



NATIONAL UTILITIES REGULATORY COMMISSION
2017 ANNUAL REPORT





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REMARKS BY THE CHAIRMAN OF THE COMMISSION

During the period under review, the Commission concentrated its efforts on building an effective and sustainable regulatory system. This required that the Commission develop a suite of procedures, that govern the operation of the NURC, review the legislation for the regulation of the energy, water and sewerage services and make recommendations for their amendment. There was also some focus placed on building the capacity of the Commissioners and staff through their participation in training activities, seminars and conferences.

By December 2017, the Commissions had completed the review of the following documents:

“The Commission continued its efforts at accelerating the integration of renewable energy generation into the energy mix.”

- The tariff review procedures for water and electricity
- The consumer complaints handling procedures
- Procedures for the holding of public hearings
- Public consultation procedures

The Commission continues to collaborate with the Ministry of Energy and the Attorney General's Chambers to complete the revision of the draft Electricity Supply Services Bill. The promulgation of this piece of legislation is critical, as it will provide the NURC with additional legislative authority to regulate the electricity supply services sector. The Commission continued its efforts at accelerating the integration of renewable energy generation into the energy mix. This entailed the review of the application and other procedures utilized for the licensing and regulation of renewable energy, as well as the interconnection agreement being utilized by LUCELEC to facilitate connection of grid tied photovoltaic generation systems.

The Commission issued a new sewerage licence to WASCO and developed templates for the licensing of small water services including water trucking services. The public profile of the Commission was enhanced through its presence on social media platforms such as Facebook, YouTube, and Twitter and its participation in a number of national events such as the Annual Energy Fair and World Water Day activities.

Despite these achievements, the work of the NURC was hampered by ambiguous government policy on both water and energy and the delays in completing relevant legislation. Additionally, inadequate funding precluded the implementation of the capacity activities and the undertaking of consultancies in the areas identified in the 2017 work plan.

INTRODUCTION



This Commission report is prepared pursuant to Section 33 (1) of the National Utilities Regulatory Commission Act No. 3 of 2016.

The report covers the period January to December 2017 and provides a summary of the operations of the Commission, as well as a review of the electricity, water and sewerage sectors.

COMPOSITION OF THE COMMISSION

A seven (7) member Board of Commissioners was appointed effective February 8, 2016, for terms ranging from three to five years duration. The Board comprises the following persons

<u>Commissioners</u>	<u>Tenure</u>
Mr. Victor Poyotte (Chairman)	5 years
Dr. Barbara Graham	5 years
Mr. Desmond Destang	4 years
Mrs. Marie Monroe	4 years
Dr. Anderson Reynolds	3 years
Mr. Michael Sewordor	3 years
Mr. Vern Gill (Deputy Chairman)	3 years

The Chief Executive Officer is an ex officio member of the Commission.

The primary functions of the Commission are prescribed in Section 6(1) of the National Utilities Regulatory Commission Act No. 3 of 2016 and includes inter alia:

- | | |
|---|---|
| <ul style="list-style-type: none"> i. to advise the Minister on the formulation of National policy on matters relating to utility supply services; ii. to promote the efficient and economic development of the utility supply services sector; iii. to ensure economic regulation of utility supply services; iv. to ensure compliance with the Government's international and regional obligations relating to utility supply services; v. to be responsible for the technical regulation and for setting technical standards having regard to international standards and best practice relating to utility supply services; vi. to receive, consider and determine applications for service licenses to provide utility supply services pursuant to the regulatory Acts; vii. to establish, approve, monitor and review tariff schemes and tariffs in accordance with any regulatory Act; viii. to monitor and ensure service licensees comply with conditions attached to their service licenses; ix. to ensure the protection of consumers' interest in relation to the provision of utility supply services; x. to promote competition and monitor anti- | <ul style="list-style-type: none"> competitive practices in the utility supply services and advise the competent authority responsible for the regulation of anti-competitive practices accordingly; xi. to maintain a register containing records of service licensees in the prescribed form; xii. to receive and evaluate consumer complaints and resolve disputes; xiii. to undertake in conjunction with other institutions and entities where practicable, training, manpower planning, seminars and conferences in areas of national and regional importance in utility supply services; xiv. to conduct research relating to utility services as may be necessary; xv. to report to and advise the Minister on the economic financial, legal, technical, environmental and social impacts of utility supply services; xvi. to require payment and collect fees payable under this act and regulatory Acts; and xvii. to perform such other functions specified in the NURC Act, any other Regulatory Acts or the Regulations. |
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In addition, Section 6(2) of the Act also empowers the Commission to do all things necessary or convenient to be done for or in connection with the performance of its functions.

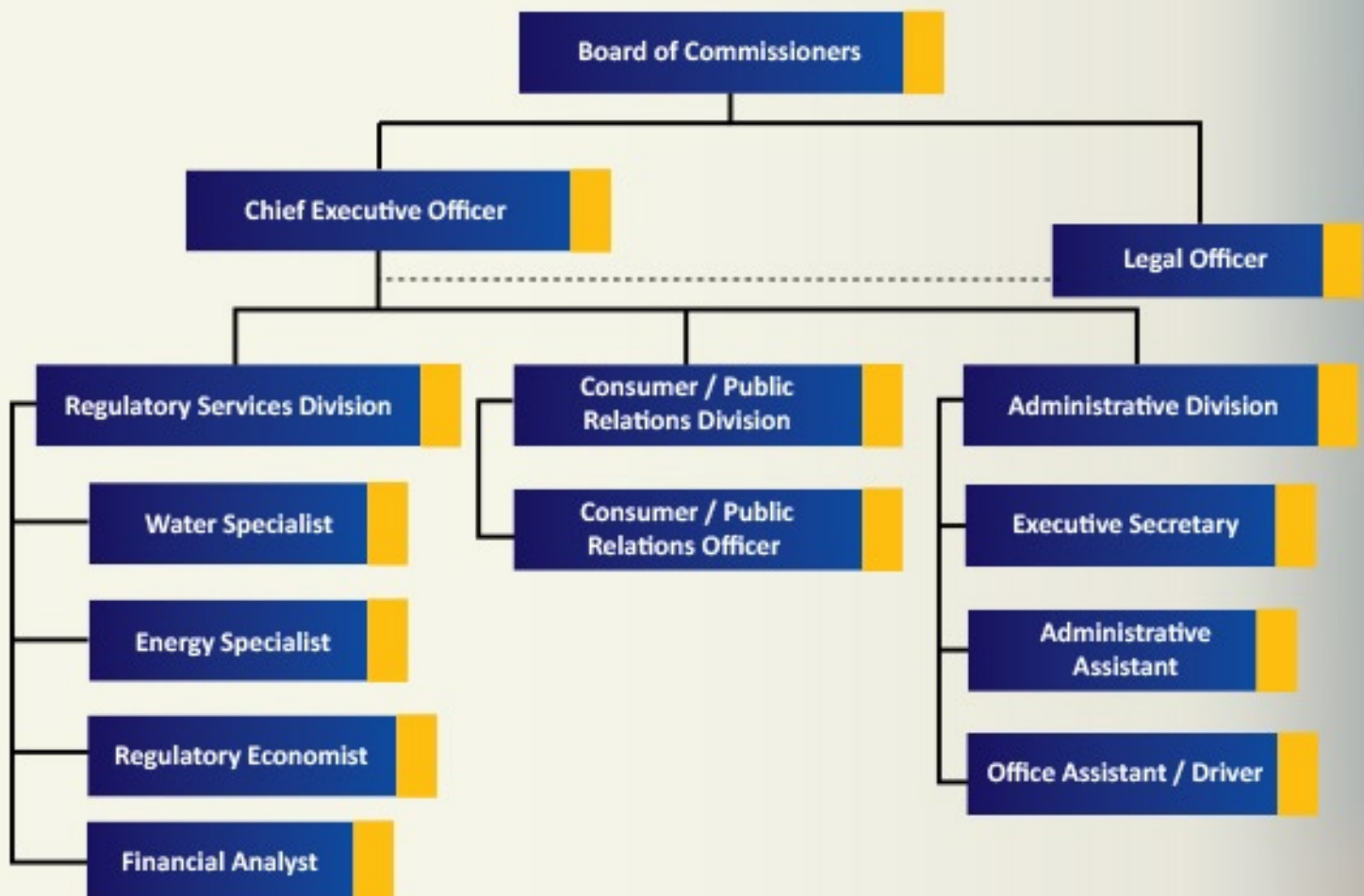
MEETINGS OF THE COMMISSION DURING 2017

During the year, there were ten ordinary and six extra ordinary meetings of the Commission. The ordinary meetings dealt primarily with administrative and other operational matters, whilst the extra ordinary meetings dealt with matters related to procedures for licensing, tariffs, draft licenses the establishment of proposed licensing and other fee structures for both the water and electric utility services.

The Commission also continued to build on the work that was started during the previous year, which focused on building a more effective regulatory system. This included:

1. Establishing strong administrative and operational structures.
2. Capacity building and organizational development.
3. Developing organizational governance processes and internal procedures.

ORGANIZATIONAL STRUCTURE



THE BOARD OF COMMISSIONERS



MR. VICTOR POYOTTE
CHAIRMAN



MR. VERN GILL
DEPUTY CHAIRMAN



MR. DESMOND DESTANG
COMMISSIONER



MR. MICHAEL SEWORDOR
COMMISSIONER



DR. BARBARA GRAHAM
COMMISSIONER.



DR. ANDERSON REYNOLDS
COMMISSIONER



MRS. MARIE MONROSE
COMMISSIONER



THE SECRETARIAT

The NURC Secretariat comprises a mix of Professional and Administrative Staff led by a Chief Executive Officer.

The current organizational structure includes the following positions:

i. Chief Executive Officer	-	Mr. Jerome Jules
ii. Legal Officer/Corporate Secretary	-	Ms. Estelle George
iii. Regulatory Economist	-	Ms. Skeeta Carasco
iv. Water Specialist	-	Mr. Terrence Gilliard
v. Energy Specialist	-	Ms. Kerne Antoine
vi. Financial Analyst	-	Vacant
vii. Consumer Relations Officer	-	Ms. Manendra George
viii. Executive Assistant to CEO	-	Mrs. Julie Peter-Clauzel
ix. Administrative Assistant	-	Ms. Yasmin Edwin
x. Office Assistant	-	Vacant
xi. Cleaner	-	Ms. Paulina Joseph

In addition to the full- time staff complement, the Secretariat outsources its Information Technology (IT) and Accounting support services on a contractual basis.



REVIEW OF THE WATER SECTOR IN 2017

In a year during which the Caribbean was rocked by several major hurricanes which wrecked significant damage on infrastructure, Saint Lucia and the country's water sector was largely spared. The water sector however experienced a mixed year marked by some progress on ongoing major capital projects but what is seemingly a notable decline in WASCO's financial performance on the heels of a significant decrease in the deficit in 2014 and two years of surpluses in 2015 and 2016.

LEGISLATION AND POLICY

Following the legislative changes which saw the NURC replacing the former National Water and Sewerage Commission (NWSC) in 2016, there were no policy or legislative changes to the water and sewerage sector during 2017. However, the NURC was actively involved in reviewing the Water and Sewerage Tariff Regulations to identify and recommend corrections and updates to those regulations.

WASCO'S PERFORMANCE

WASCO presented quarterly reports for the four quarters of 2017, however, the annual report which is statutorily required was not presented. This assessment of WASCO's performance is consequently based on aggregated data obtained from WASCO's quarterly reports submitted to the NURC.

Aggregated financial data from the quarterly reports suggest that for 2017, WASCO returned a deficit of EC\$3,487,519, a significant decline over 2016 during which it returned a profit of EC\$4,597,026 and 2015 when it made an even greater profit of EC\$5,165,685. Quarterly report submissions by WASCO seem to suggest that increased expense was a contributor to this deficit. Some of the factors which WASCO attributed to its increased expenses were: higher direct expenses particularly salaries and wages, power, maintenance and chemicals; increases in professional fees and provision of staff uniforms and training. WASCO noted that wage increases were related to retroactive payments and wage adjustments made to the daily paid employees.

INVESTMENT/ INFRASTRUCTURE IMPROVEMENT

As is characteristic of water sectors in many parts of the region and the world, Saint Lucia's water sector continues to be challenged by its aging infrastructure, a situation typically more acute for state owned water utilities which often struggle to raise capital. WASCO has however been making some strides in restoring and upgrading its infrastructure and 2017 registered progress in this regard.

During 2017, WASCO's major capital project, the John Compton Dam (JCD) Rehabilitation Project to rehabilitate the JCD reservoir to original capacity of 3 million cubic meters of water was reconfigured. Project works have now been split into two packages, with one package including the dredging works and the other comprising the sediment containment area. By year end, the company was in the process of selecting a contractor to undertake the works necessary for constructing the sediment containment area. Planning work for the Vieux Fort Water Supply Redevelopment Project continued in 2017. The Dennery Water Supply Redevelopment Project, under the direction of the executing agency, the United Nations Office of Project Services (UNOPS), was however further in execution. By year end, the first phase including the construction of a water treatment plant, was nearing completion. The full project encompasses an intake, raw water pipeline, water treatment plant and transmission pipelines.

Other projects which were ongoing in 2017 included the Babonneau Water Supply upgrade which includes an upgrade of the pumping main from 6 inches to 10 inches, the Canaries Water Treatment Upgrade and the Bulk Meterization Project.

SEWERAGE SECTOR

As is customary, 2017 was another year during which the sewerage sector languished in the shadows of the water sector.

Notwithstanding the seemingly lesser emphasis placed on sewerage, the systems generally met required standards and WASCO's quarterly report submissions suggest that all reports of blockages were dealt with swiftly.

The growing trend of increases in sewerage revenue also continued in 2017 with aggregated data from the annual reports suggesting that revenue from sewerage services amounted to EC\$3,998,387 representing an increase of 5.2% over 2016 revenue.



REVIEW OF THE ENERGY/ELECTRICITY SECTOR 2017

Following the introduction of independent regulation to the energy sector in 2016, 2017 saw a continuation of Saint Lucia's energy sector transition. Progress in renewable energy adoption, characterized by the commencement of work on the first utility scale solar project and increased connections of small photovoltaic systems, was recorded. Work towards strengthening the legislative and regulatory framework necessary to facilitate the transitioning of the sector towards increased generation from indigenous renewable energy resources also continued.

Amidst this ongoing renewable energy transition and against the background of increasing global oil prices in 2017, LUCELEC reported another year of strong performance.

LEGISLATION AND POLICY

In 2017, ongoing work towards finalizing the Draft Electricity Supply Services Bill, which is expected to replace the amended Electricity Supply Act, continued. Some progress was also registered in finalizing the regulations which support the Draft Electricity Supply Services Bill and the National Utilities Regulatory Commission Act.

Work was also ongoing on the National Energy Transition Strategy, an initiative geared at charting the way forward for the energy transition being undertaken by the Government of Saint Lucia with support from the Clinton Climate Initiative, the Rocky Mountain Institute and LUCELEC.

LUCELEC'S PERFORMANCE

Following 2016's successes, LUCELEC reported another year of strong performance in 2017. The company recorded an after-tax profit of EC\$34.7 million and earnings per share of EC\$1.51 representing a 2.1% and 2% increase over the previous year respectively. There was a slight decline in the return on equity which fell from 12.7% in 2016 to 12.3 % in 2017. A key factor attributed to the company's strong financial performance was a 3.3% increase in energy sales which the company posits was positively impacted by the completion of two major hotels in the north of the island.

Some success was also reported in the area of operations with system losses recorded at 6.8%, dipping below 7% for the first time. The company likewise recorded a credible performance in the area of fuel efficiency. Contrarily, LUCELEC's response to interruptions as measured by the system average interruption duration index (SAIDI) was below its targeted level. LUCELEC has attributed its less than anticipated SAIDI performance to interruptions in the electricity supply caused by the outer bands of hurricane Maria.

LUCELEC also reported progress in other initiatives including the start of its 3MW solar farm project, completion of its main administrative building, upgrades to its major technical systems and relocation and undergrounding of sections of the 66kV transmission lines on the west coast. The company also reported that Advanced Metering Infrastructure (AMI) had by year end been provided to 97% of the meter population.

ELECTRICITY PRICES

For electricity consumers, fuel prices passed directly to customers resulted in an increase in electricity rates during the latter part of 2017. Average fuel costs increased by 8.2% to EC\$6.23 per gallon in 2017. The overall average tariff increased from EC\$0.75 in 2016 to EC\$0.78 in 2017- an increase of 4%.

INVESTMENTS IN RENEWABLES

The year 2017 saw progress towards greater inclusion of renewables in the generation mix with the commencement of construction of the previously delayed 3-megawatt solar farm in Vieux Fort. This project is the first utility scale solar project in Saint Lucia.

Additionally, 131.5 kWp of distributed solar was connected to the grid, bringing the total capacity provided by grid tied small solar systems to 643.5 kWp. NURC records indicate that during 2017, there were at least four companies providing solar photovoltaic installation services in Saint Lucia. There is continued interest in renewable energy investment in Saint Lucia.

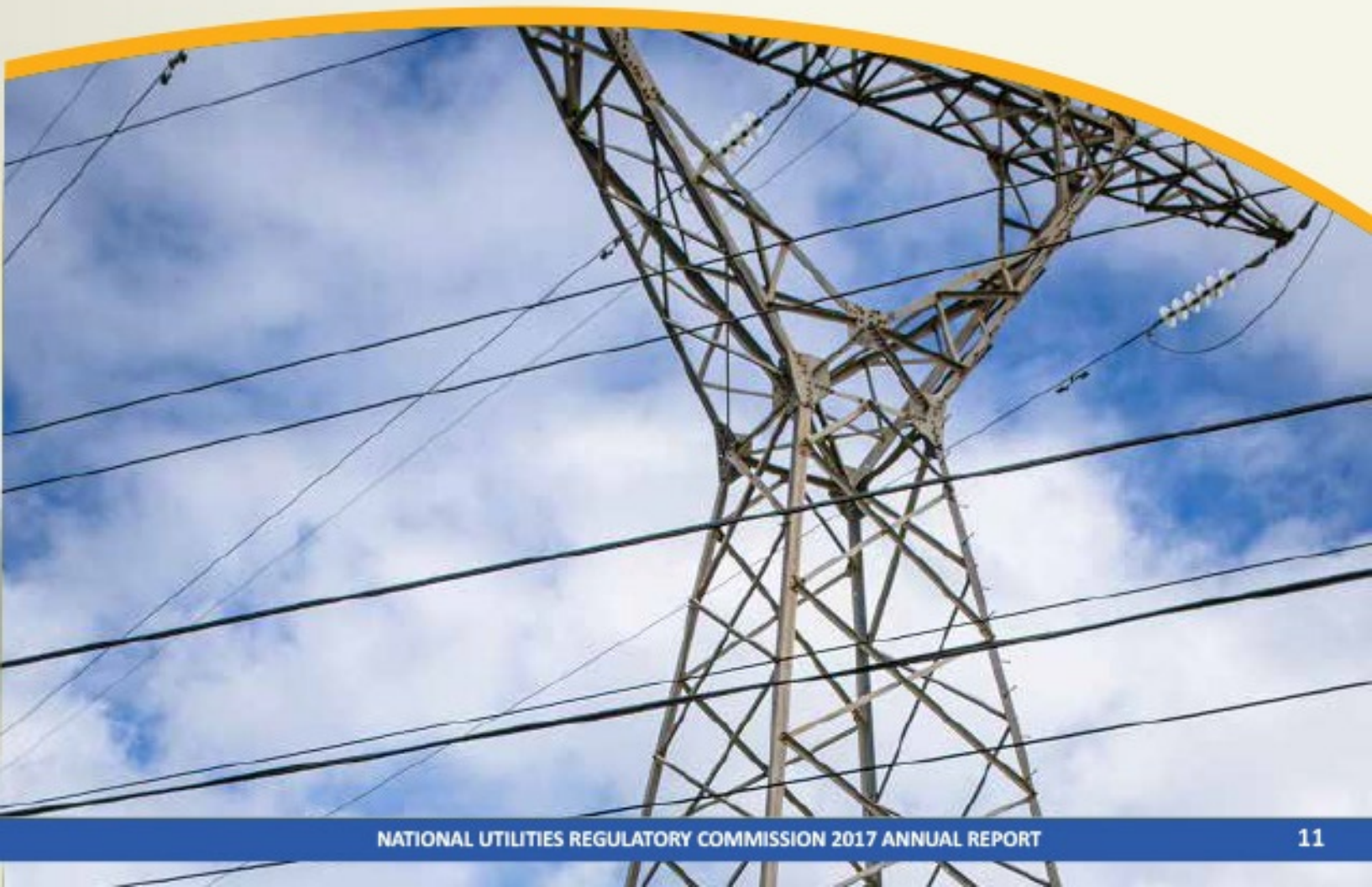
REPORT ON THE 2017 PLAN OF ACTION

NURC 2017 PLAN OF ACTION

The NURC's 2017 plan of action focused on six major areas of activity. These included:

- Water Sector Regulation
- Energy Sector Regulation
- Consumer and Public Relations
- Capacity Building, Training, Research and Networking
- Monitoring and Evaluation of Regulatory Performance
- Planning, Budgeting and Reporting.

The achievement of the objectives and milestones laid out in the plan was dependent upon the timely availability of financial and other resources as well as the support of collaborating agencies and government ministries.



REPORT ON THE 2017 PLAN OF ACTION

A summary of the major activities planned under each thematic area is presented below.

(I) WATER SECTOR REGULATION

Activity	Description
Provide support for the Revision of the National Water Policy	The NURC will work with the other stakeholders and provide support for the Review of the Water Policy which dates back to 2003 and needs to consider new regulatory realities and issues such as climate change and its impacts.
Review and finalization of the Water and Sewerage Regulations	Development of regulations for water trucks for potable water and sewage trucks (perhaps a less onerous approach can be pursued for regulating these areas-in concert with the Ministry of Health)
Review of Water and Sewerage Service fees.	There is need to update Schedule 3 of the Water and Sewerage Fees Regulation and to revise regulatory fees including license application fees, water supply service license fees and sewerage service license fees.
Review and Finalization of Service Licenses-	Service license documents for the following will be completed - 1. Water Trucks; 2. Small Service Suppliers; 3. Water and Sewerage Licenses.
Complete the Development and Implementation of Performance Monitoring Indicators for WASCO	would support proper and prudent performance monitoring of WASCO as it relates to water, wastewater and customer services and would also provide the context for assessing infrastructural management. This would also involve public education activities for engaging stakeholders on these matters (this may be subsumed within a broader NURC Public Education drive).
Provision of Support for Independent Water Quality Monitoring of WASCO and other Potable Water Operators	Under the quality of service obligations of the service license held by WASCO, periodic testing for pesticides and other contaminants should be conducted. Noting the resource constraints of the Ministry of Health, support from the NURC for covering costs of laboratory sampling for various parameters would assist significantly in the generation of regular water quality information.
Provision of support for independent water quality monitoring of WASCO and other potable water operators	Under the quality of service obligations of the service license held by WASCO, periodic testing for pesticides and other contaminants should be conducted. Noting the resource constraints of the Ministry of Health support from the NURC for covering costs of laboratory sampling for various parameters would assist significantly in the generation of regular water quality information. A MOU will be entered into with CAPHRA to collaborate on water quality testing.

REPORT ON THE 2017 PLAN OF ACTION

(II) ENERGY REGULATION

Activity	Description
Review Grid Codes/ Interconnection Agreement	The NURC will develop TOR and procure the services of a consultant to review the draft grid code and interconnection regulations.
Determine Distributed Generation Rates	In order to develop tariff rates for the supply of energy to the grid the NURC will conduct studies of best practice and adopt an appropriate mechanism for determining the rate to be applied.
Develop a Performance Monitoring System for Licensees	The NURC will develop and implement procedures for the monitoring of licensees' compliance with the conditions of their licences and any applicable technical standards.
Establish and Maintain A Register for Licensees and Self -Generators	This register has been established which the NURC will continue to maintain in the appropriate format.
Establish Minimum Filing Requirements for Tariff Applications	The NURC will review regional and international best practice to develop the Minimum Filing Requirements (MFR's) for the Utilities. This will be included as conditions in any licences that may be granted under the NURC Act and other Regulatory Acts.
Establish the Legal Framework for the Licensing and Regulation of the Energy Sector	The NURC will collaborate with the Ministry of Public Utilities, the Attorney General's Chambers and other stakeholders to review the draft Electricity Supply Bill and suite of Regulations with a view to having them passed into law as soon as possible.
Perform a Tariff Review in accordance with Section 6(g) of the NURC Act.	It is anticipated that as soon as the New Electricity Supply Act is passed into law, the electric utility company may submit a tariff application for the NURC's consideration. When this is done, the NURC will review the application and will engage the services of competent consultants to assist in the process.



REPORT ON THE 2017 PLAN OF ACTION

(III) CONSUMER AND PUBLIC RELATIONS

Activity	Description
Establish Procedures for Handling Consumer Complaints	The NURC will build upon and strengthen the consumer complaints and grievance handling procedure pursuant to the provisions of Section 6(k) of the NURC Act and the Water and Sewerage (General Provisions) Regulations- Section 97.
Establish Consumer Complaints Register.	This Register will be established and maintained during the year.
Conduct Customer Satisfaction Survey for Water and Electricity	In order to determine customer satisfaction with the quality of Utility supply service, protect their interest and evaluate the service provider's performance, the NURC will commission a customer satisfaction study. This will be done in collaboration with the service provider.
Conduct Willingness to Pay for Renewable Energy Surveys	Whilst there is a government policy to diversify the energy mix and increase the amount of electricity generated from renewable sources, its impact on the final cost of electricity has not been determined. The NURC will conduct an impact study in that regard, inclusive of consumers' willingness to pay any increases that may result.
Hosting of NURC Open Days	The NURC will host open days on March 22-in commemoration of "WORLD WATER DAY" and during Energy Awareness Month in November to sensitize consumers on the issues related to water use and conservation and on renewable energy and energy conservation. This will be done in conjunction with WRMA, CAWASA, WASCO, LUCELEC, and CARILEC.
Public Sensitization Consultations on the Role and Functions of the NURC and Public Consultations on Matters before the Commission	This will be accomplished through panel discussions, radio and television programmes, interviews, newspaper articles, community meetings and school visits.
Public Consultations on Renewable Energy	In collaboration with LUCELEC, Ministry of Public Utilities, Ministry of Sustainable Development and CARILEC, the NURC will host at least two public consultations to measure the public's response to Government policy on the adoption of renewable energy initiatives.
Public Consultations on NURC Decisions	In order to improve the quality of decision making, the NURC will provide opportunities for stakeholders and the public at large to provide feedback and make presentations on matters of importance to them, whenever and wherever such consultations are deemed necessary

(IV) CAPACITY BUILDING, TRAINING, RESEARCH AND NETWORKING

In order to build its human resource capacity, the NURC will allow its staff to avail themselves of every available training opportunity at reasonable cost. Training will be in the form of onsite training at reputable training institutions, online training, in-house training and attachments to other regulatory institutions, where such attachments can be arranged. The staff will also be allowed to attend workshops and conferences that the Commission has determined will be of value to the institution and which will contribute to the staff member's own personal development.

Staff members will also be encouraged to conduct research on issues pertinent to the regulation of the utility supply services and where necessary the Commission will provide financial and other support that may be necessary for the conduct of such research.

Activity	Description
Training of staff and Commissioners in Utility Regulation	At least one commissioner and two staff members will be trained at PURC during the year.
Training of Staff in Effective Writing	Technical and Administrative staff will be trained in order to improve their capacity for writing reports, papers and proposals.
Training Staff in Public Speaking and Effective Communication and Customer Relations	Since Commission staff will interface with the public, other professionals and represent the Commission or make pronouncement on its behalf, all staff members will be given an opportunity to attend public speaking programmes, either by way of financial assistance or time off.
Training Staff in Public Speaking and Effective Communication and Customer Relations	Since Commission staff will interface with the public, other professionals and represent the Commission or make pronouncement on its behalf, all staff members will be given an opportunity to attend public speaking programmes, either by way of financial assistance or time off.
Short Term Attachments to Regional Regulatory Organizations (OUR, FTC)	At least two members of staff will be sent on short term attachments to regional regulatory institutions. This will provide an opportunity for learning from more experienced regulators.
Training in Utility Pricing and Regulation	In preparation for the review of tariff applications, two members of staff will be trained at the National Association of Regulatory Utilities Commissioners (NARUC) in the United States
Attendance at OCCUR, CAWASA AND CARILEC and the Renewable Energy Annual Conferences	The Water Specialist, Energy Specialist, the Chief Executive Officer and Commissioners will be provided with opportunities to attend these annual conferences at which issues related to utilities and latest developments in the Water and Energy sectors are discussed. These conferences also present opportunities for networking with other experienced professionals engaged in Utility Regulation.
Training in Library and Information Management Services	The management of the Commission's information and data resources is critical to the effective performance of its functions. One staff member will be trained during the year.

REPORT ON THE 2017 PLAN OF ACTION

(V) MONITORING AND EVALUATION OF REGULATORY PERFORMANCE

The monitoring and evaluation of the performance of the Regulator is critical if the objectives of utility regulation are to be met. Consequently, the Regulator must establish appropriate mechanisms for measuring its performance and for implementing measures for improving such performance.

Activity	Description
Develop tools for measuring performance	The NURC will develop relevant Key Performance Indicators (KPI's) that can be used for monitoring its performance over time.
Data Gathering	The NURC will design tools and processes for gathering the information that is needed to monitor and evaluate its performance.

(VI) PLANNING, BUDGETING AND REPORTING

Section 30(1) of the NURC Act makes it mandatory for the Commission to prepare a budget with estimates of Income and expenditure and a plan of action and to submit the budget and plan of action to the Minister. In keeping with this requirement, the NURC shall engage in the following activities;

Activity	Description
Develop a five-year Strategic Plan for the period 2017-2022	The NURC shall engage the services of a suitably qualified and experienced consultant who will assist with the development of the Strategic Plan.
Host a Staff Retreat	This retreat will provide staff with an opportunity to brainstorm on the issues affecting the organization, its performance and measures for improving this performance. It will help identify the role of the Commissioners and staff and develop appropriate strategies for executing the NURC's mandate.
Preparation of the Work plan and Budget	In October 2017, the work plan for 2018 will be prepared and Submitted in accordance with the provisions of the NURC Act.
Preparation of the Annual Report for 2016	Pursuant to section 33(1) of the NURC Act, the Commission shall prepare and submit to the Minister, a report on its operations for the year ending December 2016, by April 30, 2017.

PROGRAMME IMPLEMENTATION AND ACHIEVEMENTS

The following are some of the highlights of the work accomplished during the year.

REGULATION OF WATER AND SEWERAGE SERVICES MAIN HIGHLIGHTS:

- Completed the draft license templates and application procedures for water truckers and other small service providers.
- Monitored the collection and use of the John Compton Dam dredging fees by WASCO.
- Reviewed a request from WASCO for an extension of the Dredging fee component of the water tariff.
- Prepared the minimum filing requirement for use by WASCO in filing the triennial tariff review application.
- Renewal of WASCO Sewerage licence.

REGULATION OF ELECTRICITY SUPPLY SERVICES

- Continued the review of the Draft Electricity Supply Services Bill and other Regulations that would allow the NURC to regulate the electricity sector.
- Developed application procedures for licensing and regulation of the generation of electricity from Solar PV.
- Processed and approved seventy-six applications for grid-tied solar PV installations.
- Held discussions with PV installers to clarify the procedures, standards and other issues related to the installations and inspection of solar PV generation systems.
- Continued to review the agreement for interconnection of PV installations to LUCELEC grid with a view to removing barriers to entry into distributed generation.



Solar Panel Installation

PROGRAMME IMPLEMENTATION AND ACHIEVEMENTS

CONSUMER AND PUBLIC RELATIONS

- Developed and distributed promotional material on the work of the NURC
- Held a stakeholder consultation with PV installers, insurance practitioners, LUCELEC and the Ministry of Energy on application procedures, inspection, interconnection requirements for solar PV generation systems.
- Participated in television interviews on the role of the regulator in the licensing and regulation of renewable energy systems including solar PV systems.
- Participated in the annual energy fairs organized by the Ministry of Sustainable Development which were held in the north and south of the island and utilized this opportunity to sensitize the public on the NURC's role in regulating the energy sector, including renewable energy.
- Placed the NURC on social media (Facebook, YouTube and Twitter) as new channels for dissemination of information on the NURC's functions.

CAPACITY BUILDING, TRAINING, RESEARCH AND NETWORKING

- Four members of staff were trained in effective communication and customer relations.
- Two members of staff participated in renewable energy conferences and webinars at which matters related to energy efficiency, renewable energy and grid codes were discussed.
- One Commissioner and the Chief Executive Officer attended OOCUR conference at which issues related to water regulation, renewable energy and tariffs were discussed. The conference provided an opportunity to network with other regulators and to discuss approaches to resolving some of the challenges with which the NURC is faced.

- One Commissioner and three staff members received training in Utility Regulation hosted by the Fair Trading Commission of Barbados.

GOVERNANCE AND ADMINISTRATION.

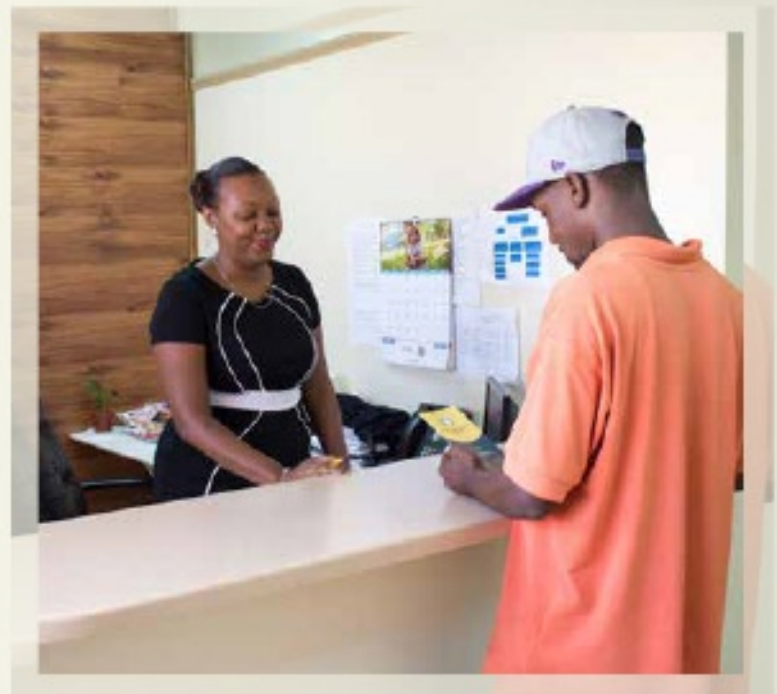
Main achievements included:

- Completion of the staff Code of Conduct.
- Completion of the review of the following procedures:
 - i. Consumer complaints handling procedure
 - ii. Tariff review procedure for water and electricity
 - iii. Public consultation procedures
 - iv. Procedure for holding public hearings

POLICY AND LEGISLATION.

Main highlights included reviews of the following documents:

- The Draft National Energy Transition Strategy (NETS).
- The Draft Electricity Supply Services (ESS) Bill and Regulations.



FINANCIAL REPORT

REVENUE

The projected revenue for 2017, in the amount of one million, five hundred and five thousand, nine hundred and seventy dollars (\$1,505,970.00) was not realized primarily because the anticipated revenue from energy/electricity utility providers was not collected, as the legislation which would allow the NURC to levy regulatory or licence fees on the company was still not promulgated. Consequently, actual revenue for the year was only seven hundred and sixty-four thousand, eight hundred and fifty-five dollars and thirty- eight cents (\$764,855.380). The main source of this revenue was the Regulatory and Licence fees from WASCO.

EXPENDITURE

Projected expenditure for the year ending December 2017 was approximately two million, two hundred and eight thousand, one hundred and fifty-three dollars (\$2,208,153.). It was anticipated that the funding gap between projected revenue and expenditure of (\$702,183.35) would have been met by grants from ECERA and from prior year surpluses accumulated by the NURC/NWSC. However, the financial support under the World Bank funded ECERA project did not materialize, and this significantly impacted the NURC's capacity to implement the plan of work for 2017.



FINANCIAL REPORT

Figure (1). Comparison of budgeted and actual expenditure (2017)

Expenditure Item	Budgeted Amt (\$)	Actual Expenditure (\$)	Variance (\$)
Bank charges and interest	\$0	\$4274.	\$4274.
Board meeting expenses	\$12,000	\$7380.	\$4620
Commissioners' fees	\$178,0001	\$141,500	\$36,500
Depreciation	0	\$47,124.	\$47124
Office and general expenses	\$259,2652	\$13,027	\$246,2384
Payroll expenses	\$1,001,1633	\$896,897	\$104,266
Printing, postage and stationery*	0	\$27,883	\$27,883
Audit and accounting fees*	0	\$14,940	\$14,940
Staff expenses	0	0	0
Insurance expense*	0	\$6001	\$6001
Communication	0	\$32,201.	\$32,201
Training, Conference, convention and meetings	\$268,594	\$31,578	\$237,016
Consultancies	\$342,800	0	\$342,800
Public relation and promotion	\$70,720	0	
Repairs and maintenance*	0	\$26,161	\$26,161
Rent*	0	\$124,760	\$124,760
Contract Services /outsourced services*	0	\$1537	\$1537
Utilities (Electricity and Water)*	0	\$18,237	\$18,237
Capital Expenditure	\$75,610	0	\$75,610
Total	\$2,208,153	\$1,393,500	\$814,653
<p>Notes.</p> <ol style="list-style-type: none"> 1. Commissioners fees included a provision for stipend to Advisory Committee members. 2. The budgeted amounts for office and general expenses includes the provision for all items marked * 3. The provision for payroll expenses included provisions for gratuity and for staff positions that were not utilized during the year. 4. Actual Office and General expenses amount- ed to \$264,747. Hence there was a negative variance of \$5,482.00 			



CHALLENGES

The work of the Commission continues to be hampered by inadequate human and financial resources. Whilst the Commission made the decision that it would maintain a lean structure at the secretariat, it also recognized that the organization would be dependent on consultants and other outsourced services to execute its mandate.

The cost of procuring consultancy and other professional services especially for regulating electricity supply services, would have been met through financial support from ECERA. However, this was not forthcoming and consequently these activities were either deferred or delayed.

The specific initiatives/activities that were not implemented included;

- The review of the grid code
- The conduct of a tariff study to include rates for renewable energy.
- To conduct baseline studies on water and energy
- A consultancy to develop/design performance monitoring systems for licensees
- The conduct of customer satisfaction surveys for both water and electricity
- The conduct of the willingness to pay survey for renewable energy
- Short term attachments to Regional Regulators for NURC staff
- The development of the five-year strategic plan for the NURC
- Training of Commissioners and Staff in utility regulation at PURC
- Delays in completion and promulgation of the new Electricity Supply Services Bill and accompanying regulations, which would allow for more effective regulation of electricity supply services, more rapid deployment of renewable energy installations and the assessment and collection of fees from the electric utility company;
- outdated water and energy policies which do not make adequate provisions for new imperatives, new technologies and current situations that affect the water and energy sectors;
- the delay in filling the position of Executive Director for the Eastern Caribbean Energy Regulations Agency (ECERA) and the concomitant delay in the NURC having access to financial support under this facility. This continued to hamper the NURC's capacity building, training and legislative reform agenda.

Additionally, the NURC encountered a number of other challenges that negatively impacted its work. These included:

CONCLUSION

As the NURC continues to establish itself as effective, self-sustaining regulatory body, it must be supported by updated policy instruments, timely government action, strong collaborative ties with stakeholders and inclusion in the decision making process for the regulation and development of the water, sewerage and electricity service sectors.

Over the last year, there have been initiatives undertaken by the various departments of government upon which the NURC should have been consulted.

These initiatives include:

1. The government's procurement of Photovoltaic systems for public buildings which exceed the current generating capacity for commercial systems.
2. The granting of concessions to hotels and developers for the procurement of energy

efficient and renewable energy generation systems.

3. Development and apparent adoption of the recommendations of the National Energy Transition Strategy (NETS) without consultation with the Regulator.

This piecemeal, disaggregated approach to regulation cannot auger well for the public confidence in the regulatory body and will diminish the important role that an independent regulator is expected to play.



Financial Statement 2017

Mario Lendor

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INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF NATIONAL UTILITIES REGULATORY COMMISSION

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Utilities Regulatory Commission. ("the Commission"), which comprise the statement of Financial Position as at December 31, 2017, Statement of Changes in Fund Balance, Statement of Comprehensive Income and statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Commission as of December 31, 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and comply with the National Utilities Regulatory Commission Act No.3 of 2016.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Commission in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF NATIONAL UTILITIES REGULATORY COMMISSION



Report on the Audit of the Financial Statements (Continued)

Other information included in the Commissions 2017 Annual Report

Management is responsible for the other information. Other information consists of the information included in the Commissions 2017 Annual Report, other than the financial statements and our auditor's report thereon. The Commissions 2017 Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and those charged with governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commissions ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Commission or to cease operations, or has no realistic alternative but to do so.

Those charged with governance is responsible for overseeing the Commissions financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

INDEPENDENT AUDITOR'S REPORT

TO THE COMMISSIONERS OF NATIONAL UTILITIES REGULATORY COMMISSION

Report on the Audit of the Financial Statements

(Continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Commission to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Commission to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

This report is made solely to the Commission as a body, in accordance with the National Regulatory Commission Act No.3 of 2016. Our audit work has been undertaken so that we might state to the Commission those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to any enactment or rule of law to the contrary, we do not accept or assume responsibility to anyone other than the Commission as a body, for our audit work, for this report, or for the opinion we have formed.

Mario Lendor

Mario Lendor
Chartered Accountants
Castries, Saint Lucia
30th March, 2018

NATIONAL UTILITIES REGULATORY COMMISSION

Statement of Financial Position

As at 31st December, 2017
With comparative figures as at December 31st, 2016
(Expressed in Eastern Caribbean Dollars)

	<u>Notes</u>		<u>2017</u>	<u>2016</u>
<u>Current Assets</u>				
Cash and cash equivalents	5	\$	184,818	614,227
Accounts receivable	6		175,796	-
Total current assets			<u>360,614</u>	<u>614,227</u>
<u>Non-Current Asset</u>				
Property, plant and equipment	9		146,832	190,711
Total non-current asset			<u>146,832</u>	<u>190,711</u>
Total assets			<u>507,446</u>	<u>804,938</u>
<u>Current Liabilities</u>				
Accounts payable and accruals	7		300,768	147,660
Total current liabilities			<u>300,768</u>	<u>147,660</u>
Total liabilities			<u>300,768</u>	<u>147,660</u>
<u>Fund Balance</u>				
Fund balance			206,678	657,278
Total fund balance			<u>206,678</u>	<u>657,278</u>
Total liabilities and fund balance		\$	<u>507,446</u>	<u>804,938</u>

Approved by:


 _____ Director

 _____ Director

NATIONAL UTILITIES REGULATORY COMMISSION

Statement of Changes in Fund Balance

*For the period ended 31st December, 2017
(Expressed in Eastern Caribbean Dollars)*

		<u>2017</u>
Excess expenditure over revenue	\$	(575,581)
Transfer from Water Commission		<u>1,232,859</u>
Balance - beginning of year		657,278
Excess expenditure over revenue		<u>(450,600)</u>
Balance - end of year	\$	<u>206,678</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Statement of Comprehensive Income

As at 31st December, 2017
With comparative figures for the year ended December 31st, 2016
(Expressed in Eastern Caribbean Dollars)

	<u>2017</u>	<u>2016</u>
Revenue		
License fees	\$ 700,000	700,000
Government Subvention	226,974	-
Other income	15,926	-
Total revenue	<u>942,900</u>	<u>700,000</u>
Less: Expenditure		
Bank charges and interest	4,274	2,489
Board meeting expenses	7,380	3,750
Commissioners' fees	141,500	128,240
Depreciation	47,124	52,901
Office and general expenses	13,027	26,792
Payroll expenses	896,897	778,702
Printing, postage and stationery	27,883	12,931
Audit and accounting fees	14,940	17,249
Staff expenses	-	5,674
Insurance expense	6,001	2,530
Communication	32,201	36,022
Conference, convention and meetings	31,578	76,087
Repairs and maintenance	26,161	26,267
Rent	124,760	88,183
Contract Services	1,537	17,764
Electricity	18,237	-
Total expenses	<u>1,393,500</u>	<u>1,275,581</u>
Net excess of expenditure over revenue	\$ <u>(450,600)</u>	<u>(575,581)</u>

The accompanying notes form an integral part of these financial statements.



NATIONAL UTILITIES AND REGULATORY COMMISSION

Statement of Cash Flows

As at 31st December, 2017
With comparative figures for the year ended December 31st, 2016
(Expressed in Eastern Caribbean Dollars)

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Excess expenditure over revenue	\$ (450,600)	(575,581)
Adjustments for:		
Depreciation	47,124	52,901
Operating loss before working capital changes;	(403,476)	(522,680)
Accounts receivable	(175,796)	-
Transferred from water commission	-	1,088,110
Accounts payable and accruals	153,108	147,660
Net cash generated from/(used in) operations	<u>(426,164)</u>	<u>713,090</u>
<u>Cash Flows from Investing Activities</u>		
Purchase of fixed asset	(3,245)	(98,863)
Net cash used in investing activities	<u>(3,245)</u>	<u>(98,863)</u>
Increase/(decrease) in cash and cash equivalents	(429,409)	614,227
Cash and cash equivalents - beginnings of year	614,227	-
Cash and cash equivalents - end of year	\$ <u>184,818</u>	<u>614,227</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

1. Background and Principal Activity

The National Utilities Regulatory Commission (NURC) was established under Section 5(1) of the National Utilities Regulatory Commission Act No 3 of 2016. The commission commenced operations on February 9th, 2016, accordingly these financial statements present the first year of operations. The main objective of the commission is the regulation of the delivery of electricity, water and sewerage services throughout Saint Lucia.

In accordance with clause 2 schedule 5 of the Act all rights, liabilities and obligations of the National Water and Sewerage Commission were transferred to the National Utilities Regulatory Commission, on 8th February, 2016 when the commissioners were appointed to oversee the operations of the NURC.

The main functions of the commission are:

- I. ensuring the economic regulation of utility supply services,
- II. establishing, approving, monitoring and reviewing tariff schemes and tariffs,
- III. monitoring and ensuring compliance with standards,
- IV. promoting the economic regulation of utility supply services,
- V. ensuring the protection of the interest of consumers in relation to the provisions of the utility supply service,
- VI. promoting competition and monitoring anti-competitive practices in the utility supply service, and
- VII. reporting to and advising the Minister with responsibility for Public Utilities on the economic, financial, legal, technical, environmental and social aspects of the utility supply services sector.

The statements for the financial year cover the period January to December 2017.

The financial statements were approved for issuance on

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Basis of Preparation

The financial statements of The National Utilities Regulatory Commission have been prepared in accordance with International Financial Reporting Standards (IFRS) as they apply to the financial statements of the Commission for the year ended 31st December, 2017, interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements are presented in Eastern Caribbean Dollars and rounded to the nearest dollar. They have been prepared on the historical cost basis and on the going concern basis.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable under the circumstances. They form the basis of judgements about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a continuing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods affected. Critical judgements and areas where the use of estimates is significant are discussed in note 3.

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

2. Significant Accounting Policies... (Cont'd)

b. *Application of Recently Issued International Financial Reporting Standards (IFRS)*

The Commission considered the implications of the following amendments to IFRS during the year ended 31st December, 2016.

- Amendments to IAS 16 Property, plant and equipment – Provides clarifications on when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount;
- The above was first effective for the Commission in the year beginning 1st January, 2016 and have been adopted by the Commission for 2016. There was no material impact on the Commission upon adoption of any amendments.

c. *Financial Instruments*

Financial Assets

The Commission classifies its financial assets into the following categories: cash and cash equivalents and prepaid expenses. The classification depends on the purpose for which the assets are held.

Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are offset and the net amount is reported when the Commission has the legally enforceable right to set off the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial Liabilities

The Commission classifies its financial liabilities as accounts payables and accruals.

Management determines the classification of its financial liabilities at initial recognition and re-evaluates this designation at every reporting date for financial liabilities.

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

2. Significant Accounting Policies... (Cont'd)

d. **Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost less accumulated depreciation. The cost of property, plant and equipment includes labour and overhead costs arising directly from the construction or acquisition of an item of property, plant and equipment. Plant and equipment represents the Commission's administration office assets.

Depreciation is provided to write-off the cost of property, plant and equipment, on a straight-line basis to allocate their cost over the estimated useful lives of the assets as follows:

Computer Software - 33.3% Office Equipment - 15% Computer Hardware - 25% Office Furniture - 15%

Leasehold Improvements - 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income and expenditure.

e. **Foreign Currency Translation**

Functional and presentation currency

Items in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Eastern Caribbean Dollars, which is the Commission's functional and presentation currency.

Transactions balance

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

f. **Leases**

All Commission leases are operating leases. Payments made under operating leases, net of lease incentives or discounts received, are charged through profit or loss on a straight-line basis over the period of the lease.

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

2. Significant Accounting Policies... (Cont'd)

g. Provisions

Provisions are liabilities of uncertain timing or amount. They are recognised when the Commission has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Provisions are presented in the statement of financial position at the present value of the estimated future outflows expected to be required to settle the obligation. Provision charges and reversals are recognised through profit or loss. Discount unwinding is recognised as a finance expense.

h. Income and Expense

Income is recognised on the accruals basis as has been used for recording of income and expenses. Interest income and expense are recognised in the statement of comprehensive income for all instruments measured at amortised cost using the accrual method.

i. Accounts Receivable

Trade accounts receivable and amounts due from related parties and other receivables represent the principal amounts due at the statement of financial position date plus accrued interest and less, where applicable any impairment.

j. Accounts Payable and Accruals

Trade accounts and amounts owing to related parties and other payables and accrued liabilities represent the principal amounts outstanding at the statement of financial position date plus, where applicable, any interest.

k. Taxation

The Commission is exempted from the payment of income taxes in accordance with the Income Tax Act Chapter 15.02 of the Revised Laws of Saint Lucia.

l. Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition including cash on hand and non-restricted balances at the commercial banks.

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

3. **Critical Accounting Estimates and Judgements**

No major estimates and assumptions have been made relating to the reporting of results of the operations of the Commission.

4. **Financial Risk Management**

In accordance with provisions of International Accounting Standards No. 32, disclosure is required regarding credit risk, interest rate, fair value and liquidity risk of financial assets and liabilities. This note details our financial risk management objectives and policies. We discuss the exposure and sensitivity of the Commission to credit, liquidity, interest and foreign exchange risk, and the policies in place to monitor and manage these risks. The policies have been approved by the Board for managing each of these risks including levels of authority on the type and use of financial instruments.

Treasury Policy

The Commission activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Commission seeks to minimise potential adverse effects on the Commission's financial performance.

Exchange Rate Risk

The Commission is not exposed to foreign currency risk on the majority of its transactions and settlement of trade and other receivables and payables which are not denominated in US dollars. The Commission does not use foreign exchange contracts and other derivatives and financial instruments.

Credit Risk

Credit Risk arises from the possibility that counterparties may default on their obligations to the Commission. The amount of the Commission's maximum exposure to credit risk is indicated by the carrying amount of its financial assets. Cash deposits and similar financial instruments give rise to credit risk, which represents the loss that would be recognised if counterparty failed to perform as contracted. The carrying amount of the financial assets of the Commission represents the maximum credit exposure of the Commission.

Maximum exposure to credit risk at the reporting date was:

	<u>2017</u>	<u>2018</u>
Cash and cash equivalents	184,818	614,227
Accounts Receivables	175,796	-
	<u>\$ 360,614</u>	<u>614,227</u>

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

4. Significant Accounting Policies... (Cont'd)

Interest Rate Risk

Differences in contractual re-pricing or maturity dates and changes in interest rates may expose the Commission to interest rate risk. The Commission is not significantly exposed to interest rate risk on its surplus cash as it is non-interest bearing accounts.

Liquidity Risk

The Commission manages operational liquidity in-order to meet its financial obligations of servicing and repaying its expenses and strategic initiatives.

	Carrying amount \$000	Contractual cash flows \$000	2017			
			0-12 months	1-2 years	2-5 years	More than 5 years
			\$	\$	\$	\$
Accounts payables and accruals	300,768	300,768	292,215	8,553	-	-
At 31 st December, 2017	<u>300,768</u>	<u>300,768</u>	<u>292,215</u>	<u>8,553</u>	<u>-</u>	<u>-</u>

At 31st December, 2017 the Commission had cash and cash equivalents of \$184,818. These amounts are highly liquid and are a significant component of the Commission's overall liquidity and capital resources. Liquidity forecasts are produced on a regular basis to ensure the utilisation of current facilities is optimised, to ensure covenant compliance and that medium-term liquidity is maintained and for the purpose of identifying long-term strategic funding requirements.

Fair Value of Financial Instruments

Fair value amounts represent estimates of the consideration that would currently be agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market value, if one exists. None of the Commission's financial assets and liabilities are traded in a formal market. Estimated fair values are assumed to approximate their carrying values.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

5. <u>Cash and Cash Equivalents</u>	<u>2017</u>	<u>2016</u>
Bank of St. Lucia Limited – current account	\$ (8,186)	119,544
Bank of St. Lucia Limited - Regular CD	152,250	150,000
Bank of St. Lucia Limited – call account	40,254	344,183
Cash on hand	500	500
	<u>184,818</u>	<u>614,227</u>

No interest is paid on any of the Commission's bank accounts.

6. Accounts Receivable

License fees	175,000	-
Interest	796	-
	<u>\$ 175,796</u>	<u>-</u>

7. Accounts Payable and Accruals

There is no material difference between the carrying value and fair value of trade and other payables presented. For liquidity risk exposure analysis purposes, the carrying amount of trade and other payables is the same as the contractual cash flows, with the contractual maturities of these financial liabilities all due in less than one year.

Salaries and wages	246,332	127,006
Professional fees	9,000	9,000
Other	45,436	11,654
	<u>\$ 300,768</u>	<u>147,660</u>

8. Transfer from Water Commission

In accordance with clause 2 schedule 5 of the Act, all rights, liabilities and obligations of the National Water and Sewerage Commission were transferred to the National Utilities Regulatory Commission, on 8th February, 2016. The Commission took over all assets and liabilities accrued up to 8th February including, cash balances, property plant and equipment, payables including staff gratuities accumulated up to that date.

The accompanying notes form an integral part of these financial statements.

NATIONAL UTILITIES REGULATORY COMMISSION

Notes to Financial Statements... (Cont'd)

31st December, 2017
(Expressed in Eastern Caribbean Dollars)

9. Property, Plant and Equipment:

A category breakdown of fixed assets is as follows:

	Office Furniture	Office Equipment	Computer Hardware	Computer Software	Leasehold Improvement	Total
<u>Cost</u>						
Cost - 31/12/16	\$ 57,324	75,506	29,137	7,791	147,335	317,093
Additions	-	3,245	-	-	-	3,245
Cost - 31/12/17	<u>57,324</u>	<u>78,751</u>	<u>29,137</u>	<u>7,791</u>	<u>147,335</u>	<u>320,338</u>
<u>Accumulated Depreciation</u>						
Accumulated depreciation- 31/12/16	19,267	31,445	26,940	7,791	40,939	126,382
Charge for the year	8,599	11,814	2,196	-	24,515	47,124
Accumulated depreciation - 31/12/17	<u>27,866</u>	<u>43,259</u>	<u>29,136</u>	<u>7,791</u>	<u>65,454</u>	<u>173,506</u>
Net book value - 31/12/17	<u>29,458</u>	<u>35,492</u>	<u>1</u>	<u>-</u>	<u>81,881</u>	<u>146,832</u>
Net book value - 31/12/16	\$ <u>38,057</u>	<u>44,061</u>	<u>2,197</u>	<u>-</u>	<u>106,396</u>	<u>190,711</u>

The accompanying notes form an integral part of these financial statements.

10. Prior year financial statement

The prior year financial statement has been restated to reflect the understatement of gratuity payable in 2016. The effect of the restatement are summarised below;

Statement of Financial Position	Effect on 2016
Increase in Gratuity Payable	93,192
Decrease in Fund balance	(93,192)
	<u>\$ -</u>

Statement of Comprehensive Income	
Increase in Salaries and Wages	93,192
Decrease in Net Income	(93,192)
	<u>\$ -</u>

Statement of Changes in Fund Balance	
Increase in Net Income	93,192
Decrease in Accruals Payable	(93,192)
	<u>\$ -</u>

The accompanying notes form an integral part of these financial statements.

