

CACU RESPONSE TO OUR CONSULTATION DOCUMENT

Comprehensive Review of the Guaranteed Standards Scheme
for the Jamaica Public Service Company Limited and the National Water Commission

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Question 1: Approaches to Regulating Service Quality

(a) What are your views on OUR's selection of the approach that imposes customer compensation payments for service failure to incentivize regulated entities to achieve the service levels prescribed by the GS Schemes for the JPS and the NWC?

CACU Response: *The CACU agrees in principle that the imposition of customer compensation payments is appropriate at this time. Although it is designed to encourage greater efficiency levels by the utility service providers and automatic payments are applied to the JPS, the CACU does not agree with the applied combination of payments (automatic and submission of claim form) for the NWC, as we see the water and sewerage sector as posing greater social and health risks.*

(b) Of the three (3) approaches discussed, other than the compensation payments for service failure, would you recommend another approach?? If yes, please outline the reasons for your selection.

CACU Response: *The CACU is of the view that the NWC should be subject to a full automatic compensation scheme, given the greater social and health risks for the water and sewerage service. Additionally, the current system of a claim form should either be automatically generated for the customer to complete and submit electronically, or the form should be automatically completed by the utility and an electronic request for verification/signature be sent to the customer by the utility service.*

(c) Would you recommend a combination of approaches? Is yes, please indicate your combinations and the reasons for your selection.

CACU Response: *There is already a combination of approaches used in the case of the JPS, with the automatic compensation payments for QS breaches as well as the inclusion of financial incentives in the price/revenue cap performance-based rate-making mechanisms. We are of the view that the NWC should also be subject to the combination, recognizing of course that legislative changes would have to be made to the outdated regulatory framework which currently exists for the NWC.*

Question 2: Compensation Mechanism for JPS GS Scheme

(a) What are your views on JPS's request to use the monthly Customer Charge as the basis to determine GS compensation?

CACU Response: *The use of the Customer Charge as the basis to determine GS compensation isn't a binary one. The Customer Charge is a small component of the overall cost schedule to a customer with consumption having the largest impact on the overall bill. Consider multiple customers receiving estimated bills over a period exceeding that which is allowed under the GS; the Customer Charges in this scenario is a small component to what the utility would have collected.*

(b) Of the three (3) options discussed that can be used as the basis to derive JPS's GS compensation, which is your preferred choice and why?

(c) If the monthly Customer Charge is used as the basis for JPS GS compensation, what are your views on using a multiplier to ensure that the sum does not fall below current levels and provide an incentive for compliance by JPS?

CACU Response: *This could be a strategy that could be considered. How this multiplier is determined would require careful assessment. This multiplier could be considered based on consumption class, i.e. where on the Rate Schedule the customer falls.*

(d) What are your views on the OUR's proposed General and Special compensation mechanisms for JPS's customers, using the monthly Customer Charge with the multiplier being applied?

CACU Response: *This is a methodology that could be a reasonable means of compensation; as long as the multiplier is based on Rate Class such that its impact isn't diminished as one considers consumers from different Rate Class.*

Question 3: Conversion of EGS3 (Response to Emergency) to Overall Standard (OS)

(a) What are your views on whether the OUR should accommodate JPS's request to convert EGS3 – Response to Emergency to an OS or to retain the standard under the GS Scheme? Please provide details to support your response.

(b) Should EGS 3 be retained as a GS, do you agree with the proposed explanations to 'Response' and compensation eligibility? Please provide details to support your response.

(c) Should EGS 3 be retained as a GS, do you think that the explanations provided for 'Response' and compensation eligibility makes it more appropriate for the GS Scheme? Please provide details to support your response.

CACU Response: *It is our view that the EGS3 should be converted to an OS as "emergency" as defined by the OUR, considers those incidents "caused" by internal factors and ignores the external factors such as illegal extraction of electricity, trees and shrubbery on private property resting on overhead transmission lines, et al, which are outside of the company's control.*

Question 4: Revision of Performance Target for EGS 15

(a) What are your views on JPS's proposal to replace the three (3) hour performance target for EGS 15 with the requirement for JPS to only provide advanced notification of an outage? Please provide details to support your response.

(b) What are your views on the OUR's response to JPS's proposal regarding its request to transition existing customers unto its RAMI system? Please provide details to support your response.

Question 5: Proposed Additional Exemptions to the Guaranteed Standards

(a) What are your views on JPS's proposals regarding exemptions to the GS?

CACU Response: *It is important that accountability is held at the highest level that allows for them to provide good customer service.*

(b) What are your views on the OUR's position regarding JPS's proposed exemptions to the GS?

CACU Response: *We believe that the responses to the request for exemptions are reasonably expressed. The views appear to consider a framework that would foster greater accountability in favour of the consumer, which is the objective of having the GS. Ultimately, it is the ability to push the utility to provide the best customer service possible in all aspects of its operations to the public.*

Question 6: Cap Period for Consecutive Individual JPS GS Breaches

(a) What are your views of the OUR's position to retain compensation for all prolonged consecutive breaches of the GS, and not selected ones as is done in other jurisdictions?

CACU Response: *Where there is significant breach, in terms of timeline, to a customer a cap may end up depriving a customer of justified reimbursement due to JPS's lack of action in addressing the breach with urgency. Consider customers in rural areas who may not get the kind of service or response time to that of a customer within city limits. This is a real issue that also needs to be addressed as all paying customers are to be considered the same and receive the same service along with the same considerations. OUR's position to retain compensation for all prolonged consecutive breaches are reasonable along the lines as expressed; for all paying customers.*

(b) Do you think the OUR should adopt the approach used in other jurisdictions to only apply additional compensation to selected consecutive prolonged GS breaches? Please give reasons for your answer.

CACU Response: *Different jurisdictions will have similar scenarios but considerations would have to take into account how regulation and laws are viewed within the respective jurisdiction. Reference can be made but within reason as law and regulation permit.*

(c) If your answer to (b) above is yes, what are your views on the proposed criteria, in paragraph 5.44, the selection of GS breaches for which additional compensation would be applicable?

(d) Are you in favour of retaining a cap period for prolonged consecutive GS breaches or would you prefer to receive compensation for as long as the breach occurs, even if it may result in increased electricity rates? Please give reasons for your answer.

(e) Where a cap period is retained, do you deem the current eight (8) periods for which JPS is liable to pay compensation for prolonged individual breaches of the GS reasonable? Please give reasons for your answer.

Question 7: Areas of focus covered under JPS GS Scheme

(a) What are your views on the importance of the areas of focus for the JPS GS to customers?

(b) What changes, if any, would you make to the areas of focus covered by the JPS GS Scheme?

(c) If you could add a service area to the JPS GS, what would it be and why?

(d) If you could remove a service area from the JPS GS, which area would it be and why?

Question 8: GS for Prepaid Metering System

(a) What are your views on the GS that have been established for JPS's Prepaid Metering System?

(b) What are your views on the two additional Prepaid Metering Service GS proposed by the OUR?

(c) Do you agree with the OUR's position to apply the GS compensation mechanism that is determined for postpaid service to the prepaid service? Please explain.

Question 9: Areas of focus covered under NWC's GS Scheme

- (a) What are your views on the importance of the areas of focus for the NWC GS to customers?
- (b) If you could add a service area to the NWC GS, what would it be and why?
- (c) If you could remove a service area from the NWC GS, which area would it be and why?

Question 10: Compensation Mechanism for the NWC GS

- (a) What are your views on the continuation of the submission of a claim form for some standards while automatic compensation for others? If you support this approach, which standards should attract automatic compensation and which should be by claim, and why?
- (b) What are your views regarding converting the compensation mechanism for breaches of NWC GS to automatic payments only over the next two (2) tariff review periods and why?

Question 11: Compensation Level for NWC GS

- (a) What are your views on the OUR's continued use of the monthly Service Charge as the basis for NWC GS compensation?
- (b) What are your views on the reasonableness of the current compensation levels of four (4) and six (6) times the Service Charge for NWC's General and Special Compensations respectively?

Question 12: Cap Periods for Consecutive Individual NWC GS Breaches

- (a) What are your views of the OUR's position to retain compensation for all prolonged consecutive breaches of the NWC GS?
- (b) Do you think that the OUR should adopt the approach used in other jurisdictions to only apply additional compensation to selected consecutive prolonged GS breaches? Please give reasons for your answer.
- (c) If your answer to (b) above is yes, what are your views on the proposed criteria, in paragraph 6.18, to select those GS breaches for which additional compensation would be applicable?
- (d) Are you in favour of retaining a cap period for prolonged consecutive GS breaches or would you prefer to receive compensation for as long as the breach occurs? Please give reasons for your answer.
- (e) Where a cap period is retained, do you deem the current six (6) periods for which the NWC is liable to pay compensation for prolonged individual breaches of the GS reasonable? Please give reasons for your answer.

Question 13: What are your views on the number of GS for JPS and the NWC?

CACU Response: *We are of the view that there are far too many GS for both the JPS and the NWC, so many that the Regulator is unable to manage. The practice of adding GS at each review does not conform to global trends in similar and/or global markets. We are not convinced that the 21 QS in the case of JPS or 17 in NWC's case, are achieving the expected results especially where is no reliable mechanism in place to track the data.*