
**Transparency in Electricity Bills:
OUR's Response to Cashley Brown's Letter to the Editor
as published in
The Gleaner dated 2024 July 18**

The Editor, Madam:

We note Cashley Brown's letter published on July 11, 2024, and understand his widely shared concerns about electricity costs. His letter provides the Office of Utilities Regulation (OUR) with another opportunity to clarify matters about electricity supply and Net Billing.

Mr. Brown compares the rate the Jamaica Public Services Company Limited (JPS) pays to Net Billing customers – which he incorrectly states is 20 cents/kWh – to what it charges customers for energy supplied by independent power producers (IPPs)- \$24/kWh. In fact, the Net Billing rate is an average of \$20/kWh (it was \$20.41/kWh in May 2024) and not 20 cents. Therefore, the gap is much smaller.

The Net Billing programme is designed to allow for the installation of renewable energy systems by JPS customers for their own consumption and to sell any excess to JPS. This is facilitated through a Standard Offer Contract (SOC) between the customer and JPS. Under this contract, the customer is paid at the rate of JPS's avoided fuel cost plus an incentive of 15%. Avoided fuel cost is what JPS would have incurred to supply the amount of energy that has instead been supplied by Net Billing customers.

The logic of Net Billing is the recognition that energy delivered to the grid still has to be transported across it to customers, incurring in the process costs associated with transmission, distribution, and losses. The difference between what a Net Billing customer is paid and what the said customer pays to JPS to use its electricity reflects that reality. Otherwise, it would require other customers to subsidise those customers who install renewables. The comparison between Net Billing and IPP rates, though understood, is, therefore, not appropriate since Net Billing customers who enter into this arrangement with JPS are simply being compensated for not using fuel, whereas the IPP charges must include other critical cost components.

Brown laments *'the less than transparent manner in which the company compiles its customer bills'* and calls on the OUR to ensure greater transparency.

The OUR sets rates for the JPS every five years. These are reviewed annually and adjusted where applicable. JPS's Electricity Licence, 2016, guides the computation of the rates based on pre-determined formulae, which allows the utility to recover costs through customers' bills. The Licence, as well as OUR's annual review and decisions, are uploaded on its website. The details of the licence include considerations that guide OUR's decisions.

In addition, the OUR established the formula for Net Billing rates, which are calculated monthly. JPS submits all relevant documentation and schedules to support the monthly SOC rates. The OUR assesses JPS's calculations and, where satisfied, validates both the IPP and fuel rates each month. The OUR then publishes the validated Net Billing Rates for the applicable months on its website.

It should also be noted that the typical electricity bill breaks down the various charges, including customer, energy at different consumption levels, IPP, foreign exchange adjustment, and taxes. The OUR supports and is always seeking ways to simplify bills and make them more transparent. In this regard, we welcome any specific suggestions Mr. Brown and other members of the public may have.

The OUR appreciates his concerns that electricity rates are high and that everything must be done to reduce them. This is why we continue to work with the JPS and other critical stakeholders to address such issues as losses, particularly those relating to electricity theft, and reduce the level of dependence on imported fossil fuel via the increased use of renewables. We assure customers that where costs are reduced, the OUR is vigilant in ensuring that the benefits are passed on to ratepayers.

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