25th APRIL 2018

PUBLIC UTILITIES COMMISSION

In the matter of the Public Utilities Commission reviewing the Guyana Power and Light Inc. (GPL) Operating Standards and Performance Targets for 2017.

ORDER NO 1/ 2018

Representatives of the Public Utilities Commission:

Ms. Dela Britton -	Chairman
Mr. Maurice Solomon -	Commissioner
Mr. Rajendra Bisessar -	Commissioner
Mr. Vidiahar Persaud -	Secretary/Legal Officer
Mr. Moorsalene Sankar -	Financial Analyst 1

Representatives of the Guyana Power and Light Inc.:

Mr. Albert Gordon	-	Chief Executive Officer
Mr. Renford Homer	-	Deputy Chief Executive Officer - Administration
Mr. Elwyn Marshall	-	Deputy Chief Executive Officer -Technical
Mr. Loris Nathoo	-	Divisional Director –Finance
Mr. Parsram Persaud	-	Divisional Director –Loss Reduction
Ms. Laurian Bancroft	-	Corporate Secretary
Ms. Rhonda La Fargue	-	Customer Service Director

The Licence granted to the Guyana Power and Light Inc. (GPL) was amended on October 4th, 2010 which made provision for GPL to submit with effect from 2011 its Operating standards and Performance Targets (**OSPT**) on a one and five-year basis. In accordance with the amended Licence the Operating Standards and Performance Targets is required to be included in its Development and Expansion Program and same is submitted to the Minister for his approval.

In addition, the Operating Standards and Performance Targets 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 therefore binding on GPL, and enforceable by the Commission as provided for in paragraph 16 (b) (IV) of GPL's amended Licence. There are eight (8) standards and targets namely: -

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

The PUC Act makes provision to review GPL's Operating Standards & Performance Targets by the 30th day of March of each year for the previous calendar year and the Commission is tasked with the responsibility to determine whether GPL has failed to achieve the targets. Should there be failure to realise any targets, the Commission is to determine the impact of such failures on both the consumer and on the company. As a consequence of such failures to meet the OSPT, the PUC is empowered to impose monetary penalty on the company in an amount not to exceed 25% of the total value of the dividend payable to the company's shareholder(s) in the calendar year under consideration

On March 27th, 2018, the Commission held a Public Hearing at Cara Lodge, Quamina Street, Georgetown. The Objective of the Hearing was to afford GPL an opportunity to present its reviews whether the Standards for 2017 were achieved and if not, the reasons for not achieving the targets.

Below are the Standards and Targets together with GPL's explanations for same are contained in respective Headings.

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 75.

The average number of outages experienced by a consumer for the year 2017 was 128. Therefore, the standard was not achieved.

The following are the explanations given by GPL;

1. A shortfall of generation as a result of a failed alternator on one of the 6.9 megawatt sets. GPL reported that it took approximately six months before the set was operational. There were also extended maintenance periods for two other 6.9-megawatt sets. During the routine maintenance of these sets, it was discovered that the failure of the alternators was imminent. A decision was taken to have both 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 un-expected 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.

2. It was reported that the transmission system is unstable, and that the instability resulted in no fewer than twenty- five (25) disruptions during the year and that these failures were in no way due to human error. These disruptions increased the number of outages.

System Average Interruption Duration Index (SAIDI)

The intent of this standard is to limit the duration of outages that a consumer would have experienced during the year to no more than 85 hours. The average duration experienced by consumers during the year 2017 was 133.18 hours.

The company's explanation in not meeting this target was similar to that for not attaining SAIFI; namely that the shortfall in generation together with the instability of the transmission system resulted in longer than intended outages.

2. VOLTAGE REGULATIONS:

The Standard requires that GPL "shall seek to maintain in stable conditions, voltages of ± 5% of the nominal voltage and ± 10% following a system disturbance".

The company has maintained from the inception that it would be difficult to monitor and report on the voltage supplied to each customer. This standard as in previous years was not measured.

It was explained that a planned program for the installation of Advance Metering Infrastructure (AMI) meters will commence shortly and when the program is completed the company 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.

As an alternative to the Standard, GPL committed to complete 100% of customer voltage complaints due to network reconfigurations, vegetation, upgrade of lines, additional transformer, etc. in no more than 30 days. GPL has reported that this target was not met.

No explanation was offered for not meeting the target.

3. METER READING:

For 2017 GPL was required to read 97% of maximum demand consumers (that is Commercial consumers) and 90% of non-maximum demand consumers (that is Residential Customers).

The standard with respect to both was not achieved. For maximum demand consumers, 91 % of the meters were read; and for non- maximum demand consumers, only 88 % of the meters were read.

GPL's explanations for not meeting the operating standard with respect to non-maximum demand consumers were as follows:

A) Failure to have access to the premises.

B) The placement of some meters within the customer premises, precludes reading which is only possible if entry is gained to the premises.

GPL's explanations for not meeting the operating standard with respect to the maximum demand consumers were:

1. The occasional failure by the hand - held devices to read the data stored in some of the meters. The company has attributed two reasons for this issue. Firstly, 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 meter; Secondly, the meter may be defective.
2. 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.
3. During the year there was a shortage of maximum demand meters that frustrated the process of replacing defective meters.

4. ISSUING OF BILLS:

After meters have been read, GPL is required to issue maximum demand bills within 7 (seven) days, and non-maximum demand bills within 10 (ten) days. GPL has reported that on average maximum demand bills were issued within 5 (five) days, and non-maximum demand bills, within 8 (eight) days after the meters were read. The standard with respect to both was met.

5. ACCOUNTS PAYABLE:

This standard commits GPL to settle with its creditors within 26 days.
GPL reported that it took on average 26 days to settle its indebtedness with its creditors. The standard was therefore achieved.

6. Accounts Receivable:

This standard commits GPL to a 30 days cash collection cycle.

It was reported that the cash collection cycle was 35 days. The standard was, therefore, not met. GPL noted, however, that their collection cycle had improved over the previous year. Late payments from the Neighborhood Democratic Council with respect to street lighting, the Municipality of the Mayor and City Council and Guyana Water Incorporated caused the short fall in the standard.

The company conceded that the Standard is very challenging since it gives twenty-one days credit to consumers and a further grace period of seven days before taking action to enforce compliance.

7. System Losses:

The standard sets system losses at 27.6% of dispatched power for 2017.

For the reporting period system losses were 29.6% of dispatched power. The standard was therefore not met. The explanations offered by the company in not meeting the target were a shortage of essential materials and meters.

8. Average Availability:

For 2016 GPL was required to achieve an average availability of 80%. The company reported that average availability was 78.24%. It was explained that the unexpected failure of a number of generation sets were responsible for the standard not being met.

PUC's REVIEW OF STANDARDS NOT ACHIEVED

(1) Customer Interruption:

The performance of the company with respect to both SAIFI and SAIDI 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.

(2) Voltage Regulation:

We have accepted the company's explanation for not measuring voltage delivered to consumers. We note 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 are 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.

(3) Meter Reading:

(a) **Non-Maximum Demand Consumers:**

In reviewing the standard set for the meter reading of non-maximum demand consumers the Commission found the company's performance to be satisfactory and noted the reasons for the company not attaining the standard as acceptable.

(b) **Maximum Demand Consumers:**

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. The reasons for failing to achieve the standard are (a) the recurring problem of malfunctioning hand-held sets that fail to retrieve readings from the meters and (b) the unavailability of meters that commenced during the previous year and continued into 2017. 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.

(6) Accounts Receivable

The Commission notes the company's explanation in not achieving the standard. We agree that after all other avenues have been exhausted disconnections of essential services should be a measure of last resort. It would appear that the failure by the company to collect its monies from these customers in a timely manner does not have any significant impact on the operations of the company.

(7) System Losses

The Commission attaches significant weight to this standard and it is disappointed that the standard which is not challenging was not met. By the company's own admission, a system loss of 1% costs the company approximately $200 million. Failing to achieve the standard by approximately 2% results in a loss to the company and by extension to its consumers of approximately $400 million.

We have noted the explanation for not achieving the target, namely a shortage of essential materials and meters that effectively precluded the company from executing its planned programs. 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 the consumers was more than $400 million United States dollars. Relative to the size of the economy this is a significant figure; and the overall cost is 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 companys' endeavors.

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.

General

The Commission recognizes that the operating standards are set within the framework of the company's existing infrastructure and cash flow limitations. 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.

DECISION

In our previous Order we cautioned that it was not appropriate to make any award of a monetary penalty on the company, we had expected GPL to make a concerted effort to fulfill its mandate in providing a safe service at reasonable price to consumer.

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 will continue to monitor the operation of GPL and it will demand a reporting on it's standards as the Commission deems fit.

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Dela Britton -Chairman

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Maurice Solomon -Commissioner

Sgd.

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Rajendra Bisessar - Commissioner