

**Interrogatories of Wirebury Connections Inc. for the Combined Distribution Service Area  
Amendments Proceeding  
RP-2003-0044**

**I9.12.1** On the issue of customer preference:

- (a) What is your Company's position with respect to customer choice?
- (b) Should new (i.e. unattached or non-metered) customers be able to request service from a distributor of their choice?
- (c) If the answer to (b) is no, please reconcile your response with Objective 2 of the *Ontario Energy Board Act 1998* (the "OEB Act") and Section 28 of the *Electricity Act, 1998* (the "Electricity Act").

***South West Applicants' answer to this question***

- (a) Customers should have the option to choose between licenced distributors provided customers are prepared to bear the costs of their choice, thereby keeping distributors whole.
- (b) Yes, provided the distributor from whom they request service is licenced to service those customers.

**I9.12.2** What are the advantages and disadvantages, if any, of allowing new (i.e. unattached or non-metered) customers to choose their distributor?

***South West Applicants' answer to this question***

References explaining the advantages:

1. Direction for Change, 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."
2. 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."
3. 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."
4. 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."

5. Direction for Change, page 12: "In designing a new electricity system for Ontario, one of the Government's goals is to create a cost-competitive distribution sector to support Ontario's industrial competitiveness."

**19.12.3** Does your Company agree that the obligation to connect is triggered by a written request from the customer as described in subsection 28(b) of the Electricity Act? Please explain your response?

***South West Applicants' answer to this question***

Yes. The obligation is statutory.

**19.12.4** Parties who made submissions to the jurisdictional question raised by Hydro One in this proceeding took the position that overlapping service areas were permitted by subsection 70(6) of the OEB Act.

- (a) If your Company does not agree with this conclusion, please explain why.
- (b) Would allowing licenses to overlap be a more efficient way for the Board to manage changes to service areas or should the current practice of amending the incumbent and applicant's licenses be continued?
- (c) Please explain why your Company prefers the option it selected in (b).
- (d) Please describe any alternatives that your Company thinks might be better than the options described in (b).

***South West Applicants' answer to this question***

- (b) In the particular localized cases of the SW Applicants, overlapping licences would be a more efficient way for the Board to manage changes to service area.
- (c) The SW Applicants are qualified and capable of providing service to the areas in question. As Hydro One specifically has customer and distribution assets in the areas in question and the Board cannot order the divestiture by Hydro One of its assets, overlapping jurisdictions is probably the only appropriate way of managing service areas.

**19.12.5** Should system expansion and customer growth for your Company be limited to its existing service area or should the Company be able to compete for attachments outside its authorized service area? Please explain your response.

***South West Applicants' answer to this question***

Distributors cannot legally make attachments outside their authorized service areas, which is why the SW Applicants have made their applications.

**19.12.6** (a) Does your Company believe that it could connect to Hydro One's grid as an embedded distributor and serve customers in green-field developments just as or more efficiently than Hydro One?

- (b) If the answer to (a) is no, please explain why and indicate whether you think your Company could compete effectively through contiguous expansion of its existing service area.

- (c) If the answer to (a) is yes please explain why you think your utility could do this and how your new (i.e. unattached or non-metered) customers would benefit without harming Hydro One's existing (i.e., connected or metered) customers.
- (d) Does your Company believe that there other distributors that could effectively compete with Hydro One? If so, please explain how these distributors could serve customers more efficiently than Hydro One either by expanding their systems or connecting to Hydro One's network as an embedded distributor?

***South West Applicants' answer to this question***

- (a) Yes.
- (c) The SW Applicants' initial applications provide the quantitative and qualitative justification for their applications.  
  
Hydro One does not today receive revenue and does not incur costs in respect of green-field developments. Its existing customers therefore cannot be worse off than they are today as a result of Hydro One not connecting a green-field development in the future.
- (d) The SW Applicants are not in a position to comment on hypothetical "other distributors" or their capabilities.

- 19.12.7** (a) Should the ability of a LDC to provide customer benefits be limited to contiguous expansion or should it also be allowed to expand its customer base as an embedded distributor (i.e. connecting its distribution facilities to and downstream of the host distributor's system)?
- (b) If the answer to (a) is contiguous expansion only, please explain why there would be any difference between the customer benefits derived from contiguous expansion and those derived from embedded distribution.
  - (c) Please indicate how and to what degree customers might benefit from LDCs being allowed to expand their services outside their service areas?

***South West Applicants' answer to this question***

- (a) A LDC should be allowed to expand its customer base as an embedded distributor if this is the most economically efficient way of servicing the customers in question.
- (c) Provided a LDC was licenced to serve an expanded service area:
  - i) Overall customer costs could be lower.
  - ii) Customer service and response times could be improved.
  - iii) New services of benefit to customers could be developed in order to entice or encourage customer switching.

**19.12.8** If the Board decides to limit access to and competition for distribution services to new (i.e. unattached or non-metered) customers,

- (a) What would happen to the benefits of open access and customer choice?
- (b) Would customers still benefit from competition, and if not, why not?

***South West Applicants' answer to this question***

- (a) The benefits of open access and customer choice would accrue to new customers only.
- (b) New customers would benefit from competition, as they would be the only ones to whom competition would be available.

**19.12.9** Hydro One has suggested that network assets will be stranded if other distributors are allowed to serve new (i.e. unattached or non-metered) customers in Hydro One's current area of service.

- (a) What assets, if any, does your Company think would be stranded if new customers were served by your Company, another LDC or an embedded distributor using the same upstream network assets that Hydro One would use to serve the same customers? In responding to this question, please assume that the customers are served through an embedded distribution connection to Hydro One's system rather than a contiguous connection to your system.
- (b) If the answer to (a) is there would be no stranding, please explain why.

***South West Applicants' answer to this question***

- (a) The SW Applicants are not in a position at this time to determine which Hydro One assets, if any, would be stranded by connection of SW Applicants' customers to Hydro One's.

**19.12.10.** Section 28 of the Electricity Act states that a distributor has an obligation to connect buildings that are located along the distributor's distribution system if the owner, occupant or other person in charge of the building has requested the connection in writing. This section appears to ensure that in every situation, an obligation to connect exists.

- (a) Would your Company agree that the obligation to connect remains in effect and is driven by customer choice and proximity, even in the case of overlapping licenses?
- (b) If the answer to (a) is no, please explain your response.

***South West Applicants' answer to this question***

- (a) Yes.

**19.12.11** With regard to overlapping service areas:

- (a) Would customers in an overlapping service area benefit more from having access to two or more readily available distributors than customers in a single service area? Please explain your response.
- (b) Would customers be able to request service from any of the overlapped utilities? Please explain your response.
- (c) How would the obligation to connect be ensured and administered where there are two or more LDCs authorized to serve customers in the same area?

***South West Applicants' answer to this question***

- (a) Yes, for reasons of the benefits deriving from competition, including lower costs, more responsive customer service and the possibility of new and different servicing offerings.

- (b) Yes, since all would be licenced and section 28 of the Electricity Act would be operative.
- (c) Section 28 of the Electricity Act would be operative. The customer would choose between one or the other distributor who would each be obligated to serve.

**I9.12.12** Under section 4.0.1(1) of Regulation 161/99, certain building/land owners or operators are exempt from certain licensing and rate requirements under the OEB Act. Having regard to this section, please respond to the following:

- (a) Are any assets of a host distributor stranded when exempt landlords or building owners decide to or continue to operate as unlicensed distributors downstream of the host distributor's bulk meter?
- (b) Would your response to (a) change if in addition the exempt land/building owner decides to install individual meters in each suite?
- (c) Would your answer to (a) or (b) change if the building was sold and the new owner wanted to continue to own and operate the unlicensed distribution system?
- (d) Would your response be different if the operation of the distribution system was subcontracted to a third party?
- (e) Would the same be true if the ownership of the distribution facilities was transferred as well to the third party in (d)?
- (f) If the answer to any of the questions in (a) through (e) is yes, please explain why?

***South West Applicants' answer to this question***

The SW Applicants are not in a position to respond to these questions without more specific detail about a specific example or examples. The SW Applicants would be happy to examine such an example or examples if the intervenor has some specific ones in mind.