



## FAIR TRADING COMMISSION

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**BARBADOS**

**NO. FTC/UR/DECBL&P/2021-02**

**IN THE MATTER** of the Fair Trading Commission Act, CAP.326B of the Laws of Barbados;

**AND IN THE MATTER** of the Utilities Regulation Act, CAP.282 of the Laws of Barbados;

**AND IN THE MATTER** of the Utilities Regulation (Procedural) Rules, 2003 and the Utilities Regulation (Procedural) (Amendment) Rules, 2009;

**AND IN THE MATTER** of the Decision of the Fair Trading Commission dated October 21, 2021 on the Barbados Light & Power Company Limited's Application for Approval to Apply the Results and Costs of Hedging to the calculation of the Fuel Clause Adjustment.

**BEFORE:**

Mrs. Tammy Bryan

Mr. John Griffith

Ms. Ruan Martinez

Mr. Samuel Wallerson

Dr. Simon Naitram

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

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**ORDER**

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**UPON READING** the Application filed by the Barbados Light & Power Company Limited (BL&P) on May 8, 2020 for approval to apply the results and costs of hedging to the calculation of the Fuel Clause Adjustment (FCA);

**AND WHEREAS** the FCA is approved by the Commission as a principle or formula that the BL&P is permitted to use to pass through the cost of fuel used to generate electricity for use by its customers;

**AND WHEREAS** on October 11, 2013 the Commission reviewed and undertook an analysis of the FCA and issued a Decision and Order for the BL&P to implement a new formula for calculating the FCA;

**AND WHEREAS** by virtue of Section 16 of the Utilities Regulation Act, CAP.282 of the Laws of Barbados, the Commission may, on its own initiative or upon an application by a service provider or consumer review the rates, principles and standards of service for the supply of a utility service;

**AND WHEREAS** in recognition of the issues that have been considered and determined throughout the Consultation for the BL&P Fuel Hedging Application (Consultation Paper dated November 9, 2020: FTC/URD/CONBL&P/2020-01);

**AND UPON READING AND CONSIDERING** the written submissions of the BL&P; The Barbados Renewable Energy Association (BREA); Mr. Hallam Hope (CARITEL); The Ministry of Energy and Water Resources (MEWR); and the Commission's own research.

**IT IS HEREBY ORDERED THAT: -**

- 1. The BL&P is permitted to initiate a fuel hedging programme on a pilot basis in accordance with the following measures/requirements:**
  - i. The duration of the pilot fuel hedging programme shall not exceed 24 months (2 years);**
  - ii. The pilot fuel hedging programme shall be limited to no more than 40% of BL&P's fuel volumes being hedged;**
  - iii. The results and costs associated with the pilot fuel hedging programme shall be shared evenly (50/50) between the BL&P and the consumer;**
  - iv. The Investment Policy Statement (IPS) and all strategies employed therein, including hedging, shall require the prior written approval of the Commission;**
  - v. Any amendments to the IPS shall require the prior written approval of the Commission;**
  - vi. The BL&P and the Commission shall determine the investment manager;**
  - vii. The cost of hedging shall include costs borne by the Commission in the management/establishment of the pilot fuel hedging programme by the BL&P. These costs will be passed to the BL&P, 50% of which will be passed through the FCA;**
  - viii. The equation used to calculate the FCA shall be revised to account for:**
    - a. the passing on of the results and costs of hedging to the consumers;**  
**and**
    - b. the inclusion in the divisor of the equation, the generation losses itemised by generation plant, including renewable energy generation.**
  - ix. The Commission reserves the right to audit the pilot fuel hedging programme on a quarterly basis or on such basis as the Commission deems fit; and**

- x. The BL&P shall submit to the Commission within 45 days after the end of each quarter the investment performance report from the investment manager.
2. The Commission’s approval for the BL&P to commence the aforementioned pilot fuel hedging programme is also **conditional** and shall not become effective until the date on which the BL&P submits, to the Commission’s satisfaction, the BL&P’s IPS. In this regard, the Commission reserves the right to comment on/request amendments to the BL&P’s IPS documents before the BL&P’s permission to commence the pilot fuel hedging programme becomes effective.
3. This Decision shall be reviewed by the Commission three (3) months prior to the end of the twenty-four (24) month pilot period.
4. The revised FCA equation is as follows:

*Equation 1 (for months other than February):*

$$FCA_n = \frac{\sum_i (\text{Fuel Cost}_{n-1} \cdot \frac{THR_{n-1}^i}{AHR_{n-1}^i}) + \text{Purchased Power Cost}_{n-1} + 0.5 \text{HedgeResults}_{n-1}}{\sum_j \text{Energy Generation}_{n-1} \cdot (1 - Aux_{n-1}^j) \cdot (1 - losses_{n-1}^j)} \text{ [BD$ /kWh]}$$

*Equation 2 (for the month of February):*

$$FCA_{Feb} = \frac{\sum_i (\text{Fuel Cost}_{n-1} \cdot \frac{THR_{n-1}^i}{AHR_{n-1}^i}) + \text{Purchased Power Cost}_{n-1} + 0.5 \text{HedgeResults}_{n-1} + \text{ESD Recovery}_{yt}}{\sum_j \text{Energy Generation}_{n-1} \cdot (1 - Aux_{n-1}^j) \cdot (1 - losses_{n-1}^j)} \text{ [BD$ /kWh]}$$

Where:

$$\text{ESD Recovery}_{yt} = \% \text{ Net Fuel Savings}_{yt-1}$$

And Where:

$FCA_n =$	FCA for each (current) month other than February
$FCA_{Feb}$	FCA for February
$\text{Energy Generation}_{n-1} =$	Energy generated in the month n-1
$Aux_{n-1} =$	Auxiliary consumption as a % of total generation in the month n-1
$\text{Losses} =$	System losses as a % of total generation calculated based on a 12-month running average
$\text{Fuel cost}_{n-1} =$	Fuel cost in the month n-1 including cumulative under/over recovery
$\text{Purchase Power}_{n-1} =$	Cost of Purchase power from renewable sources in the month n-1
$\text{Purchase Power Energy}_{n-1} =$	Purchase power from renewable sources in the month n-1
$i =$	Thermal Generation plant/unit
$\text{BD\$/kWh} =$	Barbados dollars per kilowatt hour
$j =$	Generation plant/unit (Thermal and RE, including purchased energy)
$\text{AHR}_{n-1}^i =$	Actual Heat Rate for generation plant/unit i, for month n-1
$\text{THR}_{n-1}^i =$	Target Heat Rate for generation plant/unit i, for month n-1
$\text{HedgeResults}_{n-1} =$	Administrative Costs and Hedge Results of hedging programme in the month n-1
$\text{ESD Recovery}_{yt} =$	Storage Cost recovery for the previous year including any cost under recovery accumulated from the previous year
$\text{Net Fuel Savings}_{yt-1} =$	The difference between the fuel cost with and without the Energy Storage Device

Dated this 18<sup>th</sup> day of October, 2021

*Original signed by*

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Tammy Bryan  
Chairman

*Original signed by*

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John Griffith  
Commissioner

*Original signed by*

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Ruan Martinez  
Commissioner

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