

**ADDENDUM VARYING THE TARIFFS OF THE CONTRACT FOR THE  
GENERATION AND PUBLIC SUPPLY OF ELECTRIC POWER IN THE  
CONCESSIONS OF PORT VILA, LUGANVILLE, MALAKULA and  
TANNA**

**BETWEEN**

**THE GOVERNMENT OF THE REPUBLIC OF VANUATU**

**AND**

**THE HONOURABLE MINISTER OF  
LANDS AND NATURAL RESOURCES**

**AND**

**UNION ELECTRIQUE DU VANUATU LTD**

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*[Handwritten signature]*

THIS AGREEMENT is made the 18<sup>th</sup> of December 2007.

BETWEEN: THE GOVERNMENT OF THE REPUBLIC OF VANUATU  
(hereinafter called "the Government") of the first part

AND: HONOURABLE Maxima Carlot Korman Minister of Lands and Natural Resources, and also being the Minister responsible for Power for the purposes of the Electricity Supply Act (Cap 65) (hereinafter called "the Grantor") of the second part

AND: UNION ELECTRIQUE DU VANUATU LIMITED a local Vanuatu Company having its registered office situate at C/o Second Floor, Law House, Kumul Highway, Port Vila, Efate in the Republic of Vanuatu (hereinafter called "the Concessionaire") of the third part


WHEREAS:

- A. The frequent and large variations in the price of petroleum products are passed on to the price of electricity though the quarterly adjustment with some considerable delay.
- B. a new contract has been negotiated between UNELCO SUEZ and the petroleum company allowing the adjustment of the price of fuel with the arrival of each tanker in Port Vila.
- C. Coconut oil mixed with diesel fuel is becoming more widely used in the generation of electricity in Vanuatu.
- D. The Agreement Varying Concession signed on the 25<sup>th</sup> of September 1997 and modified by the addendum of the 1<sup>st</sup> of September 1998 between the Concessionaire and the Government, stipulates in Section 7.5 as follows :

**7.5 REVISION OF THE REFERENCE PRICE AND THE PRICE ADJUSTMENT FORMULA**

*"The reference price  $P_0$ , the quarterly price adjustment formula, and the tariff structure may be revised at the request of either the Grantor or the Concessionaire in the following cases :*

- \* *If more than 5 years have elapsed since the date of effect of this amendment or since it was last revised.*
- \* *If the price  $P$  has increased or decreased by more than 15% as compared to the reference price  $P_0$  defined in section 2 or if one of the parameters of the quarterly price adjustment formula increased or decreased by more than 25% as compared to the values of the base indices defined in section 3.*

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- \* *If the fiscal conditions used for the establishment of the reference price in section 7.1 have been modified*
- \* *If a revision appears necessary to allocate sufficient funds to the « replacement and major maintenance fund » as defined in article 5 of the Agreement Varying Concession of the 25th of September 1997, depending on the level of expenses to be debited from the fund.*
- \* *If some new event should cause a major variation in the costs to the Concessionaire such that a review of tariffs appears necessary to pass on the variation in cost due to the new conditions of power generation and distribution in an equitable manner on to the price of electricity.*
- \* *Or if the Grantor and the Concessionaire agree to modify the tariff structure, either by creating new categories of consumers or cancelling existing ones, or by revising the coefficients to be applied to the base price used to calculate the price of energy for the various categories of supply, provided that such modifications cause neither extra profit nor loss for the Concessionaire.*

**NOW THIS AGREEMENT WITNESSETH AS FOLLOWS:-**

**SECTION 1 - VARIATION OF THE CONCESSION**

The terms and conditions of the Concession (being the documents described in the Schedule hereto) are hereby incorporated herein by express reference save to the extent that the same are hereby varied or modified and shall otherwise remain in full force and effect.

**SECTION 2 : PRICE ADJUSTMENT FORMULA**

(replaces Section 3 of the Addendum Varying the Tariffs of the Contracts for the Generation and Public Supply of Electric Power in Port Vila and Luganville signed on the 1st of September 1998)

The base price P used for billing of electricity and fixed charges, advance on consumption, penalties applicable to the Concessionaire, and the reconnection fee after interruption to supply, shall be calculated on the 1st of each month and for the first time on the 1<sup>st</sup> of December 2007, through the application of the price adjustment formula below :

$$P = P_0 \times [ 0,09 + 0,44 \times G/G_0 + 0,17 \times M/M_0 + 0,30 \times IM/IM_0 \times (0,60 + 0,40 \times C/C_0) ]$$

Where :

- G is the weighted average price of a litre of diesel fuel and coconut oil purchased in Port Vila, Luganville, Mallicolo and Tanna, expressed in Vatu/litre and calculated as follows :

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$$G = \frac{G_V L_V + G_L L_L + G_M L_M + G_T L_T + G_C L_C}{L_V + L_L + L_M + L_T + (L_C \times K_{pci})}$$

where :

$G_V$  is the average price of a litre of diesel fuel delivered to the Port Vila power stations calculated by dividing the total amount of invoices received by UNELCO by the corresponding amount of diesel fuel delivered during the month preceding the date of adjustment of tariffs.

$L_V$  is the number of litres of diesel fuel consumed by the Port Vila diesel power stations during the month preceding the date of adjustment of tariffs

$G_L$  is the average price of a litre of diesel fuel delivered to the Luganville diesel power stations calculated by dividing the total amount of invoices received by UNELCO SUEZ by the corresponding amount of diesel fuel delivered during the month preceding the date of adjustment of tariffs.

$L_L$  is the number of litres of diesel fuel which would have been consumed by the Luganville diesel power station during the month preceding the date of adjustment of tariffs if the power generation had been entirely produced by diesel generators, calculated as follows :

$$L_L = (C_{sg}/M_{vg}) \times (E_h + E_d)$$

where :

$C_{sg}$  and  $M_{vg}$  represent the specific consumption of diesel oil (in grams/kWh) and the density of diesel fuel (in grams/litre) respectively as defined in section 18 of the addendum dated the 03 March 1995 to the Concession Contract of Luganville.

$E_h$  is the energy produced by the hydroelectric power station (in kWh) as defined in the same section 18, during the month preceding the date of adjustment of tariffs.

$E_d$  is the energy produced by the diesel power station in Luganville (in kWh) during the month preceding the date of adjustment of tariffs.

$G_m$  is the average price of a litre of diesel fuel delivered to the Malakula power station calculated by dividing the total amount of invoices received by UNELCO SUEZ by the corresponding amount of diesel fuel delivered during the month preceding the date of adjustment of tariffs.

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- Lv is the number of litres of diesel fuel consumed by the Malakula diesel power station during the month preceding the date of adjustment of tariffs
- Gt is the average price of a litre of diesel fuel delivered to the Tanna power station calculated by dividing the total amount of invoices received by UNELCO SUEZ by the corresponding amount of diesel fuel delivered during the month preceding the date of adjustment of tariffs.
- Lt is the number of litres of diesel fuel consumed by the Tanna diesel power station during the month preceding the date of adjustment of tariffs
- Gc is the average price of a litre of coconut oil delivered to the UNELCO SUEZ power stations calculated by dividing the total amount of invoices received by UNELCO by the corresponding amount of coconut oil delivered during the month preceding the date of adjustment of tariffs.
- Lc is the number of litres of coconut oil consumed by the Port Vila diesel power stations during the month preceding the date of adjustment of tariffs
- Kpci represents the ratio of calorific value between diesel oil and coconut oil and is used to convert the number of litres of coconut oil into equivalent litres of diesel oil.

In the event that  $G_v$ ,  $G_L$ ,  $G_M$ ,  $G_T$  or  $G_C$  should be zero, the value for the previous month shall be used.

- M is the average of the daily wage for a single male not receiving board or lodging in Port Vila at IFIRA WHARF and STEVEDORING, classified as an "inexperienced labourer", and of the classification "PO2" with the Public Service of the Vanuatu Government, for the month preceding the tariff adjustment.

If a scale of wages or a collective agreement is concluded in VANUATU, or if a cost of living index should be published on a regular basis, the Concessionaire and the Grantor shall confer to modify the definition of M.

The application of the new index shall be such as to cause neither gain nor loss to the Concessionaire.

- IM is the average of the indices "Matériel" (equipment) published by the "Journal Officiel" (New Caledonia Gazette) for the first month of the two months preceding the date of adjustment of tariffs.
- C is the average of the daily currency exchange rate for the month preceding the date of adjustment of tariffs, as published by the Banque d'Hawaï in the column "selling rate", for the Pacific Franc (XPF or CFP) to Vatu (expressed in Vatu/XPF).



The base indices used to determine the reference price Po in section 2 of the Addendum Varying the Tariffs of the Contracts for the Generation and Public Supply of Electric Power in Port Vila and Luganville signed on the 1st of September 1998), are as follows :

- Go = 38.80 Vatu/litre
- Mo = 1118 Vatu
- IMo = 111.78
- Co = 1.2030 Vatu/XPF

In the event that certain indices should no longer be published or available, or no longer be representative of variations in economic conditions for which they are used, the Concessionaire and the Grantor shall define replacement indices by common accord.

In calculating the base price P, each variable shall be rounded off to the fourth decimal and the price P thus calculated shall be rounded off to 2 decimals.

For the third quarter 2007, the price P may not exceed the value of the price P as revised as at the 1<sup>st</sup> of July 2007, i.e. 46.48 Vatu/kWh

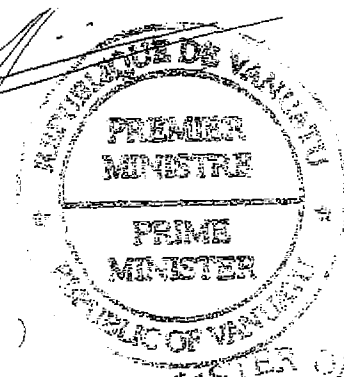
**SECTION 6 - COMMENCEMENT**

This Agreement shall take effect on the 1<sup>st</sup> of January 2008.

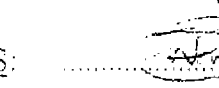
**IN WITNESS WHEREOF** the parties have hereunto set their hands and affixed their seals at Port Vila this 18<sup>th</sup> of December 2007.

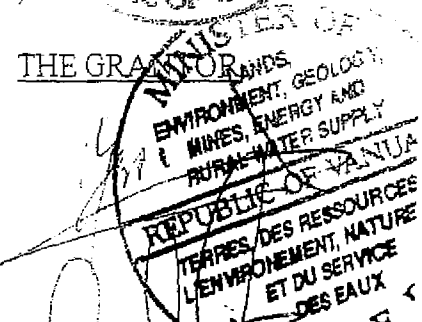
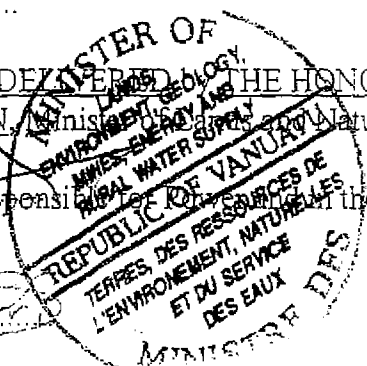
SIGNED SEALED AND DELIVERED for and on behalf of )  
THE GOVERNMENT OF THE REPUBLIC OF VANUATU ) THE GOVERNMENT  
 by its PRIME MINISTER THE HONOURABLE )  
Ham Lini VANUAROROA acting in accordance with the previous )  
GOVERNMENT resolution of the Council of Ministers and in )  
 the presence of ;

WITNESS: 

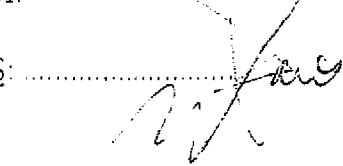


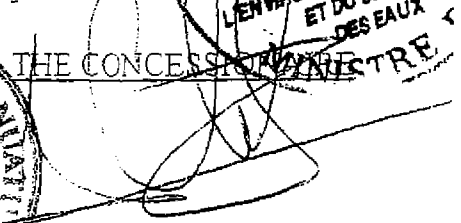
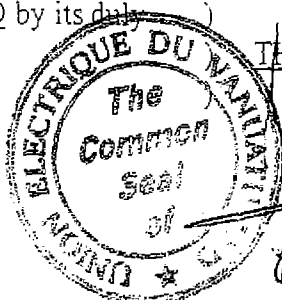
SIGNED SEALED AND DELIVERED by the HONOURABLE )  
Maxime Carlot KORMAN, Minister of Lands, Environment, Energy and )  
 Natural Resources and )  
 also being the Minister responsible for the )  
 presence of :

WITNESS: 



SIGNED SEALED AND DELIVERED for and on behalf of )  
UNION ELECTRIQUE DU VANUATU LIMITED by its duly )  
 authorised Director Mr john CHANIEL and in the )  
 presence of :

WITNESS: 



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## THE SCHEDULE

In this Agreement, the expression "Concession" refers to and includes the following documents, which documents are varied or modified to the extent set out in this Agreement:-

1. Contract dated 15 August 1986 Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila and consisting of 20 Sections under the heading SPECIFICATIONS plus Appendix 1 consisting of MODEL OF CONTRACTUAL BALANCE SHEET and made between The Government of Vanuatu represented by its Prime Minister and The Minister of Lands, Natural Resources and Energy "The GRANTOR" of the one part and UNELCO Vanuatu Limited "the Concessionaire" of the other part;
2. AMENDMENT NO 1 dated 23 January 1990 - To the Specifications Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila between The Government of Vanuatu, represented by its Prime Minister and The Minister of Energy "the Grantor" of the one part and UNELCO Vanuatu Limited "the Concessionaire" of the other part;
3. AMENDMENT NO 2 dated 1 July 1990 - To the Specifications dated 15th August 1986 Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila and made between The Government of Vanuatu, represented by its Prime Minister and The Minister of Energy "the Grantor" of the one part and UNELCO Vanuatu Limited "the Concessionaire" of the other part;
4. CONVENTION dated 15 August 1986 Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila and made between The Government of Vanuatu represented by its Prime Minister and the Minister of Land, Natural Resources and Energy "the Grantor" of the one part and UNELCO Vanuatu Limited "the Concessionaire" of the other part;
5. AMENDMENT NO 1 dated 23 January 1990 - To the Convention dated 15th August 1986 relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila and made between The Government of Vanuatu represented by its Prime Minister and its Minister of Energy "the Grantor" of the one part and UNELCO Vanuatu Limited "the Concessionaire" of the other part
6. Agreement vaying Concession for the Generation and Public Supply of Electric Power in Port-Vila, dated the 25th of September 1997 between the Government of the Republic of Vanuatu, represented by its Prime Minister, "the Governement", of the first part, and the Honorable Sato KLMAN, Minister of Lands, Geology, Mines, Energy and Rural Water Supply, also being the Minister reponsible for Power, for the purpose of the Electricity Supply Act (CAP 65), "the Grantor", of the second part, and Union Electrique du Vanuatu Ltd of the third part.

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7. Contract dated 23 January 1990 Relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila and consisting of 21 Sections under the heading SPECIFICATIONS plus Appendix 1 consisting of MODEL OF CONTRACTUAL BALANCE SHEET and made between The Government of Vanuatu represented by its Prime Minister and The Minister of Energy "The GRANTOR" of the one part and Compañie Union Electrique de Santo Limited (CES) "the Concessionaire" of the other part;
8. Contract dated 23 January 1990 Relating to the Concession for the Generation and Public Supply of Electric Power in Luganville and consisting of 19 Sections under the heading CONVENTION made between The Government of Vanuatu represented by its Prime Minister and the Minister of Energy "the Grantor" of the one part and Compañie Electrique de Santo Limited (CES), "the Concessionaire" of the other part;
9. Addendum dated 3 March 1995 to the Concession for the Generation and Public Supply of Electric Power in Luganville, under the heading « Addendum to the Contract of Concession for the Generation and Public Supply of Electric Power in Luganville relating to the handing over of the Sarakata Hydroelectric Power Station » and made between The Government of the Republic of Vanuatu represented by its Minister of Lands, Natural Resources and Energy "The GRANTOR" of the one part and Union Electrique du Vanuatu Limited "the Concessionaire" of the other part;
10. Addendum dated 1<sup>st</sup> September 1998 to the Concession for the Generation and Public Supply of Electric Power in Port Vila and Luganville, under the heading "Addendum Varying the Tariffs of the Contracts for the Generation and Public Supply of Electric Power in Port Vila and Luganville" signed between the Government of the Republic of Vanuatu, represented by its Prime Minister of the first part and by its Minister of Lands, Natural Resources and Energy "The GRANTOR" of the second part and Union Electrique du Vanuatu Limited "the Concessionaire" of the third part;

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