



Date: 14th March 2014

Press Release

URA Reduces Electricity Tariff in Santo by 14.06%

The Utilities Regulatory Authority (URA) Commission has issued its Final Decision and Order on the Luganville Electricity Tariff Review, Case No. U-0001-14. The Commission initiated the case on 28th of November 2013 upon application received from the Vanuatu Utilities Infrastructure Limited (VUI) for a tariff decrease. The URA staff carried out an extensive investigation, analysis and recommendations. Scope of review was primarily the impact on generation costs due to an increased utilization of the Sarakata hydropower plant. A public consultation followed the release of the *Preliminary Decision* issued on the 15th of January. Public Meetings were held in Santo on January 29-30 at various locations to inform and receive suggestions from consumers. URA received comments from VUI, Government Departments and other interested persons. All comments and suggestions were taken into account to arrive at the Final Decision.

Highlights of the Final Decision and Order are:

- **VUI's base rate is reduced by 14.06% from the December 2013 level of 54.76 VUV/kWh to 47.07.**

The revised tariff is effective from 13th March 2014 and shall apply to all customer billings rendered after this date.

- **VUI shall assume responsibility for street lighting operations and maintenance in its service area.**

This is a major change from preliminary decision. The Commission has determined that in the interest of public safety and convenience the street lighting should be operated and maintained by VUI. No additional costs shall be charged to the consumers for street lighting. This represents an additional 1.7% savings to the customers. Luganville Municipal Council and VUI have agreed to the street lighting transfer.

- **The current monthly base rate adjustment mechanism is abolished and replaced with an annual reconciliation.**

The Commission has affirmed to replace the current monthly base rate adjustment mechanism by an annual reconciliation based on changes in fuel price and efficiency in generation. As a result customers' tariffs shall remain uniform from month to month. The annual reconciliation shall compare the estimated generation cost over the previous 12 months to the actual cost and make appropriate adjustments in the tariffs.

- **Commission has instructed the establishment of a Fund for Electricity Related Projects to be utilized for improving electricity access and services in Santo. VUI shall deposit 1 VUV per kWh billed monthly into the Fund. The approved tariff includes the customer contribution to the Fund.**

Commission notes the additional charge placed on customers but believes that having such a fund in place will maximize access and quality of electricity services and benefit all residents of Santo. The fund will be administered by the URA in collaboration with a Fund Committee comprising the URA, VUI, the Luganville Municipal Council, and the Department of Energy. URA shall supervise the Fund and issue an annual report on Fund performance.

- **Incentive for Better Hydro Performance**

Commission is implementing an incentive mechanism to encourage VUI to improve the capacity factor of Sarakata Hydro Plant. If the hydro plant operates above its normal performance then the resulting savings from lower diesel costs shall be shared between customers and VUI. In future URA may look at other incentives to encourage efficient, least cost operations.

The approved tariffs are attached to this press release.

The Commission believes that lowering of electricity price in Luganville shall give significant relief to consumers in Santo. It would stimulate businesses and industries to grow and expand in Santo. The street lighting services will see a marked improvement providing safe and well-lit streets in VUI's service area. The incentive mechanism will encourage the utility to operate at maximum efficiencies and result in further lowering of customer prices. Establishment of the Fund shall allow accelerated service extensions to low income rural communities and in reaching the goals of the National Energy Road Map.

The Commission thanks the consumers of Luganville and Santo who enthusiastically participated in the public consultation meetings and provided valuable comments and suggestions in this proceeding. The Commission also appreciates the comments received from Government departments and the public. The Commission acknowledges the support of VUI in assuming the street lighting at no additional charge to the customers.

The Commission appreciates the hard work and thoughtful analysis performed by the staff enabling the Commission to arrive at this fair and equitable Decision. The Commission is specially thankful to case coordinator Ms. Maureen Malas and our Principal Financial Adviser Mr. Olivier Fernandez for shepherding this case to its final conclusion. The Commission appreciates the guidance provided by Manager Regulation Mrs Lizzie Taura.

The Commission thanks the Honorable Prime Minister and the Council of Ministers for their ongoing support of the URA activities and endorsement of our decisions.

Copies of the *Luganville Electricity Tariff Review Final Decision and Order*, Case U-0001-14 are available on the URA website www.ura.gov.vu and at the URA Office, located at the VNPF Investment Building, corner of Pierre Lamy & Andre Ballande Street.

Revised tariff sheet (including Fund contribution & street lighting)

Customer category	Charge	Tariff of Dec-2013	New Tariff	Change
Low Voltage (including small domestic, business license holders, and other low voltage customers)	Unit charge per kWh			
	Up to 60 kWh	20.81 vatu per kWh	17.88 vatu per kWh	-14.06%
	61-120 kWh	53.12 vatu per kWh	45.64 vatu per kWh	-14.06%
	121-180 kWh	98.57 vatu per kWh	84.71 vatu per kWh	-14.06%
	Over 180 kWh	60.24 vatu per kWh	51.77 vatu per kWh	-14.06%
	Monthly fixed charge	None	None	None
	Security deposit for new connections	3,833 vatu for connections up to 2.2kVA 8,214 vatu per subscribed kVA for connections over 2.2 kVA	3,294 vatu for connections up to 2.2kVA 7,059 vatu per subscribed kVA for connections over 2.2 kVA	-14.06%
Sports Fields	Unit charge per kWh	54.76 vatu per kWh	47.06 vatu per kWh	-14.06%
	Monthly fixed charge	None	None	None
	Security deposit for new connections	None	None	None
Public Lighting	Unit charge per kWh	29.57 vatu per kWh	25.41 vatu per kWh	-14.06%
	Monthly fixed charge	None	None	None
	Security deposit for new connections	None	None	None
High Voltage	Unit charge	38.33 vatu per kWh	32.94 vatu per kWh	-14.06%
	Monthly fixed charge	1,369 vatu per subscribed kVA	1,176 vatu per subscribed kVA	-14.06%
	Security deposit for new connections	8,214 vatu per subscribed kVA	7,059 vatu per subscribed kVA	-14.06%