PUC fines GPL for poor performance

By **admin** - May 5, 2018

GPL CEO Albert Gordon (centre) flanked by his deputies and senior officials at the PUC public hearing at Cara Lodge on March 28, 2018

THE Public Utilities Commission (PUC) has fined the Guyana Power and Light (GPL) five per cent of the total value of the dividend payable to the company's shareholders for the year 2017. The decision of the PUC which is dated April 25, 2018, followed an assessment of GPL's Operating Standards and Performance Targets (OSpT) for 2017.

In its ruling, the PUC chaired by Dela Britton, said in a previous order the commission had cautioned that it was not appropriate to make any award of a monetary penalty on the company, noting that it had expected the power company to make a "concerted effort" to fulfil its mandate of providing a safe service at a reasonable price to consumers.

"Unfortunately, our expectations of an improved service did not materialise. The commission, in fulfilment of its obligations and having considered the extent to which the company has failed to meet the OSpT, together with the impact on the licensees' consumers, hereby fines the company in the amount of five per cent of the total value of the dividend payable to the company's shareholders in the just concluded calendar year," the Order stated.

The commission has committed to monitoring the operations of GPL and said it will demand reporting on its standards as it deems fit. Meanwhile, in its report, the commission acknowledged that the operating standards of the power company are set within the framework of the company's existing infrastructure and cash flow limitations.

Falling down on standards

"However, some of the standards fall far short of what constitutes an efficient utility. It is the commission's fervent hope that there will be incremental improvements in the quality of service to consumers in 2018 and beyond," the PUC stated.

At a public hearing held on March 27, 2018, at Cara Lodge, Quamina Street, Georgetown, GPL was afforded an opportunity to present its reviews and whether the Standards for 2017 were achieved and if not, to provide reasons why the identified targets had not been achieved. It should be noted that the OSpT constitute the standards and quality of service that GPL is required to provide in accordance with section 25 (2) of the PUC Act. There are eight standards and targets: Customer Interruptions, Voltage Regulation Meter, Reading Issuing of Bills', Accounts Payable, Accounts Receivables, System Losses, and Average Availability. Those OSpT are to be reviewed by March 30 of each calendar year and the commission is responsible for determining whether the company has failed to achieve the said targets.

According to the Act, should there be failure to realise any targets, the impact of the failure is to be determined by the commission on both the consumer and on the company. As a result of the failures, the PUC is empowered to impose monetary penalties on the company in an amount which ought not to exceed 25 per cent of the total value of the dividend payable to the company's shareholder(s) in the calendar year under consideration.

Shortfall of generation

In the case of customer interruptions, and the System Average interruption Frequency Index (SAIFI) the aim is to limit the average number of outages a consumer had experienced during the year to no more than75. However, the average number of outages experienced by a consumer for the year 2017 was 128. As a result, the identified standard was not achieved. GPL in its defence said there was a shortfall of generation as a result of a failed alternator on one of the 6.9 megawatt sets. The company reported that it took approximately six months before the set became operational. Additionally, there were also extended maintenance periods for two other 6.9-megawaff sets. During the routine maintenance of these sets, it was discovered that the failure of the alternators was imminent.

A decision was then taken to have both of the sets repaired and as a consequence, the maintenance period was extended by a further two weeks. It was noted that the reserve capacity of the company is not significant. "When there are unexpected generator failures, coupled with the normal maintenance schedules, where the sets are withdrawn from service, the company may experience a generation shortfall that increases the frequency of outages to consumers."

GPL also noted that the transmission system is unstable, and that the instability resulted in no fewer than 25 disruptions during the year and that these failures were in no way due to human error. It was a result of the increased disruptions there were increased power outages.

Similarly, SAIDI is geared at limiting the duration of outages that a consumer experienced in 2017 to no more than 85 hours. However, the average duration stood at 133.18 hours. The PUC noted that the company's performance in this regard has deteriorated over the years and noted that it was foreseeable that there would have been the consequential generation shortfall and that the company should have made adequate provision to mitigate this.

Voltage regulations

According to the standards GPL is required to maintain in stable conditions, voltages of + 5 per cent of the nominal voltage and + 10 per cent following a system disturbance but from the inception, GPL has said that it would be difficult to monitor and report on the voltage supplied to each customer. As was the case in previous years, the standard was not measured.

Nevertheless, the company said a planned programme for the installation of Advance Metering Infrastructure (AMI) meters will begin soon and when it does, it would be in a position to randomly access data from the registry of these meters which would enable the company to inform on voltage fluctuations. “The information provided from such random samples should determine whether the company’s voltage delivery is consistent with the standard,” the company disclosed. As an alternative to the Standard, GPL committed to complete 100 per cent of customer voltage complaints due to network reconfigurations, vegetation, upgrade of lines, additional transformer, among others in no more than 30 days.

GPL has reported that this target was not met. No explanation was offered for not meeting the target. In accepting the company’s explanation for not measuring voltage delivered to consumers, the PUC noted the intent of the company to comply with the standard when consumers are switched to AMI meters.

“There is compelling evidence to suggest that the voltage received by consumers in some areas is not consistent with that which the company has been contracted to deliver. This, together with the failure to meet the consumer interruption standard, must have been a source of frustration to consumers that the company should be cognizant of and should expeditiously take appropriate and urgent steps to ameliorate,” the PUC said.

Meter Reading

For 2017, GPL was required to read 97 per cent of maximum demand consumers (that is commercial consumers) and 90 per cent of non-maximum demand consumers (that is residential customers). The standard with respect to both was not achieved.
For maximum-demand consumers, 9l per cent of the meters were read; and for non-maximum demand consumers, only 88 per cent of the meters were read. The power

company said it did not meet the operating standard with respect to non-maximum demand consumers, because its representatives could not have access to the premises or the placement of some meters within the customer premises prevented the reading of same.

In the case of not meeting the standards set for the maximum-demand consumers, GPL pointed to occasional failure by the hand – held devices to read the data stored in some of the meters. The company explained that the hand-held devices, which use radio frequency waves to communicate with meters, were unable to access the data that sits in the registry of the meters and the meters may be defective.

As such, given the timeline to deliver the bills to the consumers, there is a short window (normally two days) for corrective action and this generally results in a higher than intended estimation of bills. In 2017 there was a shortage of maximum-demand meters that frustrated the process of replacing defective meters. The PUC applauded the power company for a satisfactory performance as it relates to non-maximum demand, while in the case of maximum demand customers, the commission had said GPL has failed consistently to achieve the standard notwithstanding the fact that the total number there in is very small. “The Commission is of the view that the company should take pride in its performance and to ensure at a minimum it achieves this standard in 2018.”

Issuing of Bills

After meters have been read, GPL is required to issue maximum-demand bills within seven days, and non-maximum demand bills within 10 days. However, the company has reported that on average maximum-demand bills were issued within five days, and non-maximum demand bills, within 8 days after the meters were read. The standard with respect to both was met.

Accounts payable

Here, the power company is required to settle with its creditors within 26 days and according to the company, the standard was met as it took on average 26 days to settle its indebtedness with its creditors. Meanwhile, in the case of accounts receivables, GPL was unable to meet its target. The standard commits the company to a 30-day cash collection cycle and it was reported that that cycle was 35 days. The company explained that its collection cycle had improved over the previous year, but noted that the late payments from the Neighborhood Democratic Council (NDC) with respect to street lighting, the municipality of the Mayor and City Council (M&CC) and Guyana Water Incorporated (GWI) resulted in the shortfall. GPL noted that the Standard is very challenging as it gives 21 days credit to consumers and a further grace period of seven days before taking action to enforce compliance.

System Losses

The standard sets system losses at 27.6 per cent of dispatched power for 2017. For the reporting period system losses were 29.6 per cent of dispatched power. In defence of its failure to meet the standard, the power company said there was a shortage of essential materials and meters.

Meanwhile, GPL was required to achieve an average availability of 80 per cent, but the company reported an average availability of 78.24 per cent and explained that the unexpected failure of a number of generation sets was responsible for the standard not being met. In response, the PUC said it attaches significant weight to this standard and was disappointed that the standard which is not challenging was not met. The commission reminded that a system loss of 1per cent costs the company approximately $200M.

Failure to achieve the standard by approximately 2 per cent results in a loss to the company and by extension to its consumers of approximately $400M. “While there is recognition that they are legitimate constraints faced by the company, we do not consider such constraints as material and meter shortages as one unit.” From the inception of GPL in October 1999 to the end of 2017, the cost of system losses to the company and by extension to consumers was more than US$400M, the commission reminded. “The commission has placed significant weight on system losses within the context of the OSPT and as such, an under-par performance casts a shadow on the overall performance of the OSPT,” said the PUC.