

**PUBLIC UTILITIES COMMISSION**

**ANNUAL REPORT**

**2007**

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## FROM THE DESK OF THE CHAIRMAN OF THE PUC

*Ret'd Just. Prem Persaud*



*I am pleased to present this 17<sup>th</sup> Annual Public Utilities Commission Report (2007) which has set out our activities for the year—and our hopes and aspirations for the future. The year has been a most challenging one as we had to take on frontally, at times, the four utilities under our purview.*

*Members of staff have done an admirable job dealing with all issues as they arose and have prepared this report, setting out in detailed manner their experiences and plans for continued improvement in the service to the community.*

*We are to some extent inhibited by lack of adequate financing, and expect the Court System will facilitate the early hearing of an Appeal by the Guyana Telephone & Telegraph Company Limited touching on assessment funding. We depend on the assessment fees from the utilities under our purview and do not receive any financial assistance from the Public Treasury.*

*We hope that in due course we will set up branch offices in the Essequibo and Berbice Districts to serve consumers in those areas in a more practical way and less time consuming manner.*

### **Regulation**

*Regulation is a much misunderstood term among stakeholders—particularly, consumers. **Independent Regulation** is even more misunderstood.*

***Independence** does not simply mean distance between regulators and utility companies—it means arms length relationship with all stakeholders, utilities, consumers and Government.*

*However, in many jurisdictions, independence with regards to consumers is most difficult to achieve and the more difficult to accept. Consumers often believe that if you are not for them you are against them. Objective analyses and decisions are viewed as unacceptable grey areas.*

*The regulatory environment presumes an active participation of informed consumers, however, regulators sometimes delegate stakeholders' education and empowerment to the very lower end of the totem pole.*

*Omniscience ought not to be the preserve of regulators—rather we should welcome submissions from all stakeholders, give due consideration and then issue decisions which enhance consumers' welfare.*

*Regulators must recognize that they have an inherent responsibility to educate stakeholders—both consumers and the utility companies. The regulator must be predictable and transparent.*

*We must consider factors which affect the well being of consumers—inflation, recession, fuel prices and, “at risk consumers”.*

*We look forward to working with consumers and the regulated utilities to ensure that consumers receive an efficient service at a reasonable cost and at the same time to ensure the integrity and financial viability of the utilities.*

## INTRODUCTION

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

This Report will serve to inform of the PUC's activities during the year 2007, and our resolve at all times 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 and in 1999. The Commission is at present operating under Act No. 10 of 1999 which came into force on the 1<sup>st</sup> October 1999.

The Commission presently consists of a Chairman, who is a full time official, and three other 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 the Commission does not at this time see the need for the appointment of a fourth Commissioner.

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 utilities under its purview.

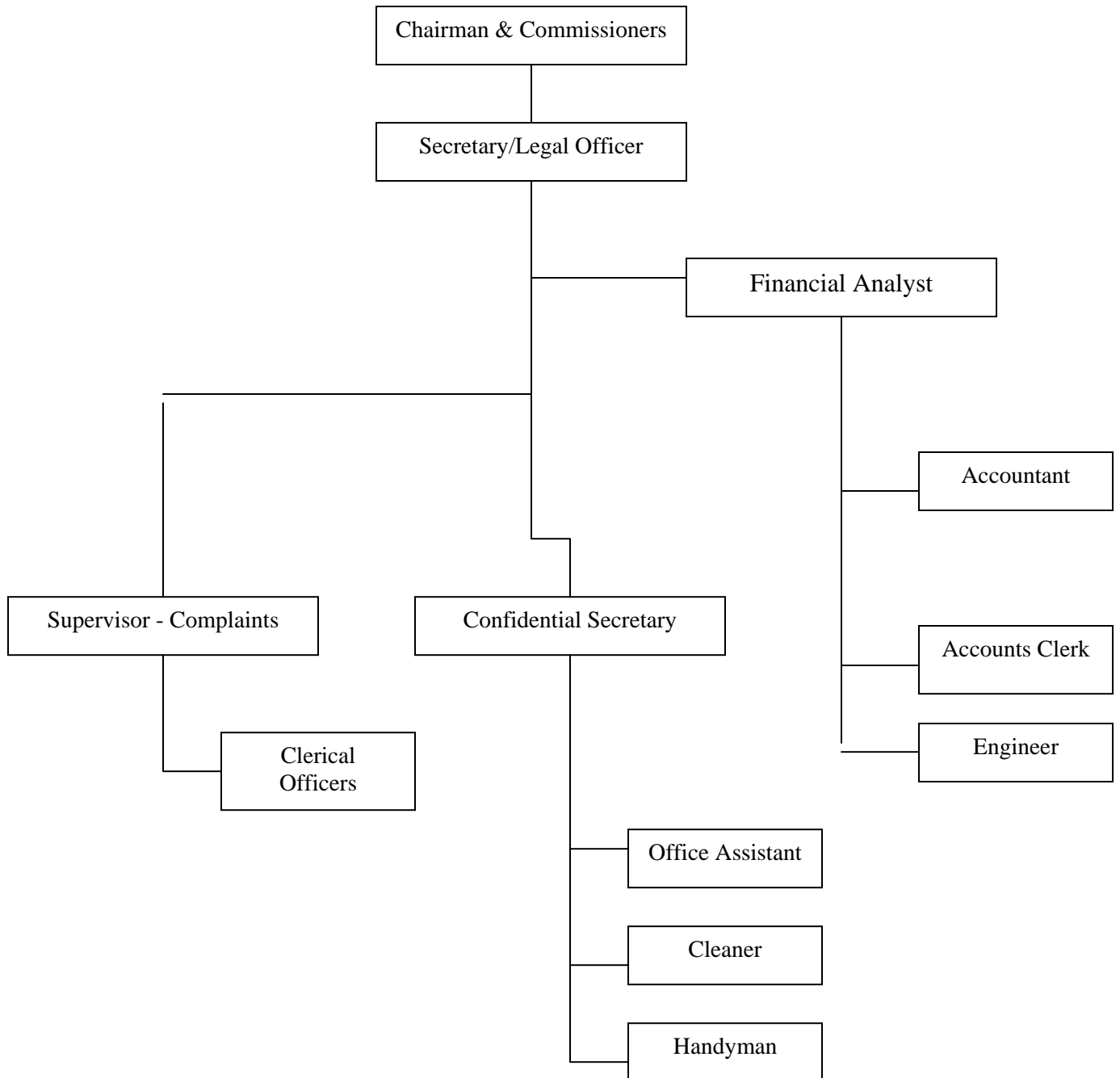
The Commission does not issue licences for the operation of any utility. This is the responsibility of the Office of the President in the case of telecommunication, Office of the Prime Minister in the case of electricity, and the Minister of Housing and Water in the case of water and sewerage services.

The Commission is not involved in the administration of the frequency management or spectrum allocation in the telecommunications sector. This is the purview 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

## Organisation 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.

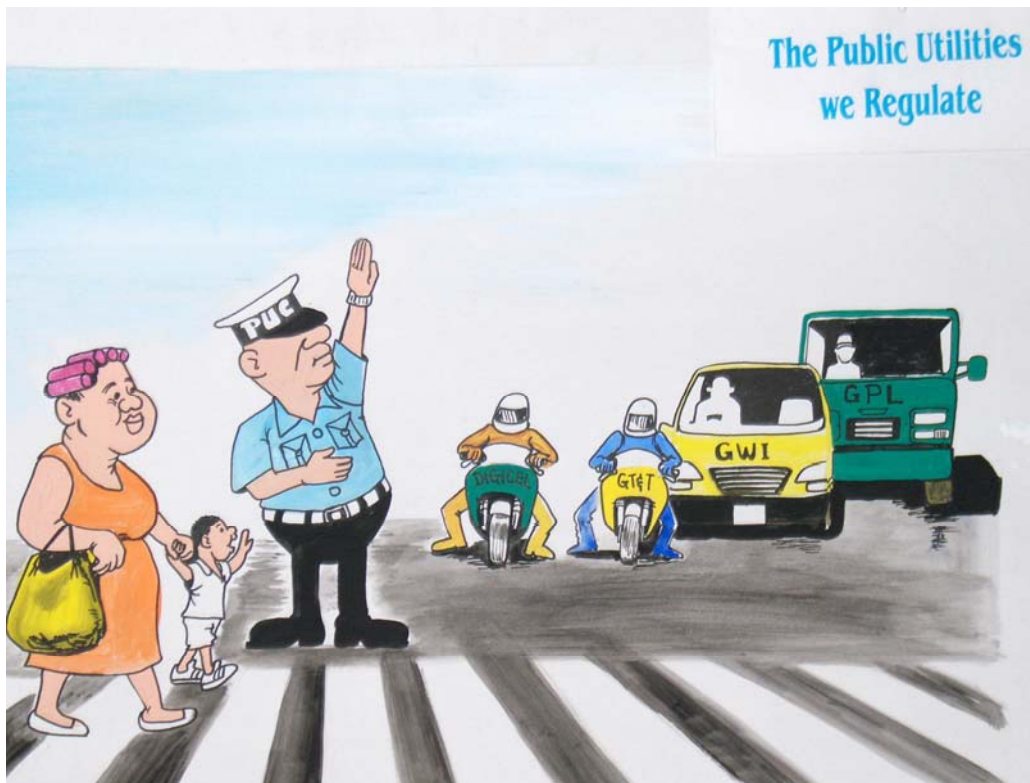
- (b) the conveyance or transmission of oral, written, digital or any other form of messages or communications by telephone, wireless telephony, telegraphy; or wireless telegraphy, satellites, cable television, telecom service providers, pay telephone service providers, telecom resellers, internet and 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 and**
- **Electricity, since the inception of the PUC Act 1990; and**
- **In 2003 by Order No. 26/ 2003, Water and Sewerage Services.**



*P. Harris*

## OVERVIEW

*Vidiahar Ian Persaud – Attorney-at-Law/Secretary*



The Commission was very busy during the year and dealt with many matters of interest to both consumer and the utility services.

### **Telecommunications Sector**

#### *Ceiling and Floor Rates for the Cellular Services*

In May of 2006 the Commission advised the cellular operators, Guyana Telephone and Telegraph Co. Ltd and Cel\*Star (Guyana) Inc, and consumers' organizations on the intended introduction of floor and ceiling rates and invited submissions from all parties. The Guyana Consumer Association advised, prior to the meeting, that they were against 'having any kind of fixed minimum rates for cellular services' and viewed the determination/establishment of a minimum rate as an anticompetitive practice.

At the meeting GT&T submitted a comparative analysis of cellular mobile rates across the Caribbean in which they sought to demonstrate that cellular rates in Guyana were the least expensive when compared with other Caricom States. They also posited that since an interconnection fee is in force between the local service providers, a de facto floor rate already exists and the Commission should take cognizance of this.

On the 6<sup>th</sup> of December 2006 a Public Hearing was held to determine a just and reasonable maximum and minimum rate which consumers would be required to pay for the use of the utilities cellular services. Both utility companies were supportive of the floor/ceiling concept. The Commission considered the objection by the Consumer Associations that setting a minimum rate was as anti-competitive, which would militate against the interest of the consumers. The Commission however was of the view that unless a floor rate was fixed, the companies may offer rates at such prices that may be

below the cost to attract consumers and gain market share in turn shutting out any competitor.

On the 15<sup>th</sup> January, 2007 the Commission made Order 1 of 2007<sup>1</sup> whereby the Floor rate was fixed at \$7.00 a minute and the Ceiling rate was fixed at \$32.00 per minute. It was further ordered that the cellular operators implement per second billing that is, that the minimum unit of time for billing purposes shall be one second instead of one minute. The Order was made effective February 16, 2007.

### **Digicel**

The Company Digicel commenced negotiations with the licensee U-Mobile Inc. with a view of taking over the licence and on February 24, 2007 they launched their cellular mobile service in Guyana.

### **International Short Messaging Service**

The Guyana Telephone and Telegraph Company Ltd, indicated that in light of their success in the Short Messaging Service (SMS), they took a decision to launch such a service for the month of January, 2007. They indicated an intention to partner with the international telecommunications provider *Versign*, the company that handles international GSM roaming signaling and accounts reconciliation.

They indicated that there will be no charge for the customer to configure their handsets and the cost for a SMS will be \$10 a message.

### **TDMA Cellular Service**

By correspondence in September, 2007 from the National Frequency Management Unit, the PUC was informed that the Guyana Telephone and Telegraph Co. Ltd was in the process of phasing out and bringing closure to their TDMA network. The PUC suggested to GT&T that they give due and adequate notice to their customers that this service was

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<sup>1</sup> See Appendix 1.

going to cease on December 1, 2007 and that the GSM network will be superseding this service. GT&T complied and served due and adequate notice to the public.

#### Promotions

The PUC requested cellular operators that they inform the Commission of all impending mobile cellular promotions (Letter dated September 11, 2007). The GT&T responded that while it was committed to informing the Commission of its promotions, it was not always feasible to provide such notice in advance. They indicated that sometimes given the intense competition, some promotions may be conceived and launched within a twenty-four hour period and therefore it is not always feasible to notify the Commission in advance. They indicated that sometimes also there is the need to keep certain promotions in the strictest confidence.

The Commission noted the company's concerns but observed that section 83 (5) of the PUC Act, provides for the Commission to take all due and reasonable care to protect the integrity of the Company and shall not publish or otherwise make public, confidential information that could aid a competitor.

#### Per Second Billing

The PUC convened a meeting on July 6, 2007 with a view towards affording the telephone company, GT&T an opportunity to express its views on the Commission proposed introduction of a per-second billing (PSB) regime for international outbound calls. GT&T indicated that they were not disinclined to this introduction, but indicated that to introduce such a regime at the existing rates would constitute a net revenue reduction. Their argument was that the Commission's approval of the rates applied on a per-minute basis which was indicative of the Commission's conviction that these rates permit GT&T to earn a revenue requirement pursuant to the rate of return that the PUC deems as 'fair and just.' They also contended that the outbound minutes have been declining in the face of competition from alternative illegal calling systems and international IP telephony providers such as Skype, Vonage, Net2phone, Tidal wave etc. They also argued that the VAT on the outbound calls has made a bad situation even

worse. They indicated that if there should be an introduction of per-second billing of outbound calls which will not be revenue neutral, then to compensate there need to be an increase in tariffs in other revenue segments, and suggested that this adjustment may be made in the land-line services. They argued that the rates for the landline services are about the lowest in the region and further afield, and they will file and request a rebalancing of these rates. This issue is still pending before the Commission, awaiting GT&T application to rebalance the rates.

#### *Free After Five and Free After Three Promotions*

During the latter quarter of the year Digicel introduced a promotion to its consumer base which it termed “Free after Five” which allowed for talk on the network for five minutes and get the remaining hour free. This promotion was subsequently re launched as a “Free after Three” minutes. This promotion subsequently became contentious with GT&T arguing that the promotion breached the floor and ceiling Order 1 of 2007. Digicel responded that based on the average used by customers of the cellular service, the consumers were within the floor and ceiling rates of the Order.

#### *GT&T Offer of a 50% Discount on Current Outbound Peak Collection Rates*

The Commission received a notification that GT&T intends to offer a 50 percent discount in outbound peak collection rates’ applicable on the weekends. The Commission directed the company’s attention such a change in the rates will require the expressed permission of the PUC. A meeting was held and it was agreed that such an offer was permissible and may run for a specific period. It was agreed that the company will use the discounted retail rate to calculate the discount on the Outgoing International services provided to U-Mobile (Cellular) Inc. under the terms of the Interconnection Agreement signed between the two companies. And that the offer will also be available to the customers of U-Mobile (Cellular) Inc. GT&T refused to accommodate Digicel who ought to benefit from this offer and the Commission refused to facilitate GT&T’s request.

*The Replacement of the Airspan Wireless Local Loop System by the Fixed Wireless Access System.*

At a meeting held with the Commission, GT&T updated the PUC of a plan to replace the Fixed Wireless Access (FWA) network with an alleged technologically advanced Wireless Local Loop (WLL) network. One of the main reasons advanced was that the production of the FWA system had been discontinued by its manufacturer. It is now obsolete and there was a difficulty in maintaining that service for the customers, in the area where that service had been deployed.

The National Frequency Management Unit advised that this system will require the permission of that unit for spectrum allocation usage, and they further indicated to the company that a licence to activate this system will be required. This matter is still in limbo.

*Double Your Christmas Cheer*

GT&T advertised their promotional offer 'Double Your Christmas Cheer -1/2 off any single number in December. Immediately, the company U-Mobile (Cellular) Inc wrote the Commission objecting to the promotion indicating that GT&T had failed to notify them of the retail rate used to calculate the discount on outgoing international service provided under the terms of the parties Interconnection Agreement. The Commission on reviewing this matter suggested that both parties meet and resolve the matter. It was the hope of the Commission that GT&T would have extended the offer to Digicel. A timeline was given by the Commission to have the two parties settle the matter. This deadline passed, without agreement between the parties and the Commission suspended the promotion.

**Water Sector**

*Disruption in Water Supply*

The GWI advised that the Turkeyen No. 1 Well encountered technical difficulties on August 16, 2007 and was therefore out of operation. They noted that the University of

Guyana, Cummings lodge, Turkeyen, Liliendaal and surrounding areas were being served by the Turkeyen No. 2 Well. They advised consumers that in those areas there will be a reduction in the level of service, until repairs to the Turkeyen No. 1 Well were completed.

On a query by the PUC for the reason for a reduction of the supply of water to the City GWI advised that the power supply to the Shelter Belt Plant was disrupted during the afternoon of July 7, 2007, following a storm which struck the City of Georgetown, and other parts of the country. This resulted in a loss of power and service disruptions to large sections of Georgetown. They indicated that normal service was restored during the evening of July 9, 2007.

#### *Protests on the West Coast of Demerara*

Residents of the LaGrange Old Road, West Bank of Demerara took to the streets to protest the continued non-availability of potable water. They blocked the public road in a show of protest and the police was forced to intervene. The Commission contacted the Chairman of the Board of Directors, GWI expressing its concern on this issue noting that this is not an isolated incident on the West Demerara, and that twice residents had vented their anger in not getting water in Hague and DeKendren. The Commission noted that it had visited areas in that region and made suggestions to the company. The Commission then invited the Chairman along with a GWI management team to a meeting to discuss the issues of water supply for the area, and the way forward.

#### *Construction Works*

In November, GWI issued a Press Release, indicating that it intended to regularize construction sites where large volumes of water are being used and not accounted for through GWI's metering and regulation system. They noted that a number of commercial, industrial and even domestic consumers are using treated water for construction purposes. They noted that in some instances this may be unavoidable especially in Central Georgetown, where canals are not available to access untreated water. As a result the company requested that contractors and owners engaged in



construction works register with GWI's office. They noted that failure by the contractors can result in disconnections of their water supply especially as it relates to those areas where wastage is taking place.

### Tenants

GWI in a Press Release in November, 2007 noted that there are a number of outstanding arrears for tenants who had abandoned their leases and have left large amounts of money outstanding with their landlords. The Commission advised that the persons responsible are those in whose names the accounts/meters are registered. GWI indicated that they have been entering into agreements with tenants but only on the condition that the landlords consent and sign as guarantor to take responsibility for any amounts outstanding.

### Electricity Sector

#### Interim Return Certificate

In January GPL submitted their Interim Return Certificate and an unaudited internal management accounts for the year ending December 31, 2006. It was noted that the Certificate set forth the basis for a rate increase of 14.95% applicable for bills issued from February, 2007. But, in terms of the provisions of section 12 of the First Schedule of the Electricity Sector Reform Act No. 11 of 1999, the PUC give permission for the GPL to forego the increase and have the revenues added to the 'Revenue foregone Account'.

#### Guysuco-Power Purchase Agreement

The PUC was informed that the commissioning of Guysuco's 10MW HFO fired power plant at Skeldon was scheduled for December 2007 and that the 30MW co-generation facility was on target for the second quarter of 2008. It was noted that the negotiations for the Power Purchase Agreement fashioned after the format for Thermal Power proposed by the consultants *Hunton & Williams* had commenced and was expected to conclude before the commissioning of the 10MW facility.

*Approval of Interim Agreement for Purchase of Diesel Power from Guysuco*

By letter from GPL, the Commission was informed that GPL and Guysuco have entered into an Interim Agreement for the purchase and sale of electrical power from Diesel Generation pending the finalization of a Power Purchase Agreement. In accordance with the Interim Agreement, Guysuco agreed that it will endeavor to supply its excess power to GPL. The Commission granted its approval of the interim agreement, noting that it will expire in February, 2008.

*Operating Standards and Performance Targets 2007-2009*

GPL submitted its Operating Standards and Performance Targets (OSPT) 2007-2009 to the PUC. It is noted that the OSPT, which is attached to the GPL's Licence specifies that the company's standards and targets is subject to 'best efforts.' It has been noted by the company that despite its best efforts it has been unable to complete its major capital expansion programme and that the Company continues to pursue various initiatives to realize financing necessary to implement its capital programmes. It was noted that increases in fuel prices have depleted the Company's cash flow to the extent that funding for major capital works from internal cash flows are unavailable. General standards were set as regards the performance targets and customer services.

*Development and Expansion Programme(D&E) 2007-2011.*

The GPL's submissions on the Development and Expansion Programme noted that the highlight of the Company's performance has been the return to profitability in the years 2003, 2004 and 2005. It noted that there has been a rehabilitation of approximately 192 km of 69 KV Transmission Lines; and that there has been an addition of 9.8 MW of generating capacity to the system.

In terms of development, some of these plans include the decision to accelerate the development of hydropower and also the confidence to attract reasonable short term Independent Power Producers to stabilize power generation in Demerara up to 2011.

The D&E Programme envisages the outsourcing of 60% of T&D maintenance activities in the first year, and incrementally increasing this to about 90% over the next four years. GPL will continue to use collection agents to seek to expand this engagement in non-traditional areas such as Essequibo and Berbice. There is also the continued programme of reducing the non-technical losses.

#### Un-served Areas Electrification Programme

The Un-served Areas Electrification Programme is funded by the Government mainly through a loan provided by the Inter-American Development Bank (IDB). The programme aims to provide service connections to 40,000 (forty thousand) householders and the duration of the programme was expected to last for 5 (five) years. The cost of the programme is budgeted at US \$26 million with the IDB providing US \$21 million and the GPL US \$5 million. As part of cost recovery each un-served customer is required to pay \$10,000 (G) for a service connection. This programme continues.

#### Loss Reduction (for 2007)

GPL has noted that the loss reduction programme remained a key focus of the company in its five-year programme. It has long been recognized that the viability of the company rests with the speedy reduction of the system losses. At 30<sup>th</sup> June 2006 the system losses stood at 39.5%. GPL has since claimed a measure of success in progressively reducing these losses from its current high in June 2006.

To further assist the company in reducing these losses the IDB has initiated a study to determine how the components of the commercial losses are made up and to prepare a strategy for the company to reduce these losses. In 2006 the exercise was completed and a report submitted to the GPL.

Stealing of electricity contributes to the greater proportion of loss to GPL. Some consumers are totally unconcerned of the consequence of this practice. Many have suffered injuries and death consequent on the illegal connections coming into contact

with citizens, but apparently these tragic consequences seem not to deter the criminal acts.

GPL is contemplating the use of prepaid meters which is estimated to reduce losses to a great extent. This will also encourage customers to monitor the use of electricity and seek to conserve. The Commission has expressed its approval of such a move.

## Inter-American Development Bank – Public Utilities

### Commission Grant

An Agreement between the Inter-American Development Bank (IADB) (in the capacity as administrator of the Multilateral Investment Fund) and the Public Utilities Commission was signed. The Agreement sought to provide financing for the contracting of consulting services and the procurement of goods and services for the execution of a technical cooperation program for strengthening the Electricity Sector Regulations in support of private investment.

The Agreement catered for the provision of a grant of US\$500,000 by the IADB with the PUC providing counterpart funding of US\$233,000.

The specific objectives of the program were to:

- (i) Consolidate and further develop sector transparent and consistent legislation and regulation geared towards facilitating private investment, through rules for establishing competition in generation, solicitation procedures for Independent Power Producers and model contracts for Power Purchase Agreements.
- (ii) Strengthen the PUC's transparency and accountability of operation, as well as its administrative and analytical capacity to (i) apply the Government's system access, tariff and other policies pertaining to economic and technical regulation and (ii) evaluate, and advise on, proposals by private investors to pursue operations in the electricity sector.

Three components were required:

- (i) Strengthening the legal /regulatory/institutional framework for private investor participation.
- (ii) Strengthening the PUC's regulatory capacity
- (iii) Knowledge, development and dissemination.

By mid 2006 the project was at the stage where the first of three components, ***Strengthening the Legal/Regulatory/Institutional Framework for Private Investor Participation***, was on the verge of completion. This consultancy was awarded to *Hunton and Williams LLP* of the United States. The contract was signed on February 14, 2006. The Consultants arrived in Guyana for a two day visit on the 19<sup>th</sup> April, 2006, and in keeping with their contractual obligations, an Inception Report was submitted for the Commission's approval. The team then held its two on-site seminars in Guyana and later submitted in draft their Final Report for the Commission's comments and approval. After the finalizing of the report, it was resubmitted and component one of the programme was deemed completed. The IDB 'no objection' to this report was given in May 2007.

Component Two, ***Strengthening PUC's Regulatory Capacity*** and Component Three, ***Knowledge Development and Dissemination***, were merged.

Invitations for Tender were issued and submissions invited for the remaining two components. An Evaluation Committee was appointed by the National Board for Procurement and Tender Administration, for the awarding of the contacts. The evaluation committee scored *Mercados Energeticos S.A* of Uruguay, as the best bid and offered them the contract which they accepted.

The public information aspect of **Knowledge Development and Dissemination** was split to allow for local bidding. This aspect, because of the lack of funding by the PUC, was eventually put off to a time in the future when the PUC finds itself in a better financial position.

On the 5<sup>th</sup> November 2006, *Mercados Energeticos S.A.* arrived in Guyana for its inception visit. On that visit they met with various stakeholders, including officials from the Office of the Prime Minister, Consumer bodies, PUC staffers and Commissioners. The consulting firm submitted its Inception Report on the 4<sup>th</sup> December, 2006 for the Commission's attention and approval. . This Inception Report was approved by the Bank on the 28<sup>th</sup> February, 2007. The Firm also submitted their Progress Report which was vetted by the PUC and approved by the Bank on March 9, 2007.

Under the agreement the consultants arrived in Guyana to conduct in-house training sessions on Consumer Advocacy and Public Participation and the Independent Power Producers and the Regulator. The training sessions were executed on the 6<sup>th</sup> to the 9<sup>th</sup> March, 2007 in Georgetown, Guyana.

In May 2007, the Interim Final Report was submitted to the Commission and the Bank was sent a copy of same on the 5<sup>th</sup> June, 2007. The Consultants then came to Guyana to present the Final Report. Upon the presentation and submission of the Final Report, the consultants had fulfilled their contractual obligations.

It is to be noted that the project was delayed for several reasons, crucial among them being the changes in staff at the Commission. It is important to note that the project should have ended in September, 2006, but because of the unavoidable delays the life of the project was extended by the Bank to September 28<sup>th</sup> 2007.

### *Future Perspectives*

The PUC does not, at the moment, anticipate any difficulties in achieving the goals and new deadlines set by the project. Consultants are required to be employed and to advise on agreements with the Independent Power Producers chosen by the Guyana Power & Light Inc. for the generation of electricity, the training of staff and any other ancillary matters.

In its five year plan (2007-2011) GPL is anticipating a 25 MW IPP to come on stream sometime in the last quarter of 2007. To date, as far as the Commission is aware, no negotiations have begun with any IPP. The Commission looks forward to being involved in all IPP negotiations in which GPL may be consulted. The rationale is that in the final analysis it is the Commission which has to approve the rate structure of the IPP, and being involved in the negotiations from its inception would make such approval easier and less time consuming.



## FINANCIAL OVERVIEW OF THE SECTORS

*Moorselene Sankar – Financial Analyst*

### **Guyana Water Incorporated**



In February 2007 the Management Contract between the Guyana Government and Severn Trent was terminated. The underlying factor that gave rise to this was the failure of the contractors to achieve the targets agreed to in their five year plan. Following their departure an interim management team was set up to manage the affairs of the utility. Later in the year a chief Executive Officer and a new board of directors were appointed. The Public Utilities Commission invited the board of the GWI to a meeting to discuss issues that were of concern to the Commission for some time.

At that meeting the issues raised are:

- **The current state of the Finance Division:** it was noted by the PUC that the financial statements from 2003-2006 were heavily qualified by the auditors with a disclaimer on the 2005 financial statement. Further the report of the auditors for these years suggested that there were serious breaches in the systems of internal controls and checks.
- **Non Revenue Water:** - This represents treated water pumped from a GWI's distribution point, the revenue for which will not be collected by the utility. Although this loss is not precisely known it is generally thought that the non revenue water may be as high as 55%.
- **Billing of metered consumers:** - The PUC's position is that the GWI appears to lack the capacity to implement a system to effectively bill consumers who are metered. The PUC believes that this has led to non-collection of hundreds of millions of dollars. The GWI acknowledged that they were not satisfied that metered consumers were billed in a timely manner but this was due to a shortage

of meter readers and the inability of the utility to hire additional personnel because of the then policy with respect to employment. However the policy has since been reviewed and currently meter readers are being recruited. The utility is hoping that there may be improvements in metering.

- **Quality of water:** The PUC pointed to the number of reports it has been receiving about the poor quality of water being pumped to consumers and the number of articles appearing in the press that addressed the issuance of water from the mains. The utility while acknowledging that the quality of water is unacceptable in certain areas says it lacks the financial resources to improve the quality of water and services on its existing tariff structure.
- The GWI responding to the PUC's presentation said that following the departure of the Severn Trent Management Team the strategic investors and the local management team crafted a "Turnaround Plan" for the utility. The time span of the plan is between 3-4 years. During this period the issues raised by the PUC will be addressed by the plan.

#### *GWI's Turnaround Plan*

The turnaround plan will examine critical areas that the company should focus on, to either increase revenue or reduce cost without compromising the long term objectives of the company.

After consultation with all stakeholders the team agreed that the interest of the utility will best be served in the short term by:

- Reducing the loss of non-revenue water by 5% per annum over the next three years.
- Partial rehabilitation of the sewerage system so as to prevent its total collapse
- Institutional strengthening.

The cost of the turnaround plan is estimated at \$21.2 million (U.S). The table below itemizes the cost components of the plan together with pledges of funding from the donor community.

	Funding Required US\$ (000)	Indicative Pledges of Resources US\$('000)				Unfunded US\$ (000)
		GOG	IDB	WB	DFID	
Non Revenue Water	10,393.5	2,805	538.5	1,070	2,895	3,085
Sewerage Rehabilitation	9,357		1,300		224	7,833
Institutional Strengthening	1,395		50		1,000	345
	21,245.5	2,805	1988.5	1,070	4,119	11,263

The plan at this point is about 50% funded and for success to be achieved additional financing will have to be obtained from other sources.

#### Non Revenue Water

GWI has calculated that a 5% reduction in non revenue water will accrue an annual saving of \$450 million to the utility. Repeated over three years a saving of approximately \$1.35 billion is anticipated. This will significantly reduce the operating deficit which currently stands at \$1.5 billion. This, however, is subject to the proviso that there is no significant increase in operating cost brought about by inflation, higher fuel and electricity tariffs and adverse movements in the exchange rates. In a turbulent world of high energy cost such idyllic projections are rare

GWI's educated guess is that between 55%-60% of the water produced is non-revenue. The plan is to reduce it by five percent points over each of the next three years. A new division the "Non Revenue Water Department" is in the process of being set up with the objective of achieving the target as set out in the plan.

#### Sewerage System:

This is a serious challenge facing the GWI. The sewerage system was built in 1929 and at that time was expected to serve a population of 30,000. It is estimated that with the itinerants and transit workers that visit the city on a daily basis the system at its peak has to

serve approximately 100,000 persons. Over the years not much maintenance was done to the system and its present condition is not fully known; but it is thought to be in a collapsible state. Currently the system requires twenty four pumps to function at an optimal level, however at any given time only about half of the pumps are operable. Pump failures are frequent as are repairs to failed pumps.

The proposal is for the IDB to rehabilitate 12 of these pumps in the Turnaround Plan to ensure a greater reliability of the system.

The estimated cost of sewerage rehabilitation is estimated at US \$9.3 million, however only US 1.5 million of this amount will be funded by the donor agencies and this funding will be used exclusively on the rehabilitation of the twelve pumps.

*Institutional Strengthening:*

The plan stipulates three areas that need significant improvements. These are:

- Governance Strategy
- Financial management and information technology
- Financial integrity

*Governance strategy:*

The plan calls for a clear strategic direction to achieve the standards and targets as set out in the Licence. There also needs to be a clear definition of responsibilities and clarity about what the Board and Management are each responsible for, and how decisions are made.

The governance strategy recognizes that the responsibility for achieving the operating targets and the strategic objectives rest with the Chief Executive Officer; and it is important that the degree of authority vested in the position through delegation from the Board is in line with that responsibility.

*Financial Management and Information Technology:*

The current organization of the Finance Division or rather lack of it has been a major concern to the stakeholders. At the recommendation of the donor agencies a financial and accounting consultancy was awarded to Christopher Ram and Company. The object of the consultancy is to assist GWI in implementing corrective measures and to rectify deficiencies of the financial and accounting systems which were identified by the external auditors. At the end of the consultancy a revised statement of the financial statements for 2006 would be re-presented for audit. The Commission is happy to note that The Guyana Water Incorporated has been making incremental improvements to its systems of internal controls and listed below are areas of improvements made during the year under review:

**Fixed Assets:** - An inventory of fixed assets has been completed and an asset register prepared.

**Stores:** An inventory of spares for all of the stores has also been completed.

**Bank Reconciliation:** This is currently in progress and is under the supervision of one of the two qualified accountants recently employed by the utility.

**Consumer Ledger:** The new High Affinity software has successfully aged the debtors; this was a major concern of the auditors. Other areas of improvements on the consumer ledger are in progress but not moving at the desired pace.

**Accounting Software:** The utility took a decision to return to its old accounting software, "Great Plains". Influencing this decision is that Great Plains has since been acquired by Microsoft and there is now a back up service for the software that the utility can tap into. The Chief Financial Officer said that currently the system is working and is operational.

### Financial Integrity:

It has been recognized by the donor agencies that in the absence of adequate financial management, poor human resources enforcement and an understaffed audit department a potential environment for fraudulent activities exist.

As a result of this recognition the Internal Audit Department of one of the donor agencies, DFID, conducted a detailed performance review of the utility. The donor agencies recognize that the future existence of the utility hinges on the implementation and management of the key areas identified by the audit team. The report has by and large been accepted by the Board of the utility and currently the recommendations are being implemented.

### Conclusion:

The turnaround plan is a fair one given the financial constraints of the utility. It recognizes the major constraints of the utility and offers a partial solution to its myriad problems.

The utility has accepted the plan and seems resolved to implement it. It is imperative that the utility achieve its benchmarks. However the plan is under-budgeted and where the remainder of the funding will come from is not certain. Further, the financial projections made in the plan do not make provision for inflation and the impact of impending increases for the cost of energy. It would appear, for example that an increase in electricity tariffs is imminent.

In terms of improving its financial systems and formulating a plan to reduce its non-revenue water, 2007 has been a good year. Progress has been made but there is still much more to be done to bring the utility to an accepted level of efficiency.

GWI's current policy to eventually meter all consumers is a step in the right direction. It is to be hoped that GWI delivers on its promise to effectively read and bill consumers in a timely manner so that there will be improvements to its rather weak cash flow. Further, the

quality of water through the system in certain areas impairs the functioning of the water meters. GWI will have to ensure that systems are in place to deal with these problems.

GWI has the potential to earn substantial returns. Its average monthly production of approximately 9.2 million cubic meters of water has a market value of about five hundred million dollars; sufficient to meet its operational and capital expenditure. It is for this reason that continued reduction in its non-revenue-water cannot be overemphasized.

### **The Telecommunications Sector**

2007 will probably go down in the telephone sector as the year when two service providers waged a relentless struggle for an increase share of the cellular market. The competition had both its positives and negatives.

Among the positives were:

- Significant capital investments by both Digicel and GT&T in the cellular sector. Digicel's investment is estimated at \$60 million US for 2007.
- A significant reduction in the acquisition cost of handsets that made it affordable for Guyanese from all walks of life to acquire one. It is thought that during 2007 over two hundred thousand sets were acquired and at the end of 2007 there were an estimated five hundred thousand hand sets in operation.
- In 2007 both Digicel and GT&T expanded the cellular service to hitherto un-served areas. In 2007. A significant number of persons have benefited from these services in the new areas.

On the downside the advertising blitz that followed the entry of Digicel on the local market coupled with the low price of hand phones and the free credit that were given with the initial purchase of hand sets resulted in unprecedented acquisitions for the service. Whether those Guyanese who are at the periphery of the economic ladder and who have

acquired a cell phone can continue to maintain the service without giving up some basic essential, is left to be seen.

The pricing structure used by the cellular providers is designed in such a way that it encourages continuous usage. A consumer who purchases a prepaid card for a fixed dollar amount has a time line in which the credit must be fully utilized or risk losing the remaining minutes not used during the designated period. Further if the service remains inactive for a specified period the consumer is disconnected from the system and will be called on to pay a reactivation fee for a new service if a decision to return to the service is made.

#### Landline

During the year under review approximately 11,000 landlines were added to the data base of the Guyana Telephone and Telegraph Company Limited. The number of land lines in service at the end of 2007 is 132,000. (122,000 in 2006)

In 2007 the average number of minutes spoken on the landlines fell marginally when compared to 2006. It may be that the unprecedented growth in the cellular service in 2007 impacted on this.

#### Order #1/2007

By order #1/2007 the methodology of cellular billing was changed from “per minute” to “per second.” The implication of this meant that consumers are billed by seconds rather than by the minutes. Under the old billing regime part minutes which were rounded up to a full minute came to an end.

The order also introduced a “per minute” floor and ceiling rate for cellular calls replacing the flat per minute charge. The floor rate was fixed at \$7 per minute and the ceiling rate at \$32 per minute. This meant that Service Providers were free to fix their rates anywhere between these two limits.



Order #1/2007 has had a profound effect on the cellular business. It allowed for the Service Providers to vary their rates between the two limits that found expression in a fierce and costly competition between the two competitors resulting in significant benefits to the consumers. This however is likely to be short-lived. In the final analysis both companies will have to look at their operating cost and agree an accommodation on a pricing mechanism.

#### Outbound Calls

These are calls made to overseas destination from Guyana. GT&T has an exclusive licence for the International Gateway. This means that all international calls made from or coming into Guyana from an overseas destination must be channeled through GT&T's Gateway. GT&T has complained to the PUC that in the recent past a number of Internet Cafes has mushroomed throughout the country and that not only is their operations illegal and in breach of their exclusive licence but that it is depriving the company of much needed revenue and the government of value added and corporation taxes. The Internet Cafes charge a fraction of what GT&T charges for a call to a similar destination. GT&T has noted that this segment of their business has remained flat as a result of these illegal operations.

#### Internet Services

The Commission recognizes the increasing importance the internet plays in preparing students for their examination in addition to the service it provides to other segment of the society. The local cost for this service is high when compared to other countries. The Commission is currently reviewing the reason for this high cost and will be examining ways to determine whether avenues exist that can make the service more cost efficient and cheaper to the consumers.

#### Per Second Billing – Outbound Calls

In November 2007 the PUC held a hearing that included the two Service Providers to determine whether it was practical to introduce a “per second billing” on Outbound calls. Currently customers are billed by the “minute” on outbound calls.

At the hearing GT&T posited that the lost revenue it will sustain if per second billing is introduced will cause its global earnings to fall below the 15% threshold on its “capital dedicated to public use” to which it is entitled under its licence. The hearing was adjourned to allow GT&T to file its computation to substantiate its position. It was also agreed that a copy of its filing will be made available to U Mobile (Cellular) Inc. GT&T has since made the filings and a copy was sent to U Mobile as agreed. The hearing is expected to resume in the new-year.

#### *U Mobile (Cellular) Inc*

In February 2007 Digicel acquired as a going concern U Mobile Cellular Inc. It brought to the market sophisticated marketing expertise and financial resources that found expression in the acquisition of a significant market share in just under ten months of operations. To increase a service from thirty five thousand customers to approximately two hundred thousand customers in a ten month period is testament to its resource capabilities and an in-dept understanding of the market and the market forces in which it operates. Its extension of the market to the hitherto un-served areas which were once considered uneconomical to service is not only commendable but will serve as a catalyst to development in the hinterland areas.

#### *Outlook for the Telecommunication Sector*

The year saw strong growth in the Telecoms sector. Revenue earned by the sector increased by almost 25% over the previous year due in the main to the expansion of the cellular and landline services during the year under review. The sector which enjoyed significant investments during 2007 boasts a good infrastructure, an impressive geographic dispersion and a large consumer base. Growth in the sector is projected to continue for some years yet though it may not be as robust as in 2007.

#### **Guyana Power and Light Incorporated.**

The year 2007 was characterized by high fuel prices that bedeviled the operating plans of the company. However the Company had taken a decision to absorb the additional fuel

cost rather than to pass it on to the consumers through either higher tariffs or fuel surcharges.

In the latter half of December the company announced that it can no longer absorb the high cost of fuel without seriously undermining the operating efficiency of the company. In the circumstances the company announced tariff increases. Under the terms and conditions of its operating licence, it was entitled to a steep increase on tariffs but after reviewing the social impact that it was likely to have on the consumers, opted for a reduced tariff increase. These increases will be reflected in the 2008 invoices.

GPL is required under the term and conditions of its operating licence to produce a rolling five year budget that delineates its programme over a five year period' to the PUC. The five year plan (2007-2011) appeared overtly optimistic and the PUC was concerned that many of the benchmarks contained therein will not be achieved. It has so expressed its concerns to both GPL and the Minister with responsibility for that sector.

The main thrust of the five year plan is the coming on stream of hydro power by 2011, significant upgrades to the transmission system, the acquisition of short term interim power that will allow for the retirement of some of the old and inefficient high speed diesel sets and bridging the anticipated shortfall of power during this period. .

GPL recognizes that during the period of construction of the hydro project, there is likely to be a shortfall of power in the system and is pursuing with its strategic investor an IPP of 25 MW generator which was anticipated to become operational in the latter half of the year. Additionally, GPL expects that work on a wind farm at Hope on the East Coast of Demerara will commence in the latter half of 2007, becoming operational in the 1<sup>st</sup> quarter of 2008. The wind farm is expected to contribute 4 MW of power to the national grid.

Unfortunately the strategic investor, because of a number of unforeseen events was unable to commence the IPP in 2007. Construction of the wind farm is yet to begin and if it does come on stream, it will probably be in the latter half of 2008. Receipt of power from

Guysuco Heavy Fuel Oil IPP began in December but because of the limitation of the transmission system, only four megawatts of power were available to the Guyana Power and Light.

The failure of the 25 MW generation expansion programme in 2007 means that the diesel units which could have been retired and which is costly to operate especially at a time of high fuel prices will have to continue in operation.

The construction of the hydro project would also require an improved transmission system from the one that is extant. The company in its five year plan is projected to spend approximately US\$ 30 million on the expansion and modernization of the system. Improvements to the transmission system will mainly comprise the construction of 69 and 138 KV lines and upgrades to buildings and sub stations.

For 2007, a sum of approximately ten million US was earmarked to be spent on the system. Most of the financing was to be provided by the strategic investor which, unfortunately did not materialize during 2007.

In late 2007, GPL wrote to the PUC asking that its roll over five year Development and Expansion plan which in accordance with the licence should be presented to the PUC be deferred until such time as the company is able to craft a revised development plan. They cited as the main reason for the delay the prevailing and prolong high price of fuel and the inability of the strategic investor to achieve benchmarks within stipulated time frames. The PUC has agreed to their request.

During the year, the IDB pulled the plug on the Un-served Area Electrification Programme. They gave as the reason, the company's inability to reduce its system losses that in their opinion limits the company from pursuing effectively its strategic plan. System losses have been the bane of the company for many years and the failure of successive managements to respond to this problem in a measured way has resulted in onerous tariffs to the consumers and possibly poor maintenance to existing plant.

The high tariff is given as the reason why some of the major maximum demand consumers have exited the national grid and self generate its own power. GPL's claim that it is still cheaper to remain on the system rather than self generate is not shared by members of the Guyana Manufactures Association.

GPL has, however, launched an aggressive campaign from the latter half of 2006 to reduce these losses and has claimed that in 2006, it has reduced system losses by 3% and by a further 3% in 2007. For 2008, it is projecting a further reduction of 6%.

GPL faces much uncertainty in the immediate years. Its continued reliance on fossil fuel for substantive generation at a time when fossil fuel is at a record price and its limitation to fix an appropriate tariff to adequately cover its operational expenses and its agreed rate of return will force the company to operate at a subsistence level in the short term. The hydro project which appears to be the panacea of the utility's myriad problems is still some years away. Of concern to the Commission is whether the strategic investor will be able to obtain funding from the international financial institutions following the sub-prime fiasco in the United States.

The Skeldon IPP and the wind farm, should the latter come on stream, will offer some respite to the troubled utility. However, it remains doubtful whether this can influence a downward movement in tariff rates. In the short term it appears that consumers will have to be resigned to high tariffs.

Regrettably the Commission has to report on GPL's failure to comply with its request for financial and technical data. The Commission does not wish to speculate on GPL'S reason for non-compliance. Suffice to say its intransigence has stymied the Commission from building its financial and technical models which is central to decision making in deliberations with the utility.

# REVIEW OF COMPLAINTS

*Devika Nandranie – Supervisor, Consumer Affairs*

## **Overview**



The Consumer Affairs Department continued with its mandate in helping to resolve disputes between consumers and the public utilities.

The Department also continued with its public awareness campaigns.

In 2007 secondary schools were included on the list of places visited since the Commission feels that school leavers should have an idea what to expect when they too become consumers of public services. In addition to the Consumer Awareness and Consumer Outreach Programmes, these are now joined by the Schools' Education Programme. School children can also be instrumental in encouraging a change of family lifestyles and we hope that they be motivated by what we tell them.

There have been a few significant changes in the Department in 2007. The section of the PUC that houses the Complaints Department was renovated and extended. A third staff joined the Department resulting in the Commission being able to offer a more efficient and prompt service to the public.

With an engineer on our team, the Department was able to conduct its own investigations into consumers' issues—sometimes singly or jointly with GPL. Technical information received from the engineer proved invaluable in determining matters that required a technical input.

The year 2007 also saw the launching of Digicel in Guyana having absorbed Cell\*Star (Guy.) Inc. With competition now in the cellular market, consumers are enjoying a cheaper and improved service from the two telecommunication companies. Cheap handsets and flexible rates are now very evident. With the significant growth in this sector the Commission envisages that more complaints and enquiries will be received from consumers. A minimal number was, however, reported for the year under review.

## Complaints Analysis

COMPARATIVE ANALYSIS OF COMPLAINTS RECEIVED						
2005 to 2007						
UTILITY	2005	2006	2007	AVERAGE PER MONTH		
				2005	2006	2007
<b>GPL</b>	410 (88)	376 (145)	395 (46)	33	31	32
<b>GT&amp;T</b>	75 (31)	146 (16)	69 (8)	6	12	5
<b>GWI</b>	33 (13)	48 (21)	74 (4)	3	4	6
<b>DIGICEL</b>	-	-	4	-	-	0.3
<b>TOTAL</b>	<b>509 (132)</b>	<b>570 (182)</b>	<b>542 (58)</b>	<b>42</b>	<b>47</b>	<b>43.3</b>

(Miscellaneous matters are in brackets and are included in the overall total)

**Note:** Miscellaneous matters are issues that have been addressed to the utility in question and copied to the PUC, to appraise the Commission of the matters under query. The PUC deals with these issues at the request of consumers.

The Department received a total of 542 complaints in 2007—an increase of 33 or 6.4% from 2005 and a reduction of 28 or 4.9% compared with 2006.



P. Harris

Although 2007 showed a reduction in the total number of complaints received compared with 2006, the Department dealt directly with more matters in 2007, than for either of the two previous years. It addressed 349 issues in 2007 compared with 231 in 2006 and 315 in 2005—an increase of 51% over 2006 and 11% over 2005.

Miscellaneous matters decreased by 56% compared to 2005 and by 68% for 2006. Miscellaneous matters have reduced in all three sectors but the reduction is more pronounced in the electricity sector where the PUC usually receives most of the complaints. It may be an indication that consumers are relying less on the utilities directly to respond to their queries and more on the PUC's intervention in finding a resolution to their problems, and for very good reasons. We receive prompt and favourable responses, and in many cases we get financial credits for those who were over billed.

Complaints regarding the electricity sector remain constant, while there has been a reduction in complaints lodged against GT&T—53% less than 2006 and 8% less than 2005. The water sector on the other hand, showed an increase in complaints received for 2007—124% more than 2005 and 54% more from 2006.

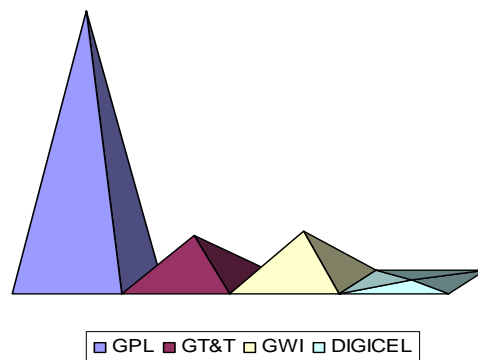
At December 31, 2007 there were 252 responses outstanding to the complaints filed with the utilities—the majority with respect to the power company. GPL in particular, takes an inordinately long time to respond to queries. One of the conditions contained in its license is that it is required to respond within 40 days to any complaint filed by the PUC. (*The OSPT was reviewed in 2007 and the response period was reduced to 28 days*). The power company habitually deviates from this condition and as a result, consumers are made to suffer the inconveniences caused by this delay.

There is the perception that the company's complaints and investigatory personnel do not attach priority to complaints filed. Their process entails the involvement of too many officials and invariably complaints and requests are stuck along the way. In the absence of competition in the sector, employees there do not recognize the trauma of suffering customers.



The Guyana Telephone & Telegraph Co. Ltd. by comparison appears more committed to customer service and responds to complaints raised by the Commission expeditiously. There has been some improvement in the response period by GWI for 2007.

**GRAPHICAL REPRESENTATION OF COMPLAINTS RECEIVED FOR 2007**



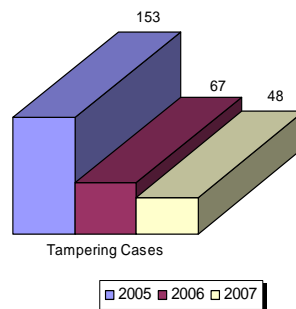
**Guyana Power & Light Inc.**

	2005	2006	2007
<b>REGULAR MATTERS</b>	160	164	301
<b>TAMPERING CASES</b>	153	67	48
<b>MISC. MATTERS</b>	88	145	46
<b>TOTAL</b>	<b>401</b>	<b>376</b>	<b>395</b>

The majority of complaints received in 2007 related to the electricity sector—as was the case in 2005 and 2006. While complaints relating to tampering allegations have decreased in 2007, there has been an increase in the incidence of regular matters. The Department filed 301 regular matters with GPL in 2007. As at December 31, 2007 there were 194 responses outstanding.

In addition to defective meters, changes of tenancies, applications for new service, disconnections and technical faults—the majority of the regular matters pertained to billing queries which included estimated billings and debit adjustments as a result of defective meters.

Tampering cases have reduced by 105 or 69% compared to 2005 and 19 or 28% compared to 2006. In 2004, tampering issues accounted for a mere 4.9% of the total amount of complaints received for that year. The reduction of tampering cases in 2007 could be attributed to GPL's less aggressive loss reduction campaign.



In February 2005 a recommendation was made by the PUC to the Hon. Prime Minister for a review of the 40 days response period by GPL. The Prime Minister agreed and on March 15, 2005 he wrote advising GPL to make the necessary modifications to the OSPT to have the 40 days reduced to 14 days. On March 23, 2005 GPL replied to the Prime Minister requesting one week to review the matter. The power company did not respond until December 2005 stating that Section 13 of the Electricity Sector Reform Act of 1999 (ESRA) must be followed by the Prime Minister in affecting amendments to the OSPT. The Prime Minister correctly disagreed and directed that GPL incorporate the proposed change and submit same to him for approval in the shortest possible time.

In 2007 GPL finally reviewed the company's OSPT document and the PUC was asked by the Prime Minister to incorporate any relevant suggestion(s). The Commission made three recommendations with respect to complaints: (i) That the 40 days response period be reduced to 14 days; (ii) That a written explanation accompany any bill where a

debit/credit adjustment has been made thereto and (iii) with respect to reconnection, that the words, “*within a prescribed target period*”, be incorporated in that section.

The Guyana Power & Light Inc. was directed by the Prime Minister to incorporate the aforementioned modifications into the revised document. Instead, GPL changed the 40 days response period to 28 days—says that it shall endeavour to inform consumers about billing adjustments—and ignored the recommendation with respect to the reconnection issue.

Consumers who were subjected to retroactive billing on account of defective meter, under estimation or due to unlawful interference with GPL’s installations, were billed in excess of \$32M in 2007. As at December 31, 2007, complainants received credits in the sum of \$3.5M as a result of the Commission’s representation. Besides, there are still responses outstanding from the power company.

The procedure adopted by the power company has not, however, been always transparent. In back billing consumers it does not give a breakdown on how the amount has been calculated. Customers seeking an explanation have often been rudely treated by GPL’S staff. The Commission has been prevailing on the company to have a computation attached to each back billed invoice so that consumers may see how the amounts were arrived at.

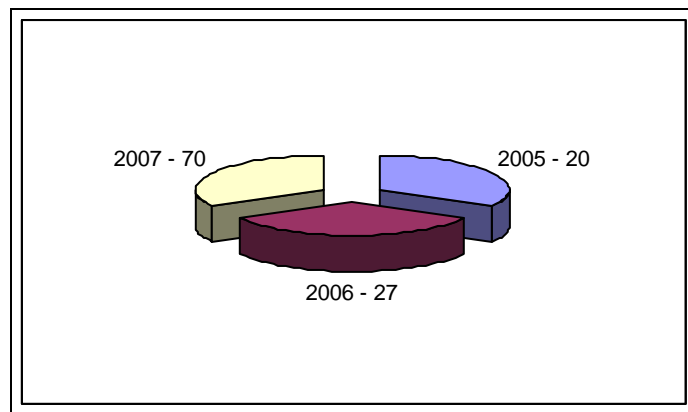
There are instances where a potential consumer applies for a new service at a premise that has an outstanding balance on the meter. This happens in instances where a consumer removes from the residence without settling the account. GPL invariably demand that the new applicant settle in full the outstanding amount due on the defaulting consumer’s account. This is unlawful and contravenes Section 20 of the Third Schedule of the ESRA, No. 10 of 1999 which states that GPL shall not be entitled to require payment of amounts due from a consumer who has applied for service at the premises where there is an outstanding amount owing on the account. It is only when the

Commission intervenes, that GPL complies with the rules and grants services to applicants.

The issue where nineteen consumers complained to the Commission in late 2004 about having their accounts back billed for various amounts due to alleged unauthorized interference with GPL installations, continues before the Court. Eight consumers had their matters reviewed and their accounts credited. The power company refused to favourably consider the remaining 11 cases. The PUC held a public hearing on the issue. During the course of the hearing, GPL applied for and was granted an injunction by the Court on the grounds that the Commission did not serve the Power Company with a notice of the complaints. When the matter is called in Court, GPL lawyer usually applies for and is granted adjournments.

### **Guyana Water Inc.**

The Commission dealt with 70 complaints pertaining to the water sector in 2007—43 more than for 2006 and 50 more than 2005.



The majority of the complaints related to billing queries such as estimated consumption and previous balances.

Many of the complainants claimed that they have had balances appearing on their bills and they had no idea where these figures appear from since they have been making

regular payments to the utility. Few of the complaints related to leakages, seepages and broken mains where GWI has been taking a while to fix.

There was one particular issue where GWI is holding a landlord liable for arrears incurred by his tenant. In this instance, the account is in the name of the tenant. We made representation on behalf of the complainant (landlord) and GWI has since resolved the issue, conceding that the landlord is not liable.

The response rate for complaints filed with GWI has improved somewhat from 2006. As at December 31, 2007 there are 54% of responses still outstanding.

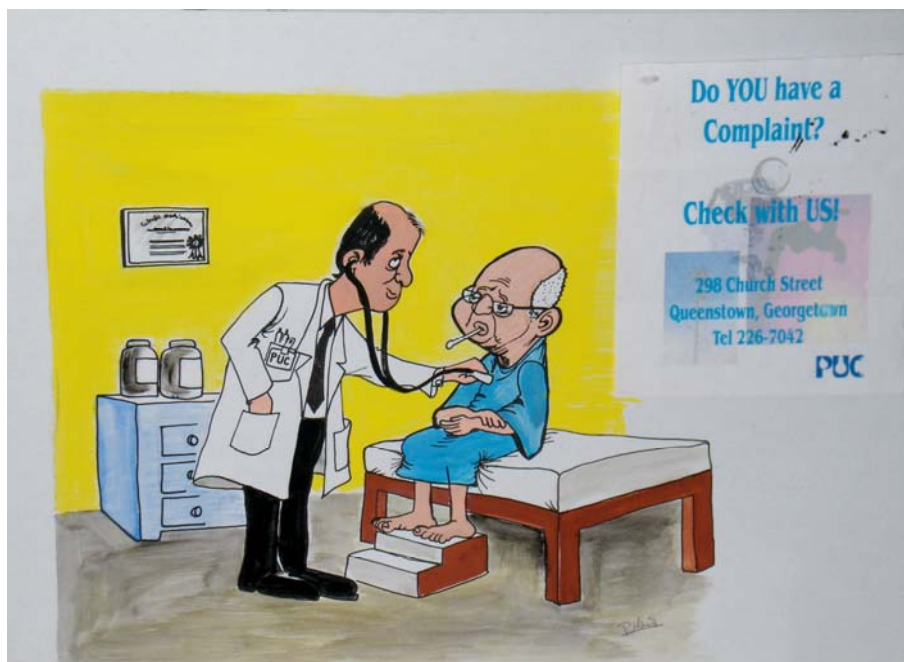
### **Guyana Telephone & Telegraph Co. Ltd**

There were 61 complaints lodged against GT&T for 2007. This is a marked decrease from 2006 which registered 146 and 75 in 2005—a reduction of over 50% compared to 2006. Technical issues/faults continued to make up the majority of these complaints while billing queries formed a small portion, and these resulted from claims of cellular calls made from wire line phones to unidentified numbers.

Application for the wire line service continued from 2006. People are desirous of having the fixed line service not only because it remains a cheaper alternative to cellular but because it is more reliable.

The response rate for complaints filed with GT&T was good. The company is very professional in this regard. They responded to all our matters in a timely manner.

In 2007 GT&T had to contend with a major problem of vandalism of their phone cables which caused severe disruption in wire-line phone services to hundreds of subscribers. These cables were apparently destroyed for their copper content and GT&T had appealed to the general public for assistance in combating this scourge.



*P. Harris*

### **Creating Public Awareness of the PUC**

The Commission continued with its public awareness campaigns from previous years in the form of Consumer Awareness, Consumer Outreach and Schools' Education Programme. While the Consumer Outreach Programme targeted out-of-town communities, the Consumer Awareness Programmes concentrated on consumers in and around Georgetown.

Representatives were invited from all of the utilities under the purview of the Commission and public notices are issued in the print and electronic media. The Utilities have responded positively to the PUC's invitations to attend these meetings. The programmes were successful in terms of not only accomplishing the basic objective of creating an awareness of the PUC—but highlighting the problems consumers are experiencing in the various communities. Many matters were resolved on the spot.

## **Consumer Awareness Programme**

Our Consumer Awareness programme saw the PUC visiting four areas around the city of Georgetown in 2007 in an effort to reach consumers. These visits were intended to sensitize customers on the role and functions of the PUC and how the Commission can assist in helping to resolve matters pertaining to the service providers.

1. Staffers of the Commission met and spoke with patients at the Outpatient Department of the Georgetown Public Hospital Corporation on January 15, 2007. The feedback received from this exercise was positive. People are pleased that the PUC has been trying to help consumers' resolved problematic issues with public utilities.
2. The picture below reflects the PUC's presence, interacting with motorists at the GUYOIL Service Station on Regent and Wellington Streets on May 18, 2007.



**PUC at GUYOIL**

3. A visit was made to the Camp Street Shopping Mall on July 20, 2007. This was the period when schools across the country were closed, and the mall was busy with shoppers.

4. The picture below shows a staff member paying keen attention to what was being said to her by this shopper at the Forgarty's Department Store on Friday, September 21, 2007.



**PUC at Forgarty's**

### **Consumer Outreach Programme**

During the year under review the Commission held its Consumer Outreach in five communities across the country. The areas visited are listed below.

1. The Golden Grove Secondary School, Golden Grove on the East Coast of Demerara on Saturday, February 17, 2007.
2. Enterprise Community Centre, Enterprise on the East Coast of Demerara on Saturday, April 27, 2007.



3. The first picture below shows the Chairman and Commissioners of the PUC, while the second picture highlighted the attendance of Utilities' representatives and residents of the community who attended the meeting at the Rose Hall Community Centre, Rose Hall, Canje, Berbice on Thursday, June 14, 2007.



**PUC at Rose Hall, Canje**

4. The PUC visited Ocean Garden, Meten-meer-zorg on September 04, 2007.

5. Hague Primary School at Hague Back on the West Coast of Demerara, on Sunday, October 14, 2007.



**PUC at Hague Back**

### **Schools' Education Programme**

The PUC met with senior students of two secondary schools in 2007—Queens College on January 24, 2007 and Mariam Academy on February 20, 2007

### **Staff Training**

Staff members of the PUC attended and participated in the Fifth Annual Conference of the Organisation of Caribbean Utility Regulators (OOCUR). This conference was co-hosted by the Public Utilities Commission (Guyana). It was held at the Buddy's

International Hotel at Providence on the East Bank of Demerara, from November 7 – 9, 2007 and was attended by delegates from almost all of the Caribbean territories.

The theme of this conference was “*The Evolving Caribbean Utility Environment—Innovation and Development*”.

In the pictures below, Justice Prem Persaud, Chairman of the PUC and the Hon. Dr. Samuel Hinds, Prime Minister of Guyana, gave the welcome and feature addresses, respectively.



**OOCUR Conference**

# ENGINEER'S REPORT

*By Keine Read*

## **Guyana Power and Light Inc**



Throughout 2007 the division played a role in resolving complaints of a technical nature. In all twenty nine investigations were conducted, nineteen has been resolved and ten remained in various stages of completion.

There has been commendable cooperation between the field workers of the GPL and the Public Utilities Commission. The utility at times has invited the PUC's engineer to accompany them on field trips when they were conducting investigations. In some instances the engineer conducted investigations on his own.

In some of the investigations that were conducted we found no evidence of wrong doing on the part of the consumers. There were however several instances during our investigation where it was clearly established that consumers were involved in illegal activities against the utility.

### *Installation of Itron Meters:*

During the year the GPL replaced the existing maximum demand meters with Itron meters. These new meters are state of the art and are almost tamper proof. There was a perception by the management of the GPL that many of the maximum demand consumers with possible help from dishonest employees colluded to cheat the company of tens of millions of dollars annually. Since the installation of these meters GPL has reported increased collections from this segment of consumers. GPL has during this year reported a reduction in system losses and the installation of these maximum demand meters no doubt played a role in GPL achieving a measure of success in its uphill battle against loss reduction.

*Request for Information:*

It is the practice of regulatory bodies to build data bases of the utilities that are under its control. In the specific case of the GPL the engineering division needs to construct a technical profile of the company so that it can make an informed judgment on GPL's quality of service and whether this service confirms to the Operating Standards and Technical Performance to which GPL is committed to maintaining under its license.

Regrettably we have to report that GPL has been less than forthcoming with the information requested making the work of the Commission difficult. It is to be hoped in the new- year that GPL will recognize its corporate responsibility to the public and the regulatory body and comply with its statutory duties.

*Telecommunications*

During the year the department made several attempts to set up meetings with senior technical persons at the Guyana Telephone and Telegraph Co. Limited. While given the undertaking that these meetings will take place at some future time they are yet to crystallize; and despite reminders to GT&T the meetings remain elusive.

The Division had also written to the utility for information of a technical nature but after months of follow up we concluded that GT&T is unwilling to comply. Refusal of a service provider to comply to a regulator's request for information in other countries is not only unacceptable but would in all probability lead to a hearing, a severe reprimand and a hefty fine on the utility.

The IEEE (Institute of Electrical and Electronics Engineer) and the ITU (International Telecommunication Union) are two professional associations that set standards for the electricity and telecommunication industries.

The fundamental objective of requesting this information from GT&T is to in the first instance build a technical profile of the company and in the second instance compare

the local Quality of Service with predetermined standards set by the professional bodies.

It is widely known that in the recent past GT&T's cellular service was characterized by drop calls and delays. In fact the PUC had to issue a directive to the utility, sometime in the past instructing that they cease further activation until they can demonstrate that their capital infrastructure dedicated to the cellular segment of the business is capable of handling the traffic that emanates from users of the service. It is to be hoped that GT&T becomes a better Corporate Citizen in 2008 and cooperate with the PUC on matters of mutual interest.

In 2007 Digicel acquired as a going concern U Mobile. Following the acquisition Digicel expanded the service to hitherto un-served areas mainly in hinterland areas. The division is pleased to report that up to this point Digicel appears to be offering an acceptable quality of service to its consumers.

### **Guyana Water Incorporated**

At a meeting with the GWI on the 16<sup>th</sup> August 2007 it was agreed that regular meetings between the GWI and the technical and financial officers of the PUC should be on going. The object of the meeting would be to strengthen the working relationship between the two bodies so that together we may better serve the interest of the consumers.

Templates for the presentation of reports was given to the GWI and we wish to report that we have to date received some of this information.

A problem of mutual concern to both the GWI and the PUC is the quality of water consumers receive in specific geographic areas of the country. The quality of water falls far short of the World Health Organisation's standard of an acceptable quality of water. GWI is cognizant of this, but has stated that it lacks the finances to correct this problem. It would appear that either the tariffs charged or the Utility's inability to

collect its billings in a timely manner or both need to be examined to determine where the money will come from to fix this problem. It will not be in the interest of any one if as a result of contaminated water, water borne illnesses in the affected areas become widespread.

### General

In the current year the Commission will make renewed efforts to have the utilities respond to our request for information. In the specific case of the engineering division this information will assist in:

- The developing of a technical data base that will assist the Commission in monitoring the quality of Service of the utilities
- GPL when back billing consumers use the installed capacity of the customer and estimates the usage of each appliance based on a predetermined chart developed by the utility some time ago. We believe that this chart that determines the consumer's estimated usage to be fundamentally flawed. The Commission will be doing its own research to get a feel on the average monthly consumption of energy used by consumers with respect to their appliances.
- The division has during the year received numerous complaints from consumers in areas outside of Region Four. Many of these complaints inform that the consumers have valid complaints but because the Commission has no presence in other areas most of these complaints are dealt with through the telephone and by post. It is an unsatisfactory way but the only available avenue to bring a complaint to a resolution.

## PUC FINANCIAL REVIEW

*Orin Edgill*



The Commission is pleased to report that in 2007 a net surplus of \$2.2 million was earned compared with an un-audited net deficit of \$6.6 million in 2006.

The surplus was due:

- To tight fiscal controls over expenses which by and large remained within budget projections. An exception was employment cost and this was due to the higher than anticipated five percent increase in salary which was announced by the government.
- In February 2007 Digicel acquired U Mobile Inc. and expanded both the service and its revenue base in a significant way. As a result the assessment fee which is a relative figure based on turnover, increased as a result of its enhanced sales.

The projection for 2008 is that there will be an improvement on our 2007 performance. A projected surplus of \$15 million is anticipated.

In our previous review we reported that GT&T challenged in the courts the decision by the government to have GPL pay a fixed assessment fee (\$25 million annually) while they were required to pay assessment fee relative to turnover. (1% of sales) The court ruled against GT&T and they subsequently appealed the matter to the Court of Appeal. Because of the slowness of the judicial system the matter is yet to be determined. In the meantime GT&T without prejudice pays to the Commission an assessment fee which is the equivalent that GPL pays.

This action by GT&T has effectively stymied efforts by the PUC to forge ahead with its strategic plan. However, with the advent of Digicel on the local market which resulted in



increased revenue, the PUC may now be in a position to implement some aspects of its strategic plan in the current year.

The audits were conducted by the Office of the Auditor General and the audited statement for the year ended December 31, 2007 is attached<sup>2</sup>.

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<sup>2</sup> See Appendix II

## APPENDICES