

ST HELENA UTILITIES REGULATORY AUTHORITY



JANUARY 2022

8TH ANNUAL REPORT ON QUALITY OF SERVICES PROVIDED
BY CONNECT SAINT HELENA LTD – 2020/21

The Utilities Regulatory Authority has completed its review of the quality of services provided by Connect for the year to 1st April 2021. The Authority acts entirely independently and is not subject to the direction or control of the Governor, the Executive Council, Legislative Council or any other person or authority. This report is an annual review.

PART 1 – OVERVIEW

1.1 UTILITY SERVICES ORDINANCE 2013

On 1st April 2013 the Utility Services Ordinance 2013 came into force. This Ordinance established the Utilities Regulatory Authority and created a legal framework to facilitate the private sector provision of licensed public utility services.

These services are —

- (a) the generation, distribution and supply of electricity;
- (b) the collection, storage, treatment and distribution of water; and
- (c) the disposal of waste water.

1.2 UTILITIES REGULATORY AUTHORITY

The members of the Authority are Chief Magistrate Duncan Cooke (as Chairman), Mr Bill Scanes and Mr Paul Hickling. The Judicial Services Manager* is Secretary to the Authority, to whom any communication should be made. The Authority, and any person acting under its authority, act entirely independently and are not subject to the direction or control of the Governor, the Executive Council, Legislative Council or any other person or authority. *(yvonne.williams@sainthelena.gov.sh)

1.3 OBJECTIVE OF AUTHORITY

The objective of the Authority is to regulate the development and provision of public utility services in a manner which—

- (a) ensures that users of such services are protected from both unreasonable prices and unreasonably low levels of service;
- (b) ensures (so far as is consistent with paragraphs (d) and (e)) that the prices charged for such services do not create unreasonable hardships for households or unreasonable hindrance to commercial and economic development in St Helena;
- (c) motivates Utilities Providers to improve the quality of the services they provide;

- (d) ensures stability and predictability in the public utilities industry in the medium and long terms;
- (e) supports a progressive reduction in levels of subsidy from public funds; and
- (f) has regard to such other regulatory objectives (if any) as may be prescribed.

1.4 DUTIES OF AUTHORITY

It is the duty of the Authority, having regard to its objectives, to carry out its functions and to ensure that Utilities Providers comply with—

- (a) ordinances, regulations and directives issued thereunder, regulating public utility services; and
- (b) the conditions of their licence.

1.5 POWERS OF THE AUTHORITY

The Authority may, for the purpose of performing its duties, issue Directives to a Utilities Provider in connection with the provision of any public utility service; and, without prejudice to that generality, such Directives may impose requirements concerning –

- (a) the quality or standard of service which the Utilities Provider must deliver to its customers;
- (b) payments of compensation (or abatement of charges) to compensate customers when the service provided does not meet the standards so set;
- (c) the maximum charges or fees to be levied by a Utilities Provider for providing the public utility service;
- (d) the terms and conditions on which public utility services are to be provided; and
- (e) such other matters (if any) as may be prescribed.

1.6 PENALTIES BY THE AUTHORITY

If the Authority is satisfied that a Utilities Provider has failed to comply with a Directive, or with a condition of its licence, the Authority may order the Utilities Provider to pay a penalty not exceeding the sum of £100,000.

A licence may be revoked by the Governor in Council upon recommendation of the Authority, where the Utilities Provider is in substantial and continuing breach of—

- (a) any of the provisions of the licence;
- (b) any Directives issued by the Authority; or
- (c) any other obligations under the Ordinance.

1.7 UTILITIES PROVIDER- CONNECT SAINT HELENA LTD

With effect from 1st April 2013 Connect Saint Helena Ltd (“Connect”) were licenced by the Governor in Council to provide all public utility services in St Helena. The Authority was instrumental in the drafting of the licence. The licence contains a considerable number of conditions relative to the quality of the services to be provided by Connect.

Connect is a private limited company which is wholly owned by the St Helena Government (“SHG”). The Board of Directors consist of a non-executive Chair, four further non-executive directors and two executive directors (once Miss Lawrence has joined the board).

1.8 EXERCISE OF POWERS BY AUTHORITY

It is important to note that, in performing its duties and in exercising its powers, the Authority must have regard to ensuring the stability and predictability of the provision of public utility services. At this stage in the development of the private sector provision, any penalty imposed on Connect by the Authority would have to be reintroduced to Connect by way of increased subsidy or alternatively tariff increases to customers, as Connect are not profit making. The use of such penalty powers by the Authority would in reality only become practical were the utilities provider to commence making a financial profit and, while doing so, not meet the targets and expectations which could reasonably be expected of a Utilities Provider.

1.9 PURPOSE OF REPORT

This report is principally concerned with motivating the Utilities Provider to improve the quality of the services they provide, where possible. The Authority has a duty to adopt a reasonable approach in setting targets and expectations in these stages of its regulation. Progressive targets and expectations have therefore been set, and amendments to those targets made over time. It would be unreasonable to expect an instantaneous improvement to the levels which the Authority will ultimately endeavour to motivate the Utilities Provider to achieve, consequently the URA view its role at this stage to encourage and assist Connect to achieve an ever improving level of service appropriate to its development as a Utility Provider.

This report has been prepared, amongst other things, for the purpose of assessing performance against the targets established by the authority for the period of the review year.

The additional purpose of this report is to inform the public on the level of services being delivered by Connect. In doing so it is hoped to motivate Connect to improve the quality of the services they provide. Connect are aware that such services are being monitored, scrutinised and will be publicly reported upon by the Authority. It should be emphasised that this report relates to the period from 1st April 2020 to 31st March 2021, being the review year.

1.10 DEVELOPMENTS IN THE PAST YEAR

Electricity

25% of the island's electricity is generated by the solar and wind farms. On 29th May 2020 the Power Purchase Agreement was agreed with PASH. Unfortunately that agreement has fallen through and the generation of renewable energy has suffered a setback. The method of generation is not a matter for the Authority but it is of course desirable that renewable energy is used wherever possible, especially if this proves more reliable and efficient

There has also been an increase in unplanned disruptions to the electricity network which is disappointing. However this needs to be seen against a backdrop of significant improvements over the time since divestment. The problem of trees falling onto lines has increased for HV lines but decreased for LV lines. Hardware faults for both HV and LV have increased.

Water

Legacy issues from prior to 2013 are felt most in the water network. However it is gratifying to note that Connect have taken on board the concerns regarding water loss and are taking action to address the same. Water losses show a downward trend but are still too high, having said that the programme in place is by necessity a longer term one. Where specific areas have been targeted significant progress has been made. The URA believe that the aim of a reduction of water loss to 35% within 5-7 years is achievable.

District Metered Areas (DMAs) are being created which allow for a more localised assessment of water loss. There are currently 16 which cover 533 customers. The water loss figure is often skewed by metering errors and once these are rectified the true figure of water loss becomes apparent. The data currently in place for DMAs is not robust enough in some areas to see positive trends but in others it is sufficient to demonstrate reductions of between 30% and 74% for non-revenue water. It must be said that these figures are often as a result of better data collection. Additionally at present ascertaining how much water is actually lost from the system due to leaks and faults as opposed to it simply being used but unbilled is problematic. Water loss can only be truly measured and reduced with accurate

data collection and leak management through investment in the infrastructure. The number of faults in the system due to leaks and burst pipes was 1362 last year and 1202 in this year which shows a reduction, however there has been an upward trend for leaks and burst pipes over the past 6 years.

Although the number of faults is not a good indicator of actual water loss it demonstrates the requirement for investment in the network. Improvement in water provision can only come about by investment in the network to address legacy matters. Given that funding of the necessary works cannot be from tariffs, capital investment will have to be sourced through SHG. It is appreciated by the URA that Connect have sought grant payments which have not been forthcoming, except for £68,177 for the Ruperts sewerage treatment plant. The URA are satisfied that Connect is taking what action it can, indeed its investment in capital works for water infrastructure was £496,479 compared to £47,228 last year.

It can only be hoped that with the publication of the Water Resource Strategy SHG, who own the Strategy, will consider the need to fund the necessary infrastructure. As is recognised by the need for a strategy, water security is a matter not only for providers but governments. In times of drought water loss is felt more acutely and addressing infrastructure defects is part of the process for ensuring water security.

Water Quality

Connect were 100% compliant in microbiological integrity. However the turbidity levels for all areas except Levelwood are above the targets set by the URA. The area of concern is Jamestown where the level is above World Health Organisation maximum levels for drinking water. The relevant statistical information is within Appendix 3

Sewerage

Apart from normal maintenance activity there has been no further investment in the sewerage systems for Half Tree Hollow and Jamestown. Outline planning development permission was granted some time ago to install a system for both areas but there has been no funding available, as a consequence the permission has lapsed.

Connect and the URA recognise these sewerage problems as a priority. In times of heavy rainfall untreated sewage enters the sea bringing risks of impact upon health and environment. Connect are concerned at the proposal by SHG to make them responsible for storm water in addition to sewerage on the basis of a technical assessment for Half Tree Hollow that they consider deficient. Whatever the circumstances sewerage provision for Half Tree Hollow and Jamestown must be urgently resolved.

Capital Works

Capital comes from two sources, either in the form of Capital Grants from SHG or from finances generated by Connect themselves. The table below shows how the capital was spent:

ASSET CLASS	Grant Funded (£)	Connect Funded (£)	Total (£)
Electricity Infrastructure		115,183	115,183
Equipment		9,737	9,737
Land and Buildings		175,020	175,020
Water Infrastructure	68,117 (for Ruperts sewerage)	496,479	564,656
TOTAL	68,177	796,419	864,596

This investment is a significant increase on last year where £106,352 was spent.

Organisation

Of significance was the departure of the CEO Barry Hubbard in August 2021. A recruitment process was undertaken and Miss Janet Lawrence will take up the post from 14th February 2022.

PART 2 – PUBLIC UTILITIES DEVELOPMENT PLAN

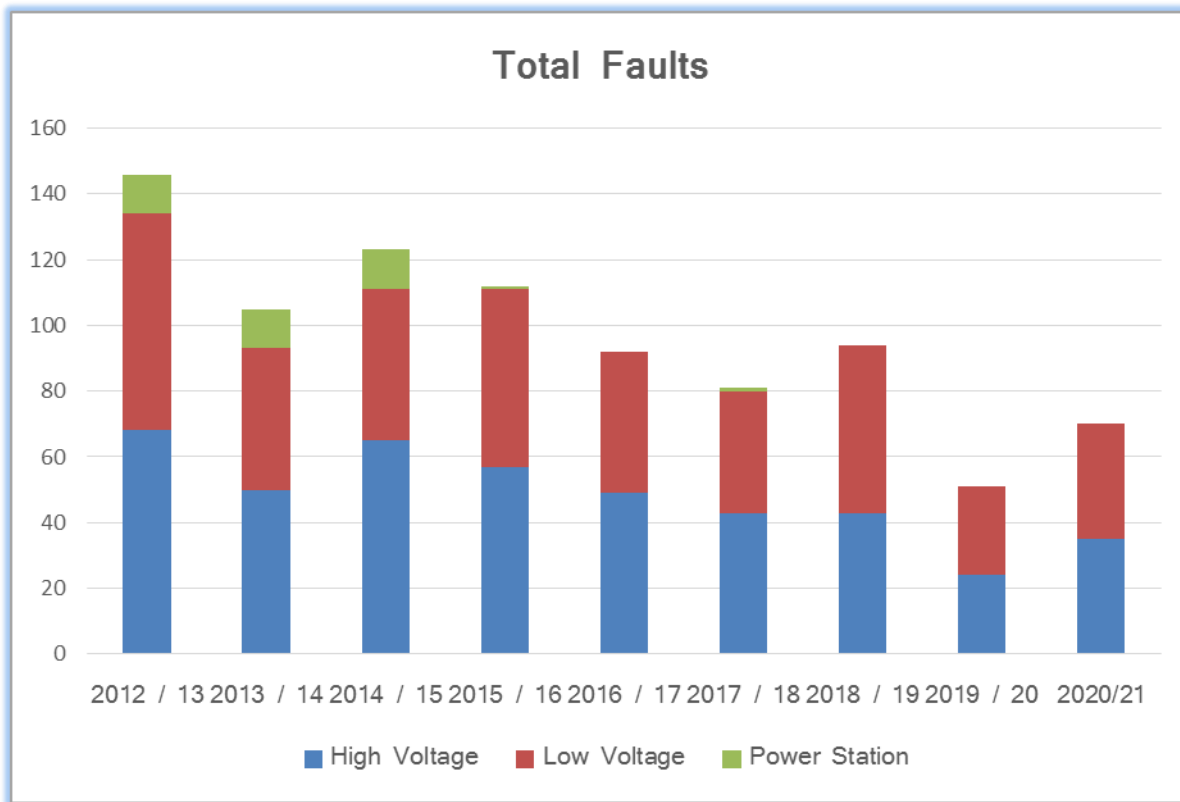
2.1 PUDP

The Public Utilities Development Plan (“PUDP”) was agreed, after extensive discussions, between Connect and the Authority. This provides for a planned improvement to the reliability and quality of public utility services. The plan requires the collation of performance indicators to assist in determining if such improvements are being achieved by Connect. Such performance indicators are measured against the “benchmark year” of 2012/13, namely the year prior to the commencement of the Connect operation as a private limited company. The relevant plan is contained in Appendix 1

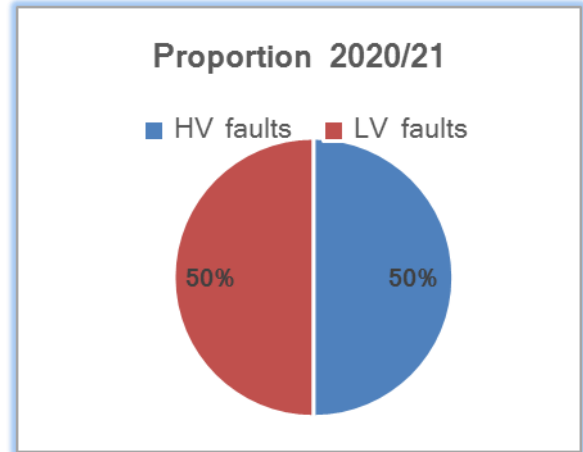
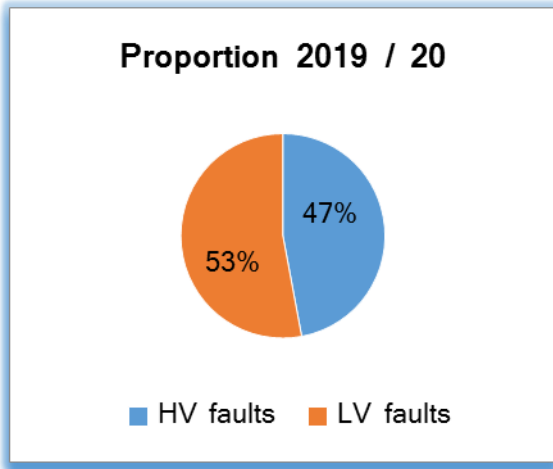
2.2 RELIABILITY OF ELECTRICITY DISTRIBUTION NETWORK

Disruptions to the Electricity Distribution Network (“EDN”) may be High Voltage (“HV”) affecting a large number of consumers or Low Voltage (“LV”) generally affecting a small number of consumers. In the benchmark year the EDN had in total 146 disruptions. Connect has reduced the number of total disruptions from the benchmark year of 146 to 70 (51 last year), within the agreed target of 95. Year 19/20 was the best to date.

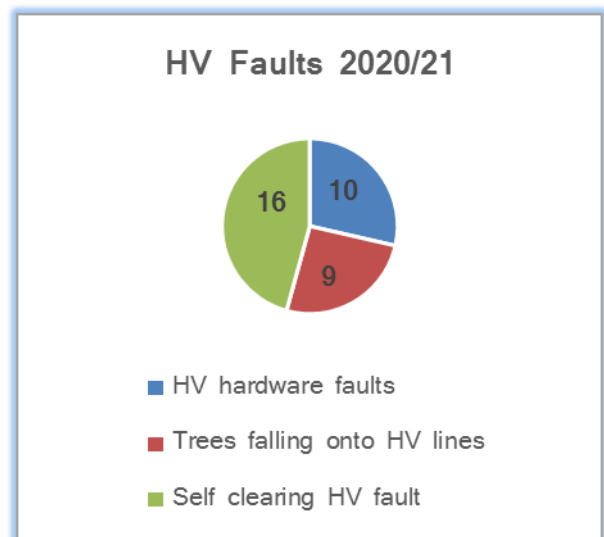
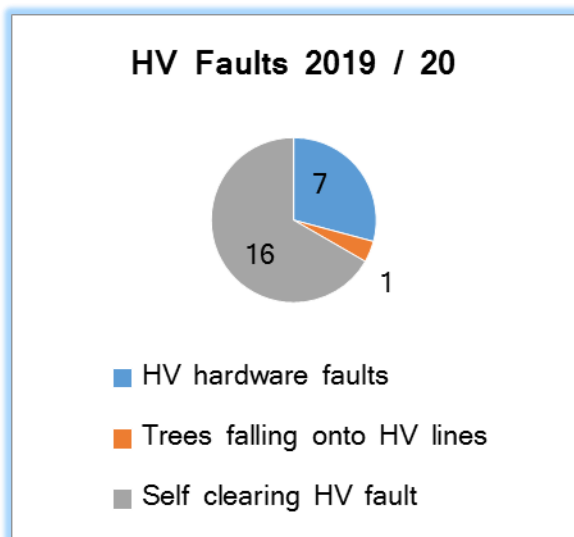
The graph below shows the improvement trend:



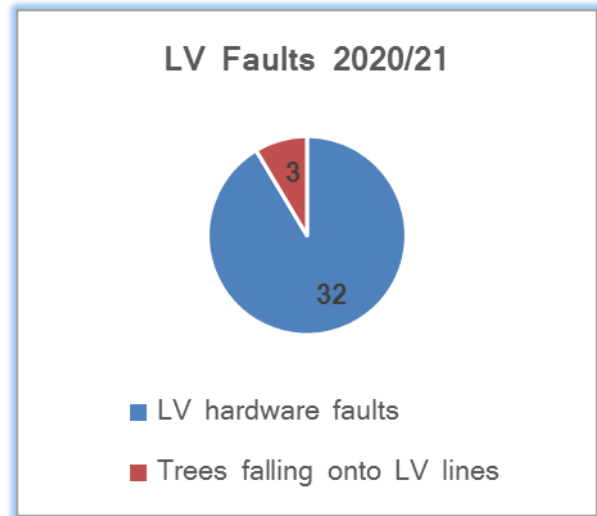
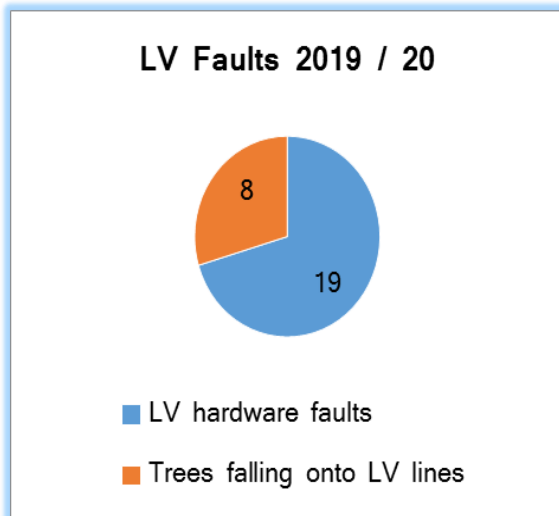
The pie charts below show the spread of faults between the high and low voltage networks.



The number of trees falling onto lines increased this year compared to last year but a decrease compared to 2018/19. High Voltage hardware faults increased this year by three. The Authority expects to see a reduction in the number of problems caused by trees for next year

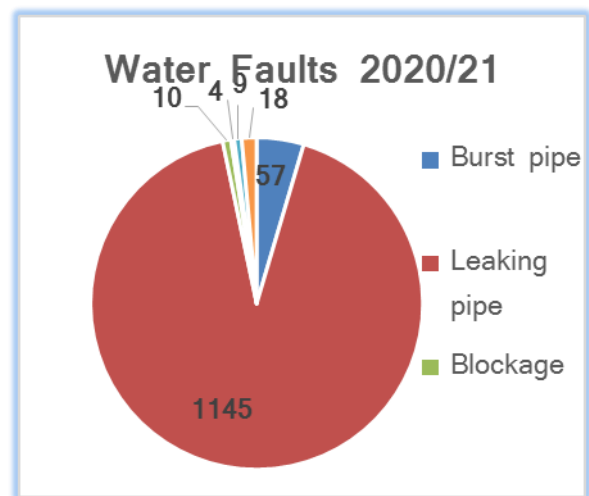
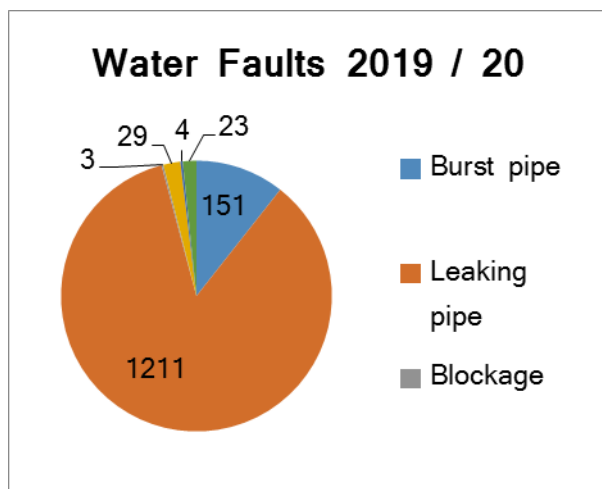


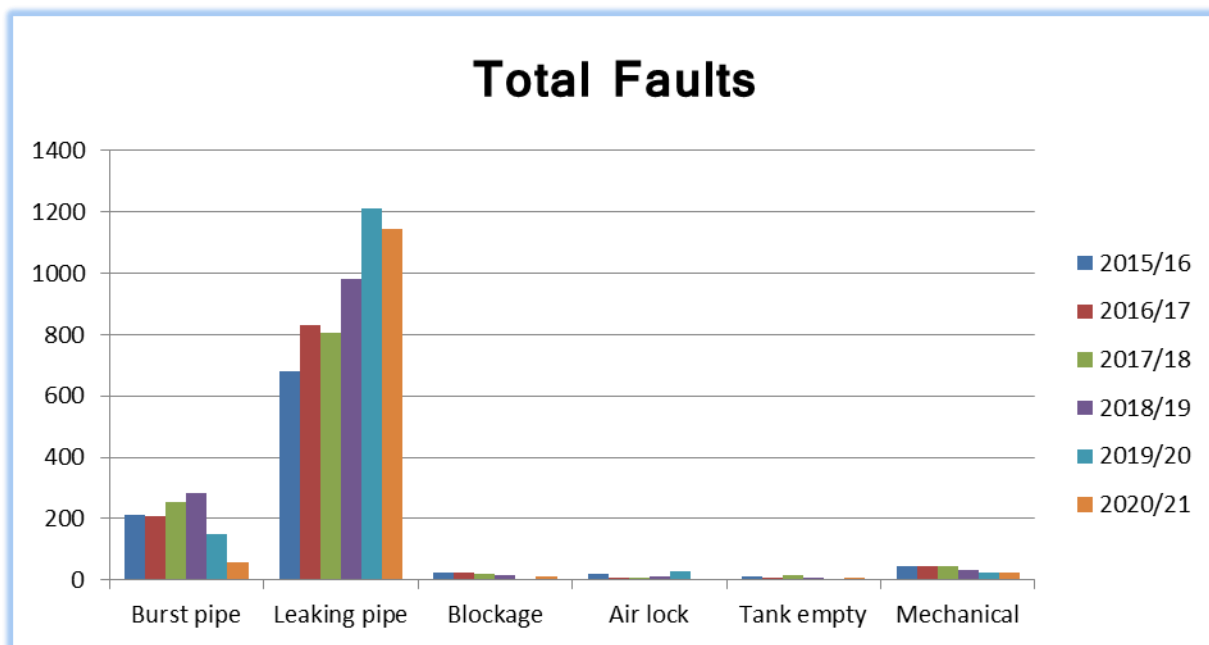
Low voltage faults have less impact than high voltage faults since they relate to single customers or small groups of customers. The number of hardware faults increased from nineteen to thirty two and the number of trees falling onto the lines decreased from eight to three. The Authority expects to see a reduction in the number of hardware faults for next year



2.3 RELIABILITY OF WATER DISTRIBUTION NETWORK

Although the reliability of the water network has improved since divestment there is a worrying trend in relation to the amount of leaking pipes whilst other faults remain constant or improve. A dedicated team is renewing the mains, survey work informs the location of pressure reducing valves which reduce the incidence of over pressure which is a cause of bursts. An analysis of faults is shown below.





Burst pipe	Leaking pipe	Blockage	Air lock	Tank empty	Mechanical
57	1145	10	4	9	18

The trend is similar to last year and of the 1,243 faults 96% were attributable to bursts and leaks.

2.4 WATER QUALITY

Appendix 3 shows the results in more detail but overall Connect were 100% compliant with microbiological integrity against a target of 99.5%. The Environmental Health Department continues to provide independent verification of results with the sampling and testing regime now supported by annual training from the Senior Microbiologist on correct sampling methodology.

The silt traps provided in 2017 slowed down the rate at which silt will accumulate in the earth dam, which will be emptied whenever necessary and not exceeding every two years. This will remove accumulation of silt in Harpers 2 (the earth dam).

Turbidity levels are still too high and for Jamestown above World Health Organisation guidance for drinking water. Except for Levelwood the levels for all areas were above targets set by the Authority

2.5 CONNECTION TIMES

Improved targets for the time to perform new connections to the electricity and water supply networks were agreed last year. The measure is the number of days Connect contributes to the process, for ease of measurement non-working days are included.

For electricity connections the 2012/13 benchmark was fifty days, the 2020/21 target was ten days and fourteen days was achieved against six days the previous year. This represents a significant increase in the time taken to connect for electricity. This would have been within the target for 2019/20 but is not within the revised target.

Water connections were below the target of five days (reduced from ten in 2019/20) with the average time being two days. The 2012/13 benchmark was ninety days.

2.6 COMPLAINTS

The complaints handling system has 100% compliance. A total of ten complaints were resolved at the first level with zero being escalated to the second or third level.

PART 3 - CODES OF PRACTICE

3.1 TARGETS

Codes of Practice were agreed between Connect and the URA. These make provision for the compliance with conditions 23 to 30 of Connect's licence. The URA sets targets of 100% compliance and these are more particularly dealt with in Appendix 2

Of note there is currently no CoP for efficient use of water. The URA believes that it is important that customers are assisted in reducing water usage and are enabled to monitor their own water usage. Last year it was agreed that Connect would have in place a proposal for a target to be included in this year's report, however with the change in CEO this did not occur. A target proposal will be discussed during any request for tariff increases

3.2 ACCESS TO PREMISES - CONDITON 23

This condition requires that all employees (a) possess the skills necessary to perform their required duties, (b) are readily identifiable by the public, (c) are appropriate people to visit and enter a

customer's premises and (d) in a position to advise customers of a contact point for help and advice if required.

The majority of customer contacts are by the meter readers that are now contracted directly to Connect as opposed to the previous outsourced arrangement. The meter readers are bound by the requirements stated in the Code of Practice as a condition of their contract with Connect. Both the meter reader staff and Connect staff have ID badges to readily identify themselves to members of the public. Training material has been provided and information is now printed on the reverse side of the bills directing customers in relation to advice.

The URA has found no evidence of non-compliance.

3.3 PAYMENT OF BILLS AND CUSTOMERS IN DEFAULT - CONDITIONS 24 AND 25

These codes of practice were introduced and included into Connect processes with input from the Social Services Manager in respect of those having difficulty in paying their bills, and also identifying customers in default and ensuring reasonable payment terms are agreed.

Connect has a member of the finance staff dedicated to managing customer debt which includes agreeing alternative payment arrangements and liaising with Social Services. Connect works with the charity Making Ends Meet ("MEM") and through the charity provides funding to those that MEM consider are vulnerable and unable to pay their bills, subject to measures being put in place to prevent recurrence.

Last year Connect provided funds to help fourteen debtors and since divestment has helped a total of two hundred and fourteen customers.

The URA has found no evidence of non-compliance with both these CoP's.

3.4 CONNECTIONS AND DISCONNECTIONS - CONDITION 26

This condition requires specific connection and disconnection procedures to be followed within various time limits. The Authority found no evidence of non-compliance with advising, visiting to assess work required, reconnection and disconnection.

The Code of Practice requires a site visit within five working days. Twenty five electricity applications were made and fifty three for water. All site visits were carried out on time.

3.5 DISABLED, CHRONICALLY SICK AND PENSIONABLE AGE CUSTOMERS – CONDITION 27

Through liaison with the Social Services Manager Connect have undertaken to visit consumers at their request to provide advice on the use of electricity and water. Additionally, Connect have provided

Social Services with a stock of high efficiency luminaires to distribute and have further committed to provide monitoring equipment in order that vulnerable consumers can, with assistance, understand more of their usage profile. Authorised officers can be readily identified by their identity card.

The Authority found no evidence of non-compliance.

3.6 FORMAL COMPLAINTS – CONDITION 28

This condition requires that complaints are reviewed, resolved or referred within various time limits.

A total of ten complaints were received. Complaints are reviewed by the management team on a weekly basis. All ten complaints were resolved at the first level.

The Authority found no evidence of non-compliance.

3.7 READING OF METERS - CONDITION 29

Reliably obtaining accurate meter readings is of course important to all customers. The meter readers have been trained in identifying potentially dangerous meter installations. Nine meters were identified as unsafe and the meters have been relocated to a safer location.

The Authority found no evidence of non-compliance.

3.8 EFFICIENT USE OF ELECTRICITY – CONDITION 30

A number of advertisements have been designed to inform the public. Customers are advised on the reverse side of their bills that information leaflets are available. Home visits are offered to disabled and chronically ill customers via Social Services. Advertisements are placed each week in the local papers which is greater than the six monthly requirements; the scope has been expanded to provide water consumers with information on efficient use of water. Connect also publish, on an ad-hoc basis, articles that they feel will be of interest to the general public.

PART 4 – CONCLUSIONS

4.1 PUBLIC UTILITIES DEVELOPMENT PLAN COMPLIANCE

The reliability of the electricity distribution network is ahead of the reducing targets set by the Authority and has demonstrated a significant improvement from the benchmark year.

The increase in the time to connect for electricity is something that will have to be addressed and brought within the target.

The reliability of the water distribution network is an area where failing has occurred, as last year. It is hoped that the additional interest in the security of the water distribution network by SHG will further highlight the inherited problems that Connect is dealing with. These problems require investment and while revenue from water is significantly below the cost of water production the opportunity for such investment is limited. The URA are impressed at the steps that Connect are making to reduce water loss and expect these to continue.

4.2 CODES OF PRACTICE COMPLIANCE

The Authority is again happy with the level of compliance with the CoP's and looks forward to agreeing a CoP for efficient use of water.

4.3 GENERAL CONCLUSIONS

This is the eighth annual report issued by the Authority.

Electricity provision is considered good given the starting point at divestment. The collapse of the Power Purchase Agreement is a setback in terms of the potential for reduced electricity costs and Connect are encouraged to find an alternative partner

Reliability of the water network continues to be an area of real concern. Water security is essential to any community and given the isolation of St Helena self-sufficiency is required. Investment is urgently required to firstly halt the degeneration of the system and secondly to reduce water loss. Investment from SHG last year was at zero. None was forthcoming this year to improve the network. Connect cannot raise sufficient money to improve the network through tariffs which customers find a heavy financial burden. The URA believes that the efforts that Connect have made in the last year show a significant commitment to improvement on their part.

Sewerage again continues to be a problem and is a priority that must be addressed. Connect's income from sewerage is insufficient to allow for investment in the new systems required.

Utilities Regulatory Authority

January 2022