

Impact of Oil Prices on Electricity Rates

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Castries, January 12, 2014 – The Saint Lucia Electricity Services Limited (LUCELEC) advises that the fuel surcharge applied to bills for January 2015 is minus 4.7 cents per unit. This means that for January customers will pay nearly 5 cents less per unit than the basic tariff for each category of customers.

The reduction in the fuel surcharge reflects the slightly lower average price the company paid for fuel in December 2014. This reduction is not as dramatic as the drop in world oil prices. This is because under its fuel price hedging programme, the price the company pays for 75% of its fuel was already negotiated well before the price of oil began to fall to current levels. It means that only 25% of the fuel the company uses is paid for at the current market price.

LUCELEC has been engaged in a fuel price hedging programme since 2009 to minimise large fluctuations in the fuel surcharge.

The company's Managing Director Trevor Louisy says LUCELEC is constantly evaluating its fuel price hedging programme and is satisfied that the programme has been to the net benefit of customers in protecting them from oil price shocks.

"In fact, for 2013 and 2014 customers paid less per unit of electricity than they did in 2012. For nearly that entire period the fuel surcharge was negative, meaning the amount of the surcharge was subtracted from the basic tariff per unit instead of being added, except for the brief period between August and October last year. So customers have been benefiting both from reductions in the price they pay and greater stability in the price," Mr. Louisy explained.

LUCELEC notes that the fuel surcharge is calculated on a monthly basis and that the price of fuel is a pass through cost to customers and the company makes no profit on fuel.

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