

## **Respondent No. 1 - Network Licence Granted to Grenada Electricity Services Limited**

### Part 1, Section 1:

We believe that the network licence for transmission, distribution and supply should be exclusive except for licensed independent power producers and self-generators. We further believe the network licence for the sale of electricity should be exclusive. Introducing new network licences across a small network may disrupt the technical viability of the network and the risk of significant loss of revenue to the utility may jeopardize third-party financing.

### Part II, B., Section 1 (b):

There should be a link between maintaining “sufficient generation reserve capacity” and the rate setting methodology to ensure the necessary investments related to maintaining said capacity can be recouped by GRENLEC.

### Part II, E., Section 2:

We believe there should be a maximum allowed capacity limit or demand charge placed on licensed self-generators that maintain a connection to the network. The capacity limit would be to ensure grid stability and the utility’s ability to recoup its investments in the network. Without such a cap or demand charge the utility’s ability to raise third party financing may be impacted

### Part II, E., Section 2:

The concept of Renewable and Efficient Energy Portfolio Mandates should be clearly defined with a link to the network licensee’s grid expansion and integrated resource planning obligations. Any Portfolio Mandate developed without consultation of the network licensee and without a link to said studies may introduce arbitrary and non-market based imperatives to the network, which is contrary to the objectives of the new Electricity Supply Act and regulations. This would negatively impact the development of the network.

### Part II, F. & Schedule B:

These sections describe the service standards and initial targets for the calculated Q-Factor which are very aggressive and do not account for any investment initial investment required to reach those targets. GRENLEC has never achieved 6.9% system losses and moving from 85% to 95% collections may create some social frictions to achieve given the required aggressive collection methods. These initial targets should be reviewed and agreed with the Network Licensee during the initial Tariff review, otherwise it will negatively impact the bankability of the Network Licensee.

Part II, K:

The definition of goods and services to be competitively procured is very open ended and should be more precisely defined. It is not prudent nor feasible for many goods and services to be competitively procured, for example small purchase limits.

Part II, L. 1 (c):

Suggest adding “except for subsidiaries or affiliates” to the definition of “any company”. The network licensee cannot be encumbered with Ministerial approval with respect to inter-company borrowings and cash flow management.

Part II, L. 2 (a) (i) (b):

This sub-regulation is very restrictive, it introduces non-market forces to the sector and creates a deterrent to investment. The controlling shareholder of the network licensee should be permitted to exit its investment except under very narrow circumstances. Such a transfer restriction as proposed introduces political risk and will negatively impact the valuation of GRENLEC. Suggest removing this restriction.

Part II, M. 2:

The network licensee must have some discretion over the sharing of facilities and in determining the safety, security and necessary capacity relating to sharing requests.

Part II, N. 2:

The Annual Fee level should be clearly defined and stated here. There is Reference in Draft Tariff Regulations to license and regulatory fees outlined in ESA 2016 and PURCA 2016 which include fees for Minister to perform obligations of Act and regulations and budget of PURC which is to be paid by “every public utility subject to the PURC Act” and not to exceed 2% of gross annual revenue. However, the level should be clearly established and articulated here. Additionally, it must be clarified whether the level is computed based on electricity revenue only or whether it also includes fuel revenue. If the latter this creates a large burden on consumers as it flows through to the base rate. Suggest the budget of the PURC be published for transparency and the Annual Fee is calculated in reference to said budget.

Part II, N. 4:

It is presently unclear whether contributions to the Universal Service Fund are to be added to the base rate under taxes and licence fees. This should be clarified and added to the rate building blocks. Additionally, the level of the Universal Service Fund contribution must be clarified and set here.

Part II, O. 1:

The grounds for suspension or revocation of the network licence are very broad and should be limited to narrow circumstances. Public interest, for example, does not follow international best practice, introduces political risk and may negatively impact the utility's financing capacity.

Part II, O. 5:

The Network Licensee must continue operating the system until such time as the shareholders are paid the independently assessed market value in full. Suggest adding "and payment is made in full" to the final sentence of the paragraph after "occurred".