

BOARD STAFF INTERROGATORY #15

INTERROGATORY

Reference: p.5, lines 27-30

Preamble: “the kinds of distinctive service offerings that are typically available in truly competitive markets unquestionably enhance customer value by enabling customers to better meet their individual needs, tastes and preferences.”

Would the provision of enhanced customer value not generally result in higher costs and associated rates?

RESPONSE

Customer value can be enhanced in many ways, some of which may result in higher costs and higher rates, but may result in lower bills. Other strategies for enhancing customer value may involve lower costs and rates.

For example, customer value could be enhanced by offering interval meters. Doing so would imply high costs and rates, all other things being equal (i.e., same cost of constructing the necessary distribution facilities). However, with interval meters in place, customers would be able to choose commodity suppliers that offer time-of use rates, which would enable customers to save money by shifting their consumption of electricity to off-peak hours.

Once the principle of competition in the provision of distribution facilities is entrenched, there are a myriad of ways in which service providers could potentially enhance customer value by reducing the cost of distributing electricity and thereby reducing rates. Aside from finding ways to install facilities at lower cost, when pressed by competitive forces, distributors could adopt many innovative strategies. For example, technologies could be implemented that enable electricity, telephone service, high-speed internet and/or cable services to be delivered using a single integrated cable. Cost could be reduced for all of these services. It is this type of innovation that the Report refers to when it states that “The efficiency benefits of competition are likely to be greatest in the area of dynamic efficiency” (p.5 lines 9-10).

