



Office of the Utility Regulatory Authority Vanuatu

Tel: (+678) 23521 / 23335

Fax: (+678) 27427

Mobile (+678) 7760842/7760843

VANUATU ELECTRICITY AND WATER SERVICES – WHAT IS BEING DONE?

Following recent media articles by the public expressing concerns about electricity and water services throughout Vanuatu, I wish to take this opportunity to share with your readers the work that is currently being undertaken by the Utilities Regulatory Authority (the URA).

The Government of Vanuatu recently established a new independent power and water sector regulator – the Utilities Regulatory Authority – whose role is to ensure the provision of safe, reliable and affordable utilities services, and to maximise access to these services throughout Vanuatu. The Utilities Regulatory Authority Act No. 11 of 2007 (the Act) provides the legal basis for the URA, with the Authority commencing operation in October 2008.

The URA is responsible for the regulation of electricity and water services. Our role differs somewhat between the two services but generally involves regulating prices, service standards, and market conduct and consumer protection. We also investigate and advise the Government on regulatory matters that affect Vanuatu's essential utilities.

There are currently five concession contracts in place throughout Vanuatu. Two concessions are in Port Vila for electricity and water; and electricity concessions in Luganville, Malekula and Tanna Island. These concession contracts set out the contractual arrangements between the Government and UNELCO. Generally the concession contracts provide UNELCO with the exclusive right to generate, distribute and supply electrical power to consumers within a specified area. The contracts specify the technical, maintenance and operation requirements for the network within a concession area, such as frequency, power factor and voltage quality. It also set out metering requirements and specifies certain service and performance reporting obligations upon the Concession. The contract also set out the rates and tariff structure to be applied by the Concessionaire and also provides a price adjustment mechanism for reviewing electricity price on a periodic basis.

Review of electricity and water tariffs across all concession areas

The Government's concern about the high cost of electricity has led to the URA initiating a full review of the level and structure of tariffs for all concession areas.

As part of this review, the URA is currently undertaking a full review of services standards, the cost of and structure of tariffs for electricity across all concession and water services within Port Vila. As part of this review the URA will assess the efficient cost of providing electricity and water services in Vanuatu, and the associated revenue requirement for UNELCO and review the structure of tariffs for all concession. It will review the current tariff formulae for all concessions and assess the reasonableness of service standards for electricity currently specified within the concession contracts.

The tariff review is expected to provide guidance to negotiating level and structure of consumer tariffs, establishing bulk tariffs for sale or purchase, and formulating a different process for tariff-setting for the expiring (end 2010) concession in Luganville.

This review process will go some way to clarifying a number of the issues that have been raised by various stakeholders, such as the relationship between costs and the tariff levels of electricity in Vanuatu. However, it should be noted that any expectations immediate improvements in services and reductions in the cost of utilities will take time as there are different stages that need to be completed as outlined above.

Luganville Concession Tender

As many of your readers may be aware, the power supply concession in Luganville which commenced on

23 January 1990 is due to expire on 31 December 2010. In accordance with the concession contract the Government of Vanuatu has advised UNELCO of its intention to re-tender the concession agreement. The tender process is expected to commence in November 2009.

The URA is currently assisting the Energy Unit within the Ministry of Land Geology and Mines in attracting private sector participation to generate, transmit, distribute and supply electrical energy to the public, private individuals and businesses within the Luganville electricity concession. The Ministry has engaged the services of the consulting firm IPA Energy and Water Economics to provide advisory services to deliver a successful re-tender. The transaction advisor will be responsible for assisting the Ministry to prepare and launch the Luganville electricity concession transaction and assist the Government in successfully concluding negotiations with a competitively selected bidder for the concession.

Access to power and rural electrification

With a population spread over more than 60 inhabited islands, expensive internal transport links and a small private sector concentrated in Port Vila and Luganville, there is little doubt that access to power is a critical issue for the development of Vanuatu.

With around 80 per cent of Vanuatu's population residing in rural areas and having limited access to power and rural communities relying on expensive kerosene or in some cases diesel generators to meet basic lighting and other needs, the challenge of electrification in Vanuatu is substantial.

Electricity services in the four main urban centres are provided under long-standing concession arrangements with UNELCO. Outside these concession areas we have made limited progress, however work to develop and implement a systematic approach to electrification has commenced.

Although responsibility for the electricity sector policy and the Government's rural electrification strategy rests with the Energy Unit within the Ministry of Lands, Geology, Mines and Water Resources, the URA is working closely with the Energy Unit in preparing and implementing an Access Power Investment Program to expand access to electricity within and outside the four concession areas.

Monitoring and Compliance Activities

The URA is also empowered under the Act as well as the concession contracts to monitor and enforce compliance with the provisions set out in these instruments.

Monitoring and compliance activities requires the Authority to ensure the utilities comply with provisions set out in the various concession contracts including enforcement of penalties for unjustified interruptions.

In addition, the Authority will be reviewing and conducting an audit of the Sarakata Hydroelectric power station scheme and its fund as permitted under the concession contract. The final report due by December 2009 will be published by the URA following the review.

Consultation

The URA is committed to pursuing best practice in its consultation and decision making process. For this reason, the URA aims to be independent, balanced and fair by ensuring its decisions and processes do not reflect undue influences and are consistent with legislative requirements. It aims to be accessible to, and inclusive of, all interested stakeholders and seeks to encourage public participation within its reviews and decision making processes. It aims to be open and transparent by publishing its Work Program on its website, explaining how it consults and the reasons for its decisions.

More information regarding any of the above matters is available on the URA website www.ura.gov.vu or by contacting the Office of the Utilities Regulatory Authority.

Carmine Piantedosi
CEO - Utilities Regulatory Authority