

The REGULATOR

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Changing of the Guard: A New Office

By: Audley McCarthy – Public Education Officer



Director General, J. Paul Morgan demitted office on May 31, 2008. Deputy Director General, Raymond A. Silvera, who (at the time of writing) was the sole member of the Office, will demit office on August 20, 2008. The symbolic ceremony for the changing of the guard will yield an entirely new composition for the Office.

Between them, Messrs. Morgan and Silvera have provided a combined total of almost 15 years of service to the OUR. Their combined stewardship spanned – in general – the privatization and liberalization of the telecommunications sector; the sale by Government of controlling interest in the Jamaica Public Service Company, as well as periodic tariff reviews for both the electricity and water sectors. In line with Government policy, there was also the introduction of small water service providers in the water and sewerage sector.

All of this required dialogue with different stakeholders, the promulgation of rules and procedures to govern the new status quo and a need to establish the OUR's reputation as a credible regulatory agency.

That the OUR is able to claim any measure of success in attaining these goals in its more than 10 years of existence is due – in no small part – to the contribution provided by both Messrs. Morgan and Silvera. The image of the organization has been as much an extension of their personal characteristics, as well as a reflection of the dynamics of the changing environment and the needs of the different sectors.



Raymond A. Silvera and J. Paul Morgan

In recent interviews, both Messrs. Morgan and Silvera responded to the question 'what will be your legacy?'

JPM: I am not sure – history hopefully will be kind to me and identify that legacy positively. At the start of my tenure as Director General I had felt that the 'independence of the regulator' was no longer an issue; that matter having been effectively dealt with by my predecessor – the first Director General, Winston Hay. I therefore felt that my mission (at the institutional level) was to secure the OUR's reputation as a credible regulatory agency; to promulgate our rules and procedures so that there would be no misunderstanding by our stakeholders about how to do business with us and to establish a Centre of Excellence in our Information Centre. As far as the sectors are concerned – I truly wanted to make a difference in the fortunes of the NWC and to help to see it transformed to a well run, profitable and efficient utility.

RAS: In addition to participating as a member of the Office, my duties have embraced the area of regulation of the electricity sector. Significant new ground has been broken in the last few years and systems set up which did not exist before. The several instances of collapse of the JPS system and the impact of a number of hurricanes since 2004 have had a dramatic impact on the level of effort by myself and the OUR to effectively respond to the demands generated by this sector.

Both men have indicated an intention to slow down the pace as they move on from the OUR; opting to describe their decisions as redirection rather than retirement. **The Regulator**, on behalf of the OUR staff, wishes both gentlemen all the best in their future endeavours.

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

Collette Goode, Snr. Public Education Officer
3rd Floor, PCJ Resource Centre, 36 Trafalgar Road, Kingston 10.
Toll Free: 1888-Call OUR (2255-687). Email: cgoode@our.org.jm

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 and Public Affairs Division of the OUR or fill out a complaint form available at post offices islandwide.

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Newsletter of the Office of Utilities Regulation

OUR

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Net Billing

By: David Geddes, Director - Consumer & Public Affairs

During these times of increasing fuel prices and high electricity bills, consumers are looking for ways to reduce their expenses.

Conservation remains an integral part of any plan to reduce monthly electricity bills; however, another key ingredient could be self generation.



Our information is that there is increasing interest being expressed by residential and small commercial customers of the Jamaica Public Service Company (JPS) who produce electricity for their own needs, particularly from solar voltaic, to sell their excess power to the national grid.

Over the past few months, several JPS customers have written to the utility company indicating an interest in supplying electricity to the grid. This

interest is no doubt driven by the current high cost of electricity and may have been precipitated in part by the OUR's published Regulation Policy Guidelines for the Addition of New Generating Capacity to the Public Electricity Supply System (Doc#Ele2005/08.1). This document is available on the OUR web site at www.our.org.jm as well as from the OUR Information Centre.

The regulatory policy allows for the addition of small power producers of 100 KW capacity and less to be made to the system by way of a Standard Offer Contract issued by JPS. This contract would, among other things, address the tariff structure, the rights and responsibilities of the parties, safety, the technical requirements of the facility and the assignment of interconnection costs.

The regulatory policy also specifies Net Billing which utilizes a two (2) meter system as opposed to Net Metering which requires only one (1) meter as the method of interface to the grid. Both mechanisms involve selling excess generating capacity to the grid; however, in the simplest terms, the difference would be the price at which JPS buys the excess.

In Net Billing, JPS would buy excess power from its customers at the "generation avoided cost",

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Deputy Director General

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GRAPHIC DESIGN & LAYOUT

Dynamic Images

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.

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plus a premium (currently set at 15%), if the source is renewable energy; while for Net Metering, JPS would buy excess power from its customers at the same rate at which it retails to customers. The current Declaration of (Indicative) Generation Avoided Costs effective June 13, 2008 is available on the OUR website at www.our.org.jm under "Electricity/Policy", as well as from the OUR Information Centre.

The OUR is of the opinion that while the system of Net Metering is in fact utilized in some countries, here in Jamaica there might be a breach of the provisions of the License granted to JPS if such a system was mandated.

In any event, we feel that this issue is best addressed through Government policy, particularly via the Green Paper on Energy which is currently at the stage of public consultation.

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The Knowledge-Based Society and Jamaica *cont'd from pg. 6*

The E-learning project is designed to introduce the use of ICT for teaching and enhancing learning in secondary, high schools and selected tertiary institutions. It is expected that students, after being exposed to ICTs (especially the internet) and having learnt its value, will then teach and encourage their parents to obtain computers and internet access. The e-government initiatives have also resulted in a number of government services being offered online. These include the filing of tax returns through the use of a tax portal on the internet, public access to vital information from government ministries, Jamaica Customs e-payment system and registration of companies, among others. The Government, in collaboration with the Inter-America Development Bank, has also taken the initiative to establish Community Access Points (CAPs) in strategic locations around the country. These CAPs provide centralized access to the internet in areas that are not commercially feasible.

The OUR and the knowledge based society

In addition to Government initiatives, the OUR has to perform a national duty to increase access and help 'bridge the digital divide'. The OUR's primary approach to this lies in promoting and fostering competition and ensures this by maintaining a very effective and pro-active approach to regulation and the prevention of the abuse of market power when and wherever it exists. The Regulator also typically operates at arms length from the industry and maintains its independence from Government in its decision making process to reduce regulatory risk and burden.

The OUR views this as being very critical to business confidence and in promoting further investment in the sector by reducing the cost of operation. The Regulator also continues to provide a very robust and effective regulatory framework that will enhance further development of the sector. In addition, the OUR also continues to play a vital and active role in the national policy making process by providing timely and effective advice to government. The agency will remain forward thinking in its approach to regulation as it seeks to promote and foster competition to the greater benefit of the Jamaican people. Such competition will ensure more affordable prices, better quality of service, innovation and more choices to consumers, resulting in increased uptake of service.

Consumer Relations Unit (CRU)

The Consumer Relations Unit (CRU) is a part of the Consumer and Public Affairs Division of the OUR. The CRU interfaces with the public on a daily basis. The unit advises consumers about the Guaranteed Standards and reviews, investigates and resolves consumer issues that have been brought to the OUR's attention via letters, telephone calls and visits by affected consumers.

Garfield Bryan
Manager

Be an informed consumer.
Tune in to "ASK THE OUR" & "INSIDE THE OUR" on your favourite Stations

<u>Ask the OUR (Radio)</u>		
Day	Station	Time
Monday / Saturday (Repeat)	Hitz 92 FM	8:15 a.m. / 10:00 a.m.
Monday	Power 106 FM	9:00 a.m.
Monday	RJR 94 FM	12:15 p.m.
Tuesday	KOOL 97 FM	7:30 a.m.
Tuesday	Nationwide News Network	7:10 p.m.
Wednesday	Vybz FM (Westmoreland)	1:00 p.m.
Wednesday	TBC Radio 88.5 FM	3:30 p.m.
Thursday	Hot 102 FM	10:30 a.m.
Saturday	Love 101 FM	8:35 a.m.
Saturday	KLAS FM	12:50 p.m.

<u>Inside the OUR (Television)</u>		
Station	Day	Time
Television Jamaica (TVJ)	Wednesday	6:25 p.m.
Cable News and Sports (CNS)	Fridays	5:00 p.m.
Jamaica News Network (JNN)	Mondays	7:55 p.m.
	Saturday	
	(Repeats)	10:15 a.m.
RE - TV	Wednesdays	3:00 p.m.

Know Your RIGHTS!

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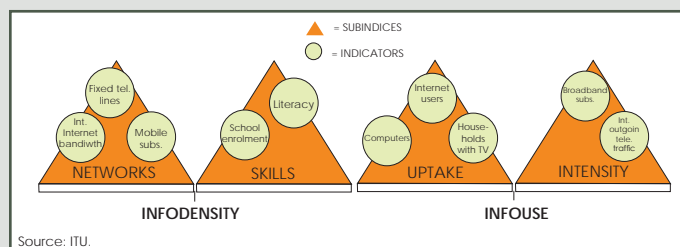
amount of information being delivered on a regular basis to facilitate appropriate decision making. In essence the forces of globalization, such as migration, travel, trade, foreign investment and communications, are speeding the dissemination and use of information across boundaries (Dahlman, et al, 2005). Economic activities, therefore, depend a lot on the transmission of quality and large quantities of information on a timely basis. This, in essence, describes the 'Information Age' which has fuelled the emergence of knowledge based societies.

Jamaica as a knowledge based society

The journey to transform Jamaica into a knowledge based society and at the forefront of the information highway started during the 1980's with the privatization of the telecommunications sector. Liberalization of the sector followed in 2000, with the subsequent entry of competition in mobile telephony in 2001. Since then, Jamaica has netted over US\$700 Billion in investment in the telecommunications (ICT) sector and boasts one of the most competitive and advanced (infrastructure) telecommunications sector in the region. Today, with mobile telephony penetration well over 90% of the population, Jamaica has seemingly bridged the digital divide in voice telephony.

The International Telecommunications Union (ITU) developed the ICT Opportunity Index (IOI) which is a carefully selected list of indicators and methodology that can track the digital divide by measuring the relative difference in ICT opportunity levels among economies over time. This index has been used by the ITU since 2001 to make comparisons across economies.

Figure 1: ITU ICT-OI



The IOI relies on ten indicators that help measure ICT networks, including education and skills, uptake and intensity of the use of ICT (Figure 1). For analytical purposes economies are usually ranked into four categories. In 2007 ITU ranked Jamaica as 47 amongst 183 economies in its second highest ranked category. Jamaica scored very

highly on the networks index, having a score that is higher than the average index for that category. Jamaica, however, scored below average in the skills, uptake and intensity index. This demonstrates that even though it has the network in place (sound infrastructure) Jamaica is still lacking in terms of uptake of ICTs and ICT related services and the development of its human capital in respect of ICT. It therefore means that the Government of Jamaica has a major role to play in developing the areas of skills, uptake and intensity, especially through education and training in ICT. It must therefore seek to increase access to computers and create a general knowledge and awareness of the use and benefits of ICTs, in particular the internet.

Many Governments globally have embraced the need for ICTs and many are strategically planning to advance their economies through ICTs. This is fully demonstrated in the strategic goal for 2010 set for Europe at the Lisbon European Council in March 2000: **"To become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion."**

For Jamaica to remain competitive in this Information Age, businesses, service providers and manufacturers must look to incorporate ICT as a critical enabling factor in the productive process. Jamaica therefore needs to develop a workforce that is ICT ready and at the cutting edge. It is also crucial that Jamaica continues to improve on its ranking in the ITU's ICT-OI as it provides a very useful reference point on how competitive the economy is in relation to other economies in this information age.

Government Initiatives to bridge the digital divide in ICTs

The Government of Jamaica has articulated a number of initiatives and projects that are geared towards not only bridging the various digital divides and extending access of service to all Jamaicans, but also to develop Jamaica as an advanced knowledge-based, information and digital society, ready to harness the full potential of ICTs for national development and competitiveness in the information age.

Some of these initiatives include:

- Launching of the E-learning project,
- Establishment of e-government, passing of the E-Transaction Act in 2007
- Establishment of Community Access Points (CAP), and
- Integration of ICT training as part of the HEART Trust/NTA curriculum

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In the meantime, the Green Paper on Energy notes that the Government will encourage the development of a domestic industry for the production of electricity from renewable energy technologies, including solar, with a view to increasing the contribution from renewable energy sources from 6% to 10% by 2010 and to 15% by 2020.

The Green Paper also indicates that tax policies will be designed to encourage the development of the renewable energy sector and that the local financial sector will be encouraged to provide funding.

The OUR notes that some concern has been expressed with regard to the effect of power from these small distributed renewable energy systems on the stability of the JPS grid; however, the OUR is of the view that it would take a significant number of these very small customer interconnections to create a stability problem of any consequence for the JPS system at this time.

The OUR is also cognizant of the financial burden being felt by customers as a result of the current high cost of electricity which is driving the move to self-sufficiency in power generation and feels committed, as the sector regulator, to do all it can to facilitate the process of easing that burden.

Conservation Tips

- Turn off all electrical equipment and appliances when not in use.
- Practice using natural light or breeze instead of an appliance, unless it is absolutely necessary.
- Regularly service your refrigerators and air-conditioning units to maintain efficiency.

OUR Sets New Standards for NWC

By: Davia Neale - Public Education Intern



The recent review of the tariff regime for the National Water Commission (NWC) provided an opportunity for the Office of Utilities Regulation (OUR) to implement changes to the **Guaranteed and Overall Standards**. Three (3) additional **Guaranteed Standards** and one (1) **Overall Standard**

were introduced; along with modifications to some existing standards. In addition, two (2) of the new **Guaranteed Standards** will attract automatic compensation to customers if they are breached by NWC.

The **Overall and Guaranteed Standards** represent an agreement between the OUR and NWC which acts as a guide to the minimum service levels that NWC should provide to its customers. Failure by NWC to adhere to the agreed standards results in penalties.

The changes in the standards were driven mainly by consumer comments received during the tariff review process at the fourteen (14) islandwide parish consultations. In addition, the OUR also assessed the standards in relation to the disproportionate number of submitted claims for breaches when compared to the actual number of breaches committed by NWC. The three (3) new **Guaranteed Standards** effective June 2, 2008 are:

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OUR Sets New Standards for NWC cont'd from pg. 3

Description	Performance Measure
1. Wrongful Disconnection	Where NWC, in error, disconnects a supply associated with an account which has no overdue amount
2. Reconnection after wrongful disconnection	NWC must reconnect a supply it inadvertently disconnected within 12 hours of being notified of the error
3. Changing Meters	NWC must provide customer with details of the date of the change, meter reading on the day and serial number of the new meter - Effective September 2008

Compensation for any breach of the standards should appear as a line item on the customer's bill within thirty days after verification of the claim: **"Compensation for Breach of Guaranteed Standard"**. The first two (2) Standards in the table above attract automatic compensation, while for the third one; customers are required to submit claims to the NWC. Automatic compensation is calculated at two (2) times the customer charge, while compensation for breaches which require the submission of claims is calculated at four (4) times the customer charge.

Marsha Minott, Analyst - Consumer Relations at the OUR, explains that while NWC should provide a minimum level of service, customers are not absolved of their responsibility in the relationship, since it is a contract between both parties. The composition of the **Guaranteed Standards** reflects this principle with only the following four (4) of the thirteen (13) standards attracting automatic compensation:

Description	Performance Measure
1. Wrongful Disconnection	Where NWC in error disconnects a supply associated with an account which has no overdue amount
2. Meter Installation	Maximum of 30 working days to install meter on customer's request
3. Reconnection after payment of overdue amount	Maximum of 24 hours to restore supply
4. Reconnection after wrongful disconnection	NWC must reconnect a supply it inadvertently disconnected within 12 hours of being notified of the error

As an **Overall Standard**, the office has also stipulated a timeframe for the repair of leaks. NWC must achieve a 90% target for the repair of leaks within five (5) days up to 2010 and within three (3) days thereafter.

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The Knowledge - Based Society and Jamaica

By: Carey Anderson - Regulatory Economist

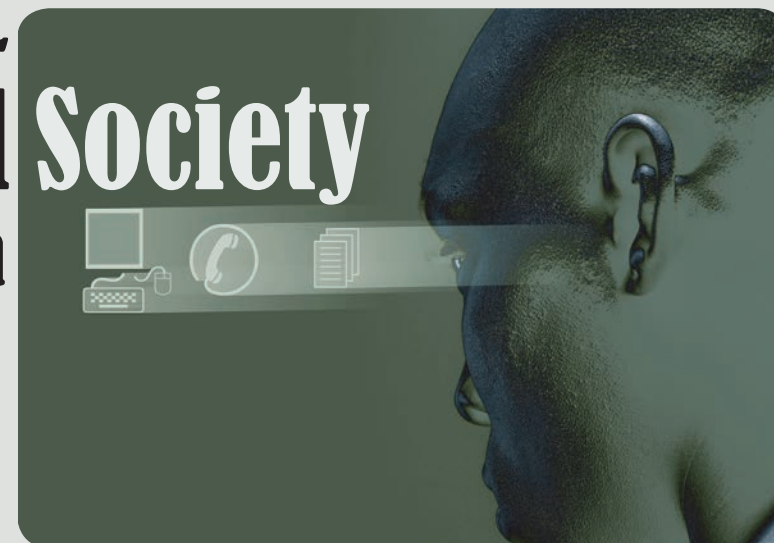


Both the former and current Ministers in charge of Telecommunications have highlighted the need to transform Jamaica into a knowledge based society. However, what is a knowledge based society and why should it be important to Jamaica?

While there is no specific definition for a knowledge based society, terms such as information society, information economy and 'new economy' are sometimes used interchangeably to express the concept. However, simply put, a knowledge based society is one that is founded on knowledge; that is - the availability and use of **information**.

Robust advancement in and deployment of information and communications technologies (ICTs) have fuelled the push for knowledge based societies. Governments have adopted this approach to development because of the presumed importance of social factors to economic change and the positive and negative impacts of that change on society. Some of the societal factors that influence economic growth include education levels, age, health status, income levels and distribution (Szabo, 2005).

In a two-year Growth Project undertaken by the Organization of Economic Co-operation and Development (OECD) completed in 2001, the OECD concluded that **"... to enhance long-term growth, more emphasis should be given to policies focusing on ICT, human capital, innovation and firm creation"**. OECD concluded as well that ICT is an enabling technology and that Governments should focus policy efforts on: increasing the use of new technology and competition; continuing with regulatory reform in the telecommunications industry to enhance the uptake of ICT;



ensuring sufficient competition in hardware and software to lower costs; building confidence in the use of ICT for business and consumers; and making e-government a priority.

Knowledge based economy ('New Economy')

OECD describes a knowledge based economy as one which is **"directly based on the production, distribution and use of knowledge and information"**. Many have argued that there is now a change in the approach to production, akin to the Industrial Revolution of the eighteenth century. However, the revolution is now fuelled by knowledge which is changing the way people work and live. It is interesting to note that, according to www.wikipedia.com, over 70% per cent of workers in developed economies are information workers, with many factory workers using their heads more than their hands. The internet, for example, is now a major driving force and channel through which business is directed and created; it has removed physical boundaries and brings some markets closer to home, while providing access to a wide variety of goods and services.

More than ever before, trade between and across nations is on a high, with organizations worldwide having branches in several countries. Many international organizations, such as the World Trade Organization (WTO), are fuelling the cause for greater international trade among countries thus resulting in the increased opening of national trade barriers and boundaries. Consumers all over are therefore exposed to a greater array of products and services. Producers and service providers are also faced with different markets and cultures. Investors, need faster, more reliable and credible information on business opportunities and capital markets all over the world. Companies have to communicate with associates and business departments located all over the world often in "real time". These scenarios require a vast

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