



FAIR TRADING COMMISSION

CONSULTATION PAPER

The Barbados Light & Power Company Limited's Request for Interim Rate Relief

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DOCUMENT TITLE: Consultation Paper on the Barbados Light & Power Company Limited Request for Interim Rate Relief in its Application for Review of Electricity Rates

ANTECEDENT DOCUMENTS

Document Number	Description	Date
FTCUR/DEC/BLPCDP/2022-01	Decision on the Barbados Light and Power Company Limited Application for a Review of Depreciation Rates and Approval of the Depreciation Policy	March 25, 2022
No. 0002/09	Decision in the Application for a Rate Review by the Barbados Light & Power Company Limited	January 25, 2010
No. 1 of 2009	Decision and Order for the Approval of the Depreciation Policy by the Barbados Light & Power Company Limited	February 25, 2009

SECTION 1 - INTRODUCTION

BACKGROUND

1. On October 4, 2021, the Barbados Light & Power Company Limited (the “BLPC”) submitted an application to the Fair Trading Commission (“the Commission”) for a Review of Electricity Rates. The Application was submitted in accordance with Section 16 of the Utilities Regulations Act, Cap 282 of the Laws of Barbados (the “URA”) which gives the Commission the authority to review electricity rates upon the submission of an application by a service provider. The Application sets out the BLPC’s proposed new tariff structure, and a request for the implementation of interim rate relief effective November 1, 2021 at the proposed rates.
2. In the Application, the BLPC requested that the Commission approve the rates proposed in the Application, *on an interim basis*, to become effective and apply to all bills, until a final Decision and Order is issued by the Commission on the Application. Vol 1 para 107 page 29 of the Application states as follows:

“BLPC seeks the approval of the Commission for the following Orders, that:

- *Interim rate relief, at the proposed rates, come into effect from November 1, 2021 and shall be applied to all bills from November 1, 2021 and that this remains in place until the Commission issues its final Decision on BLPC’s Application.*
- ...

LEGISLATIVE FRAMEWORK

3. The Commission has the mandate to:
 - a. establish principles for arriving at the rates to be charged,
 - b. set the maximum rates to be charged,
 - c. monitor the rates to ensure compliance, and
 - d. carry out periodic reviews of the rates and principles for setting rates and standards of service.¹

The FTCA and the URA expressly define rates to include:

- a) *every rate, fare, toll, charge, rental or other compensation of a service provider or renewable energy producer;*
 - b) *a rule, practice, measurement, classification or contract of a service provider or renewable energy producer relating to a rate; and*
 - c) *a schedule or tariff respecting a rate.*
4. The Commission is authorized to set *every* rate of a service provider or renewable energy producer pursuant to the FTCA and the URA.

¹ Section 3 of the Utilities Regulation Act CAP 282 of the Laws of Barbados

CONSULTATION

5. By virtue of Section 4(4) of the Fair Trading Commission Act CAP 326B of the Laws of Barbados (the “FTCA”), the Commission is mandated to consult with service providers, representatives of consumer interest groups and other parties that have an interest in the matter, when carrying out rate reviews and when setting rates. Consultations afford stakeholders the opportunity to be part of the regulatory process and assist the Commission in making balanced, fair and reasonable decisions.
6. The Commission therefore issues this Consultation Paper with the intention of soliciting comments from all stakeholders and parties interested in the BLPC’s request for the implementation of interim rates.
7. Failure to address all topics in this Consultation Paper will in no way reduce the consideration given to the any response. The Commission encourages the widest possible participation in this consultative process. To expedite the hearing of this matter responses to this consultation paper should be submitted via affidavit where possible.

SECTION 3 – BLPC’S REQUEST FOR INTERIM RATE RELIEF

Why set Interim Rates

8. The rationale for setting interim rates is to mitigate the effects of regulatory lag (i.e., the period of time between the submission of an application to review rates and the time when the regulatory body makes a decision on the application) in circumstances where the utility is facing financial distress, thereby impacting its ability to provide service that is safe, adequate, efficient and reasonable. The regulator must be satisfied that interim rate relief would avert financial distress.
9. The Commission must consider the well-being of the consumer which includes cost of the tariffs and the quality of service. Providing the quality of service as required under the Standards of Service requires the applicant to be financially viable. The Commission must therefore consider whether increased cost to the consumer through interim rate relief is necessary to maintain quality of service by guaranteeing the financial viability of the utility.

Interim Rates compared to Current Rates

10. Table 1 below details the requested tariffs, and shows the impact on the consumer if the interim rates are approved. As an indication of that impact, for Domestic Service, the customer charge will increase in the range of 33% to 43%. Base energy charge for that customer category will increase in the range 12% to 25%. Overall, the BLPC in paragraph 115 of the Rate Review Application estimates that the typical bill will increase by 5% to 20% depending on the tariff class in which the customer receives their service.

Table 1: SUMMARY OF CURRENT & PROPOSED TARIFFS²

TARIFFS	COMPONENTS	PARAMETERS	CURRENT RATES Monthly	PROPOSED RATES Monthly	\$ CHANGE	% Incr
Domestic Service						
	Customer Charge (\$/month)	0-150kWh	\$6.00	\$8.00	\$2.00	33%
		151-500kWh	\$10.00	\$14.00	\$4.00	40%
		Over 500 kWh	\$14.00	\$20.00	\$6.00	43%
	Demand Charge (\$/kVA)	Not applicable	-----	-----		
	Base Energy Charge (\$/kWh)	0-150 kWh, per kWh	\$0.150	\$0.168	\$0.02	12%
		Next 350 kWh, per kWh	\$0.176	\$0.214	\$0.04	22%
		Next 1,000 kWh, per kWh	\$0.200	\$0.249	\$0.05	25%
		Over 1,500 kWh, per kWh.	\$0.224	\$0.280	\$0.06	25%
Employee						
	Customer Charge (\$/month)	Not applicable	-----	-----		
	Demand Charge (\$/kVA)	Not applicable	-----	-----		
	Base Energy Charge (\$/kWh)	0-150 kWh, per kWh	\$0.108	\$0.133	\$0.03	23%
		Next 350 kWh, per kWh	\$0.127	\$0.157	\$0.03	24%
		Next 1,000 kWh, per kWh	\$0.180	\$0.227	\$0.05	26%
		Over 1,500 kWh, per kWh.	\$0.202	\$0.255	\$0.05	26%
General Service						
	Customer Charge (\$/month)	0-150kWh	\$8.00	\$12.00	\$4.00	50%
		151-500kWh	\$11.00	\$15.00	\$4.00	36%
		Over 500 kWh	\$14.00	\$24.00	\$10.00	71%
	Demand Charge (\$/kVA)	Not applicable	-----	-----		
	Base Energy Charge (\$/kWh)	0-100 kWh, per kWh	\$0.184	\$0.204	\$0.02	11%

² Barbados Light and Power Company Limited Application for Review of Electricity Rates Volume 1
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TARIFFS	COMPONENTS	PARAMETERS	CURRENT RATES Monthly	PROPOSED RATES Monthly	\$ CHANGE	% Incr
		Next 400 kWh, per kWh	\$0.217	\$0.256	\$0.04	18%
		Next 1,000 kWh, per kWh	\$0.259	\$0.311	\$0.05	20%
		Over 1,500 kWh, per kWh.	\$0.290	\$0.354	\$0.06	22%
Secondary Voltage Power						
	Customer Charge (\$/month)	Each service	\$20.00	\$169.00	\$149.00	745%
	Demand Charge (\$/kVA)	Per kVA	\$24.00	\$28.82	\$4.82	20%
	Base Energy Charge (\$/kWh)	All kWh, per kWh	\$0.1380	\$0.1380	\$0.00	0%
Large Power						
	Customer Charge (\$/month)	Each service	\$300.00	\$1,587.00	\$1,287.00	429%
	Demand Charge (\$/kVA)	Per kVA	\$22.00	\$33.30	\$11.30	51%
	Base Energy Charge (\$/kWh)	All kWh, per kWh	\$0.1170	\$0.1170	\$0.00	0%

BLPC's Justification

11. In the Application, the BLPC provided general context for its request for interim rate relief. The BLPC emphasized that there has been no request for a general rate increase in eleven (11) years, all the while significant capital investments have been made to meet evolving market realities, maintain system reliability and prepare for the planned transition to 100% RE generation by 2030 as set out in the Barbados National Energy Policy³.

12. The BLPC contends that despite no increase in base revenue for more than a decade, it has been serving the people of Barbados in an environment of rising costs, while continuing to invest in areas of:

- Production
- Distribution

³ Ibid Volume 1 Section 1 APL

- Administration
- Network infrastructure and technology to facilitate the transition to 100% RE, greater reliability and customer satisfaction; and
- Grid modernization technology.

13. In the Application, the BLPC contends that its present request, if approved, will see base revenue increased by 11.9%. BLPC also notes that this increase is less than the 38%⁴ increase in the rate of inflation, as measured by the Consumer Price Index (CPI), since 2010. In addition, the BLPC affirms its commitment to affordable service especially for the most vulnerable population segments, highlighting that the lowest rates are charged to the 35% of the customer base that uses less than 150 kWh per month. Ostensibly, this class of customer has faced an increase in rates of less than 8% since 1983, while over the same period, CPI has increased 259%⁵.

14. According to the BLPC, the impact of the COVID-19 pandemic, the ash-fall from the La Soufriere volcano in St. Vincent and the Grenadines and the damaging effects of Hurricane Elsa have resulted in economic challenges for some customers⁶. BLPC has been challenged by average sales growth of -0.1% between 2010 to 2019⁷, stating that “the issues above have been exacerbated by flat sales⁸”. The BLPC further states that external challenges have occurred at a time when it requires significant network investment costs to support reliability levels and the renewable energy transition. Moreover, BLPC has experienced a further decline in sales (6.1% in 2020)⁹ as a result of COVID-19.

15. BLPC is of the view that the flat sales level over the years, along with the external shocks and the need for continued investments, have driven an urgent need for

⁴ Ibid paragraph 7

⁵ Ibid Paragraph 10

⁶ Ibid Paragraph 9

⁷ Ibid paragraph 11

⁸ Ibid Paragraph 11

⁹ Ibid Paragraph 11

increased rates. BLPC noted that this is necessary to manage rising costs while trying to maintain reliability and satisfy its creditors and investors.

16. The BLPC contends in the Application that, without interim rate relief, it will:
 - (a) be unable to fund its planned investments to meet customer requirements;
 - (b) not have sufficient resources to attract capital; and
 - (c) be without the financial resources to respond to financial, economic or environmental shock¹⁰.

17. The Commission acknowledges that consumers are concerned about their ability to meet their day to day living expenses. The impact of COVID-19 has resulted in an increase in unemployment and rising cost of living, among other things. Additionally, rising oil prices have resulted in an upwards pressure on electricity bills. This means that further pressure may be put on consumers as they aim to cover their basic expenses. In the absence of the determination of fair and reasonable rates as normally completed, the protection of the consumer becomes priority for the Commission, while taking consideration of the needs of the BLPC. The burden of proof is on the BLPC that it will endure financial distress without the approval of interim rates.

18. The implementation of the temporary rates will not give the BLPC any undue advantage over the customer. In the event that interim relief is granted at a level above what is determined as fair and reasonable in the full rate review, the BLPC must refund or reimburse its customers with interest.

¹⁰ Ibid Paragraph 12

SECTION 4 - CONSULTATION ISSUE

19. The Commission requests your comments on the BLPC's request for interim rate relief. Specifically has the Applicant provided sufficient evidence that it would experience financial distress in the absence of a temporary increase in rates over the next 4-6 months?

PROCESS FOR DETERMINATION

20. The process for the determination of this decision can be summarised as follows:
 - a. The issuance of this consultation paper on **April 22, 2022**
 - b. Receipt of responses to this paper on or before **May 6, 2022** from members of the public, Intervenors and BLPC on or before **May 6, 2022**.
 - c. In addition to responding to this consultation paper, the Applicant is also invited to make further submissions in support of its request for interim relief on or before **May 6, 2022**.
 - d. Intervenors approved in the hearing of the application for review of electricity rates by the Applicant are invited to respond to the Applicant by way of submissions and/or interrogatories on or before **May 13, 2022**.
 - e. The applicant will be given until **May 20, 2022** to respond to the submissions and interrogatories.
 - f. The Commission will dispose of the matter by way of written hearing.
21. The Commission will then review and analyse the information, and consider its own research. Following this, the Commission will issue its determination on the request. This process is expected to be completed in six weeks.

SECTION 5 - RESPONDING TO THE CONSULTATION

22. The consultation period will begin on, Friday April 22, 2022 and end on Friday May 6, 2022, at 4:00 p.m. **Given the nature of the request, there will be no extension of this consultation period.** All written submissions must be submitted by this deadline. The Commission is under no obligation to consider comments received after 4:00 p.m. on May 6, 2022. The consultation paper may be accessed on the Commission's website, <http://www.ftc.gov.bb>.
23. Respondents to the Consultation may submit responses in electronic format. Email responses should be sent to info@ftc.gov.bb, prepared as Microsoft Word or PDF documents and attached to an email cover letter. Responses may also be faxed to the Commission at (246) 424-0300. Mailed or hand delivered responses should be addressed to the Chief Executive Officer (Ag.) at:

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CONFIDENTIALITY

24. The Commission is of the view that this consultation is largely of a general nature. The Commission expects to receive views from a wide cross section of stakeholders and believes that views and comments received should be shared as widely as possible with all respondents.
25. **Respondents should therefore ensure that they indicate clearly to the Commission any response or part of a response that they consider to contain confidential or proprietary information. Respondents should refer to the provisions of Section 11 of the FTCA in this regard.**