OFFICE OF UTILITIES REGULATION

ANNUAL REPORT AND FINANCIAL STATEMENTS 2012-13

CONTENTS

MISSION STATEMENT

To contribute to national development by creating an environment for the efficient delivery of utility services to the customers whilst ensuring that service providers have the opportunity to make a reasonable return on investment.

OBJECTIVES

- To ensure that consumers of utility services enjoy an acceptable quality of service at reasonable costs;
- To establish and maintain transparent, consistent and objective rules for the regulation of utility service providers;
- To promote the long-term efficient provision of utility services for national development consistent with Government policy;
- To provide an avenue of appeal for consumers who have grievances with the utility service providers;
- To work with other related agencies in the promotion of a sustainable environment; and,
- To act independently and impartially.

INTRODUCTION

The Office of Utilities Regulation Act of 1995 established the Office of Utilities Regulation (the Office/OUR) as a body corporate. Under the Act, the OUR is charged with the responsibility of regulating the provision of utility services in the following sectors:

- Electricity
- Telecommunications
- Water and Sewerage
- Public transportation by road, rail and ferry

THE OFFICE

The Director General and Deputy Directors General comprise 'The Office'. The Director General is appointed by the Governor General and the Deputy Directors General are appointed by the Prime Minister.

This, the sixteenth report of the Office, will inform Parliament and the country of the regulatory activities and financial operations of the OUR for April 1, 2012 to March 31, 2013.

DIRECTOR GENERAL'S REPORT

MAURICE CHARVIS

The year 2012 was of special significance for the OUR. Not only did we mark our 15th anniversary, but we accomplished many of the important objectives and embarked on new initiatives. Although there were uncertainties and persistent difficulties in the regulatory environment, particularly in the area of weak enforcement capabilities, the OUR can reflect on this special anniversary year with a sense of accomplishment. We can look forward to new activities designed to improve utility services and benefit consumers.

The OUR's delivery of its mandate has been characterized by fairness, timeliness, efficiency, transparency, attention to detail and independence. We make regulatory interventions that are the least intrusive but designed to ensure a balance in the relationships between all stakeholders. As part of our modus operandi, we consult widely and assess the impact of our proposed action on all stakeholders before issuing regulatory determinations. All of this is underpinned by a philosophy that the regulator must at all times operate in the public interest.

We continue to work in our mandated areas, towards the achievement of the goals of Vision 2030 by aligning private behaviour with the public interest across the various utility services we regulate. In this regard, we will continue to monitor and regulate service providers closely to ensure the delivery of superior quality and efficient customer service while giving them the opportunity to obtain reasonable returns on their investments.

A major part of the significant organizational challenges faced by the OUR were the gaps and deficiencies in the legal framework with respect to its enforcement powers and authority. This has inhibited the organization's ability to adequately force compliance by utility providers, to effectively intervene in the regulated sectors to safeguard the public interest, as well as to more effectively protect consumers.

However, during the year in review significant strides were made in this regard in the Telecommunications sector. The Telecommunications (Amendment) Act promulgated in May 2012 provided for major changes in the enforcement powers of the Office in this sector.

In addition, the Office of the Director of Public Prosecutions (DPP) agreed to provide special assistance to the OUR in the identification of a clear procedure and the development of relationships between the OUR and the appropriate enforcement agencies (that is, the police and the prosecutors) that should in the future, facilitate the efficient and effective prosecution of breaches.

While some of the targets defined for fiscal 2012/2013 were delayed because of unplanned activities, as well as the delay in the amendment to the Telecommunications Act, the OUR was able to complete most of its work plan within the fiscal year, with the remainder carried over to fiscal year 2013/2014. Going forward, the organization's programme of work will be driven by a number of imperatives, some of which, it should be noted, are outside the Office's control. Additionally, through a process of change management, the OUR will continue the process of staff development, maintaining proper accountability and stewardship and the development of a culture of risk management.

SECTOR HIGHLIGHTS

As anticipated, there were major activities in the energy sector. These include the expansion of electricity generation capacity; the audit of the cost of fuel for power generation, the establishment of a programme to reduce system losses, as well as important activities in the area of renewable energy designed to increase the share of energy from renewable sources in Jamaica's energy mix, in accordance with the National Energy Policy. Of course, critical emphasis continues to be on the security of supply and affordability of service by the lowering of real costs while improving reliability, quality and efficiency without compromising the environment.

Electricity issues include: the re-start of a process for the replacement of a substantial part (292 MW) of old, inefficient electricity generating plants by new and technologically efficient ones, to improve the reliability of the electricity system, and reduce the cost of electricity; the near completion of a framework for wheeling of electricity; and the establishment of a Standard Offer Contract regime, for the purchase of as-available intermittent energy to facilitate owners of small renewable generating sets between 0 kW – 100 kW to connect to the grid to sell excess energy. The draft versions of the new Generation, Transmission and Distribution Codes have already been circulated.

In the area of telecommunication services, the imperative continues to be the deployment of broadband to benefit all citizens, including those with disabilities, and to strengthen competition in the various markets to facilitate efficient numbering systems in use; the development of efficient cross network connectivity; and competition by way of efficient pricing. The year saw the development of a Long Run Incremental Cost Model (LRIC) which will allow for the determination of Mobile Termination Rates (MTR). The Telecommunications (Amendment) Bill was tabled in Parliament in November 2011, and was revised and passed in May 2012.

By this amendment the power to set interim rates, was conferred on the OUR. The OUR determined an interim rate of J$5.00 which became effective on July 15, 2012. This resulted in a substantial lowering of call rates charged to consumers by the major telecoms providers.

For water and sewerage, the focus continues to be access to affordable potable water; expanded and integrated sewerage services, significant reduction in water losses from the current level of over 65%; and the continued expansion of the services. An important element of this is to reduce non-revenue water (NRW), and to improve efficiencies in the delivery process. NWC has begun the process through the 'K-Factor' Fund that was established by the OUR to allow the Commission to carry out repairs to infrastructure, and for other capital projects aimed at reducing NRW. The monitoring activities required for the 'K-Factor' fund made a significant call on the OUR's resources. At the same time, efforts have continued to ensure that the regulatory environment remains conducive to the survival and expansion of private water provisioning, where feasible.

The National Water Commission's Annual Price Adjustment Mechanism (PAM) was completed and new base rates for the PAM component came into effect in April of 2012.

INTERNAL OPERATIONS

The OUR has commenced a number of projects, aimed at improving internal operations and delivery of service to stakeholders. These include:

- The formation of an Advisory Committee on Administration and Finance, and tightening internal controls as recommended by the Internal Auditor;
- The development of an Operations and Procedures manual which will provide guidance to staff on internal procedures;
- Continued work on the implementation of a Relational Database Management System designed to make regulatory inputs and outputs more accessible and measurable;
- The development of a Code of Ethics for staff which will become functional within this fiscal year;
- The development of a values system to govern the relationship among employees and also with external stakeholders; and
- Activities to move the organization towards ISO 9001:2008 certification by June, 2014.

Draft rules of practice and procedure are being developed to provide a framework for the OUR to achieve its objectives of fairness, consistency and transparency in the execution of its functions. The document sets out procedures for such matters as: applications for regulatory actions, hearings and enquiries, consultation processes, meetings of the Office, alternate dispute resolution, monitoring and enforcement, annual regulatory returns, licence applications, and customer complaints procedures.

CONSUMER APPEALS AND RESOLUTIONS

Driven by consumer feedback and the activities of the Consumer and Public Affairs Department, the Jamaica Public Service Company was instructed to adopt a policy of Back Billing as a Code of Practice in May 2012 and make it publicly available in accordance with Condition 16 of the Amended and Restated All-Island Electric Licence 2011.

In the year under review customers of the NWC and the JPS benefited from credits of just over $21-million to their accounts as a result of the work of the OUR. This represents an increase of more than 1,600% over the $1,199,097.00 which was secured on behalf of customers during the June 2011 - May 2012 period.

CONCLUSION

An important change of leadership at the OUR took place towards the end of the period under review, with the departure of the former Director General Zia Mian after four years of service to the organisation. As the activities outlined above were carried out largely under his leadership, I wish to extend our thanks for his service to the continued development of the organisation.

Over the last 15 years, the OUR has developed into a major national institution, and today plays an important role in our country's socio-economic development. Together with the OUR's dedicated staff, I am committed to ensuring that the OUR continues to act in accordance with the best regulatory principles and, at all times, in the national interest.

MAURICE CHARVIS

CONSUMER & PUBLIC AFFAIRS

The Consumer and Public Affairs (CPA) Department continued its thrust to ensure that utility consumers are protected and educated about their rights and responsibilities. To this end, the Department organized public consultations, participated in events designed to share information with utility customers and held discussions with the service providers on improving their customer service delivery.

PUBLIC CONSULTATIONS

As part of our tariff application review process, public consultations were hosted in relation to an appeal of the Determination issued for Dynamic Environmental Management Limited (DEML) as well as the rate submission from the National Irrigation Commission (NIC). These meetings were designed to provide the customers of DEML and the NIC with an opportunity to hear first-hand the basis for the service provider's appeal and rate application; ask related questions of the DEML and NIC executives, as well as to provide feedback on the appeal submission.

For the DEML appeal application, two meetings were held in Portmore and Bushy Park St. Catherine on May 26 and 27, 2012. Meetings were held in Colbeck, Old Harbour and New Forrest/Duffus in Manchester for the NIC rate submission, on February 5 and 7, 2013. Feedback received from the customers at the consultations helped to ensure that the most economical rates were determined as well as informed the quality of service standards.

SERVICE PROVIDERS' CUSTOMER SERVICE DELIVERY

To ensure that utility consumers receive an acceptable level of customer service, the CPA Department engaged in further discussions with senior representatives from the electricity, telecommunications and water and sewerage service providers.

ELECTRICITY

Following a noticeable increase in the number of complaints received during the reporting period, relating to the back billing practices of the electricity provider, CPA participated in the review of the policy governing this activity. This resulted in a revised policy being issued, with a reduced time period – from four to two months (in most instances) - within which the electricity provider would be allowed to back bill an account in instances not related to tampering and other attempts to illegally extract electricity. This revised policy took effect in May 2012.

The Jamaica Public Service Company Ltd. (JPS) was also instructed to issue the new back billing policy as a Code of Practice and make it publicly available in accordance with Condition 16 of the Amended and Restated All-Island Electric Licence 2011.

WATER AND SEWERAGE

Discussions continued between the CPA and the National Water Commission (NWC) to realize improvements in specific service delivery areas including: customer service delivery; treatment of illegal connection allegations; inconsistent application of customer related policies; call centre performance; and, trucking of water to under-served areas. The decision was taken to develop a Code of Practice for complaint handling and customer service delivery.

TELECOMMUNICATIONS

During January and February 2013, complaints were received relating to several areas of service provided by Digicel.

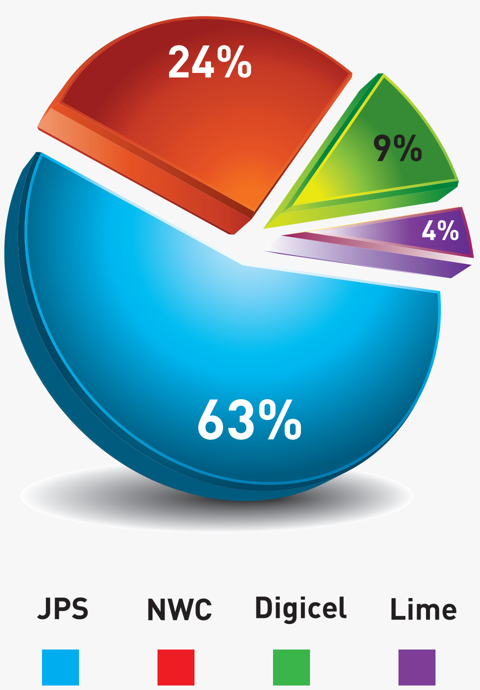
This included: issues with its newly installed voice mail system; barred calls, billing issues; and the discontinuation of specific products and promotional packages. Digicel met with CPA and sought to resolve many of the issues which resulted in a significant reduction in the number of related complaints.

CONSUMER APPEALS AND RESOLUTION

For the April 2012 to March 2013 period, one hundred and forty-seven (147) new appeals were received for investigation. Sixty-three (63) appeals which remained unresolved up to March 2012 were carried forward, bringing the total number of appeals requiring attention during the reporting period to two hundred and ten (210).

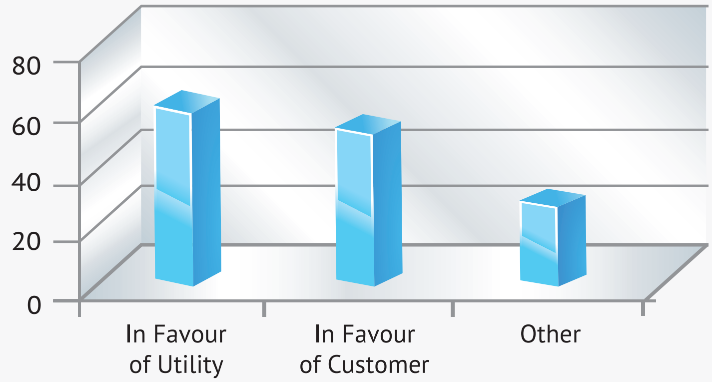
Ninety-two (92) of the 147 new appeals were related to services provided by the JPS while 36 were related to services provided by the NWC. Complaints relating to the telecommunications sector included six (6) and thirteen (13) for LIME and Digicel respectively. Figure 1 below shows the percentage share of utility contacts.

Figure 1: Percentage Share of Utility Contacts



Of the two-hundred and ten (210) appeals investigated, one-hundred and forty-nine (149) (representing 71%) were resolved/closed. Of those resolved, fifty-seven (57) were in favour of the customer and 63 were resolved in the utilities' favour. The remaining twenty-nine (29) included matters that were mutually resolved between the customers and the service providers as well as those that were withdrawn by the customer.

Figure 2: Outcome of Appeals 2012/2013



MAIN CONCERNS

Billing-related matters continued to be the main cause of appeals to the OUR during the 2012/2013 period. Of the two-hundred and fourteen (214) appeals received, one-hundred and forty-three (143) or 67% were related to the billing practices of the electricity and water and sewerage providers. The nature of the billing complaints included: billing adjustments, disputed charges and high consumption charges.

In addition to the increased number of customer service and billing-related complaints received against the NWC, the Department continued to receive complaints relating to the issue of bills reflecting high consumption during periods of drought and irregular supply or low water pressure. The Department is in the process of investigating this concern to ascertain the possible cause/s for consumption being recorded on meters including investigating claims of air causing meter registration.

CREDITS AND COMPENSATION

Resulting from our investigation/review of appeals from utility consumers, just over $21-million was secured on their behalf during the review period. This represents amounts that were credited to customers' accounts and charges that were reversed as a result of our intervention.

The amount secured represents an increase of more than 1600% over the amount secured on behalf of customers during the June 2011-May 2012 period. The customers who benefitted had filed appeals with the OUR after being dissatisfied with how the NWC and JPS addressed their complaints. The amount the OUR was able to secure on their behalf was either credited to the customers' utility accounts, or the charges were reversed.

PUBLIC EDUCATION

The OUR reached out to its stakeholders through mass and social media, face to face discussion, presentations and participation in major events.

Discussions continued with business, civic and community leaders through our Stakeholders' Luncheon series designed to provide the participants with an opportunity to discuss various regulatory issues with the OUR's Senior Management team. The meetings were also used to share information, with a view to ensuring that those business leaders who speak to the public on issues relating to utilities regulation were better informed.

The "Inside the OUR" monthly print feature continued to provide information and update on our regulatory activities. Additionally, social media was included in our public education drive and our Facebook page was revamped and is updated at least twice weekly. Utility consumers have also been engaging us through this medium regarding complaints with their service providers. A Twitter account was also established which is also being used to provide information to our stakeholders. Mass media continued to be the main medium through which the public was informed. The five-minute "Inside the OUR" radio feature continued to be aired on five of the major radio stations, and time signal messages also continued on two radio stations. Additionally, relationship building activities were maintained through our participation in expositions and meetings organized by community/church groups, and private organizations.

UPCOMING YEAR

The upcoming year will see an increase in the department's public education activities and a focus on implementing measures to improve the service delivery of the utility providers in order reduce the number of referrals and complaints to the department. The Department will also be utilising the Consumer Appeals Response System (CARS), developed by personnel in the IT Department to more effectively capture and track relevant information from utility consumers.

Regulation, Policy, Monitoring & Enforcement

OVERVIEW

Fiscal year 2012/13 saw varying levels of activities by the OUR in the sectors over which it exercises remit.

Among the more notable developments in the electricity sector were:

The continuation and eventual cessation of the:

- Request For Proposals (RFP) procurement process with Jamaica Public Service Company (JPS) for the addition of 360MW of capacity to the grid, 292 MW of which is to replace obsolete and inefficient electricity generating plants that are over 30 years old.
- Government's decision in September 2012 to hand over responsibility for procuring LNG and the requisite infrastructure to JPS after it failed to secure a suitable arrangement following a second RFP process.
- The commencement of a procurement process to secure 115 MW of renewable electricity capacity to the grid by 2015 in a bid to fulfil Government's policy objective of having renewables comprising 15% of total capacity by 2015.

The above development apart, substantial progress was made on a number of electricity sector matters. These include:

1 Continued work on the implementation of a number of the deliverables stipulated in the 2007 JPS post sale agreement between the Government of Jamaica and Marubeni Corporation, viz, the:

- Promulgation of a Transmission and Distribution (T&D) Code; a draft version of which was ready for approval and promulgation at the end of the year;
- Development of a Generation Code which is now slated for completion early in fiscal 2013/14;
- Initiation of wheeling consultations with a view to making that option available before the end of calendar year 2013;
- On-going monitoring to ensure economic despatch of generators;
- Work on the development of a spinning reserve policy; and
- On-going work on measures to encourage system loss reduction.

2 The completion of an Audit of JPS' operations to determine reliability of data collection and reporting, the results of which will inform the application of the Q factor in the JPS price control regime;

3 Implementation of the Standard Offer Contract for the Purchase of 'As-Available Intermittent Energy' from Renewable Energy Facilities up to 100kW – Net Billing; and

4 The recast of electricity generation and system peak demand forecast

On the telecommunications front, consequent on the amendment to the Telecommunications Act, the OUR was able to mandate lower mobile termination charges as an interim measure.

The long run incremental cost (LRIC) model which will be used to determine Mobile Termination Rate (MTR) in the long term is also on track for completion by May 2013. A Determination Notice for the imposition of Quality of Service Measures for the Telecommunications sector was near completion at the end of fiscal 2012/13.

This activity has also been expanded to include new metrics for measuring and determining quality of service, which have only recently emerged, and unfair contract terms, an area that the Amendments to the Telecommunications Act now allows the OUR to examine.

Other important telecommunications matters attended to during the course of the year included:

- Commence system development for the Automation of Numbering Administration Functions;
- Development of Number Portability Rules;
- Consultation on Area Code Relief Planning - for the introduction of a new area code in Jamaica to complement the existing '876' area code; and,
- Provision of technical support to the Ministry and related agencies during the drafting of the Telecommunications (Amendment) Bill.

In the water sector, there was on-going engagement with the NWC regarding the K-Factor, as the Office deemed it important to subject the facility to greater scrutiny, given concerns about its administration. Notably the NWC advised during the year that it had established a unit to administer the Fund, and the OUR has signed off on a set of reporting and audit requirements with which it has to comply.

The OUR also reviewed tariff applications from DEML and Can-Cara, private water providers, during the period, and conducted the usual review of NWC's Annual Price Adjustment Mechanism.
Below is a more detailed account of the major regulatory activities and the initiatives taken by the OUR in the review period to attain its over-arching objective of delivering public benefit.

SECTOR DETAILS

ELECTRICITY SECTOR

PROCUREMENT OF BASE-LOAD GENERATING CAPACITY ON A BUILD, OWN AND OPERATE BASIS

Jamaica still requires some 360 MW of electricity generating capacity in the near term, and attending to this need was a major focus during the fiscal year. Regrettably, the procurement process with JPS to provide this facility was terminated during the fiscal year as that Company failed to meet all the requirements of the process, even after being given a number of extensions.

As reported last year, JPS was awarded the right to negotiate the project. Subsequent to this award, JPS incorporated a separate special purpose company - South Jamaica Power Company (SJPC) Limited, with a view to ensuring arm length dealing and transparency. The SJPC, upon authorization by the OUR, then entered into negotiations for a Power Purchase Agreement (PPA) for dual fuelled, 360 MW of base load, combined cycle gas turbine generation capacity with JPS.

The bid security posted by JPS in respect of the award expired on April 29, 2012 but the Company with the agreement of the OUR, extended the proposal validity and price of the proposal to October 31, 2012. The purpose of this extension was to: facilitate the on-going negotiation between JPS and SJPC to resolve the necessary project agreements; and, allow what was then the government-led LNG project to complete its RFP processes for the supply of LNG as well as the gas terminal and storage facilities which were expected by July 2012. This was deemed critical as it would determine the fuel price JPS would be prepared to commit to in the agreement.

In September 2012, the Government indicated that it would no longer be pursuing the LNG project and subsequently handed over the procurement of LNG to JPS. This change meant that there was no primary fuel information available to complete the 360MW PPA in time for the October 31, 2012 date and the bid security extension deadline.

Since JPS had indicated that it accepted responsibility for the continuation of the LNG project and confirmed the validity of their Base Proposal to December 31, 2012, the OUR allowed a further extension to December 28, 2012 to finalize its offer, including the procurement of LNG for its plant. On application by JPS, another extension to January 30, 2013 was granted to allow the Company to complete its offer and submit a new bid security that was a requirement of the RFP and which was outstanding.

On January 30, 2013, the last day of what was the third extension to the bid validity period, JPS requested a further thirty (30) day extension to clarify "fuel source and supply and the viability of the current plant configuration if that fuel source is not forthcoming". JPS did not supply any further details to allow the OUR to assess whether an extension would have provided any greater certainty as to the future of the project. JPS also indicated in the same correspondence that it was unable and/or unwilling to immediately fulfill the requirement of providing a current bid security, given the uncertainty of the gas supply, constraints of its loan covenants; and, the consequences of a default in the finalization of the project agreements.

In the circumstances, the OUR concluded that RFP process for the procurement of 360 MW of generation capacity was terminated by reason of the passage of time and so advised JPS by letter dated February 1, 2013.

Significantly, on January 31, 2013, JPS submitted a broad summary of an alternative proposal for the provision of electricity generating capacity. The OUR in response advised JPS that this could only be treated as a new offer as it could not be considered in the RFP process as that had come to an end. Immediately following the termination of the RFP process, a number of other entities also expressed interest in providing a solution for Jamaica's electricity needs.

Given the need to finalize a solution in the shortest possible time, uncertainties regarding the level of participation and the likely outcome of a new open competitive process, the OUR gave a commitment to review JPS' and any other proposal to supply additional generation capacity to the national grid submitted to it by March 15, 2013, before going back to the open market. The OUR also indicated that all such submissions would be treated as unsolicited proposals and that the objective of its review would be to determine if any of the submissions provide sufficient basis for a recommendation to the Government of Jamaica that, as a matter of policy, it ought to consider other options than competitive tender to satisfy the country's electricity needs.

Eleven proposal from five (5) entities were received and the OUR engaged the services of an international consultant to assist with the assessment. The OUR proposes to provide government with its recommendations during fiscal 2013/14.

RENEWABLE ENERGY PROCUREMENT

In keeping with the government's policy to secure 15% of electricity generation from renewables by 2015, and consistent with policy directive from the Cabinet, the OUR in November 2012 issued a RFP for 115 MW of electricity generation capacity from renewable energy-based power generation facilities on a build, own and operate (BOO) basis. The initial response to that RFP has been encouraging with some 85 indications of interest submitted to the OUR up to the time of the pre-bid meeting which was held on January 17, 2013. Subsequent to that meeting there have been additional expressions of interests.

The deadline for responding to this RFP was initially set for April but was extended to June 2013.

STANDARD OFFER CONTRACTS (SOC)

The OUR approved a Standard Offer Contract (SOC) document in 2012 to allow for Distributed Generation on the Jamaica Public Service Company Limited (JPS) network. The SOC provides the opportunity to JPS customers who generate electricity for their own use from renewable sources, to sell their excess energy to the national grid under a net billing arrangement. Some 32 applicants have been issued with licences, to date, but up to the end of the fiscal year only two such have been connected to the grid.

ANNUAL JPS TARIFF REVIEW

The OUR approved the annual adjustment to the JPS tariff during the fiscal year. This resulted in an effective increase of 1.21% in the average electricity non-fuel rates. Notably, the adjustments for the heat rate resulted in a reduction of 120kJ/kWh with system losses remaining at a target of 17.5%. The effect of the combination of the non-fuel and fuel adjustments was an overall reduction of approximately 1.4% in the total bill. The system heat rate target was also reviewed and adjusted to take account of new generation capacity additions and to accommodate a letter of credit fund (LCF).

GENERATION CODE

The Generation Code (the "Code") covers the guiding principles, operating procedures and Technical Standards governing operation of the Jamaican Power System Grid and all interconnected Generating Facilities. The Code seeks to facilitate the economic, safe and reliable operation of the Jamaican Power System and to avoid any undue discrimination among Generators. The provisions of the Code are enforceable under the Office of Utilities Regulation Act, 1995.

The revised Code was completed in the last quarter of the reporting period well behind the initial scheduled completion date. The delay is largely attributable to the number of unplanned activities requiring priority attention during the year.

ACCOUNTING SEPARATION

The schedule for consultation and promulgation of account separation rules for JPS had to be adjusted during the course of the year to accommodate work on other activities scheduled and unscheduled (notably Wheeling, Hurricane claims and process documentation). The principal aims of the exercise remains to create greater transparency and prevent unfair cross subsidies especially where there is the potential for competition. The major activity undertaken during the period was the development and circulation of draft rules for internal comments. It is anticipated that public consultation will be done during fiscal 2013/14.

ELECTRICITY WHEELING

Arising from an amendment to JPS' Licences in 2011, the path has been cleared for electricity wheeling in Jamaica. The OUR has therefore initiated the process for the implementation of the wheeling framework. Among other things, this includes: determining an appropriate pricing methodology, computing wheeling prices and developing a set of rules which allows efficient network transactions.

Against this background, a U.K.-based consulting firm, PPA Energy has been engaged to assist with the fast tracking of this process. The following tasks were accomplished by the end of the fiscal year:

a) The examination of methodological pricing options;

b) Consultations with stakeholders on the appropriate methodology;

c) Data gathering on the transmission and distribution network as well as cost; and

d) The computation of indicative prices based on historical data with the model to be updated with current information as provided by the JPS.

Table 1: Critical Indicators

Month/Year	Net Gen (MWh)	Sales (MWh)	System Losses (%)	Heat Rate (kJ/kWh)	IPP Rate (US c/kWh)	Peak Demand(MW)
Jan-12	337,341	257,969	23.53	10,360	26.408	593.0
Feb-12	322,195	246,242	23.57	10,218	26.770	613.7
Mar-12	340,420	259,608	23.74	10,286	26.282	609.6
Apr-12	334,603	254,873	23.83	9,868	27.540	612.0
May-12	356,875	270,774	24.13	9,969	24.761	615.9
Jun-12	356,639	270,170	24.25	10,085	23.050	628.1
Jul-12	368,716	278,484	24.47	10,249	18.674	624.6
Aug-12	361,304	272,381	24.61	9,765	24.362	622.1
Sep-12	350,142	264,328	24.51	9,739	26.477	635.8
Oct-12	328,240	248,580	24.27	9,855	26.113	626.9
Nov-12	335,407	252,440	24.74	9,816	25.991	619.0
Dec-12	344,037	258,118	24.97	9,369	23.705	620.0

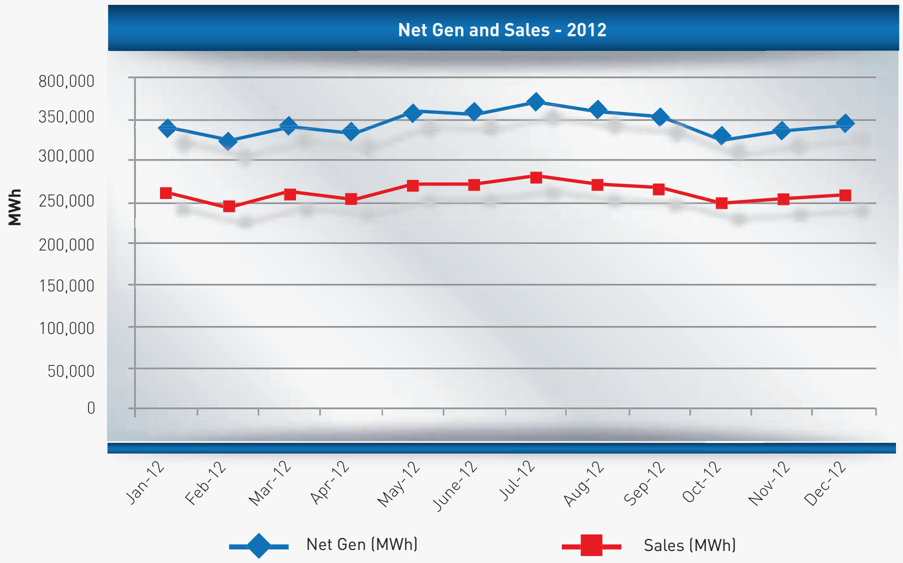


Figure 3

Between January 2012 and December 2012 net generation and sales remained relatively flat. The average net generation was 345GWh and the average sales over the said period were 261GWh.

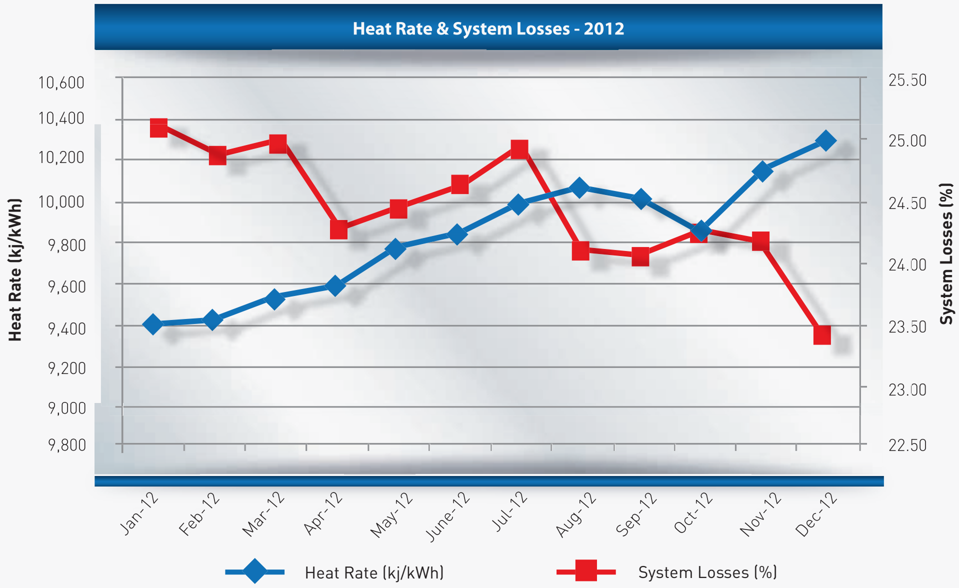


Figure 4

The heat rate and system losses indicators showed mixed results. The system heat rate recorded positive results coming from a high of 10360kJ/kWh recorded in January 2012 to a low of 9369kJ/kWh recorded in December 2012. System loss on the other hand is going in a disturbingly negative direction. For the period system loss moved from 23.53% in January to 24.97% in December, a record high.

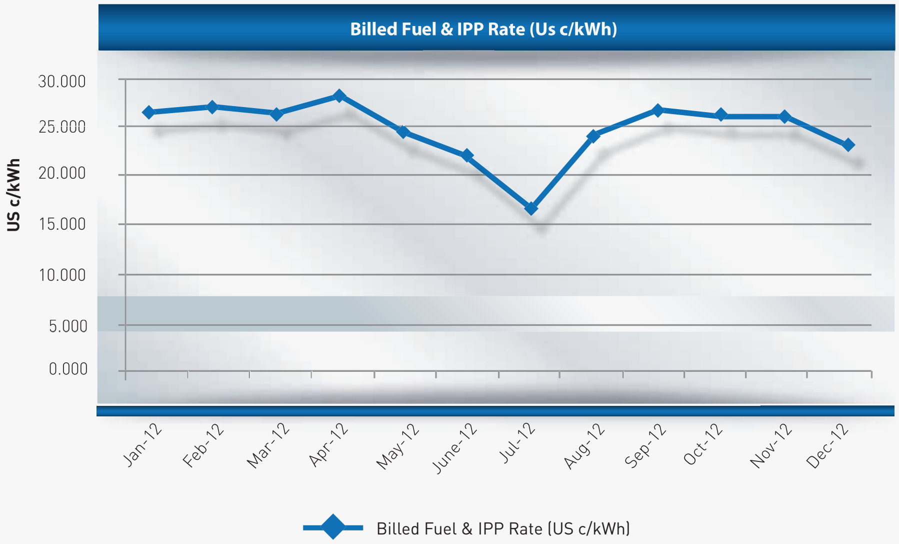


Figure 5

Billed Fuel and IPP Rate fluctuated during the year moving from 26.4UScents/kWh in January down to 18.7UScents/kWh in July and back up to 23.7UScents/kWh in December 2012. Capital cost and other charges relating to this Independent Power Producer (IPP) are captured in the IPP charge.

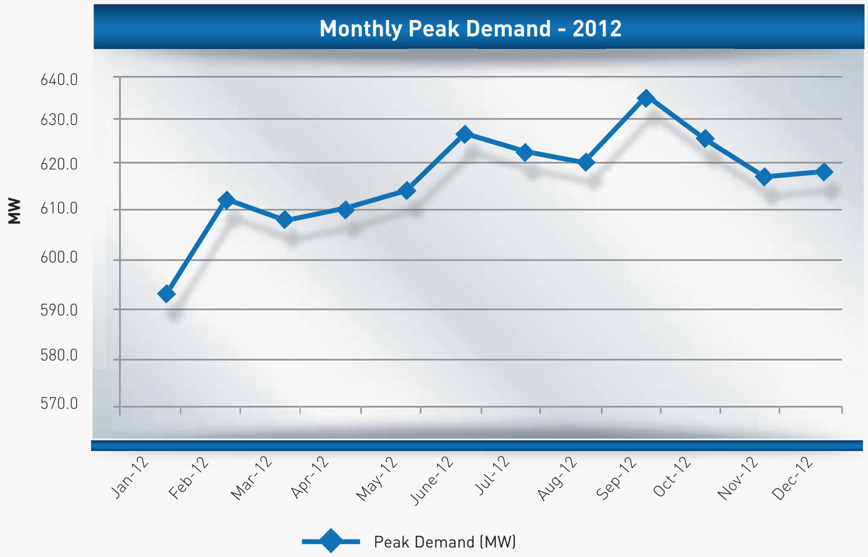


Figure 6

The system peak demand for the period showed a modest uptick. Peak demand increased from a low of 593MW in January to record a high of 635.8MW in September and was 620MW in December 2012.

TELECOMMUNICATIONS

DEVELOPMENT OF THE TELECOMMUNICATIONS (AMENDMENT ACT)

The acquisition of Claro by Digicel highlighted the need to strengthen the legal authority of the regulator and the regulatory framework of the telecommunications sector. This prompted the government to expedite proposed amendments to the Telecommunications Act. During the review period the OUR was therefore called on to provide technical support for the revision of the 2011 Draft Telecommunications (Amendment) Bill. The revised Bill was passed in May 2012. The amendments to the Act will enable the OUR and the Spectrum Management Authority to discharge their functions more effectively. With the amendments to the Act, the OUR now has the power to arbitrate post-contract disputes, set interim termination and price cap for retail rates, and mandate infrastructure-sharing.

ESTABLISHING QUALITY OF SERVICE RULES FOR THE JAMAICAN TELECOMMUNICATIONS SECTOR:

In keeping with its statutory responsibility to ensure quality of service to consumers, the OUR has embarked on the drafting of quality of service/ consumer protection rules and a Code of Practices for the telecommunication sector. This has been a protracted exercise but substantial progress was made towards finalisation of this process in the review period. With the amendments to the Telecommunications Act, the OUR will be able to promulgate these rules by Order published in the Gazette. It is now proposed to implement the first set of such Rules and Practices before the end of the second quarter of fiscal year 2013/2014.

DEVELOPMENT OF INFRASTRUCTURE-SHARING RULES

While it may be possible for each operator to create every element of its network, it is often not desirable. There are good reasons to facilitate the sharing of telecommunications networks. One such reason is the requirement for each operator to build its own system of towers, ducts, conduits and other facilities which could significantly delay network roll-out given the time required for construction. Also, the network deployment process can cause chaos particularly in urban areas. Under the amended Telecommunications Act the OUR has the power to impose an infrastructure sharing obligation on a licensee. During the review period, the OUR began consultation on the development of infrastructure-sharing rules and modalities. It is anticipated that the project will be completed by the end of the third quarter of fiscal year 2013/2014.

BROADBAND STUDY

The Telecommunications (Universal Service Levy) Order, 2005 and related Annex was amended to account for recent sector developments.

The universal service provision in the Act (section 38) has also been amended to expand the principles upon which the obligation to provide universal service can be determined. In keeping with the amendments, the OUR announced its intentions to undertake a Broadband Study during 2012-2014 to capture the progress Jamaica has made in regard to broadband infrastructure and use. During the review period a project proposal was developed and external funding was sought. It was anticipated that from the Study, a Broadband Plan would be developed and that a broadband deployment monitoring mechanism (Broadband Dashboard) would be implemented using geographic information system. However, the anticipated external funding for the project did not materialize and the OUR has since re-scoped the project. During the upcoming fiscal year adoption/demand and availability surveys will be conducted and a Broadband Plan developed.

REVIEW OF MOBILE RIOs AND HARMONIZATION OF RIO ELEMENTS FOR MOBILE OPERATORS:

Given the requirement for all mobile operators to issue Reference Interconnection Offers (RIOs), the OUR decided that it would be in the interest of the sector to harmonize the non-tariff elements of the Mobile RIOs. Consultation with the stakeholders began in 2011 with the formation of technical and legal working groups comprising representative of the licensees. These consultations have been protracted, however a draft harmonized RIO, with attendant annexures, was in circulation at the end of the fiscal year and a determination is to be issued during the first quarter of fiscal 2013/2014.

BENCHMARK MOBILE TERMINATION RATE (MTR) – INTERIM RECOMMENDATION TO THE MINISTER

Following the promulgation of the Telecommunications (Amendment) Act on May 24, 2012, the OUR issued a Determination on interim termination rates. The rate was set at J$5.00 and was slated to take effect on July 15, 2012. On June 13, 2012, Digicel (Jamaica) Limited filed documents seeking leave to apply for judicial review of the OUR's decision. Digicel also asked for the grant of leave to operate as a stay of the OUR's decision. The matter was heard and the Court ruled in favour of the OUR. In the result, the rates have remained in place and consumers have seen price reductions.

NUMBERING ADMINISTRATION

Numbering is a key enabler of competition in a liberalised telecom market, thus the design, adoption and management of the National Numbering Scheme affects the national interest. During the period therefore, the OUR continued its efforts to ensure the availability of adequate and appropriate numbering resources for carrier and service providers and their customers, and the efficient assignment of those resources. In keeping with these obligations the OUR pursued the following activities:

- Automation of Numbering Administration Functions (System construction);
- Further consultation on the development of the Common Short Codes regime for Jamaica;
- Consultation on the Harmonization of Call Disposition Indications across networks;
- Continuation of Area Code Relief Planning for the introduction of an additional area code in Jamaica; and
- Development of Rules to govern the introduction and implementation of Number Portability in Jamaica.

AUTOMATION OF NUMBERING ADMINISTRATION FUNCTIONS (SYSTEM CONSTRUCTION)

A project funded by the Inter-American Development Bank's Multilateral Investment Fund Facility, to develop the system requirements and design specifications for a web-based application for the automation of specified aspects of the OUR's Numbering Administration function, was completed in April 2011. However, the creation of the system was delayed to accommodate development work on the supporting enterprise technology infrastructure. The construction work on the system commenced in October 2012 and was on-going at the time of writing.

LOCAL NUMBER PORTABILITY

Number Portability enables subscribers to switch their service providers without having to change their existing telephone numbers, fosters competition among providers of telephone services and provides an incentive for service providers to improve quality, increase innovation in service offerings and enhance customer satisfaction.

The May 2012 amendment to the Telecommunications Act mandated the introduction of Number Portability and thus precluded the previous obligation of the OUR under the Act. Consequent upon the amendment to the Act, the OUR, in conjunction with the Ministry, developed draft Number Portability Rules which were subject to public consultations. The Rules were expected for finalization in March 2013 but were delayed. They are now scheduled for submission to the parliamentary drafting committee in early fiscal 2013/14.

DEVELOPMENT OF COMMON SHORT CODES FOR JAMAICA

A second industry consultation document on the creation and implementation of a numbering scheme, Short Codes, (which are numbers that are shorter than the regular telephone number, for the provisioning of a broad range of existing and future value-added services via text messaging and otherwise), was developed based on stakeholder response to the first document and further regulatory considerations by the OUR. The Publication of the document was scheduled for the end of March 2013 and that date was met.

AREA CODE RELIEF PLANNING

Area Code Relief refers to an activity that must be performed when the Central Office (or Exchange) Codes within an Area Code are near exhaustion. Providing relief to such an area code normally involves assigning a new area code.

The OUR had estimated that the expected exhaustion period for Area Code '876' would have been the 4th quarter of the year 2012. However, industry developments have forced the extension of that period. The completion of the second Planning Document was therefore rescheduled for the first Quarter of 2013.

HARMONIZATION OF CALL DISPOSITION INDICATORS

Industry consultation commenced on the harmonization of the use of call disposition indications by carriers within the local telephone network. Such indicators include various recorded announcements to inform callers of problems that prevent them from completing their calls, and various "call progress" information tones to inform them of particular stages of a call or an error that prevents the call from being completed. The initial consultation activities included call disposition data collection from the carriers currently operating in Jamaica. Publication of the first consultation document was scheduled for the first quarter of 2013.

ESTABLISHMENT OF INTERNET EXCHANGE POINTS

An Internet Exchange Point (IXP) Symposium for stakeholders in Jamaica was hosted by the OUR on February 19, 2013. The symposium was conducted by the Caribbean Telecommunications Union (CTU) in collaboration with Packet Clearing House, the world's leading implementer of Internet Exchange Points. The CTU is the regional inter-governmental information and communications technology (ICT) organization responsible for facilitating the development of the Caribbean ICT sector.

An exchange point is a place where providers connect their networks and exchange traffic to keep local Internet traffic within the local internet infrastructure, and thereby increase efficiency and reduce the costs of traffic exchange between the entities. A local IXP can be considered as critical platform for providing domestic-focused, bandwidth-intense applications and services.

The Symposium was the first phase of the OUR Corporate Work Plan project to determine the technical, practical and economic feasibility of establishing a national Internet Exchange Point in Jamaica.

It provided participants with information necessary to make informed decisions and take appropriate action for establishing a local IXP.

UPDATE ON IMPORTANT TELECOMMUNICATIONS SECTOR INDICATORS

FIXED LINE SERVICE

The number of fixed lines at the end of 2012 was 258,211. Save for 2007 when there was an increase, this figure has declined every year since 2006.

MOBILE SERVICE

The number of mobile service subscriptions was 2.7 million at the end of 2012 reflecting a further decline from the peak of 3.1 million reported for 2010. Prepaid subscribers continue to account for the lion's share of this market segment. This decline reflects Claro's exit from the market.

INTERNET SERVICE

The figures for internet sub-scriptions and penetration showed modest improvements in 2012. Reported penetration level is still low however, and the OUR maintains that this reflects significant under-reporting. As indicated among the activities planned for the next period is a review of the approach to collecting data on various Information and Communication Technology indices.

Table 2: Fixed Line Subscription & Penetration Rates (2006-2012)

Year	Subscriptions ('000)	Residential ('000)	Business ('000)	Penetration %
2006	342.70	243.90	98.80	12.80%
2007	369.70	272.30	97.30	13.80%
2008	316.60	225.80	90.80	11.80%
2009	302.50	214.70	87.80	11.20%
2010	284.30	203.30	81.00	10.50%
2011	267.60	189.10	78.50	9.90%
2012	258.21	180.44	77.77	9.52%

Table 3: Mobile Subscriptions & Penetration Rates (2006-2012)

Year	Subscriptions ('000)	Prepaid ('000)	Postpaid ('000)	Penetration %
2006	2,274.60	2,214.30	60.20	85.20%
2007	2,684.30	2,606.10	78.20	100.10%
2008	2,723.30	2,639.10	84.20	101.20%
2009	2,956.10	2,858.10	98.00	109.50%
2010	3,181.90	3,049.00	133.00	117.80%
2011	2,945.40	2,825.70	119.70	108.60%
2012	2,714.94	2,563.63	151.30	100.11%

Table 4: Distribution of Internet Subscription & Penetration Rates (2006-2012)

Year	Subscriptions	Narrowband	Broadband	Penetration %
2006	73.60	5.30	68.20	2.80%
2007	96.20	3.40	92.80	3.60%
2008	104.20	3.10	97.70	3.90%
2009	114.60	2.20	112.30	4.20%
2010	118.20	1.40	116.80	4.40%
2011	118.30	1.50	118.30	4.40%
2012	121.321	1.12	120.20	4.47%

Licences

Table 5: Number of Telecommunications Licences

During 2011 there were nine telecommunications licence renewals and three new approved applications.

Licences	2005	2006	2007	2008	2009		2010		2011	
					renewal	new	renewal	new	renewal	new
ISP	2	4	9	2	1	2	2	4	3	1
ISP (STVO)									1	
IVSP	1			3		1	1		4	
DC	2	3	2	1				2		
DVSP	2	2	5	1		1	1	2		1
DSP	2	1	2	2			2		1	
FTZC										
FTZSP										
IC	5	3	3	1		3		3		1
SCLC						1		1		
INTL.SP	7	3	4	2		1				

WATER AND SEWERAGE SECTOR

DYNAMIC ENVIRONMENTAL MANAGEMENT LIMITED ANNUAL PRICE ADJUSTMENT MECHANISM REVIEW

Dynamic Environmental Management Limited (DEML) is one of the existing private providers of water and sewerage services. It provides services to Vineyards Estate, Caribbean Estates, Portmore Country Club and Morris Meadows housing developments.

In June 2011, DEML applied for a rate review for all four housing developments that they serve in St. Catherine. A Determination Notice on the rates was issued to DEML with an effective date of January 9, 2012. DEML appealed the Determination and requested a reconsideration. Two consultations were held with the residents supplied by DEML. DEML was also allowed to submit additional information in support of its application.

The OUR issued a final Determination Notice in August 2012 with an effective date of September 3, 2012.

That Determination provided the Company with Price Adjustment Mechanism with reset date of January each year. Pursuant to this, in December 2012 the company applied for and received approval for adjustments to its rates which became effective in January 2013.

CAN-CARA DEVELOPMENT LIMITED TARIFF DETERMINATION

Can-Cara Development Limited (Can-Cara) another of the private water and sewerage companies was issued with a licence in April 2012 to provide service to Meadows of Irwin in Irwin St. James. The licence covered an area with approximately 800 potential customers.

Consistent with the provision of its licence, Can-Cara submitted an application for a tariff for residential customers in July 2012. The OUR reviewed the application and issued a determination notice in August of 2012.

THE NATIONAL IRRIGATION COMMISSION REVIEW OF RATES

The NIC on December 17, 2012 submitted an application for irrigation rates to be determined for farmers being served by the Colbeck, New Forest/ Duff House and Yallahs Irrigation Schemes. The NIC subsequently advised the Office that it was withdrawing the application for Yallahs.

Public consultations were held with farmers in St. Catherine and St. Elizabeth who are the major stakeholders to be affected by the application. The NIC's application was under review at the close of the fiscal year and a decision is scheduled to be issued by May 2013.

OBJECTIVES OF K-FACTOR

- To fund capital intensive programmes of efficiency improvement inclusive of mains replacement, and other NRW activities.
- To fund capital rehabilitation programmes that will not yield any significant increase in revenues for the NWC but is required to comply with a specific regulatory direction.
- To incorporate the expansion of the collection network for wastewater so as to better utilise the Soapberry Wastewater Treatment Plant.
- The K-Factor regime is scheduled to remain in place for at least five (5) years and the OUR is required to approve each project to be funded by the K-Factor prior to its execution.

The available data represents K-Factor activities up to March 31, 2013. As at this date, eighty-five (85) projects were approved by the OUR for funding under the K-Factor programme at an estimated cost of J$20.13B. Of these approved projects, twenty-eight (28) have been completed at a cost of approximately J$1,750 million with another J$8.034 billion expended to date on on-going projects as can be seen in the tables below.

During the reporting period the Department was engaged in a number of matters ensuring that the OUR observed due process, complied with all legal requirements in discharging its regulatory functions and maintained an orderly and efficient regulatory environment.

Table 6: K-Factor Approved Projects as at March 31, 2013 (Summary)*

Project Type	No. of Projects	Estimated Cost (J$b)
NRW Reduction/ Water Supply Improvement	53	12.973
Sewerage/Wastewater Treatment	32	7.158
Total	85	20.13

Table 7: K-Factor Projects Status and Expenditure as at February 2, 2013 (Summary)

Type	Status	Count	Expenditure (J$M)
Non Revenue Water (NRW)	Completed/(in Maintenance period)	13	1,265
	On-going	32	6,576
	Sub Total NRW(A)	**45**	**7,841**
Sewerage	Completed/(in Maintenance period)	15	485
	On-going	7	1,458
	Subtotal Sewerage (B)	22	1,943
	Total Expenditure (A+B)	67	9,784

*Source: NWC Monthly K-Factor Report – February 15 – March 15, 2013

Table 8: K-Factor Inflows – April 2012 to February 2013

	Apr-12	May-12	Jun-12	Jul-12	Aug-12	Sep-12	Oct-12	Nov-12	Dec-12	Jan-13	Feb-13
Inflows	J$M	J$M	J$M	J$M	J$M	J$M	J$M	J$M	J$M	J$M	J$M
K-Factor Billing	289.00	283.05	319.71	339.77	342.52	321.58	342.00	326.83	341.99	326.83	344.27
Deemed K-Factor Billing	260.10	254.75	287.74	305.79	308.27	289.42	308.80	294.15	307.80	294.15	309.84

LEGAL

LEGISLATIVE AND REGULATORY REFORM

The OUR continued its efforts to advance the amendments to the Office of Utilities Regulation Act which cover gaps and other deficiencies in the legal framework with respect to the OUR's enforcement powers and authority. The primary objective of the reforms being sought is to enable the OUR to effectively intervene in the regulated sectors and safeguard the public interest.

The OUR assisted the Ministry of Science, Technology, Energy and Mining to pass amendments to the Telecommunications Act and to the Petroleum Corporation of Jamaica (Extension of Functions) Order, 2005. This brought about significant and well needed changes in the telecommunications regulatory environment and renewable energy aspect of the electricity sector respectively. In relation to the Telecommunications Act, the OUR reviewed and commented on the proposed amendments contained in the Telecommunications (Amendment) Bill and the comments thereon. The OUR was also called upon to advise the Ministry of Finance and Planning and Tax Administration Department as they formulated a technical note for the new Special Telephone Call Tax which was implemented in July 2012.

The OUR also assisted the Ministries in the preparation of the relevant Cabinet Submissions regarding the proposed legislative changes.

LITIGATION MATTERS

During the period April 2012 to March 2013, legal officers in the Office of General Counsel Department had the management of twelve litigation and tribunal matters comprising four matters before the Telecommunications Appeal Tribunal, two matters before the All Island Electricity Appeal Tribunal, five matters before the Supreme Court and one matter pending the establishment of a competent tribunal to adjudicate the appeal. Ten of the matters were carried over from earlier periods, while the remaining two were initiated during the period under review. Four matters were concluded during the period, either through withdrawal by the claimant or the tribunal or a court issuing a final decision on the matter.

TELECOMMUNICATIONS SECTOR

TELECOMMUNICATIONS APPEAL TRIBUNAL

The matters before the Telecommunications Appeal Tribunal, established under Section 61 of the Telecommunications Act, related to appeals by several telecommunications licensees against various determinations of the OUR. These matters included the following:

- Appeal by LIME against aspects of the OUR's decision dated November 19, 2004 ("Assessment of RIO-5 and Tariff Schedule RIO/5a", Document No. Tel 2004/11) and reconsideration decision dated March 19, 2007 ("Reconsideration of the Office's Decision "Assessment of RIO-5 and Tariff Schedule RIO/5a", Document No. Tel 2004/11.1) ("Indirect Access") in respect of the OUR's approval of LIME's reference interconnection offer.

- Appeal by LIME against the reconsideration decision of the OUR dated February 14, 2011 ("Reconsideration of the Office's Decision: Determination Notice (Tel 2008/09:DET 02) "Indirect Access: Two-Stage Dialling", Tel2008/09_DET 02RCN001) regarding the imposition of two-stage dialling as a mandated form of indirect access.

- Appeal by LIME against the reconsideration decision of the OUR dated August 24, 2011 ("Reconsideration of the Office's Decision: Determination Notice "Estimate of the Weighted Average Cost of Capital for Telecommunications Carriers" Document No. Tel2009005_DET001_RCN001) which sets out the OUR's determinations as to the estimated cost of capital for telecommunications carriers in Jamaica. The estimate will be used by the OUR in determining LIME's next price cap, interconnection charges and any other telecommunications service tariffs which may be established by the OUR. LIME withdrew the appeal in July 2012.

THE MATTERS BEFORE THE SUPREME COURT INCLUDED THE FOLLOWING:

An ex parte application by Digicel to the Supreme Court to obtain leave to seek judicial review of the OUR's "Determination Notice for an Interim Mobile Termination Rate" Document No. TEL2012006_DET001 dated June 4, 2012, by which the OUR established an interim mobile termination rate (MTR) of $5.00 pursuant to new powers established under section 37A of the Telecommunications Act. At the ex parte hearing the Court adjourned the matter, and ordered that the OUR and Attorney General be served with the relevant documents. On June 18, 2012, the OUR was served with the relevant documents supporting Digicel's Application.

Digicel sought inter alia, the following orders:

1. Leave to apply for judicial review of the OUR's decision pursuant to section 37A of the Telecommunications Act to set an interim mobile termination rate of $5.00 per minute with effect from July 15, 2012 to quash the Determination.
2. That the grant of leave to apply for judicial review of the Determination operates as a stay of the Determination until the hearing and determination of the application for judicial review.
3. Leave to apply for an order of prohibition preventing the OUR from taking steps consequent on the Determination.

LIME made a successful application to be heard on the application for leave to apply for judicial review and for the leave to operate as a stay of the OUR's Determination. The Fair Trading Commission which was represented at the hearing asked to observe the proceedings and reserved its rights to make an application if necessary at the appropriate time. The Attorney General's representative was also present at the hearing. The matter was heard in Chambers before Ms. Justice Ingrid Mangatal on June 21, 25 and 29, 2012. On July 12, 2012 she delivered her written decision in favour of the OUR and upheld the OUR's Determination.

ELECTRICITY SECTOR

ELECTRICITY APPEAL TRIBUNAL

The matters before the Electricity Appeal Tribunal, established under the Amended and Restated All-Island Electric Licence, 2011 to hear JPS appeals against decisions of the OUR include:

- Appeal against the OUR's Determination dated February 9, 2011 ("Jamaica Public Service Company Limited Tropical Storm Gustav Compensation", Document No. Ele 2010/012:Det 006) in which the OUR did not allow approximately $161 million of a $256.2 million claim by JPS under the Z-Factor provision of its licence. The parties are waiting to be summoned by the Tribunal to receive directions in the matter.
- Appeal against OUR's Determination dated August 18, 2005 ("Jamaica Public Service Company Limited Z-Factor Adjustment for Hurricane Ivan Recovery Costs", Document #Ele 2005/05) in which the OUR did not allow $973.5 million of a $1,431 million claim by JPS under the Z-Factor provision of its Licence.
- The hearing before the Tribunal was completed on January 17, 2012 and the Tribunal delivered its decision on October 24, 2012. The Tribunal agreed with the OUR that JPS was not entitled to be compensated for loss of revenue/profit suffered as a result of Hurricane Ivan. The Tribunal however ruled in JPS' favour by awarding the company full restoration costs for T&D assets as well as for non-T&D assets less the agreed deductible. Approximately $195M of the claim is to be capitalized and added to the rate base.

- Also, an interest rate of 11.38% should be applied to the claim for loss of opportunity cost of capital. Both parties are to agree on the sum recoverable. If the OUR and JPS fail to agree, then the OUR shall unilaterally calculate the sum payable.

  The Office has decided that it will not appeal the Tribunal's ruling.

The matters before the Supreme Court included the following:

The OUR was named as a defendant in a claim brought by Dennis Meadows, Betty Ann Blaine and Cyrus Rousseau in the Supreme Court challenging the legality of JPS's All-Island Electric Licence. The Attorney General of Jamaica and the Jamaica Public Service Company Limited were also defendants in the matter. The matter was heard before Mr. Justice Bryan Sykes on June 26 and 27 and July 11, 2012 and he delivered his written judgment on July 30, 2012.

(I) The Court concluded that Section 3 of the Electric Lighting Act (ELA) gave the Minister discretion to grant to one person an all-island licence for generating, distributing and supplying electricity. The section also permitted the Minister to grant more than one all-island licence or to grant more than one licence for a part of the island.

(II) The Court denied the declarations sought that (a) JPS's 20 year all island licence is illegal null and void and of no effect; and (b) JPS is currently operating without a licence as required by the law.

(III) The court also found that the ELA did not give the power to the Minister to grant a licence on terms which effectively bar any other applicant from being considered which the current licence to JPS purported to do.

The judgment has been appealed and cross appealed, and is currently before the Court of Appeal.

Appeal against OUR's Determination dated March 2, 2010 ("Jamaica Public Service Company Limited Z-Factor Claim for Reclassification Compensation", Document #Ele 2010/1:Det/1) in which the OUR did not allow a $4,273 million claim by JPS under the Z-Factor provision of its Licence.

On May 26, 2011 the Tribunal issued its decision confirming the decision of the OUR regarding JPS's Z-Factor claim for reclassification compensation. JPS was granted leave to apply for judicial review of the Tribunal's decision in the Supreme Court. The matter was heard on November 12 and 13, 2012 and we await the decision of the Court.

TRANSPORTATION SECTOR

Regulatory Fees

The OUR is seeking to recover through action in the Supreme Court, over $22M in outstanding regulatory fees plus interest from the Jamaica Urban Transit Company Limited (JUTC).

ADMINISTRATION / HUMAN RESOURCE

The Management of the OUR pays special tribute to the dedicated team of Directors, Managers and employees who continue to work assiduously and harmoniously to ensure that the OUR provides quality service to all its stakeholders.

The OUR, in seeking to be more efficient in providing quality service, is preparing to become ISO 9001:2008 certified by the end of the next financial year. The consulting firm of Global Management Services was contracted to guide the process. The critical process maps have been developed. The Quality Manual and other Procedural manuals are currently at varying stages of completion.

During the year, the OUR operated with a staff complement of fifty-nine (59) against the target of 62 provided for in the budget. Three members of staff demitted office at the end of their contracts. This resulted in the promotion of two members of staff and the hiring of one to fill the vacancy that occurred. Two new positions were also created Public Education Specialist and Administrator – Records and Document Management. The creation of these positions arose from the need to properly educate the public as to the role of the OUR and the need to have proper documentation and control of records.

Staff Welfare: The OUR also sought to ensure that its members of staff took care of their physical and emotional needs. Employees were encouraged to participate in some physical exercise programmes. The Heart Foundation collaborated with the OUR in its drive to promote and maintain healthy lifestyles. In this regard staff members benefitted from the screening for hypertension, heart conditions and other areas of critical importance.

Training of Staff: The Office is ever mindful of the fact that it is indeed mission critical for all members of staff to be technically proficient in order to interact professionally and effectively with all its stakeholders. Accordingly, and in keeping with the philosophy of continuous improvement, the organization invested greatly in ensuring that its team members are equipped with the requisite critical skills and competencies. Listed below are some of the topics for which training was provided during the period:

- The rule of Law and Best Practices on Telecommunications
- Broadband Network and Convergence
- IMT (3G/4G) Mobile Broadband
- Industry Regulation & Best Practices
- Caribbean Sustainable Energy Forum – Panel Discussion on Grid Feed-in
- Modern Corporate Governance
- Spectrum Issues and their impact on Wireless Network
- Renewable Energy Sector Training
- Mastering Pricing & Price Review in Gas & LNG Contracts
- Prototype Power Purchasing Agreement
- Generation Dispatch Optimization
- Information Technology – Ethical Hacking & Counter-measures
- GoJ Procurement Policies and Procedures
- Understanding and Interpreting ISO 9001:2008
- Occupational Safety and Health
- Advanced Regulatory Studies: Rate-making, Accounting, Economics

Internal Consultation: In order to discharge its statutory duties, the members of the Office met formally on a monthly basis for its Regulatory Meetings. The members of the Senior Management team also met monthly and the General Staff meetings were held on a quarterly basis.

Corporate Social Responsibility: Mention must be made of the area that constitutes one of the organization's core values – Community Service. In this regard, most members of staff contributed their time to the success of the OUR's Labour Day project which was implemented at the Missionaries for the Poor in downtown Kingston.

Compliance with Government Procurement Guidelines: The OUR once again received a perfect Compliance Assessment Score of one hundred percent (100%) from the Office of the Contractor General (OCG) in relation to its full compliance with the procurement process in accordance with the guidelines laid down by the OCG.

Looking Ahead: For the future, the OUR will be seeking to re-design the existing Performance Appraisal Management System (PAMS) to allow for a more user friendly and transparent evaluation process for all members of staff. The OUR will also be seeking to strengthen the areas of weaknesses identified in the Employee Attitude Survey and Gap Analysis which was carried out during the review period, to ensure a happier and more fulfilled organization.

INFORMATION TECHNOLOGY

The Information Technology Department has continued its efforts to ensure that the OUR has a robust and effective information systems to support the regulatory functions of the organization.

The on-going use of information technology to integrate the operations of the organization is critical to the success of the regulatory framework. This activity will continue in the upcoming years.

During the year the department continued the programme of replacing obsolete workstations, laptops and servers to ensure the reliability of the systems. There has also been on-going training of the members of the department to ensure that the needed competencies reside within the organization and reduces the need for external consultants.

The IT Department has sustained its development agenda that has been providing information solutions for use by the Office, the Management Team and staff of the OUR in making regulatory decisions. The achievements for the year included:-

1. The development and implementation of the Consumer Appeals Response System (CARS). This system was developed by personnel in the IT Department and is currently in use by the staff of the Consumer and Public Affairs Department to capture information from utility consumers who contact the OUR.
2. The development of a Correspondence Management System, which was also developed by personnel in the IT Department and will be used to automate the receipt of external correspondence and electronically route the document to the intended receiver, while updating the electronic document management system.
3. The implementation of SharePoint 2010 to facilitate the collaboration on documents; and, the use of the electronic document management and records management modules to improve the control of all the documents of the organization.
4. The continued training of the members of the IT Department was executed in the areas of network security, SharePoint and development tools.

For the upcoming year, the IT department will focus attention on infrastructure projects which will be geared towards improving the OUR disaster preparedness, including the establishment of a hot site as one of the main activities.

THE TEAM

THE OFFICE

MAURICE CHARVIS
Director General

HOPETON HERON
Deputy Director General

CLARA JOHNSON
Executive Assistant

THE SECRETARY TO THE OFFICE

FROM LEFT:
AMBASSADOR PETER BLACK
Secretary to the Office
DIANA CUMMINGS
Manager, Licencing & Regulatory Affairs
STACEY-ANN DUHANEY
Project Co-ordinator/ Research Officer
CARLENE DUNBAR
Administrative Assistant

LEGAL DEPARTMENT

FROM LEFT:
CHERYL LEWIS
General Counsel
CHENEE RILEY
Senior Legal Counsel
WAYNE MCGREGOR
Senior Legal Counsel
FRANCINE BROWN THOMAS
Administrative Assistant

REGULATION, POLICY, MONITORING & ENFORCEMENT

FROM LEFT:

ANSORD E. HEWITT
Director - Regulation, Policy, Monitoring & Enforcement

CURTIS ROBINSON
Manager, Technical Support

PETER JOHNSON
Manager, Generation Procurement, Monitoring & Enforcement

RICHARD BROWN
Manager, Regulation & Policy

MARSHA MINOTT
Utility Analyst

GARFIELD BRYAN
Utility Analyst

FROM LEFT:

CEDRIC WILSON
Consultant

ANDREW LEWIS
Regulatory Engineer

GORDON SWABY
Regulatory Engineer

SASHANA MILLER
Senior Regulatory Analyst

ANDRE LINDSAY
Junior Regulatory Engineer

WINSTON ROBOTHAM
Regulatory Analyst

COURTNEY FRANCIS
Senior Regulatory Engineer

ABSENT:

SHANIQUE NUNES
Administrative Assistant

EVONA CHANNER
Principal Telecoms Analyst

SHELLY-ANN MARSHALL
Regulatory Analyst

ROHAN SWABY
Senior Regulatory Analyst

CONSUMER & PUBLIC AFFAIRS DEPARTMENT

FROM LEFT:

YVONNE NICHOLSON
Director - Consumer & Public Affairs

ELIZABETH BENNETT MARSH
Public Education Specialist

COLLETTE GOODE
Co-ordinator - Public Affairs

LORNA FERGUSON TOWNSEND
Co-ordinator - Consumer Affairs (Operations)

KISHANA MUNROE
Information Officer

FROM LEFT:

BEVERLEY ROBINSON
Administrative Assistant

JODIAN COULTMAN
Consumer Affairs Officer

TREENA JACKSON
Consumer Affairs Officer

BEVERLEY GREEN
Consumer Affairs Officer

ADMINISTRATION / HR DEPARTMENT

FROM LEFT:

CAROLYN B. YOUNG
Director - Administration / HR

ADELE MERRITT BERNARD
Administrator, Document & Records Management

INGRID BROWN
Personnel / Administrative Officer

NOVA BARNETT
Procurement / Purchasing Officer

RUTHLYN WILLIAMS
Administrative Assistant

FROM LEFT:

GRANVILLE McKOY
Security Officer / Driver

SHIRLEY STEWART
Driver / Messenger

LORRAINE BAKER
Office Attendant

KENARDO CAMPBELL
Clerical Assistant

VENETIA COOKE
Clerk / Receptionist

FINANCE DEPARTMENT

FROM LEFT:

OLIVE OAKLEY
Financial Controller

DESLYN NWUDE
Budget Officer

LAVERNE SMALL
Accountant

RENAE GAYLE
Accounting Clerk

SHENNELL REYNOLDS
Data Entry / Accounting Clerk

INTERNAL AUDIT

HOPE JAMES
Internal Auditor

INFORMATION TECHNOLOGY DEPARTMENT

FROM LEFT:

LEIGHTON HAMILTON
Director - Information Technology

DONOVAN SMITH
Manager, Information Technology

OTIS ANDERSON
Systems Administrator

MARVIN DOMVILLE
Database Developer / Administrator

ANDREW WILLIAMS
Database Developer

CORPORATE HIGHLIGHTS

Dr. Mark Jamieson, Director of Public Utilities Research Centre (Florida) presents at the OUR hosted International Forum held at the Jamaica Pegasus, November 2 & 3, 2012.

Earl Richards (2nd R) member of OUR's founding committee in discussion with former Directors General, Winston Hay (L) and Zia Mian (R) at the OUR Forum. Professor Hopeton Dunn of the UWI looks on.

Presenters at OUR'S 15th Anniversary Forum

Glenn Khan of the Regulated Industries Commission (Trinidad).

Gary Sinclair, CEO of LIME Jamaica.

Giorgio Valentini, World Bank Representative to Jamaica

Mrs. Mitsy Seaga has the attention of former Prime Ministers The Most Hon. P.J. Patterson (2nd L) and The Most Hon. Edward Seaga (R) and OUR's Former Director General, Zia Mian at the Awards Function.

OUR's Longest serving awardees (15 years) with former Prime Minister, the Most Hon. P.J. Patterson (C). The Awards function was held at the Mona Visitors' Lodge on December 19, 2012. (L-R) Carolyn Young, Director of Administration/HR; Clara Johnson, Executive Assistant; Venetia Cooke, Clerk/Receptionist; Ingrid Brown, Personnel/Administration Officer and Shirley Stewart, Driver/Messenger.

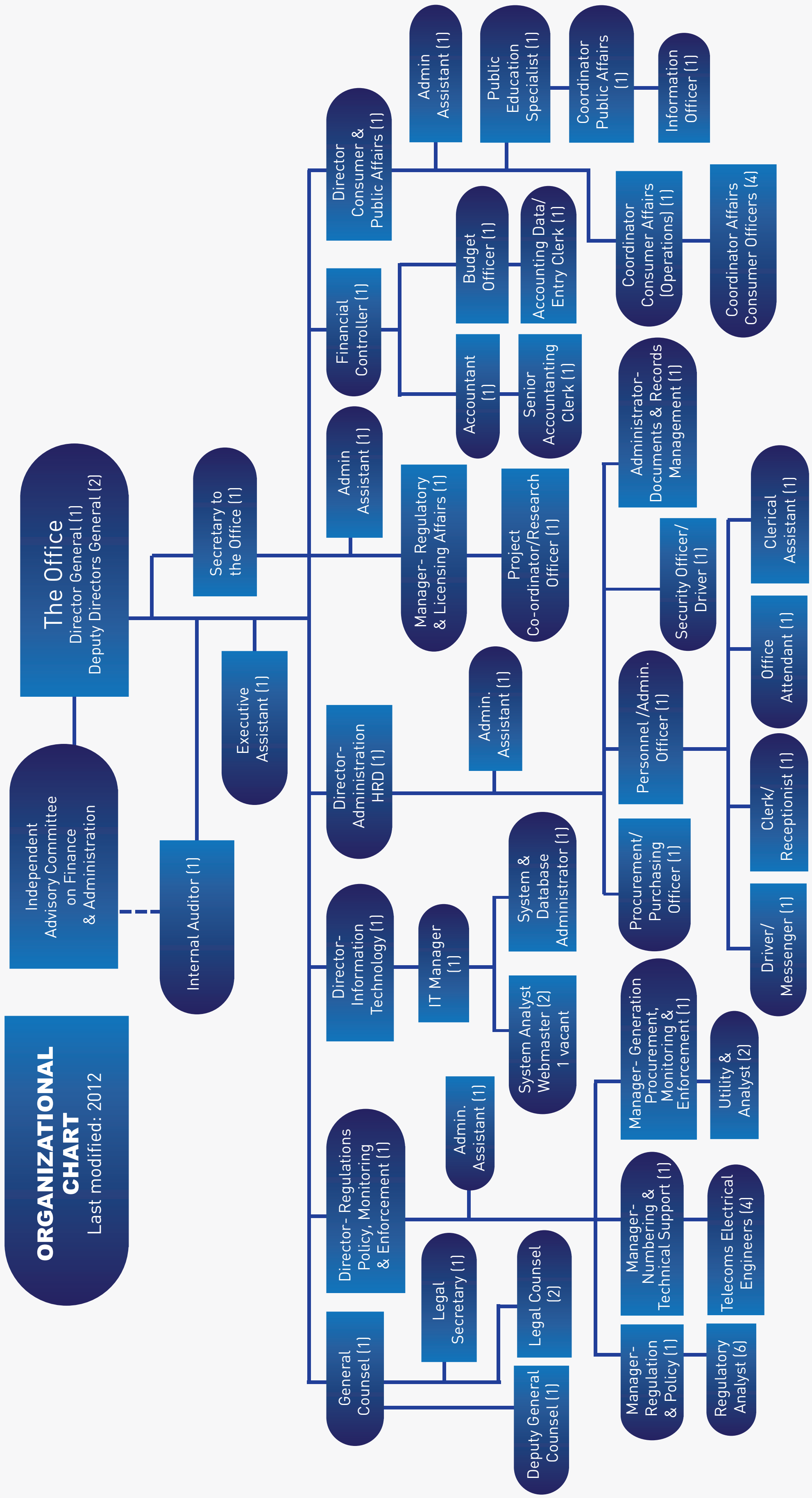
Awardees with five to fifteen years of service pose with former Director General, Zia Mian.

Attendees (L) and OUR Technical Team (R) at the 115MW Pre-bid Meeting held at the Knutsford Court Hotel on January 17, 2013.
OUR Technical Team: (L-R) Richard Brown - Manager Regulation and Policy; Courtney Francis - Senior Regulatory Engineer; Peter Johnson - Manager, Generation Procurement, Monitoring & Enforcement; Hopeton Heron - Deputy Director General; Wayne McGregor - Senior Legal Counsel.

OUR staff making a joyful noise at the annual Christmas Praise held at the PCJ Auditorium on December 17, 2012.

Cedric Wilson, OUR Consultant, making his presentation at the Electricity Wheeling Consultation held at the Knutsford Court Hotel on January 22, 2013.

Former Director General, Zia Mian making a point to Dr. Ruth Potopsingh (L) and Dr. Rosalea Hamilton (C) of the University of Technology.


ORGANIZATIONAL CHART
Last modified: 2012
Independent Advisory Committee on Finance & Administration
The Office
Director General (1)
Deputy Directors General (2)
Internal Auditor (1)
Executive Assistant (1)
Secretary to the Office (1)
General Counsel (1)
Deputy General Counsel (1)
Legal Secretary (1)
Legal Counsel (2)
Director- Regulations Policy, Monitoring & Enforcement (1)
Admin. Assistant (1)
Manager- Regulation & Policy (1)
Regulatory Analyst (6)
Manager- Numbering & Technical Support (1)
Telecoms Electrical Engineers (4)
Manager- Generation Procurement, Monitoring & Enforcement (1)
Utility & Analyst (2)
Director- Information Technology (1)
IT Manager (1)
System Analyst Webmaster (2) 1 vacant
System & Database Administrator (1)
Director- Administration HRD (1)
Admin. Assistant (1)
Procurement/ Purchasing Officer (1)
Personnel /Admin. Officer (1)
Security Officer/ Driver (1)
Administrator- Documents & Records Management (1)
Driver/ Messenger (1)
Clerk/ Receptionist (1)
Office Attendant (1)
Clerical Assistant (1)
Manager- Regulatory & Licensing Affairs (1)
Project Co-ordinator/Research Officer (1)
Admin Assistant (1)
Financial Controller (1)
Accountant (1)
Senior Accountanting Clerk (1)
Budget Officer (1)
Accounting Data/ Entry Clerk (1)
Director Consumer & Public Affairs (1)
Admin Assistant (1)
Public Education Specialist (1)
Coordinator Public Affairs (1)
Information Officer (1)
Coordinator Consumer Affairs (Operations) (1)
Coordinator Affairs Consumer Officers (4)

Compensation for Senior Staff (2012/2013)

Position of Senior Executive	Year	Salary ($)	Gratuity or Performance Incentive ($)	Travelling Allowance or Value of assigned motor vehicle ($)		Pension or other retirement benefits3 ($)	Other Allowances4 ($)	Non-cash benefits5 ($)	Total ($)
Director General	2012/2013	11,141,804	2,785,451	140,000	1	None	69,000	217,424	14,353,680
Deputy Director General (Telecommunications)	2012/2013	8,941,250	2,235,312	140,000	1	None	69,000	369,612	11,755,174
Deputy Director General (Electricity & Water)	2012/2013	8,805,914	2,201,479	140,000	1	None	69,000	369,612	11,586,005
General Counsel	2012/2013	6,519,273	None	975,720	2	375,691	84,000	256,732	8,211,417
Director - Regulation and Policy	2012/2013	7,247,368	None	975,720	2	511,546	69,000	347,090	9,150,723
Director- Administration and HRD	2012/2013	6,750,690	None	975,720	2	511,546	69,000	226,895	8,533,850
Director - Consumer and Public Affairs	2012/2013	5,134,980	1,283,745	975,720	2	None	69,000	441,978	7,905,423
Director -Information Technology	2012/2013	5,375,555	1,343,889	975,720	2	None	69,000	413,088	8,177,252
Secretary to the Office	2012/2013	6,265,733	1,566,433	975,720	2	None	69,000	-	7,901,167
Financial Controller	2012/2013	5,661,792	1,415,448	975,720	2	None	69,000	422,336	8,544,296

Notes:

1 Deemed value of assigned motor vehicle

2 Motor Vehicle Upkeep Allowance

3 Pension benefit only

4 Clothing allowance

5 Health and group life insurance is included under non-cash benefits.

OFFICE OF UTILITIES REGULATION

FINANCIAL STATEMENTS

INDEX

INDEPENDENT AUDITORS' REPORT

To the Members of
Office of Utilities Regulation

Report on the Financial Statements

We have audited the financial statements of the Office of Utilities Regulation set out on pages 3 to 34, which comprise the statement of financial position as at 31 March 2013 and the statements of comprehensive income, changes in reserves and cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Office of Utilities Regulation

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Office of Utilities Regulation as at 31 March 2013, and of its financial performance, changes in reserves and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on additional requirements of the Office of Utilities Regulation Act

We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept and the financial statements are in agreement therewith, and give the information required by the Office of Utilities Regulation Act, in the manner so required.

BDO

Chartered Accountants

16 July 2013

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED MARCH 31 2013

	Note	2013 $'000	2012 $'000
REVENUE	6	515,553	512,070
Other operating income	7	1,211	15,715
		516,764	527,785
Administrative and other expenses		(522,963)	(463,007)
		(6,199)	64,778
Interest income		15,552	10,551
NET SURPLUS FOR THE YEAR	8	9,353	75,329
Other comprehensive income:			
Retirement benefit reserve		9,866	11,549
Retirement benefit reserve transferred		(9,866)	(11,549)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		9,353	75,329

STATEMENT OF FINANCIAL POSITION
YEAR ENDED MARCH 31 2013

	Note	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	9	24,512	31,099
Retirement benefit asset	10	75,441	65,575
		99,953	96,674
CURRENT ASSETS:			
Receivables	11	101,713	100,381
Taxation recoverable	12	14,007	10,276
Loans and receivables	13	245,728	218,327
Cash and cash equivalents	14	49,432	41,171
		410,880	370,155
		510,833	466,829
RESERVES AND LIABILITIES			
RESERVES:			
Retirement benefit reserve		75,441	65,575
Retained earnings		243,310	243,823
		318,751	309,398
NON-CURRENT LIABILITIES:			
Deferred income	15	-	196
ADVANCES FROM THE GOVERNMENT OF JAMAICA	16	64,367	64,367
CURRENT LIABILITIES:			
Payables	17	127,715	92,868
		510,833	466,829

Approved for issue by the Office on 16 July 2013 and signed on its behalf by:

Maurice Charvis - Director General

Olive Oakley - Financial Controller

STATEMENT OF CHANGES IN RESERVES
YEAR ENDED MARCH 31 2013

	Retirement Benefit Reserve $	Retained Earnings $	Total $
Balance at 1 April 2011	54,026	180,043	234,069
Net surplus for the year	-	75,329	75,329
Other comprehensive income for the year	11,549	(11,549)	-
Balance at 31 March 2012	65,575	243,823	309,398
Net surplus for the year	-	9,353	9,353
Other comprehensive income for the year	9,866	(9,866)	-
Balance at 31 March 2013	75,441	243,310	318,751

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net surplus for the year	9,353	75,329
Adjustments for:		
Deferred income	(196)	(197)
Depreciation	10,406	9,653
Retirement benefit expense/(income)	2,751	(1,041)
Interest income	(15,552)	(10,551)
Effect of exchange rate translation	(1,008)	(328)
Movement in bad debt provision	12,191	16,431
Operating cash flows before movements in working capital	17,945	89,296
Movements in working capital:		
Receivables	(12,809)	(59,296)
Payables	34,848	15,032
Taxation recoverable	(3,731)	(2,711)
Retirement benefit contributions paid	(12,617)	(10,508)
Net cash provided by operating activities	23,636	31,813
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,839	9,501
Purchase of property, plant and equipment	(3,819)	(10,272)
Loans and receivables	(27,401)	(89,423)
Net cash used in investing activities	(16,381)	(90,194)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,255	(58,381)
Cash and cash equivalents at the beginning of year	41,171	100,092
Effect of exchange rate translation on cash and cash equivalents	1,006	(540)
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 14)	49,432	41,171

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

1. **IDENTIFICATION AND PRINCIPAL ACTIVITY:**

(a) The Office of Utilities Regulation (OUR) was established by the Office of Utilities Regulation Act 1995, which has since been amended by the Office of Utilities Regulation (Amendment) Act, 2000. The registered office of the organisation is 36 Trafalgar Road, Kingston 10.

(b) The main activity of the Office is to receive and process all applications for licences to provide utility services as defined under the Act, set rates where applicable and to monitor the operations of such utilities. In addition, the Office is charged with ensuring that consumers are provided with adequate levels of service, that the needs of the community are met and that the environment is protected.

2. **APPLICATION OF NEW AND REVISED IFRS's:**

Standards, interpretations and amendments to published standards effective in the reporting period

During the reporting period, new standards, interpretations and amendments were applied for the first time from 1 April 2012. None of these had a material effect on the financial statements.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, there were certain new standards, interpretations and amendments to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the Office are as follows:

IAS 1 (Amended)	Presentation of Financial Statements (effective for annual reporting periods beginning on or after 1 July 2012), amendments to revise the way other comprehensive income is presented.
IAS 32 (Amended)	Financial Instruments: Presentation (effective for annual reporting periods beginning on or after 1 January 2014), amendments to application guidance on the off-setting of financial assets and financial liabilities.
IFRS 7 (Amended)	Financial Instruments: Disclosures (effective for annual reporting periods beginning on or after 1 January 2015), requires additional disclosures for transfers of financial assets. It lists transferred assets that are derecognized in their entirety and those not derecognized in their entirety.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

2. **APPLICATION OF NEW AND REVISED IFRS's (C0NT'D):**

Standards, interpretations and amendments to published standards that are not yet effective (cont'd) -

IFRS 9	Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2015), introduces new requirements for classifying and measuring financial assets. It also includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss. The standard also amends some of the requirements of IFRS 7 Financial Instruments: Disclosures, including added disclosures about investments in equity instruments designated as fair value through other comprehensive income.
IFRS 13	Fair Value Measurement (effective for annual reporting periods beginning on or after 1 January 2013), defines fair value establishes a framework measuring fair value and sets out disclosure requirements for fair value measurements.

The Director General and his deputies anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

(a) Statement of compliance -

These financial statements have been prepared in accordance with international Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention. They are also prepared in accordance with provisions of the Office of Utilities Regulation Act.

(b) Basis of preparation -

The financial statements are presented using Jamaican dollars, which is considered the currency of the primary economic environment in which the Office operates ("the functional currency").

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Foreign currency translation -**

Transactions in foreign currencies are converted into the functional currency at the exchange rates prevailing at the dates of the transactions. At the end of the reporting period, monetary assets and liabilities denominated in foreign currency are translated using the exchange rates ruling at that date. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in the statement of comprehensive income.

Non monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the dates when the fair value was determined. Non monetary items that are measured in terms of historical cost in foreign currency are not translated.

(d) **Property, plant and equipment -**

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of the assets over the period of their estimated useful lives. Annual rates are as follows:

Leasehold improvement	10%
Furniture and fixtures	10%
Office machinery and equipment	10%
Computer and accessories	33 1/3%
Motor vehicles	20%

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Any item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from the disposal or retirement of the item is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

(e) **Financial instruments -**

A financial instrument is any contract that gives rise to both a financial asset for one entity and a financial liability or equity instrument of another entity.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT"D):**

(e) Financial instruments (cont'd) -

Financial assets

The Office classifies its financial assets in the following categories: fair value through profit or loss, available for sale assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates the designation at every reporting date.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial asset, or where appropriate, a shorter period.

Fair-value through profit or loss (FVTP)

A financial asset may be designated in this category if upon initial recognition it is designated by the entity as FVTP. Such a designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise, if the financial instrument forms a part of a group of financial assets which is managed and its performance is evaluated on a fair value basis in accordance with documented risk management or investment strategy and information is provided internally on that basis. Financial assets at FVTP are stated at fair value with any gains or losses arising on re-measurement recognized in the statement of comprehensive income.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or are not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognized in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognized by applying the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(e) Financial instruments (cont'd) -

Financial liabilities

The Office's financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost using the effective interest method. These liabilities are classified as fair value through profit or loss and other financial liabilities and are included in current and non-current liabilities in the statement of financial position.

(f) Impairment -

Financial assets other than those at fair value through profit or loss are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment could include:

(i) Significant financial difficulty of the issuer or counterparty
(ii) Breach of contract such as a default or delinquency in interest or principal
(iii) It becoming probable that the borrower will enter bankruptcy or financial re-organisation
(iv) The disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are in addition assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables include the past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national conditions that will correlate with defaults on receivables.

For financial assets carried at amortised cost the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at current market rate of return for a similar financial asset. Such impairment loss will not be reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT"D):**

(f) Impairment (cont'd) -

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Subsequent recoveries of amounts written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in the statement of comprehensive income.

When an available for sale financial asset is considered to be impaired, cumulative gains and losses previously recognized in other comprehensive income are reclassified to the profit and loss account in the period.

For financial assets measured at amortised cost, if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit and loss to the extent that the carrying amount of the investment at the date that the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

(g) Employee benefits -

Pension obligations

Defined benefit plan -

The Office participates in a defined benefit plan. The plan is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. Payments to the plan are recognized as an expense when employees have rendered services entitling them to the contributions.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

The retirement benefit obligation in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service costs and as reduced by fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service costs plus the present value of available funds and reductions to future contributions to the plan.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) Employee benefits (cont'd) -

Vacation leave

A provision is made for the estimated liability for untaken vacation leave as a result of services rendered by employees up to the end of the reporting period.

(h) Cash and cash equivalents -

Cash and cash equivalents are carried in the statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank, in hand, deposits and short term highly liquid investments with original maturities of three months or less.

(i) Trade and other receivables -

Trade receivables are carried at amortised cost less any provisions made for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the organisatioin will not be able to collect all amounts due according to the original terms of receivables. Other receivables are stated at amortised cost less impairment losses.

(j) Trade and other payables -

Trade payables are stated at amortised cost.

(k) Provisions -

Provisions are recognised when the Office has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

(l) Taxation -

The Office as a government organization is exempt from income tax pursuant to section 12(B) of the Income Tax Act.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(m) Borrowings and borrowing costs -

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are recognized as expense in the period in which they are incurred.

(n) Revenue recognition -

Regulatory fees are recognized in the statement of comprehensive income on an accrual basis. Regulatory fees are measured at the fair value of the consideration receivable.

Interest income is recognized for all interest bearing instruments on an accrual basis unless collectability is doubtful.

(o) Grants -

The organization receives the following types of grants:

(i) Revenue grants

Revenue grant which covers operating expenses is recognized as income in the statement of comprehensive income over the period necessary to match it with the related cost for which it is intended to compensate.

(ii) Capital grants

Capital grant is received for the exclusive purpose to aid in the acquisition of property, plant and equipment. Capital grant is recognized as deferred income initially and upon acquisition of property, plant and equipment is written off to the statement of comprehensive income as income on a systematic basis which coincides with the estimated useful lives of the related assets and which is consistent with the depreciation policy.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(p) **Leases -**

As lessee

Leases of property, plant and equipment where the Office assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts is depreciated over the useful life of the asset.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as receivable. The difference between the gross receivable and the present value of the receivable is recognized as deferred profit. Lease income is recognized over the term of the lease so as to reflect a constant periodic rate of return.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

The preparation of financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, contingent assets and contingent liabilities at the end of the reporting period and the revenue expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any adjustments that may be necessary would be reflected in the year in which actual results are known. The following are the critical judgements that the Office has made in the process of applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements. In addition, the following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

4. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):**

(a) Allowance for impairment losses on receivables

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be measurable decrease in estimated future cash flows from receivables, for example, through unfavourable economic conditions and default. Management will apply historical loss experience to individually significant receivables with similar characteristics such as credit risk where impairment indicators are not observable in their respect.

(b) Expected useful life and residual value of property, plant and equipment

The expected useful life and residual value of an asset are reviewed at least at each financial year end. Useful life of an asset is defined in terms of the asset's expected utility to the organization.

(c) Pension plan assets and post-retirement benefit obligations

The cost of these benefits and the present value of pension and other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of post employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plan. The expected return on plan assets assumption is determined on a uniform basis, considering long term historical returns, asset allocation and future estimates of long-term investment returns.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

4. **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES: (CONT'D):**

(c) Pension plan assets and post-retirement benefit obligations (cont'd) -

The Office determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Office considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of actual medical cost increases with the rate of inflation in the respective economy. Past experience has shown that actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post retirement benefit costs and credits are based in part on current market conditions.

(d) Fair value of financial assets

Management uses its judgement in selecting appropriate valuation techniques to determine fair values of financial assets adopting valuation techniques commonly used by market practitioners supported by appropriate assumptions.

5. **FINANCIAL RISK MANAGEMENT:**

(a) Financial risk factors -

The Office's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk, liquidity risk, interest rate risk and operational risk. The organisation's overall risk management policies are established to identify and analyze the risks faced by the organization and to set appropriate risk limits and controls and to monitor risk and adherence to limits. The risk management framework is based on guidelines set by the Director General and his deputies together with management, and seeks to minimize potential adverse effects on the Office's financial performance.

(i) Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Office manages its exposure by maintaining only short term investments.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors -**

(i) **Market risk (cont'd)**

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Office manages its foreign exchange risk by holding foreign currency balances. The following are the foreign currency balances included in the statement of financial position.

	Assets		Liabilities	
	2013	2012	2013	2012
	$	$	$	$
US$	369,197	341,575	257,270	255,037
GBP	254	254	-	-
EURO	780	780	-	-

Sensitivity analysis

Strengthening or weakening of the currencies against the Jamaican dollar would have increased or (decreased) net surplus in the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2013 Income Statement $'000		2012 Income Statement $'000	
	1% Strengthening	10% Weakening	1% Strengthening	1% Weakening
US	362	(3,616)	297	(297)
GBP	-	(4)	1	(1)
EURO	1	(10)	1	(1)

(ii) **Interest rate risk**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Office's interest rate risk arises from loans and receivables and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(ii) **Interest rate risk (cont'd)**

At the reporting date the interest profile of the Office's interest bearing financial instruments was:

	2013 Carrying amount $'000	2012 Carrying amount $'000
Variable rate instruments:		
Loans and receivables	245,728	218,327
Cash and cash equivalents	36,119	29,545

Cash flow sensitivity analysis for variable rate instruments:

A change in interest rates at the reporting date would have increased/(decreased) net surplus by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	2013 Income Statement $'000		2012 Income Statement $'000	
	4% Increase	1% Decrease	1% Increase	1% Decrease
Loans and receivables	7,629	(1,907)	2,183	(2,183)
Cash and cash equivalents	1,444	(361)	296	(296)

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(iii) **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises mainly from credit given to customers and deposits with financial institutions. Balances arising from these activities are accounts receivable, loans and receivables and cash and cash equivalents. The maximum credit exposure is represented by the carrying amount of financial assets in the statement of financial position.

Maximum exposure to credit risk at the reporting date was:

	2013 $'000	2012 $'000
Trade receivables	69,612	73,255
Other receivables	32,101	27,126
Loan and receivables	245,728	218,327
Cash and cash equivalents	49,432	41,171
	396,873	359,879

Trade receivables

The Office is a regulatory body and its customer base is determined by organizations falling within the utility sectors. The organization has policies in place to ensure that customers are legitimate and have a strong financial base.

The Office manages its credit risk by screening its licencees and putting in place procedures geared towards recovery of amounts owed.

The Office establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade receivables.

The Office's average credit period is 30 days. Allowances for impaired trade receivables are recognised based on an estimate of amounts that would be irrecoverable which is determined by past default experience and expected receipts.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(iii) **Credit risk (cont'd)**

Loans and receivables

The credit risk on loans and receivables is limited because these are held with reputable financial institutions.

Cash and cash equivalents

The credit risk on liquid funds is limited because the counterparties are major banks with high credit ratings.

(iv) **Liquidity risk**

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Office manages this risk by keeping committed credit lines available.

Contractual undiscounted cash flows

	Carrying Amount $'000	Total Cash Outflow $'000	Within 1 year $'000	1- 2 Years $'000	2 - 5 Years $'000
31 March 2013					
Refundable bonds	25,357	25,357	25,357	-	-
Other accruals	102,358	102,358	102,358	-	-
	127,715	127,715	127,715	-	-
31 March 2012					
Refundable bonds	22,265	22,265	22,265	-	-
Other accruals	70,603	70,603	70,603	-	-
	92,868	92,868	92,868	-	-

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(a) **Financial risk factors (cont'd) -**

(v) **Equity risk**

Equity risk arises out of price fluctuations in equity prices. The risk arises out of holding positions in either individual stocks or in the market as a whole. The Office is not exposed to this risk.

(vi) **Capital risk**

Capital risk is the risk that the Office fails to comply with mandated regulatory requirements resulting in breach of those requirements. The Office's objectives when managing capital are to comply with capital requirements, safeguard the Office's ability to continue as a going concern and to maintain a strong capital base to support the development of its business.

(vii) **Operational risk**

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the Office's processes, personnel, technology and external factors, other than financial risks, such as generally accepted standards of corporate behaviour. The Office manages operational risk so as to avoid financial loss and damage to its reputation.

(b) **Fair value estimation -**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The amounts included in the financial statements for cash and cash equivalents, receivables and payables, reflect their approximate fair value because of the short term maturity of these instruments.

Long term liabilities reflect the Office's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar instruments.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

6. **REVENUE:**

Revenue represents, primarily, regulatory service fees imposed on utility companies by the Office. In addition, the organization charges fees for processing applications for licences.

The following are the major contributors to revenue:

	2013 %	2012 %
Telecommunications sector	42	41
Electricity sector	38	40
Water sector	19	18
Transportation sector	1	1

7. **OTHER OPERATING INCOME:**

	2013 $'000	2012 $'000
Grant income	-	14,287
Other income	1,211	1,428
	1,211	15,715

Expenses relating to the grants received during the year totaled Nil (2012 - $14,287,371).

8. **NET SURPLUS FOR THE YEAR:**

	2013 $'000	2012 $'000
Net surplus for the year is stated after charging -		
Director and deputy director generals' emoluments:		
Management remuneration (included in staff costs)	49,814	39,912
Auditors' remuneration	1,140	1,040
Staff costs (note 18)	338,153	312,032
Depreciation	10,406	9,653
Bad debts	12,191	16,431

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

9. **PROPERTY, PLANT AND EQUIPMENT:**

	Leasehold Improvement $'000	Furniture and Fixtures $'000	Office Machinery & Equipment $'000	Computer & Accessories $'000	Motor Vehicles $'000	Total $'000
At cost -						
1 April 2011	13,519	10,373	6,483	24,158	21,455	75,988
Additions	-	203	1,312	1,580	7,177	10,272
31 March 2012	13,519	10,576	7,795	25,738	28,632	86,260
Additions	-	441	912	2,466	-	3,819
	13,519	11,017	8,707	28,204	28,632	90,079
Depreciation -						
1 April 2011	4,849	6,959	3,387	18,271	12,042	45,508
Charge for the year	1,101	580	527	2,436	5,009	9,653
31 March 2012	5,950	7,539	3,914	20,707	17,051	55,161
Charge for the year	1,085	591	644	3,737	4,349	10,406
	7,035	8,130	4,558	24,444	21,400	65,567
Net Book Value -						
31 March 2013	6,484	2,887	4,149	3,760	7,232	24,512
31 March 2012	7,569	3,037	3,881	5,031	11,581	31,099

Computer and accessories were depreciated at a rate at 33 1/3% (2012 – 20%) for the year under review. This resulted in an increase in depreciation charge of approximately $1.3 million. This change in accounting estimate will be utilized for future periods.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

10. **RETIREMENT BENEFIT ASSET:**

	2013 $'000	2012 $'000
Asset recognized in the statement of financial position - Pension plan	75,441	65,575
Amount recognized in the statement of comprehensive income	2,751	(1,041)

(a) **Pension benefits -**

The Office operates a defined benefit pension plan which is administered by Guardian Life Limited in which all permanent employees who have completed three months of service are required to participate. The plan is funded by employees' contribution at a mandatory rate of 5% of pensionable salary and they may make voluntary contributions not exceeding a further 5%. The Office contributes at a rate of 8.3% of pensionable salaries. Normal retirement pension is based on 2% of final pensionable salary per year of pensionable service. The last actuarial valuation was carried out as at 31 March 2013.

The amounts recognized in the statement of financial position were determined as follows:

	2013 $'000	2012 $'000
Present value of funded obligations	(114,531)	(100,240)
Fair value of plan assets	180,213	146,639
	65,682	46,399
Unrecognised actuarial loss	9,759	19,176
Asset in the statement of financial position	75,441	65,575

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

10. **RETIREMENT BENEFIT ASSET (CONT'D):**

(a) **Pension benefits (cont'd) -**

The movement in the fair value of plan assets during the year was as follows:

	2013 $'000	2012 $'000
At beginning of year	146,639	122,546
Expected return on plan assets	14,233	13,009
Actuarial loss on plan assets	(3,660)	(4,005)
Contributions	23,950	20,127
Benefits paid and admin expense	(949)	(5,038)
At end of year	180,213	146,639

The movement in the present value of funded obligations during the year was as follows:

	2013 $'000	2012 $'000
Fair value of plan assets at beginning of year	100,240	73,205
Current service cost	17,234	13,414
Interest cost	10,887	8,173
Actuarial loss/(gain) on obligation	(12,881)	10,486
Benefit paid and admin expenses	(949)	(5,038)
At end of year	114,531	100,240

Movements in the net assets recognized in the statement of financial position:

	2013 $'000	2012 $'000
Balance at beginning of year	65,575	54,026
Total (expense)/income as shown below	(2,751)	1,041
Contributions paid	12,617	10,508
Balance at end of year	75,441	65,575

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

10. **RETIREMENT BENEFIT ASSET (CONT'D):**

(a) **Pension benefits (cont'd) -**

The amounts recognized in the statement of comprehensive income are as follows:

	2013 $'000	2012 $'000
Current service cost	5,901	3,795
Interest cost	10,887	8,173
Expected return on plan assets	(14,233)	(13,009)
Net actuarial loss	196	-
Total, included in staff costs (note 18)	2,751	(1,041)

The total charge was included in administrative and other expenses.

The actual return on plan assets was $10,573,000 (2012 - $9,004,000).

The expected contributions to the plan for the year ended 31 March 2014 is $12,970,000.

(b) **Principal actuarial assumptions used in valuing post-employment benefits were as follows:**

	2013 %	2012 %
Discount rate	10	10
Expected return on assets	8	9
Future salary increases	6	7

Post-employment mortality for active members as well as mortality for pensioners and deferred pensioners is based on the 1994 Group Annuity Mortality Tables (**GAM 94**) (U.S. mortality tables).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

10. **RETIREMENT BENEFIT ASSET (CONT'D):**

(b) **Principal actuarial assumptions used in valuing post-employment benefits were as follows (cont'd) -**

The in-service specimen rates (number of occurrences per 1,000 members) are as follows:

	Males			Females		
Age	Withdrawals from service	Ill-health retirements	Deaths in service	Withdrawals from service	Ill-health retirements	Deaths in service
20	-	-	0.352	-	-	0.209
25	-	-	0.546	-	-	0.223
30	-	-	0.728	-	-	0.290
35	-	-	0.774	-	-	0.381
40	-	-	0.920	-	-	0.532
45	-	-	1.231	-	-	0.716
50	-	-	1.826	-	-	1.031
55	-	-	3.073	-	-	1.969
60	-	-	5.871	-	-	4.036

(c) The five year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan and the five year experience adjustments for plan assets and liabilities is as follows:

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Fair value of plan assets	180,213	146,639	122,546	111,807	94,914
Defined benefit obligation	(114,531)	(100,240)	(73,205)	(71,815)	(54,007)
Surplus	65,682	46,399	49,341	39,992	40,907
Experience adjustments - Gain/(loss) -					
Arising on plan assets	(3,660)	(4,005)	(2,365)	1,765	(299)
Arising on plan liabilities	4,265	1,391	(3,511)	(3,222)	7,615

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

11. **RECEIVABLES:**

	2013 $'000	**2012 $'000**
Trade receivables	128,725	120,177
Provision for doubtful debts	(59,113)	(46,922)
	69,612	73,255
Due from employees	5,743	4,178
Deposits	8,267	3,365
Prepayments	12,172	15,560
Other	5,919	4,023
	101,713	100,381

The average credit period on amounts receivable from the utility companies is 30 days.

Aging of trade receivables from utilities companies:

	2013		2012	
	Gross $'000	Impaired $'000	Gross $'000	Impaired $'000
Not past due	4,408	-	50,062	803
31-60 days	23,366	401	20,300	401
60-90 days	18,699	401	1,882	-
90 days and over	82,252	58,311	47,933	45,718
	128,725	59,113	120,177	46,922

The average age for receivables past due but not impaired is 100 days (2012 – 100 days).

The movement in allowance for doubtful debt in respect of trade receivables during the year was as follows:

	2013 $'000	**2012 $'000**
Balance at beginning of year	46,922	30,491
Impairment loss recognized	12,191	16,431
Balance at end of year	59,113	46,922

Allowance for doubtful debts relates to utility companies that have defaulted on their contractual terms. Based on past experience, the Office believes that trade receivables not past due and those past due for which no provision is made relates to utility companies that have a good record of payment.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

12. **TAXATION RECOVERABLE:**

This balance represents withholding tax arising on loans and receivables.

13. **LOANS AND RECEIVABLES:**

This represents purchases of Government of Jamaica Securities under agreements that they will be resold by the Office to financial institutions and brokers on specified dates, at specified amounts. These are, in effect, collateralized lending to the financial institutions and brokers.

These loans and receivables have an average maturity of 59 days (2011-64 days) and attracted average interest rate at 5.60% during the year (2012-5.60%).

The market value of the underlying securities as at 31 March 2013 was $245,728,136 (2012-$218,327,139).

14. **CASH AND CASH EQUIVALENTS**:

	2013 $'000	2012 $'000
Cash at bank and in hand	49,432	41,171

This includes $25,195,856 for refundable bonds (2012 - $22,170,547).

15. **DEFERRED INCOME:**

	2013 $'000	2012 $'000
Balance at beginning of year	196	393
Transferred to income statement	(196)	(197)
Balance at end of year	-	196

This represents a grant from Private Sector Development Programme, (A European Community Project implemented by JAMPRO), for the purchase of a computer server on behalf of the Office of Utilities Regulation. The amount will be amortised over the asset's remaining useful life.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

16. **ADVANCES FROM THE GOVERNMENT OF JAMAICA:**

The amounts represent advances from the Government of Jamaica with no stated terms of repayment. The advances were to fund the start-up costs of the Office of Utilities Regulation (OUR).

17. **PAYABLES:**

	2013 $'000	2012 $'000
Refundable bonds	25,357	22,265
Accrued vacation pay	13,737	15,961
Gratuity payable	8,413	22,189
Contractual commitments	66,841	20,729
Other accruals	13,367	11,724
	127,715	92,868

Refundable bonds represent a proposal security received from applicants in the amount of 1% of the expected total capital cost of the project for the Supply of Electricity from Renewable Energy Based Power Generation Facilities.

The proposal security will be returned to unsuccessful applicants prior to the expiration of the proposal validity or if they withdrawn their proposals before the deadline for submission of proposals. If any applicant's proposals is determined to be non-responsive to the Request for Proposal requirements, the proposal security will also be returned.

After the highest ranked applicants have been selected and have extended the validity of their proposals, if necessary, the proposal security of all other unsuccessful applicants will be returned. The proposal security of the remaining unsuccessful applicants will be returned upon the expiration date of their proposals or the execution of the project agreements by the successful applicant and furnishing of the performance security by that applicant, whichever is earlier. The proposal security of the successful applicant will be returned when that applicant has executed the project agreements and has furnished the required performance security.

18. **STAFF COSTS:**

	2013 $'000	2012 $'000
Salaries and related expenses	296,983	270,224
Travelling allowance	14,624	11,670
Staff costs - miscellaneous	1,026	339
Staff training	25,520	29,799
	338,153	312,032

The organization employed 59 persons at the end of the year (2012-59).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

19. **RELATED PARTY TRANSACTIONS AND BALANCES:**

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions. The following transactions were carried out with related parties during the year.

	2013 $'000	2012 $'000
Key management compensation:		
Salaries and other short-term employee benefits	48,336	38,175
Statutory contributions	1,478	1,737
	49,814	39,912
Regulatory fees:		
Jamaica Urban Transit Company	4,815	4,815
National Water Commission	70,975	94,436
	75,790	99,251

20. **LEASE COMMITMENTS:**

Future lease payments under operating leases at 31 March 2013 were as follows:

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
No later than one year	15,366	15,366	14,097	14,551
Later than one year	15,366	15,366	12,933	13,779

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

21. **LITIGATIONS:**

The following is the legal report from the Office's independent Attorneys.

(a) **RIO-5**

In this matter Cable & Wireless Jamaica Limited has appealed to the Telecommunications Appeal Tribunal against the decision of the OUR dated 19 March 2007 in respect of the Reconsideration Decision on Assessment of RIO 5 and Tariff Schedule RIO-5A ("Indirect Access"). The Appeal which was listed for hearing on 27 May 2013 was adjourned to facilitate the parties trying to resolve the matter on their own.

(b) **Claim No. HCV 01117 of 2011**
The Office of Utilities Regulation v Jamaica Urban Transport Company Limited

In this matter the OUR filed suit against the Jamaica Urban Transit Company Limited ("JUTC") to recover the sum of Twenty Two Million Four Hundred and Sixty-Nine Thousand One Hundred and Thirty Dollars ($22,469,130) being monies due and owing for outstanding Regulatory Fees. A Defence has been filed by the Attorney General's Department. The matter went for mediation but was not settled and was again referred to the Court for a Case Management Conference to be held.

(c) **Claim No. HCV 6759 of 2009**
Digicel (Jamaica) Limited v The Office of Utilities Regulation and CLARO

In this matter an Application was filed on 21 December 2009 by the Claimant seeking leave to apply for Judicial Review. During the hearing of the application all parties agreed that the matter should proceed before the Telecommunications Appeal Tribunal before whom Digicel had filed their Appeal. When the matter came up before the Telecommunications Appeal Tribunal on 8 December 2011 the legal representatives of Digicel and CLARO indicated that in light of Digicel and CLARO being merged the dispute between them would in effect be settled, however they wished further time to confirm the true position. The matter was therefore adjourned to 6 April 2012 but did not proceed on that date there being no tribunal appointed and since then the matter has not been listed.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED MARCH 31 2013

21. **LITIGATIONS (CONT'D):**

(d) **Supreme Court -**
Claim No. HCV 05614 of 2011
Dennis Meadows, Betty Ann Blaine &
Cyrus Rousseau v the Attorney General of Jamaica, JPS & OUR

The Claimants filed suit claiming a declaration that the All Island Electricity Licence 2001 granted to JPS is void as it is outside the scope of Section 3 of the Electric Lighting Act and/or it is an unlawful fetter of the Minister's discretion. The Claimants also contend that the OUR acted unlawfully in making a recommendation for the grant of the licence. Judgement was granted in favour of the claimants declaring that the licence was valid but the condition upon which it was granted, that is exclusively, was not. Jamaica Public Service appealed. The Appeal is listed for hearing on 9 December 2013. The Claimants have filed a counter appeal against the OUR in relation to the decision of the Judge that the evidence was insufficient to support a conclusion that the OUR recommended the grant of the licence to JPS. The appeal is being defended.

(e) **Appeal by the Jamaica Public Service Company Limited from a Determination by the Office of Utilities Regulation on Tropical Storm Gustav Claim**

This is an Appeal by the Jamaica Public Service Company Limited ("JPS") from a determination by the Office of Utilities Regulation ("OUR") dated 10 February 2011 on issues relating to a claim for compensation by JPS for recovery of damages suffered as a result of the passage of tropical storm Gustav on or about 28 August 2008 in the sum of $256,179,000.00.

At 31 March 2013, the organization was involved in other law suits which are not considered material to the financial statements. The organization has made a provision of $13,484,700 for legal fees in the financial statements to cover all claims.

STATEMENT OF INCOME
YEAR ENDED MARCH 31 2013

	2013 $'000	2012 $'000
REVENUE:		
Regulatory service fees	514,100	503,219
Licence application processing fees	1,453	8,851
	515,553	512,070
Other income:		
Grants	196	14,287
Interest received	15,552	10,551
Foreign exchange gain	1,008	328
Other	7	1,100
	16,763	26,266
Total income	532,316	538,336
EXPENSES:		
Administrative and other expenses (page 36)	522,963	463,007
NET SURPLUS FOR THE YEAR	9,353	75,329

SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31 2013

	2013 $'000	2012 $'000
ADMINISTRATIVE AND OTHER EXPENSES:		
Salaries	256,620	239,152
Statutory costs	15,814	13,793
Pension contributions	2,751	(671)
Group life insurance	3,299	2,740
Health insurance	9,640	6,870
Staff welfare	8,859	8,340
Salaries and related expenses	296,983	270,224
Staff costs - miscellaneous	1,026	339
Staff training	25,520	29,799
Foreign travel	11,600	14,301
15^{th} Anniversary celebration	6,634	48
Entertainment	336	359
Travelling and subsistence	14,652	11,752
Motor vehicle expenses	3,030	3,287
Insurance	445	349
Rental	16,223	16,196
Telephone	4,142	1,788
Professional fees	66,782	46,125
Audit fees	1,140	1,040
Repairs and maintenance	3,118	2,466
Annual report	535	593
Stationery and printing	1,148	1,430
Office and general expenses	6,885	4,783
Information technology	3,846	3,783
Public education	6,823	10,428
Membership dues	14,799	14,730
Consumer advisory committee	1,069	1,359
Advertising	3,800	901
Promotion	151	242
CTO expenses	-	419
CTU conference	248	-
ISO Certification	9,200	-
Bad debts	12,191	16,431
Bank charges	231	182
Depreciation	10,406	9,653
	522,963	463,007

OFFICE OF UTILITIES REGULATION

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