

FOR IMMEDIATE RELEASE

OUR Makes Decisions on JPS 2019-2024 Tariff Application

(KINGSTON, Jamaica; 2021 January 29): The Office of Utilities Regulation (OUR) has issued its decision on the Jamaica Public Service Company Limited’s (JPS’) 2019-2024 Tariff Application, which is the first five-year review to be undertaken under the revenue cap regulatory regime.

The OUR’s decisions, captured in its Determination Notice dated 2020 December 24, shows an average overall decrease of 3.2% in electricity rates based on the estimated Independent Power Purchase (IPP) costs presented in the Tariff Application. However, the application of the current actual IPP costs as indicated in an Addendum to the Determination Notice dated 2021 January 29, shows an overall increase of approximately 0.8%. With this marginal increase, customers will see significant variation in actual rate changes within and across customer classes, depending on such factors as the customer’s consumption pattern and demand profile. The OUR approved rates, as shown in the Table below, became effective 2020 December 28 and is expected to be reflected in bills payable in 2021 February for consumption in 2021 January.

**The OUR Approved Average Rates by Customer Categories:
(Adjusted for Inflation and Exchange Rate Movements)**

	Current Non-Fuel With IPP @J\$145	JPS Proposed Non-Fuel @J\$145		OUR Approved Non-Fuel -2020 Oct		OUR's Fuel Rate @J\$145					Overall Rate @J\$145			Bill Impact @J\$145	
		Rate	Increase	Avg. Rate	Increase	Current	JPS Proposal	OUR Approved	Proposed Increase	Approved Increase	Current	JPS Proposal	OUR Approved	JPS Proposal	OUR Approved
		J\$	J\$/kWh	%	J\$/kWh	J\$/kWh	J\$/kWh	J\$/kWh	J\$/kWh	%	%	J\$/kWh	J\$/kWh	J\$/kWh	%
RT 10 -Residential	24.88	32.20	29.4%	26.99	8.5%	23.00	22.33	22.15	-2.9%	-3.7%	47.88	54.53	49.14	13.9%	2.6%
RT 20 -Sm. Commercial	26.29	25.15	-4.4%	27.43	4.3%	23.00	22.33	22.15	-2.9%	-3.7%	49.29	47.47	49.58	-3.7%	0.6%
RT 40 -Lg. Commercial (STD)	17.43	16.68	-4.3%	18.86	8.2%	22.08	21.44	21.27	-2.9%	-3.7%	39.51	38.12	40.12	-3.5%	1.6%
RT 40 -Lg Commercial (TOU)	16.25	16.11	-0.9%	17.66	8.6%	22.52	21.86	21.69	-2.9%	-3.7%	38.77	37.97	39.34	-2.1%	1.5%
RT 50 -Lg. Industrial (STD)	16.06	16.08	0.1%	17.72	10.3%	22.08	21.44	21.27	-2.9%	-3.7%	38.15	37.52	38.98	-1.6%	2.2%
RT 50 -Lg. Industrial (TOU)	14.66	14.86	1.4%	13.50	-7.9%	21.90	21.26	21.09	-2.9%	-3.7%	36.56	36.12	34.59	-1.2%	-5.4%
RT 60 -Street lighting	32.26	26.46	-18.0%	29.18	-9.5%	22.08	21.44	22.15	-2.9%	0.3%	54.35	47.90	51.34	-11.9%	-5.5%
RT 70 -MV Power Serv.(STD)	17.58	11.26	-35.9%	19.36	10.1%	22.08	21.44	22.15	-2.9%	0.3%	39.67	32.70	41.51	-17.6%	4.7%
RT 70 -MV Power Serv. (TOU)	15.39	10.96	-28.8%	16.02	4.1%	21.99	21.35	21.18	-2.9%	-3.7%	37.38	32.31	37.20	-13.6%	-0.5%
Average	21.75	22.56	3.7%	22.92	5.4%	22.60	21.65	21.76	-4.2%	-3.7%	44.35	44.21	44.69	-0.3%	0.8%

The revenue cap regulatory regime which was introduced in the Electricity Licence, 2016, allows for, among other things, the funding of initiatives, which are proposed in JPS’ forward-looking Five (5) Year Business Plan, while seeking to ensure that the company’s customers are not overcharged for the services used.

The rate review exercise and the OUR’s decision, which were due in 2019, did not take place because JPS’ 2019 July application was deemed to be deficient, to the extent that it would not have allowed for a complete evaluation of the application.

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Therefore, the adjustments that would have been due in 2019, including those for inflation and exchange rate movement, are reflected in the OUR's decisions.

Among the components considered in the review of JPS' tariff application were: JPS' revenue requirement for the 2019 – 2024 review period, efficiency (heat rate) targets for JPS' thermal plants, system losses targets, Quality of Service Standards, the 2019 Annual Non-Fuel

Revenue Adjustment against preset targets, and overall bill impact per rate category. The OUR also took into account the views and submissions from stakeholders, including those who participated in the public consultations and/or submitted written comments, and the issues raised by JPS in its response to the draft Determination Notice.

JPS' detailed application included several proposals, with the company seeking approval for an annual average revenue requirement of J\$62.1 billion over the five-year period. The OUR approved an annual average revenue requirement of just over J\$58 billion.

The OUR, in recognizing the impact of the Covid pandemic, also analyzed JPS' pre-COVID pandemic demand forecast and gave due recognition to the impact of the pandemic on the demand trajectory. Given the uncertainties associated with forecasting demand in light of the Covid-19 pandemic, the OUR intends to revisit the demand forecast in the 2021 Annual Review with a view to fine-tuning the projections as deemed necessary.

Among OUR's decisions were:

1. **Time of Use (TOU) – new option for Residential and small business customers.** JPS had proposed to introduce a Time of Use (TOU) rate for residential customers (RT10) which the OUR viewed as a positive step toward greater cost reflectivity. However, the OUR reasoned that the creation of a TOU category should not be restricted to residential customers, but should also be extended to small commercial (RT 20) customers as well. Under a TOU rate, customers pay different prices per kilowatt- hour (kWh) of electricity that they use, depending on when they use it. The OUR has concluded that RT10 TOU and RT20 TOU classes should be established and that these categories should not include a demand charge, but instead, revenue recovery shall be based on the customer and energy charges. JPS shall engage customers in an education programme concerning TOU rates.
2. **New Overall Standard for Customer Service.** The OUR decided that in light of its survey findings and continued quality of customer service complaints to the OUR and via the media, it will be establishing an Overall Standard (EOS13 – Effectiveness of Customer Service) to monitor and measure the level of customer service delivered by the regulated entity. It is the OUR's view that establishing this customer service standard is important to:
 - Allow the regulator to verify performance claims made by JPS;
 - Establish minimum customer service quality levels to meet consumer needs and expectations, and are in alignment with industry trends and practices; and

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- Provide information to the regulator and other interested parties as to the state of the delivery of said customer service standards.
3. **Public Electric Vehicle charging rates.** The OUR granted approval for the establishment of Public Electric Vehicle charging rates. These rates shall be based on the TOU rate format and shall be set at a level that is 5% more than the RT10 TOU charges.
 4. **Separation of the RT60 class into a streetlight category (RT60S) and a traffic light category (RT60T).** The OUR approved the separation of the RT60 class into a streetlight category (RT60S) and a traffic light category (RT60T). This is consistent with the objective of cost reflectivity, as both services exhibit different load profiles.

THE OUR DID NOT APPROVE:

Some requests by JPS were not approved. These include:

1. **Modification to the lifeline block for residential customers (RT10).** JPS proposed a reduction of the upper limit of the first consumption block for residential customers from 100kWh to 50kWh. The OUR felt that given the effects of the Covid-19 pandemic, a larger percentage of households would fall in the vulnerable income category. In this regard, the timing of the modification to the lifeline block might be ill-advised and therefore the current structure of the lifeline block shall be retained.
2. **Proposal for a third RT10 block.** JPS proposed the introduction of a third block of residential customers to encompass all consumption in excess of 500kWh. The OUR refused this request as it would lead to greater distortion in the price signaling capacity of residential rates.
3. **A request for a second block for small commercial customers (RT20).** JPS had asked for a second block from 150 kWh and above for small commercial (RT20) customers. The OUR determined that this proposed design is not reflective of costs imposed on JPS' system by those customers with higher consumption, and is only useful if the objective is to favour those with lower consumption. Further, there is no obvious economic justification for the introduction of a second block. Therefore, the OUR determined that JPS should retain a single kWh charge for RT20 customers.
4. **Amendment to the Guaranteed Standards.** The JPS had proposed several changes to the Guaranteed Standards (GS) scheme. The OUR has decided to defer any changes until it conducts a comprehensive review and analysis of the GS scheme for JPS and other utilities. Accordingly, the existing standards will be retained.

The JPS Rate Review 2019 – 2024 Determination Notice and the Addendum can be viewed on the OUR's website: www.our.org.jm. -30- **Contact: Elizabeth Bennett Marsh – Public Education Specialist: 876-968-6053**