

PUBLIC UTILITIES COMMISSION

In the matter of the Public Utilities Commission reviewing the Guyana Power and Light Inc.'s (GPL) Operating Standards and Performance Targets for 2014.

Representatives of the Public Utilities Commission:

Justice Prem Persaud, CCH	-	Chairman
Mr. Badrie Persaud	-	Commissioner
Mr. Maurice Solomon	-	Commissioner
Mr. Vidiahar Persaud	-	Secretary/Legal Officer
Mr. Moorsalene Sankar	-	Financial Analyst

Representatives of the Guyana Power and Light Inc.:

Mr. Bharat Dindyal	-	Chief Executive Officer
Mr. Ash Deonarine	-	Deputy Chief Executive Officer - Finance
Mr. Colin Welch	-	Deputy chief Executive Officer - Technical
Mr. Balgobin Persaud	-	Human Resource Director
Mr. Loris Nathoo	-	Chief Financial Officer
Mr. Parsram Persaud	-	Loss Reduction Director

Representatives of the Consumers' Associations:

Mr. Patrick Dial	-	President - Guyana Consumers Association
Mr. George Seales	-	President – Consumer Movement of Guyana

The Licence granted to, Guyana Power and Light Inc. (GPL) was amended on October 4, 2010. The amendment provides for GPL to submit annually, with effect from calendar year 2011, and for all subsequent years thereafter, its Operating Standards and Performance Targets (OSPT) on a one and five year basis, and which will be included in its Development and Expansion Programme which must be submitted for the approval of the appropriate Minister.

The Operating Standards and Performance Targets which are included in the approved Development and Expansion Programme constitute the standards and quality of service that GPL is required to provide in accordance with section 25 (2) of the Public Utilities Commission Act No. 10 of 1999. It is binding on GPL, and enforceable by the Commission as provided for in paragraph 16 (b) (iv) of the GPL's amended Licence. These standards and targets are eight in number and are as follows:

1. Customer Interruptions
2. Voltage Regulation
3. Meter Reading
4. Issuing of Bills
5. Accounts Payable
6. Accounts Receivable
7. System Losses
8. Average Availability

Provision has been made that by March 30th in each calendar year commencing from the year 2012, the PUC shall review GPL's performance for the previous calendar year with respect to the OSPTs in effect for such calendar year and shall determine whether GPL has failed to achieve and/or reach the targets, and if there is failure in any of the targets, what was the impact of such failures on the consumer and the company.

If the Commission finds that the Licencee has failed to meet its Operating Standards and/or Performance Targets as provided for in subparagraph (A), it may impose monetary penalties on

the company in an amount not to exceed **25%** of the total value of the dividends payable to the company's shareholder(s) for such calendar year in accordance with the Licence and applicable law.

In determining the amount of any monetary penalty to be imposed within the parameters set forth in subparagraph (B), the Commission shall take into account the extent to which the company has failed to meet its Operating Standards or Performance Targets during the previous calendar year and the impact of any such failure(s) upon the Licensee's Customers.

On the 24th of March 2015 the Commission held a public hearing at Cara Lodge, Georgetown. The object of the hearing was to afford GPL an opportunity to inform the public whether the operating standards for 2014 were achieved and if not, why. Members of the public who were present took a keen interest in the proceedings and sought clarifications on some issues.

The Commission in reviewing the standards that GPL failed to achieve, took into consideration the reasons that contributed to the failures and the impact, if any, on the consumers and on the company.

Attached to the order is a summary of the eight standards and the achievement of each.

GPL's performances and explanations for failing to achieve a number of its operating standards

1. Customer Interruptions:

(a) System Average Interruption Frequency Index (SAIFI)

The intent of this standard is to limit the average number of outages a consumer would have experienced during the year to no more than 100.

The annual average number of outages a consumer experienced in 2014 was 136. The standard was not met.

(b) System Average Interruption Duration Index (SAIDI)

The intent of this standard is to limit the average duration of outages a consumer would receive during the year to no more than 100 hours. The average duration of system interruption a consumer experienced in 2014 was 140 hours. The target was not met.

The company gave two main reasons for the failure to achieve the standard. It noted:

(a) That an increase in the SAIDI index was anticipated as a result of upgrades to its transmission system that included the installation of 100 kilometers of new lines to accommodate the newly acquired sub stations. This necessitated planned outages.

(b) The failure of the company to commission the 26 megawatt stations at Vreed-en-Hoop within the prescribed time frame meant that the company had to rely on its old power stations that are subject to frequent failures.

2. Voltage Regulations:

Part 1 of the standard states:

“GPL shall seek to maintain in stable conditions voltages, of $\pm 5\%$ of the nominal voltage and $\pm 10\%$ following a system disturbance”.

GPL has maintained that it would be difficult to monitor the voltage supplied to each customer and had previously suggested that as an alternative the company would report on

the number of voltage complaints and the time taken to have them resolved. This standard was not measured.

Part 2 of the standard states:

“GPL shall complete 100% of customer voltage complaints due to network reconfigurations, vegetation, upgrade of lines, additional transformers, etc., in no more than 40 days”. GPL has reported that all voltage complaints were regularized within the specified time frame. This second part of the standard was met.

3. Meter Reading:

For 2014 GPL was required to read 97% of maximum demand consumers and 90% of non-maximum demand consumers.

Neither standard was achieved. With respect to non-maximum demand consumers GPL produced 89% of the bills based on actual readings; and 91.25% of the maximum demand bills were produced based on actual meter readings.

The company explained that a strike by meter readers in the first quarter of 2014 that forced the company to estimate maximum demand consumers was the main reason for not achieving the standard.

4. Issuing of Bills:

GPL is required to issue maximum demand bills within 7 (seven) days of the reading of the customer’s meter and within 10 (ten) days of the reading of non-maximum demand meters. Both standards were achieved.

GPL had on average issued maximum demand bills within the 6 days and non-maximum bills within 8 days of meter reading.

5. Accounts Payable:

This standard committed GPL to settle in full with its creditors within 26 days.

GPL reported that it took on average 62 days to settle with its creditors. The standard was therefore not met.

The company explained that their current policy in accruing for liabilities is the reason for not achieving the standard. It was explained that a liability is deemed incurred when an order is placed with a supplier even though the goods and services are received some time later.

6. Accounts Receivable:

This standard commits GPL to a credit period of 40 days.

The GPL reported that the credit period was 49 days. This standard was not met. It was explained that:

Initially the company gave customers a credit period of 21 days from the bill date; but management took a decision not to proceed with disconnections when the bill becomes due, but rather extended to consumers, a further credit period of seven days (effectively 28 days from the bill date) before commencing disconnection.

There are some organizations that are large users of electricity that may not pay their bills in a timely manner but whose services are deemed essential in the national interest. One such organization is the Mayor and City council. Currently the City Council’s indebtedness to the

GPL is significant but GPL has opted not to disconnect. This action by GPL will invariably lengthen the collection cycle.

7. System Losses:

The standard for system losses was set at 30.9% of dispatched power. The company reported that system losses were recorded at 28.65% for the year. The standard was therefore met.

The Commission is of the opinion that when the Operating standards were introduced it was meant to challenge the company to make annual incremental improvements to its operations and to improve efficiencies. From our perspective it seems that where the company finds that it may be unable to meet specific targets set out in its rolling five year Development and Expansion Plan the standards are revised that gives a measure of respite to the company that may unintentionally give it an opportunity to cover inefficiencies. System losses and the cost that attends it are significant. It burdens the national economy and is an impairment on consumers’ quality of life. We make this comment without prejudice but wish to emphasize the importance the Commission places on this specific standard.

The Table below shows the standards that were agreed to in the 2011-2015 and 2014-2018 rolling five year operating standards and performance targets.

System Losses

2011 – 2015 Development and Expansion Plan (%)

2011	2012	2013	2014	2015
30.1	28.7	26.2	24.9	24.5

2014 – 2018 Development and Expansion Plan (%)

2014	2015	2016	2017	2018
30.9	30.9	29.9	28.9	27.9

The above table is self explanatory. It shows that in the company’s 2011-2014 Development and Expansion (D&E) Plan it committed to reduced system losses to 24.9 % of dispatched power in 2014. In its 2014-2018 D&E plan it revised the 2014 target to 30.9%.

8. Average Availability:

For 2014 GPL was required to achieve an average availability of 77%. The company reported an average availability of 66%. The standard was not met.

The company advanced two reasons for the failure.

- (a) Included in the company’s pool of generating stations is a number of stations that are significantly de-rated and its inclusion in the asset pool is responsible for the average availability standard not being met.
- (b) Failure by the company to bring on stream the 26 megawatt station at Vreed-en-Hoop within the set timeline meant that the company had to rely on aged power stations that have a high failure rate to meet increase demand especially at the peak periods.

The company stated that ideally the de-rated stations should be removed from the generating pool but this could only be done subject to the approval of the company's Board of Directors. This approval has to date been withheld.

PUC's Review of the Standards not Achieved

1. Customer Interruption:

The Commission accepts as valid that upgrades to the transmission system would be a contributory factor for higher than intended frequency and duration outages. It was conceded by the company that failure to commission the 26 megawatt Wartsilla stations at Vreed-en-Hoop within the prescribed timeframe was a contributory factor that allowed for the standard not being achieved. We wish to make the following comment with respect to the latter reason offered by the company. This comment is also applicable to the average availability standard that was not achieved.

“The inordinately long time it took the GPL to commission the new Wartsilla power stations at Vreed-en-Hoop was noted. It represented a failure on the part of management not to have had the site completed so as to coincide with the arrival of the power stations. Had this been done, the stations would in all probability have been commissioned within the prescribed timeframe and the company would have enjoyed economies in both fuel mix as well as providing a better quality of service to customers”.

We have reviewed the company's performance with respect to this standard and concluded that although consumers may marginally have experienced inconveniences higher than intended, consumers over the course of the year received a reasonable service.

2. Voltage Regulation:

Because of the failure of GPL to ascertain the quality of voltage supplied to consumers during 2014, the PUC would be unable to make any assessment on the impact that irregular voltage supplied to consumers may have had. Empirical evidence suggests, however, that voltage supplied, varies from the standard especially during peak periods and often results in damage to consumers' equipment. The GPL have unilaterally altered the standard and has instead committed “to report on the number of voltage complaints and the time taken to have them resolved.” It has not shared this information with the Commission if in fact it did keep such a record.

The Commission accepts GPL's position that the standard would be difficult to measure in its entirety. However, if the standard is to be included in future OSPT, GPL should be mandated to do random selective sampling to determine the quality of voltage supplied to consumers and report its findings thereon.

3. Meter Reading:

(a) Non Maximum Demand Consumers:

The Commission notes that the standard with respect to the meter reading of non maximum demand consumers was marginally not achieved and for the purpose of the Order would consider the standard achieved.

(b) Maximum Demand Consumers:

The company's failure to meet the standard and the reasons given for the failure were noted. From the inception of reporting on OSPT, this standard was never achieved. We do not consider the strike alluded to in the first quarter of 2014 as a force majeure and

believe that the company could have made alternative arrangements to have had the meters read.

In reviewing the impact on the consumers and the company, we concluded that neither would have been materially affected as a result of this failure.

5. Accounts Payable:

The reason given for the failure to meet the standard was noted. The Commission would suggest that the company reviews its accounting procedures to ascertain whether a changed policy may not be more appropriate. We are of the opinion that the company's current policy with respect to accounting for creditors is not consistent with accepted accounting practices.

We concluded that failure to achieve the standard was unlikely to cause creditors to withhold the supply of goods and services. We urge, however, that payments to creditors are done in a timely manner so as to avoid the negatives that attend late payments.

6. Accounts Receivable:

The Commission has reviewed the impact on the company's failure to achieve the standard and concluded that the failure did not in any material way affected the company's cash flow. We take this opportunity in commending the company for the altruism shown to its defaulting consumers.

7. System Losses:

When specific targets were set out regarding system losses and GPL was unable to meet them they were revised and this tended to give GPL a measure of respite, and to offer an opportunity to cover inefficiencies. The D & E Plans 2011 – 2015 showed that the losses would have been reduced to 24.9%, but the revised 2014 – 2018 Plan sets out 2014 at 30.9% to be reduced to 27.9% by 2018.

The Commission suggests that it makes sense to identify components of the losses and invest in reducing either singularly or in toto the loss components. We foresee that this will have to be done in due course and the sooner a move is made in this regard the better it will be for all concerned.

We find, and with great reluctance, that the losses for the year 2014 as recorded by the company were 28.6% and accordingly the standard was not met.

8. Average Availability:

There were two reasons attributed for the failure in not achieving the standard. The first was that there are a number of stations that were significantly de-rated and should have been delinked from the generation pool but which could not be done, because approval was not given by the Board of Directors. The second was the failure by the company to bring on stream the 26 megawatt stations within the prescribed timeframe. (*Please refer to comments made under Customer Interruption under the caption "PUC's review of the standards not achieved"*).

We are uncertain why the Board of Directors is reluctant to approve the write off of non performing stations. The GPL should have a vested interest in achieving set targets. We suggest that this matter re-engage the attention of the Board for a decision.

We conclude that the failure to achieve this standard did not materially increase the frequency and duration of outages.

General:

The Commission recognizes that the operating standards are set within the framework of the company's existing infrastructure and cash flow limitations. However, it must be emphasized that some of the set standards fall short of what generally constitute an efficient utility. There still remains much work to be done to incrementally improve the quality of service to consumers.

Decision:

The Commission concludes that the company's responses in achieving the standards were professional. We must, however, emphasize that our comments on system losses be given serious consideration. The weight the Commission attaches to this standard is higher than the sum of the remaining standards. The Commission will not seek to impose a fine on the company's failure of the 2014 operating standards and performance targets for the reasons we have offered in our current reviews.

Sgd.

Prem Persaud C.C.H.
CHAIRMAN

Sgd.

Badrie Persaud
COMMISSIONER

Sgd.

Maurice Solomon
COMMISSIONER

Dated this 7th day of April, 2015