

## **COMMENTS ON THE RIC DRAFT DETERMINATION “REGULATION OF ELECTRICITY TRANSMISSION AND DISTRIBUTION 2023- 2027” DATED JANUARY 2023.**

### **1.0 Introduction**

The principle of cost recovery for the services provided by Public Utilities is widely recognized. Rates paid by consumers are adjusted from time to time to meet the increasing costs of providing these services. Therefore, the service provider, in this case T&TEC, has a public service obligation to ensure that electricity is supplied to consumers at costs based on the highest levels of efficiency.

### **2.0 Productivity**

Section 6.2.1 of the Report “Labour Productivity” and Appendix A on page 83 benchmark T&TEC productivity levels against that of regional countries and other utility companies. While the metrics used are quite academic, from another perspective, the question arises, ***Are T&TEC Human Resources utilized to their fullest? Are the required and appropriate tools, equipment, systems and procedures available to employees to perform their duties competently thereby increasing productivity?***

### **3.0 Wastage**

Wastage impacts operational costs. ***Are there systems in place to identify and eliminate wastage of T&TEC resources, in particular, human and material resources ?***

### **4.0 Efficiencies**

The more efficient T&TEC becomes, the lower the operational costs. ***Is there a continuous improvement program or its equivalent at T&TEC to update systems and procedures due to emerging technologies?***

***Due to the rapidly changing technological environment, does T&TEC engage in continuous process reengineering to increase efficiencies?***

Linked to productivity, and wastage, efficiency is impacted by the division of labour that exist with the technical staff. For example, to change a pole with a transformer requires several categories of employees such as a crew to disconnect the breaker, a crew to remove the reinstall the transformer, a lines crew to remove and reinstall the power lines and a pole crew to remove the old pole and reinstall a new one. It is very easy for a lines crew to trip and reset breakers.

***Has T&TEC made efforts to implement the cross utilization of technical staff?***

### **5.0 Maintenance of Equipment**

Maintenance of all equipment inclusive of vehicles is a critical factor in meeting service level targets. **Section 5.7.2.5 Services/Maintenance** refers to expenditure to carry out preventative maintenance. The report alluded to the fact that T&TEC request for planned expenditure was not supported by any specific plans. This notwithstanding, the RIC approved \$558.9 million for the period 2023-2027 for expenditure in this area. ***Has the RIC received any plans?***

There are many types of preventive maintenance programs which are a series of processes, guidelines, and tools for conducting regular and routine maintenance on equipment to keep them in good working condition to avoid premature failure and costly disruptions of service.

One such type is a reliability centered preventive maintenance programs. Reliability-Centered Maintenance (RCM) is designed to optimize maintenance programs by establishing safe minimum levels of equipment upkeep. RCM emphasizes matching individual pieces of equipment with the maintenance techniques most likely to deliver cost-effective equipment performance.

The successful implementation of an RCM process enhances reliability, equipment uptime, and cost savings in terms of money and assets. The condition monitoring capability of RCM can predict the impending failure of a component. This facilitates the planned replacement of the component with minimum disruption of service.

***Has T&TEC implemented a reliability centered preventive maintenance program as a corporate level strategy to reduce operating costs?***

## **6.0 Logistics**

Table 3.2 of Section 3.4 **Length of the Asset Lives** provide the standard useful life of assets in years. The table shows the standard useful life for Control Gear, Switchgear and Transformers as 25 years.

**Are the useful life targets being achieved?**

**What is the Mean Time Between removals for Switchgear, Control Gear and Transformers?**

The following question is premised on the assumption that there are numerous suppliers of equipment that T&TEC uses. Prices will vary depending on the suppliers. A part from supplier X that cost 20% less than a part from supplier Y will have a lower level of reliability and may not represent “best value for money.”

***Is equipment that T&TEC purchases have a high degree of reliability and sourced from reputable supplies with excellent after sales support and warranty?***

## **7.0 Performance Management**

Section 9.2 of the report “ **Role of Incentives in Government Owned Utilities**” is disturbing. The section is reproduced below;

*“Some of the more intractable problems associated with incentive-based regulation occur where the utility is State-owned. These problems can be exacerbated when the government, as owner, is not focused on performance, as would occur under private ownership. The misalignment of incentives between owners and directors of entities when they are not the same is well-known. Compared with private sector companies where directors are accountable to shareholders, the Board/management of the government-owned entities can pursue their own objectives more freely in the absence of these checks and balances. Although some accountability mechanisms exist in the public sector, once the Board/management has the freedom to pursue its own objectives, incentive-based regulation becomes difficult for several reasons, including:*

- Board/management is less incentivised because the penalties for failure are minimal, and the rewards for success are also smaller;*
- public sector managers are often not subject to performance management systems and associated rewards and consequences as obtains in the private sector;*

- *there is no real bankruptcy threat as even a poor-performing entity can expect to be bailed out by the State; and*

- *the market for corporate control is also absent.*

*The poor performance of entities with government ownership is also due to a number of other factors, including:*

- *complex and sometimes conflicting social, political and economic objectives;*
- *short-term focus due to changing political objectives;*
- *pressure from ministerial intervention at the expense of accountability; and*
- *selective representation of customer needs*

*Incentive regulation includes mechanisms within the regulatory framework to maintain or improve service quality. These incentive mechanisms include:*

- *specifying service standards and obligations to be met during a regulatory period;*
- *reporting performance against service standards/obligations as part of the performance monitoring and reporting regime;*
- *designing financial incentive mechanisms to reward and penalise the service provider for performance that varies from pre-determined benchmarks/standards; and*
- *any combination of the above.“*

***What action has the RIC taken to have an effective performance management system implemented at T&TEC?***

## **8.0 Purchase of Electricity from Third Parties**

T&TEC purchases electrical power from Powergen, Trinity Power, Cove Hill etc. through purchase agreements. If the supplier of the power such as Powergen is not producing the power efficiently, the consumer will ultimately pay the price for any inefficiencies.

***What mechanisms T&TEC has in place to ensure that the power purchased from third parties are generated in the most efficient way possible and represent best value for money?***

Submitted by;

Ramesh Lutchmedial

**19<sup>th</sup> March 2023**