



## Regulating Utilities for the Benefit of All - A Noble Cause

By: David Geddes - Director Consumer & Public Affairs

The Office of Utilities Regulation recently embarked on a “We listen” campaign directed at consumers and encouraging them to “Come talk to us”, all this in an effort to ensure that consumers (often regarded as the most at risk stakeholder in the regulatory environment) are heard when decisions are to be made.

The Jamaica Public Service Company (JPS) will be submitting an application for a tariff review during 2009 and the OUR will convene at least fourteen

public consultations at which JPS is expected to outline its reasons for any upward adjustment of rates. Special interest groups such as the Small Business Association of Jamaica, the Private Sector Organization of Jamaica, the Jamaica Manufacturers Association and the Jamaica Hotel and Tourist Association are also encouraged to meet with the OUR and outline their concerns and possible solutions.

However the tariff review is not just about what rate consumers should pay; of critical importance also are issues such as **quality of service standards** and **efficiency targets**.

### Quality of service

For instance what is a reasonable timeframe for JPS to reconnect your service after you have cleared all arrears or made arrangements to clear these arrears? Should customers be compensated if JPS disconnects their service in error? What is an appropriate time response to emergencies?

### Efficiency targets

These could include the company's allowable losses which are currently set at 15.8 percent but which in actuality are at about 22 to 23 percent. It is essential however to bear in mind that all electric utilities the world over have to be allowed some losses when calculating the rates. This is because when you transmit power over transmission and distribution lines you lose some of that energy. In Jamaica we also have the added factor of theft. And it is important to note that theft is not confined to inner cities where “throw ups” can be seen. Some Businesses and uptown residences are also engaged in this illegal activity, and often invest significant sums of money to bypass the utility company's meter.

The OUR engages in Social marketing in other words we are in the business of encouraging stakeholder participation and getting individuals to change their behaviour, as opposed to commercial marketing where the goal is to maximize profits or sales. This change in behaviour or participation in the regulatory process it is believed will benefit society, for example encouraging more people to use efficient lighting or not to steal electricity and water and suggesting ways in which the utility company can become more efficient or provide a better level of service. Securing a change in behaviour can be done either by emphasizing the benefits of efficient lighting on a personal level such as lower electricity bills or on the macro side reduced foreign exchange expenditure for oil imports, or by removing inefficient lighting from the market that is removing the element of choice. Of course with theft it is not that

easy. However theft affects us all as the energy rates we pay contain a percentage for losses due to theft.

Now the choice of whether to engage in certain behaviour (energy conservation and legitimized consumption) is dependent on various factors:

- A) What are the benefits,
- B) Is it complex and time consuming,
- C) Can I do it,
- D) Is it the trend?

### Participating in the regulatory process

An informed consumer is far more likely to have an interest in and participate in the activities of any regulatory agency, than one who is ignorant.

The consumer wants to know what his or her role is in the regulatory process apart from just paying utility bills and what he or she can contribute.

Regulatory agencies must give the consumer information and help to generate knowledge hoping in return to receive ideas. But the consumer needs to be confident that participating in the regulatory process is more than a mere formality; that he or she has the power to make a difference.

That confidence will be built when the regulatory agency demonstrates that it is **listening to the voice of the customer/consumer**. We must hear the concerns of consumers and understand their position.

The regulatory agency must also listen to the voices of all its stakeholders.

### Credibility

So when the regulatory agency shares information with its stakeholders and **listens** to their voices, the first bridge has been crossed. The regulatory agency must now ensure that credibility resonates within its corridors.

In other words the consumer then has to **believe** in the process. If he or she figures that the regulator is merely there to rubber stamp applications for rate increases from the utility providers, little will be achieved. The turnout at consultation meetings will remain paltry and participation in the regulatory process dismal.

During the National Water Commission Tariff Review last year, there were at least thirteen public consultations. These were widely advertised, using newspapers, electronic media and town criers yet our attendance averaged one hundred per meeting. It should be noted that this included OUR and NWC staff. The turnout was poor and participation was consequently average to poor.

Our target for the JPS tariff review is one hundred non aligned customers (that is non OUR/JPS staff).

*cont'd on pg. 2*

## THE OFFICE

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General Counsel

## Regulatory Activities:

The following were some of our recent regulatory activities:

- ELECTRICITY**
  - Opening of Bids:** Renewable Energy and Additional Generation Capacity (60 Megawatts)
  - Request For Proposal:** Insurance Loss Adjuster – To review claim by the Jamaica Public Service (JPS) for damages sustained from the passage of Tropical Storm Gustav
  - Final Report from the Enquiry Panel regarding the JPS System Shutdown on January 9, 2008)
- TELECOMMUNICATIONS**
  - Consultative Documents:
    - Principles of Long-run Incremental Cost Model for the Jamaican Telecommunications Market (LRIC)
    - Price Cap Plan for Cable & Wireless Jamaica (C&WJ)
    - Structure of Quarterly Telecommunications Report
  - Numbering**
    - Request For Proposal:** Numbering Administration Consultancy
    - Request For Proposal:** Toll Free Numbering Administration System
- WATER & SEWERAGE AND TRANSPORTATION**
  - Public Consultation: Review of NIC Rates - Hounslow, St. Elizabeth

Further information is available on the OUR website at [www.our.org.jm](http://www.our.org.jm). We invite our readers to visit the website and browse other documents, including the **Guaranteed Standards** for NWC and JPS.

We also welcome visitors to our **Information Centre (OURIC)** – the regional Resource Centre of choice for utility regulation! The centre is open Monday – Friday, 8:30 a.m. – 5:00 p.m. and caters to students, researchers and journalists, as well as members of the general public. Requests for assistance can also be submitted via email at [ouric@our.org.jm](mailto:ouric@our.org.jm).

## Regulating ... - a Noble Cause *Cont'd from pg. 1*

We would like customers to come out in their numbers and speak about what can be done about electricity theft, how to improve quality of service standards, how to minimize the need for rate adjustments.

However we also need to recognize that stagnant salaries and high cost of living are not directly related to the cost of providing electricity and our financial analysts in reviewing the utility company's submission must look at issues such as investments made, cost of capital and reasonable return on investment.

So because my salary has not moved by more than six percent is not justification to insist that a utility company's rates should not move by more than six percent. A thorough examination of the company's expenses, investment and likely revenues must be undertaken when engaging in the business of tariff setting. It is also important to look at what potential returns exist regionally and internally (benchmarking).

It follows therefore that information must be readily available and widely disbursed. If the actions/decisions of the regulator are shrouded in secrecy the consumer is less likely to be trusting. Consumers must feel free to ask questions, get answers and make suggestions. This is what participation is all about.

It is therefore critical that the regulator approaches consultation with an open mind, ready to listen and assess the merits of presentations.

Know your rights, be an informed consumer and participate in the regulatory process.

## Conservation Tips

- A dripping pipe can lose up to 4 litres of water a day. Check all pipes for drips and replace washers as necessary.
- On a normal cycle a washing machine uses approximately 80 litres of water. To save water and electricity, wait until you have a FULL load of clothes before doing the washing; or use the half load feature on your washing machine.
- Running a hose for 1 minute uses approximately 30 litres of water. To save water, wash the car with a bucket rather than a hose - it is just as effective and uses less water.
- Practice turning off the pipe while brushing your teeth and soaping up during a shower; this will limit the amount of water that is wasted in the process.

## EDITORIAL TEAM



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# The Case for Energy Diversification

By: Audley A. McCarthy – Public Education Officer



Increases in the price of oil on the world market, as well as movements in the foreign exchange rates, have largely resulted in relatively high monthly electricity bills for the average consumer.

The situation hinges on the technology mix and the age of the plants that the Jamaica Public Service Company (JPS) uses to produce electricity. Currently the mix reflects a combination of approximately 94.5% of fossil fuel (petroleum) and 5.5% of hydro and wind. This suggests an urgent

need to secure alternative energy resources, as well as to modernize the plants, to combat fluctuating oil prices over which we have no control.

As part of a policy for energy diversification, the Government of Jamaica (GOJ) is pursuing the addition of renewable energy based power generation facilities to reduce the country's dependence on imported petroleum. The objective is to increase the percentage of energy supplied to the grid from renewable energy sources from the current level of 5.5% to 10% by 2010 and 15% by 2015. This would translate to an average additional 640,000 MWh per year from renewable energy sources.

Under the existing Licence granted to JPS, effective 2004 new generating capacity is to be provided on a competitive basis with JPS, existing and new Independent Power Producers (IPPs) having the opportunity to provide such additional capacity. The OUR has the responsibility for overseeing the procurement process and recently had the opening of bids from potential suppliers to supply electricity from renewable energy based power generation facilities on a build, own and operate (BOO) basis for sale to the grid, which is owned and operated by JPS.

This exercise is particularly significant in that the process will, among other things:

1. seek to fulfill the Government's policy of having 10% of energy generation from the grid represented by renewable energy
2. give an indication as to what alternate technology actually exists
3. determine the competitive price for renewable energy at present, and
4. assist in determining realistic timelines for the implementation and use of available new technology

In addition to the thrust for renewable energy, the OUR also recently invited potential investors to submit bids for the supply of up to 60MW of generating capacity similarly on a build, own and operate (BOO) basis to satisfy short-term demand. The Request For Proposals (RFP) did not specify the type of technology and prospective investors were given the opportunity to suggest their own type of fuel technology, including Compressed Natural Gas (CNG), Liquid Natural Gas (LNG), Coal and fossil fuel or renewables.

The Ministry of Energy has also given the commitment to pursue all available options to establish the most appropriate energy mix based on cheaper sources including coal, natural gas and other bio-fuels, hydroelectric, solar and wind power. In addition, the Government has given a commitment to provide the necessary incentives and regulatory framework to encourage this diversification.

Part of the discussions surrounding the high cost of electricity, relates to the continued use of inefficient and or outdated fossil fuel plants. During the last tariff review, however, the OUR had set a target of 11,200 KJ/kWh for the heat rate, which is a measurement of the efficiency with which fuel is converted to electricity. This provision ensures that where producers can achieve the target level or better in efficiency, consumers will benefit from the reduced costs.

The debate on the cost of producing and distributing electricity continues. However, it is important to note that diversification is important as we do not wish to be totally dependent on one fuel source; since price increases for that source (such as oil) would leave us vulnerable to the market, while greater diversity would minimize the impact.

On the other hand, it is equally important to note that, while traditional thinking accepts that renewable energy will be cheaper than fossil fuel based plants in the long run; it will require a significant outlay of capital for initial implementation. In addition, despite the obvious benefits to the environment from the use of renewables; who can tell whether greater efficiency in the use of fuel, with modernized plants, might not be cheaper than the implementation of new renewable technology? But then, these are questions that the bidding and selection process should address.

## Addendum

***Since writing this article, the OUR has accepted a total of three proposals (two from JPS and one [conditionally] from HGC Capital) for the supply of renewable energy based power generation facilities on a build, own and operate (BOO) basis for sale to the grid. The three proposals will provide a combined total of 10.67MW of energy.***

***In addition, Jamaica Energy Partners (JEP) was the first ranked bidder to provide an additional 60MW of generating capacity similarly on a build, own and operate (BOO) basis to satisfy short-term demand.***

## OUR's Objectives

- To ensure that consumers of utility services enjoy an acceptable quality of service at reasonable cost.
- To establish and maintain transparent, consistent and objective rules for the regulation of utility service providers.
- To promote the long-term efficient provision of utility services for national development consistent with Government policy.
- To provide an avenue of appeal for consumers who have grievances with the utility service providers.
- To work with other related agencies in the promotion of a sustainable environment.
- To act independently and impartially.

## DEPARTMENTAL SPOTLIGHT Administration/ Human Resource



[Back row, from left] Shirley Stewart, Driver/Messenger; Donovan Smith, Manager – Information Systems; Otis Anderson, Network Administrator ;  
 [Front row, from left] Carolyn B. Young, Director Administration/HR; Nova Barnett, Procurement Assistant; Lorraine Baker, Office Attendant; Venetia Cooke, Receptionist; Annette Lawrence, Administrative Secretary;  
 [Inset] Ingrid Brown, Personnel/Administrative Officer

This division provides administrative and human resources support to the Office, including office services, procurement, training and personnel management. It also has responsibility for the Information Technology portfolio. Administration of the training function of the OUR is a key responsibility, given the Office's priority for training and development of its human resources. The OUR must identify training opportunities for its personnel who are required to perform highly complex and technical duties and compete against the best that the regulated companies have to offer. Moreover, utility regulation is highly technical and specialized and requires the provision of continuous training. The division also ensures that the Office has the best information technology tools and operates from the most reliable and cutting-edge information technology platform.

### OUR's Role

The Office of Utilities Regulation Act of 1995 established the Office of Utilities Regulation (**'the Office'/OUR**) as a body corporate. Under the Act, the OUR is charged with the responsibility of regulating the provision of utility services in the following sectors:

- Electricity
- Telecommunications
- Water & Sewerage
- Public transportation by road, rail and ferry

The OUR is headed by the Director General, who along with the Deputy Directors General comprise **'the Office'**. The Director General is appointed by the Governor General and the Deputy Directors General are appointed by the Prime Minister.

## FIND A WORD

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