



FAIR TRADING COMMISSION

FUEL CLAUSE ADJUSTMENT

FINDINGS REPORT

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FTCUR/CONFCA-2012-01	Consultation Paper Review of the Fuel Clause Adjustment	October 8, 2012
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FTC/CONS/04/04	Consultation Paper on Fuel Clause Adjustment	September 13, 2004

EXECUTIVE SUMMARY

The Fair Trading Commission (Commission) has completed its review of the Fuel Clause Adjustment (FCA) administered by the Barbados Light & Power Company Limited (BL&P). The objective of this review was to assess the method of application of the FCA and to examine the feasibility of utilising alternative approaches for the recovery of fuel costs. The findings and recommendations are summarised in this Report.

The Commission's review of the FCA found that there is no evidence of any significant cumulative under or over recovery by the BL&P, when comparing the historic revenues collected from customers on a monthly basis through the FCA, to the actual fuel costs which were incurred by the BL&P.

The review also found that the efficient dispatch of generation plant is impacted because the BL&P, due to age and reliability concerns, runs the steam turbines continuously to satisfy base load instead of the more efficient low speed diesel engines. However, with the exception of the steam turbines, the BL&P dispatches its generating plant in order of increasing marginal cost of generation. Consideration was initially given to having the BL&P undertake a trial run with the low speed diesel engines on a continuous 24-hour operation for base load with the steam turbines on "hot standby" at night. The Commission however is of the view that the risks associated with this suggested change in dispatch outweigh any benefits from potential reduction in fuel costs.

Nonetheless, the Commission is of the view that as a priority, the BL&P should replace the steam turbine generators with more efficient generating plant in order to reduce input fuel cost. The BL&P submitted its Integrated Resource Plan (IRP) on March 28, 2013 for approval of the Commission. The IRP, among other things, makes recommendations for the retirement of the two steam turbines, the construction of new generating plant, the use of renewable energy options and energy efficiency measures. The Commission is reviewing the detailed IRP.

The Commission is desirous of improving its ability to verify and audit the FCA calculation. This will also increase transparency of the billing process. The Commission will initiate a Motion to review the FCA and proposes that the FCA should be based on the actual energy generated and the actual fuel costs that are incurred by the BL&P in the generation of electricity. The electricity generated in the previous month and the fuel expenses incurred in the previous month should be used to calculate the FCA. The Motion therefore proposes that the BL&P move from the use of projected data to the use of historic data. Additionally, the Commission proposes that the BL&P may, at its discretion, continue its practice of smoothing the FCA, that is, spreading fuel costs over more than one month to reduce the impact of large fluctuations on customers. This matter will be addressed in the Motion.

The Commission has determined that the FCA should continue to be calculated on a monthly basis and not maintained at a constant value for several months, as this would expose both customers and the Company to potential financial burden.

The Commission will in the next month commence the process for the Motion to revise the methodology for calculating the FCA from projected to historic data.

1. INTRODUCTION

This Report presents the findings of the Fair Trading Commission's Review of the method of application of the Fuel Clause Adjustment as applied by the Barbados Light & Power Company Limited.

This review is part of the Commission's mandate to monitor the rates of regulated utility service providers and was influenced by the price increases and price volatility within the international oil sector which has resulted in higher electricity bills. The public, in view of the rising electricity bills, also had concerns about the subjectivity of the FCA methodology used by the BL&P, both in terms of the use of projections and smoothing.

In April 2012, as part of this review the Commission engaged consultants, PPA Energy, to assess the method of application of the FCA administered by the BL&P and to examine the feasibility of utilising alternative approaches for the recovery of fuel costs for improved efficiency and transparency. In September 2012, the Commission issued a consultation paper to share the Consultant's assessment and invited members of the public and the BL&P to give feedback in order to inform the Commission's determination of this matter. A Town Hall meeting was held on November 02, 2012 to facilitate public discussion on matters raised in the FCA consultation paper.

2. BACKGROUND ON FUEL CLAUSE ADJUSTMENT

The cost of providing electricity service to customers is affected by the fluctuation of oil prices on the international market. Since the cost of fuel is one of the main inputs in establishing the cost of electricity, the volatility of oil prices can have the effect of creating considerable uncertainty over the electricity rates. In 1983, the Public Utilities Board (PUB) issued a decision which permitted the BL&P to apply a Fuel Clause Adjustment to all customers' electricity bills each month. The FCA eliminates the need to conduct a rate hearing every time there is a change in the cost of fuel. Through this mechanism, changes in the cost of the fuel are passed through to customers.

Existing FCA Methodology

The BL&P calculates the FCA at the beginning of each month by dividing the projected fuel cost for the month plus/minus any under or over recovery cost from the previous month by the projected kWh sales for the month.

$$FCA_n = \frac{\text{Projected Fuel Cost}_n \text{ (including over/under recovery)}}{\text{Projected Billing Sales}_n}$$

Over/under recovery from the previous months would occur if the revenue collected from the FCA was more/less than the actual fuel cost incurred.

Where the FCA calculated for the current month is significantly higher than that calculated for the previous month the BL&P applies an FCA that is less than the calculated FCA thereby "smoothing" the impact that the increased FCA would have on customers by spreading it over a number of months¹. When the FCA for the current month is significantly lower than the previous month the customer may not see the full effect of this decrease because the calculation of the FCA would include fuel cost from previous months that had not been collected/recovered.

¹ See Appendix 1 for an example of this calculation.

3. INVESTIGATION OF FUEL CLAUSE ADJUSTMENT BY CONSULTANTS

As previously mentioned the Commission engaged consultants to undertake a review of the FCA. The objectives of this technical review were to:

- (i) Evaluate the BL&P's present method of determining the FCA including the method used to project sales and costs;
- (ii) Assess whether the current method of determining the FCA provides adequate revenue from this aspect of the tariff;
- (iii) Assess the impact of the current FCA volatility on both the BL&P and consumers. Compare this impact with that anticipated through suggested alternative methods including the method used to project sales and costs;
- (iv) Suggest alternative formulae or methods which may incorporate efficiency factors and do not result in an over or under recovery of fuel revenue over an extended period;
- (v) Assess the impact of implementing a system where the FCA is maintained at a constant level over consecutive months i.e. quarterly, bi-annually or annually;
- (vi) Evaluate the efficiency of the BL&P's historic dispatching of generation plant and make recommendations for improvement where applicable; and
- (vii) Review heat rates and determine if they are within design specifications. Also, propose an incentive mechanism to meet a targeted overall heat rate.

The Commission, after review of the Consultant's Final Report, issued a consultation paper which included the Consultant's assessment and invited members of the public and the BL&P to give feedback in order to inform the Commission in making its decision. Written responses to the consultation paper were received from Mr. Erskine Durant, Mr. Anthony Gibbs, Caritel, Mr. George Holder, the Division of Energy and Telecommunications and the BL&P. In addition, oral submissions were made at the Town Hall meeting. A summary of comments received during the consultation can be found at Appendix 2. The Commission conveys its appreciation to everyone who participated in this review of the FCA.

4. FINDINGS

The Commission has analysed and considered the Consultant's report, the responses from the BL&P and responses from other interested persons. The Commission's findings regarding the main issues raised during this review are hereby presented.

- **Fuel Revenue Over/Under Recovery**

There is no evidence of any significant cumulative under or over recovery by the BL&P, when comparing the historic revenues collected on a monthly basis through the FCA, to the actual fuel costs which were incurred. The exercise that the Commission is undertaking to revise the FCA would be primarily with a view to making the FCA more readily verifiable and auditable.

- **Monthly Adjustment of FCA**

The Commission is in agreement with the Consultant's recommendation that the FCA should be calculated on a monthly basis. Maintaining the FCA at a constant level for several months will result in significant under/over recovery in relation to actual fuel costs incurred by the BL&P. The Company will be exposed to increased financial risk if there is significant under recovery and if there is significant over recovery, an unnecessary additional financial burden will be placed on customers.

- **Use of Projected Fuel Cost**

Respondents' views on the proposal that the use of projected fuel costs and projected sales figures should be discontinued were considered. There was also a suggestion that the proposed revised new method of calculating the FCA be done in tandem with the current FCA before a final decision is made. Moving to the use of realised figures will significantly enhance the transparency and auditability of the FCA while removing the errors and subjectivity that are inherent in projections. The BL&P has indicated that the use of historical figures in the proposed FCA would result in an under recovery of \$264,000.

The projected sales are based on monthly billings and there is considerable variation in energy sales between the billing cycles (which normally would be a 28 – 31 day period overlapping two months) and the sales for a specific calendar month. The latter may be calculated from the energy generated for that month adjusted by the auxiliary consumption² of the BL&P’s internal equipment and system losses³ that occur with the transmission and distribution of electricity to customers. Based on recent Carilec studies the BL&P has one of the lowest levels of system losses in the region.

The Commission considered using either the readily verifiable generation figures (Option 1) or the sales billing figures which are based on meter readings and estimated consumption (Option 2). In both cases the Commission acknowledges that this figure will be subject to adjustments for under/over recovery.

The two options are presented below.

Option 1

$$FCA_n = \frac{FuelCost_{n-1}}{EnergyGeneration_{n-1} \cdot (1 - Aux_{n-1}) \cdot (1 - losses)} \left[\frac{BDS\$}{kWh} \right]$$

where FCA_n would be applied to electricity bills in month n

Under this option the FCA for a given month would be based on the actual figures of the previous month’s energy consumption and fuel cost. The former is calculated from the

² Auxiliary consumption is specific to a particular power generating unit and depends on its configuration, age and related technical parameters. Auxiliary power is required for equipment such as feed pumps, cooling water pumps, air fans etc. of the generating station. It is the quantum of energy consumed by auxiliary equipment of the generating unit/s and transformer losses within the generating station, expressed as a percentage of gross energy generated.

³ System losses occur naturally and consist mainly of power dissipation in electricity system components such as transmission and distribution lines, transformers, and measurement systems. System losses are estimated from the discrepancy between energy produced (as reported by power plants) and energy sold to end customers; the difference between what is produced and what is consumed constitute transmission and distribution losses.

actual energy generated in the previous month adjusted by auxiliary consumption and system losses. This FCA would then be applied to the electricity (kWh) billed.

Option 2

An alternate approach is to base the energy sold on the electricity billed to customers instead of on the energy generated. In this case the electricity billed in the previous month (historic) could be used as the denominator in the equation.

$$FCA_n = \frac{FuelCost_{n-1}}{EnergySold_{n-1}} \left[\frac{BDS\$}{kWh} \right]$$

Or

$$FCA_n = \frac{FuelCost_{n-1}}{projectedSales_n} \left[\frac{BDS\$}{kWh} \right]$$

In Option 2, the first alternative would include estimated consumption; the latter would retain some element of subjectivity; and both would be based on billing periods which differ from calendar months.

As previously noted it is possible that the *fuel revenue recovered in the current month* from the FCA would be different from the *actual fuel cost of the previous month that was used in the FCA formula*. So adjustment for over/under recovery would have to be made when calculating the FCA for the next month. Appendix 1 provides examples of these options for calculating the FCA.

Commission Recommendation

The Commission proposes that the FCA should be based on the energy sales and the actual fuel costs that are incurred by the BL&P in the generation of electricity as described in Option 1. The electricity sales, derived from the electricity generated in the previous month, and the fuel expenses incurred in the previous month should be used to calculate the FCA, as such costs will be verifiable.

Under 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. The Commission will issue a Motion pursuant to Section 16 of the Utilities Regulation Act proposing to review and revise the FCA.

- **Smoothing**

Smoothing is a technique that is used by the BL&P to reduce significant fluctuations in the FCA from one month to the next. After calculating the FCA for the current month, the BL&P compares it to that of the previous month and determines whether smoothing is appropriate or not. The Commission is of the view that the BL&P should be permitted to continue the practice of smoothing as it shields customers from sharp variations in the FCA. At present however, the act of smoothing is subjective and not easily auditable because there are no set criteria under which it is done.

The Commission therefore examined criteria to regularise smoothing and assessed the related impact on the FCA and on the over/under recovery of fuel costs.

A proposal to limit the level of smoothing to a cumulative over/under recovery of \$7.5 million was considered. This figure is derived from an arithmetic average of the maximum over and under recovery costs - \$5.7 million/\$9.8 million - experienced by the BL&P over the past four years. When capped at \$7.5 million the over/under recovery increased the volatility of the FCA. However it limited the potential financial risk to the BL&P. In this case the average brought forward balance is \$1.5 million.

Consideration was also given to limiting the month on month variation of the FCA to either +/-5% or +/-10%. As expected, the FCA when capped at 5% was smoother than the existing FCA. However, while this protects customers from fuel price volatility, the BL&P is highly exposed to financial risks. The Commission's review showed that when the variation is capped at 5% the over/under recovery is \$46.5 million/\$34 million; for

10% it is \$41/\$18 million. This is much larger than the \$5.7 million/9.8 million currently being experienced by the Company⁴.

The information above indicates the difficulty in setting specific criteria for smoothing the FCA. Monthly FCA variation cannot be readily capped to the benefit of customers whilst simultaneously minimising the cumulative under/over recovery of fuel cost to the benefit of the BL&P.

Commission Recommendation

The Commission proposes that the BL&P should continue to have discretion to smooth the FCA when warranted. More robust reporting is however required to achieve greater accountability. This matter should be examined more in the Motion. The Commission proposes that the BL&P in its monthly reporting advise whether and to what extent the FCA was smoothed. The latter must include calculation of the actual FCA and the smoothed FCA that will be applied to the electricity bills. The Commission reserves the right to request any additional information.

- **Plant Unavailability**

Plant unavailability is the amount of time that a generating unit is unable to produce electricity over a stipulated period, divided by the amount of time in that period. The type of plant and the length of time that it is unavailable will impact the cost of the fuel. For example where base load plant (steam turbines) becomes unavailable during peak periods, the more expensive to operate peaking plant (gas turbines) would have to be utilised to satisfy base load, thus increasing the fuel cost.

The BL&P's plant unavailability ranges from around 10% in the case of the low speed diesel units to as high as 43%⁵ for the oldest gas turbine unit. Unavailability rates arise from forced outages and corrective and planned maintenance. Corrective maintenance is required to address particular problems which may arise and are not immediately

⁴ PPA Energy. 2012. Review of the Method of Application of the Fuel Clause Adjustment of the Barbados Light & Power Company Limited. Final Report.

⁵ Calculated with data for the period 2008-2012 provided by the BL&P.

prejudicial to the operation of the plants, but which nonetheless need to be addressed prior to the next scheduled maintenance. Preventative maintenance schedules, engine design and technology are all important factors in the realised availability of the generation plant. The Commission therefore acknowledges that there will be challenges in setting availability targets as the benchmarked systems would have to function under conditions similar to those operating at the BL&P.

- **Efficiency**

The efficiency of generating plant represents the amount of energy that is generated from the energy stored in the fuel. Efficiency increases when the output generated increases but decreases with the aging of the plant. Efficiency also varies depending on the type of generation plant. The heat rates (a measure of efficiency) of the BL&P's generation plant are broadly within acceptable international levels for plant of similar technological type and age.

- **Steam Turbine Dispatch**

The order in which plant is dispatched directly impacts the value of the FCA. The Commission confirmed that with the exception of the steam plants, the BL&P efficiently dispatched its generating plants in order of increasing marginal cost of generation. However, the BL&P currently runs the steam plant continuously to satisfy base load, instead of the more efficient low speed diesel engines. This is due to the age of the steam turbines and concerns about their reliability under start/stop operation. Consideration was initially given to having the BL&P undertake a trial run with the low speed diesel engines on a continuous 24-hour operation or base load and the steam turbines on "hot standby" at night. Several stakeholders including the BL&P had concerns about the risks associated with this type of dispatch including possible failure of ageing steam turbines which would result in greater use of expensive gas turbines and even higher electricity bills.

Commission Recommendation

The Commission is of the view that based on the information available; the risks associated with the suggested change in dispatch outweigh any potential reduction in fuel costs. It is also recognised that the steam turbine generators which were installed in 1976 and scheduled for retirement in 2012, were retrofitted to temporarily extend their useful life.

The Commission is therefore of the view that as a priority the BL&P should replace the steam turbine generators with more efficient generating plant in order to reduce fuel costs and the associated FCA. The BL&P submitted its Integrated Resource Plan (IRP) on March 28, 2013 for approval of the Commission. The IRP, among other things, makes recommendations for the retirement of the two steam turbines, the construction of new generating plant, the use of renewable energy options and energy efficiency measures. The Commission is reviewing the detailed IRP.

- **Reporting and Verifying**

Consideration was given to a proposal that the current reporting structure be adjusted for the Commission to verify the value of the FCA monthly prior to the BL&P applying it to customers' bills.

Commission Recommendation

The Commission agrees that the reporting and verification of the FCA should be enhanced. The Commission, at this time, does not consider that monthly verification is necessary as it may warrant an increase in manpower or lead to a delay in billing. The Commission will review the FCA as necessary and undertake fuel audits annually. Where warranted the BL&P will be required to make the appropriate adjustments as directed by the Commission. The Commission will require the efficiency of each generating unit be reported on an annual basis.

- **Interim Billing⁶**

The Commission recognises that the issue of interim billing affects the transparency of the FCA. Customers have often questioned the fuel charge associated with their interim bills. This is because on interim bills the FCA is applied to estimated energy consumption and not based on a meter reading. Feedback from customers indicates that the provision of monthly meter readings would be perceived as more transparent and would provide greater confidence in the billing process. Added to this, the Commission is aware that billing periods greater than the typical 28 - 31 days are used occasionally. It is the view of the Commission that this practice disadvantages the customer as it may lead to a customer ascending to a higher energy charge and/or customer class than would otherwise apply.

Commission Recommendation

The Commission acknowledges that there are several benefits associated with monthly meter readings but is aware of the associated increased costs. In view of this, the Commission at this time will not require that the BL&P read the meters every month.

⁶ Residential customers are billed monthly but meters are only read every other month. For the other months the interim bills are based on estimated monthly consumption.

APPENDIX 1

CALCULATION OF FUEL CLAUSE ADJUSTMENT ⁷

Example 1 Existing FCA (uses projected data)

At the start of the month

Projected Fuel Cost	=	\$200 million
Under recovery of Fuel cost from previous month	=	\$50 million
Projected Sales	=	4000 GWh

$$\begin{aligned} \text{FCA} &= \frac{200+50}{4000} \\ &= 0.0625 \text{ \$/kWh} \end{aligned}$$

So if only 3500 GWh are sold (instead of the 4000GWh projected) then the fuel revenue collected from this FCA would be

$$\begin{aligned} \text{Fuel Revenue} &= \$3500 \times 0.0625 \\ &= \mathbf{\$218.75 \text{ million}} \end{aligned}$$

The projected cost of fuel was \$250 million but if the actual fuel cost incurred (including the under recovery) was \$235 million then the revenue collected would be less than that projected by the BL&P.

$$\begin{aligned} \text{The new under recovery} &= \$235\text{m} - \$218.75\text{m} \\ &= \mathbf{\$16.25 \text{ million}} \end{aligned}$$

This under recovery has to be taken forward to the next month's calculation of the FCA.

No smoothing has been applied in this scenario and the calculated FCA of 0.0625 \$/kWh was applied to all bills issued in that month. However if the FCA for the previous month was 0.047\$/kWh, then applying an FCA of 0.0625 \$/kWh would be a 33% increase which would result in a significant increase to customers' electricity bills.

⁷ The figures used in these examples are for illustrative purposes **ONLY**

In this case the BL&P would probably apply smoothing to the FCA and may hypothetically use a value of $0.052\$/kWh$ for the FCA. This would mean that instead of a 33% increase, the FCA would only increase by about 10%, thus lowering the increase in customers' electricity bills. This would however result in fuel revenue of

$$3500 \times 0.052 = \mathbf{\$182 \text{ million}}$$

which would result in an under recovery of

$$\mathbf{\$235 - \$182 = \$53 \text{ million}}$$

In this case a larger amount, \$53 million would be carried forward for collection in the next month.

Example 2 Proposed FCA (using historic data)

At the start of the month

Previous month's fuel cost	= \$180 million
Under recovery from previous 2 months	= \$50 million
Previous month's Generation (adjusted for losses)	= 3900 GWh

For current month

$$\begin{aligned} \text{FCA} &= \frac{180+50}{3900} \\ &= \mathbf{0.059\$/kWh} \end{aligned}$$

If as in Example 1 only 3500 GWh are sold, the fuel revenue collected from the FCA equals:

$$3500 \times 0.059 = \$206 \text{ million}$$

So in this case the under recovery would be

$$230 - 206 = \$24 \text{ million}$$

This would be carried forward to the next month

Example 2A Proposed FCA (historic fuel cost and projected sales)

If however the 4000 GWh projected figure of sales was used to calculate the FCA with the fuel cost from the previous month, then the FCA would be

$$\begin{aligned} \text{FCA} &= \frac{180+50}{4000} \\ &= 0.057 \text{ \$/kWh} \end{aligned}$$

Revenue collected from this FCA

$$\begin{aligned} &= 3500 \times 0.0575 \\ &= \$201 \text{ million} \end{aligned}$$

So in this case the under recovery would be

$$230 - 201 = \$29 \text{ million}$$

Note

- In all of the above options the fuel revenue collected differs from the fuel revenue expected - there will always be over/under recovery.
- In Example 2, the BL&P may still consider smoothing in a manner similar to that described in Example 1 in view of the fact that the calculated FCA of 0.059\$/kWh (Option 2) is 25% more than the FCA for the previous month and the calculated FCA of 0.057\$/kWh (Option 2A) is 21% more than the FCA for the previous month.

APPENDIX 2

Responses to Consultation

The written responses to the consultation paper and the town hall meeting allowed for general comments on all relevant issues raised in the consultation paper on the Review of the FCA. A summary of the responses to the specific questions in the consultation paper as well as of the other comments received is presented as follows: (*Questions on the same issue are grouped together*).

- Q1. Should the FCA be calculated on the basis of historic data or projections?
Please indicate why.**
- Q2. What are your views on the method currently used by the BL&P to set the fuel clause adjustment? Can you suggest an alternative method of application of the FCA?**
- Q3. Of the FCA application options presented, including the current method, what is your preference? Do you have any other suggestions that you may wish the Commission to consider?**

The BL&P is of the view that “historic “data may not accurately reflect ongoing changes in fuel costs and sales. They considered that the use of projections produces the best results in terms of minimising the monthly variations in the FCA whilst also minimising the over recovery and under recovery costs. Whilst the consultant’s methodology that limits smoothing would result in the lowest variability in FCA, it would result in financially unacceptable under recovery balances. On this basis the BL&P considered that there should be no change to the status quo.

One of the respondents proposed an alternative formula as the formula proposed by the Commission would result in customers paying for the inefficiencies related to auxiliary power and system losses. The respondent’s proposed formula would however ignore the fact that auxiliary and technical losses are not inefficiencies but are inherent components in the production and distribution of electricity. These costs therefore should not be

absorbed by the BL&P as they are unavoidable and the BL&P currently has one of the lowest levels of losses in the region.

Q4. Should the BL&P be allowed to continue its process of smoothing the FCA?

Most of the respondents were in favour of continued smoothing of the FCA to avoid rate shock to customers. A few however were of the view that whole fuel costs should always apply. Another respondent did not support smoothing as this would not reduce the cost to the customer and would expose the utility to financial risks.

Q5. What are your views on capping? Should it be applied and why?

Some respondents were unclear about the proposed capping of the smoothing function. The BL&P considered that while capping is not needed under the current FCA it would be beneficial under the proposed FCA. One other view was that given the average figure of \$21,000 per month in under-recovery, it is not necessary to make a major adjustment in how the FCA is charged to the customer.

Q6. Would you prefer to receive a bill that fluctuates from month to month and is directly reflective of the cost of fuel or have a smoothing component that reduces the fluctuations in your bill?

There were mixed views on this with some respondents of the view that the bill should directly reflect fuel cost so that customers get the true picture.

Q7. Do you have any comment on the BL&P's unavailability figures and dispatch procedure?

All of the respondents considered that the current dispatch procedure applied by the BL&P should continue in view of the risks associated with shutting down the aging generation plant. The conversion of the gas turbine units at Seawell to diesel firing was suggested but the Commission is of the view that the benefits achieved from this would have to justify the associated cost of such installation.

Q8. What are your views on the proposed reporting and should any additional information be reported to the FTC?

The BL&P was of the view that verification of the FCA by the Commission prior to billing would improve transparency but may delay the billing process. One respondent considered that the BL&P should calculate the value of the proposed FCA on an ongoing basis and compare it with the values obtained from the current FCA methodology before the FTC decides on any revised approach.

Q9. Is there any additional information, other than the FCA spreadsheet, that you wish be reported to the public?

While one respondent was in favour of sharing more information with the public, in particular from consultants' reports, other respondents did not comment on this issue.

Q10. Which medium (newspaper, radio or website) would you prefer to be used to inform and educate the public about the FCA?

One respondent considered that there should be a comprehensive review of the overall public relations of the Commission in order to broaden the understanding of the FCA.

Q11. What are your views on the three proposed incentive methodologies for plant availability?

Q12. Is there an alternative incentive method that you would wish to suggest?

Q13. Do you consider a fixed or graduating penalty more appropriate?

Respondents were of the view that the use of incentives is not necessary particularly if they may result in increased costs for the consumer. Additionally they were unclear how penalties and rewards would be applied. The BL&P advised that incentives are unnecessary as the BL&P has consistently met or exceeded international benchmarks.

Other Issues Raised

1. Some recommendations were made regarding an increase in on-island storage of Heavy Fuel Oil in order to reduce price volatility. This would partly allow for increased delivery volumes at a lower price. Barbados National Oil Company

Limited (BNOCL) costing and purchasing strategy was however, not the focus of this review.

2. There were suggestions that the BL&P be permitted to source, store and resell the petroleum products used in the generation of power.
3. The monthly reading of meters and the discontinuation of interim billing was suggested.