

GOVERNEMENT DE LA REPUBLIQUE DU VANUATU

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## Utilities Regulatory Authority's Chairperson Johnson Naviti

### Statement on

### Port Vila, Malekula and Tanna Electricity Prepayment Meter System

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#### Welcome

I would like to thank all of you for coming today to the Office of the Utilities Regulatory Authority. I am Johnson Naviti, Chairperson of the Utilities Regulatory Authority, and this is Mr. Carmine Piantedosi, the Authority's CEO and also a Commissioner. Commissioner Paul Kaun sends his apologies. He wishes he could have attended this press conference but other obligations kept him away.

Today, I would like to talk about Electricity Prepayment Meter System in Port Vila, Malekula and Tanna.

**First**, I will give you some background information on the process and how the Authority came to publish this Position Paper on prepayment meters. I will not go into details since the Authority has been working on this with UNELCO since late 2009, but you can find much of the detail including all the facts in section 3 of the paper.

**Secondly**, I will go over the main messages of the paper. The Executive Summary provides a summary of the main issues, and specific information and material is presented throughout the paper.

**Finally**, I will open the floor for questions, which Carmine and I will do our best to answer.

#### 1 Background and Chronology

The Utilities Regulatory Authority Act states that the Authority's primary objective is to regulate utilities to ensure the provision of safe, reliable and affordable electricity and water services; to maximise access to regulated services throughout Vanuatu; and to protect the long-term interests of consumers.

In 2001, UNELCO installed prepayment meters on Malekula and Tanna Islands. The Authority was

created afterwards, in 2008, and has since then been responsible for approving requests for new meters as well as variations to customer's billing methods.

In April 2009, UNELCO wrote to the Authority seeking approval to start a prepayment meter pilot project in Mele Maat. Based on the information UNELCO provided, the Authority approved the trial and published an issues paper on the topic to seek people's comments on a list of issues related to the trial. This initial paper also listed the criteria that we would use to evaluate the pilot project.

UNELCO confirmed it would go ahead with the project after informing the people in Mele Maat and 105 prepayment meters were installed by January 2010. It submitted a report in September 2010 and requested that the Authority approve a rollout throughout its concession areas. This report is set out in the Authority's position paper.

I will spare you the details of all the communication between the Authority and UNELCO between September 2010 and March 2012 since they are available in our Position Paper, but suffice to say that the dialogue was continuous.

The correspondence focused mainly on gathering the appropriate information and data, as well as getting clarifications to questions posed by the Authority. During this time, the Authority has also consulted with consumers and the government.

An important objective of the Authority is to protect the long-term interests of consumers in Vanuatu. To this end, the Authority sought information and clarification to the many concerns it had. These questions are the substance of the position paper.

Let me also add that another event had an impact on our research. As consumers yourselves, you are aware that the tariff had decreased in May 2011 for the very first time since Vanuatu has had access to electricity.

This happened after the Authority consulted consumers, the government and UNELCO and did extensive research on the issue of electricity tariffs in Vanuatu. The decision to lower tariff by 6.8 percent came out in May 2010. UNELCO contested our decision and it was only after a lengthy arbitration process that the people of Vanuatu benefited from a lower electricity tariff. Since May 2011, consumers pay on average 4.7 percent less than before.

You can read all about this on our website where these reports are posted, but I am telling you this because the tariff reduction has an impact on the prepayment meter pilot project.

## **2 Assumptions and Main Messages**

Now to the substance of the Position Paper on Electricity Prepayment Meter System in Port Vila, Malekula and Tanna.

Section 2 of the Position Paper has 16 subsections. These subsections outline our assessment of the issues based on the information given by UNELCO and by the people we have talked with during our consultations. Again, we are seeking the public's opinion and comments on all of the issues identified.

Today, I will highlight three main points, however, you are provided the entire list of issues and I encourage you to ask questions about the others afterwards.

### **Tariff – The assumption is that electricity is cheaper with a prepayment meter**

Of all the issues identified, almost half of them are related to the tariff. When UNELCO surveyed the people in Mele Maat who use prepayment meters, they came to the conclusion that using prepayment meters made electricity less expensive than paying your bill at the end of the month. The position paper shows that: first the survey was flawed and second the reduction in price during the trial period was due to the tariff reduction achieved by the Authority.

Moreover, and this is a very grave discovery that troubles the Authority: Malekula and Tanna prepayment customers consuming less than 60 kWh a month have been paying up to three times as much for their electricity consumption, compared to Small Domestic Customer subscribers since July 2010.

I wish to emphasize this fact that on Malekula and Tanna, prepayment customers who consume less than 60 kWh a month have been paying up to three times as much for their electricity since July 2010, compared to customers who pay a monthly bill. Section 2.3 of the Position Paper explains in detail how this was made possible and during the question time we can provide you with more details.

In short, the prepayment meters in Tanna and Malekula were installed before the Authority existed and it is only through this review that we have been able to get the data that led to this conclusion. Customers did not receive enough information to make an educated decision when offered the option to choose between prepayment and postpayment methods. The Authority will continue its review and we will travel to both Islands to talk to these customers to ensure that they are informed about how much they are paying for their electricity consumption.

Another issue that may cause confusion for consumers with prepayment meters is because they have the same tariff applied to them as postpayment consumers. If you know how the small domestic customer tariff works, you know that there are three tranches within a month and that the more electricity you consume, the more expensive it becomes: the first kilowatt hours of electricity at the beginning of the month are cheaper than at the end but your monthly bill invoices the total amount. The position paper set out an example to assist the customer understand the issues that may be faced when using the prepayment meter system proposed.

The first important message coming from our position paper is that prepayment meters do not always mean cheaper electricity and the tariff may be confusing since there are no regular bills.

### **Interruptions – The assumption is that your power is not going to be cut off**

In addition to protecting the long-term interests of consumers, the Authority's aim is to ensure that consumers have access to electricity.

Interruption of supply is monitored by the Authority: the utilities send us reports when they are planning an outage for maintenance, which you see in the papers and hear on the radio. When there is an unplanned outage, the utilities have to send us notification about why and how long.

The Authority is also very interested in knowing how many customers are cut off for not paying their bill on time, for how long they are cut off, and how much it costs to be reconnected.

It is a concern to us that people will go without power because they cannot afford to refill their chip card, or they do not have the time to go to a resale point to recharge their card. Interruption will occur almost immediately after customers have depleted their credit, with a few exceptions: for example, UNELCO said it would not cut off your power over a weekend and it will allow for a small buffer for a negative credit balance.

Under a postpayment billing system, which is what most electricity consumers have in Vanuatu, an upfront security deposit secures the supply of electricity until the next billing cycle. You probably know from experience that a customer has up to 45 days following invoicing, or 75 days from the first meter reading to settle his or her bill before the power is interrupted.

The paper sets out the Authority's concerns regarding the issues around customer billing and access to supply and gives examples to support its findings.

## **Recharge – The assumption is that it is easy to recharge your chip card**

My third point relates to interruptions. If you see that you are running low on credits, you need to get to a resale point. At the beginning of the pilot project, there was only one resale point, which is UNELCO office in downtown Port Vila.

Customers in Mele Maat said the bus trips to town and back added to the cost of electricity. With postpayment bills, you go to UNELCO's office once a month. With prepayment meters, you may go two or three times a month to recharge your chip card.

Following up on the customers' complaint, the Authority discussed the issue of resale points with UNELCO. In October 2011, UNELCO trained staff at the Taravaki Store in Mele Village so that the store could function as a resale point.

In the future, if the Authority approves prepayment meters, customers will be spread out and need resale points in several areas of the concession, and while UNELCO has claimed to provide for such resale points, the costs that the customers may have to bear is unclear. Moreover, recharging your card is not as easy as refilling your cell phone. You can go to almost any shop in town, give them 500 Vatu, and you will receive a plastic card with a number that you have to punch into your phone. The credits are available right away and you can discard the plastic card.

The prepayment chip card is unique to each customer's prepayment meter. When the customer sees on the meter that he or she is running low on credits, he must insert the chip card into the meter, then extract it and take it with him or her to a resale point. There the customer will give some money (a minimum amount has not been finalized by UNELCO, but was 200 vatu during the trial) and the card to an employee who will recharge the card with some credit, using UNELCO's computer hardware and

software. Then the customer has to go back home, insert the chip card again into the meter and extract it when the credit is transferred to the meter.

Through this chip card system, UNELCO can also monitor and keep consumption records as well as other information. UNELCO has yet to share with us what its privacy policy regarding these records is.

The last main message I want to leave with you is that charging your electricity card is not like refilling your credits on your mobile phone. The process takes time, may include a bus fare and you have to make sure you follow the exact procedure every time. The risks are that you will be without electricity at your household.

## Conclusion

In conclusion, for the reasons I have just mentioned and for others which are listed in the Position Paper, including the fact that we still have not received information in regards to all of these issues from UNELCO, the facts and numbers available to us do not support UNELCO's claim that the prepayment meter system is to the advantage of **all** electricity customers in Vanuatu.

We still have many concerns. We propose to have a public forum in Mele Maat next week, and we intend to talk to other communities who have expressed interest in having this system.

We propose to conduct a survey which will seek feedback on prepayment meter issues from people in Mele Maat and Malekula and Tanna Islands, and consult with the public in general. Once we have more information from UNELCO and the public's feedback, we will publish a Draft Decision, followed by further consultation and a Final Decision.

## 3 Questions

I am now opening the floor for questions. Carmine Piantedosi, the Authority's CEO, will assist me in answering them.