



Regulating Utilities for the Benefit of All

OUR's Determination Notice on JPS' Tariff Review Application 2014-2019 – At A Glance

1. DETERMINATION 1

The Office determines that the X-Factor for the price-cap period 2015 – 2019 is 1.10%.

2. DETERMINATION 2

MAIFI will not be included in the Q-Factor adjustment mechanism at the point when the baseline data is established. Instead, MAIFI will be treated as a technical standard for which an appropriate benchmark will be established by the OUR in consultation with JPS to ensure proper monitoring of momentary interruptions. Notwithstanding, MAIFI will be reviewed annually by the Office for benchmark adjustments and if necessary to determine its applicability in the Q-Factor adjustment mechanism during the price cap period.

JPS shall be required to separately record all momentary interruptions experienced on the System each month. This outage data along with the MAIFI calculations shall be submitted to the OUR in the monthly Technical Reports. After the effective date of the Determination Notice, the OUR will indicate the specific format in which the MAIFI data should be reported.

3. DETERMINATION 3

The Q-Factor for the 2015 Annual Tariff Adjustment shall be zero.

JPS shall be required to submit a properly calibrated and complete 12-month System outage dataset to the OUR by the 2015 Annual Tariff Adjustment for a complete evaluation to determine acceptability before proceeding to establish the Q-Factor baseline.

In the event that the 12-month System outage data provided by JPS at the 2015 Annual Tariff Adjustment is found to be unsuitable for setting the Q-Factor baseline, the OUR will explore alternative options in an effort to implement the Q-Factor adjustment mechanism in fulfilment of the requirement of the Licence.

4. DETERMINATION 4

The Materiality Threshold for the Z-Factor shall be J\$31M and is to be adjusted annually to account for Jamaican inflation.

5. DETERMINATION 5

JPS' proposal for the introduction of a revenue cap is NOT APPROVED.

6. DETERMINATION 6

The Office DETERMINES that the gearing ratio for the review period 2014 - 2019 is fifty percent (50%).

7. DETERMINATION 7

The Office determines that the pre-tax cost of debt for the period 2009 - 2014 is 8.07%.

8. DETERMINATION 8

The Office DETERMINES that the applicable Risk-free rate of return is 2.90%.

9. DETERMINATION 9

The Office DETERMINES that the applicable equity beta is 0.88.

10. DETERMINATION 10

The Office DETERMINES that the applicable MMRP is 5.00%.

11. DETERMINATION 11

The Office DETERMINES that the applicable country risk premium (CRP) is 5.58%.

12. DETERMINATION 12

The Office DETERMINES that the allowed post- tax Return on Equity is 12.25%.

13. DETERMINATION 13

The Office DETERMINES that the Pre-Tax Weighted Average Cost of Capital is 13.22%.

14. DETERMINATION 14

The Office DETERMINES that all insurance deductibles are included in the PBRM and therefore do not qualify for compensation under the Z-Factor.

15. DETERMINATION 15

The proposed depreciation adjustment of US\$8.33M which was derived based on the recommended asset lives is NOT APPROVED.

The annual depreciation amount allowed in the Non-Fuel Revenue Requirement is the Test Year depreciation expenses calculated in accordance with the useful lives of assets specified in Schedule 4 of the Licence and adjusted for known and measurable costs.

The annual depreciation expense allowed for the price-cap period 2015 - 2019 shall be US\$47,412,437.

16. DETERMINATION 16

The recovery of any shortfall or adjustments to the tariff for any over-recovery, which may arise from the loyalty reward initiative, is NOT APPROVED. JPS is reminded that any adjustment to the EPI/LPF requires approval or non-objection from the OUR.

17. DETERMINATION 17

The Office DETERMINES that the annual payment into the Electricity Disaster Fund (EDF) shall be reduced to US\$3.0M gross (US\$2.0M net of taxes).

18. DETERMINATION 18

The amount for the EEIF shall be US\$13M per annum and shall be reviewed by the Office at the Annual Tariff Adjustments during the price-cap period.

The revenues for the EEIF shall be recovered through a separate line item on customers' bills and the rate shall be J\$0.4886/kWh.

The EEIF shall only be used for efficiency improvement projects which shall be subject to review and approval by the Office.

The Office will prescribe the rules that will govern the continued operation of the EEIF after the effective date of this Determination Notice.

19. DETERMINATION 19

The OUR has determined that the 2009 determined tariff structure which incorporated the subsequent annual adjustment up to 2013 shall form the basis on which the 2014 determined Revenue requirement is allocated.

20. DETERMINATION 20

JPS' fixed cost recovery shall remain at 23%. JPS shall be allowed to recover its Revenue Requirement by 23% fixed charges and 77% variable charges.

21. DETERMINATION 21

1. The approved maximum transition period is fifteen (15) days for a customer who opts out of pre-paid service in favour of going back to post-paid service.
2. A customer switching between pre-paid and post-paid service or vice versa should not be left without electricity supply during the transition period, unless a need for GEI re-certification demands that this be the case.
3. The customer deposit plus any accrued interest less any outstanding balance on the account shall be returned to a post-paid customer who has switched to pre-paid service.
4. The administrative switching fee of \$1500 is approved with the proviso that customers should be allowed to switch from post-paid to pre-paid service and back to post-paid within twelve (12) months without being charged the administrative switching fee. There should be no initial cost to switch from post-paid to pre-paid service.
5. The incremental transaction fee to be levied by the third party vendors of \$50 is approved.
6. The approved pre-paid rate is \$10.90 for the first 100 kWh within a 30-day consumption cycle and \$18.34 for each additional kWh thereafter within that 30-day consumption cycle.

22. DETERMINATION 22

The Office mandates that JPS obtains the necessary information in order to ascertain the Capital and O&M cost components; ascertain the number and effective demand for the LED streetlights; and presents to the Office an appropriate revised tariff design within six (6) months of the effective date of this Determination Notice.

23. DETERMINATION 23

The Office determines that the tariff structure for Power Service Low Voltage category shall be the current tariff structure.

24. DETERMINATION 24

JPS' proposed Wholesale Tariff structure was NOT APPROVED on the grounds that JPS has not presented a suitable tariff design and a satisfactory model to support its request.

25. DETERMINATION 25

The Office DETERMINES that the foreign cost factor in the foreign exchange adjustment mechanism shall be 80%.

JPS' proposal to allow an annual review of the currency cost components of the Company using the audited financial statements of the calendar year prior to each annual rate adjustment is NOT APPROVED.

26. DETERMINATION 26

The Office determines that the annual adjustment formula shall be:

$$dl = USP \times ((EXn - EXb)/EXb)(1 + USAF \times INFus) + (USP \times USAF \times INFus) + (1 - USP) \times INFj$$

27. DETERMINATION 27

The inclusion of a separate revenue requirement item for the FX losses incurred on business transactions is NOT APPROVED by the Office.

The proposed "true-up" mechanism to reconcile any incurred FX losses is NOT APPROVED.

28. DETERMINATION 28

JPS is required to undertake an assessment of the System to evaluate the implications and the impact of network constraints and credible contingencies on economic generation dispatch and optimal power flow in the transmission system. The assessment should also seek to identify technically feasible and economical options that could remedy the reported network problem in the Bogue area of the Power System. A report of the System assessment should be submitted to the OUR within twelve (12) weeks from the effective date of this Determination Notice.

29. DETERMINATION 29

For the price-cap period 2015-2019, JPS shall include the variable O&M costs in the variable cost of its generating units for merit order scheduling and generation dispatch to ensure transparency in the process and that costs are appropriately allocated and reflected in the rates to electricity customers.

For variances between the approved level of variable O&M cost for JPS' generating units and the actual variable O&M cost incurred as a result of the actual utilization of the units in a given billing period, JPS shall adjust the fuel cost to correct for the over-recovery or under-recovery of the total reasonable and prudent variable O&M costs.

30. DETERMINATION 30

For the price cap period 2015-2019, JPS shall be required to:
Clearly define the adjustment for volumetric sales difference; and

Provide separate data sheets setting out clearly and precisely and with sufficient details how the volumetric sales difference for each month is determined.

31. DETERMINATION 31

For the price-cap period 2015-2019, JPS shall be required to:

Clearly set out with sufficient detail the basis for the estimation of IPP fuel costs for each month including all the relevant parameters and assumptions;

Clearly account for any differential between the estimated and actual fuel costs and provide details how such differential is reconciled in accordance with the relevant provisions of the respective PPA; and

Include Petrojam's fuel invoices for IPPs' fuel purchases which should include unit price, quantity and delivery dates in the monthly Fuel Rate Calculation Submission.

32. DETERMINATION 32

For the price-cap period 2015-2019, JPS shall be required to:

- ✓ Include the full details of the monthly performance and payments for both Munro Wind Farm and Maggotty Hydro and any other generating facility owned by JPS and governed by a similar ownership structure in the monthly Fuel Rate Calculation submission to the Office.

33. DETERMINATION 33

JPS' proposal for the use of a System heat rate target for efficiency adjustment was NOT APPROVED.

JPS shall continue to calculate and include the System heat rate in the monthly Fuel Rate Calculation submission.

34. DETERMINATION 34

Net generation from non-combustible renewables such as wind, hydro and solar shall not be included in JPS' generating heat rate calculation.

The Independent Power Producers' (IPPs') fuel cost shall only be adjusted for efficiency by the System losses factor: $(1 - \text{System Losses Actual}) / (1 - \text{System Losses Target})$.

The fuel cost pass-through formula that shall be applied by JPS in the Fuel Rate Adjustment Mechanism in accordance with paragraph 3 (D) and EXHIBIT 2 of Schedule 3 of the Licence is:

$$\begin{aligned} & \textit{Pass Through Cost} \\ & = \left[\textit{IPPs Fuel Cost} + \left(\textit{JPS Fuel Cost} \times \left(\frac{\textit{JPS Heat Rate Target}}{\textit{JPS Heat Rate Actual}} \right) \right) \right] \\ & \times \left(\frac{1 - \textit{Losses Actual}}{1 - \textit{Losses Target}} \right) \end{aligned}$$

JPS' generating heat rate target shall be 12,010 kJ/kWh for the period January 2015 to May 2015.

The heat rate target will be reviewed by the Office at each Annual Tariff Adjustment during the price cap period.

JPS shall comply with the fuel cost monitoring framework set out under Chapter 9, Section 9.12 and other requirements of this Determination Notice.

35. DETERMINATION 35

Technical Losses

- ✓ The indicative technical losses ceiling for the period January 2015 – May 2019 shall be 8.4%.
- ✓ The value of the technical losses for each month shall be reported in the monthly Fuel Rate Calculation submission.
- ✓ The Technical losses will be reviewed by the Office at each Annual Tariff Adjustment during the price-cap period.

Non-Technical Losses

- ✓ JPS' non-technical loss target ceiling for the period January 2015 – May 2019 shall be 10.8%.
- ✓ The non-technical losses will be reviewed by the Office at each Annual Tariff Adjustment during the price-cap period.
- ✓ The value of the non-technical losses for each month shall be reported in the monthly Fuel Rate Calculation submission.
- ✓ The aggregate System losses target ceiling for the price-cap period January 2015 – May 2019 shall be 19.20%.

36. DETERMINATION 36

The Office DETERMINES that the Community Renewal Initial transitional rate of \$4.34/kWh proposed by JPS is NOT APPROVED

37. DETERMINATION 37

JPS' request to charge interest on commercial customers' accounts is denied.

38. DETERMINATION 38

The Office has determined that a reasonable exceptions list (in relation to the Guaranteed Standards) will be developed in collaboration with JPS within three (3) months of the effective date of this Determination Notice.

39. DETERMINATION 39

Breaches of the Guaranteed Standards by JPS shall attract compensatory payments up to eight (8) periods.

40. DETERMINATION 40

Additional compensation will apply to these (Guaranteed) Standards as follows:

- ✓ EGS 1: additional compensation will be prorated on an hourly basis after the established period has elapsed. Therefore, after the initial five (5) working days have passed, JPS will pay an additional 1/24th of the compensatory amount hourly, up to the maximum eight original breach periods.
- ✓ EGS 2(a) & 2(b): additional compensation will be prorated on an hourly basis after the established period has elapsed. Therefore, after the respective thirty (30) and forty (40) working days have passed, JPS will pay an additional 1/24th of the compensatory amount hourly up to the maximum eight original breach periods.
- ✓ EGS 6: additional compensation will be prorated on an hourly basis after the established time has elapsed. Therefore, after the initial twenty four (24)-hour period has passed, JPS will pay an additional 1/24th of the compensatory amount hourly, up to the maximum eight original breach periods.
- ✓ EGS 12: additional compensation will be prorated on an hourly basis after the established time has elapsed. Therefore, after the initial five (5)-hour period has passed, JPS will pay an additional 1/5th of the compensatory amount, up to the maximum eight periods.

41. DETERMINATION 41

The Office further determines that these additional changes to the Guaranteed Standards set forth in Determination 39 shall take effect on January 7, 2015.

42. DETERMINATION 42

The Office will retain its methodology for computing compensation as follows:

- General Compensation – this does not include compensation for wrongful disconnection
- Residential Customers – a breach of a standard will result in compensation equal to the reconnection fee
- Commercial Customers – a breach of the standard will remain at four (4) times the customer charge
- Compensation for Wrongful Disconnection (Special Compensation)
- Compensation for wrongful disconnection will remain at two (2) times the reconnection fee for residential customers and five (5) times the network access/customer charge for commercial customers.
- Reconnection after wrongful disconnection (when breached) will remain at two (2) times the reconnection fee for residential customers and five (5) times the network access/customer charge for commercial customers.

43. DETERMINATION 43

JPS' Pre-paid Metering Guaranteed Standards			
Code	Focus	Description	Performance Measure
EPMS 1	Service Connection	Transitioning Existing Customers to Pre-paid Metering System	Transition to the pre-paid metering service must be completed within fifteen (15) days of establishment of contract.
EPMS 2	Service Disruption	Transitioning Existing Customers to Pre-paid Metering System	Except where there is the need for the premises to be re-certified by the GEI, there should be no disruption in customer's

service.

44. DETERMINATION 44

The Office determines that the test year energy demand is 2,979,803 MWh.

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