

VECC INTERROGATORY #3

INTERROGATORY

Reference: Evidence of Wirebury Connections Inc., paragraphs 12, 61 and 76

Preamble: “The process should provide a mechanism for a party to prove that a proposed service area amendment will materially negatively impact its distribution system or the reliability and quality of its electrical service”  
“Wirebury has concluded that in a competitive market where connection customers have choices but are required to pay the costs associated with their decisions, there will be minimal stranding and to the extent that duplication is required it will be economically efficient to do so.”  
“the Board should require every distributor that alleges to be negatively affected by the proposed service area amendment to prove that such impact will be material and not sufficiently mitigated by the terms proposed by the applicant”

- a) Please clarify what Wirebury’s position regarding the acceptable level of impact on other parties (e.g., the incumbent distributor and its customers) from a service area amendment:
- Such parties should be held harmless, i.e., no worse off than if the service area amendment had not been approved, or
  - Impacts on such parties are acceptable as long as they are not material.

RESPONSE

Embedded distribution will not adversely impact incumbent distributors or their customers since it will be attaching new customers or sub-metering consumers through embedded distribution connections downstream of the host distributor’s plant. Under these conditions, there is no loss of load and no duplication of plant. Fair payment for the use of the host distributor’s distribution system will be made through the proposed wheeling rate and in some cases through a capital contribution, where the cost of a specific connection is not fully recovered through the wheeling rate as determined by the Board’s economic feasibility formula.

Overall, all customers will be better off. Customers connecting through an embedded distributor will have a choice of distributors and will have selected the utility that



provides the best service value. Existing customers will continue to be served by the incumbent utilities with no upward pressure on rates. Incumbent LDCs will not experience stranding or duplication of assets and would benefit from favourable peak load changes where interval meters are introduced and consumers become more aware of energy efficiency and respond to energy savings offers. Incumbent utilities will also benefit from the opportunity to compete for additional customer growth outside their licensed service area.

It is important to note that the amendment process proposed by Wirebury is designed to deal with situations of embedded distribution (Wirebury's business model) where there is no stranding of assets and no reduction in the incumbents' load. It was not designed to deal with those situations where a customer seeks to switch distributors, stranding assets and moving load requirements to another distributor. In this latter situation, the process should allow an incumbent distributor to show that the amount or lack of a payment for stranded assets by the applicant is not in the public interest and hence material.

