OFFICE OF UTILITIES REGULATION

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OUR accepts JPS Re-Submitted 2019-2024 Tariff Application

(KINGSTON, Jamaica; 2020 January 24): The Office of Utilities Regulation (OUR) has now accepted the Jamaica Public Service Company Limited's (JPS) 2019-2024 Tariff Application that was re-submitted on 2019 December 30.

On 2019 August 16, the OUR wrote to JPS, indicating it was rejecting its 2019-24 Tariff Review application because of material deficiencies including the absence of critical information and supporting documentation. The JPS was invited to resubmit its application when the identified deficiencies, any items requiring further clarification or additional information had been rectified and/or addressed. On 2020 January 13, the OUR accepted the application following a preliminary examination.

The regulator has one hundred and twenty (120) days that is, by 2020 May 12, to review the application and issue its decisions.

JPS's detailed application includes a raft of proposals, with the company seeking approval of an annual average revenue requirement of J$62.1 billion (US$485.2 million) in real terms over the five-year review period.

According to JPS, if the Tariff Application is accepted, customers would see an average increase in overall rates of 4.69%, subject to annual reviews. The average impact will vary by customer class, as well as within customer class, depending on consumption and choice of tariff. Based on JPS's proposal, residential customers would see the largest increase (i.e. 17.14%) while large industrial/commercial customers (on the time of use option) would register a reduction of 14.06%.

The table below highlights JPS's proposal for the average monthly bill impact per category.

Category	Non-Fuel Tariff (J$/kWh)			Fuel (J$/kWh)			Non-Fuel + Fuel (J$/kWh)		Bill Impact
	Current	Proposed	Variation	2019 Fuel Cost	2020 Fuel Cost	Variation	Current NF + F	Proposed NF + F	
MT 10 - Metered Residential	20.59	29.11	41.37%	21.46	20.15	-6.10%	42.05	49.26	17.14%
MT 20 - Metered Small Commercial	21.58	22.73	5.31%	21.46	20.15	-6.10%	43.04	42.88	-0.38%
MT 60 - Street lighting	26.17	23.92	-8.63%	19.81	18.60	-6.10%	45.98	42.52	-7.54%
MT 40 - Metered Large Commercial (STD)	13.80	15.08	9.28%	19.81	18.60	-6.10%	33.61	33.68	0.21%
MT 40 - Metered Large Commercial (TOU)	11.87	14.56	22.69%	19.81	18.60	-6.10%	31.68	33.16	4.69%
MT40X_TOU (*New)	11.87	13.66	15.12%	19.81	18.60	-6.10%	31.68	32.26	1.85%
MT 50 - Meter Industrial (STD)	12.46	14.54	16.70%	19.81	18.60	-6.10%	32.27	33.14	2.70%
MT 50 - Meter Industrial (TOU)	12.38	13.43	8.46%	19.81	18.60	-6.10%	32.19	32.03	-0.50%
MT50X_TOU (*New)	12.38	9.06	26.79%	19.81	18.60	-6.10%	32.19	27.66	-14.06%
MT 70 - MV Power Service (STD)	9.13	10.18	11.49%	19.81	18.60	-6.10%	28.94	28.78	-0.55%
MT 70 - MV Power Service (TOU)	9.88	9.91	0.34%	19.81	18.60	-6.10%	29.69	28.51	-3.96%
Total	**17.35**	**20.39**	**17.53%**	**20.64**	**19.38**	**-6.10%**	**37.99**	**39.77**	**4.69%**

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The proposed 4.69% increase in the overall rate is explained by a change in the average non-fuel tariffs of approximately 17.53%, versus an expected reduction in the fuel tariffs of 6.10%. The non-fuel tariff contribute to approximately 48% of the bill. JPS has indicated that the increase in the non-fuel rate arises from the introduction of more efficient generation, the use of smart technology and other infrastructure investments. On the other hand, the expected reduction in fuel tariffs would be attributable to the commissioning of newer, more efficient generating plants.

In addition, JPS is:

i. Proposing an expansion of the Residential (rate 10) structure moving from two to three consumption blocks (0-50 kWh, 51-500 kWh, and over 500 kWh). The utility company has suggested the revision to allow sufficient flexibility in terms of price signals. It has also proposed that Rate 40 and 50 customers with demand in excess of 1,000 kVA be transferred to new rate classes, MT 40X and MT 50X, respectively. These new classes recognise the commercial and industrial customers with high demand that do not meet the 2,000 kVA eligibility criterion for the rate 70 tariff category.

ii. Projecting a 2.25% overall reduction in system losses by 2023 over 2018, comprising 0.15% reduction target in technical losses, and 2.1% reduction target in non-technical losses.

iii. Proposing that the government introduces a direct electricity service subsidy through the PATH programme. This is linked to the company's proposal to reduce the residential lifeline block from 100kWh to 50kWh. The proposal is for the government to directly fund the gap between what is considered an acceptable level of expenditure that vulnerable households should spend on electricity, how much electricity that purchases, and the cost of the lifeline basket of service. The subsidy would be paid to eligible PATH beneficiaries in the form of vouchers to apply to electricity bills.

iv. Requesting a revision of the Guaranteed Standards and the Overall Standards which includes:
   - Converting the Guaranteed Standard EGS3 – Response to Emergency, which deals with timeline for JPS's response to emergencies, to an Overall Standard;
   - Implementing exemptions for payment of automatic compensation;
   - Modification to some of its targets in its Overall Standards.

The 2019-2024 JPS Tariff Application can be found on the OUR's website: www.our.org.jm.

BACKGROUND

On 2019 August 16, the OUR wrote to JPS, indicating it was rejecting its 2019-24 Tariff Review application which was submitted 2019 July 31, because of material deficiencies including the absence of critical information and supporting documentation.

The OUR's rejection of the application then, was pursuant to Schedule 3, paragraph 7 of the Electricity Licence, 2016, which states that inter alia, "If the Office determines that the filing is deficient it shall reject such filing within the said ten (10) working days and shall notify the Licensee clearly identifying the deficiencies". -30-

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