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TOPIC:

The Role of the Consumer
in Utility Regulation

PRESENTER:

Devika Nandranie
Supervisor – Consumer Affairs
Public Utilities Commission – Guyana

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INTRODUCTION

Prior to privatization and open market economy consumers did not repose much confidence in the utility companies run by government, and even less so, in the almost defunct regulatory system. With the advent of privatization and liberalization regulatory agencies are forced to rethink their strategies and engage in the process of reformation.

With this reformation, consumers are becoming more cognizant of the part they are called upon to play in utility regulation—but regulation is a complex task. What consumers are basically concerned with are tariffs and quality standards and they need to understand the role of costs cover tariff or the regulator may attract unjustified criticisms in its decision making process. This means that all those involved should have the confidence, over time, that the system will fairly balance different interests and the framework must be perceived to be fair by all stakeholders, especially the consumer.

Consumers need an effective voice. They also need effective guidance since the opening up of traditionally closed markets to competition may prove confusing to many people. We have to ensure that consumers are in a position to make informed choices.

There is a broad range of approaches available to regulatory agencies, consumer groups, associations and organizations that can assist consumers in understanding their rights and responsibilities under the regulatory framework, and the avenues for interacting with the regulator. Different approaches are adopted for what works best in practice. The success of these approaches could determine the level of consumer participation in the process of utility regulation.

This paper seeks to examine the role of the consumer in utility regulation.

REGULATION

Public Utilities are major employers and have major effects on economic growth, as well as the quality of life and the environment. As they provide essential services to business and industry, their performance and quality of the service they can offer is a key element to international competitiveness. And the public too, expect and need from the utilities a secure supply of their services, which they expect to be available on fair and affordable terms. Whoever owns them, however they are run and controlled, utilities must operate in the interests of the public.

Therefore, the goals of regulation from the consumer perspective should be:

1. To ensure that utilities have the viable capital to be sustainable, effective, efficient, equitable and transparent in the provision of their services;
2. To provide the services at reasonable cost; and
3. To protect consumers against monopolistic abuses.

Section 32 (2) of the Guyana Public Utilities Commission (PUC) Act No. 10 of 1999 states that:

*“In determining the rate a public utility may charge for any service provided, the Commission shall have regard to **the consumer interest and investor interest** and to the rate of return obtained in other enterprises having commensurate risks, provision of safe and adequate service at reasonable costs, and to assuring the financial integrity of the enterprise.”*

Effective regulation must ensure that consumer interests come first; since it is the consumer who indirectly finances the regulator's budget. An important aspect for consideration, however, is the role or level of involvement a consumer is expected or allowed to play in the regulatory process—it could be the Lead, the Support or the Obscure. This is reliant on the effectiveness of consumer legislation coupled with consumer education and the dissemination of information relevant to the regulatory process.

For the regulator to lend credence to the process of regulation, it must be fair, transparent, intelligent, decisive, and more importantly, independent, to earn the trust and respect of consumers.

Consumers must also be aware that there is always going to be a creative tension between utilities' need to provide a public service and their need at the same time to remain competitive and efficient companies.

The regulator has to look at the quality of service targets set for the regulated industries and implement measures for compensation to consumers if the standards are not met—especially where services are inadequately developed and where consumers do not have adequate choice.

The regulator is also obligated to ensure the integrity of the utility. In a competitive environment unless the regulator is ever vigilant, one service provider may decide to introduce predatory pricing to run the other out of business and then establishes itself as a monopoly. This only has to be said, and it will leave for the imagination—the stranglehold of the utility on assuming an increase in rates and a decline in the quality of the service provided.

A case in point—Cel*Star (Guyana) Inc., a cellular service provider applied to the PUC, Guyana for a 50% decrease in rates for its services. Needless to say, consumers were happy with the Application and their representatives postulated that the granting of the Application would indeed benefit consumers. Their arguments were premised on the fact that consumers will no longer be forced to accept whatever costs the incumbent Guyana Telephone & Telegraph Company Limited (GT&T) charged for its cell link services before the advent of Cel*Star on the scene.

The PUC held four public hearings on the matter but the Application is yet to be determined because Cel*Star has not been able to establish that it is financially capable of cushioning the losses that are likely to result from the decrease in rates.

After all, a reduction in the quality of service is merely a price increase by another name.

CONSUMER INVOLVEMENT

Through Education

Consumer involvement in the regulatory process helps to ensure that regulatory decisions are well informed and perceived to be fair and legitimate.

Consumer education is a major tool in utility regulation. It goes without saying that an informed consumer is an “armed” consumer. It creates awareness of consumers’ rights and responsibilities; changes behavior; facilitates good choices and wise decisions; and makes for responsible citizens. It also empowers the consumer and tends to induce maximum participation in regulatory affairs. It can also make them more knowledgeable of the complex issues involved and prevents rash judgements as in the case, RE: *Cel*Star (Guyana) Inc.*

Developing an effective strategy for fostering consumer awareness raises many challenges. It is important to note that consumers are not a single homogeneous group. Different categories of consumers will have different interests, incentives, needs, capabilities and resources. Therefore, no single approach will be ideal for all consumers on all issues

The process of consumer education can be, and has been achieved through the involvement of consumer groups; regulatory bodies; stakeholders' committees; consultations; workshops; focus groups and the media—to name a few.

Guyana recognizes the importance of consumer education in the regulatory process and the PUC with the assistance of Local Government Authorities; City Officials and the Media has embarked on awareness campaigns, consumer outreaches and public consultations to “spread the word”, so to speak.

Our Outreach programmes focus mainly on rural communities, where there are no complaints authorities. The Awareness campaigns on the other hand, primarily target the capital city of Georgetown. We would visit department stores, hospitals, service stations, libraries and basically where ever there is a heavy flow of consumer traffic.

Our goal is to create a consciousness of the PUC—with emphasis on consumer affairs—in all of the ten Administrative Regions of Guyana.

Who should be involved and at what level

Consumer involvement in regulation contributes to the accountability and independence of the regulatory agency. Therefore, all categories of consumers should become involved in the regulatory process. These include domestic,

institutional, commercial and industrial—especially, the poor, the unserved and women.

The regulator will understand that different categories of consumers will have varying capabilities so while some consumers can articulate their opinions on areas of particular interest, such as failure of service in home or street or community—others more learned or qualified can be encouraged to lend their expertise or experience on such areas as tariff, technical competence, financial performance, quality of service and efficiency.

Few consumers can comprehend regulatory terms and concepts. Therefore, definitions have to be modified to accommodate for the various classes of consumers to allow for effective participation.

The PUC information based pamphlets and flyers are designed to facilitate easy reading and understanding of their contents. We also have our consumer hotline listed and we encourage consumers to call us on matters that need clarification.

How to be involved

Consumer involvement in practice can be through consultation and information sharing. The regulator should ensure the availability of appropriate information and create a listening culture with consumers. Surveys of consumer opinions and views could be mediated through consumer groups; special interest groups and non-governmental organizations.

Formal representation can be made through the complaints process; appeals; pricing and policy reviews; communication and advocacy; public meetings;

hearings; workshops and forums. Formal non-governmental organizations can be involved as partners in support of the poorest class of consumers.

In Guyana, consumers are formally represented by the Guyana Consumers Association; Guyana Consumer Movement and the Consumer Division of the Ministry of Tourism.

CONSUMER FEEDBACK

It is said that consumers are the eyes and ears of the regulator. To ensure a better quality of service consumers can provide invaluable feedback to the regulator via the complaints resolution process; consultations, awareness programmes and outreaches. This list is by no means exhaustive.

Through these mechanisms the regulator is able to ascertain the quality of the service provided, efficiency and transparency of the utilities' actions and decisions; and will be guided in its deliberations when conducting rate and tariff hearings and reviews of the appropriate standard and quality of service offered by the utilities.

Sections 52 to 57 of the PUC Act No. 10 of 1999 make provisions for the lodging of complaints by a consumer or class of consumers against a public utility. The Act also allows for public hearings in the determination of what rate or tariff a public utility is entitled to for a service. At this forum consumers and or their representatives are invited to participate and make their submissions.

CONCLUSION

Consumer involvement in utility regulation can help to draft policies and inform decisions through the contribution of ideas and experience. Their participation can also monitor performance and improve service standards, efficiency, transparency and accountability. Involvement builds trust, respect, confidence, partnership—and is geared towards inclusiveness and cohesiveness.

It envisions an environment in which there is universal access to service in the public utilities sector, as well as a high quality of service which is cost effective and beneficial to all stakeholders.

*The views expressed in this paper are not necessarily those of the
Guyana Public Utilities Commission.*