

**CACU COMMENTS**  
**NOTICE OF PROPOSED RULE MAKING**  
**ELECTRICITY DISASTER FUND**  
**RULES OF PROCEDURE FOR OPERATION AND ADMINISTRATION**

It is the general opinion that the Rules of Procedure for Operation and Administration of the Electricity Disaster Fund have been firmly and soundly established for all stakeholders. While there has been loud consternation with regards to the reasons for the establishment of the Fund, CACU research has indicated that it is an industry practice, certainly in this region, given the costly nature of T&D insurance.

In Jamaica, the case can certainly be made for the establishment of the Fund, as past experience and good and sensible business practices (combined), would prevent severe dislocation for rate-payers. The impact of this embedded charge should be un-noticeable as possible and in that regard, several operational and monitoring functions must be actively and consistently pursued by both the Licensee and the Regulator, in order to achieve that standard.

The CACU's general support of the Proposed Rule-Making is however accompanied by several comments, queries and suggestions. They are as follows:

**PART 1 – The Electricity Disaster Fund**

- Administration of the Fund must be monitored in the strictest possible fashion by the OUR. The generated reports (quarterly & annually) should provide the basis for semi-annual reports to JPS customers and ***the Company should be required to share this information with its customers twice per year – June and December.*** With this requirement, JPS customers will be properly informed as to the status of the Fund at the start and end of the annual hurricane season.
- Currently, the recovery provision for Hurricane Ivan is a separate item on the electricity bill. ***Confirmation is required as to whether Fund provisions are also currently embedded in the energy charge.*** (1.5 Fund Financing and Adjustments)
- The bad debt adjustment factor is somewhat unclear – ***the adjustment factor is 97.5% of what? And why is there multiplication of the monthly proceeds from the precautionary provision?*** Again, we believe that the precautionary provision is being used to subsidize bad debt and in that regard, this rule should be reviewed in the context of a more aggressive debt recovery strategy.
- There appears to be ***a discrepancy in terms of the time period allowed*** for the lodgement of 'monthly proceeds from the precautionary provision to the Fund no later than 30 days after the end of each month'. Please see 1.3 (a) vis-à-vis 1.7 Lodgements to the Fund.
- For the Post-disaster review, the CACU would suggest that ***the assessment be conducted within four months of the natural disaster.*** The rationale for this is that with the possibility of multiple disasters occurring, the separation of accounting (for each event) if not done on a more timely basis, could be confusing

and present issues and challenges related to the appropriate allocation of expenses for each event. (1.12 (b))

- Cash advances are acceptable however we would like to see **a time-period set within which the JPS must ask for the advance.** (1.15)
- We agree with the interest rate being a percentage point above the earned interest of the invested Fund. (1.16)

## **PART 2 – Disaster Funds Records**

- As this training is directly related to the Disaster Fund record-keeping, March 31 is adequate and should be **in sync with the T&D maintenance schedule.** (2.3)
- Clarification should be made on the “personnel” referred to in 2.4 g) – **are we referring only to JPS personnel?**
- Again, are we concerned only with the travelling and accommodation expenses of **JPS staff only?** 2.4 h)

## **PART 3 – Disaster Events and the Processing of Claims**

- We would suggest that the inclusion of ‘**quality of installations of T&D system (installation of poles, etc.)**’ **be included** as part of how damages suffered can be offset in disaster events. (3.1)
- While the integrity of the JPS audit must be protected, we would also recommend that **the OUR’s judgement must be informed by an independent audit** based on the same criteria. (3.4)

## **PART 4 – Management of Fund**

- The CACU is of the view that as JPS billing is directly affected by the daily exchange rate, **the investment plan should be denominated in US\$**s and that with regular devaluations taking place, gains may be realized. We have no problem with the funds being held outside or inside Jamaica; we would suggest that **wherever the performance is advantageous is where the Fund should be placed.** (4.1)
- In terms of reporting requirements, we would like to suggest that **monthly reports be made no later than seven (7) business days after the end of each month.** (4.7 a)
- **Monitoring activities must also be set against time lines.** We would like to see therefore, time lines set for monitoring activities. (4.8)

## **GENERAL COMMENT**

- The CACU would like to see a **concerted and combined public education effort** on the part of the JPS and the OUR, **to explain the Fund and what it entails going forward.** For example, many consumers are unaware that the Fund only covers the T&D system and the rationale for self-insurance is justifiable. What

consumers are aware of is that there is insurance costs already embedded in the rate charge and therefore they see this charge as unfair.

- This Rule-Making procedure is an excellent start and should be followed up with ***an aggressive awareness campaign***. This would be in preparation for the expected JPS tariff review application in 2009.

***Yasmin M. Chong***

***Chairman***

***Consumer Advisory Committee on Utilities (CACU)***

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