Government of the Republic of Trinidad and Tobago
Ministry of Public Utilities

SIXTEENTH REPORT OF THE PUBLIC ACCOUNTS COMMITTEE, THIRD SESSION OF THE 11th PARLIAMENT

Examination of the Audited Financial Statements of the Trinidad and Tobago Electricity Commission for the financial years 2008-2013

September 26, 2018

Office of the Permanent Secretary (Ag.)

Table of Contents

INTRODUCTION

1. A report entitled, "Sixteenth Report of the Public Accounts Committee, Third Session of the 11th Parliament: Examination of the Audited Financial Statements of the Trinidad and Tobago Electricity Commission for the financial years 2012-2015", was presented in the House of Representatives and in the Senate on May 11, 2018 and May 25, 2018, respectively.

2. Standing Orders 100(6) and 110 (6) of the Senate and the House of Representatives respectively, require the Minister with responsibility for the Ministry/Body reported on by the Joint Select Committee to present to each House a paper responding to the recommendations/comments contained in the Report.

3. In accordance with the above Standing Orders, the Ministry of Public Utilities has prepared a response on behalf of Senator, the Honourable Robert Le Hunte, Minister of Public Utilities. The said response as contained in this paper is being submitted for the consideration for the House of Representatives and the Senate.

ISSUES, OBSERVATIONS AND RECOMMENDATIONS

1. Status of debt owed to the National Gas Company (NGC)

Recommendation:

T&TEC should continue engaging in discussions with the Ministry of Public Utilities, the Ministry of Energy and Energy Industries and the Ministry of Finance in finding a solution for the payment of arrears to NGC and submit a report to the Parliament on the initiatives taken to clear its debt by August, 31 2018

Ministerial Response:

The Chairman, General Manager (Ag.) and Chief Financial Officer (CFO) met with counterparts from NGC, the Minister of Public Utilities and representatives from CAF Investment Bank on July 25th 2018 towards a solution to this matter. Parties are to re-convene on August 9th 2018, to consider an indicative Term Sheet from CAF for a loan to T&TEC to provide the funds to settle the NGC debt.

2. Financial viability and sustainability of the Commission

Endorsement/Recommendation:
Endorsement:

2.1 The Committee endorses the steps being taken by T&TEC to reduce its excess capacity.

Ministerial Response:
The endorsement of the Committee is noted and the Commission will continue to engage the Independent Power Producers in reducing its excess capacity.

Recommendation:

2.2 T&TEC should also look at options for absorbing renewable sources of energy on its grid.

Ministerial Response:
This option is being actively pursued through the Ministry of Energy and Energy Industries (MEEI). Presently there are two Expressions of Interest (EOI) in progress for a Waste to Energy Project in the Beetham Landfill site and for a Solar/Wind project. Additionally, T&TEC and the Airports Authority of Trinidad and Tobago (AATT) are exploring the potential for establishing a solar farm at the Piarco International Airport.

- Application of a Reduction in Reserve Capacities Charge to Industrial Customers requesting Reduction in Reserve Capacity - T&TEC has engaged the Regulated Industries Commission (RIC) for approval to introduce a reduction in reserve capacity charge for reductions in reserve capacities granted to industrial customers.

Recommendation:

2.4 T&TEC should report to Parliament on the initiatives being undertaken to ensure that total revenues sufficiently cover its operation.

Ministerial Response

T&TEC's Business Plan is focused on charting a course for the period 2018 to 2023, and has identified several strategic priorities/key success factors for the next five years; financial viability and sustainability is one of the strategic priorities identified. To ensure that T&TEC attains financial viability it has been determined that an application of economic tariffs is required in addition to prudent administration on the Agencies' spending, and the promotion of a culture of revenue enhancement and protection. Also significant to ensuring that revenues cover operating expenditure are the initiatives undertaken to treat with T&TEC's deteriorating position as identified at item 3 below.

The Commission will aggressively undertake the following initiatives to ensure financial viability and sustainability of the Commission:

- Increase Transformer Rental Rates - a 100% increase in transformer rental rates was effected in 1997.
- Introduce an Administration Charge for Generator License - An administrative charge for processing of Generator License Applications was introduced in 2018.
- Increase the Labour Component of Major Contracting Cost - A 100% markup on the labour component for Major Contracting Services provided by T&TEC is proposed.
- Sale of Advertising Space for Pole Pennants - The Commission intends to research the feasibility of selling advertising space for pole pennants on pennant brackets to be installed on T&TEC poles in certain locations across the country.
- Pole Top Mounted Antennae Services - The Commission intends to research viability of the provision of pole top antennae services to Mobile Network Operators through a third party, by the replacement of some of its existing 10m and 12m poles, with special electric utility poles, with integrated pole-top antennae, antenna cables and power and grounding systems.
- The Sale and Licensing of In-house Developed Software - The Commission is exploring the sale and licensing of two of its in-house developed Software Systems to interested parties.
- Pole Rental to Cable/Telecom Service Providers and Camera Installation - The Commission will continue to look for opportunities to earn additional revenue from rental of space on its distribution poles.

Recommendation:

3.3 ***T&TEC should pursue the establishment of a new practice/convention similar to WASA where it be mandatory that a T&TEC "clearance certificate" be a condition of a conveyance on dealing with property.***

Ministerial Response:
A "clearance certificate" is an option that the Commission can give consideration to as a condition of a conveyance on dealing with property.

Recommendation:

3.4 ***The Commission should consult with the RIC with respect to the publication of clients with arrears owed in the newspaper and other strategies for encouraging customers to pay their dues.***

Ministerial Response:
In consultation with the RIC on clients with arrears, the RIC has indicated that it is supportive of any action that would encourage customers to settle their arrears. However, they don't have a firm position with respect to the publication of the names and addresses of customers with arrears.

Recommendation:

3.5 ***T&TEC should submit a report to the Parliament on the initiatives taken to develop and implement a more effective collection process and savings anticipated.***

Ministerial Response:
The following serves to document the challenges with the existing collection process, the corresponding solutions that are currently being explored to alleviate them and the anticipated savings.

3.5.1. Challenge: Recovery of debt in the high-risk ("Hot spot") areas.

Solution:

More contractors are being hired to effect disconnections in high risk areas, particularly in the Northern area. These contractors are better equipped to deal with the high risk customers thus reducing the risk to the Commission's personnel. Furthermore, the Commission is exploring the use of debt-collectors to recover debt from both active and inactive customers residing in these areas.

Savings Anticipated:

This initiative should help to improve T&TEC's liquidity position by facilitating collections on customer accounts in high risk areas. There are approximately 3,000 customers in high risk areas with arrears in the sum of $4M. from whom collections are a challenge. The use of a contractor, who specializes in working in high-risk areas is

3.5.4. Challenge: Due to the sheer number of delinquent customers every month, it is difficult and expensive to notify all in a reasonable amount of time.

Solution:

T&TEC will be increasing its usage of alternative modes of communication to target many customers at once. The Commission will be utilising communication channels such as microphone services in rural areas alerting customers that delinquent accounts will be disconnected for non-payment. In addition, advertising campaigns to inform customers via television and radio announcements will also be increasingly utilised. Although the Commission's Interactive Voice Response System (IVRS) is being used to call customers to notify them of their arrears, there is constant turnover of cell numbers rendering it difficult to reach the intended customers. Also, it is difficult and costly to make the calls to the tens of thousands of delinquent customers in the time allotted. An added benefit of the use of the microphone service is that customers whose bills may not be due as yet or whose bills have only just become due, may be persuaded to pay and not only the customers who are due for disconnection. This also applies to the advertising campaigns.

In addition to the above, greater efforts are being made to use the Commission's resources to call customers during non-peak periods to push for greater adoption of services such as E-billing, Automated Credit Card Payment Facility (ACCPF) and Customer Web Access (CWA). These services facilitate faster and more reliable payment of outstanding amounts owed to the Commission on or before the due date. Furthermore, outreach programmes are being utilised and will continue to be utilised in public spaces such as shopping malls, Commercial Banks and other areas of wide reach and great impact. These programmes serve to educate customers about the aforementioned services and to market them as measures (particularly the ACCPF) to keep them off the disconnection listing. Greater adoption of these services means that Service Centre staff who would normally handle routine activities, such as; cashing and providing bills and bill balances to customers may be redeployed to more critical non-routine activities. There will be no additional cost to the Commission if these in-house resources are utilised.

Also, the Commission's resources are being focused on disconnecting and recovering debt from the highest owing customers as these would have the greatest impact on collection with the same or slightly greater effort. Hence, listings such as each Distribution Area's top four hundred (400) accounts on the disconnection listing (in order of highest amount outstanding), listing of accounts owing more than $5000 in arrears and each Distribution Area's top five hundred (500) debtors as at the twentieth (20th) working day of the month are monitored closely for the appropriate action.

Lastly, the Commission is exploring training for staff in the various methods and negotiation strategies of debt collection with the aim of customising the strategy to the various types of customers.

Endorsement:

4.2 ***The Committee endorses the initiatives taken by T&TEC to develop an absenteeism policy.***

Ministerial Response:
The Committee's endorsement has been noted.

Recommendation:

4.3 ***T&TEC should submit a progress report to the Parliament on the initiatives taken to reduce absenteeism, by August 30, 2018.***

Ministerial Response:

T&TEC has introduced an absenteeism policy which has been promulgated throughout the Commission and is being enforced. At present there is a Productivity Committee comprising representation from the Union and Management, which is reviewing different aspects of the Commission. An HR subcommittee has been formed and managing absenteeism is part of the mandate.

Additionally, the Commission has several initiatives which have been or are being considered for implementation to reduce the level of overtime and absenteeism:

- Wellness programmes to improve the commitment to the job.
- Engage experts in the field of workplace absenteeism and productivity to determine causes of low morale, employee burnout caused by stress-related illness and lack of commitment to their jobs.
- Implementing initiatives that are designed to reduce workplace injuries for both field and office staff, thereby reducing overtime cost and absenteeism.
- Continue health seminars to encourage employees to maintain good health thereby reducing sick leave.
- Functional sports clubs with exercise equipment. This will result in healthier, happier and more productive employees.
- The Commission intends to introduce a pay for sick leave policy.
- Minimum manpower requirements utilising proper planning and effective use of technology, particularly as it relates to security.
- Implementing and adhering to agreed disciplinary action consistent with proper industrial relations practices to discourage the abuse of leave benefits

The following data for the period October 2017 to July 2018 is an indication of the progress the Agency has made in reducing absenteeism; it should be noted that for 2018 there has been a reduction in the amount of sick days taken.

gaining support from the Union for initiatives that can have positive outcomes, a third party intervention becomes necessary.