



REGULATED INDUSTRIES COMMISSION

RIC NEWS

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In this Issue

- P.2 - New Capital Contribution Policy
- P.2 - T&TEC Granted Annual Tariff Adjustment
- P.3 - Status Of WASA Rate Review
- P.4 & 5 - 7th Annual OOCUR Conference
- P.6 - Setting The Stage - Water And Wastewater Rate Review
- P.7 - World Forum on Energy Regulation IV
- P.7 - NEW RICruits
- P.8 - Attachment At The Public Utilities Commission Ohio
- P.8 - Visit by Tanzanian Delegation

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NEW CAPITAL CONTRIBUTION POLICY FOR ELECTRICITY SUPPLY TO BENEFIT CUSTOMERS

The Regulated Industries Commission (RIC) has approved a new Capital Contribution Policy for electricity supply. For the benefit of stakeholders, we take this opportunity to answer four pressing questions on the new Capital Contribution Policy.

What is Capital Contribution?

A capital contribution is a cost paid by customers upfront to facilitate infrastructure works for connecting to the network to obtain a supply of electricity. It is used by T&TEC as a means of recovering, from individual customers, the specific costs their connection imposes on the network, such as costs associated with:

- Erecting an additional light pole(s) if none is present nearby and connecting to it the existing supply network;
- Upgrading the local network to accommodate the new connection; or

- Making additions or upgrades to the transmission network to accommodate the new connection.

What are the benefits under the new Capital Contribution policy?

- The policy provides for relatively lower capital contribution payments as costs are now spread over 10 years;
- Customers will be able to choose between T&TEC and pre-qualified contractors to undertake works;
- Customers will benefit from the introduction of a reimbursement policy.

When is reimbursement necessary?

- A customer who met the costs of paying for a new electricity supply or upgrading the network in an area in order to be connected to the system will be reimbursed if/when subsequent customers connect to the network. This did not previously obtain for capital contributions.

How does the reimbursement policy work?

The reimbursement policy to be implemented by T&TEC will, among other things, work as follows:

- Later connecting customers will reimburse the current owner of the property for which the original works were undertaken;
- Total reimbursement will be limited to the amount of the original capital contribution;
- The period over which reimbursements may be offered is limited to 6 years from the date of the original customer's application; and,
- The original customer will be reimbursed only when a new customer(s) has paid all the amounts due and has been connected to supply.

A complete copy of the new policy is available on the RIC's website.

T&TEC GRANTED ANNUAL TARIFF ADJUSTMENT AFTER MEETING SPECIFIC RIC DIRECTIVES

The Regulated Industries Commission (RIC) attempts to balance the interests of both consumers and the service providers, while enabling the development and delivery of the highest quality utility services at the lowest feasible rates. A key aspect of achieving this balance is the annual adjustment of the overall constraint or cap on total annual revenue that T&TEC can recover through its pricing during the regulatory control period. After reviewing T&TEC's performance, the RIC has approved a tariff increase of one cent (1c) per kWh, with no other changes. This increase became effective **1st September 2009**.

As outlined in the RIC's Final Determination (Rates and Miscellaneous Charges for the regulation of prices for June 01, 2006 to May 31, 2011) issued on June 01, 2006, T&TEC is required to make a case for adjusting their tariffs every year by outlining their objectives and preparing a rationale for the tariffs to be implemented. This they do by submitting, at least two months prior to the beginning of each year of the control period, their proposed tariffs to apply for the start each year. The RIC measures T&TEC's performance against clearly defined performance targets and specific directives to determine whether to approve or reject their proposed price adjustment. Additionally, T&TEC has to ensure that its proposed tariffs comply with established principles and standards and inform customers of the new tariffs, at least two weeks before implementation.

In fact, for **94,243** residential customers consuming **400 kWh or less**, this **one cent (1c) per kWh** represents a monthly increase in their electricity bills ranging from **\$0.50 - \$2.00**. Similarly, for the typical commercial customer consuming between 2000 – 2500 kWh, the monthly increase is \$19.00 and \$23.75 respectively. The Tables (1 & 2) that follow show the impact on bills for typical residential and commercial customers.

CONTINUED ON PG3



REGULATED INDUSTRIES COMMISSION

TABLE 1**Impact on Bills for Typical Residential Customers 2009/10**

kWh	No. of Customers	Current Bi-Monthly (\$)	NEW Bi-Monthly (\$)	Monthly Increase	
				\$	%
100	20,768	31.00	32.00	0.50	3.2%
250	30,209	68.50	71.00	1.25	3.6%
400	43,266	106.00	110.00	2.00	3.8%
600	62,744	168.00	174.00	3.00	3.6%
800	49,514	230.00	238.00	4.00	3.5%
1,000	34,868	292.00	302.00	5.00	3.4%
1,300	32,181	400.00	413.00	6.50	3.3%
1,600	17,738	508.00	524.00	8.00	3.1%

Furthermore, the implementation of the rate adjustment was dependent on T&TEC's compliance with specific directives, some of which are detailed below:

- *Low Income Assistance Programme (LIAP) – the RIC had mandated that T&TEC establish a Low-Income Assistance Programme with the intention of reducing the full brunt of the rate increase on low-income earners.*

- *Reduction of Estimated Billing – 95 percent of the bills issued after September 2009 will be based on actual consumption. In cases where bills are estimated these will be based on the average of the last four previous actual readings. Estimated bi-monthly bills should not be consecutively issued.*

- *Establishment of Call Centres to monitor response times of incoming calls – two toll free numbers for trouble calls should be operational by the end of July 2009 and full time monitoring of incoming calls to commence by mid-September 2009.*

TABLE 2**Impact on Bills for Typical Commercial (B) Customers 2009/10**

kWh	Current Bi-Monthly (\$)	NEW Bi-Monthly (\$)	Increase \$	
			Monthly	Bi-Monthly
500	223.00	232.50	4.75	9.50
1,000	421.00	440.00	9.50	19.00
1,500	619.00	647.50	14.25	28.50
2,000	817.00	855.00	19.00	38.00
2,500	1,015.00	1,062.50	23.75	47.50

It is noteworthy that within this review period (2006 – 2011), the annual tariff adjustments have not always reflected an increase. In fact, as shown in Table 3, for residential customers consuming between 0 – 400 kWh the tariff was not adjusted from 2006 – 2007 (\$0.27) and actually decreased in 2008 (\$0.25).

TABLE 3**Trinidad and Tobago Residential Electricity Tariffs 2006-2009**

Year	0- 400 kWh	401-1000 kWh	Over 1000 kWh
2006	\$0.27	\$0.31	\$0.34
2007	\$0.27	\$0.31	\$0.35
2008	\$0.25	\$0.31	\$0.36
2009	\$0.26	\$0.32	\$0.37

In carrying out its mandate the RIC is mindful of its dual obligations - ensuring service providers have sufficient funds to provide a high quality of service and ensuring that these services are provided to consumers at fair and reasonable rates.

STATUS OF WASA RATE REVIEW

In the recent budget presentation (2009-2010) by the Minister of Finance it was revealed that there would be an increase in the property taxes. As a result of this announcement, there was great public outcry as it was perceived to be another weight on the shoulders of an already overburdened society. The **Regulated Industries Commission (RIC)** hearing the concerns expressed by the public regarding any impact of the proposed property taxes on water rates, sought to provide an update on its ongoing activities relating to the review of water rates. The RIC is the independent body charged with the legal responsibility and authority to determine

rates and tariffs for the Water & Sewerage Authority (WASA).

In 2008, the RIC in accordance with its statutory mandate and obligations, commenced a review of water rates. As a result, the RIC has been considering all relevant data and has engaged in broad based consultation with stakeholders. A fundamental and guiding principle of the RIC is that equity and fairness must be preserved for all concerned. Therefore, lower income and vulnerable groups must be protected and their basic needs for water satisfied.

The RIC, in continuing its water rate review issued a release on 9th October

2009 assuring all stakeholders, that upon completion and publication of its draft determination on water rates, consultations would be scheduled to provide the opportunity for stakeholders to express any concerns on the draft determination, for the consideration of the RIC. The RIC intends to continue its review in a manner that produces an equitable, balanced and sustainable result.

As progress is made in this matter, the RIC will provide future updates. However, the RIC issued a press release which assured that there would be no adjustment in water rates until the RIC had finalized its determination.



REGULATED INDUSTRIES COMMISSION



7TH ANNUAL CONFERENCE

THEME:

"EMERGING REGULATORY ISSUES IN THE CARIBBEAN"

GRAFTON BEACH RESORT, STONEHAVEN BAY, BLACK ROCK, TOBAGO
4th – 6th November 2009

This year marked the 7th Annual Conference of the Organization of Caribbean Utility Regulators (OOCUR), a non-profit, member-driven organization serving as a catalyst for regulatory improvement in the Caribbean. OOCUR's mission is to foster transparent and stable utility regulation through independent regulators, undertake research, training & development and facilitate the sharing of regulatory issues and experiences among member countries.

This premier conference, entitled **'Emerging Regulatory Issues in the Caribbean'** was hosted in partnership with the Regulated Industries Commission (RIC) and was held on the scenic island of Tobago at the Grafton Beach Resort from 4th – 6th November 2009. The Conference featured presentations and short papers from regional regulatory bodies on a wide range of subjects under the topic areas of Electricity, Water and Wastewater, Telecommunications & ICT and Consumer-related matters.

The conference attracted over 80 regional participants as well as members of the local business and utility sectors including representatives from OOCUR's member countries of Barbados, Jamaica, Anguilla, the Bahamas, Belize, Guyana, Dominica and the US Virgin Islands. To raise the profile of the conference and garner wide support from regional counterparts, the conference featured distinguished speakers, both local and foreign, at the forefront of the debate on independent utility regulation. Knowledgeable perspectives and insightful lectures were delivered by respected speakers on a variety of regulatory topics.

A sample of some of these topics as



delivered by some of the region's foremost specialists in the areas of public utilities and regulation are detailed below.

- *The Honourable Mustapha Abdul-Hamid, Minister of Public Utilities of Trinidad and Tobago, on "Public Utility Regulation in an Environment of Change"*
- *Professor Emeritus Kenneth Julien, President of the University of Trinidad and Tobago (UTT)*
- *Mr. Godwin Adams, Secretary, Division of Infrastructure & Public Utilities of the Tobago House of Assembly, on "Utility Regulation & Infrastructure Services: Big Challenges, Small Island"*
- *Mr. Ian Alexander, Director at Cambridge Economic Policy Associates, United Kingdom (UK), on "Charting New Developments in Incentive Regulation"*
- *Professor Dennis Pantin, Department Economics at the University of the West Indies, St. Augustine Campus, "Independent Regulation: Lessons Learned"*
- *Professor Emeritus St. Clair King, Senior Lecturer, Department of Electrical &*



Computer Engineering of the University of the West Indies St. Augustine Campus, on "Telecommunications: New Technologies and their Impact on Regulation"

- *Professor Chandrabhan Sharma, Senior Lecturer, Department of Electrical & Computer Engineering at the University of the West Indies, St. Augustine Campus, on "Promoting the Use of Renewable Energy Resources in the Caribbean"*
- *Dr. Mark Jamison, Director of the Public Utility Research Centre (PURC) University of Florida "Reset for Regulation and Utilities: Leadership for a Time of Constant Change"*
- *Mr. Steven Meissel, Vice President, International Business Development Aclara Technologies, USA "System Losses: Causes – Prevention - Savings"*

The RIC's planning committee acknowledged with thanks the following sponsors: TDC, THA, Tobago Department of Tourism, bMobile, TATT, VEMCO, Blue Waters, Unilever, Brydens Pi, and Angostura.





Nights of Discovery: Tobago's Inimitable Culture

As nightfall arrived each evening, conference participants were treated to a night of discovery and wonder as Tobago's inimitable culture was re-enacted to the delight of the thrilled participants. The cultural exposition placed the spotlight on some of Tobago's best performing groups and celebrated their traditions of dance, music, and storytelling. The cultural show was part of the 7th Annual Conference of the Organization of Caribbean Utility Regulators (OOCUR) which was hosted at the Grafton Beach Resort from 4th-6th November 2009, in partnership with the Regulated Industries Commission (RIC).

The evening began with the scintillating sounds of *Princess Adana* who demonstrated a vocal range and ability that held promise of performances on the world stage someday. On the heels of this talented

vocalist, the agility and precision of the *Bamboo Dancers* amazed all participants as they displayed their well honed skills at dancing the bamboo at break-neck speeds.

The *Ole Time Tobago Wedding* with its obvious European influences featured the traditional wedding along with the after ceremony festivities. The men, dressed to thrill in their black and white scissor-tail three-piece suits, were well adorned with top hats, bow ties, white gloves and carried large umbrellas to shade their female escorts. The women, on the other hand were outfitted in the finery of yesteryear which included their bustle dresses, platform shoes, and wide-brimmed hats. The procession included well-dressed and heavily jeweled guests, ready to 'walk de wedding.' After a rousing and spirited church ceremony, the wedding procession made its way along the streets

dancing the 'brush back' to the stimulating sounds of the tambrin band and the fiddle.

Not to be outdone, the performances of the *Tobago Jig and the Heel an' Toe* offered participants a glimpse into Tobago's past when community events came to life in song and dance. Among the things that make the T&T culture unique are the limbo and the steelpan. Both art forms were on display as the *Limbo Dancers* took audience members through their routines and a talented son of the soil exemplified the amazing musical feats possible on a steel drum. All in all, the Night of Discovery highlighted Tobago's past, present and future as their unique culture will no doubt continue to be among the many things they treasure the most. To be able to showcase this to the regional and international participants at the conference made it truly a night of discovery for all.



REGULATED INDUSTRIES COMMISSION



SETTING THE STAGE WATER AND WASTEWATER RATE REVIEW

When analyzing and determining tariffs for a service provider a number of issues and factors are involved and for the RIC, there are several of these influential factors that must be given consideration. To set the stage, this review will take place at a particularly challenging time given that the last general rate review was undertaken over 16 years ago. The service provider's present financial position is extremely weak with its costs increasing rapidly, without the concomitant increase either in the service quality or productivity. The largest single cost item, labour related expenditure, accounts for around 50% of the Water and Sewerage Authority's total operating costs.

Second, not only was the last general tariff review undertaken in 1993 but water rates in the country are generally very low and comprise less than 5% of the monthly expenditure of consumers. The major issues arising here relate to the inadequacy of these prices in recovering the full costs of system establishment, operation and maintenance and the insufficiency of these prices to accommodate future capacity expansion.

Third, a key question is whether the current structure of water pricing is efficient in sending appropriate price signals to consumers regarding their water use. The flat rates employed for water pricing, reflect the lack of metering in the country and provide no incentives for water conservation because essentially, they imply that water is free (i.e. in the sense that the marginal cost of water is zero). These weak pricing signals also generate low incentives for technological and cost efficient innovation.

Fourth, Government funding over the

years has been inadequate for water infrastructure financing. The budgetary allocations have never been firm commitments and, in most cases, the timing of the release of the funds has generally been a long drawn-out process. In fact, the capital spending by the utility shows a declining share of public works budgets being devoted to water and wastewater infrastructure. The long-term inadequacy of the current financial arrangement is a serious source of concern, if the quality of service in the country is to improve.

The final important issue is whether the current governance arrangements for the water sector are appropriate and optimal for financing and managing the utility. WASA is publicly owned, with operations managed by a part-time Board and a Management team. A key consideration is the possibility of putting into operation new governance arrangements which could serve as a solution to the problem of funding and improving the overall performance of the utility. A particular problem which has added to the complexity of this first review is WASA's lack of quality data and robust management information systems. Much of the information, necessary for effective regulation, has not been collected or presented in a form suitable for regulatory needs.

Consumer and Quality of Service Issues

Where customers have no choice of service providers, the regulators consider it necessary to set minimum quality standards and, in most cases, to back them with a compensation scheme. In fact, many regulators incentivise service providers to maintain and improve service quality through the price control, i.e. by

establishing a direct link between the price control and service quality targets such that, in order to earn the full amount of revenue allowed by the regulator, the service provider must meet the set service targets.

The RIC considered various initiatives to safeguard service quality to complement the proposals for price regulation. These initiatives include:

- *The establishment of a Guaranteed Payments Scheme, where standards are divided into guaranteed and overall standards. The scheme is a set of minimum standards, where if breached by the service provider, customers are entitled to a compensation payment;*
- *The introduction of Codes of Practice, which are essentially a set of guiding principles that the service provider should consistently use in dealing with specific customer issues. The codes of practice will cover key issues affecting customers, such as procedures for dealing with customers in default, debt recovery and disconnection procedures and policies, retroactive billing policy; handling of complaints and resolution of customer disputes, etc.;*
- *Performance Monitoring and Reporting, which involves quantitative measures to be monitored and reported on a regular basis; and*
- *A Customer Satisfaction Survey, which involves a qualitative survey to be conducted at the beginning of each price control period.*

Given the above key issues and their complexity, the issues addressed in this Draft Determination required several different perspectives on water utility management, implying a broad scope for the analysis and investigations undertaken.



World Forum on Energy Regulation IV



Every three years, regulatory bodies from around the world convene on one location to participate in the **World Forum on Energy Regulation (WFER)** the leading international conference on energy regulation. WFER IV is a unique opportunity for energy regulators, industry and energy decisions makers jointly to address regulatory issues of a global nature and this year, the IV forum was held in Athens, Greece from October 18 – 21, 2009 and was attended by over 1000 participants from over 80 countries.

The WFER IV comes at a time when the world's energy sector is witnessing major changes balancing environmental, security of supply and competitive objectives during a time of global financial downturn. Deputy Executive Director of the RIC, Glenn Khan represented the commission at this worldwide conference

where discussions on best regulatory practices and policies adopted at local, regional or international level took place. The key themes of the forum were:

- Reliability and security of supply;
- The role of regulators in responding to climate change;
- Competitiveness and affordability; and
- The independence, powers, responsibilities, best practices and training of regulators.

The 3-day programme was hosted by the Regulatory Authority for Energy (RAE) of Greece and was organized by RAE in coordination with the Council of European Energy Regulators (CEER) under the guidance of the WFER IV Steering Committee formed by chairpersons of the world's major regional regulators' associations.

NEW **RIC**ruits

It's often said that an organization's most valuable resource is its 'human' resource. In that case, the RIC has this year added three new resources to its regulatory operations. As we welcome them, we take this opportunity to introduce them to you:



Derrick Phillips
Standards Engineer

Derrick Phillips assumed the position of Standards Engineer on 1st May, 2009. Prior to this, he served as head of Electrical Inspection at the Trinidad and Tobago Bureau of Standards, head of the Solar Laboratory at the Jamaica Bureau of Standards, and a lecturer in Management and Mechanical Engineering at John Donaldson Technical Institute. Mr. Phillips holds a BSc. in Mechanical Engineering from the University of the West Indies, a MSc. in Administration from the University Of Notre Dame (USA), and enjoys interacting with people and playing worship music.



Jerusha Curden
Accounting Officer

Jerusha Curden worked at the North Central Regional Health Authority as an Accounts Clerk just before joining the RIC. The experience gained in the public sector has effectively prepared her for her duties at the RIC. She is currently pursuing the ACCA professional qualification and is confident that with Christ's guidance all things are possible.



Sugrim Mungal
Utility Accountant

Sugrim Mungal, ACCA qualified, is the RIC's newest addition having joined on 16th November, 2009 as a Utility Accountant. Prior to this, he served as an auditor at Pricewaterhousecoopers for a 4-year period where he carried out Audit Engagements within the financial, energy, manufacturing and retail sector of the economy.



REGULATED INDUSTRIES COMMISSION

MEET PLUGGIE



Our Home Safety Expert

'Inspect power tools and appliances for frayed cords, broken plugs and cracked or broken wire insulation and repair or replace damaged items.'

CAN YOU SPOT the electrical and other hazards in this room?

REGULATED INDUSTRIES COMMISSION **R** The Living Room



HOME
SAFETY INITIATIVE

ANSWERS:

- THE LIVINGROOM HAS 4 HAZARDS:**
1. Girl sticking pair of scissors into plug
 2. Man using chair on couch to change light bulb
 3. Boy spraying cat with fire extinguisher
 4. Jug of juice on TV

Attachment at the PUBLIC UTILITIES COMMISSION OHIO (PUCO)



All institutions recognize the value of benchmarking with the ultimate goal of helping make improvements to its policy making, adopting best practices, or complying with established standards and principles. To this end, the **RIC's Human Resources Manager, Ms. Helen Peru** was attached to the **Public Utilities Commission Ohio (PUCO)** for a period of five days from 11th – 15th May 2009 as part of a collaborative venture with the National Association of Regulatory Commissioners (NARUC). PUCO's mandate is similar to that of other regulatory agencies and has regulatory responsibility for electricity, natural gas, telephone, water, railroad and motor carrier.

The programme of events included site visits to the local utility service providers including Columbia Gas Company of Kentucky and the office of the American Electric Power. Apart from the opportunities afforded to share human resources strategies and plans, Ms. Peru was even presented with an **"Honorary Employee of the Month Award."**

Visit by TANZANIAN DELEGATION



As part of a peer education initiative, the RIC had the unique opportunity of hosting a team of ministerial delegates from Tanzania on Monday 19th January 2009. The team visited the RIC's POS office as part of the **Economic Community of West African States (ECOWAS)**. The Economic Community of West African States (ECOWAS) is a regional group of fifteen countries, founded in 1975. Its mission is to promote economic integration in "all fields of economic activity, particularly industry, transport, telecommunications, energy, agriculture, natural resources, commerce, monetary and financial questions, social and cultural matters."

The team of public utilities and energy sector representatives was interested in sharing best practices and gaining insight into the RIC's regulatory processes.

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