

**Utilities
Regulatory
Authority**



2021 Annual Report

Utilities Regulatory Authority

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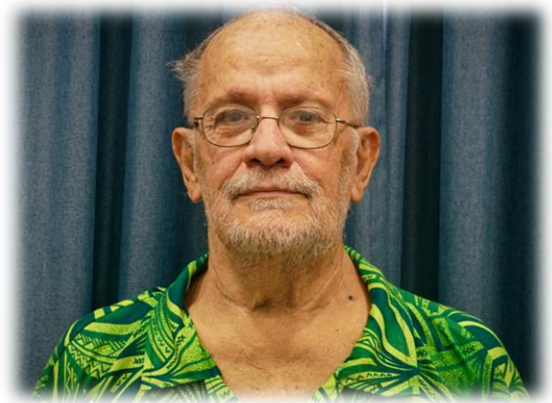
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Message from the Chairperson

John Roy CHANIEL **Chairperson/Commissioner**



Welcome to all recipients of this report, which outlines and summarizes the activities of the URA in 2021 and gives some insight on the way forward to continue and improve on the good work done by the organization during the year and before.

Over the past several years, the URA has been subjected to a lack of a full commission and in particular the unavailability of the CEO for prolonged periods due to both health issues and end of contract.

In 2021 the URA finds itself at a turning point with the completion the formation of a new Commission, culminating with the appointment its new CEO, Mr Paul Kaun, who is well qualified and experienced to take the organization forward, we welcome him.

The activities of the URA in 2021 are marked by the completion of a lengthy and resources consuming arbitration process, well documented in this report along with other achievements.

The new Commission and staff have, in 2021 reflected on where to take the organization forward at this turning point in its existence. The process will culminate in the release of a five year strategic plan in 2022.

Whilst the methods may vary to optimize efficiency, the objectives remain the same and that is to best serve the consumers by way of service delivery, access, quality, affordability, and safety for electricity and water as per the URA's mission statement.

To this effect, the Commission is more than ever committed to continue and improve on the past work of the URA in 2021 and before and for the years to come.

Challenges remain and always will, I as Chairperson of the organization, am optimistic and confident in the capacity of the commission and staff, to work together with stakeholders to cater for the best interest of consumers.

I thank the Commission, staff and Stakeholders for the good work and achievements of 2021 and look forward to continuing our collaboration in 2022 and beyond.

John Roy CHANIEL
Chairperson

Summary of 2021 highlights

Pursuant to its functions, the activities of the Utilities Regulatory Authority (the “**Authority**”) can be grouped into three (3) main areas: **Regulatory activities** in the electricity and water sectors including Consumer Protection; **advisory activities** to the Government and to the public; and **internal management and capacity building activities**.

Regulatory activities in 2021

The major regulatory activities undertaken in 2021 include:

- Award by the International Panel of Arbitrators in the matter of the **2020 arbitration** between UNELCO (the Union Electrique du Vanuatu Ltd) and the Government of the Republic of Vanuatu (Represented by the Utilities Regulatory Authority)
- URA Commission order on UNELCO and Government for the implementation of the **arbitrated rate** set by the International Panel of Arbitrators
- **Electricity Tariff determination** for the Vanuatu Utilities Infrastructure Limited (VUI) electricity services in Luganville (Santo), Maewo, Vanua Lava and Ambae service areas
- **Levy of VT1.82/kwh** was approved by the URA Commission to be imposed by regulated utility on electricity and water customers for collection over last 3 quarters of 2021 and first quarter of 2022

Advisory activities in 2021

- **Tender of Malekula and Tanna electricity service areas:** Advisory to the Government on an indicative electricity tariff for the electricity concessions of Tanna and Malekula post Brenwei Hydro operation to support the Government tendering process for these service areas (ADV2021-002-E)
- **Establishment of the Economic Development Zone (EDZ) Service Company:** Advisory on the proposed legislative amendments to the Utilities Regulatory Authority (URA) Act No.11 of 2007 (including amendments), the Electricity Supply Act and the Water Supply Act to cater for the establishment of the Economic Development Zone (EDZ) Service Company
- **Government Acquisition of REST Development water system (Teouma Valley):** Advisory to the Government through the Department of Water on the water network value proposal (U-0001-21)
- **Annual Business Plan Review for Vanuatu Utilities and Infrastructure Limited (VUI):** Advisory to VUI on its Annual Business Plan 2022/2023 (ADV2021-004-E-L)

Internal management and capacity building activities in 2021

- Newly appointed CEO & Commissioner Paul Kaun joined the Authority in August 2021
- Two (2) technical experts engaged to assist the Authority with strategizing for the next five (5) years 2022 to 2026

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- URA 2022 Budget was approved by the Commission at VT133,226,099 – VT62,226,099 from Government Grant & VT71,000,000 from customer collected levy.
- URA Commission approved Staff Medical Policy
- URA Commission approved Staff Travel & Imprest Policy
- URA Commission approved URA Consultation Guide
- URA Commission approved Occupational Health & Safety at Workplace Policy
- URA Commission approved URA COVID19 Workplace Guideline
- Two (2) staff resigned from their positions at URA – Legal officer and Economic specialist
- Regular knowledge sharing sessions (KSS) by regulatory staff on individual projects
- On-The-Job training (OJT) as part of Arbitration process
- ADB funded training on Environmental and Social safeguards as part of Luganville Urban Water Supply and Sanitation Project, held at Luganville, Santo

Message from the Chief Executive Officer

Paul KAUN **Chief Executive Officer**

“...despite the pandemic, I am grateful that with the great relationship and partnership approach we have, customers are consistently being served quality, affordable and safe electricity and water throughout 2021”



This year, I am pleased to present the 2021 Annual Report for the Utilities Regulatory Authority. It has been a challenging year for the staff and the Commission as well as the entire regulated market of electricity and water services.

Challenges of the pandemic have been real and impacted the way the URA has been operating over the past 10 years, testing the ICT readiness of the sector and staff confidence. Challenges of yet another Arbitration has brought growth setting staff on uncharted waters to working on some complex platforms and to some extent forcing learning and processes innovation but both have occurred when the market and especially utilities were experiencing issues of demand reduction due to the pandemic and others recovering from strikes of passing Tropical Cyclone. Government as well as the URA has to be meticulous in its approach to ensure that during these sensitive times, everyone including the private sectors and public were cooperating. In addition, despite the pandemic, I am grateful that with the great relationship and partnership approach we have, customers are consistently being served quality, affordable and safe electricity and water throughout 2021.

This Annual Report and the outlines reflected could not have come about without the dedication and commitment of the URA staff who have been without a CEO since January 2021 during a time when Arbitration was at its peak. I take this time to reflect also on the support by the Government of Vanuatu and especially the Minister of Finance & Economic Management, the Department of Energy and Department of Water Resources who have been phenomenal in their dedication to the sector, and in ensuring the regulatory framework continues to be maintained through the respective policies of the Government. Utilities of electricity and water throughout Vanuatu are to be appreciated for their contribution and major input into the businesses they operate to continue to serve electricity and water customers throughout the respective service areas.

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I take this time to thank my predecessor and outgoing CEO Mr. John Obed Alilee for the tremendous effort he put into maintaining the level of staff expertise and operations before I took office. Extending my gratitude to outgoing technical advisors and staff who served loyally during their tenure in 2021.

And now to our staff and Commission. As my first year serving in the position of CEO, I take this opportunity to thank each of you for your great efforts and collective achievement. I do acknowledge that not all days were normal and can relate to the difficulties of the lack of CEO leadership, the pandemic and major arbitration that took place, yet you all remained patient and loyal to each other and the work of the Authority. I am optimistic that with this attitude and our collective team work, we will come out stronger as we progress forward.

Looking ahead and with the view to recovery from the pandemic and addressing the new normal, we have refreshed our planning through the development of the Organisational strategic plan 2022 – 2026 and will be focussed on efficiency during disruption and becoming more engaged with our stakeholders to achieve our goals and the Government National Strategic Development Plans 2030. The intention of the Commission is to bring a new image to the Authority in its conduct to achieve greater results.

Paul Kaun
Chief Executive Officer

About us

WHO WE ARE

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

MISSION

‘To enhance quality of life and business growth in Vanuatu by ensuring reliable, customer friendly electric and water services at reasonable prices, available to all who demand it.

OUR PURPOSES

Our purposes are to:

- Ensure the provision of safe, reliable and affordable regulated services;
- Maximise access to regulated services throughout Vanuatu; and
- Promote the long-term interest of consumers.

OUR FUNCTIONS

The functions of the Authority 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 purposes 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

THE URA COMMISSION

The Authority is structured as a three-person Commission comprising a chairperson and two Executive Commissioners, supported by staff led by a Chief Executive Officer, who is also one of the Executive Commissioners. The Commissioners are appointed by the Minister responsible for Finance & Economic management, on the recommendation of the Evaluation Committee pursuant to an open and competitive selection process outlined in the URA Act.



left to right: (l) Executive Commissioner Lloyd M. Fikiasi; (c) CEO Paul Kaun; (r) Chairperson John R. Chaniel

URA Chairperson & Commissioner:

Mr. John Roy Chaniel

Mr. John Roy Chaniel was appointed to the role of Chairperson and Commissioner on 14th August 2020.

Mr. Chaniel, a former Board Director and General Manager of UNELCO Engie, holds over 40 years experience in engineering ranging from Airport Engineer to Construction engineer, Design and Water Engineer.

He holds a Bachelor of Civil Engineering from the Queensland University of Technology and has vast international experience with number of years working in Vanuatu, Australia and New Caledonia. He possesses skills in concession management, contract negotiations, leadership and management and industry focus. He holds membership in various association and committees 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 11th October 2019. A former staff of the URA, Mr. Fikiasi currently holds the position of Deputy Commissioner International 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 degree of Law 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.

Chief Executive Officer & Commissioner

Chief Executive Officer Paul Kaun was appointed to this position on 2nd August 2021. A former Executive Commissioner since the establishment of the URA in 2008 until December 2013, Mr. Kaun brings with him wealth of market experience 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 Board in the Government.

THE URA STAFF

The Commission

Chairperson/Part-time Executive Commissioner – Mr. John Chaniel (non-staff)

Part-time Executive Commissioner – Mr. Lloyd M. Fikiasi (non-staff)

Chief Executive Officer/Part-time Executive Commissioner – Mr. Paul Kaun (staff)

Chief of Staff

Ms. Lizzie Taura-Govan

Corporate Division (CD)

Manager Corporate – Ms. Belinda Reuben

Office Manager (North Branch Office) – Ms. Marie Helene Barthelemy

Accountant – Ms. Naomi Vurobaravu

Corporate Assistant – Mrs. Leonie Simbolo

Legal Division (LD)

Manager – Mr. Louis Vakaran

Legal Assistant – Mrs. Georgyanne Bogiri Tasso

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Finance Accounting & Audit Division (FAAD)

Manager – Mr. Davidson Seth

Auditor – Mr. Gaetan Junior Pikioune

Financial Analyst – Mr. Arnold Lawi

Economics & Tariffs Evaluation Division (ETED)

Manager – Ms. Maureen Malas

Senior Economist – Mr. Edmond Tambisari

Engineering & Consumer Care Division (ECCD)

Manager – Mr. Romney Marum

Consumer Protection Specialist (North Branch/Luganville) – Mr. Didier J Tuvuiaie

Senior Engineering Officer – Mr. Keith Vusi

Engineering Officer – Mr. Junior Natu

Engineering Intern – Mr. Joseph Wassap

Technical Advisors

Principal Finance Specialist – Mr. Nitya Nand (ceased 31st May 2021)

Legal Advisor – Ms. Shalindi Singh (ceased 31st December 2021)

More information about the staff can be found in Appendix I.

2021 Outcomes

During 2021, the Authority issued the following decisions and advisory:

- Issued its Commission order instructing Parties to the Port Vila Electricity Concession to adopt the arbitrated tariff awarded by the International Panel of Arbitrators of 5th June 2021
- Issued a Commission order instructing parties to the Electricity Concession contract for Port Vila to implement the various post-arbitration requirements as part of award of tariff by panel of arbitrators
- Issued a tariff for the Vanuatu Utilities & Infrastructure Limited (VUI) for the Luganville concession including VUI operated bio-fuel sites of Vanua Lava, Maewo and Ambae service areas
- Issued Advisory to the Director of Department of Water on the proposed value of REST Development water system of Teouma Valley for purposes of Government acquisition of water system

The following key projects were identified for 2021 with target dates and output:

ELECTRICITY SECTOR

International Arbitration

Project	Description	Commencement/Completion
2020 Arbitration between UNELCO and the Government of the Republic of Vanuatu (rep by the URA)	International arbitration instigated	Commenced: March 2020 Completed: June 2021

Tariff Review

Project	Description	Commencement/Completion
Electricity Tariff Review (VUI Luganville & Port Olry, Maewo, Vanuatu Lava, Ambae)	Investigation and analysis of VUI's performance since 2011 and revision of tariff structure for utility.	Commenced: September 2020 Completed: November 2021
Interim Electricity Tariff Review (Dept of Energy operated Malekula & Tanna concessions)	Provided advisory to the Government on the different models and options of the indicative tariff for Government tendering purposes.	Commenced: June 2021 Completion status: October 2021

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General Projects

Project	Description	Commencement/Completion
New connection rules	Development of rules around procedures and conditions to be observed by the customers and the utilities to facilitate new electricity supply connection	Commenced: February 2014 Completion status: in progress
Investigation of third-party services and affiliated transactions	Undertake investigation and analysis into UNELCO's contracted 3rd party services for tariff verification purposes	Commenced: February 2018 Completion status: September 2021
Q-GIS	Establish a GIS database system for collection of utility data for regulatory purposes	Commenced: September 2020 Completion status: in progress
Electricity outage regulatory oversight	Setting guidelines by adopting the applicable rules in the URA reliability Standard and UNELCO concession contract for determination of UNELCO outage penalties	Commenced: September 2021 Completion status: in progress
Lelepa power blox electrification system	URA to review model of grid to indicate possible concession contract amendment and indicative tariff for this system on Lelepa Island to be operated by the Government (DoE)	Commenced: August 2021 Completion status: in progress

WATER SECTOR

Tariff Review

Project	Description	Commencement/Completion
Small water suppliers (SWS) rate reviews	Undertake tariff exercise including assessment of common prevailing economic and general conditions for each system for providing consistent water supply noting the infrastructure capacity requirement of each system.	Commenced: May 2019 Completed: in progress
Water Tariff Review (Teouma Water Supply – formerly Narpow Point WS)	Undertake tariff exercise to determine affordable price of water as instigated by related safety issues	Commenced: September 2021 Completion status: in progress

General Projects

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Project	Description	Commencement/Completion
Water Utilities Regulatory Data Requirement	Development of guidelines outlining the requirements of utilities to provide data in suitable formats and templates including timelines for regulatory purposes.	Commenced: March 2019 Completion status: in progress
Rehabilitation of water system on Lakatoro (DoWR operated water system, Lakatoro, Malekula)	Study and review of water systems requirement for safety, reliability and affordability of water system to provide recommendation	Commenced: September 2019 Completion status: in progress
Service Requirement for Small Water Utilities	Rules established to guide potential and existing SWS on regulatory requirement for providing services compliant with required levels of safety, reliability, accessibility, affordability and sustainability, determined within Vanuatu	Commenced: August 2021 Completion status: in progress
Standards for monitoring reliability and quality of water supply in Vanuatu	Develop standards and rules to promote reliability and quality in water supplied to customers	Commenced: January 2017 Completion status: in progress

OTHER ACTIVITIES

Project	Description	Commencement/Completion
Guideline on valuation of utilities networks for purposes of acquisition	General Internal guideline to inform staff on requirements and tasks involving performing valuation of a utility network to provide advisory for acquisition purposes.	Commenced: August 2021 Completion status: in progress
Solar PV (Photovoltaic) systems installation standards within a concession area	Revision of existing rules to guide the installation of grid connected solar PV systems including adopting SEAIPi guidelines.	Commenced: July 2021 Completion status: in progress
Monthly Energy Snapshots	Report capturing snapshot of grid production of electricity by energy sources including position of NERM measured renewable energy uptake in Vanuatu	Report issued monthly
Annual Reporting on Electricity and Water Investment Funds	Reports produced annually on Santo Fund VUI Electricity, Government contribution fee fund VUI Electricity,	Report issued annually

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	Article 6 fund UNELCO Electricity, Article 8 fund UNELCO Water	
LPG regulation and Petroleum price monitoring	Working in collaboration with the Department of Energy towards a draft Parliament Bill for the regulation of LPG and petroleum price monitoring by the URA	Commenced: July 2015 Completion status: in progress
URA enhancing working relationship with stakeholders	Report was developed as part of research and consultations undertaken with stakeholders on working relationships and areas of challenges with view to how parties can collaborate to maintain and enhance relationships.	Commenced: June 2020 Completion status: August 2020
Comparative report on electricity bills in the region	Report comparing electricity price paid by customers in Vanuatu and customers in other islands states in the pacific region	Report issued annually
Participation in National Trade Development Committee	With observer status, URA participates to provide update on water and electricity sector to the Committee during NTDC meetings	Annual meeting
Monitoring of planned/unplanned outages/downtime of electricity and water services	Reliability standards measure. Where unplanned outages occur, utility is penalized and pays related penalty amount issued by URA to pay Government.	Commenced: August 2021 Completion status: in progress
Monthly Tariff Adjustment for Port Vila Electricity	A tariff adjustment is performed monthly to cater for changing variables in utilities operation for providing electricity in Port Vila	Adjusted Tariff issued monthly
Institution 5-Years Strategic Planning	Development of 5-year strategic plan for the URA for 2022 to 2026	Commenced: November 2021 Completion status: in progress

General Performance Review

During the year under review the Authority performed various activities as required in its functions to provide regulatory oversight to ensure electricity and water utility's networks are reliable, safe, services affordable and utilities services are accessible and made available to the public.

These activities are summarized below:

ELECTRICITY SECTOR

2020 Arbitration between UNELCO and the Government of the Republic of Vanuatu (represented by the Utilities Regulatory Authority)

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The International Arbitration between UNELCO and the Government of the Republic of Vanuatu (represented by the URA) took 15-months from March 2020 to June 2021 when the final arbitration decision was issued.

In 2018 when URA issued its Tariff Decision, UNELCO did not agree and invoked clause of the Concession contract to allow for international arbitrators to decide on the appropriate tariff. The tariff base price P_0 that the URA had set was VT47. The Government appointed the URA to represent its interest in the Arbitration process. It provided its support by financially contributing to the arbitration and appointment arbitrator Mr. Scott Hempling to represent the party nomination in the panel. This year long exercise involved a primary and secondary team working on Arbitration requirements, of which the latter consisted of key external stakeholders. Discussions and hearings were held virtually due to COVID19 border closing. A Decision was finally issued on 2 June 2022.

In its 2nd extraordinary meeting on 17 June 2021, the URA Commission issued an Order for the parties to the Port Vila Electricity Concession contract to recognize the Final Panel Decisions handed down by a Panel of International Arbitrators on 5 June 2021. The final decisions made were:

- A - The determination of the Base Price (P_0) of VT48.60 with an effective date of 2 September 2020;
- B - The determination of the Tariff Adjustment Formula (TAF) requiring Reference Price (P) to be updated and applied every month;
- C - The definition of each term indicated in the decision;
- D - The prescribed table of rounding to be applied only to each variable and sub variable of the TAF. Terms of formula indicated as constant should strictly follow in Paragraph Decision C (above)
- This the Arbitrators; to order the base price and effective date by which UNELCO is to impose on PV concession customers; & the gazette to give effective date per Panel award.

In similar Order, a requirement to adopt Panel's findings on compliance matters which the URA, the Government and UNELCO were to action. In addition, Commission required that the CEO, CoS and URA team were to ensure that consultancy processes are maintained to inform the Government, key stakeholders and wider public of the new base price.

Electricity Tariff Review (VUI Luganville & Port Olry, Maewo, Vanuatu Lava, Ambae)

In November 2021, the Authority issued its final decision on the electricity tariff for Vanuatu Utilities and Infrastructure Limited ordering a final tariff rate of VT45.49 on the kWh. This tariff is an increase of 18.09% from the last ordered tariff of VT38.52/kWh.

This increase by 18.09% stemmed from a range of factors. They were:

- to allow a return of VT14,505,389 for VUI investments made soon after the concession deed was signed including additional investments planned forthcoming;
- advance capital of VT75,000,000 for VUI's investment on the network;
- allowed cost of service for VUI to operate network grids on Vanua Lava, Maewo and Ambae of VT36,783,224 as a cross subsidy mechanism;

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- Hydro utilization fixed at 75.04% warranting adjustments in diesel utilization rate increases to cater for increase in demand;
- PPA cost of VT3,842,089 for solar panels on SANMA Provincial HQ, Northern District Hospital and Lycee Luganville;
- Establishment of a Force Majeure Fund totaling VT30,000,000.
- To allow collection into the National Green Energy Fund by customers VT74,048,278; and
- Allocation of cost of VUI scope of service is distributed to VUI Luganville and Port Olry customers only. Other operating areas revenue to not contribute to costs of total VUI operations.

Subject to this newly ordered tariff, the Government of Vanuatu is encouraged to contribute financially to further reduce VUI's final tariff. With much deliberation, the Ministry of Climate Change is willing to contribute VT68,283,224 which should give a calculated final tariff of VT43.59/kWh.

Advisory on an Interim Electricity Tariff for purpose of Tender (Dept of Energy operated Malekula & Tanna concessions)

In July 2020, when UNELCO's contract for operating Malekula and Tanna Electricity concessions expired, the Government through the Department of Energy stepped in to operate these concessions. While operating these concessions with the help of VUI technical team, the Government was indeed prepared to have these concessions tendered out.

Upon request and to assist with tendering process the URA was requested to determine an interim electricity tariff rate for each concession using the various models with incumbent operator and new operator to ensure both systems were sustainable.

In its advisory issued in October 2021 for period 2022/2023 years, undertaking the exercise showed that indicative tariffs for both Malekula and Tanna would be at their lowest as stand-alone operations if UNELCO were to remain operating the systems. Stand-alone operations would be far more costly to operate for Tanna than Malekula post Brenwei Hydro production. However, by having a model where the two systems net revenue requirements and forecasted demand are combined post-Brenwei hydro indicates a tariff that is more affordable at VT58.15/kWh. With this rate, should total capacity of hydro output increases, should lead to further reduction in electricity price.

Electricity outage regulatory oversight

The Authority has worked with utilities Since its establishment in 2008, the Authority has been issuing penalties to UNELCO for unjustified electricity outages in accordance with Section 18 of the Specifications to the Port Vila Electricity Concession Contract with justification to the outages highlighted in a "Clarification Note" agreed between the two parties in 2008. The agreed process requires the Authority and UNELCO to undertake independent penalty calculations based on the outages reports provided by UNELCO and then consult with each other until they agree on the final penalties. The Authority note that in these years most consultations with UNELCO were on agreeing on the justification of unplanned outages thus it views that there is a need for a common understanding that clearly set the definition of outages. While the Authority understands that the definitions of outages are clearly outlined in the URA Electricity Reliability Standard issued and gazetted in 2018, it views that it is proper that a commission order must be issued and signed by both parties, which sets out the manner in which electricity outages are justified taking into consideration the UNELCO

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Electricity Concession Contract and the URA issued Electricity Reliability Standards. Furthermore, the Order will also define penalty calculation methodology in accordance with the applicable law and concession contract and the outage reporting process that will be required of both the Authority and UNELCO.

Geographical Information System

The Authority has recognized the importance of having in place a tool as database of all electricity and water data and information for its purposes. In this regard, establishing a Geographical Information System (GIS) is necessary for use by office staff and information sharing.

A Quantum GIS has been the elected software. Its specification and capabilities should assist with mapping the utility networks, store and portray real-time information on customer connections and utility equipment currently operating on ground. Discussions on Memorandum of Agreements in progress with related utilities and government agencies on this basis for the collection, storing and sharing of information.

Lelepa power blox electrification system

The electricity system on Lelepa Island, at Natapau village was established under the NAMA project (donor financing) of the Department of Energy. As a trial project, the power box, manufactured by a Swiss company in Switzerland, is a unique technology and first of its kind in Vanuatu where the solar panels generate direct current electrical power to charge power units that converts these to alternating current power suitable for use by end customer.

Under the NAMA project, there is financing for 6 other systems once the Lelepa pilot proves sustainable. This is where the URA comes to assist in ascertaining which model of tariff can ensure the system is viable and suits the community within which it operates.

On Lelepa Island, the Natapau community grid consists of three (3) operating segments, stand-alone, with total power capacity of 6,400W.

In its analysis and advisory to the Government dispatched as a Report, the URA informs the Government on the status of the installed power blox system on Lelepa, concerns of customers of the system and related feedback. As a requirement, the URA is working on various models through which a tariff is determined for the Lelepa system including providing indicative tariff for the six (6) proposed power blox sites for the NAMA project for purposes of competitive bidding process. In addition, the URA clearly outlines the legal implication of having any commercial electrical system established in an existing concession area.

Given this is a new system, extensive consultation will be required on the part of the Department of Energy on the legal requirements to remove any inconsistencies with the Electricity supply Act and the Port Vila concession contract should this system become fully operational and of commercial status.

Annual Reporting on Electricity Funds

In 2021, the URA issue the following annual reports:

- **Santo Fund Exit Report**

Santo Fund is an investment mechanism ordered by the URA in its decision of 13th March 2014. The purpose of this Fund is to promote accessibility to grid electricity through customer connection for the Vanuatu Utilities and Infrastructure Limited (VUI) existing and potential customers. The Fund source is through VT1/kWh billing of VUI customers to assist and collected by VUI for use to reduce extension costs necessary for connections. This Fund was established as VUI at the time was operating the system under a Memorandum of Understanding (MoU) without the requirement to invest.

The Fund operation is reported each year by the URA to the Government and relevant stakeholders to give update on needs for extensions served bridging connectivity gap. Up until 12th June 2019 when the new concessionaire deed was signed between the Government and VUI, by default, this Fund ceases to collect monies as the Deed has allowed for tariff making component to consider the investment financing required for the proposed customer extensions.

In 2021, the Authority issued its last of reporting outlining the whole operation of Santo Fund from March 2014 to January 2020. In summary, the Fund revealed,

- total power invoiced (kWh sold) of 53,500,180 kWh
- total monies received and credited into Fund bank account totaled VT53,500,180
- total monies spent since Fund establishment VT43,557,063
- 15 electrification extensions were installed covering total extension distance of 14.469KM within the VUI concession area
- 47% of these monies spent (VT20,494,337) went towards TC Harold restoration
- Total balance of VT10,256,405 is held in bank account upon cessation of Fund.

- **Government Contribution Fee Fund Exit Report**

Like the Santo Fund, the Government Contribution Fee Fund was established a year later in July 2015. This was an Order of the URA Commission for Luganville customers to pay VT2/kWh towards a Government Asset Fund as a reimbursement to the Government for use of its assets to produce electricity in Luganville. This is the first of its kind approach whereby customers of a concession are paying monies into a Fund that will assist the Government in its electricity related projects throughout Vanuatu.

Unlike the Santo Fund, the Government Contribution Fee Fund operates by the process whereby the Ministry of Climate Change receives and assesses proposals by any individual or community for an electricity need in their area. This proposal once endorsed is sent to the Council of Ministers for approval before Funds can be sourced from the Ministry of Finance.

The Fund operation is reported each year by the URA to the Government and relevant stakeholders on Funds flow including projects financed during the year. Up until 12th June 2019 when the new concessionaire deed was signed between the Government and VUI, by default, this Fund ceases to collect monies as the Deed has allowed for tariff making component to consider the investment financing required under its Annual Business Plan.

UTILITIES REGULATORY AUTHORITY OF VANUATU

In 2021, the Authority issued its last of reporting outlining the whole operation of Government Contribution Fee Fund from July 2015 to January 2020. In summary, the Fund revealed,

- total power invoiced (kWh sold) of 43,105,791 kWh
- total monies received and credited into Fund bank account totaled VT86,211,582
- total monies spent since Fund establishment VT86,461,793
- 11.45% of these monies spent (VT9,903,710) went towards Biofuel projects on Ambae, Banks, and TORBA (Mosina and Sola)
- 43.14% of these monies spent (VT37,300,000) went towards the National Green Energy Unit
- 33.73% of these monies spent (VT29,159,588) went towards the TC Harold rehabilitation of the VUI electricity network
- 11.67% of these monies spent (VT10,090,588) went towards DoE being for initial support on operation of Tanna and Malekula networks
- Total balance of the Fund as of 31st October 2020 was nil, after a mere balance of VT7,907 was the bank administration cost for closing off the Fund bank account

• **Article 6 Investment Support Fund**

Each year, for the past eight (8) years, the URA has been issuing the Article 6 Investment Support Fund report. This report outlines the operation of the Fund and its uses. Established under the requirements of the Port Vila Electricity Concession Contract ('contract'), the concessionaire UNELCO Engie is responsible for collecting the monies and for undertaking the required works and electricity projects in the concession area duly approved by the Honorable Minister for Climate Change.

According to the report issued in 2021 for the 2020 year in report, it was revealed

- The opening balance of Fund as of 2020 was VT17,979,721
- Contributions into the Fund in 2020 was VT7,908,191 calculated using indexed price on December 31st 2020 and original base price P multiplied by VT4,000,000 as stipulated in the contract
- Closing Fund balance was VT25,887,917

During the year, it was reported there were no projects carried out nor completed requiring funds withdrawal. In addition, the URA makes recommendations for the Government's consideration.

• **Monthly Tariff Adjustment for Port Vila Electricity**

On a monthly basis, the URA undertakes a monthly tariff adjustment exercise. This adjustment is made to accurately reflect changes in variables indexes such as the fuel price, average proportion of power generated from Diesel, material, Demand, exchange rates and CPI.

Throughout 2021, monthly adjustments approvals were sent to UNELCO for purposes of billing, and these are duly gazette by the Office of the Attorney General.

UTILITIES REGULATORY AUTHORITY OF VANUATU

Throughout the year, the following were the monthly adjustments prices issued with December 2021 with highest tariff in the history of UNELCO operations due to increasing price of fuel.

Month 2021	Monthly adjusted tariff (VT/kWh)
January	43.56
February	45.01
March	45.69
April	46.16
May	47.32
June	53.04
July	53.14
August	53.85
September	54.89
October	55.41
November	55.39
December	56.65

- **Monthly Energy Snapshots**

Each month the URA issues an Energy Snapshot of information to the public and stakeholders through a report outlining

- total electricity production by energy sources,
- production source by area,
- comparison on uptake of renewables against 100% by 2030 renewables target,
- total active customers served by grid area,
- fuel cost index of the month
- Electricity prices for the different grid utilities and
- Total electricity generated and sold in each grid area

By December 2021, report showed that diesel continues to be the primary source of energy for electricity production at 83.9% while Windmills at devils point on Efate contributed 1.7% of electricity production occurring mostly in the Port Vila concession.

According to the figures on renewables production and the National Energy Road Map target of 100% by 2030, while December 2021 production was 16.14%, during the year the highest production of renewables was in September 2021 with high injection from Wind and Hydro hence reduced diesel average production.

Report showed that by year-end total active grid customers (connections) where highest in Port Vila of 16,218 and lowest in Vanua Lava of 78.

Each year, the report is enhanced to capture significant data and information to assist Government, stakeholders and public at large for their varied purposes.

- **Electricity Fact Sheet**

In 2021, like each year, the URA issues the Electricity Fact Sheet to inform the Government and public as require in the URA Act on information pertaining to utilities. This report presents significant changes occurring between the two (2) years 2019 and 2020.

Information that is revealed shows the different energy sources total production. Importantly the report positions the country with respect to

- generation capacity having increased by 2.6%.
- peak demand increases by 0.57%,
- gross electricity generation increase by 0.66 GWh
- renewables decreased by 3%
- overall diesel consumption decreased by 1,763,908L
- net increase in 115 new customers (connections)
- planned outages decreased by 17.8% while unplanned outages increased by 6.8%

Overall, the report illustrates that while the country continues to rely heavily on diesel, there is must efficiency seeing demand has increased, renewables and diesel generation both decreased and customer connections did grow.

It is evident also that utilities need to continue monitoring their systems reliability seeing planned outages are reduced although unplanned outages had increased.

WATER SECTOR

- **Water Tariff Review (Teouma Water Supply – formerly Narpow Point WS)**

In 2021 due to growing customer concerns on the price of water supplied by the utility in the area, the Authority have prepared to conduct water tariff review exercises for the small water utilities. This exercise has commenced with the Teouma water supply.

The challenge around this exercise is the information asymmetry that exists. More specifically the accounting separation whereby the URA would assist with stipulating the types of information that are required and how they are presented for its purposes. Many correspondences and consultations were undertaken in 2021 to attain appropriate information for this cause.

- **Rehabilitation of water system on Lakatoro (DoWR operated water system, Lakatoro, Malekula)**

In 2019, the URA team visited Lakatoro and had the opportunity to review the Lakatoro water system operated by Department of Water on the island. As it is in the interest of the URA to see that customers have access to the required water of acceptable quality, the team began working on a rehabilitation plan.

A project management plan was completed after much consultation with the Department of Water during 2020 and 2021. In this plan, the team are looking into obtaining more accurate information about the technical and function condition (serviceability) of the network. The plan would also consider the current challenges experienced by both customers and the utility and how the utility can serve a more sustainable system into the future.

- **Service Requirement for Small Water Utilities**

Rules for small water utilities were developed in 2021 as result of much discussion on jurisdiction of small water utilities and level of regulation.

Purpose of the rules while still not issued is to ensure that there is reasonable consideration to deliver reliable, affordable, and quality safe water to utilities and that the networks should be accessible to anyone who demand to be served.

Another important aspect of the rules is to assure the small water operators that the URA in its current legal framework can assist these operators secure funding from available agencies to finance major upgrades as necessary.

- **Annual Reporting on Water Development Fund**

The URA issued its first annual report on the Water Development Fund under Article 8 of the Port Vila Water Contract for the Water supply concession for 2020 established on 20th June 2018 to substitute the annual reporting of similar under Article 29 under schedule of conditions of 23rd December 1993.

This Fund has been established to assist the Government acquire small water systems currently operating around the peri-urban areas of Port Vila. The Fund source will be from existing Port Vila water consumers as required under the contract. This Fund came about through the water contract amendment of 20th June 2018 extending the period of operation to the incumbent and in addition, once formalized, operate these small water systems of Efate namely Boukura (Bukura), Teoumaville, Mele Maat, Tuktuk, Bellevue, Beverly Hills, Narpow point Mele, Eratap and Etas.

According to the report issued in 2021 for the 2020 year in report, it was revealed

- The opening balance of Fund at start of 2020 was VT36,535,469
- Contributions into the Fund in 2020 was VT21,725,495 collected from customer billings
- Collections represented 4,327,596m³ of water sold
- Monies spent from the Fund in 2020 was VT38,751,332
- 47.62% of monies spent went towards Water supply system upgrade and extension network for Teoumaville stage 2
- 17.7% of monies was put as initial payment for acquisition of Teoumaville water system
- 5.68% of monies spent went towards the Water extension network at Erakor area
- 29.01% of monies spent went towards the final payment for acquisition of Teoumaville water system totaling VT18.1M
- Closing Fund balance at year end 2020 was VT19,509,632

By year end 2020 as noted in the report dispatched, there was nil projects pending under Fund requisition. In addition, the URA makes recommendations for the Government's consideration.

OTHER ACTIVITIES

- **Institution 5-Years Strategic Planning**

The URA Commission and Staff commenced in 2021 strategizing for the next 5 to 10 years outlook to bring URA as an institution to a more resilient and responsive institution necessary to facilitate Government policies and regulate utilities more efficiently within the ambits of the URA Act No. 11 of 2007 (as amended).

The URA engaged a regulatory expert then a technical expert to assist with reviewing the position of the URA with respect to its current standing, legal functions, staffing and capacity, cost of regulation and sectoral needs that regulation can effectively address.

By the end of 2021 the URA had completed its draft strategies and organizational planning was underway which involved commission and staff.

- **LPG regulation and Petroleum price monitoring**

The Liquefied Petroleum and Gas sector continues to be an area needing much oversight. As directed by the Council of Ministers for the URA to keep oversight of this sector, in 2021 a draft bill was being developed and consultations were being undertaken.

This Bill will likely become an Act in 2022 once all consultation has been undertaken and the Department of Energy and URA are satisfied that the technical requirements have been clearly legislated by the Office of the Attorney General.

- **URA enhancing working relationship with stakeholders**

Research conducted by URA has revealed through a report that there must be a growing controversy in the way the URA conducts itself with respect to stakeholders. Staff conducting this research have had the opportunity to meet with various agencies of Government to ascertain the basic level of appreciation of URA existence and for others the level of working relationship URA has with their organization.

As result of the report, in 2021 an implementation matrix was developed to address the various outcomes that URA needed to embark on and to action,

- Establishing a database for economic data and indicators for Vanuatu National Statistics purposes record and data collection templates.
- Securing special concession exemptions on utility cost for the newly developed policy on EEZ and FTZ in Luganville, Santo

- Working relationship with Department of Water as a policy maker and utility operator needs improvement and clarity on roles and obligations
- Secure an MoU with the Vanuatu National Statistics Office
- A study tour to be developed with the objective of undertaking research into the impact of switching from grid power to renewable electricity by all businesses who are members of the Vanuatu Chamber of Commerce
- Seek to comply with RTI requirements on official media and public intervention
- Seek to simplify the Monthly Energy Snapshot and compliance with the RTI requirements
- Public Education Programs need to be conducted consistently to inform and educate consumers of utilities and public at large
- Consumer Advocacy Group should commence to address grievances as it should
- Petroleum Regulation should be a priority and URA should continue to follow up with relevant agencies to ensure this is completed and this sector regulation commences.

Corporate Services Output Report

Regulators like the URA are established on the assumption that government resources are not fairly distributed and so the URA Act and functions herein to regulate utility services, in particular electricity and water, so as to prevent misuse of market power, monitor compliance of concession agreements, ensure safe, reliable, and affordable services, maximize access to regulated electricity and water services and ensure consumers benefit from regulatory induced efficiencies.

The URA budget for 2021 was prepared on an output budgeting basis in accordance with Vanuatu Government FMIS standards. The following is a brief on output targets as set for 2021:

RECRUITMENTS

Total staffing and commissioners in 2021 were

Commissioners & CEO	3
Senior management	1
Branch Manager	1
Division Manager	5
Staff	11
Technical Advisors	2
Total	23

By December two (2) regulatory staff resigned from their positions and technical advisors' contracts ended. Therefore, total personnel at year end was down to 18 staff.

INTERNSHIP

During the year, the URA had the opportunity to accommodate two (2) intern students, although one was semi-intern.

Ms. Abigail Molitaviti was placed on a 5-days secondment with the URA. She was a year 10 Port Vila International School student who was required to complete work experience in the industry of her interest and in this case Law and Economics. During this work experience, she was placed under the direct supervision of Mr. Edmond Tambisari, URA's Senior economist.

A long-time intern student who had been with the URA for over 3 years is Mr. Joseph Wassab. A former USP student studying towards his 3rd year power engineering program was unfortunately cut off by his sponsors. Having the aptitude for learning and excelling in basic activities required by URA Engineering Division, Wassab has been given the opportunity for work experience to assist with financing part of his course. By end of 2021, Wassab was noted to pursuing a Diploma in electrical engineering.

STAFF ON STUDY LEAVE

During the year, there were no staff on study leave.

STAFFING AND INSTITUTIONAL CAPACITY BUILDING

Maintaining skills and professional capacity of the organization is one of top priorities of the URA to create an enabling environment to implement functions of the URA to deliver quality output.

Staff are recruited on merit and caliber for performing related responsibilities within the regulatory discipline. At URA staff are given the opportunity for training on the job and outside through regional and international offerings. Technical support that are engaged locally and internationally are on-as-needed basis.

By December 2021 there were altogether eleven (11) technical personnel from the 5 URA Divisions of legal, economics, regulatory finance, engineering and corporate. In 2021 Authority did not hire any new staff, however, did engage two (2) short term technical advisors to assist with strategic planning requirements.

Due to COVID19 lockdown in Vanuatu, the URA plans to accelerate training and professional development initiatives did not eventuate. Most of the knowledge development attained was through on-the-job (OJT) as part of Arbitration case and series of utilities regulation cases worked on with assistance of technical advisors.

URA intends to maintain a balance between its goal of rapid capacity building and fulfilling objectives of the high-quality performance in its regulatory responsibilities and tasks.

MERIT AND EQUITY

The Utilities Regulatory Authority is an equal opportunity employer and is committed to ensuring merit and equity principles are applied to all human resources policies and work practices.

OCCUPATIONAL HEALTH AND SAFETY

The Authority has continued to promote occupational health and safety through a range of measures through its Occupational Health Safety and Welfare Policy.

In December 2021, the URA Commission approved the revised Staff Occupational Health, Safety and Welfare Policy. One of the important changes in the policy was to allow staff the opportunity to attend an annual medical check-up performed by the URA designated health practitioner.

The Policy does designate a health and safety officer to oversee certain responsibility aspects of the policy.

PRIVATE INTEREST DECLARATIONS

Declarations of private interests were completed by all relevant officers and should be renewed each year.

MEDICAL/LEAVE

Medical / Leave statistics	2021	2020
Total sick leave claims for the year	114	90
Total annual leave claims for the year	389	221

EMPLOYEE RELATIONS

No employee time was lost in 2021 due to employee grievance or disputes.

CORPORATE GOVERNANCE

The Utilities Regulatory Authority is committed to high standards of corporate governance in its decision-making and corporate activities.

Employees are offered salary and compensation that is commensurate with qualifications, skills, and market conditions. Though not subject to Public Service Rules, URA intends to offer comparable benefits including vacation days, severance, matching VNPF contributions to the local staff.

Commission comprises a chairperson, who is responsible for the oversight of the organization supporting the Authority through participation in strategic planning, management of

resources, monitoring of project activity and overseeing compliance with corporate governance.

In 2021, the Commissioners met for four (4) ordinary sessions and two (2) extraordinary sessions to deliberate and make important decisions for the URA.

The role of the Commission with legal authority is in fulfilling its responsibilities in relation to the regulatory functions and activities, while identifying and minimizing areas of significant business risk, stakeholder disputes, litigation and the monitoring of:

- Effective management of financial and budgetary processes and business risks
- Reliable management reporting
- Compliance with laws and regulations in respect of financial activity and reporting, and
- Mandatory and special internal audits and investigations as required.

The Commissioners review and provide recommendations to the Authority on the adequacy of the processes for identifying and managing significant risks. They also provide a direct link between the Authority and the internal and external auditors and enable any concerns of the auditors to be conveyed to the Authority independently of management.

MEMORANDA OF UNDERSTANDING

The Utilities Regulatory Authority Act No 11 of 2007 requires the URA to enter into Memoranda of Understanding with a range of interacting Government agencies. In addition, the Authority may enter Memoranda of Understanding with agencies with which it shares important working relationships.

The objective of memoranda is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.

In November 2021, a Memorandums of Understanding (MOU) was signed between The Office of the Pacific Energy Regulators Alliance (OPERA) and the Pacific Community (SPC). The OPERA is the entity comprising of regional regulators of which URA is one of the establishing partners. The goal of the OPERA is to promote and support energy regulation through various mechanisms from policy formulation to corporate and regulatory capacity building initiatives.

Members of the OPERA that established this MoU were CEO URA Vanuatu Paul Kaun, MD NEA Papua New Guinea Vore Veve, CEO SIEA Solomon Islands Donald Kiriau and Regulator OOTR, W. Samoa Lematua Gisa Fuatai Purcell.

INFORMATION & COMMUNICATION TECHNOLOGY (ICT)

Information technology facilitates the communication and delivery of the URA services to its stakeholders and the wider community. During the year continuous improvement was evident in staff in ensuring the efficient use of ICT to communicate with stakeholders effectively.

One of this improvement in 2021 was the purchase of new Laptops for each staff to substitute PC stations including an upgrade in software for the entire URA network to Microsoft Office 365. This was mainly to consider the Covid19 situation and reduce files interruption and inconveniences of server access.

The URA had also issued a Request for Expression of Interest to obtain quotations for the services of an ICT company to oversee its ICT needs. Throughout 2021, ODC Consulting was undertaking this role as full time maintenance of local servers' operation, oversight of files management needs of the URA including cybersecurity matters.

CONSULTATION POLICY

The Utilities Regulatory Authority Act No 11 of 2007 requires the URA to develop and publish its Charter of Consultation. While in 2008 the first version of the Charter was produced, with more recent review in 2010, in November 2021, the URA Commission issued a revised policy, the Consultation policy.

The purpose of the policy is to provide guidance on the Authority's processes for consultations for matters requiring decisions to be made. This process involves development, management, reviews and finalization of outcome documents.

CONSULTATION PROCESSES

Through its Consultation policy and prior guideline, the URA encourages stakeholder participation in its regulatory activities. Following activities were consulted on and information was provided, and feedback received:

- Consultation on the VUI tariff review for Luganville and related concessions.
- Consultation on the arbitration outcome with government ministries.
- Consultation with related agencies on URA internal guidelines of medical and occupational health, safety and welfare policies.
- Consultation between regulatory expert and staff on pre URA strategic planning requirements
- Consultation with technical expert, staff and commissioners on URA strategic planning water tariff review for UNELCO.

Input to the Authority's work from external consultation is highly valued. Participation by stakeholders in the Authority's processes enhances the relevance and effectiveness of the Authority's decisions.

PUBLIC CONSULTATION

The Authority is committed to pursuing transparency, impartiality and fairness in its public consultation and decision-making process. For this reason, the URA aim is to ensure that stakeholders have adequate and fair opportunity to provide input into the decision-making

process and that its decisions and procedures do not reflect undue influences and are consistent with legislative mandate. It aims to be accessible to all interested stakeholders and seeks to encourage public participation in its reviews and decision-making processes. It aims to be open and transparent by publishing its work programs, live dockets, regulatory decisions and orders on its website www.ura.gov.vu explaining how it consults in each case and the reasons for its decisions.

COMMUNICATIONS AND PUBLICATIONS

In 2021, the Authority published 15 media releases which involved providing information to public, announcing publication of reports and consultations and notices to stakeholders and customers. The following media releases were issued:

- Call to public for registration of small water utilities throughout Vanuatu
- Inform public on February electricity monthly adjustment increase in billing
- Information on new base tariff as result of Arbitration on Port Vila Electricity tariff
- Call for consultation for Luganville (VUI) electricity customers on preliminary tariff issued by URA
- Inform Government and public on use of Santo Fund and Government contribution fee Fund
- Notification on monthly adjustment price for Port Vila Electricity
- Notification reminder for public safety within the electricity grid
- Memorandum of understanding between the URA, Department of Energy and Office of the Registrar of cooperatives and business development services (ORCBDS)
- URA covid19 simulation exercise
- URA North branch relocation
- 5th Electricity fact sheet
- URA Office closure for festive season

During the year, monthly energy reports were issued via email and posted on the URA website providing readers with consumer information on components of electricity sources. Report on comparing electricity bills across the region was also successfully issued for readers in Vanuatu and the region.

The Authority also met regularly with government representatives, consultants and utilities representatives.

The bilingual website www.ura.gov.vu, which is regularly updated, contains all the Authority's decisions and publications.

CONFLICT OF INTEREST

The Authority conforms to a strict code of conduct to prevent actual or perceived conflict of interest among its staff and management. Commissioners are subject to Vanuatu Leadership Code as condition of their appointment.

The URA maintains a Staff code of conduct guideline for staff to complete each year for purposes of declaration of conflict of interest.

SHARES

No shares of a regulated utility are held, directly or indirectly by any officer as nominee or held beneficially in the name of the Authority. No other conflict of interest issues was found during 2021

RESEARCH AND DEVELOPMENT

In 2021, discussions were initiated on staff succession plan. One of these plans as discussed with the Hon Minister for Finance Johnny Koanapo on brief of Arbitration process was on the establishment of a research center for utility regulation within the Vanuatu National University. Further discussions were held between URA and the Vice Chancellor of the Vanuatu National University Jean Pierre Nirua and his team. URA Legal adviser and expert advisor was tasked to undertake research into this concept.

Besides related research and development into requirements and workings of Arbitration, there were no major research and development activities undertaken by the URA in the year.

BUILDING WORKS

The Authority does not have any buildings under its direct control and did not enter into works.

Corporate Financial Situation

COMPARATIVE FINANCIAL DATA

	2021
	VUV (M)
Operating Budget	159.0

Actual Operating Expenditure	113.6
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FEES & LEVIES

No fees were imposed by the URA in 2021.

Levies assessment of 1.82% was imposed on consumers of electricity and water bills paid by utilities. Throughout 2021, VT72,291,155 was received by the URA.

Appendix A: Financial Statements for Year Ending 31 December 2021

Office of the Utilities Regulatory Authority

FINANCIAL STATEMENTS

PMB 9093
Port Vila

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UTILITIES REGULATORY AUTHORITY OF VANUATU

Report of the Chief Executive Officer For the year ended 31 December 2021

The Chief Executive Officer presents his report together with the audited financial statements on behalf of the Commission and Authority for the year ended 31 December 2021 and the auditors' report thereon.

Authority

The Chief Executive Officer of the entity at the date of this report, and the Commissioners who served throughout the year, are:

	Date appointed	Date resigned/ Contract expiry
Paul Kaun (CEO/PT Commissioner)	02/08/2021	-
John Chaniel (Chairman/PT Commissioner)	17/08/2020	-
Lloyd Fikiasi (PT Exec. Commissioner)	11/10/2019	-

Principal activities

The principal activities of the Utilities Regulatory Authority of Vanuatu are set out in the Utilities Regulatory Authority Act No. 11 of 2007. By 31 December 2021, 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 access to connection.

State of affairs

In the opinion of the Chief Executive Officer, there were no significant changes in the state of affairs of the organization that occurred during the financial year not otherwise disclosed in this report or the financial statements. Further, it is the opinion of the Chief Executive Officer that there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable and that the going concern presumption is therefore appropriate.

Result

The operating loss for the year was VT11, 960,000 (2020: loss of VT1,884,717).

CEO's benefits

The CEO received salaries and benefits, which were paid by the Utilities Regulatory Authority from its sustainable funding mechanism and partly through grant from the Government of Vanuatu.

CEO's interests in contracts and related party transactions

The CEO serving during the year had no financial interests in the activities of the Utilities Regulatory Authority of Vanuatu.

CEO's declaration

It is the responsibility of the CEO to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the entity as at the end of the financial year and of its statement of comprehensive income, statement of cash flows and statement of changes in funds for that year. In the CEO's opinion, the financial statements for the year ended 31 December 2021 have been drawn up so as to give a true and fair view.

The CEO confirms that suitable accounting policies have been used and applied consistently and that reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 2021. The CEO also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

UTILITIES REGULATORY AUTHORITY OF VANUATU

Report of the Chief Executive Officer For the year ended 31 December 2021 (continued)



The CEO is responsible for keeping proper accounting records and for safeguarding the assets of the entity by taking reasonable steps to prevent and detect fraud.

Auditor

A resolution to re-appoint SFAI Barrett & Partners Vanuatu, as auditors will be proposed by the Office of the Auditor General and endorsed at the URA Commission Meeting.

For and on behalf of the Commissioners and in accordance with a resolution of the Authority Commissioners in consultation with the Office of the Auditor General.

Dated at Port Vila, the 25th of April, 2022.



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

Chief Executive Officer
Paul Kaun

Independent Auditors' Report to the Commissioners of the Utilities Regulatory Authority of Vanuatu

The Auditor-General is the auditor of all public funds. The Auditor-General has appointed SFAI Barrett & Partners Vanuatu as auditor pursuant to Section 24(1) of the Expenditure Review and Audit Act [CAP 241].

Audit Opinion

We have audited the accompanying financial statements of the Utilities Regulatory Authority of Vanuatu which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 15.

In our opinion, the financial statements have been properly prepared in accordance with the provisions of the Utilities Regulatory Authority Act No. 11 of 2007 of the Republic of Vanuatu and give a true and fair view of the financial position as at 31 December 2021, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We have conducted our audit in accordance with International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statements in Vanuatu. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements 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.

Responsibilities of the Chief Executive Officer for the financial statements

The CEO of the entity is responsible for:

- the preparation and fair presentation of these financial statements and the information they contain, in accordance with International Financial Reporting Standards and the Utilities Regulatory Authority Act No. 11 of 2007;
- implementing necessary internal controls to enable the preparation of the financial statements that give a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the entity's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the entity or to cease operations or have no realistic alternative but to do so.

Making it happen



Independent Auditors' Report to the Commissioners of the Utilities Regulatory Authority of Vanuatu

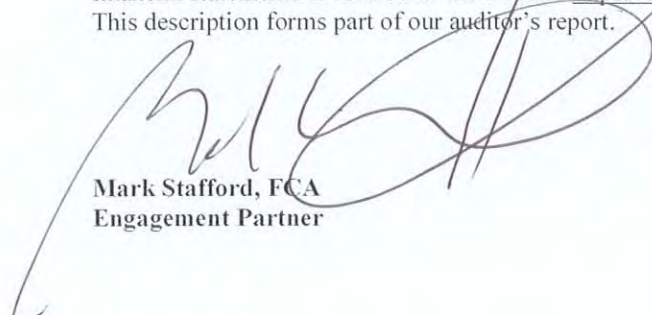
Auditors' responsibilities for the audit of the financial statements

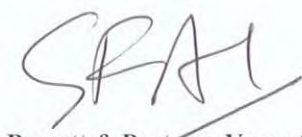
Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole is 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 will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. They 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 the International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. A further description of our responsibilities for the audit of the financial statements is located at the website https://www.ifac.org/system/files/publications/files/ISA-700-Revised_3.pdf. This description forms part of our auditor's report.


Mark Stafford, FCA
Engagement Partner


SFAI Barrett & Partners Vanuatu
Chartered Accountants

Qualified auditors under
Section 130 of the
Companies Act No.25 of 2012

Port Vila, 28 04 / 2022

UTILITIES REGULATORY AUTHORITY OF VANUATU

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	Note	2021	2020
Revenue	2	134,533,230	163,142,706
Operating expenses	3	<u>(146,493,230)</u>	<u>(165,027,423)</u>
Operating surplus/(deficit) for the year		<u>(11,960,000)</u>	<u>(1,884,717)</u>

The accompanying notes are an integral part of these financial statements.

UTILITIES REGULATORY AUTHORITY OF VANUATU

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	Accumulated surplus	Accumulated surplus
	2021	2020
Balance at the beginning of the year	73,626,871	75,511,588
Operating surplus/(deficit) for the year	(11,960,000)	(1,884,717)
Balance at the end of the year	<u>61,666,871</u>	<u>73,626,871</u>

The accompanying notes are an integral part of these financial statements.


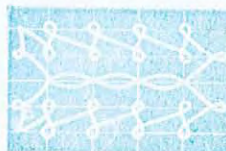
UTILITIES REGULATORY AUTHORITY OF VANUATU

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	Note	2021	2020
Current asset			
Cash and cash equivalents	9(a)	35,866,777	66,477,801
Receivables	4	15,556,707	10,750,871
Other assets	5	5,608,806	8,319,777
Total current asset		<u>57,032,290</u>	<u>85,548,449</u>
Non-current assets			
Plant and equipment	6	<u>8,757,807</u>	<u>7,126,044</u>
Total non-current assets		<u>8,757,807</u>	<u>7,126,044</u>
Total assets		<u>65,790,097</u>	<u>92,674,493</u>
Current liabilities			
Payables and accruals	7	1,738,053	6,783,839
Provisions	8	<u>1,559,450</u>	<u>8,690,473</u>
Total current liabilities		<u>3,297,503</u>	<u>15,474,312</u>
Non-current liabilities			
Provisions	8	<u>825,723</u>	<u>3,573,310</u>
Total non-current liabilities		<u>825,723</u>	<u>3,573,310</u>
Total liabilities		<u>4,123,226</u>	<u>19,047,622</u>
Net assets		<u>61,666,871</u>	<u>73,626,871</u>
Total accumulated surplus		<u>61,666,871</u>	<u>73,626,871</u>

The accompanying notes are an integral part of these financial statements.

**Utilities
Regulatory
Authority**

Chief Executive Officer

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

Paul Kaun

Date:

25/4/22

UTILITIES REGULATORY AUTHORITY OF VANUATU

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	Note	2021	2020
Operating activities			
Cash receipts in the course of operations		132,422,388	154,795,617
Cash payments in the course of operations		(157,538,425)	(159,503,322)
Interest received		<u>15,976</u>	<u>22,942</u>
Net cash (used in) / provided by operating activities	9(b)	<u>(25,100,061)</u>	<u>(4,684,763)</u>
Investing activities			
Purchase of vehicles, plant and equipment		<u>(5,510,963)</u>	<u>(1,348,983)</u>
Net cash used in investing activities		<u>(5,510,963)</u>	<u>(1,348,983)</u>
Financing activities			
		<u> </u>	<u> </u>
Net cash used in financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(30,611,024)	(6,033,746)
Cash and cash equivalents at the beginning of the financial year		<u>66,477,801</u>	<u>72,511,547</u>
Cash and cash equivalents at the end of the financial year	9(a)	<u><u>35,866,777</u></u>	<u><u>66,477,801</u></u>

The accompanying notes are an integral part of these financial statements.

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

1. Statement of significant accounting policies

The Utilities Regulatory Authority of Vanuatu 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 significant policies which have been adopted in the preparation of these financial statements are:

(a) Statement of compliance

The financial statements of the entity are prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

(b) Basis of preparation

The financial statements are presented in Vanuatu currency ('Vatu'). They are prepared on a historical cost basis.

The accounting policies are consistently applied during the financial year.

(c) Revenue recognition

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

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

(d) Foreign currency

Transactions

Foreign currency transactions are translated to Vatu at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account in the statement of comprehensive income in the financial period in which the exchange rates change.

(e) Value Added Tax (VAT)

The statement of comprehensive income is prepared so that all components are stated exclusive of VAT claimed. All items in the statement of financial position are stated net of VAT, with the exception of payables which include VAT invoiced.

(f) Impairment

The carrying amounts of the entity's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is realized 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.

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

(g) Plant and equipment

Items of property, plant and equipment are stated at purchase price less accumulated depreciation. The carrying amounts of the assets are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount exceeds the recoverable amount, the asset is written down to the lower amount.

Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. The principal rate of depreciation is:

Motor vehicle	20%
Office equipment	20%
Furniture and fittings	20%

(h) Employee entitlements

Annual leave

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

Severance allowance

Severance allowance is calculated at the rate of one month's salary for each year of service. Under the Authority's recently approved internal Severance Policy, staff members are paid out their accumulated severance every 3 years of employment.

Vanuatu National Provident Fund (VNPF)

Contributions to VNPF are charged as incurred.

(i) Payables

Payables are stated at their cost.

(j) Deferred revenue

Grants are recognized in the statement of financial position initially as deferred revenue on a cash receipts basis. Grants that are intended to compensate the entity for expenses incurred are recognized as revenue in the statement of comprehensive income on a systematic basis with the related costs for which the grants are intended to compensate.

Grants that are received for project related funding are held in deferred revenue and released to the project in accordance with a defined acquittal process.

(k) Comparatives

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

(l) Going concern

The financial statements of the entity have been prepared on a going concern basis which assumes continuity of normal Authority activities, realization of assets and the settlement of liabilities in the ordinary course of its operation. The CEO considers the going concern principle to be applicable in the preparation of these financial statements given the entity is able to pay its debts as and when they become due and payable. The entity's ability to continue as a going concern is dependent upon the receipt of financial support through current imposition of assessed fees on regulated electricity and water utilities and Grant from the Vanuatu Government.

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	2021	2020
2. Revenue		
Grant from Vanuatu Government	62,226,099	62,226,096
Authority Assessment Fees	72,291,155	75,814,804
Penalty Authority Assessment fee	0	78,864
Interest received	15,976	22,942
Government Arbitration Support Grant	0	25,000,000
	<u>134,533,230</u>	<u>163,142,706</u>

Grant from Vanuatu Government

The Authority received during the year an approved annual Government Grant of Vt62,226,099 (2020: Vt62,226,096), which was used to cover its operating expenses.

Authority Assessment Fees

The Authority's primary source of revenue was from its Assessment Fees. Regulated Electricity and Water Utilities were invoiced during 2021 1.82% of their respective Gross Revenues due 1st March 2021 for 2019 assessment and , 1st June 2021, 1st September 2021 and 1st December 2021 for 2020 assessment. Separate to these fees were penalties imposed for non-compliance as follows:

Breakdown of Income (Levy) - FY ended 31/12/2021				
Levies Revenue by Utilities	4 Qtrs 2021	Penalty	1% surcharge	Total
Bellevue & Beverly Hills Water Supply	379,584			VT379,584
Bukura Water Supply	31,020			VT31,020
Department of Water Resources	1,750,409			VT1,750,409
Devils Point Water Supply	0			VT0
REST Development Water Supply	10,268			VT10,268
Teoumaville Water Supply	0			VT0
Teouma Water Supply	58,895			VT58,895
UNELCO - Electricity	53,283,751			VT53,283,751
UNELCO - Water	9,216,218			VT9,216,218
VUI Limited - Electricity	7,561,010			VT7,561,010
Total	72,291,155	0	0	VT72,291,155

Interest Received

The amount represent bank interest on its Term Deposit accounts.

Government Arbitration Support Grant

In 2020, the Authority entered an Arbitration process. The Authority covered most of the Arbitration cost and requested a one-off assistance for the Vanuatu Government through the Ministry of Climate Change.

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	2021	2020
3. Operating expenses		
Advertising	45,800	167,457
Auditors remuneration	570,927	640,179
Consultancy wages	21,079,677	31,744,953
Consultation - local	2,486,793	932,919
Depreciation	3,879,200	3,442,343
Employee annual leave and severance	5,717,139	7,416,349
Office rent	4,381,587	4,312,544
Salaries and wages	53,648,577	55,828,153
Staff Amenities	24,820	947,043
Subsistence and other allowances	4,219,000	3,130,000
Telephone and fax	1,761,295	2,235,463
Training local	0	(25,000)
Training international	0	614,710
Vehicle expenses	902,709	1,439,159
VNPF contributions	2,860,346	2,799,963
Travels	2,833,489	2,039,708
Utility expenses	1,624,835	1,749,863
IT expenses	3,133,190	2,557,889
Other expenses	4,406,544	2,712,351
Arbitration Cost	32,917,302	40,341,377
	<u>146,493,230</u>	<u>165,027,423</u>
4. Receivables		
Teoumaville Water Supply	0	286,305
Vanuatu Government	15,556,707	10,371,016
	<u>15,556,707</u>	<u>10,657,321</u>
Other Debtors	0	93,550
	<u>15,556,707</u>	<u>10,750,871</u>
5. Other assets		
VAT receivable	2,529,014	2,427,960
Other assets	2,129,792	883,802
Medical Fee Reimbursement	0	5,008,015
Employee Advance	950,000	0
	<u>5,608,806</u>	<u>8,319,777</u>
6. Plant and equipment		
<i>Furniture and fittings</i>		
At cost	4,668,874	4,569,783
Additions:	243,566	99,091
Less: Accumulated depreciation	(4,482,526)	(4,201,800)
	<u>429,914</u>	<u>467,074</u>
<i>Office equipment</i>		
At cost	12,347,009	11,097,115
Additions:	3,240,443	1,249,894
Less: Accumulated depreciation	(10,863,197)	(9,772,397)
	<u>4,724,255</u>	<u>2,574,612</u>

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	2021	2020
<i>Motor vehicle</i>		
At cost	14,065,730	14,065,730
Less: Accumulated depreciation	(12,187,715)	(9,981,372)
	<u>1,878,015</u>	<u>4,084,358</u>
<i>Infrastructure Upgrade</i>		
At cost	2,026,954	0
Less: Accumulated depreciation	(301,330)	0
	<u>1,725,624</u>	<u>0</u>
Total plant and equipment	<u>8,757,807</u>	<u>7,126,044</u>
Opening carrying value	7,126,044	9,219,403
Additions	5,510,963	1,348,984
Depreciation	(3,879,200)	(3,442,343)
Closing carrying value	<u>8,757,807</u>	<u>7,126,044</u>

7. Payables and accruals

Trade creditors	430,463	821,992
Other creditors	0	166,502
Accruals	660,590	5,148,347
Accrued audit fee	647,000	646,998
	<u>1,738,053</u>	<u>6,783,839</u>

8. Provisions

<i>Current</i>		
Provision for annual leave	1,089,379	3,110,973
Provision for severance pay	470,071	5,579,500
	<u>1,559,450</u>	<u>8,690,473</u>
<i>Non-current</i>		
Provision for severance pay	<u>825,723</u>	<u>3,573,310</u>

9. Notes to the statement of cash flows

(a) Reconciliation of cash

For the purposes of the statement of cash flows, cash and cash equivalents includes cash at bank and petty cash. Cash and cash equivalents as at the end of the financial year as shown in the statement of cash flows is reconciled as follows:

Cash at bank	35,823,577	66,438,606
Cash on hand	43,200	39,195
	<u>35,866,777</u>	<u>66,477,801</u>

UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

(b)	Reconciliation of surplus for the year to cash provided by operating activities during the year	2021	2020
Surplus for the year		(11,960,000)	(1,884,717)
<i>Non-cash items</i>			
- Depreciation		<u>3,879,200</u>	<u>3,442,343</u>
Net cash provided by operating activities before changes in assets and liabilities		(8,080,800)	1,557,626
<i>Changes in assets and liabilities during the financial year:</i>			
- Decrease in payables and accruals		(5,045,786)	(1,973,733)
- (Decrease) / increase in employee entitlements		(9,878,609)	4,055,491
- (Increase) / decrease in receivables		(2,094,866)	(8,933,012)
- Decrease / (increase) in other assets		<u>0</u>	<u>608,865</u>
Net cash (used in) / provided by operating activities		<u>(25,100,061)</u>	<u>(4,684,763)</u>

10. Employees

The number of permanent employees as at 31 December 2021 was 17 (2020:18).

11. Contingent liabilities

The CEO is aware of no contingent liabilities at balance sheet data (2020: Nil).

12. Subsequent events

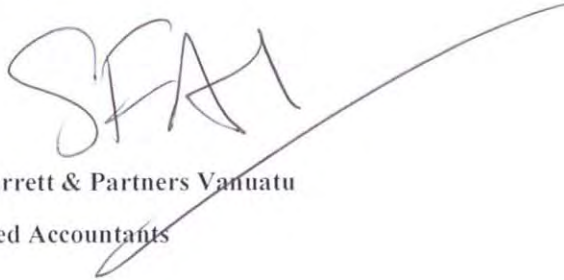
There are no subsequent events that the CEO is aware of at balance date.



Auditor's Disclaimer

The additional financial data presented on the following page is in accordance with the books and records of the entity which have been subject to the auditing procedures applied in our statutory audit of the entity for the year ended 31 December 2021. 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.

In accordance with our firm's policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person (other than Utilities Regulatory Authority of Vanuatu) in respect of such data, including any errors or omissions therein, arising through negligence or otherwise however caused.



SFAI Barrett & Partners Vanuatu

Chartered Accountants

28th April, 2022

UTILITIES REGULATORY AUTHORITY OF VANUATU

DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

	2021			2020		
Acc. name	Total	Levy	VGv	Total	Levy	VGv
Income						
Grants						
Grant from Government	62,226,099		62,226,099	62,226,096		62,226,096
URA Assessment fees	72,291,155	72,291,155		75,814,804	75,814,804	
Penalty-URA Assessment fee	0	0		(95,163)	(95,163)	
Penalty 1% - URA Assess. Fees	0	0		174,027	174,027	
Interest Received	15,976		15,976	22,942		22,942
Extraordinary Income	0		0	25,000,000		25,000,000
Total Income	134,533,230	72,291,155	62,242,075	163,142,706	75,893,668	87,249,038
Expenses						
Human Resources						
Salaries & wages - Admin	52,862,577		52,862,577	55,061,903		55,061,903
Salaries & wages - Other	786,000		786,000	766,250		766,250
VNPF	2,860,346		2,860,346	2,799,963		2,799,963
Staff Amenities	24,820		24,820	947,043		947,043
Training Local	0		0	(25,000)		(25,000)
Consultation Local	2,486,793		2,486,793	932,919		932,919
Training International	0		0	614,710		614,710
A.Leave & severance	5,717,139		5,717,139	7,416,349		7,416,349
Subsistence & other allowances	4,219,000		4,219,000	3,130,000		3,130,000
Corporate Wear	0		0	205,124		205,124
Medical	47,692		47,692	9,643		9,643
Total Human Resources	69,004,367	0	69,004,367	71,858,905	0	71,858,905
Travels						
Travels Local	2,833,489		2,833,489	1,938,818		1,938,818
Travels International	0		0	100,890		100,890
Total Travels	2,833,489	0	2,833,489	2,039,708	0	2,039,708
Audit and Consultancy						
Annual Audit fees (URA)	570,927		570,927	640,179		640,179
Consultancy Wages	21,079,677		21,079,677	31,744,953		31,744,953
Consultancy Firms	1,137,800		1,137,800	142,500		142,500
Total Audit and Consultancy	22,788,404	0	22,788,404	32,527,632	0	32,527,632
Transport						
Vehicle Repairs	200,087		200,087	676,211		676,211
Vehicle Fuel	298,157		298,157	248,645		248,645
Vehicle Insurance	366,165		366,165	452,402		452,402
Travelling/bus fares	38,300		38,300	61,900		61,900
Total Transport	902,709	0	902,709	1,439,159	0	1,439,159
Office Expense						
Rent/Office Lease	4,381,587		4,381,587	4,312,544		4,312,544
Legal	77,900		77,900	314,311		314,311

UTILITIES REGULATORY AUTHORITY OF VANUATU

DETAILED INCOME AND EXPENDITURE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

Expressed in Vatu

Repairs and Maintenance	205,426	205,426	212,501	212,501
Telecommunication	1,761,295	1,761,295	2,235,463	2,235,463
Electricity	1,624,835	1,624,835	1,749,863	1,749,863
Cleaning	241,377	241,377	232,905	232,905
Kitchen Supplies	173,417	173,417	213,212	213,212
Office Supplies	337,161	337,161	154,830	154,830
VAT Adjustment	810,820	810,820	0	0
Bad & Doubtful Debts	101,305	101,305	0	0
Water	116,712	116,712	141,320	141,320
Total Office Expense	9,831,835	0	9,831,835	9,566,950
Materials				
Stationaries	198,636	198,636	215,288	215,288
IT Equipment	238,878	238,878	49,591	49,591
IT Software	0	0	366,256	366,256
IT Support	2,894,312	2,894,312	2,142,042	2,142,042
Total Materials	3,331,826	0	3,331,826	2,773,177
Communication				
Advertisement	45,800	45,800	167,457	167,457
Postage	14,757	14,757	122,038	122,038
Printing	65,349	65,349	425,664	425,664
Official Entertainment	85,796	85,796	88,806	88,806
Website Maintenance	0	0	60,000	60,000
Social Responsibility Expenses	700,000	700,000	0	0
Total Communication	911,702	0	911,702	863,964
Financial Expenses				
Bank Charges	92,396	92,396	174,208	174,208
Total Financial Expenses	92,396	0	92,396	174,208
Depreciation				
Depreciation & amortization	3,879,200	3,879,200	3,442,343	3,442,343
Total Depreciation	3,879,200	0	3,879,200	3,442,343
Total Expenses	113,575,928	0	113,575,928	124,686,046
Operating surplus/(deficit)	20,957,302	0	20,957,302	38,456,660
Other Expenses				
Arbitration Cost	32,917,302	0	32,917,302	40,341,377
Total Other Expenses	32,917,302	0	32,917,302	40,341,377
Net surplus/(deficit)	(11,960,000)	0	(11,960,000)	(1,884,717)

Appendix B: Regulatory Framework

Regulated Industries and Relevant Legislation

On 31 December 2021, the following industries were regulated industries within the ambit of the Authority by virtue of the relevant legislation specified below:

- the electricity industry – generation, transmission distribution and retailing, under the power provisioned in the *Utilities Regulatory Authority Act No 11 of 2007(as amended)*
 - UNELCO Engie– Port Vila electricity concession
 - VUI Ltd (Pernix) – Luganville concession & Port Olry grid system, Maewo grid system, Vanua Lava grid system, Ambae grid system
 - Department of Energy - Malekula and Tanna Islands electricity concessions

- the water industry – prices, service standards and conditions of service for the Vanuatu water supply industry under the *Utilities Regulatory Authority Act No 11 of 2007 (as amended)*
 - UNELCO (GDF Suez)- Port Vila
 - Department of Water - Luganville, Lenakel, Lakatoro, Saratamata, Sola and other parts of Vanuatu
 - Beverly Hills and Bellevue Water system
 - Teoumaville Water System (operated by UNELCO)
 - REST water system
 - Teouma water system
 - Bukura water system

Appendix C: Utilities Regulatory Authority Publications 2021

Most of the Authority's publications can be obtained from the Office of the Utilities regulatory Authority in hard copy. Publications are available on the Authority's website www.ura.gov.vu

In 2021, the following completed documents were published:

- URA Live Dockets
- Pacific Region Electricity Bills Comparison Report
- Monthly Energy snapshots
- Monthly Activity CEO Report
- Electricity Fact Sheet
- Media Releases on projects undertaken:
 - Information to public on outcome of Arbitration and new base rate for UNELCO Port Vila electricity customers
 - URA issues preliminary VUI tariff and call for consultation with Luganville and Port Olry VUI customers
 - Final Decision lowering Water Prices in Port Vila (on Daily Post)
 - Clarification on February 2021 increase in adjusted electricity price
 - Inform Government and public on use of Santo Fund and Government contribution fee Fund
 - Call for public safety within the electricity grid
 - Inform public on Memorandum of understanding between the URA, Department of Energy and Office of the Registrar of cooperatives and business development services (ORCBDS)
 - Inform stakeholders and public on the 5th Electricity Fact Sheet

Appendix D: Legislation and Agreements

The following is a list of legislation, regulations, concession agreements and policies relevant to the Authority's responsibilities in relation to regulated industries as at 31 December 2021.

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 15th 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 15th 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 Honourable 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.

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]

Utilities Regulatory Authority Policies and Procedures (adapted)

- Utilities Regulatory Authority Manual of Processes and Development.
- Utilities Regulatory Authority Charter of Consultation and Regulatory Practice.
- Utilities Regulatory Authority Policies and Procedures.

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- Utilities Regulatory Authority Staff Manual
- Utilities Regulatory Authority Travel Guidelines
- Utilities Regulatory Authority Finance Manual
- Utilities Regulatory Authority OHSW Policy
- Utilities Regulatory Authority Code of Conduct
- Utilities Regulatory Authority Disciplinary Procedure Rules
- Utilities Regulatory Authority Severance Pay Policy
- Utilities Regulatory Authority Workplace COVID19 guidelines
- Utilities Regulatory Authority Medical Policy

Appendix E: Division 2 - Safety Standards Order, Inspection and Reliability Standards Report

- Safety standards (section 14) issued in relation to safety of regulated service in 2021 – 1
- Safety orders (section 15) issued directing any person to do or refrain from doing anything in relation to the safety of a regulated service in 2021 – 1
- Safety inspection (section 16) of premises, plant, equipment or vehicle connected with a regulated service conducted in 2021 – 2
- Reliability standards (section 17) issued in relation to the reliability of a regulated service in 2021 – 0

Appendix F: Division 3 – Price, Complaint Resolution and Contract Administration Report

Price

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

Notices issued under section 18 to date - 4

Enquiries, Complaints and Disputes

Section 19 of the *Utilities Regulatory Authority Act No 11 of 2007* 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* 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 compensation 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.

Requests made to the Authority for assistance in dispute resolution in 2021 for Electricity and

Water services were nil.

Enquiries

During the year ending 31 December 2021, the Authority received in excess of 30 enquiries on various matters related to electricity and water services including consultation feedbacks, customer queries, complaints, vacancies and information pertaining to utilities services.

All enquiries were acknowledged through email, telephone or face to face by Authority staff within 24 hours of receipt of the customer's enquiry

Complaint Resolution

During the 2021 year, the Authority received a total of 24 customer complaints. The nature of the complaints received related to unplanned outages for water, high electricity and water bills, quality of water, grid connected PV solar systems, high connection costs, disconnection and reconnection issues and fees, compensation for electricity construction works.

All customer complaints received by the Authority were acted upon with 24 hours of receipt by the Authority and customer responses provided within minimum 5 - 10 Business days. Where responses were not provided depended on clarification of information sought by customer or feedback from a complainant's utility.

Dispute Settlement

During the period under review, there were no disputes brought to the Authority for consideration.

At 31 December 2021, there were no outstanding customer disputes requiring the Authority's Decision and Resolution.

Appendix G: Compliance Report per concession contract

There has been no Compliance Report sought for this Reporting year

Appendix H: 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 2021 – 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 2021 – 0.

Claims received from the Supreme Court for Judicial review in 2021- 0

Arbitration Proceedings – Notice of Dispute issued in 2021 - 0

Appendix I: Staff

Management Team

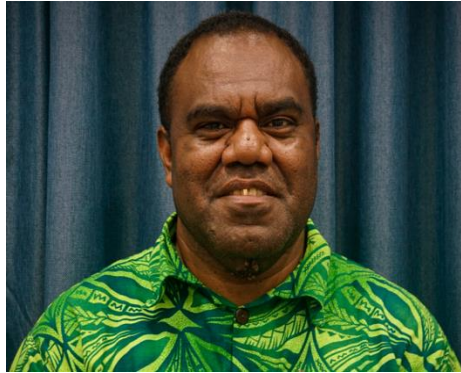
Chief of Staff

Ms. Lizzie Taura-Govan



Manager Legal

Manager – Mr. Louis Vakaran



Manager Finance Accounting & Audit

Mr. Davidson Seth



Manager Engineering & Customer Care

Mr. Romney Marum



Manager Economics & Tariff Evaluation

Ms. Maureen Malas



Manager Corporate Division (CD)

Ms. Belinda Reuben



UTILITIES REGULATORY AUTHORITY OF VANUATU

Regulatory Staff

Senior Economist

Mr. Edmond Tambisari



Financial Analyst

Mr. Arnold Lawi



Consumer Protection Specialist

Mr. Didier Joel Tuvuiaie



Senior Engineering Officer

Mr. Keith Vusi



Office Manager North Branch

Ms. Marie Helene Barthelemy



Accountant

Ms. Naomi Vurobaravu



UTILITIES REGULATORY AUTHORITY OF VANUATU

Administrative Staff

Office Manager North Branch

Ms. Marie-Helene Barthelemy



Accountant

Ms. Naomi Vurobaravu



Office assistant

Ms. Leonie Simbolo



Office assistant cleaning

Ms. Hilda Siba



Student on URA Internship program

Engineering Intern

Mr. Joseph Wassab

