

Improving Transparency and Accountability in the Electricity and Water Sectors

February
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This document discusses the need for transparency and accountability in the utility sectors and presents the RIC's proposals for ensuring the utility service providers become more transparent in their operations and therefore, more accountable to stakeholders and the public.

Consultative
Document

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1.0 INTRODUCTION

The Regulated Industries Commission (RIC) is the economic regulator for the electricity, water and wastewater sectors in Trinidad and Tobago and has regulatory oversight over the service providers under its remit. The RIC therefore, seeks to shape the regulatory regime to facilitate the transformation of these service providers into model utilities, by promoting good governance and ensuring that there is an adequate level of transparency and accountability.

Transparency can be generally considered as the timely release of information by institutions (public or private) that allows for examination of these institutions. It is facilitated by the timely provision of financial, operational, social and political information which is accessible by relevant stakeholders. The main benefit of transparency can be considered to be the minimization of information asymmetries¹, as these undermine sound decision making. Some have argued that the actual information is not as important as the degree of openness that is associated with transparency, that is, the fact that the information is potentially discoverable, dissuades public officials from engaging in illegal or corrupt behavior².

Accountability is about ensuring that actions taken by persons with responsibility for decision making within an institution, are subject to oversight. Effective accountability involves two distinct stages; answerability and enforcement. Answerability is specific to creating an obligation (often legal) for institutions to provide information on its internal decisions to the public and to oversight bodies. Enforcement allows the oversight body³ to apply sanctions to the offending institution and/or remedy the contravening behavior.

Accountability and transparency are closely connected. The overarching view is that transparency provides the information about the process of internal decision-making and outcomes of those decisions within an institution, in order for those in authority to promote accountability and consequently, to be held accountable. This document presents a suite of tools that the RIC proposes to implement to improve transparency, accountability and access to information from the service providers during the relevant price control periods.

¹ Information asymmetries refers to the situation where all parties do not have all the relevant information.

² Williams, A. (2014), A Global Index of Information Transparency and Accountability.

³ “Oversight body” may actually refer to one or more entities that are responsible for accountability across different aspects of the institution’s operations.

1.1 Purpose of this Document

This paper discusses the need for transparency and accountability in the utility sectors and presents the RIC's proposals for ensuring that service providers, become more transparent in their operations and ultimately, more accountable to their stakeholders and the public.

1.2 Structure of this Document

Section 2 of this document presents the legislative framework that underpins the RIC's duty to improve transparency and accountability in the electricity, water and wastewater sectors. Section 3 emphasizes the importance of transparency, accountability and participation for good governance and good regulation. The specific proposals through which service providers can improve their transparency and accountability are outlined in section 4. Other measures and considerations for institutional and Government arrangements are presented in Section 5.

1.3 Responding to this document

In keeping with the RIC's obligation to consult, stakeholders are invited to comment on this document. All persons wishing to comment are invited to submit their comments. Responses should be sent by post, fax or e-mail to:

Executive Director
Regulated Industries Commission
#37 Wrightson Road
Port-of-Spain, Trinidad

Postal Address: P.O. Box 1001, Port-of-Spain, Trinidad

Tel. : 1(868) 625-5384; 627-7820; 627-0821; 627-0503
Fax : 1(868) 624-2027
Email : ricconsultation@ric.org.tt
Website : www.ric.org.tt

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. **The deadline for submission of comments is 4:00pm on March 5, 2021.**

2.0 LEGISLATIVE FRAMEWORK

The RIC has incorporated into its regulatory framework, various standards and performance targets that are designed to ensure an economical and reliable service for customers, and will also promote continuous improvements in the operational efficiency of service providers. Additionally, in accordance with Sections 56 to 59 of the RIC Act, the RIC can determine the specific requirements for information (in the time, manner and form) that will be necessary to facilitate continuous assessment of the operations and performance of the service providers. The RIC expects that in conforming with these sections, the service providers will supply the required information. The effective and timely provision of pertinent information together with meaningful consultation will further the interests of customers, promote the efficient and economic operation of service providers and encourage timely investments in network facilities.

Currently, the RIC's remit extends to four (4) service providers that are listed under the First Schedule of the RIC Act. Two of these service providers (WASA and T&TEC) provide utility services directly to end-use customers while the other two (Powergen and Trinity Power) are generators that sell electricity directly to T&TEC. At this time, the latter two service providers operate under well-defined Power Purchase Arrangements (PPAs) with certain built-in confidentiality clauses. The RIC fully understands the importance of these PPAs and the context within which they were negotiated, however, the RIC will continue to pursue its legal mandate to ensure stakeholders and the public are provided with information on the operations of all service providers within the electricity, water and wastewater sectors.

3.0 TRANSPARENCY AND ACCOUNTABILITY

Transparency and accountability are key elements of any good governance structure. It is generally accepted that greater transparency in public affairs is preferred as compared to little or no transparency. Against this background, transparency can conceptually be viewed as having an informational component (value of the information itself) as well as a constraining mechanism component (the extent to which public officials are held accountable). The information component of transparency deals with the quantity and quality of information that is available to the public and includes the processes that facilitate the provision of that information. The constraining mechanism is intended to increase the opportunity cost to public officials of engaging in any corrupt, unethical behaviour or illegal transaction, through reputational risk from exposure. Included under this sub-grouping is fiscal transparency, where public officials are required to account for their management of public resources and enables the public to hold these officials accountable for their actions.

In the context of service providers, ensuring that adequate information is available on which the performance of the utility can be assessed, increases transparency. Performance assessment can be used to determine whether the service provider has achieved set targets, whether it has utilized its resources efficiently, and it may also generally indicate how effective its management strategies/systems have been. In the case of state-owned monopolies, such as T&TEC and WASA, where the lack of competition provides little or no impetus for improved performance, the regulator must insist on high levels of transparency and accountability.

Improving access to information by the public is another key benefit of transparency, as it allows for participation and inclusion of stakeholders. Additionally, providing public access to such items as utility performance reports, also serves to increase the level of transparency and accountability of the utility and its management to ratepayers, with the expectation of receiving high quality utility services.

Accountability can be conceptually approached in terms of the type of accountability exercised and the person, group or institution that the utility answers to. Horizontal accountability in the utility sector involve government institutions having the responsibility for examining and

investigating the utility's operations and finances. For instance, through the use of public hearings and committee investigations, utilities are brought before special Committees of Parliament to answer questions on their decision making, which is broadcast for public information⁴.

Alternatively, vertical accountability is the means through which the public can enforce standards of good performance on senior officials of the utilities. There are entities established by law⁵ which provide an avenue for members of the public to obtain redress where they believe they have suffered injustice from officials of state entities. These entities may be able to investigate and advise the state agencies on its recommendations aimed at the resolution of matters on behalf of the public.

Vertical accountability is also closely associated with social accountability, where ordinary members of the public and civil society participate directly or indirectly in exacting accountability. For instance, some entities are required to hold at least one Board meeting per year in the public⁶, that is, officials of these entities engage directly with citizens, explaining their plans and initiatives, fielding questions from the public and providing responses to same.

3.1 The RIC's Experience with Transparency and Accountability

The RIC holds that transparency and accountability are hallmarks of good regulation and values the importance of stakeholder participation as an essential component of good quality governance. In 2008, the RIC ranked first place overall amongst nineteen (19) regulatory agencies across the Latin America and Caribbean region, on the Electricity Regulatory

⁴ Members of Parliament are required to sit on Joint Select Committees and Public Accounts Committees. These Committees mandate the provision of information from the state agencies for review. Senior officials of these agencies are then called to meetings where an examination of the operational and financial aspects of state agencies is performed, and explanations and justifications for certain observations are required.

⁵ These secondary autonomous bodies are usually designed to be independent in terms of their decision making, however, they may have administrative oversight by a government Ministry or report directly to the Parliament.

⁶ City Corporations, Borough Corporations, Regional Health Authorities are some government entities in Trinidad and Tobago that are required to hold at least one public Board meeting per year.

Governance Index (ERGI)⁷. This overall ERGI Index comprised four main indices namely Autonomy, Transparency, Accountability and Tools. It is noteworthy that the RIC ranked first in the Transparency and Accountability indices, amongst all the regulators considered. The RIC continues to adhere to these principles in the development and implementation of its regulatory measures.

As principles of best practice utility regulation, the RIC embraces transparency and accountability in the performance of its own functions. In fact, appreciating the significance of transparent approaches, the RIC leads by example by creating self-imposed guidelines similar to the requirements being suggested for service providers. In particular, the RIC ensures that the same principles prevail in-house by undertaking the following activities:

- publishing financial information on its expenditure, inclusive of salaries in its annual report;
- establishing key performance indicators and setting targets to improve its effectiveness;
- benchmarking its methodologies and approaches against those of regulatory bodies in other jurisdictions;
- maintaining and updating its website and social media pages to provide information to the public including utility performance reports, utility quality of service reports, announcement of outreach activities and provision of information on customer complaints resolution;
- engaging stakeholders through early and open consultations which outline clearly defined decision-making processes and for which rationales/detailed explanations for proposed interventions are provided.

For example, the RIC in keeping with the core tenets of transparency, has been notifying its stakeholders and members of the public of its technical papers⁸ using print media, electronic mail and social media platforms⁹.

⁷ Andres,L., Gausch, J, Azumendi, S. (2008), Regulatory Governance and Sector Performance: Methodology and Evaluation for Electricity Distribution in Latin America. Policy Research Working Paper Series 4494, World Bank.

⁸ These Technical papers form part of the 2021-2026 Price Review and are published as Consultative documents. These documents provide vital information on various aspects of the RIC's overall framework and approach to the

4.0 TOOLS TO FOSTER TRANSPARENCY AND ACCOUNTABILITY

A lack of accountability and transparency is a symptom of poor governance structure and weak management systems, which ultimately encourages corrupt practices. In fact, research has shown that reforms to strengthen customer rights, enhance stakeholder participation and increasing transparency can significantly improve organizational performance and reduce corruption¹⁰. There is a series of measures available to promote accountability and transparency, which the RIC must take into consideration, as the economic regulator of the utility sectors.

The tools that follow can be used to create and maintain a culture of transparency and accountability for the service providers. These mechanisms are likely to be the most productive way for them to gain credibility and trust and consequently improve support from stakeholders. They are broadly classified under the following headings:

- Consultation
- Information Disclosure and Service Provider Performance
- Openness – Making service providers answerable to consumers
- Ethics and Integrity – New Business Protocols
- Promoting Assessment and Monitoring

4.1 Consultation

Stakeholder participation can ensure that varying viewpoints are articulated and incorporated. This can provide a sense of ownership and stewardship over the process and resulting decisions. However, service providers must ensure that they adopt best practice in both communication and consultation and develop a “consultation code”. The RIC sees consultation as a process which provides for, and encourages, genuine two-way, constructive dialogue. The RIC accepts that effective consultation will not always lead to agreement. However, the RIC believes that the likelihood of enduring disagreement should be significantly reduced if there is clarity about the

Price Reviews and solicits feedback from the public. The RIC takes into consideration this feedback in its Draft Determination.

⁹ The RIC also publishes annual reports on the performance of T&TEC with respect to quality of service under the Guaranteed Standards Scheme and the Performance Monitoring Framework.

¹⁰ Rose Ackerman, Susan (2014), The Challenge of Poor Governance and Corruption.

nature and purpose of consultation and the need for adequate and timely information provision. Consultation must be demonstrably effective. Genuine consultation should improve the quality of decision-making¹¹.

Consequently, the RIC proposes that:

- **Service providers must develop a consultation code inclusive of an obligation to consult with the public on plans/proposals to undertake any significant activity in the exercise of their core functions.**
- **Among the topics for public consultation, service providers must ensure that those affected by their major infrastructure and large construction projects are fully consulted and informed about these activities. The factors to be considered in determining whether to consult include the number of customers affected, the geographic area impacted, and cost thresholds for infrastructural works are to be developed as part of the consultation code.**

4.2 Information Disclosure as a means of improving Service Provider Performance

The RIC believes that information disclosure by service providers is an important step forward in effective sector regulation. Increased access to information enables customers to scrutinize the service provider's work and, therefore, pressure can be exerted to encourage the service provider to be more accountable and perform better. More specifically, information should be provided to enable the public to evaluate future projects/infrastructural developments of the service providers. It is important that information is provided so that customers can evaluate the success with which projects/developments have been implemented. The timely provision of information is essential to enable stakeholders to make informed judgments. Finally, it is important that the information is easy to understand and relevant to the needs of the stakeholders.

¹¹ The RIC published its Guidelines for the Public Consultation Process – Final Decision in January 2018. Also, as part of the 2021-2026 Price Reviews, the RIC published its Stakeholder Involvement in Regulatory Decision-making document in January 2021.

The media has a key role to play in terms of public information/education by highlighting the service providers' performance. The Freedom of Information (FOI) Act provides another avenue for information access, whereby members of the public have the right to official information and which enables customers to scrutinize service providers' performance. Non-Governmental Organizations (NGOs) can play a useful role in helping customers to benefit from this FOI legislation by raising pertinent issues and seeking relevant information from service providers.

The RIC has a number of strategies to enhance information disclosure by the service providers, to the public. The RIC will require the service providers to ensure their respective websites become a useful communication channel and information resource for their customers and stakeholders. However, public communications should be characterized by objective and unbiased information. In particular, selective communications should not be used and information should be made available regardless of whether it is perceived to be "damaging" to service providers or not.

Consequently, the RIC proposes that:

- **Service providers must use their websites to promote openness and facilitate public knowledge about, and participation in, their core activities by:**
 - **making information and documentation available on their website;**
 - **putting a more human face to the website, including contact details for key personnel (e.g. e-mail, telephone);**
 - **making the website more interactive, especially in relation to e-mail queries, outlining how queries are responded to (feedback function); and**
 - **including a prominent section dealing with the utility's planning and development activities (on-going and completed), which must be periodically updated (annually).**

Service providers will be required to provide regular information on budgets, expenditure and performance. Even though long and/or complex reports are unlikely to be read by the majority of

consumers, simple summaries can be provided with utility bills or through digital platforms such as individual customer web portals. This information can also be more widely distributed to stakeholders, including NGOs and the media.

In this regard, the RIC proposes that:

- **the service providers must produce quarterly revenue and expenditure statements in accordance with the regulatory accounting guidelines established by the RIC;**
- **the service providers must make these reports and accounts widely accessible on their websites and to the media; and**
- **the service providers must provide information on key performance indicators (as determined by the RIC), the number of complaints and their effectiveness in dealing with those complaints. This should be provided with bills, at least twice per year.**

Participatory budgeting is an innovative financing mechanism that gives customers an avenue to express their views on how funds are spent for capital projects. Involving customers in the setting of investment priorities for capital works would help ensure that monies are spent more wisely. Moreover, involving customers in this process will facilitate customers' understanding of the link between utility rates, investment in utility infrastructure and improvement in quality of service.

Consequently, the RIC proposes that:

- **Service providers must demonstrate that in the future, their Business Plans for the purposes of Price Reviews have been discussed with their customers and that due regard has been given to the views that customers expressed during the consultation process.**

4.3 Openness - Pathway to Two-Way Feedback

Public utilities are accountable to those who use and pay for the services they provide and to the general public. Currently, the ability of customers to hold service providers accountable is deficient. Holding annual public meetings by Boards can become a major event demonstrating service providers' commitment to openness, accountability and transparency and to solicit the

views of customers. These meetings would ensure a better flow of information from service providers to customers, and would enable follow-up and public scrutiny of actions taken by service providers. These meetings can also be used to collect qualitative feedback about customer service, education programmes, policies and procedures, as well as customers' general perceptions about service providers. NGOs can play a critical role at these meetings by institutionalizing and becoming a "public oversight" body on behalf of customers.

In this regard, the RIC proposes that:

- **The Board of Directors/Commissioners of service providers should hold one (1) formal Annual Public Meeting in a public place and should make arrangements for consultation and deputation of individuals (where required) to question the Board and the Chief Executive Officer/General Manager.**

A key area of concern to the public is the issue of procurement as the limited amount of information in the public domain regarding procurement of goods and services by state-owned utilities, makes it difficult for stakeholders to assess whether the utilities' procurement practices were above board in the granting of contracts. This lack of information also makes it difficult for private sector to compete for such contracts. It has been recognized that a higher level of disclosure and participation by stakeholders with respect to public procurement, can manifest in better value for money for state-owned utilities and an overall higher quality of goods and service delivery in the public interest. There is much to be gained and little to be lost by making all final contracts public. **Consequently, the RIC proposes that:**

- **The service providers must provide information on their website on their procurement procedures, policies and practices in accordance with the Office of Procurement Regulation and the Public Procurement and Disposal of Public Property Act (2015).¹² This would allow customers access to service providers' procurement processes that are underway, completed, or pending approval,**

¹² The Office of Procurement Regulation is an independent regulatory body established pursuant to an Act of Parliament, namely the Public Procurement and Disposal of Public Property Act, 2015. The Act aims to provide for public procurement, and for the retention and disposal of public property in accordance with the principles of good governance, namely accountability, integrity, transparency, and value for money and to promote local industry development, sustainable procurement and sustainable development.

including information such as requirements for submitting bids, important dates, and the amounts bid by tenderers.

- Service providers will be required to disclose the identity of all their contractors, the value of the contracts and the main evaluation criteria used in selecting successful bidders¹³. In the interest of transparency and openness, this information should be made available on their websites.

4.4 Ethics and Integrity – New Business Protocols

Self-regulation to eliminate corruption in the procurement process of service providers must be promoted by developing procedures to ensure transparent and fair procurement, employing indicators to monitor compliance and establishing sanctions and ethics committees to take action against transgressors. These initiatives can promote cultural change within the sectors by encouraging better business ethics. Two specific measures¹⁴ that can be implemented to help safeguard public procurement from corruption are integrity pacts and social witness.

An **integrity pact** is a binding agreement between the agency seeking to procure goods and/or services (i.e. utility service provider) and bidders for specific contracts¹⁵. The parties agree to a code of conduct clearly rejecting the use of bribes and other unethical behavior. The essential elements of the pact include:

- a statement by each bidder that it has not paid, and will not pay, any bribes;
- an undertaking by bidders to disclose all payments made in connection with the contract in question at the time of tender submission; and

¹³Open Contracting Partnership (2013), Open Contracting: A New Frontier in Transparency and Accountability, World Bank. *“An organ of the state is bound by constitutional obligation to conduct its operations transparently and accountably. Once it enters into a commercial contract of a public character...the imperative of transparency and accountability entitles the members of public, in whose interest the organ of the state operates, to know what expenditure such an agreement entails”* - The Supreme Court of South Africa, Transnet Ltd vs SA Metal Machinery Co (Pty) Ltd 2006.

¹⁴ These concepts have been advocated by Transparency International. Integrity Pacts were introduced in the 1990s and now exist in many countries with varying degrees of commonality and comparability.

¹⁵ Basel Institute on Governance (2015), Transparency International’s Integrity Pacts for Public Procurement.

- an undertaking by the procurement agency that its officials will not demand or accept any bribes, gifts or other favours, with appropriate disciplinary or criminal sanctions in case of violation.

The **social witness** is a representative of civil society who acts as an external observer in the procurement process. This innovative practice has been used in some countries¹⁶ to promote transparency, reduce the risk of corruption, and improve overall efficiency of procurement. The social witness is a highly honourable, recognized and trusted public figure who is independent of parties involved in the process. The social witness makes recommendations during and after the procurement process, provides public testimony, and has the right to full access to information during critical stages of the procurement process, especially:

- checking the basis of the bid and the bidding notice;
- witnessing the opening of technical and financial proposals;
- observing all the sessions that are held with bidders;
- observing the session where the successful bidder is announced;
- monitoring of works before they are signed off and last payment made; and
- certifying that the bidding process was fair.

In this regard, the RIC would encourage the introduction of integrity pacts, to be implemented to help safeguard public procurement from corruption. The use of the social witness by the service provider may also be considered in the future.

Establishing and adhering to decision-process rules (a self-imposed code of conduct) is one way of ensuring maximum transparency. Codes of conduct can also help to create a shared culture of transparency, where people inside and outside an organization know what is expected of them. This document should provide a general framework for a code of good conduct with clear definitions, overall ethical principles and a guide for conducting internal activities and relations

¹⁶ In Mexico, since 2004, the Federal Government requires the involvement of “social witnesses” in public bidding for goods or services, above a certain threshold value. NGOs or individuals may be selected as social witnesses.

with external parties. In particular, the document should focus on a number of typical transparency and integrity issues, including:

- conflicts of interest;
- abuse of position (in particular at managerial levels) for economic or personal (e.g. unfair hiring of family or friends) ends; and
- acceptance of gifts and preferential treatment.

In this regard, the RIC proposes that:

- **Service providers develop a general anti-corruption policy, produce their own codes of conduct, and publish these documents on their websites.**
- **Service providers be required to have records and procedures in place by which they can demonstrate that their procurement and hiring practices occur at arms-length.**
- **Service providers must establish an ethics and sanctions committee to investigate and take appropriate action against transgressors.**

4.5 Promoting Self - Assessment and Monitoring

Promoting assessment and monitoring is a valuable tool for increasing public awareness regarding the service providers' obligations with respect to acceptable levels of service it must provide to customers. The RIC has already established Standards of Service¹⁷ and Codes of Practice¹⁸ which the service provider is required to adhere to, as minimum requirements. Therefore, apart from publishing documents and reports, service providers must collect and publish data on the public perception of their services. This will help improve communication between service providers and their customers.

¹⁷ The Quality of Service Standards Scheme for T&TEC has been in effect since 2004, revised in 2009 and further revised in 2017. The RIC is awaiting publication of the revised QSS for T&TEC Order in the Gazette. The Quality of Service Standards Scheme for WASA was consulted upon in 2017, additional discussions were held with WASA on the QSS in 2019 and the RIC's Final Decision was published in December 2020. The QSS for WASA Order is being prepared and will be submitted shortly for publication in the Gazette.

¹⁸ The Codes of Practice for T&TEC were published in 2010 and revised in 2018. The period of consultation was completed and updates made. The revised Codes for T&TEC – Final Decision was published in October 2020.

Consequently, the RIC proposes that:

- **Service providers must disclose information about how many complaints they receive and resolve annually, publish data on their performance with respect to quality of service and their operations.**
- **Service providers must collect more systematic data on public viewpoints through their customer service centres to better understand the experience of those who have had cause to complain and to ascertain how their concerns were dealt with.**
- **Service providers must publish on their websites¹⁹ their performance against all customer service targets and produce a half-yearly overview report for the public with commentary on where and why this performance has not met the targets. Reports on these findings should be submitted to the RIC on an annual basis.**
- **Service providers should utilize independent researchers approved by the RIC to undertake more generalized surveys regarding customers' experience with utility services, before the end of the regulatory control period or at least every five years. The results of this survey must be included in their Business Plan submission for the next regulatory control period. Joint surveys (both service providers) should be considered to minimize cost.**
- **Service providers must provide updates on performance for key performance indicators with utility bills or digitally. These updates must be provided at least twice per year.**

¹⁹ These reports can also be shared on social media.

5.0 OTHER MEASURES - INSTITUTIONAL AND GOVERNANCE ARRANGEMENTS

The RIC is of the firm view that its proposals for the improvement of transparency and accountability would be enhanced if complementary changes to service providers' current institutional and governance arrangements were also adopted. The current institutional and governance arrangements are not sufficiently specific, detailed or transparent to enable the Government to set strategic direction and required performance standards, evaluate service providers' performance, hold them accountable for their performance, or create effective incentives for them to improve their performance. Effective institutional and governance arrangements are especially important for monopoly service providers, which are not exposed to the disciplines of a competitive market.

The RIC considers it critical, that proper institutional and governance arrangements should be put in place. At a minimum, the Government should clearly specify the levels of service and financial performance it expects service providers to deliver, and hold management accountable if these performance levels are not met. Improved transparency in the way public expenditure is made available to service providers would also help to ensure that customers receive better value for money on a sustainable basis. Currently, the service providers are neither asked nor required to report their performance against the Government's expectations. This means there is neither transparency and public scrutiny of the true cost of providing services, nor is there transparency about how much of this cost is properly borne by taxpayers, and how much is due to inefficiency.

In this regard, the RIC proposes that Government should have three written agreements with the service providers:

(1) Statement of Corporate Intent (SCI) – The SCI should:

- clearly articulate the Government's objectives and priorities for the service providers; and

- set out short-term and long-term financial performance targets for service providers that are measurable and consistent not only with the Government's objectives but also with the efficient operating cost benchmarks determined by the RIC as part of the tariff determination.

(2) **Funding Agreement** – The Government's funding arrangement with service providers must:

- clearly and transparently set out the level of funding to be provided to service providers, including a detailed breakdown of the different components and the associated amounts of this funding;
- be in the form of incentive-based grants and loans, whereby these funds are transferred by making them conditional on good performance;
- be capped to reflect the RIC's tariff determination. The parameters for compensation, in the event that WASA's expected revenue from customers is less than the RIC's revenue forecasts, should be established ex-ante and that Government funding is only provided for events outside of WASA's control. This is very critical for the economic regulation of a state-owned monopoly to be successful;
- be a multi-year agreement that aligns with the RIC's tariff determination period and which is updated when funding is altered, through an updated funding agreement; and
- be consistent with the other elements of the RIC's regulatory framework, in particular, the RIC's revenue determination.

(3) **Performance Agreement** – The Government as an owner should establish a written performance agreement with service providers that:

- clearly specifies performance targets required of service providers (for example, the targets should include service coverage, financial targets, customer policy, etc.) and any other Government policy requirements, along with a strong

reporting framework, including regular financial audits and annual and periodic performance status reports;

- the performance agreement should be a multi-year (five years) document that aligns with the RIC's determination period. While the strategy conveyed in the agreement should not be subject to change, periodic revisions may be necessary to reflect unforeseen developments; and
- Government should rigorously monitor and evaluate service providers' performance in meeting the targets set out in the agreement and apply appropriate sanctions in the event of failure to meet the targets.

The RIC further proposes that the Statement of Corporate Intent and the Performance Agreement be made publicly available at the time of executing them and whenever they are updated. Additionally, the service providers should publish on their websites the results of their performance against all targets and produce half-yearly overview reports for the public with commentary on where and why the performance targets were not met.

6.0 CONCLUSION

This paper outlines the RIC's thinking on how to improve transparency and accountability in the electricity and water sectors. In keeping with its mandate, the RIC will be facilitating public consultation and promoting wide-ranging discussion by holding consultations and workshops. Only by making their views known, can stakeholders assist the RIC in reaching its decisions which achieve an acceptable balancing of the interests of the service providers and stakeholders.