

1 **Wirebury Connections Inc. INTERROGATORY #1**

2
3 **Interrogatory**

4
5 Networks' evidence is that the Macdonald Report and the government's White Paper
6 support its view that non-exclusivity was to be applied narrowly and that non-
7 discriminatory access to distribution services relates to competition in generation and the
8 sale of electricity.

9
10 Reference: p.2 L1-5

- 11
- 12 a) If this is the case, why did the legislation treat exclusivity as a default
13 condition of a license and why were no limits put on non-discriminatory
14 access? Why did the government say "competition provides the best prospect
15 for reasonable rates and improved service options"? And in the paragraph
16 following the quote, why did the government go on to say that the monopoly
17 wires business must be "operated in a way that is scrupulously fair to all
18 market participants"? (White Paper, paras.1-2, p.18)
- 19
- 20 b) Would the reference to all market participants include new market entrants and
21 embedded distributors? If not please explain why.
- 22
- 23 c) Does Networks believe that its single quote accurately portrays the intent of
24 the Macdonald Advisory Committee? When selecting this quote, why did
25 Networks not refer to the following quotes from the report:
- 26
- 27 ➤ "market changes will lead to "a restructuring in distribution" and a
28 "new role for distributors" (para.4, p.73);
- 29
- 30 ➤ "The distribution utility will be forced to compete for customers"
31 (para.5, p.73);
- 32
- 33 ➤ electrical utility businesses will require commercial acumen in
34 "searching out new customers, and investigating new services and
35 technologies" (para.4, p.73);
- 36
- 37 d) Have market conditions changed since the white paper in a way that would
38 allow segments of the distribution industry to be competitive? If not, please
39 explain why the legislation has allowed competition for service area
40 amendments and why the regulations provide for unlicensed distributors in
41 respect of certain specific lands and buildings. If no changes were expected,
42 what does Networks think the Advisory Committee meant by "This is not the

1 last word on the subject [of competition] ... in our minds, this is only the
2 beginning” (Reference: para. 4 in Report cover letter to Minister)?
3

4 e) How does the quote cited by Networks compare to the situation today where
5 distributors have the ability to compete to install distribution services in
6 unserved areas and to drive efficiencies, technological change and
7 consolidation? In responding, please consider the terms of reference on
8 distribution that the Advisory Committee noted in its 1998 Report, which were
9 to “investigate and assess structural change options for phasing in competition
10 in the distribution system” and specifically “look at options that would enhance
11 the efficiency of the distribution sector”. (opening paragraph on Restructuring
12 the Distribution System, p.72)
13

14 f) Is Networks or any of its consultants aware of jurisdictions where there is
15 competition for transmission or distribution services, including secondary
16 capacity markets and competitive bidding for licensing or franchise rights?
17 Please provide a brief description of these activities explaining how they could
18 be applied in Ontario.
19
20

21 **Response**
22

23 NB: Please see attached photocopies of the pages in question from the Macdonald
24 Committee Report and the White Paper).
25
26

27 a) Networks, like other LDCs, operates within a licensed area that is exclusive until the
28 service area is changed as a result of a licence amendment. Wirebury’s suggest that
29 the legislation did not place “limits” on non-discriminatory access is premised on its
30 having read competitive access to monopoly wires infrastructure into “non-
31 discriminatory access” to this infrastructure instead of access to the competitive
32 supply market. Wirebury answers its own question on why the government wrote that
33 “competition provides the best prospect for reasonable rates and improved service
34 options”. The only other sentence in the paragraph in question reads: “However,
35 transmission and local distribution remain natural monopolies, and are not amenable
36 to direct competition.” The government went on, as Wirebury questions, to state in
37 the next paragraph that “the monopoly wires business must be ‘operated in a way that
38 is scrupulously fair to all market participants’” because it was indicating that the
39 wires companies must provide non-discriminatory access for the competitive
40 commodity supply market to work effectively.
41

- 1 b) The reference to market participants referred to in the question refers to participants
2 in the competitive commodity supply market.
3
- 4 c) Networks' single quote is taken from the letter of transmittal to the Minister of
5 Energy from the Macdonald Committee. Since it would be essential for the
6 Committee to provide the Minister with the essence of the report in the letter,
7 Networks does believe the "single quote accurately portrays the intent of the
8 Macdonald Advisory Committee." Wirebury answers its own questions in wondering
9 why Networks did not use the quotations listed in its bullets. When the quotations are
10 seen in light of the whole paragraphs 4 to 6 [six is quoted from but not mentioned in
11 the question], it is clear that the "restructuring of distribution" and the "new role for
12 distributors" relate to Macdonald Committee recommendations that were not
13 implemented, specifically that the LDCs would have roles "dealing with the spot and
14 futures market", etc. These roles in the competitive market were not given to the
15 distribution wires companies – the service territory license holders – under the current
16 legislation. In the third bullet, Wirebury quotes selectively from the sentence by
17 leaving out the words "dealing with competitive generation companies" between
18 "commercial acumen" and "searching out new customers". It is clear that the
19 Macdonald Committee envisioned a larger role for LDCs in the competitive market
20 than was reflected in the legislation.
21
- 22 d) Market conditions have not changed. This hearing will decide the boundaries of
23 competition. Under section 28 of the Electricity Act, the legislation allows for
24 competition at the margins of service territory. Networks believes that the Regulation
25 providing for unlicensed distributors is designed for instances where electric
26 distribution is an ancillary, not for profit business where rates are pass through with
27 only reasonable recovery of costs. The quotation cited by Wirebury is explained, as
28 in the title of the Macdonald Committee Report, by the committee seeking to
29 establish "A Framework for Competition."
30
- 31 e) Networks does not accept the general premise of the question that there are
32 "unserved areas" and would state that the settled areas of Ontario, and particularly
33 areas where there is likely to be new growth, are areas with some degree of existing
34 service. As indicated in each of its responses to the individual applications for licence
35 amendments, Networks has wires assets on largely all roads within the application
36 service territory and distribution stations and other upstream assets either within or
37 within the vicinity of all the application areas. With respect to the reference to the
38 Macdonald Committee's Terms of Reference as noted on page 72, please see
39 Networks response to {c) above.
40

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Exhibit J8

Tab 12

Schedule 1

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1 f) We are not aware of jurisdictions where there is competition for distribution services
2 that includes secondary capacity markets or competitive bidding for licensing or
3 franchise rights.

4

5 Please also see our responses to OEB (3) Exhibit J8-10-31 and Wirebury (38)
6 Exhibit J8-12-38.

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