

THESI INTERROGATORY #11

INTERROGATORY

Reference: Report of John Todd, filed September 26, 2003, Page 13, Lines 10-13

“The goal should be to facilitate a workably competitive environment that balances the goal of enhancing competitive discipline to the greatest extent feasible against the goal of avoiding burdensome administrative and regulatory processes.”

In the event that all existing 93 incumbent LDCs each created a new affiliate as described in interrogatory #10 above, do you have any concerns about creating “burdensome administrative and regulatory processes” if the number of LDCs in the Province doubled thus requiring the OEB to manage the corresponding scores of new license and rate applications, etc? Do you believe the outcome of significantly increasing the number of LDCs in Ontario is consistent with the energy policy which culminated in the *Energy Competition Act, 1998*?

RESPONSE

The hypothetical scenario of all existing 93 incumbent LDCs creating new affiliates seems extremely unlikely. The more likely scenario is that with distribution competition as contemplated in the Report, the existing incumbent LDCs will have a stronger incentive to find ways to operate more efficiently and be more competitive, or in the alternative to amalgamate or merge.

For this reason, the effect of increased competition among distributors is more likely to be further rationalization and increased efficiency, rather than a proliferation of inefficient licensed distributors. The expected result is consistent with the Ontario energy policies that culminated in the *Energy Competition Act, 1998*.