

## **DIRECTIVE**

*(Pursuant to Section 4(2) of the Office of Utilities Regulation Act, as amended)*

**IN THE MATTER OF THE OFFICE OF UTILITIES  
REGULATION DECISION PURSUANT TO AN  
ENQUIRY INTO BILLING SYSTEM PRACTICES  
OF JAMAICA PUBLIC SERVICE COMPANY LTD**

**AND**

**IN THE MATTER OF JAMAICA PUBLIC SERVICE  
COMPANY LTD ALL-ISLAND ELECTRICITY  
LICENCE 2001**

**AND**

**IN THE MATTER OF THE OFFICE OF UTILITIES  
REGULATION ACT (1995) AS AMENDED BY THE  
OFFICE OF UTILITIES AMENDMENT ACT 2000**

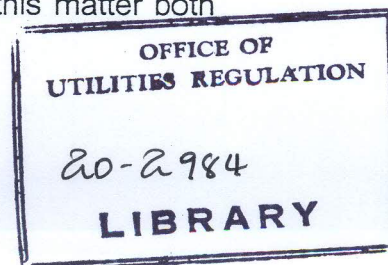
**BETWEEN: THE OFFICE OF UTILITIES REGULATION      REGULATOR**  
**AND            JAMAICA PUBLIC SERVICE COMPANY LTD      THE LICENSEE**

### **BACKGROUND**

1. Further to the passage of Hurricane Ivan in September 2004, the Office of Utilities Regulation ("the Office") recorded a significant increase in contacts regarding Jamaica Public Service Company Limited (JPS), especially relating to billing of customers' electricity accounts. The OUR processed 1,294 contacts during the three-month period October to December 2004 in comparison to 1,073 for the previous nine (9) months, January to September 2004. The number of contacts peaked during the months of November and December 2004 and related primarily to bills for which meter readings were taken in November 2004.
2. As a consequence, the Office by letter dated 8<sup>th</sup> December, 2004 consistent with its mandate under the Office of Utilities Regulation Act as amended ("the Act") requested that JPS conduct an investigation into the high electricity bills that were being received by consumers. Subsequently, the Office submitted a sample of 32 accounts to JPS for specific investigation into the seemingly anomalous consumption levels

that were rendered by JPS in respect of these accounts during the November/December 2004 period. JPS submitted its report on the 32 accounts on 23<sup>rd</sup> December 2004. In addition, a general report on the investigation into the November 2004 billing was submitted to the Office on 11<sup>th</sup> January 2005.

3. In spite of the fact that the circumstances are different, it is noteworthy that on 20<sup>th</sup> January 2003 (23 months earlier) the Office directed JPS to conduct an investigation into the extent and causes of the abnormally high level of complaints regarding unusually high bills and the receipt of bills in rapid succession by consumers. This was precipitated by the introduction by JPS of a new Banner Customer Information System (CIS) in September 2002. The Company submitted the final report on its investigation on 3<sup>rd</sup> February 2003. The Office, on 11<sup>th</sup> March 2003 issued a Memorandum under Section 9 of the OUR Act which set out its conclusions and contained a number of decisions setting out specific measures to be undertaken by the Company all of which were intended to secure improvements and confidence in its customer billing process. Aspects of the decisions contained in the Memorandum aforesaid are relevant to the Decisions herein.
4. In its 8<sup>th</sup> December 2004 letter, the Office specifically requested JPS to respond to the following issues:
  - *What has been the number of complaints per month concerning excessive bills between July and November 2004?*
  - *What factors (billing error, fuel charges, exchange rates, increased consumption, correction of estimation, etc) account for such complaints and their respective weightings?*
  - *What has been the average monthly consumption per rate category between April and November 2004 and the figures for the corresponding period in the previous year?*
  - *Whether JPS has seen an increase in the number of complaints alleging overcharges and if so the steps taken to date to investigate such complaints.*
5. Arising out of its review of the information provided by JPS, its own investigations and analyses of the many complaints received, the Office has arrived at a number of conclusions which has informed a series of decisions, the implementation of which should restore confidence in the company's billing processes.
6. The Office consistent with its mandate under the Act as amended, having:
  - i. consulted with the JPS and all relevant parties in this matter both orally and in writing;





- ii. given the Licensee an opportunity to make submissions and to be heard;
- iii. analyzed the Licensee's submission culminating in the Decisions dated 22<sup>nd</sup> February 2005 and which are set out herein;
- iv. regard to Licence Condition 2 paragraph 6 of the All-Island Electric Licence 2001 which provides -

"The Licensee shall discharge its obligations and perform the duties imposed or authorized under the relevant laws  
..... "

has decided that it is necessary for certain specific measures and actions to be taken by the JPS in order to secure the renewed confidence of customers in its billing processes and accordingly –

**A. HEREBY DIRECTS** the Licensee in accordance with Section 4 (2) of the Office of Utilities Regulation Act as amended, to secure compliance with the Decisions set out herein with a view to, inter alia, ensuring that –

- (a) the needs of the consumers of the services provided by the Licensee are met;
- (b) the Licensee operates efficiently and in a manner designed to affording its consumers' economical and reliable service such as accurate and reliable electricity bills.

## **DECISIONS**

### **1. Meter reading:**

- (i) JPS shall undertake a complete overhaul of its meter reading regime in order to correct the deficiencies identified in the Office's Decision of 22<sup>nd</sup> February 2005. This system overhaul should be completed by 30<sup>th</sup> June 2005 and must include:
  - (a) the re-training of all meter readers;
  - (b) the implementation of an effective mechanism to facilitate the performance monitoring of meter readers regarding the quality of their readings. This mechanism must hold meter readers accountable for accurate readings;
  - (c) the accountability standard prescribed by JPS for meter readers, and which must be communicated to the Office by 30<sup>th</sup> June 2005;

- (d) the routine inspection and maintenance of hand-held devices;
  - (e) the notification of customers whose consumption is outside the high/low variance criterion;
  - (f) the manual re-entry of readings that are flagged by the hand-held device as exceptions. The flagged/excepted readings should be rejected and a new reading taken by the meter reader which should be manually re-entered and not simply overridden in the field;
  - (g) the removal of access to previous readings by the meter readers in the field;
  - (h) an assessment of technology options and feasibility to introduce Automatic Meter Reading and Pre-paid Meters into the system. This assessment is to be submitted to the Office by 30<sup>th</sup> September 2005.
- (ii) Commencing end of March 2005, the Company is required to submit monthly progress reports on the status of the system overhaul to the Office until the activity is completed.
  - (iii) The Office also requires that JPS put in place within three months of the date of this Directive a customer education programme about meter reading procedures designed to restore confidence in the integrity of the billing system.
  - (iv) The Office considers that wider and more frequent rotation of the assigned areas to meter readers is necessary.

2. *High/Low Rejection Criterion:*

- (i) The rejection criterion is to be lowered to +/- 30% for Rate 10 customers by 31<sup>st</sup> July 2005. This should be confirmed in writing by the Company to the Office as having been implemented. Commencing with the March 2005 billing and until further notice JPS shall be required to submit its management reports to the Office, such reports providing details of the exceptions generated by the high/low criteria.
- (ii) The high/low rejection criterion for commercial accounts is to be lowered simultaneously to +/- 60%.
- (iii) The Office shall keep the rejection criterion under review.



3. *Estimation Routines:*

(i) JPS shall immediately:

(a) effect the necessary changes to its system to facilitate compliance with the guaranteed standards, that is, all estimates of consumption should be based on the last three (3) actual readings (new accounts excepted).

(b) synchronize the Mass Estimator and the Base Estimator. There should be no difference in the algorithm used for the Mass and the Base Estimators.

(c) adjust the monthly consumption estimates used by the Manual Estimator to better reflect the class average consumption.

(ii) JPS is required to assess the merit of using even longer periods than the stipulated last 3 actual readings and shall advise the Office of its conclusions by 30<sup>th</sup> June 2005.

4. *November 2004 Billing:*

(i) JPS shall presents its proposals to the Office by 28<sup>th</sup> February 2005 for adjusting the 21,000 accounts being mindful that the Office will not agree to any measures which seek to recover sums which would in effect penalize customers for the company's own inefficiencies.

(ii) In the meantime, these 21,000 accounts identified are to be flagged, customers required to make current payments only while their account is investigated and there are to be no disconnections of these accounts for the "disputed" amounts. For the avoidance of doubt, these accounts should be disconnected only on the basis of arrears for current amounts going forward from January 2005 billing.

5. *Meter Maintenance and Testing:*

The Office's enquiry into the JPS billing system has identified that the major weaknesses in said system lie in the areas of meter reading and quality control. While there is no indication of massive meter malfunctions, the Office holds the view that customer confidence would be enhanced if JPS' meter testing programme, as required pursuant to the All-Island Electricity License 2001, incorporated an "independent" certification process. In this regard, the Office encourages the Company to work with the Jamaica Bureau of Standards (JBS) in order to develop a meter testing program that will enhance the credibility of the Company's metering programme. Conclusion of this exercise should go a long way towards improving customer confidence at least to the aspect of the accuracy of the metering devices. The Office is mindful of its duties under

Section 4 of the OUR Act and will be moving immediately to conclude ongoing discussions between itself, JPS and the JBS with a view to bringing the matter to finality by 31<sup>st</sup> March 2005. It should be noted that prior to this enquiry, the Office had been engaged in dialogue with JPS and the JBS regarding meter testing.

**B. AND TAKE NOTICE** that your failure to comply with the Directive aforesaid with regard to the furnishing of information specified in the said Decisions renders you liable to the provision of Section 10 of the Office of Utilities Regulation Act as amended which provides -

"10 - (1) The Office may require a licensee or specified organization to furnish such information or submit such returns at such intervals as the Office may require in relation to the operations of the licensee or specified organization.

(2) any licensee or specified organization which fails to comply with subsection (1) shall be guilty of an offence and liable on summary conviction before a Resident Magistrate to a fine not exceeding Two Million Dollars."

**BY ORDER OF THE OFFICE**



**DAY OF FEBRUARY 2005**

**J. PAUL MORGAN  
DIRECTOR GENERAL**

A JFSCO proposal for a \$0.0933/kWh increase in the energy rate of Rate 40 and Rate 50 customers to recover revenue losses attributable to a design defect in the TOU rate structure, and another to maintain the heat rate targets at existing levels of 11,900 kJ/kWh pending a full review in the 2004 rate filing, were denied by the OUR.

The OUR has insisted that the company pass on efficiency gains in its fuel conversion to its customers and therefore determined that the system heat rate will be reduced to 11,600 kJ/kWh.

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