1 2	Vulnerable Energy Consumers' Coalition (VECC) INTERROGATORY #5		
3	<u>Interrogat</u>	<u>Interrogatory</u>	
4 5 6 7	Reference	: August 7 th , 2003 Prefiled Evidence of Hydro One, page 10 (lines 1-2) and page 13 (lines 10-19)	
7 8 9 10 11 12	Preamble:	"the incumbent's loss of territory and growth possibilities leads the incumbent to search for greater efficiencies" "Networks believes that performance-based rate regulation (PBR), not competition, for connections is the appropriate mechanism for protecting the interests of customers"	
13 14 15	Question:		
16 17 18 19 20	a)	In Hydro One's view, does PBR provide distributors with the appropriate and sufficient incentive to pursue efficiency improvements or would the potential loss of customers through service area amendments lead to a more aggressive pursuit of efficiency opportunities? Please explain.	
21 22 23	<u>Response</u>		
24 25		believes that distribution service is most economically provided through service territories which, when combined with appropriately designed	

24 Networks believes that distribution service is most economically provided through 25 exclusive service territories which, when combined with appropriately designed 26 Performance Based Rate-making, will yield the most economic distribution service to all 27 distribution customers over the long term. Competition for service territory and 28 customers is inconsistent with this model and would effectively make it extremely 29 difficult for distribution companies to achieve efficiencies as their customer base is 30 eroded.

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