

LDC COALITION INTERROGATORY #7

INTERROGATORY

Reference: Evidence of Wirebury Connections Inc., August 7, 2003, Paragraph 29

Please explain how the OEB's objective of promoting economic efficiency in the distribution of electricity, and facilitating the maintenance of a financially viable electricity industry (objectives nos. 4 and 5 under section 1 of the *Ontario Energy Board Act, 1998*) "either directly or indirectly deal with the provision of customer value through the benefits of competition."

RESPONSE

The provision of customer value is best done through competitive markets where service area providers can offer a wider range of innovative services and customers are free to choose the services that best meet their individual needs. Under a monopoly regime, customer value and economic efficiency tend to get lower priority than in competitive markets as there is less external pressure to reduce costs, change the business model or introduce new technologies. In the presence of these conditions, monopoly services can be reduced to one standard service and no customer choice.

As discussed in Wirebury's response to Board Staff at Ex. J12, T10, S6, open competition is possible for new customers which can provide direct and indirect benefits to customers and the industry in general. Competition for new customers will put downward pressure on rates, introduce efficient standards and improve productivity providing economic benefits to end-use consumers. In addition to these direct benefits, the introduction of new technologies such as interval meters, will improve the overall efficiency of the electricity market and facilitate the provision of ancillary environmental benefits.

The resulting cost and energy efficiencies will make electricity distribution more viable and sustainable. As discussed in the LDC Coalition's interrogatory, Ex. J12, T15, S4 (b), many utilities will be challenged by competition. Those LDCs that have the ability to compete will continue to expand their customer base and improve their financial position. Other LDCs may be encouraged to consolidate their operations through shared service agreements with other utilities or, in some cases, to sell or merge their utilities with more successful distributors. The resulting structure will be more efficient and financially viable.



Wirebury's position on competitive market benefits is explained more fully in the attached report entitled "The Benefits of Competition in the Electrical Distribution Sector", prepared by John Todd, an expert on regulated and transitional markets.

