GPL slapped with hefty fine over outages, higher systems losses

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Officials of the PUC during a recent hearing.

In a highly unusual move, the state-owned Guyana Power and Light Inc. (GPL) has been fined by the Public Utilities Commission (PUC) for failing to provide an improved service and meeting targets.

According to the regulator, the fine is equivalent to five percent of the total value of the dividends that would have been due to the shareholders (Government of Guyana) for the year 2017.

It would be the first time in years that the regulator has made known such a penalty.

In its decision dated April 25, 2018, and made public yesterday, PUC disclosed that the decision emanated from a review of GPL's Operating Standards and Performance Targets (OSPT) for 2017.

GPL has been facing tough criticisms over the years with aging infrastructure, and infrastructure and timely investments unable to keep up with growing power demands.

As a result, the company has been battling total system shutdowns in especially the integrated Berbice and Demerara systems.

GPL has hired experienced Jamaican utility executive, Albert Gordon, as its Chief to turn things around.

According to the PUC, in its previous order, it cautioned that it was not appropriate to make any award of a monetary penalty on the company. It was made clear then that PUC expected GPL to make a concerted effort to fulfill its mandate to provide a safe service at reasonable price to consumers.

"Unfortunately, our expectations of an improved service did not materialize. The Commission, in fulfillment 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 5% of the total value of the dividend payable to the company's shareholders in the just concluded calendar year."

The Commission warned that it will continue to monitor the operation of GPL and it will demand a reporting on its "standards as the Commission deems fit".

PUC is charged with overseeing not only the operations of GPL, but other monopolies including Digicel, the Guyana and Telegraph Company and the Guyana Water Inc.

Sitting on the PUC as Chairperson is Dela Britton with the other Commissioners being Maurice Solomon and Rajendra Bissessar. The Secretary/Legal Officer is Vidiahar Persaud while Moorsalene Sankar is the Financial Analyst 1.

PUC explained that the licence granted to GPL was amended on October 4th, 2010 which made provision for GPL to submit with effect from 2011 its OSPT on a one and five-year basis.

Among other things, GPL has to report to the PUC on its Customer Interruptions, Voltage Regulation, Meter Reading, Issuance of Bills, System Losses and energy availability.

GPL also has to report on how well it is doing with its collections.

PUC made it clear that failures to meet standards, could see the commission using its powers to impose a monetary penalty on the company in an amount not to exceed 25 percent of the total value of the dividends payable to the company's shareholder(s) in the calendar year under consideration.

It was explained that on March 27, last, the Commission held a public hearing at Cara Lodge, Quamina Street, Georgetown.

Off Target

Concerning customer interruptions, it is the intent to limit the average number of outages a consumer would have experienced during the year to no more than 75.

However, the average number of outages experienced by a consumer for 2017 was 128.

GPL blamed the problems on a shortfall of generation because of a failed alternator on one of the

GPL has also been set targets to limit the amount of hours that customers would have experienced outages. While that target was 85 hours for last year, GPL recorded just over 133 hours. Again, the blame was largely on the shortfall of generation.

GPL was also not able to meet targets on voltage regulations.

With regards to meter reading, the power company was required last year to read 97% of the commercial consumers and 90 percent of the residential customers. For the former, only 91 percent of the large customers were read, while 88 percent was recorded for residential customers.

Location of meters and access were said to be two of the biggest problems.

However, GPL managed to send bills promptly to customers. It met this target.

With regards to paying creditors, it seemed that GPL made no jokes. It was able to settle with creditors in the 26 days it set as a target.

GPL reported that though it did not do the 30 days set for collections of monies, it managed 35, an improvement over the previous year.

Town Council and NDCs owed

Late payments from the Neighborhood Democratic Councils with respect to street lighting, the Municipality of the Mayor and City Council and Guyana Water Incorporated posed challenges too.

With regards to systems losses, GPL had been set a target of 27.6 percent of the total power produced. However, for 2017, the system losses were 29.60 percent of dispatched power.

The explanations offered by the company for not meeting the target were a shortage of essential materials and meters.

For 2016, GPL was required to achieve an average availability of 80%. The company reported that average availability w as 78.24%.

GPL claimed that the unexpected failure of a number of generation sets were responsible for the standard not being met.

The regulator in its statement yesterday stressed that the performance of the company with respect to interruptions and the length of time consumers experienced those, deteriorated over the years.

“In reviewing the performance of this standard, the Commission believes 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,” the regulator said.

With regards to not meeting targets of reading meters of commercial customers, PUC noted that the company’s failure to meet the standard and the reasons given for the failure were noted.

“GPL has been consistently not achieving this standard, notwithstanding the fact that the total number of this class of consumers is very small.”

PUC pointed out that meters are integral in the provision of a service to consumers and it is difficult to envisage that such a situation was allowed to continue for such an inordinate period of time.

“The impact, if any, on consumers and on the company, may be negligible however, 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.”

PUC blasted the power company over the high levels of system losses, expressing disappointing that the standards were not met.

One percent is equivalent to about $200M, which meant that consumers were saddled with this cost.

“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 the consumers was more than US$400 million,” PUC disclosed.

Relative to the size of the economy this is a significant figure with the overall cost being an impairment to the lives of its citizens.

“This is contrary to the mandate of the utility, which is part of its fabric in the promotion of human development to the nation, by providing a quality service at an affordable price. To not achieve this standard, reflects adversely on the company’s endeavours.”