

**PUBLIC UTILITIES COMMISSION
CONSULTANCY TERMS OF REFERENCE FOR THE
INDEPENDENT EXPERT'S
REVIEW OF INITIAL DECISION IN ANNUAL RATE PROCEEDINGS
(ELECTRICITY)**

1.0 Introduction

The Public Utilities Commission (PUC) was established in 1999 as an autonomous, multi-sectorial, regulatory agency comprised of up to seven Commissioners. The primary duty of the PUC is to ensure that the services rendered by a public utility provider are satisfactory and that the charges imposed in respect of those services are reasonable. The PUC is also responsible for the award of licenses and for monitoring and enforcing compliance with license conditions. The PUC issued a 15-year license to Belize Electricity Limited (BEL) effective July 1, 2000. The Licence was extended for an additional 10 years effective July 1, 2015.

The PUC is currently conducting a Full Tariff Review Proceeding (FTRP) for the determination of Regulated Values and Tariffs, Fees and Charges and a Mean Electricity Rate (MER) for BEL for the Full Tariff Period (FTP) of July 1, 2020, to June 30, 2024. The PUC issued an **Initial Decision** in respect of the FTRP on March 06, 2020. On March 20, 2020 BEL filed an **objection** to the Initial Decision.

As per the Electricity (Tariffs, Fees and Charges) Byelaws, the PUC is now required to **appoint** an Independent Expert to review the Initial Decision in regards to the objection filed by BEL. The appointment of the Independent Expert and his/her review and reporting on the Initial Decision are guided by the said Electricity (Tariffs, Fees and Charges) Byelaws, continuity in respect of undertakings agreed to by the PUC in the current 2016-20 FTP, and BEL's Five Year Business Plan to the extent the Commission was satisfied that justifications were sound.

BEL and any interested parties representing users of at least 10% of the annual energy supply by BEL in the most recent calendar year may submit comments on the report within 20 days of its issuance. Where the Commission receives comments challenging the conclusions of the report or any material aspect therein, the PUC shall afford such party or parties an opportunity to be heard.

The PUC shall study the Report of the Independent Expert in making and issuing a **Final Decision** in respect of the upcoming 2020-24 FTP.

2.0 BEL's Objection:

In regards the Initial Decision issued by the PUC on March 06, 2020, the comment(s)/objection(s) of the Belize Electricity Limited are:

- (a) **Closing the 2018/19 Annual Tariff Period:** No objection raised by BEL. The PUC concludes that BEL agrees with all the validated regulated values and a final determination of \$31,883,182 of **Corrections** in favour of BEL.
- (b) **Operational Expenses (OPEX) for 2020-24 FTP:** No objection raised by BEL. The PUC concludes that BEL agrees with this regulated value, as decided by the Commission.
- (c) **Regulated Asset Value (RAV) for 2020-24 FTP:** BEL objected to the PUC (i) deferring 30 MW of utility solar at two locations, (ii) deferring a 2nd transmission line from La Democracia to Dangriga, (iii) deferring investments in smart grid and associated communications infrastructure, (iv) truncating proposed distribution network CAPEX by \$10.2 million, (v) inclusion of a 2nd transmission line to Mexico.

- (d) **Reference Cost of Power (R-COP) for 2020-24 FTP:** BEL objected to the PUC (i) adjusting the expected production of the two sugar processors and Hydro Maya, (ii) removing 30 MW of utility solar from new supply additions, (iii) substitution its own projections for the volumes and price of energy from Mexico and the new gas-fired power plants planned.

- (e) **Performance-based Regulation (PBR):** BEL objected to the PUC's Decision to introduce PBR for Economic Dispatching commencing the 2020-24 FTP.

- (f) A detail submission of BEL objection will be made available to the Independent Expert after awarding the contract.

The Independent Expert, in conducting the review, shall give full and fair consideration to the PUC's analyses and determinations in reaching the Initial Decision, BEL's FTRP submission and all information provided therein and therewith, objections made by BEL and comments and information submitted by interested parties as described above. The Independent Expert shall not consider new information that was known to BEL at the time of its FTRP submission and which differs in a material respect from that provided to the PUC prior to arriving at the Initial Decision.

Within thirty (30) days of the date of his appointment, the Independent Expert shall issue a written report to the Commission documenting his review and containing his recommendations on the Regulated Values and the MER, Tariffs, Fees and Charges approved in the Initial Decision.

3.0 Scope of Work

BEL's submission, the Initial Decision, all relevant and necessary information, and all comments and objections shall be made available to the Independent Expert in the conduct of his/her review.

The Independent Expert shall review BEL's Submission, including supporting justifications in whole in order to fully comprehend the operational and business context as seen by the PUC and illuminated by the utility.

The Independent Expert shall review the Initial Decision of the PUC, including any amendments, modifications or deletions made to BEL's Submission in arriving at its Decision.

Thereafter, he/she shall give due regard to the objections made by BEL in light of the evidence provided by BEL and the rationale of the PUC in making the Initial Decision.

The Independent Expert may, if limitations imposed by the current Covid-19 Pandemic permits, to meet with relevant officials from the PUC, BEL and any relevant interested party, as necessary, review relevant documents such as the submission and supporting data, correspondence between the PUC, BEL and relevant interested parties, and legislation such as the PUC Act, the Electricity Act and Electricity (Tariffs, Fees and Charges) Byelaws.

3.1 Independent Expert Report

Within thirty (30) days of his appointment, and on completion of his review, the Independent Expert shall issue a written report to the PUC and BEL documenting his review and containing his recommendations on the Regulated Values and the MER, Tariffs, Fees and Charges approved in the Initial Decision with regard to the specific objections made by the BEL.

4.0 Qualification of Independent Expert

The Independent Expert shall have the following professional and other qualifications:

a. Eligibility

- Recognized competence in engineering, economics, finance, utility management or business;
- Minimum 10 years of professional experience
- Minimum 5 years' experience working in or with a small regulated electrical utility environment (< 250 MW) such as in Belize / the Caribbean

b. Skills and Knowledge in Specific Areas of Expertise

- Have proven experience and understanding of electricity utility practice or price regulation systems and its components (efficiency analysis, cost allocation, finance, setting of asset base, WACC, quality targets, etc.);
- Previous experience working in a regulatory environment would be an asset;
- Proficient (oral and written) in the English language.
- Proven capability to draft technical texts in the English language

5.0 Terms of Appointment

Specific terms and conditions of the Independent Expert's consultancy will be according to any agreement negotiated with or accepted by the PUC.

The consultancy shall not be re-assigned by the Expert.