

OEB Interrogatories

EnWin:

15.10.1 Please confirm that Hydro One Networks Inc. and Essex Powerlines Corporation are the only other distributors whose service areas may be affected by the proposed amendment to the licence of EnWin Powerlines Limited.

EnWin Powerlines Ltd.'s answer to this question

To the best of the Applicant's knowledge, the two distributors indicated are the only distributors whose service area may be affected by the proposed amendment.

15.10.2. Has the Minister of Municipal Affairs and Housing approved the transfer of land from the Town of Tecumseh to the City of Windsor mentioned in the Executive Summary to the evidence?

EnWin Powerlines Ltd.'s answer to this question

Yes. The Minister signed the Order on December 5, 2002.

15.10.3 Is EnWin proposing that the service areas of EnWin and Hydro One overlap in the proposed expanded service area?

EnWin Powerlines Ltd.'s answer to this question

Yes.

15.10.4 The evidence indicates that Hydro One has existing customers in the proposed expanded service area. Who will serve the Hydro One customers that presently exist in the proposed expanded service area if the proposed amendment is granted?

EnWin Powerlines Ltd.'s answer to this question

Hydro One, unless the customer or customers in question choose to be serviced by EnWin Powerlines Ltd.

15.10.5 Could existing customers of Hydro One (if any) choose to switch to EnWin? If yes what distribution assets would be used to serve them? If Hydro One's assets, please describe the metering, billing and other arrangements necessary to serve them. If EnWin's assets, please describe how Hydro One would be compensated for a) lost revenue b) stranded assets?

EnWin Powerlines Ltd.'s answer to this question

Customers of Hydro One could choose to switch to EnWin. The distributor assets used would be situationally dependent upon customer needs, capacity and technical characteristics of existing assets available and the most economically efficient way of servicing the customers involved.

For customers who choose to be serviced by EnWin, EnWin would be responsible for metering, meter reading, billing, operating and customer service. EnWin would be responsible for operating and maintaining its distribution assets, while Hydro One would be responsible for operating and maintaining its distribution assets.

The South West Applicant's supplemental evidence provides a mechanism by which Hydro One would be compensated for stranded assets (see pages 12 and 13 of Supplemental Pre-Filed Evidence of EnWin Powerlines Ltd., Erie Thames Powerlines Corporation and Essex Powerlines Corporation).

The incumbent distributor could be faced with a loss of distribution revenue from existing customers who wish to switch to EnWin, just as other firms facing competition are at risk of revenue loss. This situation would tend to have the effect of promoting lower prices, a lower cost structure and better service in order to attract and retain customers, which would be a benefit to Hydro One's customers.

The mechanism proposed for stranded assets is concerned with the uneconomic duplication of facilities. If a customer with full knowledge of the costs involved agrees to pay for the construction of a duplicate facility that would not otherwise be built and agrees to pay stranded asset costs associated with the existing facility, the construction cannot be said to be uneconomic from the stand point of the incumbent or Applicant distributor.

15.10.6. If the proposed amendment is granted, would new customers in the expanded service area have a choice of distributor? If yes, and some customers chose EnWin and some customers chose Hydro One, would two distribution systems be built? Please describe the way that choice would be provided to customers. Please discuss this aspect of the proposal with reference to the fourth electricity objective in the OEB Act: promote economic efficiency in the ...distribution of electricity.

EnWin Powerlines Ltd.'s answer to this question

New customers in the expanded service area would have a choice of distributor. Whether or not two distribution systems were built would be situationally dependent according to customer needs, capacity and technical characteristics of existing assets available and the most economically efficient way of servicing the customers involved.

The Board's Distribution System Code has already provided for the manner in which customers are to receive Offers to Connect. Appendix B of the Distribution System Code, coupled with the South West Applicant's proposal for the recovery of stranded assets, is by definition economically efficient, since all costs and revenues are considered. Any shortfall of costs over revenues would be paid by the customer who would make an informed choice and would know the costs, if any, of that choice.

Further, the Applicant submits that real competition with light-handed regulation promotes economic efficiency.

15.10.7 If the proposed amendment is granted, who would have the obligation to serve customers in the expanded service area? Could a scenario arise where both distributors have the obligation?

EnWin Powerlines Ltd.'s answer to this question

Section 28 of the *Electricity Act, 1998* provides for the obligation to serve. If more than one distributor served a geographical area, all distributors would be bound by this section of the Act.

15.10.8 Would the requested amendment have an impact on Hydro One or its customers? If yes, please describe.

EnWin Powerlines Ltd.'s answer to this question

Hydro One could be faced with a loss of distribution revenue from existing customers who wish to switch to EnWin, just as other firms facing competition are at risk of revenue loss. This situation would tend to have the effect of promoting lower prices, a lower cost structure and better service in order to attract and retain customers, which would be a benefit to Hydro One's customers.

15.10.9 Would the requested amendment have an impact on EnWin or its existing customers? If yes, please describe.

EnWin Powerlines Ltd.'s answer to this question

Existing customers of EnWin would benefit where the existing fixed costs of EnWin could be spread over more customers, resulting in a lower per customer cost.

15.10.10 What are EnWin's Reliability Indices and Service Quality Indicators?

EnWin Powerlines Ltd.'s answer to this question

EnWin's reliability indices and service quality indicators have already been filed with the Board for 2000, 2001 and 2002.

15.10.11 What other quantitative evidence is available to compare quality and reliability of service between EnWin and Hydro One? Please provide such evidence.

EnWin Powerlines Ltd.'s answer to this question

The Applicant filed data on trial response times with its initial application.

15.10.12 Will additional load transfers or metering points be required as a result of this proposed service area amendment? If yes, identify specific ones if possible.

EnWin Powerlines Ltd.'s answer to this question

Additional metering points could be required. Where a new residential subdivision, for example, were to be built and serviced by EnWin in the service area that is the subject of this application and where that subdivision was to be fed from a Hydro One facility, a new embedded meter point for the whole subdivision would be required.

15.10.13 How will the granting of the application contribute to the regional competitiveness and employment growth of the City of Windsor (Ref: Executive Summary)? What evidence is there that these benefits will not occur if the application is denied?

EnWin Powerlines Ltd.'s answer to this question

The change to the municipal boundary was initiated for reasons of economic development, regional competitiveness and employment growth of the City of Windsor. Such economic development is beneficial to the Ontario economy. One of the issues involved in regional competitiveness is the ease with which any potential investor wishing to locate in the area in question can receive utility servicing. The Applicant and its shareholder hold the view, consistent with the original rationale for municipal expansion, that potential investors can more easily receive electric utility servicing to meet their needs if

such servicing is available from a qualified local provider. Denial of the application would deny the rationale for the municipal boundary expansion in the case of electricity distribution.

15.10.14 At page 10, last sentence of the evidence dated October 31, 2002: “Approval of this application facilitates financial viability because it would avoid disruption to EnWin’s revenues.” Please explain or expand upon this statement. Would the statement also be true for Hydro One if the application was denied?

EnWin Powerlines Ltd.'s answer to this question

The Distribution System Code, at Paragraph 6.5.4, requires that either the geographic or physical distributor's licenced service area be amended to service load transfer customers (in this case fourteen customers). As Hydro One has no distribution assets in the area in question, EnWin simply anticipates that it would likely service and receive revenue from these customers in the future. Accordingly, it is applying for the licence amendment now, in order to be in a position to take advantage of these potential servicing and revenue opportunities.

The statement would not be true for Hydro One if the application were denied.

15.10.15 At page 11, third paragraph of the evidence dated October 31, 2002: “The approval of the application will minimize consumer confusion regarding their electricity supplier as a result of the municipal boundary change due to take effect on January 1, 2003.” Please explain or expand upon this statement. If it is proposed by EnWin that the service areas of EnWin and Hydro One overlap, and customers have a choice of two distributors, please explain how this goal is achieved.

EnWin Powerlines Ltd.'s answer to this question

The rationale for the municipal boundary expansion was to allow for ease of securing municipal servicing for potential investors considering locating in the City of Windsor. Allowing for provision of local electricity distribution services by the local provider in a responsive manner, in the opinion of the Applicant, will be less confusing and troublesome for investors than the status quo where remote co-ordination for service with Hydro One could be more difficult. If the investor wishes to be served by Hydro One, it will still have the option of doing so.

Supplemental Evidence - Southwestern Applicants

The following questions have been asked of all three Southwestern Applicants; only one response is necessary

15.10.16 At page 3, lines 28-30 of the Supplemental Evidence of the Southwestern Applicants filed May 29, it indicates that “The applicant distributors would expect that their customers would have non-discriminatory access to the incumbent distributor’s system, in exchange for just and reasonable charges approved by the Board for that access”. Please explain or expand upon this statement and indicate what charges you consider would be appropriate for this access. Please also describe the metering, billing and other arrangements that might be necessary and how this would be administered.

Southwestern Applicants' answer to this question

The Applicant believes that the current low voltage charge or a charge similar to this would be appropriate for this access. If the current charge is not appropriate, it would be the incumbent utility's role to develop and apply for one to meet its needs.

In such a situation, metering, meter reading, billing and customer service would be the responsibility of the distributor serving the customer. The incumbent distributor would have responsibility for operating and maintaining its physical assets.

15.10.17 At page 12, lines 3-7 of the Supplemental Evidence of the Southwestern Applicants: "Economic efficiency is promoted when an electric distribution service area corresponds to municipal planning areas, helping to provide an easier and more unified, standardized, timely and cost-effective municipal infrastructure servicing response." If it is proposed by the Southwestern Applicants that the service areas of the Southwestern Applicants and Hydro One overlap, and customers have a choice of two distributors, please explain how such economic efficiencies are achieved.

Southwestern Applicants' answer to this question

The Board's Distribution System Code particularly Appendix B, coupled with the Southwestern Applicant's proposal for the recovery of stranded assets, is by definition economically efficient, since all revenues and costs are considered. Any shortfall of costs over revenues would be paid by the customer, who would make an informed choice and would know the costs, if any of that choice.

The Applicant submits that real competition with light-handed regulation promotes economic efficiency.

In Direction for Change at page 13: "History has shown that competitive businesses invest more carefully than monopoly businesses. They manage costs and risks more carefully. They choose their priorities rationally and thoughtfully to yield the highest return. They exit from their mistakes more quickly. This is the kind of investment behaviour that should predominate in the future electricity industry in Ontario. They serve customers better and maintain competitive prices because of the threat of competition."

15.10.18 Do overlapping service areas promote economic efficiency in electricity distribution? If yes, please explain how.

Southwestern Applicants' answer to this question

Competition tends to focus industry participants on price, cost and service levels, thereby maximizing overall investment. In the opinion of the Applicant, this philosophy is consistent with the purposes of the Energy Competition Act.

Direction for Change, page vii: "Competition among suppliers will create the conditions for lower electricity prices, thereby supporting investment and job creation across the province. It will ensure that investments in electricity generation and transmission are made prudently and that assets are managed carefully and responsibly."

Direction for Change, page 8: With respect to Ontario Hydro: "The industry has been operated for too long as a monopoly. The problems with electricity monopolies are well known: higher prices, excessive debt, poor priority setting and bureaucratic inefficiency. The solution is the same everywhere -- open the market and introduce competition."

Direction for Change, page 11: "A competitive market would also give individuals and businesses greater choice... This would encourage greater product and service innovations and price and cost discipline on

electricity providers. With protected monopoly franchises, Ontario Hydro and the local distribution utilities have been slow to adopt new ideas and best practices techniques of management. Opening up the telephone transmission lines to competition resulted in a wide-range of new service ideas."