



### UTILITY TARIFF CHARGES

Connect Saint Helena is proposing a tariff review commencing 1<sup>st</sup> October 2017. On this occasion there will be no increase in electricity charges but there will be a significant increase in water charges. The combination of the new water and electricity charges represent a below inflationary increase for most consumers.

The reason for moving away from a straight % increase on everything is because through efficiencies the cost of providing electricity is now covered by the electricity tariff income. However the average cost to supply a cubic meter of water is £7.11 so we make a loss of £5.43 on each unit of water supplied. So although there will be a sharp rise in water charges with no increase on electricity charges most consumers will see a similar rise as they would have done with an inflationary rise on all charges.

Members of the public are welcome to call into our Seales Corner offices if they want to understand the proposed tariff better and our Finance Manager will be available in the community at the following venues / times to explain the new tariffs to anyone wanting to drop by.

Blue Hill Community Centre - 13<sup>th</sup> September, 11:00am to 12:00pm

Sandy Bay Community Centre - 13<sup>th</sup> September, 12:30pm to 1:30pm

Levelwood Silver Hill Bar - 13<sup>th</sup> September, 2:00pm to 3:00pm

The details of the proposed new charges appear in this newspaper along with a Q&A sheet which we hope will answer the more obvious questions people may have.

Since Connect started trading in April 2013 tariff increases have been roughly in line with inflation. During this time through efficiency savings we have reduced the operating subsidy we receive from SHG from £1.1 Million to £595k, SHG is then able to spend these savings in other priority areas.

We will receive a below inflationary increase in our tariff revenue, the difference as we move forward is that we will endeavour to target any tariff adjustments to the service that is being provided, with water running at such a large deficit we can expect future tariff increases to be focused on the water and sewage side of the business.



## PROPOSED ELECTRICITY AND WATER TARIFFS COMMENCING 1<sup>ST</sup> October 2017

Connect Saint Helena is proposing revised tariffs commencing 1<sup>st</sup> October 2017. Whilst there has been good progress in reducing operating costs we still require a sizeable subsidy from SHG to remain solvent putting pressure on Connect to increase charges to the consumer. This time we are proposing to keep electricity tariffs at their current level and to focus increase on water charges. The combined effect for most people will be an inflationary increase on their Connect bill. The Minimum Income Standard will be adjusted to take into account this increase and qualifying agricultural customers will receive payments directly from Saint Helena Government to offset this increase.

	<b>CURRENT TARIFF</b>	<b>PROPOSED TARIFF</b>	<b>Increase</b>
<b>ELECTRICITY TARIFF CHARGES</b>			
<b><u>Usage Charges</u></b>			
Domestic Band 1 (first 1,000units)	£0.30	£0.30	Nil
Domestic Band 2 (units over 1,000)	£0.46	£0.46	Nil
Commercial and 3 Phase	£0.46	£0.46	Nil
<b>WATER TARIFF CHARGES</b>			
<b><u>Quarterly Standing Charges</u></b>			
Domestic	£7.18	£8.61	£1.43
Unoccupied residential	£7.18	£8.61	£1.43
Commercial	£21.53	£25.83	£4.30
Agricultural	£7.18	£8.61	£1.43
<b><u>Domestic Use</u></b>			
Treated Water first 15 cubic metres	£0.97	£1.16	£0.19
Treated Water over 15 cubic metres	£1.28	£1.53	£0.25
Untreated	£0.64	£0.77	£0.13
<b><u>Other Use</u></b>			
Commercial	£2.51	£3.01	£0.50
Agricultural treated	£1.28	£1.53	£0.25
Agricultural untreated	£0.64	£0.77	£0.13
<b>DRAINAGE TARIFF CHARGES</b>			
Domestic Standing	£12.50	£15.00	£2.50
Commercial Standing	£19.73	£23.68	£3.95



CURRENT TARIFF	PROPOSED TARIFF	Increase
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**ELECTRICITY OTHER CHARGES**

Disconnection	£37.50	£39.00	£1.50
Reconnection (1 month)	£37.50	£39.00	£1.50
Reconnection (1 – 6 months)	£37.50	£39.00	£1.50
Reconnection (6 – 12 months)	£37.50	£39.00	£1.50

**WATER OTHER CHARGES**

Connection	£32.50	£33.80	£1.30
Disconnection	£32.50	£33.80	£1.30
Reconnection (1 month)	£32.50	£33.80	£1.30
Reconnection (1 – 6 months)	£32.50	£33.80	£1.30
Reconnection (6 – 12 months)	£32.50	£33.80	£1.30

**DRAINAGE OTHER CHARGES**

Empty private septic tank (domestic)	£66.00	£68.64	£2.64
Empty private septic tank (commercial)	£106.00	£110.24	£4.24
Unblock private sewer line (domestic)	£66.00	£68.64	£2.64
Unblock private sewer line (commercial)	£106.00	£110.24	£4.24
Connection	£32.50	£33.80	£1.30
Disconnection	£32.50	£33.80	£1.30

Anyone wanting to understand more how the tariff changes will affect them are welcome to call Connect on 22255 or email [enquiries@connect.co.sh](mailto:enquiries@connect.co.sh)

Any comments you might have regarding the proposed tariffs can be forwarded to:

*The Utilities Regulatory Authority, The Castle, Jamestown marked for the attention of Yvonne Williams or by email to: [yvonne.williams@sainthelena.gov.sh](mailto:yvonne.williams@sainthelena.gov.sh)*

All comments must be received by 12:00 on 22<sup>nd</sup> September 2017.

## Tariff Review 2017 - Q & A Sheet

<u>Questions</u>	<u>Answers</u>
Why is water increasing in price whilst electricity is not?	The cost of electricity has progressively decreased mainly due to cost efficiencies. The overall cost to supply electricity broadly equates to the income from tariff so this year there is no need to increase electricity charges. Water however is massively subsidised, Connect on average lost £5.43 on every unit supplied last year.
Is the £5.43 loss as a result of the drought?	No, if the exceptional costs associated with the drought of 2016 are taken into account the loss increases to £6.30 per cubic meter.
Why is the loss so great?	Compared to other islands and to the UK water is very cheap. There were many years where the cost of water remained static despite the costs increasing every year. There is now a lot of catching up to do.
How will I be able to afford such a large increase on my utility bill?	For the vast majority of consumers the increase will be below inflation, this is because the cost of electricity remains the same. So most people will see an overall below inflationary increase on their utility charges, the same as if we applied a below inflationary increase to both water and electricity.
How much more will I pay?	The average consumer will pay about the same amount as if both electricity and water had been increased by 2%. As a result of this proposed tariff Connect is budgeting to collect 2% more tariff revenue.
I am a commercial grower and therefore use a lot of water is anything being done to help me?	Yes, we recognise that commercial growers will be adversely affected. When we negotiated our subsidy with SHG we established the financial impact on growers and took lower subsidy accordingly. SHG now has control of those funds and will pay subsidy directly rather than through the water tariff. This moves the subsidy away from an untargeted subsidy to a targeted subsidy which was an undertaking made by SHG as a pre-requisite to the signing of the airport contract.
We already pay a lot for water why are the prices going up?	Water is subsidised at present by on average £5.43 per unit so nobody is paying the true cost.

<p>What does this increase mean in £'s and pence?</p>	<p>As this is not a straight % rise each consumer will be affected differently. The modelling we carried out shows most consumers will see about 2% increase on their total utility bill. The first 15 cubic metres of water per quarter is deemed the minimum an average household will require with any consumption above that a lifestyle choice. This increase is 32p per week for water and zero for electricity.</p>
<p>What do we get for our money?</p>	<p>Water is collected, treated, stored and distributed to homes and businesses. But in addition to that we are recovering from significant under investment over several decades. All of this costs money and whilst we are able to receive government capital grants the tariff is very low which is unsustainable.</p>
<p>What has Connect done to improve things since divestment in 2013?</p>	<p>There have been many improvements since divestment. Connect is a more financially efficient organisation now taking £600k less subsidy than pre divestment. SHG is able to spend this money in other priority areas. Fuel efficiency is a major contributor which was achieved with increased levels of solar and wind energy. On the water side of the business after decades of decline due of lack of investment there are new reservoirs, the majority of the old reservoirs have been relined. All water treatment works have been upgraded, improved catchments have been constructed as well as drought mitigation measures. There is also a dedicated construction team who have the massive task of renewing and burying mains that were laid above ground. This just scratches the surface of the task ahead but Connect is a dedicated team who will succeed in improving the islands assets to an acceptable standard.</p>
<p>Does this mean that electricity tariffs will increase later in the year?</p>	<p>At the moment there is no need to increase electricity tariffs as the efficiency improvements since divestment now mean that consumers are covering the costs to provide the surface. If costs increase there may need to be an increase but at the present time there is nothing to suggest this will happen. The reason why the proposed increase is just on water is to more closely align the income streams to the costs.</p>
<p>Why is Connect increasing tariffs now rather than in April as normal?</p>	<p>It has taken a great deal of time and effort to gather the evidence base on which to understand precisely how this increase will affect individual consumers. With this evidence base we can see which consumer groups are adversely affected and have taken lower subsidy so that SHG can make arrangements directly with these consumers so that the subsidy is better targeted at those</p>



	<p>who need it most. If the evidence base had been available sooner we could have proposed these changes earlier but the advantage for consumers is that they have paid the same price as last year for longer.</p>
<p>What evidence is there that tariffs need to increase?</p>	<p>Connect's Board of Directors have been concerned at the huge difference between the cost of providing water and the amount people are paying. At the same time they are happy that electricity costs and tariff are broadly similar. It would be unfair on electricity consumers for them to subsidise water consumers which is what would happen if an inflationary increase was applied across the board. This is why going forward and based on evidence we will endeavour to focus tariff increases to loss making services.</p>
<p>Will tariffs increase again next year?</p>	<p>Almost certainly water tariffs will until the subsidy is eliminated.</p>
<p>Why such a big increase, couldn't it be just 10% this year and the same next year.</p>	<p>The increase is just on water so 10% on water would be just a 1% increase on utility cost. This is well below the rate of inflation which is where we normally target tariff increases.</p>