



# News Release

For Immediate Release

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## Rollout of \$1.9-billion Smart Metering Initiative Had Serious Shortcomings—Benefits Not Yet Realized, Auditor General Says

(TORONTO) As of May 2014, overall costs related to implementing smart metering in Ontario had reached \$1.9 billion. With additional costs to ratepayers to come, the expected benefit of such a large investment is not yet being fully realized.

The Ministry of Energy did not develop a cost-benefit analysis or business case before it made the decision in 2004 to install smart meters across the province, and the business case it released after the decision was seriously flawed, Auditor General Bonnie Lysyk says in her *2014 Annual Report*.

“Our audit found that the smart metering program was rolled out with aggressive targets and tight timelines, but without nearly enough planning or monitoring by the Ministry,” Lysyk said today following the release of her Report.

“The Ministry submitted a business case to cabinet, but only after the government announced the roll-out in April 2004. And the analysis was flawed; its projected net benefit of \$600 million was overstated by at least \$512 million,” she added. “The Ministry has neither updated the projected costs and benefits nor tracked the actual costs to determine the actual net benefits realized.”

In 2004, the government announced plans to reduce energy consumption in the province by creating a culture of conservation. Part of the plan entailed installing smart meters in homes and businesses. These meters log electricity use by time of day, which allowed the introduction of time-of-use (TOU) pricing to encourage ratepayers to shift electricity usage to times of off-peak demand. The reduction in peak demand would mean less need to expand or build power plants. As of May 2014, 4.8 million smart meters had been installed across the province.

Following are some of the Auditor General’s other significant findings:

- The Ministry has not met its targets for reducing peak electricity demand. As well, the difference in peak and off-peak rates has not been significant enough to change consumption patterns. When TOU rates were introduced in 2006, the peak rate was three times higher than the off-peak rate; by the time of our audit this year, the peak rate was only 1.8 times higher.
- The Global Adjustment (a charge to ratepayers above and beyond the electricity market price to cover rates paid to certain generators) now accounts for about 70% of each of the TOU rates. However, the significant impact of the Global Adjustment on TOU rates is not transparent to ratepayers. Between 2006 and 2015, the 10-year cumulative actual and projected Global Adjustment stands at about \$50 billion, equivalent to almost five times the 2014 provincial deficit of \$10.5 billion.
- A \$249-million provincial data centre was established to collect, analyze and store smart-meter data. However, most distribution companies use their own systems to process such data. The costs of this duplication—one system at the provincial level and another locally—are passed on to ratepayers.

- Many Hydro One customer billing complaints stemmed from mixed or cross-metering issues, communication problems between smart meters and local communication systems, new billing system problems, seasonal high bills and the impact of the Global Adjustment on the TOU rates.
- A typical residential electricity bill can vary between \$108 and \$196 per month depending on where the ratepayer lives and which distribution company provides the service, mainly due to differing delivery costs.

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For more information and to view the full report, please visit [www.auditor.on.ca](http://www.auditor.on.ca)