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# OFFICE OF UTILITIES REGULATION

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## **JPS 2019-2024 TARIFF REVIEW PROCESS APPLICATION SUMMARY**

### **BACKGROUND INFORMATION**

The 2019-2024 JPS Tariff Application is the first one submitted to the Office of Utilities Regulation (OUR) under the new regulatory regime.

Since the National Energy Policy of 2009, several important changes to the legislative and policy landscape have contributed to the positive trend JPS has been driving in the sector. Leading up to the current Rate Review process, these include the introduction of the Electricity Act, 2015, the Office of Utilities Regulations (Amendment) Act, 2015 (OUR Act) and the Electricity Licence, 2016 (herein after referred to as the 'Licence').

### **WHAT'S NEW IN THE JPS TARIFF APPLICATION?**

JPS is proposing several new tariffs:

1. **DER (Distributed Energy Resource) Tariff** for customers with self-generation but who intend to continue to rely on the grid as a reliable source of supplemental or contingent supply. This new class will replace the existing stand-by rate.
2. **Electric Vehicle (EV) Tariffs**: JPS has proposed a methodology for deriving tariffs for the use of public charging infrastructure for electric vehicles. The rates are to support the acceleration of adoption of EVs by encouraging the development of publicly accessible charging points across the island.
3. **Wheeling Tariff**: JPS has proposed cost reflective use of system charges, guided by the Cost of Service Study, for wheeling services as required by the 2016 Electricity Licence.
4. **Streetlight Tariff (Rate 60)**: A redesigned tariff structure for Rate 60 is required to facilitate the transition to a new generation of public lighting underway through the Smart Streetlight Programme (SSP). Older generation High Pressure Sodium (HPS) lamps are being replaced with new efficient LED luminaires controlled by smart controllers that will enable future features of these streetlights such as to consumption control and illumination through dimming, failure detection and monitoring. Consequently, a more flexible tariff structure is

required. The proposed structure will have a fixed charge per fixture designed to recover costs such as capital and operations and maintenance, impairment plus an energy charge. In addition, it is proposed that the rate class will now have separate rates for streetlights R60S and for traffic signals, R60T.

5. **Time of use (TOU) tariffs:** JPS is also looking to increase the participation of large customers under time of use (TOU) tariffs by proposing the removal of the current criteria, which states that in order to qualify for TOU, 50% of the load must be consumed in the off-peak period. JPS believes that the criteria have restricted the participation in this beneficial tariff.

#### **Proposed changes to current tariff structures**

JPS is proposing the following changes to current tariff structures.

- a) **Residential Lifeline Rate:** Reduction in the lifeline consumption from 100 kWh to 50 kWh.
- b) **Residential Lifeline Rate (RT 10):** Three (3) tiered structure.
  - I. Consumption < 50 kWh/month
  - II. Consumption between 51 and 500 kWh/month
  - III. Consumption > 500 kWh/month
- c) **Small Commercial (RT20):** Two (2) block structure
  - I. Consumption up to 150 kWh/month
  - II. Consumption > 150 kWh/month
- d) **Large Commercial (RT40):**
  - I. Differentiated energy charge on TOU
  - II. New MT40X for current RT40 customers with demand between 1 and 2 MVA
- e) **Industrial (RT50):**
  - I. Differentiated energy charge on TOU
  - II. New MT50X for current RT50 customers with demand between 1 and 2 MVA
- f) **Large Industrial (RT70):** Customers on Time of Use will now benefit from a differentiated energy charge
- g) **Streetlight (RT60):** The new structure is based on a per fixture fixed charge, arising from the replacement of the old High Pressure Sodium fixtures to the new SMART LED lighting infrastructure with added system functionality. A variable energy charge will continue as customary for this rate class.

#### **New!**

The Rate Proposal includes a 2019 Annual Adjustment Filing to make adjustments to the Actual Revenue Target in the 2019 based on JPS's performance against targets approved by the OUR in 2018. The annual adjustment for 2019 reflects the revenue performance of JPS in the fifth year of the last rate review period (2014-2019). This annual review primarily focuses on the performance-related adjustments to the Annual Revenue Target (ART) – that is, determining revenue surcharge, foreign exchange loss/(gain) surcharge, and net interest expense/(income) surcharge for 2018.

## JPS's Revenue Requirement

Five (5) year revenue requirement.

Revenue Requirement	J\$M	US\$M
2019	63,904	499.3
2020	62,350	487.1
2021	62,493	488.2
2022	60,842	475.3
2023	60,970	476.3

### Includes:

- I. **Decommissioning Cost:** J\$4.428 Billion - US\$34.6Million
- II. **Stranded Asset Cost Recovery:** 4.064B – US\$34.6M
- III. **Recovery of depreciation expense** on capital investments made in 2016-2018: J\$2.939 B – US\$23.0M
- IV. **Recovery of return on investment** on capital investments made in 2016-2018: J\$3.522 B – US\$27.5M
- V. **Electricity Disaster Fund (EDF):** J\$256M – US\$2.0M annually

### Monthly Bill Impact

If the proposals are accepted, the overall net bill impact is expected to be 4.69% over the 5-year rate review period, subject to annual reviews. The primary drivers relate to changes in the non-fuel tariffs of approximately 17.54% linked to the introduction of more efficient generation, smart technology and other infrastructure investments as well as an expected reduction in fuel costs of approximately 6.10% linked to newer more efficient generating plants coming on line during the period.

The average impact will vary by customer class as well as within customer class depending on the customer's consumption and choice of tariff. The table below highlights the average monthly bill impact per category.

Category	Non-Fuel Tariff (J\$/kWh)			Fuel (J\$/kWh)			Non-Fuel + Fuel (J\$/kWh)		Bill Impact
	Current	Proposed	Variation	2019 Fuel Cost	2020 Fuel Cost	Variation	Current NF + F	Proposed NF + F	
MT 10 - Metered Residential	20.59	29.11	41.37%	21.46	20.15	-6.10%	42.05	49.26	17.14%
MT 20 - Metered Small Commercial	21.58	22.73	5.31%	21.46	20.15	-6.10%	43.04	42.88	-0.38%
MT 60 - Street lighting	26.17	23.92	-8.63%	19.81	18.60	-6.10%	45.98	42.52	-7.54%
MT 40 - Metered Large Commercial (STD)	13.80	15.08	9.28%	19.81	18.60	-6.10%	33.61	33.68	0.21%
MT 40 - Metered Large Commercial (TOU)	11.87	14.56	22.69%	19.81	18.60	-6.10%	31.68	33.16	4.69%
MT40X_TOU (*New)	11.87	13.66	15.12%	19.81	18.60	-6.10%	31.68	32.26	1.85%
MT 50 - Meter Industrial (STD)	12.46	14.54	16.70%	19.81	18.60	-6.10%	32.27	33.14	2.70%
MT 50 - Meter Industrial (TOU)	12.38	13.43	8.46%	19.81	18.60	-6.10%	32.19	32.03	-0.50%
MT50X_TOU (*New)	12.38	9.06	26.79%	19.81	18.60	-6.10%	32.19	27.66	-14.06%
MT 70 - MV Power Service (STD)	9.13	10.18	11.49%	19.81	18.60	-6.10%	28.94	28.78	-0.55%
MT 70 - MV Power Service (TOU)	9.88	9.91	0.34%	19.81	18.60	-6.10%	29.69	28.51	-3.96%
<b>Total</b>	<b>17.35</b>	<b>20.39</b>	<b>17.53%</b>	<b>20.64</b>	<b>19.38</b>	<b>-6.10%</b>	<b>37.99</b>	<b>39.77</b>	<b>4.69%</b>

## Quality of Service Standards

- I. JPS does not propose any new standards for the 2019-2024 Rate Review period.
- II. The Company is proposing that at least one of the existing Guaranteed Standards be converted to, and monitored as an Overall Standard. **EGS3 (Response to Emergency)**
- III. It is proposing a modification to the performance target for Guaranteed Standard **EGS15 (Service Disruption)**.
- IV. It is proposing modification to some Overall Standards:
  - a. **EOS 1 - No less than 48 hours prior notice of planned outages:** JPS is proposing that the target be revised to a more reasonable and achievable 95%, instead of the existing 100%.
  - b. **EOS10 - Responsiveness of Call Centre Representatives:** Instead of “Responsiveness of Call Centre Representatives”, this standard would be “Call Centre Responsiveness”.

**EOS 12 – Effectiveness of street lighting repairs:** the time given be changed to 20 working days, which is the same time given for meter replacement after a defect is found, and the target be revised to a more realistic 95%, instead of the existing 99%.

## Customer Base

At the end of 2018, information provided from JPS indicates that the company serves approximately 658,052 customers of which approximately 89% or 587,606 are residential consumers, which accounts for approximately 33% of the billed energy sales. The General Services (R20) make up 10% of the Company’s customer base and consume 19% of the billed energy. While large industrial and commercial consumers make up less than 1% of the customer base, but consume 46% of total billed energy.

## Performance Targets

### Heat Rate 10,986 kJ/kWh

JPS has proposed that the basis for establishing the heat rate target should continue to be the generating units in JPS’s Thermal Fleet. Granted that JPS only has direct control over generating unit to which they own, they have stated that this approach lends itself most appropriately to the objective of optimizing overall system production cost through economic dispatch. The heat rate targets for the five projected periods are provided below;

July 2019 -June 2020: JPS proposes a Thermal Heat rate target of **10,986 kJ/kWh**

July 2020 -June 2021: JPS proposes a Thermal Heat rate target of **9,976 kJ/kWh**

July 2021 -June 2022: JPS proposes a Thermal Heat rate target of **9,860 kJ/kWh**

July 2022 -June 2023: JPS proposes a Thermal Heat rate target of **9,545 kJ/kWh**

July 2023 -June 2024: JPS proposes a Thermal Heat rate target of **9,530 kJ/kWh**

### Losses

JPS proposes a combined 2.30% reduction over the 5-year period. Based on the proposed initiatives targeting the reduction of Technical and Non-Technical losses, the company believes that these proposed targets are fair and achievable for the short and long-term periods, subject to all stakeholders and in particular GOJ fully meeting its commitments with respect to the system losses reduction initiatives agreed upon for the upcoming Rate Review period.

### 2019-2023 Proposed System Losses Targets

	2018	2019	2020	2021	2022	2023
<b>Total Reduction %</b>		<b>0.34%</b>	<b>0.40%</b>	<b>0.45%</b>	<b>0.50%</b>	<b>0.61%</b>
<b>12 Month Rolling System Losses - %</b>	26.27%	25.93%	25.53%	25.08%	24.58%	23.97%
TL - Technical Losses %	7.94%	7.94%	7.92%	7.89%	7.85%	7.74%
Total Non-Technical Losses %	18.33%	17.99%	17.61%	17.19%	16.73%	16.23%
JNTL - Non Technical Losses within JPS' Control	4.22%	4.14%	4.93%	5.67%	6.36%	6.98%
GNTL - Non Technical Losses not totally within JPS' Control	14.11%	13.85%	12.68%	11.52%	10.37%	9.25%