

Empowering Grenada's Energy Future: A Path to Understanding

Introduction

Welcome and Opening Remarks

Good [morning/afternoon/evening] everyone,

Thank you for joining us today for this crucial dialogue on Grenada's energy future. Your presence here is invaluable, and we appreciate your commitment to shaping a more sustainable energy landscape in our beautiful country.

We gather here today with a shared goal: to demystify the complexities of electricity tariffs and shed light on the path to a more sustainable and affordable energy future. It's a journey that involves us all, from the government to utility companies and, most importantly, you, the residents of this island.

Introduction to PURC

Who We Are

Let's start by introducing you to the heart of today's discussion: the Public Utilities Regulatory Commission, or PURC.

PURC is an independent regulatory body established by the PURC Act of 2016. We officially came into existence on July 19th, 2019. We operate under the guidance of a Board of Commissioners, a team of dedicated individuals who strive to ensure that your interests are always at the forefront of the regulatory landscape.

Our mission is simple, yet crucial: **we are here to ensure that the people of Grenada enjoy reliable and sustainable utility services at fair and reasonable prices.** We're your allies, serving as the guardians of fairness in the electricity industry, advocating for your rights and well-being in this essential aspect of our daily lives.

Our vision for the future is equally important: We aim to build a robust and sustainable regulatory framework that supports Grenada's economic development while safeguarding your interests as consumers.

The PURC Act grants us the authority to initiate and conduct investigations into the operations and service standards of all public utilities. Currently, our focus is on the electricity sector,

ensuring that the standards set forth benefit everyone. Yet, it's important to note that the Minister of Public Utilities can extend our regulatory umbrella to other public utilities as deemed necessary.

What We Do

Now, let's talk about what we do. Our role is multifaceted, reflecting our commitment to the well-being of our citizens. Our key responsibilities include:

Energy Tariffs

Setting, initiating, and conducting reviews of tariffs (or rates) charged by public utilities such as GRENLEC. These reviews are critical to ensuring that you, the consumers, pay fair and reasonable prices for your electricity.

Energy Sustainability

We also provide an enabling environment for sustainable and secure electricity through various programmes and incentives. These initiatives, which we'll explore further later, are designed to empower you to make more energy-efficient, environmentally friendly, and economically beneficial choices.

Consumer Complaints

If you ever encounter issues or disputes with a utility, we're here to help. We investigate complaints and disputes between consumers and the utility, seeking fair resolutions that protect your rights.

Licensing & Fees

Our role also extends to making recommendations on the award of permits and licences for electricity generation. This ensures that only those who meet the necessary standards can provide these essential services. We monitor and enforce the conditions granted in all licences and permits in order to maintain quality and safety while ensuring that utilities are meeting the necessary standards for providing these essential services.

To fund our operations, we have the authority to impose and collect fees from the licensee and persons or entities awarded permits. This is crucial to sustaining our mission.

Balancing Reasonable Prices Against Reasonable ROI

And finally, we strive to ensure that public utilities achieve a fair return on their investments. This is important for the stability and growth of our electricity sector.

The Importance of Regulation

Now, you might be wondering why we need regulation in the electricity sector.

Electricity is more than just a commodity; it's a fundamental part of our lives. It powers our homes, businesses, and industries, driving the economic development of our nation. This is why it's crucial that electricity services are **reliable, affordable, and fair to all**.

Regulation ensures that the companies that maintain our national infrastructure and provide essential services to you are operating in the best interests of our society and, by extension, the people of Grenada.

Demystifying Electricity Tariffs

What is an Electricity Tariff?

So, now that we've gotten the introductory information out of the way, let's dive right into the reason we're all here today: electricity tariffs. What are they? Simply put, an electricity tariff is the price you pay for the electricity that powers your homes and businesses. It's the cost of staying connected and comfortable.

Components of Your Current Electricity Tariff

Electricity tariffs might seem complex, but basically, your current tariff is made up of four main components that come together to form the price you see on your bill: the **base non-fuel cost**, **fuel cost**, **demand cost**, and **fixed cost**.

Let's break these components down so that it's clear how they influence the final number on your electricity bill.

Base Non-Fuel Cost

As you can see, a significant part of your electricity price is made up of **base non-fuel costs**. These are the costs of producing and delivering electricity to your home or business, *aside* from the cost of the fuel itself.

This includes the cost of operating equipment and maintaining facilities, such as our national energy grid, which are called **operation and maintenance costs**. The **rate of return** ensures that the utility company receives a fair return on its investments; **depreciation** accounts for the decrease in value of the utility's assets over time; and, of course, portions of your electricity bill go towards the **social fund** and **taxes**.

Fuel Cost

The next portion of your electricity tariff covers the **cost of the fuel** used to generate your electricity, such as oil or natural gas. These costs change over time due to various factors external to Grenada—which we'll discuss further—and this impacts the overall price you pay for electricity.

Demand Cost

The demand cost measures how much power you use at a given time. Your utility applies demand charges based on the maximum amount of power that you used over a period of time during your billing cycle.

Fixed Cost

And then, finally, we have the fixed cost, which is the amount you pay for each unit of energy you use.

The Formula

As you can see, your energy tariff is about a lot more than just the electricity you use. To calculate the average electricity price,

The Necessity of a Tariff Review

What is an Interim Tariff?

So, that's your electricity tariff, but why are we discussing *interim* tariffs today?

Well, as I mentioned earlier, PURC's key responsibilities include setting, initiating, and conducting reviews of tariffs. It so happens that your tariffs haven't been reviewed since 2016. That means you're being charged based on circumstances that are no longer current or relevant. And we want to address that for you. As part of our mandate, we're actually required to review your tariffs every five years, and it's a lengthy process. While we review the tariffs to ensure that they are fair and accurate, we have to set a reasonable one in the meantime, or, in other words, in the interim.

An interim tariff is like a safety net for you, the consumer. It's a temporary solution that helps ensure you're not overcharged while we work on making long-term changes to our energy pricing. Think of it as a bridge to a better future, where your energy bills are fair and predictable.

Issues to be Addressed by the Interim Tariff

The interim tariff is designed to address pressing issues in our existing tariff structures. Let's look at some of these issues and then we'll explore how we plan to tackle them.

Accurate Projections

Firstly, we've noticed a gap between what the utility projects it will charge and the actual electricity you consume. This disconnect can lead to discrepancies in your bills.

Renewable Energy Categorisation

Secondly, renewable energy is sometimes grouped with regular fuel-generated electricity, which can distort the real picture of our nation's energy efficiency. It's important for us to distinguish and incentivise renewable energy properly in order to achieve our sustainability goals.

Fuel Cost Over-Recovery

We've also encountered situations where fuel costs were over-recovered, which means that you ended up paying more than you should, and that's not something we want.

Inconsistent Fuel Charge Dates

Furthermore, the dates when fuel charges are applied can vary each month, causing confusion among consumers. Clarity and consistency in billing are essential for you to understand why you're paying what you are.

Interim Tariff Solutions

So, how are we planning to address all of this?

True Costs

Our foremost aim is to ensure that the cost of fuel is accurately reflected in your bill. We want to avoid any unnecessary excess charges. It's about transparency and making sure you're charged for what you genuinely use.

Fair Charges

We're all about fairness. With the interim tariff, we aim to ensure that you're charged appropriately for the services you use and the renewable energy you consume. This means separating renewable energy from conventional fuel-generated electricity, providing you with a fair price for your energy use.

Adjusting Non-Fuel Charges

And lastly, as I mentioned, the charge that's not related to fuel hasn't changed since 2016. We believe it's past time for a review. By revisiting non-fuel charges, we can ensure they align with our changing energy landscape and economic developments.

So, tariff reviews are about more than just numbers and calculations; they're about making sure that the costs you bear are fair, transparent, and reflective of the energy future we're building for Grenada. The interim tariff brings us one step closer to this future while ensuring that the utility company gets fair returns on their investments.

Let's take a look at what your new interim tariff structure will look like.

Interim Tariff Structure

As you can see, the interim tariff is also made up of four main components: **base non-fuel costs**, **fuel costs**, **renewable energy costs**, and **sales**.

We've already covered the base non-fuel and fuel-related costs, but here we have two new ones to discuss.

Renewable Energy Costs

Renewable energy is going to be a significant aspect of our energy future. As we transition towards a more sustainable and environmentally friendly energy landscape, **renewable energy costs** become an essential part of the equation. They reflect the expenses associated with harnessing and integrating renewable energy sources into the power grid.

Sales

And then we have sales. Measured in kilowatt-hours, this is the amount of energy you've used for the billing period.

The Formula

That brings us to the formula used to calculate your bill. It's simpler than you might think. To calculate the average electricity price, your utility **adds** the **base non-fuel costs**, the **fuel cost**, and the **renewable energy cost**. Then they **divide** that number by the **sales** (also known as your usage over the billing period), and, voila, they get the number that lands on your electricity bill.

Global Influences on Energy Prices

Understanding Energy Price Fluctuations

Now, as I promised earlier, it's time to venture beyond Grenada's shores to explore how global factors influence our energy prices. It's not just about our local climate; international events and seasonal changes can impact the fuel costs we face here.

Global Supply and Demand

One of the major influences on our energy costs is the global balance between supply and demand for energy resources. Events like geopolitical conflicts or economic shifts can disturb the balance. For example, the ongoing conflict in Ukraine and the related bans on Russian gas have raised energy prices worldwide.

Seasonal Changes

The time of the year also plays a significant role. As winter approaches in the northern hemisphere and temperatures drop, the demand for energy—especially for heating—surges. This leads to cost spikes everywhere, as nations without their own oil and gas resources are essentially paying the same prices around the world regardless of their respective climates.

Impacts on Grenadians

What does this mean for us here in Grenada? Our energy costs aren't as stable as we'd like. We're paying more during autumn and winter, even though we don't experience those seasons here. We're paying more due to geopolitical events playing out half a world away.

It's obviously not ideal.

The good news is that our national journey towards renewable energy can help us mitigate these fluctuations and create a more stable energy landscape for us all.

Let's talk about how PURC is prepared to help you benefit from the stability that renewable energy can bring.

The Role of Renewable Energy

Introduction to Renewable Energy

Renewable energy is crucial in our quest for a greener and more stable energy future. From solar energy to geothermal, wind power to biomass, and hydropower, Grenada is blessed with a wide variety of renewable energy sources that can help us protect our stunning environment.

Reducing the Impact of Fuel Price Fluctuations

But, of course, renewable energy isn't just about being eco-friendly; it's also a shield against unpredictable fuel price changes. By adopting renewables, we can all enjoy stable energy costs and reduce our reliance on traditional and costly power sources.

So, how can you, as individuals, share in these benefits while making a real difference in shaping Grenada's energy future?

PURC's Renewable Energy Programmes

That's where PURC's innovative renewable energy programmes come into play. We're not just talking about clean energy; we're talking about empowering you, the people, to be a part of this green transition through our Small-Scale Independent Power Producer (SIPP) and the Self-Generator Programme. Through these initiatives, you can generate your own clean energy, reducing your energy costs while protecting our nation's environment.

Self-Generator Programme

Let's begin with the Self-Generator Programme. It's an innovative approach to creating an avenue for you, as individuals, to participate in our renewable energy transition. It allows you to generate electricity, primarily for your own personal use, and sell your excess energy back to the grid. Under this programme, with an initial 15-year permit, residential participants can generate **1.2 times** their current average annual energy consumption. Non-residential participants can generate **0.6 times** their current average annual energy consumption.

Some of the benefits you can enjoy by participating in this programme include:

- Decreased electricity bills, as you'll be using less power from the grid;
- The possibility of payment for the excess electricity you sell back to the grid;
- The self-reliance that comes from storing the energy you generate to use in case of a power outage;
- The ability to play an active role in reducing Grenada's carbon footprint.

Small-Scale Independent Power Producer (SIPP) Programme

Now, let's move on to the SIPP. This one is all about promoting low-carbon energy, creating a level playing field, boosting our nation's energy security, and offering you affordable and sustainable energy.

Local Independent Power Producers with the technical skills and resources to construct and operate renewable energy facilities can now do it with guidance from PURC and GRENLEC. With an initial 25-year licence, participants can sell energy to GRENLEC under a Feed-In Tariff model and even have the option to renew or modify it.

The best part: you'll get a guaranteed payment for all the renewable energy you sell and stable long-term contracts for up to 25 years. It's your chance to make a positive impact on Grenada's energy transition and create a source of revenue while doing it.

Conclusion

As you can see, you aren't just a spectator in this process; you're an active participant in shaping Grenada's energy landscape. As we at PURC work to ensure that you enjoy reliable and sustainable utility services at fair and reasonable prices through this tariff review, we invite you to seize these opportunities to help secure a sustainable energy future that benefits us all.

And with that, we bring our presentation to a close. Thank you for your time, your engagement, and your dedication to Grenada's energy future. Together, we are building a brighter and more sustainable tomorrow.