

Great Lakes Power Limited – INTERROGATORY

Reference: Supplementary Submissions of EnWin Powerlines Ltd., Erie Thames Powerlines Corp. and Essex Power Corporation - Page 6, Lines 19-21:

Overwhelmingly, the most important factor in the Board's consideration of service area amendment is the introduction, wherever possible, of competition into the electricity distribution sector.

19.14.1 Please provide direct support for the proposition that Ontario's electricity distributors should compete with one another (i.e. from legislation, regulation, OEB code or decision, government paper or report, Market Design Committee report).

South West Applicants' answer to this question

References:

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. The Board itself noted at paragraph 36 in its Decision regarding the limits of the Board's jurisdiction with respect to existing customers in service area amendment applications:

"if the legislature had intended to inhibit competition for distribution customers and prevent their migration to other providers, it could have done so explicitly. In fact, in providing for the presumption of non-exclusivity of service areas in subsection 70(6), it is clear to the Board that the legislature intended that the Board exercise a very broad jurisdiction with respect to licencing in general and service areas in particular, provided that the public's interest is protected."
3. 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."
4. 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."
5. 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."
6. 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."
7. Electricity Distribution Rate Handbook, page 2-2: "By creating incentives that would normally accrue in a competitive market, PBR brings the benefits of competition..."

8. Electricity Distribution Rate Handbook, page 5-1: The price cap approach replicates the dynamics of a competitive market. In a competitive market, the price of a product reflects the cost of production, the influence of changes in the price of factors of production and productivity gains. The individual firm takes the price as given and attempts to maximize profits by controlling costs through productivity improvements.