
Office of Utilities Regulation

Consultation Document

Proposal for Vulnerable Utility Customers
to Opt-out of the Early Payment
Incentive/Late Payment Fee Programmes



OFFICE OF UTILITIES REGULATION

2018 March 23

Abstract

Since 2013, Payment Compliance Initiatives (which offer an incentive for early bill payment and an equivalent penalty for late payment) have been introduced by both the Jamaica Public Service Company Limited (JPS) and the National Water Commission (NWC). In their submissions to the Office of Utilities Regulation (Office/OUR), both utility providers highlighted the adverse financial impact of late payments on their operations. The OUR was therefore requested to approve Early Payment Incentive/Late Payment Fee (EPI/LPF) programmes, which is intended to encourage the payment of bills on, or before the due dates.

The Office approved JPS' proposal in the Jamaica Public Service Company Limited Annual Tariff Adjustment for 2013 - Determination Notice (Document No. 2013/ELE/007/DET.001) dated 2013 June 25 and NWC's proposal in the Determination Notice entitled National Water Commission - Payment Compliance Initiative (Document No. 2015/WAS/003/DET.001) dated 2015 July 28. However, subsequent to the implementation of these initiatives, the OUR, through its Consumer Affairs Unit (CAU), has received complaints from JPS and NWC customers disputing the reasonableness of the fee. Among the complainants were pensioners, who lamented that their due dates for payment of bills preceded the receipt of their monthly pension payments. Accordingly, where they are unable to make their payments on or before the due dates, they will incur LPFs, which in their view, is an unreasonable additional charge.

Having reviewed the issues raised by pensioners, the OUR has also considered that another group of utility customers – namely, Persons with Disabilities (PWDs) – may also be adversely impacted by any additional charges, including the LPF.

In keeping with the provisions of Condition 16(1) of the Electricity Licence, 2016 and section 4(2)(a) of the Office of Utilities Regulation Act (OUR Act), and given the economic position of most pensioners and PWDs (together referred to as vulnerable customers), the OUR thought it necessary to conduct this consultation to ascertain whether these customers should be offered the choice to opt out of the EPI/LPF programmes. By so doing, those vulnerable customers who

chose to opt out of the EPI/LPF programmes would not be eligible for the EPI or would be billed the LPF.

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Consultation Process

Interested parties are invited to express opinions on this Consultation Document and to submit comments in writing to the Office of Utilities Regulation (“OUR”) by post, delivery, facsimile or e-mail addressed to:

Office of Utilities Regulation
P.O. Box 593,
36 Trafalgar Road,
Kingston 10

Attention: Collette Goode, Consumer Affairs Specialist (Policy)

Fax: (876) 929-3635
E-mail: collette.goode@our.org.jm

Responses are requested by 2018 May 4

COMMENTS ON RESPONSES

There will be a specific period for respondents to view other responses (non-confidential) and to make comments on them. The comments may take the form of either correcting a factual error or putting forward counter arguments. Similar to the responses, comments which are not confidential will be posted to the OUR’s website.

Comments on responses are requested by 2018 May 18.

Arrangement for Viewing Responses

This Consultation Document and the responses and comments received by the OUR will also be made available to the public through the OUR’s Information Centre (“OURIC”). Persons who wish to view this document, responses and comments should make an appointment by contacting:

Mrs. Elizabeth Bennett Marsh
Public Education Specialist
Telephone: (876) 968-6053
Fax: (876) 929-3635
Email: Elizabeth.bennett@our.org.jm

Individuals with appointments should visit the OUR's offices at:

3rd Floor, PCJ Resource Centre
36 Trafalgar Road
Kingston 10

Photocopies of selected responses and comments may be provided on request at a price which reflects the cost to the OUR.

Consultation Timetable

The timetable for the Consultation is summarized in the Table below:

Event	Date
Publish Consultation Document	2018.03.23
Response to the Consultation Document	2018.05.04
Comments to responses to the Consultation Document	2018.05.18
Issue Determination Notice	2018.07.27

BACKGROUND & INTRODUCTION

- 1.0 The Jamaica Public Service Company Limited (JPS) in its 2013 Annual Tariff Adjustment Submission included a proposal to introduce an Early Payment Incentive/ Late Payment Fee (EPI/LPF) programme for residential (Rate 10) customers. The JPS EPI/LPF programme is designed to provide an incentive of \$250 to customers who pay their bills in full on, or before the due date while applying an equivalent penalty where any amount is outstanding after the due date. The OUR reviewed and approved the programme in its Jamaica Public Service Company Limited Annual Tariff Adjustment 2013 – Determination Notice (Document No.: 2013/ELE/007/DET.001) dated 2013 June 25 (JPS 2013 Determination Notice).
- 1.1 The National Water Commission (NWC/Commission) in its “NWC Tariff Submission for the Period 2013 to 2018” document also made a request to implement a Payment Compliance Initiative, which was similar to JPS’ EPI/LPF programme. However, in the National Water Commission Review of Rates – Determination Notice (Document No. 2013/WAS/004/DET.003) dated 2013 October 1, the Office advised the NWC that in order to facilitate approval of its request, the Commission needed to provide a detailed proposal which outlined how the initiative would be operationalized. The NWC submitted the required proposal on 2014 July 11 and provided additional information requested on 2015 February 9. NWC’s proposal was reviewed and the Office in its Determination Notice entitled National Water Commission – Payment Compliance Initiative (Document No. 2015/WAS/003/DET.001) dated 2015 July 28, sanctioned the implementation of the Payment Compliance Initiative for NWC with an effective date of 2015 August 27.
- 1.2 Both JPS and NWC stated that their respective EPI/LPF programme (together hereinafter called EPI/LPF programmes) would help to improve their monthly collections. Both service providers operate a post-dated billing system, which means that the services are used before customers are billed and a deadline for payment is given. Accordingly, both initiatives are intended to incentivise customers to make their bill payments in a timely manner, thereby allowing the

companies to be better able to meet their monthly operational costs; and other monetary obligations as well as to reduce receivables. On the other hand, an equivalent penalty is applied to customers' accounts when complete monthly payments are not made on, or before the due dates. This penalty would also operate as an alternative to disconnection within a specified time.

Relevant Statistical Data

- 1.3 The data from JPS indicates a customer base of 631,568 as at 2016 December 31. However, of this number, 564,242 (89%) are Rate 10 customers who would be affected by the JPS EPI/LPF programme.
- 1.4 The data from NWC indicates a customer base of 490,701 as at 2017 September 30 who would be affected by the NWC EPI/LPF programme.
- 1.5 Information from the Statistical Institute of Jamaica (STATIN) indicates that as at 2015 December, the total number of persons of pensionable age in Jamaica stood at 333,130 which is comprised of 155,693 males and 177,437 females. Additionally, based on information from the OUR commissioned Utility Customer Satisfaction Survey 2016, 60% of women are responsible for dealing with utility service providers on behalf of the household.
- 1.6 Data collected by the Statistical Institute of Jamaica (STATIN) in the 2011 census estimated that about 149,515 (representing 5.21%) persons within the Jamaican population are disabled. Of this number, the Jamaica Council for Persons with Disabilities (JCPD) advised that as at 2016 October, there are approximately 30,510 registered persons with disabilities (PWDs).

LEGAL FRAMEWORK

- 2.0 Pursuant to Condition 16 (1) of the Electricity Licence, 2016, JPS shall at the direction of the Office, prepare and publish Codes of Practice regarding inter alia, vulnerable customers. Condition 16(1) reads as follows:

“At the direction of the Office, from time to time, the Licensee shall prepare and publish codes of practice in respect of the various matters that affect customers. These would address such issues as Efficient Use of Energy; Payment of Bills; Disabled Customers and Customers of Pensionable Age and Handling Customer Complaints.”

- 2.1 While the National Water Commission Act (NWC Act) or regulations made thereunder does not include a similar provision for the development of codes of practice, section 4(2)(a) of the Office of Utilities Regulation (OUR Act) provides that:

“The Office may, where it considers necessary give directions to any licensee or specified organization with a view to ensuring that –

(a) The needs of the consumers of the services provided by the licensee or specified organization are met; ...”

Further, section 4(3)(b) of the OUR Act provides the Office with the authority to *“undertake such measures as it considers necessary or desirable to:*

(b) protect of interests of consumers in relation to the supply of a prescribed utility service.”

Customers' General Feedback on the Impact of the EPI/LPF programmes

- 3.0 Since the implementation of the EPI/LPF programmes in 2013, the OUR through its Consumer Affairs Unit (CAU), has received complaints from approximately one hundred and twenty (120) JPS' and thirty-five (35) NWC's customers¹. In expressing their views, the customers submitted that the EPI/LPF programmes are unfair, unreasonable and serves only to benefit the service providers.
- 3.1 While the customers recognize that they will receive an incentive for making payments on or before the due date, one of their main grouses is that their bill payment due dates precede the date of payment of salaries and pensions. Accordingly, in the event JPS' and NWC's customers are unable to satisfy their obligations on or before the due dates, they feel saddled with an additional \$250 monthly penalty.
- 3.2 Another view of the EPI/LPF programmes expressed by affected customers is that on occasions, monthly bills are received past the due date or are not received at all. This therefore places a burden on them to make contact with the respective service providers to ascertain the charges due and the associated due dates. The customers see this as an inequity, since the relevant service providers do not consistently satisfy their obligations to provide timely monthly invoices to facilitate payment, and the customers are being penalized when complete payments are not made on or before the due dates. In addition to this inconvenience, the costs associated with having to ascertain billing information from the service providers (e.g. telephone and/or transportation costs), place a further strain on the customers' already limited resources.

¹ Contacts received relating to the EPI/LPF programmes are input in the CAU's Customer Information Database (CID)

Proposal for Vulnerable Customers to “Opt-Out” of the EPI/LPF Programmes

- 4.0 The CAU has reviewed the concerns of all contacts received relating to the EPI/LPF programmes since its inception. In its review, the unit has recognized that vulnerable customers may be more significantly impacted by the LPF aspect of the EPI/LPF programmes.
- 4.1 According to the last population census, the greatest increase in the over-60-year-old population is in persons 80 years and older. The over-60 age group increased by 15.26 per cent while the over-80 age group increased by 20.77 per cent. Population trends indicate that the percentage of elderly people living in the population will continue to increase in proportion to the rest of the population. The implication of this is that more facilities and support programmes will have to be created for the elderly. As Jamaica's senior-citizen population continues to rise due to higher life expectancy, stakeholders are advocating that closer attention should be paid to the needs of this vulnerable community of the society by ensuring that initiatives are put in place to ensure that they are not unreasonably disadvantaged.
- 4.2 It is generally known that persons of pensionable age, which begins at age sixty (60) years, experience a reduction in their real income and earning power. With this reduced income and earning power, it is likely that the standard of living for persons of pensionable age will also decline; thereby making them more sensitive to price increases and additional charges/fees.
- 4.3 According to Vision 2030 Jamaica National Development Plan, Social Welfare and Vulnerable Groups Sector Plan, 2009:

“Among the major concerns for the elderly are the cost of health care, inflationary movements that have eroded the purchasing power of their pensions and as a corollary, the fact that most pension schemes operated in Jamaica do not have any provisions for increases in the amount paid once the retiree has begun to receive a pension. There are

also concerns about the inability to afford transportation costs and utility expenses, especially for the elderly living in rural areas...”

- 4.4 One example of the reduced income for pensioners is evidenced by the amount that is received by those under the National Insurance Scheme (NIS). Under the NIS pension scheme (Ref. Ministry of Labour and Social Security <http://www.mlss.gov.jm/>) the maximum amount an individual will receive is \$2,800.00 on a weekly basis; which amounts to \$11,200.00 monthly.
- 4.5 Using rates as at 2017 June, a JPS bill would amount to at least \$3000.00 for the lifeline consumption of 100 kWh. For the same billing period, the NWC customer would be billed at least \$1,500.00 for usage up to 3,000 litres. These amounts represent 27% and 13% of the NIS pensioner’s monthly allocation for JPS and NWC respectively. Combined, approximately 40% of the NIS pensioner’s monthly subvention would be for making payments to JPS and NWC; exclusive of any LPFs that may be applicable.
- 4.6 In relation to PWDs, the Vision 2030 National Development Plan, Social Welfare and Vulnerable Group Sector Plan, 2009 also highlights the two major concerns of PWDs as being inadequate training and a lack of employment opportunities. With these concerns, it is understandable that PWDs will have challenges in meeting the demands of their cost of living, which would include payment of utility bills. This is due to the limited options that are available for PWDs to receive the relevant training required for today’s workplace and/or to satisfy employment opportunities.
- 4.7 It is noteworthy that the Government of Jamaica, in recognition of the financial challenges that PWDs may face, exempts certain income from tax for PWDs of a permanent nature. According to the Tax Administration of Jamaica website²:

“Anyone who is permanently incapacitated, either physically or mentally, and is certified as such by the Jamaica Council for Persons with Disabilities and the Chief Medical Officer, Ministry of Health is exempt from income tax on employment income, if such a person is:

² <https://www.jamaicatax.gov.jm/persons-with-disabilities>

- *Suffering from a disabling permanent physical disability, infirmity, malformation or disfigurement of indefinite duration, resulting from illness, injury or congenital defect; and or*
- *Suffering from a disabling permanent mental handicap, but capable of being gainfully employed.”*

4.8 Based on the foregoing the OUR is of the view that similar to pensioners, any additional fee/charge may place a financial burden on PWDs.

4.9 The OUR is cognizant of the existing provisions made for vulnerable customers within the JPS and NWC tariff structure. For the JPS, provision for the vulnerable is evidenced by the lifeline rate while the tiered rate structure for the NWC allows for lower consumption charges based on lower usage. Therefore, all customers, including vulnerable customers, can avoid paying higher rates by simply maintaining low consumption levels. Notwithstanding these provisions, the OUR recognizes that in the event vulnerable customers are unable to pay their JPS and NWC bills on or before the due date, they will incur additional charges, not based on usage, on a monthly basis. The OUR is also of the view that the application of any additional charge can have a negative impact on the livelihood and well-being of vulnerable customers, given the limited resources available to them.

4.7 Accordingly, the OUR is of the view that given the reduction in income of vulnerable customers and the significant sums that have to be allocated to electricity and water consumption charges (even at minimal usage) relative to their income, JPS and NWC should consider revising the EPI/LPF programmes to allow this customer group to opt-out. By so doing, vulnerable customers would not be entitled to the EPI where payments are made on or before the due date nor would they be billed the LPF where payments are made subsequent to the due date.

4.8 In light of the foregoing, the OUR solicits the views of the utility providers on the proposal to facilitate vulnerable customers opting out of the EPI/LPF programmes as follows:

Question 1:

Vulnerable customers should be given the choice to opt-out of their respective EPI/LPF programme. Please provide detailed explanation in the response.

Question 2:

Having outlined the financial challenges faced by vulnerable customers, JPS and NWC should consider the continuation of a grace period, before disconnection, for these customers who choose to opt-out of the respective EPI/LPF programme. Please provide explanation in the response.