

VECC INTERROGATORY #24

INTERROGATORY

Reference: The Report, page 13, lines 25-28

Preamble: “the only requirement is a workably competitive market”

- a) Are there additional regulatory requirements that need to be established in order to ensure that the cost of competing (for example, marketing costs, legal costs, etc), as well as the actual cost of connections, in unserved and underserved locations are not “subsidised” by existing customers?
- b) Please comment on the response by Hydro One to Board Staff Interrogatory #11 and the suggestion that in order to respond to “wires” competition utilities should be permitted to introduce regional cost-based rates.

RESPONSE

- (a) No additional regulatory requirements are required. By setting just and reasonable rates and ensuring that service standards are met, the Board can make sure that existing customers are not subsidizing competition. In meeting this commitment, the amount of investment that is allowed into rate base should not exceed the amount determined by the economic feasibility formula in the Distribution System Code. This would require the normal Board oversight to ensure that the incremental costs used in the formula are appropriate. Under these conditions, new customers pay their fair share to be connected to the system either directly or as an embedded customer.
- (b) Wirebury has proposed postage stamp rates for all customers within the same rate class across its entire target market. Any variance from the incumbents’ existing rates must be justified to the Ontario Energy Board on the basis of established rate making practices. Changing rates simply to allow distributors to compete more effectively in one area would not be in the public interest as it would require a rate increase for the incumbent’s other customers. In addition, in the areas where the rates are lowered, the customer contributions would be higher so even those customers are no better off. Consequently, Wirebury does not believe that the Board should or would approve such a move.

