

# **PUBLIC UTILITIES REGULATORY COMMISSION**

## **PRESS RELEASE ON AUTOMATIC ADJUSTMENT FORMULA**

The Public Utilities Regulatory Commission during the announcement at the last Tariff Adjustment in June indicated the re-introduction of the Automatic Adjustment Formula (AAF) which would address any adverse movement of external factors that affect electricity and water tariffs.

It is based on this premise that the Commission is going to implement the Automatic Adjustment formula to take effect from the first quarter of 2011. The re-introduction of the Automatic Adjustment Formula is not going to replace major Tariff Reviews. The Commission would undertake major Tariff Reviews as when it becomes necessary.

The Automatic Adjustment Formula is to reduce the financial burden on consumers associated with a onetime tariff adjustments whilst at the same time ensuring the financial viability of the Utility Service Providers.

The rationale for the Automatic Adjustment Formula (AAF), is also to abate the financial constraints of consumers of water and electricity through fair pricing, transparency, and equity in the provision of utility services country

The Automatic Adjustment Formula (AAF) as a pricing mechanism seeks to adjust water and electricity tariffs periodically. The PURC may opt for the adjustment on a quarterly basis. In computing the tariff using the automatic Adjustment formula (AAF), indicators such as the following are considered:

- Consumer Price Index(CPI)
- Ghana Cedi US \$ Exchange Rate
- Fuel Price (Light Crude Oil )
- Hydro Thermal – Electricity Generation and
- Disaggregated cost of operations is considered.

In addition, factors such as, Local Cost, Labor Cost, Depreciation, Fuel Cost, Water Treatment Chemical Cost and Electricity Cost are all considered before a decision is arrived at.

The Commission wish to strongly emphasize that it is not pleased with the kind of quality of service the Utility Service Providers are giving to consumers and as part of efforts aimed at improving the quality of utility services given to customers by the service providers, the PURC will ensure that stringent but realistic quality of service benchmarks under relevant regulations (LI 1935, LI1816, LI 1651) are adhered to by the utility service providers.

Failure to comply with these benchmarks will result in the application of penalties and sanctions under these regulations.

Operational benchmarks and regulatory targets that have been instituted by the Commission are keenly monitored and it is the expectation of the Commission that these benchmarks would be complied with to bring a more efficient and reliable delivery of water and electricity service in the country and also bring relief to consumers.

PURC wishes to encourage consumers to be responsible by paying promptly for utility services, and promptly report unsociable acts such as illegal connections which adversely affect the operations of the utility companies.

Further, consumers should adopt conservation practices to minimise wastage in the system. In this regard all parties involved should intensify efforts to promote energy and water conservation through awareness creation especially using the media and other communication techniques and

Consumers are also advised to complain to the Commission whenever they have problems with their utility service for quick and prompt resolutions