

**VERIDIAN CONNECTIONS INC. RESPONSE TO
WIREBURY CONNECTIONS INC. INTERROGATORIES**

**Combined Distribution Service Area Amendments Proceeding
RP-2003-0044**

1. On the issue of customer preference:

(a) What is your Company's position with respect to customer choice?

12.12.1a. In the area of interface between the service areas of licensed distributors, a swath of overlapping service area should be created in which new customers should have a choice between the two incumbent distributors.

Veridian believes that customer choice at the points of interface between existing licensed distributors will lead to the rational and least cost expansion of the distribution infrastructure. However, we oppose the licensing of new embedded distribution companies. Embedded supply points contribute to complexity in system planning and operations. In our experience, this leads to diminished service quality for customers, and a lack of transparency with regard to accountability for system reliability.

(b) Should new (i.e. unattached or non-metered) customers be able to request service from a distributor of their choice?

12.12.1b. See answer to (a) above.

(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").

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

12.12.2. We submit that given the ability to choose between competing distributors within an overlapping service area, most customers will select the distributor offering the lowest connection costs. And, since the connection costs quoted by the competing distributors include all incremental costs associated with the connection (under the provisions of the Distribution System Code), the least cost connection represents the

most efficient expansion of the distribution infrastructure. Therefore, customer choice will result in the most rational and least cost expansion of the distribution infrastructure.

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?

I2.12.3. Yes. The statute states this point.

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?

I2.12.4b. It is Veridian's view that the OEB ought not undertake detailed quantitative analyses of the relative merits of certain geographic areas being serviced by one distributor vs. another. This approach is cumbersome, subject to changing circumstances over time, and time and resource intensive. Instead, it is our view that a market-based approach should be adopted, under which the efficient expansion of distribution infrastructure is driven by customers making choices on the basis of self-interest. We believe that our application achieves this goal

(c) Please explain why your Company prefers the option it selected in (b).

I2.12.4c. See response to b).

(d) Please describe any alternatives that your Company thinks might be better than the options described in (b).

I2.12.4d. N/A

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.

12.12.5. Under Veridian's application, competition would be limited to the overlapping service areas.

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?

12.12.6a. Veridian does not support the addition of new embedded supply points.

- (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.

12.12.6b. The reasons we do not support additional embedded supply points are provided under question 1(a).

- (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.

12.12.6c. N/A

- (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?

12.12.6d. We have not assessed the relative strengths of the province's licensed distribution utilities.

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)?

12.12.7a. See response to 1(a). Veridian does not support the creation of new embedded distributors.

- (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.

12.12.7b. See response to 1(a).

- (c) Please indicate how and to what degree customers might benefit from LDCs being allowed to expand their services outside their service areas?

12.12.7c. Veridian's approach to this matter is simple. Where there is an opportunity or opportunities for new customers to make a connection choice between distribution companies they should be able to weigh the advantages and disadvantages (as they determine them) and make their best decision.

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, and,

12.12.8a. If the OEB limits access and competition for distribution services, Veridian will comply with the decision of the Board.

- (b) Would customers still benefit from competition, and if not, why not?

12.12.8b. We do not understand this question.

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.

12.12.9a. Veridian plans to serve new customers from its own distribution systems and does not know what assets would be "stranded" if any, and under what circumstance this might happen. This would require discussions with Hydro One and other parties as appropriate.

- (b) If the answer to (a) is there would be no stranding, please explain why.

I2.12.9b. N/A

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?

I2.12.10a. Yes.

(b) If the answer to (a) is no, please explain your response.

I2.12.10b. N/A

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.

I2.12.11a. Our proposal is to create overlapping service areas at the interface between two incumbent distributors, in the interest of facilitating the rational expansion of existing distribution infrastructure. There may be instances where the boundaries of three distributors' service areas intersect. In such circumstances, it is reasonable to permit all three distributors to compete within an overlapping service area. This would be in the interest of new customers within the overlapping area.

(b) Would customers be able to request service from any of the overlapped utilities? Please explain your response.

I2.12.11b. Yes. The process is explained under Board staff IR #10.

(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?

I2.12.11c. Both or all of the licensed distributors for the service area would be obligated to provide a customer with an offer to connect. All offers made would be binding IF ACCEPTED. Any

administration to ensure that only one offer can be accepted should be easily done.

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?

I2.12.12a. Perhaps. This is dependent of the individual circumstance. For example, if the host distributor was asked to remove existing individual suite metering assets, the value of these assets may be stranded.

(b) Would your response to (a) change if in addition the exempt land/building owner decides to install individual meters in each suite?

I2.12.12b. No.

(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?

I2.12.12c. No.

(d) Would your response be different if the operation of the distribution system was subcontracted to a third party?

I2.12.12d. No.

(e) Would the same be true if the ownership of the distribution facilities was transferred as well to the third party in (d)?

I2.12.12e. Our response would be the same.

(f) If the answer to any of the questions in (a) through (e) is yes, please explain why?

I2.12.12f. N/A.

