



# **ANNUAL REPORT 2023**

**Utilities Regulatory Authority-  
URA of Vanuatu**

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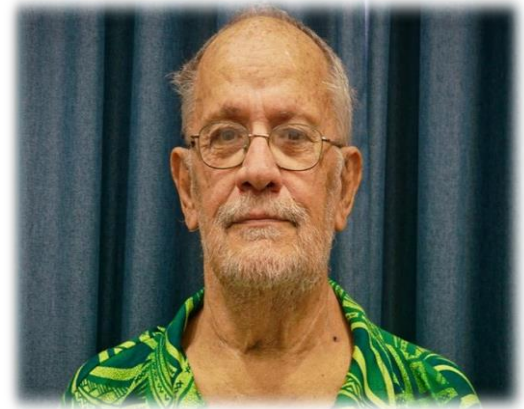
## Definitions

Acronym	Definitions
DoE	Department of Energy
DoWR	Department of Water Resources
NGEF	National Green Energy Fund
OAG	Office of the Attorney General
URA	Utilities Regulatory Authority
URA Commission	Commissioners of the Utilities Regulatory Authority
URA Act	Utilities Regulatory Authority Act No.11 of 2007 (as amended)
VUI Ltd	Vanuatu Utilities & Infrastructure Limited (VUI)
UNELCO Engie	Union Electrique du Vanuatu Limited Engie
VANPAWA Ltd	Vanuatu National Power and Water Authority Limited

## 2 Message from the Chairperson

I am pleased to present the 2023 Annual Report for the Utilities Regulatory Authority (URA).

The URA has continued to progress well through 2023, achieving objectives set in previous years. In particular, URA's restructure was completed as at 31<sup>st</sup> of December 2023. The objective of the restructure, detailed in this report, being to reduce the cost of regulation whilst at the same time ensuring that the URA continued to deliver its mandate in the best interest of consumers and more.



I take this opportunity to acknowledge members of the Commission, Chief Executive Officer Paul Kaun and Commissioner Lloyd M. Fikiasi who have been supportive in ensuring that the URA was able to undertake its work programme during the year. For the record, the Commission sat formally on five (5) occasions, one (1) of these being an extraordinary sitting to approve the utility levy assessment for current year. Four (4) ordinary meetings were convened for more regular decisions of the URA.

Moreover, I extend my gratitude to my colleague Commissioners and the URA Staff whose undoubted commitment to the work of the URA has been nothing but outstanding. The Commission particularly appreciates the collaborative effort of all Staff in implementing the restructure of the URA.

Extending similar gratitude to the Government of Vanuatu and the regulated utilities of electricity and water services who continue to serve this nation committedly and well.

Sincerely,  
**John Roy CHANIEL**  
**Chairperson, Utilities Regulatory Authority Commission**

### 3 Message from the Chief Executive Officer

This is the first year of the implementation of URA's Five Years Strategic and Action Plan. Its related achievements made during the year included the organization's full restructure which will become effective from the 1st January 2024.

We have also upgraded our financial management system through a shift from MYOB to XERO to enhance our financial reporting requirements, on a timelier manner. We have also upgraded the URA's website and made regular updates on information published.



This year also marks the entry of a new concessionaire to the electricity market, the Vanuatu National Power and Water Authority (VANPAWA), a subsidiary of the National Provident Fund, which now operates the Malekula and Tanna electricity concessions.

UNELCO administers the main Vanuatu electricity concession on Efate, followed by VUI in Santo which also administers the mini-grids on Ambae, Maewo and Vanua Lava. URA also regulates the solar PV mini grid of Wintua and Lorlow in South West Bay, Malekula and Loltong min hydro grid in Pentecost.

In terms of power generation sources, diesel generation remains the top, around 82%, in the concession areas, with renewable energy sources making up the remaining 18%, of which hydro contributes 11%, solar 4% and reminder is contributed by wind energy. The lower renewable energy penetration reemphasizes the need for action to be taken to achieve the 2030 target of close to 100%. Total kWh produced each month averages around 6.4 million kWh, 78% of which is from the Efate concession. Total active customers for all concessions was 19,474 at the end of 2023.

URA also regulates the water concessionaire in Port Vila including Government and private water suppliers around the country. Most of the regulated private water suppliers are based on the

island of Efate. The Port Vila Water Concession, administered by UNELCO, remains the largest water network in the country.

We value the strong relationship we have with our stakeholders, which include the Government Ministries, the utility operator operators, the utility customers and Vanuatu's development partners. We were fortunate to continue receiving technical assistance through the Asian Development Bank. Being one of the founding members of the Office of the Pacific Energy Regulators Alliance, URA CEO is currently one of the deputy chairs of the alliance. The Authority will continue to provide the support needed to further strengthen the role of the alliance among its members within the Pacific region.

May I conclude by acknowledging the great support and close working relations among members of the URA Commission and the staff of URA for this year's achievements. I also acknowledge the great support from the Minister of Finance and Economic Management during the year. I take this opportunity to wish URA the best in its regulatory functions in the coming years.

Sincerely,  
**Paul Kaun**  
**Chief Executive Officer, Utilities Regulatory Authority**



# HIGHLIGHTS 2023





## 4 Main Highlights in 2023

### **4.1 New URA Organization Structure**

The URA Commission has achieved its strategic objective<sup>1</sup> to restructure the organization into a “right-fit” that reduces the cost of regulation by decreasing its staff numbers and fostering the remaining staff to improve performance effectiveness and efficiency.

The organization structure was approved by the URA Commission on July 19<sup>th</sup>, 2023. A team meeting by the URA Commission was held with all staff to inform them of the new structure and the implications that it will have on the employment status of some of the staff.

A rigorous process was followed through by the Commission prior to finalizing their decision in which assessments of staff performance were undertaken, the Labor Department was consulted, and the Honorable Minister of Finance was informed. From a total staff number of 16 in the year 2022, URA now (in 2023) has a total of 10 full-time staff under the new organization structure. The new structure will come into effect on 1<sup>st</sup> of January 2024.

### **4.2 VANPAWA enters the regulated electricity market**

On May 1<sup>st</sup>, 2023, the Vanuatu National Power and Water Authority (VANPAWA) took over the operations of the Malekula and Tanna electricity grids. VANPAWA is a subsidiary company of the Vanuatu National Provident Fund (VNPF). VANPAWA’s 20-year concession agreement was signed with the Vanuatu Government on May 6<sup>th</sup> 2022.

With no historical track record of generating and supplying electricity in Vanuatu, URA held extensive consultation sessions with VANPAWA to discuss its organization structure, financial and technical operations including its tariff determination. VANPAWA’s base electricity tariff of 64.89 Vatu/kWh was issued on April 6<sup>th</sup>, 2023 for a period of one year with a three step increase from current tariff of 49 Vatu/kWh from May 1<sup>st</sup> to June 30<sup>th</sup>, 55 Vatu/kWh from July 1<sup>st</sup> to September 30<sup>th</sup> and 64.89 Vatu/kWh from October 1<sup>st</sup> to March 31<sup>st</sup>.



Figure 1: VANPAWA Power Station Lenakel, Tanna

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<sup>1</sup> Strategic Objective 1.7, URA Strategic and Action Plan 2022-2026

During the handing over process, VANPAWA had retained the former operator's staff at each of the power plants with direct reporting obligations to the operator's head office in Port Vila.

#### **4.3 Ministerial visitation to URA's main office by Hon. Minister of Finance**

The Honorable Minister of Finance and Economic Management made a courtesy visit to URA's Port Vila main office on Friday June 30, 2024. It is URA's first ever visit to the office premises by a Minister of Finance.

URA CEO and staff welcomed the Honorable Minister and provided him with a tour of the office, staff introductions and an outline of regulatory projects being undertaken by the Staff.

The Honorable Minister seized it as an opportunity to express his views and expectations from the URA

#### **4.4 URA participates in empowering electricity regulators in the Pacific through OPERA**

OPERA (Office of the Pacific Energy Regulators Alliance) was initiated by three founding regulators in the Pacific, and they are the URA of Vanuatu, the Tonga Electricity Commission, and the Office of the Samoan Regulator. OPERA is currently administered by the Pacific Community (SPC), formerly the South Pacific Commission until such time the OPERA is fully established with its own financial mechanism and structure as an organization.



**Figure 2: URA CEO and Chairman at the OPERA 2nd Annual Meeting in Bangkok, Thailand 15<sup>th</sup> Oct 2023**

During the year, URA participated in OPERA's virtual monthly meetings and URA had also attended several organized international workshops. At these meetings, URA promotes and encourages other fellow regulators in the Pacific to collaborate to share regulatory knowledge and experience to tackle regulatory issues that are common to the Pacific energy regulators.

OPERA assists Pacific energy regulators by facilitating and providing regulatory training, sharing of regulatory ideas, methodologies, validation of frameworks and secondment of staff amongst island nation regulators.

#### **4.5 URA contributes to increasing access to water services by facilitating the design, built and installation, including sourcing of funds, for two small scale rural water networks.**

Strategic Objective 5 of the URA Strategic and Activity Plan 2022 to 2025 requires the URA to maximize access of regulated services throughout Vanuatu. As a key activity (5.3) the URA is to provide support to four small community water supply systems. In line with these Strategic requirements two rural communities were selected by the URA to address the Communities long-time demand for clean potable water. One of the Community is the Laingnetak Community on Vanua Lava Island and the other is the Marae Community on Emae Island.



**Figure 3: Distribution Pipe installation at Lalnetak village, Vanua Lava**

Water assessment needs and scoping of the area was conducted by the URA with support from the Department of Water Resources before water network schematics were designed by the URA, including material listing and costing was done. Based on the network designs and project implementation plans for each, project costing was done for each project.

URA held meetings with Donor funding agencies to request financing for both water networks. URA successfully secured financing from the Latter-Day Saints (LDS) of around Vatu 11.3 million in total to build the water networks for Laingnetak and Marae Community in 2024.

In December 2023, during the on-site inspection of the Marae Community water source, it was determined following on from water quality tests by staff of DoWR that the water source is contaminated (desalination issue). As a result, progress of the Marae Community water network project has been placed on hold at year end 2023. URA will revisit this project later in 2024 to find alternative solutions to the mentioned issue.

In 2024, URA will continue with the Laingnetak Community Water Network in Vanua Lava. This project was initiated as a pilot project for two main reasons: 1) During the course of many years the Authority is visiting islands of Vanuatu, it has noted that many water project initiated by the Government and funded either by the Government or Aid donor are no longer operative for lack of necessary finance to ensure sustainability of the projects and 2) because of this, the Authority sees great importance of being involve at the initial stage of a community water project until it is completed and will also provide light regulation to ensure the water system is operative and is also sustainable through determination of appropriate tariff.

#### **4.6 Electricity Tariff Reviews for Wintua/Lorlow Electrical Cooperative, Loltong Community Mini-grid, VUI Limited and VANPAWA Limited**



Figure 4: Support structure for creek crossing overhead line between Lorlow and Wintua village damaged by TC Kevin & Judy in March 2023

In 2023, URA had successfully undertaken and completed tariff reviews for almost all regulated electricity service providers in Vanuatu. URA had issued a base tariff of 41.42 Vatu/kWh for Wintua/Lorlow Electrical Cooperative Society Limited's in June 2023, extended the application duration of the 88.46 Vatu/kWh tariff for Loltong Community mini-grid for another year to May 2024. Furthermore, URA had issued a revised tariff of 52.32 Vatu/kWh for VUI Ltd and a new base tariff of 64.89 Vatu/kWh for VANPAWA Ltd.

#### **4.7 Water Tariff for Teouma Water Supply Limited, Bellevue & Beverly Hills Water Supply Limited and UNELCO Engie in Port Vila**

Water tariff reviews for Teouma Water Supply Limited, Bellevue & Beverly Hills Water Supply Limited and UNELCO Engie in Port Vila were also undertaken during the year. URA completed and issued to Teouma Water Supply Limited a base tariff of 139 Vatu/m<sup>3</sup>. For Bellevue & Beverly Hills Water Supply (including Bellevue Park), URA had allowed the operator a period of one year to continue to apply its current tariffs of 103.41 Vatu/m<sup>3</sup> to customers living in Bellevue Park and to the rest of its customers in Bellevue & Beverly Hills, the tariff of 120 Vatu/m<sup>3</sup> to customers quarterly bills.

UNELCO Engie's water tariff review determination has been completed by the Authority and submitted to the Ministry of Lands, Water and Natural Resources. The Water Tariff for UNELCO was conducted pursuant to section 20 of the URA Act, which means that the Tariff so determined by the Authority could only be a position for the Government to further discuss with UNELCO.

#### **4.8 URA Staff Social Club voluntary maintenance work at the Vila Central Hospital premises on Wednesday May 31<sup>st</sup> 2023 and made several visitations to selected residents in Port Vila who are Widows**

On May 31<sup>st</sup> 2023, URA Staff Social Club had volunteered their time for a two hour yard cleaning around the Vila Central Hospital premises. The Staff had made house visits to several nominated residents in Port Vila whom have lost their loved ones to assist them with gifts in cash and kind. Cash provided was from Staff contributions.

#### **4.9 Establishment of a National Electricity Access Fund and a National Force Majeure Fund**

Towards the last quarter of the year, in consultation and collaboration with the Department of Finance and the National Green Energy Fund, the URA progressed on establishing a National Force Majeure Fund with the Department of Finance and a National Electricity Access Fund with the National Green Energy Fund.

The purpose of a National Force Majeure Fund is to be used as a central account where all Force Majeure funds collected from customers by each regulated electricity utility is deposited into and used for the primary purpose of rehabilitating an electricity network that is impacted by a natural disaster (Acts of God). The management and administration of the National Force Majeure Fund is by the DoE and shall be in accordance to a Finance Policy and Management Guideline that is specifically drafted for the Fund. It is URA's aim for the National Force Majeure Fund to be used as utility insurance thus reduce insurance costs paid by a utility to insure concession and concessionaire funded assets. A reduction in insurance costs has a direct effect on lowering electricity tariff.

As for the National Electricity Access Fund, its core objective is to address the issue of on-grid connection costs for households within the perimeters of a network grid and do not have access to power supply due to affordability. Connection includes household wiring meaning funds shall cover costs after the meter to and inside wiring of a dwelling. The National Electricity Access Fund financing will be administered and managed by the National Green Energy Fund. The final establishment of the National Electricity Access Fund and the National Force Majeure Fund will be in quarter 1 of 2024.

#### **4.10 Improvement in public relations through successful upgrade and launching of URA's website, increase Public Education Awareness sessions and participation in Radio Vanuatu Live Discussions (Tokbak Show)**

The demand for regulatory information and data, by the public, on utility related matters continues to grow every year as customers become more aware of the existence responsibilities of the URA. To align with the growing public interest, the URA had to pursue the following key activities in 2023.

- Revamped and upgraded its website by making the website more user friendly and informative with utility related matters and URA Commission decisions.



- Conducted public education awareness sessions throughout Efate to Villages and Communities that have access to UNELCO's electricity supply. Back-to-back sessions were carried out for a period of one month. Sessions were designed to introduce the URA to these communities as well as provide information on UNELCO's electricity tariff and prepaid meter use; and
- Participated in Radio Vanuatu's Live Discussions (Tokbak Show).
- Created a social media account on Facebook for social media users to have easy access to matters related to regulated utilities such as tariffs, monthly energy snapshot reports, as well as energy efficiency and energy efficient appliances educational short video clips.



Figure 5: PEP Session at Korman Area Port Vila, June 2023

#### **4.11 Upgrading of URA's internal accounting system from MYOB to Xero Accounting**

As a statutory independent institution, URA is mandated to keep full and proper books of its accounts. This year, URA made its transition from using the MYOB accounting software to a Xero Accounting base system. Due to URA's increasing activities, the Xero Accounting system caters for and meets URA daily account transaction demands and recordings.

#### **4.12 Revise legal framework on self-generation**

In the first quarter of 2023, UNELCO approached the URA with a proposal to better manage the uptake of grid-tied solar PV to ensure service reliability was not affected and also to promote social equity. The chosen approach was to introduce a Ministerial Regulation that provided more clarity on self-generation while at the same time imposed clear responsibilities on the different players within the grid-tied solar PV industry.



Figure 6: Shop in Port Vila with Solar Rooftop

The initiative could not progress further due to limitations within the Electricity Supply Act (ESA). DoE was instructed to amend the ESA to allow for the Minister to introduce a Ministerial Regulation under the ESA that would ensure that the uptake of grid-tied solar PV systems was better managed. The Bill for the amendments to the ESA was not enlisted for endorsement by parliament in 2023.

#### **4.13 Amendment to the URA Act**

One of the activities under the URA Strategic Objectives and Action Plan 2022-2026 is to undertake a complete review of the URA Act. The activities surrounding this exercise includes developing concepts, consultation meeting with the Ministry of Finance and the Ministry of Climate Change, drafting of Council of Ministers paper and Drafting Instructions.

The Council of Ministers had approved the policy paper for the amendments and the Office of the Attorney General have been given relevant Drafting Instructions to work on the amendments.

# ABOUT THE URA



## 5 About the URA

### **5.1 WHO WE ARE**

The Utilities Regulatory Authority (the “URA”) was established under the Utilities Regulatory Authority Act No. 11 of 2007 (the “URA Act”) as a statutory body to regulate water supply and electricity services in Vanuatu. The URA formally came into existence on 11<sup>th</sup> February 2008.

### **5.2 OUR PURPOSE**

The purposes of the Authority are:

- To ensure the provision of safe, reliable and affordable regulated services to the customers;
- To maximize access to regulated services throughout Vanuatu; and
- To promote the long-term interest of consumers.

### **5.3 OUR MISSION**

‘To enhance quality of life and business growth in Vanuatu by ensuring sustainable, safe and reliable energy and water services at reasonable prices, accessible to all who demand it.’

### **5.4 OUR VISION**

‘To improve access to energy and water services and to protect the long-term interests of consumers with regards to price, access, affordability, sustainability, safety, quality and reliability of energy and water services, throughout Vanuatu.’

### **5.5 OUR FUNCTIONS**

The functions of the URA as set out under the URA Act are:

- to exercise the functions and powers conferred by this Act or by any other Act in furtherance of the purpose of this Act
- to provide advice, reports and recommendations to the Government relating to utilities
- to inform the public of matters relating to utilities
- to assist consumers to resolve grievances
- to investigate and act upon offences under this Act
- to monitor, review and determine price for regulated services
- to conduct research, trials and pilot programs to identify strategies to make regulated services more affordable, increase access to regulated services and increase competition
- to represent the interests of consumers and utilities in relation to overcharging or undercharging, non-compliance with regulated prices and other disputes between utilities and consumers, including where appropriate seeking compensation on behalf of consumers



- to oversee the administration of concession contracts and deeds entered between the Government and a utility in respect of a regulated service
- to carry out regulatory audit on utilities
- to exercise the functions of an arbitrator or mediator in any disputes relating to regulated services
- such other functions as are conferred on it by this Act or any other Act

## **5.6 URA COMMISSIONERS**

The URA is structured as a three-person Commission comprising a Chairperson and two Executive Commissioners, supported by Staff led by the Chief Executive officer, who is also one of the Executive Commissioners.

The Commissioners are appointed by the Minister responsible for Finance and Economic Management, on the recommendation of the Evaluation Committee as mandated by the URA Act.

### ***URA Chairperson & Commissioner: Mr. John Roy Chaniel***

Mr. John Roy Chaniel was appointed to the role of the Chairperson and Commissioner on August 14<sup>th</sup> 2020. This is his third year as URA's Chairperson.

Mr. Chaniel is a former Board of Director and General Manager of UNELCO Engie, who has 40 years of experience in engineering ranging from Airport Engineering to Construction Engineering, Design and Water Engineering.

He holds a Bachelor of Civil Engineering from the Queensland University of Technology and has vast work experience internationally, in Australia and New Caledonia, and domestically, in Vanuatu.

He possesses skills in concession management, contract negotiations, leadership and management and industry focus. He holds membership in various association and committee some of these significant ones included being first Chairperson of the Pacific Water and Wastewater Association (PWWA) and a Board Member of the Pacific Power Association (PPA).



***URA Executive Commissioner: Mr. Lloyd M. Fikiasi***

Mr. Lloyd M. Fikiasi holds the position of Executive Commissioner for the URA since October 11<sup>th</sup> 2019. A former staff of the URA, Mr. Fikiasi currently holds the position of Legal Advisor with the Vanuatu Maritime Safety Authority.

Originally from the Solomon Islands, Mr. Fikiasi, a Lawyer by profession has successfully been awarded citizenship in Vanuatu. With over 15 years of experience in public utilities regulation, Mr. Fikiasi is well versed with the framework and legal requirements in the sector of Electricity, Water and Telecommunications.

Mr. Fikiasi possesses a Bachelor's Degree in law (LLB) and Postgraduate in Professional Diploma in legal Practice (PDLP) from the University of the South Pacific and Certificate PURC Advanced International Practices Program on Telecom Policy and Regulation for NGN with the University of Florida, USA.

***URA Chief Executive Officer: Mr. Paul Kaun***

Chief Executive Officer, Mr. Paul Kaun was appointed to this position on August 2<sup>nd</sup> 2021. A former Executive Commissioner who was instrumental for the establishment of the URA in 2008 and positively contributed to the development and growth of the URA until December 2013.

Mr. Kaun brings with him a wealth of market experience, Government and non-Government organization stakeholder relations and technical skills in economics, project management and corporate administration.

CEO Kaun has a Master of Philosophy in Monetary Economics and Finance from the Centre of Development Studies, University of Glasgow in Scotland. He is a member of several Committees and Chairman of the National Bank of Vanuatu.

## **5.7 URA STAFF IN 2023**

<b>The Commission</b>	
Mr. Paul Kaun	Chief Executive Officer
Mr. John Roy Chaniel	Commissioner/Chairperson
Mr. Lloyd M. Fikiasi	Commissioner/Part-time Executive
<b>Executive Division</b>	
Ms. Lizzie Govan	Executive Officer
Mr. Louis Vakaran	Legal Advisor
Ms. Belinda Reuben	Manager Corporate
Ms. Naomi Vurobaravu	Accountant
Ms. Leoni Simbolo	Office Administrator- Port Vila Office
Ms. Marie Helene Barthelemy	Office Administrator- North Branch Office
Ms. Hilda Siba	Office Assistant & Cleaner
<b>Engineering and Consumer Care Division</b>	
Mr. Romney Marum	Manager
Mr. Keith Vusi	Senior Regulatory Engineer
Mr. Didier Joel Tuvuiae	Consumer Specialist
Mr. Joseph Wassap	Regulatory Technician
Mr. Junior Natu	Regulatory Engineer
<b>Regulatory Economics and Accounting Division</b>	
Ms. Maureen Malas	Manager
Mr. Edmond Tambisari	Senior Regulatory Economist
Mr. Junior Samuel Pikioune	Regulatory Auditor
Mr. Arnold Lawi	Senior Regulatory Financial Analyst

## 6 Strategic Objectives & Action Plan 2022-2026

URA's Strategic Objectives & Action Plan 2022-2026 document, launched by the URA Commission on 29 September 2022, is URA's first strategic document. The document outlines URA's strategic objectives and action plans to achieve its regulatory functions for five-year period. A copy of the document is available on URA's website.

### **List of URA's priority objectives**

**Strategic Objective 1:** Improve effectiveness and efficiency of URA's regulatory functions.

**Strategic Objective 2:** Strengthen and monitor price and safe provision of regulated services.

**Strategic Objective 3:** Promote reliability and enhance quality of regulated services.

**Strategic Objective 4:** Identify means to enable regulated services to become more affordable.

**Strategic Objective 5:** Maximize Access to regulated services.

**Strategic Objective 6:** Promote utility service resilience and environmental conservation objectives through regulation.

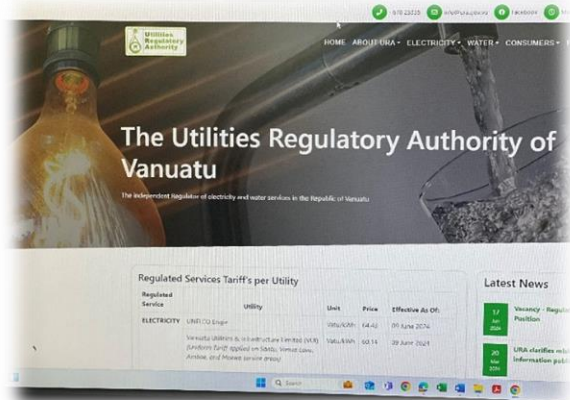
**Strategic Objective 7:** Petroleum Products Regulation.

## 7 Commission Meetings & Deliberations during the Year

The following are key deliberations of the Commission during the year 2023:

- Commission Approval of Annual Report 2022;
- Commission Approval of Malekula and Tanna Electricity Concessions Tariff;
- Commission Approval of Revised Disciplinary Procedure Rules for Staff;
- Commission Approval of Amendment to the URA Assessment Fee Rules;
- Commission Approval of Electricity Regulatory Report Requirements;
- Commission Approval of New Structure for the Authority;
- Commission Approval of New Salary Levels- URA Positions;
- Commission Approval of URA Contribution towards Annual Subscription fee for OPERA;
- Commission Approval of URA Travel and Impress Policy update;
- Commission Approval of Severance Pay Policy (Amendment);
- Commission Approval of Authority's Staff Manual (Amendment);
- Commission Approval for purchase of new vehicle for Port Vila Office;
- Commission Approval of Authority's Consolidated Budget for 2024; and
- Commission Approval of Division Annual Plan 2024.

# URA ACHIEVEMENTS





## 8 Achievements in 2023

This section outlines the Utilities Regulatory Authority's (URA) achievements under each of its strategic priorities and key activities to inform of its progress in accomplishing its planned objectives.

### **Strategic Objective 1: Improve effectiveness and efficiency of URA's regulatory functions.**

#### **1.1 Review of the URA Act**

One of the activities under the URA Strategic Objectives and Action Plan 2022-2026 is to undertake a complete review of the URA Act. The activities surrounding this exercise includes developing concepts, consultation meeting with the Ministry of Finance and the Ministry of Climate Change, drafting of Council of Ministers paper and Drafting Instructions.

The Council of Ministers had approved the policy paper for the amendments and the Office of the Attorney General have been given relevant Drafting Instructions to work on the amendments.

#### **1.2 Reduction of URA Levy from 1.75% to 1.5%**

URA is partially financed by utility customers through the mechanism of a URA levy being applied onto customer utility bills. An annual review of the URA levied rate is undertaken. In the year 2023, a downwards revision of the URA levy rate was issued by the URA Commission. Regulated utilities and the public at large were informed of the new URA levy/surcharge rate of 1.5%.

It is by this reduction or levy rate resulting from a change in organization structure leading to operational budget cut, the Commission has achieved its Strategic Objective of reducing the cost of regulation.

#### **1.3 Implementation of URA's new Organization Structure**

Objective 1 of URA's Strategic Plan 2022-2026 requires the URA to improve effectiveness and efficiency of regulatory functions. To achieve this objective, as outlined in the Strategic plan (under Activity 1.7), the URA is required to *"undertake a restructure to 'right fit' URA to deliver its mandate, improve organizational capacity for improved standards and regulatory compliance."*

Inline with this objective the URA Commission had approved and implemented a new organization structure for the URA which would come into force on January 2024.

While the key purpose of the ‘right fit’ or rightsizing exercise is primarily to achieve the key Strategic Objective of the Authority, it aligns well also with the National Sustainable Development Plan (NSDP) 2016-2030. Pillar SOC 6 of the NSDP proposes reform in statutory bodies to improve performance that is aligned to Government priorities and to also strengthen the national institutions to ensure they are cost-effective and well-resourced with qualified and skilled personnels to deliver quality public services.

With consideration to the above, URA Commissioner’s had aimed to achieve the following:

- (a) **Reduced Costs:** As has been alluded to in past meetings with staff and the Honorable Minister of Finance’s remarks during his official launch of URA’s new website, the intention of the Commission is to reduce cost of regulation. In this respect this exercise is intended to have a reduction in payroll expenses by streamlining the roles and responsibilities performed by less but highly qualified staff and to reward them commensurately.
- (b) **Increased Efficiency:** The restructure will also trigger the redesigning of the organization to be more efficient by concentrating on the essential tasks to better serve the industries, the customers and for better alignment with Government policy objectives and priorities.
- (c) **Optimize use of skilled and qualified personnel:** By undertaking the restructure, it will enable the URA to better utilize the existing skilled, expertise and qualified personnel on core and essential functions of the URA.

#### **1.4 Improvement in Stakeholder Consultations and Relations**

URA Commissions vision is for the URA to adopt and implement a ‘Pacific culture’ in its communication dialogue with stakeholders. The Staff has taken this onboard and have during the year, facilitated meetings and discussions are conducted in a face-to-face manner whether it be inside a meeting venue, virtually or over the phone rather than the former approach where the preferred option was through email.

A ‘Pacific cultural’ approach of communicating has enabled the URA to improve its relations with various stakeholders, from the Government to the private sector.

Regular and frequent publishing of information and data through URA’s website and official Facebook page has brought information to consumers. Ease of information and data accessibility by consumers has been achieved by the URA.

### **1.5 Public Education Program**

In its 5 Years Strategic and Action Plan (2022 – 2025), one of URA’s strategic objectives (Strategic Objective 1) is to Improve Effectiveness and Efficiency of URA’s Regulatory Functions. One of the key activities (Key Activity 1.6) under this strategic objective is to Improve Stakeholder relations to strengthen public understanding of URA Roles, Functions and benefit impact. The expected output or target under this key activity is to undertake sector stakeholder consultations to improve understanding of URA roles, functions and beneficial impact potential for sector partners.

To achieve the above objective together with the corresponding key activity and expected output, the URA initiated an awareness program called the Public Education Program (PEP), that is aimed at educating communities on relevant regulatory topics that they have the right to know about, as customers of electricity and water services in Vanuatu.

To start off, the URA decided to target firstly communities on Efate that have access to the UNELCO Electricity grid. Hence from May to June 2023, the URA scheduled PEP sessions at communities of North and Northwest Efate, namely Mangaliliu, Tanoliu, Meten, Malafau, Siviri, Saama, Emua and Paunagisu. And from August to October 2023, PEP sessions were scheduled at communities of West and Southwest Efate, namely Mele, Melemaat, Prima, Bukura, Cascade Estates, Ifira, Pango, Korman and Erakor. The two main topics chosen for these first rounds of PEP sessions are; 1) Roles and Functions of the URA and; 2) Explain the UNELCO Electricity Price. In addition to the above topics, the URA Staff also advised customers on practical ways to better manage their monthly electricity consumption. The URA Staff also took this opportunity to address customer queries and concerns as well as raise them with the utility concerned to address as required.

In addition to these PEP sessions, the URA has also initiated Online PEP via its Facebook account. Short educational videos are posted online to educate electricity and water customers on relevant regulatory information that customers have the right to know about; for example educating customers on how to read their smart meters with respect to the different customer category prices in place.

Whenever possible, the URA Staff also incorporated PEP sessions with other regulatory activities undertaken by URA Staff on the other islands of Vanuatu. For example, in the recent VUI Tariff Consultations conducted in January 2024 at Luganville, Port Olry, Ambae, Maewo and Vanua Lava, the URA Staff also made use of the opportunity to conduct PEP sessions towards the end of each consultation sessions to educate customers on ways better manage their monthly electricity consumption.

The URA will continue its efforts throughout 2024, to organize PEP sessions with selected communities as well as conduct online PEP via the URA FB page.

### **1.6 URA Website Upgrade**

This exercise falls within URA's Strategic Plan 2022 – 2026 as one of the key activities to improve stakeholders' relations in order to strengthen public understanding of the URA's roles and responsibilities.

URA had initiated a call out for IT companies specialized in website design. In January 2023, PG IT consultant was selected and awarded a six-month contract to revamp URA's website.

Senior URA staff had worked with PG IT consultant to draft the sitemap and to populate the website with information.

URA's new website is now a user-friendly and a very informative site that provides the public with Vanuatu's electricity and water utility related data and information, URA Commission Decisions, policy decisions and research materials.

URA's new website was officially launched by the Honorable Minister of Finance and Economic Management on the June 30, 2023.

### **1.7 Monthly CEO Reports to the Hon. Minister of Finance and Senior Government Stakeholders**

In 2023, the CEO had fulfilled its obligation of keeping the Honorable Minister of Finance and Senior Government Stakeholders abreast with URA's monthly activities. This was done through the submission of monthly reporting.

Detailed in the CEO's monthly reports are the regulatory projects completed, commenced and those in work in progress. Challenges encountered are also highlighted in the CEO's report, including an outline of organization staff names.

## **Strategic Objective 2: Strengthen and monitor price and safe provision of regulated services.**

### **2.1 Talise Hydro matters**

Since it was commissioned on July 29, 2019, the Talise Hydro has provided electricity to the community of Talise, Narovorovo and Nasawa with the support from VUI who inherited the network under the Luganville Electricity Concession Agreement that it signed with the Government in 2019.

During the consultation on the VUI tariff in December 2022, the electricity committee on Talise on behalf of the community provided a letter to the URA requesting for royalty payment to be made annually for the following reasons.

- (1) For use of indigenous river source to generate electricity.
- (2) For seven years of labour endured during the construction of the hydro and the transmission network.
- (3) For the use of land that the electricity grid is located on.

In response to the claim for Royalty, the URA in January 2023 advised the Committee through a letter that the responsibility of royalty was a matter to be brought to the attention of the Department of Energy. In the letter, the Committee was also advised that the price that they were paying was already heavily cross-subsidized mainly by Santo business customers hence any form of royalty if embedded in the tariff will only inflate the tariff further.

### **2.2 Monthly Energy Snapshot (MES) Reports**

URA has issued snapshot reports of the energy market for each month of 2023. These reports are available on the URA's website. The monthly reports provide information and data on the breakdown of electricity sources used during the month by all utilities, electricity generation details such as total kilowatt hour (kWh) produced in each service area, the contribution of renewable energy generation, customer numbers, fuel cost, electricity price and total power sold.

### **2.3 Uniform System of Accounts (USoA)**

URA is working towards addressing the key issues relating to accounting for regulation, by setting out the framework of a Uniform System of Accounts for collection and recording a regulated utility's information and reporting of that information to the URA.

A Uniform System of Accounts is a regulatory tool designed to provide the necessary financial information about the regulated business. It is used specifically for the following purposes:



- ✓ Determining and reviewing tariffs and other regulatory decisions that requires financial information
- ✓ Monitoring financial performance to safeguard against systematic failure
- ✓ Provide robust and consistent financial data reporting
- ✓ Detecting certain anti-competitive behaviors such as cross-subsidization and undue discrimination
- ✓ Allowing comparative competition and monitoring the financial health of the regulated utilities
- ✓ Improving transparency in the regulatory process.

During the year, URA has presented the Uniform System of Accounts to two regulated electricity utilities to adopt and implement. This is a work in progress regulatory project that will continue into the following year.

### **Strategic Objective 3: Promote reliability and enhance quality of regulated services.**

#### **3.1 Customer Complaint & Dispute Resolutions**

Throughout the year, the URA received and addressed a total of forty (40) customer complaints. The complaints covered a range of issues including billing discrepancies, high electricity bills, meter inaccuracies, water supply disruptions, safety concerns with meters and electricity disconnections, infrastructure challenges like fallen cables and malfunctioning streetlights, leakages before water meters, property damage claims, and high service connection costs.

#### **3.2 Electricity Outage Penalty**

In 2023, URA issued a penalty of VUV 31,726 to UNELCO for unjustified outages that have occurred on its grid in Semester 1 of 2023. The penalty for Semester 2 of 2023 will be issued in the first quarter of 2024. This action was carried out in accordance with the terms outlined in the UNELCO concession contract and URA Reliability standard, aimed at ensuring that utilities deliver reliable services to customers.

#### **3.3 Electricity Regulatory Reporting Requirement**

Post Port Vila electricity arbitration between the Government and UNELCO that ended in 2021, the Authority saw the need to revise and update its Regulatory Reporting Requirements to capture more detailed data and information annually from regulated utilities for regulatory purposes. In July 2023, URA in consultation with Concessionaires had revised the electricity Regulatory Reporting template to which Concessionaires providing electricity service are to utilize when submitting their annual financial and technical data to the URA. The revised electricity Regulatory Reporting template is to be implemented in 2024 for the year end 2023 financial and technical data.

### **3.4 Water Regulatory Reporting Requirement**

With the similar intent to that of the Electricity Regulatory Reporting Requirement of annual regulatory reporting of technical and financial data, the URA has developed reporting requirements for a regulated water utility in Vanuatu that has a concession contract with the Vanuatu Government. The reporting requirements are intended to facilitate the identification, preparation and presentation of regulated information by a regulated utility.

These guidelines have been designed to remedy the issue of information asymmetry that exists between the regulator and regulated water utilities that are concession holders.

The preliminary draft of the Water Regulatory Reporting Requirement was shared to UNELCO Engie (the only water concessionaire in Vanuatu) to review and provide its feedback. Comprehensive feedback from UNELCO Engie was well received. URA has finalized the Water Regulatory Reporting Requirement, however its issuance has been placed on hold and to be issued after completion of UNELCO Engie's Port Vila Water Tariff Review.

### **3.5 Luganville Water Assessment**

In its 5 years Strategic and Action Plan (2022 – 2026), one of URA's strategic objective (Strategic Objective 3) is to Promote Reliability and Enhance Quality of Regulated Water and Electricity services in Vanuatu. One of the key activities (Key Activity 3.1) under this objective is to Increase emphasis on water regulation. The expected key output or target (Key Output 3.1.2) under this key activity is to undertake reliability and quality assessment of up to two Government operated regulated water networks.

To achieve the above strategic objective together with the corresponding key activity and expected output, the URA undertook a Technical Assessment of the Luganville Water Supply system in September of 2022. At that time, the URA was aware of the Vanuatu Government's initiative through the Department of Water Resources (DoWR) to engage the Asian Development Bank (ADB) to fund major upgrades to the Luganville Water Supply system. However, since this project has experienced significant delays, the URA decided to assess the overall water system and based on its findings, recommend short to medium term actions to resolve pressing issues identified pending the ADB project.

The URA produced a Position Paper in December of 2022 to outline its findings and recommendations to the DoWR as the owner and operator of the water system at Luganville. One of the major issues identified that significantly contribute to ongoing water shortages at Luganville is the non-connection of the standby Genset to power the main water pumps during

Grid blackouts. To assist the DoWR, the URA has decided to fund the connection of the Standby Genset. The URA has requested Quotes from various electrical companies at Luganville and Vila to supply the required materials and undertake the connections as well as commit to a Service Contract to provide technical maintenance and servicing of the Genset. Once a suitable company has been identified, the URA aims to follow through to complete this task as required.

### **3.6 Assessment on the Reliability and Quality of Luganville Electricity Network**

During the first half of the year, URA conducted an assessment on the reliability and quality of electricity service in Luganville. This evaluation involved a customer survey and a desktop analysis of historical power outages. The feedback from the customer survey indicated that customers were frequently experiencing prolonged power outages, limited communication about planned outages, and quality issues. Customers also emphasized safety and customer service as critical areas for improvement in the Luganville electricity service.

The analysis of historical power outage reports revealed a concerning trend in the frequency and duration of unplanned outages experienced by most parts of the grid. These outages were primarily related to faults on the 20kV line between the hydro and the power station in Luganville.

In response to this feedback and the findings, VUI initiated actions to address some of the identified issues. These actions included establishing a new Facebook page, repairing customers' broken meters, and opening a new customer office.

### **3.7 Loltong Community Electricity Mini-grid**

The Loltong mini-grid was funded by the Government and GEF/UNDP through the BRANTV Project housed by the DoE. It is a hybrid system utilizing both Solar PV and Hydro to generate electricity for the Loltong Community. URA in May 2022 had issued a tariff of 88.46 vatu/kWh to be implemented by the DoE who assumed the management role over the system until such time a formal community management system was set up. In 2023, URA had been notified by the DoE that the community management system had not been formally established therefore the URA had allowed the tariff of 88.46 Vatu/kWh to continue to be applied by DoE to Loltong electricity customers until May 2024.

URA had advised the DoE to continue managing the Loltong system until there is a formal community management system in place, and to meet regulatory requirements.

### **3.8 Quality Service Indicators for Electricity Utilities**

Quality Service Indicators (QSIs) for electricity utilities were developed in the second half of 2023 as a mechanism for assessing and measuring utility performances. While the URA already

incorporates efficiencies in the tariffs that are issued for all utilities, it is not an easy exercise to capture all aspects of a utility performance within its corresponding tariff. Hence, the ambition to determine different performance indicators that utility efforts can be pegged against to enable customers to better understand the level of service they are paying for.

The QSIs will be implemented in 2024 going forward.

#### **Strategic Objective 4: Identify means to enable regulated services to become more affordable.**

##### **4.1 Tariff review for Teouma Water Supply Limited**

Teouma Water Supply Limited, the regulated water supplier in Narpow Heights with a total customer base of less than 100. It manages, operates and supplies water to its customers that reside in the area of Narpow point area whom have purchased plots of land from the land owner.

In May 2023, URA issued a new tariff determination of 139 Vatu/m<sup>3</sup> to the Teouma Water Supply Limited to apply for a period of one year. Gazettal of URA's tariff determination by the Office of the Attorney General was received on 26 June 2023.

Few months after the tariff determination was gazette, URA was informed of change of management and ownership of Teouma Water Supply. A meeting was held with the new Management. At the meeting the new Management had requested the URA to retract its tariff determination and re-issue the former tariff of 200 Vatu/m<sup>3</sup> to be applied.

URA retained its position that the issued final tariff of 139 Vatu/m<sup>3</sup> was determined using financial and technical data provided by the Teouma Water Supply Limited's former manager and it is reflective of the cost of operating the system. URA also pointed out that during the tariff review process, the URA was not informed of plans on management and ownership changes. Addition to the discussions, the URA also informed the new management that any changes to operational costs and planned investments to be made by the new owners should be well recorded and provided in Teouma Water Supply Limited's next tariff review and determination in 2024.

A monthly service reporting template (for financial and network technical data) was also provided to Teouma Water Supply Limited's new Manager to prepare and submit to the URA. The operator was also allowed adjustments to its tariff on a monthly basis so the operator can pass through changes in electricity costs incurred. URA is to verify the adjusted tariff and provide its approval prior to billing by the operator.

#### **4.2 Tariff review for Bellevue & Beverly Hills Water Supply**

The tariff review process and determination for Bellevue and Beverly Hills Water Supply, with a growing customer base of over 700, had prolonged for an extended period of time and was eventually finalized in July 2023. This was mainly due to lack of relevant and reliable financial and network technical data and information.

URA in its issued decision had ordered the operator to continue applying its current tariff of 103.41 Vatu/m<sup>3</sup> to its customers living in Bellevue Park and to the rest of its customers in Bellevue & Beverly Hills, the tariff of 120 Vatu/m<sup>3</sup> to be applied to those customers in its quarterly water billings.

Additionally, the URA had also issued to the operator to ensure the following within the next 12 months:

- ✓ Apply a quarterly fixed charge of Vatu 1,210 to its customers.
- ✓ Submit to the URA a quarterly reporting of network technical and financial data and information using URA's reporting template.
- ✓ The operator is to address water leakage on the network to reduce the significant amount of water loss and also to install meters at both the livestock outlay and at the General Manager's residence.

The above conditions shall be revisited by the URA in its 2024 tariff review determination for Bellevue and Beverly Hills Water Supply.

#### **4.3 VANPAWA Tanna and Malekula electricity concessions tariff review**

In 2023, the URA conducted a tariff review for the newly established utility subsidiary owned by VNPF as VANPAWA Ltd. URA through its analysis found that a uniform tariff would allow tariffs to be affordable for both Tanna and Malekula electricity customers. This arrangement would allow the benefits of the ADB and Government funded Brenwei Hydro to be shared by both the Tanna and Malekula concessions. URA had also included mechanisms to increase use of renewable energy penetration into the generation mix that will lead to lower generation costs, and allowed for a capped new connection cost ensuring that access to VANPAWA electricity service remains affordable.

The uniform tariff of 64.89 VT/kWh is to be implemented in three stages to limit the price shock to electricity customers who will no longer benefit from a Government subsidized tariff of 49 VT/kWh through the DoE who assumed operations of the concessions in the year 2020 from UNELCO. The Tariff is to remain at 49 VT/kWh until end of June to which it will increase to 55



VT/kWh, then finally 64.89 VT/kWh to be applied in October of 2023. The tariff applied will remain effective until May of 2024.

#### **4.4 Wintua/Lorlow electricity mini-grid tariff review**

A 63.36 kilo watt power solar mini-grid that is producing renewable energy power to the people on South-West Bay, Malekula, was commissioned by the Vanuatu Government in the year 2020 and handed over to the Community to manage and operate. The Community opted to having a Cooperative system of governance hence they established the Wintua/Lorlow Electrical Cooperative Society Limited as the entity responsible for the solar mini-grid.

URA's tariff determination in May 2023 for Wintua/Lorlow Electrical Cooperative Society Limited is the second electricity price review for the regulated entity. A tariff of 41.42 Vatu/kWh was issued as the base tariff for 1 to 12 kWh units of power purchased. URA also issued an incentive tariff of 10 Vatu/kWh for units of power purchased 13 kWh and more. Wintua/Lorlow Electrical Cooperative Society Limited uses a prepaid metering system.

With this tariff determination, URA anticipates that power consumption and revenue should increase. The operator's one year performance shall be assessed in its 2024 tariff review.

In 2023, the mini-grid had sustained severe network damages from the twin category 5 Tropical Cyclones Judy and Kevin. It was from an onsite network inspection that the URA identified urgent network repairs and maintenance that the operator should attend to in order to ensure service sustainability. URA network inspection report was shared with the Registrar of Cooperative Services (Wintua/Lorlow Electrical Cooperative Society Limited is registered with the Department of Cooperatives). A meeting followed in which the Registrar of Cooperatives took it as a priority matter to be addressed and attended to.

Towards year end, URA received confirmation from the Department of Cooperative that required materials to repair and replace the damages have been sourced to the Power & Communication Solutions (PCS). The material list was reviewed by the URA before the Department of Cooperative did the payment.

#### **4.5 VUI Limited's electricity tariff review**

VUI's first tariff review under its Concession Deed was completed in 2021 whereby it was issued a tariff of 45.49 VT/kWh which applied only to Luganville customers leaving other concessions operated by VUI to be charged a monthly service charge to be effective until end of 2023.

In 2022, URA in consultation with VUI had decided to implement a uniform tariff of 54.15 VT/kWh allowing other concessions to benefit from an affordable tariff when compared to the monthly service charge, that was cross subsidized by Luganville customers. This uniform tariff was revised downwards to 52.32 VT/kWh due to financial assistance that was received from the Government as a result of a COM decision that was endorsed in 2020 to provide financial assistance to VUI customers that were impacted by Tropical Cyclone Harold in 2020.

URA in September of 2023 initiated VUI's tariff review to allow for a new tariff to be implemented in place of the existing uniform tariff expiring end of 2023. Due to the ongoing review, the Authority had allowed VUI to continue charging the uniform tariff of 52.32 VT/kWh until the new tariff is implemented in February of 2024.

The Preliminary Uniform base tariff issued by URA is 60.75 VT/kWh. This is currently being consulted on with the utility and its customers which excludes customer funds created to replace insurance costs of 3VT/kWh and the NGEF charge of 2.21VT/kWh as required under the Concession Deed.

Furthermore, URA had also introduced mechanism to increase renewable energy penetration into the generation mix to allow for future affordable prices. Also included, is the inclusion of an affordable new connection discount to encourage access to electricity service in VUI grid connected areas.

#### **4.6 UNELCO Engie Port Vila Water Tariff Review**

The Port Vila Water Concession Contract was awarded to UNELCO in 1993 and set to expire in 2033. In 2018, the water tariff was revised to 66.72 VT/m<sup>3</sup> from 41.17 VT/ m<sup>3</sup> through an amendment to the Port Vila Concession contract as addendum 6 drafted by UNELCO and signed by the Government without a review by the Authority. The tariff set is to be reviewed after 5 years had lapsed as required under the Concession Contract.

URA had notified the Government of the triggers met to which it was requested by the Government to conduct a tariff review. URA in 2023 had reviewed UNELCO's cost to provide water services to the Port Vila Concession area under its contract to which it had arrived at a base tariff of 75.08 VT/m<sup>3</sup> to be applicable for the next 5 years from 2023 – 2027. URA's determined tariff with other recommendations has been provided to the Minister of Lands through the DoWR for its review and endorsement.

The Government is to establish a taskforce through a COM paper to be endorsed by parliament that will conclude negotiations with UNELCO regarding the water tariff by end of February 2024.

#### **4.7 National Force Majeure Trust Fund**

The establishment of a National Force Majeure Trust Fund is a concept developed by the URA. The main objective in establishing a National Trust Fund for Force Majeure with the Department of Finance under the Ministry of Finance and Economic Management is for Force Majeure fund/money contributions by customers of the regulated electricity utilities towards Force Majeure is deposited into the National Trust Fund Account by the utilities. These funds held in the central national account with the Department of Finance will only be used when a regulated electricity service provider in Vanuatu is affected by a force majeure event.

In quarter 4 of 2023, URA commenced dialogue with the Senior Staff of the Department of Finance and Economic Management. A Financial Management and Policy Guideline was drafted and circulated for review. The Financial Management and Policy Guideline outlines the administrative procedures and processes on the management and use of Vanuatu's National Force Majeure Trust Fund.

URA is informed that a Council of Ministers decision is required to establish the National Force Majeure Trust Fund. Further discussions with the Government will take place in 2024 on having this Trust fund established.

### **Strategic Objective 5: Maximize Access to regulated services**

#### **5.1 National Electricity Access Fund**

URA presented its concept for a National Electricity Access Fund to the Fund Manager of the National Green Energy Fund (NGEF). The Fund Manager accepted the concept and agreed to seek approval from NGEF board members so that the National Electricity Access Fund can be established and administered by the NGEF platform. This was approved by the NGEF Board of Directors.

The main purpose of the National Electricity Access Fund is purposely for it to be a source in providing financial assistance to mainly individual(s) living near or within a concession area who are unable to afford a utility's quoted cost of connecting to the main grid.

Money in the National Electricity Access Fund shall only be used to increase on-grid electricity access rate throughout Vanuatu, meaning funds will be used to subsidies either on-grid electricity customer connections and or extension costs.

Primary recipients of the fund would be household(s) with an occupant(s) that is/are disabled, elderly and single mothers whose houses are located close or within the vicinity of a network grid. Initial seed money into the National Electricity Access Fund will be from the Utilities Regulatory Authority and the National Green Energy Fund.

This is a work in progress project that is expected to be completed in 2024 jointly by URA and NGEF.

## **5.2 Laingnetak and Marae Water Community Projects**

Strategic Objective 5 of the URA Strategic and Activity Plan 2022 to 2025 requires the URA to maximize access of regulated services throughout Vanuatu. As a key activity (5.3) the URA is to provide support to four small community water supply systems. In line with these Strategic requirements two rural communities were selected by the URA to address the Communities long-time demand for clean potable water. One of the Community is the Laingnetak Community in Vanua Lava Island and the other is the Marae Community in Emae Island.

Water assessment needs and scoping of the area was conducted by the URA with support from the Department of Water Resources before water network schematics were designed by the URA, including material listing and costing was done. Based on the network designs and project implementation plans, project costing was done for each project.

URA held meetings with Donor funding agencies to request financing for both water networks. URA successfully secured financing from the Latter-Day Saints (LDS) of around Vatu 11.3 million in total to build the water networks for Laingnetak and Marae Community in 2024.

In December 2023, during an on-site inspection of the Marae Community water source, URA found that the water source is contaminated (desalination issue). This finding surfaced after several attempts of digging the bore hole to increase its depth. Following this unfortunate incident, the Marae Community water network project has been placed on hold at year end 2023. URA will revisit this project later in 2024 to find alternative solutions to the mentioned issue.

In 2024, URA will continue with the Laingnetak Community Water Network in Vanua Lava. This project was initiated as a pilot project for two main reasons: 1) During the course of many years the Authority is visiting islands of Vanuatu, it has noted that many water project initiated by the Government through the DoWR and funded either by the Government or Aid donor are no longer operative for lack of necessary finance to ensure sustainability of the projects and 2) because of this, the Authority sees great importance of being involve at the initial stage of a community

water project until it is completed and will also provide light regulation to ensure the water system is operative and is also sustainable through determination of appropriate tariff and management model.

## **Strategic Objective 6: Promote utility service resilience and environmental conservation objectives through regulation.**

### **6.1 Revitalization of Coconut Oil Use in Electricity Generation**

URA had provided technical advice to Castalia a consulting firm employed by the DoE to develop the Vanuatu Coconut Oil for Fuel Strategy targeted at utilizing Vanuatu's coconut oil supply to generate electricity.

URA had also embedded mechanisms in UNELCO, VUI, and VANPAWA's tariffs to allow for the utility recover its cost of providing electricity service utilizing coconut oil. This also included recovery of investments promoting use of coconut oil in generating electricity. Depending on market conditions, coconut oil would be a sustainable, green, and affordable alternative to diesel oil for electricity generation in Vanuatu in the long run.

### **6.2 Distributed Solar PV Generation**

Following on from discussions with VUI and UNELCO on grid-tied solar PV the URA came to better understand the economic and social impact of solar PV on the electricity market. Social equity was an ongoing matter whereby grid connected solar PV customers while making savings on their solar PV installations were also burdening non-solar PV customers with their avoided fixed costs.

Furthermore, the growing number of intermittent energy systems connected to the grid started to impose stress on the ability of the network to sustain service.

To counter the matter in Port Vila, the URA and DoE arrived at a decision to introduce a Ministerial Regulation that gave more clarity on the responsibilities of grid tied solar PV customers, utilities, the URA and the Government to manage the uptake of grid tied solar PV. The establishment of the regulation is pending the amendments to the Electricity Supply Act that will enable such a regulation to be implemented effectively.

## **Strategic Objective 7: Petroleum Product Regulation**

### **7.1 Draft Petroleum Legislation**

URA had emphasized at several stakeholder meetings for the Petroleum market in Vanuatu to be regulated. The synergy observed from stakeholders is the agreement for petroleum to be regulated.



A draft petroleum legislation had been shared by the Department of Energy with the Office of the Attorney General. However, no progress has been made on this during the year. The Department of Energy had informed the URA that a revision of the Council of Ministers Decision no. 197 of 2017 was required.

A policy paper on the petroleum legislation had been approved by DCO, however a Council of Ministers (COM) approval is yet to be received. The COM had requested the Department of Energy to undertake public consultation on the draft bill.

## 9 Staff Training & Developments and ADB Support

### 9.1 Trainings & Student Internship

Capacity building is one of the top priorities, thus, staff receive training in the knowledge, skills, and abilities required to implement the functions, quality output and fulfilling the objectives of high performance in its regulatory responsibilities and tasks.

Staff trainings opportunities on the job regionally and internationally related to responsibilities with regulatory discipline.

By December 2023, a total of eleven (11) training courses were attended by technical personnel from the 5 URA Divisions. Staff trainings undertaken were in the fields of law, economics, regulatory finance, engineering, and corporate affairs.



Figure 7: URA staff with intern from PVIS

Source: URA, 2023

URA also had the opportunity to provide regulatory training to Mr. Jeff Kaising who is the finance personnel for the Wintua/Lorlow Electrical Cooperative Society Limited in South-West Bay, Malekula.

Towards the end of quarter 3 in 2023, URA welcomed a Senior Student from the Port Vila International School to do a one-week work attachment from the 16<sup>th</sup> to 20<sup>th</sup> of October.

### 9.2 ADB Regulatory Technical Support

In 2023, URA benefited from the support and assistance from new and ongoing partners and affiliates. During the year, the Asian Development Bank (ADB) aided by way of technical expertise with capacity building. Energy regulation expert, Mr. Denzel Hankinson, worked with URA staff reviewing URA's tariff methodology, cost allocation guidelines, Electricity Regulatory Reporting Requirements and development of a Uniform System of Accounts. Training sessions were also requested by the URA on the role of the regulator, regulatory ethics, and service quality indicators.

URA staff had also participated in a ten (10) days training workshop by Mr. Andrew Tipping (ADB consultant as an Energy Expert to the Department of Energy). The training topics that were covered were on Integrated resource planning (IRP), Distributed generation, net metering/billing

and rooftop solar, Excel modelling, Batteries and their application to electricity grids and markets, Project financial modelling, Levelized Cost Of Energy (LCOE) and Feed-in Tariffs (FiTs), Renewable energy and national electrification financial support mechanisms and Allowed revenues.

### 9.3 URA Field Trip to New Caledonia

On January 2023 a team consisting of URA and DoE staff travelled to New Caledonia to visit the various electricity utility facilities on Noumea and Lifou. The objective of the trip was to obtain information on how the electricity utilities in New Caledonia utilize battery energy storage systems and incorporate such systems into the normal grid operations. During the visit the team was also given the opportunity to witness how charging stations for electric vehicles work.

## 10 Office of the Pacific Energy Regulators Alliance (OPERA)

The Office of the Pacific Energy Regulators Alliance (OPERA) is a network of energy regulators in the Pacific Islands region. It was established through an OPERA Constitution signed by three founding members (ie. Tonga, Samoa and Vanuatu) in 2016. As of 2023, OPERA has a total of 8 members. They are Tonga, Samoa, Vanuatu, Palau, Fiji, PNG, Cook Islands and the Solomon Islands.

OPERA is mandated to promote and support independent energy regulators in the Pacific through policy formulation, capacity building initiatives and technical & advisory assistance.

OPERA's primary strategic goal is to: **(i) strengthen and enhance the regional capacity in utility regulation in OPERA member countries, (ii) promote the independence, professionalism, accountability and visibility of national utility and energy regulators, and (iii) develop its regional and international outreach and visibility with a communication strategy and action plan.**

Furthermore, OPERA conducts regular monthly meetings (online) with all member counties and hosts an annual general meeting each year. An Annual General meeting is an important meeting for members of OPERA to discuss yearly strategic plans including the future of OPERA in terms of its funding and future operations.

In 2023, a URA team represented by Mr. Paul Kaun (URA CEO, who is also the Vice Chair of OPERA), Mr. Jean Chaniel (URA Chairman) and Mr. Louis Vakaran (URA Legal Advisor) had participated in OPERA's 2<sup>nd</sup> Annual General Meeting that was held at the UNCC Building in Bangkok from the 16<sup>th</sup> to 19<sup>th</sup> of October 2023. The 2<sup>nd</sup> Annual General Meeting event ended

with a field visit to Amita (a manufacturer of Lithium Batteries and Electric Vehicles) in Thailand. The site-visit was organized by the Asian Development Bank (ADB).

During the OPERA annual general meeting, a committee was formed and tasked to work towards determining the required amount of financial contribution from each regulator to OPERA to assist with OPERA's full establishment.

As one of the independent energy regulators in the Pacific island region, URA looks forward to seeing OPERA becoming a fully-fledged regional organization and to be a median of support and exchange between energy regulators in the Pacific region.

## 11 Challenges in 2023

The main challenges encountered by the URA during the year, that have impacted URA's service delivery, are as categorized and outlined as follows:

### ***1. Political Instability and delayed response from Government***

The political turmoil and dilemma of changing Government throughout the year did contribute to regulatory project(s) being either placed on hold or not progressing to completion. This is because of change in Ministers to which the URA reports and seeks approval from for certain Electricity and Water regulatory related matters. An example is UNELCO's Port Vila Water Tariff.

### ***2. Lack of data recording and availability by small scale electricity and water service providers***

A common issue that the URA has identified in regulating small electricity and water service providers, is the lack of data records by the operator. Both technical and operating cost data. In addressing this issue, URA creates and shares a monthly service reporting template with the operator. The shared template is explained by URA to the Operator including follow on queries being addressed.

### ***3. Increasing Fuel Costs***

During the year, the URA participated in the development of a sustainable national framework to use coconut oil/fuel in biofuel plants. This initiative is spearheaded by the Department of Energy to increase the use of renewable energy in power generation and reduce reliance on imported fuel. Whilst discussion and progress was made on the coconut oil/fuel framework, the price of imported fuel into the Country increased which lead to increase in utility tariff.

### ***4. Tropical Cycle Judy and Kevin (Category 5)***

The main office in Port Vila was closed from the 1<sup>st</sup> to 17<sup>th</sup> March 2023 (almost 3 weeks) following the devastating destruction inflicted on UNELCO's electricity network in Efate by the twin tropical cyclones Judy and Kevin. There was no power supplied to URA office for the said duration. Staff were instructed to work from home.



## **12Appendix A: Financial Statements for Year Ending 31 December 2023**



**Utilities Regulatory Authority of Vanuatu**

**Financial Statements**

For the year ended 31 December 2023

**Utilities Regulatory Authority of Vanuatu**  
**Financial Statements**  
**For the year ended 31 December 2023**

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# Utilities Regulatory Authority of Vanuatu

## Commissions' Report

### For the year ended 31 December 2023

(Expressed in Vatu)

The Utility Regulatory Authority (URA) Commission present their report together with the audited financial statements for the year ended 31 December 2023.

#### Authority

The Chief Executive Officer and Commissioners of the Authority during the financial year and in office at the date of this report were:-

	<u>Appointed</u>	<u>Resigned</u>	<u>Contract</u> <u>Expire</u>
Paul Kaun (CEO/PT Commissioner)	02/08/2021	09/02/2024	-
John Chaniel (Chairman/PT Commissioner)	17/08/2020	-	16/08/2025
Lloyd Fikiasi (PT Exec. Commissioner)	11/10/2019	-	10/10/2024

#### Principal activities

The principal activity of the Utilities Regulatory of Vanuatu are set out in the Utilities Regulatory Authority Act No. 11 of 2007. By 31 December 2023, the service industries regulated by the Authority were electricity and water. The primary activities include the regulation and monitoring of the operation of certain utilities to provide safe, reliable and affordable regulated services and to maximize access of regulated services throughout Vanuatu. The primary objective of the Authority is to promote the long-term interests of Vanuatu's consumers of electricity and water services with respect to the price, quality, safety, reliability and to access to connection.

#### Result

The net operating surplus for the year was Vt39,162,747 (2022: surplus of Vt25,940,283).

#### Commissioners' benefits

The Commissioners received salaries and benefits which were paid by the URA from its sustainable funding mechanism and partly through grant from the Government of Vanuatu.



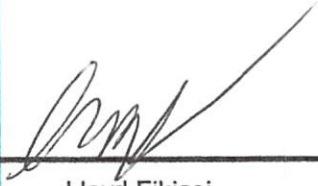
The Commissioners serving during the year had no financial interests in the activities of the URA of Vanuatu.

#### State of Affairs

In the opinion of the Commission there were no significant changes in the state of affairs of the Authority that occurred during the financial year under review not otherwise disclosed in this report or the financial statements.

Dated this 30th day of April 2024.

Signed in accordance with a resolution of the Commission, in consultation with the office of the Auditor General.:

 <b>John Chaniel</b> Chairman / PT Commissioner	 PMB 9093, Port Vila, Vanuatu Tel: (678) 23335; www.ura.gov.vu	 <b>Lloyd Fikiasi</b> PT Exec. Commissioner
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# Utilities Regulatory Authority of Vanuatu


## Commissioners' Statement

### For the year ended 31 December 2023

In the opinion of the Commissioners of the Utilities Regulatory Authority of Vanuatu (URA);

- a) the accompanying Statement of Comprehensive Income is drawn up so as to give a true and fair view of the results of the Authority for the year ended 31 December 2023;
- b) the accompanying Statement of Changes in Funds and Statement of Financial Position of the Authority are drawn up so as to give a true and fair view of the state of affairs of the Authority for the year ended 31 December 2023;
- c) the accompanying Statement of Cash Flows is drawn up so as to give a true and fair view of the cash flows of the Authority for the year ended 31 December 2023;
- d) at the date of these statements, there are reasonable grounds to believe that the Authority will be able to pay its debts as and when they fall due and payable and that the going concern presumption is therefore appropriate; and
- e) all related party transactions have been adequately recorded in the books of the Authority.

Dated this 30th day of April 2024.

  
John Chaniel  
Chairman / PT Commissioner



  
Lloyd Fikiasi  
PT Exec. Commissioner



## **UTILITIES REGULATORY AUTHORITY OF VANUATU**

### **Independent Auditor's Report To The Commissioners of the Authority**

The Auditor-General is the auditor of the Utilities Regulatory Authority of Vanuatu (URA). The Auditor-General has appointed Moores Rowland Vanuatu to undertake the audit of Utilities Regulatory Authority of Vanuatu.

#### **Audit Opinion**

We have audited the accompanying financial statements of **Utilities Regulatory Authority of Vanuatu (URA)** (herein referred to as the "Authority"), for the year ended **31 December 2023**, as set out on pages 8 to 18, which comprise the statement of Comprehensive Income, Statement of Changes in Funds, Statement of Financial Position as at 31 December 2023 and the Statement of Cash Flow for the year then ended and Notes to the financial statements.

In our opinion,

- (a) the financial statements of **Utilities Regulatory Authority of Vanuatu** have been properly prepared:
- i) so as to give a true and fair view of the state of affairs of **Utilities Regulatory Authority** as at **31 December 2023** and of its result for the year then ended;
  - ii) in accordance with the provisions of the Utilities Regulatory Authority Act No.11 of 2007 of the Republic of Vanuatu, and
  - iii) in accordance with International Financial Reporting Standards.
- (b) we have been provided with all information and explanations required.
- (c) proper accounting records have been kept by the Authority.

#### **Basis for Opinion**

We have conducted an independent audit of these financial statements in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described under *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of ethics for Professional Accountants* that are relevant to our audit of the financial statements in Vanuatu. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Other than in our capacity as auditor we have no relationship with, or interests in the Authority.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that no additional key audit matters need to be communicated in our report.

## **Independent Auditor's Report (cont'd)**

### **Responsibility of the Chief Executive Officer (CEO) & the Commission for the Financial Statements**

The CEO and the Commission of the Authority are responsible for the preparation of the financial statements, and the information they contain, in accordance with International Financial Reporting Standards (IFRS), and the Utilities Regulatory Authority Act No.11 of 2007 and for devising and maintaining a system of internal controls to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the CEO and the Commission are responsible for assessing the ability of the Authority to continue as a going concern.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to express an opinion on these financial statements based on our audit. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Commissioners;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



**Independent Auditor's Report (cont')**

- Obtain sufficient appropriate audit evidence regarding the financial information of the activities within the Authority to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Authority audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**MOORES ROWLAND**  
Chartered Accountants

Qualified pursuant to Section 130  
of the Companies Act No.25 of 2012  
of the Republic of Vanuatu.

Dated this 30th day of April 2024.



Utilities Regulatory Authority of Vanuatu
Statement of Comprehensive Income
For the year ended 31 December 2023
(Expressed in Vatu)

	Note	2023	2022
Revenue	4	158,784,523	135,661,941
Operating Expenses	5	(119,621,776)	(109,721,658)
Operating surplus		39,162,747	25,940,283
Net surplus		39,162,747	25,940,283

The Statement of Comprehensive Income should be read in conjunction with the Notes to the Financial Statements.

Utilities Regulatory Authority of Vanuatu
Statement of Changes in Funds
For the year ended 31 December 2023
(Expressed in Vatu)

	2023	2022
Balance at beginning of year	87,607,154	61,666,871
Net surplus for the year	39,162,747	25,940,283
Balance at end of year	126,769,901	87,607,154

The Statement of Changes in Funds should be read in conjunction with the Notes to the Financial Statements.

# Utilities Regulatory Authority of Vanuatu



## Statement of Financial Position

As at 31 December 2023

(Expressed in Vatu)

	Note	2023	2022
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	81,473,346	45,230,792
Receivables	7	36,401,550	31,113,068
Other assets	8	4,976,082	9,588,253
<b>Total current assets</b>		<b>122,850,978</b>	<b>85,932,113</b>
<b>Non-current assets</b>			
Plant and equipment	9	14,284,010	8,636,625
<b>Total non-current assets</b>		<b>14,284,010</b>	<b>8,636,625</b>
<b>Total Assets</b>		<b>137,134,988</b>	<b>94,568,738</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Trade payables	10	4,328,866	538,879
Other payables	11	973,188	1,553,141
Provisions - employee benefits	12	896,790	3,573,769
<b>Total current liabilities</b>		<b>6,198,844</b>	<b>5,665,789</b>
<b>Non-current liabilities</b>			
Provision - employee benefits	12	4,166,243	1,295,795
<b>Total non-current liabilities</b>		<b>4,166,243</b>	<b>1,295,795</b>
<b>Total liabilities</b>		<b>10,365,087</b>	<b>6,961,584</b>
<b>Funds</b>			
Accumulated surplus		126,769,901	87,607,154
<b>Total Funds</b>		<b>126,769,901</b>	<b>87,607,154</b>
<b>Total Liabilities and Funds</b>		<b>137,134,988</b>	<b>94,568,738</b>

The Statement of Financial Position should be read in conjunction with the Notes to the Financial Statements.

John Chanjel  
 Chairman / PT Commissioner

Lloyd Fikiasi  
 PT Exec. Commissioner

PMB 9093, Port Vila, Vanuatu  
 Tel: (678) 23335; www.ura.gov.vu

Date: 30th April 2024.

# Utilities Regulatory Authority of Vanuatu

## Statement of Cash Flows

For the year ended 31 December 2023

(Expressed in Vatu)

	Note	2023	2022
<b>Operating activities</b>			
<i>Cash was provided from:</i>			
Receipts from customers		73,837,476	73,435,845
Receipts from -Vanuatu Govt -grants		75,930,872	38,863,480
Interest received		7,693	3,100
		<u>149,776,041</u>	<u>112,302,425</u>
<i>Cash was applied to:</i>			
Payments to suppliers and employees		(107,983,178)	(102,020,196)
Net cash from operating activities	13(a)	<u>41,792,863</u>	<u>10,282,229</u>
<b>Investing activities</b>			
Purchase of plant & equipment		(9,270,309)	(918,214)
Proceeds from sale of Fixed Assets		3,720,000	-
Net cash (used in) investing activities		<u>(5,550,309)</u>	<u>(918,214)</u>
Net increase in cash & cash equivalents		36,242,554	9,364,015
Cash & cash equivalents at beginning of year		45,230,792	35,866,777
Cash & cash equivalents at end of year	13(b)	<u>81,473,346</u>	<u>45,230,792</u>

The Statement of Cash Flow should be read in conjunction with the Notes to the Financial Statements.

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

### For the year ended 31 December 2023

(Expressed in Vatu)

#### 1. General information

The Utilities Regulatory Authority of Vanuatu (URA) was established by an Act of Parliament and operates as a Statutory body with independent decision-making powers. The office was established on 11 February 2008.

The financial statements of the Authority are for the year ended 31 December 2023.

#### 2. Basis of Preparation of Financial Statements

##### 2.1 Statement of compliance

The financial statements of the Authority are prepared in accordance with applicable International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), and the requirements of the URA Act No.11 of 2017 of the Republic of Vanuatu.

##### 2.2 Basis of measurement

The financial statements have been prepared on an accrual basis and a historical cost basis, and do not take into account changing money values nor, except where stated, current valuations of non-current assets.

##### 2.3 Functional and presentation currency

The financial statements are presented in Vanuatu currency -Vatu.

#### 3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### 3.1 Plant and equipment

*i) Property, plant & equipment*

Items of plant and equipment are recorded at cost, less accumulated depreciation. The carrying amounts of all non-current assets are reviewed to determine whether they are in excess of their recoverable amount at the balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

*ii) Depreciation & amortisation*

Depreciation is calculated on a straight line basis for all assets; to recognise the consumption of economic benefits of an asset over its useful life.

The depreciation rates used for items of plant and equipment assets are as follows:

Motor Vehicles	20%
Office Equipment	25%
Furniture and Fittings	20%

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

### For the year ended 31 December 2023

(Expressed in Vatu)

#### 3.2 Impairment

The carrying amount of the Authority's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is realised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are realized in the statement of comprehensive income.

The recoverable amount of assets is the greater of their net selling price and value in use.

#### 3.3 Foreign currencies

Assets and liabilities denominated in foreign currencies have been translated at the approximate rates of exchange ruling at the balance date except that where forward exchange cover has been obtained the forward exchange rate has been used. Transactions in foreign currencies are translated at the exchange rates prevailing on transaction dates.

Foreign exchange translation gains or losses arising on current account balances and unhedged foreign currency borrowings are reflected in the results for the year.

#### 3.4 Provision for employee benefits

##### *i) Annual leave*

Annual leave is calculated on employee leave at balance date, at the current rate of remuneration.

##### *ii) Severance provision*

Severance allowance is calculated using the present value of the estimated future cash outflows to be made by the employer resulting from employees' services to balance date.

Severance allowance is calculated at the rate of one month salary for each year of service.

##### *iii) Vanuatu National Provident Fund (VNPF)*

Contributions to the VNPF are expensed as incurred.

#### 3.5 Revenue recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the organisation and can be measured reliably.

Revenue includes grant income from the Government of Vanuatu and levies paid by regulated utilities. These are recognised in the statement of comprehensive income as they are earned.

#### 3.6 Income tax

The Authority is incorporated in the Republic of Vanuatu. Under the laws of the Republic of Vanuatu, no income tax or capital gains tax is levied on companies, trusts or individuals.

#### 3.7 Value added tax (VAT)

Where applicable, the statement of comprehensive income has been prepared so that all components are stated exclusive of VAT. All items in the statement of financial position are stated net of VAT, with the exception of receivables and payables which include VAT invoiced.

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

### For the year ended 31 December 2023

(Expressed in Vatu)

#### 3.8 Provisions

A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### 3.9 Accounts receivable

Accounts receivable are recorded at their estimated realisable value after providing for doubtful and uncollectable debts.

#### 3.10 Payable

Payables are stated at their cost.

#### 3.11 Statement of cash flows

The following are definitions of the terms used in the statement of cash flows:

(a) Cash comprises cash on hand, current bank balances and short term deposits that can be converted to cash within two working days, net of bank overdraft.

(b) Operating activities includes all transactions and other events that are not investing or financing activities.

(c) Investing activities are those relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.

(d) Financing activities are those activities that result in changes to the size and composition of the entity's capital structure. This includes both equity and debt not falling within the definition of cash.

#### 3.12 Changes in accounting policies

There have been no changes in accounting policy.

#### 3.13 Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current financial year amount and other disclosure.

#### 3.14 Going concern

The financial statements of the Authority have been prepared on a going concern basis which assumes continuity of normal Authority activities, realisation of assets and the settlement of liabilities in the ordinary course of its operations. The URA Commission consider the going concern principle to be applicable in the preparation of these financial statements given the Authority is able to pay its debts as and when they become due and payable. The continuing operations of the Utilities Regulatory Authority are contingent upon the ongoing financial support of the Vanuatu Government and it is assumed that this support will continue.

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

### For the year ended 31 December 2023

(Expressed in Vatu)

	2023	2022
<b>4. Revenue</b>		
Revenue have been broken down into the following segments.		
Grant- Vanuatu Government	62,226,099	62,226,096
Assessment Fees	92,830,731	69,609,036
Interest received	7,693	3,100
Gain on disposal of fixed assets	3,720,000	3,823,709
	<u>158,784,523</u>	<u>135,661,941</u>

#### Grant- Vanuatu Government

The Authority received during the year an approved annual Government grant of Vt62,226,099 (2022: Vt62,226,096) which was used to cover it's operating expenses.

#### Assessment Fees

The Authority's primary source of revenue was from it's assessment fees. Regulated electricity and water utilities were invoiced during 2023 1.5% (2022: 1.75%) of their respective gross revenues due 1st March 2023, 1st June 2023, 1st September 2023 and 1st December 2023. Separate to these fees were penalties for non-compliance.

Breakdown of income (Levy):

#### 2023

Levies Revenue by Utilities	4 Qtrs	Penalty	Surcharge (1%)	Total
Bellevue & Beverly Hills Water	538,771	-	-	538,771
Bukura Water Supply	24,849	-	-	24,849
Dept. Of Energy	443,622	-	-	443,622
Dept. of Water Resources	750,615	-	-	750,615
REST Development Water Supply	10,012	-	-	10,012
Teouma Water Supply	65,441	-	-	65,441
UNELCO- Electricity	71,260,789	-	-	71,260,789
UNELCO- Water	10,292,316	-	-	10,292,316
VANPAWA - Electricity	1,297,374	-	-	1,297,374
VUI Limited- Electricity	8,146,942	-	-	8,146,942
Total	<u>92,830,731</u>	<u>-</u>	<u>-</u>	<u>92,830,731</u>

Included in the assessment income for the current year is Q4-2022 income of - Vt17,282,727 (which was not accounted for in 2022)

#### 2022

Levies Revenue by Utilities	4 Qtrs	Penalty	Surcharge (1%)	Total
Bellevue & Beverly Hills Water	424,152	-	-	424,152
Bukura Water Supply	30,601	-	-	30,601
Dept. Of Energy	1,706,961	-	-	1,706,961
Dept. of Water Resources	588,733	-	-	588,733
REST Development Water Supply	10,390	-	-	10,390
Teouma Water Supply	57,793	-	-	57,793
UNELCO- Electricity	50,607,320	-	-	50,607,320
UNELCO- Water	8,777,777	-	-	8,777,777
VUI Limited- Electricity	7,405,309	-	-	7,405,309
Total	<u>69,609,036</u>	<u>-</u>	<u>-</u>	<u>69,609,036</u>



**Utilities Regulatory Authority of Vanuatu**

**Notes to the Financial Statements**

**For the year ended 31 December 2023**

(Expressed in Vatu)

**4. Revenue (con't)**

Interest received  
The amount represents bank interest on it's Term Deposit account.

<b>5. Operating Expenses</b>	<b>2023</b>	<b>2022</b>
Advertising	530,744	121,867
Auditors remuneration	700,000	570,900
Consultation- local	2,324,219	1,459,446
Depreciation	3,622,924	4,863,105
Employee annual leave and severance	5,353,749	5,625,920
Office rent	4,402,424	4,402,424
Salaries and wages	75,308,050	65,816,797
Staff Amenities	215,096	136,275
Subsistence and other allowances	5,437,500	4,975,000
Telephone and fax	1,336,882	1,831,605
Training- local	561,780	1,182,236
Training- International	761,358	-
Vehicle expenses	1,907,221	1,466,727
VNPF Contributions	2,540,596	2,733,922
Travels	5,482,051	1,936,314
Utility expenses	1,294,849	1,505,470
IT expenses	2,971,238	3,184,902
Other expenses	4,871,094	7,908,748
	<u>119,621,775</u>	<u>109,721,658</u>
<b>6. Cash and cash equivalents</b>		
Cash	6,245	5,905
Bank balances	73,308,247	36,835,672
Term Deposit	8,158,854	8,389,215
	<u>81,473,346</u>	<u>45,230,792</u>
<b>7. Trade receivables</b>		
Vanuatu Govt	17,408,295	31,113,068
Assessment Fees	18,993,255	-
	<u>36,401,550</u>	<u>31,113,068</u>
<b>8. Other assets</b>		
VAT receivable	3,521,378	5,635,273
Other assets	661,579	1,403,418
Prepayments	788,961	1,041,786
Employee advance	4,164	1,507,776
	<u>4,976,082</u>	<u>9,588,253</u>

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

For the year ended 31 December 2023

(Expressed in Vatu)

### 9. Plant and equipment

#### 2023

	Cost	Acc Depn	NBV
Furniture & Fittings	2,058,350	1,594,793	463,557
Office equipment	7,959,617	5,255,314	2,704,303
Motor vehicle	12,173,914	1,093,079	11,080,835
Infrastructure upgrade	1,986,986	1,951,671	35,315
	<u>24,178,867</u>	<u>9,894,857</u>	<u>14,284,010</u>

#### 2022

Furniture & Fittings	2,058,350	1,427,248	631,102
Office equipment	7,819,743	3,620,388	4,199,355
Motor vehicle	11,484,799	8,410,762	3,074,037
Infrastructure upgrade	1,986,986	1,254,855	732,131
	<u>23,349,878</u>	<u>14,713,253</u>	<u>8,636,625</u>

#### Reconciliation of property, plant & equip.

	2023	2022
Net book value brought forward	8,636,625	36,592,576
Additions	9,270,309	4,946,755
Disposals at written down value	-	(18,189,454)
Depreciation	(3,622,924)	(14,713,252)
	<u>14,284,010</u>	<u>8,636,625</u>

### 10. Trade payables

Trade payables	<u>4,328,866</u>	<u>538,879</u>
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### 11. Other payables

Other creditors	-	23,150
Accrued charges	443,188	885,000
Accrued -audit fee	530,000	647,000
	<u>973,188</u>	<u>1,555,150</u>

### 12. Employee benefits

#### Current

Provision for annual leave	<u>896,790</u>	<u>3,573,769</u>
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#### Non-current

Provision for severance pay	<u>4,166,243</u>	<u>1,295,795</u>
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The calculation of severance pay is outlined in note 3.4.

# Utilities Regulatory Authority of Vanuatu

## Notes to the Financial Statements

### For the year ended 31 December 2023

(Expressed in Vatu)

#### 13. (a) Reconciliation of net surplus for the year to net cash from operating activities

	2023	2022
Net surplus for the year	39,162,747	25,940,283
<i>Adjustments for non-cash items:</i>		
Depreciation & amortisation	3,622,924	4,863,105
Prov for severance mvmnt	193,468	2,484,390
<i>Cashflow included in investing activities:</i>		
Gain on disposal of assets	(3,720,000)	(3,823,709)
	96,392	3,523,786
<i>Add/(Less) Movements in Working Capital Items:</i>		
Trade receivables	(5,288,482)	(19,535,807)
Other assets	4,612,171	-
Trade payables	3,789,987	
Other payables	(579,953)	353,967
	2,533,723	(19,181,840)
Net cash from operating activities	41,792,863	10,282,229

#### 13. (b) Reconciliation of Cash

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash	6,245	5,905
Bank balances	73,308,247	36,835,672
Term Deposit	8,158,854	8,389,215
Cash as per statement of cash flows	81,473,346	45,230,792

#### 14. Employees

The number of permanent employees as at 31 December 2023 - 12 (2022: 15).

#### 15. Contingent liabilities

The URA Commissioners are not aware of any contingent liabilities as at the date of signing the Commissions Report (2022: Nil).

#### 16. Subsequent events

No events have occurred since the balance date which would require any adjustment to or disclosure in the financial statements.

**Utilities Regulatory Authority of Vanuatu**

**Disclaimer**

The additional financial data presented on pages 20 and 21 are in accordance with the books and records of the **Utilities Regulatory Authority** which have been subjected to the auditing procedures applied in our statutory audit of the Authority for the year ended **31 December 2023**. It will be appreciated that our statutory audit did not cover all details of the additional financial data. Accordingly, we do not express an opinion on such financial data and no warranty of accuracy or reliability is given.

The additional financial data has been prepared at the request of and exclusively for the use and benefit of the Authority only, and neither the firm nor any employee of the firm accept any responsibility whatsoever to any other party.



**MOORES ROWLAND**  
Chartered Accountants

Qualified pursuant to Section 130  
of the Companies Act No.25 of 2012  
of the Republic of Vanuatu

Dated this 30th day of April 2024.

# Utilities Regulatory Authority of Vanuatu

## Detailed Income Statement

For the year ended 31 December 2023

(Expressed in Vatu)

	2023	2022
<b><u>Income</u></b>		
Grant - Vanuatu Govt	62,226,099	62,226,096
URA Assessment fees	92,830,731	69,609,036
Interest received	7,693	3,100
Gain on assets disposed	3,720,000	3,823,709
<b>Total Income</b>	<b>158,784,523</b>	<b>135,661,941</b>
<b><u>Expenses</u></b>		
<b>Human Resources:</b>		
Salaries & wages - admin	75,308,050	65,220,797
Salaries & wages - others	-	596,000
VNPF	2,540,596	2,733,922
Staff amenities	215,096	136,275
Training- local	561,780	1,182,236
Training-International	761,358	-
Consultation- local	2,324,219	1,459,446
Annual leave & severance	5,353,749	5,625,920
Subsistence & other allowances	5,437,500	4,975,000
Corporate Wear	(32,609)	910,518
Medical	1,385,799	1,160,017
<b>Total Human Resources</b>	<b>93,855,537</b>	<b>84,000,131</b>
<b>Travels:</b>		
Travels - local	1,466,812	1,659,534
Travels - international	4,015,240	276,780
<b>Total Travels</b>	<b>5,482,051</b>	<b>1,936,314</b>
<b>Audit &amp; Consultancy:</b>		
Audit fee	700,000	570,900
Consultancy -Firms	301,300	1,828,750
<b>Total Audit &amp; Consultancy</b>	<b>1,001,300</b>	<b>2,399,650</b>
<b>Transport:</b>		
Transport:	-	-
Vehicle repairs	622,193	298,304
Vehicle fuel	561,540	446,417
Vehicle insurance	540,674	689,057
Travelling - bus fares	182,814	32,950
<b>Total Transport</b>	<b>1,907,221</b>	<b>1,466,728</b>
<b>Office Expense:</b>		
Rent-Office lease	4,402,424	4,402,424
Legal fees	182,800	92,800
Repairs & maintenance	17,907	49,705
Telecommunication	1,336,882	1,831,605
Electricity	1,294,849	1,505,470
Cleaning	173,157	145,946
Kitchen supplies	175,170	143,209

# Utilities Regulatory Authority of Vanuatu

## Detailed Income Statement

For the year ended 31 December 2023

(Expressed in Vatu)

	2023	2022
<b>Office Expense (con't):</b>		
Office supplies	133,602	316,692
Vat adjustments	467,529	-
Water	12,550	64,644
	<hr/>	<hr/>
Total Office expense	8,196,869	8,552,495
	<hr/>	<hr/>
<b>Materials</b>		
Stationeries	317,573	73,723
IT Equipment	6,640	131,824
IT Software	346,718	2,979,355
IT Suppoort	2,300,306	-
	<hr/>	<hr/>
Total Materials	2,971,238	3,184,902
	<hr/>	<hr/>
<b>Communications:</b>		
Advertisement	530,744	121,867
Postage	97,460	49,634
Printing	354,816	116,077
Official Entertainment	456,647	1,129,794
Promotional Items	-	1,439,621
Social Responsibility expense	1,053,578	404,000
	<hr/>	<hr/>
Total Communications	2,493,245	3,260,993
	<hr/>	<hr/>
<b>Financial Expense:</b>		
Bank charges	91,390	57,340
	<hr/>	<hr/>
<b>Depreciation Expense:</b>		
Depreciation & amortisation exp	3,622,924	4,863,105
	<hr/>	<hr/>
Total Expenses	119,621,776	109,721,658
	<hr/>	<hr/>
<b>Net Surplus</b>	<b>39,162,747</b>	<b>25,940,283</b>
	<hr/>	<hr/>

## 13 Appendix B: Regulatory Framework

### Regulated Industries and Relevant Legislation

On 31 December 2023, the following utilities were regulated within the ambits of the *Utilities Regulatory Authority Act No 11 of 2007 (as amended)*:

- the electricity industry:
  - UNELCO Engie– Port Vila Electricity Concession
  - VUI Limited– Luganville electricity network & Port Olry mini-grid system (Santo), Maewo mini-grid system, Vanua Lava mini-grid systems, Ambae mini-grid systems
  - VANPAWA Limited- Malekula and Tanna electricity networks
  - Wintua/Lorlow Electrical Cooperative Society Limited- electricity mini-grid in Wintua and Lorlow, South-West Bay, Malekula
  - Loltong Community- electricity mini-grid in Loltong, North Pentecost.
- the water industry:
  - UNELCO (GDF Suez)- Port Vila
  - Department of Water Resources- Water networks in Luganville (Santo), Lenakel (Tanna), Lakatoro (Malekula), Saratamata (Ambae), Sola (Vanua Lava) and other parts of Vanuatu
  - Bellevue and Beverly Hills Water Supply Limited
  - Teouma Water Supply Limited (formerly Narpow Point Water Supply)

### Concession Contracts and Specifications

- Convention relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila.
- Amendment No.1 to the Convention dated 15<sup>th</sup> August 1986 relating to the Concession for the generation and Public Supply of Electric Power in Port Vila.
- Amendment No.2 to the Convention dated 15<sup>th</sup> August 1986 relating to the Concession for the generation and Public Supply of Electric Power in Port Vila.
- Agreement varying Concession between the Government of the Republic of Vanuatu and the Honorable Minister of Lands, Geology, Mines, Energy and Rural Water Supply and Union Electrique du Vanuatu Limited.
- Specifications relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila.
- Concession Deed between the Government of Vanuatu and Vanuatu Utilities and Infrastructure Ltd (VUI) for the generation, transmission, distribution and supply of

electricity in parts of the islands of Espiritu Santo, Maewo, Vanua Lava and Ambae dated 12 June 2019.

- Concession Deed between the Government of Vanuatu and the Vanuatu National Provident Fund for the generation, transmission, distribution and supply of electricity in Malekula dated 6 May 2022.
- Concession Deed between the Government of Vanuatu and the Vanuatu National Provident Fund for the generation, transmission, distribution and supply of electricity in Tanna dated 6 May 2022.

### **Relevant Acts, Regulations and Orders**

- Utilities Regulatory Authority Act No. 11 of 2007
- Electricity Supply Act [CAPS 65]
- Government Contracts and Tenders Act No. 10 of 1998 Act and supporting Regulations – Tender Regulations Order No. 40 of 1999.
- Public Finance and Economic Management Act [CAP 244]
- Water Supply Act [CAP 24]



## 14 Appendix C: Division 3 – Price, Complaint Resolution and Contract Administration Report

### Price

Section 18 of the *Utilities Regulatory Authority Act No 11 of 2007 (as amended)* empowers the Authority to determine the maximum price which may be charged in relation to any aspect of a regulated service.

Commission Orders issued under section 18 to date:

- *UNELCO Port Vila Water Tariff Review, U-0001-23*
- *Teouma Water Supply Limited Tariff Review, U-0007-21*
- *Bellevue & Beverly Hills Water Supply Tariff Review, U-0003-19*
- *Wintua and Lorlow Tariff Review, U-0003-23*
- *Loltong Tariff Review, U-0004-23*
- *VUI Electricity Tariff Adjustment, U-0005-23*
- *VUI Electricity Global Tariff Review, U-0014-23*
- *VANPAWA Electricity Tariff Review, U-0005-22*

### Enquiries, Complaints and Disputes

Section 19 of the *Utilities Regulatory Authority Act No 11 of 2007 (as amended)* empowers the Authority to assist a person to resolve any dispute with a utility in respect to a regulated service.

Further, section 20 of the *Utilities Regulatory Authority Act No 11 of 2007(as amended)* assigns the Authority the rights exercisable by the Government in the contracts prescribed in Schedule 1 Part A, B and C, subject to subsection 20(2), (3) and (5).

An objective of the Authority as an independent regulatory agency is to protect the long-term interests of consumers. Part of this objective involves ensuring that consumers receive the service quality they are paying for.

The utility and the consumers' resources are not evenly matched, therefore establishing this relationship is challenging. A utility can swiftly disconnect a consumer who is in default of the service contract, usually by not being prompt in paying a utility bill, but the consumer has no comparably effective method of registering his dissatisfaction with the service received. The Authority must ensure that the consumer has the same right to a defined and measurable quality of service as the utilities have to compensate for service provided. The Authority acts as an intermediary between the consumer and the utility.

The Authority seeks to assist customers with their enquiries, complaints and disputes that they may have with the utility and intervene with the utility if the Authority feels that the consumer's rights have been infringed. Further, the Authority has responsibility to the utility as well as to the consumers.

The Authority has developed several internal processes and performance measures to deal with customer enquiries, complaints and disputes that customer may have effectively and efficiently with the utility, including recent issuance of its Customer Complaints & Dispute Resolution Process decision applicable for certain utilities only.

### **Complaint Resolution**

In 2023, the Authority received a total of forty customer complaints. These complaints covered a range of issues including unplanned outages, high electricity and water bills, billing process, quality of water, meter related problems, resale points, grid connected PV solar systems, high connection costs, disconnection and reconnection issues and compensation for electricity construction works.

All customer complaints received by the Authority were acted upon within 24 hours of receipt by the Authority and customer responses provided within minimum 5 - 10 Business days.

### **Dispute Settlement**

No disputes were brought to the Authority for consideration in 2023.

## 15 Appendix D: Part 5 Review of certain actions

Section 27 of the Utilities Regulatory Authority Act No 11 of 2007 allows utilities aggrieved by any action taken pursuant to Part 3 or section 37, may within 30 days; give a notice of grievance to the Authority.

Notices received for requests for internal review in 2023 – 0.

Section 28 of the Utilities Regulatory Authority Act No 11 of 2007 allows utilities aggrieved by any action taken pursuant to Part 3 or section 37, may in addition to any other rights apply to the Supreme Court for judicial review upon certain predetermined grounds.

Applications made to the Supreme Court for judicial review in 2023 – 0.

Claims received from the Supreme Court for Judicial review in 2023- 0

Arbitration Proceedings – Notice of Dispute issued in 2023 - 0