

HYDRO ONE INTERROGATORY #8

INTERROGATORY

At page 4, line 1, Elenchus makes reference to “effective competition”. Please define “effective competition”. Under what conditions can effective competition exist? Do these conditions exist in the electric distribution business?

RESPONSE

Effective competition refers to a market environment in which market participants generally make decisions that take into account the actions of other firms. In particular, their pricing and product offerings reflect the prices and services offerings of other firms that their potential customers can choose. Where there is effective competition, firms that are unable to match the prices and services of others, see their market share and profits decline.

At the present time there is limited competition in the electric distribution. The absence of competition is the result, in part, of the natural monopolistic characteristics of existing facilities and in part, to the existing regulatory processes that tend to impede competition in the provision of service to unserved and underserved locations.

