

Section #: Contracting Issues Related to Communication to the Customer

Last Revised: October 2, 2004

Issue Statement: What can the LDC do with unused bandwidth from purchased communication linked to customer? What guidelines must the LDC adhere to when leasing communications from an unregulated service provider where the communications are connecting to the customer?

Options Analyzed and Rationale for Recommendation:

The following table shows the key issues that were discussed related to contracting for communications to the customer. For each issue, options were identified, analyzed and a recommendation provided.

SCENARIO: LDC purchases or leases full bandwidth from unregulated provider

Issue	Options Considered	Recommendation	Rationale
Resale of unused	1. Prohibited 2. Allowed	Option 2	OPTION 2: + Will allow LDC to increase its ROI
Rates applicable to resale	1. Market rates 2. OEB approved rates	Option 1	OPTION 1: + Less administration - Predatory pricing to keep DSM initiatives with LDC (currently no incentive to do so) OPTION 2: + Will provide consistent and non-discriminatory prices - May reduce possible revenue
Access Rights to Unused Bandwidth	1. First come first serve 2. Retailer has first right to refusal	Option 1	OPTION 1: + Will maximize utilization + Will provide non-discriminatory access - Could hinder retailer efforts in DSM initiatives OPTION 2: - Will likely reduce revenues
Who gets the revenues from resale?	1. Offsets customer costs 2. LDC shareholder benefits 3. Hybrid	Option 3 (as long as communications was purchased primarily for metering)	OPTION 1: + Customer receives all of the benefit that he paid for - could result in underutilized bandwidth OPTION 2: - Customer pays for communications that benefits LDC OPTION 3: + Provide LDC with incentive to resell

SCENARIO: LDC leases partial bandwidth from unregulated provider sufficient for its own use

	Options Considered	Recommendation	Rationale
Is LDC permitted to contract for such an arrangement?	1. Permitted 2. Precluded	OPTION 1	<u>OPTION 1:</u> + Service provider might be able to provide additional services outside of the industry to obtain a better ROI (home security monitoring, internet access, etc.) + Not providing any competitive advantage to the supplier if contracting is done through a competitive process + Not providing any monopoly because supplier does not have a restricted gateway into the home

Other Jurisdictions:

Puget Sound leased communications from a third party vendor for a 15 year period. Vendor had full rights to resell unused bandwidth. Recently Newmarket Hydro in Ontario signed a deal with Olameter for a multi-year leasing arrangement