

IN THE MATTER OF the Ontario Energy Board Act, 1998, S.O. 1998, c. 15 (Sched. B);

AND IN THE MATTER OF applications by Centre Wellington Hydro, Veridian Connections Inc., EnWin Powerlines Ltd., Erie Thames Powerlines Corp., Chatham-Kent Hydro Inc., Essex Powerlines Corp., Cooperative Hydro Embrun Inc. and Hydro One Networks Inc. pursuant to subsection 74(1) of the Ontario Energy Board Act, 1998 to amend Schedule 1 of their Transitional Distribution Licences

Chatham-Kent Hydro Inc. (CK Hydro) is providing the following comments regarding the issues that should be considered by the Board and the principles that the Board should adopt for dealing with applications for distribution service are amendments.

1. *What role should customer preference play in the Board's consideration of service area amendments? Should there be any difference in the treatment of amendment applications relating to either new or existing customers?*
 - a) Customers preference should play a significant role in the Board's consideration of service area amendments because customers are directly affected by the service provided by the distributor. For example, customers are impacted by the variability in the pricing of distribution services, connection costs, service quality, power quality and reliability that may exist among potential distributors.

Section 1 of the *Ontario Energy Board Act, 1998* states that the Board, in carrying out its responsibilities, should be guided by several objectives. One of those objectives is to protect the interests of consumers with respect to prices and the reliability and quality of electricity service. Allowing consumers to choose their distributor will create competition among distributors and competition should result in lower distribution service costs and higher quality of services for end use customers.

In presenting the Ministry of Energy's Business Plan 2002 – 2003, Minister Baird states:

“Competition will help ensure a safe, reliable source of electricity for Ontarians and will help keep electricity affordable for rate payers.”

Therefore, allowing consumers an opportunity to choose their distributor would ensure better prices, increased safety and more reliable service, which meets both the Minister's objective and the those of the Board.

b) The Board should treat licence amendments applications differently as between new and existing customers. New customers should have the right to choose their distributor. In cases where expansions are required for new customers the incumbent distributor usually does not strand costs therefore the impact is not very significant.

Because the applicant distributor must comply with the Distribution System Code (DSC) and apply the Economic Evaluation Model (EEM), these requirements ensure that the current customers are not subsidizing new customers, therefore not protecting them. It also protects the new customers from paying more for the capital additions than are required.

In addition, the DSC encourages an alternative bidding process, thereby giving customers choice and promoting competition in the distribution business.

As far as amendment applications for service areas of existing customers are concerned, the following factors should be considered:

- Customers should not be forced to move from one distributor to another;
- Distributor should be obligated to accept both low and high-density service areas;
- Transfer of customers between distributors should be based on a business case as between the distributors; and
- Price impacts to the low-density portions of Hydro One service areas.

In order to minimise possible price impacts of distributors with low-density customers, consideration could be given to the following suggestions:

- A portion of the proceeds from the sale of customers could be set aside and drawn down annually to reduce the costs to those customers;
- An increase in the rural rate assistance for the distributor that purchases the existing customers; and
- An increase in the rural rate assistance for all customers in Ontario.

2. *Service area amendments can have impacts on existing and future customers in the “amendment area” with respect to prices and the reliability and quality of electrical service. What are these impacts and how should they be measured with respect to determination on service area amendments?*

The Vision of the Ministry of Energy states:

A safe, reliable and competitively priced supply of energy is key to the province’s continued economic growth and quality of life. The ministry is working to promote cost-efficient energy markets. Benefits from the new governance structures include competitive prices for consumers as well as choice of electricity provider, more investment opportunities in the

generation and retailing of electricity, increased job creation and improved air quality.

Prices, reliability and power quality of electrical service are significant issues to the end use consumer. Because these factors are important to the consumer, they are significant considerations in service area amendments.

Cost of distribution services may be the determining factor as to whether a new customer will locate in Ontario, particularly in the case of large industrial customers whose energy costs may be a significant component of their operating costs. As a result, the lowest cost distributor may assist in attracting industry and creating jobs in Ontario, thereby growing the economy.

Modern industrial customers require a high level of power reliability and quality in their electricity supply. Modern plants have sophisticated computerized and robotic equipment that is very sensitive to the quality of power. Therefore, reliability and quality of electrical service are very important.

Reliability and quality of electrical service are directly related distribution lines with the least exposure to elements such that long rural feeders are more susceptible to power interruptions than short urban feeders. Consequently, in order to best serve customers, preference should be given to the distributor with shorter and least exposed feeders.

3. *Service area amendments can have impacts on the applicant and incumbent distributor and their existing customers. What are these impacts and what aspects are most significant in the Board's consideration of service area amendments?*

Some of the impacts for the applicant distributor and their existing customers that may be considered are:

- Rationalization of distribution areas;
- Reductions of wholesale metering costs;
- Reduced settlement costs for the Independent Electricity Market Operator;
- More efficient settlement processes may reduce costs for all distribution customers in Ontario;
- Operational control improvements;
- System control and efficiency; and
- Reduced customer confusion.

Consideration for the incumbent distributor may be stranded costs.

4. *Should the Board consider the granting of service area amendments, which result in overlapping service areas? If so, under what conditions and to what degree? What are the advantages and disadvantages of such an approach?*

Overlapping service area could be allowed in some circumstances. In such cases, consideration should be given to:

- Eliminate or reduce the duplication of distribution assets;
- Eliminate or minimise load transfers; and
- Economic impact on the customers.

5. *What are the minimum filing requirements for a service area amendment application?*

The minimum filing requirements for a service area amendment application may be:

- Connection agreement with the consumer;
- In some cases, recommendations from a third party consultant as to which distributor be bring the greatest benefit to the customer;
- Ensuring expansion costs meet the EEM approved by the Board in the DSC, which ultimately protects the customers;
- Evidence supporting the amendment that would include cost of services and data related to power quality, reliability and service quality; and
- Evidence that the amendment would satisfy the Board's objectives set out in the Act.

6. *Additional Issue*

Administrative issue – Payment of cost awards

Although this issue is not a matter directly related to the Board's review of applications to amend service areas, it does relate to the proceedings established in Procedural Order 1 in which the Board designated the nine applicants for the purpose of paying cost awards to the eligible intervenors.

CK Hydro's application concerned a specified area in the Municipality of Chatham-Kent. CK Hydro did not believe, and it is unlikely that the other eight distributors believed, that its application would be involved in an omnibus proceeding that would impact licence amendments for all distributors. Consequently, CK Hydro and the other distributors are facing costs that are likely considerable greater than those that may have been anticipated at the time of filing the application.

As a result, CK Hydro respectfully recommends that the Board designate all distributors in Ontario should share in the cost awards of the intervenors because this is a generic proceeding that will affect all distributors in Ontario and generic guidelines may be the product of this proceeding.