

THESI INTERROGATORY #1

INTERROGATORY

Reference: Report of John Todd, filed September 26, 2003, Page 2, lines 3-5

- a) Please describe your approach to avoid the duplication of facilities and explain how it is the “lowest-cost, best-value alternative to be adopted for connecting customers and improving service”.
- b) Also, please explain how your approach would “improve service” to customers.

RESPONSE

- (a) The point being made here is that distribution competition allows the lowest cost, best-value alternative to be adopted for connecting customers. The statement refers to alternative offers of service by competing distributors, not alternative means of ensuring competition. The approach outlined in the Report attempts to harness market forces in a way that allows choice among alternatives and creates a mechanism that favours the lowest cost, best-value alternative, while minimising the need for regulatory oversight. The risk of duplication of facilities can be managed by selecting the connection option with the lowest incremental costs. A more complete explanation appears in the response to Question 8 in the Report (“e.g. What rules would be required to ensure that competition among distributors results in the most efficient outcome for the Ontario distribution system as a whole?”).
- (b) Service to customers would be improved by the introduction of innovative services, new processes and technologies and increased pressure on costs. These benefits are more likely to occur under competition than under a regulated monopoly.

