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 2018

ORDER NO 1/ 2019

Representatives of the Public Utilities Commission:

Ms. Dela Britton	-	Chairman
Mr. Rajendra Bisessar	-	Commissioner
Ms. Verlyn Klass	-	Commissioner
Dr. Leyland Lucas	-	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. Bharat Harjohn	-	Divisional Manager of Operations
Mr. Loris Nathoo	-	Divisional Director of Finance
Mr. Parsram Persaud	-	Divisional Director of Loss Reduction
Mr. Ryan Ross	-	Divisional Director of Projects
Ms. Rhonda La Fargue	-	Customer Service Director

The Licence granted to the Guyana Power and Light Inc. (GPL) was amended on the 4th October 2010 and same took effect from the calendar year 2011. The said amendment made provision for its Operating Standards and Performance Targets (**OSPT**) to be submitted to the PUC on a one and five-year basis. The Targets must be included in the company's Development and Expansion Program which is submitted for approval by the Minister.

In accordance with Section 25 of the PUC Act No. 10 of 1999, the aforementioned Operating Standards and Performance Targets constitute the standards and quality of service which GPL is obligated to provide to the PUC. 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

GPL's Licence further provides that by March 30th in each year commencing from the year 2012, the PUC shall review GPL's performance for the previous calendar year with respect to the OSPT for such calendar year and it shall determine whether GPL has failed to achieve and /or reach the targets. Any failure to attain any of the targets will determine the impact of such failure on the consumer and on the company.

Should the Commission find that the Licencee has failed to meet its Operating Standards and/or Performance Targets as provided for, it may impose a 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.

In the reporting year 2018, after taking into account inter alia the failure of the company to achieve its standards and targets for 2017 , the Commission had determined that 5% of the total value of dividend payable to the company's shareholders should be imposed.

The Commission was unable to conduct the Review as per the PUC Act by 30th March 2019 as it was not properly constituted at that time. The Operating Standards and/or Performance Targets Hearing was therefore held on June 20th, 2019, at the Duke Lodge, Georgetown, Guyana.

Hereafter we set out the standards and targets with explanations by GPL as it relates to the Standards not achieved.

1. CUSTOMER INTERRUPTIONS:

(a) System Average Interruption Frequency Index: (SAIFI)

The intent of this standard is to limit the average number of outages which consumers received during the year 2018 to no more than 70.

The average number of outages experienced by a consumer during the year 2018 was 106. 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 that a consumer would have received during the year to no more than 80 hours. The average duration experienced by consumers during the year 2018 was 112.41 hours.

The explanations offered by GPL for these failures were as follows:

- The absence of adequate back up or redundancy in the generation and transmission systems
- Significant deficiencies in the design and configuration of some of the substations
- The poor state of a significant portion of the transmission's infrastructure, its constant failures and maintenance challenges.

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 of OSPT reporting 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.

At the previous OSPT hearing in 2018, the company reported that with the installation of Advanced Metering Infrastructure (AMI) the company would be in a position to randomly access data from the registry of these meters which would then enable the company to report on voltage fluctuations. At the current hearing, the company reiterated its commitment to report on this standard using the information provided from the AMI meters.

As an alternative to reporting on the Standard, GPL has committed to complete 100% of customers' voltage complaints which range from network reconfigurations, vegetation, upgrade of lines, additional transformer in no more than 30 days. To this end GPL has reported that 97% of the voltage complaints were completed within the stipulated time frame.

3. METER READING:

For 2018, GPL was required to read 97% of maximum demand consumers and 90% of non-maximum demand consumers.

However, the standard with respect to the reading of Maximum Demand meters was not achieved as 91% of meters of maximum demand consumers were read; whilst for non- maximum demand consumers, 90% of the meters were read.

GPL's explanation in not reading 97% of maximum demand meters was attributed to the fact that the handheld devices, which use radio frequency to communicate with the meters, at times were unable to access the data which sits in the registry of the meter. Given the short timeline for corrective action, this resulted in a higher than intended estimation of bills.

The Commission notes that GPL had offered a similar proposition during the 2017 Hearing and there has been no serious effort to ameliorate the foregoing hurdles within the preceding 12 months.

4. ISSUING OF BILLS:

GPL is required to issue maximum demand bills within 7 (seven) days, and non-maximum demand bills within 10 (ten) days, after the meters have been read. 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 targets set with respect to both categories of consumers were met.

5. ACCOUNTS PAYABLE:

This standard commits GPL to settle with its creditors within 26 days. GPL reported that it took an average of 27 days to settle its indebtedness with its creditors. The standard was therefore marginally not achieved. It was reported that the suppliers offer varying credit periods to the company, some higher than those set by the standard. It has been the policy of the company to take advantage of credit periods and to settle in full, the accounts as they become due.

6. ACCOUNTS RECEIVABLE:

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

It was reported that the cash collection cycle was 54 days. The standard was, therefore, not met. GPL noted that its largest customer, the Guyana Water Incorporated, which purchases approximately 8% of its billed power had not settled its indebtedness with the company in a timely manner. The company posited that if the Guyana Water Inc's indebtedness was delinked from the receivables the cash cycle would have been 23 days and the target would have been achieved.

7. SYSTEM LOSSES:

The standard sets system losses at 26.6% of dispatched power in 2018. Dispatched power refers to the electricity GPL delivers through its transmission system for sale to its consumer base.

For the reporting period, system losses stood at 27.7% of dispatched power. The standard was therefore not met. The company reported that a field survey undertaken in 2018 revealed that there are 19,000 streetlights spread across the country of which 9,000 were not metered and escaped the billing cycle.

The company estimated that if the streetlights not metered had been billed, system losses would have been reduced by a further 1.44% which would have resulted in the standard being met.

9. AVERAGE AVAILABILITY:

For the year 2018, GPL was required to achieve an average availability of 80%. The company reported that average availability was 86.9%. The standard was therefore met.

PUC'S REVIEW OF STANDARDS NOT ACHIEVED

(1) Customer Interruption:

Although the standards for both SAIFI and SAIDI were not met, the company reported that it was successful in reducing the number of outages and the duration of the outages year on year. In reviewing the performance of this standard, we took into consideration the constraints faced by the company and its planned programs to reduce consumers' interruption. The impact on consumers whilst a cause for frustration was in fact mitigated since there were fewer outages lasting for shorter durations than in the previous year.

(2) Voltage Regulation:

From the inception of reporting on the OSPT, the company has maintained that it cannot measure the voltage supplied to each customer and as an alternative substituted remedial customer voltage complaint which should be completed within a thirty-day time span. (Voltage complaint is, however, not an OSPT approved standard.) There is compelling evidence to suggest that the voltage received by consumers in some areas is not consistent with what the company has been contracted to deliver. This often results in damage to consumers' equipment. GPL has reported that there are now approximately 30,000 AMI installed on consumers network nationwide. Given the commitment by GPL to randomly access data on voltage supplied from the registry of these meters, the Commission believes that the company now has a representative sample from which to choose from and therefore should be in a position to report either wholly or partially on the standard when the 2019 OSPT is reviewed in 2020.

(3) Meter Reading:

(a) **Maximum Demand Consumers:**

The company's failure to meet the standard and the reasons given for the failures were noted.

GPL has consistently failed to achieve this standard, notwithstanding the numbers of this class of consumers is small. The main reason for its failure to achieve the standard is attributed mainly to the recurring problem of malfunctioning hand-held sets which fail to retrieve readings from the meters.

The impact, if any, on consumers and on the company, however, is negligible, but the company needs to take pride in its performance and to ensure at a minimum it achieves this standard in 2019.

(4) **Accounts Payable:**

This standard was marginally not met. However, the Commission agrees with the company's position that it should fully utilize credit periods offered by suppliers at the risk of not attaining the OSPT standard. Such a policy aids liquidity and does not endanger the company's credit ratings with its suppliers.

(5) Accounts Receivable

The Commission notes the company's explanation for not achieving this standard. We agree that disconnections of essential services should be a measure of last resort. In this instance, however, given the magnitude of the outstanding amount, non-payment can have a negative impact on the company's cash flow and may restrict critical work planned by the company in the provision of services to consumers.

(6) **System Losses**

We have over time reported on the significant weight placed on system losses within the context of the OSPT and that an under-par performance casts a shadow on the overall performance of the OSPT. The company did not achieve the set target. It nevertheless reduced system loses by approximately 2% year on year. This is encouraging. It was reported that a Public Utility Upgrade Program (PUUP) which is a partnership between the International Donor Agencies and the Government of Guyana is in progress. Through this program the company has acquired the requisite technology which will positively impact on system losses. It is to be hoped that the reduction of system losses would be sustained. Not meeting the target in 2018, however, translates to a significant cost to the company and by extension to the consumers.

GENERAL

The Commission recognizes that the operating standards are set within the framework of the company's existing infrastructure and cash flow limitations. However, most of the standards fall far short of what constitute an efficient utility. There remains much to be done to attain these standards and we can only hope in the near future that there will be incremental improvements in the quality of service to consumers.

DECISION

After careful consideration of every aspect of the presentation made by the company on the 20th June, 2019 it is determined that notwithstanding the fact that the standards of System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) were not met for the reporting year 2018, there has been a marked improvement on its 2017 performance as it relates to these standards.

The Commission commends the company for its rollout of some 30,000 Advanced Metering Infrastructure (AMI) which will greatly assist in the company's reduction of system losses, since the AMI allows for remote monitoring and detection of tampering. It will also provide the company with the ability in 2019 and succeeding years, to report on the voltage regulation standard.

The Commission however, considers the company's failure to improve its services in the face of our imposition of a monetary penalty in 2018 of 5% of the total value of the dividends, as a material breach of its obligations to the consumers.

The Commission further wishes to signal to the company that its inability to achieve all of the standards as set out in the company's 2016-2020 Development and Expansion Programme, does not auger well for the efficiency of the company vis-à-vis its customers.

Whilst the Commission has decided not to impose a further penalty at this time it will continue to closely monitor quarterly the operations of GPL in 2019 with a view to ensuring that there is compliance with all the standards and targets and it intends to take a no tolerance stance with respect to GPL's less than stellar quality of service reviews. To this end, the Commission requests the timely submission of GPL's Quarterly Reports on their Standards and Targets.

Dated this the 18th day of July 2019.

Dela Britton
CHAIRMAN

Rajendra Bisessar
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