ST HELENA UTILITIES REGULATORY AUTHORITY

2017/18

5TH ANNUAL REPORT ON THE QUALITY OF SERVICES PROVIDED BY CONNECT SAINT HELENA LTD

EXECUTIVE SUMMARY

The Utilities Regulatory Authority has completed its review of the quality of services provided by Connect for the year to 1st April 2018. **The Authority acts entirely independently and is not subject to the direction or control of the Governor, the Executive Council, Legislative Council or any other person or authority.** This report is an annual review.

The Authority found that since utilities were divested to Connect, overall reliability of the electricity network has improved by 45%. Overall reliability of the water network has increased by 27%. The appearance of water has improved since divestment although it is noted by the Authority that the appearance of water in Jamestown is significantly affected by heavy rainfall which causes the churning of sediment. Until such time as investment is available to Connect this will continue. The microbiological integrity of treated water has improved by 3.6% (which represents 100% quality). The time taken to perform electricity connections has improved by 76%. The time taken to perform a water connection has improved by 88%. Renewable energy sources represent 25% of total electricity production.

The Authority notes that there has been a decrease in the overall reliability of the water network which represented an increase in water interruptions from 1,122 to 1,145 which is an increase of 16% from two years ago. This is, of course, concerning to the Authority. However, it must be re-iterated that the overall reliability has increased by 27% pre-divestment. The Authority understands the suggestion that this is due to factors such as increased customer awareness of water issues after the severe drought and the underlying issue of a water network that is in an extremely poor state and has fully depreciated, it will take years to make significant improvements. Accordingly the Authority adjusts the KPI expectation to 1,150 for the next review period. The Authority is satisfied that Connect are acting to their best ability to ensure that improvements and investment in the infrastructure is being pursued.

The Authority is also keen for progress to occur with the Power Purchase Agreement and consequent implementation of greater percentages of electricity created from renewable energy sources.

PART 1 – OVERVIEW

1.1 UTILITY SERVICES ORDINANCE 2013

On 1st April 2013 the Utility Services Ordinance 2013 came into force. This Ordinance established the Utilities Regulatory Authority and created a legal framework to facilitate the private sector provision of licensed public utility services.
These services are —
(a) The generation, distribution and supply of electricity;

(b) The collection, storage, treatment and distribution of water; and

(c) The disposal of waste water.

1.2 UTILITIES REGULATORY AUTHORITY

The members of the Authority are Chief Magistrate Aldridge (as Chairman), Mrs Elizabeth March and Mr Paul Hickling. The Judicial Services Manager* is Secretary to the Authority, to whom any communication should be made. The Authority, and any person acting under its authority, act entirely independently and are not subject to the direction or control of the Governor, the Executive Council, Legislative Council or any other person or authority. *(yvonne.williams@sainthelena.gov.sh)

1.3 OBJECTIVE OF AUTHORITY

The objective of the Authority is to regulate the development and provision of public utility services in a manner which—

(a) ensures that users of such services are protected from both unreasonable prices and unreasonably low levels of service;

(b) ensures (so far as is consistent with paragraphs (d) and (e)) that the prices charged for such services do not create unreasonable hardships for households or unreasonable hindrance to commercial and economic development in St Helena;

(c) Motivates Utilities Providers to improve the quality of the services they provide;

(d) Ensures stability and predictability in the public utilities industry in the medium and long terms;

(e) Supports a progressive reduction in levels of subsidy from public funds; and

(f) has regard to such other regulatory objectives (if any) as may be prescribed.

1.4 DUTIES OF AUTHORITY

It is the duty of the Authority, **having regard to its objectives**, to carry out its functions and to ensure that Utilities Providers comply with—

(a) Ordinances, regulations and directives issued thereunder, regulating public utility services; and

(b) The conditions of their licence.

1.5 POWERS OF THE AUTHORITY

The Authority may, for the purpose of performing its duties, issue Directives to a Utilities Provider in connection with the provision of any public utility service; and, without prejudice to that generality, such Directives may impose requirements concerning;

(a) The quality or standard of service which the Utilities Provider must deliver to its customers;

(b) Payments of compensation (or abatement of charges) to compensate customers when the service provided does not meet the standards so set;

(c) The maximum charges or fees to be levied by a Utilities Provider for providing the public utility service;

(d) The terms and conditions on which public utility services are to be provided; and

(e) Such other matters (if any) as may be prescribed.

1.6 PENALTIES BY THE AUTHORITY

If the Authority is satisfied that a Utilities Provider has failed to comply with a Directive, or with a condition of its licence, the Authority **may** order the Utilities Provider to pay a penalty not exceeding the sum of £100,000.

A licence may be revoked by the Governor in Council upon recommendation of the Authority, where the Utilities Provider is in substantial and continuing breach of—

(a) Any of the provisions of the licence;

(b) Any Directives issued by the Authority; or

(c) Any other obligations under the Ordinance.

1.7 UTILITIES PROVIDER- CONNECT SAINT HELENA LTD

With effect from 1st April 2013 Connect Saint Helena Ltd ("Connect") were licenced by the Governor in Council to provide all said public utility services in St Helena. The Authority was instrumental in the drafting of such a licence. The licence contains a considerable number of conditions relative to the quality of the services to be provided by Connect.

Connect is a private limited company which is wholly owned by the St Helena Government ("SHG"). The Board of Directors consist of a non-executive Chair, three further non-executive directors and two executive directors. The executive directors are the CEO and Operations Director of Connect.

1.8 CAPITAL EXPENDITURE

Capital comes from two sources, either in the form of Capital Grants from SHG or from finances generated by Connect themselves. The table below shows how the capital was spent:

Asset Class	Grant Funded	Connect Funded	Additions
Electricity infrastructure	405,370.02	66,200.58	471,570.60
Equipment		163,428.53	163,428.53
Vehicles		144,979.77	144,979.77
Water Infrastructure	1,232,647.53	180,515.01	1,413,162.54
Total	**1,638,017.55**	**555,123.89**	**2,193,141.44**

The majority of electrical infrastructure spend was on the HV link to the Western area although in addition there was some refurbishment of Feeder 2 carried out. In order to facilitate the water network upgrades Connects new team dedicated to this task required dumper trucks and diggers amongst other things which are included in the equipment figure. There was one vehicle purchased this being a replacement for the worn out sludge truck. The specification for this vehicle is improved on the original with four wheel drive allowing greater access and a fresh water tank to supplement the basic sludge tank. Because of high costs associated with the procurement of the sludge gulper Connect directly sourced from the manufacturer realising significant cost savings

The water infrastructure received a £1.4M capital injection with the Hutts Gate 2 reservoir being constructed, sewage piping and a new water main being laid in Ruperts, the raw water pipe link between Chubbs Spring and Scotts Mill being completed as well as some new sewers being laid in HTH in readiness for the outfall and pipe connecting HTH and Jamestown.

1.9 EXERCISE OF POWERS BY AUTHORITY

It is important to note that, in performing said duties and in exercising said powers the Authority must have regard to ensuring the stability and predictability of the provision of public utility services. At this early stage in the development of such private sector provision, any penalty imposed on Connect by the Authority would require to be reintroduced to Connect by way of increased subsidy or alternatively tariff increases to customers, as Connect are not profit making. The use of such penalty powers by the Authority would in reality only become practical were the utilities provider to commence making a financial profit and, while doing so, not meet the targets and expectations which could reasonably be expected of such a Utilities Provider.

1.10 PURPOSE OF REPORT

This report is therefore principally concerned with motivating the sole Utilities Provider to improve the quality of the services they provide, where possible. The Authority has a duty to adopt a reasonable approach in setting targets and expectations in these early stages of its regulation. Progressive targets and expectations have therefore been set, as it would be unreasonable to expect an instantaneous

improvement to the levels which the Authority will ultimately endeavour to motivate the Utilities Provider to achieve.

This report has been prepared for the purpose of assessing performance against the targets established by the authority for the period of the review year.

The additional purpose of this report is to inform the public on the level of services being delivered by Connect. In doing so it is hoped to motivate Connect to improve the quality of the services they provide, if that is possible. Connect are aware that such services are being monitored, scrutinised and will be publically reported upon by the Authority. It should be emphasised that this report relates to the period from 1st April 2017 to 31 March 2018 being the review year.

1.11 Key Developments

Electricity

25% of the islands current electricity has been generated by solar farms and wind. There has been no further investment in renewable energy over the last 12 months. This a cause for concern when there has been commitment to improving the percentage of renewable energy resource on island. However, Connect and SHG jointly undertook the procurement of additional renewable energy where Connect will purchase electricity through a 'power purchase agreement'. The attraction of moving in this direction is that there is no capital outlay which given the current funding constraints is a sensible approach to take. A preferred bidder and a fall back bidder has been identified and the PPA is being drafted. It is anticipated that during the coming financial year construction of additional solar generation and the battery storage required to optimise the system will be completed with additional wind becoming operational during the following year. This will have a massive impact particularly since the price of diesel is increasing, at worst it will help stabilise the price of electricity and once the full capacity is installed there will be less subsidy requirement and once the subsidy has disappeared there is the opportunity to reduce consumer costs

Considerable investment has been made in improving the 11kV electricity feeder infrastructure. Improving links between the sources of power and providing alternative switch facilities intended to reduce powers outages and minimise the inconvenience to customers. Work has been completed on the HV link between the main Feeder 2 and Blue Hill. The area to the West of Scotland had no alternative means of electricity supply which inconveniences consumers during fault conditions and during scheduled maintenance. With the link operational much needed maintenance on the HV network around Thompsons Hill and Rosemary Plain is being undertaken with only consumers local to the works being inconvenienced. This has made a massive difference to the consumers on the West of the island who can continue life as normal during the maintenance works deferred until the link was operational.

Water

Harpers 3 reservoir having remained dry after construction due to lack of rain eventually filled and remained full for the whole year. With this additional capacity Connect were able to prepare Harpers 1 reservoir for relining. Harpers 1 reservoir has leaked for many years and also suffered with debris falling into it because it was constructed too close to the cliff which had no stabilisation to prevent debris falling into the reservoir. Although much of the cleaning works needed to be done by hand a pragmatic approach has been taken to catch any further debris before it falls into the reservoir which will then need to be manually removed. The reservoir is prepared and awaiting the delivery of the new lining which is scheduled to be installed w/c 7th May 2018.

Hutts Gate 2 reservoir construction was completed with HE Governor's official opening 'declaring the reservoir officially full' and turning off the supply tap on 24th August 2017. This increased storage capacity in the Hutts Gate area by over five times with the reservoir capacity increasing from 1,992 to 14,220 cubic metres. With this additional reservoir now in service the original reservoir is being prepared for a new lining that will be fitted at the same time as Harpers 1.

All reservoirs have been surveyed, gauge boards are being procured and the monitoring systems are being updated. Connect will need to adjust reporting to align the reported volumes to the surveys which will further improve the robustness of the water stock management.

The silt traps installed on the watercourse feeding Harpers 2 Earth Dam are working. This omission from when the reservoir was originally constructed in the 1980's has created a serious problem with excessive silt now in the reservoir. The traps will prevent further build up and Connect are faced with the significant task of removing the unwanted silt.

Since divestment Connect report that they have worked hard to identify inefficiencies and put the savings made to reinvest back into the business. The Authority are aware that Connect receives criticism about their vehicle fleet from the public. The Authority accept that having a reliable fleet of vehicles to access the networks that are spread far and wide is essential. The fleet that was transferred after divestment was decrepit, unreliable and was unsuitable for the task in hand. The new Landrover's are fitted with tools and parts; there are more vehicles with less workers per vehicle which increases the quantity of work done each day. Access equipment, crane truck, water bowser, diggers and dumpers as well as a replacement sludge truck significantly increases the efficiency of the workforce and reduces costs of hiring in equipment. The fleet of Japanese vehicles represent value for money since they are second hand with low purchase price and hence reduced duty. They work well for technicians, project managers and surveyors where four wheel drive is necessary but without the requirement to enter terrain experienced by the maintenance teams. Connect accept it is difficult to quantify the efficiency improvement the revised fleet has achieved but believe it is clearly contributing to getting more essential work done.

As Capital funding reduces and less works Connect report they have been able to utilise more of the Connect workforce rather than contracting work out. Examples being the halving of the costs to rectify the cliff abutting Harpers 1 and the use of their own people who are trained in reservoir repairs to carry

out the relining of the Tobacco Plain agricultural reservoir without the need to bring in contractors. Connect would previously have used contracted labour to prepare for the relining of the two reservoirs due to be relined in May but by completing these works themselves have made cost savings. The lines workers have also contributed to making savings by completing work that would have normally gone to contract. Reservoir grounds maintenance is now carried out by their own staff as well as some infrastructure design to make savings. Connect have taken the opportunity to purchase topsoil which is stockpiled and will be used as bedding material for pipes which is a significant cost saving compared to the more traditional use of dust.

In total this year the savings identified by Connect have improved their costs by £140k.

As Connect entered its fifth year of trading they report that the business processes further bedded in. The company received a clean financial audit and has completed all the recommendations made by both internal and external auditors.

One objective of the Authority is to ensure stability and predictability of utility services. Previous reports have shown the improved resilience against low rainfall situations. On the energy side of the business Connect have protected themselves by introducing some backup diesel generators at the water treatment works and their offices. This year they undertook further work to provide a written plan of how to deal with significant disruption to the electricity distribution network or power station. The report has been provided to SHG who have included it in their resilience pack. The report was created by third party in conjunction with their own management staff and identifies minimum levels of stock holding for key components and suppliers of hired in equipment that they could call on in the event of gross failure of the power station. When there is renewable energy supplied through the PPA the system will provide for grid stability and it will then be possible to provide electricity without the need for diesel generators to be running.

PART 2 – PUBLIC UTILITIES DEVELOPMENT PLAN

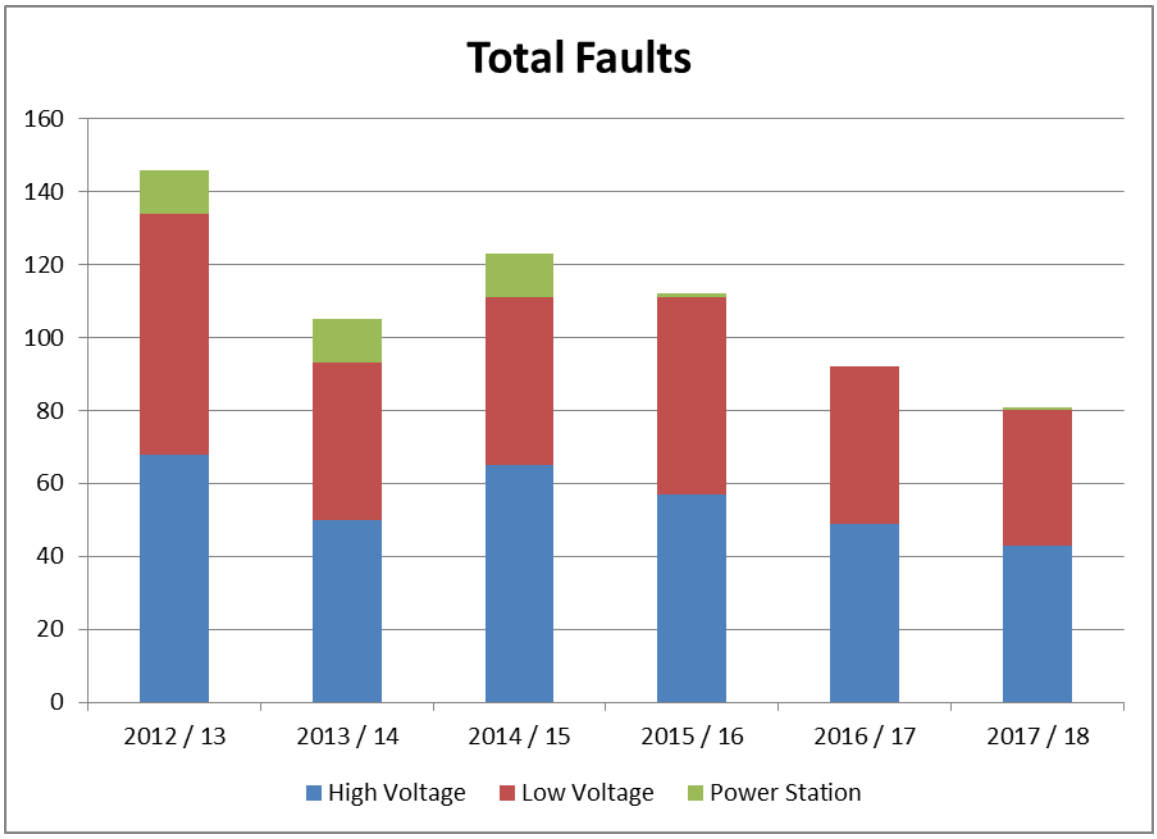
2.1 PUDP

The Public Utilities Development Plan ("PUDP") was agreed, after extensive discussions, between Connect and the Authority. This provides for a planned improvement to the reliability and quality of public utility services over the three year period from 2017-2020. The plan requires the collation of performance indicators to assist in determining if such improvements are being achieved by Connect. Such performance indicators are measured against the "benchmark year" of 2012/13, namely the year prior to the commencement of the Connect operation as a private limited company.

2.2 RELIABILITY OF ELECTRICITY DISTRIBUTION NETWORK

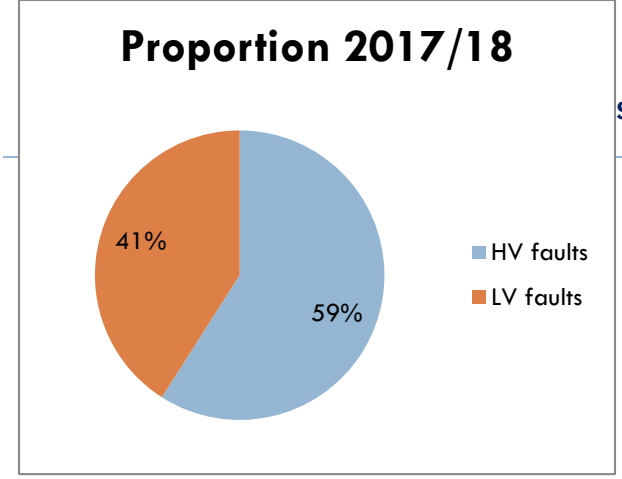
Disruptions to the Electricity Distribution Network ("EDN") may be High Voltage "HV" affecting a large number of consumers or Low Voltage "LV" generally affecting a small number of consumers. In the

benchmark year the EDN had in total 146 disruptions. Connect has reduced the number of total disruptions from said benchmark year of 146, to 81, namely a 45% improvement and an improvement from the previous year of 12%. This is 19 disruptions ahead of the authority target. The Authority are impressed by this improvement and consider it is therefore acceptable. The graph below shows the improvement trend.

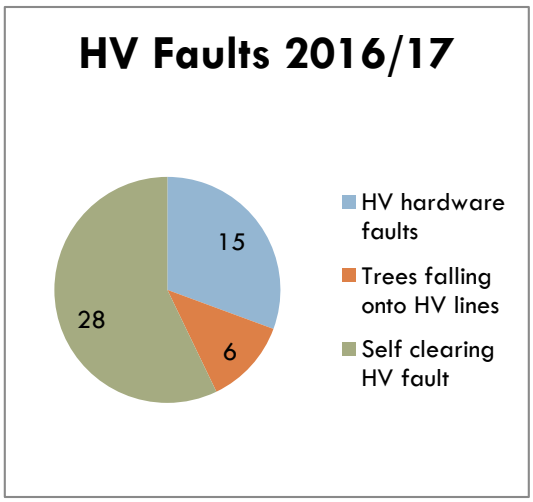


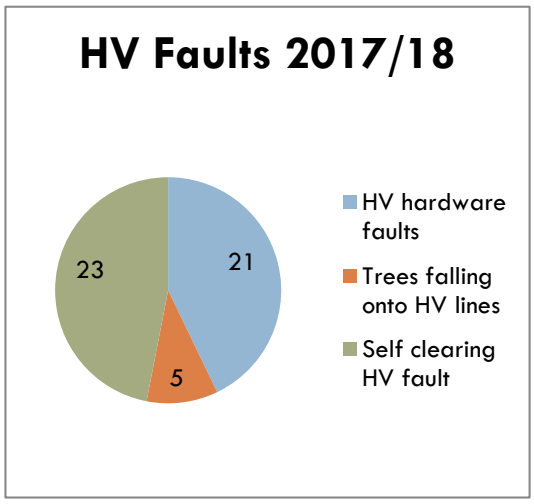
REASONS FOR DISRUPTIOJNS

The chart shows the spread of faults between the high and low voltage networks



The number of HV faults was similar to the previous year but with a slight increase in the number of hardware failures and slight reduction in the number of spurious trips. The intensive line clearing program could be the reason for this improvement but it is impossible to verify this.

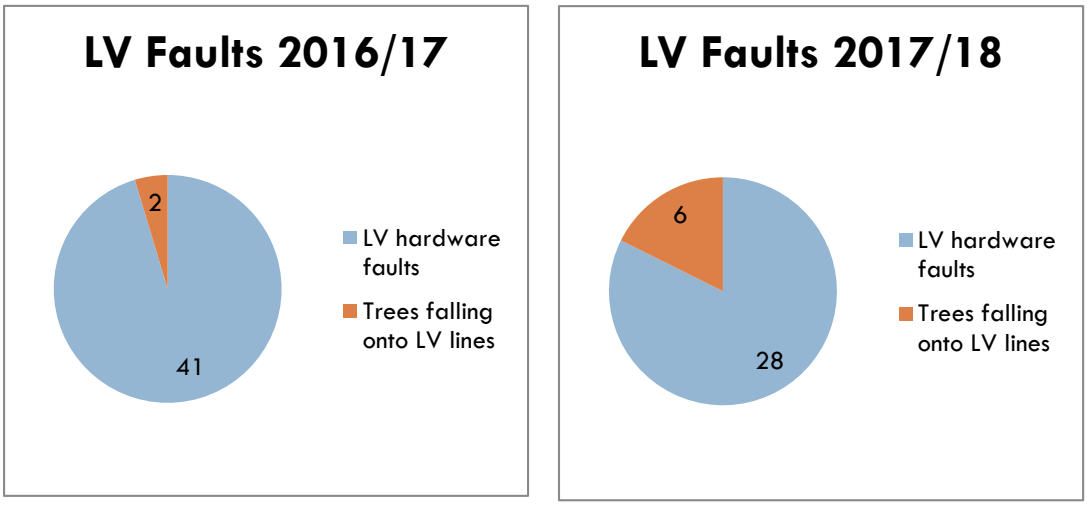




Unplanned outage KPI is key to the public perception of Connects performance. Connect state that they continue to focus their lines team and local contractors on preventing failure and are making progress against this significant task.

They have improved the specification of HV insulators to silicone (rather than ceramic) and as lines get maintained they will become more reliable since silicone is technically superior.

Low voltage faults reduced with the majority being hardware related, hardware includes the cutout fuses located in consumers premises. LV faults tend to be less disruptive with many affecting a single consumer.

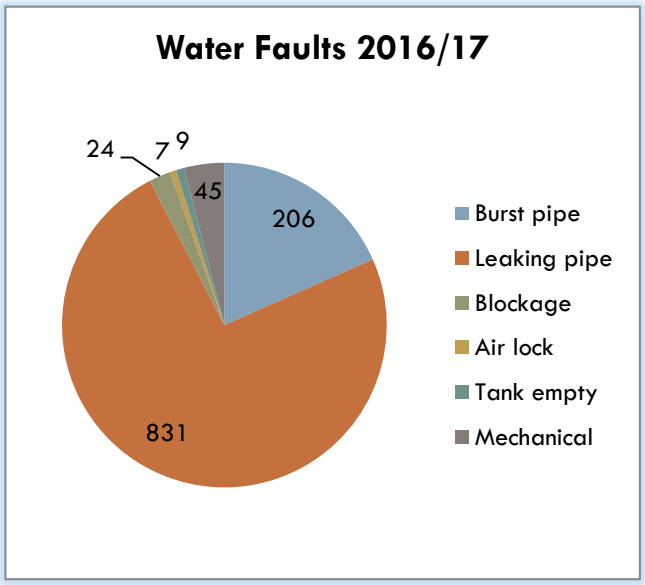


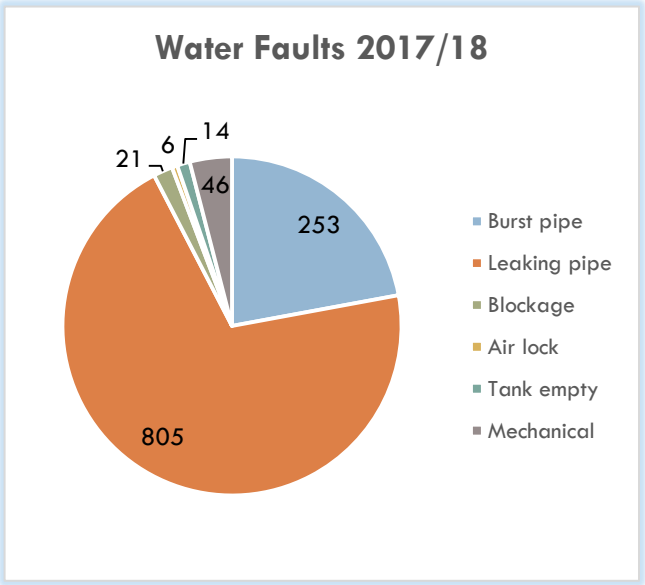
The Authority has considered the recent history of faults and it would appear that in recent years the proportion of high voltage and low voltage faults remains about equal. In the past high voltage faults were more regular. High voltage faults are a source of greater concern as they are more disruptive to a wider range of users, low voltage issues tend to be more localised and, therefore, less disruptive. It is noteworthy that over the past year in review that there have been no power station faults. Connect report that they are continuing to improve their management of these issues by addressing working methods to ensure that teams working in the field are supported and backed up with job requirements rather than delay caused by missing parts.

2.4 RELIABILITY OF THE WATER DISTRIBUTION NETWORK

The reliability of the water network has improved by 27% since divestment. Connect report that the last couple of years have been difficult with marginal deterioration in performance. Last review year the improvement was 29% so there has been a reduction of improvement by 2%. In the benchmark year the Water Distribution Network ("WDN") had in total 1,582 leakages. The Authority set a target of reducing the total interruptions to 800 for the review year. Connect report an increase in the number of total leakages to 1,145. This represents a 16% decrease in reliability from two years ago.

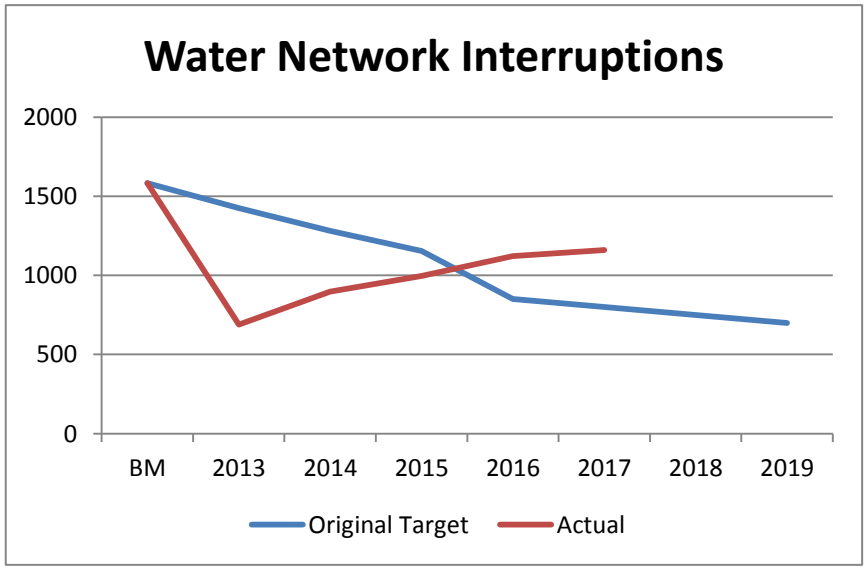
This is of concern to the Authority who raised the issue with Connect. Connect have responded by explaining that a dedicated team is renewing mains; survey work informs the location of pressure reducing valves which reduce the incidence of over pressure which is a cause of bursts and can only conclude that the age and condition of the system are preventing actual improvement in system performance despite the enormous efforts being made to deal with the known issues. An analysis of faults is shown below.





The ongoing survey work is providing essential design data to allow areas of the network to be replaced and Connect have recruited a team specifically tasked with making progress in this area. Connect have budgeted £100k annually from the depreciation fund to replace priority areas, however, Connect state that the enormity of the task must not be underestimated.

The original PUDP targets were reviewed in 2015 with tighter targets being agreed with the Authority since the number of interruptions appeared to be reducing. However as the graph below shows for the last two years interruptions are stabilising at just below 1,200.



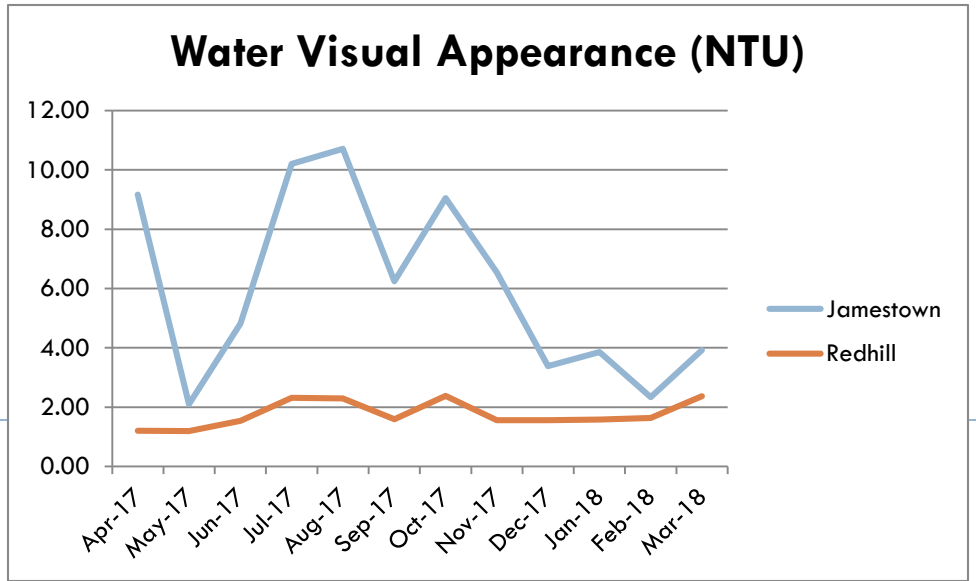
The year to date figure indicates this plateau is likely to continue. It is not clear if increased education and vigilance following the last water shortage has played a part in leaks being reported by the public where before they were ignored or if it is just the result of the significant quantity of inherited, fully depreciated assets Connect are contending with. Despite the concerted effort being made in respect of this KPI this is not being reflected in the reported figure.

A tighter KPI was agreed between the Authority and Connect in 2015. However, the Authority accept that this figure has proved to be unrealistic due to the fully depreciated assets that have not been replaced for many years pre-divestment. In the current circumstances, a more realistic target will be to maintain interruptions at the current level until significant progress is made in the replacement of fully depreciated mains which is what Connect plan to do moving onto the Bottomwoods area now that Lower Half Tree Hollow is nearing completion. The Authority have agreed revising the KPI target to 1,150. The Authority will further require Connect to provide data with regards to their response to resolve these interruptions for the next annual report.

2.5 APPEARANCE OF TREATED WATER

The method used for the measurement of water appearance now employed has developed from a subjective visual measurement to a testing against the internationally recognised NTU scale.

The acceptable, for health purposes, levels of discoloration of water range between 1-10 on the NTU scale. The pre-divestment benchmark was 4-5 NTU. This year the target was set at 2 NTU. The results relate to four areas. These are Redhill, Hutts Gate, Levelwood and Jamestown. As shown in Appendix 1 this expectation was exceeded in Redhill (1.77 NTU), Hutts Gate (1.81 NTU) and Levelwood (1.83 NTU. However, in Jamestown there was a failing to provide targeted appearance of water with an overall average of 6.03 NTU. The Authority have raised with Connect to explain this significant deviation from the target. The explanation provided is that Jamestown has no reservoir for any suspended solids to settle prior to treatment. This creates challenges during high rainfall events. The graph shows the variation depending on the weather with Redhill used as a comparator. Capital funding has been applied for to replace piping from Chubbs Spring and to install flocculators which will encourage further settling and present the rapid sand filters with higher quality raw water to filter. At the present time it



is not certain if capital funds will be made available however Connect are already in the process of obtaining development permission and undertaking as much pre-work as possible to address this issue.

The Authority also note that discolouration had been caused by excessive silt build up in the Harpers 2 reservoir (Earth Dam) during its life. It is noteworthy that there has been improvements by the installation of silt traps The silt traps installed on the watercourse feeding Harpers 2 Earth Dam are working. This omission from when the reservoir was originally constructed in the 1980's has created a serious problem with excessive silt now in the reservoir. The traps will prevent further build up and Connect are now faced with the significant task of removing the unwanted silt. A major dredging exercise will be required to remove the silt from the reservoir. The Authority agree to change to target in relation to Jamestown to 6.0NTU for the next review period and 1.75NTU for the other areas.

2.6 MICROBIOLOGICAL INTEGRITY OF TREATED WATER IN CONNECT NETWORK

Samples of water are taken by Connect and analysed by the Public Health Laboratory, which is UKAS accredited. The laboratory test for the presence of bacteria as this may be an indicator of contamination. Very early on in the analysis, there are indicators that the sample is likely to fail, at which point the Public Health Laboratory request an immediate re-sample which is provided and analysed with the results of that test being used. In the benchmark year, treated water tested at treatment works, showed indications of bacteria in 3.5% of samples taken. The Authority had set a target of decreasing this to 0.5%. In the previous review year, Connect exceeded such a target by producing results at 100%. In this review year Connect again exceeded such a target in that the same remained at 100%. The Environmental Health Department provide independent verification of results with the sampling and testing regime now working and well supported by annual training from the Senior Microbiologist on correct sampling methodology. The authority has set a revised target of 0.5% of water in the Connect network failing the relevant test.

2.7 MICROBIOLOGICAL INTEGRITY OF TREATED WATER AT CONSUMER PREMISES

At customer's premises all samples of water were taken by Public Health. Sampling points have however now been fitted immediately prior to the water entering the customers premises to exclude bacteria which may arise from the premises themselves. Connect have no control over such and the same is the responsibility of the customer (e.g. domestic taps). In the benchmark year and previous review year treated water tested at consumer premises failed such stringent microbiological testing in 13% of the samples taken. The Authority set a target of decreasing this to approximately 0.5% for the review year. The same decreased to 0%. The authority has set a revised target of no more than 0.5% of water at consumer premises failing microbiological testing for the next review year.

2.8 TIME TAKEN TO PERFORM ELECTRICITY CONNECTION

In the benchmark year the time taken to perform an electricity connection was on average 50 days. This measure is the number of days Connect contributes to the process and for ease of measurement non-working days are included. The previous review year showed an average of 17 days. The Authority

set a target of 17 days for the review year. Connect reduced this period to 12 days. This represents a 30% improvement compared to last year and a 76% improvement in performance from the benchmark year.

2.9 TIME TAKEN TO PERFORM WATER CONNECTION

In the benchmark year the time taken to perform a water connection was on average 90 days. The Authority set a target of reducing this to 12 days for the review year. Connect maintained the number of days to 11 days, the same as the previous year which is an 88% improvement in performance from the benchmark year.

2.10 TIME TAKEN TO DEAL WITH FORMAL COMPLAINTS

There was no "Benchmark" for the benchmark year as Connect were not in operation as such. The complaints handling system now has 100% compliance. A total of 11 complaints were resolved at the first level with no complaints being escalated to the second or third levels.

PART 3 – CODES OF PRACTICE ("CoPs")

3.1 TARGETS

CoPs were agreed, after extensive discussions, between Connect and the Authority. These make provision for compliance with the undernoted Conditions 23 to 30 of the Utilities Provider Licence, drafted by the Authority and issued by the Governor in Council to Connect. The Authority set targets of 100% compliance in respect of all of such CoP all as more particularly detailed in Appendix 2.

3.2 ACCESS TO PREMISES - CONDITION 23

This condition requires that all employees (a) possess the skills necessary to perform their required duties, (b) are readily identifiable by the public, (c) are appropriate people to visit and enter a customer's premises and (d) in a position to advise customers of a contact point for help and advice if required. The majority of customer contact is by the meter reader which is currently a 3rd party contracted to Connect. The requirements of the CoP have been included in this contract so that the meter reader is contractually bound by the requirements stated in the CoP. Both the meter reader staff and Connect staff have new ID badges to readily identify themselves to members of the public. Training material has been provided and information is now printed on the reverse side of the bills, directing customers in relation to advice. The Authority found no evidence of non-compliance.

3.3 PAYMENT OF BILLS – CONDITION 24

The code of practice was introduced and included into Connects process with input from the Social Services Manager in respect of those having difficulty in paying their bills. They have a member of their finance staff dedicated to managing customer debt which includes agreeing alternative payment arrangements and liaising with Social Services to ensure the vulnerable are not unduly penalised. Although Connect does not publicise the fact, they do work with the charity 'Making Ends Meet'

(MEM) and through the charity provide funding to those that MEM consider are vulnerable and unable to pay their bills once they are happy that measures have been put in place to ensure the debt cannot build again.

Last year Connect provided funds to help thirty nine debtors and since divestment they have helped a total of one hundred and eighty two customers who were struggling to pay their bills

The Authority found no evidence of non-compliance

3.4 CUSTOMERS IN DEFAULT – CONDITION 25

This condition requires that customers in default are identified and that reasonable payment arrangements are then timeously monitored and reviewed. See paragraph 3.3. The Authority found no evidence of non-compliance.

3.5 CONNECTIONS & DISCONNECTIONS – CONDITION 26

The Code of Practice requires a site visit within five working days. Sixty two electricity applications were made and fifty three for water. One electricity and one water site visit missed the five day target. Despite this area of non-compliance the overall time taken for the end to end connection process were favorable against the KPI targets.

This condition requires specific connection and disconnection procedures to be followed within various time limits. The Authority found no evidence of non-compliance with advising, visiting to assess work required reconnection and disconnection. Delays in issuing quotes within 5 days occurred which the Authority notes with concern. The Authority clarifies to Connect that it requires to measure the efficiency and effectiveness of Connect. Accordingly, any period solely attributable to a third party can be deducted from such timings for the purposes of the Authority assessing compliance with the CoP.

3.6 DISABLED, CHRONICALLY SICK AND PENSIONABLE AGE CUSTOMERS – CONDITION 27

Through close liaison with the Social Services Manager, Connect have undertaken to visit consumers at their request to provide advice on the use of electricity and water. Additionally, Connect have provided Social Services with a stock of high efficiency luminaires to distribute and have further committed to provide monitoring equipment in order that vulnerable consumers can, with assistance understand more of their usage profile. Authorised officers can be readily identified by their identity card. The Authority found no evidence of non-compliance.

3.7 FORMAL COMPLAINTS – CONDITION 28

This condition requires that such complaints are reviewed, resolved or referred within various time limits. The Authority found that there were, in total, 11 complaints. Complaints are reviewed by the management team on a weekly basis. All 11 complaints were resolved at the first level. This represents

a reduction from the 19 complaints last review year. It is the view of the Authority that this represents an improvement in the awareness and accessibility of the complaints procedure rather than a degradation in the service provided by Connect since divestment. People are now more willing to come forward if they have complaint and have confidence that their complaint will be recognised and acted upon. Pre-Divestment there was no such process. There remains the route of possible recourse through the Authority in any event. The Authority found no evidence of non-compliance.

3.8 READING OF METERS - CONDITION 29

This condition requires that meters are read by persons with appropriate expertise and that such readings are efficiently processed thereafter. The meter reading contractor is contractually obliged to comply with the essential elements of all relevant CoPs. Reliably obtaining accurate meter readings is an essential business function and the service provided has achieved this. The meter readers have been trained in identifying potentially dangerous meter installations.

In March 2016 100% of electricity meters were inspected and photographed as evidence to use as a baseline for meter replacement and re-sealing. The Authority found no evidence of non-compliance.

3.9 EFFICIENT USE OF ELECTRICITY – CONDITION 30

A number of advertisements have been designed to inform the public. Customers are advised on the reverse side of their bills that information leaflets are available. Home visits are offered to disabled and chronically ill customers via Social Services. Two advertisements are placed each week in the local papers which is significantly greater than the six monthly requirements; the scope has been expanded to provide water consumers with information on efficient use of water. Connect also publish on an ad-hoc basis articles that will be of interest to the general public.

During the drought Connect undertook a significant public relations exercise supported by the Warning & Informing committee of the Resilience Forum. In total there were eighty nine articles, tips and interviews designed to engage with the public, inform and change consumption behaviour.

PART 4 – CONCLUSIONS

4.1 PUBLIC UTILITIES DEVELOPMENT PLAN COMPLIANCE

Whilst there have been some very significant improvements in the provision of Utility Services, Connect will principally be measured by the customer in terms of their ability to (i) reduce disruptions to the electricity supply and (ii) supply clear and uncontaminated water. The reliability of the EDN is ahead of the reducing targets set by the Authority.

The reliability of the WDN is an area where failing occurred. It is accepted that the ageing and fully depreciated infrastructure is the cause of ongoing difficulties to Connect to improve their KPI's. These targets will continue to be carefully monitored by the Authority after providing the opportunity to

Connect to identify systematic failings and remedy the same. The appearance and integrity of the water supply to Jamestown water remains a concern and the Authority is concerned that the investment that is identified and needed to implement improvements is pursued.

4.2 CODES OF PRACTICE COMPLIANCE

Whilst evidence of some relatively minor non-compliance with the conditions of the licence was found, the Authority was generally impressed by the operation of the strategic structures in place to implement and monitor best practice with regard to such compliance.

4.3 GENERAL CONCLUSIONS

This is the fifth annual report issued to the Authority. All agreed actions from the previous reports have been implemented within agreed timescales.

The Authority recognize that the infrastructure has received considerable investment and for electricity this is being reflected in excellent performance against the reliability KPI.

Reliability of the water network remains an area where Connect have fallen short of the target, the failure was not through lack of effort, the task of addressing the massive underinvestment of the water systems is proving to be quite challenging. Connect confirm that with continued focus there will be improvement. The Authority agree that the Public Utilities Development Program target needs to be realistically adjusted to reflect the faults that will occur with an ageing and depreciated system. The Authority would wish to be provided fresh information regarding the process of Connects response and resolution of water faults.

Adherence to agreed Codes of Practice has, overall, been acceptable. However continued vigilance is required to achieve 100% across the board on all features.

The customer now recognises there is recourse through the Utilities Regulatory Authority, and an increasing number of customers now feel able to complain when things go wrong where historically customers remained silent. This year all complaints were dealt with in accordance with the Code of Practice. Connect employees also recognise complaints and are more efficient in logging them as such, thus allowing them to be assessed in line with the Code of Practice.

Investment in the infrastructure remains a priority, funded by both SHG's Capital Program (new assets) and Connects own depreciation fund (replacement of depreciated assets). Although much progress has been made there is considerable work to do in order that the condition of the infrastructure can be elevated to an acceptable level. The Authority note the concern that there would appear to be a lack of funding available for Capital Programs with the current strict financial constraints.

The Authority is concerned that renewable energy percentages have remained stagnant over the review year period. The Authority is anxious that plans to develop partnerships with private industry are progressed whilst funding for investment internally for Connect remains limited.

Nicholas Aldridge
Chairman Utilities Regulatory Authority