

OFFICE OF UTILITIES REGULATION

DIRECTIVE

[Ele 2006/01

(Issued pursuant to Section 4 of the Office of Utilities Regulation Act)

**IN THE MATTER OF THE OFFICE OF UTILITIES REGULATION AUDIT OF THE
BILLING SYSTEM PRACTICES OF JAMAICA PUBLIC SERVICE COMPANY
LIMITED**

AND

**IN THE MATTER OF THE JAMAICA PUBLIC SERVICE COMPANY LIMITED 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**

WHEREAS pursuant to Section 4 (1) of the Office of Utilities Regulation Act (OUR Act) it is provided as follows:

“Subject to the provisions of the Act, the function of the Office shall be to-

- (a) regulate the provision of prescribed utility services by licensees or specified organizations”
- (c) conduct such research as it thinks necessary or desirable for the purposes of the performance of its functions under this Act;
- (e) subject to section 8A, carry out, on its own initiative or at the request of any person, such investigations in relation to the provision of prescribed utility services as will enable it to determine whether the interests of consumers are adequately protected;

AND WHEREAS *pursuant to:*

(A) *Section 4 (2) of the OUR Act it is provided as follows:*

“The Office may, where it considers necessary, give directions to any licensee or specified organization with a view to ensuring that—

- (a) the needs of the consumers of the services provided by the licensee or specified organization are met; and*
- (b) the prescribed utility service operates efficiently and in a manner designed to-*
- (iii) afford to its consumers economical and reliable service.”*

(B) Section 4 (3) it is provided as follows:

(3) In the performance of its functions under this Act the Office shall undertake such measures as it considers necessary or desirable to:-

- (b) protect the interests of consumers in relation to the supply of a prescribed utility service*
- (d) promote and encourage the development of modern and efficient utility service*
- (e) enquire into the nature and extent of the prescribed utility services provided by a licensee or specified organization.*

AND WHEREAS pursuant to Section 8 of the OUR Act:

“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 that licensee or specified organization”

AND WHEREAS pursuant to **Condition 8, paragraph 7** of the All Island Electricity Licence (2001):

“ The Office and its agents shall be entitled during the normal business hours and without notice to attend at any premises from time to time owned or occupied by or in the possession of the Licensee for the purpose of inspecting any books, records and accounts of the Licensee to which this Licence relates and the Licensee shall fully co-operate and assist the Office for such purposes. Notwithstanding this obligation, the Licensee shall not be compelled to provide information which it could not be required to reveal in a civil action. The Licensee shall at the request of the Office furnish the Office, at the Licensee's expense, with a copy (in such format as the Office may specify) of any book, record or accounts as the Office may reasonably require.”

AND WHEREAS the Office has appointed and authorized **PRICEWATERHOUSECOOPERS JAMAICA (PWCJ)** to assist the Office for such period as the Office may decide to perform inter alia the following duties;

1. (i) Review the following documents:
 - (a) Memorandum (issued under Section 9 of OUR Act) dated March 11, 2003 and Findings regarding the Office's enquiry into the JPS Billing System practices;
 - (b) Office Decision dated February 22, 2005 on the Enquiry into Billing System Practices of the JPS (OUR Document No. Ele 2005/01);
 - (c) Office Directive (pursuant to Section 4(2) of the OUR Act) of February 24, 2005 regarding Billing System practices of JPS;
 - (d) Amendment to Directive (pursuant to Section 4(2) of the OUR Act) dated March 22, 2005;
 - (e) Periodic reports by JPS in accordance with OUR Directive of February 24, 2005;
 - (f) All-Island Electricity Licence 2001;
 - (g) Office of Utilities Regulation Tariff Determination 2004 (OUR Document Ele 2004/02.1); and
 - (h) All the Policy and Procedural documentation internal to the JPS related to the billing system.
- (ii) Review any other relevant material related to the billing system practices.
2. Assess the legitimacy of the complaints against JPS received by the OUR by using appropriate sampling techniques;
3. From an historical and current perspective, assess the accuracy and integrity of the meter reading process;
4. Ascertain the proportion of meters per rate class being read monthly;
5. Assess the level of accuracy in reading of meters through field verification;
6. Assess the accuracy and reliability of the hand held devices used by meter readers to capture readings;

7. Assess the reliability and accuracy of the computerized system use to upload, store and download meter readings in the process of transferring data from the field to the office;
8. From an historical and current perspective, assess the extent to which the billing practices are in compliance with the existing quality control procedures (including meter reading and exceptions processing);
9. From an historical and current perspective, assess the extent to which the design of the quality control measures (including meter reading and exceptions processing) reliably and consistently identifies and treat with legitimate/genuine billing anomalies;
10. From an historical and current perspective, verify the accuracy of the computation of the Fuel charges and assess the veracity of the inputs which include the heat rate, system losses, and fuel prices as shown in schedule C of the monthly JPS Fuel and IPP reports referenced in Appendix;
11. From an historical and current perspective, verify the accuracy of the computation of the IPP charges as per the IPP Power Purchase agreements as well as any other relevant billing input;
12. Assess whether the algorithm used by the JPS Customer Information System (Banner CIS) reliably and accurately computes the customer monthly invoices (bills);
13. Assess the timeliness of the dispatch of validated bills/invoices within the interval specified by company policy;
14. Determine the extent to which the company is compliant with the following Overall and Guaranteed Standards (*EOS 6 - Frequency of meter reading, EOS 8 – Billing Punctuality, EGS 7 – Frequency of Meter Reading, EGS 8 – Estimation of Consumption, EGS 10 – Billing Adjustments*);
15. Assess the company's compliance with the Office's Directive of February 24, 2005 (amended March 22, 2005);
16. Identify any areas of weakness within the systems mentioned above and determine the adequacy of the levels of safeguards to protect against data corruption and manipulation;
17. Identify the causes of these weaknesses identified in (16) above; and
18. Recommend how the systems mentioned above could be improved with due regard for international best practices.

THE OFFICE HEREBY **DIRECTS**:

1. JPS to grant unto PRICEWATERHOUSECOOPERS JAMAICA (PWCJ), its servants and agents and or the Office or its representatives rights to enter its premises/establishments, and to furnish all personnel and information requested including all, records, reports, documents, systems and such other materials electronic and otherwise as may be necessary to enable PWCJ to assist the Office in carrying out the audit as set out herein and more specifically described in the Terms of Reference a copy which is annexed to this Directive as ANNEXURE 1 and to allow them such access as is deemed necessary.
2. JPS cooperate expeditiously and to use best endeavours to ensure compliance by its employees and or agents to enable the audit to be completed within 12 weeks of its commencement.

This **DIRECTIVE** becomes effective on the 23rd of March 2006.

BY ORDER OF THE OFFICE:

SIGNED THIS 22nd DAY OF MARCH 2006

A handwritten signature in black ink, appearing to read 'J. Paul Morgan', with a long horizontal stroke extending to the left.

**J. PAUL MORGAN
DIRECTOR GENERAL**