LDC COALITION INTERROGATORY #5

INTERROGATORY

Reference: Evidence of Wirebury Connections Inc., August 7, 2003, Paragraph 12 e)

(a) What does Wirebury consider to be a material negative effect on an incumbent LDC's distribution system?

(b) Does Wirebury consider the prospect of an adverse impact on the distribution rates of the remaining customers of the incumbent distributor to be a material negative effect of a proposed service area amendment on the distribution system of the incumbent distributor? If not, why not, and how would the consideration of those impacts form part of the service area amendment process proposed by Wirebury?

RESPONSE

(a) Wirebury maintains that it is up to the individual distributor to demonstrate a material negative impact, and that this will likely be influenced by the size of the LDC. What is material to a small LDC might not be material to Hydro One Networks. At a minimum, Wirebury submits that each LDC alleging a "material negative effect" should be required to demonstrate a real negative impact as opposed to a theoretical or principled claim. In the vast majority of instances, the negative impact will be mitigated by alternate use of the assets.

(b) No. An adverse impact on the incumbent's customers can only result from an increase in costs of the incumbent LDC. Wirebury's business model is based on full use of the incumbent's upstream assets. In addition, Wirebury's embedded distribution connections will provide additional revenue to the incumbent through the wheeling charge with no need for incremental investment from the incumbent distributor. Under Wirebury's model the remaining customers will benefit from any peak load savings facilitated by the introduction of interval meters. Please also see the expert report attached to the LDC Coalition interrogatory at Ex. J12, T15, S7.