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# Office of Utilities Regulation

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National Water Commission Annual  
Price Adjustment Mechanism  
2024 Rate Adjustment

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**Determination Notice**

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2024 April 24

**DOCUMENT TITLE AND APPROVAL PAGE**

**1. DOCUMENT NUMBER: 2024/WAS/003/DET.001**

**2. DOCUMENT TITLE: National Water Commission Annual Price Adjustment Mechanism 2024 Rate Adjustment – Determination Notice**

**3. PURPOSE OF DOCUMENT**  
This document sets out the Office’s decision on the applicable Annual Price Adjustment Mechanism percentage to be applied to the National Water Commission’s base rates and other charges.

**4. ANTECEDENT PUBLICATIONS**

Publication Number	Publication Title	Publication Date
2023/WAS/002/DET.001	National Water Commission Annual Price Adjustment Mechanism 2023 Rate Adjustment Determination Notice	2023 April 27
2022/WAS/002/DET.001	National Water Commission Annual Price Adjustment Mechanism 2022 Rate Adjustment Determination Notice	2022 April 25
2021/WAS/002/DET.002	National Water Commission Annual Price Adjustment Mechanism 2021 Rate Adjustment Determination Notice	2021 April 27
2020/WAS/003/DET.003	National Water Commission Annual Price Adjustment Mechanism 2020 Rate Adjustment Determination Notice	2020 April 27
2019/WAS/007/DET.003	National Water Commission Interim Tariff Review 2019 – 2021 Determination Notice	2019 December 09

**5. Approval**

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on 2024 May 01.

On behalf of the Office:

  
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**Director-General**  
Ansord E. Hewitt  
**2024 April 24**

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## Abbreviation, Acronyms and Definitions

ANPAM	-	Annual Price Adjustment Mechanism
COS	-	Cost of Sales
CPI	-	Consumer Price Index
FX	-	Foreign Exchange
Interim Tariff Determination Notice	-	National Water Commission Interim Tariff Review 2019-2021 Determination Notice, Document Number: 2019/WAS/007/DET.003, issued 2019 December 09
J\$	-	Jamaican Dollars
kWh	-	Kilowatt Hour
NWC/ Commission	-	National Water Commission
NWC Act	-	National Water Commission Act
OUR/Office	-	Office of Utilities Regulation
OUR Act	-	Office of Utilities Regulation Act
PAM	-	Price Adjustment Mechanism
US\$	-	United States Dollars

## 1. Executive Summary

- 1.1. On 2024 April 2, the National Water Commission (NWC/Commission) made a submission to the Office of Utilities Regulation (OUR), for an Annual Price Adjustment Mechanism (ANPAM) rate adjustment of 1.57%, to be applied to its base rates. Additionally, NWC requested that the current reconnection fees should remain unadjusted.
- 1.2. The OUR has verified the information presented in the NWC's ANPAM submission and has confirmed that an ANPAM rate adjustment of 1.57%, is applicable to the NWC's base rates. In accordance with the NWC's request, no adjustment will be made to miscellaneous/reconnection fees.
- 1.3. The ANPAM rate adjustment is a rebasing of a specified set of indices only. The weights applied to these indices are derived from the NWC cost structure at the inception of the Commission's tariff review. These Price Adjustment Mechanism (PAM) adjustments are applicable to customers' 2024 April consumption, which will be reflected in their 2024 May bills.
- 1.4. The new base indices for the PAM are as shown below:
  - Foreign Exchange Rate: J\$157.21 to US\$1.00
  - Consumer Price Index: 135.80
  - Electricity Charge: J\$48.70/kWh
- 1.5. These revised base indices will remain in effect until the next programmed reset of the ANPAM in 2025 April, or the implementation of new water and sewerage tariffs, whichever is earlier.

## 2. Introduction

- 2.1. On 2024 April 2, the NWC applied to the OUR for an ANPAM rate adjustment of 1.57%. The ANPAM rate adjustment application is consistent with the OUR's approval, which is outlined in the National Water Commission Interim Tariff Review 2019-2021 Determination Notice<sup>1</sup>, issued 2019 December 09 ("Interim Tariff Determination Notice").
- 2.2. The Interim Tariff Determination Notice approved the continued inclusion of the PAM, as a component of the NWC's customer bill.
- 2.3. The PAM captures the effects of movements in three indices associated with the NWC's major input costs, over which it has no control.
- 2.4. In particular, the mechanism is predicated on the assumption that the NWC has no control over inflation, the movement of the Jamaican dollar relative to its United States dollar counterpart, and electricity prices. The changes in NWC's PAM are captured in the following three (3) indices:
  1. Consumer Price Index (CPI);
  2. Foreign exchange rate (FX): the Jamaican dollar exchange rate relative to the United States dollar (US\$); and
  3. Electricity Prices expressed as \$/kWh.
- 2.5. The PAM is applied to customers' bills monthly. The mechanism allows for an adjustment of base rates by rolling in the cumulative monthly PAM rate into the base rates. This process generally occurs on an annual basis. The annual reset is referred to as the Annual Price Adjustment Mechanism (ANPAM).
- 2.6. The objective of the annual reset is to minimize the monthly PAM differential adjustment, which accounts for the variation between the current and the base values for the three (3) indices.
- 2.7. In its application, the NWC requested that its reconnection fees remain unchanged.

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<sup>1</sup>Doc. No: 2019/WAS/007/DET.003

### 3. Legal Framework

- 3.1. The NWC is a body corporate established under section 3 of the National Water Commission Act (“NWC Act”), and is a specified organization as defined in section 2 of the Office of Utilities Regulation Act (“OUR Act”). Sections 4(1)(d) & (e) of the NWC Act empower the NWC to respectively, “*within the limits of its resources provide and improve water supply services throughout the Island*” and “*maintain and operate water supply services provided by the Commission*”.
- 3.2. The role and function of the OUR in the water and sewerage sector is governed by the provisions of the OUR Act. Section 4(1)(a) of the OUR Act, provides that the Office is empowered to “*regulate the provision of prescribed utility services by licensees or specified organizations*”. The provision of sewerage services and the supply and distribution of water are included among the “prescribed utility services” defined in the First Schedule of the OUR Act.
- 3.3. Section 4(4) of the OUR Act expressly authorizes the Office to determine the rates charged for the provision of a prescribed utility service. The section reads:

*“The Office shall have power to determine, in accordance with the provisions of this Act, the rates or fares which may be charged in respect of the provisions of a prescribed utility service.”*
- 3.4. In exercise of its powers to determine rates, the Office issued the Interim Tariff Determination Notice which sets out the latest approved rates and charges for NWC’s services. The Interim Tariff Determination Notice includes the application of the PAM which is reflected on customers’ bills monthly.
- 3.5. In keeping with the decisions in the Interim Tariff Determination Notice regarding the annual reset of the PAM, NWC has applied for an ANPAM rate adjustment of its base rates and charges.

## 4. The OUR's Analysis

- 4.1. In the review and determination of rates, the OUR in general, is guided by the principle of establishing rates that are sufficient to cover prudently incurred costs. As such, this principle extends to the PAM. The PAM is critical to the NWC's sustainability, as it allows the Commission to adjust its rates periodically, to reflect the effects of changes in input costs that are exogenous to its operations.

### The Price Adjustment Mechanism

- 4.2. The PAM seeks to maintain NWC's rates in real terms, by accounting for the fluctuations in monthly input costs, primarily due to changes in inflation, foreign exchange rate movements, and changes in electricity rates.
- 4.3. The mathematical computation of the PAM is as follows:

$$\text{PAM} = (w_{\text{fx}} * \Delta\text{FX} + w_{\text{cpi}} * \Delta\text{CPI} + w_{\text{kWh}} * \Delta\text{kWh}) * 100$$

Where:

$\Delta\text{FX}$  is the monthly percentage change in the J\$/US\$ exchange rate,

$\Delta\text{CPI}$  is the monthly percentage change in the CPI,

$\Delta\text{kWh}$  is the monthly percentage change in the kilowatt hour charge for electricity,

$w_{\text{fx}}$  is the approved weight for the J\$/US\$ exchange rate,

$w_{\text{cpi}}$  is the approved weight for the CPI, and

$w_{\text{kWh}}$  is the approved weight for the kilowatt hour charge for electricity.

- 4.4. The ANPAM normally allows for an adjustment of base rates and charges each year. This is achieved by the 'rolling-in' of the cumulative PAM rate from the time of last ANPAM adjustment into the base rates. The calculated ANPAM rate reflects the weighted change in the base values for the three (3) components in the mechanism, since the last ANPAM adjustment.

- 4.5. Mathematically, the new base rates may be expressed as follows:

$$\text{New Base Rate} = \text{Current Base Rate} * (1 + \text{ANPAM adjustment rate}).$$

- 4.6. NWC's ANPAM adjustment rate which is to be reflected in customers' bills as of 2024 May is 1.57%. Table 4.1 below shows the details of the computation, which have been verified by the OUR.

- 4.7. The source of the input data is as follows:

- Statistical Institute of Jamaica (STATIN) for Consumer Price Index (CPI)
- Bank of Jamaica (BOJ) for foreign exchange (FX) rate (J\$:US\$); and
- NWC's electricity bills for the month of 2024 February to ascertain the electricity component.



**Table 4.1: ANPAM Adjustment Rate Calculation**

Index	Unit	Current Base Rates April 2023	New Base Rates April 2024	Weighting	Percentage Change	ANPAM Rate
FX	JS/US\$	154.89	157.21	0.18	1.498%	0.27%
CPI	-	127.8	135.8	0.62	6.260%	3.88%
Electricity	JS/kWh	55.92	48.7	0.20	-12.911%	-2.58%
<b>ANPAM Adjustment Rate</b>						<b>1.568%</b>

- 4.8. Consistent with the base indices approved in the National Water Commission Annual Price Adjustment Mechanism 2023 Rate Adjustment Determination Notice<sup>2</sup>, issued 2023 April 27, the baseline data for FX, CPI and electricity, as shown in Table 4.1 above, shall be adjusted to \$157.21, 135.80 and \$48.70/kWh respectively.
- 4.9. The Commission has also requested that its miscellaneous/reconnection fees remain unchanged. The OUR has no objection to this request.
- 4.10. The Standby Charges which were approved in the Interim Tariff Determination Notice shall be adjusted in keeping with the ANPAM rate adjustment of 1.57%. However, such rates are only to be implemented after the OUR has approved the NWC’s current Standby Charge Policy and rollout plan.
- 4.11. NWC’s new base rates and other charges are displayed in Table 4.2 below. These new rates and charges shall be applicable to the services used by the NWC’s customers in 2024 April. Hence, the charges to the base rates shall be reflected in customers’ 2024 May bills.

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<sup>2</sup>Doc. No.: 2023/WAS/002/DET.001,  
National Water Commission Annual Price Adjustment Mechanism 2023 Rate Adjustment  
Determination Notice  
Document Number: 2024/WAS/003/DET.001  
Date: 2024 April 24

**Determination 1**

- a) The Office has approved the ANPAM rate adjustment of 1.57%, which shall be applied to the NWC's base rates and Standby charges. The specific charges are shown in NWC's 2024 rate schedule in Table 4.2 below.
- b) The approved ANPAM rate adjustment shall be applied to services consumed by NWC's customers in 2024 April. Accordingly, the changes to the base rates shall be reflected in the bills issued by the NWC in 2024 May.
- c) The new base indices for the monthly PAM are as follows:
  - Foreign Exchange Rate: J\$157.21 to US\$1.00
  - Consumer Price Index: 135.80
  - Electricity Charge: \$48.70/kWh.
- d) These base indices will remain unchanged until the next programmed reset of the ANPAM in 2025 April or the implementation of new water and sewerage tariffs, whichever is earlier.
- e) NWC's reconnection fees will remain unchanged as requested by the Commission.

**Table 4.2: NWC 2024 Rate Schedule**

<b>Rate Schedule Effective 2024 April</b>		
<i>Service Charge</i>		
<b>Meter/Service Connection Size</b>	<b>Charge</b>	
5/8 inch/ 15mm	\$	1,174.05
3/4 inch/ 20mm	\$	2,568.11
1 inch/ 25mm	\$	3,353.65
1 1/4 inch/ 30mm	\$	6,314.54
1 1/2 inch/ 40mm	\$	6,314.54
2 inch/ 50mm	\$	8,943.06
3 inch/ 75mm	\$	16,239.51
4 inch/ 100mm	\$	26,240.02
6 inch/ 150mm	\$	39,971.83
<i>Volumetric Rate</i>		
<b>Consumer Category</b>	<b>Water Rate</b>	<b>Sewerage Rate</b>
Residential (Imperial Metered)		
For up to 3,000 gallons	\$ 679.88	\$ 785.27
For the next 3,000 gallons	\$ 1,210.00	\$ 1,397.56
For the next 3,000 gallons	\$ 1,318.82	\$ 1,523.24
Over 9,000	\$ 2,249.65	\$ 2,598.34
Residential (Metric Metered)		
For up to 14,000 litres	\$ 149.55	\$ 172.72
For the next 13,000 litres	\$ 266.15	\$ 307.42
For the next 14,000 litres	\$ 290.10	\$ 335.06
Over 41,000	\$ 494.87	\$ 571.56
Commercial Imperial Metered)		
For up to 2,000,000	\$ 2,598.00	\$ 3,000.69
Over 2,000,000	\$ 1,514.32	\$ 1,749.07
Commercial (Metric Metered)		
For up to 9,100,000	\$ 571.48	\$ 660.06
Over 9,100,000	\$ 333.11	\$ 384.75
Condominiums		
Imperial Metered	\$ 1,288.76	\$ 1,488.54
Metric Metered	\$ 283.48	\$ 327.45

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Primary Schools		
Imperial Metered	\$ 1,029.57	\$ 1,189.14
Metric Metered	\$ 226.49	\$ 261.56
<b>Commercial Consumers - Standby (Water Services)</b>	<b>Charges</b>	
Imperial Metered		
Annual Contracted Capacity Change	\$ 1,072.56	
Volumetric (per 1000 gallons)	\$ 1,137.76	
Penalty (per 1000 gallons)	\$ 1,137.76	
Metric Metered		
Annual Contracted Capacity Change	\$ 235.94	
Volumetric (per 1000 litres)	\$ 250.25	
Penalty (per 1000 litres)	\$ 250.25	
<i>Miscellaneous Fees</i>		
<b>Disconnection and Reconnection Type</b>	<b>Fees</b>	
Domestic Unmetered Service (Locked)	\$ 1,000.00	
Removal and Replacement of Service (Unmetered)	\$ 4,470.00	
Domestic Metered Service (Locked)	\$ 1,000.00	
Domestic Metered Service Removed and Replaced 5/8 inch/ 15mm and 3/4 inch/ 20mm	\$ 9,000.00	
Domestic Metered Service Removed and Replaced 1 inch/ 25mm and over	\$ 13,000.00	
Commercial Metered Service (Locked)	\$ 1,000.00	
Commercial Metered Service Removed and Replaced	\$ 13,000.00	