

Electricity Price Review 2010



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 electricity concession areas. This review is entering its final stages.

Objective of Electricity Tariff Review

As an independent regulator, the URA aims to balance the interests of electricity consumers, the utility (UNELCO) and the Government. The principles of reviewing the tariff are:

Consumers should not pay more than necessary for electricity of a given standard

UNELCO should be able to charge enough to cover costs, including maintenance, future investment and a reasonable return.

The Government wants continued investment in the electricity supply to achieve its aim of growth and economic development

This does not mean setting the price as low as possible as this would not encourage the investment need for a safe and reliable electricity supply in the long term.

The Process to Set a New Electricity Tariff

The URA has been working closely with UNELCO for over 6 months. We have clearly defined the method we will use and UNELCO has submitted a tariff application consisting of their assumptions that go into the new tariff. Details can be found in the [Tariff Application Report 2010](#) available on our website.

After public consultation and a review of UNELCO's inputs the URA has set out its own assumptions for the new tariff. Details of these are found in the URA's [Tariff Review Position Paper](#) on our website. We are seeking stakeholders comments on our position.

Next Steps

The URA now seeks submissions from all stakeholders on its position paper before the 12 April 2010.

The URA's position differs to UNELCO's in some key areas. The URA will negotiate with UNELCO on behalf of the Government and will then write its Final Tariff Decision. We aim to come to an agreement with UNELCO and put to the Government a tariff that is acceptable to all parties. If this is not possible the parties go to arbitration and this will delay the introduction of the new tariff.

Stakeholders are Invited to Comment

We welcome comments and suggestions on the URA's Tariff Review Position Paper which can be downloaded at www.ura.gov.vu. You can write, email, telephone or visit our office (VNPF Building) 12 to 1pm every week day for a Q&A session until the 26 March.

Who Is The Utility Regulatory Authority (URA)?

The URA was set up under the Utilities Regulatory Authority Act No.11 of 2007. It is independent from the government and its purpose is to ensure safe, reliable and affordable water and electricity.

It monitors the electricity concession contracts for Port Vila, Luganville, Tanna and Malekula. It will renegotiate prices (tariff) under the rules of the existing contracts, manages consumer complaints and it advises the government.

Electricity is Different to Mobile Phones

With electricity its not possible to introduce competition in the market in the same way as with mobile phones. It is not economically viable to run two sets of poles and have two lots of generators so the URA attempts to calculate a tariff that reflects what it might be if there were a competitor in the electricity market.

Things that will Affect the Tariff

Tariff Structure – the URA is looking to reduce specifically the tariff for small domestic customers

Wind Farm – the URA is recommending including gains from the wind farm directly into the price of electricity

Sarakata Special Reserve Fund – the URA is recommending that the fund be used to lower tariffs across all concessions.

Utilities Regulatory Authority

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