



**Utilities  
Regulatory  
Authority**

### **Commission Order rescinding the original Order of May 2013**

In September 2012 the Ministry of Infrastructure and Public Utilities (MIPU) requested the Utilities Regulatory Authority Commission (the Commission) to carry out a tariff review on the Luganville Water Services (LWS) due to budgetary issues the operator, PWD Luganville Water, was facing in meeting its electricity bills.

The review began in November 2012 and ended in May 2013 during which the Utilities Regulatory Authority Staff (the Staff) carried out extensive consultation and analysis of the expenses and revenues of the LWS.

The Commission issued a Final Decision on May 27 2013 and authorized a 13.5% increase in standard tariff. Water service prices were to increase from 52 to 59 vatu per cubic meter.

Due to Commission finding that there were systemic management problems leading to deterioration of services, the increase was made conditional upon several actions by PWD in order to improve the water network and services in Luganville.

The required improvement actions were:

- To change the financial and operational management structures for the Luganville Water Service; including separation of budget, expenses and revenue from other Government activities;
- To establish an independent annual Performance Audit to review the utility's performance against targets and budget;
- To improve information and data gathering processes;
- To define safety and reliability standards for water;
- To develop a comprehensive plan to improve the water network infrastructure in Luganville, and secure funds for such investment;
- To secure the current and any future water source against the risk of contamination; and
- To adopt clear and effective Government policy to enable the improvement to take place.

No objections were raised regarding the above conditions by the PWD, pursuant to the opportunity for reconsideration under the Commission rules.

However no concrete action was taken by the management in regards to the stated conditions despite several efforts by URA staff to assist in the matter.

On 23<sup>rd</sup> of January 2014, the URA Chief Executive Officer issued a Showcause Notice to the Director General of MIPU informing the PWD of the Commission's intention to rescind the May 27 Final Decision authorizing the price increase due to lack of progress on the required actions.

Since the Showcause, meetings were held with PWD and several constructive suggestions have been made by the URA staff to improve management of services, billing and collections, reduce leakages, etc.

However until now no concrete action has been taken by the PWD to comply with the Final Decision.

Commission notes that the need for an immediate rate increase for LWS has abated since the Commission lowered the electricity tariffs in Luganville in March 2014 by 14.06% (Order in Case No. U-0001-14.) PWD incurs approximately 50% of its costs on electricity expenditures. Thus the electricity cost reduction amounts to approximately 7% reduction in total expenditures of LWS.

### Findings and Order

It is over one year since the Commission issued its conditional Final Decision on the Luganville Water Tariff Review. The Commission gave sufficient time for complying with the conditions laid out in the Order. Commission therefore must bring this case to a closure.

Commission notes that the URA staff shall continue to work with the operator PWD, to implement better financial and management procedures so as to improve water services in Luganville. PWD may apply for a tariff increase in due course after the main conditions of URA have been implemented.

Commission finds that:

1. The operator PWD Water in Luganville has not complied with the conditions laid out in the Commission Order issued on May 27 2013.
2. The Order authorising tariff increase is hereby rescinded.
3. The water charges are to remain at 52 vatu per cubic meter.
4. The URA staff should continue to work with MIPU, PWD and the Water Resource Department to improve water quality, reliability and management of LWS. A future tariff review may be an appropriate part of an overall plan to deliver an efficient water service in Luganville.

**CEO and Commissioner**

Hasso C. Bhatia, *PhD*



Date:

24/06/14

**Chairman**

Johnson Naviti Matarulapa Marakipule



Date:

24/06/14



Seal of the Utilities Regulatory Authority