
Office of Utilities Regulation

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

Reconsideration Decision and Clarification Response



Date: 2024 July 26

DOCUMENT TITLE AND APPROVAL PAGE

1. DOCUMENT NUMBER: 2024/GEN/015/RCN.001

2. DOCUMENT TITLE: Reconsideration Decision and Clarification Response: Determination Notice - Comprehensive Review of the Guaranteed Standards Schemes for the Jamaica Public Service Company Limited and the National Water Commission

3. PURPOSE OF DOCUMENT

This document sets out the Office's decisions regarding a request from the Jamaica Public Service Company Limited to reconsider the decisions specific to the compensation mechanism for its Guaranteed Standards Scheme specific to Rate 10 (residential) customers. Additionally, the OUR also provided its response to the request from the National Water Commission for clarification on aspects of the decisions outlined in the Determination Notice.


4. ANTECEDENT PUBLICATIONS

Publication Number	Publication Title	Publication Date
2022/GEN/020/CON.001	Consultation Document: Comprehensive Review of the Guaranteed Standards Schemes for the Jamaica Public Service Company Limited and the National Water Commission	2022 June 24
2024/GEN/007/DET.001	Determination Notice- Comprehensive Review of the Guaranteed Standards Schemes for the Jamaica Public Service Company Limited and the National Water Commission	2024 February 28

5. Approval

This document is approved by the Office of Utilities Regulation and the decisions therein become effective on 2024 July 26.

On behalf of the Office:



Ansord E. Hewitt
Director-General

DATE: 2024 July 26

Abstract

The Jamaica Public Service Company Limited (JPS) on 2024 March 26 submitted a request (the Reconsideration Request) for the reconsideration of Determination 2 set out in the Office of Utilities Regulation's (OUR's/Office's) *Determination Notice – Comprehensive Review of the Guaranteed Standards Schemes for the Jamaica Public Service Company Limited and the National Water Commission* (Determination Notice). Specifically, JPS is requesting a revision of the Office's decision on the compensation mechanism for its residential (Rate 10) customers. In keeping with accepted regulatory practice, the Office reconsidered the determination regarding the compensation mechanism and this Reconsideration Decision summarizes JPS's request and outlines the Office's decision.

In addition, the National Water Commission (NWC) on 2024 May 10, submitted a request for clarification/confirmation on certain decisions outlined in the Determination Notice. The areas cited by the NWC requiring clarification/confirmation relate to:

- (i) The non-approval of the proposal to apply one fixed rate across all rate classes as the basis of the compensation mechanism.
- (ii) The cap periods for consecutive NWC breaches
- (iii) The number of Guaranteed Standards established for the NWC

The OUR is aware that the NWC has not requested a reconsideration of the decisions outlined in the Determination Notice. However, it was decided that for transparency and ease of reference, the response to the NWC be included in this document.

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Acronyms and Definitions

In this Reconsideration Decision & Clarification Response, unless the context otherwise requires, the following will have the meaning specified below:

“Consultation Document” means Comprehensive Review of the Guaranteed Standards Scheme for the Jamaica Public Service and the National Water Commission Consultation Document, (Document No: 2022/Gen/020/CON.001) dated 2022 June 24

“Determination Notice” means the Comprehensive Review of the Guaranteed Standards Schemes for the Jamaica Public Service Company Limited and the National Water Commission (Document No. 2024/GEN/007/DET.001) dated 2024 February 28.

“EGS” means Electricity Guaranteed Standards.

“GS” means Guaranteed Standards.

“GS Scheme” means JPS’s Guaranteed Standards Scheme.

“JPS” means the Jamaica Public Service Company Limited.

“JPS Licence” means the Electricity Licence, 2016.

“Ofgem” means the Office of Gas and Electricity Markets, United Kingdom.

“NWC/Commission” means the National Water Commission.

OS” means Overall Standards.

“OUR” or “Office” means the Office of Utilities Regulation.

“OUR Act” means the Office of Utilities Regulation Act.

“Prescribed Utility Service” means the provision of telecommunications or sewerage services, the generation, transmission, distribution or supply of electricity, or the supply or distribution of water.

“QOS” means Quality of Service.

Part 1: Executive Summary

- 1.1 Consistent with its powers under the Office of Utilities Regulation Act (OUR Act) and the Electricity Licence, 2016 (JPS Licence), the Office of Utilities Regulation (OUR/Office) established Quality of Service (QoS) standards which include a Guaranteed Standards (GS) Scheme for some service providers operating in the electricity, water and sewerage sectors respectively.
- 1.2 On 2024 February 28, the OUR issued the Determination Notice¹, following a consultation process. The Determination Notice included a decision on the compensation mechanism for residential customers (Determination 2), which uses an average of 20% of residential customers' monthly bills as the basis for deriving same. Subsequently, on 2024 March 26, the Jamaica Public Service Company Limited (JPS) submitted a request for reconsideration of Determination 2.
- 1.3 In its submission, JPS stated that while it accepts that its reconsideration request is a reversal of its recommendation which was considered by the OUR and accepted with some modification, the company concludes that the determined methodology *"is an inappropriate and wrong basis on which to base a penalty mechanism"*. In support of its position, JPS, among other things, stated that:
 - (i) the determined methodology involves the use of variable fuel and IPP rates on which JPS earns no revenue and therefore, would lead to revenue under-recovery; and
 - (ii) the Customer Charge is deemed to be a fair basis for deriving the GS compensation for residential (Rate 10) customers, since it brings consistency to the methodology for deriving the GS compensation for all JPS rate classifications.
- 1.4 JPS also argued that the bill-based approach which was used to establish the compensation for its residential (Rate 10) customer in the Determination Notice, creates unnecessary discrimination for all other rate classes. The OUR questioned the basis for JPS's assertion as any claim of discrimination would only be reasonably possible where it decides to not apply/consider the bill-based approach to all other JPS rate classes. The OUR has made no such determination.
- 1.5 Generally, the OUR's focus when deciding on the compensation mechanism for the GS standard is more heavily weighted on the ability of the determined amount to meet the objectives of the GS Scheme as to whether it represents a fair compensation to the customer. This is then balanced

¹ *Determination Notice - Comprehensive Review of the Guaranteed Standards Scheme for the Jamaica Public Service Company Limited and the National Water Commission (Document No.: 2024/GEN/007/DET.001)*

against the convenience of the implementation mechanism, that is, whether the amount should be derived from a fixed charge or fixed compensation and the likely financial impact on JPS.

- 1.6 The OUR considered JPS's proposal and has decided to revert to its initial position as outlined in the Consultation Document² to use the Customer Charge, with a multiplier, as the basis for deriving the GS compensation for residential (Rate 10) customers.
- 1.7 The main reason for the OUR reverting to use the Customer Charge as the GS basis for JPS's residential (Rate 10) customers is its ability to keep the compensation in line with inflationary movements. This is possible since the Customer Charge is reviewed annually as part of JPS's Annual Tariff Review. Additionally, the OUR noted that the UK energy regulator, Ofgem, is currently consulting to make changes to its fixed GS compensation to ensure that it keeps in line with inflation.
- 1.8 However, the OUR also considers it reasonable to establish a mechanism to prevent subsequent GS compensation for residential customers from falling below the prevailing level. The OUR deems this necessary since the Customer Charge can change based on annual reviews which can affect (reduce) the GS compensation amount. Where at the time of future Annual Tariff reviews for JPS the prevailing Customer Charge that was used to derive the GS compensation is more than the subsequent Customer Charge that is adjusted by inflation, then the current Customer Charge will remain the basis used to derive the JPS GS compensation until the next scheduled JPS Annual Tariff Review.
- 1.9 JPS also proposed that a multiplier of 2.5 times be added to the Customer Charge to derive the amount for its GS compensation. Further, JPS indicated its recognition that this multiplier, using the current Customer Charge, would equate to \$1,508.85, which is less than the current GS compensation. Consequently, the OUR disagreed with JPS that it should determine a multiplier at this time, given that the Customer Charge may change and the decisions of the Determination Notice taking effect after JPS's pending Five-Year Rate Review.
- 1.10 Consequently, the Office has determined that:
 1. The Customer Charge with a multiplier will be used as the basis for deriving the GS compensation mechanism for JPS residential (Rate 10) customers.

² *Comprehensive Review of the Guaranteed Standards Scheme for the Jamaica Public Service and the National Water Commission Consultation Document, (Document No: 2022/Gen/020/CON.001) dated XXX*

2. The OUR will determine the multiplier to be applied to the Customer Charge at the next Five-Year Rate Review for JPS to derive the GS compensation for JPS's residential (Rate10) customers.
3. Where at the time of each JPS Annual Tariff Review the Customer Charge that was used to derive the current GS compensation exceeds the subsequent Customer Charge that is adjusted by inflation, then the current Customer Charge will remain the basis used to derive the JPS GS compensation until the next scheduled Annual Tariff Review.
4. The existing GS compensation of \$1,650 will be retained until the new GS compensation is determined at JPS's next Five-Year Rate Review.

NWC's Requests for Clarification/Confirmation

- 1.11 In response to the NWC's clarification specific to its compensation mechanism, the Office advised that it did not deem prudent the NWC's request to establish a single fee for GS compensation to be used across all customer classes, given the variability of the applicable service charges. The OUR also recognized that the service charge may change due to the annual AnPAM adjustment. With the reduction in the multiplier (from four to two times) that is attached to the GS compensation, and with any reduction in the service charge, the OUR deemed it reasonable to fix/establish the GS compensation rates seen in Figure 3³ below as the minimum compensation amounts for each customer class.

Figure 3: NWC Revised GS Compensation

Service Connection (Meter Size)	Service Charge 2021 - 2022 (\$)	Revised General GS Compensation	Fixed General GS Compensation	Revised Special GS Compensation	Fixed Special GS Compensation
5/8 inches / 15mm	1,099.71	2,199.42	2,199.42	3,299.13	3,299.13
3/4 inch / 20mm	2,405.49	4,810.98	4,810.98	7,216.47	7,216.47
1 inch / 25mm	3,141.28	6,282.56	6,282.56	9,423.84	9,423.84
1 1/4 inches / 30mm	5,914.67	11,829.34	11,829.34	17,744.01	17,744.01
1 1/2 inches / 40mm	5,914.67	11,829.34	11,829.34	17,744.01	17,744.01
2 inches / 50mm	8,376.75	16,753.50	16,753.50	25,130.25	25,130.25
3 inches / 75mm	15,211.16	30,422.32	30,422.32	45,633.48	45,633.48
4 inches / 100mm	24,578.40	49,156.80	49,156.80	73,735.20	73,735.20
6 inches / 150mm	37,440.67	74,881.34	74,881.34	112,322.01	112,322.01

³ Page 72 of the GS Determination Notice

- 1.12 Concerning the cap periods for NWC consecutive GS breaches, the OUR accepts that any reference to eight (8) periods of non-compliance is an error and through this document, makes the correction to six (6) periods of non-compliance.
- 1.13 Finally, the OUR confirms that the number of established GS for the NWC is 17, which has been reduced to 15. While the OUR accepts that two of the standards namely WSG 4 and WGS 10 have subsets, it regards each subset as a distinct standard with its requirements and compensation if breached. Therefore, no change is needed regarding the number of GS for the NWC.

PART 2: Introduction

- 2.1 Pursuant to the provisions of the OUR Act, the OUR regulates the provision of utility services in the electricity, telecommunications, water and sewerage sectors. Also, under the OUR Act, the OUR may, by order, prescribe standards for the measurement of, among other things, the quality or other conditions relating to the prescribed utility services.
- 2.2 Consistent with its powers under the OUR Act, licences and other regulatory instruments, the OUR has established Quality of Service (QoS) standards for some service providers operating within the electricity, water, and sewerage sectors. These QoS standards are comprised of Guaranteed Standards (GS) and Overall Standards (OS).
- 2.3 The OUR conducts periodic reviews of the Guaranteed Standard (GS) Scheme as part of the Rate/Tariff Setting Process. The OUR recognised that due to the effluxion of time and changing circumstances since the establishment of the QoS standards, a comprehensive review of the QoS standards, particularly, the GS Scheme was necessary to ensure that the GS remains appropriate and address the service delivery areas that are most important to the customers.
- 2.4 Consequently, through a public consultation process, the OUR issued a Consultation Document⁴ to garner the public's views on the impact of the GS Schemes and their continued relevance. Following this, the Determination Notice⁵ setting out the Office's decisions was also issued. In Determination 2, the Office modified JPS's compensation mechanism for residential customers from the current association with the reconnection fee to establishing a fixed GS compensation amount.
- 2.5 On 2024 March 26, JPS requested a reconsideration of the compensation mechanism for residential (Rate 10) customers (Reconsideration Request).
- 2.6 Additionally, on 2024 May 10, the NWC submitted its request for clarification/confirmation on aspects of relevant decisions outlined in the Determination Notice.

⁴ Comprehensive Review of the Guaranteed Standards Scheme for the Jamaica Public Service Company Limited and the National Water Commission (Document No. 2022/GEN/020/ CON.001) dated 2022 June 24

⁵ Determination Notice - Comprehensive Review of the Guaranteed Standards Scheme for the Jamaica Public Service Company Limited and the National Water Commission (Document No.: 2024/GEN/007/DET.001)

Part 3: JPS's Reconsideration Request

- 3.1 In its 2024 March 26 letter, JPS requested reconsideration of Determination 2 of the Determination Notice regarding the compensation mechanism for residential (Rate 10) customers. Determination 2 states that the Office will:
- (a) Establish a fixed amount for JPS GS compensation which will be based on 20% of the calculated average residential customers' bill.
 - (b) Calculate the average residential customers' kWh consumption using the last twelve (12) months' data preceding the OUR's acceptance of JPS's Five-Year Rate Review.
 - (c) Calculate JPS's fixed GS compensation amount using the average residential customers' kWh consumption and the rates determined at the Five-Year Rate Review.
 - (d) Indicate the fixed GS compensation amount in the Five-Year Rate Review Determination Notice.
 - (e) Retain the Special Compensation as part of the GS compensation mechanism for JPS and maintain the compensation at two (2) times the fixed amount determined for all other breaches.
 - (f) Allow no more than three (3) months after the effective date of the five-year Rate Review Determination Notice, for the implementation of the OUR determined fixed GS compensation for JPS.
- 3.2 The Determination Notice also stated that the changes to the GS compensation mechanism are only applicable to the Rate 10 – Residential customer class. For clarity, the compensation mechanism for all other JPS rate classes remains unchanged.
- 3.3 In its Reconsideration Request, JPS proposed a change to the methodology to be used to calculate the compensation amount for residential (Rate 10) customers. JPS proposed that instead of using 20% of the average residential customers' bill, the GS compensation for this rate class "*be calculated as a factor of the Customer Charge component of the bill*". Additionally, JPS proposed that the compensation level be set at 2.5 times the Customer Charge.
- 3.4 JPS further stated that while it accepts that its reconsideration proposal is a reversal of its recommendation which was considered by the OUR and accepted with some modification, it now posits that the methodology to use 20% of the calculated average of residential customers' bills "*is an inappropriate and wrong basis on which to base a penalty mechanism*". JPS's arguments in support of its position are summarised as follows:

- **Variable Pass-through Charges Included in the Bill**

The variable fuel and IPP charge components of the bill are direct pass-through costs for which no revenue is earned, and these charges may vary due to circumstances over which it has no control/influence. As such, the methodology of including these components of the customers' bill in the calculation of the GS compensation for Rate 10 customers would lead to revenue under-recovery and therefore is deemed to be inappropriate indexation.

- **Universal Compensation Mechanism**

JPS posited that a bill-based compensation creates "*inexplicable and unnecessary discrimination in the calculation methodology used to determine the GS compensation for all rate classes*". JPS also asserted that there are no justifiable reasons/defence for a departure from fixed connection fee indexation. Further, the compensation for its other rate classes is derived from the approved Customer Charge and the bill-based methodology determined may expose JPS and the OUR to the risk of challenge from other rate classes, which will receive divergent compensation due to the variability in the IPP and fuel charges.

- **Customer Charge a Fair Basis**

In JPS's view, the GS compensation "*has always been pegged to a fixed charge that allows for certainty and predictability...*". Further, the customer charge represents the billing element through which it recovers most of the *costs associated with service initiation, response, and customers' experience*. As such, the Customer Charge remains the preferred option as the basis for the GS compensation mechanism.

- **Transition Considerations**

JPS proposed that a multiple of 2.5 times the Customer Charge be used to determine the compensation, however, the company accepts that at current rates, the GS compensation would equate to \$1,508.85, which is lower than the existing GS compensation of \$1,650. To address this anomaly, JPS stated that it expects, based on historical trends, an increase in the customer charge at the pending Five-Year Rate Review, which will result in the GS compensation not being less than the current amount.

Further, JPS suggested that the current GS compensation mechanism, which is tied to the reconnection fee, be maintained pending the outcome of an audit of the reconnection fee. The reconnection fee audit is to be conducted following the completion of the smart meter rollout project in 2025.

In JPS's view, with the decisions in the Determination Notice taking effect at the next Five-Year Rate Review Determination Notice, its proposal to use the Customer Charge with a multiplier and retain the current compensation mechanism are safeguards against any reduction in the GS compensation level for residential (Rate 10) customers.

Part 4: OUR's Response

Variable Pass-through Charges Included in Bill

- 4.1 The OUR accepts that the total bill includes the fuel and IPP charges on which JPS earns no revenue. However, the OUR does not agree with JPS that using a percentage of the residential customers' total bills as a basis to derive the GS compensation mechanism is "*inappropriate and wrong*", for the following reasons:
- (a) This mechanism is representative of the total cost of the service for which residential customers are required to pay;
 - (b) The compensation derived would be a fixed charge that would not fluctuate periodically and would not change until the next review of the GS Scheme, if necessary;
 - (c) JPS's claim of revenue under-recovery from using the determined methodology is only possible where the referenced rates are on a consistent downward trajectory, which from historical data is not the usual occurrence. Therefore, the likelihood of such an occurrence is highly improbable;
 - (d) As was discussed in the Consultation Document, this methodology is used in at least one of the jurisdictions reviewed (Trinidad & Tobago) and may have been the basis on which JPS proposed its use. In proposing this approach in its response to the Consultation Document, JPS stated that "*this approach aligns with that observed in other jurisdictions. The methodology however offers the advantage of a clear and transparent view into how the value of the compensation is linked to the average customers' bill and preserved.*"; and
 - (e) As stated in the Determination Notice, the fixed GS compensation as at 2023 September rates, using an average consumption of 165 kWh is about \$1,747, representing a marginal 6% increase over the current amount, for GS that do not attract Special Compensation.

Universal Compensation Mechanism

- 4.2 The OUR disagrees with JPS's assertions that there is no good and justifiable reasons for the departure from the customer charge approach and the discriminatory effect of the bill-based compensation and its purported impacts. Having examined all the possible approaches that could be used as the basis for the residential (Rate 10) customers' GS compensation mechanism, in the Determination Notice, the OUR clearly explained and outlined the justification and selection of the bill-based approach, on the basis that it:
- (i) agreed that the use of the Customer Charge for the GS compensation mechanism is not reflective of the total bill charges relative to service failures. Essentially, the OUR agreed with JPS that the bill-based approach was the one that provided a distinct advantage in

linking the residential customers' average bill to the GS compensation mechanism. Accordingly, the bill-based approach was deemed to be the more equitable choice.

- (ii) identified the billed-based approach to be simpler than the Customer Charge with a multiplier approach to establishing a fixed compensation. The OUR believed that it was simpler to establish a fixed compensation for residential (Rate 10) customers using the bill-based approach since with the Customer Charge changing annually, it would not be feasible to establish a fixed compensation using that approach for the medium to long term.

- 4.3 Regarding JPS's assertion that the bill-based approach creates unnecessary discrimination for all other rate classes, the OUR is unclear on the basis for this argument. The OUR is empowered to review the GS and the attendant compensation in the context of the general and unique features, needs, and priorities of each rate class and assign appropriate compensation and attendant mechanisms, which will be informed by administrative ease and other regulatory considerations. Deliberation is also made on the different levels of compensation for business and domestic customers and, in some cases, to take the severity of the breach into account when setting such compensation levels.
- 4.4 It is evident that while the compensation mechanism review was intentionally limited to the residential (R10) customers, the OUR is not circumscribed to determining a single compensation mechanism for all rate classes. The OUR considers that a discriminatory effect is only reasonably possible where a predetermined decision is taken to exclude considerations of the bill-based approach to all other rate classes. For clarity, the OUR is not averse to considering using the billed-based approach for all other JPS rate classes.
- 4.5 The OUR accepts that using the Customer Charge as the basis for the GS compensation mechanism for residential (Rate 10) customers would result in a uniform base for the derivation of the GS compensation for all JPS rate categories, which promotes ease of administration and a level of certainty that is not readily evident in the bill-based approach. Notwithstanding, the OUR is of the view that the risk of variability of compensation associated with maintaining a dual mechanism is low, since this would be addressed through the OUR's annual assessments to ensure that any change to the compensation mechanism for any other JPS rate class would not have a significant deleterious financial impact on the company's revenues.

Customer Charge a Fair Basis

- 4.6 The OUR has noted JPS's arguments regarding the Customer Charge being a fair basis for the GS compensation mechanism but this does not mean that the other methods discussed are inherently unfair. The review of the compensation mechanism was informed by the methodologies used in

other jurisdictions based on the underlying principle that has been consistently applied by the OUR, that is, the GS compensation is to be set at a level that will, cumulatively, penalize the service provider for established standard failures while at the same time incentivize them to provide the minimum prescribed service level.

- 4.7 In support of its preferred choice, JPS indicated that the Customer Charge represents the portion of the bill through which much of the customer experience-related costs, which includes service initiation and complaints response, are covered. As such, the Customer Charge is the most suited basis for the GS Scheme compensation mechanism.
- 4.8 While the Customer Charge may cover these service-related costs, the OUR reiterates that there are significant challenges in quantifying the harm/inconvenience caused to customers due to service failures. For instance, quantifying the harm/inconvenience caused to a customer due to JPS's delay in connecting a new supply or responding to a complaint would prove to be a challenging exercise. This is balanced against the likely cost that financial penalties will have on JPS. Accordingly, despite the mechanism used to derive the GS compensation, the OUR's focus is on ensuring that the amount determined is reasonable and will meet the objectives of the GS Scheme.
- 4.9 Notwithstanding the foregoing, the OUR accepts that the Customer Charge can be used as the basis for the GS compensation mechanism for JPS residential (Rate 10) customers, which is the basis used for JPS's other rate classes. Additionally, the Customer/Service Charge is the basis used for the GS mechanism in the local water and sewerage sector.
- 4.10 The OUR also recognizes that one advantage of using the Customer Charge as the residential (Rate 10) compensation mechanism is the ability of the compensation to keep in line with inflationary movements. As part of JPS's Licence obligations, JPS's rates are reviewed annually for inflation and the Customer Charge forms part of that review and is adjusted, where necessary.
- 4.11 The OUR has noted that the electricity regulator in the United Kingdom (UK), Ofgem, is currently undertaking a public consultation to 'uplift' the standard (fixed) GS compensation level to ensure that it is in line with inflation⁶. The options being considered to achieve this are:

1. *"uplifting the payment level based on historical inflation only*
2. *Uplifting the payment level based on historical inflation and forecast inflation over the next three years.*

⁶ https://www.ofgem.gov.uk/sites/default/files/2024-05/Consultation_on_Supplier_GSOPs_Payment_Inflation_Uplift.pdf

3. *Uplifting the payment level based on historical inflation only and introduce an automatic adjustment mechanism to review payment levels based on annual inflation changes”.*

- 4.12 From the foregoing, both Ofgem and the OUR believe that in order to maintain the level of incentive and prohibit disincentive for service providers to meet the stipulated standards, the GS compensation mechanism should be kept current, and this can be achieved through an alignment with inflationary movements. However, the OUR recognizes that inflationary movements can cause an increase, no change, or decrease in the Customer Charge, which if decreased, can ultimately result in a reduction in the GS compensation. The OUR also believes that the GS compensation mechanism should guard against a reduction in the amount established so that the objectives of the mechanism are maintained, which includes providing reasonable compensation to the customers while incentivizing the service provider to deliver the prescribed service levels.
- 4.13 While the OUR agrees with JPS that the Customer Charge can be used as the basis for its GS compensation mechanism, it is of the view that the GS compensation should not realize a reduction due to the annual inflationary adjustment of the Customer Charge. Consequently, the OUR concludes that it is necessary to establish a mechanism to prevent a reduction in successive GS compensation.
- 4.14 Accordingly, the OUR has determined that, where at the time of each JPS Annual Tariff Review, the current Customer Charge that was used to derive the current GS compensation, exceeds subsequent Customer Charge that is adjusted by inflation, then the current Customer Charge will remain the basis used to derive the JPS GS compensation until the next scheduled Annual Tariff Review.

Transition Considerations

- 4.15 The OUR has reviewed JPS’s proposal to apply a multiple of 2.5 times the Customer Charge as the basis for the GS compensation mechanism. As indicated by JPS, the proposed multiplier would equate to \$1,508.85 using the current rates which results in the GS compensation being lower than the existing GS compensation of \$1,650. Consequently, the OUR does not agree that it should determine a multiplier, at this time since:
- (i) The Customer Charge may change when the decisions are made on JPS’s pending Five-Year Rate Review
 - (ii) Given (i) above, and the fact that the determination on the compensation mechanism for JPS’s residential (Rate 10) customers will take effect after the pending Five-Year Rate Review Determination Notice is issued, the OUR deems it reasonable to await the decision on the Customer Charge.

4.16 The OUR also deems uncertain and unpredictable JPS's proposal to retain the current GS compensation mechanism pending the scheduled audit of the reconnection fee. While the current GS compensation mechanism will remain until the JPS' pending Five-Year Rate Review, based on this proposal, a determination on the GS compensation amount would be further delayed by the audit of the reconnection fee.

Reconsideration Decision No. 1

Consequent to the foregoing, the Office has determined that:

1. The Customer Charge plus a multiplier will be used as the basis for deriving the GS compensation mechanism for JPS residential (Rate 10) customers.
2. The OUR will determine the multiplier to be applied to the Customer Charge at the next Five-Year Rate Review for JPS to derive the GS compensation for JPS's residential (Rate10) customers.
3. Where at the time of each JPS Annual Review the current Customer Charge that was used to derive the current GS compensation exceeds subsequent Customer Charge that is adjusted by inflation, then the current Customer Charge will remain the basis used to derive the JPS GS compensation until the next scheduled Annual Review.
4. The existing GS compensation of \$1,650 will be retained until the new GS compensation is determined at JPS's next Five-Year Rate Review.

4.18 The revised GS for JPS and compensation is outlined in Appendix I.

Part 5: NWC's Requests for Clarification/Confirmation

5.1 In its letter dated 2024 May 10, the NWC requested clarification/confirmation on aspects of the relevant decisions outlined in the Determination Notice. The OUR is cognizant that the NWC's request is not for a reconsideration of any of its decisions but has decided to include its response in this document for transparency and ease of reference. The areas cited by the NWC requiring clarification/confirmation are summarized and discussed in the ensuing paragraphs.

- **Compensation Mechanism and level for the NWC GS Scheme**

5.2 The NWC noted that in responding to the GS consultation, it requested the establishment of a fixed rate for its compensation scheme, which was denied. The NWC further explained that it requested a single GS compensation level to be set and used across all customer classifications, despite the difference in Service Charge for its varying customer classes. Additionally, the NWC noted that while the OUR denied its request, a fixed rate for GS compensation was determined where the NWC's AnPAM adjustment reduces the prevailing Service Charge. The NWC sees this action by the OUR as being contradictory and requested clarification on this decision.

OUR's Response

5.3 In its assessment of the NWC's compensation mechanism proposal to establish a fixed fee for GS breaches, the OUR recognised that if it were to do so, a single service charge for all customer classes would have to be established. The compensation mechanism aims to provide the level of incentive for suppliers to meet the standards and the level of compensation received by customers where a supplier fails to do so, which is not equal to the customers' financial loss suffered. However, the OUR is mandated to ensure that both in the review process and generally, customers are treated fairly. Hence at paragraph 3.109 of the Determination Notice, the OUR indicated that it was of the view that, *the establishment of a single service charge may result in some customer classes being placed at a disadvantage while others benefit*. Additionally, since the review of the service charge is usually conducted as part of tariff review and/or Annual Adjustments, the OUR would not have been able to make such a significant rate change without engaging in consultations with all affected parties. Accordingly, the OUR decided to maintain the practice of the service charge being based on customer class as this was deemed to be more equitable.

5.4 Further, the OUR also considered that the service charge is adjusted annually due to the Annual Adjustment, which usually results in a change in its value. Bearing in mind the change in the multiplier attached to the NWC's GS compensation mechanism, which will result in a reduction in the compensation amount from the current level, the OUR deemed it reasonable to fix/establish the GS compensation rates as the minimum compensation amounts for each customer class. These

rates are set out in the Figure 3 below⁷, which is as follows:

Figure 3: NWC Revised GS Compensation

Service Connection (Meter Size)	Service Charge 2021 - 2022 (\$)	Revised General GS Compensation	Fixed General GS Compensation	Revised Special GS Compensation	Fixed Special GS Compensation
5/8 inches / 15mm	1,099.71	2,199.42	2,199.42	3,299.13	3,299.13
3/4 inch / 20mm	2,405.49	4,810.98	4,810.98	7,216.47	7,216.47
1 inch / 25mm	3,141.28	6,282.56	6,282.56	9,423.84	9,423.84
1 1/4 inches /30mm	5,914.67	11,829.34	11,829.34	17,744.01	17,744.01
1 1/2 inches / 40mm	5,914.67	11,829.34	11,829.34	17,744.01	17,744.01
2 inches / 50mm	8,376.75	16,753.50	16,753.50	25,130.25	25,130.25
3 inches / 75mm	15,211.16	30,422.32	30,422.32	45,633.48	45,633.48
4 inches / 100mm	24,578.40	49,156.80	49,156.80	73,735.20	73,735.20
6 inches / 150mm	37,440.67	74,881.34	74,881.34	112,322.01	112,322.01

5.5 For clarity, given that the GS compensation amount may change due to subsequent annual changes in the service charge, the fixed amounts seen in Figure 3 above are to be applied where the new service charge results in the GS compensation amount being lower than the fixed amounts.

5.6 Consequently, while the OUR did not deem it reasonable to establish a single service charge for all customer classes, the fixed rates were established to prevent the GS compensation from falling below the levels prescribed in Figure 3.

- **Cap periods for consecutive NWC GS breaches**

5.7 The NWC requested confirmation on the ‘cap period’ for consecutive GS breaches. It noted that paragraph 1.39 (i) of the Determination Notice indicated six (6) and eight (8) consecutive periods of consecutive GS breaches.

OUR’s Response

5.8 The OUR confirms that the section of paragraph 1.39 (i) of the Determination Notice that indicates *the GS for which compensation is applicable for up to eight periods of non-compliance* is an error, which is being corrected in this document. Accordingly, the correction to paragraph 1.39 is as follows:

The cap period of six (6) consecutive breaches will continue to apply to GS that attract Special Compensation and those with the highest incidents of breaches over the past five (5) years. Accordingly, the GS for which compensation is applicable for up to **six (6)** periods of non-compliance are: WGS 1 – Connection to Supply, WGS 5 – Wrongful Disconnection, WGS 8

⁷ Page 72 of the GS Determination Notice

– Repair and replacement of faulty meter, WGS 11 – Reconnection after payment of overdue amounts, and WGS 12 – Reconnection after wrongful disconnection.

5.9 The OUR thanks the NWC for bringing this to its attention. The revised GS and compensation mechanism are set out in Appendix II below.

- **Number of NWC GS**

5.10 The NWC queried the number of established GS, citing paragraph 1.40 of the Determination Notice which indicates a reduction in the number from 17 to 15. Clarification was sought since two standards have subsets. Further, the NWC noted that it regards the GS with subset as one and therefore its reports are compiled on 15 standards. Accordingly, the NWC believes that the reduction in GS would be more accurately stated as 13 coming from 15 standards.

OUR's Response

5.11 Regarding the number of GS, the OUR is of the view that its representation of 17 GS for the NWC is correct. The OUR considers that although WGS 4 and WGS 10 have subsets, each subset is a distinct standard with its requirements and compensation if breached. Accordingly, the OUR has treated each subset as a separate standard for reporting purposes. Therefore, no change is needed regarding the number of GS for the NWC.

Appendix I: Amended GS for JPS

JPS Guaranteed Standards (Amended as per 2024 GS Determination Notice)

[illegible]

Code	Focus	Description	Performance Measure	Amendments
			(ii) connection within thirty (30) working days after payment Automatic Compensation	
EGS 2(b)	Access	Complex Connection to supply	Between 101m and 250m of existing distribution line (i) estimate within fifteen (15) working days (ii) connection within forty (40) working days after payment Automatic Compensation	
EGS 3	Response to Emergency	Response to Emergency	Response to emergency calls within five (5) hours – emergencies defines as: broken wires, broken poles, fires.	Removed from the GS Scheme for transition to the Overall Standard Scheme as at the effective date of JPS's next five-year Rate Review Determination Notice.
EGS 4	First Bill	Issue of First Bill	Produce and dispatch first bill within forty (40) working days after service connection.	Removed from the GS Scheme as an area of focus as per Determination 7.

Code	Focus	Description	Performance Measure	Amendments
EGS 5(a)	Complaints/ Queries	Acknowledgements	Acknowledge written queries within five (5) working days Automatic Compensation	None
EGS 5(b)	Complaints/ Queries	Investigations	Complete investigations and respond to customer within thirty (30) working days. Where investigations involve a 3 rd party, same is to be completed within sixty (60) working days. Automatic Compensation	None
EGS 6	Reconnection	Reconnection after Payments of Overdue amounts	Reconnection within twenty-four (24) hours of payment of overdue amount and reconnection fee Automatic compensation	None
EGS 7	Estimated Bills	Frequency of Meter reading	Should NOT be more than two (2) consecutive estimated bills (where company has access to meter). Automatic Compensation	None

Code	Focus	Description	Performance Measure	Amendments
EGS 8	Estimation of Consumption	Method of estimating consumption	An estimated bill should be based on the average of the last three (3) actual readings Automatic Compensation	None
EGS 9	Meter Replacement	Timeliness of Meter Replacement	Maximum of twenty (20) working days to replace meter after detection of fault which is not due to tampering by the customer Automatic Compensation	None
EGS 10	Billing Adjustments	Timeliness of adjustment to customer's account	Where it becomes necessary, customer must be billed for adjustment within three (3) months of identification of error, or subsequent to replacement of faulty meter Automatic Compensation	None
EGS11	Disconnection	Wrongful Disconnection	Where the company disconnects a supply that has no overdue amount or is currently under investigation by the OUR or the company and only the disputed amount is in arrears.	None

Code	Focus	Description	Performance Measure	Amendments
			Automatic & Special Compensation	
EGS12	Reconnection	Reconnection after Wrongful disconnection	The company must restore a supply it wrongfully disconnects within five (5) hours. Automatic & Special Compensation	None
EGS13	Meter	Meter change	JPS must notify customers of a meter change within one (1) billing period of the change. The notification must include: the date of the change, the meter readings at the time of change, reason for change and serial number of new meter. Automatic Compensation	None
EGS 14	Compensation	Making compensatory payments	Accounts should be credited within one (1) billing period of verification of breach Automatic Compensation	None
ESG 15	Service Disruption	Transitioning Existing Customers to RAMI System	Where all requirements have been satisfied on the part of the company and the customer, service to existing JPS customers must not be disrupted for	None

Code	Focus	Description	Performance Measure	Amendments
			more than three (3) hours to facilitate transition to the RAMI system. Automatic Compensation	

Compensation

The Office has determined that compensation for a breach of the JPS GS shall be as follows:

(i) General Compensation

a. Residential Customers:

- (i) The Customer Charge plus a multiplier will be used as the basis for deriving the GS compensation mechanism for JPS residential (Rate 10) customers.
- (ii) The multiplier as determined at the Five-Year Rate Review or Annual Review, as appropriate and published by the Office shall be used to derive the GS compensation for JPS’s residential (Rate10) customers.
- (iii) Where at the time of each JPS Annual Review, the current Customer Charge that was used to derive the current GS compensation exceeds subsequent Customer Charge that is adjusted by inflation, then the current Customer Charge will remain the basis used to derive the JPS GS compensation until the next scheduled Annual Review or Five-Year Rate Review, as appropriate.
- (iv) Commercial Customers – a breach of the Guaranteed Standards shall be four (4) times the customer charge.

(ii) Special Compensation

(v) Wrongful Disconnection

Compensation for wrongful disconnection will be (2) times the fixed GS compensation for residential customers and five (5) times the network access/customer charge for commercial customers.

(vi) Reconnection after Wrongful Disconnection

Reconnection after wrongful disconnection (where breached) will be (2) times the fixed GS compensation for residential customers and five (5) times the network access/customer charge for commercial customers.

(iii) The Office has also retained the eight (8) periods of non-compliance of a breach for which compensation is applicable for the following GS: EGS 1 – New and Simple Connections, EGS 6 - Reconnection after payment of overdue amounts, EGS 7 – Estimated bills, EGS 11 – Wrongful Disconnection and EGS 12 – Reconnection after Wrongful Disconnection. Breaches of all remaining individual GS will attract compensation of up to four (4) periods of non-compliance.

Appendix II: Amended GS and Compensation for the NWC

NWC Guaranteed Standards (Amendments as per 2023 GS Determination Notice)

CODE	FOCUS	DESCRIPTION	PERFORMANCE	Amendments
WGS1	Access	Connection to supply	Maximum time of <u>ten (10) working days</u> to connect supply and install meter after establishment of contract. Compensation type: Claim	Change of compensation type from Claim to Automatic as at the effective date of the next Tariff Review Determination Notice for the NWC.
WGS2	Delivery of bills	Issue of first bill	Maximum time of <u>forty (40) working days</u> after connection of supply and installation of meter Compensation type: Claim	Compensation Type: Modification: Change of compensation type from Claim to Automatic 30 months (mid-tariff) after the effective date of the next Tariff Review Determination Notice for the NWC.
WGS3	Appointments	Keeping appointments	Must make and keep an appointment at customer's request and must notify customer within reasonable time prior to the appointed time, if the appointment will not be kept. Compensation type: Claim	Compensation type: Change of compensation type from Claim to Automatic 30 months (mid-tariff) after the effective date of the next Tariff Review Determination Notice for the NWC.

CODE	FOCUS	DESCRIPTION	PERFORMANCE	Amendments
WGS 4(a)	Complaints	Acknowledgement	Maximum of <u>five (5) working days</u> to acknowledge customer's written complaints, after receipt. Compensation type: Claim	Compensation type: Modification: Change of compensation type from Claim to Automatic as at the effective date of the next Tariff Review Determination Notice for the NWC.
WGS (4b)	Complaints	Investigations	Maximum time of <u>thirty (30) working days</u> from the date of receipt of complaint to complete investigation and respond or provide an update. Compensation type: Claim	Compensation type: Modification: Change of compensation type from Claim to Automatic as at the effective date of the next Tariff Review Determination Notice for the NWC.
WGS 5	Disconnection	Wrongful Disconnection	Where the NWC disconnects a supply that has no overdue amount or is currently under investigation by the OUR or the NWC and only the disputed amount is in arrears. Compensation type: Automatic	None
WGS 6	Account status	Issue of account status	Meter to be read on same day customer is moving, if on a weekday (within two (2) working days of move if on a weekend) provided five (5) working days' notice of move is given. Maximum time of 15 working days to provide final bill after move and 45 days to refund the credit balances.	Removed from the NWC's GS Scheme as per Determination 10.

CODE	FOCUS	DESCRIPTION	PERFORMANCE	Amendments
WGS 7	Water meters	Meter installation	<p>Compensation type: Claim</p> <p>Maximum of <u>thirty (30) working days</u> to install meter on customer's request</p> <p>Compensation type: Claim</p>	<p>Compensation type:</p> <p>Change of compensation type from Claim to Automatic thirty (30) months (mid-tariff) after the effective date of the next Tariff Review Determination Notice for the NWC.</p> <p>None</p>
WGS 8	Water meters	Repair or replacement of faulty meters	<p>Maximum time of <u>twenty (20) working days</u> to verify and repair or replace meter after defect is identified by or reported to the NWC.</p> <p>Compensation type: Automatic</p>	<p>Compensation type:</p> <p>Change of compensation type from Claim to Automatic thirty (30) months (mid-tariff) at the effective date of the next Tariff Review Determination Notice for the NWC following the 30-month transition period.</p> <p>None</p>
WGS 9	Water Meters	Changing Meters	<p>NWC must provide customer with details of the date of the change, meter reading on the day and serial number of the new meter.</p> <p>Compensation type: Claim</p>	<p>Compensation type:</p> <p>Change of compensation type from Claim to Automatic thirty (30) months (mid-tariff) at the effective date of the next Tariff Review Determination Notice for the NWC following the 30-month transition period.</p> <p>None</p>
WGS 10	Water meters	Meter reading	Should NOT be more than two (2) consecutive estimated bills (where company has access to meter).	None

CODE	FOCUS	DESCRIPTION	PERFORMANCE	Amendments
WGS10(b) (NEW)	Water Meters	Exceptional Meter Readings	<p>Compensation type: Automatic</p> <p>Where the NWC obtains a reading that falls within its exceptions criteria (60% high and 40% low), same is to be verified, the customer alerted upon verification and the reading applied to the customer's account within one (1) billing period.</p> <p>Compensation Type: Claim</p>	<p>Compensation type:</p> <p>Change of compensation type from Claim to Automatic thirty (30) months (mid-tariff) at the effective date of the next Tariff Review Determination Notice for the NWC following the 30-month transition period.</p>
WGS11	Reconnection	Reconnection after payment of overdue amount	Maximum of 24 hours to restore supply.	None
WGS12	Reconnection	Reconnection after wrongful disconnection	<p>Compensation type: Automatic</p> <p>NWC must reconnect a supply it inadvertently disconnected within 8 hours of being notified of the error.</p> <p>Compensation type: Automatic</p>	None
WGS13	Compensation	Payment of compensation	<p>Compensation type: Automatic</p> <p>Maximum of thirty (30) working days to process and apply credit to customer's account.</p> <p>Compensation Type: Claim/Automatic</p>	None
WGS 14 (NEW)	Estimation of Consumption	Method of Estimation	<p>Compensation type: Automatic</p> <p>An estimated bill should be based on the average of the last three (3) actual readings.</p> <p>Compensation type: Automatic</p>	None

CODE	FOCUS	DESCRIPTION	PERFORMANCE	Amendments
WGS 15 (NEW)	Billing Adjustment	Timeliness of adjustment to customer's account	Where necessary, customer must be billed for adjustment within three (3) months of: (i) identification of error, or (ii) subsequent to replacement of faulty meter Compensation Type: Claim	Removed from the NWC's GS Scheme as per Determination 10.

Compensation Mechanism

Compensation for breaches of the Guaranteed Standards shall be maintained as follows:

General Compensation

The Office has determined that the compensation for breach of a Guaranteed Standard will be two (2) times the applicable service charge.

Special Compensation

In the case of Reconnection after payment of Overdue Amounts, Wrongful Disconnection and Reconnection after Wrongful Disconnection, the compensation will be three (3) times the applicable service charge.

Where applicable, customers must submit claims within one hundred and twenty (120) working days after the breach is committed.

Breaches of individual standards will attract compensation of up to six (6) periods of non-compliance for the following GS: WGS 1 – connection to Supply, WGS 5 - Wrongful Disconnection, WGS 8 – Repair and replacement of faulty meters, WGS 11 – Reconnection after overdue amounts and WGS 12 – Reconnection after Wrongful disconnection. Breaches of all remaining individual GS will attract compensation of up to three (3) periods of non-compliance. For clarity, where a standard is breached and is not remedied within the

stipulated time, compensation is to be applied to the affected account for that particular breach for up to three (3) and/or six (6) periods within which it goes unremedied. The stipulated timeline for each breach is to be used to determine the periods of non-compliance.

