



**St Helena
Government**



UTILITIES TARIFF CHARGES

QUESTIONS & ANSWERS

Why is water increasing in price whilst electricity is not?

The cost of electricity has progressively decreased mainly due to cost efficiencies. The overall cost to supply electricity broadly equates to the income from tariffs so this year there is no need to increase electricity tariffs. Water however is subsidised. Connect on average under collected £5.31 on every unit supplied last year. SHG had to pick up this loss.

Why is the loss so great?

Due to St Helena's geography, the cost of delivering water is expensive, and due to St Helena's population size, the cost of water is spread between fewer customers than other places in the world. Additionally, there were many years where the cost of water remained static despite the costs for maintenance and replacement works increasing every year.

How will I be able to afford such a large increase on my utility bill?

For the vast majority of consumers the increase to the entire utility bill will be below inflation, this is because the cost of electricity remains the same. So most people will see an overall below inflationary increase on their utility charges, the same as if Connect applied a below inflationary increase to both water and electricity.

How much more will I pay?

The average consumer will pay about the same amount as if both electricity and water had been increased by 2%.

15 cubic metre customers will pay an increase of 40p per week

20 cubic metre customers will pay an increase of 51p per week

There is a tariff calculator on the Connect Website.

I am a commercial grower and therefore use a lot of water, is anything being done to help me?

Yes, we recognise that commercial growers would be adversely affected. However, SHG has a water subsidy policy which is already in place and this will continue for

the foreseeable future.

We already pay a lot for water, why are the prices going up?

Water is subsidised at present by on average £5.31 per unit so nobody is paying the true cost.

What do we get for our money?

Water is collected, treated, stored and distributed to homes and businesses. But in addition to that Connect is recovering from significant under investment over several decades. All of this costs money and whilst Connect is able to receive government capital grants, some of the improvements will need to be paid by customers. Last year Connect spent £2 million of self-generated funds replacing assets which have come to the end of their useful lives. This included replacing reservoir linings. In the coming year, there are more works planned to maintain and improve the network.

What has Connect done to improve things since divestment in 2013?

There have been many improvements since divestment. Connect is a more financially efficient organisation now taking £400k less subsidy than pre-divestment. SHG is able to spend this money in other priority areas. Fuel efficiency is a major contributor which was achieved with increased levels of solar and wind energy. On the water side of the business, there are new reservoirs and the majority of the old reservoirs have been relined. All water treatment works have been upgraded; improved catchments have been constructed as well as drought mitigation measures. There is also a dedicated construction team who has the massive task of renewing and burying mains (preventative maintenance programme) that were laid above ground. This just scratches the surface of the task ahead but Connect is a dedicated team who will succeed in improving the Island's assets to an acceptable standard.

Does this mean that electricity tariffs will increase later in the year?

At the moment there is no need to increase electricity tariffs as the efficiency improvements since divestment now mean that consumers are covering the costs to provide the service. If costs increase there may need to be a review but at this present time there is nothing to suggest this will happen. The reason why the proposed increase is just on water is to more closely align the income streams to the costs.

Why is Connect increasing tariffs now rather than in April as normal?

It has taken a great deal of time and effort to gather the evidence base on which to understand precisely how this increase will affect individual consumers. With this evidence base, Connect can see which consumer groups are adversely affected and have taken lower subsidy so that SHG can make arrangements directly with these consumers so that the subsidy is better targeted at those who need it most. This review is budgeted to come into effect on 1 July and next year Connect anticipates bringing the review date back to April 2019.

What evidence is there that tariffs need to increase?

Connect's Board of Directors have been concerned at the difference between the cost of providing water and the amount people are paying. At the same time they are happy that electricity costs and tariffs are broadly similar. It would be unfair on electricity consumers for electricity payments to subsidise water consumers which is what would happen if an inflationary increase was applied across the board. This is why going forward and based on evidence Connect will endeavour to focus tariff increases to loss making services.

Will tariffs increase again next year?

Almost certainly water tariffs will increase until the subsidy is eliminated. Next financial year Connect should see some cost reductions to electricity as a result of the planned renewable energy which will also help to eliminate the subsidy. The Utilities Regulatory Authority, which is independent, will review each increase to ensure it is reasonable.

Why such a big increase, couldn't it be just 10% this year and the same next year.

The increase is just on water so 10% on water would be just a 1% increase on the total utility cost. This is well below the rate of inflation which is where Connect normally target tariff increases.

What are Government and Elected Members doing to help?

Connect Saint Helena is a commercial operated private company who is responsible for water, electricity and waste water disposal services to all of St Helena. Connect therefore sets their own prices for such services, which includes water prices and this is not the remit of St Helena Government. Connect Saint Helena is a private sector company and Elected Members do not have political oversight of Connect, and therefore have no authority to place conditions in respect of tariff increase upon the Company. The only decision which Elected Members can make, is in relation to the level of subsidy paid to Connect annually and this is done through the budget process.

Elected Members of Legislative Council saw the proposals by Connect and recognising the current difficulties in the community particularly amongst the most vulnerable, decided, in principle, to set aside £108,000 in this financial year in the Government budget to cushion the effects of the increase for all members of society. This figure which is in addition to the SHG subsidy to Connect of £595,000, would meet half of the original planned increase. In addition, the Minimum Income Standard will be adjusted accordingly and this will mean an increase for those people receiving Income Related Benefit (IRB) and the Basic Island Pension (BIP). The Benefits Office is open to anybody wishing to determine whether they are eligible for IRB or BIP. Connect also has a social fund for those who have difficulty in meeting payments.

Can Connect just decide to increase utilities tariffs?

St Helena Government is responsible for making sure any price increases by Connect are reasonable. It does this by requiring, by law, that the Utilities Regulatory Authority reviews any proposed price increases.

The Utilities Regulatory Authority (which is headed by the Chief Magistrate) has **not yet** reviewed the proposed price increase. The Utilities Regulatory Authority reviews the proposed price increase after all representations from the public have been submitted. The submission deadline is Saturday, 30 June 2018, at 12noon.

Will Connect undergo a Review?

An independent review of Connect is already planned. This needs to be carried out in depth and carefully. The findings will be discussed by Legislative Council and Connect. It is expected that the review will be completed during this financial year and it will be shared with the public.

We welcome the input of the public to this issue. Individuals are encouraged to write to the Utilities Regulatory Authority with evidence of the impact of the proposed increase on their household. Please would you play your part by encouraging your followers to send comments marked for the attention of Yvonne Williams to The Utilities Regulatory Authority, The Castle, Jamestown, or by email to: Yvonne.williams@sainthelena.gov.sh by 4pm on Saturday, 30 June 2018.

What happened after the Regulator has reviewed Connect's proposal?

Once the Regulator has reviewed the proposal, there may be a role for Legislative Council members to assess, as part of the budget process, whether they set aside £108,000 to cushion the impact of any increase. Allocating a further £108,000 in this way will inevitably mean there will be less budget available for another part of government spending on key public services or alternatively SHG will have to increase revenues. But the public should be reassured that economic difficulties experienced by vulnerable people is a key priority for us in decision making.

SHG/CSH
28 June 2018