MOVEMENT FOR SOCIAL JUSTICE

SUBMISSION BY THE MOVEMENT FOR SOCIAL JUSTUCE (MSJ) TO THE REGULATED INDUSTRIES COMMISSION ON THE DRAFT DETERMINATION FOR ELECTRCITY RATES – 2023-2027

1. PHILOSOPHY DRIVES POLICY WHICH DRIVES DETERMINATION

1.1 The Movement for Social Justice (MSJ) believes that the first issue that the country and, by implication, the Regulated Industries Commission (RIC) needs to consider is fundamentally a philosophical one. While this may be apparently outside of the RIC's remit, we are of the strong view that it is not. Indeed, on page 2 – "Context and Objectives of the Review" of the Draft Determination it is stated, inter alia *"The review of rates and charges for T&TEC is occurring at a very challenging time. On the one hand, the world faces the daunting task of mitigating the effects of climate change, while on the other hand the global economy is struggling to cope with high energy prices and supply chain disruptions. In respect of worsening climate issues, the responsibility devolves on all citizens to demonstrate awareness that conservation of electricity is one factor which can assist in reversing this trend. As regards the global economy, it had started to emerge from the recessionary impact caused by the pandemic (COVID-19) only to be setback by the Russia/Ukraine War. In virtually all countries, the poor have become poorer and the middle class is struggling to maintain the status quo. Trinidad and Tobago, as a net exporter of energy products, has been better placed to cushion some of the impacts discussed above. According to the Review of the Economy 2022 "the country has been learning to live with the COVID-19 virus, the Trinidad and Tobago economy is now on a path to recovery and growth, amidst concerted efforts towards rebuilding what was detracted by the pandemic." However, media reports paint a different story. There are frequent reports of citizens complaining about increased food prices and their inability to meet their monthly household needs. These are the major circumstances that the Regulated Industries Commission (RIC) has had to navigate while conducting its review."*

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1.2 The issues of "the poor have become poorer and the middle class is struggling to maintain the status quo" and what are the fundamental drivers of climate change are first and foremost philosophical. This is because the question must be asked – what type of society do we wish to have in Trinidad and Tobago? Do we want a society where there is growing inequality: of wealth and income; in education; in health care; in housing; in food security and nutrition; in access to water, electricity and telecommunications; where there is callous disregard for the environment as we join the countries of the north in their mad culture of consumption? Or do we want a society where there is equity such that the growing gaps identified above are closed thus enabling each and every citizen to develop to the fullest of their human potential and living a decent life in happiness and peace.

1.3 There is no surprise that "*in virtually all countries, the poor have become poorer and the middle class is struggling to maintain the status quo".* That is because the dominant philosophical position is that the post-world war two social settlement of social democracy and the "welfare state" (here welfare does not mean that the state must give welfare grants to citizens, but rather that the state should have the responsibility for the wellbeing and welfare of ALL its citizens) must be ended. The post WW2 philosophy translated into policies: the wealthy should pay more in taxes (progressive taxation policy) and the state should utilise these taxes to subsidise water; education; health care; public transportation; housing; electricity, among other goods and services. Additionally, workers' incomes needed to be increased and thus trade unions were recognised as a key balance to the power of capital and encouraged. To further ensure that access to these public goods and services was equitable, their delivery could not be left to the private sector which of necessity would require profits to be made, thus pushing up the cost to users and, in some cases, resulting in the denial of access to the most vulnerable. Thus industries and sectors were nationalised. All of these polices resulted in social stability in the aftermath the Great Depression, the rise of fascism and WW2.

1.4 According to the philosophical position (neo-liberalism) that posited the end of the post WW2 settlement: every individual must be the one responsible for their wellbeing (the state is not a tireless mother). The policies that flowed from this position include: the state getting out of "economic activity" and therefore privatising the firms that delivered public goods and services; the market must be the only determinant of prices, thus there must be deregulation and more significantly the commodification of what were once public goods and services; trade unions must

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be weakened so that collective agreements which regulate the price of labour would disappear thus allowing the price of labour to also be set by the market of supply and demand – resulting in a fall in the price and the rise of precarious (contract and temporary) employment given high and persistent unemployment. The outcome of the neo-liberal philosophy and the polices that flow from it has been growing inequality of wealth and incomes within countries and between countries – the poor getting poorer and the middle class struggling to maintain the status quo. Of course what the Draft Determination did NOT say was that at the same time the rich were and are getting richer!

1.5 For us in Trinidad and Tobago and the Anglophone Caribbean the philosophy of the postWW2 social settlement that emerged in Europe was articulated even before 1939 by the labour movement. The demands of the workers and labour movement in the 1920's, 30's and 40's are well documented. These were based on a clear vision for our societies: political and economic independence; democracy; and the redressing of historical inequalities. The labour movement then struggled to achieve these ideals and forced major changes by the colonial power. The gains were further developed by the academics of the New World Group and others, who analysed our colonial and immediate post-colonial condition and articulated policies that would realise the very ideals of the labour movement of an earlier generation.

1.6 Here in Trinidad and Tobago we had the very important Third Five Year Development Plan which articulated the policy of "national ownership of the commanding heights of the economy", among other progressive strategies. Those strategies were given impetus by the 1970 February Revolution and the struggles once again by labour in the early and mid-70's. However, like many other countries, the debt crisis of the 1980's resulted in the T&T government seeking the intervention of the Washington Based International Financial Institutions (International Monetary Fund, World Bank and Inter-American Development Bank). These IFI's all located in Washington DC and underpinned by US policy imposed through loan conditionality Structural Adjustment Policies known as the Washington Consensus. These policies often had interlocking conditionalities. SAPs were designed to achieve the neo-liberal vision. And so began, for us, the dismantling of the policy framework upon which we sought to construct our independent nation.

1.7 Of course neo-liberal policies do not take into account our historical reality of: internal inequalities; the small size of our country and of our firms relative to that of the OECD countries and of their multinationals; the structural challenges of transforming a plantation economy into a diversified and internally propelled economy, among others. Thus, prices cannot be purely "market driven" as there exist imperfect competition: some have access to capital and others don't; the traditional importers operate as monopolies or oligopolies; large retailers of food and beverages, e.g. give precedence to large suppliers and imported goods which yield better rates of return than small and cottage industry producers; farmers and domestic agriculture remain orphaned; etc.

1.8 Successive Trinidad and Tobago governments supported by the economic elites of big capital, and an array of technical, academic and bureaucratic elites (and the traditional media) have been pursuing, at different rates and through differing measures the neo-liberal agenda. In order to maintain a certain degree of social stability, those who become disadvantaged as a result of this agenda and those who were vulnerable and became even more at risk, are then provided with social benefits. This social security safety net is meant to catch people as they fall off the edge of a decent life in the hope that they don't hit ground zero of extreme poverty and human degradation.

1.9 This is the context in which the MSJ will examine the Draft Determination of Electricity Rates for the period 2023-2027.

2. **THE ELEPHANT IN THE ROOM – THE POWER PRODUCERS AND THE POWER PURCHASE AGREEMENTS**

2.1 In 1994 the Manning PNM Government took the policy decision to partly privatise the generation assets of the Trinidad and Tobago Electricity Commission (T&TEC). Up to that time, T&TEC was an integrated supplier of electricity from generation to transmission and then distribution to final customers. The decision taken was to separate the generation assets (Port of Spain B Power Station; Point Lisas Power Station and the Penal Power Station) place them into a new Company – the Power Generation Company of Trinidad and Tobago (Powergen) to be owned 51% by T&TEC and 49% by multinational investors. The sale to T&TEC of the electricity generated by Powergen would then be governed by a Power Purchase Agreement (PPA).

2.2 This was a classic model developed by the Washington Consensus. In fact, the privatisation of public utilities was a direct conditionality of a USD 80 million structural adjustment loan negotiated in 1990 by one government (the NAR), partly drawn down by them; with the balance drawn down by another government (the PNM) sometime after 1991. The nature of this model and the terms of the PPA have two major implications for T&TEC and therefore for how prices of electricity are to be determined for T&TEC's customers.

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- T&TEC must purchase all the natural gas – the key feedstock in the generation of electricity - required by Powergen;
- T&TEC would have to pay Powergen for the contracted quantum of electricity, even if that quantum was above that which T&TEC required to actually supply the demand by its customers. So Powergen would be paid for electricity contracted but not generated or supplied to T&TEC (the take it or pay clauses)

2.3 What this means, as the RIC is very well aware, is that firstly, there is no relationship between the quantum of electricity that T&TEC has to pay for (the real supply) and the quantum of electricity sold by T&TEC (the real demand). S + D cannot be in alignment and thus a price cannot be set in a market determined manner. T&TEC's cost structure is therefore skewed upwards by the amount it has to pay Powergen for electricity that is not needed and therefore for which there is no cost recovery. This is aggravated by the fact that Powergen has to make a profit. Two additional costs have therefore been added to the price at which T&TEC has to sell electricity.

- Actual cost of generation (based on demand) + cost of electricity contracted for which there is no demand/sale + power producer's profit + cost of transmission and distribution.
  (where the actual cost of generation is really the cost to the producer of operating the power stations and does not include the cost of fuel which is the primary input and largest cost element to the generation process)

2.4 We do not have the data to see precisely how much these previously non-existent costs have added to T&TEC's actual expenditure over the 20 years since this model has been implemented. We know that there is a discount based on the fact that 51% of Powergen is owned by T&TEC and therefore it received a dividend for its shareholding, but this is still small compared to the overall additional cost add on. We will look at some data points in the current Review.

2.5 Secondly, because the PPA requires T&TEC to purchase the natural gas, T&TEC is bearing the burden that Powergen ought to be carrying. This exposes T&TEC to a cost structure that now looks like this:

- Cost of natural gas (fuel) + Actual cost of generation (based on demand) + cost of electricity contracted for which there is no demand/sale + power producer's profit + cost of transmission and distribution.
  (where the actual cost of generation is really the cost to the producer of operating the power stations)

2.6 In this model, the only loser is T&TEC. There can therefore be no surprise that T&TEC is:

- Owing money to the National Gas Company for natural gas (fuel) supplied to the power producer but to be paid for by T&TEC
- Earning less in revenue than it pays out in expenditures

2.7 We made the point about the model being implemented by successive governments. Thus in the Panday UNC government, another power producer was added to Powergen. This was Trinity Power, now Inncogen, which has one, relatively small power station at Pt. Lisas. The identical model of PPA was instituted and therefore T&TEC's problems were reinforced. The (second) Manning PNM government initiated the state financed construction of a major power station to be owned by a new company – Trinidad Generation Unlimited (TGU). This was built primarily to provide a supply to an aluminium smelter which was to have been constructed adjacent to TGU. However, the smelter project was not implemented by the incoming Persad-Bissessar UNC/Partnership government in 2010, which then fully operationalised the TGU power station. Initially a *"joint venture between the Union Estate Electricity Generation Company Limited (UEEGCL) — a wholly owned company of the Government of the Republic of Trinidad and Tobago (GORTT) — and AES Corporation of the United States"* in 2006, it became a 100% state owned ompany in 2013 under the UNC/Partnership government. TGU which began to generate electricity *"on August 1st, 2011 on a phased basis, eventually attained the ability to deliver full capacity in December 2012"* and given that it was supposed to provide electricity to the smelter, *"TGU was contracted for a power purchase agreement (PPA) to sell 720 MW at a combined Equivalent Availability of 93% to two buyers — Alutrint Limited (Alutrint) for 240 MW and Trinidad and Tobago Electricity Commission (T&TEC) for 480 MW — in a joint and several arrangement for a 30-year term that began in 2011. After the Alutrint project was cancelled, however, all power was contracted to T&TEC".*

2.8 For the MSJ, therefore BOTH the PNM and the UNC share the same philosophical position of neo-liberalism and thus when in government they BOTH implemented the same policies that have placed T&TEC in this impossible situation.

2.9 From the data provided by the RIC in the Draft Determination, fuel cost and generating cost in 2021 totalled $2.06 billion. This represented 56% of actual expenditure (total accounting expenditure less depreciation), with transmission and distribution only costing $1.1 billion or half

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of the cost of electricity to T&TEC. Yet, the largest slice of T&TEC's expenditure is off limits to the RIC which states in the Draft Determination that *"Conversion and fuel costs are considered uncontrollable costs, that is, costs over which the actions of the utility have little or no effect, hence they are generally treated as pass-through"*.

2.10 According to the RIC in response to our question at one of the Public Consultations, the amount that T&TEC lost in the last year due to these take it or pay clauses in the PPAs amounted to some $250 million! In effect, therefore, T&TEC's customers are being asked to carry this quarter of a billion dollar annual cost.

2.11 This is totally unacceptable to the MSJ! Consumers cannot be asked to pay increased rates for electricity when more than 50% of T&TEC's cost structure is outside of the Review of Rates.

2.12 Furthermore, it can be argued that the failure by T&TEC to pay the NGC for gas used and the transfers of monies to T&TEC by the Government through the National Budget are in some measure NOT a subsidy to consumers BUT a subsidy to the Power Producers!

3. THE FALSE NARRATIVE IN 1994 THAT LED TO THE PARTIAL PRIVATISATION OF T&TEC'S GENERATION ASSETS

3.1 In 1994 the Oilfields Workers' Trade Union, the Majority Recognised Union for all of T&TEC's employees, including those at the power stations, but excepting all senior staff; vigorously opposed the privatisation of T&TEC's generating assets. The Union took several steps to stop this decision, including lobbying the government and parliament directly. The Union made a detailed submission to the Energy Task Force that was then set up by the Government to study the Union's position. That Task Force, chaired by a former Chairman of T&TEC and the government's point person in the energy sector over several decades, Professor Ken Julien, reviewed the Union's submissions and went on record that they made ***"good economic and technical sense".***

3.2 The Government claimed that forecast electricity demand urgently required new generating capacity to be installed. In the Union's Document **"The Case against the sell-out of T&TEC and the National Interest"** (copy attached), this narrative was clearly shown to be totally false. No new generating capacity was installed by Powergen; and most of the purchase sum by the two foreign multinationals that together bought 49% of the new company went to the Government which used those sums either for recurrent expenditure or to pay down debt.

3.3 There were also several instances of major conflicts of interest in the privatisation: one of the two investors that bought into Powergen was Amoco Business Development Co, a subsidiary of the then multinational energy company AMOCO, which was the country's largest producer of natural gas. AMOCO thus benefitted as both upstreamer and downstreamer. The World Bank drove the privatisation with its loan conditionality and then a subsidiary of the WB, the International Finance Co (IFC) was tasked with evaluating the various bids AND the OWTU's counter position. The absence of transparency and the false narratives has led us down this deleterious road.

4. **SOME SPECIFIC ISSUES OF THE DETERMINATION**

4.1 The proposed rate increases will immediately affect households. The majority of citizens were extremely hard hit by the Covid 19 lockdown now followed by the war in Ukraine. Many who lost their jobs during the lockdown have not been re-employed; hundreds of micro, small and medium sized businesses have either not recovered or were not able to open at all since Covid; hundreds of thousands have not had a wage/salary increase in almost a decade and our senior citizens are struggling to survive on fixed incomes, while having to face ever rising prices of food, transportation, medicines and now building materials. The latest CSO Report states that food and non-alcoholic beverage prices were 17.3% higher in January 2023 compared with a year before; while in the two year period Jan 2021-Jan 2023 the prices of these items went up by 25%! Given that a very large number of persons – 25% or more – earn the minimum wage ($3,033) or just above it, and that the majority of the household budget for low income earners goes towards food and transportation, one cannot justify a rate increase for households at this time.

4.2. It is to be noted that while the proposed rate increase may appear small in dollar terms they represent significant increases in percentage terms – ranging from 15-22% at the lower end of consumption to over 30% in the mid-range and as much as 64% at the higher end (RIC data). Every percentage increase in expenditure for those earning small incomes is placing an unfair burden on their already inequitably burdened backs.

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4.3. We also note that the RIC has not given much information or publicity to its position in the Draft Determination that there would be an annual escalator of some 2.7%. This is therefore being pre-determined without regard to what wage/salary/pension increases there may be in the period 2023-2027 and what the increased costs of food, transportation and other basic needs will be in the same period.

4.3 The rate increases proposed will also affect businesses. In the context of the real world in this country, the increased cost of doing business will inevitably be passed on the consumer. Remember, most businesses do not have deep pockets and therefore rely primarily on cash flow and they are barely recovering positive cash flows post Covid. With transportation costs going up last year (the latest CSO Report states that there was a 14% increase in transport costs Jan 2021 to Jan 2022) and with water rates being proposed as a policy by the government to also be increased, the electricity rate increase will further negatively impact on the cash flow of most businesses, and they will have little or no recourse but to pass on some if not all of the increased costs to consumers. We noted the comments by the RIC that electricity costs are a relatively small element in the total cost of doing business and therefore businesses ought not to pass on the increase in rates to consumers. However, this is an assessment of an "ideal world". We must deal with the reality of business in Trinidad and Tobago – both from the challenge of cash flow that most experience and the culture of others to maximise profits in the context of a weak consumer culture/power. And who are the majority of the consumers? The ordinary working women and men. So they will be hit with a double whammy! Unfair!

4.4 In addition, if the objective is to stimulate small and micro-enterprises and to increase their competitiveness (not just locally but internationally) then increasing their cost structure at this time would be counter-productive. In fact, the RIC's data shows that for the smaller commercial customer (B1) the increase in rates would range from 51% to 63%! On the other hand, larger commercial users (B2) would see increases of only 10%. This is wrong!

4.5 The RIC published a document some time ago titled **"Timely Price Reviews"** in which stated the obvious that it is much more difficult to do a price increase after a long gap, as you are trying to "catch up" with the cost increases that took place that were not balanced by any increase in rates. The last rate increase was for the period 2006-2011. We are now in 2023, 12 years later! Why was there no rate review within the five year period mandated by the RIC Act? This was not the fault of any ordinary user of electricity. So why now try to penalise the ordinary women and men with a rate increase that seeks to address a catching up with the past? We noted the explanation provided by the RIC in one of the Public Consultations, but this is no way adequately explained the 12 year delay; nor does it provide comfort to those who are, through no fault of their own, being penalised by the delay.

4.6 T&TEC lost two of its major users in the last 7 years. First, Arcellor-Mittal steel plant which was T&TEC's single largest customer by far. The Petrotrin refinery - shut down by a totally unwise decision (also based on a false narrative like the decision to partially privatise T&TEC's generation assets in 1994) by the government - was another very large industrial customer. The RIC's own data shows that there was a steep decline in sales of electricity to industrial users between 2015 and 2021, from 49% of total sales to 33% of total sales. As a result industrial users' contribution to T&TEC's revenue declined while households increased their contribution to revenue by 13% in the same period. That can only be attributed to the closure of the steel plant, the refinery and the temporary shut-down of some other plants – methanol, ammonia and LNG train 1. Households now contribute more revenue than either commercial or industrial users, and represent more than 45% of T&TEC's total tariff revenue!

4.7 It is therefore unfair to seek to maximise revenue from households while policies and decisions made by the government and large private sector firms, which were totally outside of the control of households resulted in T&TEC losing $88 million in revenue from industrial customers between 2017 and 2021, which amount would be significantly larger if the data provided by the RIC went back to 2015. Households carrying almost 50% of T&TEC's tariff revenue is another indication of neo-liberal policy directions as households bear the burden of T&TEC's income. We noted the RIC's position that households, given that they comprise a far larger number of customers, also have a greater call on T&TEC's expenditure, however, that does not alter the changed configuration of revenue by user category.

4.8 There is an issue that must be addressed if there is to be any sense of fairness in this process. And that is that the Government is not just a policy maker. Nor is it simply a stakeholder. We also disagree with the position of the RIC that the government is the shareholder. They are the Trustees on behalf of the shareholders who are the citizens of Trinidad and Tobago. The government is a very large consumer! And it is the biggest debtor! The RIC's own data shows that of the $1.62 billion in arrears to T&TEC at the end of 2021, the Government, including statutory bodies etc, owed the most - $1.32 billion! If the Government does not set the example to pay up, why should they take a policy position (as they have by way of Ministerial statements and Budget Speeches etc) want to increase the rates to make T&TEC break-even? Higher rates will only mean higher debt by the government! They must be made to pay all the arrears before others are asked to pay more!

4.9 We did not see in the Draft Determination any consideration to the possibility of diminishing returns. It is well known in economics that there is a point at which an increased price can lead to a reduction in demand. That reduction in demand may be of a size that results in an overall reduction of revenues. If we are correct that there was no such consideration, or that if there was it was not reflected in the Draft Determination, we call on the RIC to factor this in. Will the proposed rate increase in some instances result in a reduction in demand which would enable the conservation objective to be met, but which at the same time diminish T&TEC's revenue such that it would be left in a weak financial situation for the review period 2023-2027? This, of course in the context of the "given" long term PPA's with their built in take it or pay clauses.

5. MSJ's POSITION AND RECOMMENDATIONS

5.1 As you would no doubt have recognised from Section 1 of this submission, we strongly oppose neo-liberal policies. The MSJ holds to the objective for Trinidad and Tobago specified in the Preamble to the 1976 Constitution, namely that ***"we respect the principles of social justice".*** This is further spelt out thus ***"..therefore believe that the operation of the economic system should result in material resources of the community being so distributed as to subserve the common good".*** Neo-liberal policies, whereby the economic system is operated so that the material resources of the community are distributed to serve the interests of a tiny elite as evidenced by the rich getting richer and the poor poorer, and are therefore inconsistent with the Constitution of Trinidad and Tobago.

5.2 Consistent with our understanding of the principles of social justice, we hold that there are "public goods and services". We also hold that there is a valid principle of "the commons" meaning what is owned in common by the community or society. We further hold that the definition of human rights has to be expanded – as it is in the Constitution of several countries – to include ownership of "the commons' and access to some public goods and services.

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5.3 In furtherance of these philosophical positions, our policy with respect to:

- Education - is that education ought not to be viewed as expenditure but as an investment in people;
- Health care – is that it ought to be a public good and we should not have a conflicting private- public health care system where medical professionals can operate in both at the same time;
- Water - is that water is a basic human right. It should not be commodified, except for those who use it to produce goods (and services) that are then sold and from which they profit.

This latter is set out in an MSJ Draft Policy Position Paper developed some 9 years ago, while others have been stated in various public spaces.

5.4 We now take the same position with respect to electricity. Electricity (and increasingly now telecommunications) has become a human right. Citizens cannot live a decent life without electricity (however produced). It should therefore NOT be the subject of prices that reflect that it is a commodity – except for those who utilise it for the production of goods and services that are then sold and from which they profit. In other words, ordinary households should NOT have to pay what may be considered a significant price, or a price that is "market" sensitive for electricity. Furthermore, given that our electricity in Trinidad and Tobago is generated by our natural gas – which is part of our "commons"; we cannot and must not compare the price to households here with the price to households in other jurisdictions. Our "commons" and the use of it must subserve the common good.

5.5 We in the MSJ, as our name implies, stand for social justice. We seek to defend the interests of the working class; the unemployed; the self-employed including farmers and fisherfolk, taxi drivers and owners, and medium, small and micro-businesspeople. In this regard, we must in all conscience oppose the proposed rate increases for these sections of our society: residential households and small and medium commercial users (B1). We disagree that the percentage increase for B1 consumers should be five times that for B2 consumers, resulting in even the dollar increase being greater for B1 users than for B2 users. We strongly oppose the policy position of the government that after the rate increase, it would put in place another safety net of "electricity cards". It is wrong to push people off the cliff and then try to catch them, all the while convincing them that because they were "caught" the person who did the pushing has their best interests!

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5.6 Consistent with the principle of "equity" consideration in this Determination ought to be given only to rate increases for:

- residential customers who consume large quantities of electricity (perhaps to power pumps for swimming pools and to air-condition entire large homes);
- large commercial customers; and
- industrial users

5.7 We strongly advise that the RIC drop its requirement in this Determination to have T&TEC so-called "improve" its efficiency and productivity by reducing the crew size by eliminating the position of "driver". In so doing, the RIC is seeking to have T&TEC either unilaterally violate the legally binding collective agreement with the majority recognised trade union or be penalised by you (the RIC) for not achieving this outcome.

5.8 We note your requirements re justifying all CAPEX and ensuring that contracts are properly tendered and executed to avoid wastage inefficient expenditure. However, we believe that your position can be bolstered by the RIC impressing on the policy makers – the Government – to have the Public Procurement Act fully proclaimed and implemented. The scrutiny of the Procurement Regulator would be far more effective and real time that the RIC's which of necessity is "looking backwards".

5.9 We noted that one of the considerations in the Rate Review is "systems losses". Again, due to policy decisions taken by successive governments all the power generation is south of the Caroni River, with almost 54% of total demand being potentially supplied by TGU which is the most southerly of all the power stations. This, together with the closure of the Port of Spain B power station – albeit which had older and thus less efficient units – must lead to a certain system loss due to the longer transmission lines. In addition, there are great risks – already evident with two nationwide outages that lasted many hours – with this configuration. We recommend that consideration be given to having a power station located in north Trinidad to offset this risk.

5.10 We require further information on what would constitute the so-called "trigger event", which trigger event could lead to a further increase in rates. We disagree that there should be any "trigger event" that could result in a rate increase not previously subject to public scrutiny and debate through a proper process of public consultations. The country and consumers ought not to be caught by a sudden and unplanned rate increase. We also strongly advise that the annual escalator

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not be implemented and that, if required, the RIC should engage in a process beforehand. Certainly T&TEC implementing this by giving two weeks' notice is totally wrong!

5.11 In the Draft Determination it is stated that *"Conversion and fuel costs are considered uncontrollable costs, that is, costs over which the actions of the utility have little or no effect, hence they are generally treated as pass-through"*. Such a large element of T&TEC's cost must be addressed. Contrary to the position of the RIC that this cost should be treated as a pass through, it is our position that since the First Schedule of the RIC Act which specifies service providers over which the RIC has regulated powers includes the power producers (by name), you can and must interrogate the arrangements (including the PPAs) under which the producers operate and supply electricity to T&TEC.

5.12 While this may be outside your remit, the MSJ calls for an end to the Power Purchase Agreements and, as a first step in the direction of T&TEC once again being an integrated electricity provider – from generation through transmission and to distribution - for the (essentially state owned) TGU power station to be incorporated into T&TEC. This will have the effect of reducing the profits of each power producer being an add-on cost of electricity to consumers. Given the capacity of TGU (50+% of total peak demand and the newest and most efficient of the power stations) this will prevent the need for a rate increase to households at this time.

6.0 We trust that the RIC studies very carefully and takes into consideration the above stated analysis by and positions of the MSJ as you review the Draft Determination of Electricity Rates, 2023-2027

Respectfully Submitted to the Regulated Industries Commission

For and on behalf of the Movement for Social Justice

David Abdulah
Political Leader

2023 March 31.

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