



THE

JAMAICA GAZETTE

EXTRAORDINARY

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No. 6A¹

The following Notification is, by command of His Excellency the Governor-General, published for general information.

DIONNE TRACEY DANIEL, (MRS.)
Governor-General's Secretary.

GOVERNMENT NOTICE

LICENCE

No. 19A

JAMAICA PUBLIC SERVICE COMPANY LIMITED
ELECTRICITY LICENCE 2016

WHEREAS:-

- A. The Minister, in exercise of the powers conferred by Section 3 of the Electric Lighting Act, and having regard to the recommendations of the Office of Utilities Regulation ("the Office") pursuant to Section 4 of the Office of Utilities Regulation Act, as amended, granted to Jamaica Public Service Company Limited ("the Licensee") a Licence authorizing the Licensee to generate, transmit, distribute and supply electricity for public and private purposes within Jamaica subject to the conditions set out in Part II ("the Conditions") of the said Licence, which was gazetted on April 12, 2001; and
- B. In 2007 Marubeni Corporation, acting through its affiliate Marubeni Caribbean Power Holding, Inc. ("Marubeni"), entered into an agreement with Mirant Corporation ("Mirant"), which at the time held an eighty percent (80%) indirect ownership interest in the issued share capital of the Licensee, for the purchase of Mirant's indirect ownership interest in the Licensee, the sale of which required the consent of the Government of Jamaica ("GOJ"); and
- C. As conditions of the GOJ's consent to the said Agreement pursuant to Article 10 of the "First Amended and Restated Shareholders' Agreement" dated July 16, 2001 entered into between the Government of Jamaica acting through the Development Bank of Jamaica and Mirant JPSCO (Barbados) SRL, Marubeni was required to agree to certain provisions which in the opinion of the GOJ was necessary to ensure the viability of the Licensee as the sole distributor and supplier of electricity throughout Jamaica and the safe, reliable and economic supply of such electricity; and
- D. In relation to the said conditions and to achieve the needed improvements in the generation, transmission and distribution of electricity throughout the island of Jamaica, Marubeni agreed by letter agreement dated July 9, 2007 between itself and the Development Bank of Jamaica for and on behalf of the GOJ (the "2007 Letter Agreement"), that the Licence be amended to make provision for the term of the Licence to be extended by a further twenty (20) years, from 2007, as of the date of the establishment of the following operational measures as agreed with the Office:
- (i) a Transmission and Distribution Code;
 - (ii) a Merit Order Despatch System for generating units;
 - (iii) an adequate Spinning Reserve Policy; and
 - (iv) an effective and appropriate Loss Reduction Policy to reduce loss of electrical energy from the generating and Transmission and Distribution Systems.
- E. The date of the establishment of the operational measures as set out in Recital D above has been agreed between the Office and the Licensee resulting in an agreement that the Licence term be extended by twenty (20) years from July 9, 2007;
- F. In August 2011, and in order to fulfil the outstanding terms and conditions of the said 2007 Letter Agreement, and pursuant to Condition 30: Modification of this Licence, the Minister and the Licensee agreed to amend and restate the All-Island Electric Licence, 2001;
- G. By letter agreement dated July 4, 2014 between the Licensee and the GOJ, the Amended and Restated All-Island Electric Licence, 2011 was further amended, *inter alia*, to delete Condition 18 thereof;
- H. In an effort to spur development and facilitate growth of the economy, Cabinet, on the recommendation of the Electricity Sector Enterprise Team, mandated that the Minister negotiate certain amendments to the Amended and Restated All-Island Electric Licence, 2011 with the Licensee;
- I. Negotiations involving the Ministry, the Electricity Sector Enterprise Team and the Licensee were concluded on December, 18, 2015 to achieve Cabinet's directives as well as to reflect other changes to the Licence which arose out of discussions amongst all the said parties; and
- J. In order to comply with the directive of Cabinet, and pursuant to Condition 30, the Minister and the Licensee now agree to amend and restate the Amended and Restated All-Island Electric Licence, 2011 as set out herein, which shall henceforth be referred to as the Electricity Licence, 2016.

PART I: *Scope of the Licence*

1. The Minister, in exercise of the powers conferred by Section 3 of the Electric Lighting Act and having regard to the recommendations of the Office pursuant to Section 4 of the Office of Utilities Regulation Act as amended (the "OUR Act") **HEREBY GRANTS** to the Licensee a Licence authorizing the Licensee to generate, transmit, distribute and supply electricity for public and private purposes within Jamaica subject to the conditions set out in Part II hereof ("the Conditions") and as noted herein. The effective date of this Licence is the 30th day of March, 2001.
2. This Licence has also been modified pursuant to Condition 30 hereof as of 19th day of August, 2011 and the 27th day of January, 2016.
3. Consequent on the said modifications this Licence shall be cited as the Electricity Licence, 2016.

PART II: *Terms and Conditions*

1. Unless the contrary intention appears, words and expressions used in this Licence shall be construed as if they were in an Act of Parliament and the Interpretation Act applied to them and references to an enactment shall include any statutory modification or re-enactment thereof after the date when this Licence comes into force.
2. Any word or expression defined for the purposes of any provision of the Electricity Act ("EA") or the OUR Act shall, unless the contrary intention appears, have the same meaning when used in this Licence.

3. In this Licence, unless the context otherwise requires:

"Adjustment Date" means the date for the implementation of the annual adjustment of the rates using the Performance Based Rate-making mechanism (PBRM);

"Affiliate" in relation to any Person means any holding company or Subsidiary of that Person or any Subsidiary of a holding company of that Person in each case within the meaning of Section 151 of the Companies Act, 2004;

"Annual Revenue Target" means the Revenue Cap for the year, plus a true-up amount to account for the over or under recovery of non-fuel revenue in the prior year. This target shall form the basis for setting the Licensee's non-fuel rates in each year, as specified in Exhibit 1 of Schedule 3 of this Licence;

"Assets" mean the material assets and facilities owned, operated or leased by the Licensee, including the Real Estate.

"authorized" in relation to any business or activity means authorized by licence granted under Section 3 of the Electric Lighting Act;

"authorized electricity operator" means any holder of an Electricity Licence granted under Section 3 of the Electric Lighting Act;

"Base Year" shall comprise the latest twelve months of operation of the Licensed Business for which there are audited accounts adjusted to reflect:

- (i) Normal operational conditions, if necessary;
- (ii) Such changes in revenues and costs as are known and measurable with reasonable accuracy at the time of filing and are demonstrated as part of a five year Business Plan.

The Base Year shall represent the first year of the Business Plan;

"Business Plan" the Business Plan shall be a five (5) year plan incorporating the final criteria set by the Office, the Integrated Resource Plan (IRP) and forms the basis for the Rate Review process to establish the non-fuel rates;

"code of practice" means a code(s) of practice to be developed by the Licensee;

"Companies Act" means the Companies Act, 2004 and any amendments thereto;

"Despatch" means the central management and direction of Generation Sets and other sources of supply to the System in order to achieve the optimal safety, reliability and economic supply of electricity;

"Distribution Line" means any electric power line operating below 69,000 volts;

"Distribution System" means that part of the electricity system that operates below 69,000 volts;

"EA" means the Electricity Act, 2015 and any amendments thereto;

"effective date" means the 30th day of March, 2001.

"Electricity Licence" means a licence granted under Section 3 of the Electric Lighting Act and pursuant to the recommendation of the Office under Section 4 of the OUR Act authorizing the Licensee to carry out any or all of the generation, transmission, distribution or supply of electricity;

"Electric Power Wheeling" means an arrangement whereby a Self-Generator provides electricity to the System on terms pursuant to which an equivalent amount of electricity may be used from the System at one or more locations by that Self-Generator.

"Fair Market Value" means the market value of the Licensee when evaluated as an on-going business concern including this Licence and all lands, buildings, works, materials, plant and property of all kinds whatsoever suitable to or intended for the purposes of the Licenced Business. The Fair Market Value shall be determined in accordance with the provisions of Condition 27.

"Financial Year" bears the meaning given in paragraph 1 of Condition 5;

"Firm Capacity" is the guaranteed amount of sustained power output in kW to be supplied by a Self-Generator to the Licensee;

"Force Majeure" means any event or circumstance or combination of such events or circumstances that:

- (i) occurs inside Jamaica, except as provided in clause (h) below;
- (ii) is outside the reasonable control of the Licensee;
- (iii) cannot be prevented or overcome by the exercise of reasonable diligence; and
- (iv) materially and adversely affects the performance by the Licensee of its obligations under this Licence, to the extent that such event(s) or circumstance(s) meet the foregoing requirements (i) through (iv), including:
 - (a) acts of God, fire; explosion, chemical contamination, earthquakes, flood, lightning, drought, tsunami, torrential rain, storm, cyclone, typhoon or tornado, pestilence or other natural catastrophes, epidemics or plague, or any strikes, work to rule, go-slows or other labour disturbances that directly affect the Assets of the Licensee;
 - (b) any failure or inability by the Licensee to obtain or renew any licences (other than this Licence), concessions or permits or other Governmental Requirements that are necessary for the Licensee to conduct its business on terms and conditions at least as favourable as those contained in the original licence (and not this Licence), concession or permit after the submission of an

application that fulfils all the applicable requirements of the relevant Government Requirements and the exercise of due diligence to obtain such licence (other than this Licence), concession or permit;

- (c) any strikes, work to rule, go-slows or other labour disturbances that extend beyond the Assets of the Licensee, are widespread or nationwide or are of a political nature, including labour actions associated with or directed against a ruling political party, or those that are directed against the Licensee (or its contractors or suppliers) as part of a broader pattern of labour actions against companies or facilities with foreign ownership or management;
- (d) expropriation, requisition, confiscation, nationalization or compulsory acquisition by a Governmental Authority of the Licensee or any substantial portion of the Assets;
- (e) acts of war (whether or not declared), invasion, blockade or embargo;
- (f) acts or threats of terrorism, widespread riot, widespread violent demonstrations, widespread armed insurrection, widespread rebellion or revolution;
- (g) the closing or drastic reduction in capacity of public harbours, ports, docks, canals, roads, airports or other infrastructure, the rationing thereof or any import or export restrictions; or
- (h) to the extent that they result in disruption of the Licensee's ability to receive shipments of fuel, major equipment or critical spare parts, any strikes, work to rule, go-slows or other labour disturbances that occur outside of Jamaica.

"Fuel Cost Adjustment Mechanism" means the adjustment to the monthly fuel rate to recover the actual expenses incurred by the Licensee through its Generation Sets; reimbursements made to the independent power producers adjusted for heat rate as defined in Exhibit 2; payments made to Self Generators that have entered into net billing or wheeling arrangements; and any approved surcharge in relation to payments made to independent power producers;

"Generation Business" means the business of the Licensee in the generation of electricity;

"Generation Code" means the rules made by the Office, with the approval of the Minister, that governs generation activities in the electricity sector;

"Generation Facility" means any power plant and associated equipment owned or controlled by the Licensee with a net capacity in excess of 10 MW;

"Generation Set" means any plant or apparatus for the production of electricity;

"Government Electrical Regulator" means the Government Electrical Regulator designated as such under the provisions of the EA;

"Governmental Authority" means any (a) national, municipal, central or local government, department, central bank, court, council, commission, board, bureau, tribunal, agency or instrumentality of Jamaica, or (b) any subdivision, agent, commission, board or authority of any of the foregoing;

"Government Imposed Action" means any Governmental Requirement or action imposed by the Minister on the Licensed Business, after the date of this Licence, that has an annual incremental cost or saving in excess of \$50 million (adjusted annually for Jamaican inflation), in the areas of -

- environmental standards, laws and regulations;
- licence fees;
- taxes; or
- any condition that applies specifically to the Licensed Business;

"Governmental Requirement" means all laws, statutes, orders, ordinances, injunctions, constitutional provisions, treaties, licences, notices, rules, rulings, regulations, concessions, decisions, authorizations, consents, decrees, permits, proclamations, instructions, certifications, judgements, verdicts, confirmations, approvals, filings or similar items of, or granted by, any Governmental Authority which are applicable to the Licensee.

"Guaranteed Standards" mean the standards approved by the Office in accordance with Condition 17 and set out in Schedule 1;

"independent power producer" means a licensee that owns or operates a facility for the generation of electricity for use primarily by the public, and that is not the same legal entity as the Licensee;

"Licensed Business" means the business of Generation, Transmission, Distribution, Supply and Despatch of electricity as carried out by the Licensee under this Licence;

"Minister" means the Minister with portfolio responsibility for Electricity;

"the Office" means the Office of Utilities Regulation as defined in the Office of Utilities Regulation Act;

"OUR Act" means the Office of Utilities Regulation Act 1995 and amendments thereto;

"outside person" means any person who is not an Affiliate of the Licensee;

"Overall Standards" means the standards of performance approved by the Office in accordance with Condition 17 and set out in Schedule 2;

"Person" means an individual, a partnership, a joint venture, a corporation, a limited liability company, a limited liability partnership, a trust, a self-regulating organization, unincorporated organization or a governmental entity or any department or agency thereof;

"Price Controls" means the restrictions on prices charged by the Licensee imposed by virtue of Condition 15 and the Schedules;

"Rate Review Process" means the five (5) year rate setting process of the Office to determine the non-fuel rates to be

charged by the Licensee as well as the targets related to the Licensee's performance;

"Regulatory Accounts" means the reports on the financial and operating performance of the Licensee in such detail and format as designated by the Office;

"Regulatory Service Fees" means the Fees from time to time in force under the OUR Act;

"Renewable Sources" means energy resources that are naturally regenerated and are not depleted when exploited, including but not limited to solar, wind, biomass and water;

"Revenue Cap" is the revenue requirement approved in the last Rate Review process as adjusted for the rate of change in non-fuel electricity revenues (dPCI) at each Annual Adjustment date as set out in Exhibit 1 of Schedule 3;

"Revenue Requirement" is the non-fuel cost that the Licensee should recover through the non-fuel rates;

"Self-Generator" means a person who generates electricity for that person's own exclusive use, and shall include a person who has entered into a net billing, or wheeling arrangement;

"Service Line" means any electric line (including the poles and structures used for the support of same) through which energy may be supplied or be intended to be supplied by the Licensee to a consumer either from any Distribution Line or directly from a Transmission Line, generating station or sub-station of the Licensee;

"Site" means any land upon which any Generation Facility or any other part of the System is located or proposed to be located and any building or other physical structure located or proposed to be located on such land;

"Spinning Reserve Policy" means the policy to be included in the Generation Code which governs the provision of unloaded generating capacity in MW which is synchronised and ready to serve System demand;

"Subsidiary" shall have the meaning specified in Section 151 of the Companies Act;

"Supply" means the business of the Licensee in selling electricity to customers;

"System" means the transmission and distribution network consisting wholly or mainly of electric lines owned or operated by the Licensee and used to transmit electricity and includes any electrical plant and meters owned or operated by the Licensee in connection with the transmission and distribution of electricity;

"Transmission Line" means any electric power line operating at 69,000 volts or higher;

"Transmission System" means that part of the electricity system that operates at 69,000 volts or higher; and

"Weighted Average Cost of Capital (WACC)" is the approved cost of funding for the Licensed Business expressed as a percentage which shall be calculated by the Office in accordance with the guidance provided in Schedule 3 as part of the rate review process.

4. The Schedules attached to this Licence form part of the Conditions.
5. Any reference in a Condition of this Licence to a numbered paragraph is a reference to the paragraph bearing that number in the Condition in which the reference occurs.
6. In interpreting this Licence, headings shall be disregarded.
7. Any reference in this Licence to an Act shall include any regulations made thereunder.
8. Where in this Licence the Licensee is required, pursuant to Section 9 of the *OUR Act*, to comply with any obligation within a specified time limit, that obligation shall be deemed to continue after that time limit if the Licensee fails to comply with that obligation within that time limit and the provisions of the *OUR Act* and the *EA* shall apply in respect of non-compliance where applicable.
9. The provisions of Sections 8 and 52 of the Interpretation Act shall apply for the purposes of the service of any document pursuant to this Licence.

Condition 2: General Conditions

1. The Licensee is, for the purpose of this Licence, Jamaica Public Service Company Limited whose registered office address for the purpose of this Licence is No. 6 Knutsford Boulevard, Kingston 5 in the Parish of St. Andrew.
2. The Licensee is hereby granted the Licence, right and privilege (hereinafter called "this Licence") to generate, transmit, distribute and supply electricity for public and private purposes in all parts of the Island of Jamaica, subject however, to the provisions of this Licence and to regulation as herein provided.
3. Subject to the provisions of this Licence the Licensee shall provide an adequate, safe and efficient service based on modern standards, to all parts of the Island of Jamaica at reasonable rates so as to meet the demands of the Island and to contribute to economic development.
4. The Licensee shall have the exclusive right to provide service within the framework of this Licence as follows:
 - a. in the first three (3) years from the effective date of this Licence, the Licensee shall have the exclusive right to develop new generation capacity. Upon the expiry of this period the Licensee shall have the right together with other outside person(s) to compete for the right to develop new generation capacity to satisfy demand growth.
 - b. the Licensee shall have the exclusive right to transmit, distribute and supply electricity throughout Jamaica from the effective date of this Licence (that is, March 30, 2001) until July 8, 2027.

Provided that no firm or corporation or the GOJ or other entity or Person shall be prevented from providing a service for its or his own exclusive use.

5. The Licensee shall purchase electricity from independent power producers and persons who have entered into a net billing arrangement, for transmission and distribution through the System. Any dispute as to the terms and conditions on which such transactions take place may be determined by the Office upon reference to it by either party. Prior to determining any such dispute, the Office shall give to both parties an opportunity to make submissions to the Office. The Licensee shall have an obligation to connect to independent power producers and persons who have entered into a net billing arrangement, where a power purchase agreement or standard offer contract, respectively, has been executed, save where both the Licensee and the Government Electrical Regulator agree that the respective connection will compromise the safety and protection of the System.
6. The Licensee shall discharge its obligations and perform the duties imposed or authorized under the relevant laws and shall enjoy the rights and exercise all powers conferred by such laws.
7. The Licensee may engage in any other business but no profits or losses resulting therefrom shall be taken into account in the fixing of rates for the Licensed Business and shall therefore keep separate accounts for the Licensed Business as directed by the Office in accordance with Condition 5 paragraph 2.
8. The Licensee may, subject to any Licence which may be required under any law or Act, maintain and use within its area of supply as a means of communication between the Licensee and its employees and/or contractors (but not including communication with other third parties) and only in respect of its business and affairs, telephone, telegraphic and radio or any other method of signalling or communication.
9. The Licensee shall be a company incorporated in Jamaica.
10. Any proposed reorganization of the capital structure of the Licensee shall be on such a basis where it:
 - a. meets the ruling conditions in major international financial markets; and
 - b. establishes an overall equity/debt ratio which conforms to the customary practices of electric utility operation recognizing the specific peculiarities of operating exclusively in Jamaica (i.e. sovereign rating).
11. The Licensee shall not show any undue preference to or unduly discriminate against any Person (whether or not it is any other business of the Licensee or an Affiliate of the Licensee) or class of Persons as respects the sale or purchase of any goods (including electricity), service (including connections and use of System) or opportunity or access to the same.
12. The Licensee shall not take or omit to take any action or otherwise conduct itself in a manner which:
 - a. is intended to have, has or is likely to have the effect of restricting, distorting or preventing competition in the procurement of generation capacity, after the three (3) year period specified in paragraph 4(a); or
 - b. is an abuse of a dominant position as defined in Section 20 of the Fair Competition Act.

Condition 3: Term of Licence

1. Subject to the provisions herein contained, the term of this Licence shall be from the effective date (that is, March 30, 2001) to July 8, 2027 and negotiations for a new licence shall be commenced not later than the beginning of the twenty-third (23rd) year of the said term.
2. The GOJ shall have the right to acquire the Licensed Business at the expiration of the said term of this Licence (that is, July 8, 2027), in accordance with Condition 27, provided that the Minister shall give not less than two (2) years' prior notice of the intention to do so. If no notice of intention to acquire is given as aforesaid and, if by the expiration of this Licence or of such further period as the Minister and the Licensee may agree, the terms and conditions of a new licence under the EA shall not have been agreed on, this Licence shall continue in force for successive terms of ten (10) years each, upon the same terms and conditions as are herein contained subject to the right of the GOJ to acquire the Licensed Business at the end of each successive ten (10) year term upon giving not less than two (2) years' prior notice of the intention to do so and upon the same basis as provided for acquisition upon the expiration of the original term of the Licence and provided, prior to the expiration of every such ten (10) year term, negotiation for a new licence shall be undertaken in accordance with the procedure herein prescribed with a view to agreeing upon the terms and conditions of a new licence.

Condition 4: Assignment or Transfer of Licence

This Licence shall not be assignable unless with the prior consent in writing of the Minister given in his absolute discretion.

Condition 5: Accounts for the Licensed Business

1. The financial year of the Licensee shall run from January 1 to December 31 or fiscal year as agreed with the Office.
2. The Licensee shall maintain such Regulatory Accounts as may reasonably be specified by the Office consistent with generally accepted accounting principles and the EA.
3. The Licensee shall in respect of the Licensed Business:
 - (a) keep or cause to be kept for the period referred to in Section 145 of the Companies Act and in the manner referred to in that Section such accounting records in respect of the Licensed Business as would by sections 144 and 146 of the Companies Act be required to be kept;
 - (b) prepare on a consistent basis from such accounting records, accounting statements which conform to generally accepted accounting practices, state the accounting policies adopted and are in such form and in such detail as the Office may from time to time reasonably require;
 - (c) procure in respect of accounting statements prepared in accordance with this Condition, a report by the Licensee's auditors for the time being and addressed to the Office, stating whether in their opinion those statements have been properly prepared in accordance with this Condition and give a true and fair view of revenues, costs, Assets, liabilities, reserves and provisions of, or reasonably attributable to, the Licensed Business; and
 - (d) deliver to the Office a copy of the accounting statements required to be prepared by this Condition together with the Auditor's report referred to in sub-paragraph (c) above as soon as reasonably practical and in any event within three

(3) months after the end of the period to which they relate.

4. The Licensee shall in respect of its financial affairs:
 - (a) keep and prepare such accounts and accounting statements for, and as at the end of each financial year, as would be required by Sections 144 and 146 of the Companies Act to be kept by the Licensee if the Licensee were a Licensee which was not a Subsidiary of any other company and which did not have any subsidiaries or Affiliate(s); and
 - (b) procure in relation to such accounting statements a report of the auditors addressed to the Office, and deliver a copy of such accounting statements to the Office, in accordance with, *mutatis mutandis*, the requirements of sub-paragraph (c) and (d) of paragraph 3.
5. The Licensee shall make the accounting statements referred to in paragraphs 3 and 4 available to the public within 28 days of the date upon which it is required to deliver the same to the Office and shall, subject to payment of a reasonable charge, send a copy of such accounting statements to any person who requests them.

Condition 6: Prohibited Activities and Protection of Assets

1. In this Condition:

"encumbrance" means any mortgage, charge, standard security, assignment or assignation by way of security, right of possession or other form of security interest;

"relevant asset" means:

- (a) any asset whose value is greater than 5% of the then current net value of the property, plant and equipment of the Licensee and employed by the Licensee in the operation of the System;
 - (b) any asset whose value is greater than five percent (5%) of the then current net value of the property plant and equipment of the Licensee and forming part of the System or used in conjunction therewith, title or interest in land upon which any of the foregoing are situated; and
 - (c) any Generation Set owned by the Licensee that is used at a capacity factor greater than ten (10%) percent in each of the most recent three (3) years.
2. The Licensee shall not, except insofar as the Minister may consent, such consent not to be unreasonably withheld:
 - (a) conduct any business other than the Licensed Business;
 - (b) guarantee the obligations of any Person other than the Licensee;
 - (c) create any encumbrance over any relevant asset to secure any obligation of any such other Person; or
 - (d) acquire or maintain any interest in any other holder of a licence to generate electricity in Jamaica.
 3. This Condition shall not prevent the Licensee from establishing subsidiaries in order to engage in any business other than the Licensed Business.
 4. The Licensee shall maintain (which shall include appropriate registration in respect of intellectual property) and repair all relevant assets throughout the term of this Licence in accordance with good industry practice so as to enable it to meet its obligations under this Licence.
 5. The Licensee shall have the right of first refusal, as defined in the EA, in relation to the replacement of Generation Sets owned by the Licensee, on terms to be determined by the Generation Procurement Entity as designated under the EA, which shall have responsibility for the procurement of generation capacity.

Condition 7: Restriction on Use of Certain Information

1. For the purposes of this Condition:

- (a) "protected information" means information which the outside person marks as "confidential". Protected information shall not mean:
 - (i) information that is independently developed by the Licensee without the utilization of the protected information;
 - (ii) information that is or becomes public knowledge without the fault of the Licensee;
 - (iii) information that is or becomes available to the Licensee from another source without any legal obligation to protect such information; or
 - (iv) information that is disclosed pursuant to a Governmental Requirement.
- (b) "dealings" includes dealings entered into otherwise than for the purposes connected with the transmission or distribution of electricity; and
- (c) "nominated person(s)" means the Person(s) from time to time nominated by the Office for the purposes of this Condition by notice to the Licensee.

2. The Licensee shall ensure:

- (a) that neither the Licensee nor any other Person obtains any unlawful commercial advantage from its use of protected information; and
- (b) that protected information is not used by the Licensee or any other Person for the purpose of obtaining for the Licensee or that other Person:
 - (i) an unlawful advantage in the competitive process for the procurement of new generating capacity, after the aforementioned three (3) year period; and
 - (ii) unlawful control of any body corporate which, directly or indirectly, has the benefit of any such licence or right or when carrying on activities other than activities carried on for the purposes of

the operation of the System.

3. The Licensee shall implement such measures and procedures and take all such other steps as may be specified in directions issued by the Office from time to time for the purposes of this Condition to be in its opinion reasonably necessary for the purpose of securing compliance by the Licensee with its obligations under paragraph 2.
4. The Licensee shall:
 - (a) procure and furnish to the Office, in such manner and at such times as the Office may reasonably require, such information and reports as the Office may consider necessary concerning the performance by the Licensee of its obligations under paragraphs 2 and 3 and the effectiveness of the measures, procedures and steps specified in the directions referred to in paragraph 3 to secure compliance by the Licensee with its obligations under paragraph 2;
 - (b) take all reasonable steps to ensure that access to any data, information, records (in electronic format or otherwise) of the Licensee shall be given at any time and from time to time to any nominated person(s) for the purpose of investigating whether the Licensee has performed its obligations under paragraphs 2 and 3 and the effectiveness of the measures, procedures and steps specified in the directions referred to in paragraph 3 to secure compliance by the Licensee with its obligations under paragraph 2 and that the Licensee and its employees shall co-operate in any such investigation to the extent requested by the nominated person(s); and
 - (c) take all reasonable steps to ensure that nominated person(s) shall be entitled to inspect and/or take copies of such data, information, records (in electronic format or otherwise) of the Licensee as they shall consider to be reasonably necessary for the purpose referred to in sub-paragraph (b) above.
5. This Condition is without prejudice to the duties at law of the Licensee towards outside persons.

Condition 8: Information Access and Audit Rights for the Office

1. The Licensee shall furnish to the Office and the Minister annual regulatory reports not later than ninety (90) calendar days after the end of each financial year relating to its activities during that year in such form as the Office designates.
2. The regulatory report will detail information relating to the Licensee's performance against:
 - (a) the Guaranteed Standards;
 - (b) the Overall Standards;
 - (c) the technical service standards; and
 - (d) Any other information which may be reasonably specified from time to time.
3. Intentionally deleted.
4. The Licensee shall submit quarterly reports to the Office providing information in relation to:
 - (a) Guaranteed Standards;
 - (b) Overall Standards;
 - (c) technical service standards; and
 - (d) Any other information which may be reasonably specified from time to time.
5. The Licensee shall provide such other reports to the Office and the Minister as may be reasonably specified from time to time.
6. The Licensee shall, in accordance with good industry practice, maintain and keep all appropriate books, records and accounts in respect of the activities to which this Licence relates.
7. The Office, and its agents shall be entitled during the normal business hours and without notice to attend at any premises from time to time owned or occupied by or in the possession of the Licensee for the purpose of inspecting any books, records and accounts of the Licensee to which this Licence relates and the Licensee shall fully co-operate and assist the Office and its agents for such purposes. Notwithstanding this obligation, the Licensee shall not be compelled to provide information which it could not be required to reveal in a civil action. The Licensee shall at the request of the Office furnish the Office and its agents, at the Licensee's expense, with a copy (in such format as the Office may specify) of any book, record or accounts as the Office may reasonably require.

Condition 9: Use of Appropriate Staff

1. The Licensee shall, in connection with the conduct of its licensed activities, ensure that all its employees are appropriately trained and qualified.
2. The Licensee shall endeavour, wherever prudent and reasonable, to employ Jamaican and CARICOM nationals to fill vacant posts.

Condition 10: Payment of Regulatory Service Fees

1. The Licensee shall pay such Regulatory Services Fees to the Office as are prescribed by the Office from time to time in accordance with the OUR Act.
2. The Regulatory Service Fees shall be such amounts as apportioned from the budget of the Office, which the Office thinks reasonably reflects the cost to be incurred by the Office in relation to regulating the services to which the Licence relates.
3. Regulatory Service Fees become due annually on April 1 but may be payable over the period of a year based on the arrangement made between the Office and the Licensee.

Condition 11: Penalties for Breach

1. Any neglect or wilful contravention of any provisions of this Licence shall render the Licensee subject to action under the

provisions of Section 9 of the OUR Act provided that any Person having any civil claim against the Licensee shall in no way be prejudiced in enforcing the same by the fact that any penalty or penalties has or have been recovered against the Licensee in respect of the same act or omission or default out of which the civil claim aforesaid arises.

2. On application to the Minister, which has been granted, the Licensee shall be excused for any non-compliance with this Licence caused by Force Majeure.

Condition 12: Charges for Use of the System or Top-up or Standby Supplies and Electric Power Wheeling

1. The Licensee shall implement an Electric Power Wheeling service for customers with an annual average demand in excess of 1 MVA in accordance with such terms and conditions as are approved by the Office. The Wheeling service shall be for Firm Capacity.
2. The use of system charge, as defined in the EA, shall be determined by the Office. The Licensee may prepare and submit to the Office, a cost of service study for the purpose of determining the use of system charge.

Condition 13: Duty to Connect

1. The Licensee shall publish a code of practise, approved by the Office, setting out, in respect of connections within 100 metres of an electricity Distribution Line and not requiring transformation, forming part of the System (local connections), its standard terms and conditions for connection together with a schedule of its charges. The code of practise shall include a methodology indicating the principles by which the charges have been calculated.
2. The Licensee shall publish a code of practise, approved by the Office, setting out, in respect of connections at a distance greater than 100 metres from an electricity Distribution-Line forming part of the System (complex connections) the basis upon which charges for complex connections will be made in such detail as shall be necessary to enable any Person to make a reasonable estimate of the charges to which it would become liable for the provision of a connection.
3. The Licensee shall prepare its charges for complex connections on a basis which is cost-reflective, including a reasonable rate of return.
4. On an application by any Person for a complex connection, the Licensee shall, within the periods specified in Schedule 1, offer to enter into an agreement to connect that Person to the System on fair and reasonable terms and at charges consistent with its published code of practise for complex connections and shall simultaneously notify the Person of the procedure to be followed in the event of a failure by the Licensee and the Person to agree terms.
5. If the Licensee and an applicant for a complex connection have failed to agree on the terms offered by the Licensee for connection to the System within forty-five (45) working days after the application has been made, then the Office may, on application by the Person seeking such connection, settle any terms of the agreement in dispute between the Licensee and that Person in such manner as appears to the Office after having considered the submissions of both parties to be fair and reasonable and if so directed by the Office, the Licensee shall offer to enter into an agreement upon the terms settled by the Office.
6. The Licensee shall prepare and submit to the Office for its approval and thereafter publish a code of practice concerning reimbursements to those customers who have paid a charge as a contribution-in-aid-of-construction for a complex connection and/or where other customers subsequently request a connection that depends upon the original complex connection.
7. The Licensee shall, not more frequently than annually, be entitled to revise its charges (or basis for charges) for connection to the System to a level approved by the Office so as to permit it to achieve a reasonable rate of return on its capital.
8. The Licensee shall publish the codes of practise referred to in paragraphs 1 and 2 above, as from time to time in force, in such places and by such methods as will bring the codes of practise to the attention of the greatest number of its actual and potential customers.
9. The Licensee shall, not more frequently than annually, be entitled to publish, with the consent of the Office, a revised version of the codes of practise referred to in paragraphs 1 and 2 above.
10. Notwithstanding any other provisions, the codes of practise shall contain the following:
 - (i) the Licensee shall at all times during the term of this Licence or any extension thereof furnish and maintain a Supply of electricity for public and private use in accordance with reasonable standards of safety and dependability as understood in the electric business;
 - (ii) the rights of any Person desiring to obtain electric service will be subject to his entering into an agreement with the Licensee in such form as may be established by the Licensee from time to time with the approval of the Office. Terms and conditions of Supply that are existing on the date of this Licence shall remain in force until modified by the Licensee with the prior approval of the Office. Any approved modification of the standard terms and conditions of Supply shall have immediate application on publication in the Jamaica Gazette and in one issue of a daily newspaper provided that where the modification is, in the opinion of the Office, of minor importance, the Office may, if it thinks it proper, by order, waive the requirement above;
 - (iii) for local connections the Licensee shall upon being required to do so by the owner or occupier of any premises that is not already served and whose premises is situated within two pole spans totalling more than 100 metres but one pole span where the first span exceeds 100 metres along a public road or highway from any Distribution Line of the Licensee give and continue to give a supply of energy for such premises at no construction cost to such owner or occupier up to the distance along a public road or highway aforesaid;
 - (iv) the Licensee will give a supply of energy for any premises so long as the owner or occupier will contribute to the Licensee the cost of Distribution Line extension in excess of the aforesaid distance. The cost of so much of the Service Line as may be passed over the property of such owner or the premises of such occupier and so much of such Service Line as may be necessary for a greater distance than 30 metres from the point of connection to the Distribution Line shall, if the Licensee so requires, be defrayed by such owner or occupier. If the Service Line is

required to be laid underground the Licensee may bear the equivalent cost of up to 30 metres of overhead Service Line. The Licensee may require such owner or occupier for whom such Distribution Line extension is constructed to agree to pay for electricity service for a period of two (2) years at the applicable rate in force from time to time. Should transformation of voltage be required then the Licensee may require such owner or occupier to contribute to the Licensee, part or all of the cost of providing and installing the transformation facilities; and

- (v) any dispute between the Licensee and an applicant for a Supply of service, an extension or improvement of service and as to the performance by the Licensee of its obligations under this Licence, shall be determined by the Office.

11. In this Condition the provision embodied in Condition 24 relating to the Licensee's duty to connect shall apply.

Condition 14: Charges and Terms and Conditions for the Supply of Electricity

1. The Licensee shall, save where it enters into special contracts with customers for the Supply of electricity pursuant to Section 14 of the *OUR Act*, charge its customers for such a Supply according to published rates, approved by the Office, as updated from time to time. Such published rates shall be cost-reflective, unless otherwise directed by the Office. Each rate category will apply uniformly across the Island and there will be no discrimination to customers on the rate charged based on location.
2. In accordance with policy directives issued by the Minister, the Office may require the Licensee to provide a concessional or lifeline rate for residential customers or a new rate class category in such a manner that will not compromise the allowed revenue across retail customer classes served by the Licensee.
3. The Licensee shall publish the statement of terms and conditions referred to in Condition 13 and its scale of rates in such places and by such methods as will bring them to the attention of the greatest number of its actual and potential customers. The Licensee shall make its terms and conditions available to customers, on demand.
4. Where the Office considers that by reason of the complexity of any such rates proposed by the Licensee, simplified explanatory statements are required or expedient for the understanding of rates by customers, the Office may direct the Licensee to draw up such explanatory statements and thereafter to publish them with the rates to which they relate.
5. The Licensee shall not make any revision in the rate applicable to any class of customers without the consent of the Office and shall, if required by the Office, make proposals for phasing in such a revision.
6. The Licensee shall, not more frequently than annually, be entitled to publish, with the consent of the Office, a revised version of the statement referred to in paragraph 4 above.
7. Rates shall become effective on the date specified in a publication of the Jamaica Gazette under the authority of the Office. The Licensee shall bring any new rate to the attention of its customers by publication in at least one issue of a daily newspaper.

Condition 15: Price Controls

1. The Licensee is subject to the conditions in Schedule 3.
2. The rates to be charged by the Licensee in respect of the Supply of electricity shall be subject to such limitation as may be imposed from time to time by the Office.
3. The book value of the property of the Licensee may be adjusted from time to time as a result of revaluations approved by the Office and the book value of such property at any given time shall be the value thereof in accordance with the most recent re-evaluation plus subsequent additions at cost and less subsequent retirements at book value.
4. Provisions for depreciation shall be maintained separately for the following classes of property:
 - (1) each generating plant subdivided into original plant existing at the date of this Licence and each additional generating unit;
 - (2) the Transmission System as a whole;
 - (3) the Distribution System as a whole;
 - (4) general property classified as follows:
 - (i) automotive equipment;
 - (ii) buildings; and
 - (iii) other equipment.

For annual depreciation expense purposes when the amount accumulated in the depreciation reserve applicable to a generating plant or unit is equal to its book value (depreciable property only) the generating plant or unit shall be considered as retired for the purpose of annual depreciation accruals. The foregoing classification may be altered from time to time by the Office in consultation with the Licensee.

5. Annual depreciation allowance shall be computed by applying reasonable annual straight line depreciation rates to the value of property, plant and equipment stated at book value. As a part of the Rate Review Process, the Office shall determine the adequacy of the depreciation rates based on a depreciation study conducted by a reputable firm of chartered accountants engaged by the Licensee. In respect of the items of plant and equipment listed in Schedule 4 to this Licence, the Office shall not establish depreciation rates lower than the respective rates set out in the said Schedule without consulting the Licensee.

Condition 16: Codes of Practice

1. At the direction of the Office, from time to time, the Licensee shall prepare and publish codes of practice in respect of the various matters that affect customers. These would address such issues as Efficient Use of Energy; Payment of Bills; Disabled Customers and Customers of Pensionable Age and Handling Customer Complaints.

2. Notwithstanding paragraph 1 above, the Licensee may issue codes of practice on its own volition.
3. In drafting codes of practice in accordance with paragraph 1, and in carrying out any review in accordance with paragraph 4, the Licensee shall consult with such bodies as the Office may designate, from time to time, and shall have regard to any representations made by them about the code of practice or the manner in which it is likely to be or (as the case may be) has been operated.
4. From time to time, and whenever required to do so by the Office, the Licensee shall review the codes of practice. The Licensee shall submit any proposed revisions to the codes of practice to the Office for approval prior to implementation.
5. The Licensee shall:
 - (a) send a copy of any codes of practice, prepared in accordance with paragraph 1 and of any revision of such code prepared in accordance with paragraph 4 (in each case, in the form approved by the Office) to the Office;
 - (b) draw to the attention of consumers the existence of the codes of practice and any significant revisions to it, and advise consumers how they may be inspected;
 - (c) make a copy of each code of practice available for inspection by the public during normal business hours at any of its premises usually open to the public; and
 - (d) give or send free of charge copies of the codes of practice (as from time to time revised) to any Person who requests it.

Condition 17: Guaranteed Standards and Overall Standards

1. The Licensee shall use all reasonable endeavours to achieve the Guaranteed Standards and the Overall Standards.
2. Breach of the Guaranteed Standards shall result in the Licensee making the applicable compensatory payment set out in Schedule 1 to the affected customer(s).
3. The Licensee shall give all reasonable assistance to the Office, or such other Person as the Office may designate to assist it, in the monitoring of the Licensee's performance of the Guaranteed Standards and Overall Standards.
4. The Licensee shall collect data on its performance against the Guaranteed Standards and the Overall Standards and report this to the Office and the Minister in such form and with such frequency as the Office may require.
5. Guaranteed Standards as well as the level of compensation payments will be reviewed periodically by the Office (normally between rate reviews) and where appropriate and in consultation with the Licensee, the Office may introduce new standards.
6. For the period April 2001 to December 2002 the Licensee shall make compensatory payments based on applications made by customers, thereafter, compensatory payments shall be made automatically.
7. Overall Standards will be reviewed periodically by the Office (at rate reviews) and where appropriate and in consultation with the Licensee, new standards introduced at rate reviews.
8. Guaranteed Standards and Overall Standards that may be in force from time to time form part of this Licence, and are subject to publication in the Jamaica Gazette under the authority of the Office, published on the websites of the Office and the Licensee and may be published by the Office in a daily newspaper.

Condition 18

Intentionally deleted.

Condition 18A: Interconnection with Self-Generators

1. The Licensee shall have an obligation to connect to a Self-Generator who wishes to connect to the grid, save where both the Licensee and the Government Electrical Regulator agree that the respective connection will compromise the safety and protection of the System.
2. The Generation Procurement Entity, after consultation with the Licensee, may approve the supply of excess electricity to the grid from Renewable Sources provided that the energy from Renewable Sources shall not exceed 20% of net energy to the System and provided further that the Generation Procurement Entity shall have regard to the stability of the System guided by the results of the latest available integrated resource plan.

Condition 19: Economic Purchasing of Electricity

1. The Licensee shall purchase electricity at the best effective price reasonably obtainable having regard to the sources available, contractual arrangements and GOJ policy.
2. In the discharge of its obligations under paragraph 1, the Licensee shall:
 - (a) have regard to any considerations liable to affect its ability to discharge its obligations under this Licence in the future, including the future security, reliability and diversity of sources of electricity available for purchase; and
 - (b) operate in accordance with the approved arrangements (or those specified by the Office) and not discriminate in its dealings as operator of the System, and in the operation of the merit order and any accounting and other systems which reflect the terms of the arrangements set out between itself and any other generator of electricity.

Condition 20: Economic Purchasing of Other Goods and Services

1. Without prejudice to Condition 19 the Licensee shall purchase or otherwise acquire goods and services from the most economical sources available to it having regard to the quantity, timing and nature of the goods or services required to enable the discharge of its obligations under this Licence and in compliance with the Fair Competition Act and any regulations made thereunder.
2. The Licensee shall, if requested by the Office, submit to the Office its procedures for procurement.

Condition 21: Long Term Planning Procedures

Intentionally deleted.

Condition 22: Generation Code

Intentionally deleted.

Condition 23: Merit Order Despatch

1. The Licensee shall establish and operate a merit order system for Generation Sets that are subject to central despatch in accordance with this Licence and the EA.
2. The Licensee shall schedule and issue direct instructions for the despatch in accordance with a merit order system of all available Generation Sets of each authorized electricity operator which are required or are agreed to be subject to such scheduling and instructions.
3. Subject to the factors in paragraph 4, the Licensee shall schedule and issue direct instructions for the despatch of such Generation Sets as are at such times available to generate or transfer electricity:
 - (a) in ascending order of the marginal cost in respect of any hour for the generation and delivery or transfer of electricity into the System, to the extent allowed by Transmission System operating constraints based on "Equal Incremental Cost-System" principles; and
 - (b) as will, in aggregate and after taking into account electricity delivered into or out of the System, from or to other sources, be sufficient to match at all times (so far as possible in view of the availability of Generation Sets) demand forecast taking account of information provided by authorised electricity operators, together with an appropriate margin of reserve for security operation.
4. The factors referred to in paragraph 3 above include:
 - (a) forecast demand (including transmission losses and distribution losses);
 - (b) economic and technical constraints from time to time imposed on the System or any part or parts thereof;
 - (c) the dynamic operating characteristics of available Generation Sets; and
 - (d) other matters provided for in the Generation Code.
5. The Licensee shall provide to the Office and the Minister and independent power producers, real time access to information concerning its despatch activities.

Condition 24: Technical and Service Standards

1. The Licensee shall follow prudent utility practices, detailed technical design standards relating to the Transmission System and the Distribution System to cover areas such as technical criteria and conditions for connection of customers; reliability targets for major sub-systems of the Transmission System; the configuration and distribution of sub-stations and transformers and design standards for the Transmission System and Distribution System.
2. The Licensee shall use all reasonable endeavours to comply with:
 - (a) the standards referred to in paragraph 1;
 - (b) the Guaranteed Standards; and
 - (c) the Overall Standards that are applicable from time to time.
3. The standards of construction to be adopted shall be specified and shall be subject to adaptation and revision from time to time by the Office after consultation with the Licensee.
4. Subject to paragraph 3 of this Condition, the Licensee shall adopt the relevant Safety Rules, Design and Construction Standards published by the American National Standards Institute (ANSI) and any revisions thereof, as they apply to the installation and maintenance of electric supply and communication lines exterior to buildings. The Licensee shall adopt such other Safety Rules and Construction Standards and any other applicable standards as may be prescribed by the Jamaica Bureau of Standards.
5. The Licensee shall not connect a supply of electricity to any premises unless they shall first have received approval from a licensed electrical inspector.
6. The Licensee shall not energize any new, rebuilt or modified Transmission Line or Distribution Line until these have been inspected and certified by a licensed electrical inspector.

Condition 25: Powers to Carry Out Street Work, Way Leaves, Etc.

1. In this Condition:

"Street work powers" mean the statutory powers of the Licensee to perform such functions as the laying of electric lines; the breaking up of any street, railway or tramway; altering the position of wires or pipes under a street; the compulsory acquisition of land; the erection of electric lines, posts, other plant or equipment; entering land and conducting surveys and the felling or trimming of any tree or vegetation and similar powers.
2. The Licensee shall within nine (9) months of this Licence being granted prepare and submit to the Office for its approval a code of practice concerning the exercise of street work powers.
3. In drafting a code of practice in accordance with paragraph 2, and in carrying out any review in accordance with paragraph 3, the Licensee shall consult with bodies such as the ministry and agencies responsible for road works and shall have regard to any representations made by them about the code of practice or the manner in which it is likely to be or has

been operated.

4. From time to time, and whenever required to do so by the Office, the Licensee shall review the code of practice. The Licensee shall submit any proposed revisions to the code of practice to the Office for approval prior to implementation.
5. The Licensee shall:
 - (a) send a copy of the code of practice prepared in accordance with paragraph 2, and of any revision of such code of practice prepared in accordance with paragraph 3 (in each case, in the form approved by the Office) to the Office;
 - (b) make a copy of the code of practice available for inspection by the public during normal business hours at any of its premises usually open to the public; and
 - (c) give or send free of charge a copy of the code of practice (as from time to time revised) to any Person who requests it.
6. The Licensee may exercise such rights and shall observe such conditions relating to way-leaves, entry to private property and the construction of lines above or below ground, as the relevant laws may prescribe. In addition the Licensee shall have the right to trim trees or shrubbery which may overhang any public way and may interfere with electric lines or cables constructed by the Licensee.
7. If in the construction, maintenance and repair of its Transmission Lines, Distribution Lines or Service Lines, it shall be necessary for the Licensee to disturb public ways and places or the plant of any other utility, the Licensee shall restore or pay the cost of restoring such public ways and places to at least as a good condition as they were before such disturbance.
8. Should the GOJ or any agency thereof or the Kingston and Saint Andrew Corporation or any Parish Council or other municipal or local authority require the Licensee to relocate its Transmission Line or Distribution Line or appurtenances thereto, the GOJ or agency thereof or the Kingston and Saint Andrew Corporation or Parish Council or other municipal or local authority as the case may be shall reimburse the Licensee for the cost of so relocating its Transmission Lines or Distribution Lines or appurtenances thereto. The cost of relocating Transmission Lines and/or Distribution Lines is hereby defined as the sum of (a) and (b) below:-
 - (a) the cost of moving to a new location and/or removing from service existing poles and/or wire and other equipment; and
 - (b) the difference between-
 - (i) the cost of the new line or new portions (including any additional way-leaves); and
 - (ii) the accrued depreciation (estimated if not known) of the poles and/or wires and equipment and way-leaves removed from service after taking into account the salvage value of the items removed from service.

The cost of relocating Transmission Lines, Distribution Lines and/or Service Lines may be agreed between the Licensee and the body or authority at whose request such removal or relocation was undertaken either in advance of the work being undertaken or at any other stage and in the absence of such agreement all costs incurred should be billed in accordance with sub-paragraphs (a) and (b) and any dispute arising therefrom shall be determined by the Office.

Condition 26: Rural Electrification

1. In the event that the Licensee elects to electrify a particular rural area, it shall agree on the development plans with NeSol. Such development plans will include an approximate timing and cost of such facilities.
2. Intentionally deleted.
3. The Licensee shall, when requested by NeSol, within two (2) months of such request, offer terms for the purchase by the Licensee of electrical infrastructure assets developed by NeSol provided that the Licensee shall not be obliged to acquire any such assets:
 - i. where such assets have not been constructed to internationally recognised standards;
 - ii. where such assets are incompatible with the System;
 - iii. where the value of the assets to be acquired pursuant to this Condition in any year is not comparable with the approximate cost (adjusted for inflation) that was previously agreed;
 - iii. was not included in the development plan, previously agreed by the Licensee and NeSol; or
 - iv. to the extent it is otherwise not reasonable in all the circumstances.
4. Where the Licensee and NeSol have not agreed on the terms for the purchase of assets within three (3) months of the request by NeSol, or in the event that there is failure to agree, the Licensee shall refer the matter to the Office who may direct the Licensee as to the terms it is to offer to NeSol.
5. Once an agreement has been entered into for the purchase of assets above those assets shall form part of the System for the purposes of this Licence and be relevant assets for the purposes of Condition 6.
6. Intentionally deleted.
7. In the event that the Licensee elects not to electrify a particular rural area, then section 52 of the EA shall apply.

Condition 27: Acquisition of Service

1. The acquisition price to be paid by GOJ to the Licensee shall be the Fair Market Value of an ongoing business concern including this Licence and all lands, building, works, materials, plant and property of all kinds whatsoever suitable to or intended for the purposes of the undertaking. Fair Market Value shall be determined by a mutually agreed team of

independent valuation experts. In the absence of agreement on the team of independent valuation experts, the team shall be decided pursuant to the Arbitration Act on application by the Minister or Licensee. The site of the arbitration shall be Jamaica, and none of the arbitrators shall be nationals of the country(ies) in which the shareholder(s) of the Licensee are registered, nor shall any arbitrator be an employee or agent or former employee or agent of any of those shareholders. The language of the arbitration shall be English.

2. Upon giving notice of acquisition in accordance with the terms of this Licence:
 - (a) the GOJ shall have the right by its valuers to inspect all the Licensee's property and its books of account and records;
 - (b) three (3) calendar months before the expiration of the Licence or extension thereof the Licensee will furnish to the GOJ, a certificate by their auditors of the probable estimate of the sum to be paid by the GOJ upon acquisition and arrangements will then be concluded as to the manner of payment by the GOJ; and
 - (c) on the date of acquisition the GOJ shall pay to the Licensee such sum as may be agreed in accordance with the arrangements concluded under (b) above.

Condition 28: Joint Use of Poles and Streetlights

1. The Licensee may enter into any arrangement or contract for the joint use of poles and, if the public interest so requires, the Office shall have the right, to direct the Licensee, after consultation, to use any poles jointly with any other public utility or telecommunications service providers so long as such use shall not contravene any other law or violate any safety code, or in the sole opinion of the Licensee, provides an unsafe working condition for the Licensee's employees. It shall be a condition of any such directions that the Licensee shall receive such fair compensation for the use of the Licensee's poles by any other public utility as may be agreed or fixed by the Office.
2. The Licensee shall make the use of its poles available to Subscriber Television Companies (STV) for the attachment of cables and other appurtenances. The Licensee shall be entitled to fair compensation for the use of its poles by such companies, including any costs for pole modifications.
3. The Licensee shall deposit with the Office, the procedures that are in place for management of the joint-pole arrangements with other utility companies or telecommunications service providers, along with the scale of charges that may be in effect for the time being.
4. The Licensee shall publish a code of practice for use by STV companies, setting out the procedures and standards for use of its poles by the STV companies. A copy of this code of practice, along with the scale of charges that may be in effect for the time being must be deposited with the Office.
5. The prices which the STV companies are charged by the Licensee for attachments to its poles shall be fair and reasonable and subject to the approval of the Office.
6. The Licensee shall, by December 30, 2016, commence a programme for the implementation of smart LED lighting technology, that has intelligence capable of remotely reading the consumption of each lamp; provides a unique identifier; allows for the identification of out-of-service lamps; provides for the dimming of lights when necessary; can accommodate video surveillance and other smart features and is designed in line with international best practices. This programme is hereinafter referred to as the "Smart Streetlight Programme". The Office shall utilise a Fund or the System Benefit Fund (as defined in the EA), to allow the Licensee to recover the costs of implementing the Smart Streetlight Programme.
7. In the event the Licensee has not completed the Smart Streetlight Programme by the next rate review or extraordinary rate review following the January 2016 amendment to this Licence, it shall include the Smart Streetlight Programme in its Business Plan to guide the calculation of the Revenue Requirement necessary to allow the Licensee to recover the costs of the Smart Streetlight Programme.
8. The Licensee shall allow the GOJ (the Minister with responsibility of local government, the Minister with responsibility for electricity and the Minister with responsibility for national security) remote access to the information relating to the consumption of each lamp; and information relating to the out-of-service lamps.

Condition 29: Revocation

1. The Minister may, on the recommendation of the Office, at any time revoke this Licence by not less than sixty (60) days' notice in writing (the "Revocation Notice") to the Licensee:
 - (a) if, upon charges being proffered with proper particulars, it shall have been determined that the Licensee has, without just cause or excuse, failed to comply with any material term of this Licence or to carry out in good faith and with reasonable diligence the activities referred to in this Licence, which determination shall specify in exact detail the respects in which the Licensee so failed, provided that such failure shall have continued for a period of thirty (30) days and shall have materially impaired the provision of electricity service to the Island of Jamaica;
 - (b) if the Licensee has gone into compulsory or voluntary liquidation other than for the purpose of amalgamation or reconstruction;
 - (c) if any fee payable under Condition 10, or any fine imposed by a Court of Law or Tribunal, as defined in Condition 32, is unpaid for thirty (30) days after it has become due and after the expiration of this thirty (30)-day period it remains unpaid for a further period of thirty (30) days after the Minister or the Court has given the Licensee notice that the payment is overdue; or
 - (d) if the Licensee is convicted of a criminal offence by a Court of Law, which offence has materially impaired the provision of electricity service to the Island of Jamaica;

provided that the Licensee shall have been given the Revocation Notice and reasonable time and opportunity of not less

than sixty (60) days to remedy the failure so specified before the Licence may be revoked.

2. Upon revocation of this Licence, the Minister or his designee may give notice, within six (6) months of the date of the revocation of the Licence, of his intention to acquire the Licensee's Licensed Business. The price shall be equal to seventy-five percent (75%) of Fair Market Value. Fair Market Value shall be determined in accordance with the provisions of Condition 27.
3. If the Minister or his designee does not wish to acquire the Licensee's Licensed Business, then upon the written directive of the Minister, the Licensee shall seek offers within a period of not more than two (2) years after revocation for the purchase of its Licensed Business which shall be in a condition as to be ready for immediate working provided that the Persons purchasing the Licensed Business and the terms of the sale shall be approved by the Minister. If no sale is satisfactorily concluded within the said two (2) years the Minister or his designee shall take steps as are just and necessary to ensure the provision of electric service to the Island of Jamaica in the future.
4. Upon sale within the terms of paragraph 3 of this Condition 29, the Licence shall vest in the purchaser and remain in full force in favour of the purchaser of the Licensed Business.
5. Notwithstanding the issuance of the Revocation Notice, the Licensee shall, if requested by the Minister, continue to operate the Licensed Business in accordance with prudent utility practice or at the same standards that were used to operate the Licensed Business prior to the date of the Revocation Notice, whichever is higher.
6. At any time after the revocation of the Licence but prior to the sale of the Licensee's Licensed Business pursuant to paragraphs 2 or 3 of this Condition 29, if the Licensee demonstrates to the reasonable satisfaction of the Minister that the failures which gave rise to the revocation (and any ensuing failures) have been cured and the Licensee is capable of fulfilling its obligations under the Licence, the Minister may, on the recommendation of the Office, at any time withdraw the Revocation Notice and notify the Licensee that it is no longer required to seek offers for the purchase of its Licensed Business.

Condition 30: Modification

1. This Licence may be modified at any time during the term by agreement between the Licensee and the Minister.
2. Intentionally deleted.

Condition 31: Step-in Rights

1. For purposes of this Condition 31, the following terms shall have the meanings ascribed to them:
 - (a) "Forced Outage" means any partial or complete interruption of a portion of the System and/or any Generation Facility that is not the result of (a) a Scheduled Outage or (b) an event or occurrence of Force Majeure;
 - (b) "Initial Period" shall have the meaning specified in paragraph 2 of this Condition 31;
 - (c) "Real Estate" means all of the real property (including any interests in real property, material easements and related rights) owned or leased by the Licensee;
 - (d) "Scheduled Outage" means a partial or complete interruption of the System and/or any Generation Facility operation that (a) has been planned in advance; and (b) is for inspection, testing, preventative maintenance, corrective maintenance or improvement;
 - (e) "Step-in Event" shall have the meaning specified in paragraph 2 of this Condition 31; and
 - (f) "Take-over-Period" means the period of time commencing on the date that the Minister or his designee enters any and/or all Site(s) and begins to operate the System and/or any Generation Facility and ending on the date the Licensee re-enters any and/or all Site(s) and recommences operation of the System and/or any Generation Facility.
2. If the Licensee shall have ceased to operate all, or any substantial part of the System and/or any Generation Facility for a period of forty-eight (48) consecutive hours (the Initial Period) without the prior written consent of the Minister (a Step-in Event), then the Minister or his designee shall be entitled to enter any and/or all of the Site(s) and operate the System and/or any Generation Facility, provided however, that:
 - (a) the Minister shall give prompt notice to the Licensee determining that the Initial Period has concluded, the said notice to be provided by means reasonably calculated to ensure prompt actual notice to the Licensee; and
 - (b) (I) a Step-in Event shall not have occurred and the Minister or his designee shall not be entitled to enter any and/or all of the Site(s) and operate the System and/or any Generation Facility if the cessation of operation resulted from-
 - (i) an event of Force Majeure;
 - (ii) a Forced Outage or a Scheduled Outage; or
 - (iii) an action or failure to act by the Minister or the Office in contravention of any right or entitlement of the Licensee under this Licence; or
 (II) to the extent that the Licensee is proceeding with diligence and good faith to overcome or remedy such event and such event is overcome or remedied within forty-eight (48) hours immediately after the Initial Period.
3. If the Minister or his designee enters any and/or all Site(s) and operates the System and/or any Generation Facility upon the occurrence of a Step-in Event, the Minister or his designee shall operate the System and/or any Generation Facility in accordance with prudent utility practice, but in any event, at not less than the same standards that were used to operate the System and/or any Generation Facility prior to the date of occurrence of the Step-in Event.
4. Upon the occurrence of a Step-in Event, the Minister or his designee shall be entitled to enter any and/or all of the Site(s) and operate the System and/or any Generation Facility until the Licensee demonstrates to the reasonable satisfaction of the Minister that it can resume proper operation of the System in accordance with the terms and conditions of the Licence and that the Step-in Event will be overcome or remedied. The Licensee must demonstrate to the Minister that it can and will

secure or otherwise acquire and utilise (i) the requisite qualified personnel, (ii) sufficient financial resources, and (iii) any other resources identified to be needed in each case to resume proper operation of the System and/or any Generation Facility in accordance with the terms and conditions of this Licence and to overcome or remedy the Step-in Event. If the Licensee is unable to make such a demonstration to the reasonable satisfaction of the Minister within ninety (90) days after the Initial Period, the Minister shall have the right to acquire, and/or to have his designee acquire all of the rights, title and interest of the Licensee in the Licensed Business for a purchase price which shall be an amount equal to fifty percent (50%) of the Fair Market Value at such time determined in accordance with Condition 27. If the Minister elects to exercise his right to acquire all such rights, title and interest, payment in accordance with this paragraph 4 shall be made to the Licensee not later than two (2) years after notice of election to exercise such right.

5. The Minister shall only indemnify and hold the Licensee harmless from any loss or damage to the System and/or any Generation Facility and for any injury to Persons incurred as a direct result of the Minister's or his designee's gross negligence or wilful misconduct in the operation of the System and/or any Generation Facility during the Take-over Period, and then only to the extent that such loss, damage or injury is not covered by insurance.
6. The Minister may designate any other qualified Person(s) as his designee for purposes of exercising any of the powers conferred by this Condition 31.

Condition 32: Appeal of Office Decision

1. (i) If the Licensee is aggrieved by a decision of, or failure to act, by the Office, under this Licence, the licensee may appeal to the Appeal Tribunal (hereinafter called "the Tribunal")-
 - (a) in the case of a decision of the Office, within thirty (30) days after notification to the Licensee of that decision; or
 - (b) in the case of a failure of the Office to act, within twenty-one (21) days after the date on which the Office was required to act.
 - (ii) On hearing an appeal under this Licence the Tribunal shall have regard to the legality, rationality and procedural propriety of the Office in arriving at its decision and may:
 - (a) confirm, modify or reverse the decision of the Office or any part thereof; or
 - (b) by a direction in writing, refer the decision back to the Office for reconsideration by it, either generally or in relation to any matter specified in the direction, and the Tribunal shall, at the same time, state the reasons for so doing.
 - (iii) The Tribunal may, on application by the Licensee, order that the decision of the Office to which an appeal relates shall not have effect until the appeal is determined.
 - (iv) The Tribunal may dismiss an appeal if it is of the opinion that the appeal is frivolous or vexatious or not made in good faith.
 - (v) Where the Tribunal dismisses an appeal, it shall inform the Licensee and the Office in writing stating the reasons therefor.
 - (vi) In making a decision the Tribunal shall observe reasonable standards of procedural fairness and the rules of natural justice and act in a timely fashion.
2. (i) The Tribunal shall consist of three (3) members appointed by the Minister as follows:
 - (a) one member shall be a former Judge of the Supreme Court or the Court of Appeal and shall be the Chairman of the Tribunal;
 - (b) one member shall be appointed on the recommendation of the Licensee; and
 - (c) one member shall be appointed on the recommendation of the Office.
 - (ii) In the event that the Licensee and / or the Office fail(s) to recommend a member of the Tribunal within thirty (30) days after being requested by the Minister, the Minister shall appoint such member(s), after consulting both the Office and the Licensee.
 - (iii) The members of the Tribunal shall hold office for such period not exceeding two (2) years as the Minister may determine and shall be eligible for reappointment.
 - (iv) The Minister may appoint any Person to act in the place of the chairman or any other member of the Tribunal in the case of the absence or inability to act of the chairman or other member.
 - (v) (a) Any member of the Tribunal other than the chairman may at any time resign his office by instrument in writing, addressed to the Minister and transmitted through the chairman, and from the date of the receipt by the Minister of such instrument that member shall cease to be a member of the Tribunal.
 - (b) The chairman may at any time resign his office by instrument in writing addressed to the Minister and such resignation shall take effect as from the date of receipt by the Minister of that instrument.
 - (vi) The Minister may at any time revoke the appointment of any member of the Tribunal if such member:
 - (a) becomes of unsound mind or becomes permanently unable to perform his functions by reasons of ill health;
 - (b) is convicted and sentenced to a term of imprisonment;
 - (c) fails without reasonable excuse to carry out any of the functions conferred or imposed on him under this Licence;
 - (d) engages in such activities as are reasonably considered prejudicial to the interest of the Tribunal.
 - (vii) If any vacancy occurs in the membership of the Tribunal, such vacancy shall be filled by the appointment of another member thereof by the Minister.

- (viii) The names of all members of the Tribunal as first constituted and every change in the membership thereof shall be published in the Gazette.
- (ix) There shall be paid to the Chairman and other members of the Tribunal in respect of each appeal, such remuneration, whether by way of honorarium, salary or fees, and such allowances as the Minister may determine.
- (x) The decisions of the Tribunal shall be by a majority of votes of the members.
- (xi) The decision of the Tribunal shall be delivered within ninety (90) days of the conclusion of the hearing of an appeal.
- (xii) The Tribunal shall regulate its own proceedings and may award costs against the losing party in any proceedings.

Condition 33: Notices

1. Notices, orders and other documents under this Licence may be in writing or in print or the electronic format (permitting confirmation of receipt) and shall, if served on:
 - (a) The Minister, be addressed to: The Permanent Secretary
 - (b) The Office, be addressed to: The Director-General; and
 - (c) The Licensee, be addressed to:
The President & Chief Executive Officerat the address, facsimile and email addresses communicated by the respective parties to each other from time to time.
2. Any notice, order or document required or authorized to be served upon any body or Person under this Licence may be served by the same being addressed to such body or Person and being left at or transmitted by electronic mail or facsimile or by registered post to the address of such body or to the usual or last known place of abode of such Person. If served by post it shall be deemed to have been served at the time when the containing letter would be delivered in the ordinary course of post and in proving such service it shall be sufficient to prove that such letter was properly addressed, registered and put into the post. If served by electronic mail or facsimile it shall be deemed to have been served when the electronic mail or facsimile shall have been transmitted by the sender.

Condition 34: Transmission and Distribution Code

Intentionally deleted.

Condition 35: Intelligent Network

1. The Licensee shall implement intelligent network technology as part of its System as may be defined by the Minister from time to time.
2. The intelligent network technology shall be implemented on a basis which is cost reflective, consistent with the Price Controls and in accordance with such terms and conditions as are approved by the Office after consultation with stakeholders in the electricity sector.

SCHEDULE 1

TABLE 1: GUARANTEED STANDARDS - Effective as of January 7, 2015

CODE	FOCUS	DESCRIPTION	PERFORMANCE MEASURE
EGS 1(a)	Access	Connection to supply – New & Simple Installations	New service Installations within five (5) working days after establishment of contract, includes connection to RAMI system. Automatic compensation as of June 1, 2015.
EGS 2(a)	Access	Complex Connection to Supply	From 30m and 100m of existing distribution line (i) estimate within ten (10) working days (ii) connection within thirty (30) working days after payment Automatic compensation as of January 1, 2016.
EGS 2(b)	Access	Complex Connection to Supply	From 101m and 250m of existing distribution line (i) estimate within fifteen (15) working days (ii) connection within forty (40) working days after payment Automatic compensation as of January 1, 2016.
EGS 3	Response to Emergency	Response to Emergency	Response to Emergency calls within five (5) hours – emergencies defined as broken wires, broken poles, fires. Automatic compensation as of June 1, 2016.
EGS 4	First Bill	Issue of First Bill	Produce and dispatch first bill within forty (40) working days after service connection. Automatic compensation as of January 1, 2016.
EGS 5(a)	Complaints/ Queries	Acknowledgments	Acknowledge written queries within five (5) working days Automatic compensation as of June 1, 2016.
EGS 5(b)	Complaints/ Queries	Investigations	Complete investigations within thirty (30) working days. Complete investigations and respond to customer within thirty (30) working days. Where investigations involve a 3 rd party, same is to be completed within sixty (60) working days. Automatic compensation as of June 1, 2016.
EGS 6	Reconnection	Reconnection after Payments of Overdue amounts	Reconnection within twenty-four (24) hours of payment of overdue amount and reconnection fee. Automatic compensation.
EGS 7	Estimated Bills	Frequency of Meter reading	Should NOT be more than two (2) consecutive estimated bills (where Licensee has access to meter). Automatic compensation as of June 1, 2016.
EGS 8	Estimation of Consumption	Method of estimating consumption	An estimated bill should be based on the average of the last three (3) actual readings. Automatic compensation as of June 1, 2015.
EGS 9	Meter Replacement	Timeliness of Meter Replacement	Maximum of twenty (20) working days to replace meter after detection of fault which is not due to tampering by the customer. Automatic compensation.
EGS 10	Billing Adjustments	Timeliness of adjustment to customer's account	Where it becomes necessary, customer must be billed for adjustment within three (3) months of identification of error, or subsequent to replacement of faulty meter. Automatic compensation as of June 1, 2015.
EGS 11	Disconnection	Wrongful Disconnection	Where the Licensee disconnects a supply that has no overdue amount or is currently under investigation by the Office or the Licensee and only the disputed amount is in arrears. Automatic & special compensation.
EGS 12	Reconnection	Reconnection after Wrongful	The Licensee must restore a supply it wrongfully disconnects within five (5) hours.

		Disconnection	Automatic & special compensation.
EGS 13	Meter	Meter change	The Licensee must notify customers of a meter change within one (1) billing period of the change. The notification must include: the date of the change, the meter readings at the time of change, reason for change and serial number of new meter. Automatic compensation as of January 1, 2016.
EGS 14	Compensation	Making compensatory payments	Accounts should be credited within one (1) billing period of verification of breach. Automatic compensation as of June 1, 2015.
ESG 15	Service Disruption	Transitioning existing customers to RAMI System	Where all requirements have been satisfied on the part of the Licensee and the customer, service to existing JPS customers must not be disrupted for more than three (3) hours to facilitate transition to the RAMI system. Automatic compensation as of January 1, 2016.
Pre-paid Metering Guaranteed Standards			
EPMS 1	Service Connection	Transitioning existing customers to pre-paid metering system	Transition to the pre-paid metering service must be completed within fifteen (15) days of establishment of contract.
EPMS 2	Service Disruption	Transitioning existing customers to pre-paid metering system	Except where there is the need for the premises to be re-certified by a licensed electrical inspector, there should be no disruption in customer's service.

1. Wrongful Disconnection

The standard is defined as follows:

The Licensee commits a breach where it disconnects a customer's supply that has no overdue amount reflected on the associated account. This standard will also apply to accounts that are under investigation by the Office or the Licensee itself and on which the Licensee is requested or has undertaken to place a hold on the disputed sum but disconnects the account prior to the Office's or its own ruling on the matter and there were no outstanding sums owed beyond the disputed sum.

2. Reconnection after Wrongful Disconnection

The standard is defined as follows:

A breach occurs where the Licensee, after erroneously disconnecting a supply, fails to reconnect same within FIVE (5) hours of being notified or having itself detected the error.

3. Changing Meters

The standard is defined as follows:

The Licensee must provide customers with details of the date of change, reason for change, meter readings on the day and serial number of the new meter on the day of the meter being changed within one (1) billing period of the change. This communication may be done via a method convenient to the customer and the Licensee.

4. Compensation

Compensation for breaches of the Guaranteed Standards shall be as follows:

4.1 General Compensation

1. For residential customers, a breach of a standard will result in compensation equal to the reconnection fee. The reconnection fee shall be published on the website of the Licensee.
2. For commercial customers, the compensation will remain four (4) times the customer charge. The customer charge shall be published on the website of the Licensee.
3. Breaches will attract multiple payments up to eight (8) periods.

Compensation for Breach of Guaranteed Standards

CUSTOMER CLASS	COMPENSATION
Domestic: Rate 10 – Residential Service	\$1,650.00
General Service: Rate 20 – General Service	\$3,608.00
Power Service: Rate 40 (all LV) – Power Service Rate 40A – Power Service Rate 50 (all MV) – large Power	\$25,420.00

4.2 Special Compensation

Wrongful Disconnection

1. *Compensation for wrongful disconnection will be TWO (2) times the reconnection fee for residential customers and FIVE (5) times the customer charge for Commercial customers.*
2. *Reconnection after wrongful disconnection standard when breached will attract compensation of TWO (2) times the reconnection fee for residential customers and FIVE (5) times the customer charge for commercial customers.*

4.3 Automatic Compensation

The Licensee will be required to automatically apply the necessary compensation to account for breaches in keeping with the schedule outlined in Table 1: *Guaranteed Standards - Effective as of January 7, 2015*:

Automatic Compensation will be applicable where there is a breach which is brought to the attention of the Licensee, as well as those breaches, which the Licensee itself recognises. Automatic compensation becomes effective as of the effective dates indicated in Table 1, or as otherwise agreed between the Licensee and the Office. Customers will be required to submit claims prior to the effective date of the standard becoming automatic.

SCHEDULE 2
OVERALL STANDARDS

CODE	STANDARD	UNITS	TARGETS JULY 2014 – MAY 2019
EOS1	No less than 48 hours prior notice of planned outages.	Percentage of planned outages for which at least forty-eight (48) hours advance notice is provided.	100 %
EOS2	Percentage of line faults repaired within a specified period of that fault being reported	Urban: 48 hours Rural: 96 hours	100% 100%
EOS3	System Average Interruption Frequency Index (SAIFI)	Frequency of interruptions in service	To be set annually
EOS4	System Average Interruption Duration Index (SAIDI)	Duration of interruptions in service	To be set annually
EOS5	Customer Average Interruption Duration Index (CAIDI)	Average time to restore service to average customers per sustained interruption.	To be set annually
EOS6	Frequency of meter reading	Percentage of meters read within time specified in the Licensee's billing cycle.	99%
EOS7 (a)	Frequency of meter testing	Percentage of rates 40 and 50 meters tested for accuracy annually	50%
EOS7 (b)	Frequency of meter testing	Percentage of other rate categories of customer meters tested for accuracy annually	7.5%
EOS8	Billing punctuality	98% of all bills to be mailed within a specified time after meter is read.	5 Working days
EOS9	Restoration of service after unplanned (forced) outages on the distribution system	Percentage of customer's supplies to be restored within 24 hours of forced outages in both Rural and Urban areas.	98%
EOS10	Responsiveness of call centre representatives	Percentage of calls answered within 20 seconds	90%
EOS11	Effectiveness of call centre representatives	Percentage of complaints resolved at first point of contact	To be set
EOS12	Effectiveness of street lighting repairs	Percentage of all street lighting complaints resolved within 14 days	99%

Standards will not be in effect during periods of Force *Majeure*.

**SCHEDULE 3
PRICE CONTROLS**

Revenue Cap Principle

The basis of rate setting shall be the revenue cap principle which looks forward at five (5) year intervals and involves the decoupling of kilowatt hour sales and the approved revenue requirement. This principle will accelerate energy access, affordability, renewable energy, energy efficiency, the Smart Streetlight Programme and other policy initiatives of the GOJ. The forward looking revenue cap principle affords the funding for the initiatives contained in the Business Plan and avoids potential over-charging of the Licensee's customers.

Rates

1. The rates shall be charged to customers in accordance with rate classes approved by the Office.
2. The rates are comprised of the following:
 - a. Non-fuel rate; and
 - b. Fuel rate.
3. The fuel rate shall be adjusted by the Office monthly in accordance with the Fuel Cost Adjustment Mechanism.
4. The non-fuel rate shall be reviewed by the Office:
 - a. In rate reviews that are customarily done every five years;
 - b. In extra-ordinary rate reviews which may be conducted in between rate reviews; and
 - c. Annually under the Performance Based Rate-making Mechanism ("PBRM") adjustment.
5. All rates shall be determined by the Office.

FIVE YEAR RATE REVIEW PROCESS

The Filing of the Rate Proposal

6. The Licensee shall file with the Office proposed non-fuel rate schedules and shall demonstrate that the non-fuel rates proposed for the various rate categories will generate the non-fuel revenue requirement on average over the five year rate review process.
7. The Office shall accept such filing within ten (10) working days following certified delivery of the filing with the Office unless the filing is clearly deficient to the extent that it will not allow the complete evaluation of the Licensee's application including the proposed rates schedules. If the Office determines that the filing is deficient it shall reject such filing within the said ten (10) working days and shall notify the Licensee clearly identifying the deficiencies.
8. Upon acceptance of the rate filing, the Office shall initiate a rate proceeding to conduct its review of the Licensee's proposed rates.
9. The Office shall determine the format and procedure at such proceedings and in making its decision shall observe reasonable standards of procedural fairness and the rules of natural justice and act in a timely manner.

The Contents of the Rate Proposal

10. The Business Plan, the most recent Integrated Resource Plan ("IRP"), the published final criteria, the Base Year and the cost of service study shall comprise the justification for the rate proposal of the Licensee.
11. The criteria published by the Office shall include but not be limited to the following:
 - Anticipated change to the demand for electricity;
 - The productivity improvement;
 - Allowed return on equity ("ROE"); and
 - All annual targets.
12. The published final criteria, the most recent IRP and the Base Year shall form the basis of the Business Plan.
13. The Business Plan shall include but not be limited to the following:
 - a. The matters listed in the published criteria;
 - b. The most recent IRP;
 - c. Investment activities;
 - d. System loss mitigation activities and related funding requirements;
 - e. Grid Security;
 - f. Annual targets for losses (Y-factor), heat rate (H-factor) and quality of service (Q-factor);
 - g. Operating and maintenance expenses;
 - h. Smart technologies, energy efficiency and other policy initiatives; and
 - i. Balance sheet, profit and loss statement and cash flow statement.
14. The Licensee shall include with its rate proposal schedules which also outline the distribution of the fuel cost across the rate categories.

15. As part of the Licensee's Rate Proposal, the Licensee may also submit to the Office, a proposal for new baseline measurements for the performance indicators contained in the PBRM. In that event, any new PBRM measurement shall include the following:
- a. A report on the quality of service provided by the Licensee in the previous five year period;
 - b. A justification as to why a new factor should be included in the PBRM; and
 - c. Any other information requested by the Office.

Rate Review Process

16. The Rate Review Process will be conducted at five (5) year intervals from the determination of the last rate review with the next review scheduled for April 2019.
17. The Rate Review Process will be done in accordance with the revenue cap principle. The Revenue Cap will be arrived at based on the:
- a. Most recent IRP;
 - b. Business Plan;
 - c. Final criteria; and
 - d. Base Year.
18. At least fifteen (15) months before the rate review, the IRP shall be finalised by the Minister and published.
19. Fifteen (15) months before the commencement of the Rate Review, the Office shall publish the proposed criteria for the next Rate Review process.
20. No later than twelve (12) months before the rate review, the Office shall initiate a consultative process by which the criteria should be arrived at. The Licensee and other stakeholders shall be afforded sixty (60) days to respond and comment on the criteria. Taking these responses and comments into consideration, the Office shall publish the final criteria no later than nine (9) months before the rate review.
21. The Office may, within a period of one (1) month of receiving the rate proposal, request of the Licensee clarifications and or additional information in relation to any component of the rate proposal.
22. The Licensee shall respond to the Office within a period of ten (10) working days after receiving a request from the Office for clarification and or additional information in relation to its rate proposal.
23. The Office, acting reasonably, shall have discretion in relation to the aspects of the Business Plan that the Licensee will be able to recover in the non-fuel rate.
24. Where the Office has decided to alter certain aspects of the rate proposal, the Office shall provide reasons in writing to justify that decision.
25. The Office shall make a determination on the rate proposal within one hundred and twenty (120) days after acceptance of the rate proposal.
26. In the event that the Office fails to make a determination on the rate proposal within one hundred and twenty (120) days, then the Licensee may refer the matter to the Tribunal established under Condition 32 of this Licence.

Revenue Requirement

27. The Revenue Requirement under the revenue cap principle is made up of two (2) main elements:
- a. Net investment (Rate Base) in the Licensed Business multiplied by the WACC to calculate the capital recovery element; and
 - b. Recovery of all prudently incurred expenses of the Licensed Business.
28. The Revenue Requirement shall be recovered through the approved rates.
29. The Rate Base in the Licensed Business is calculated as follows:
- a. The Property Plant and Equipment ("PPE"), inclusive of construction in progress; offset by: impaired assets, customer financed assets (including electricity efficiency improvement fund assets), rural electrification assets, less revaluation balance/capital reserve;
 - b. Intangible Assets;
 - c. the working capital (accounts receivable + cash & short term deposits + tax recoverable + inventory - account payable - customer deposits - bank overdraft - short term loans) deployed;
 - d. Long Term Receivables; and
 - e. Other Assets.
- Less the following off-sets:
- f. employee benefit obligations; and
 - g. deferred revenue.

For the avoidance of doubt, the current portion of long term debt should not be an off-set, since this is part of the long term funding of the Licensee.

30. The WACC is calculated as follows:

- a. The WACC will be based on the actual capital structure of the Licensee corrected for planned and approved major changes (>3% absolute) in the gearing of the Licensee.
- b. The interest rate will reflect the weighted average interest rate in place for the latest audited financial statements, corrected for known material changes in the funding structure related to refinancing or new PPE capital outlays. With respect to related party financing, the Office has the right to review the arm's length nature of the transaction.
- c. The Bank of Jamaica will provide guidance on the ROE, which allows the Licensee the opportunity to earn a return sufficient to provide for the requirements of consumers and acquire new investments at competitive costs based on relevant market benchmarks prevailing internationally for a similar business as the Licensee and adjusted for country risk, which will be used by the Office and Licensee to calculate the WACC. The ROE will be grossed-up for the statutory income tax rate.

$$\text{The WACC or "K"} = \text{ROE}/(1 - \text{tax rate}) * (1 - \text{gearing ratio}) + \text{Interest rate} * \text{gearing ratio}$$

31. **Non-fuel operating costs:** All prudently incurred costs which are not directly associated with investments in capital plant and other operating costs, which shall include but not be limited to, salaries and other costs related to employees; operating costs of generation, transmission and distribution and supply facilities; power purchase costs and other related costs including but not limited to working capital and credit support charges incurred under approved PPAs, fuel supply agreements and other related infrastructure arrangements; interest and other financial costs on other borrowings and working capital requirements not associated with capital investment; foreign exchange result loss/(gain); rents and leases on property associated with the Licensed Business; taxes which the Licensee is required to pay other than income taxes of the Licensee; and other costs which are determined to be reasonably incurred in connection with the Licensed Business. The foreign exchange result loss/(gain) is adjusted annually, the true-up formula of which is as illustrated in Exhibit 1; while the power purchase costs will be subject to a monthly true-up adjustment as part of the Fuel Cost Adjustment Mechanism, as described in Exhibit 2.
32. **Depreciation:** The depreciation component will be calculated by applying annual depreciation rates, as provided at Schedule 4 (as may be updated from time to time in accordance with this Licence), to the gross value of the individual plant asset accounts included in the approved Rate Base.
33. **Taxes:** Taxes which are calculated using the statutory rate on the net income of the Licensee (Income Taxes) and payable to the GOJ shall be a component of the Revenue Requirement. Loss carry-forwards and any incentives to encourage capital investments are not included in the calculation of income taxes.
34. The Licensee shall provide schedules that support these specific operating costs, depreciation expenses, and taxes.
35. The above activities and calculations shall result in the proposed non-fuel rates and schedules to be submitted to the Office.
36. Any rates proposed by the Licensee shall follow the following rate design principles:
 - a. The proposed rates are cost-reflective;
 - b. The proposed rates promote economic efficiency;
 - c. The proposed rates are non-discriminatory;
 - d. The proposed rates comply with all applicable rules and regulations; and
 - e. The proposed rates take into consideration the policy directives of the GOJ with respect to the electricity sector.

Targets

37. The Office shall have the power to set targets for losses, heat rate and quality of service. All targets set should be reasonable and achievable taking into consideration the Base Year, historical performance and the agreed resources included in the five (5) Year Business Plan, corrected for extraordinary events. The Office shall take into consideration the role of the GOJ in addressing the non-technical aspect of the system losses that are not entirely within the control of the Licensee.
38. The target set by the Office for losses shall normally be done at the Rate Review and be for a "rolling"¹ ten (10) year period and broken out year by year over the following three (3) categories:
 - a. Technical losses;
 - b. The aspect of non-technical losses that are within the control of the Licensee; and
 - c. The aspect of the non-technical losses that are not totally within the control of the Licensee.
39. The target set by the Office for heat rate and quality of service shall normally be done at the Rate Review for each of the five (5) years and broken out year by year.
40. The Office shall determine the applicable heat rate (whether thermal, system, individual generating plants of the Licensee or such other methodology) and the target for the heat rate.

¹ The rolling nature assures a clear long term focus for Loss mitigation, incentivizing the Licensee to go beyond what might have been agreed in the five year Business Plan, because the benefit will be accrued over a longer period. The breakdown of the individual elements of the loss targets will assure a linkage to the reductions targeted and the actions taken and/or funded in the 5 year Business Plan; it also supports a potential "Z-factor" adjustment in case the non-technical losses that are not totally within the control of the Licensee are strongly influenced by matters unforeseen during the rate review process.

41. Any over-achievement or under achievement of any target set will result in a benefit or penalty, which will be applied in the PBRM as set out in detail in Exhibit 1.

ANNUAL REVIEW

Annual Performance-Based Rate-Making Filings for Rates

42. The methodology to be utilised by the Office in computing the PBRM is set out in detail in Exhibit 1.
43. The Licensee shall make annual filings to the Office at least sixty (60) days prior to the Adjustment Date. These filings shall include the support for the performance indices, the inflation, and the proposed non-fuel rates for electricity and other information as may be necessary to support such filings.
44. These filings shall also propose the non-fuel rates scheduled to take effect on the Adjustment Date for each of the rate categories. These rates shall be set to recover the annual revenue requirement for the same year in which the proposed rates take effect, given the target billing determinants.
45. The target billing determinants shall be based on the actual billing determinants for the immediately preceding calendar year. The Office is empowered to adjust the target billing determinants for known and measurable changes anticipated in relation to the following year.
46. The Office shall apply the following adjustment factors to the non-fuel rate at each PBRM:
- a. The Q-Factor, which is the annual allowed price adjustment to reflect changes in the quality of service provided by the Licensee to its customers. The Office shall measure the quality of service versus the annual target set in the 5 year rate review determination.
 - b. The H-Factor, if applicable, will reflect the heat rate as defined by the Office of the power generated in Jamaica versus a pre-established yearly target in the 5 year rate setting determination by the Office.
 - c. The Y-Factor reflects the achieved results versus the long-term overall system losses target.
 - d. The Z-Factor reflects the adjustment to the non-fuel rate due to special circumstances. The Z factor is the allowed percentage increase in the Revenue Cap due to any of the following special circumstances:
 - (i) Any special circumstances that satisfy all of the following:
 - a) affect the Licensee's costs or the recovery of such costs, including asset impairment adjustments;
 - b) are not due to the Licensee's managerial decisions;
 - c) have an aggregate impact on the Licensed Business of more than \$50 million in any given year; and
 - d) are not captured by the other elements of the revenue cap mechanism;
 - (ii) where the Licensee's rate of return with respect to the Licensed Business is one (1) percentage point higher or three (3) percentage points lower than the approved regulatory target (after taking into consideration the allowed true-up annual adjustments, special purpose funds included in the Revenue Requirement, awards of the Tribunal and determinations of the Office and adjustments related to prior accounting periods). This adjustment may be requested by the Licensee or the Minister or may be applied by the Office;
 - (iii) where the Licensee's capital & special program expenditure are delayed and such delay results in a variation of 5% or more of the annual expenditure, the Z-factor adjustment will take into consideration the over-recovery of such expenditures plus a surcharge at the WACC;
 - (iv) Government Imposed Actions;
 - (v) where the Licensee demonstrates and the Office agrees that an extra-ordinary level of capital expenditure or a special programme is required (i.e. greater than 10% for any given year relative to the previously agreed five year Business Plan); or
 - (vi) where the Licensee is required to make a change to the Guaranteed Standards in Condition 17(5) and such change will have a financial impact on the Licensee in an amount greater than Fifty Million Jamaican dollars (J\$50,000,000.00) during any rate review period.
47. In respect of Government Imposed Actions that trigger the Z Factor:
- a. The Licensee may file, with the Office, a proposal to apply a surcharge as a result of the effects of a Government Imposed Action which is deemed to be material. This proposal will be subject to notice and protest, including prudence review. The Licensee shall provide with such proposals, a detailed explanation of the need for the surcharge. Such details shall include a demonstration that the Government Imposed Action is material and is known, measurable, reasonable, prudently incurred and mitigated and that the cost for which a surcharge is being requested and arises solely from the Government Imposed Action. The Licensee shall not apply any surcharge in respect of Government Imposed Action without the approval of the Office;
 - b. The Licensee shall on its own volition or when directed to do so by the Office file a proposal for a refund to its customers of the amounts equal to the value of any savings resulting from a Government Imposed Action which is deemed to be material. The procedure to be followed shall be analogous to that used in applying for the imposition of surcharge resulting from a Government Imposed Action;

- c. The Licensee shall submit, with its filing for the annual adjustment or at the end of any surcharge period, whichever is appropriate, a report reconciling the surcharge and the actual costs relating to Government Imposed Action. In the event that amounts obtained through the said surcharges exceed the said actual costs incurred, the Licensee shall refund to its customers such excess amounts, adjusted for interest. The Licensee shall file a report of refunds with the Office giving details of the distribution of the refunds to its customers within 30 days of filing the reconciliation report; and
 - d. In the event that the amount obtained through the surcharge is less than the actual costs incurred by the Licensee as a result of the Government Imposed Action, the Licensee shall be allowed to recover such amounts from its customers. It shall file a report with the Office, giving details of the shortfall and the proposed recovery mechanism, for approval.
48. If the Licensee does not undertake the investment activities stated in the Business Plan on an annual basis, subject to a variation of 5% of the annual expenditure, the Office shall adjust the next year's rates commensurate with the present value amount that was given to the Licensee in the rate but was not utilised for the investment activities, as detailed in Exhibit 1.

Interest Charged to Customers and Late Payments

- 49. The Licensee shall be entitled to charge late payment interest to the GOJ and customers, other than residential customers, who do not pay their bills in full by the due date.
- 50. In respect of customers, other than residential customers, the Licensee shall update the interest charge from time to time based on commercial bank overdraft rates in the local market.
- 51. Notwithstanding anything in this Licence, the applicable interest rate to the GOJ shall be the three (3) year USD Bond rate or the nearest equivalent instrument issued by the GOJ.
- 52. The Licensee shall also be entitled to charge a late payment fee to residential customers and offer an early payment incentive fee for payments made on time and in full by the due date. For the avoidance of doubt, residential customers shall not be charged interest on overdue balances. The late payment and incentive fee will be an off-set to the revenue requirement.
- 53. The total net interest expense/(income) which is paid/(earned) by the Licensee will be included in the revenue requirement. There shall be an annual true-up adjustment in relation to the actual net interest expense/(income) paid/(earned) by the Licensee in any year compared to the amount included in the Base Year. Exhibit 1 of this Schedule outlines the details of the annual true-up adjustment in relation to the net interest expense/(income).
- 54. Any under or over recovery related to these adjustments will include an interest charge or benefit equal to the WACC of the latest year.

Annual Foreign Exchange Result Adjustment

- 55. The Licensee shall be entitled to an adjustment to the non-fuel rate, based on the difference between the anticipated foreign exchange result loss/(gain) in the Revenue Cap for the previous year and the actual foreign exchange result incurred in the prior year related to Working Capital and Debt Service driven by JMD to USD foreign exchange results. The details of how both adjustments will be calculated are reflected in Exhibit 1 of this license.
- 56. Any under or over recovery related to these adjustments will include an interest charge or benefit equal to the WACC of the latest year.

MONTHLY REVIEW

Monthly Adjustments to the Rates

- 57. The monthly adjustments to the non-fuel rates based on the movement in the Jamaica Dollar (JMD) to United States Dollar (USD) foreign exchange rate and the monthly calculation of the Fuel Rate Adjustment, including the Schedule for application of these changes to each rate class, shall be submitted by the Licensee to the Office within ten (10) days of the start of each applicable billing month and shall become effective on the first billing cycle on the applicable billing month.
- 58. The details of how both adjustments will be calculated are reflected in Exhibit 2 of this license.

EXTRA-ORDINARY RATE REVIEW

Extra-ordinary Rate Review

- 59. The Licensee or the Minister may request the Office to conduct an extra-ordinary Rate Review owing to exceptional circumstances that have a significant impact on the electricity sector and/or the Licensee, but were not factors considered or known when the Rate Review was undertaken. The Office is empowered, to review the rates for this purpose outside of the five yearly Rate Review periods.
- 60. For the avoidance of doubt, the Extra-ordinary Rate Review shall not result in a rescheduling of the time period for the next stipulated Rate Review.
- 61. Where possible, the scope of such extraordinary Rate Review will be limited to the impact of the exceptional circumstances and therefore the review process is expected to be completed within a 60 day period, unless the Office and the Licensee agree otherwise.

EXHIBIT 1

*Performance Based Rate-making Mechanism***Annual Adjustment of the Annual Revenue Target**

The Annual Revenue Target shall be adjusted on an annual basis, commencing July 1, 2016, (*Adjustment Date*), pursuant to the following formulae:

$$ART_y = RC_y(1 + dPCI) + (RS_{y-1} + SFX_{y-1} - SIC_{y-1}) * (1 + WACC)$$

where:

$$RS_{y-1} = TUVol_{y-1} + TULos_{y-1}$$

$$SFX_{y-1} = AFX_{y-1} - TFX$$

$$SIC_{y-1} = AIC_{y-1} - TIC$$

and

- ART_y = Annual Revenue Target for Year "y"
 RC_y = Revenue Cap for the current tariff adjustment year "y" as established in the last Rate Review Process
 RS_{y-1} = Revenue surcharge for Year "y-1"
 $TUVol_{y-1}$ = $\{(kWh \text{ Target}_{y-1} - kWh \text{ Sold}_{y-1}) / kWh \text{ Target}_{y-1}\} * \text{Non Fuel Rev Target for Energy}$
 $Rev_{y-1} + \{(kVA \text{ Target}_{y-1} - kVA \text{ Sold}_{y-1}) / kVA \text{ Target}_{y-1}\} * \text{Non Fuel Rev Target for Demand}$
 $Rev_{y-1} + \{(\# \text{ of Customer charges billed Target}_{y-1} - \# \text{ of Customer charges billed Act}_{y-1}) / \# \text{ of}$
 $\text{Customer charges billed Target}_{y-1}\} * \text{Non Fuel Rev Target for Customer Charges } Rev_{y-1}$

Given that all tariffs charged to customers can be broadly allocated to three primary revenue buckets, namely, Energy, Demand and Customer Charge, the true-up mechanism will be operated on that basis. The revenue target for each year will be allocated to each bucket with the target quantities estimated to achieve each revenue bucket forming the basis for the true-up adjustment for each revenue bucket as outlined in the formulae above.

$$TULos_{y-1} = Y_{y-1} * ART_{y-1}$$

$$Y_{y-1} = Ya_{y-1} + Yb_{y-1} + Yc_{y-1}$$

$$Ya_{y-1} = \text{Target System Loss "a" Rate}_{y-1} - \text{Actual System Loss "a" Rate}_{y-1}$$

$$Yb_{y-1} = \text{Target System Loss "b" Rate}_{y-1} - \text{Actual System Loss "b" Rate}_{y-1}$$

$$Yc_{y-1} = \text{Target System Loss "c" Rate}_{y-1} - \text{Actual System Loss "c" Rate}_{y-1} * RF$$

where:

Ya = System losses that fall under subsection "a" of paragraph 38.

Yb = System losses that fall under subsection "b" of paragraph 38.

Yc = System Losses that fall under subsection "c" of paragraph 38.

RF = The responsibility factor determined by the Office, which is a percentage from 0% to 100%. This responsibility factor shall be determined by the Office, in consultation with the Licensee, having regard to the (i) nature and root cause of losses; (ii) roles of the Licensee and Government to reduce losses; (iii) actions that were supposed to be taken and resources that were allocated in the Business Plan; (iv) actual actions undertaken and resources spent by the Licensee; (v) actual cooperation by the Government; and (vi) change in external environment that affected losses.

- SFX_{y-1} = Annual foreign exchange result loss/(gain) surcharge for year "y-1".
This represents the annual true-up adjustment for variations between the foreign exchange result loss/(gain) included in the Base Year revenue requirement and the foreign exchange result loss/(gain) incurred in a subsequent year during the rate review period.
- AFX_{y-1} = Foreign exchange result loss/(gain) incurred in year "y-1".
- TFX = The amount of foreign exchange result loss/(gain) included in the revenue requirement of the Base Year
- SIC_{y-1} = Annual net interest expense/(income) surcharge for year "y-1".
This represents the annual true-up adjustment for variations between the net interest expense/(income) included in the Base Year revenue requirement and the net interest expense/(income) incurred in a subsequent year during the rate review period. The net interest income shall be deducted from the revenue requirement while net interest expense shall be added to the revenue requirement.
- AIC_{y-1} = Actual net interest expense/(income) in relation to interest charged to customers and late payments per paragraph 49 to 52 of Schedule 3 in year "y-1".
- TIC = The amount of net interest expense/(income) in relation to interest charged to customers and late payments included in the revenue requirement of the Base Year.
- dPCI = Annual rate of change in non-fuel electricity revenues as defined below
- WACC = The Weighted Average Cost of Capital determined in the Rate Review process.

The annual Performance-Based Rate-Making (PBRM) filing will follow the general framework where the rate of change in the Revenue Cap will be determined through the following formula:

$$dPCI = dI \pm Q \pm Z$$

where:

- dI = the growth rate in the inflation and JMD to USD exchange rate measures ;
- Q = the allowed price adjustment to reflect changes in the quality of service provided to the customers versus the target for the prior year;
- Z = the allowed rate of price adjustment for special reasons, not under the control of the Licensee and not captured by the other elements of the formulae; and

Each of these essential components of the PBRM framework is described below:

The Growth Rate (dI)

The rate of change of the Revenue Target (dPCI) applied annually is the adjustment to the annual Revenue Cap as established during the 5 year rate review process.

The growth rate (dI) represents the changes in the value of the JMD against the USD and the inflation in the cost of providing electricity products and services.

Specifically, dI is set as:

$$dI = (EX_n - EX_b) / EX_b \{ USP_b + INF_{US}(USP_b - USDS_b) \} + INF_{us}(USP_b - USDS_b) + (1 - USP_b) INF_J$$

where

- EX_b = Base US exchange rate at the start of the Rate Review period.
- EX_n = Applicable US exchange rate at Adjustment Date.

- INF_{US} = Change in the agreed US inflation index as at 60 days prior to the Adjustment Date and the US inflation index at the start of the Rate Review period.
 INF_J = Change in the agreed Jamaican inflation index as at 60 days prior to the *Adjustment Date* and the Jamaican inflation index at the start of the Rate Review period.
 USP_b = US portion of the total non-fuel expenses as determined from the Base Year.
 $USDS_b$ = US debt service portion of the non-fuel expenses as determined from financials in the Base Year of the rate setting period.

The Z-Factor

- Z = (Government Imposed Action + Impaired Assets + Funding of Special Programs)_{y-1} – (Government Imposed Action + Impaired Assets + Funding of Special Programs)_{RC-Base-year} + approved excessive variation in ROE catch-up + any variation in any other special circumstances as defined in clause 46d and not covered before

The Q-Factor

The Q-factor should be based on three quality indices until revised by the Office and agreed between the Office and the Licensee:

SAIFI—this index is designed to give information about the average frequency of sustained interruptions per customer over a predefined area.

$$SAIFI = \frac{\text{Total number of customer interruptions}}{\text{Total number of customers served}}$$

(Expressed in number of interruptions (Duration > 5 minutes) per year)

SAIDI—this index is referred to as customer minutes of interruption and is designed to provide information about the average time that customers are interrupted

$$SAIDI = \frac{\text{Customer interruption durations}}{\text{Total number of customers served}}$$

(Expressed in minutes)

- CAIDI— this index represents the average time required to restore service to the average customer per sustained interruption. It is the result of dividing the duration of the average customer's sustained outages (SAIDI) by the frequency of outages for that average customer (SAIFI).

$$CAIDI = \frac{\text{Customer interruption durations or SAIDI}}{\text{Total number of interruptions or SAIFI}}$$

(Expressed in minutes per interruption (Duration > 5 minutes))

Until revision by the Office the quality of service performance should be classified into three categories, with the following point system:

- Above Average Performance (Greater than 10% below target) — would be worth 3 Quality Points on either SAIFI, SAIDI or CAIDI;
- Dead Band Performance (+ or – 10% of target) — would be worth 0 Quality Points on either SAIFI, SAIDI or CAIDI; and
- Below Average Performance (Greater than 10% above target) — would be worth -3 Quality Points on SAIFI, SAIDI or CAIDI.

Until revision by the Office, the adjustment factors that would be assigned to cumulative quality points scores for the three reliability indices as follows. If the sum of quality points for:

- SAIFI, SAIDI, and CAIDI is 9, then $Q = +0.50\%$

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- SAIFI, SAIDI, and CAIDI is 6, then $Q = +0.40\%$
 - SAIFI, SAIDI, and CAIDI is 3, then $Q = +0.25\%$
 - SAIFI, SAIDI, and CAIDI is 0, then $Q = 0.00\%$
 - SAIFI, SAIDI, and CAIDI is -3, then $Q = -0.25\%$
 - SAIFI, SAIDI, and CAIDI is -6 then $Q = -0.40\%$
 - SAIFI, SAIDI, and CAIDI is -9 then $Q = -0.50\%$

EXHIBIT 2

Monthly Adjustment to the Rates

A. Alternative 1 Fuel Cost Adjustment Mechanism

The cost of fuel per kilo-watt-hour (net of efficiencies) shall be calculated each month on the basis of the total fuel computed (inclusive of fuel additives) to have been consumed by the Licensee and Independent Power Producers (IPPs) in the production of electricity. Effective January 1, 2016, this will be calculated each month based on the Licensee's generating heat rate as determined by *the Office* at the adjustment date and the IPPs generating heat rate as per contract and system losses as determined by *the Office* at the adjustment date, applied to the total net generation (the Licensee and IPPs). Effective July 1, 2016, this will be calculated each month based on the Licensee's generating heat rate as determined by *the Office* as at June 30, 2016 (and on each succeeding rate review date) and the IPPs generating heat rate as per contract.

The cost of fuel per kilo-watt-hour shall be computed on a monthly basis under the appropriate rate schedule in the following manner having regard to the applicable efficiency adjustments and effective dates as outlined in the previous paragraph:

$$F = F_m/S_m$$

Where:

Billing Period = The billing month during the effective period for which the adjusted fuel rates will be in effect as determined by *the Office*.

F = Monthly Fuel Rate in J\$ per kWh rounded to the nearest one-hundredth of a cent applicable to bills rendered during the current Billing Period.

F_m = Total applicable energy cost for period

The total applicable energy cost for the Billing Period is:

- (a) the cost of fuel, adjusted for the determined heat rate and system losses up to June 30, 2016, and which fuel is consumed in the Licensee's generating units or burned in generating units on behalf of the Licensee or incurred in relation to the Licensee's contractual obligation, such as but not limited to the minimum take-or-pay obligation under a gas supply agreement, for the preceding calendar month plus;
- (b) the fuel portion of the cost of purchased power (including IPPs), adjusted for the contract heat rate, for the said preceding calendar month; and
- (c) an amount to correct for the over-recovery or under-recovery of the total applicable energy cost for a billing period, such amount shall be determined as the difference between the actual total applicable energy cost for a given month adjusted for the determined heat rate and system losses, if applicable and the fuel costs billed for such month, using estimated fuel costs and fuel weights.
- (d) an amount to correct for the over-recovery or under-recovery of the non-fuel portion of purchased power. This amount shall be determined as the difference between the actual IPP non-fuel cost for a given month and the estimated base non-fuel IPP charge billed to customers for such calendar month.

S_m = the kWh sales in the Billing Period.

The kWh sales in the billing period is the actual kWh sales occurring in the previous calendar month.

The Fuel Rate Adjustment including the Schedule for application of the fuel charge to each rate class, shall be submitted by the Licensee to *the Office* within ten (10) days of the start of each applicable billing month and shall become effective on the first billing cycle of the applicable billing month.

Alternative 2²

When a system wide heat rate will be established by the Office, the **fuel cost portion** of the monthly bill computed under the appropriate rate schedule will be calculated in the following manner:

$$F = F_m/S_m$$

Where:

Billing Period = The billing month during the effective period for which the adjusted fuel rates will be in effect as determined by *the Office*.

- F = Monthly Adjustment Fuel Rate in J\$ per kWh rounded to the nearest one-hundredth of a cent applicable to bills rendered during the current Billing Period.
- F_m = Total applicable energy cost for period (fuel, fuel additives, IPP and Take or Pay charges)
- S_m = Total kWh sales for the period

Where :

$$F_m = F_{Act_{m-1}} + \text{over/under billing}_{m-1} + H$$

To drive optimal dispatch and minimize fuel cost and related losses the Licensee is incentivized to improve the Heat rate as reflected in the fuel pass through, the H-factor.

The monthly Heat Rate Incentive or **H-factor** will be calculated as follows:

- H = $\{ (HR T - HR Act_{m-1}) / HR T \} * F_{Act_{m-1}}$
- HRT = Heat Rate Target per year as established during the rate setting process
- HR Act = Actual Heat-Rate prior month, corrected for items outside the Licensee's control; meaning higher than anticipated forced outages³ at the IPP's or 3rd party generators that were part of the original HR target setting.
- F_{Act_{m-1}} = The Actual energy cost incurred in the previous month (fuel, fuel additives, IPP and Take or Pay charges).

The Fuel Rate Adjustment including the Schedule for application of the fuel charge to each rate class, shall be submitted by the Licensee to *the Office* within ten (10) days of the start of each applicable billing month and shall become effective on the first billing cycle of the applicable billing month.

² When an independent system operator (ISO) would be established in Jamaica, the system heat rate target will become the target for such ISO, and for each JPS plant a heat rate target will be established as if it would be a (virtual) IPP.

³ Where the Licensee gets to correct the heat rate for higher than anticipated forced outages the potential Liquidated damages of the IPP's become an off-set against the fuel charges (preferred solution), where the licensee would not get the heat rate relief the Licensee should be able to retain the Liquidated Damages paid by the (virtual) IPPs.

B. Adjustment for Foreign Exchange Variations

The total Non-Fuel Base Tariffs, will be adjusted for all consumer classes on a monthly basis using the following foreign exchange adjustment mechanism.

$$\text{FEA} = [(\text{EXCm-1} - \text{EXCb})/\text{EXCb}] * \text{USP}_b$$

where:

- FEA = The Foreign Exchange Adjustment factor, calculated as a percentage amount, which will be applied to the sum total of the Non-Fuel Base Tariffs on customer bills each month.
- EXCm-1 = The Exchange Rate which is shown on the face of the bill, which is the weighted average exchange rate calculated to four (4) decimal places at which financial institutions in Jamaica sell USD for JMD on the Spot Market (the "Spot Market Weighted Average Selling Rate") issued by the Bank of Jamaica on the last business day of the preceding calendar month.
- EXCb = The approved exchange rate for JMD to USD at the most recent Annual Adjustment date.
- USP_b = US portion in the total non-fuel expenses as determined by the Office as part of the Rate Review Process

The Licensee shall file all necessary information in support of the exchange rate adjustment with *the Office* within ten (10) days after the beginning of the month for which such billing adjustment will take effect.

The base exchange rate may be changed at each annual tariff adjustment after consultation between *the Office* and the Licensee.

SCHEDULE 4

Schedule of Rates for Depreciation

		<u>Depreciable Lives (Yrs.)</u>
Steam Production Plant:	4%	25
Hydraulic Production Plant:		
	Civil Works	2% 50
	Mechanical and Electrical Equipment	2.86% 35
	Roads and Bridges	2.5% 40
Other Production Plant (incl Wind & Solar):		
	Civil Works	2.5% 40
	Gas Turbine	4 1/6% 24
	Other Power Generation Equipment	5% 20
	Mechanical, Electrical and Accessory Equipment	4% or 5% 25 or 20
Transmission Plant:		
	Control/Switch Gear & Transformers	4% 25
Distribution Plant:		
	Overhead and Underground Lines	3 1/3 % 30
	Poles and HPS & MV Streetlights	5% 20
	LED Streetlights	6 2/3% 15
	Test Equipment & Meters	6 2/3% 15
	Supervisory Control & Other Equipment	4% 25
	Demand Side Management Systems & Battery Storage	20% 5
General Plant:		
	Structures and Leaseholds	2% 50
	Transport Equipment	14.3% 7
	Tools and Laboratory Equipment	10% 10
	Office and Stores Furniture and Equipment	10% 10
	Communications and Other Equipment	20% 5
	Computer equipment	15.67% 6

The depreciation rates to be applied to the sub-components of the major plant categories delineated above will be determined with reference to the manufacturer's recommended useful life subject to the approval of the OUR. Additionally, major plant maintenance activities prescribed by equipment manufacturers will be depreciated over the period between each recommended maintenance activity in accordance with IFRS. Changes to depreciation rates should be applied prospectively to the net book value of affected assets at the date such changes are brought into effect.

Dated this 27th day of January, 2016.

PHILLIP PAULWELL
Minister of Science, Technology,
Energy and Mining.

