

IN THE FOURTH SESSION OF THE SECOND PARLIAMENT
OF THE FOURTH REPUBLIC

REPORT OF THE COMMITTEE ON MINES AND ENERGY
ON THE 1998 ANNUAL REPORT OF THE PUBLIC UTILITIES
REGULATORY COMMISSION

1. INTRODUCTION

The 1998 Annual Report of the Public Utilities Regulatory Commission was laid before Parliament and referred to the Committee on 20th October, 1999 in accordance with Article 103 of the Constitution and Standing Order 155 of this House.

2. REFERENCE

In considering the Report, the Committee examined the following enactments and materials made available to it.

- (a) The Constitution
- (b) The Standing Orders
- (c) The Public Utilities Regulatory Commission Acts, Act 538
- (d) The Energy Commission Act, Act 541

3. BACKGROUND

Section 1 of the Public Utilities Regulatory Commission Act, Act 538 establishes the Commission among others, to

- (a) provide guidelines on rates chargeable for the provision of utility service.
- (b) Protect the interest of consumers and providers of utility services.
- (c) Monitor standards of performance for provision of services.
- (d) Promote fair competition among public utilities.
- (e) Conduct studies relating to economy and efficiency of public utilities.

By section 37 of Act 538, the Chairman of the Commission shall as soon as possible after the expiration of each financial year but within six months after the end of the year, submit to Parliament an annual report dealing generally with the activities and the operations of the commission within that year which shall include a copy of the audited accounts of the Commission together with the Auditor-General's report on it.

4.0 DELIBERATIONS

At a meeting to consider the said report, the Committee had the benefit of the presence of the Chairman, Commissioners and other officials of the Commission.

4.1 GENERAL OVERVIEW OF THE COMMISSION'S ACTIVITIES

The Committee assessed the performance of the Commission vis a-vis its mission statement which states as follows: The PURC is committed to ensuring development and delivery of the highest quality of utility services to all consumers, building a credible regulatory regime that will respond adequately to all stakeholder concerns and interest and also ensure fairness, transparency, reliability and equity in the provision of utility services in the country”.

4.1(a) QUALITY OF UTILITY SERVICES

The Committee was pleased to note that giant strides were being made by the Commission to ensure quality service delivery. This was evidenced by the routine monitoring of the work of utility companies as well as the passage of two legislative instruments to assist in the regulatory business of the Commission. The said legislative instruments are the Public Utilities (Termination of Services) Regulations, 1999, L.I. 1651 and Public Utilities (Complaints Procedure) Regulations 1999, L.I. 1665.

4.1(b) STAKEHOLDERS' CONCERN

Mr. Speaker, not much had been achieved in the area of addressing stakeholders' concerns. This, it was noted, was due mainly to a lack of conducive operating environment which is evidenced by the generally low levels of income. However, the Commission made some progress in the Water Sector in this area where for the first time in many years the said sector made a positive profit due to the over 100% increase in tariffs granted them by the Commission.

4.1(c) TRANSPARENCY

It is noteworthy that the Commission had so far made gains in the area of promoting transparency. The Committee observed that hearings conducted by the Commission to resolve complaints made by stakeholders. Furthermore, an elaborate procedure of tariff setting has been institutionalised.

4.1(d) RELIABILITY

Mr. Speaker, it is gratifying to note that the Commission had been monitoring effectively the activities of utility companies to ensure the reliability of service provision. To this end, the Commission has institutionalised a monthly reporting system where the various utility companies gave account of their performance for the period. The quality of performance index was factored into the tariffs of the utility companies to serve as a boost for enhanced performance. The Committee was also pleased with the way in which the Commission dealt with issues relating to interruptions in utility supplies. Unfortunately, however, the Committee observed that a great deal of such interruptions were caused by factors outside the control of the companies.

4.2 CAPACITY BUILDING

Mr. Speaker, the Committee was pleased with the efforts the Commission had put in place to ensure efficient output even

with its low staff strength. It was even more gratifying to note that, although at its infant stages, the Commission was striving to bring utility service provision in line with the world acclaimed standards.

To this end, some Commissioners and officers of the Commission had undertaken a number of study trips to various destinations around the world to familiarise themselves with their regulatory business.

4.3 TARIFF SETTING

The Committee observed with a degree of satisfaction that tariff setting mechanism of the Commission was working in the interest of both consumers and the utility providers. It was also pleased with the creation of the 50 kWh per month lifeline, in the case of electricity, as a realistic means of equitably distributing utilities to both the rich and the poor, and urban and rural with a special bias to rural dwellers. This, in the Committee's view, represents a boost dwellings to the on-going Self Help Electrification Project in the various communities of the country.

Similarly, in respect of the Water Sector, the Commission sought the views of both consumers and providers before granting the 132% increase in the water tariffs, breaking for the first time in several years, the regular occurrence of operational losses in the sector.

The Committee, therefore urged the Commission to enforce adherence by the utilities to the approved rates to maintain the confidence reposed in them by consumers.

In pursuit of fairness, the Committee also urged the Commission to ensure that the "compound - house" metering survey being undertaken by the Electricity Sector was completed on time and the recommendations applied in rate setting. This, in the Committee's view would prevent the tendency of occupants of such houses being charged at commercial rates with very high thresholds.

Mr. Speaker, the Committee was, however, not pleased with the impact of the Commission in respect of regulation of tariffs on the supply, transportation and distribution of natural gas for establishments engaged in the bulk storage and transportation of petroleum products, though the Energy Commission's Act, 1997 (Act 541) mandates it to regulate such tariffs. The Committee therefore urged the Commission to remove all such barriers to enable it observe its statutory obligation in this regard.

4.4 COMPLAINT RESOLUTION

Mr. Speaker, if there was any sector bedevilled with several complaints, then it is the utilities sector. However, the efforts made by the Commission to resolve all such complaints could not be over-emphasised. It has already caused to be passed a legislative instrument on complaints procedures entitled the Public Utilities (Complaints Procedure) Regulations, 1999, L.I 1665. It must be pointed out that at the time of producing the document under consideration, the said legislative instrument was being drawn - up.

Mr. Speaker, it is worthy to note that plans are far advanced to establish Consumer Services Committees that would readily attend to such complaints at various locations.

4.5 INDEPENDENCE OF THE COMMISSION

Mr. Speaker, it is significant to note that though funded mainly by the Government, the Commission enjoys a great deal of independence. The root of this, as the Committee found out, was in the institutionalisation of all the processes of regulation in general and the deliberate attempt at creating transparency and reliability of the system.

Mr. Speaker, it was also worthy to note that this has been due to the high level of co-operation enjoyed from the Government and other agencies in the Sector.

However, the Committee believes there is still room for further improvement. It is in this view that the Committee supports the Commission's call for its total independence financially by being granted the right to surcharge the utilities for its operations as it is the practice in many developed countries.

4.6 RELATIONSHIP WITH OTHER ORGANISATIONS

It cannot be gainsaid, Mr. Speaker, the fact that the Commission has enjoyed tremendous support from other organisations both locally and internationally.

These include a cross-section of Ministries, Departments and Agencies in the country.

Its Foreign relations includes New York Public Services Commission, Federal Energy Commission and the Office of Electricity Regulation in Britain.

Mr. Speaker, the Committee was also pleased that by dint of hard work and good programme initiatives, the commission has won the support of donors like the World Bank, Department for International Development and the United States Agency for International Development.

5.0 THE 1998 FINANCIAL STATEMENT

Mr. Speaker, the Committee observed that throughout the year, the Committee was under-funded mainly because at the time of its inauguration, the 1998 Budget and Economic Policy Statement of the country was far advanced in preparation and therefore the Commission's Budget could not be factored into it. More so, since this was the maiden financial Statement, there was no previous year's to be compared with.

In this light, the Committee only delved into the propriety of the various expenditures. The Committee is pleased to state that the Financial Statement of the Commission was well kept and appropriate.

6.0 OBSERVATIONS/RECOMMENDATIONS

6.1 FUNDING

The Committee observed that the major challenge of the Commission was under-funding which made them unable to operate at full capacity. It was even realised that the Commission restricted its activities to Accra alone to the neglect of the other Regions and Districts of the country due mainly to lack of funds. It is in this view that the Committee recommends the adequate funding of the Commission. The Committee further prays that the request of the Commission to be self-financing be considered and granted when it comes up.

6.2 STAFFING

Mr. Speaker, the Committee also observed that for a greater part of the period under consideration, the commission was under staffed. It is commendable to hear that some of the Commissioners had to sacrifice their time to help in the day-to-day running of the Commission.

The Committee therefore recommends that though the situation has seen a little improvement, the Government should assist the commission to recruit at least some few personnel to progressively move towards its required staff strength. The Committee also recommends that conditions of service be augmented a little to prevent the possibility of well established regulatory bodies world-wide luring our well-trained personnel away.

6.3 DEBTS OWED TO THE UTILITIES

It was observed that a number of Ministries, Departments and Agencies (MDAs) of Government in particular owe the utilities huge sums of money. Indeed this has always hampered their development and efficient service delivery. The situation is worsened by a revelation of the fact that the utilities owed each

other huge amounts and their debt to the Government is rather alarming as the report under consideration reveals.

Mr. Speaker, the Committee learnt that the Government's efforts to solve this problem led to it freezing about fifty three billion cedis ((¢53 billion) which the Electricity company of Ghana owed to the Volta River Authority. As of now, indications are that the debt has risen to over Two hundred billion cedis ((¢200 billion). A careful study showed that this debt was caused by the non-payment of bills by customers particularly the MDAs and thereby hampering the efforts of the Commission to realise its mission.

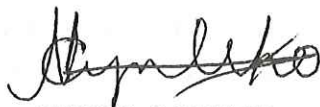
In the light of the foregoing, the Committee recommends that prepaid meters should be promoted among all end-users of utilities especially among MDAs. The Committee further recommends that Government commits the debts among the utilities into equity.

7. CONCLUSION

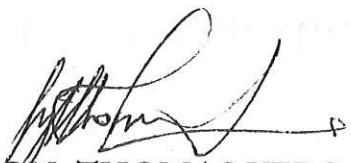
All these notwithstanding, the Committee is of the view that the Commission excelled in its first year's operation and must be encouraged to do more in the ensuing years so that the vision of Ghana becoming a middle income country by 2020 will be a reality since the efficiency of the utilities in itself is a boost to investment.

In this light therefore, the Committee recommends that the House adopts the 1998 Annual Report of the Public Utilities Regulatory Commission.

Respectfully submitted.



CYRIL NSIAH
CLERK TO THE COMMITTEE
29TH MARCH, 2000



HON. THOMAS YEBOAH
CHAIRMAN