

BOARD STAFF INTERROGATORY #1

INTERROGATORY

Do overlapping service areas promote economic efficiency in electricity distribution? If yes, please explain how. Under what circumstances might this not be the case?

RESPONSE

Wirebury considers overlapping licenses to be the most efficient method for the Board to administer service area amendments. As such, overlap is not a necessary condition for distribution competition, but it would act as a facilitator. Open competition for new customers and therefore areas of overlap could be limited to undeveloped areas since once the customers have been attached, switching to another distributor is unlikely to be economic and the benefits of continuing the overlap would be solely administrative.

By allowing overlapping service areas, the Board can reduce the administrative work currently associated with service area amendments. Rather than requiring both the applicant and the incumbent to amend their licenses, only one revision would be needed. Other methods of managing service area changes may be just as efficient, but Wirebury is not aware of them. Wirebury would support the use of any method that would improve administrative efficiency and expedite the approval process.

While reducing administrative and regulatory costs would be beneficial, the more important issue with respect to economic efficiency is the time that is required to complete the approval process. Requiring broad public notice and a full hearing process for every license amendment will create uncertainty and unnecessary costs as well as delays that present significant barriers to competition. Wirebury's main concern is that incumbent distributors who oppose competition will use the process to impede amendment approvals. The resulting effect of this is that customers will not want to assume the risk of having their service connections delayed. This would inhibit competition and effectively negate the customers' true choice.

By adopting an approval process that reduces administrative costs and facilitates competition, the Board will improve economic efficiency on two levels, directly through the reduction of regulatory costs and indirectly through the benefits of distribution competition. Distributors competing for new connections in undeveloped areas will have to be cost competitive in both their capital infrastructure and distribution rates to meet the value needs of customers. Competing distributors will put downward pressure on rates and improve productivity. The introduction of new technologies such as



interval meters and the ancillary benefits they bring will improve the overall efficiency of the electricity market.

Overlapping service areas may not promote economic efficiency where as a result of a proposed amendment, assets on the incumbent distributor's system are duplicated and potentially stranded without due compensation. For further discussion on economic efficiency, please refer to the report attached to LDC Coalition interrogatory, Ex. J12, T15, S7.

