

BOARD STAFF INTERROGATORY #18

INTERROGATORY

Reference: p.12, lines 20-24

Preamble: "It is in the public interest to allow a distributor that offers superior customer value at competitive prices to connect unserved and under served locations to the distribution network. Superior customer value may take the form of either a lower incremental connection cost, enhanced services (e.g. interval meters), or some combination of the two."

In many cases, such as residential subdivisions, the end-use customer is not provided the opportunity to make the choice between lower cost or enhanced services as this decision is made by the subdivision developer. How can we ensure that the choice of the developer is in the public interest and best meets the needs of the end-use customers of the subdivision?

RESPONSE

The issue of whether a developer will make the choice of electric distributor that "is in the public interest and best meets the needs of the end-use customers of the subdivision" is essentially the same as the issue of whether the developer will make the "right" choice with respect to gas versus electric heating, the R-value of insulation, the type of windows installed, the quality of work done, etc.

Developers compete for customers on the basis of price and the many features of the houses they sell. The developer's decisions about many features of the housing development are expensive to change; hence, the customer is locked in by these decisions to an extent that is similar to being locked in to an electricity distributor by a developer. All of these decisions affect their competitive position and reputation.

In our economy, market forces are generally relied on to discipline developers to make appropriate choices with respect to the decisions that will affect future homebuyers. Where there is concern about insufficient transparency, the general remedy is to require disclosure of information that should be available to the buyer at the time of purchase. The policy option of prohibiting choice is only resorted to in very special cases. For example, the use of asbestos in construction is prohibited.



In the current electricity distribution market, most end-use customers do not choose their distributor directly as this decision is usually made by the developer or the building owner and the distribution services provided to existing buildings will vary from one area to another. In developing areas where there are comparable homes or suites with different distribution services the end-use customer can select the location with the best value service.

Demand for energy efficient homes and individually-metered suites are on the rise and expected to grow in popularity as the electricity market develops. The attractiveness of these new services to the end-use consumer will influence the type of distribution services requested by developers. Under these conditions, the public interest is best served by the Board ensuring that the competing distribution rates are just and reasonable, the services provided meet service quality standards and there is no unnecessary duplication of existing plant.

Please also see Wirebury's interrogatory to VECC at Ex. J12, T11, S10.

