



298 Church Street, Queenstown, Georgetown, GUYANA, Telephone No. (592) 227-3293, 227-3204; Fax (592) 227-3534
; Email: puc@solutions2000.net

PUBLIC UTILITIES COMMISSION

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SECRETARY'S OFFICE
PUBLIC UTILITIES COMMISSION

ANNUAL REPORT 2003

To Ensure That Regulated Utilities Offer Efficient Service To Consumers At
Reasonable Cost.

ANNUAL REPORT 2003

The Public Utilities Commission is pleased to present its thirteenth Annual Report, in terms of Section 85 of the PUC Act No. 10 of 1999, for presentation to Parliament which will serve to inform all of our activities during the year 2003

ESTABLISHMENT OF THE COMMISSION

The Public Utilities Commission (PUC) is a body corporate established under the Public Utilities Commission Act No. 26 of 1990, and came into effect on October 01, 1990. This Act was amended twice, in 1991 and 1994 and presently the Commission is operating under a new Act, PUC Act No. 10 of 1999, which took effect from October 01, 1999.

The 1990 Act and its amendments were repealed and replaced.

Commissioners

The Commission presently consists of a Chairman (full time) and three part time Commissioners. There is provision in the PUC Act for four Commissioners and they may be appointed to full time positions.

The present Commissioners are:

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

The Functions and Responsibilities of the Commission

Utilities Affected by the PUC's Regulatory Powers

The PUC Act currently applies to every utility engaged in:

- (a) The production, generation, storage, transmission, sale, delivery, furnishing or supplying directly or indirectly to or for the public, of electricity,
- (b) The conveyance or transmission of oral, written, digital or any other form of messages or communications by telephone, telegraph 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.
- (c) Water supply services (except retail deliveries) and sewerage services.
- (d) The following services **can be brought** under the purview of the Commission if so specified by order by the Minister:-
 - (1) carriage of passengers, in motor buses or hire cars;
 - (2) airport or airlines services;
 - (3) carriage of goods for hire or reward by goods vehicles;
 - (4) lighterage or cargo handling;
 - (5) dockage, wharfage, or related cargo services;

THE UTILITIES UNDER THE JURISDICTION OF THE COMMISSION ARE:

- ◆ Guyana Telephone & Telegraph Co. Ltd. (GT&T)
- ◆ Caribbean Telecommunications Ltd. (CTL)
- ◆ Caribbean Wireless Telecommunications Inc. (CWT)
- ◆ Cel*Star
- ◆ Internet Service Providers
- ◆ Guyana Power & Light, Inc. (GPL)
- ◆ Water supply and sewerage services

Our Vision is to:-

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

The Objectives of the Commission are:-

- ◆ 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 and investment in the public utilities sector, and in the interest of consumers.
- ◆ To investigate and resolve in a timely manner complaints filed with the Commission against any public utility.
- ◆ To carry out its functions/mandate in a fair, transparent and independent manner.

Returns to the Utilities

- ◆ While protecting the public's interest, the Commission needs to ensure that a utility earns a sufficient level of profit to guarantee its continuance as a viable entity. In terms of the licences issued by the Government the level of profits which the utilities shall earn are therein set out.

CHAIRMAN'S COMMENTS

The Public Utilities Commission endeavoured during 2003 to balance the interests of the consumers and the public utilities to ensure adequate services were provided at a reasonable price. Notwithstanding all the constraints faced by the Commission (inadequate funding and professional staff), the Commission rose to the challenges that emerged and performed its duties and discharged its obligations in a very satisfactory manner.

The PUC

There were two significant events in the PUC during 2003. One, was the appointment of two new part-time Commissioners, Mr. Maurice Solomon and Mr. John Caesar. They replaced Mr. John Willems and Mr. Hugh George. The Commission wishes to record its

gratitude to Messrs. Willems and George for their invaluable contribution to the work of the Commission during the eleven odd years they served.

Of disappointment however, is the fact that the full compliment of Commissioners was not appointed.

The other event was the relocation of the Commission's Office from Parliament Building to 298 Church Street, Queenstown, Georgetown, in November.

Telecommunications

Guyana Telephone & Telegraph Co. Ltd. (GT&T) with its monopoly, has over the years increased the availability of land lines and at the end of December 2003 there were 92,683 active ones. The cellular service increased by approximately 48% to 118,658 during the said period. The tele-density now stands at 28% overall, with 12.2% for landlines and 15.8% for cellular coverage.

The figures by a simple calculation suggest that GT&T has done well by its coverage. But figures can also lead to misleading results if the proper basis is not recognised.

The total amount of landlines does not reflect the true level of tele-density: Many consumers have more than one line, because with the introduction of the internet, they prefer to have a dedicated line for that service. Again, business places and offices have second lines at their disposal. So it cannot be true to say that the tele-density is correct.

Guyana has great land mass, with the majority of the population concentrated on the narrow strip of the coastal belt. Our population is very small and with the higher concentration along the coast helps to explain the apparent high tele-density rate. Our tele-density rate should have been much higher having regard to these factors, which make it much easier for telephone lines to be supplied to a larger amount of the population.

These amounts notwithstanding, many scores of consumers are still requesting the service especially the landlines. The internet is a household service in many countries and Guyanese are anxious and desirous to have it available. When landlines are not available they cannot access the internet.

GT&T appears willing to meet the challenges and has promised to expand the service by twelve thousand (12,000) lines during 2004. This will still not satisfy the demands of citizens and the Government, ever conscious of the needs of the population, has embarked on a plan to liberalise the sector. Regrettably, however, many circumstances have conspired to delay and disrupt the plans for the termination of the monopoly enjoyed by GT&T.

Six companies have introduced and are providing internet services to consumers, and there have emerged internet cafés which also provide a relatively reasonable service.

GT&T has because, rather than inspite of, the availability of this service by the various agencies have had to improve its services and introduce cheaper rates at certain specified times of the day for the telephone services.

There is one service provider which has allegedly by-passed GT&T's infrastructure and is offering internet services to many organisations and individuals. This company had filed a claim in the High Court of Guyana seeking a declaration that the monopoly granted to GT&T is unconstitutional and in violation of the rights of citizens to enjoy freedom to communicate. The Company however needed additional telephone lines to carry on its business but complained to the Commission that GT&T had denied them such lines. The Commission intervened and the Company got some lines: their business survived. The action seeking declaration against the monopoly has not yet been determined.

The Government of Guyana has embarked on a programme to modernise the telecommunication sector, to be funded partly by the Inter-American Development Bank (IDB). According to an official of the Project Execution Unit for the modernisation of the Sector, the project consists of the following components, mainly:-

- (1) formulation of a policy and strategy for the reform of the telecommunication sector;
- (2) negotiation with GT&T and ATN (which owns 80% of GT&T) and reform of the legal/regulatory framework;
- (3) development of a network cost model and an audit of GT&T;
- (4) carrying out training and outreach activities;
- (5) support of the regulatory agencies.

As part of the reform of the sector due regard must be paid to the prevailing trends in the global telecommunications sector. One of the trends is the rapid growth in wireless telecommunications relative to the growth in landlines. With the improvement of technology there will be economies of scale, especially technical economies, the production of more devices which are lighter, more efficient, and can perform many tasks such as checking e-mail and watching the latest news. The growth of wireless technology is so pronounced in some countries that it is far cheaper to have a cell phone!

Another trend is the increased use of the internet as the central medium for the exchange of information. And also for the promotion of information, communication and technology (ICT) sector. This is one of the more important changes to the global telecommunication scene especially in the developing world where the synergies that can be derived from such sectors are much more needed relative to a developed world.

It is therefore incumbent that the move to liberalise the telecommunications sector be accelerated. Regrettably, however, many circumstances have conspired to delay and disrupt the phase for the termination of the monopoly enjoyed by GT&T. The reform process is tied to the successful negotiation between the Government and the monopoly

utility (GT&T & ATN) and all efforts must be concentrated to reach a compromise that is favourable to all the parties involved. The benefits to all will be manifold- citizens taking advantage of new opportunities, consumers to benefit from modern, reliable and inexpensive telecom services, businessmen to identify and penetrate new markets, public service will be more efficient, transport are easily accessible and students to readily access information via the use of ICT technology.

It is hoped that the move by Government to free up the sector will be accelerated and true competition will abound.

“Given the historically poor performance of most legal monopoly especially in developing countries (and Guyana is no exception) most policy makers do not believe that theoretical concepts of natural monopoly can be realised in a legal monopoly environment. Hence, there is a growing consensus that there is a favourable trade off for the sector as a whole for the introduction of competition. There may be some loss of economies of scales, for instance, but these losses are more than offset by the gains in improved efficiency and responsiveness due to competition.

After the introduction, many former monopoly (incumbent) operators will retain residual monopoly power (or ‘ market power’) for extended periods of time. This will especially be the case in certain market segments, for instance, the access network. Market power exists when incumbent operators are still able to unilaterally (or in combination with other operators) influence market conditions, especially prices. Firms with market power are therefore price regulated in order to constrain their ability to charge excessive prices.” - *See: Hank Intven (Telecommunication Regulation Handbook 2000).*

In a competitive market a greater and tremendous responsibility will have to be shouldered by the Commission, and to this end we are prepared for the challenge. The end of monopoly does not mean the end of monopoly power or of natural monopoly. And as such the end of legal monopoly does not mean the end of price regulation.

Court Action

Since Act 10 of 1999 has been promulgated, Section 54 provides that the annual assessment imposed shall not exceed one per cent of the Gross Revenues derived for services , or twenty five million dollars, whichever is less in the case of GPL; and one percent of the Gross revenues derived from services in the case of any public utility in the telecommunication sector.

Prior thereto the Commission used to collect from GT&T an amount in excess of one hundred million dollars per annum.

Because of the new condition restricting GPL to contribute, in effect, not more than twenty five million dollars per annum, GT&T filed a constitutional motion in the Court

challenging the constitutionality of the Act and has refused to pay more than twenty five million dollars per annum.

The action has been heard and all arguments concluded both on behalf of GT&T and the Government. The matter was concluded in February 2002 for a decision to be given by the Judge. Despite several requests to the learned Judge, he has not, to date, delivered his judgement. This delay is causing severe hardship to the Commission, since we are unaware of the legal position.

Electricity

The electricity company has more or less maintained a constant level of service throughout the year, although much is to be desired from its billing system. Their public relation management is very poor and the public perception is that because it enjoys a monopoly status it does not have to offer courteous responses to queries from consumers.

GPL has put a lot of emphasis on collecting moneys from consumers, even if this means back-billing them for six months. Unfortunately, this is a short-term strategy, which does not address in a comprehensive way the problems of the Corporation. These need to be honestly identified and realistic solutions found. GPL's Management has to stop placing bandages on the company to just fulfill the demand of its present consumers. They need to seriously consider the country's future needs for electricity to plan according.

Presently the price per unit to consumers is very high when compared to developed countries, but the quality of service provided is much lower. This has led to a number of large consumers choosing to self generate. This certainly is a trend that has to be taken note of, and a concerted effort be made to arrest this continuing situation.

The reason for the inflated cost of electricity to consumers is the loss – technical and commercial - in the system. The losses are in excess of forty percent (40%). In relation to the rates it means this: GPL collects revenues for what it produces at the point of generation, but just under 50% of electricity reaches the consumer. Consumers are called upon to pay for the losses, because the rates are calculated on the amount of electricity generated.

Secondly, a significant number of consumers do not pay for electricity they consume. What is regrettable and of serious concern is that there is no apparent or visible attempt to either collect these revenues or terminate the service of these nonpaying consumers.

The Commission has heard complaints that the figures for the losses have been manipulated to reflect a lower level rather than the real loss. As a consequence, we have requested and are repeating our call for an audit to be undertaken to identify what in fact are the true losses. Unless the real facts are disclosed no enterprising entrepreneur will be tempted to bail us out.

Hydro & Wind Power

The Public Utilities Commission is vested with the power and authority to determine the reasonableness of the price paid by a public supplier (which falls under its jurisdiction) for electricity purchased from an independent power producer (IPP). This authority is provided for in Section 35(2) of the Public Utilities Commission Act No. 10 of 1999 which reads:

“ Subject to any written law, where a public utility does not itself produce or generate that which it distributes, transmits, or supplies to the consumers but obtains the same from another source, the Commission shall have the power and authority to investigate the cost of such production or generation in any investigation or enquiry as to the reasonableness of the rate being charged or proposed to be charged by the public utility for any service provided by it. ”

The PUC 's authority to approve the rates set in a power purchase arrangement (PPA) between an independent power producer (IPP) and a public supplier is provided for in section 4 © (I) of the Electricity Sector Reform Act No. 11 of 1999 (ESRA).

The PUC is aware that the principal supplier – GPL is currently in discussion with two IPPs for the purchase of power. One arrangement contemplates that Guyana Sugar Corporation (Guysuco) will make available to GPL firm power of 10 MW while generating power from bagasse and diesel, through its proposed plant at Skeldon on the Corentyne and beginning the first quarter of 2007. The firm power available is expected to reduce to 8 MW during the inter-crop period when Guysuco will be generating only from diesel. That arrangement will also include an upgrade to the transmission link between GPL's No.53 Village substation and Canefield in Berbice.

Another proposed arrangement is between GPL and DELTA Caribbean N.V., a company seeking to establish a wind farm at Hope Beach, East Coast Demerara, with an installed capacity of 12 MV. It is projected that about 4 MW of power would be available for the grid. That arrangement is expected to also include a transmission line from Hope Beach to GPL substation at Sophia, Greater Georgetown.

Specifically, Section 15 (9)(a) of GPL's License grants the utility the right to purchase electricity from IPPs provided that the related PPAs have been approved by the PUC.

The Inter-American Development Bank (IDB) has offered support in developing the PUC's capacity to set rules for private sector participation in electricity generation and specifically in evaluating draft PPAs. The PUC is required to provide local counterpart funds of about US\$214,286.00 to the US\$500,000.00 grant funds, which the IDB intends to make available.

A licence has been granted by the Government to **Synergy Holdings Inc.**, a US based company headed by a Guyanese to develop a hydropower station at "Amalia Fall" in the

Essequibo. This project is slated to generate between 100 to 150 MW of power and had hoped to offer electricity and connect into the national grid at Georgetown at US \$0.068 per KWH. This translates to about \$12.75 per KWH.

GPL has been reluctant to enter into a Memorandum of Understanding (MOU) with Synergy. Officials of Synergy thought that if they were armed with such a document they would be able to raise enough financing to complete the project. GPL considered then the high commercial investment rates as compared with the low oil prices.

A second group had been exploring the possibility of developing 2000MW of power at upper Mazaruni at a cost of US 2cents. They hope to construct the infrastructure by 2007 and to make power available in 2012. They expect to provide 2000 MW.

A third company has hopes to establish at Turtruba Fall, at Mazaruni, on the left bank of the Essequibo River to produce between 300 and 600 MW. What is not without great significance is that the company's main aim it to export power to northern Brazil !!

There is a fourth undertaking at Arisarua Fall about 60 miles above Bartica. This has a preliminary evaluation of about 400MW.

Water

An order was made on July 31, 2003 to bring water supply services (except retail deliveries) and sewerage supply services under the jurisdiction of the Commission. Effective from August 01, 2003 the Commission was responsible for determining the rates charged for water and sewerage and for the monitoring and regulating and enforcing service quality and dealing with customer complaints.

The billing system is in a mess and consumers are served with notices to pay substantial amounts for undisclosed periods of alleged use of water.

Of urgent need is the restructuring of the tariff categories to make it fair, just and reasonable.

Despite our inquiries we are yet to be told what determine the various categories of tariff structures. In terms of the license granted to it, GWI is entitled to a minimum of 100% operation cost and depreciation. We have not been favoured with responses as to their cost of production. They have not yet filed for rates for 2004 which can only be fixed by the Commission.

Plans for 2004

The Commission will embark on a programme in 2004 to make consumers more aware of its functions and ways it can be of help to them. To this end we have planned to launch a monthly television programme dealing with relevant issues to the consumers. We also plan to hold public meetings outside of Georgetown to hear the problems consumers face with the different utility services.

As consumers are being asked to pay increasing rates for utility services they are beginning to demand quality service. In most cases the rates are above those charged in developed countries, but the quality of service, far lower. It is this disparity that has angered consumers, coupled with obsolete billing systems in some utilities. These factors have been taken into consideration by the Commission in arriving at its decision to expand its Consumer Affairs Department.

Of vital importance this year will be strengthening of the professional capacity of the Commission. It is projected that the Commission needs at least seven additional professional staff. In 2004 the Commission will start to recruit some of the staff required. It is anticipated that this measure will improve the performance of the Commission as it carries out its regulatory role. Lack of adequate financing, however, is likely to be an inhibiting factor for the achievement of all our goals.

The major issues the Commission expects it will have to deal with in 2004 are, fixing tariffs for the water sector and for the new entrant in the telecommunication market.

Finally, I would like to thank the staff of the Commission for their sincere efforts and generous contributions to the work of the Commission. The Commission looks forward to working with its staff and other stakeholders in the utility sectors to provide an environment conducive to development that would benefit all.

COMMISSION'S ACTIVITIES – 2003

Telecommunications Sector

GT&T

By Order 2/2003 the Commission issued rates for Value-Added Services as applied for by GT&T. The two main services offered to the public were Voicemail for both landlines and mobile and Mobile Short Messaging.

GT&T also applied for approval to terminate Iridium calls, i.e. calls from satellite phones. The PUC approved of this service. This will be of benefit essentially to consumers in the far-flung remote areas of the country.

The Company also plans to introduce a type of hybrid service called Remote Area Phone, to facilitate consumers in the interior areas, but it has not yet filed an application for this new service.

CTL

The Caribbean Telecommunications Ltd. has been in operation on the Corentyne Coast since 1997. It has, earlier this year applied to GT&T for interconnection to extend and operate its services throughout Guyana. In terms of our policy we invited the parties to work out their agreement. On May 16, 2003, CTL provided to GT&T their response to GT&T Reference Interconnect Order and the two parties were to meet and discuss the points of differences. The Commission has not heard from either party of the present status of those discussions.

In 2003 the Commission also intervened on CTL's behalf on the matter of the settlement of accounts based on the PUC Order 5/1997 for interconnection in the Corentyne area. The matter was amicably resolved with GT&T paying CTL over \$7m as net balance due on international traffic.

GT&T and CTL are still to agree on a methodology for settling local traffic as this component of the settlement has been ignored since 1998.

CTL however does not respond to our queries and we wonder at times whether they are still in operation.

Cel*Star

Cel*Star and GT&T signed an Interconnection Agreement in April of 2003 for Cel*Star to provide a cellular service. The Commission had reviewed the terms and conditions set out in the Agreement and offered no objection. Cel*Star has started to build its infrastructure and has set up towers across the country. Their presence is a very welcome relief to consumers who expect, with competition, a vastly improved service at reasonable cost.

WATER SECTOR

To assist the Commission with its regulatory functions in this sector, DFID (the British Government Department of Foreign Investment and Development) has provided funding for a consulting firm. In November Castalia, a New Zealand based Firm was contracted and began to assist the Commission in this sector.

Since it was the first time GWI would be subject to regulation by the Commission and has to file for tariffs, the Commission prepared "**Application to Tariff Filing – Guidelines**" which clearly set out the procedures used by the Commission when a Tariff Application is filed. These guidelines were submitted to GWI in November 2003.

ELECTRICITY SECTOR

Guyana Power & Light Inc. (GPL) had an eventful year in 2003. The first quarter saw the departure of the Management Team of ESBI and the Company reverting to being fully Government owned. Under the new management the Company has sought to keep the rates paid by consumers stable and to this end the Commission gave approval for the rates to be increased at a level less than provided in the Return Certificates.

Most of the complaints received by the Commission related to GPL. Consumers were dissatisfied with the billing and attitude of GPL's staff. The Commission has resolved to the satisfaction of consumers over 90% of the complaints received for the year.

In November of 2003, GPL credited to the consumers \$2.20 per KWH for the billed usage for the month due to the Court of Appeal Ruling upholding the PUC order of 2001 where the Commission had ordered that the advertised increase in rates from July 2001 **should be from consumption in July and not bills issued in July.**

There were 6114 reported outages in the system for the year. One sixth of these outages occurred in March. The areas most affected by outages were the Berbice (2770) and Demerara (3118) systems. Most of the outages were of short duration, with lack of maintenance being the cause of over 95% of these. The rest of the outages were due to system failure.

The number of consumers per category for 2003 were:-

Residential	115,037
Commercial	10,877
Industrial Rate C	159
Industrial Rate D	167
Street Lighting	46
Total	126,286

CONSUMERS AFFAIRS

During 2003 consumers have continued to use the services of the Commission to help resolve their complaints against the utilities. It has been noted over the years that there have been less complaints about the services of GT&T. This the Commission feels may be attributed to the increase in expansion work by GT&T which resulted in more telephones lines being made available.

Of the 71 complaints received about the service of GT&T, thirty five (35) were in relation to the non availability of new service.

At the end of the year GT&T had 92,683 active landlines, an increase of 6,438 or 7.5% from 2002. The five exchanges with the most subscribers were, Georgetown (44,507), Beterverwagting Central (8,672), New Amsterdam (5,033), Beterverwagting West (3,002) and Linden (2,947).

Cellular subscribers increased from 79,907 in 2002 to 118,658 in 2003, an increase of 38,751 or (48.5%). However over 91% (108,272) of the cellular subscribers were on the Pre-paid Plan and 8, 232 on Plan A.

The new service introduced by GT&T in 2003, the Short Messaging Service (SMS) had 14, 379 subscribers as of 31st December 2003.

GT&T COMPLAINTS

<u>Nature of Consumer Concern</u>	<u>No. Of Complaints</u>
Application for Telephone Service	35
Application for Transfer of Service	5
Billing Query	7
Disconnection of Service (Landline)	5
Disconnection of Service (Cellular)	1
Fixed Wireless Service	1
Faulty Service	12
Disrupted Service	4
Govt. Tax on Local Calls	1
TOTAL	71

Complaints received about the service of GPL almost doubled those which what were received concerning GT&T. The two main category of complaints were billing and defective metering.

GPL COMPLAINTS

<u>Nature Of Consumer Concern</u>	<u>No. Of Complaints</u>
Billing Query / Estimated Consumption	47
Miscellaneous Charges, Defective and Tampering of Meter	27
Application for new Service	7
Application for Transfer of Service	6

Request for Change of Tariff	2
Rate Increase	3
Removal of Pole	2
Refund of Meter Deposit	1
High & Low Voltage	5
Claims for Damages	5
Disconnection	23
Faulty Service	4
Arrears in Dispute	2
Damaged Transformer	3
TOTAL	137

The Guyana Power & Light, Inc. tended to respond too leisurely to complaints by the consumers, whereas GT&T was more efficient in dealing with complaints. Most of the complaints were resolved to the satisfaction of the consumers.

During the year the Commission held several meetings with Management of GPL to discuss the handling of complaints. One idea most often discussed was the formation of a Complaints Committee consisting of members from GPL and the PUC. They would have met monthly and try to find amicable solutions to the complaints. Matters that are not resolved by the Committee would be referred to the Commission itself. Unfortunately, this idea never materialise

GW

Only five (5) complaints were received. The water sector was only recently placed under our jurisdiction for the last five months of the year and the public was not well informed about our role in this new area. Of the five complaints, four (4) were billing queries and one (1) about disconnection of service.

Conclusion

The Commission wishes to express its thanks to all of its staff who have worked diligently during the year, enabling us to be an effective regulator despite adverse circumstances.

We look forward to working with all the stakeholders in the future to ensure that the regulated utilities offer efficient service to the consumer at a reasonable cost.