Wirebury Connections Inc. INTERROGATORY #36

Interrogatory

KQ concludes that societal loses could occur if customers are allowed to switch to an alternate distribution provider.

Reference: KQ p.8, pt. 7

a) Where assets are not stranded because they can be used by future customers or the switching customer agrees to buy the customer specific assets and pay for any stranding, are there any societal loses that should be considered?

b) If KQ believes that societal losses would still be possible, please describe them and explain why they would occur when there is no duplication of plant or double payments.

c) Under the conditions listed in (a), what possible societal benefit would be provided from restricting customer choice?

d) Since Wirebury will be competing for in green-field developments with no duplication or stranding of assets and will not be seeking to switch existing customers, does KQ agree that there would be no or minimal societal loses from duplicate payments towards two sets of fixed costs. If not please explain why.

Response

Costs to society are higher for the reasons cited in our evidence, as well as the response to OEB IR-2. Using a hypothetical case to separate one reason from the others is not an accurate way to portray the economic principles in question. If a new entrant were to buy the customer specific assets and pay for the costs of the stranding (full or partial), the losses caused by reduced economies of scale and increased uncertainty would not be avoided.

With respect to the specific questions:

(a) Yes. Uncertainty of whether assets will be used by future customers, the time value of when future customers begin to use and pay for the assets, and loss of economies of scale all contribute to societal losses.

(b) Please refer to response 36(a).

(c) Society would benefit from the reduction in costs associated with reduced uncertainty, and achievement of economies of scale.

(d) Please refer to discussion above.