

**REVISED
CAPITAL CONTRIBUTION
POLICY
FOR
THE TRINIDAD AND
TOBAGO ELECTRICITY
COMMISSION
(T&TEC)**

October
2022

Final
Decision

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1.0 Introduction

1.1 Background

The Regulated Industries Commission (RIC) was established under the RIC Act, No 26 of 1998, as the economic regulator for the electricity sector. The RIC, in accordance with Section 6(1)(h) of the Act, is responsible for establishing the principles and methodologies by which service providers determine rates for services. In its 2006-2011 Final Determination of rates and miscellaneous charges for the Trinidad and Tobago Electricity Commission (T&TEC), the RIC indicated its intention to investigate the treatment of Capital Contribution (CC) by T&TEC and craft an appropriate policy. At that time, the CC to be paid by customers was a contentious issue because of its complexity, and it was not readily explained or understood by customers. After extensive public consultation, the 2009 Capital Contribution Policy (CCP (2009)) which set out the principles and methodology by which T&TEC would determine the CC to be paid by a customer, was issued to T&TEC on March 13, 2009.

In general, the policy has worked well in achieving the intended objectives. However, given the passage of time, the RIC found it necessary to evaluate whether the main tenets of the policy remained fit for purpose. Accordingly, the RIC issued its consultative document “Revision of the Capital Contribution Policy for the Trinidad and Tobago Electricity Commission” in March 2022. In that document, all critical elements of the CCP (2009) were discussed, and best practice CC policies and strategies from other jurisdictions that utilise similar regulatory frameworks such as: the United Kingdom, Australia and New Zealand were examined. It also addressed concerns, by customers, about the principles and administration of the CCP (2009) and amendments suggested by T&TEC.

1.2 Purpose of this Document

The purpose of this document is to address comments received during the consultative process and to present the RIC’s final decisions on its review of the CCP (2009).

1.3 Structure of this Document

The remainder of this document provides details on the response to the consultative document and the rationale for the proposed amendments to the CCP (2009).

2.0 Discussions and Outcome of the Consultation

The consultative document, Revision of the Capital Contribution Policy for the Trinidad and Tobago Electricity Commission, discussed stakeholder and RIC's concerns with the various elements of the CCP (2009).

Despite the RIC's efforts to garner widespread feedback from stakeholders, T&TEC was the only respondent to the consultation. Section 2.1 provides the responses of the RIC to T&TEC's comments on the consultative document and presents the final decisions of the RIC.

2.1 Final Decisions

2.1.1 Payment of Capital Contribution and Point of Connection (Connection Charging Principle/Policy)

RIC's Proposed Requirement	<p>Under the 2009 CCP, a "deep" connection charging policy, whereby customers are responsible for the total costs associated with their connection, is applied to very large industrial customers (D5, E1 to E5).</p> <p>The RIC proposed to extend its "deep" connection charging policy to all categories of industrial customers inclusive of D1 to D4 customers.</p>
Comments	<p>T&TEC is in full agreement that D1 - D4 customers should fully fund their connection cost inclusive of all augmentation works.</p> <p>T&TEC is in full agreement with the above proposal for the application of deep connection charging policy.</p>
Rationale and Final Requirement	<p>The RIC notes T&TEC's "full agreement" with its proposal and is of the view that our arguments, as outlined in the consultative document, to support a "deep" connection charging policy for D1 - D4 customers, remain sound.</p> <p>Hence, the revised CCP will require T&TEC to apply "deep" connection charging accordingly.</p>

<p>RIC's Proposed Requirement</p>	<p>The RIC proposed to continue with a “shallowish” approach to connection charging for domestic (A) and commercial (B and B1) customers.</p> <p>For domestic (A) and commercial (B and B1) customers (inclusive of multi-occupant developments) the avoided cost principle will apply as the basis for sharing “reinforcement (augmentation)” costs.</p>
<p>Comments</p>	<p>T&TEC is in full agreement that a shallowish approach should continue for domestic and commercial customers with the application of the avoided cost principle.</p> <p>T&TEC is of the view the application of a shallowish approach for B1 customers, should be discussed.</p>
<p>Rationale and Final Requirement</p>	<p>The RIC noted that T&TEC expressed no objection to the continued use of the shallowish approach for A and B customers. However, the RIC noted T&TEC’s request to discuss the use of a shallowish approach for B1 customers.</p> <p>As discussed in consultation meetings with T&TEC, B1 is part of the commercial class based on assigned characteristics of service. In accordance with the RIC Act, the RIC must have regard to the fair treatment of customers similarly placed and to non-discrimination, <i>inter alia</i>, in relation to pricing, etc. Therefore, the RIC’s proposal to have a similar determination of CC within a customer class accords with this principle and is in keeping with the experience found in other jurisdictions, as discussed in the consultative document.</p> <p>T&TEC will be required to continue to apply the shallowish approach for calculating capital contribution for all customers within the residential (A) and commercial (B and B1) customer classes.</p> <p>The RIC also notes T&TEC’s agreement with its proposal to apply the avoided cost principle as the basis for sharing “reinforcement (augmentation)” costs to rate classes A and B customers (inclusive of multi-occupant developments), remain sound.</p> <p>Hence, the revised CCP will require T&TEC to apply the avoided cost principle accordingly to rate classes A, B and B1. (inclusive of multi occupant development).</p>

<p>RIC's Proposed Requirement</p>	<p>The RIC proposed to continue with the current approach for multi-occupant developments inclusive of multi-occupant buildings, that is, the developer will be considered as a single customer and will be required to fund all low voltage (LV) and high voltage (HV) assets required to connect that development, once they are for the exclusive use by the development.</p> <p>However, for 2 or 3-phase HV line extensions from the network to the development/building, the developer is required to pay two-thirds (2/3) of the full cost of the HV assets.</p>
<p>Comments</p>	<p>T&TEC is recommending the removal of the T&TEC borne cost related to the single phase extension cost up to the development or the two-thirds (2/3) cost in the case of the three-phase extension up to the development. T&TEC therefore requests the developer to make a full payment of all augmentation costs related to their request. Quite often the infrastructure used to supply developments remain idle for a significant period with only a few customers connected.</p>
<p>Rationale and Final Requirement</p>	<p>The RIC notes T&TEC's comments, however, the fact that the infrastructure is not being immediately utilized by the development is not the relevant issue.</p> <p>The premise of the cost sharing is the fact that the existing customer base (external to the development) would immediately benefit from the new infrastructure.</p> <p>T&TEC will be required to continue with the current approach for multi-occupant developments inclusive of multi-occupant buildings, that is, the developer will fund all low voltage (LV) and high voltage (HV) assets required to connect that development, once they are for the exclusive use by the development.</p> <p>Where a 2 or 3-phase HV line extension is used, the developer will be responsible for two-thirds (2/3) of the HV costs.</p> <p>T&TEC will apply the avoided cost principle as the basis for sharing "reinforcement (augmentation)" costs.</p>

2.1.2 Capital Contribution Calculation Method

RIC's Proposed Requirement	RIC proposed to apply a deep cost pricing principle (with no offset in revenues) for A to B1 customers applying for enhanced services.
Comments	T&TEC is in full agreement and will provide a list of the services that are considered to be enhanced connection services.
Rationale and Final Requirement	<p>The RIC notes T&TEC's "full agreement" with our proposal and is of the view that our arguments, as outlined in the consultative document, remain sound. T&TEC will be required to apply deep cost (with no offset in revenues) for A to B1 customers applying for enhanced services.</p> <p>T&TEC will also be required to prepare and submit a list of services it considers to be enhanced for the RIC's review when the revised CCP is being implemented. T&TEC will also be required to apprise connection applicants of the services that are classified as enhanced.</p>

RIC's Proposed Requirement	The RIC proposed to continue utilising a ten-year revenue stream comprised of the full tariff.
Comments	T&TEC is in full agreement with maintaining the ten-year revenue stream period for the incremental revenue on the basis of changing to a deep connection charging approach for D1-D4.
Rationale and Final Requirement	The RIC notes T&TEC's "full agreement" with our proposal and is of the view that our arguments, as outlined in the consultative document, remain sound. T&TEC will be required to continue utilising a ten-year revenue stream comprised of the full tariff.

<p>RIC's Proposed Requirement</p>	<p>Regarding multi-meter dwellings and where a customer requests that fewer meters be installed than the number of meter bases (as per the customer's splitter arrangement), the RIC proposed that T&TEC continue to calculate capital contribution using the revenue stream that takes into consideration the anticipated number of customers.</p>
<p>Comments</p>	<p>T&TEC requests that the number of customers for connection to the splitter only be considered at the time of request for supply and the calculation completed accordingly. The concept of anticipated customers should not apply since this has a timeframe for which there is no assurance, whilst T&TEC remains saddled with the upfront costs.</p>
<p>Rationale and Final Requirement</p>	<p>The RIC understands T&TEC's predicament when a customer subsequently requests that fewer meters be installed than the number of meter bases initially requested in their application to T&TEC.</p> <p>The RIC agrees that in such cases the anticipated revenue stream may not materialize, therefore, the customer's capital contribution should be recalculated taking into account the newly anticipated revenue stream.</p> <p>T&TEC will be required to recalculate the customer's capital contribution considering the newly anticipated revenue stream (and notify the customer of the additional capital contribution to be paid), when there is a modification to the customer's initial application for electricity service.</p>

2.1.3 Shortfalls/Defaults in Incremental Revenue/Under-recovery of T&TEC's Capital Outlay for Customer Connection

<p>RIC's Proposed Requirement</p>	<p>The RIC proposed the implementation of a Security Fee to secure T&TEC's revenue stream in situations where T&TEC's incremental revenue, generated by the sale of electricity to commercial customers, has fallen short of the projected amount in the calculation of CC charges.</p>
<p>Comments</p>	<p>The Commission is in full agreement with a charge of a Security Fee for commercial customers, however, such a mechanism may be administratively difficult to implement.</p>
<p>Rationale and Final Requirement</p>	<p>Notwithstanding T&TEC's concerns about administering a Security Fee for commercial connection applicants, the RIC will make its implementation optional for T&TEC. The RIC is of the view that the option for a Security Fee is a valid one and would like to ensure that T&TEC has the flexibility to utilize this option in the future if it so desires.</p> <p>If such a mechanism is to be introduced by T&TEC, it must be discussed with the RIC before implementation.</p>

2.1.4 Contestability

<p>RIC's Proposed Requirement</p>	<p>The introduction of contestability into the 2009 CCP was important to ensure that benefits accrue to customers as a result of facilitating competition where possible. The contestability provision allows customers to have the option of using either T&TEC's or contracted labour for capital works associated with their connection to the network. T&TEC is responsible for preparing a list of prequalified contractors from which customers can choose. T&TEC is also responsible for specifying the technical criteria to which these contractors must adhere and informing customers about the average costs of undertaking works in various geographical areas. The RIC intends to maintain this component of the CCP.</p> <p>The RIC was of the view that T&TEC must make a strong case for its approval before contestability is restricted for greenfield or hotline works by T&TEC, when competent contractors are available to undertake such works.</p>
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<p>Comments</p>	<p>The Commission is in full agreement with the use of certified contractors from the prequalified list for the self-help part of the extension. However, the choice to offer the self-help option must be a decision for the Commission since some of the jobs require direct installation works from T&TEC.</p>
<p>Rationale and Final Requirement</p>	<p>The RIC notes T&TEC’s comment that the decision to offer the use of contractor services for connection capital works should rest with T&TEC and its reference to jobs that require direct installation works by T&TEC.</p> <p>The RIC is well aware that in order to maintain safety and reliability of electricity supply T&TEC is best placed to complete some capital works. However, when contestability is restricted a sound rationale must be presented. T&TEC must outline clear criteria for determining when contestability will not be applied and there must be consistency in its application across distribution areas.</p> <p>The contestability provision will therefore be maintained to facilitate competition, where possible, for connection capital works. T&TEC is required to prepare and submit to the RIC, a list of works that require direct installation by T&TEC, for discussions at the CCP implementation phase. Once these are agreed to, T&TEC will be required to consistently apply the established rules regarding the contestability provision across all distribution areas.</p>

2.1.5 Reimbursement

<p>RIC's Proposed Requirement</p>	<p>The RIC proposed to maintain the current reimbursement scheme. For clarification the RIC proposed to include the following information into the revised policy document:</p> <ul style="list-style-type: none"> Reimbursement Entitlements for T&TEC's three (3) main customer classifications: <table border="1" data-bbox="578 489 1349 821"> <thead> <tr> <th data-bbox="578 489 870 562">Original Contributor</th> <th data-bbox="870 489 1349 562">May be eligible for reimbursement from</th> </tr> </thead> <tbody> <tr> <td data-bbox="578 562 870 690">Domestic Customer</td> <td data-bbox="870 562 1349 690">Domestic Customers Commercial Customers Industrial Customers</td> </tr> <tr> <td data-bbox="578 690 870 777">Commercial Customer</td> <td data-bbox="870 690 1349 777">Commercial Customers Industrial Customers</td> </tr> <tr> <td data-bbox="578 777 870 821">Industrial Customer</td> <td data-bbox="870 777 1349 821">Industrial Customers</td> </tr> </tbody> </table> <ul style="list-style-type: none"> Reimbursements will not apply in the case of multi-occupant developments and multi-occupant buildings except if customers external to the development/building will benefit from the system augmentation works. Reimbursements will apply when an individual within a multi-occupant development is required to make a CC for the connection. <p>The RIC's view is that reimbursements should be applied to the account of the premises and not to a person, in the event of the death of the "person" who paid the original CC or in the case that the account has been transferred to another person.</p>	Original Contributor	May be eligible for reimbursement from	Domestic Customer	Domestic Customers Commercial Customers Industrial Customers	Commercial Customer	Commercial Customers Industrial Customers	Industrial Customer	Industrial Customers
Original Contributor	May be eligible for reimbursement from								
Domestic Customer	Domestic Customers Commercial Customers Industrial Customers								
Commercial Customer	Commercial Customers Industrial Customers								
Industrial Customer	Industrial Customers								
<p>Comments</p>	<p>T&TEC is in agreement that the reimbursement should apply to the account of the premises in the case of death but is not in the agreement that same should apply for a transfer.</p> <p>There can be situations where an owner pays the capital contribution but subsequently decides to rent his/her property, where the account is transferred to a tenant; in such a situation the reimbursement cannot and should not be applied to the tenant but rather the owner. The application of the reimbursement to the account of the premise will be deemed as inaccurate or more so unfair.</p>								

<p>Rationale and Final Requirement</p>	<p>The RIC notes T&TEC’s suggestions for reimbursement sums to be paid to the owner of the property where the account has been transferred to a tenant and finds merit in T&TEC’s concerns.</p> <p>Generally, reimbursements will be paid to the owner of the land/customer who made the original capital contribution.</p> <p>In the case of death, reimbursements will be paid to the account of the premises.</p> <p>If the land has changed or changes ownership, the reimbursement will be made to the current owner, not the customer who made the original contribution.</p> <p>If the premises are tenanted and the account is transferred to the tenant the reimbursement will be made to the current owner.</p> <p>The reimbursement scheme must be applied consistently to customers that are similarly placed.</p>
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2.1.6 Treatment and Valuation of Contributed Assets

<p>RIC’s Proposed Requirement</p>	<p>The RIC proposed to keep the current treatment of Contributed Assets whereby these assets are treated as part of the Regulatory Asset Base (RAB) to calculate depreciation charges to ensure replacement, but not for the calculation of a return on capital since the service provider did not pay for the assets.</p> <p>In terms of valuation, the RIC also proposed to maintain the current treatment whereby contributed assets are valued in the same manner as assets owned by T&TEC as contributed assets are indistinguishable from other assets in terms of responsibilities and risks.</p>
<p>Comments</p>	<p>T&TEC agrees with the position outlined regarding the Commission’s continued ownership of the assets.</p> <p>If the above is not accepted, then replacement or repairs to the infrastructure will be for the customer’s account.</p>
<p>Rationale and Final Requirement</p>	<p>The RIC notes T&TEC’s agreement and considers that its original position is sound hence, contributed assets will be treated as part of the Regulatory Asset Base (RAB) to calculate depreciation charges to ensure replacement, but not for the calculation of a return on capital.</p> <p>In terms of valuation, contributed assets will be treated no differently than other assets owned by T&TEC in terms of the valuation method used.</p>

2.1.7 Dispute Resolution

<p>RIC's Proposed Requirement</p>	<p>The RIC proposed to keep the method of dispute resolution as it obtains under the current policy. Further, all customers and prospective customers have access to the dispute resolution process as approved by the RIC under the “Codes of Practice for T&TEC”. Either party can also provide the RIC with written details of the complaint to facilitate resolution in accordance with the provision of the RIC Act. Additionally, T&TEC or the customer has the right to refer the matter to an independent body for either mediation or arbitration.</p>
<p>Comments</p>	<p>T&TEC had no issue with the Dispute Resolution Policy.</p>
<p>Rationale and Final Requirement</p>	<p>The options for dispute resolution are adequate and will be maintained.</p>

2.1.8 Monitoring

<p>RIC's Proposed Requirement</p>	<p>To improve the level of monitoring of the CCP, the RIC proposed that T&TEC be required to report specific information on its operation of the CCP to the RIC on a biannual basis.</p>
<p>Comments</p>	<p>This should be discussed with T&TEC.</p>
<p>Rationale and Final Requirement</p>	<p>As discussed with T&TEC during consultation meetings, the RIC intends to implement a more stringent and comprehensive monitoring of T&TEC's administration of the revised CCP, especially given the proposed changes to the policy and the movement to deep charging and full cost recovery to an expanded number of customer classes.</p> <p>T&TEC will be required to provide the requested information.</p> <p>The details regarding the format of the information to be submitted and other particulars to fulfill the RIC's request will be further deliberated during implementation discussions.</p>

2.1.9 Disclosure of Costs (including Third Party Costs)

RIC's Proposed Requirement	The RIC proposed that Third Party costs are to be borne by the customer. Further, T&TEC's CC letters to customers should provide details on the computation of the capital contribution, inclusive of material, labour, transport costs, and third-party costs, and should refer to the prevailing CCP.
Comments	T&TEC is not in agreement with this proposal.
Rationale and Final Requirement	<p>An objective of the CCP is to provide greater transparency for connection applicants. The RIC believes that greater transparency can be achieved by distinguishing any Third Party costs that are payable by a connection applicant from the amount payable for capital contribution.</p> <p>T&TEC will maintain the level of detail¹ currently included in its CC letters to connection applicants. T&TEC is also required to distinguish any Third Party cost payable by a connection applicant in its CC correspondence to the applicant. T&TEC must advise customers of the possibility of changes to the quoted amount since Third Party costs are not determined by T&TEC.</p>

2.1.10 Scope of the Capital Contribution Policy

RIC's Proposed Requirement	<p>The RIC explored the option of expanding the scope of the CCP to include requests for alterations to existing network assets such as customers' requests for relocation of poles and undergrounding of overhead lines.</p> <p>Since the T&TEC Act outlines the manner in which customer-initiated requests for the removal of network infrastructure are to be treated the RIC proposed to maintain the current scope of the CCP (2009).</p>
Comments	T&TEC did not provide any comments on the discussion surrounding the scope of the CCP.
Rationale and Final Requirement	The CCP will outline the approaches to calculating the capital contribution to be paid by customers for the following customer-initiated requests:

¹ The material listing, the amount of the required capital contribution for the T&TEC option and private contractor option and other requirements for the applicant.

	<p>1. New connection points (including for small embedded generation), and</p> <p>2. Alterations to existing connection points that require network upgrades or extensions of existing network assets.</p>
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2.1.11 Underground Infrastructure in Developments

RIC's Proposed Requirement	<p>The CCP (2009) made no distinction between overhead or underground infrastructure. However, the RIC believes that customers should be informed about the cost implications of infrastructure and be allowed to decide on the type to be installed for their connection.</p> <p>The RIC proposed that the cost methodology outlined for multi-occupant developments should be applied to both overhead and underground infrastructural works.</p>
Comments	<p>T&TEC did not provide any comments on the proposed treatment of CC for underground infrastructure in developments.</p>
Rationale and Final Requirement	<p>Under the revised CCP deep charging (with an exception for shared cost on the High Voltage Network) will be applied to multi-occupant development for both overhead and underground infrastructural works.</p>

All of the final decisions outlined above will inform the new Capital Contribution Policy.