



**Assessment of the Consultation
Process for the 2006-2011
Electricity Transmission and
Distribution Price Control –
Post Project Review**

1. Background

On June 1, 2006 the Regulated Industries Commission (RIC) released its Final Determination for the electricity transmission and distribution sector for price controls that would apply from 1 June 2006 to 31 May 2011. The release was preceded by extensive consultation and analysis by the RIC, the aim of which was to ensure that the final determination took into consideration the views of all the relevant stakeholders as well as all pertinent information.

This approach was in keeping with the RIC's policy of transparency and openness and its mandate under Section 6(2) of the RIC Act, Chapter 54:73, to consult with interested parties in matters before the Commission, it was important for everyone to be able to participate and have the opportunity to express their opinions on the formulation of recommendations. Therefore, an integral part of the RIC's methodology had been to engage in broad-based consultation with key stakeholders and the general public so as to ensure that the rate review process was meaningful and effective. It was also felt that public consultation would assist the RIC in identifying and balancing competing interests before arriving at a preferred approach. The RIC therefore sought to:

- Facilitate and encourage input from all stakeholders;
- Inform stakeholders of the key issues, the overall review process and next steps in the review process; and
- Inform stakeholders on how to participate in the review.

The consultative process adopted utilized consultation and information papers, public/open forums, appearances on radio and television, publication of newspaper supplements, hosting of press conferences and establishment of a dedicated area on the RIC's website.

Purpose of Document

The aim of this document is to elicit responses from interested parties with respect to the consultative methods utilized in its first review of the electricity transmission and distribution sector, with a view to understanding which aspects were felt to be well conducted and those that could be improved, and thus done differently in the forthcoming review.

Responding to this Document

All persons wishing to comment on this document are invited to submit their comments. Responses should be sent by post, fax or e-mail to:

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All responses will normally be published on the RIC's website unless there are good reasons why they must remain confidential. Any requests for confidentiality must be indicated. A copy of this document is available from the RIC's website at **www.ric.org.tt**.

2. The Price Review Process

In the RIC's Framework and Approach document (2005) it noted that the price review would be conducted in four broad phases as follows:

- Phase 1: Developing the rate review framework and establishing service standards;
- Phase 2: Identifying and resolving detailed issues, that is, resolving detailed issues identified in the rate review framework;
- Phase 3: Undertaking the rate determination, that is, the process leading up to the final rate determination; and
- Phase 4: Implementing the rate determination, which relates to the introduction and monitoring of the final rate determination.

This approach was followed and the RIC incorporated a number of strategies for achieving successful and meaningful consultation with all interested parties in the price review. These strategies are reviewed in detail in the following sections.

2.1 Consultation Process

Underlying the RIC's consultation process was its mandate to be transparent in the determination of tariffs, at the heart of which was taking into account the view of stakeholders and representatives of consumer interest groups and any other interested parties. Furthermore, the RIC believes that, in making its determinations/decisions, it must publish full and reasonable details of the basis of and rationale for the determinations/decisions including but not limited to the following:

- the qualitative and quantitative methodologies applied including any calculations and formulae; and
- options considered and discretions exercised that have a material bearing on the outcome of the determination/decision.

To pursue these objectives, the RIC sought ways to maximize its interaction with stakeholders and all other interested parties and improve the effectiveness of the consultation process.

Generally, in undertaking consultations, the RIC's process involves the prior release of consultation documents and hosting public information sessions and discussion forums. In the case of the electricity transmission and distribution review, the RIC's consultation process comprised the three stages:

Stage 1 - The RIC released its Consultation Document, "**Information Requirements: Business Plan 2004-2008 (November 2004)**", which provided guidance to the service provider on the preparation of its price review submission. The aim of this document was to have the service provider present its submission and other information in a consistent format. This document was placed on the RIC's website for public scrutiny.

Stage 2 - The RIC released eleven consultation documents, including a methodology paper, "**Setting Price Control: Framework and Approach (April 2005)**", which presented the RIC's initial thinking on the methodology that would be used to arrive at the service provider's price controls. This was followed by the first consultation which was held in Port-of-Spain on May 10, 2005. Public notices for this consultation were issued in the daily newspapers. Eight open house consultations were also held in different parts of the country to enable the public to express their views. The RIC also engaged a consultant (Kenesjay Systems Limited) to provide advice on the investment programme of T&TEC and on an appropriate asset valuation methodology. Round table discussions on the preliminary views of the consultant's work were also held. The RIC received approximately 93 objections/comments from the public. The public meetings also provided a forum for participants to ask questions, air their concerns and issues, and obtain clarification on the RIC's processes. The RIC considered all the comments/responses provided by the public and T&TEC in finalizing its **Draft Determination**.

Stage 3- The RIC held a Press Conference and released its Draft Determination on January 18, 2006 during which a powerpoint presentation was made and a hard copy of the Executive Summary and a soft copy of the full document were distributed. The Draft Determination was also placed on the RIC's website (www.ric.org.tt) on the same day. A supplement summarizing

the RIC's Draft Determination was published in the daily press on January 19, 2006 and the public's written comments were expected by February 17, 2006. The RIC staff appeared on three television stations as well as on radio talk shows. Additionally, the RIC organized five (5) public consultations which were organised to garner the views of a wide cross section of consumers, as well as give the stakeholders an opportunity to be heard and make representations to the RIC. At these meetings, the RIC elaborated its tariff proposals via a powerpoint presentation and the public was given an opportunity to present suggestions, pose questions and to express their concerns.

The consultations were held as follows:

- Port-of-Spain - February 06, 2006
- Arima - February 06, 2006
- Chaguanas - February 07, 2006
- San Fernando - February 09, 2006
- Tobago - February 10, 2006

Because of the relatively low attendance at the above-mentioned consultations and in a further attempt to engage the wider community, the RIC also organized a national consultation on March 07, 2006. The response in this instance was more encouraging as one hundred and eleven (111) persons, representing a wide cross-section of the society, attended. A number of useful submissions were made. This was followed by the publication of a supplement in the daily newspapers on March 11, 2006 summarizing some of the major issues. The RIC also responded, in writing, to letters and opinions that appeared in the daily press.

On June 1, 2006 the RIC released its **Final Determination** document and also published its **“Response to the Stakeholder Comments on the Draft Determination”** in which it considered the comments/responses provided by all interested parties.

2.2 Key Strategies

As noted above, the RIC employed a number of strategies to achieve its aims for the consultative process, which included the following:

- Consultation and information papers aimed at informing stakeholders of all the pertinent issues surrounding the price review.
- Public/open forums that provided key stakeholders and customers in particular with opportunities to share their views/comments and discuss the issues involved in the price review.
- Appearances by key staff on radio and television programmes to share important information with the public as well as to answer questions posed by members of the public in the call-in segments of these programmes.
- Publication of newspaper supplements on key issues and decisions concerning the price review in widely circulating newspapers.
- Hosting of press conferences to ensure that the public at large was kept informed at each stage of the price review process.
- The RIC also established a dedicated area on its website (www.ric.org.tt/T&TECReview) for T&TEC's price review. At this site, stakeholders were able to view and download copies of all consultation documents, any submissions received in response to those papers, updates on the progress of the review, and information on how to participate in the various stages of the review.

2.2.1 Information and Consultation Papers

In any price review process a regulator grapples with a number of complex issues. The RIC sought to apprise and engage stakeholders and indeed the public at large in the discussion of these issues. Thus, a key tool utilised in this process was the use of consultation and information papers (technical papers) in which the RIC clearly outlined its thinking on these matters and provided the information needed by parties to facilitate discussion. Copies of these documents are still available on the RIC's website at www.ric.org.tt. Published papers included the following:

- Information Requirements: Business Plan 2004 – 2008;
- Setting Price Control: Framework and Approach;
- Review of the State of T&TEC (1995 – 2003);

- Receivables Policy for T&TEC;
- Sharing of Benefits of Efficiency Gains and Efficiency Carryover Mechanisms;
- Incentive Mechanisms for Managing Transmission and Distribution Losses;
- The Treatment of Uncontrollable Costs in Incentive Regulation;
- Performance Monitoring and Reporting Framework ;
- Approaches to Determining Regulatory Depreciation Allowances;
- Benchmarking – Its Applicability to Assessing Costs Efficiency; and
- Performance Indicators for the Trinidad and Tobago Electricity Commission.

The RIC is seeking views on the usefulness of the consultation and information documents. In this regard, the RIC is interested in whether or not stakeholders believe that these documents provided sufficient background on the issues for stakeholders to understand the intended approach.

2.2.2 Public/Open Forums

The RIC met in face to face meetings with stakeholders and interested parties with respect to technical papers, reports/activities undertaken by the consultant employed by the RIC to undertake specific tasks, and the draft determination.

Meetings with key focus groups such as the Chambers of Commerce, trade unions, Regional Corporations were well attended and forums held in Port of Spain with a wide cross section of consumers, saw good participation by the public. Unfortunately, the outreach meetings in regional areas were not well attended.

The regional sessions were advertised to the general public, while the focus meetings with the Chambers, unions etc, were closed to the wider public and open to members of those respective groups. However, the sessions followed a basic format, featuring powerpoint presentations whereby the RIC presented information and set out the issues and then opened discussion up to attendees.

The RIC is seeking views as to whether there were a sufficient number of forums and whether or not stakeholders found them useful and how they could be improved, or whether they should be utilized at all in future reviews.

The RIC is also seeking views as to the format of these forums and how they can be improved as well as whether or not the format of these sessions was appropriate. The RIC is also interested in views as to whether or not the forums provided a sufficient level of information and opportunity for stakeholders to comment.

2.2.3 Appearance on Radio and Television talk programs

Staff of the RIC appeared on both television and radio talk show programmes as part of the consultative process. These programmes offered wide reach and allowed the RIC's technical staff to answer questions posed by an interviewer and direct questions from callers to the programmes.

Comments are invited as to whether or not stakeholders find this to be a suitable medium for reaching the public as part of the consultative process.

2.2.4 Publication of Supplements

As part of the process the RIC published a four page pullout supplement explaining its draft determination in detail and giving details on the proposed starting prices as well as the methodology for annual adjustments over the price review.

Comments are sought as to whether or not stakeholders feel that this is an appropriate method of communicating with the public and whether or not this represents value for money.

2.2.5 Press Conferences

The RIC hosted major press conferences on both the draft determination and the final determination where members of the media were fully briefed on both documents. The RIC believes that the media is a key stakeholder in the consultative process as they serve as a major conduit for information dissemination and shaping public opinion in general.

Comments are invited as to the effectiveness of this tool in the dissemination of information to the wider public.

2.2.6 Use of dedicated area on web-site

The RIC understands the key role that the internet plays in the dissemination of information and in recognition of this, dedicated a specific area of its website to the review. Therein it placed key documents which could be accessed by interested persons. The RIC expects to utilize a similar approach in its next review of the electricity transmission and distribution sector. The dedicated area of the website will also include participatory forums among other things.

The RIC welcomes suggestions as to how its use of a dedicated area of its website can be improved to become more user-friendly and effective.

2.3 Overall Price Review

Overall the entire price review process ran from November 2004 to May 2006, a period of nineteen months. The aim of the consultative process, which was an integral part of the price review process, was to ensure that that each stakeholder and the public at large had a “voice” and the opportunity to express their opinion thus ensuring that the process was open and transparent.

Comments are invited on ways that the overall process may be improved, for example was the consultation period too lengthy or too short? Did the RIC produce the right amount of material so interested parties could understand the price review process? Were the processes and analyses conducted by the RIC sufficiently transparent?