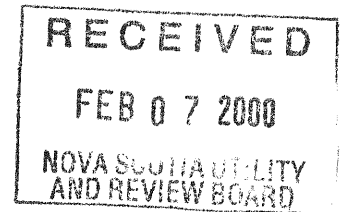


**Electricity Consumers
Alliance of Nova Scotia**

69 Hartigan Drive
P.O. Box 70
North Sydney, N.S.
B2A 3M4

p-871.9
(FS-3)

February 4, 2000



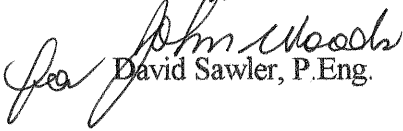
Ms. Nancy McNeil
Regulatory Affairs Office/Clerk
Nova Scotia Utility and Review Board
3rd Floor, Summit Place
1601 Lower Water Street
Halifax, N.S., B3J 3S3

Dear Ms. McNeil:

**Re: Nova Scotia Power Inc.
Application for Approval Of Load Retention Rate - P-871**

Enclosed is the response to the Final Submissions submitted on behalf of the Electricity Consumer's Alliance of Nova Scotia (ECANS).

Sincerely,


David Sawler, P.Eng.

Enclosures

c.c. J. Woods

ECANS Distribution List

S. Bruce Outhouse, Q.C., Board Counsel
Peter Gurnham, Q.C., NSPI
Richard J. Smith, Secretary & General Counsel, NSPI
Eric Ferguson, CMA, Regulatory Specialist, NSPI
George Cooper, Q.C., Stora
John Whalley, CBRM
Don Regan, N.S. Mun. Electric Utilities Coop.
Robert Grant, Q.C., Irving Oil Limited
James Connors, Q.C., Semptra Atlantic Gas Ltd.
Bob Pelley, C.B. Industrial Board of Trade

Fax: (902) 429-7347
Fax: (902) 421-3130
Fax: (902) 428-6171
Fax: (902) 428-6542
Fax: (902) 425-6350
Fax: (902) 563-5585
Fax: (902) 538-3724
Fax: (902) 420-1417
Fax: (902) 469-3614
Fax: (902) 539-7487

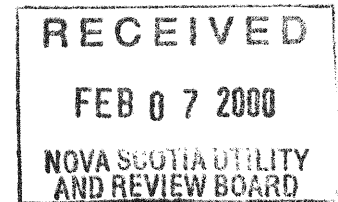
P-871.9
CF5-3

NOVA SCOTIA UTILITY AND REVIEW BOARD

IN THE MATTER OF: The Public Utilities Act, R.S.N.S.
1989, c.380 as amended,

- and -

IN THE MATTER OF: An Application by Nova Scotia
Power Inc. for approval of a
Load Retention Rate.



RESPONSE TO FINAL SUBMISSIONS OF ELECTRICITY CONSUMERS ALLIANCE OF NOVA SCOTIA (ECANS)

1.0 COMPETITIVENESS

These Proceedings have likely been somewhat historically unique in that it would appear that all parties have found some measure of common ground. The common ground, simply stated, is that to develop a healthy, consumer driven energy sector and for business and industry to remain competitive and foster economic development, there must be *market driven* competition in the energy sector. Electrical energy is of course an integral and key component of the energy sector. All energy suppliers must be able to respond to specific consumer needs with the flexibility to offer competitive solutions (not just pricing) while at the same time not disadvantaging any other consumer. It is this last point that is creating divergence beyond the small area of common ground.

It is clear from all of the evidence presented and the final submissions from the formal interveners that LR rates offered by energy suppliers are not a substitute for a competitive energy marketplace. They tend to be reactionary in nature and thus do not foster the type of broad based, long term competitive advantages for consumers that an open, deregulated energy market might offer.

There was considerable evidence and testimony presented pertaining to appropriate terms and conditions for any LR contract. There was particular concern expressed with respect to ensuring that the term of the contract(s) does not either disadvantage the LR consumer by extending beyond the point when a

deregulated electrical energy market is created or, by virtue of the magnitude of the electrical load committed to LR rates, impact on the implementation of a competitive deregulated electrical energy market.

As a fundamental principle, a competitive energy marketplace must be able to offer solutions that meet consumers' varied price/risk tolerance levels. For those consumers with a higher risk tolerance, a competitive marketplace will likely introduce some degree of short-term pricing volatility. Some experiences in other jurisdictions where deregulation has not been carefully thought through and implemented would suggest that there is a concern for energy price volatility over extended periods and impacting on a broader base of consumers. The recent Alberta experience is an example.

The implications of energy price volatility to large industrial power consumers, in particular, have been significant in some instances. Short-term energy pricing volatility overlaid with long term trending must be factored into the decision making process by the consumer. The unknowns tend to be the stimulus for energy price volatility and the duration over which price volatility is likely to occur. In this sense, LR rates may be perceived, at least, as offering those consumers that are eligible for them a more stable, longer term discounted price than a competitive energy market might generate. Therefore, the terms and conditions of any LR rate contract are indeed an important component in balancing the benefit and risks to consumers.

Simply put, the bottom line is that there is no reason for NSPI not to have the flexibility to offer large power consumers competitive energy rates to retain their load while at the same time not disadvantaging any other consumers. However, there must be a forward looking balance of the benefits and risks applied to all consumers, NSPI and other stakeholders if LR rates are to be offered. The current proposal by NSPI does meet that test. The challenge for the Board will be to rationalize the mechanism by which LR rates will be offered and build into the mechanism a system of *checks and balances* to ensure that no other captive customer or energy stakeholder will be disadvantaged by any customer-specific LR rates. The same principle should apply to all energy suppliers.

2.0 NSPI's PRIVILEGED POSITION

There is no question that Nova Scotians have enjoyed stable electricity prices since Board approval of the last Rate Case in 1996. Rates have not increased over the past four years and, if the NSPI Executive is to be believed, are not likely to in the near term. The same cannot be said for oil prices, which have been extremely volatile with retail pricing on a steady increasing trend. Stable electricity rates have been an undeniable benefit, in the short term at least, to electricity consumers and a strategic advantage for NSPI. For example, the price gap between oil fired

domestic space and hot water heating, and electrical based systems during the winter heating season has converged to the point where an analysis on price alone would likely favour electricity at this point in time. However, the issue for the vast majority of consumers to wrestle with is that there is no long-term energy price signaling that can be confidently used to make strategic capital investment or operating decisions.

ECANS believes that NSPI and the Board must recognize that, in the context of today, it is *a privilege* rather than a *right* for the Provincial Utility to continue to operate as a regulated monopoly. While the monopoly position is entrenched within the *Public Utilities Act*, there has not been any groundswell of public interest toward unbundling the Utility and deregulating the electric industry. Without this direct, broad based consumer intervention, there is no spark to initiate the electric industry restructuring process even though it is continuing to happen all around us. Regardless, ECANS believes the Utility does not have a *right* to operate as a regulated monopoly any longer. Rather, NSPI should recognize that it enjoys a *privilege* that the people of the Province of Nova Scotia are continuing to bestow upon them with the belief that their interests will be well represented in all decisions made by the regulated company. As such, it should be clearly recognized by NSPI and the Board that they share both a responsibility and an accountability to ensure that no consumers are unnecessarily and adversely impacted by any decision made by either party.

The point of this discussion is to simply emphasize that times are changing and changing quickly. The rationalization of a regulated monopoly in today's context must be carefully examined in terms of the *Better Good For All Nova Scotians*. Until the day comes that NSPI must truly compete in a free and open electrical energy market in Nova Scotia, the privileges provided through a regulated monopoly position should not be understated or undervalued.

3.0 FINAL POSITION OF ECANS

ECANS remains supportive (with the provisos as stated in our Final Submission) of the principle of Load Retention rates so long as no other customers of NSPI are disadvantaged.

ECANS also urges the Board to take a proactive position re: *a competitive electrical energy industry* and seek input from all sectors of the Provincial economy on a vision for the energy industry of Nova Scotia. This process could take the form of public meetings, round table policy discussions, consumer surveys, etc.. ECANS will be actively working with the membership in developing a vision for a restructured electrical industry that reflects the needs of the membership. ECANS will be sharing its vision with the Board.

Respectfully submitted on this 4th day of February, 2000.

DAVID M. SAWLER, P.Eng.

On Behalf Of:

Electricity Consumers Alliance of Nova Scotia