ORDER NO 1/ 2013

BEFORE THE PUBLIC UTILITIES COMMISSION

In the matter of the Public Utilities Commission Act No. 10 of 1999 and in the matter of the Guyana Power and Light Inc's Licence (Amended October4, 2010)

-and-

In the matter of the Public Utilities Commission reviewing the Guyana Power and Light Inc. (GPL) Operating Standards and Performance Targets for 2012.

Justice Prem Persaud, CCH	-	Chairman
Mr. Badrie Persaud	-	Commissioner
Mr. Maurice Solomon	-	Commissioner

Representatives of the Public Utilities Commission

Mr. Vidiahar Persaud	-	Secretary/Legal Officer
Mr. Moorsalene Sankar	-	Financial Analyst 1

Representatives of the Guyana Power and Light Inc.:

Mr. Winston Brassington	-	Chairman
Mr. Bharat Dindyal	-	Chief Executive Officer
Mr. Ash Deonarine	-	Deputy Chief Executive Officer
Mr. Renford Homer	-	Director of Commercial Services
Mr. Kumar Sharma	-	Director of Loss Reduction
Mr. Elwyn Marshall	-	Divisional Director of Operations
Mr. Timothy Jonas	-	Attorney-at-Law

Representatives of the Consumers' Associations:

Mr. Patrick Dyal	-	President –Guyana Consumers Association
Ms. Hazel Austin	-	Secretary – Consumers Movement of Guyana

The Licence granted to the Guyana Power and Light Inc. (GPL) was amended on October 4th, 2010.

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

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

1. Customer Interruptions
2. Voltage Regulation

3. Meter Reading
4. Issuing of Bills
5. Accounts Payable
6. Accounts Receivable
7. System Losses and
8. Average Availability

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

If the Commission finds that the Licencee has failed to meet its Operating Standards and/or Performance Targets as provided for in subparagraph (A), it may impose monetary penalties on the company in an amount not to exceed **25%** of the total value of the dividends payable to the company's shareholder(s) for such calendar year in accordance with the Licencee and applicable law.

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

On the 22nd of March 2013 the Commission held a public hearing at the Tower Hotel, Georgetown, the object of which was to afford GPL an opportunity to inform the public whether the operating standards for 2012 were met and if not, why.

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

GPL's Performances and Explanations for Failing to Achieve a Number of Operating Standards:

1. Customer Interruptions:

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

The intent of this standard is to limit the average number of outages a consumer would have received during the year to no more than 120.

The annual average number of outages a consumer experienced in 2012 was 180. The standard was therefore not met.

GPL explained that that three feeder lines which supply power to the secondary lines and which power a significant number of consumers failed with a greater degree of frequency than was originally anticipated. The company posited that when the current upgrades to the transmission system are completed the number of secondary lines would be increased allowing for fewer consumers per line. This would result in a reduction of outages a customer will receive when the upgrades are completed.

(b) System Average Interruption Duration Index (SAIDI):

The intent of this standard is to limit the average duration of outages a consumer would experience during the year to no more than 180 hours.

The average annual duration of down time a consumer experienced during the year was 180 hours. The target was therefore met.

2. Voltage Regulations:

Part 1 of the standard states:

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

GPL has maintained that it would be difficult to monitor the voltage supplied to each customer and had suggested that as an alternative the company would report on the number of voltage complaints and the time taken to have them resolved. Since it appears that this standard was not measured no report was made at the hearing. **We expect that in future GPL will measure the standard and report to the Commission**.

Part 2 of the standard states:

“GPL shall complete 100% of customer voltage complaints due to network reconfigurations, vegetation upgrade of lines, additional transformer, etc. in no more than 60 days”. GPL has reported that for the year there were 1,489 job contracts and that 1,453 were completed within the stipulated time frame of 60 days. The standard was marginally not met.

3. <u>Meter Reading:</u>

The purpose of this standard is aimed at reducing the number of annual estimated billings based on actual meter readings. For 2012 GPL was required to read annually 97% of maximum demand consumers and 90% of non-maximum demand consumers.

Neither standard was achieved. With respect to non-maximum demand consumers GPL produced 85% of the bills based on actual readings; and with respect to maximum demand bills, 95% were produced based on actual meter readings.

GPL’s explanations in not meeting the operating standards with respect to non-maximum demand consumers are:

- Consumers not being at home when meter readers visited to read meters – GPL noted that 90% of the meters not read were due to meter readers having no access to the homes of these consumers.
- Hostile consumers that refuse to cooperate with GPL’s personnel.
- Locked gates and canines that kept meter readers at bay.

With respect to the Maximum Demand Consumers GPL explained that the major reason for its failure was inaccurate readings registered from the ITRON meters. Meter readers should be advised that they should be more vigilant in the recording of information from the ITRON meters.

4. <u>Issuing of Bills:</u>

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

GPL had issued Maximum Demand bills within the 7 days times frame and bettered the standard by issuing non-maximum bills within 8 days of reading.

The Commission notes that the question of issuing of bills has created problems for consumers because of the uncertainty of term “issuing”. Does it mean when the bill was generated in the office of GPL or does it mean when the bill was sent out to consumers? It is an admitted fact that bills are sent in bulk to the Guyana Post Office Corporation (GPOC) for distribution to consumers. If “issuing” means distributing by the post office then the seven or ten days allowed must be counted from the date the GPOC starts its delivery. The GPOC is an agent for GPL and its performance binds the utility company.

5. <u>Accounts Payable:</u>

This standard commits GPL to settle in full with its creditors within 30 days.

GPL reported that it took on average 33 (thirty - three) days to settle with its creditors. GPL did not offer any explanations why the standard was not met.

6. <u>Accounts Receivable:</u>

This standard commits GPL to collect in full its consumer debtors within a period of 50 days.

GPL reported that it took on average 34 days to collect from its consumer debtors. This standard was therefore met.

7. **System Losses:**

System losses at December 2012 were set at 28.65% of dispatched power. Losses at the end of 2012 were calculated at 32%. The standard was therefore not met.

GPL explained that:

- In spite of the company's best efforts, reduction in consumer theft remained elusive. Further the external environment remains hostile and perceived corruption within the company does not help the situation.
- Significant investments which the company lack would be required to reduce technical losses.

8. **Average Availability:**

GPL reported that the average availability for 2012 was 75%.

The standard was therefore met.

PUC's Review of Standards not Achieved:

1. **Customer Interruption:**

While the ideal situation is to have no power outages, the inconveniences experienced by consumers as a result of additional power outages would have been countered by GPL achieving the SAIDI index that limited power outages to no more than 180 hours for 2012.

2. **Voltage Regulation:**

Because of the failure of GPL to ascertain the quality of voltage supplied to consumers during 2012, the PUC would be unable to make any assessment on the impact, if any, that irregular voltage supplied to consumers may have had on them during the year.

While the PUC recognises GPL's difficulties in measuring this standard there needs to be selective random testing that would allow for a determination of the quality of voltage supplied to consumers.

The standard also requires GPL to complete 100% of customer's voltage complaints within 60 days and this standard was largely achieved. However sixty days give the company enough time to execute works of this nature and the company's failure to achieve 100% is disappointing.

3. **Meter Reading:**

(a) Non Maximum Demand Consumers:

In reviewing the standard set for the meter reading of non maximum demand consumers the Commission found the company's performance to be satisfactory, and noted the reasons for the company not attaining the standard as acceptable. The Commission is of the opinion that the impact, if any, on consumers and on the company, as a result of not attaining the operating standard to be negligible. GPL indicated that because its meter reading is not state of the art it would be unable to achieve the target set in the OSPT.

(b) Maximum Demand Consumers:

The company's failure to meet the standard and the reasons given for the failure were noted. While the impact, if any, on the consumers and on the company is likely to be negligible, GPL needs to improve on its performance in order to achieve its 2013 target.

5. **<u>Accounts Payable:</u>**

As noted the standard was not met. Since no explanation was offered for this failure it did not give the Commission an opportunity to assess the prudence that GPL exercises over its financial expenditure.

7. **<u>System Losses:</u>**

GPL has not reduced system losses to the planned level as set out in the operating standards for 2012. The reduction of GPL's system losses requires significant cash inflows; cash that the company simply does not have. It should be noted that the standard is set based on the assumption that the previous year's target was met and that the reduction of system losses in the current year would also be achieved. If the target was not met in the previous year as was the case in 2011, GPL would be required in 2012 to double up; that is to achieve the targeted reduction in the current year and to make good the default in the previous year. Consistent failures in not meeting the standard will widen the gap between the standard and the actual in the ensuing years.

The Commission notes that system losses cost the company over eight billion dollars in 2012 and this level of losses looks set to continue into 2013 and beyond. The losses are collectively borne by the company and the Government. Rather than financing the losses as is the common practice it makes sense to identify the components of the system losses and make the investment in reducing either singularly or in total each of the loss components. At some point this would have to be done and the sooner a start is made the better for all concerned.

The Commission finds the increase in systems losses and the significant monetary cost that attends it to be unacceptable. The Commission although sympathetic to GPL, was unimpressed with the company's explanations in justifying the reasons for its failure. A new approach is required; the only sensible approach is to acquire the resources to begin to reduce the losses and which by extension will increase the cash flows to the company. Each of the components that make up the system losses should be examined to determine the investment needed and the payback period that attends each investment.

Decision:

The Commission will not seek to impose a fine on the company's 2012 OSPT. However the company should be warned that unless there are positive steps going forward to reduce system losses the Commission would have no alternative but to censure the company and refer the matter to a public hearing.

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Prem Persaud C.C.H. - Chairman

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Badrie Persaud - Commissioner

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Maurice Solomon - Commissioner

Dated this April 30th 2013