allow for any cost recovery as costs of existing metering installations are recovered through a transmission postage stamp charge to all market participants withdrawing power from the IMO-controlled grid.

The proposal to financially penalize default metering service providers will thus entail additional costs for these entities that could be left without any means of recovering those costs. In Networks case such costs were not envisioned when Networks sought approval of its transmission revenue requirement. Default metering service providers have no active participation in the IMO-administered markets and hence have no potential for any benefits to offset the costs incurred through penalties. On the other hand the metered market participants who are participating in the market place do have significant benefits that offset any costs incurred in such participation. This is the reason that Networks agreements with the metered market participants did not contain any liability provisions that Networks would take on as a result of penalties imposed on metered market participants. Such a situation would not exist in a competitive environment where metering service providers would negotiate commercial contracts, which would cover costs and liability obligations.

Networks is concerned about the complaints raised by affected metered market participants and has been working diligently to date to try and resolve these as quickly as is practicable. As a responsible default metering service provider it is customer focused and keen to resolve the issues by working with its customers, including the IMO, to achieve win-win outcomes. Networks is prepared to work with stakeholders to revise the existing MSP agreements in the context of the existing market rules and transmission tariffs.

In passing, it should be noted that the level of meter trouble calls has increased significantly since market opening not as a result of any change in Networks performance but rather because of the processes put in place at market opening. Prior to market opening, troubles involving metering installations were sorted out between the IMO and Networks with the metered customers being unaware for the most part. At that time customers did not receive any trouble reports and the IMO provided these to Networks on a weekly basis. Since market opening the IMO has been issuing trouble reports on a daily basis and copies of these reports have been sent to the metered market participants. This has resulted in an order of magnitude increase in reports that have strained Networks resources. This phenomenon is the direct result of the incompatibility between the exemptions allowed for the metering installations and the reporting systems that do not recognize exempted metering installations.

In conclusion, Networks is not supportive of the proposal to change section 3.2 of Chapter 6. As an alternative to the proposal entailed in MR-00202, Networks proposes that the IMO undertake to work with the default metering service providers to establish a process by which a more practicable means could be found for the IMO to sanction such entities. This would be consistent with the intent of the market rules set out in section 3.2 of chapter 6 and would recognize the special circumstances of the default metering service providers. Networks has been attempting to do so through its participation in the MSP Users Group.