

CASE STUDY 003

ARCH TRANSFORMER UPGRADE 2017

The official Junta de Compensacion Statutes instruct us to share the costs of Cabrera Poligono 1 Maintenance and Infrastructure in proportion to land ownership. This means that Home Owners and Land Owners (Developers) should share the costs in proportion to their respective land holding.

The Junta has not followed the legal Statutes since 1993 when the concept of the so-called “1993 Agreement” was established. The idea was that the Home Owners would pay for all the Maintenance costs and the Land Owners (Developers) would cover the Infrastructure costs.

In 2017, the Junta incurred a €24,887 expense to upgrade the transformer at the Arch from 250kVA to 600kVA. We know that Home Owners money was used because the Land Owners (Developers) do not contribute to the Junta revenue although they do dominate all aspects of the Junta administration.

The Treasurer’s report dated 13 November 2017 indicates that the Junta had concentrated on Maintenance expenditure, aside from upgrading the Arch transformer from 250kVA to 600kVA to “guarantee the additional power supply to all properties in Cabrera”. If it is not a Maintenance expense, then it must be an Infrastructure expense.

In the light of this “guarantee” please also examine CASE STUDY 005 where Home Owners have subsequently been coerced into spending an additional €276,580 on additional transformer infrastructure (€198,000 plus unrecoverable IVA of €41,500 plus loan interest of €37,080).

The original Arch transformer was an Endesa asset which they owned and were obliged to maintain. Funding for incidental load increase on a network is derived from the tariff charged to consumers and is not normally chargeable to individual consumers. If any connected resident had required an upgrade to their maximum demand limit (Potencia), it would have been for them to individually apply. Endesa’s responsibility is to meet the current legislation and to consider the individual application. Endesa will often make a charge based on the local work involved to meet the application.

The Endesa quotation of €24,887.40 for this Arch transformer work clearly sets out the fact that the work included the connection of **new installations** with the existing network. This indicates that the need for any work at all was driven by the requirement for a group of Town Houses to be connected by the Developers:

- Presupuesto de nueva extensión de red:	7.426,91 €
- Trabajos adecuación de instalaciones existentes:	13.141,19 €
- Suma parcial:	20.568,10 €
- I.V.A. en vigor (21 % ¹):	4.319,30 €
- Total importe abonar SOLICITANTE²:	24.887,40 €

There are 6 transformers identified in the Urbanisation plan. As far as we are aware, only 1 transformer has been installed by Endesa. If the Developers had fulfilled their infrastructure obligations and arranged for additional transformer capacity to be installed as building progressed, there would have been sufficient capacity in the Cabrera electrical network to supply newly built properties. This would include the Town Houses constructed near the Arch and this cost to the Home Owners would have been completely avoided.

If the Statutes had been followed, the Home Owners and Land Owners (Developers) would have shared this cost according to their % land holdings.

If the “1993 Agreement” had been followed, the Developers would have paid for the electrical transformer infrastructure in its entirety. There would have been no cost to the Home Owners.

Neither arrangement was followed. Instead, the Home Owners paid for **ALL** the costs of the electrical infrastructure and the Developers paid **NOTHING AT ALL**, even though it seems that Home Owners paid for electrical connections to new installations.

So, we have some more questions to pose to the Junta:

1. If there are 6 transformers in the original Urbanisation Plan, why are homeowners paying for upgrades when the intended electrical infrastructure has not yet been completed by the Developers? Could the cost of the work to Home owners (€24,887.40) have been completely avoided if the Developers had simply fulfilled their obligations under the Urbanisation Plan and arranged for adequate transformers and distribution cable to be installed?
2. How is it that, after paying €24,887.40 in 2017 to “guarantee the additional power supply to all properties in Cabrera”, the Homeowners now find themselves in the position where the Developers are taking out loans on their behalf to fund a further €276,580.00 of transformer infrastructure investment?
3. Would it not have been appropriate for the Developers to have funded the full cost of the work (€24,887), given that the entire need for the work was driven by their desire to connect additional new properties including the Town Houses which they had built?
4. The work was quoted for by Endesa in two parts:
 - a) Transformer ‘capacity upgrade’
€ 13,141.19 + IVA [Total €15,900.84]
 - b) New network connections infrastructure to new properties
€ 7.426,91 + IVA [Total €8,986.56].

It would be very interesting to know why the Developers felt that it was acceptable to pass on the €8,986.56 sum to the Homeowners for the new electrical connections to the new properties that they, the Developers, had built.

5. Were any of the Junta workers used to carry out any of this work?
6. Was any related work carried out by our Developers which resulted in revenue for their companies, either from orders from the Junta or from Endesa?
7. Why is the Arch transformer incorrectly shown on the Balance sheet as an Endesa ‘generator’?
8. Why is the Arch transformer on the Balance sheet at all? Surely it is an Endesa asset.
9. Does it not seem so very wrong to you that the Home Owners paid €24,887 for this work and the Developers paid nothing?

As always, we will give ample opportunity to the Junta to respond and clarify any of the above points. We look forward to the Junta reply.

CAUTIONARY NOTE TO HOME OWNERS

IF YOU AGREE WITH THIS WAY OF WORKING YOU SHOULD NOT BE SURPRISED IF THE VALUE OF YOUR HOME IS AFFECTED AND THE TIME TAKEN TO SELL IS EXTENDED.

FOR THOSE CONTEMPLATING SELLING THEIR PROPERTY, PLEASE ENSURE THAT YOU INFORM YOUR BUYER OF ALL THE KNOWN RISKS, ENCUMBRANCES AND LIABILITIES ON THE PROPERTY.