

Electricity Bills Explained

Each customer's electricity bill is determined by three elements - the quantity of electricity used, the tariff for the category of customer, and the Fuel Surcharge Cost Adjustment Factor or fuel surcharge as it is commonly called.

The first step in determining a customer's electricity bill is conducting the meter reading. This reveals how much electricity a customer has used since the meter was last read. LUCELEC operates a 30-day meter reading cycle. The company therefore visits each of its over 60,000 customers every thirty days to read the meters before calculating their bills. If for some reason a meter cannot be read or the meter reader cannot get access to the meter, LUCELEC issues an estimated bill based on the customer's last six months of consumption. Once access to the meter is gained, LUCELEC compares the estimated bill to the actual meter reading. The company will then issue either a credit or an additional charge if the estimate was either too high or too low.

The second component to the electricity bill is the tariff, which is divided into three categories: a domestic tariff for households, a tariff for commercial, hotel and industrial customers, and a street lighting tariff. The domestic tariff is further divided into two tiers. For 2011, consumption up to 180 kilowatt hours (units) per month is charged at the lowest tariff of 75 cents per unit. Units used above 180 kWh per month are charged at a tariff of 80 cents per unit. Commercial, hotel and industrial customers pay a tariff of 90 cents per unit if they are supplied at low tension and 86 cents per unit if they are supplied at high tension. The street lighting tariff is 89.5 cents per unit.

The third component to the electricity bill is the Fuel Surcharge Cost Adjustment Factor or fuel surcharge as it is commonly called. This is a form of adjustment which makes provision for fluctuations in the price paid for diesel fuel used by LUCELEC in the generation of electricity. So when the price LUCELEC pays for fuel rises, the fuel surcharge increases and when the price LUCELEC pays for fuel drops the fuel surcharge comes down. (Regular readers of this column would be aware that LUCELEC has taken steps, through its fuel price hedging programme, to minimise the large fluctuations in the fuel surcharge.)

The formula for the calculation of the fuel surcharge is prescribed by law and takes into consideration the difference in the current price of fuel and the average price of fuel for the previous year, and the number of units of electricity sold for the preceding month. Once the fuel surcharge is calculated, this is added to the tariff for the customer category and multiplied by the number of units used by the customer (as taken from the customer's meter reading) to calculate the total bill for the current month. Therefore a residential or domestic customer who used 175 units for the month would pay: number of units x (domestic tariff for less than 180 units + fuel surcharge for March) = Total Bill; which, in figures, would be, $175 \times (75 \text{ cents} + 2.1 \text{ cents}) = \134.93 .

A residential customer who used 200 units for the month would be billed the first 180 units at 75 cents plus the fuel surcharge and the remaining 25 units at 80 cents plus the fuel surcharge.