

PUBLIC UTILITIES COMMISSION

In the matter of the Public Utilities Commission reviewing the Guyana Power and Light Inc. (GPL) Operating Standards and Performance Targets for 2015.

ORDER NO 1/ 2016

Representatives of the Public Utilities Commission:

Justice Prem Persaud, CCH	Chairman
Mr. Badrie Persaud	Commissioner
Mr. Maurice Solomon	Commissioner
Mr. Rajendra Bisessar	Commissioner
Ms. Dela Britton	Commissioner
Mr. Vidiayar Persaud	Secretary/Legal Officer
Mr. Moorsalene Sankar	Financial Analyst 1

Representatives of the Guyana Power and Light Inc.:

Mr. Renford Homer	Deputy Chief Executive Officer - Administration
Mr. Elwyn Marshall	Deputy Chief Executive Officer - Technical
Mr. Balgobin Persaud	Divisional Director - Human Resources
Mr. Loris Nathoo	Divisional Director – Finance
Mr. Parsram Persaud	Divisional Director – Loss Reduction

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

The Operating Standards and Performance Targets which is 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 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 on the Company.

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

In determining the amount of any 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 and the impact of any such failure(s) upon the Licencee's Customers.

On March 30th 2016 the Commission held a public hearing at Cara Lodge, Quamina Street, Georgetown. The object of the hearing was to afford GPL an opportunity to inform whether the standards for 2015 were achieved and if not, why not.

If the Commission, in reviewing the standards finds that GPL has not achieved them, it will take into consideration the reasons that contributed to the failures and the impact, if any, on the consumers and on the company.

We herein set out what are the standards and targets with explanations for the Standards achieved and not achieved.

1. CUSTOMER INTERRUPTIONS.

(a) System Average Interruption Frequency Index (SAIFI)

The intent of this standard is to limit the average number of outages a consumer should have received during the year to no more than 85.

The average number of outages experienced in 2015 was 99. The standard was not met. The explanations offered by GPL for this failure are:

- Trips on transmission lines that caused a number of outages.
- Feeder trips - GPL explained that should the protective device detect a fault in the transmission network it would trip the system. The standard practice is to wait for ten minutes and if there is no report of a fault, the system would be re-energized. These transient trips increased the number of outages albeit for short periods.
- Generation shortfalls in the Berbice area further contributed to the target not being met.
- Vegetation growth that at times becomes entangled in the transmission system was a factor that increased the number of outages.

(b) System Average Interruption Duration Index (SAIDI)

Here the Standard is to limit the average duration of outages that a consumer should have received during the year to no more than 95 hours. The average duration experienced during the year was 96.5 hours. The target was marginally not met.

2. VOLTAGE REGULATIONS:

(a) Part 1 of the Standard provides that:

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

The Company has maintained that it was difficult to monitor the voltage supplied to each customer. This standard as in previous years was not measured.

It appears that this standard when established was not properly thought through. To commit the company to provide a voltage of $\pm 5\%$ of nominal value implies that the integrity of the transmission and distribution system was of uniform quality throughout the serving area and that the system was capable of delivering the standard. This was definitely not the case.

We do not believe it was the intent that GPL would be required to monitor the voltage supplied to each customer. Random sampling done on a scientific basis would be a good indicator of whether the standard was by and large being achieved.

We recommend that the standard be reviewed. GPL should still be required to report on voltage quality, giving their best estimate on the percentage of consumers that are receiving an acceptable quality of service. It should also be required to give a time span where those consumers not receiving an acceptable voltage can expect an improvement in their service.

Part 2 of the Standard requires that GPL completes 100% of customer voltage complaints due to network reconfigurations, vegetation upgrade of lines, additional transformer, etc. in no more than 30 days". GPL has reported that all voltage complaints were completed within the specified time frame. This segment of the standard was met.

3. METER READING:

This Standard is aimed at reducing the number of annual estimated billings based on actual meter readings. For 2015 GPL was required to read 97% of maximum demand consumers and 90% of non-maximum demand consumers.

The standard with respect to both was not achieved. For non-maximum demand consumers, 87 % of the bills were read; and for maximum demand consumers, 92.5 % of the bills were read.

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

- Failure to have access to the premises.
- Changes in personal lifestyles. The proliferation of housing schemes throughout the country coupled with the fact that very often no one is at home during the day in these new schemes makes it difficult to have access the meters.
- Defective meters and inclement weather

The company has indicated that it has introduced a number of measures to overcome these difficulties. However these measures have not proved to be very successful.

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

- Meters were disconnected but had not been removed from the consumer data base and as a result was included in the computation
- Failure by the hand held device to read some of the I TRON meters. Two reasons were advanced. (a) Because of age the contacts on the meters became defective preventing the meter reading device to synchronize with the meter, and (b) There was a perception by the company that some consumers may have tampered with the meters, which made it impossible for the hand held device to retrieve the reading.

(4) ISSUING OF BILLS:

GPL is required to issue maximum demand bills within 7 (seven) days after the reading of the customer's meter and within 10 (ten) days after the reading of non-maximum demand meters. The first was achieved. The second was marginally not met.

GPL had on average issued maximum demand bills within 6 days after the meters were read and non-maximum bills within 11 days after the meter was read.

The company explained that the reason for not meeting the target with respect to non-maximum demand consumers was because of the failure of its bill printer during the months of March and April. Had this not occurred the company would have achieved the Standard.

(5) ACCOUNTS PAYABLE.

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

GPL reported that it took on average 32 (thirty - two) days to settle its indebtedness with its creditors. The standard was therefore not met. The company did not give any reason for its failure to achieve the standard.

(6) ACCOUNTS RECEIVABLE:

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

GPL reported that its average cash collection cycle was 48 days. This standard was therefore not met. It was explained that there are some companies and institutions that historically are in default but the

services they provided are essential to the nation's well being and disconnections of these services will significantly inconvenience large segments of the population.

(7) SYSTEM LOSSES:

This standard sets system losses at 30.9% of dispatched power for 2015.

For the reporting period GPL has stated that the system losses were 29.2% of dispatched power. The standard was therefore met. We will return to this standard in the latter part of the Order.

(8) AVERAGE AVAILABILITY:

For 2015 GPL was required to achieve an average availability of 80%. The company in reporting the result for the period distinguished between average availability that included de-commissioned and commissioned stations, and average availability that included commissioned stations only.

With respect to average availability that includes both de-commissioned and commissioned stations, the target achieved was 63%. With respect to average availability that excluded de-commissioned stations, the target achieved was 81%.

From the inception of reporting on the Operating Standards and Performance Targets, GPL had reported that the reason why this standard was generally not met was because the company included de-commissioned stations in the mix of its generating assets. This is so because the Board of Directors had not given its approval to have the de-commissioned stations written off the asset register. It is evident that if these non-performing assets continue to be a part of the equation then the standard would never be achieved.

We do not believe that the intent of the standard was to have de-commissioned stations included as part of the calculation. We suggest that the company review this matter and have it definitively resolved. From the Commission's perspective and considering only commissioned stations, we concluded that the company did achieve the standard.

PUC's REVIEW OF STANDARDS NOT ACHIEVED.

1. Customer Interruption:

The Commission accepts the reasons offered for the company's failure to achieve the SAIFI standard. We believe, however, that the company should be more circumspect with the management of its vegetation control. This would have offered the consumers a measure of respite as they would have experienced fewer outages. The SAIFI index was 17.3% above the standard while the SAIDI index that measured the sum of the duration of outages for the period was 1.5 hours above the standard.

The inconveniences experienced by consumers as a result of the company not achieving the SAIFI standard were countered to some extent by a very marginal increase in the sum of the duration of outages for the period under review.

3. Meter Reading:

(a) Non-Maximum Demand Consumers:

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

(b) Maximum Demand Consumers:

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

The Commission is of the view that when a meter becomes non-operational it should be de-linked from the number of active meters for the purpose of calculating the standard. A disconnected meter that remained in the information system and forms part of the statistic should also not be considered in the

computation. We urge GPL to improve on its accounts maintenance in order to avoid such situations from arising in the future.

The explanation by the company that meters were unable to be read because the contacts became impaired with age is not acceptable. GPL needs to ensure proper maintenance of its meters so that they remain functional at all times.

GPL has consistently not been achieving this standard and a more sustained and professional approach is required by the company.

The Commission is of the opinion that the impact on consumers and on the company, as a result of not attaining the operating standard appears to be negligible.

(5) Accounts Payable:

No reason was given for the failure to meet the standard. However the thirty-two day credit period taken by the company suggests that the company was meeting its financial commitments in a timely manner. The company's operations seem not to be compromised as a result of not achieving this standard.

(6) Accounts Receivable:

The Commission notes the company's explanation in not achieving the standard. We are in agreement with the company that disconnections of essential services should only be as a last resort after all avenues of reaching a resolution have been exhausted. The failure by the company to collect its moneys from these institutions in a timely manner seems not to have had any significant impact on the operations of the company.

(7) System Losses:

Although the Standard was achieved the Commission is of the opinion that GPL was set a soft target that was easily attained without the company extending itself. This is not the intent of the Standard. The standards are intended to challenge the management to perform at optimal levels consistent with the resources available to the organization at that point in time.

In 2014 GPL's system losses were stated at 28.65%. In 2015 system losses are stated at 29.2%. There was therefore an increase in losses in 2015. Although this increase may appear marginal, it translates to millions of dollars in losses. It is our opinion that a more challenging target needs be set.

At about year 2011 the company advised that a pilot project funded by the IDB was launched. The project involved the installation of 1,867 Advance Metering Infrastructure (AMI) meters in certain designated areas. This meter is considered tamper-proof. The object of the exercise was to record the usages for the areas where the AMI meters were installed and compare the consumption patterns recorded by the meters to the previous periods where consumption were recorded by the current electro-mechanical and prepaid meters. If the comparisons suggest significant tampering, the company would consider a change to AMI meters. The findings did indicate that the change to AMI meters would be in the interest of the company. This was some time ago and it appears that the project is yet to evolve from its embryonic stage. The slow progress in addressing system losses borders on inertia that is of grave concern to the Commission.

The company estimates that its current lost reduction program when completed in 2018-2019 will reduce system losses to 23.8%. Even if this is achieved, the loss would still be at unacceptable levels and would translate to billions of dollars annually. It would continue to give the company the dubious distinction of having the highest system losses among the members of the Organization of Caribbean Utility Regulators.

System losses and the cost that attends it are significant. It burdens the national economy and is an impairment on consumers' quality of life.

GENERAL

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

DECISION:

The Commission in reviewing the company's performance took into consideration the resources available to the company during the period under review as well as other factors that may have had an impact on the company's overall performance. We found the company's efforts creditable, but for system losses. Although the standard was met, our earlier comments indicate that with greater commitment, the loss could have been lower than the previous year. Given the weight that should be attached to this standard an under par performance casts a shadow on the entire OSPT.

Having regard to all we have heard and noted and taking into consideration the explanations offered by the officials of GPL we do not think it is appropriate, at this point in time, to make any award of monetary penalty on the Corporation. Their failure to meet certain targets as adumbrated was mitigated by the fact that they were not excessive and the impact on consumers was not inordinately burdensome.

We do not, however, wish for it to be held as a precedent for the current performance of the Corporation, but we expect our comments herein will excite their interest and obligation owed to the public at large, to pull up the traditional socks and get on with the business of fulfilling their mandate in providing a safe service at reasonable prices.

RESPECTFULLY SUBMITTED this 29th day of April, 2016.

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Prem Persaud –CCH -Chairman

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Badrie Persaud -Commissioner

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Maurice Solomon -Commissioner

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Dela Britton - Commissioner

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Rajendra Bisessar - Commissioner