

The REGULATOR

Newsletter of the Office of Utilities Regulation

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THE COST OF WATER

by: David Geddes



"Consumers across Jamaica will this year be paying more for water, and this has been a source of concern to many persons. Why did the National Water Commission "deserve" a rate increase is a question being asked by many.

One of the first issues that must be addressed is how does the NWC fund its operations now and how will it fund these operations in the future.

It should be noted that the Jamaican Government has indicated its intention to wean the NWC from its budget. This means that the Commission will have to survive on the revenues it earns.

The NWC sells water and sewerage services.

In its due diligence and assessment of the NWC's tariff application the OUR has determined the level of operating expenses for the utility company as well as its revenue requirements.

The NWC estimated that its operating expenses for a normal or 'Test year' based on current activities and any known and measurable changes in activities that will occur in a twelve month period were \$7.9 billion, while the OUR's estimate was \$6.9 billion.

The NWC estimated its revenue requirements to be \$8.6 billion, while the OUR's estimate was \$7.5 billion.

According to the OUR's projection, at the rates prevailing at August 2003, the NWC would earn \$5.9 billion, so whatever increase was considered should make up the shortfall (\$7.5b - \$5.9b = \$1.6b).

The next step was to calculate the level of increase that would allow the Commission to realize this \$1.6b. The OUR in its initial Determination, announced a 26.36 % increase in water rates based on the rate levels in August.

The OUR in its Final Determination (December 22, 2003) on the National Water Commission's tariff, said it had not been presented with information that would cause a change in its position since the publication of the initial Determination on December 2 2003. The Office however issued a subsequent clarification to fix the date at which the revenue/cost projections were applicable.

The OUR noted that come January 01, 2004, the rates charged by the NWC would be increased by 26.36 % over the effective rates at August 2003, while the sewage rates would remain at 100% of billed water charges.

The OUR noted that a profit of some \$600 million had been allowed as sufficient to allow the NWC to undertake essential rehabilitation programmes and contribute to capital expansion.

The Monthly calculation of the Price Adjustment Mechanism (PAM) will not include the inflation element but instead will be done on the foreign exchange rate and electricity price movements. The full Price Adjustment Mechanism will be calculated and an efficiency gain of 3.5% subtracted.

The OUR has set a number of performance targets for the Commission, which if met will allow the NWC to realize efficiency gains exceeding the targeted 3.5%.

These targets include reducing net receivables to 25% of revenues by the end of 2004/05, and maintaining a collection rate of 92% of billed revenues.

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The NWC has also been mandated to implement a sewage treatment facility for Harbour View.

The OUR has stipulated that employee costs must be reduced to below 35% of revenues within two years, and that Unaccounted For Water must be reduced by at least two percentage points per year.

Effective April 01, 2004, the penalty for breach of a Guaranteed Standard will be four times the gazetted service charge. This is a four fold increase over the present levels.

Customers will have to claim for compensation in respect of the breaches under the Guaranteed Standards Scheme.

The OUR continues to encourage consumers to insist on getting copies of the Guaranteed Standards from the various utility companies, know their rights and hold the companies accountable for the level of service they provide.

An example of the Guaranteed Standards is that the NWC should not issue more than two consecutive estimated bills to any customer.

SERVICE PROVIDER BRANDING WITH NUMBERS THE OUR'S PERSPECTIVE

By Curtis Robinson

The Basic Numbering Scheme

Telephone numbers used in Jamaica are a part of a regional telecommunications numbering scheme called the North American Numbering Plan (or NANP for short) which serves the United States and its territories, Canada, Bahamas, Bermuda, Dominican Republic, and 15 English-speaking Caribbean nations, including Jamaica.

The NANP telephone numbers are 10 digits in length and are composed of three parts (in the format NXX-NXX-XXXX, where N is any digit 2-9 and X any digit 0-9):

- o A 3-digit Numbering Plan Area (NPA) code or area code - the first 3 digits - ranging from 200 to 999. Jamaica has been assigned Area Code 876.
- o A 3-digit central office (or exchange) code - the second 3 digits - ranging from 200 to 999
- o A 4-digit line number - the last 4 digits - ranging from 0000 to 9999

The central office code and the line number, form the directory number, which is the telephone number with which people are most familiar.

Under each area code, therefore, there are approximately 800 central office codes (codes with '00' or '11' as the last two digits (e.g. 911) are not normally used as central office codes).

Under each central office code there are 10,000 line numbers. This provides roughly 8 million (8,000,000) telephone numbers.

Numbers are normally assigned to service providers in blocks of 10,000 (one central office code).

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SERVICE PROVIDER BRANDING WITH NUMBERS

THE OUR'S PERSPECTIVE

By Curtis Robinson *Cont. from pg 2*

Service provider identification by numbering

From the initial opening up of the telecoms market, prospective entrants had expressed the desire to have telephone numbers that would uniquely identify them and their customers. This type of exclusive identification of service providers by numbering is called **service provider branding** or **Telco branding**. However, regulatory authorities in most countries, even where there are no shortages of numbering resources, do not allow for service provider branding because it impedes rather than facilitates competition. The fact is that it is in direct conflict with number portability which gives customers the ability to keep their existing telephone numbers when changing from one network or service provider to another. Branding could also result in inefficient utilization of numbering resources; this is currently the major branding issue for Jamaica.

Reason why the OUR will not allow Service provider Branding

One of the most important guiding principles of competition in a telecommunications market is that there must be fair and equitable access to numbering resources by all service providers. This means that the opportunity for service provider branding (identification) by numbers would have to be equally available to all entrants to the market.

Within the structure of North American Numbering Plan (NANP) the smallest number block that can be used to provide the desired exclusive branding of service providers contains one million numbers. Such a block would contain all 7-digit telephone numbers starting with 2 or 3 or 4, through to 9.

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Energy Saving Tips



* **C**lean coils located at back of refrigerator regularly.

* Make sure your refrigerator door seals are airtight so that hot air cannot enter. Test by closing the door on a piece of thin paper so that it is half in half out of the door. If you can pull the paper out easily, the latch may need adjusting or the seal may need replacing.

* Ensure the refrigerator is placed six inches from the wall.

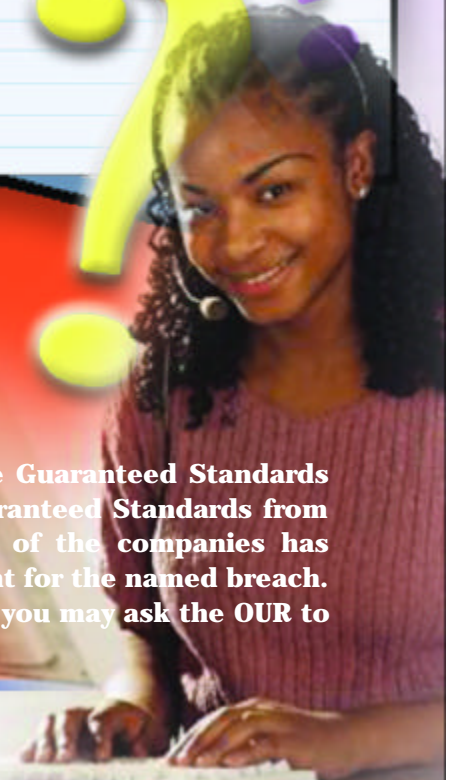


Ask the OUR

FAQS

Q. What do we do when the utility company breaches the Guaranteed Standards ?

A. First of all, consumers need to know what their rights are under the Guaranteed Standards scheme. The OUR therefore encourages consumers to get copies of the Guaranteed Standards from the respective utility companies and read them. If you suspect that one of the companies has breached the Standards, write to the company in question requesting payment for the named breach. If the company does not honour the claim or does not respond to your claim you may ask the OUR to investigate the matter.



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SERVICE PROVIDER BRANDING WITH NUMBERS THE OUR'S PERSPECTIVE

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The chief implication here is that service providers who desire exclusive identification by numbers would have to be assigned at least one million numbers, regardless of the size of their operation. Similarly, a service provider who requires one million and one numbers (1,000,001) would have to be assigned two million numbers, and so on. This would result in the immediate exhaustion of the '876' area code.

The OUR's solution

Some confusion of numbers is likely to result where NXX blocks of numbers are assigned to more than one telecommunications carrier or service provider. To minimize this confusion of numbers, the OUR has been careful to ensure (at least for Mobile services) that in the shared one-million-number blocks, the numbers for each service provider are assigned contiguously. For instance, in the recently disputed 8XX block, C&WJ is assigned central office codes 801-839 (800 and 811 are reserved Special Codes) and Digicel 840-889.

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 second schedule of the Act defines the constitution of the Office as follows:

"The Office shall consist of the Director General and such number of Deputy Directors General as may be appointed pursuant to this schedule".

The OUR receives and reviews applications for licenses and rate increases from the utility providers and investigates possible breaches, taking enforcement action where appropriate.

The OUR investigates complaints against utility companies, after they have been raised with the respective company. This is done at no charge to the consumer.

Objectives

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

If you have received unsatisfactory service from a utility company (electricity, water, telephone), you may be entitled to a compensatory payment from the respective company. Contact the Consumer Affairs Department of the OUR or fill out a complaint form available at post offices islandwide.

If you have questions about the role of The OUR or would like us to speak at any Community, Church or Citizens Association meetings,

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OUR + Utility Providers = Quality Service