

NWC'S RESPONSES TO CONSULTATION QUESTIONS POSED

Question	NWC's Response/ Comments
<p>Approaches to Regulating Service Quality:</p>	
<p>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?</p>	<p>The NWC is not averse to the imposition of compensation payments to customers where the entity breaches the agreed or established Guarantee Standards.</p>
<p>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.</p>	<p>NO</p>
<p>c. Would you recommend a combination of approaches? Is yes, please indicate your combinations and the reasons for your selection.</p>	<p>NO</p>
<p>Areas of focus covered under NWC's GS Scheme:</p>	
<p>a. What are your views on the importance of the areas of focus for the NWC GS to customers?</p>	<p>While the number of areas of focus seems extensive, when compared to the jurisdictions highlighted in the document, the areas of focus can be considered important in ensuring the quality of services delivered.</p>
<p>b. If you could add a service area to the NWC GS, what would it be and why?</p>	<p>As stated, the service area is already quite extensive, hence there are no new areas identified for inclusion. We would, however, recommend that consideration be given to amending WGS 11 – Reconnection; to state maximum hours of 24 hours to restore supply for urban areas (major towns) and 36 hours for rural areas (non-major towns) and on weekends</p>

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	<p>and Public Holidays. This is significant given that breach of this standard attracts automatic compensation.</p>
<p>c. If you could remove a service area from the NWC GS, which area would it be and why?</p>	<p>As indicated, the list of standards is extensive and as such consideration may be given to reducing the number of service areas.</p>
<p>Compensation Mechanism for the NWC GS:</p> <p>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?</p>	<p>The NWC acknowledges and accept that given the nature of some of the standards and the impact breaching same has on its customers, there should be automatic compensation when breaches occur. Hence our acceptance of the seven (7) standards that now attract automatic compensation. We do not recommend increasing the number of standards attracting automatic compensation at this time.</p> <p>We are recommending a continuation of the mechanism whereby customers are required to submit a claim form for breaches of some standards. Specifically for those standards linked to complaints or queries requiring detailed investigations or follow-up.</p>
<p>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?</p>	<p>While the NWC understands the OUR's desire to standardise its compensation mechanism across utilities, specifically the JPSCO and NWC, the NWC does not support the move to have all standards attract automatic compensation.</p> <p>There are marked differences between the impact of compensation payments between the two entities. For example, while a customer being compensated for a breach by the electricity utility provider may result in a bill impact of approximately 15% (refer paragraph 5.11) leaving the entity to collect the balance in revenue, the impact on the bill of a NWC customer is</p>

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	<p>between 112% to 173%; based on a consumption of 14,000 litres and depending on whether the supply is sewerred. With the impact rounding out at more than 100% of the customer's bill, there is the strong possibility that after the application of a compensation payment, the NWC will not collect revenue from that customer. In this instance, the intent of the compensation mechanism moves from incentivising to being punitive.</p> <p>Should all standards attract automatic compensation, this could prove burdensome to the entity and defeat the purpose of incentivising the entity to be responsive to the needs of its customers by consistently providing quality service. Instead, it may negatively impact the cost of service to customers and threaten the financial viability of the NWC, especially when one considers the current financial and other constraints it currently faces.</p> <p>Further, the NWC recognises that should all the standards attract automatic compensation, it would require additional resources, financial, human and systems to meet the requirements of the standards and to facilitate payment of the compensations, should breaches occur. While we are committed to this endeavour, it could prove financially burdensome for the organisation and as such would require increased investment over a prolonged period.</p>
<p>Compensation Level for NWC GS:</p> <p>a. What are your views on the OUR's continued use of the monthly Service Charge as the basis for NWC GS compensation?</p>	<p>The NWC considers the use of the monthly Service Charge as the basis for the GS Compensation to be a reasonable, if not simpler, approach. However, given that the Service Charge is based on the size of the connection, there are a range of Service Charges and as such consideration should be given to using a fixed Service Charge as the basis for compensating NWC customers.</p>

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<p>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?</p>	<p>The NWC does not view the current compensation levels as being reasonable, especially when taking into consideration the levels applied in the other jurisdictions highlighted in the consultation document. We recommend that consideration be given to the levels being 2 and 3 times the applicable Service Charge for General and Special Compensation respectively.</p> <p>Note, the NWC's Service Charges range from \$1099.75 to \$37,442.09; as such, General Compensation can range from \$4,399.00 to \$149,768.36 and Special Compensation from \$6,598.50 to \$224,652.54.</p>
<p>Cap Periods for Consecutive Individual NWC GS Breaches:</p>	
<p>a. What are your views of the OUR's position to retain compensation for all prolonged consecutive breaches of the NWC GS?</p>	<p>The NWC understands the rationale for the approach and is not averse to the position taken by the OUR.</p>
<p>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.</p>	<p>Yes. The NWC is not averse to the adopting this approach, it does comply with what could be deemed "best practice", it could also be considered the more logical and reasonable approach to achieve the intent of not only the compensation mechanism, but also that of the application of additional compensation.</p>
<p>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?</p>	<p>The NWC considers the criteria stated to be reasonable.</p>
<p>d. Are you in favour of retaining a cap period for prolonged consecutive GS breaches or would you</p>	<p>The NWC is in favour of capping the period for prolonged consecutive GS breaches. In fact, it supports the approach used in Trinidad and Tobago</p>

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<p>prefer to receive compensation for as long as the breach occurs? Please give reasons for your answer.</p>	<p>and the United Kingdom in the capping of additional compensation to selected consecutive prolonged breaches.</p>
<p>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.</p>	<p>The current approach of six periods is not considered reasonable. As indicated previously, NWC is of the view that the compensation mechanism applied should not be such that it becomes burdensome or be deemed punitive. The NWC understands the OUR's intent of encouraging service providers to remedy the breach in the shortest possible time, however, the existing mechanism of up to six periods is considered punitive.</p>