



*Regulating Utilities for the Benefit of All*

## **Media Release**

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### **“OUR issues Decision on JPS’ rate application”**

*Insists on reduction of system losses: Establishes unit to monitor efficiency targets*

The Office of Utilities Regulation (OUR) has approved new rates to be charged to customers of the Jamaica Public Service Company Ltd. (JPS) and is significantly increasing its efforts to protect and provide added value to consumers.

*The Office* in granting the new rates is ensuring that power is delivered to the consumer as cost effectively and as efficiently as possible at the highest quality. Also, in the continuing drive to protect the interests of consumers, a monitoring department has been established within the OUR and charged to ensure that the efficiency and quality of service targets set by *the Office* are being achieved in a timely manner. This department will have the responsibility of monitoring all the regulated entities.

The OUR’s 2009-2014 JPS rate determination also sees the introduction of additional guaranteed standards designed to further protect the interests of consumers.

*The Office* has also determined that the JPS should return security deposits to customers who have established a good record of paying their bills on time and in full. A good-paying customer is defined as one who has a record of paying electricity bills in full on every occasion that the bill is rendered on or before the due date for a continuous period of 24 months.

The new electricity rates approved by *the Office* are significantly below the rates applied for by JPS. The OUR slashed \$5.4 billion off the annual non-fuel revenue requirement of \$37.3 billion proposed by the JPS and approved revenues of \$31.9 billion.

Some rebalancing of charges have also been approved to more accurately reflect the cost of service.

JPS applied for rates which would have had the effect of increasing the average overall bill by 23%.

The new rates which are to become effective on October 01, 2009 will result in an average overall impact of 3% on consumers' bills when compared with the effective rates, inclusive of adjustments, that consumers faced prior to the decision.

For example in the largest category of JPS' customers, a rate 10 or residential customer, consumption of 100 kWh or the lifeline consumption which is currently billed at \$2,342 will see a movement by only \$6.00 to \$2,348.00. Consumption of 200kWh currently billed at \$5,094.00 will see a movement of only \$148.00 going up to \$5,242.00.

The Fuel Charge portion of customers' bills will continue to be calculated each month on the basis of the total fuel deemed to have been consumed by JPS and Independent Power Producers (IPPs) in the production of electricity, adjusted by targets for system losses and the efficiency of converting fuel to electricity (heat rate).

The target for system losses is 19.5% and that for the system heat rate is 10,400 kJ/kWh. The application of these new targets will see a reduction in the fuel charge for any given level of fuel price.

The JPS is mandated to reduce its system losses by two percentage points moving from 19.5% in 2009/10 to 17.5% in 2011/12. Subsequent targets are to be determined during the annual tariff adjustment exercise but the OUR has signaled to the JPS that the downward trajectory will be maintained over the life of the tariff.

An amount will also be set aside from the new tariff to be placed in a special fund to be used exclusively for loss reduction. The rules for the administration of the system losses fund shall be determined by the OUR in consultation with the JPS.

All withdrawals from the fund must be exclusively for system loss projects approved by the OUR. Such measures shall include but are not limited to the implementation of smart meters which should reduce billing errors and give consumers greater control over their consumption.

A smart meter will allow the electricity company to track how much electricity has been consumed and the time of day it was consumed. As a benefit, it will be possible for consumers to shift their demand times and so enjoy time-of-use peak and off peak rates.

Additionally it can allow consumers the choice of the number of hours per day they are served with electricity.

With the service provider, in this case the JPS, having the ability to cut the power remotely, consumers can see lower electricity bills by virtue of lower consumption.

On the matter of illegal abstraction or electricity theft, the OUR has determined that the JPS shall be allowed to charge a rate equivalent to the prevailing interest rate on customer deposits on all sums associated with back-billing arising from the theft of electricity.

*The Office* has also approved new quality of service guaranteed standards to become effective October 01.

Under these guaranteed standards JPS will be required to make payments to customers for wrongful disconnection, failure to reconnect within 5 hours after wrongful disconnection, failure to reconnect within 24 hours after payment of overdue amounts and failure to replace meter within 20 business days of identification of defect.

*The Office* has also determined that as of January 2010 breaches of these new guaranteed standards will attract automatic compensation from the JPS. In the interim, between October 01 - December 31, customers will need to file a claim for compensation.

The compensation to residential customers for a breach of the guaranteed standards will now be tied to the charge for reconnection which has moved to \$1,500.00 for all rate categories.

For residential customers, a case of 'wrongful disconnection' and 'failure to reconnect within 5 hours after wrongful disconnection' will attract compensation of twice the reconnection fee for each of those breaches.

The compensation to all commercial customers for a breach of the guaranteed standards will now be four times the customer charge. Again in the case of 'wrongful disconnection' and 'failure to reconnect within 5 hours after wrongful disconnection', the compensation for each breach differs and is calculated at five times the customer charge.

The OUR has also determined that an instance of wrongful disconnection should be treated as an emergency for the purpose of restoring the supply.

The determination notice and new tariffs will be posted on the OUR's website at [www.our.org.jm](http://www.our.org.jm)

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