



May 16, 2019

Mrs. S. Bertilia Leblanc-McKenzie
General Manager
DOMLEC
18 Castle Street
Roseau
DOMINICA

FILE

Dear Mrs. McKenzie,

Re: DOMLEC's Pay-As-U-Go (PAUG) Minimum Purchase

The Commission after careful analysis of the data supplied by DOMLEC related to pre-paid customer purchase habits, pre-paid disconnections in certain demographics, as well as other pertinent data collected relevant to the study from other reliable sources, has arrived at a determination. *Refer to the report attached.*

Thus, upon consideration of all the related issues, the Commission decided that a minimum charge **can** be instituted and this minimum charge should be fair and not impose an undue burden to certain classification of customers neither should it disadvantage vendors.

Consequently, the Commission has determined that any Pay-As-U-Go (PAUG) minimum purchase should be XCD\$5.00 and not less.

Please bear in mind that though a minimum purchase amount has been agreed upon, the onus is on DOMLEC to correct the communication problem between the cell towers and the associated AMI collector meters in executing successful disconnect commands. The Commission will not accept any excuses by DOMLEC in its failure to resolve this issue in a timely manner.

Furthermore, the IRC expects DOMLEC to engage in a public relations campaign in sensitizing customers of the introduction of this minimum charge prior to its implementation which will allow for a smooth transition and acceptance by its prepaid customers.

Mrs. Bertilia Leblanc-McKenzie
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Re: PAUG Minimum Purchase

Please be informed accordingly.

Sincerely,
INDEPENDENT REGULATORY COMMISSION



JUSTINN KASE
EXECUTIVE DIRECTOR

Enclosure:

- IRC's Comments and Consideration of a minimum Purchase Requirement for Pay-As-U- Go (PAUG)

cc. Chairman and Commissioners (IRC)



IRC's Comments and Consideration of a Minimum Purchase Requirement for Pay-As-U-Go (PAUG)

Background

On December 17th, 2018, DOMLEC informed the Commission of its intention to introduce a minimum purchase requirement of ten dollars (\$10.00) for Pay-As-U-Go (PAUG) purchase. The stated reason was "...due to the large number of customers who purchased very small units of power before the weekends and holidays in order to give them a meagre positive balance in their PAUG wallet so that they may benefit from the non-disconnection policy that applies to those periods..."

It was further stated that 'this practice creates the following problems for DOMLEC':

1. An unduly large number of calls from disconnected customers;
2. Distraction of system control officers (SCO) who must divert their attention from T&D network monitoring to deal with numerous calls from disconnected customers;
3. Disproportional cost to DOMLEC to send a trouble call crew out to resolve reconnection issues for a miniscule top-up that could not be resolved remotely.

At the meeting with DOMLEC on January 21st, 2019, the matter was discussed and further information was requested by the IRC's staff. This information was supplied over the following weeks.

Issues raised in DOMLEC's submission:

- 1. Purchase of small amounts in order to give a meagre positive balance;***

While it maybe true that some persons use this method in order to be connected knowing that they will not be disconnected over the weekend, there is no way to know if all these purchases are done in bad faith. It is difficult to make an argument that someone legally using that system as it is designed is doing something wrong. It should be noted that these customers do pay for the energy that they use. After the holiday they still need to top-up their wallets so the utility in principal is not losing anything.

- 2. An unduly large number of calls from disconnected customers;***

remunerated on a per transaction basis does not encourage that reduction in the number of transactions. If remuneration was done on a percentage basis it is likely that the free market might have organically dealt with the issue and some vendors would have instituted a minimum purchase requirement themselves as has been done by some vendors of phone top-up.

From the point of view of the vendor, instituting a minimum charge of \$10.00 would significantly reduce the vendors remuneration due to the reduction in the number of transactions. The utility must also protect the financial viability of PAUG vending system in order to assure a sufficient number and geographic diversity of locations for customers to purchase energy.

What should be the level of a minimum purchase?

1. Comparison:

Based on research conducted in the local market, the IRC was unable to identify any vendor of any of the other top-up services with a minimum purchase requirement of greater than \$5.00. Many vendors have no minimum at all.

On comparison grounds for similar situated customers it would seem that \$5.00 is the reasonable minimum purchase level. This level has strong evidence in its favor simply because it is a market determined level. It was not forced on any vendor or mandated by a regulatory body.

2. Energy Burden on low income customer:

The CDB country poverty assessment 2008/2009 classed 28.8% of the population of Dominica as poor with the poverty line set at an income of EC\$6,230.00 per annum per adult or \$119.80 per week. The vulnerability line was determined to be at an income of \$150.00 per week by the same report. Additionally, SRO 10 of 2008 stipulates the minimum wages for various unskilled, trainees and daily paid workers ranging from \$3.60 to \$5.50 per hour.

In determining a minimum purchase level, it is necessary to gauge what impact it would have on these low-income individuals particularly single parents.

Let us examine the burden placed on a low-income single parent family with an income of \$150 weekly who fall at the vulnerability line, a total wage of \$600.00 per month.

$$\text{The Energy Burden} = \frac{\text{\$ Spent on Energy}}{\text{Income for the period}}$$

The U.S Department of Health and Human Service classifies an energy burden of above 6% of income as unaffordable. We will apply this measure here. In this case we are assuming that the individual does not own a car and we are not including the cost of cooking gas in order to

by the imposition as well. The landlord with an empty apartment who just wants to top-up his account in order to have power available when a new tenant moves in will be forced to buy \$10 instead of a lower amount like \$5 which would be sufficient for his needs. The person with an unoccupied family home and may only be going up for a day or two on the weekend and would not need as much as \$10 would also be impacted. The members of a sports team or community organization who want to top-up their account in order just to practice or play one game or hold a specific activity for a limited time would also be inconvenienced and have to leave the overwhelming majority of their purchase for others to use.

Conclusion:

In setting a minimum purchase level both the IRC and DOMLEC must take care to protect the benefits and advantages of PAUG which are considerable both to users and the utility.

Based on the comparisons of what obtains in the local market with other prepaid services, the burden placed on low income customers and the natural lifeline provided by PAUG for low-income customers, the inconvenience to certain classes of customers and the disadvantage to vendors, we believe that any minimum purchase requirement for PAUG should not exceed the sum of **\$5.00**.