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 2011.

ORDER NO 1/2012

Representatives of the Public Utilities Commission:

Justice Prem Persaud, CCH	-	Chairman
Mr. Badrie Persaud	-	Commissioner
Mr. John C. Caesar	-	Commissioner
Mr. Maurice Solomon	-	Commissioner
Mr. Vidiahar Persaud	-	Secretary/Legal Officer
Mr. Moorsalene Sankar	-	Financial Analyst I

Representatives of the Guyana Power and Light:

Mr. Bharat Dindial	-	Chief Executive Officer (CEO)
Mr. Ash Deonarine	-	Deputy Chief Executive Officer
Mr. Elwyn Marshall	-	Divisional Director-Operations
Mr. Kumar Sharma	-	Divisional Director-Loss Reduction
Mr. Renford Homer	-	Senior Divisional Director
Ms. Sabrina Rampersaud	-	Director of Finance
Ms. Alisha George	-	Legal Officer

The licence granted to, and by virtue of which, Guyana Power and Light Inc. (GPL) operates has been amended in terms of the Electricity Sector Reform Act 1999 (ESRA) and became effective from October 4th, 2010.

The amendment 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 Operating Standards and Performance Targets shall constitute the standards and quality of service that GPL shall provide in accordance with Section 25 (2) of the Public Utilities Commission Act 1999, and accordingly shall be binding on GPL, and shall be enforceable by the Commission (PUC) as provided for in Section 25 (2) (iv) of the Act. These standards and targets are eight in number, namely:

a) Customer Interruptions
b) Voltage Regulation
c) Meter Reading
d) Issuing of Bills
e) Accounts Payable
f) Accounts Receivable
g) System Losses and
h) Average Availability

Provision has been made that by March 30th in each calendar year commencing with 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 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 License 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 Licensee's Customers.

On the 26th March 2011 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 were met and if not, why not.

The Commission in reviewing the standards GPL failed to achieve took into consideration the reason(s) 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:

(a) <u>Customer Interruptions:</u>

The object of this standard was to limit the number of annual outages to 140.

The annual average number of outages a consumer experienced in 2011 was 156. The standard was therefore not met.

GPL explained that higher generation repairs that were not anticipated were a contributing factor. During the year the company was forced to use caterpillar sets as base load stations. These sets are meant to be used for peaking purposes and are unsuited for base load usage. The downtime experienced from these sets compounded the problem.

(b) <u>Voltage Regulation:</u>

The purpose of this standard is to commit GPL to provide a stable voltage in order to improve the quality of service to consumers and consequently limiting damage to consumers' electrical appliances.

GPL has stated that it was difficult to monitor the voltage delivered to each customer and instead the standard would be based on the number of voltage complaints, and the time taken to have them resolved. At the hearing GPL reported that for the first three quarters of 2011 the number of voltage complaints received was 363, 481 and 452. But the standard provides that GPL shall seek to maintain, in stable conditions voltages, of ±5% of the nominal voltage and ±10% following a systems disturbance (see our response under our review of the failed standards).

(c) <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 2011 GPL was required to read annually 97% of Maximum Demand consumers and 87% of Non-Maximum Demand consumers.

The standards were not achieved. With respect to Non-Maximum Demand consumers GPL produced 83% of the bills based on actual readings; and with respect to Maximum Demand bills, 91% 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
- 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 failure to meet this standard was due to the malfunctioning of the hand held terminals that record readings of the ITRON meters. This resulted in incorrect readings that ultimately led to increased estimations. It was reported at the hearing that handsets with the “SR” suffix that the manufacturers opined are the correct terminals to read the current installed ITRON meters are on order and should be in the company’s possession in the near future.

(d) Issuing of Bills:

GPL is required to issue maximum demand bills within 7 (seven) days of the reading of the customer’s meter and within 12 (twelve) days of the reading of Non-Maximum meters.

With respect to Non-Maximum demand bills, the standard was met.

GPL has issued Maximum Demand bills on average 9 (nine) days after the meters would have been read. The standard, therefore, was not achieved.

GPL’s explanations in not meeting the standard for Maximum Demand consumers:

- Staff shortages
- Re-reading of meters because of malfunctioning terminals

(e) Accounts Payable:

This standard commits GPL to settle in full with its creditors within 32 days.

GPL reported that it took on average 37 (thirty seven) days to settle with its creditors. GPL explained that higher than intended fuel prices resulted in severe liquidity constraints to the company that limited its ability to settle with its creditors within contractual time frames.

(f) Accounts Receivable:

This standard commits GPL to collect in full its debtors within a period of 55 days.

GPL reported that it took on average 42 days to collect from its debtors. This standard was therefore met.

(g) System Losses:

Under this standard the level of losses at December 2011 is set at 29.9% of dispatched power. Losses at the end of 2011 were calculated at 31.6%. The standard was therefore not met.

GPL explained that:

- As a result of the ongoing deterioration of the transmission system, technical losses were anticipated to increase by .5 of one percent in 2011.
- Despite its best efforts the company was unsuccessful in reducing consumers’ theft.

(h) Average Availability:

GPL had committed that its generation stations would have been in production for 70% of the hours in the period for 2011.

GPL reported that the average availability for 2011 was 62%.

GPL’s explanation for not meeting this standard was because they had included in their initial calculations generation stations that are no longer in production, the availability capacity of which is either zero MW or close to zero MW. The reason why they were included in the generation base was because the board of GPL had not given the management the approval for writing off these generation stations from the company’s asset register.

PUC's Review of standards not achieved:

(a) <u>Customer Interruption:</u>

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 counter balanced by shorter duration of outages. The SAIDI operating standard had set the sum of the duration of outages to no more than 195 hours for 2011. GPL had reported that the sum of the duration of the outages for 2011 was 141 hours.

(b) <u>Voltage Regulation:</u>

GPL has varied the intent of the standard to read that "the standard would be based on the number of voltage complaints received and time taken to resolve them". At the hearing GPL gave the number of complaints received for the first three quarters but at no point during the hearing was an analysis made based on the complaints received, whether the company was maintaining a voltage regulation in keeping with the operating standard.

Because of the failure of GPL to ascertain the quality of voltage supplied to consumers during 2011, the PUC would be unable to make any assessment on the impact that irregular voltage supplied to consumers may have had on them during the year.

(c) <u>Meter Reading:</u>

<u>Non Maximum Demand Consumers:</u>

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.

<u>Maximum Demand Consumers:</u>

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, the reason given for the failure is unsatisfactory. Based on the evidence given at the hearing it would appear to the Commission that the company was aware of the problem but took an inordinately long time to place an order for the terminals. The Commission finds this unacceptable.

(d) <u>Issuing of Bills:</u>

The company's failure to meet the standard and the reasons given were noted. To some extent the failure to meet the standard was as a result of the company's inability to read Maximum Demand bills in a timely manner as a result of defective terminals that impacted on the timely issuance of Maximum Demand bills. Urgent action must be taken by the company to address this issue.

In reviewing the impact, if any, on the failure of the company to issue bills in accordance with the operating standard's time line the Commission found no adverse effect on either the company or on the consumers.

(e) <u>Accounts Payable:</u>

The company's failure to meet the standard and the reason given for the failure were noted. The Commission is satisfied that the liquidity problems encountered by the company during the year were as a result of events beyond the control of the company. The failure by the company in not meeting the standard has had no negative impact on consumers.

(f) <u>Accounts Receivable:</u>

This standard was met.

(g) System Losses:

The Commission notes that the cost of system losses over the year has destabilized the viability of the company. The failure of the company to reduce the losses to the level set by the operating standard is of concern to the Commission.

At the hearing the Chief Executive Officer, Mr. Bharat Dindial, reported that a one percent system loss costs the company approximately $400 million annually. Based on this information losses to the company in not meeting the operating standard is calculated at over $500 million.

This failure would have negative implications for both the consumers and the company. For the company it is a loss of revenue, which if available to the company, would have assisted in ameliorating the company's tight liquidity position experienced throughout 2011. For the consumer it is, and always has been a case, of the honest consumers having to pay for the dishonest consumers that steal electricity from the company.

The Commission finds the increase in systems losses and the significant monetary cost that attends it to be disturbing. The Commission was unimpressed with the company's explanation for not meeting the operating standard and wondered whether the company has given up the fight to overcome this malignancy. This not only impacts negatively on the company and consumers alike, but also costs the national treasury billions of dollars in annual financial subventions to the company.

(h) Average Availability:

The company's failure to meet this standard and the reason given were noted. An average availability of 70% is below the industry's norm and an average availability of 62% as reported by the company is, in the Commission's opinion, a material failure. Average availability informs whether the company has the capacity going forward to meet future demand.

Decision:

The Commission will not seek to impose a fine on the company's 2011 performance on its operating standards. However the company should be advised that unless there is a reduction with respect to system losses going forward, the Commission may have no alternative but to impose sanctions as it considers appropriate in all the circumstances.

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Prem Persaud C.C.H - Chairman

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Badrie Persaud - Commissioner

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John Caesar - Commissioner

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Maurice Solomon - Commissioner

Dated this 30th day of April, 2012.