

# **Addressing Affordability of Regulatory Prices**

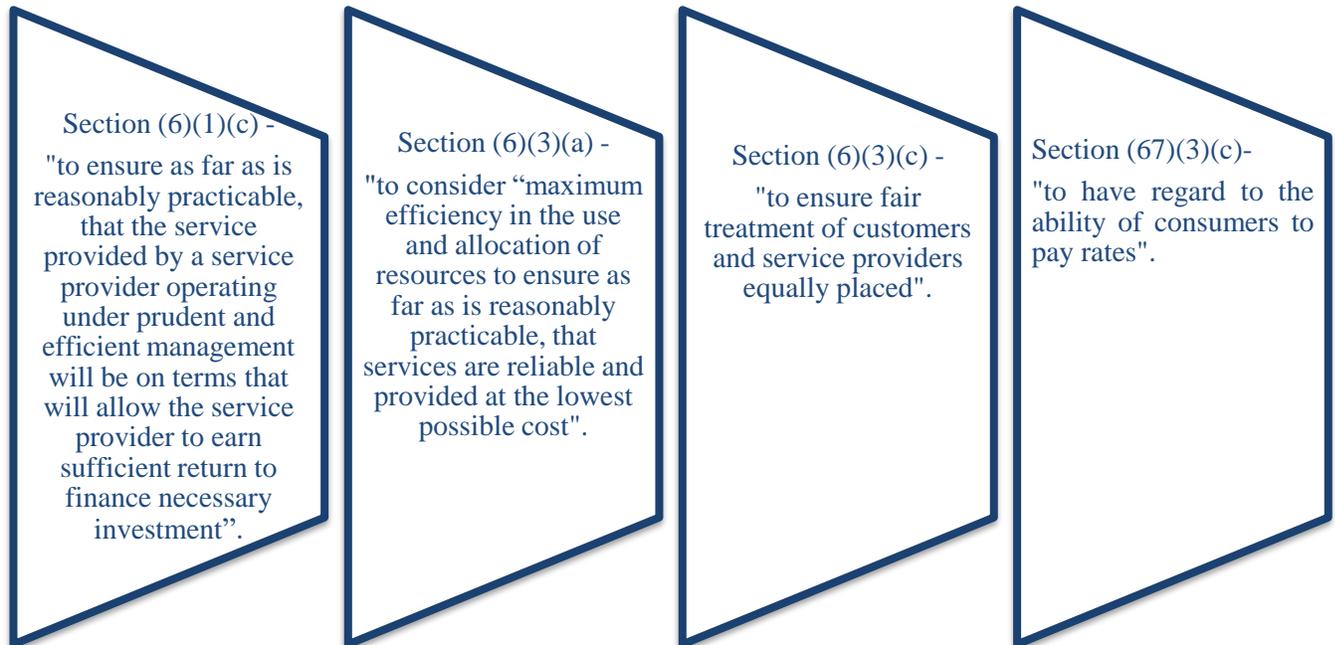
**January  
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This document is a summary of the RIC's consultative paper on its approach to reducing the impact of increased electricity prices on low income and vulnerable groups in Trinidad and Tobago.

**Summary  
Document**

## Why Consider the Impact of Regulatory Prices on Affordability?

The RIC is mandated to consider the affordability of utility rates, within its price setting function.



## Defining Utility Service Affordability

Affordability of a utility service can be broadly defined as the ability to pay for a subsistence level of the service within normal spending patterns<sup>1</sup>. Other factors within the control of the utility that may have an impact on affordability include:

- **Deposit requirements;**
- **Disconnection and reconnection policies;**
- **Access policies;**
- **Availability of rebates/concessions;**
- **Assistance offered in the event of payment difficulties; and**
- **Availability of payment methods.**

<sup>1</sup> Florence School of Regulation, Affordability of Basic Public Utilities: Regulation and Poverty Policies, 2008

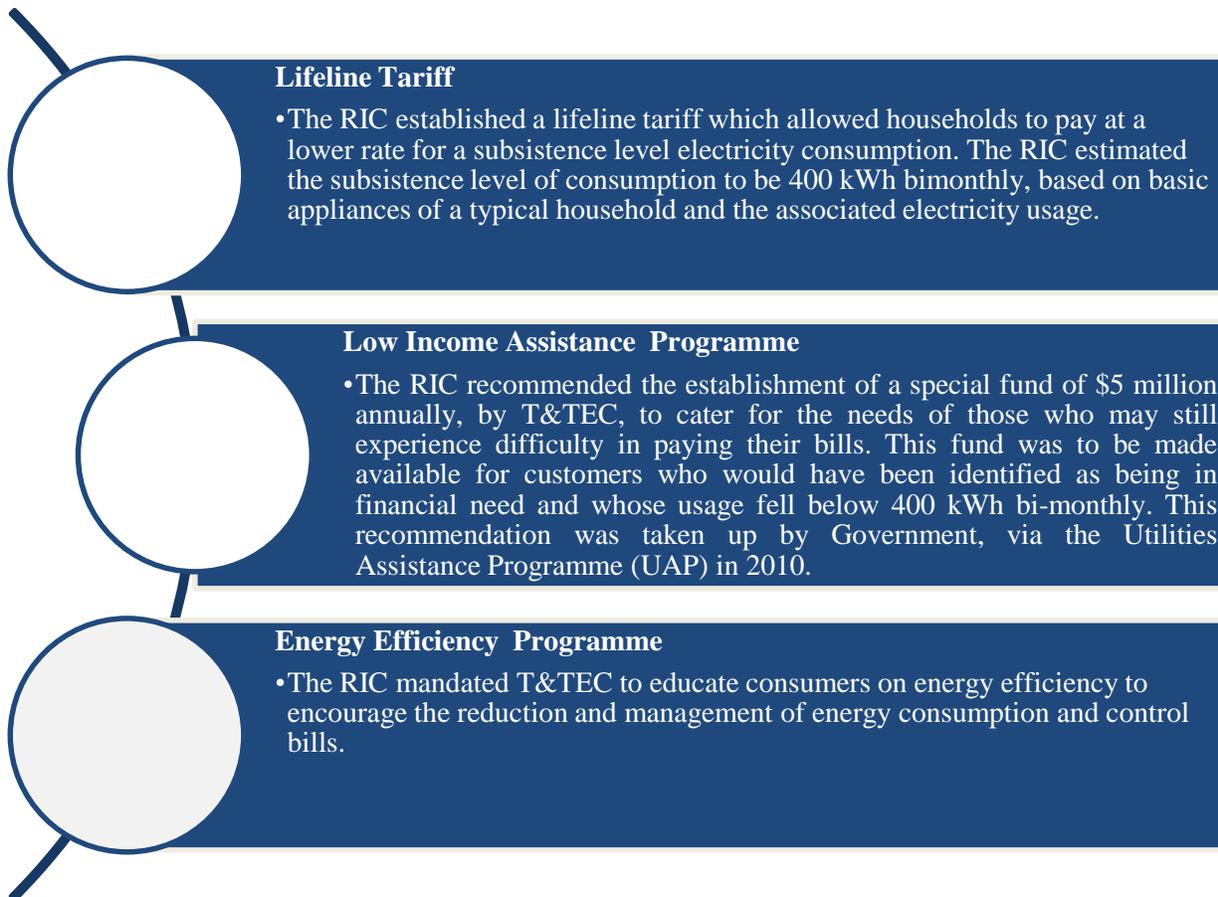
## Classification of Affordability Instruments

Affordability instruments to protect low income consumers are often used to complement tariff reform and can be classified into income support provisions and tariff support provisions<sup>2</sup>:

- Income Support – includes utility vouchers, rebates and arrears forgiveness.
- Tariff Support – includes lifeline tariff, tariff caps and subsidized access fees.

## The RIC's Affordability/Pro-Poor Measures for the Electricity Sector

The RIC has developed strategies to soften the impact of increased electricity prices on low income and vulnerable groups. The RIC's main strategies include:



<sup>2</sup> See “Social Issues in the Provision and Pricing of Water Services”, Organization for Economic Co-operation and Development (OECD), 2003

## Further considerations and strategies for affordability in the second Regulatory Period

There are several factors for the RIC to consider in arriving at strategies for affordability of electricity rates in the second control period.

### Regulatory Lag

Given that the current price review for T&TEC follows a 10 year lag since the end of the first control period, the RIC will look closely at how prices will move during this second price control period, to determine if constraints are needed on annual increases. The RIC will also look at inter-generational equity and ensure that the generation receiving the benefit, pays for that benefit. The RIC will also consider the need for appropriate pricing signals to promote efficiency of use, while prices should allow cost recovery for the utility.

### Affordability Measures of the Government

Subsequent to the RIC's first rate determination for the electricity sector, the Government introduced measures that provide assistance to vulnerable customers for electricity bills, namely, the Utilities Assistance Programme (UAP), the Low Income Measure and the Light Emitting Diode (LED) bulbs distribution programme. The RIC will examine the impact of Government's measures on affordability to determine the need for further assistance.

### Energy Efficiency

Energy efficiency initiatives present an opportunity for all customers to reduce their electricity usage and their bills. A major part of the RIC's thrust will continue to be on customer education, targeted at residential customers who can employ these initiatives to reduce usage.

### Economic Climate

The RIC will consider economic conditions within the country, particularly future income growth, including those for low income households. The RIC will look at the trends in key economic variables such as Gross Domestic Product, average monthly income and unemployment rates. Particular attention will be placed on examining the short and medium term effects of the Covid - 19 pandemic on electricity consumption and key socio-economic variables.

**All persons wishing to comment on Addressing Affordability of Regulatory Prices are invited to review the main document and submit their comments using any of the options provided.**