Joint Select Committee on Land and Physical Infrastructure

Summary of Proceedings
Public Hearing Summary
Virtual Public Hearing
Thursday June 24, 2021 at 10:00 a.m.

Topic:
Inquiry into the Management of T&TEC and related recommendations.

Objectives of the Inquiry:
1. to examine the current management strategies at the T&TEC;
2. to identify the challenges related to managing power and electricity services in Trinidad and Tobago; and
3. to make recommendations to improve the management strategies at the Commission.

Committee Members:
The following Committee Members were present:

i. Mr. Deoroop Teemal – Chairman
ii. Mr. Nigel De Freitas – Vice Chairman
iii. Mrs. Lisa Morris-Julian, MP - Member
iv. Mr. Saddam Hosein, MP – Member
v. Mr. Kennedy Richards, MP - Member
vi. Mr. Anil Roberts - Member
vii. Mr. Symone de Nobriga, MP - Member

Witnesses Who Appeared:

Officials from the Trinidad and Tobago Electricity Commission

- Mr. Kelvin Ramsook, General Manager
- Mr. Neil Balgobin, Chief Financial Officer
- Mr. Chrisalston Belle, Chief Technical Officer
- Mrs. Jacqueline Cheesman, Chief Human Resources Officer
- Mr. Curvis Francois, Chief Operating Officer
Officials from the Ministry of Public Utilities
- Ms. Nicolette Duke, Permanent Secretary (A.g.)
- Ms. Beverly Khan, Deputy Permanent Secretary
- Ms. Arlene Collis, Director of Economic Research
- Ms. Gale Dulal, Electrification Sector Specialist

Regulated Industries Commission
- Mr. Glenn Khan, Executive Director
- Mrs. Dawn Callender, Chairman
- Ms. Carol Balkaran, Deputy Executive Director
- Ms. Nadia John, Legal/Corporate Secretary
- Mr. Derrick Phillips, Assistant Executive Director, Technical Operations

Key Issues Discussed with the Trinidad and Tobago Electricity Commission (T&TEC)

T&TEC’s reason for the delay in submitting the requisite data to the RIC
i. T&TEC completed the majority of its Business Plan.
ii. The Business Plan is completed however, the final item, the price of the gas is a very important item which determines the end value of the rate.

Purchasing price of Natural Gas from the National Gas Company (NGC)
iii. The current cost of gas is $1.5882 per MMBtu from the NGC.
iv. The 1.5882 value determines what the cost of gas is and the overall operational cost at T&TEC.
v. When the present cost is taken into consideration, the value is approximately $995M, close to $1B.
vi. Where there is no subsidy on the price of natural gas, the rate will be US9₵ per kilowatt, per hour.
vii. Any unsubsidised rate begins at US12₵ per kilowatt per hour in any jurisdiction.
viii. T&TEC is suffering an annual loss of $1.1B and is unable to pay the NGC even at the subsidized rate.
ix. The subsidized rate is one half of the value of gas on the open market.
x. At US$1.5882 per MMBtu, T&TEC is still unable to pay the subsidized rate. To pay even the unsubsidised rate, has created a shortfall of US$1.1Bn annually to T&TEC.

Whether T&TEC has a dedicated department or staff that is responsible for providing timely information to the RIC

xi. T&TEC has a small department which interacts exclusively with the RIC.

xii. Reporting to the RIC is mostly up-to-date.

Whether T&TEC is engaging in a similar disconnection exercise to the WASA

xiii. T&TEC continues to encourage all customers to pay their bills.

xiv. All T&TEC’s Service Centres are open to the public and fully operational.

xv. There are many options to encourage customers to pay their bills.

xvi. T&TEC indicated to the Ministry of Public Utilities (MPU) that any customer who is having difficulty with paying their bills are advised to visit T&TEC to set up an arrangement to do so.

Opportunities for Bill reductions for Customers

xvii. Out of four hundred and forty-five thousand customers (400,045), T&TEC has two hundred and ten (210) customers whose bill is $300 or less and receives a discount of 25%.

xviii. T&TEC purchased 1.6 million bulbs of which 895,000 have been collected.

xix. Based on T&TEC’s analysis only 16% of customers whose bills are in the lower tier, less than three hundred dollars ($300), have collected their bulbs.

xx. Customer’s kilowatt consumption can be further reduced if LED bulbs are used over a two (2) month period, resulting in a reduction of fifteen dollars ($15) off their bills.

xxi. The country benefits by using LED bulbs which are more efficient than incandescent bulbs and there is further savings for T&TEC in terms of gas usage.

xxii. A couple of T&TEC’s outlets are not distributing LED bulbs such as Broadway, Port of Spain and Rio Claro.

Whether the pandemic affected consumption and reduced revenue

xxiii. T&TEC observed a significant reduction in kilowatt hours.
xxiv. In addition, T&TEC observed that a number of customers applied for a reduction in capacity which is affecting its cost of doing business.

xxv. T&TEC signed approximately thirty (30) applications in May, 2021 for reduction in reserve capacity.

xxvi. Many customers are migrating from industrial to commercial users at lower rates.

xxvii. T&TEC has observed an increase in domestic usage because people are home.

xxviii. Based on its overall analysis, T&TEC observed a significant reduction in kilowatt per hour consumption over the last period.

Whether T&TEC has received guidance from the Cabinet to desist disconnections during the State of Emergency

xxix. T&TEC has received guidelines from the MPU and has been encouraging customers to pay their bills.

xxx. T&TEC does not engage in disconnection for the non-payment of a first bill.

xxxi. T&TEC has had no complaints regarding disconnections.

Projected impact of new Power Purchasing Agreements (PPA’s) on existing PPA’s

xxxii. Once the negotiations for new PPA’s are completed and capacity becomes available, T&TEC will take all generation from the producer.

xxxiii. T&TEC needs to be mindful that it is looking to a rate of USD4₵ per kilowatt per hour.

xxxiv. Generation is currently at an average of US4.7₵ and unsubsidised at US5.9₵, therefore the new PPA’s would not impact significantly on the current PPA’s.

xxxv. Once the capacity from the new PPA’s become available, they will result in significant cost savings.

Clarity on the land acquisition matter at Union Ghandi Village

xxxvi. Although the Union Ghandi 220KV Line was in the making for quite some time, the physical work on the project has only now commenced.

xxxvii. The circuit one of T&TEC’s only line which leaves the TGU substation and provides capacity to the grid is over ten (10) years old and requires urgent maintenance.

xxxviii. The TGU line supplies half the electricity load under normal conditions and approximately 70 to 75% during peak conditions.
xxxix. T&TEC served notices under Section 37 of its Act which allowed the Commission to commence the process.

xl. T&TEC has been having individual dialogue with each resident as it pertains to acquisition of lands.

xli. T&TEC anticipates to maintain its commitment to be fair to all the residents and to ensure the rules will be followed with regard to discussion, and compensation for the parcels of land once the required documentation is provided.

xlii. T&TEC confirmed that the land acquisition matter at Union Ghandi Village has been resolved.

Reason for the increase in the number of unplanned outages

xliii. The increase in unplanned outages over the last few years has been attributed to line clearing issues owing to delays in establishing line clearing contracts in 2019 and 2020.

xliv. Contracts were enforced in late 2020, that is, September into October.

xlv. T&TEC has been pushing to engage in extensive line clearing to reduce outages.

xlvi. T&TEC is using modern technology such as auto enclosures and other devices to reduce outages.

xlvii. T&TEC is examining the causes of outages such as trees, vermin and is trying to use technology to treat with outages.

xlviii. An improvement with regard to outages is anticipated by 2022.

Discussion on new and illegal connections

xlix. T&TEC has an amnesty programme which encourages customers with an illegal connection to visit T&TEC to become regularised.

1. Once the period of the amnesty has expired, customers who continue to be illegally connected will be disconnected must pay for the period of illegal supply.

li. Approximately forty-seven (47) customers responded to the amnesty.

lii. The process and timeframe for new connections depends on whether the existing infrastructure is close to the structure for new connections.

liii. Where infrastructure exists new connections can take up to two weeks.
Key Issues Discussed with the Ministry of Public Utilities (MPU)

The reason for the non-confirmation of the Natural Gas Price

liv. The process for confirming the Natural Gas Price does not only involve the MPU, a larger committee is addressing the issue.

lv. The price of natural gas that T&TEC purchases at, is a key factor in determining the Business Plan and any rate review process.

lvi. The MPU developed several scenarios of what the gas price could be.

lvii. The MPU has taken into consideration, the impact on different segments of consumers, their ability to pay. These considerations are also balanced with the utility and its ability to meet operational expenditure as well as undertake capital investments to ensure the supply of electricity continues to be reliable and of high quality.

lviii. All the scenarios, its impact and implications on the various objectives and elements on the matter is currently before the Energy Sub-Committee of the Cabinet.

lix. The MPU developed an Economic Model and examined both the economic impact on T&TEC and the social impact in terms of various segments of the country, standard of living and differing rate increases to different prices.

lx. The analysis requires careful deliberations as well as consideration on the implications on the natural gas market and the way in which dwindling resources in terms of natural gas, are effectively utilised.

lxi. The MPU has placed significant emphasis on the consumer’s ability to pay especially residential customers of T&TEC.

lxii. The MPU considered a subsidy based on the current economic situation.

lxiii. The issue of subsidizing on the gas price side of the equation was very prominent in most of the scenarios examined by the MPU.

The reporting relationship between or role of the MPU in terms of timely submissions of reports from the T&TEC necessary for the RIC to conduct rate review?

lxiv. The MPU’s Customer Service Unit also receives complaints and contributions from the public and notifies the T&TEC. T&TEC is asked to respond and to accommodate action within a specific period.

lxv. MPU also makes its own assessment on whether T&TEC is meeting the quality standards established by the RIC.
Whether the MPU’s utilities assistance programme will be expanded to more persons and the length of time it takes to process an application for payment of a T&TEC Bill

lxvi. The Utilities Assistance Programme is based on a policy approved by the Cabinet. Any expansion of the Programme will require variation in the policy.

lxvii. The Utilities Assistance Programme has several components. One component of the programme includes a reduction on both electricity and WASA bills. There are other components related to water tank assistance and solar panel assistance.

lxviii. Any person whose salary is below $5,000 is eligible to apply to the programme.

lxix. The MPU engages in an assessment verification process.

lxx. A maximum of $1200 per annum can be accessed for electricity under the Programme.

lxxi. The MPU also has a Rebate Programme where any customer who has a bill of $300 or less is eligible for a 25% discount. Approximately fifty percent (50%) of residential customers are benefiting from the Rebate Programme.

lxxii. The MPU oversees the following programmes as well

a. the Residential Electrification Programme which provides electricity to several households across the country to facilitate online learning; and

b. the Electrification Programme which provides electrical infrastructure to the household.

The Status of T&TEC’s Legislative Amendments

lxiii. The revision of the feeding tariff policy is almost complete and the MPU is working out an implementation plan for same.

lxiv. The MPU is separating some amendments because some matters are different and are at various levels of importance.

lxv. It is important that T&TEC charges a tariff that would keep the utility whole considering all of its costs including that of natural gas, generation, transmission and distribution.

Key Issues Discussed with the Regulated Industries Commission (RIC)

The basis of the RIC assessment and the reason for the gap in conducting a price review of T&TEC rates

lxxvi. The RIC conducts periodic reviews every five (5) years.
lxxvii. At the end of the last review, efforts were made to conduct another rate review however rate reviews require information to be submitted.
lxxviii. The RIC experiences delays in receiving information and having the full body of variables to conduct a successful review.
lxxix. The gap in the price Review was attributed to T&TEC’s lack of reporting to the RIC.
lxxx. The RIC did not receive all of the information necessary to conduct the rate review.
lxxxi. Once the RIC receives all of the initial information from the T&TEC, the review may take approximately twelve (12) months.
lxxxii. The RIC tests the information it receives through an economic model and does not simply accept the need for an increase in rates.
lxxxiii. The RIC analyses and examines the impact of a recommended rate increase on various sectors, the need for a subsidy and who should provide the subsidy.
lxxxiv. After the process of analysing the impact of a recommended rate increase has ended within one to three months, the RIC will be able to determine the effect of a rate increase.
lxxxv. The RIC considers different scenarios to determine the impact of rate increases on various users and tries to keep the World Bank’s baseline for electricity rates, less than ten percent (10%) of household disposable income.
lxxxvi. The RIC will take into consideration other countries especially producers of natural gas to determine how these countries would have treated with the price of gas and arrive at the rate of electricity.
lxxxvii. The RIC formulates its own position.
lxxxviii. The RIC also engages in a lot of benchmarking and examines various international and regional jurisdictions from two perspectives, the type of quality of service standards, the rates and the performance associated with it as well as how they conduct rate reviews for implementation in the organisation.
lxxxix. The RIC uses a financial economic model which is the basis of commencing its analysis.

**Whether the cost of producing natural gas is the number one factor impacting the cost of electricity**

xc. The cost of producing natural gas is the number one factor impacting the cost of electricity.

xci. The RIC examines T&TEC’s operational cost not the price of natural gas.

xcii. The RIC accepts the cost of natural gas because T&TEC cannot do anything about the price of natural gas.
xciii. The RIC is not unconcerned about the price of natural gas but when engaging in the analysis, the operational cost of T&TEC is examined and not that of the NGC.

xciv. A subsidy is the responsibility of government, the RIC has no input in determining the subsidy.

The RIC’s Public Outreach and Communications Plan

xcv. The RIC uses a number of communication channels to reach, educate and inform the public through advertisements, information brochures, community outreach meetings and presentations.

xcvi. The RIC has not been able to engage in outreach meetings due to the pandemic.

xcvii. The RIC would recommence outreach meetings as soon as time and circumstances allow.

xcviii. The RIC is incubating an online platform via Facebook for interfacing with the public.

xcix. It was the aim of the RIC to hold more consultations than in the past, including two in Tobago as well as Arima and Central.

View the Hearing:

The hearing can be viewed on our YouTube page via the following link: https://www.youtube.com/watch?v=tBXnEUrDJNE

Contact Information:

You may contact the Committee’s Secretary at jsclpi@ttparliament.org or 624-7275 Ext. 2232.

Committees Unit

September 07, 2021