Ontario

LEGISLATION AND REGULATIONS COMMITTEE BRIEFING NOTE

Energy
Toronto Hydro Data Integration

LRC/CAB Date December 13, 2016	Effective Date January 1, 2017

Summary of Proposal

Summary of Proposal and Context for Decision:

In 2006, a regulation under the Electricity Act, 1998 enabled specified local distribution companies (LDCs) to begin priority installation of smart meters in Ontario (O. Reg. 428/06 – Priority Installations). Smart meters are different from the traditional “analog” meters, which required periodic manual readings to accurately measure power usage. Smart meters are digital and can collect usage data at regular intervals (e.g. every hour), transmitting that data through telecommunications networks to utilities. This enabled time-of-use pricing (TOU), which was a key objective under the province’s Smart Metering Initiative as a means to shift power consumption from on-peak to off-peak times.

In 2007 the Smart Metering Entity (SME) regulation (O. Reg 393/07) was enacted under the Electricity Act, 1998. This gave exclusive authority to the Independent Electricity System Operator, which was designated as the SME, to convert smart meter usage data into TOU data for billing. The regulation required that this be done through a centralized system for the province to avoid each LDC making the same investment. This system is called the Meter Data Management Repository (MDMR). A provision in the SME regulation provided an exemption to the LDCs listed in the priority installation regulation noted above, allowing them to continue testing smart meters and TOU.

In order to meet the government’s targets for smart meter and TOU deployment, Toronto Hydro was added to the priority installation regulation in 2009, thereby receiving an exemption to the exclusivity provisions in the SME regulation. To date, it remains the only regulated LDC in Ontario that has yet to fully integrate into the MDMR.

The Ministry of Energy is proposing amendments to O. Reg. 393/07 to establish an end date for the exemption, which will require Toronto Hydro to fully integrate into the MDMR by September 30, 2017. The regulatory amendment will come into force on January 1, 2017 allowing for a period of time for Toronto Hydro integrate into the MDMR.

Why does Ontario need these changes? Why now?

Every LDC in Ontario has integrated with MDMR except for Toronto Hydro. Once integrated, the Ministry of Energy expects to reach their goal of having centralized, cost-effective smart meter processing data.

The Ministry of Energy has been involved in discussions with the IESO and Toronto Hydro to facilitate integration into the MDMR without the need for regulatory changes. At this time, the Ministry of Energy is reporting that Toronto Hydro is not willing to voluntarily integrate into the MDMR.

The Ministry of Energy feels that action is required now to give Toronto Hydro time to comply with the proposed amendment.

How will this proposal impact Ontario?

Toronto Hydro uses its own TOU data processing system, one that is very similar to the MDMR. There are costs associated with this activity, including software licencing and upgrades and system management. It is unknown what the costs of this specific activity are. Toronto Hydro’s 2015 rate application to the Ontario Energy Board did not provide these details in its billing system budget breakdown. Toronto Hydro customers must cover these costs through delivery charges on their bills.

At the same time, Toronto Hydro customers are also paying the Smart Metering Charge, which is a $0.78 monthly charge for all residential and general service customers with less than 50 kilowatt demand in Ontario. This means that there are duplicated costs for Toronto Hydro customers, which was supposed to be addressed when Toronto Hydro eventually integrated into the MDMR.

The Ministry of Energy expects that over the long term, integration into the MDMR should reduce costs for Toronto Hydro customers.

What is the expected cost to government?

Toronto Hydro has stated they would incur an estimated cost of $8.08 million to implement and integrate with the MDMR over the 2015-2017 period in order to meet regulatory obligations.

Toronto Hydro has already had these costs approved in Toronto Hydro’s 2015-2019 Electricity Distribution Rate application to the Ontario Energy Board, which is allowable for cost recovery under regulation.

What are the key steps to deliver this proposal?

If approved, Toronto Hydro will be responsible for integrating into the MDMR by September 30, 2017. The Ministry of Energy is proposing that this amendment come into force on January 1, 2017, but the amendment would revoke the exemption effective September 30, 2017 to allow for a period of time for Toronto Hydro to integrate.

The Ministry of Energy will consult with the Smart Metering Entity to work towards Toronto Hydro's full integration into the MDMR by September 30, 2017.

How will the changes be communicated?

Toronto Hydro is likely to react negatively to the proposal. The proposed amendments will be announced via a backgrounder on Newsroom on December 20 (TBC), which will include other changes in effect on January 1, 2017.

Commented [JJ(1]: ENE: How will this be communicated to Toronto Hydro?

Cabinet Office Analysis

Analysis

Cost Savings

The Ministry of Energy feels that the MDMR is expected to result in cost savings to Toronto Hydro customers over time by ending the duplication of TOU processing charges that are embedded in Toronto Hydro customer bills. The government has committed to finding ways to reduce electricity costs for people in Ontario and this proposal aims to align with current government direction to make electricity more affordable.

Alternatives and Considerations

Toronto Hydro has argued that its process for estimating, validating, and editing usage data to convert into TOU data is equivalent to process used by the SME. Toronto Hydro has proposed continuing to undertake its own data collection process and submit the processed TOU data to the SME. Toronto Hydro claims that their approach would save approximately $6 million in integration costs. The Ministry of Energy believes that the proposed savings do not account for the ongoing duplication of TOU processing costs that are embedded in Toronto Hydro customer bills.

Auditor General Report

In 2014, the Auditor General highlighted in her report that there is duplication between MDMR and Toronto Hydro data systems, which has resulted in Toronto Hydro customers paying twice for the same service. The policy intent of the MDMR is to have a single meter data management system in the province that will generate consistent time of use data for billing.

Risks

Stakeholder reaction

This regulatory amendment is expected to result in a negative response from Toronto Hydro. Toronto Hydro believes that their current system is cost effective, and that customers have confidence in their billing processes. As well, Toronto Hydro feels that customers believe the current system provides more accurate information for conservation and demand management purposes.

However, Toronto Hydro is the only LDC to not integrate into the MDMR, which duplicates work and creates less integrated and less effective data sets. Further, the integration to MDMR should not impact Toronto Hydro's ability to analyze usage data. The SME is planning to introduce an additional server platform to specifically help LDCs with data analysis.