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Ontario



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# STANDING COMMITTEE ON PUBLIC ACCOUNTS

## SMART METERING INITIATIVE

(Section 3.11, 2014 Annual Report of the Auditor General of Ontario)

1<sup>st</sup> Session, 41<sup>st</sup> Parliament  
64 Elizabeth II

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The Honourable Dave Levac, MPP  
Speaker of the Legislative Assembly

Sir,

Your Standing Committee on Public Accounts has the honour to present its  
Report and commends it to the House.

Ernie Hardeman, MPP  
Chair of the Committee

Queen's Park  
November 2015



# STANDING COMMITTEE ON PUBLIC ACCOUNTS

## MEMBERSHIP LIST

1<sup>st</sup> Session, 41<sup>st</sup> Parliament

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PETER TABUNS regularly served as a substitute member of the Committee.

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VALERIE QUIOC LIM

Clerk of the Committee

IAN MORRIS

Research Officer



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## **PREAMBLE**

On May 27, 2015, the Standing Committee on Public Accounts (the Committee) held public hearings on the Smart Metering Initiative, Section 3.11 of the *2014 Annual Report* of the Auditor General of Ontario (the Auditor). Senior officials from the Ministry of Energy (the Ministry), Hydro One, the Independent Electricity System Operator (IESO), and the Ontario Energy Board (OEB) participated in the hearings. (For a transcript of the Committee proceedings, please see Committee Hansard, May 27, 2015.)

The Committee endorses the Auditor's findings and recommendations and presents its own findings, views, and recommendations in this report. The Committee requests that the Ministry provide the Committee Clerk with written responses to the recommendations within 120 calendar days of the tabling of this report with the Speaker of the Legislative Assembly, unless otherwise specified.

## **Acknowledgments**

The Committee extends its appreciation to officials from the Ministry, Hydro One, the IESO, and the OEB for their attendance at the hearings. The Committee also acknowledges the assistance provided during the hearings and report writing deliberations by the Auditor, the Clerk of the Committee, and staff in the Legislative Research Service.

## **OVERVIEW**

### **Auditor's Objective and Scope**

The Auditor's objective in conducting this value-for-money audit was to assess whether effective systems and procedures were in place to

- ensure that the Smart Metering Initiative (Smart Metering) was planned, implemented, and managed economically and efficiently, and in compliance with applicable policies and requirements; and
- measure and report on whether the objectives of Smart Metering were met in a cost-effective way.

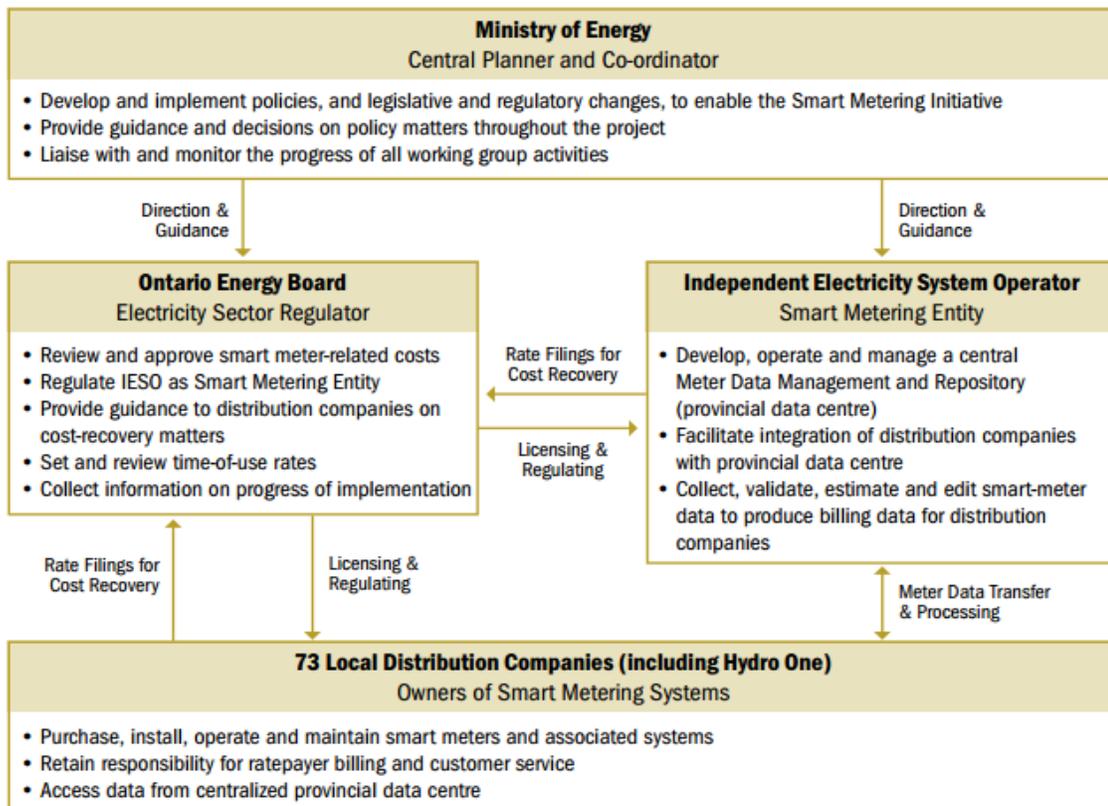
The Auditor reviewed applicable legislation, regulations, policies, studies, and other documents; analyzed electricity consumption and billing data; and interviewed appropriate staff at the Ministry, the IESO, and the OEB. In addition, the Auditor surveyed 60 of Ontario's 73 local electricity distribution companies (LDCs or distributors) and interviewed staff from the remaining 13 LDCs, including Hydro One.

## Background

In 2004 the government announced plans to reduce energy consumption in the province by creating a culture of conservation. A key part of this plan was the installation of smart meters in homes and small businesses across Ontario that would help consumers make informed decisions about their energy use. As of May 2014, 4.8 million smart meters had been installed in homes and at small businesses across Ontario.

Smart meters are capable of tracking quantity of electricity used as well as the time of day electricity is consumed and transmit this data back to utilities. This feature will allow utilities to account for time of consumption and could encourage consumers through time-of-use (TOU) pricing systems to shift usage to times of off-peak demand. This means more electricity could be consumed during the time of day when demand is at its lowest and rates are expected to be least expensive. By reducing peak demand, the initiative intended to reduce costs to consumers by deferring the need to build new generation. Data collected through smart meters could have future potential to help utilities reduce costs as it can be used to inform the implementation of new technologies like electric vehicles, electricity storage, and innovations that make Ontario homes smarter.

**Figure 1: Key Roles and Responsibilities of Entities Involved in the Smart Metering Initiative**<sup>1</sup>



Entities involved in Smart Metering included the Ministry, the IESO, the OEB, and Ontario's 73 LDCs, including Hydro One. Key roles and responsibilities of each entity are summarized in Figure 1.

<sup>1</sup> Figure 1 was prepared by the Office of the Auditor General of Ontario.

Figure 2 provides a summary of costs incurred by entities involved in the Smart Metering Initiative:

**Figure 2: Summary of Costs Incurred by Entities Involved in the Smart Metering Initiative, 2005–2014<sup>2</sup>**

Entity	Date	Cost Description	Approx. Cost (\$ 000)	Report Section (if applicable)
Ministry of Energy	Jan. 2005– Apr. 2005	Engaging an external consultant to develop an implementation strategy and to estimate the benefits of Smart Metering	160 <sup>1</sup>	Ineffective Implementation and Oversight of Smart Metering Initiative
	Nov. 2005– Apr. 2006	Engaging experts for technical, system and legal supports during early implementation stage of Smart Metering	400 <sup>1</sup>	
	2006–2010	Developing Communication templates and materials for use by the distribution companies to raise public awareness and understanding of Smart Metering	640 <sup>1</sup>	
Ontario Energy Board (OEB)	Jul. 2004– Jan. 2005	Developing the implementation plan for Smart Metering Initiative requested by the Minister	420	Ineffective Implementation and Oversight of Smart Metering Initiative
	Nov. 2010– May 2014	Engaging an external consultant to set time-of-use (TOU) rates	410	Significant Impact of Global Adjustment on Time-of-use Rates Not Transparent to Ratepayers
	Mar. 2013– Mar. 2014	Engaging an external consultant to assess the impact of TOU rates on consumption patterns	180	Significant Impact of Global Adjustment on Time-of-use Rates Not Transparent to Ratepayers
Independent Electricity System Operator (IESO)	2006–2014	Developing, implementing and operating a Smart Metering Entity and a provincial data centre	160,000 <sup>1,2</sup>	Ratepayers Charged for Redundant or Unused Service
Local Distribution Companies	2006–2013	Implementing Smart Metering	1,400,000 <sup>3</sup>	Ineffective Implementation and Oversight of Smart Metering Initiative
	2005–2014	Scrapping conventional analog meters	400,000 <sup>4</sup>	Additional Costs of Implementing Smart Metering Initiative
<b>Total</b>			<b>1,962,210<sup>5</sup></b>	

1. Covers activities added after OEB's 2005 implementation plan, or those outside the original scope of the Smart Metering Initiative.

2. Total approved by the OEB was \$249 million up to 2017. This cost is being recovered from ratepayers through a monthly smart-metering charge of 79 cents. The amount up to 2014 was approximately \$160 million.

3. Hydro One accounted for more than \$660 million of the \$1.4 billion spent by all 73 distribution companies. About \$500 million (mainly from Hydro One) of the \$1.4 billion is under review by the OEB and has yet to be approved by the OEB.

4. We reviewed the OEB's 2005 estimate. In our view, this is a reasonable estimate of total stranded costs.

5. See Figure 15 for other system-related costs incurred by the distribution companies that we interviewed and surveyed.

<sup>2</sup> Figure 2 was prepared by the Office of the Auditor General of Ontario.

## ISSUES RAISED IN THE AUDIT AND BEFORE THE COMMITTEE

### Governance and Oversight of Planning and Implementation

The Auditor recommended that the Ministry should

- conduct cost-benefit analyses or business-case studies prior to implementing an initiative to assess costs, benefits, and risks;
- review the role of the Ontario Energy Board as an independent regulator when ministerial directives that impact electricity rates are issued;
- consider different scenarios or alternatives as part of the planning process to assess possible risks and uncertainties; and
- re-evaluate and update the implementation plan periodically to identify and respond to changing conditions and unforeseen events in the electricity market.

The Auditor found that the justification and planning for Smart Metering was insufficient. Specifically, it was discovered that no cost-benefit analyses or business case studies were done before the government announced Smart Metering in April 2004.

In its response, the Ministry stated the following:

In line with best practice, the Ministry will ensure that the proper analysis is completed ahead of implementing major initiatives. In addition, the Ministry will continue to work with the relevant sector participants in a partnership approach to ensure that cross-sector initiatives are appropriately planned and consider the respective roles of those involved. Also in line with best practice, the Ministry respects the need to evaluate programs on a regular basis to maximize efficiencies. To this end, the Ministry will work with its agencies to re-evaluate the implementation of smart meters, including the potential benefits they could enable through the development of a smart grid in Ontario.

Following the Smart Metering announcement, the Minister of Energy (Minister) issued a directive to the OEB under the *Ontario Energy Board Act, 1998 (Act)*, requiring it to develop an implementation plan to achieve the government's smart meter targets. The Auditor noted both the Act and the directive provided the Minister with the authority to set aside the regulatory role of the OEB—an independent Crown corporation mandated to protect the interests of ratepayers—with respect to Smart Metering.

In its response, the Ministry provided recent examples where it has implemented the recommendations of the Auditor in relation to the planning and implementation of initiatives. The Ministry cited the recent MDM/R (Meter Data Management and Repository or provincial data centre) Data Access Platform (MDAP) business case and its Smart Grid Assessment and Roadmap report. In

addition, the Ministry added that, together with the IESO and the Advanced Energy Centre (AEC), it has undertaken a business case study that will assess the costs, benefits, and implementation considerations of developing a solution to facilitate greater access and analytics of electricity usage data combined with other related data sets.

With respect to the Auditor's recommendation on reviewing the role of the OEB as an independent regulator (see second bullet above), no testimony was given to the Committee nor was any information provided to the Committee that addressed this particular recommendation.

The Committee supports the recent actions taken by the Ministry to strengthen its implementation and planning processes. The Committee believes that it is important for the Ministry to continue to re-evaluate and update its implementation plans for its major initiatives in order to better respond to changing conditions.

The Committee recognizes the independence of the OEB as an adjudicative tribunal responsible for regulating Ontario's natural gas and electricity sectors.

### **Committee Recommendation**

The Standing Committee on Public Accounts recommends that:

- 1. The Ministry review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued and report back to the Committee on its results.**

### **Billing Impacts on Electricity Charge to Ratepayers**

The Auditor recommended that the Ministry work with the OEB and the LDCs to

- evaluate TOU pricing design, including TOU rates, TOU periods and the allocation of the Global Adjustment across the three TOU rates;
- monitor trends in ratepayer electricity consumption to evaluate the effectiveness of TOU pricing over time; and
- disclose the components of the TOU rates (electricity market price and Global Adjustment) separately on electricity bills so that the impact of the Global Adjustment is transparent to ratepayers.

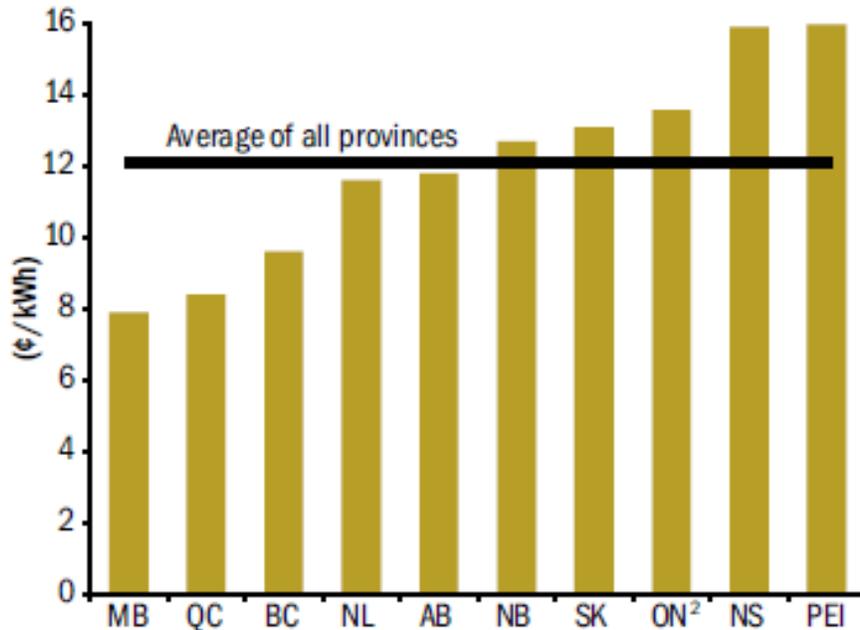
The Auditor found that despite the introduction of TOU pricing, the Ministry had not met its targets to reduce peak electricity demand.

The Auditor also noted that the impact of the Global Adjustment on TOU rates was not transparent to ratepayers as it does not appear on electricity bills as a separate line and is instead embedded in TOU rates.

Figure 3 provides a comparison of average electricity bill for residential and small-business ratepayers by province.<sup>3</sup>

**Figure 3: Comparison of Average Electricity Bill (Excluding Taxes) for Residential and Small-business Ratepayers by Province, as of April 1, 2014**

Source of data: Hydro Quebec



1. Residential electricity bill was based on average ratepayer with consumption of 750 kWh/month. Small-business electricity bill was based on average ratepayer with power demand of 40 kW/month.
2. Ontario figure includes Ontario Clean Energy Benefit, which is a 10% rebate on the total electricity bill, as illustrated in Figure 7.

In its response to the Auditor’s recommendations, the Ministry stated that it is actively engaged in monitoring the work of the former OPA (Ontario Power Authority, now merged with the IESO) and the OEB in conducting scientific analysis on how residential and small business customers have actually responded to TOU pricing.

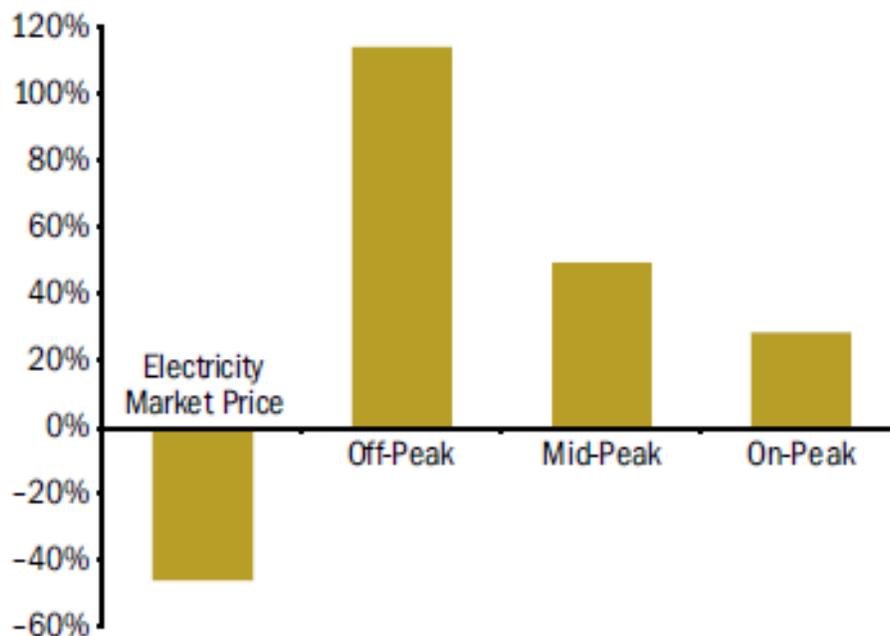
According to the OEB, independent research has shown that consumer response to TOU pricing has had a beneficial impact on the system by reducing peak residential demand by about 3%. The OEB added that it has undertaken an extensive consumer research program; the evidence so far has shown a high awareness of TOU, but also a need for “more work to be done to help customers better respond to prices.” The OEB added that it is undertaking a review of TOU pricing. This review is intended to consider all of the matters identified by the Auditor, including the structure of the TOU periods, the TOU prices, and the forecasting of the costs and the Global Adjustment to be recovered in those prices.

<sup>3</sup> Figure 3 was prepared by the Office of the Auditor General of Ontario.

Figure 4 provides a synopsis of how TOU rates and electricity market prices in Ontario have changed from 2006 to 2014.

**Figure 4: Percentage Change of Time-of-use (TOU) Rates and Electricity Market Price in Ontario, 2006-2014**

Source of data: Ontario Energy Board and Independent Electricity System Operator



With respect to the Auditor's recommendation on disclosing the components of the TOU rates separately on electricity bills to see the impact of the Global Adjustment (see third bullet above), no testimony was given to the Committee nor was any information provided to the Committee that addressed this particular recommendation.

The Committee supports the recent steps taken by the Ministry and the OEB to refine its TOU pricing design. In keeping with the Auditor's recommendations and best practices, the Committee expects the OEB and the Ministry to periodically re-evaluate and update its implementation plans.

### Committee Recommendations

The Standing Committee on Public Accounts recommends that:

2. **The Ministry should work with the OEB and report back to the Standing Committee on Public Accounts on its completed review of TOU pricing design.**
3. **The OEB shall report back to the Standing Committee on Public Accounts on the most recent results of its consumer research program. This response must include results on**
  - **consumer awareness with respect to TOU; and**

- **consumer response to TOU pricing.**

**4. The Ministry shall work with the OEB and report back to the Standing Committee on Public Accounts on how to improve the structure and presentation of customers' bills.**

The Auditor recommended that the Ministry work with the OEB, Hydro One, and other LDCs to

- improve tracking of customer enquiries and complaints to identify and monitor common or recurring concerns;
- educate customers about the impacts of TOU pricing and other factors on electricity bills, as well as the root causes of potential metering or billing issues and what is being done to address them; and
- identify and fix any problems with their billing systems and local communication systems on a timely basis, and monitor the performance of those systems over time to reduce ratepayer complaints triggered by these problems.

In response to the Auditor's recommendations, the Ministry informed the Committee that the OEB has already taken action to help improve the way in which LDCs deliver service to its customers and to ensure that ratepayers receive clear, timely, and accurate bills. Furthermore, in April 2015 the OEB issued amendments to its Distribution System Code (DSC) for LDCs in relation to billing frequency, the use of estimated billing, and billing accuracy. The amendments to the DSC are the result of the OEB's policy review, which commenced in June 2014, of the LDCs' billing practices and performance. The new requirements of the DSC will require the LDCs to

- transition non-seasonal residential and small business customers to mandatory monthly billing no later than December 31, 2016;
- add descriptions of their estimated billing practices to their Conditions of Service to ensure transparency;
- issue bills to residential and small business customers with smart meters or interval meters based on actual meter reads (to account for exceptional circumstances, LDCs can bill based on estimated consumption no more than twice every 12 months); and
- adhere to the OEB's standard of 98% billing accuracy.

These new requirements related to billing frequency and accuracy are expected to encourage energy literacy and thereby make it easier for customers to identify the drivers that influence energy use and allow them to better anticipate and manage payments and respond to pricing signals.

The OEB added that its consumer website provides access to detailed information on TOU rates and charges by distributors, as well as conservation and bill management. The website provides a bill calculator which allows consumers to estimate their bills under TOU and see how changes in

consumption can affect their overall electricity bill. The OEB also regularly issues bill inserts that provide information on TOU prices and other regulatory matters.

The OEB stated that it has a robust consumer complaint handling procedure that requires all LDCs to respond within defined timelines to issues raised by consumers. If a consumer contacts the OEB with a complaint about their distributor, the OEB's Consumer Relations team directs the complaint to the utility and requires a response to be provided to the consumer and copied to the OEB. All responses are tracked to ensure they meet deadlines, for completeness, and for the purpose of identifying trends. Any recurring concerns are then specifically monitored to allow for follow-up and any recommended compliance action.

### **Committee Recommendation**

The Standing Committee on Public Accounts recommends that:

- 5. The OEB shall report back to the Standing Committee on Public Accounts on its review of consumer complaints at Hydro One.**

### **Billing Impacts of Delivery Charge on Ratepayers**

The Auditor recommended that the OEB perform detailed reviews of the LDCs' costs to ensure that unanticipated costs incurred by the LDCs in implementing Smart Metering are justified, and that any significant cost variations among the LDCs are adequately explained. The Auditor noted that ratepayers pay different amounts for the same power usage depending on where they live in Ontario, mainly due to the different delivery costs of the 73 distribution companies.

In its response, the OEB stated that it has reviewed the Smart Metering costs incurred by most LDCs in the context of distributor-specific rate hearings. The OEB explained that those reviews took into account the requirements of *Ontario Regulation 426/06*, the costs incurred by the distributors seeking approval, and the variances between those costs and the costs incurred by other distributors. The OEB added that Hydro One's Smart Metering costs have been reviewed and approved by the OEB as part of its 2015 rates case. Lastly, the OEB stated that it is in the process of reviewing the last few distributors that have not had their Smart Metering costs assessed through a regulatory proceeding.

The Auditor recommended that the Ministry and the OEB conduct a cost-benefit analysis into consolidating LDCs as recommended by the Ontario Distribution Sector Review Panel.

In response, the Ministry stated that the government intends to merge Hydro One Brampton with three other large utilities—PowerStream, Enersource, and Horizon. The Ministry predicts that the new, merged utility will deliver efficiencies and economies of scale.

The Ministry also detailed the government's plans to amend the transfer tax rules and departure tax rules that apply when municipal electricity utilities leave the payment-in-lieu of taxes regime on a time-limited basis. The transfer tax will be eliminated for a time-limited period (from January 1, 2016 to December 31, 2018) for municipal electricity utilities (MEUs) with fewer than 30,000 customers. These

small LDCs make up about 60% of LDCs in Ontario. For the remaining larger LDCs, the government will reduce the transfer tax from 33% to 22% for the same period of time. This is expected to provide a balanced approach to incent consolidation for all LDCs and additional incentives for the smaller LDCs.

Additionally, the OEB is undertaking a further review of the regulatory framework that governs consolidation activities in the electricity distribution sector. This is in continuation of the review that the OEB undertook in 2014 with respect to the Mergers and Acquisitions rate-setting policies. In its next phase of the review process, the OEB aims to examine its own policies to ensure the current framework works for all types of LDCs, regardless of their ownership and size, and, in effect, helps benefit ratepayers in line with the objectives of consolidation.

The Auditor recommended Hydro One review and improve its contracting and procurement activities, such as retaining adequate documentation to justify vendor selection and evaluation and acquiring enough knowledge about a project's business requirements before issuing a Request for Proposal (RFP), to minimize the risks of significant contract-cost increases.

In its response, Hydro One stated the RFP process for its smart-metering project was completed in April 2005. Subsequent to the RFP process and the Auditor's audit on Hydro One's Acquisition of Goods and Services in 2006, Hydro One developed an evaluation guideline, which requires documentation of detailed notes to substantiate the evaluation scores.

Hydro One agreed that it is subject to the government's procurement directives. Hydro One has stated that it has complied with such directives and associated amendments since the first directive was issued in July 2009. In 2009 and 2010, Hydro One also changed its internal policies to comply with the government's travel and expense and procurement directives. For example, Hydro One no longer reimburses its consultants for meals, hospitality or incidentals, and continues to reimburse expenses related to flights, train and car travel and hotel rooms only if such expenses are agreed to in the contracts and pre-approved by Hydro One.

Hydro One also agreed that a Request for Information (RFI) process is a useful tool to assess the market, determine business requirements, and/or estimate project costs. Responses to RFIs contribute to the content of an eventual RFP document. The RFI is a procurement tool that Hydro One now employs.

### **Smart Meter Data Processing Systems and Costs**

The Auditor recommended that the Ministry work with the IESO, the OEB, and the LDCs to re-evaluate options comparing operating the provincial data centre versus local systems to determine cost-effectiveness and avoid duplication of systems and costs. Through interviews and surveys, the Auditor noted that 96% of LDCs have been using their own systems to process smart meter data, and 88% said their own systems and the provincial data centre perform similar functions, resulting in redundancy.

In response, the Ministry stated that along with the IESO and the Advanced Energy Centre (AEC) it has begun a business case study that will assess the costs, benefits, and implementation considerations of developing a solution to

facilitate greater access and analytics of electricity usage data combined with other related data sets.

The IESO added that it will work with the Ministry and the OEB to encourage LDC compliance with existing regulations and reduce the reported duplication of the functions that it (the IESO) has exclusive authority over that are fulfilled by the provincial data centre. Further, the IESO stated that it will work with the Ministry and LDCs to identify and evaluate opportunities for leveraging existing investments and economies of scale of the provincial data centre in order to reduce the operating costs of distributors and costs to the ratepayer.

### **Committee Recommendations**

The Standing Committee on Public Accounts recommends that:

- 6. The Ministry shall report back to the Standing Committee on Public Accounts on**
  - **its completed business case concerning costs, benefits, and implementation considerations of access to electricity usage data; and**
  - **its efforts to reduce duplication of the processing costs of smart meter data.**
- 7. The IESO shall provide the Standing Committee on Public Accounts a list of the functions that the IESO has exclusive authority over that are fulfilled by the provincial data centre.**

The Auditor recommended the Ministry work with the relevant electricity sector organizations to set appropriate and reasonable implementation targets and timelines in order to minimize the costs and risks associated with system development and integration for numerous distribution companies.

In its response, the Ministry stated that it will ensure that projects in the electricity distribution sector are rolled out in a prudent, collaborative and cost effective manner.

The Committee expects targets and timelines of future initiatives to be appropriately set in order to minimize the costs and risks associated with system development and integration for numerous distribution companies.

The Auditor recommended that the IESO work with the LDCs to ensure the accuracy, quality, and usefulness of smart meter data. In particular, the Auditor recommended reviewing the limitations and the billing problems associated with the provincial data centre and the LDCs' business processes. The Auditor cited the need for improving the procedures for processing smart meter data during meter replacements and power blackouts as well as enhancing the data retrieval and querying capability of the provincial data centre.

The Auditor also recommended the IESO educate the distribution companies about the proper business processes that have to be followed with respect to processing smart meter data.

In its response, the IESO stated that it provides classroom training sessions for all LDCs on an ongoing basis, including for the processing of meter replacements and power blackouts within the provincial data centre. Also, the IESO initiated the development of interactive web-based training modules for the LDCs to complement the classroom training sessions, based on feedback from the LDCs. These training modules will outline the different business processes that the provincial data centre and the LDCs should follow. Delivering this training content as interactive online modules allows the LDCs to review the training modules at their own convenience from any location. The IESO will continue to encourage the LDCs to suggest training content that would be useful to them.

Further, the IESO is in the process of providing the LDCs with enhanced information to assist them in resolving common issues and answering common questions when working with the provincial data centre. In addition to refining business processes, the IESO has developed and is testing its enhanced data retrieval capability to support the increasing volume and variety of ad-hoc queries and data extract requests from the provincial data centre. This enhanced data retrieval capability is scheduled to be deployed by the end of 2015.

### **Smart Meter Security and Safety Risks**

The Auditor recommended that the IESO work with the LDCs to improve its system and data-security controls in order to prevent and detect unauthorized access to smart meter data. The Auditor also recommended that the Ministry work with relevant entities, such as the LDCs, the Office of the Fire Marshal, and the Electrical Safety Authority (ESA) to track and monitor smart meter-related fire incidents. The Auditor found that the monitoring of smart meter-related fire safety risk was insufficient. The Auditor cited that there were no accurate and complete information available on smart meter-related fires in Ontario.

In its response, the IESO stated that it introduced new capabilities in June 2014 to help LDCs manage their users' access to the provincial data centre. As part of its ongoing activities, the IESO requested LDCs to review their users' access permissions to the provincial data centre. Where requested by the LDC, the IESO made the necessary changes to LDC users' access permissions.

Further, the IESO stated that in November 2014, it received its fifth consecutive annual clean audit by an independent external audit firm that examined the provincial data centre's operations, processes, and procedures. This audit described controls in place at the IESO and the controls that should be in operation at the distribution companies to prevent and detect unauthorized access to smart meter data.

The Ministry stated that in January 2015 the ESA directed Ontario's LDCs to replace and discontinue use of a specific meter—the iConA™ Generation 3.2 remote disconnect meter by Sensus—as a precautionary measure. The ESA's due diligence review—launched in August 2014—of the incidents in Saskatchewan identified that the Sensus 3.2 meters with remote disconnect share the same design as the Sensus 3.3 meters used in Saskatchewan and were hence susceptible to the specific type of failure, namely arcing within components if water gets into the meter, which was experienced in Saskatchewan. While no serious incidents had been reported involving the Sensus 3.2 meters with remote disconnect, the ESA took this action as a

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proactive, precautionary measure.<sup>4</sup> The review has not identified a systemic safety risk with any other meter model or design currently used in Ontario.<sup>5</sup>

### **Committee Recommendation**

The Standing Committee on Public Accounts recommends that:

- 8. The IESO shall report back to the Standing Committee on Public Accounts on steps it has taken to strengthen cybersecurity (i.e., use of encryption, etc.) with respect to smart meter data at both the provincial data centre and locally with the LDCs.**

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<sup>4</sup>Electrical Safety Authority, "Meter Safety Due Diligence Review: Conclusions and Recommendations," July 2015, p. 3

<sup>5</sup> Ibid, p. 4.

## **CONSOLIDATED LIST OF COMMITTEE RECOMMENDATIONS**

The Standing Committee on Public Accounts recommends that:

- 1. The Ministry review the role of the OEB as an independent regulator when ministerial directives that impact electricity rates are issued and report back to the Committee on its results.**
- 2. The Ministry should work with the OEB and report back to the Standing Committee on Public Accounts on its completed review of TOU pricing design.**
- 3. The OEB shall report back to the Standing Committee on Public Accounts on the most recent results of its consumer research program. This response must include results on**
  - consumer awareness with respect to TOU; and**
  - consumer response to TOU pricing.**
- 4. The Ministry shall work with the OEB and report back to the Standing Committee on Public Accounts on how to improve the structure and presentation of customers' bills.**
- 5. The OEB shall report back to the Standing Committee on Public Accounts on its review of consumer complaints at Hydro One.**
- 6. The Ministry shall report back to the Standing Committee on Public Accounts on**
  - its completed business case concerning costs, benefits, and implementation considerations of access to electricity usage data; and**
  - its efforts to reduce duplication of the processing costs of smart meter data.**
- 7. The IESO shall provide the Standing Committee on Public Accounts a list of the functions that the IESO has exclusive authority over that are fulfilled by the provincial data centre.**
- 8. The IESO shall report back to the Standing Committee on Public Accounts on steps it has taken to strengthen cybersecurity (i.e., use of encryption, etc.) with respect to smart meter data at both the provincial data centre and locally with the LDCs.**

**APPENDIX**

**DISSENTING OPINION FROM THE  
NEW DEMOCRATIC MEMBER  
OF THE COMMITTEE**

The Auditor General's 2014 report on the Smart Metering Initiative revealed that almost \$2 billion had been spent with virtually no savings generated. This has been a very substantial addition to the cost of the system that is already causing problems for the people of Ontario.

Her report made it clear that the initiative had not been subjected to a proper cost benefit analysis and that the regulator, the Ontario Energy Board, was not given the chance to review this very costly project before it began. In fact, the OEB was directed to be part of the implementation and then to review costs for components of the initiative after it had been approved overall.

In failing to clearly state that the independence of the regulator must be respected the report opens the door to future mistakes that simply repeat the problems encountered here.

In my opinion the Committee Recommendation 1 that appears in the report should be replaced with these two recommendations to reflect what we learned from the Auditor General:

- 1) The Ministry respect the role of the OEB as an independent regulator and refrain from using it as an arm of implementation when ministerial directives that impact electricity rates are issued.
- 2) That the Ministry report back on how future incidents of initiating projects without conducting cost-benefit analyses and business-case studies can be avoided.

Peter Tabuns  
MPP  
Toronto–Danforth