

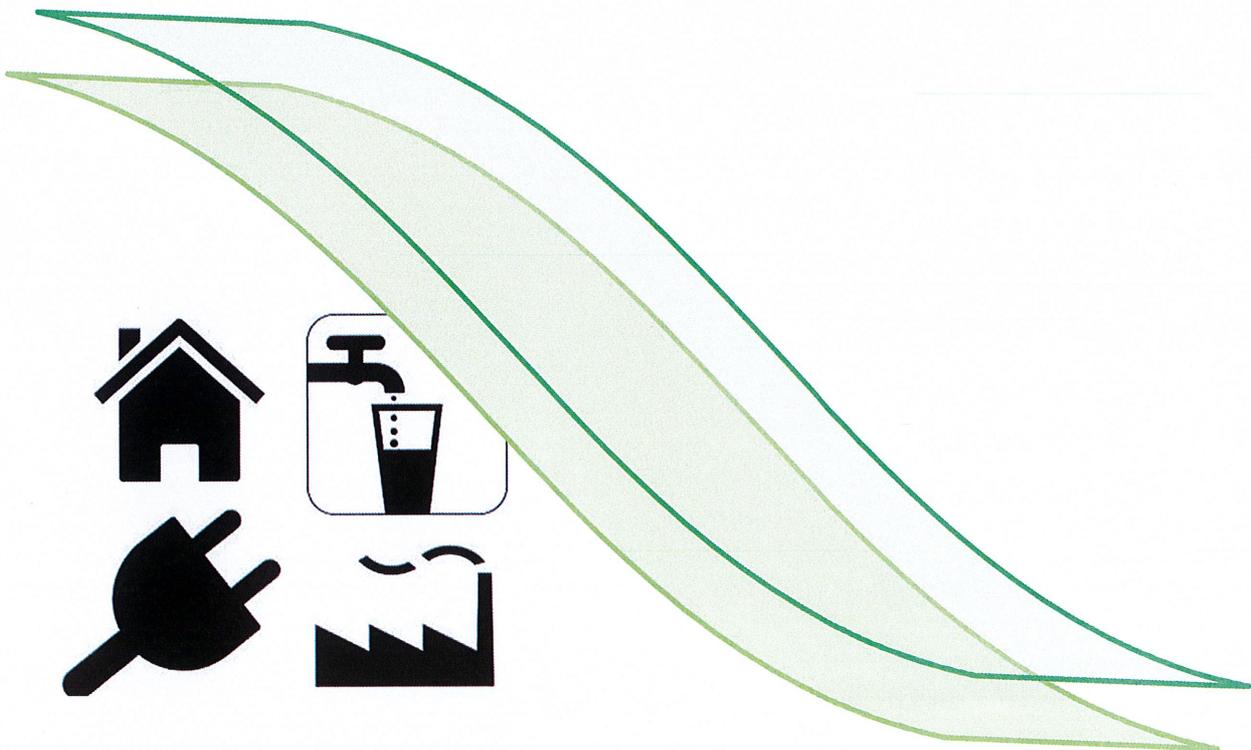


# Authority's Commission Order

Case U-0001-25

In In the Matter of VANPAWA Limited's Electricity Tariff Review for Malekula and Tanna Concessions - Amendments

October 2025



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# 1. Introduction

This document presents the Authority's amendments to the Utilities Regulatory Authority (the Authority) Commission Order *Case U-0001-25 In the Matter of VANPAWA Limited's Electricity Tariff Review for Malekula and Tanna Concessions*, that was endorsed in August 2025.

These amendments follow grievances received by the Authority from Vanuatu Power and Water Authority (VANPAWA) on 3<sup>rd</sup> October 2025. The content of the grievances outlines a few issues identified in the Authority's commission order as summarized below:

1. **Generation Cost Discrepancy:** This highlights a discrepancy between the generation cost for Tanna and Malekula with similar demand levels. Due to this inconsistency, VANPAWA estimated that generation cost for Malekula is less by VT 24,917,302 with implications on the Tariff Adjustment Formula.
2. **Monthly Tariff Adjustment Formula (TAF):** If the above discrepancy is addressed, the TAF would need to be updated to properly capture the generation cost changes incurred by VANPAWA during the tariff period. Furthermore, generation cost captured should include both diesel and lubricant cost for two months preceding the base tariff adjustment.
3. **Effective Date of the New Base Price:** VANPAWA notifies the Authority that it will be able to bill its customers according to the revised tariff in the billing period following the commission order gazettal.

The Authority had responded to VANPAWA's grievances on 3<sup>rd</sup> October 2025 proposing amendments to its commission order to address grievances as summarised below:

- i. **Response to Grievance 1 & 2 –** The Authority notes that there has been an error in the Commission Order whereby generation is deemed to be 100% from diesel. The Authority is therefore correcting the diesel contribution to overall generation for Malekula to recognise hydro generation. The hydro generation contributes to 24% of the overall generation. Moreover, the Lubricant cost has been captured in the overall generation cost and linked to the "G0" parameter in the TAF noting the time lag of 2 months as identified by VANPAWA.
- ii. **Response to Grievance 3 –** The Authority notifies VANPAWA that the tariff determined should commence upon gazettal of the Authority's Commission Order in the following billing period.

The above amendments do not result in any changes to the Authority commission approved base tariff of VT/kWh 64.29 as the overall approved generation cost remains unchanged.

## 2 Commission Order Amendments

This Section outlines the amendments to specific sections of the commission order Case U-0001-25.

### Part 1: VANPAWA's New Uniform Base Tariff

#### III. Generation Cost

The Generation Cost for both Tanna and Malekula for the tariff period amounts to VT 91,536,771. The generation cost is broken down as displayed in Table 1 below. The Lubricant cost contributes to 0.4% of the total generation cost with majority of the cost related to diesel fuel cost. Furthermore, hydro generation contributes to 49% of the electricity produced on Malekula compared to Tanna with 100% of generation from diesel.

*Table 1: Generation Cost for Tanna and Malekula*

<b>Tanna</b>			
Demand	kWh	1,656,810	
Production	kWh	1,938,468	Assumed 17% Losses
<b>Total installed Capacity</b>	<b>kVA</b>	<b>1,420</b>	
Thermal/Diesel	kVA	1,400	
Solar	kVA	20	
<b>Total Actual Production</b>	<b>kWh</b>	<b>1,938,468</b>	
Total from Thermal/Diesel	kWh	1,938,468	
Total from Solar	kWh		
Total Fuel Used	Litres	493,340	
Total Lubricant Used	Litres	582	
Fuel HR	Litre/kWh	0.2545	
Lubricant HR	Litre/kWh	0.0003	
Fuel Price	Vatu/litre	123.32	
Lubricant Price	Vatu/litre	431.49	
<b>Fuel Cost</b>	<b>Vatu</b>	<b>60,838,707</b>	
<b>Lubricant Cost</b>	<b>Vatu</b>	<b>250,929</b>	
<b>Tanna Generation Cost</b>	<b>Vatu</b>	<b>61,089,636</b>	
<b>Malekula</b>			
Demand	kWh	1,630,210	
Production	kWh	1,907,346	Assumed 17% Losses
<b>Total installed Capacity</b>	<b>kVA</b>		
Hdyro	kVA	700	
Thermal/Diesel	kVA		
Solar	kVA		
<b>Total Actual Production</b>	<b>kWh</b>	<b>1,907,346</b>	
<b>Total from Brenwei Hydro</b>	<b>kWh</b>	<b>941,708</b>	
Total from Thermal/Diesel	kWh	965,638	
Total from Solar	kWh	0	
Total Fuel Used	Litres	245,755	
Total Lubricant Used	Litres	290	
Fuel HR	Litre/kWh	0.2545	
Lubricant HR	Litre/kWh	0.0003	
Fuel Price	Vatu/litre	123.32	
Lubricant Price	Vatu/litre	485.52	
<b>Forecast Fuel Costs</b>	<b>Vatu</b>	<b>30,306,483</b>	
<b>Lubricant Cost</b>	<b>Vatu</b>	<b>140,651</b>	
<b>Malekula Generation Cost</b>	<b>Vatu</b>	<b>30,447,134</b>	
<b>Total Generation Cost</b>		<b>91,536,771</b>	

## Part 2: Monthly Tariff Adjustment Formula

The Tariff Adjustment Formula (TAF) accounts for costs outside of the utility's control that significantly impact its cost of service. For VANPAWA, the TAF captures the changes in generation cost which is impacted by changes in diesel fuel and lubricant prices, and changes in renewable energy contribution in the generation mix.

The TAF for VANPAWA is highlighted in Equation 1 below. The coefficient of 0.43 reflects the contribution of generation cost to the utility's cost of service with all other costs remaining constant in the tariff period.

Equation 1: VANPAWA Tariff Adjustment Formula

$$P = P_0 \times \left( 0.43 \times \left( \frac{G}{G_0} \right) \times \left( \frac{N}{N_0} \right) + 0.57 \right) + PPA + x$$

Where:

<b>P0</b>	Base Tariff
<b>P</b>	Adjusted Tariff (Monthly)
<b>G</b>	is the variable that calculates the evolution of the weighted unit cost of diesel and lubricant oil
<b>N</b>	is average proportion of power generated from thermal generation (diesel and copra oil) and is calculated as a ratio of thermal generation in overall generation.
<b>PPA</b>	is the total amount of power purchase invoices accrued in the prior month, expressed in Vatu.
<b>X</b>	is the variable to account for any over/under recovery by VANPAWA due to delay in the implementation of the amendments to Case U-0001-25.
<b>P0</b>	64.29 Vatu/kWh
<b>G0</b>	124.62
<b>N0</b>	0.76

Calculations of G, N and PPA are outlined in Table 1 below.

Table 2: Parameters G, N and PPA

<b>G</b>	$G = 0.996 \times G_{TM} + 0.004 \times LO_{TM}$
	<b>G<sub>TM</sub></b> is the weighted average cost of diesel fuel, delivered to the Tanna and Malekula power stations. It is calculated by computing the total amount of accrued diesel invoices for the preceding 2 months over the number of respective liters purchased.
	<b>LO<sub>TM</sub></b> is the weighted average cost of Lubricant Oil delivered to the Tanna and Malekula power stations. It is calculated by computing the total amount of accrued Lubricant Oil invoices for the preceding 2 months over the number of respective liters purchased.
<b>N</b>	$N = \frac{kWh_{TTM}}{kWh_{TTM} + kWh_{RTM}}$
	<b>kWh<sub>TTM</sub></b> is the total number of kilowatt-hours produced by VANPAWA thermal generation power plants on Tanna and Malekula, expressed in kilowatt-hour generated. It is calculated and updated once a month based on the sum of the trailing twelve months. The trailing twelve months are counted from (and including) the 2 months preceding the tariff adjustment.

	<b>kWH<sub>RTM</sub></b> is the total number of kilowatt-hours produced by VANPAWA renewable generation power plants on Tanna and Malekula, expressed in kilowatt-hour generated. It is calculated and updated once a month based on the sum of the trailing twelve months. The trailing twelve months are counted from (and including) the 2 months preceding the tariff adjustment. Note that it does not include power purchased from IPP.
<b>PPA</b>	$PPA = \frac{PPA_T + PPA_M}{V}$
	<b>PPA<sub>T</sub></b> is the power purchased from any IPP on Tanna for the preceding 2 months from the tariff adjustment.
	<b>PPA<sub>M</sub></b> is the power purchased from any IPP on Malekula for the preceding 2 months from the tariff adjustment.
	<b>V</b> is the trailing twelve months demand beginning from the preceding 2 months computed as the sales revenue divided by the adjusted price (P) for the respective month.
<b>X</b>	$X = \frac{\alpha}{V}$
	<b>α</b> is the under/over collected amount computed as the VT/kWh difference between the actual tariff implemented and the effective tariff. This amount is multiplied by the demand in P for the relevant period to arrive at the under/over collected amount. The Authority will determine the months for recovery based on the under/over collected amount to ensure affordability.
	<b>V</b> is the trailing twelve months demand beginning from the preceding 2 months computed as the sales revenue divided by the adjusted price (P) for the respective month.

### 3. Appendix – VANPAWA Notice of Grievance



**Vanuatu National  
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Authority**

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Jessie Benjamin  
Utilities Regulatory Authority  
Chief Executive Officer  
Port Vila, Vanuatu

5<sup>th</sup> September 2025

**SUBJECT: Notice of Grievances – Authority’s Decision and Commission Order – Case U-0001-25**

Dear URA CEO,

I refer to the subject above in the matter of the Authority’s Decision and Commission Order Case U-0001-25.

On the outset, VAN-PAWA would like to thank the Authority for the collaborative work undertaken alongside VAN-PAWA Ltd to arrive at a new base price as reflected in its Final Commission Order as issued by the Authority and duly received by VAN-PAWA on the 22<sup>nd</sup> of August 2022.

After our review of the Authority’s Final Decision, we have identified a number of discrepancies with the generation cost including other matters we wish to formally response to for the Authority’s consideration and immediate rectification if necessary.

We have enclosed to this letter “*Matters Giving Rise to Notice of Grievance*” which encompasses the items we wish to bring to the Authority’s IMMEDIATE attention.

Furthermore, we wish to have discussions with the Authority at the earliest convenience subsequent to receiving and reviewing this Notice of Grievances before customers are billed the new base price.

Thank you for the Authority’s consideration in this matter.

Sincerely Yours,

  
Romney Marum  
VAN-PAWA Ltd  
General Manager



**Copy:** VAN-PAWA File  
**Enclose:** Matters Giving Rise to Notice of Grievance

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## ANNEX – MATTERS GIVING RISE TO NOTICE OF GRIEVANCE

Subsequent to a thorough review of the Authority's Final Decision and Commission Order Case U-0001-25 as duly received by VAN-PAWA on 22<sup>nd</sup> August 2025, VAN-PAWA would like to formally submit a 'Notice of Grievance' for the Authority's consideration and immediate remedial actions.

VAN-PAWA wishes to mention that **Matters 1 – 2** is to be considered as urgent matters requiring the Authority's immediate remedial action while **Matters 3** is outlined in this Grievance Notice simply for the Authority's awareness and concurrence to it.

### Matter 1 – Generation Cost Discrepancy

Part 1 (III) "Generation Cost" of the Commission Order provides that the Authority's Final Base Price is based on 100% diesel generation mix to meet the forecasted demand and system losses which makes up the total generation requirement. Accordingly, it is reasonable that generation requirement is 100% with a Tariff Adjustment Formula so any renewable source contributing to the generation mix is reasonably reflecting through the Tariff Adjustment Formula and benefits to customers is made possible via the adjustment formula.

It has been identified that the Malekula Fuel cost is not computed correctly and the fuel cost allowed in the Final Decision is not reflective of 100% generation from diesel as implied by the Authority's Decision.

Table 1: Authority's Generation Cost – Final Decision

		Malekula	Tanna	Total
Fuel Litres	Litres	266,114	476,156	
Heat Rate	Litre/kWh	0.2545	0.2545	
Fuel Price per Litre	Vatu/Litre	123	123	
Fuel Cost	Vatu	32,817,213	58,719,558	91,536,771

We provide table below to support the argument as outlined above.

Table 2: Generation Cost – VAN-PAWA

Parameters	Malekula	Tanna	Comments
Demand (kWh)	1,630,210	1,656,810	Approved forecasted demand in kWh
Heat Rate	0.2545	0.2545	Approved heat rate
L of Diesel Required	414,888	421,658	L required to meet forecasted demand
Purported L of Diesel for System Losses	54,498	54,498	L required to meet losses. For Tanna is as determined by the URA. Same loss is use for Malekula Concession
Total L of Diesel Required	469,386	476,156	Total L of diesel required when 100% of diesel will meet forecasted generation requirement. Tanna reflects URA's Final Decision where as Malekula, significant difference.
Diesel VT/L	123.00	123.00	Price per litre as determined by the URA
Diesel Annual Cost	57,734,515	58,719,558	Diesel Annual Cost for the Tariff Period
<b>Authority's Final Decision</b>	<b>32,817,213</b>	<b>58,719,558</b>	
Difference	24,917,302	-	There is slight difference for Tanna Concession. However, a big shortfall for Malekula Concession of 25 M VT is concerning.

The shortfall of 25 M VT for Malekula is concerning and therefore the Authority is required to include this shortfall into the cost of service to re-compute the tariff. It would be a risk not to include this shortfall in the tariff as it may affect the weight of the base price representing generation cost.

With the current generation cost and its weight in the tariff adjustment formula, it does not reflect the total weight of generation cost when diesel is to be considered 100% to meet the generation mix and therefore, we implore URA to reconsider this correction. This correct will obviously push the Base Price (PO) slightly upward.

## **Matter 2 – Monthly Tariff Adjustment Formula**

### **i. G<sub>0</sub> – Base Value for the G Parameter in Adjustment**

If the Authority considers revision outlined in “**Matter 1 – Generation Cost Discrepancy**” above, the G<sub>0</sub> value in the Tariff adjustment formula will have to be revised and updated as well to reflect the new G<sub>0</sub>. G<sub>0</sub> per the Authority’s Final Decision is “**27.85 VT**”.

### **ii. Time-lag for values utilized in Adjustment Formula**

It is important to note that the values in the adjustment formula that will be updated monthly (G, N) will be for the 2 months preceding the month of adjustment and not the immediately preceding month as stated in the URA Final Determination.

To reiterate, there will be a time-lag of two months to enable VAN-PAWA technical staff to review and verify technical data to ensure it is correct before it can be reflected in the Tariff Adjustment formula.

### **iii. Lubricant Oil in Adjustment Formula**

$$G = \frac{HRg \times (Gv \times Lg)}{Lg} + (LO \times HRlo)$$

The cost of lubricant is reflected in the adjustment formula via the “(LO x HRlo)” parameter in the adjustment formula. VAN-PAWA deems it incompatible to have this lubricant portion considered in the Adjustment formula **BUT ONLY** if the weight reflecting the generation cost in the adjustment formula also captures the Lubricant Oil Cost for the Tariff Period.

## **Matter 3 – Effective Date of the New Base Price**

The Commission Order requires that the Utility can implement the tariff subsequent to Authority’s Order irrespective of when the Commission Order will come out of the official gazette.

However, VAN-PAWA wishes to notify the Authority that the commencement date of the tariff will be effective as of the date when VAN-PAWA bills its customers using the new base price. The delay maybe a month to enable VAN-PAWA to get its inhouse facilities and processes ready to smoothly accommodate and implement the new tariff, monthly adjustment formula and tariff structure accordingly.

