



REGULATED INDUSTRIES COMMISSION

Annual Report and Financial Statements

FOR THE YEAR ENDED DECEMBER 31

2003

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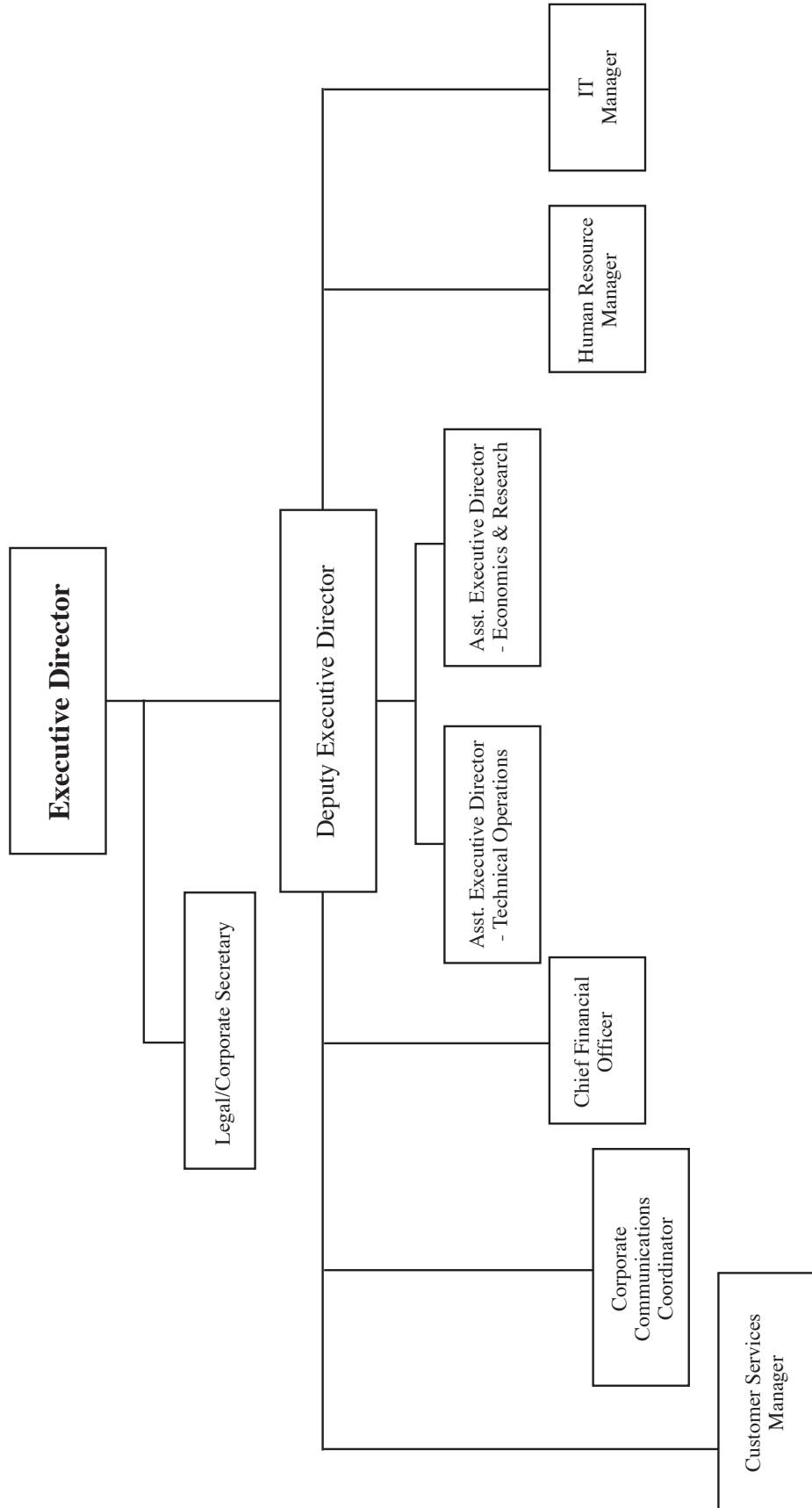
VISION

To be a World Class Regulator.

MISSION STATEMENT

- To be a dynamic institution, responsible for promoting the sustainability of Service Providers of the Regulated Industries.
- To ensure that the Regulated Industries provide reliable and efficient services at fair and reasonable rates.
- To build a credible and transparent regulatory regime that responds adequately to stakeholders' concerns.
- To demonstrate fairness, equity and concern for the national welfare in the performance of its functions.

**REGULATED INDUSTRIES COMMISSION
ORGANIZATIONAL STRUCTURE
HEAD OF DEPARTMENTS**



INTRODUCTION

This, the second report of the Regulated Industries Commission, covers the activities of the RIC for the period January 1st. to December 31, 2003.

The Regulated Industries Commission Act No. 26 of 1998 established the Regulated Industries Commission (RIC) as a body corporate. Under the Act, the RIC is charged with the responsibility of regulating the following service providers:

- The Water and Sewerage Authority (WASA)
- The Trinidad and Tobago Electricity Commission (T&TEC)
- The Power Generation Company of Trinidad and Tobago (POWERGEN)
- InnCogen Limited (INNCOGEN)
- Telecommunications Services of Trinidad and Tobago (TSTT).

Functions of the RIC

The specific powers and functions of the RIC are defined in Section 6 of the RIC Act of 1998 and are summarized below:

- To advise the Minister on matters relating to the operations of the Act including the granting of Licences and monitoring the terms and conditions of the Licences;
- To carry out studies of efficiency and economy of operation and of performance of service providers, publish results and take action, where necessary, to protect the interests of customers and other stakeholders;
- To monitor compliance and impose sanctions for non-compliance;
- To establish principles and methodologies for the setting of rates for services and to perform periodic reviews of the rating regimes;
- To investigate consumer complaints in respect of rates, billing and unsatisfactory service and facilitate redress;

- To ensure service providers are able to finance the delivery of services with sufficient return on investment; and
- To ensure openness and transparency by publishing information which allows stakeholders to have their say in regulatory decisions.

Furthermore, the RIC Act places direct functional responsibility upon the Commission in Section 6 (3) to ensure that the public interest is protected particularly:

- By ensuring maximum efficiency in the use and allocation of resources and that services are reliable and provided at the lowest possible cost;
- By ensuring equal access by consumers to service and the fair treatment of consumers and service providers who are similarly placed;
- By ensuring non-discrimination in terms of service access, pricing and quality; and
- By ensuring that current national environmental policies are adhered to.



CHAIRMAN'S REMARKS



Mr. Dennis Pantin
Chairman

Significant progress was achieved in the year under review. The Board set the tone for the year by hosting a two-day retreat during the first week of 2003. All Commissioners and staff participated in the exercise. The retreat itself facilitated the close collaboration of Commissioners and Staff in the process of identifying the critical issues to be addressed in moving the organization forward. Three major priorities for the year were agreed upon by consensus: branding the RIC; preparation for tariff reviews; and staff related issues.

With respect to the branding of the RIC, this was thought to be of the utmost priority, as it was generally believed that the public at large was generally unaware of our activities and remit. Effecting a change in public awareness could be achieved in different ways, including: increasing our efforts at resolving customer complaints, and making this information public; and by the engagement of the public in consultation on matters related to regulating the service providers. Both issues are of equal importance. Our strategy is to engage in wide consultation with members of the public and stakeholders. In this way all ideas and views expressed can impact the policy making process. We also fulfill requirements regarding transparency of our internal processes and facilitate greater acceptability of our decisions.

At the end of 2003 the increased profiling of the RIC resulted in a 63 percent increase in complaints received over the previous year. The Consumer Services Department achieved a resolution rate of 80 percent in handling those complaints.

On the issue of preparation for tariff reviews, the staff produced several draft documents intended to inform the public about the current state of the utilities and the pricing methodology and regulatory techniques that would be used to regulate them. Two one-day follow-up retreats were held in June and October at which those documents were discussed. We also used those opportunities to review the targets set and to facilitate the process of team building. There was near full participation at both events.

Chairman's Remarks

With regard to staff issues, the Board was fully cognizant that the existing compensation package was inadequate and contributed significantly to the Commission's inability to attract and retain staff. Three persons exited the organization during the year; two of them terminated their contracts while the other did not seek a renewal. The Board engaged the services of a compensation specialist and used his recommendation to structure an enhanced salary package, which was approved internally in October and forwarded for the Minister's approval. We recognize the highly specialized nature of the regulatory professionals and the difficulty encountered in acquiring persons with such skills and experience and consequently we shall aim to provide remuneration and a work environment that will be conducive to retention and development of staff. It is in this context that the Board approved overseas training for several staff during the fourth quarter of 2003. We shall continue to provide opportunities for staff enhancement.

The RIC has had a fairly successful year despite the lack of a full complement of staff. This situation we hope to remedy in 2004 when we expect to be more fully engaged in undertaking our legal mandate. We intend to be a listening organization that acts fairly but efficiently, effectively and responsibly in the national interest. As a general approach, we prefer consultation and the use of alternative dispute resolution techniques. However, the RIC has been conferred with wide regulatory powers and we shall not hesitate to use them without fear or favor, within the confines of the Act. This will always be our first resort, and we have found it useful thus far. During the coming year we intend to further increase our public profile and to prescribe standards by which all citizens would receive better quality utility services. This is a mandate which we take very seriously and one which we shall deliver upon. As an organization we will remain dynamic, adapting as we develop, so as to ensure continued efficiency in discharging our function under the law.

In closing, I wish to record my personal thanks to all Commissioners for the support during the year, especially to Mr. Leon Prevatt whose term ended in April 2003, and to the Management and Staff of the RIC for the high quality of output.



D. PANTIN

REVIEW OF OPERATIONS

The year 2003 was ushered in with a staff retreat over the period January 03 to 05, 2003. It was felt that the best way of putting the work of the RIC into perspective was by organising such an event to identify and target critical assignments for completion during the year. The programme incorporated a number of activities spread across the functional areas of the RIC. However, three broad issues were identified and these engaged the attention of the Commission:

- Branding of the RIC;
- Preparation for tariff reviews; and
- Staff related issues.

The sessions were facilitated by Mr. Ray Braithwaite, Management Consultant. At the conclusion, a new vision and mission were agreed and a decision was taken to undertake a periodic review of targets set.

A major difference between fiscal 2002 and 2003 was an increase in the public profile of the RIC. This was facilitated by several activities undertaken by staff recruited in the latter half of 2002. One of the major initiatives undertaken was a “Willingness to Pay Survey” conducted in association with a graduate student from Mc Gill University, Canada. Staff from the Economics and Research, Technical Operations and Consumer Services Departments collaborated on this project, which was completed in August 2003. Interestingly, one of the findings of the survey was that only 8% of the population had knowledge of the RIC and its activities. The focus on branding the RIC was, therefore, not misplaced. Several important pieces of research were completed as well as the development of quality of service standards for the Electricity Transmission and Distribution, and Water and Wastewater Sectors.

Regulating Network Industries

Trinidad and Tobago Electricity Commission (T&TEC)

As part of its mandate to provide consumer protection, the RIC commenced drafting Quality of Service Standards for the Electricity Transmission and Distribution Sector in 2002. These were circulated for comment to members of the public, including stakeholders and special interest groups. In 2003, this document was finalized by the RIC after reviewing all comments received and holding meetings with the Service Provider. A Technical Committee, comprising staff from both the Utility and the Regulator, was set up to facilitate the smooth implementation of the standards which had been finalised by November, 2003. The Commission is proposing to officially launch the Standards in January 2004.

The standards are of two types. **Overall standards** constitute standards that service providers are expected to meet on an industry wide basis while **Guaranteed standards** are those specific to each customer. Failure to comply with Guaranteed standards would result in direct compensation to the affected customers.

It is important to mention here that the Minister of Public Utilities and the Environment, supported the efforts of the RIC during this process.

There was one major event that occurred in November, 2003 that required regulatory intervention. The failure of electrical equipment at the Rio Claro Sub-station led to fire damage at that location and resulted in a prolonged outage as well as damage to personal property. This was the first occasion that the Regulator had to make an official request for a report from the service provider. On the basis of the report received, the RIC made several recommendations aimed at averting similar occurrences.

The Water and Sewerage Authority (WASA)

In February 2003, the draft Quality of Service Standards for the Water and Wastewater Sector was circulated for public comment. Initial response to the document was poor as only thirteen persons or institutions submitted comments. Given our belief that wide public consultation should

Regulating Network Industries

precede policy implementation, we undertook to extend the period of consultation so that by the end of 2003 that document had still not been finalized even though our original time frame would have expired.

In November 2003, owing to a malfunction of its Caroni Arena Water Treatment Plant several of WASA's customers were affected, with reports suggesting that persons were being supplied contaminated water. Several persons claimed that the polluted water was responsible for illness, which resulted after consuming water from their taps. Both this incident and the one occurring at Rio Claro received widespread media coverage, with calls for compensation to aggrieved parties being made. The RIC again intervened and demanded a report from the Utility as well as conducted its own investigation. Resulting from this, several recommendations were made to WASA for improvement in the delivery of service.

Owing to the delay of service providers in advising the RIC about the incidents occurring towards the end of 2003, the Commission took a decision to develop a document **“Event Notification and Response Management Plan”** that would guide service providers on the course of action to follow whenever events that disrupt services and impact consumers occur. The main focus of the plan will be to ensure that consumers receive proper notice of disruption in service and that the Regulator is formally notified of such incidents. This document should be finalized and implemented in 2004.

Telecommunications Services of Trinidad and Tobago (TSTT)

No initiatives were taken with respect to the drafting of Quality of Service Standards for this Utility owing to their impending removal from under our jurisdiction with the expected launch of the Telecommunications Authority. We continued to service complaints by aggrieved customers though and had good success in resolving such complaints.

In October 2003, the RIC, however, began an internal investigation into TSTT's Rate of Return (ROR) and decided by December 2003 to have an external consultant conduct an independent review of TSTT's Rate of Return.

Regulating Network Industries

Our regulatory mettle was tested however, when TSTT requested our intervention in dealing with the operations of Call Centres, whom they purported were operating ultra vires the RIC Act. As a responsible Regulator we launched an investigation into Call Centres and at the end of 2003 our research was still on going. We expect to provide a decision on this issue by April 2004.

Other Activities

Since one of the main functions of the RIC is to review rates and set tariffs for service providers, and given that several persons were hired in 2002, the Commission could now pursue its work in earnest. It thus set about to prepare several documents both for public information and consultation which were considered to be critical to an independent and transparent regulatory process.

The information documents are intended to illuminate the financial and operational situation of the utilities so that members of the public could better appreciate the need for a review of tariffs. The consultation documents are intended to involve the public and stakeholders as far as possible in our decision-making process. Apart from these documents other research was undertaken to shed light on issues of national interest.

Table 1 sets out our progress against the key milestones identified in our work programme for the year 2003.



Regulating Network Industries

Table I – Schedule of Activities, 2003

Activity	Status
• Setting Price Control: Framework and Approach	Completed
• Information Requirements for the Rate Review: Business Plans 2004 – 2008 (WASA and T&TEC)	Completed
• Review of the Current State of T&TEC	Completed
• Review of the Current State of WASA	Completed
• Performance Indicators: Comparative Analysis (WASA)	Completed
• Performance Indicators: Comparative Analysis (T&TEC)	Completed
• Receivable and Collection Policy (T&TEC)	Completed
• Receivable and Collection Policy (WASA)	Completed
• Quality of Service Standards for the Electricity Transmission and Distribution Sector	Completed
• Quality of Service Standards for the Water and Wastewater Sector	Completed
• Regulatory Accounting Guidelines	On-going
• Construction of Fixed Assets Register	On-going
• Blackout 2003: Are We Prepared in Trinidad and Tobago?	Completed
• Why Your T&TEC Bill Keeps Going Up	Completed
• Fuel Conversion Efficiency	Completed
• Development of Rate Review Procedures	Completed
• Development of Proposals for Amendments to the RIC Act	On-going
• Quality of Service and Customer Satisfaction Survey	Completed
• Development of Social Action Plan	On-going
• RIC's Customer Satisfaction Survey	Outstanding
• Information Technology Policies	Completed
• Business and Disaster Recovery Planning	Outstanding
• Digital Security	Completed

*HUMAN
RESOURCES/
ADMINISTRATION*

HUMAN RESOURCES / ADMINISTRATION

This was perhaps the area of greatest challenge for the Commission. At the end of fiscal 2002, approximately 50% of the vacancies at the RIC were still unfilled. Two factors contributed to this situation, the lack of a cadre of professionals trained in utility regulation disciplines, and a compensation package which potential candidates found unattractive. Many persons interviewed for vacant positions turned down our offers when the package was outlined to them. Consequently, the Board took a decision to review the compensation package. After a tendering process in early 2003, HRC Associates, Management Consultants were selected in May 2003, to undertake a Compensation Survey, and to produce a detailed report by August 31, 2003. The compensation survey having been completed, the Board approved a revised package for staff that fell short of the recommendations of the Consultants, especially in the area of perquisites. The Board felt that the financial burden would be too strenuous given its limited resource availability. The Board's recommendations were submitted to the Ministry of Public Utilities and the Environment on October 15, 2003 and at the end of 2003 approval was still outstanding. The RIC was able to attract twelve (12) new staff. During the latter half of 2003, seven professional and five administrative staff were employed. However, at the end of the year six (6) positions still remain vacant.

To ensure that the RIC is able to achieve its organizational mandate in an efficient and effective manner, the RIC reviewed its organizational structure by creating a new post of Customer Service Manager. This is in keeping with its policy of keeping its human resource requirement under constant review with the aim of ensuring that staffing is maintained at the most efficient level.

The Commission was also faced with another challenge involving four staff members of the Public Utilities Commission who had been retained during the setting up of the new body. These officers having rejected new offers made to them by the RIC opted for termination packages. While the Commission was not obligated to pay a termination package, the Board without prejudice to its legal rights and responsibilities, agreed to make a final payment to the workers in recognition of their services. The four officers departed at the end of May 2003. An IT Specialist, who joined the Commission in May 2003, resigned in August 2003, citing personal reasons.

Human Resources / Administration

Staff Recruitment

The RIC recruits on merit through fair and open competition and there were no exceptions to this recruitment process. This ensures opportunity for employment regardless of ethnicity or gender. In 2003, out of an establishment total of thirty-four (34), twenty-six positions were filled.

Staff Training/Development

Given the expansion of staff and its commitment to the development of its human resources, the RIC provided opportunities for training in its core regulatory areas. The Board approved training and exposure in the area of tariff setting. Two teams comprising four staff each, led by the Executive Director and Deputy Executive Director, respectively journeyed to London to undertake a one-week training exercise conducted by utility consultants, Stone and Webster, during September and October, 2003. One team concentrated on issues pertaining to the electricity sector while the other focused on issues in the Water and Wastewater sectors. This training was necessary as none of the staff with the exception of the Executive Director had previous experience as a regulator. The new staff were lacking knowledge and expertise in critical areas. Following this exercise, it was decided that a series of internal training sessions would be conducted to share knowledge and experience with other professional staff.

Training was made available to other members of staff in a number of training courses and workshops offered locally. These areas included:

- Technical Report writing
- Workshop on Economic Instruments in Environmental Management
- Training in the Solomon Accounting Software
- Microsoft Security Seminar.

Finances of the RIC

The RIC'S funding is based on fees (Cess) levied on the service providers. Its budget must be approved by the line Minister who has to be satisfied that its expenditure is fair and reasonable.

Table II highlights the major areas of expenses for the period. A detailed breakdown is contained in the financial statements. The RIC's three main areas of expenditure are related to staff,

Human Resources / Administration

accommodation and external technical advice. As can be seen, there was significant savings achieved during 2003.

Table II – Major Areas of Expenditure, 2003

	2003	
	Budget (\$)	Actual (\$)
Personnel Expenditure	5,892,187	4,297,240
Accommodation	1,081,920	943,200
Consulting and Contracting	817,406	304,048
Training	500,000	451,729
Education, Promotion and Printing	525,000	86,579
Capital Expenditure and IT	400,000	155,794
Other Costs	525,797	1,105,213
TOTAL	9,742,310	7,343,803
CESS CARRIED FORWARD		* 3,109,206

* Actual expenditure for the financial year 2003 is presented on an accruals basis and includes Depreciation Expense. Cess carried forward, on the other hand, represented the excess of cash receipts over expenses for 2003.

Based on the Cabinet approved budget for 2003, the cess factor was 0.27% of the cumulative gross revenue of service providers and the cess was:

- Water and Sewerage Authority - \$1,057,492.00
- Trinidad and Tobago Electricity Commission - \$3,265,908.00
- Telecommunications Services of Trinidad & Tobago - \$3,154,903.00
- Power Generation Company of Trinidad & Tobago - \$1,470,351.00
- InnCogen - \$ 319,736.00

In 2003, Cabinet agreed on a formula that would limit the expenditure and the Cess factor to 0.4% of the cumulative gross revenue of companies under the jurisdiction of the RIC and that the formula be reviewed every three years. In essence, the RIC's budget can only be increased annually by the rate of inflation of the preceding year. This new format should result in a more

Human Resources / Administration

efficient approval process for the RIC's budget which has previously taken several months thus restricting the Commission's ability to undertake its work programme.

As a public entity, the RIC has a duty to account for all its activities. The best way to achieve this objective is to maintain full transparency in its operations. Pursuant to this objective, **Table III** sets out the compensation for the senior staff of the RIC.

Table III – Compensation for Senior Staff, 2003

Positions	Basic Salary \$	Gratuity %	Pension	Group Life Health Insurance	Allowance (Per Month) \$	Travelling (Per Month) \$	Motor Vehicle
Executive Director	22,880	20	Nil	Nil	2,500	3,000	Yes
Dep. Executive Director	18,720	20	Nil	Nil	2,000	2,000	No
Asst. Executive Director	14,560	20	Nil	Nil	Nil	1,500	No
Human Resources Manager	11,960	20	Nil	Nil	Nil	1,500	No
Information Technology Manager	13,520	20	Nil	Nil	Nil	1,000	No
Legal/Corporate Secretary	13,520	20	Nil	Nil	Nil	1,500	No
Chief Financial Officer	13,520	20	Nil	Nil	Nil	1,500	No
Corporate Communications Manager	13,520	20	Nil	Nil	Nil	1,500	No





*CORPORATE
RELATIONS*

CORPORATE RELATIONS

The year 2003 evidenced a continuing increase in the public profile of the RIC at the local, regional and international levels. The RIC commenced its programme of support and outreach activities geared to promoting the RIC's relationship with its internal and external stakeholders. The senior management and other staff appeared on several radio/TV programmes to sensitize the public on the role and functions of the RIC as well as dealing with specific issues of concern to the public.

The RIC is committed to improving communications, involving stakeholders and becoming more transparent about its work. In this regard, we will consult widely on our decisions, explain how we make our decisions and will keep stakeholders informed so that they can contribute to the process of decision-making. As indicated above, the consultation process commenced with the release of quality of service standards for the Electricity and Water Sectors.

The Deputy Executive Director represented the Organization of Caribbean Utility Regulators (OOCUR) at the 1st Annual Global Regulatory Network Conference held in Windhoek, Namibia over the period June 16-19, 2003. He also delivered a paper on **"Trinidad and Tobago's Experience with Service Standards for the Water and Electric Utilities"** at a symposium on Service Standards in Jamaica, October, 2003.

In September 2003, the RIC hosted the First Annual Conference of OOCUR at the Trinidad Hilton and Conference Centre over the period September 16-19, 2003. It was a very successful event, which attracted participants from regional and international regulatory agencies as well as local and regional utility companies. The RIC's staff also presented several papers during the course of the Conference.

Information Technology and Other Services

During the year, IT systems continued to operate with high availability and good response time. Constant vigilance over security and contingency planning will continue to be maintained. Our website will be adequately maintained and redesigned as appropriate. We also continued to pursue the aim of ensuring that our support services are both effective and cost-efficient.

*CONSUMER
SERVICES*

CONSUMER SERVICES

The Customer Services Department (CSD) continued to provide effective support for the Commission in pursuit of its overall mandate. The Department experienced an enhanced level of efficiency in treating effectively with consumer complaints. This resulted from the Department's ability to closely and accurately monitor all complaints received from consumers and to perform detailed analyses on case data. These results were achieved even though there were some staff changes, as one of the more experienced Customer Service Representatives resigned.

The CSD also played a primary role in the RIC's participation of the World Consumer Rights Day that was held in April 2003. The RIC printed its first two brochures, **"Information about the RIC and Consumers' Rights and Responsibilities"**. In addition, the CSD also played a significant role in the Willingness to Pay survey conducted in June 2003.

In an effort to ensure that complaints are given priority and attended to expeditiously, the Department among other things, formally monitors its own performance of the complaint management process against four standards. **Table IV** reveals that the Department performed creditably during 2003.

Table IV – Consumer Services Department's Performance, 2003

Target Area	Standard	Performance Rating
• Response to Written Complaints	95% Within ten (10) working days	99.8%
• Response to Telephone and E-mail Complaints	95% Within ten (10) working days	100%
• Response to Overnight Messaging	100% Within one (1) working day	100%
• Keeping Appointments	100% Within ten (10) minutes	100%

Consumer Services

The Department continued to perform some of the key roles in support of the RIC's functions as it serves as the focal point through which the RIC offers direct contact and assistance to consumers. On the issue of complaints, the Department received 929 complaints in 2003 compared to 569 in 2002, an increase of 63% (**Table V**). WASA accounted for 61% of all complaints (**Figure 1**). The overall resolution rate for 2003 was 80% of which 75% was resolved in favour of the customer as seen in **Figure 2**.

Regardless of the origin of complaints, the telephone contact continued to be the most frequently used mode (76% of all complaints) by which consumers brought their various complaints to the RIC. Twelve percent (12%) of complaints received were by letters, while visits accounted for ten percent (10%). Refer to **Figure 3**.

Figure 1 – Percentage of Complaints Received for 2003 by Service Provider

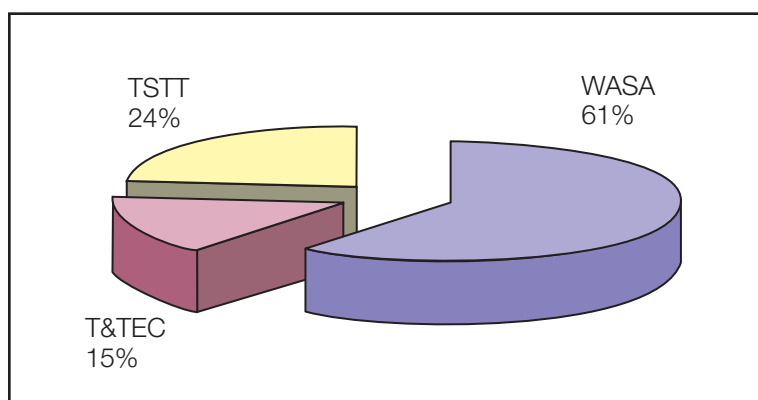


Table V – Status of Complaints Received for 2003

Status	Year			% Increase
	2001	2002	2003	
Number of complaints received	903	569	929	63%
Number of complaints resolved	790	514	742	44%
Number of complaints unresolved	113	55	187	240%
Resolution rate	87%	90%	80%	
Resolved in Favour Customer			698	75%
Resolved in Favour Utility			44	5%
Unresolved			187	20%

Consumer Services

Figure 2 – Status of Resolution of Complaints

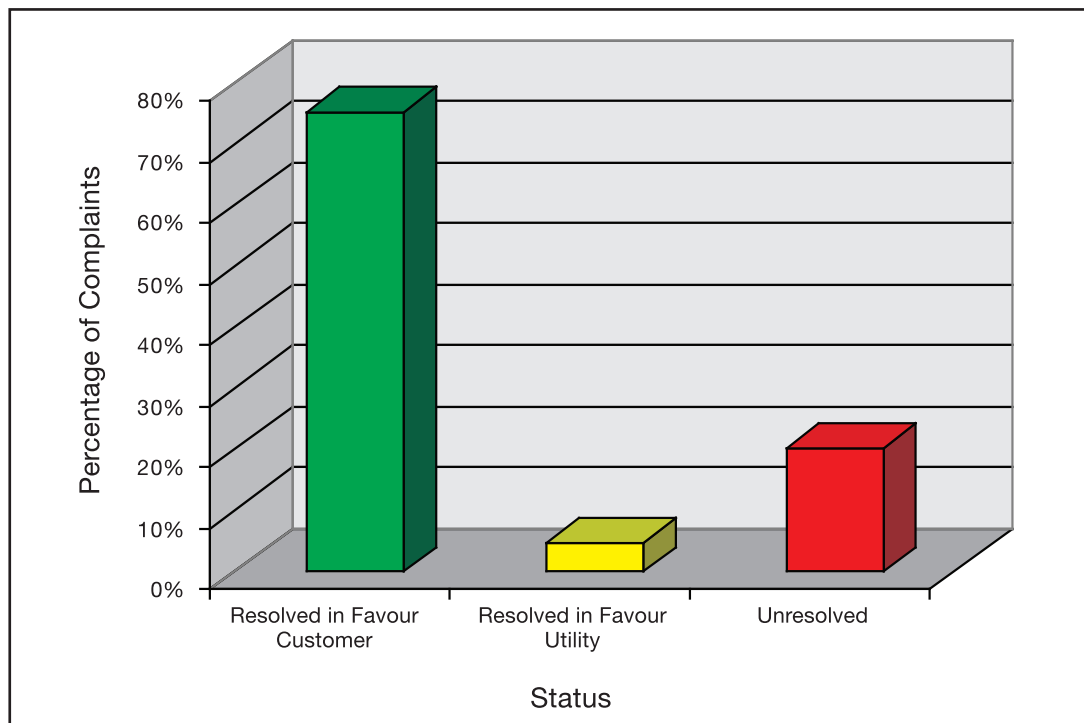
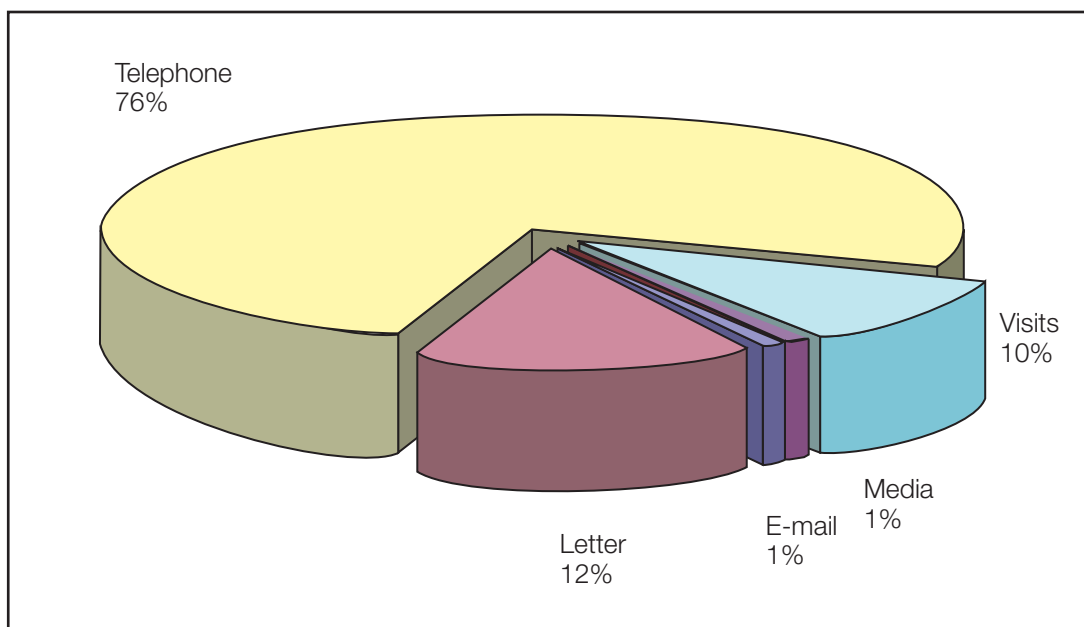


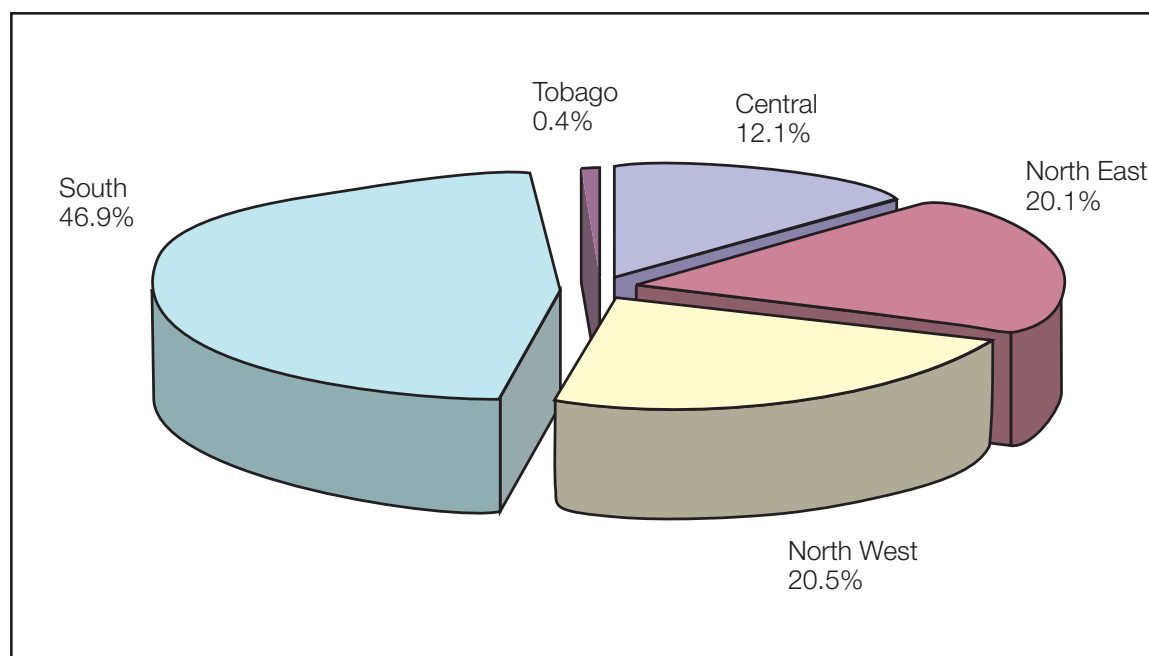
Figure 3 – Percentage Distribution of Complaints by Receiving Medium



As was the case in the previous year, a disaggregation of complaints by region revealed that the largest number of complaints was received from the South followed by the North West region, while Tobago evidenced the least number of complaints (Figure 4).

Consumer Services

Figure 4 – Percentage Distribution of Complaints by Region for 2003



In terms of the specific categories of complaints by consumers, the category recording the highest number of complaints was **“Inadequate Water Supply”**, which represented 40% of all complaints received in 2003. This was followed by the category **“Billing Query”**. However, **“Voltage Fluctuations/Damages”** had the highest percentage increase of 179% (Table VI).

Table VI – Distribution of Complaints Received by Category for 2003

Complaint Category	WASA		T&TEC		TSTT		Total	Total	% Increase
	2002	2003	2002	2003	2002	2003	2002	2003	
Billing Query	29	60	17	32	30	46	76	138	82%
Inadequate Supply	241	373	*	*	*	*	241	373	55%
Leaks	64	88	*	*	*	*	64	88	38%
Other	16	26	13	22	23	38	52	86	65%
Out of Service	*	*	*	*	64	118	64	118	84%
Power Outages	*	*	9	15	*	*	9	15	67%
Request for Service	2	7	10	15	10	21	22	43	95%
Road Restoration	10	10	*	*	*	*	10	10	0%
Street Lights / Poles	*	*	17	19	*	*	17	19	12%
Voltage Fluctuations / Damages	*	*	14	39	*	*	14	39	179%
	362	564	80	142	127	223	569	929	63%
* Not Applicable									

COMMISSIONERS FOR 2003



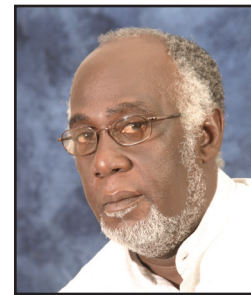
Dennis Pantin
Chairman



Dr Patrick Watson
Deputy Chairman



Ian Welch



Winston Rennie



Vashist Maharaj



**Sherina Hosien-
Mohammed**



Annette Mc Kenzie

MANAGEMENT 2003

The Commission is assisted in managing the day-to-day and strategic operations of the RIC by a team of professionals with extensive knowledge and experience in their respective fields. In 2003, members of the Management Team included:

Harjinder S. Atwal	Executive Director
Glenn A. Khan	Deputy Executive Director
Garvin Alexander	Assistant Executive Director, Technical Operations
Helen Peru	Human Resources Manager
Rita Persaud-Kong	Legal/Corporate Secretary
Martin Haynes	Information Technology Manager
Emily Pascal	Chief Financial Officer

The RIC remains committed to operational standards of a high quality, compliance and transparency.



FINANCIAL STATEMENTS

For Year Ended

DECEMBER 31, 2003

(Expressed in Trinidad and Tobago Dollars)



**REPUBLIC OF TRINIDAD AND TOBAGO
AUDITOR GENERAL'S DEPARTMENT**

CERTIFICATE AND REPORT

OF THE

AUDITOR GENERAL

ON THE ACCOUNTS OF

.....**THE REGULATED INDUSTRIES COMMISSION**.....

FOR THE YEAR ENDED

.....**2003 December 31**.....



REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF TRINIDAD AND TOBAGO ON THE FINANCIAL STATEMENTS OF THE REGULATED INDUSTRIES COMMISSION FOR THE YEAR ENDED 2003 DECEMBER 31

The accompanying Financial Statements of the Regulated Industries Commission for the year ended 2003 December 31 have been audited. The Statements as set out on pages one to seven (7) comprise a Balance Sheet as at 2003 December 31, an Income and Expenditure Statement and a Statement of Cash Flows for the year ended 2003 December 31 and Notes to the Financial Statements numbered 1 to 15.

2. These Financial Statements are the responsibility of the management of the Regulated Industries Commission. The Auditor General's responsibility is to audit these Financial Statements and to report thereon in accordance with section 116 (2) and (4) of the Constitution of the Republic of Trinidad and Tobago and section 34 (2) of the Regulated Industries Commission Act, 1998 (Act No. 26 of 1998).

3. The examination was conducted in accordance with generally accepted Auditing Standards. These Standards require that the audit be planned and performed in order to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

4. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of information in the Financial Statements. The Auditor General is of the view that the audit which was conducted provides a reasonable basis for the comments made at paragraphs 5 to 9 of this Report.

BALANCE SHEET

CURRENT ASSETS

Refundable Deposits - \$277,532.00

5. Included in the figure \$277,532.00 is an amount of \$122,832.00 representing a deposit of one month's rent made by the Commission in 2001 February to secure alternative office accommodation. The arrangement did not materialize. Note 6 to the Financial Statements refers.

CURRENT LIABILITIES

Accounts Payable – Due to Treasury - \$201,627.00

6. At the time of audit, the amount of \$201,627.00 representing unutilized Government Subvention of the former Public Utilities Commission was not remitted to the Treasury. It was seen where the Regulated Industries Commission had written to the Comptroller of Accounts seeking retention of the amount.



INCOME AND EXPENDITURE STATEMENT

EXPENSES

GOODS AND SERVICES

Consulting and Other Contracted Services

Salaries - \$3,003,977

Contract Gratuities- \$314,579.00

7. The expenditure for "Salaries" and "Contract Gratuities" reflects an increase in salary for contract employees of four percent (4%). Evidence that this increase was approved by the appropriate authority was not produced.

INTERNAL CONTROLS

8.1 At the time of audit, some weaknesses in the system of internal control were found in the area of authorization and approval controls. From the sample taken, some payment vouchers examined were not certified and dated by a senior officer. Also, there was no evidence of departmental check on any of the records examined.

Internal Audit

8.2 The Commission also operated without an internal audit function for the period under review.

OPINION

9. Subject to the comments at paragraphs 5 to 8 above the Financial Statements as outlined at paragraph one above are in agreement with the records of the Regulated Industries Commission and present fairly, in all material respects, the state of affairs of the Commission as at 2003 December 31 and the results of its operations and its cash flows for the year ended 2003 December 31 in accordance with generally accepted accounting principles.

SUBMISSION OF REPORT

10. This Report is being submitted to the Speaker of the House of Representatives, the President of the Senate and the Minister of Finance in accordance with the requirements of sections 116 and 119 of the Constitution of the Republic of Trinidad and Tobago.

2005 September 20



Joelyn Thompson
JOCELYN THOMPSON
AUDITOR GENERAL

Reports of Auditor General

REGULATED INDUSTRIES COMMISSION

Balance Sheet as at December 31, 2003

	Notes			
		2003	2002	
		\$	\$	\$
<u>Fixed Assets</u>	3 & 4	1,926,049		2,239,735
<u>Current Assets</u>				
Prepayments	10	137,634	177,302	
Cash in Hand		20	20	
Cash in Bank - Current Account		-	1,603,950	
Cash in Bank - Investment Account		9,418,692	4,291,372	
Accounts Receivable	5	2,373	336,129	
Refundable Deposits	6	277,532	277,532	
VAT Recoverable	7 & 8	129,112	149,419	
		9,965,363	6,835,724	
<u>Current Liabilities</u>				
Cash in Bank - Current Account		196,077	-	
Accounts Payable	11	65,579	58,837	
Accounts Payable - Payroll		42	78,341	
Payments Received on Account	9	100	100	
Accounts Payable - Due to Treasury		201,627	201,627	
		463,425	338,904	
Net Current Assets		9,501,938		6,496,819
		11,427,987	8,736,554	
Represented By:				
<u>Capital Account</u>				
Accumulated Fund - Government Grants	13	7,205		8,254
Retained Earnings		8,728,301	6,133,258	
Retained Earnings - Depreciation on PUC Assets	14	1,049		
Retained Earnings - Fixed Asset Adjustments		-	4,911	
Excess of Income over Expenditure		2,691,432	2,590,132	
Accumulated Fund		11,420,782	8,728,300	
		11,427,987	8,736,554	


 CHAIRMAN




 EXECUTIVE DIRECTOR

REGULATED INDUSTRIES COMMISSION**Income and Expenditure Statement for the Year Ended December 31, 2003**

	Notes	2003 \$	2002 \$
<u>INCOME</u>			
Subventions		280,000	1,029,980
Cess		9,268,390	7,144,000
Other Income	12	305,018	48,984
		<u>9,853,408</u>	<u>8,222,964</u>
<u>EXPENSES</u>			
Personnel Expenditure			
Remuneration to Board Members		248,917	225,157
Government Contribution to NIS		58,614	40,240
Allowances		66,055	114,863
Incremental Arrears		269,595	-
Health Insurance		26,018	-
Life Insurance		17,077	-
Pension Contributions		20,020	-
Goods and Services			
Consulting and Other Contracted Services			
Salaries		3,003,977	1,908,627
Contract Gratuities		314,579	201,053
Security and Janitorial Services		155,958	125,213
Professional Service Fees		127,021	185,134
Contracted Services		11,397	-
Travelling		272,388	162,663
Telephones		178,334	138,883
Rent		943,200	862,400
Office Supplies		88,024	104,101
Books and Periodicals		25,327	19,500
Repairs and Maintenance		30,409	9,113
Repairs and Maintenance - Motor Vehicle		11,795	20,345
Refurbishment Cost		500	603,917
Audit Fees		17,696	31,100
Training		451,729	181,706
Insurance		16,275	22,162
Miscellaneous Expenses		12,372	9,371
Advertising & Promotions		86,579	42,881
Mail & Postage		1,429	748
Depreciation		468,081	440,243
Depreciation Adjustment		-	182,246
Bank Charges		1,993	1,166
Retreat Expenses		50,224	-
Willingness To Pay Survey		110,907	-
OOCUR Expenses		75,486	-
		<u>7,161,976</u>	<u>5,632,832</u>
TOTAL EXPENSES			
EXCESS OF INCOME OVER EXPENDITURE		2,691,432	2,590,133

REGULATED INDUSTRIES COMMISSION**Statement of Cash Flows for the Year Ended December 31, 2003**

	2003	2002
	\$	\$
Cash flows from operating activities:		
Net income	2,691,432	2,590,133
Adjustments to reconcile net income to		
Net cash provided by operating activities:		
Depreciation and Amortisation	468,081	440,243
Depreciation Adjustments	-	182,246
Operating profit before working capital changes	<u>3,159,513</u>	<u>3,212,622</u>
Decrease/(Increase) in accounts receivable	333,756	1,613,013
Decrease/(Increase) in refundable deposits	-	77,350
Decrease/(Increase) in VAT recoverable	20,307	56,786
Decrease/(Increase) in prepaid expenses	39,668	739,486
Increase/(Decrease) in sundry creditors	(71,557)	66,920
Net cash provided by operating activities	<u>3,481,687</u>	<u>5,766,177</u>
Cash flows from investing activities:		
Acquisition of fixed assets	(154,394)	(2,287,735)
Net cash used in investing activities	<u>(154,394)</u>	<u>(2,287,735)</u>
Cash flows from financing activities:		
Net cash flow from financing activities	<u>-</u>	<u>-</u>
Prior Year Adjustment	-	21,689
Net increase in cash and cash equivalents	3,327,293	3,500,131
Cash and cash equivalents at beginning of year	5,895,342	2,395,213
Cash and cash equivalents at end of year	<u>9,222,635</u>	<u>5,895,343</u>
Represented by:		
Cash In Hand	20	20
Cash in Bank - Current Account	(196,077)	1,603,950
Cash In Bank - Investment Account	9,418,692	4,291,372
	<u>9,222,636</u>	<u>5,895,342</u>

REGULATED INDUSTRIES COMMISSION

Notes to the Financial Statements for the Year Ended December 31, 2003

1. Incorporation and Principal Activity of the Commission

The Regulated Industries Commission (RIC) was established by Act No. 26 of 1998, of the Laws of the Republic of Trinidad and Tobago.

The purpose of the Commission is to “regulate the activities of utility service providers through a system of licensing”.

The Commission is funded by CESS Income which is obtained from utility service providers and calculated based upon their income.

2. Accounting Policies

a) Basis of Preparation of Financial Statements

These financial statements are prepared in accordance with generally accepted accounting principles and the historic cost convention.

b) Reporting Currency

These financial statements are expressed in Trinidad and Tobago dollars.

c) Funding

Section 29 of the RIC Act stipulates the sources of funding of the Commission

d) Fixed Assets

Assets are capitalised and depreciated from the date of acquisition.

Rates of depreciation applied to the Financial Statements for the Year Ended December 31st 2003 are as follows:

Motor Vehicles -	25% p.a reducing balance
Computers -	25% p.a reducing balance
Office Furniture -	12.5% p.a reducing balance
Office Equipment -	12.5% p.a. reducing balance

These rates of depreciation are consistent with the Commission’s Accounting Procedures Manual.

REGULATED INDUSTRIES COMMISSION

Notes to the Financial Statements for the Year Ended December 31, 2003 (cont'd)

3. Fixed Assets

	Motor Vehicles	Computers & Office Equipment	Office Furniture	Assets from PUC	TOTAL
	\$	\$	\$		\$
Cost as at Dec 31, 2002	404,558	1,549,688	920,224	47,857	2,922,328
Additions	-	90,767	63,627	-	154,394
Disposals	-	-	-	-	0
Cost as at December 31, 2003	404,558	1,640,455	983,851	47,857	3,076,721
Accumulated Depreciation as at Dec 31, 2002	114,961	414,955	113,073	39,603	682,592
Add: Charge for the year	72,399	287,232	107,400	1,049	468,080
Less Accumulated Depreciation on Disposal	-	-	-	-	-
Accumulated Depreciation as at December 31, 2003	187,360	702,187	220,473	40,652	1,150,672
Net Book Value as at Dec 31, 2003	217,197	938,268	763,378	7,205	1,926,049
Net Book Value as at Dec 31, 2002	289,597	1,134,733	807,152	8,254	2,239,735

4. Capitalisation Policy

The commission has adopted the policy of expensing assets that fall below the cost of \$ 1,000.00, even though that asset may have a useful life in excess of one (1) accounting period.

5. Accounts Receivable

	2003	2002
	\$	\$
Cess receivable from InnCogen Limited	-	333,756
Cess receivable from Water & Sewerage Authority	33	33
Overpayment of Commissioner's Fee	2,340	2,340
	<u>2,373</u>	<u>336,129</u>

REGULATED INDUSTRIES COMMISSION**Notes to the Financial Statements for the Year Ended December 31, 2003 (cont'd)**

6. Refundable Deposits	2003	2002
	\$	\$
Refundable Deposit with Unit Trust Corporation	122,832	122,832
Deposit of two (2) months rent with Furness Trinidad Ltd.	154,700	154,700
	<u>277,532</u>	<u>277,532</u>

7. Tax Exempt Status

By virtue of the Regulated Industries Act 1998, Section 31, the Commission is exempt from all stamp duty, customs duties, levies and other imposts on its income or profit or on assets which it acquires for its own use.

8. VAT Recoverable

This represent refunds due to the Commission, in keeping with its tax exempt status, from VAT paid on consumption of goods and services

9. Payments Received on Account

Overpayment of cess by The Power Generation Company of Trinidad and Tobago

10. Prepayment	2003	2002
	\$	\$
Rent	94,088	172,488
Insurance Premiums	30,938	4,814
Repairs and Maintenance	10,667	-
Security and Janitorial	1,440	-
Contracted Services	500	-
	<u>137,634</u>	<u>177,302</u>

REGULATED INDUSTRIES COMMISSION**Notes to the Financial Statements for the Year Ended December 31, 2003 (cont'd)**

	2003	2002
	\$	\$
11. Accounts Payable		
Audit Fees	49,000	34,000
Telephones	6,256	5,621
Office Stationery and Supplies	484	484
Security and Janitorial	-	8,892
Miscellaneous Expenses	981	981
Books and Periodicals	6,875	6,875
Commissioner's Fee	1,983	1,983
	<u>65,579</u>	<u>58,836</u>
12. Other Income		
Interest from Investment	304,614	33,632
Inter American Development Bank Funding	-	15,352
Training Room Rental	404	-
	<u>305,018</u>	<u>48,984</u>

The Commission has adopted a policy of recognizing interest from investment in the financial period in which the interest was received

13. Accumulated Fund - Government Grants

This represents the balance in the Government Grants Account with respect to assets taken over from the former Public Utilities Commission (PUC).

14. Retained Earnings - Depreciation on PUC Assets

An amount equivalent to the depreciation charge on assets taken over from the Public Utilities Commission (PUC) was transferred over the Reserves from Accumulated Fund - Government Grants to Retained Earnings. This measure, in effect, reimbursed the RIC for the depreciation expense incurred on behalf of the PUC.

15. Cash in Bank - Current Account

The balance of \$196,077 represents a transitory, negative balance on the Commission's current account as at December 31, 2003. The RIC does not have an overdraft facility. The situation has been regularised.

Notes

Notes