



# Public Utilities Commission Annual Report



2010

# TABLE OF CONTENTS

<b>GENERAL</b>	
Chairman's Statement	3
Introduction	6
Organisational Chart	9
Overview of the Sectors	13
 <b>REPORTS</b>	
Complaints Division	22
Engineering Division	31
Finance Division	36

## FROM THE DESK OF THE CHAIRMAN

*Justice Prem Persaud CCH (ret'd)*

*The year 2010 has been a challenging but successful one for the Commission. We have had reasons to be pleased that we are acquiring a reputation as a competent and independent regulatory body which holds the scales evenly between the utility companies under our purview and consumers.*



*The hallmark of an effective organization is its ability to identify and develop clear, concise and shared principles which guide its conduct as well as its relationships with the outer society. We are extremely proud of the set of defined values and best practices on regulation—albeit, hemmed in by statutory constraints - within which we operate.*

*In our society, gaining notoriety for criticizing, in the name of freedom of expression and of free speech, anything that appears pro-something or the other, without any regard to the truth, is given great publicity. So let me set out the guiding factor in the performance of our duties. We invite all and sundry to discuss and scrutinize our work and we look forward to any meaningful discussions on the topics within our portfolio.*

- ✚ We exhibit the highest performance behaviour with respect to morals, ethics and integrity.*
- ✚ We consult with all stakeholders in an open and transparent manner and seek to enable them to understand our decision-making process.*
- ✚ We are free from external pressures where decision-making is concerned—and maintain our independence from all stakeholders.*
- ✚ Being responsible to the public for our actions.*
- ✚ Using resources as efficiently and effectively as possible.*

*We have had varying levels of success in our operations, but the telecommunications sector has performed relatively well by delivering lower rates to consumers—more innovative packages, cutting edge technologies, and greater responsiveness of the service providers to consumers. A contributory factor is that there is competition in this industry and because of the competition we were faced with an unusual situation where Digicel terminated its interconnection agreement with GT&T. The two utilities were in discussion to enter into a new interconnection agreement at the insistence of Digicel who had been complaining of an uneven playing field. The Commission intervened by bringing the parties together and after a protracted hearing much headway was made. It is expected that by the end of the second quarter of 2011 an agreement will be inked which will be mutually agreed between them.*

*The Government has introduced a draft telecommunications bill which in the final analysis will hopefully see the end of the monopoly of the sector.*

*Concerning the electricity sector, the major complaints dealt with were disconnections on the grounds of alleged tampering of meters. Another issue of contention was the late delivery of bills, and estimated bills being issued. Our efforts on behalf of consumers, however, have resulted in consumers receiving a substantial rebate due to overbilling.*

*We must confess, however, our embarrassment when it is brought to our attention of the substantial number of meter tampering and stealing of electricity. Because of the loss of income to the power company from these criminal acts, the rates which consumers are called upon to pay are still high, and it is in the interest of all to assist in the arrest of this practice by bringing to the notice of the appropriate authority when they see this egregious system in operation.*

*The water sector is also a monopoly like the power company and consumers are still complaining about the company's billing system, where arbitrary amounts are claimed.*

*There is the perception that non or no proper reading of water meters are undertaken, resulting in estimated bills for huge amounts being issued. When this is pointed out to management, the estimated amounts are audited resulting, in some cases, huge reductions in the bills. We have made representation to the utility to get their act together, to update their database and seek to collect what is legitimately theirs.*

*A critical function of the Commission is the requirement to ensure that consumers' complaints are dealt with relatively quickly and fairly. There have been some challenges in this area and it arose from what appears to be an increase in the number and nature of the complaints received. A vital factor responsible for this also is the apparent reluctance of some senior officers of the utility companies, especially in the electricity sector, to respond to complaints or requests from the Commission in a timely fashion. There seems to be the perception that the service being a monopoly, the public will have to await their pleasure.*

*The reports and details of the work performed during the year in review are attached hereto, and these will give one the understanding of how we do our work, and the success we have achieved.*

*Staff members have found themselves continually in interesting and invariably exciting situations and have been called upon to respond to many challenges demanding intellectual insights and integrity. We have responded well, but it could not have been achieved without the continued dedication of our staff, who is a fine group of regulatory officials that may, perhaps, be the envy of other public servants.*

## INTRODUCTION

The Public Utilities Commission is pleased to present its Twentieth Annual Report, in accordance with Section 85 of the PUC Act, Act No. 10 of 1999.

This Report will serve to inform of the PUC's activities during the year 2010, and our resolve at all times is to maintain the integrity of the utilities and the interest of consumers.

The Commission is a body corporate established by virtue of the Public Utilities Commission Act No. 26 of 1990 which came into effect on the 1<sup>st</sup> October, 1990. This Act was amended in 1991, 1994, 1999, 2003 and 2010.

The Commission presently consists of a Chairman, who is a full time official, and three Commissioners, who are appointed and serve on a part-time basis. There is provision (Section 5 of the Act) for the appointment of four Commissioners, but this has not been made.

The present composition of the Commission is as follows:

- Justice Prem Persaud CCH - Chairman
- Mr. Badrie Persaud - Member
- Mr. John Caesar - Member
- Mr. Maurice Solomon - Member

### Commissioners:



*Badrie Persaud*



*John Caesar*



*Maurice Solomon*

## **The Public Utilities Commission**

### **Mission**

- To ensure that regulated utilities offer an efficient service to consumers at a reasonable cost.

### **Vision**

- To create an environment in which there is universal access to service in the public sector, as well as a high quality of service which are cost effective and beneficial to all stakeholders.

### **Objectives**

- To establish and enforce rules and procedures for the regulation of public utilities, commensurate with internationally accepted regulatory standards.
- To promote and regulate the efficient long-term provision of utility services for national development consistent with Government policy.
- To provide a fair environment conducive to business interest, investment in the public utilities sector, and the interest of consumers.
- To investigate and seek to resolve in a timely manner complaints filed with the Commission against any public utility.
- To carry out its functions in a fair, transparent and independent manner.

### **Functions**

- The functions of the Commission are regulatory, investigatory, enforcement and such others as conferred on it by the Act. The Commission also has the power to

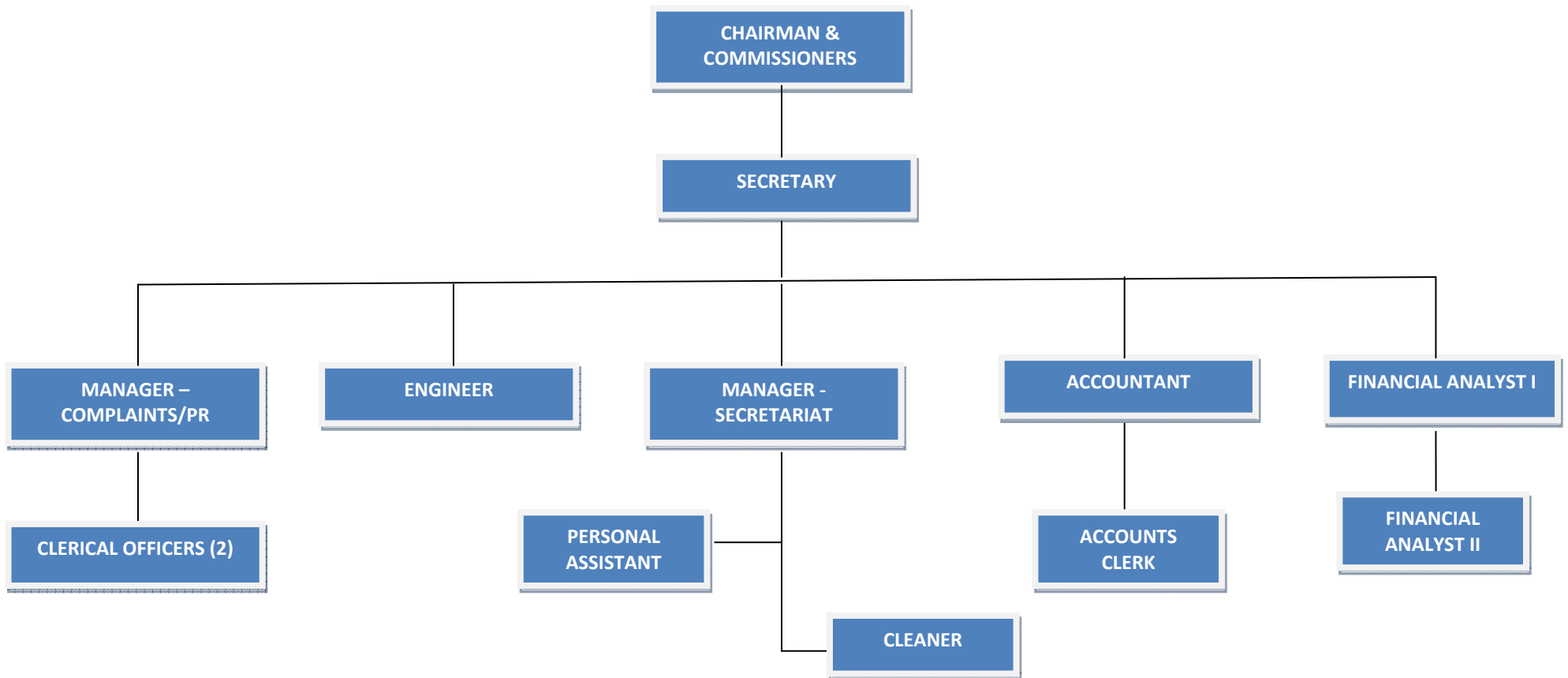
initiate and conduct investigations into the operations and standards of service of any public utility under its purview.

- The Commission does not issue licences for the operation of any utility. This is the responsibility of the Office of the President in the case of telecommunications, Office of the Prime Minister in the case of electricity, and the Minister of Housing and Water in the case of water and sewerage services.
  
- The Commission is not involved in the administration of the frequency management or spectrum allocation in the telecommunications sector. This is the mandate of the National Frequency Management Unit.
  
- The Public Utilities Commission is not involved in policy matters, but may be called upon to act in an advisory capacity to the Ministers responsible for utilities on such matters concerning the utilities as are referred to it by the relevant Ministers.



# PUBLIC UTILITIES COMMISSION

## Organisational Chart



## **Public Utilities**

The Act defines 'Public Utilities' as any person who or which owns facilities used to provide, or provides, the following services:-

- (a) The production, generation, storage, transmission, sale, delivery, furnishing or supplying, directly or indirectly, to or for the public, of electricity.

However, any person who provides a service only to himself or his employees or tenants, where such service is not resold to or used by others, shall not be deemed to be a public utility.

- (b) The conveyance or transmission of oral, written, digital or any other form of messages or communications by telephone, wireless telephony, telegraphy; or wireless telegraphy, satellites, cable television, telecom service providers, pay telephone service providers, telecom resellers, internet and other telecom network service providers, radio common carriers or cellular mobile providers or any other method of transmission, currently offered to the public or offered as common carriage in the future.

The Minister may, by Order, place any of the following services under the purview of the Commission, that is to say:

- (i) carriage of passengers, in motor buses or hire cars;
- (ii) airport and airline services;
- (iii) carriage of goods for hire or reward by goods vehicles;
- (iv) lighterage or cargo handling;
- (v) dockage, wharfage or related cargo services;
- (vi) water supply services, except retail deliveries.

The public utilities under the purview of the Commission are:

- **Telecommunication Services**
- **Electricity, since the inception of the PUC Act 1990; and**
- **In 2003 by Order No. 26/ 2003, Water and Sewerage Services.**

### **Setting of Rates**

The PUC does not monitor electricity tariffs. The fixing of tariff is set out in GPL's Licence. The company GPL is entitled to an eight percent return on its capital investment. Should the company's profit in any given year falls below the benchmark of eight percent then the company at its option may automatically adjust rates to compensate for this shortfall.

On the other hand, the Commission is authorised to set the rates for the telecommunications and water and sewerage sectors.

### **Lodging a Complaint**

If one has a complaint against any of the public utilities under the ambit of the PUC one may first of all utilise the complaint procedures of the Service Provider (GPL, GWI, GT&T or Digicel). However, if he/she is not satisfied with the outcome of the query with the Service Provider then that person may lodge a complaint with the PUC.

Complaints can be submitted either by:

- |               |   |                                                                     |
|---------------|---|---------------------------------------------------------------------|
| POST          | - | to 298 Church Street, Queenstown, Georgetown                        |
| FAX           | - | at 592 – 227 – 3534                                                 |
| TELEPHONE     | - | at 592 – 226 – 7042                                                 |
| WEBSITE/EMAIL | - | <a href="http://www.puc.org.gy">www.puc.org.gy</a>                  |
| VISIT         | - | to the PUC's Office at 298 Church Street,<br>Queenstown, Georgetown |

HELP DESK - Monday – Thursday: 8:00 – 16:15 hrs.  
Friday: 8:00 – 15:30 hrs.

It would be very helpful if complainants can provide any relevant information/documents in support of their complaints when lodging a complaint with the PUC.

## OVERVIEW

### **Telecommunications Sector**

The telecommunications sector saw a number of strides being taken and benefits accruing to consumers. A number of new services and technologies were rolled out in 2010, the most significant being the landing of a new underwater cable and a number of competitive promotions in the mobile sector.

The company GT&T in its annual briefing to the Commission on May 7, 2010 spoke of its New Product Development Program - 2009 Roll Over to 2010. A number of areas were identified under the new development program for fixed line service and were listed as incomplete. These areas included Bare Root, Haslington, Schoonord, Amelia's Ward, and Dochfour. A number of areas were also identified for additional services and these included Timehri, Kitty, Bel Air Park and Campbellville. With respect to Essequibo, there were moves by the company to replace the existing old technology. However, the company stated that due to technology and spectral issues this system has not been as successful and new deployment for this area was being actively considered.

The company also informed the Commission of its current and projected 'line gain' for defined areas. For instance, in the area of Crabwood Creek the existing lines were listed as 0, with the projected line gain listed as 498. In Mocha 196 lines existing were to be replaced and new lines were listed as 604. In Bartica 1184 lines were stated to be in existence, with 960 projected line gain anticipated. Amelia's Ward with an existing 909 lines were to gain by a projected 126 lines. These are samples and not an exhaustive list of areas to be covered by the company in its roll out plan. This program was approved by the Commission on June 28, 2010.

With respect to the submarine cable, the company GT&T, indicated that it had entered into a US\$60 Million joint venture with Telesur (Suriname) to fund an underwater

submarine fibre optic cable to supplement the existing Americas II cable, with the intention to offer faster bandwidth services to consumers in Guyana. This cable was launched formally in July 2010.

With the new cable expected to be launched in 2010, the Commission in May wrote the telecommunications company on the new cost of bandwidth after the launch of the cable system. It was anticipated that the costs of the service would be cheaper, but the Commission was concerned with reports in the media that the service may be staggered and queried whether in these circumstances the bandwidth costs will be the same with respect to those receiving a higher bandwidth at the same costs. The Commission also noted that the funds to be expended on the cable may not be part of the asset base of the company and suggested that being as substantial as it is, it may be desirable for the company to establish a separate company in this regard. The Commission was of the view that this would have the advantage of ensuring separate accounts and the non-commingling of funds of the substantive GT&T.

The company in its response stated that it did not intend to change the prices of the service it was offering, but merely to increase its bandwidth capacity. They also noted that they would be offering the option of the 'DSL Lite' package whereby a reduced price would be offered for lower bandwidth allocation. With respect to the suggestion on a new GT&T subsidiary, the company indicated that it was open to the suggestion and was giving it serious consideration. It was noted subsequently that the service to be offered was to be pre-paid.

In terms of rate applications, the company GT&T applied to the Commission in April 2010 for an approved rate for its Directory Assistance Service (calls to 092), which is a service used by individuals to obtain operator assistance with specific customer telephone numbers. The company in its application argued *inter alia* that there has been a significant increase in the volume of directory assistance calls at 5,000 per day

and this was becoming a strain on the company in terms of resources and costs. The PUC subsequently held a public hearing in this regard and the Commission requested further information to substantiate the claims of the company. This matter remained pending at the end of 2010.

With respect to promotions, the Commission approved a GT&T promotion on outbound international calls with effect from January 1, 2010. This was meant to be applicable to all users of GT&T's outbound international service and inclusive of GT&T and Digicel's cellular mobile services. This promotion included a number of plans offered by GT&T for landline customers, with an option for multiple packages at a discount to the aggregate of the individual monthly fees. The Commission in giving favourable consideration and approval for the promotion noted that consumers stood to benefit from same.

In the competitive mobile sector, matters came to a head when, in January 13, 2010 the interconnection agreement between the two companies GT&T and Digicel came to an end after notice was given by the company Digicel to GT&T to terminate the agreement. Despite attempts by the parties prior to the termination of the agreement to negotiate a new agreement all attempts in this regard failed. On January 14, 2010, Digicel filed an Application under Section 41 of the PUC Act, No. 10 of 1999 to have rates fixed for interconnection charges. However, the Commission ruled in Order 2 of 2010 that Section 41 refers to and caters for rates to be charged customers for the use of the various services, and that such customers do not include an interconnected utility service—and that Section 36 was the proper section to make this determination, and not Section 41. The application was accordingly dismissed.

The Commission in the public interest and in the interest of both companies initiated a public hearing in March 2010 with a view to establishing an interconnection agreement between the parties. Throughout the hearing the Commission had been suggesting that

the parties engage in bilateral negotiations. The public hearings lasted for a considerable period and included the attendance of a number of expert witnesses on behalf of both companies.

Eventually in November 2010 the company GT&T made an application to the Commission indicating that the parties had reached agreement in principle on an 'integrated' package of interconnection rates and related issues. The Commission was requested to approve the package.

The Commission after a holding a public hearing into this matter, agreed to all rates as submitted in the application by GT&T except the retail landline to fixed mobile rate. This rate was eventually fixed at \$12 a minute. It was agreed that the approved rates would be granted for four months, and then reviewed.

#### **WATER AND SEWERAGE**

Events in the water sector remain relatively stable during the period under review. Issues in this sector related largely to complaints from consumers and mostly with respect to the company not reading the meters and alleged over billings of consumers.

The PUC had cause to write to the company on the issues of billings and disconnections and requested information on the criteria used to determine who the persons were, who would benefit from subsidies. In response, the Commission was informed that the persons who would qualify for subsidies paid by the government had to be a named customer/account holder on the GWI database (as owner/occupier/tenant) and also had to be an old age pensioner registered with the Ministry of Human Services and Social Security.

The company noted that in its meter reading efforts they had strengthened their efforts by employing contractors across the country to facilitate this.



The PUC over the year continued to monitor GWI's water quality results and drew attention to certain deficiencies to the company. The company in turn acknowledged certain deficiencies but also noted that it had issued boil orders to several locations, where there was for instance, the presence of coli forms, and advising customers to take precautionary measures. The Commission noted in its response that GWI should seek to achieve the standards set forth in the Licence to Supply Water and Sewerage Services and Advisory Services for Public Purposes.

In the context of sewer services, the Commission sought to know the status of rehabilitated sewerage pump and the non-operation of ten stations. The company advised that a total of 15 sewer pumps were completely rehabilitated and eight were partially rehabilitated. It was advised that the main reason for the ten stations being out of operation was due to sewer pumps being clogged because of abuse of the system by the general public. It was noted that a new project was scheduled to come on stream in 2011 which would be geared mainly to replace the force and riser mains. This project duration was anticipated to be for five years. As a result of this exchange the Commission issued a press release to the public informing them of the remedial works of the company and appealing to the public to desist from the dumping of materials in manholes and gullies and to ensure that manholes on consumers' premises are properly covered to prevent material such as cloth, plastic and other household waste entering and blocking the sewerage system.

## **ELECTRICITY**

The Commission continued to be plagued by complaints from consumers regarding the electricity sector which is detailed later.

To Guyana Power and Light Inc's credit, the company rolled out its modern Customer Information System which was scheduled to be implemented in the second quarter of

2010. Some of the major benefits to consumers included the immediate allocation of account and the receipt number of a customer applying for electricity service and the immediate allocation of payment against an outstanding balance at any of the GPL's offices. The expectation in this regard is for the company to improve on the timely processing of monthly bills.

It is to be noted that in late 2010, amendments were made to the legal framework as it governed the electricity sector. These amendments included amendments to the Public Utilities Commission Act No. 10 of 1999 (*Act No. 16 of 2010 – Amendment to Sections*), the Electricity Sector Reform Act No. 11 of 1999 (*Act 17 of 2010 – Amendment to Sections*), and GPL's Licence.

Some of the amendments include the requirement for a revised Customer Service Standards with penal sanctions against the company for failure to meet these standards. The Commission in this context would be required to investigate these matters should the utility be in default. It is noted in the amended GPL's Licence that the company's Operating Standards and Performance Targets is to be included in its Development and Expansion Programme. Further, failure to meet these targets may result in the Commission imposing monetary penalties against the public utility. The company in its reporting requirements to the Commission is also required by the licence to submit additional information to the PUC, which include: energy sales; rental of generating sets, system losses per month; monthly outsourcing; power outages; disconnections and reconnections and criminal prosecutions.

A substantial aspect of the amendments to the Electricity Sector Reform Act is devoted to the repeal and re-enactment of Section 60 of the principal legislation, and which provides criminal sanctions against consumers caught stealing electricity.

The amendments to the Public Utilities Commission Act, Act 10 of 1999, dealt with resolution of complaints as they pertain to billing queries, stipulating a time frame for same and the requirement that the Commission makes rules governing the procedure for the determination of consumer's complaints. It is to be noted that penalties in Part XIII in the principal Act were also increased.

Outside of this new legal framework, the Commission noted that the company was carrying out frequency conversion exercises with respect to moving the 50Hz supply frequency to 60Hz and based on concerns raised by consumers, wrote the company requesting that it determines whether there were issues with over recordings by meters in these instances as detailed in the Engineer's Report.

In June 2010, the PUC approved the PUC's Strategic and Annual Plan as prepared by Ms. Janice Brennan. These plans which would have included preparatory work in the second half of 2010, is expected to see a number of initiatives materialize in 2011. The principal aim of the plan was to enhance the Commission's institutional capacity and tools for the regulation of the electricity sector in general. Some of the key deliverables under this plan included the monitoring and enforcement of GPL's performance targets and the company's operating standards. It also included provision for the evaluation of rate related provisions of the power purchase agreements between GPL and independent power producers; regularized hearings on GPL; improvement of the consumer complaint handling process; procedures for hearings; public consultation guidelines; an annual communication plan among other initiatives.

If the Commission finds that the licensee (GPL) has failed to meet its operating standards and or performance targets, it may impose monetary penalties upon the licensee in an amount not exceeding 25% of the total value of dividends payable to the shareholders.

It is to be noted that as part of the Commission's attempt to ensure adherence to the Strategic Plan, a Complaints' Manager (with Public Relations skills) was hired in the Complaints' Section of the PUC in July 2010, with plans to increase the staff compliment to the Department in early 2011.

With respect to orders, Order 1 of 2010 was issued to the company with respect to an outstanding penalty that was issued to GPL in 2002 by the Commission. In brief, on November 12, 2002 the PUC on in its own motion held a public hearing to consider GPL's maintenance of its property and equipment and its impact on consumer services; the losses in the electrical system and the outages and load shedding occurring within the system. The PUC had a very detailed investigation and on the 23<sup>rd</sup> July, 2002 issued an order that within 6 months GPL shall reduce commercial and technical losses combined to 24%; and to pay compensation to all consumers the sum of \$1,368,248,000.00 for loss suffered as result of the utility not providing an efficient service; that the compensation be paid to each consumer for the billing period 1<sup>st</sup> October, 2002 and until the initial amount of \$1,368,284,000.00 be fully discharged. The company had appealed this decision which was pending before the Court for a substantial period.

GPL subsequently in 2010 approached the Commission seeking a review of the order and the Commission entertained this application in the presence of the consumer organizations. After due consideration was given on review, and the fact that the company has foregone increases in the rates for electricity and which approximated to \$20 billion dollars, the order was recalled and discharged.

It was reported in September of 2010 that the company had recently concluded negotiations on the Power Purchase Agreement (PPA) with the Guyana Sugar Corporation for additional generation capacity to GPL's system, and pursuant to their licence they submitted the PPA for the Commission to approve. The Commission had a

number of queries and suggestions which were communicated to GPL. Approval was eventually given to the company in November of 2010 subject to a number of amendments.

In brief, while the Commission continued to function effectively and to discharge its functions under its statutory mandate, it has recognized the need for more of the public to be aware of its work. In this regard, a number of public relations initiatives commenced in the last quarter of 2010 and a large number are planned for the 2011. It is anticipated that in the new legal regime, the Commission will have a greater role to play in the electricity sector. The year 2011 is expected to be a challenging one.

# COMPLAINTS DIVISION REPORT

Raymon Cummings – Complaints Manager

## Overview



The Complaints Division of the Public Utilities Commission continued with its mandate in 2010 to assist in resolving disputes between consumers and the regulated utility companies – namely Guyana Power & Light Inc. (GPL); Guyana Water Inc. (GWI); Guyana Telephone & Telegraph Co. Ltd. (GTT) and U-mobile (Cellular) Inc. trading as Digicel (Guyana).

The Division during the second half of the year commenced the implementation of a Public Relation strategy to improve the visibility of the Commission thereby allowing more persons to access its services.

The strategy saw the recruitment of a Manager of the Division and expanding the role of the Division to include Public Relations.

## Complaints

Three hundred and seventy three complaints were lodged with the Commission against three of the four regulated utility companies during 2010. The complaints lodged were distributed as follows: GPL – 231; GWI – 95; GTT – 47. No complaint was lodged against Digicel (Guyana).

At the end of 2010 one hundred and seventy seven (177) of these complaints were resolved resulting in credits amounting to approximately \$8.4 million being awarded to consumers who were over billed (*GPL - \$7.408 million; GWI - \$1.059 million; GT&T - \$13,086*). One Hundred and ninety six (196) of these complaints were still being actively pursued by the Commission with the various utilities at the end of the year.

## **Guyana Power & Light Inc**

The GPL continued to attract more complaints than the other regulated utilities. The figures show that 122 of the 231 complaints against the GPL related to billing queries. These complaints included debit adjustments placed on consumers accounts following allegations of tampering by the company, to adjustments to bills as a result of prolong periods of estimation and over-estimation due to the company not reading meters regularly and adjustments done after the replacement of defective meters. There were also instances of incorrect readings recorded on the consumers' accounts resulting in them being billed higher than their actual consumption.

Twenty three (23) consumers lodged complaints against the company claiming that they were wrongfully accused of tampering with their service. These accusations resulted from GPL's claim that investigations at the consumers' premises found among other things, the meter disc was illegally adjusted, by-pass placed in the meter and from the service line to the main fuse box.

The way evidence is collected and preserved by the company continues to be an issue of concern. Consumers continue to complain about the manner in which the investigations are conducted and the company sometimes cannot support their allegations with irrefutable evidence. Photographs and videos did not always support the claims made by the company as the findings could have resulted from sources other than tampering.

Other areas of concern were GPL's response to 'technical faults' and 'application for new services'. These attracted 21 and 15 complaints respectively. The concerns arose because of the disruption these issues caused to the lives of citizens while awaiting a response to these complaints.

The year saw the passage of the Electricity Sector Reform (Amendment) Act (No. 17 of 2010) which was assented to by His Excellency President, Bharrat Jagdeo and becomes effective from January 1, 2011. As a result of this new piece of legislation, the company is in the process of formulating a new Customer Service Standard with inputs from the PUC. Among other things, it seeks to set time limits within which the Company would have to respond to issues raised by the consumer and stipulates financial penalties to be

received by the consumer (through credits to their accounts) for the failure of the company to respond in a timely manner to the set standards.

It is envisaged that this new legislation will improve the level of efficiency in the operations of the company as it relates to dealing with consumers' issues.

Several meetings were held between the Commission and the Management of the GPL to discuss and clarify issues affecting consumers. These meetings bore fruit as it assisted in resolving several complaints that were outstanding for periods exceeding 24 months.

The verification of the accuracy of meters installed at the premises of consumers was a query raised by a number of complainants. The Guyana National Bureau of Standards is the authorizing agency, nationally, for verifying the accuracy of measuring instruments. There is however, no formal arrangement for the meters imported or repaired and reused by the company to be tested by that agency. The Company uses its 'bird dog analyzers' to determine the accuracy of its meters and this opens areas for disputes when consumers are found with tampered meters.

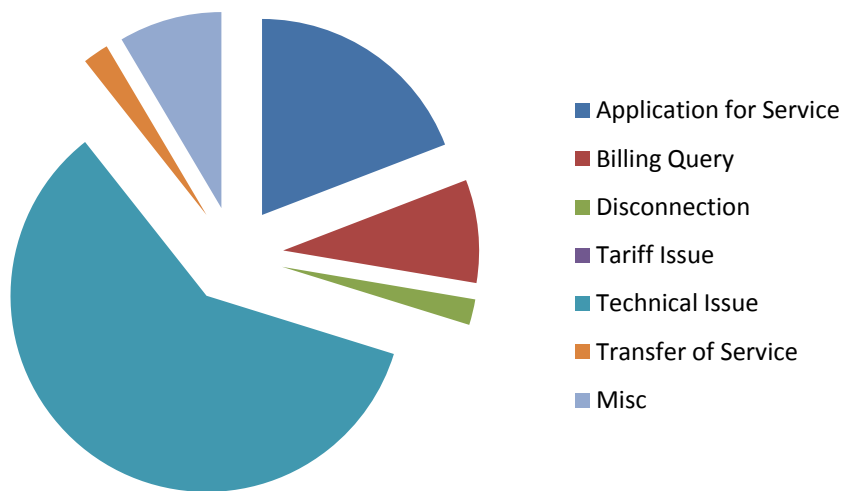
The national certifying body should install seals after verifying the accuracy of the meter and the presence/absence of that seal should be the determining factor when customers are accused of meter tampering. The Government Electrical Inspectorate Unit should also be more visible and active when these allegations are levelled against consumers thereby removing the accusation bias by the company.

<b>Complaint Category</b>	<b>No.</b>
Allegation of Tampering	23
Application for Service	15
Billing Query	122
Change of Tenancy	16
Claim for Compensation	04
Capital Contribution	01



Disconnection	19
Tariff Issue	10
Technical Issue	21
<b>TOTAL</b>	<b>231</b>

### GPL COMPLAINTS RECEIVED FOR 2010



### Guyana Water Inc

A total of ninety five (95) complaints were received against the Guyana Water Inc. during 2010. Forty eight (48) of these were billing queries while twenty six (26) represented technical issues and thirteen (13) wrongful disconnections.

At the end of 2010 forty six (46) of these complaints were being actively pursued by the Commission with the Company. Of this amount 29 were related to billing issues. The complaints received and the responses from GWI seem to indicate that there are serious concerns with the company's billing system.

The issues with the billing system seem to be as a result of the company's inability to read meters installed on consumers' premises and the duplication of consumers'

records on the billing system. This has led to persons being wrongfully disconnected in some instances. The inability of the company to adequately police its service connections and mains, to guard against tampering was also highlighted.

The absence of any formal Customer Service Standard and or policy with regards to dealing with customer complaints resulted in a number of conflicting situations. There appears to be a subjective approach to handling queries as they relate to billing issues. Meetings were held between the management of GWI and the Commission in order to clarify issues and to seek resolution of a number of complaints. These meeting proved to be successful as it gave a clearer understanding of how issues are dealt with by the utility. The need for a more efficient and accurate billing system was brought to the attention of the company as this represented over fifty percent of the complaints received by the PUC.

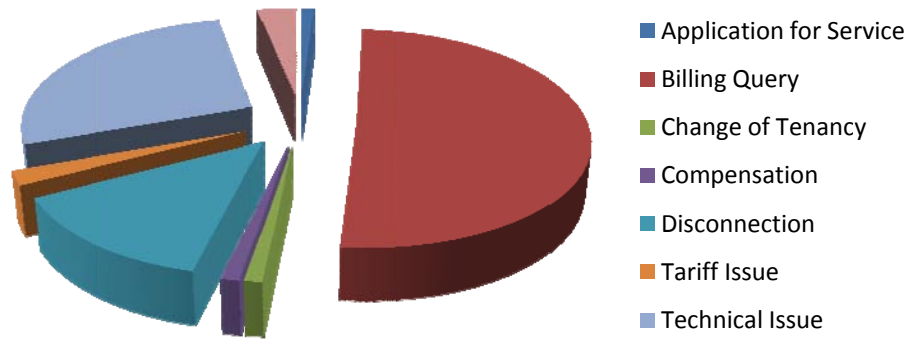
The accuracy of the meters used by the company was also an issue. The company advised that while new meters were installed on service lines there was no independent verification of the accuracy of these meters after importation. Further, the company also repair and reuse meters; these are also not verified for accuracy by the national body that is authorized to carry out that function. It was taken as a given that the meters imported were accurate and repaired meters were tested by a test bench within the company. The meters maybe accurate but it will be in the interest of all concerned to have all meters verified for accuracy by the independent body.

The absence of any formal customer service standard and the inability of the customers to benefit from any form of financial redress (except through the Courts) have contributed to the company's unenthusiastic attitude in dealing with complaints.

<b>Complaint Category</b>	<b>No.</b>
Application for Service	1
Billing Query	48
Change of Tenancy	1
Compensation	1
Disconnection	13
Tariff Issue	2
Technical Issue	26

Misc	3
<b>TOTAL</b>	<b>95</b>

### GWI complaints received for 2010



### Guyana Telephone & Telegraph Co. Ltd

Forty seven (47) complaints were lodged against the Guyana Telephone & Telegraph Company for 2010. Nine (9) of these complaints were still being actively pursued at the end of the year. Twenty eight (28) of these were for the company’s failure to promptly attend to technical issues affecting the service to consumers and nine (9) for failure to provide new service to consumers.

The Commission was advised, following complaints received, that the Fixed Wireless Access (FWA) is “manufacture discontinued” (letter dated February 18, 2011 G. Hitnarine, et al) and as a result it became difficult for the company to access spares. The company resorted to “cannibalizing” from other non functional equipment to effect repairs to those still in use. This resulted in undue delay to consumers still utilizing that service whenever their service developed a fault.

Consumers in the Essequibo Islands also experienced undue delay in having the company respond to fault reports. This, the company claimed was so since it was not feasible to send maintenance crews more than once per month to those areas. This

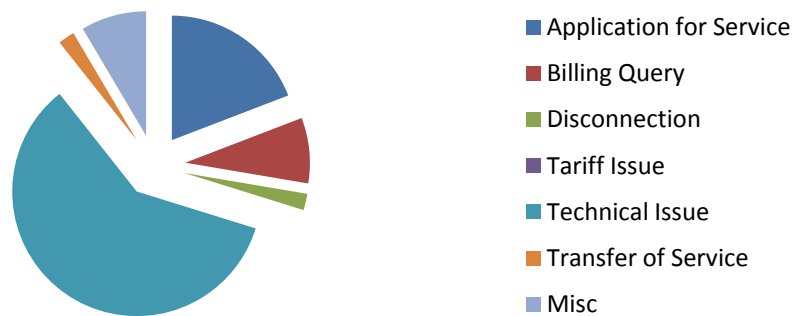
decision by the company has resulted in discomfort and inconvenience to the residents, since it could take up to two months to have service restored.

There were reports of the company's equipment being damaged as a result of vandalism. This affected service to consumers in several areas along the coast and Georgetown. Notices were published in the media and the affected consumers were advised as to the cause of interruption to their service.

Access to GTT's toll free numbers was a matter of concern. Consumers have reported of the inordinate wait when trying to access these services. Of particular concern was access to the fault report and follow up numbers (097 and 0907 respectively). There were also complaints about the inaccessibility of the directory services (092).

A number of complaints were received about the Digital Subscriber Line (DSL) service provided by the company. These complaints were taken and forwarded to the company and matters were dealt with.

Application for Service	9
Billing Query	4
Disconnection	1
Tariff Issue	
Technical Issue	28
Transfer of Service	1
Misc	4



## U-mobile (Cellular) Inc (DIGICEL Guyana)

No complaints were lodged against this company.

The Division received a total of three hundred and seventy three complaints against the various utility providers during the year. As shown below.



## Public Relations/Public Education

The Division continued to fulfill its mandate to make the public more aware of the role and functions of the Commission and make its services more accessible to all Guyanese. To achieve this task an arrangement was made to have the Commission featured once monthly on the National Communications Network (NCN) – Radio and Television.

This commenced in August 2010 and continued monthly – every first Monday at 0700h on the Guyana Today Show (TV) and Lets Gaff at 10 30h every second Thursday on VOG Radio.



In addition, Consumer Awareness and School's Education Programmes were held at the following location: Brickdam Secondary School, St Stanislaus College, Central High School, Guyana Oil Company, Munishwar Shopping Complex, La Penitence Market and the Water Street Vendors Mall. At these sessions handouts were distributed to the public and complaints taken.



Additionally, the Complaints Manager was part of the team from the Public Utilities Commission that represented the Commission at the Organization of Caribbean Utility Regulators held at the Jamaica Grande, Ocho Rios in November 2010. A presentation on Challenges of the Utility Regulator in a developing society (the Guyana Situation) was presented to the conference by the Complaints Manager.

The enactment of the Public Utilities Commission Amendment Act 2010 (No. 16 of 2010) will greatly assist the functioning of the Division in the coming years.

# ENGINEER'S REPORT

Shankar Singh - Engineer



The year 2010 had its share of challenges and achievements. The PUC continues to engage the utilities to address issues which affect consumers and to establish systems in order to ensure that the utilities will deliver the quality of service, which they are required to deliver to customers, as per their respective licences.

## GUYANA POWER & LIGHT INC

Some of our ongoing challenges and achievements experienced with the Guyana Power & Light Inc. are as follows:

### 1. Inadequate Due Dates for Bill Payments

Schedule 15 of the Electricity Sector Reform Act 1999 provides as follows:

*“(4) Except where otherwise expressly agreed between a consumer and a public supplier, every bill shall be payable within twenty-one days of the issue of the bill,*

*...*

*(5) For purposes of these Regulations, a bill shall be deemed to be issued when it is posted.”*

Despite several discussions with GPL on this matter, customers continue to receive bills with a due date of 21 days from the date that the bill **was printed**, instead of 21 days from the date that the bill **was posted**.

#### **An example of how this affects the customer**

A customer living at Supply on the East Bank of Demerara (E.B.D.), would be served by the Post Office in Grove, E.B.D. A bill stamped at Grove Post Office on March 7 may be received by the customer on March 14. On opening the bill, the customer then discovers that the bill is due on March 17, which is 21 days from the printed date on the bill. The customer then has 2 days in order to pay the bill by the due date.

On the other hand, under the Electricity Sector Reform Act 1999, the customer would however, be entitled to a due date of March 28. This results in the customer having a reasonable period of 14 days to pay the bill before it becomes due for payment.

## **2. Frequency Change from 50 Hz to 60 Hz in Some Sections of Georgetown**

In 2010, GPL continued the frequency conversion exercises in Georgetown to change the supply frequency in some sections of Georgetown from 50 Hz to 60 Hz. Concerns were again raised about the measurement accuracy of 50 Hz meters on 60 Hz supply.

In the November 14, 2010 edition of the Kaieteur News, under the headline “**Guyana electricity needs grow 7 MW yearly – GPL**”, Mr. Bharat Dindyal, Chief Executive Officer of GPL, in response to questions on 50 hertz meters said that “... *these would not be affected. As a matter of fact, tests have proven that these particular meters may under-read the consumption. GPL may very well have to replace these meters*”.

In an effort to investigate the effect on the recording accuracy of a meter operating on a frequency different from that on which it was designed to operate, the PUC requested that GPL carry out accuracy verification exercises to determine the following:

- (i) The recording accuracy of three (3) – 50 Hz meters in Georgetown that are operating on 60 Hz.
- (ii) The recording accuracy of three (3) – 60 Hz meters in Georgetown that are operating on 50 Hz.

Unfortunately, to date, GPL has not responded to the request despite several reminders.

## **3. Credits to GPL Consumers for Matters that Actively Involved the Engineering Section of the PUC.**

As a result of investigations and analyses by the Engineering Section on some of the PUC/GPL complaints in 2010, a number of customers received credits to their accounts at a total of \$7,482,361.

## **GUYANA WATER INC**

### **Monitoring Water Quality Standards**

The PUC now has a system in place to monitor the Water Quality Standards of GWI. The system was implemented in the last quarter of 2010. Quarterly submissions of bacteriological and water quality results will enable the PUC to monitor the Water Quality Standards of GWI as per the *Licence to Supply Water and Sewerage Services and Advisory Services for Public Purposes*.



## Participation in International Regulatory Events

### Introductory Workshop for Energy Regulators – Promoting Renewable Energy Development.

On August 24 – 25, the PUC participated in an introductory workshop for energy regulators on Promoting Renewable Energy Development. The workshop, which took place in San Jose, Costa Rica was organised by the National Association of Regulatory Utility Commissioners (NARUC), co-hosted by *Autoridad Reguladora de los Servicios Públicos* (ARESEP) and *Asociación Coordinadora de Entidades Reguladoras de Energía Eléctrica de América Central* (ACERCA), and sponsored by the United States Agency for International Development (USAID).



The Workshop introduced the International Renewable Energy Handbook, developed by NARUC with support from USAID. This is a Handbook for regulators with contributions from regulators in Africa, Central America, Eurasia, Asia and the Middle East. It was prepared to assist energy regulators in implementing renewable energy policies and facilitating the successful development of renewable energy projects.

In Guyana, electricity generation from renewable energy sources is expected to be realized from the use of bagasse in the sugar industry and hydro. Electricity generation from renewable energy sources is supported by provisions in GPL's *Licence to Supply Electricity for Public Purposes*.

### GPL's Licence - 1999

#### 15. Generation of Electricity

“(e) The Licencee shall enter into power purchase agreements with independent power producers licensed under the Act, including the Guyana Sugar Corporation, for additions of generation capacity to the system, **provided that such independent power producers generate electricity from alternative forms of energy using renewable resources** and provided that such power purchase agreements:

- (i) are on terms and conditions that are acceptable to the Licencee and that are approved by the Commission, and once approved the payments thereunder shall be allowed for inclusion in the Licencee’s operating expenses for the whole of the term of the power purchase agreement in accordance with the First Schedule to this Licence;”

The Handbook for Encouraging Renewable Energy Development is also available on the PUC’s website ([www.puc.org.gy](http://www.puc.org.gy)).

### **Participation at 8<sup>th</sup> Annual Organization of Caribbean Utility Regulators (OOCUR)**

The PUC participated at the 8<sup>th</sup> Annual OOCUR Conference, under the theme *Regulation, Convergence and the Competitive Environment*, on November 3 - 5, 2010 in Ocho Rios, Jamaica.

In the Opening Remarks, our Chairman – Justice Prem Persaud, in his capacity as Secretary General (ag) of OOCUR, welcomed the participants with his “Welcome Remarks”.

The presentations from the PUC were:

1. *Convergence and ICT: A Regulatory Perspective* - by Mr. Orin Edghill, Accountant and IT Officer.
2. *Advancing the Precautionary Principle: Should Utility Regulation consider Ecological and Health Impacts beyond Water?* - by Mr. John C. Caesar, Commissioner & Senior Lecturer - Department of Biology, Faculty of Natural Sciences, University of Guyana.
3. *Non-Revenue Water Management* – by Shankar Singh, Engineer.
4. *Challenges of the Utility Regulator in a Developing Society –The Guyana Situation* – by Mr. Raymon Cummings, Complaints Manager.



The research done for the presentation on Non-Revenue Water (NRW) Management has contributed in laying the foundation for monitoring GWI’s licensed Non-Revenue Water Target of 25%.

There was collaboration between Guyana Water Inc and Belize Water Services for managing NRW with the use of the *Water Balance* recommended by the International Water Association (IWA) and American Water Works Association (AWWA) for computing non-revenue water.

# FINANCE DIVISION REPORT

Mr. Moorsalene Sankar – Financial Analyst

## GUYANA WATER INC (GWI)



Key issues that concern the PUC in the water and sanitation sector are poor service quality, an inadequate cost recovery due to an inadequate tariff structure, high non-revenue water, and the slow pace of metering consumers. The turnaround plan crafted in 2008 and which was intended to reduce the level of non-revenue water and financially consolidate the utility seems to have had only minimal success. On a more positive note some un-served areas are beginning to receive potable water due to ongoing capital investments both by the Government of Guyana and the International Donor Agencies.

For 2010 a capital budget of \$2.480 billion was approved by the Ministry of Finance and this was further supplemented by an additional \$664 million from other sources. For the financial year \$3.114 billion was spent on the capital infrastructure works of GWI. For the year in review the company:

- Commissioned water treatment plants at Central Ruimveldt, Lima, Vergenodgen, Cotton Tree and Queenstown.
- Fifteen sewer pumping stations in the city were upgraded and made operable. This will go a far way in relieving the pressure on the sewer system.
- A number of boreholes were commissioned during the year and a number of other boreholes remain as work-in-progress to be completed during the course of 2011.

- A number of transmission systems are currently under construction which when completed may allow for a more equitable distribution of water from its distribution points.

During the year under review the Government made an additional \$60 million available for Hinterland water projects which were fully spent within the stipulated time frame and with most of the capital works completed.

GWI estimates that a total of 120,000 (one hundred and twenty thousand) consumers either received potable water for the first time from new service connections or benefitted from an improved water supply. To the credit of the company they successfully completed almost 100% of their capital works and in this segment of operation performed at a high level of efficiency.

#### **Consumer Debtors:**

Although the collections to billed sales have improved in 2010 when compared to the previous year it is still not at the level that would suggest efficiency and timely collections. The company receivables continue to grow exponentially and at the end of 2010 stood at approximately \$7,123 billion. This represents a credit period given of approximately twenty months. This is unacceptable. What is disturbing about the receivables is that approximately 78% of the debtors are aged one year and over suggesting that many of the debts may have been outstanding for a number of years. GWI has within the recent past made several attempts to collect its outstanding receivables but has never been able to reduce those consumer debts that are aged one year and over. Currently the average debt per consumer stands at approximately \$41,900, a figure that on the surface does not appear realistic. GWI needs to seriously review its receivable ledger area by area and make a determination on what debts are collectible and then make a decision about what to do with the remaining debts that may be deemed uncollectible. Granted, an exercise

of this nature may take a year or more, but it should nevertheless be done so that GWI can at some time in the not too distant future has a consumer debtors' ledger that is credible.

GWI should aim at a 95% - 98% collection rate. In 2010 GWI billed \$4.171 billion in sales and other services but collected only \$ \$2.841 billion from these services. If GWI's collection rate remains at this approximate level over the years then it will be adding significantly to its receivables. Another disturbing feature about GWI's billings and collections is the unacceptable level of its provision for bad debts and bad debts written off. In 2009 the net write offs totaled \$1.676 billion and in 2010 there is a provision for bad debts in the unaudited financial statement for \$957 million.

**Billings:**

The Commission is of the opinion that GWI has a problem with its metered consumers with respect to estimated billings. The problem may be due to a lack of consumer history which may not have been migrated to the new consumer information system that became operative in the recent past with the result that the operating program was unable to use this historic information to give a credible estimate. This has led to consumers receiving bills that in some instances were many times over their actual consumption usage. This situation leads to over billing and inflated sales that distort the financial reporting and by extension the audited financial statement. It is not unusual for the current year audited financial statement to be restated because the sales revenue of the previous year was incorrectly stated. The Commission notes that for the year 2010 almost \$1 billion was provided for as bad debts. This expense was charged to the profit and loss account in 2010. The Commission believes that this accounting treatment may be incorrect. If the bad debts in question relate to a previous year it should be treated as a prior year adjustment and not expensed out in the current financial year.

**Hours Lost:**

The Commission notes the downtime of 25,000 operating hours suffered by GWI during the current year and that over 70% of this downtime was caused by the GPL's inability to supply a reliable and stable power to the utility. This has been a perennial problem and one over which GWI claims it has no control. This downtime impacts adversely on the quality of service to consumers. The Commission notes GWI's efforts to minimize this impact of downtime. During the year GWI acquired new mobile power units which were deployed in Divisions two and three and has taken a decision to acquire additional mobile power units for Divisions four and five. GWI has also commenced civil works for installation of power generation that will be used as stand-by power for Central Georgetown and for Sophia Water Treatment plant in the event of a power failure by GPL. These power stations are expected to be commissioned in the first quarter of 2011. The Commission commends GWI in this initiative and its efforts to improve the quality of service to the consumers.

When all is said and done GWI ought not to blame any other agency, to wit, GPL. It has an obligation which it undertakes to provide potable water to consumers and it has to make every effort to do so.

**Manpower Resources:**

During the year GWI had reviewed its existing structure and based on that review has determined that the optimal manpower requirements that is needed to carry out an efficient operations is 679 (six hundred and seventy nine) persons. Currently GWI's staff structure is about 600 persons. The Commission understands that GWI's board is yet to approve this structure. It is to be hoped that if this new structure is approved GWI's efficiency and quality of service to the consumers may also be improved.

### **Non-Revenue Water (NRW) and Metering:**

The two will be discussed under the same caption because non-revenue water is inextricably linked to metering. Non-revenue water is defined as water produced by the company for which no revenue will be received. NRW is water that has been produced and is lost before it reaches the consumer. Losses can be real through leaks, sometimes referred to as physical losses or apparent losses through theft or metering inaccuracies. GWI is unable to measure definitively its NRW but it is generally thought to be in excess of 50% of dispatched water by the utility from its production points to its customers. In the turnaround plan of 2008-2010 GWI had targeted reducing non-revenue by 5% for each of the three years. Unfortunately this does not appear to have materialized.

It is rather subjective to give a figure on the savings or increase in sales that will accrue to GWI for the first 5% reduction on non revenue water. Various financial models suggest varying figures at this initial stage but all fall within the range of \$300 - \$450 million. The Commission had pointed out in its last report that one of GWI's problems in coming to terms with this perennial problem is a lack of finances and by extension GWI may need a tariff adjustment or a loan to fix the NRW problem.

At the end of 2010 GWI had approximately 110,000 unmetered consumers on its database. These unmetered consumers may be one of the causes for the high NRW. The example below illustrates the point:

Supposing that each unmetered consumer utilizes 10 cubic meters of water per month more than they are actually billed for, then in one year this will translate to 1,100,000 cubic meters of NRW used by the unmetered consumers. If this is a weighted average sale of \$100 per cubic meter this translates to a substantial loss to GWI.



The further advantages of having consumers metered are:

- That it will enable GWI to better measure its NRW since it will know both its metered sales and by extension its NRW.

**GWI's Production:**

GWI's water production for 2010 was approximately 111 million cubic meters of water. In 2009 production was approximately 104 million cubic meters of water. To its credit, the company is able to definitively determine:

- Production and distribution for each of its five divisions.
- Billings from each of its Divisions and
- Global collections

The Commission had done an analysis on production, billings and collection on each of GWI's Divisions from the information supplied by GWI through its monthly management reports. Our findings give cause for disquiet. The Commission found that in some regions collections were so low that it appears doubtful that the utility was able to recover its energy costs for water pumped into those areas from these collections. This should be a cause for concern to the management of the company and the operations and supply of water in these areas need to be reviewed. The Commission is of the opinion that GWI needs to seriously investigate and determine why collections are at an unacceptable level and what needs to be done to improve collections.

**Financial Reporting:**

Based on GWI's unaudited financial statement a loss of \$2.6 billion is projected at the end of the financial year at 31<sup>st</sup> December 2010. The anticipated budgeted loss was set at \$644 million at 2010. The reason for this large projected loss is as a result of a shortfall of the budgeted revenue of \$1.75 billion and an adverse expenditure operation

of a \$138 million. Included in the expenditure is a provision for bad debts of approximately \$1 billion. This was commented on earlier in the report.

**Conclusion:**

With an annual production of 100 million cubic meters of water and with a weighted average selling price of \$90-\$100 per cubic meter of water theoretically the company has the potential of earning \$9 billion annually. The fact that sales for 2010 are just under \$4 billion suggests the extent of NRW. It is imperative therefore that the stakeholders get their act together and invest in a meaningful way to have the problem of NRW and metering resolved.

Something also needs to be said about the sale of private vendor's water which appears to be growing rapidly. This scenario arose because of a perception by consumers that the water produced by GWI is not potable. The Commission has been unable to determine the global sale of vendor's water to consumers but it is possible that it may be as high as GWI's annual sales. This together with the high subsidies that GWI receive from the Government, means that that the final cost of a cubic meter of water is much higher than what is generally paid by the consumers.

**TELECOMMUNICATIONS**

The telecommunications industry continues to be dynamic with customers enjoying a relatively good quality of service at an affordable price. In fact telecommunication rates for landline and cellular remain among the lowest in the Caribbean. However, the fast pace of technological innovations coupled with the myriad ways inbound (calls from a foreign destination to Guyana) and outbound calls (calls from Guyana to a foreign destination) bypass the local international gateway pose a serious financial challenge to the local service providers. If this current trend continues and the projections are that it will it is only a matter of time before GT&T's guaranteed 15% return on capital

dedicated to public use falls below the threshold to which it is entitled and which is set out in its licence.

### **Capital Investment by the Telecommunication Sector:**

Both Digicel and GT&T continue to invest heavily in the telecommunications sector. For the year 2010 the combined investment of both companies was marginally over five billion dollars. These investments augur well for the future of telecommunications in Guyana and will go a far way in improving both the quality of service and reach to consumers nationwide.

In 2010 GT&T launched a high profile submarine cable in collaboration with Telesur of Suriname. The cost of the cable as stated in their financial statement is G\$6.9 billion. GT&T has indicated that the cable would be used for data services only and at some future time be also used for voice transmission. The immediate effect of the cable has been an increase in bandwidth to some internet consumers. Prior to the installation of the submarine cable 256kbps was considered broadband, this has now been upgraded to a 1,mbps. However, although the cable has a capacity to supply services to consumers country wide with 1mbps, only customers in Georgetown and its environs are receiving this upgraded service. It is the intention of GT&T to make available to all of its consumers its new upgraded benchmark of 1mbps. GT&T is optimistic that the launching of the cable will see exponential growth in internet services but this is yet to happen.

### **New Interconnection Agreement:**

On the 13<sup>th</sup> January 2010 the Interconnection Agreement between Cel\*Star/U-Mobile/Digicel and GT&T came to an end by a notice served by Digicel. It is a common practice among service providers in the telecommunication industry to share their telecommunication infrastructure with each other so as to facilitate calls and other services on each other networks. This sharing is to the mutual benefit of the service

providers as it increases revenue and improves the quality of service to the consumers. The service providers charge a fee for the service they provide to their counterparts; these charges have to be approved by the PUC. These charges which are termed wholesale charges are not paid by the consumers but rather it is settled on a monthly basis between the service providers. During the year the Commission held a hearing under section 36 of the PUC Act to agree interconnection and other non-interconnection rates between Digicel and GT&T. Each party made its presentations to the PUC on what in their opinion was an adequate rate for allowing the use of their network to their competitor. Initially neither side could find common ground in deciding on a new rate structure. However the PUC suggested to both parties that they return to the table and mutually agree a common position on rates, failing which the PUC will have no alternative but to impose rates based on the evidence led by the respective companies at the hearing.. On November 19<sup>th</sup> 2010 both parties informed the PUC that they have mutually agreed on interconnection rates. The Commission reviewed and tentatively approved these rates and issued a temporary order No. 3/2010 for four months effective from January 1<sup>st</sup> 2011 to give effect to the new adjusted rates. At the end of this period the Order will be further reviewed by the PUC.

**Landline Services:**

At the end of 2010 GT&T had an active wire line service of 149,057 consumers. At the end of 2009 this figure was 147,042. This reflects a penetration rate of approximately 19% using a population figure of 750,000. For 2010 local global minutes made from the landline was approximately 1.198 billion and this translates to an average approximate usage of 666 minutes per month for each landline customer. In 2009 the global local minutes were approximately 1.171 billion and this translated to 663 minutes per customer per month.

GT&T has been complaining that although it has been investing heavily in the landline segment of its business there has not been commensurate growth to justify further

significant capital expenditure to provide for additional services. Another area of concern for the Commission is the number of retired wire lines that consumers have surrendered over the years. GT&T has posited that when a wire line is retired the infrastructure used in providing that service (providing that service is not given to someone else) falls into disuse resulting in a waste of the company's resources. This does not augur well for the future of landline services in Guyana and it may be that at some point GT&T will be less willing to expand its landline services.

**Cost Allocation Methodology (CAM):**

Over the years the Commission has been urging GT&T to bring on stream a cost allocation methodology so that both GT&T and the Commission will know the profit /loss GT&T make on each of its revenue services. GT&T has over the years been complaining to the PUC that their landline service is loss making, but in the absence of a credible cost analysis which GT&T is unwilling to provide the Commission will be reluctant to initiate a hearing to determine a rate increase for GT&T landline rates. GT&T has indicated that they are in the process of preparing such a methodology and that it may be completed by March 2011. For the cost allocation methodology to become effective it will have to be approved by the Commission. The advantage of the CAM is that it may allow the Commission to get a true picture of GT&T's expenditure and to facilitate the fixing of rates realistically.

**Cellular Usage:**

At the end of 2010 the number of active mobile phones in service was approximately 584,000 Usage of mobile airtime minutes for 2010 was approximately 1.140 billion minutes. Ironically while mobile airtime minutes continue to grow exponentially landline minutes continue to fall. This is so even though landline rates are many times lower than cellular rates. Projections are that at the end of 2011 cellular minutes may exceed landline minutes. This is however, as a result of massive advertising campaigns by the service providers and the incentives offered for the use of the cellular service. Not all

mobile minutes are however paid for, each service provider offers free cellular minutes to their customers as a means of attracting customer loyalty and at the same time maintaining their market share. One important aspect also is that a substantial number of consumers own and operate more than one cell phone. The statistical information provided below gives the penetration rate for mobile and the average monthly usage in minutes of mobile phones:

- Penetration rate of mobile consumers for 2010 is calculated at 72% using a population of 750,000
- Average usage per month in minutes for customer using mobile airtime is 162 minutes.

**Inbound International Traffic Minutes:**

Inbound international traffic minutes that were once the bread and butter of GT&T and a significant net foreign exchange earner for the country are in a state of decline. The table below shows inbound international traffic minutes for the last three years (2008-2010).

2010	2009	2008
97,001,350	131,515,241	160,630,231

It is not unknown however, that GT&T has reduced its international approved rates and apparently joined the band wagon for very cheap rates.

As explained earlier the technological advances in the telecommunication industry have made it easier for individuals to manipulate the system and have overseas calls sent as local calls to Guyana and in the process bypass GT&T's international gateway. The reduction in minutes therefore, is not indicative of a trade off in inbound calls. On the contrary, inbound calls may be at the same level as it was in earlier years or it may even be higher. This is the perception of GT&T. The reason why consumers find the use of

these new technologies attractive is because these calls can be made at a fraction of what the international service carriers' charge for calls to similar destinations.

**Outbound International Traffic Minutes:**

Over the years the internet cafes and more recently services such as the internet (Skype and other such structures) have been providing an outbound service at a fraction of what GT&T charges. At the beginning of 2010 GT&T in an effort to challenge the competition has lowered significantly its international rates to most of the popular destinations. Although these reduced rates introduced by GT&T are not as attractive as what currently prevails from the other service providers GT&T has shown some growth in minutes in 2010 when compared to 2009. In 2010 outbound international minutes through GT&T's international gateway were 37.5 million minutes as compared to 30.3 million minutes in 2009. The reason why the cost of GT&T's outbound minutes remains high is because they have to pay the international carriers rates varying from approximately US\$0.19 – US\$0.23, to terminate calls originating on their network to the final destination of the overseas caller. The same does not apply to other service providers.

**Text Messages:**

The Commission notes the popularity of text messaging and the changing culture in the way the telecommunication industry is developing. In 2010 the number of text messages recorded by the two service providers was approximately 112 million messages.

**Turnover of the Telecommunication Industry:**

Revenue growth in the telecommunication industry continues to be impressive and seems set to grow exponentially in the years ahead. The combined sales of the two service providers totaled approximately \$26 billion in 2010. Neither the Commission nor the service providers has an estimate of the turnover of the non regulated operators

within the telecommunication industry but it is generally thought to be significant. When these are combined together with the sale of cell phones and other ancillary items the market value of the industry could be well in excess of \$30 billion annually.

## **GUYANA POWER AND LIGHT INC (GPL)**

### **System Losses:**

This continues to be bane of the company's financial problems and despite rigorous efforts by successive management teams to reduce system losses success has only been moderate. System losses for 2010 are calculated at 31.5% of gross generation. GPL has estimated technical losses at 14% and commercial losses at 17.5% system losses continue to be at an unacceptable level. An analysis of why the system losses have been perennial may suggest a culture not consistent with honesty among the populace and the disposable income of the working class. Their disposable income relative to the cost of electricity remains low. GPL has valued its commercial losses at approximately \$6.8 billion and its technical losses at \$5.447 billion although the Commission believes that both these figures may be overstated. GPL values its technical losses as a function of sales while the Commission is of the opinion that technical losses should be valued at cost of production. If the commercial losses were negligible the company would have been able to resolve many of its problems with consumers who would have been enjoying a better quality of service and maybe a reduced tariff as well.

Prepaid meters that were introduced in 2009 are seen as a way of stemming commercial theft. It is the intention of GPL to replace overtime all post-paid meters with prepaid meters. GPL has commenced an aggressive advertising campaign to influence customers to change over to the new prepaid service voluntary as it is a win-win situation for both the consumer and the service provider.



The Commission has requested information on the number of prepaid meters in the system, the collective consumption from these meters at the end of December 2010 and the impact, if any, on commercial losses. We are awaiting their answers.

**Technical Losses:**

GPL had anticipated the early release of funds in 2010 from a loan that the Government of Guyana had negotiated through the EXIM Bank of China to the value of approximately US \$40 million. In its Development and Expansion Plan GPL had projected significant upgrades to its transmission network system in 2010. Unfortunately, the release of funds from the EXIM bank did not materialize within the time frame anticipated by GPL and it is expected that the release of these funds will flow smoothly in 2011 allowing the company to carry out its capital works that it has earmarked in 2010. Once these works are completed it is expected that GPL's technical losses will be reduced and customers will begin receiving an improved quality of service from GPL

**Connections/Reconnections:**

A cause of concern to the Commission is the disparity between the number of customers disconnected and the number of consumers reconnected. For the year under review the number of recorded disconnections made by GPL was 25,683 and the number of reconnections was 12,740. This trend also extended to recent years. The Commission's concern is whether those persons who have not been recorded as reconnected have illegally reconnected themselves or whether they have exited the system because they can no longer afford the service. The Commission would however like to impress on GPL that they monitor carefully connections and reconnections so as to ensure that illegal reconnections are kept at a minimum. This may be one of the ways in reducing system losses.

### **GPL's Five-Year Plan 2010 – 2014**

In its five-year plan 2010 – 2014 GPL had budgeted to spend US\$83.325 million on capital projects. In 2010 GPL had budgeted capital expenditures in the amount of US\$40.75 million or G\$8.358 billion. Most of this money was intended to be spent on upgrades to the transmission lines, substations and technical loss reduction. The funding for these expenditures is financed through a loan from the EXIM Bank of China. Although the loan has been approved the timing of the disbursements was not in sync with GPL's expectation. In the circumstances most of the capital works could not have started within GPL's anticipated time line. It is anticipated that these works will now roll over into 2011 and hopefully will be completed in the 2011 financial year.

In the Development and Expansion programme GPL had committed to a number of capital projects. The Commission had requested a report on the status of the works completed and remained to be completed in 2010. GPL has not yet responded.

### **New Services:**

GPL had anticipated that in its 2010 D&E plan there would be approximately 6,200 new services. (That is new customers coming on the grid for the first time) For the year under review GPL installed 5,509 new services and a total of 12,078 accounts were removed from the consumer data base.

### **Unaudited Financial Statement 2010:**

In its five-year rolling D&E plan GPL had projected a turnover of \$26.2 billion on the dispatch generation of 579,513 mega watt hours. It also projected global operating expenses at \$23.836 billion and a profit after taxation of \$2.738 billion.

For the reporting year the company's sales and generation dispatched remain close to budgeted projections. Profit after taxation of approximately one billion dollars is however way below budgeted projections. The main reason for the non-realization of

the projected profits was because the procurement cost of fuel had risen significantly over and above GPL's projections and at the end of December the adverse procurement cost of fuel stood at \$1.4 billion. Fuel represents more than 50% of GPL's operational cost which is sensitive to movement in fuel prices. There is provision in the license for GPL to apply a fuel surcharge once oil prices vary by a certain percentage point in any quarter. However it has been a policy of GPL not to apply this surcharge on consumers preferring instead to absorb the additional fuel cost and have the resultant shortfall in profits transferred to the revenue foregone account.

The revenue foregone account is a memorandum debtors account and represents the global amount GPL consumers owe to the company as a result of GPL not increasing its tariffs to bring its rate of return in line to the approved 8% return on capital to which it is legally entitled. At the end of 2010 the foregone revenue account stands at over \$10 billion. In the event that GPL earnings is greater than the 8% threshold GPL may recoup from the revenue foregone account the difference between the actual profits it is entitled to and the actual profit earned.

Oil prices in the latter half of 2010 increased steeply and this looks set to continue into 2011. All that can be hoped for is that these recent increases would be short lived and prices will revert to mid-2010 levels in the not too distant future.

**Changes to Operating Standards and Performance Target:**

On the 4<sup>th</sup> October, 2010 the Prime Minister, the subject Minister for the Electricity Sector signed into law the Revised Operating Standards and Performance Targets (OSPT) for the GPL.

This new OSPT is aimed at improving customer services and to hold the company accountable for non-performance. Breaches will find expression in monetary penalties

the company will have to pay to consumers for failing to achieve the performance standards.

GPL is now be required to submit to the Commission annually a fifteen-year rolling D&E Plan in addition to a one year D&E plan, and a rolling five-year D&E plan.

Beginning in 2012 GPL will be required to make three presentations to the public each year. The purpose of these presentations is to provide information on its (a) current development and expansion programme,(b) it operational and financial performance,(c) its loss reduction efforts, (d) its consumer complaints programme, and (e) any other matter of the public interest. The time line for each of these presentations is April 30<sup>th</sup>, July 31<sup>st</sup> and November 30<sup>th</sup>. The April presentation must include a report on the previous year audited financial statement. The July 31<sup>st</sup> presentation must include a second quarter and midyear report while the November 30<sup>th</sup> presentation must include the performance of the third quarter. The company will also be required to maintain a unified system of its accounts including categories of administrative cost, building, customer relations and generation and shall submit a detailed report to the Commission based on such unified system of account by April 30th each year.

#### **Operating Standards and Performance Targets (OSPT)**

OSPT sets monetary penalties for GPL if they fail to achieve their projected financial results to which they have committed under section 25 (2) of the PUC Act. If the Commission finds that the company under performed and this performance was as a result of negligence or any other cause not consistent with accepted management practices by the company, the Commission has the authority to levy a fine not exceeding 25% of the total value of the dividends payable to GPL's shareholders for such calendar year in accordance with its license and applicable law.

**Conclusion:**

GPL stands at the cross roads. If they are successful in the installation of prepaid meters nationwide there is every likelihood that commercial losses will fall dramatically. Now that the finances for the upgrade of the transmission have been secured the technical losses will also fall once the programme is completed. The only reservation that the Division has is whether the components used in the upgrades are of an acceptable quality. These programs once completed should translate in the savings of billions of dollars and would give the company the option to re-plan strategies.