



**Media Release: 7 September 2012**

### **URA Clarifies Article on Electricity Subsidy**

On 14 July 2012, the Utilities Regulatory Authority (URA) was concerned to read an article entitled “Electricity cost to drop: Kalsakau” (Daily Post Issue no. 3601) even though we, the economic regulator in the electricity and water sectors, had not heard about any cost reduction.

The article said that customers would only pay 10% of the current electricity cost. The Authority reviewed the tariff in May 2010 and recommended a 6.8% reduction, which UNELCO contested. Therefore it seemed unlikely that it would agree to bear 90% of the electricity cost with the government.

The article said: “The agreement to amend the current Concession Agreement between the Vanuatu Government and Unelco has been reached after a series of meetings last week and this week.”

The Authority received a number of enquiries in relation to this article which the Authority was unable to respond because it had not been party to any discussions between UNELCO and the Honourable Minister of Lands. As a result the Authority wrote to UNELCO and the Honourable Minister of Lands and asked for:

a) Details and copy of the “agreement that has been reached between the Vanuatu Government and UNELCO Vanuatu Limited” as cited in the article;

b) detailed explanation and evidence supporting the **claim** that “UNELCO Vanuatu Limited in an concession agreement for them to bear 90% of the current cost of electricity while consumers across the board will only meet 10% of the electricity cost, when the new concession agreement, comes into effect”;

c) a copy of the “amendment on the new concession agreement” sent to the State law Office as cited in the article; and

d) detailed evidence and information relating to the **agreement** between the Government and UNELCO as stated in the article “The Government and UNELCO Vanuatu Limited will carry 90% of the electricity costs which means the consumers across the board will only pay 10% which is a huge reduction in the electricity cost for the consumers in Port Vila and where UNELCO operates”.

To date the Authority has not received a response from the relevant Ministry. However, on 8 August 2012 the Authority received a response from UNELCO’s Chairman but without the new concession agreement nor the amendment requested in our letter for information and clarification.

Further, the Authority notes that UNELCO’s response did not address the issue or matters described in the Daily Post on 14 July 2012.

Given the Minister and UNELCO's failure to provide the information requested, the Authority is unable to clarify further the article to consumers who expressed concern.

The Authority wishes to inform the public, electricity customers and interested parties that they have a right to be consulted when the pricing of electricity is under consideration. During the previous tariff review, the Authority released several reports and organized public forums before making a final decision to reduce the price of electricity by 4.7% on average.

The Authority welcomes any tariff reduction but until the reduction announced on 14 July can be substantiated, consumers should be wary about making decisions based on the information in the Daily Post article.

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### **About the Utilities Regulatory Authority**

The URA was set up under the *Utilities Regulatory Authority Act No. 11 of 2007*. The Authority acts independently of the Government and its primary purpose is to increase access to safe, reliable and affordable electricity and water services, and to protect the long-term interests of consumers throughout Vanuatu. In the electricity sector, the Authority monitors the concessions operated by UNELCO in Malekula, Port Vila and Tanna; and Vanuatu Utilities and Infrastructure Ltd (VUI) in Luganville. In addition, the Authority manages consumer disputes and advises the Government on matters related to electricity and water. It also reviews tariffs under the rules of the Concessions Agreements and relevant legislation.

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