



Report on:

**"The National Green Energy Fund from
January 2022 to December 2022 per
VUI's Electricity Concession Deed"**

September 2023

CONTENTS

- 1. Purpose of this report 3
- 2. Legal framework 3
- 3. About the Authority 3
- 4. Fund administration 4
- 5. Fund deposits 4
- 6. Fund reconciliation..... 5
- 7. Fund Usage 6
 - 7.1 Approval 6
 - 7.2 Details of Usage..... 6
- 8. Findings 7
- 9. Recommendation..... 7
- 10. Appendix..... 8

1. Purpose of this report

This report serves to inform the public of the collection, management, and use of the National Green Energy Fund (the “Fund”) as contributed to by the electricity customers of the Vanuatu Utilities & Infrastructure Ltd (VUI) in all the concession grid service areas as mandated by the electricity concession deed VUI had with the Vanuatu Government.

This report will additionally provide details regarding the total balance of funds collected during the calendar year of 2022, all projects financed by the Fund during the reporting year and Fund administration since its inception. This is the second annual report of the Fund that is issued by the Utilities Regulatory Authority (the ‘Authority’).

2. Legal framework

The National Green Energy Fund (NGEF) is a corporate body/public entity established under the National Green Energy Fund Act No. 10 of 2018. The NGEF Act establishes the Fund, the functions of the Fund, the NGEF board, Fund Manager, and their respective functions. Section 2 of the NGEF Act establishes the purpose and objective of the Fund which states:

“Section 4 – Objectives of the Fund

The objectives of the Fund are:

- (a) to support projects and activities aimed to achieve the objectives of the National Energy Road Map in providing accessible, affordable, secure, and reliable and sustainable energy and green growth; and*
- (a) to provide financial support and technical assistance to extend electricity access to a person using renewable energy sources and facilitate more efficient end-use of energy.”*

On June 12th, 2019, VUI and the Vanuatu Government (the grantor) signed a Concession Deed granting VUI the exclusive right to generate, transmit, distribute, and supply electricity in parts of the islands of Santo, Maewo, Vanua Lava and Ambae.

Pursuant to clause 5.3 of the Luganville Concession Contract, it states:

“...the concessionaire must contribute by 31 January each year an amount of $2VT/kWh \times \text{total kWh consumed by the concessionaire's customer in the previous year to the National Green Energy Fund}$ ’.

Clause 5.6 further states that the rate established in clause 5.3 *‘are escalated on an annual basis of 2% effective on the first day of each year’.*

3. About the Authority

The Authority is established under the Utilities Regulatory Authority Act No. 11 of 2007(as amended). It is the economic regulator for electricity and water services in Vanuatu, such services referred to as regulated services.

Section 34 (3) of the URA Act states, *“The Authority must publish annually, a report on the use of any funds defined under any contract between the Government and a utility for the provision of a regulated service in Vanuatu”.*

Accordingly, the Authority is mandated to produce annual reports on the collection and use of funds collected under any concession contract to which the Fund falls under. While the NGEF financials are mandated for review and audit by the Auditor-General's office per the NGEF Act, the Authority in this report will review and report on the Fund specifically collected by VUI as mandated by the Luganville concession deed.

4. Fund administration

The Fund, as outlined in section 5.3 of the concession deed is to be collected by VUI each month and kept in the specified bank account, to be transferred annually to the NGEF by the 31st of January of each new year following the year of collection that has ended.

The administrative activities which include monthly collections from customers and deposits into specific holding bank account and yearly withdrawal from holding bank account and transfer of funds to the NGEF are done by VUI.

The Authority, when preparing for this annual report checks and reconciles the total VT collected from customers and paid out to NGEF office. The exercise of reconciling the deposit is to ensure they reflect the corresponding monthly electricity (kWh) sales reported in the monthly VUI concession reports and aligns with the collection mechanism as specified in the concession deed.

As stated in Section 3 of this report, clause 5.6 of the concession deed states that the NGEF rate is to be increased annually at a rate of 2% on the first day of each year. As a result, the Vatu per kWh to be collected from electricity customers in the year 2022 is set at a rate of 2.040816 Vatu/kWh.

As per VUI's email to the Authority on the 21st of April 2023, the 2022 fund contribution calculations were using the 2 VT/kWh rate until March 2022 when the fund contribution rate changed to 2.040816 VT/kWh and was applied from the months of April 2022 to December 2022.

Fund contribution, on a monthly basis, is calculated by multiplying the fund contribution rate by the total kWh billed to the customer each month. The total monthly contribution amounts are outlined below, in Section 5 of this report.

5. Fund deposits

Table 1 below provides the monthly contributions by customers collected and deposited by VUI into the Bank Account that is held by VUI. The table also contains the Authority's calculation that is being verified against the corresponding VUI's power invoices during the period from January 2022 to December 2022. It also provides the variances identified by the Authority and is to be rectified by VUI.

Table 1: Balance of the National Green Energy Fund

Month	Year	Total Power invoiced in kWh*	Total amount deposited in Vatu	Variance
January	2022	2,103,358	2,115,900	-12,542
February	2022	1,745,442	1,745,442	0
March	2022	1,747,348	1,747,348	0
April	2022	1,951,820	1,951,500	320
May	2022	1,683,575	1,683,299	276
June	2022	1,944,910	1,944,848	62

July	2022	1,869,567	1,869,781	-214
August	2022	1,883,198	1,882,889	309
September	2022	1,970,930	2,086,923	-115,993
October	2022	1,912,875	1,912,875	0
November	2022	2,107,191	1,970,930	136,261
December	2022	1,889,979	1,896,102	-6,123
Total	2022	22,810,194	22,807,837	2,357

*kWh is Kilowatt hour

VUI's total power sold, from January 2022 to December 2022 is 11,232,958 kWh. The total Vatu credited into the Fund bank account was Vatu 22,747,837. An identified under deposit amount of 2,357 VT is computed.

The Authority's process to verify Fund contribution by VUI is, multiplying the total kWh sold per month for the reporting period by 2 VT/kWh rate from January to March 2022 and applying the rate of 2.040816 VT/kWh from April to December 2022 (as per clause 5.3 and 5.6 of the concession deed) to kWh sold during that period.

It is important to note that there is a two months' time lag between collection of fund contributions money by VUI from its electricity customers through their bill payments and the depositing of the collected fund money into the NGEF bank account that is managed by VUI.

During the annual reporting process of data and information gathering, the Authority has obtained a copy of the NGEF bank statement dated February 2023 as to confirm the required contributions of November and December 2022 were made into the bank account, hence its inclusion in table 1 above.

6. Fund reconciliation

Table 2 below summarizes the movement of cash-flows in the holding bank account as maintained by VUI for the reporting period. The table shows the balance as at 31/12/2022 for contributions of January to October 2022. Due to the two months' time lag mentioned in section 5 above of this report, the November and December 2022 contributions were made into the bank account in January of 2023. They are therefore not included in table 2 below, that only reports on January to December 2022 transactions.

Table 2: Summary of transactions from January to December 2022

	Vatu (VT)	Balance in Vatu
Opening Balance		25,795,197
Add total actual deposits for period under review (January to October 2022 kWh sales)	18,940,805	
Total		44,736,002
Fund Usage/Withdrawals during period under review		
Payment to NGEF for 2020-2021 contributions (April 2022)	-25,795,197	
Total		18,940,805
Closing Balance (31/12/2023)		18,940,805

The previous Fund report for the year 2021, did not report on how the 25,795,197 VT contribution was used, so details of its usage is outlined in section 7.2 of this report. The total collection of 22,807,837 VT in 2022 (outlined in table 1) will be reported on in the next issue of the Fund report.

Appendix 1 and 2 of this report outlines the total balance in VUI's NGEF bank account as at 31/12/2022 of 18,940,805 VT and 31/01/2023 of 22,807,837 VT respectively.

7. Fund Usage

7.1 Approval

The ownership of the Fund rests with the NGEF with full discretion regarding the fund's usage. The NGEF was established in 2018 to manage and administer funds from different sources (domestic and international) with aim to be a national financing vehicle designed to assist the Vanuatu Government achieve its National Energy Roadmap (NERM) targets through both public and private investments in technology and infrastructure across Vanuatu.

Monies (inclusive of the Fund and other sources) expended by the NGEF office is controlled, approved, and monitored by the NGEF board in accordance with their functions spelled out by the NGEF Act.

The NGEF board is made up of 7 members (as established by the NGEF Act) and they are comprised of:

1. The Director General of the Ministry of Climate Change (Chairperson).
2. The Director of the Department of Energy (Deputy Chairperson).
3. The Director of Local Authorities.
4. The Director of the Department of Women's affairs.
5. The Director of Strategic, Planning and Aid Coordination (DSSPAC).
6. The Director of the Department of Finance and Treasury; and
7. The Representative of CSO/NGO from Oxfam Vanuatu.

7.2 Details of Usage

The Fund Manager is responsible for the daily operation of the NGEF including ensuring that the NGEF Board decisions are effectively implemented.

Accordingly, VUI has made two transfers (details in Table 2 above) to the NGEF for the Funds it had collected from its electricity users in Santo, the Fund money has been used as follows:

Table 3: Use of NGEF fund

	Vatu (VT)	Balance in Vatu
Second payment from VUI to NGEF office (2020-2021)		25,795,197
less NGEF office operations	10,000,000	
Less: Amount appropriated to Capital investment basket of NGEF	7,230,147	
Less: Amount appropriated to Investment grant basket of NGEF	8,565,050	
Total		-

2022 Contributions from VUI to NGEF office		22,807,837
Balance as of the issuance date of this report		22,807,837

The NGEF Office also confirmed the 2022 contributions payment of 22,807,837 VT from VUI was made in March of 2023 and is still in their account. The funds will be used in 2023 after it is approved by the NGEF board members, as all necessary projects and expenses of 2022 were budgeted for and approved by the board members.

8. Findings

The Authority has identified no issues in its review and reconciliation of the collection, transfer, and usage of the Fund for the period under review. The Fund's calculation, collection, and transfer (despite having an immaterial variance) was done correctly and in line with VUI's concession contract. The usage of Fund (outlined in section 7.2 above) by the NGEF office is in accordance with the NGEF Act.


9. Recommendation

The following recommendations are put forward for the National Green Energy Fund Office, and the Vanuatu Utilities & Infrastructure Limited's consideration.


1. The Authority is once again recommending to the National Green Energy Fund Office to create a separate account number (within its financial system) to record all inflows (cash inflows from VUI) and outflows that are funded by VUI customers. This will enable NGEF to easily identify how the funds collected from Santo electricity concessions are used for convenience of annual reporting and disclosure to electricity customers.
2. The Authority recommends VUI to ensure the under transfer of 2,357 VT to NGEF as outlined in section 5 to be added in their next payment to NGEF. VUI should take into consideration the over deposit of 1,370 VT that the Authority identified in its previous report when adjusting for the next transfer. The Authority would like to remind VUI to send to the Authority its monthly updates of the collection and deposits of the fund money into VUI's holding bank account. This will allow for any variances or anomalies be rectified when identified monthly.

10. Appendix

Appendix 1

		Interim Statement of Account	
Account Number:	1920970	Statement Date:	04/01/2023
Currency:	VUV		
Type:	VUV BUSINESS CHEQUE A/C - NBI		
Name:	GREEN FUND ACCOUNT		
Address:	LAW PARTNERS HOUSE KUMUL HIGHWAY PORT VILA VANUATU		
Transaction Description		Amount	Balance
Date			
01/12/2022	BALANCE B/F		14,941,007
	CHEQUE DEPOSIT	2,086,923	17,027,930
	SEPTEMBER 2022 KWH & ADJUSTMENTS		
29/12/2022	CHEQUE DEPOSIT	1,912,875	18,940,805
	OCTOBER 2022 KWH		
	END OF STATEMENT		

Appendix 2

		Interim Statement of Account	
Account Number:	1920970	Statement Date:	08/03/2023
Currency:	VUV		
Type:	VUV BUSINESS CHEQUE A/C - NBI		
Name:	GREEN FUND ACCOUNT		
Address:	LAW PARTNERS HOUSE KUMUL HIGHWAY PORT VILA VANUATU		
Transaction Description		Amount	Balance
Date			
	BALANCE B/F		22,807,837

Utilities Regulatory Authority

Vanuatu

You can access the Government Asset Contribution Fund report on our website www.ura.gov.vu, or by contacting us by telephone (+678) 23335, email: breuben@ura.gov.vu or regular mail at, Utilities Regulatory Authority, PMB 9093, Port Vila, Vanuatu.