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URAL Audit & Annual Report 2013
Amendment of the Utilities Regulatory Authority Act No. 11 of 2007 (the “Act”)
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3.4 Corporate Services Output Report
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Fees

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Summary of 2014 highlights

The activities of the URA can be grouped into three (3) main areas: Regulatory activities in the electricity and water sectors; advisory activities to the Government and to the public; and internal management and capacity building.

Regulatory activities in 2014

The major regulatory activities undertaken in 2014 include:

- the Final Decision on the Luganville electricity tariff adjustment for the Luganville Concession operated by Vanuatu Utilities Infrastructure Limited (Case U-0001-14);
- developing a feed-in tariff and net-metering program for the UNELCO Port Vila electricity concession (Case-U-0002-14);
- developing preliminary guidelines for Independent Power Producers (IPP’s) and Power Purchase Agreements (PPAs) for the electricity sector (Case-0003-14).
- developing standards and rules governing utility electricity customers new connections and charges (Case-U-0004-14);
- developing a tariff methodology paper for informing interested parties, especially utilities and the Government (Case-U-0005-14);
- developed a URA financial sustainability plan (Case-U-0006-14);
- the Final Order on the Luganville water tariff review for the Luganville water network operated by the Public Works Department (Case-U-0007-14);
- the Final Order on Electricity network safety (Case-U-0008-14);
- developing a Complaint and Dispute resolution process for electricity and water regulated utilities and consumers (Case-U-0009-14);
- Transfer of street lighting operations and maintenance from Port Vila Municipality Council to UNELCO (Case-U-0010-14);
- developed a process for registration of Water utilities throughout Vanuatu (Case U-0011-14);
- developed special tariff for new connections (Case-U-0012-14);
- developed special tariff for Business Development Incentive (Case-U-0013-14);
- developing utility billing and payment rules (Case-U-0016-14);
- developed Affiliate transaction guidelines (Case-U-0017-14);
- developed Restriction on utilities to provide financial support (Case-U-0018-14);
- developed a preliminary order on Regulatory Reporting Requirement for Water utilities (Case-U-0019-14);
- commenced initial preparation on UNELCO electricity tariff review (Case-U-0020-14);
- commenced initial preparation on UNELCO water tariff review (Case-U-0022-14);
- Prepared and disseminated Electricity Bills Comparison Report for the Pacific region (Case-U-0023-14).
Advisory activities in 2014

- Provided advice to the Government on the European Union (EU) solar assisted project (ADV2014-001-E-E);
- Provided advice to the Government on the Luganville concession re-bid (ADV2014-002-E-L);
- Provided advice to the Government on the Port Vila water concession contract (ADV2014-003-W-E);
- Provided advice to the Government on the Vanuatu Global Partnership Output Based Aid (GPOBA) World Bank project (ADV2014-004-E);
- Participated in the National Trade Development Committee (NTDC) meetings;
- Provided advice and report to the Government on definition, funds purposes and use in 2014 of Article 6 electricity and Article 29 water;
- Continued to provide advice to the Government on the National Energy Road Map implementation;
- Continued to address complaints and disputes raised by utilities’ consumers;

Internal management and capacity building activities in 2014

The major internal management and capacity building activities undertaken in 2014 include:

- Knowledge Sharing session by regulatory staff on individual projects;
- On-the-Job Training (OJT) with assistance from the Technical advisors;
- Basic regulatory training obtained from the Public Utility Research Center, FL. USA;
- Training obtained from the National Association of Regulatory Utility Commissioners (NARUC), MICH. USA;
- Conducted 5 in-house seminars for Regulators, Government department and donors (Telecom Regulator, Department of Energy, Public Works department, Governance for Growth). A learning session on regulatory best practices;
- Regulatory and sector training facilitated by NARUC in FL. USA;
- IRENA training on renewable energy in Tokyo and Fiji;
- Regional regulators meeting in New Zealand;
- Training on Energy Data and Policy Mechanisms to support the implementation of renewable energy targets;
1. About the Utilities Regulatory Authority

1.1 Purpose, powers and functions

The Utilities Regulatory Authority was established on 11 February 2008 under the Utilities Regulatory Authority Act No 11 of 2007 (the URA Act). The URA Act established the Authority as an independent regulator for pricing, access, safety and reliability standards and monitoring of concession agreements. The regulated services defined in the URA Act are the supply of electricity and water services.

The Authority provides continued and expanded support to the Vanuatu Government's microeconomic reform program. This program was designed to improve the efficiency and competitiveness of Vanuatu’s economy through the reform of the electricity and water sectors.

The Government perceived the establishment of an independent utility regulatory body as necessary to ensure that the benefits of the industry restructuring and concession arrangements were passed on to all residential, commercial and industrial customers.

The primary objective of the Authority is to improve access to electricity and water services and to promote the long-term interests of Vanuatu’s consumers with regards to the price, quality and reliability of electricity and water services.

This objective is central to the framework of economic regulation that facilitates the efficiency and financial viability of regulated utilities, prevents abuse of monopoly power and ensures that customers benefit from quality improvements and efficiency gains over the longer term.

The functions of the Authority, as expressed in the URA Act under which it is constituted, are:

- to exercise the functions and powers conferred by the URA Act or by any other Act in furtherance of the purpose of the URA 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 the URA Act;
- to advise the Minister on any other matter referred to the Authority by the Minister; and
- to administer and monitor compliance of Concession Agreements under the URA Act.

In accordance with its Charter of Consultation and Regulatory Practice (is this live document?) the Authority aims to be:

- independent, balanced and fair by ensuring its advice and actions do not reflect undue influences and is consistent with its statutory objectives; and
- open and transparent by submitting its preliminary decisions to public discussion, input and before making final its findings and Orders.
In addition to these objectives and functions under the Act, the Authority has objectives and functions conferred by industry-specific legislation and agreements, which include the *Electrical Supply Act* [CAP. 17], *Electricity Cable (Restriction on Passage of Vessels Thereunder)* [CAP. 27], *Electricity Supply* [CAP. 65], Concession Agreements for the Port Vila, Tanner Island and Molecule Island; Loganville MOU *Water Supply (Amendment)* Act No. 28 of 1993, *Water Supply* [CAP. 24] and Regulations; Contract for Management and Operation of the Water Supply Service in Port Vila, and *Water Resources Management Act* No. 9 of 2002.

### 1.1 Consultation and decision-making

As part of its commitment to transparency extensive public consultation is carried out prior to implementing major regulatory decisions. This is detailed in the Authority’s *Charter for Consultation and Regulatory Practice*. A transparent process is followed for each major regulatory decision and applied consistently for each regulated utility.

The decision-making process includes staff-issued papers, preliminary Decisions, presentations in consumer public meetings and the opportunity for stakeholders to make oral and written submissions. The Authority will usually publish and circulate a Preliminary decision. The public comments and responses to the preliminary decision are reviewed and given due consideration before a final decision is made. Towards the end of 2013, the new and current CEO put in place a docketing system whereby live projects have dedicated case numbers and an assigned coordinator. These live cases are also published on the URA website.

The URA Commission meets in a formal session, each quarter, to consider and direct its regulatory business. Extra-ordinary or special meetings may be held to decide on particular cases or issues. When a Commission meeting is held, a minute is created and approved subsequently. Where necessary, the Commission decision is confirmed by an appropriately sealed document. Where required, a decision becomes effective when it is entered in the Gazette.

### 1.2 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.

![L-R: Chairperson, Mr. Johnson NAVITI M. Marakipule, Chief Executive Officer and Commissioner Dr. Hasso C. BHATIA, PhD. and Executive Commissioner Mr. John OBED Alike.](image)
Chairperson:

Mr. Johnson NAVITI Matarulapa Marakipule

Mr. Johnson NAVITI was appointed Chairperson and Part-time Non-Executive Commissioner on the 1 October 2008. He is currently the Director General of the Prime Minister’s office promoted from his former role as head of Aid Coordination and Negotiation Unit (ACNU) of the Prime Minister’s Office.

Mr. Naviti was the Program Implementation Officer for the Pacific Island Forum Secretariat based in Fiji from 2002 to 2008 and worked for the Vanuatu Government from 1996 to 2001 as Sector Analyst and then as Acting Director of the Department of Economic and Sector Development. Mr. Naviti resumed work with the Government again upon his return from Fiji in 2008.

He holds a Bachelor’s Degree in Resource and Environmental Planning from Massey University in New Zealand.

Part-time Executive Commissioner:

Mr. John OBED Alilee

Mr. John OBED was appointed to the position of Part-time Executive Commissioner on 1 August 2014. He is the Registrar of the Supreme Court since 2002 and Secretary of the Judicial Service Commission since 2003. Prior to that, Mr. Obed worked as the Lay Magistrate in both Judicial and Administrative roles.

Before joining the Vanuatu courts, he was in the teaching arena as Principal of Matevulu College from 1998 to 2000.

Mr. OBED has a Master of Business Administration, a Postgraduate Diploma for General Managers and Postgraduate Certificate in Human Resource Management from the University of the South Pacific. He also holds a Bachelor of Arts from the Wellington University of Victoria in New Zealand. He is a member of several committees in country and the Government of Vanuatu. Mr. OBED was appointed as part of statutory recruitments as panel member for recruitment of the Telecommunication and Radio-communications Regulator in 2013 and recruitment for Director General for the Public Services Commission in 2011.

He is a trained Judicial Educator and has a Mediator Certificate by LEADR, Australia.
Chief Executive Officer/ Part-time Commissioner:

Mr. Hasso C. Bhatia, PhD.

Dr. Hasso C. Bhatia was appointed as the CEO and Part-time Commissioner for the URA commencing October 2013. He joined the URA with over 35 years of experience in regulation working in the US and over 20 developing countries.

For the past 15 years Dr. Bhatia has worked in developing economies principally in the former Soviet Republics, Eastern Europe, South Asia and Middle East, in leadership positions as advisor and senior energy consultant to host governments, utilities and newly formed regulatory agencies. He was Chief of Party for USAID-sponsored regulatory development projects in Moldova, Bulgaria, Azerbaijan and Bangladesh. He has been resident energy advisor to Ministry of Energy and Water and the National Electricity Company (DABM) in Afghanistan. He has advised energy regulators in Mongolia, Indian State ERCs, and electricity utilities in Jordan. He was Team Leader for the ADB project to evaluate barriers to private Power development in Nepal and to develop mitigation strategies to Promote Private Hydro-Power Development under PPP model. Dr. Bhatia has worked closely with NARUC and ERRA to develop and conduct several training programs, conferences and workshops.

Dr. Bhatia is an American citizen of Indian origin. He holds a PhD. in Mathematics from Michigan State University, an M.S degree in Mathematics and Operations Research and a B.S. degree from University of Delhi, India.
1.3 Organisation Structure

The Utilities Regulatory Authority had a total of 14 positions in 2014, 9 of them working staff members including Chief Executive Officer and 5 expert advisors. Staff members included:

Chief Executive Officer & Commissioner – Dr. Hasso C. Bhatia, PhD.
Manager Regulation -Ms. Lizzie Taura-Govan;
Office Manager (Administration) - Ms. Belinda Reuben;
Project Manager (Regulatory Finance, Accounting and Audit) – Ms. Maureen Malas;
Manager Engineering and Consumer Division – Mr. Romney Marum;
Accountant (Administration) – Ms. Naomi Vurobaravu;
Consumer Protection Specialist (Engineering and Consumer Division) – Mr. Didier J. Tuvuiæ
Office assistant – Ms. Hilda Siba
Part-time Office assistant – Ms. Leonie Joseph

Technical Advisors in 2014 included:

Chief Economist – Mr. James Ryan;
Principal Finance Specialist – Mr. Olivier Fernandez;
Legal Specialist – Ms. Kanksha Ghimire;
Economic Specialist – Ms. Rachel Armstrong
Financial Analyst – Ms. Aurellia Karie
All except five staff were N-Vanuatu citizens.

Below chart illustrates the URA Commission and URA team structure in 2014:
The Authority’s regulatory and analytical staff were selected from candidates qualified in economics, accounting, finance, business, engineering, law and other disciplines. In addition to its local staff, the Authority also engaged expert contractors and consultants experienced in analysis and advice on technical, economic, engineering and legal regulatory matters on an as-needed basis.

URA Staff and Advisors 2014

Back Row L-R: Mr. Olivier Fernandez, Mr. James Ryan, Ms. Hilda Siha, Ms. Belinda Reuben, Mr. Romney Marum. Front Row L-R: Ms. Kanksha Ghimire, Ms. Lizzie Govan, Ms. Naomi Vurobaravu, Dr. Hasso C. Bhatia (CEO), Ms. Maureen Malas and Mr. Didier Tuvuiae.

URA Technical Team 2014

Back Row L-R: Mr. James Ryan (Chief Economist), Mr. Romney Marum (Manager Engineering & Consumer Care), Mr. Olivier Fernandez (Principal Finance Specialist); Front Row L-R: Mr. Didier Tuvuiae (Consumer Protection Specialist), Dr. Hasso C. Bhatia PhD. (CEO), Ms. Kanksha Ghimire (Legal Specialist) and Ms. Maureen Malas (Project Manager). [missing Aurellia Karie and Rachael Armstrong]

URA Administrative Team 2014

L-R: Ms. Hilda Siha (Office Administrator), Ms. Naomi Vurobaravu (Office Accountant) and Ms. Belinda Reuben (URA Office Manager). [missing Ms. Leonie Joseph – Part time office assistant]
2. Chairman’s statement

I am delighted to report another year of progress and achievement for the Utilities Regulatory Authority (the “Authority”) in 2014. This year has been another challenging but high achieving year.

In this 2014 Annual Report, you will read with interest all the activities that the Authority has completed or participated in, most significantly new special tariffs programs and schemes, specific tariff reviews and the development of guidelines and standards, all aimed at improving consumer services and affordable prices... These have been made possible through the efforts of an experienced CEO, Dr. Hasso C. Bhatia who is also a Part-time Commissioner, assistance from the Director and staff of the Department of Energy, Director and staff of the Department of Water including the relevant Government Ministries. Having on board also a highly experienced public servant into the position of Part-time Executive Commissioner, Mr. OBED has assisted immensely on the deliberations and arriving at appropriate Decisions. With this, I welcome the newly appointed Mr. John Obed Alilee into the URA family since August of this year.

The Authority has not only worked in achieving its 2014 work program but aims to always provide an opportunity for staff training to meet the capacity building needs to strengthen the institution. It is my strong belief that the more training of staff and commissioners on the job and abroad including networking with other regulatory offices can achieve the goal of URA to become a robust independent utility regulator. In this dynamic environment of regulation, and as mentioned in the past, ‘staff training helps to address information asymmetry favoring utilities’ as URA can match skills with their utility counterparts.

The Authority continues to promote good regulatory practices by observing the principles of transparency, accountability, independence, predictability of results and stakeholder involvement in its decision-making process. This is evident from the Authority’s final decisions and ongoing activities which are always supported within “the four corners of the record” with proper consultation and due process being followed.

I take this opportunity to thank my fellow Commissioners for their support throughout the year and especially to the hard working staff of the URA who have demonstrated commitment, professionalism and diligence to carry out their work. Without all of your efforts, we would not be where we are today. Let us continue to work together towards excellence in years ahead.

Johnson Naviti Matarulapa MARAKIPULE
Chairperson
3. Outcomes in 2014

During its Strategic planning day in December 2013, the Authority held a workshop involving URA Staff and Commissioners to develop its energy and water regulation program consistent with its overall objectives mandated under the Utilities Regulatory Authority Act No. 11 of 2007 for 2014. On this day the team also reviewed achievements and challenges of 2013 and discussed the best way forward on specific matters. As a result of the day, the following objectives and outcomes were achieved:

- Identifying the major challenges (internal and external) in meeting its 2013 work program;
- Identifying and exploring the major issues and challenges in regulatory projects, advisory activities and in capacity building;
- Developing realistic action plan and work program for 2014 in the order of priority bearing in mind resources and capacity/personnel.

During 2014, the Authority:

- Issued Final Decision on Luganville electricity tariff adjustment for the Luganville Concession operated by Vanuatu Utilities Infrastructure Limited;
- Issued Commission Order for transfer of street lighting operations and maintenance from Port Vila Municipality Council to UNELCO;
- Issued Order rescinding Commission Decision on Luganville water tariff decision due to non-response of the utility to conditions in the Order;
- Issued Order adopting the Small Water Suppliers (Registration) Rules 2014;
- Issued Order establishing the Utilities (Restriction on Provision of Financial Support) Rules 2014;
- Issued Final Decision and Order on Feed-in Tariff program;
- Issued Final Decision and Order on Business Development Incentive electricity tariff;
- Developed and presented the URA financial sustainability plan which was duly approved by the Council of Ministers;
- Continued to advice the Government of Vanuatu through relevant Ministries on matters relating to utilities;
- Continued to build capacity including training and development of local staff to equip them with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public;
- Continued to provide assistance to the World Bank on the Electrification projects in Vanuatu and to regional institutions requiring advice.
The following key projects were identified for 2014 with target dates and output:

### 3.1 2014 Work Program by Industry Sector

#### ELECTRICITY SERVICES

**Tariff Review**

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price Review (Luganville)</strong></td>
<td>Review cost of electricity services and methodology for setting Luganville tariff, subject to the signing of the Luganville concession contract</td>
<td>Completed March 2014</td>
</tr>
</tbody>
</table>

**General Projects**

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Feed-In tariff and net metering program for UNELCO</strong></td>
<td>Program designed to accelerate investments in renewable energy technologies, i.e. roof-top solar panels by allowing energy producers to be compensated for the energy they feed back into the UNELCO’s grid</td>
<td>Commenced: December 2013 Completed: July 2014</td>
</tr>
<tr>
<td><strong>IPP’s and PPA’s preliminary Guidelines</strong></td>
<td>Guidelines developed for Independent Power Producers (IPP) in Power Purchase Agreement (PPA) arrangements within the electricity sector</td>
<td>Commenced: December 2013 Completed: in progress</td>
</tr>
<tr>
<td><strong>New connections rules and charges</strong></td>
<td>Standards rules and charges developed for utilities to comply with around new customer connections</td>
<td>Commenced: December 2013 Completion pending URA Final Billing Rules.</td>
</tr>
<tr>
<td><strong>Tariff Review methodology paper</strong></td>
<td>Methodology paper outlining process of arriving at a determined tariff for electricity and water</td>
<td>Commenced: January 2014 Completion pending URA Final tariff reviews for electricity and water for Port Vila concession</td>
</tr>
<tr>
<td><strong>Electricity Network Safety Guidelines</strong></td>
<td>Guidelines developed to inform utility on safety standards for the design, construction, maintenance and operation of electricity transmission and distribution network including steps for URA to undertake during inspections of the network for safety purposes.</td>
<td>Commenced: October 2013 Completion: in progress</td>
</tr>
<tr>
<td><strong>Business Development Incentive tariff</strong></td>
<td>Special tariff developed and proposed for new and expanding business in Vanuatu who will be eligible for a discount in their electricity bills for a prescribed number of years.</td>
<td>Commenced: April 2014 Completed: December 2014</td>
</tr>
</tbody>
</table>
### Comparative Report for Electricity Bills in Pacific Region

- **Report outlining average electricity bills region-wide**
- **Commenced:** Annual

### Preliminary work on UNELCO electricity tariff review

- **Review cost of delivering electricity services, performance of utility and market factors and determining appropriate level of tariff for implementation by UNELCO.**
- **Commenced:** September 2014
- **Completion:** in progress

### WATER SERVICES

#### Tariff Review

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rescind 2013 Price Order(Luganville water service)</td>
<td>Order by the URA Commission rescinding new Water Tariff rate ordered in May 2013 for non-conformance to conditions by the water service provider</td>
<td>Completed</td>
</tr>
</tbody>
</table>
| Preliminary work on Port Vila water tariff review | Review cost of delivering water services, performance of utility and market factors and determining appropriate level of tariff for implementation by UNELCO | Commenced: September 2014  
Completion: in progress |

#### General Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
</table>
| Water Utilities Registration                    | Process of registration of water networks providing service to customers and creating a database for water utilities for URA purposes | Commenced: March 2014  
Completion: September 2014 |
| Regulatory Reporting Requirements for Water Utilities | Guideline document outlining information required by the URA of the water utility for regulatory purposes | Not yet commenced. Pending Port Vila Water Tariff Review completion |
OTHER ACTIVITIES

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>Commencement/Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>URA Financial Sustainability Plan</td>
<td>Proposal to Parliament authorising regulated utilities to issue a levy to regulated utilities consumers for sustainable funding of the URA, established and mandated in its legislation to regulate electricity and water services throughout Vanuatu</td>
<td>Commenced: January 2014 Completed: May 2014 Adopted By COM: October 2014</td>
</tr>
<tr>
<td>Customer Complaint &amp; Dispute Resolution process</td>
<td>Process developed through which customer complaints and disputers are accommodated</td>
<td>Commenced: April 2014 Completion: in progress (completed in June 2015)</td>
</tr>
<tr>
<td>Utility billing and payment Rules</td>
<td>Rules developed to inform utility companies and their consumers on matters of billing and payment.</td>
<td>Commenced: June 2014 Completion: in progress</td>
</tr>
<tr>
<td>Affiliate company transaction Guidelines</td>
<td>Rules informing regulated utility providers around transacting with third parties (affiliates and unregulated organisms) on matters of fair and just.</td>
<td>Commenced: August 2014 Completion: in progress</td>
</tr>
<tr>
<td>Restriction on utilities to provide financial support</td>
<td>Order developed to ensure utilities inform and furnish to the URA documents outlining any financial support to unrelated regulatory business.</td>
<td>Commenced: July 2014 Completed: August 2014</td>
</tr>
<tr>
<td>Special tariff for new connections</td>
<td>New tariff to be developed for new connections to promote connectivity of residential customers to the electricity grid.</td>
<td>Commenced: April 2014 Completed: in progress</td>
</tr>
<tr>
<td>Capacity Building</td>
<td>Continuous capacity building for local staff through OJT and overseas mission as required for relevant projects in the annual work program</td>
<td>Ongoing</td>
</tr>
</tbody>
</table>

3.2 General Performance Review

During the year under review the Authority performed various activities as summarized below:

3.2.1 Tariff decrease for electricity services in Luganville Final Decision and Order

In November 2013, the Vanuatu Utilities and Infrastructure Limited (VUI) applied for a tariff review of electricity services in Luganville. In supporting its request, VUI indicated in its application that a modest rate reduction could be made as a result of cost savings from improved performance of the Sarakata hydropower plant. VUI proposed 3-4% reduction in tariffs.

In December 2013, URA commenced an investigation into the electricity tariff of VUI and requested information and data to perform its analysis. The scope of the review was primarily to assess the impact on generation costs resulting from increased utilization of the Sarakata hydropower plant. Based on the analysis, URA staff recommended, that the base price should be set
at VUV46/kwh, a reduction of 15.70% from the level in December 2013. The URA Commission after deliberation determined that the recommendations by Staff be adopted as a preliminary decision subject to a Final Order, after public consultations, scheduled for January 2014, had been completed.

The Commission then issued a Notice of Request for Comments and Public Consultation for interested persons and VUI customers. This was to ensure that the URA arrived at a fair and equitable Final Decision on the Luganville tariffs.

URA Commission received additional information and comments from VUI and its consumers which were taken into consideration to arrive at the Final Decision, in March 2014, which was as follows:

- Base rate for VUI tariffs reduced by 14.06%
- Transfer Luganville street lighting responsibility to VUI to ensure safe and secure roads and streets, at no further cost to the consumer
- The current monthly base rate adjustment mechanism is abolished and replaced with an annual reconciliation;
- Certain other costs such as investments shall be reviewed on annual basis to reconcile the estimates against actual expenditures and tariff adjusted, if necessary going forward;
- VUI shall establish a Santo Fund for Electricity Related Projects as directed in this Order; VUV1/kWh contribution shall be made to the Fund by VUI;
- An incentive mechanism based on Sarakata hydro performance is adopted.

The lowering of electricity price in Luganville has directly benefited customers of VUI and also stimulated business growth and economic activity in Luganville and some of Santo’s remote areas. The transfer of responsibility for street lighting services should ensure reliability and improved lighting for the public on the main streets, thus enhancing safety for the people and a well-lit utility service area. Further, Santo Fund, funded by Luganville consumers, is dedicated to promoting access to electricity by building extensions in areas where individual customers couldn’t afford it. This is consistent with NERM and govt. policy of universal access. A fund committee comprising Lunganville Municipality, Dept of Energy, VUI and URA was established to review extension projects in Santo.

3.2.2 Transfer of Street lighting operations and maintenance from Port Vila Municipality Council to UNELCO

The URA assisted Port Vila Municipality Council (PVMC) through facilitating discussions between PVMC and UNELCO on its outstanding bills. Going forward, URA proposed that street lighting
responsibilities are transferred to UNELCO in order to avoid deterioration in Street lighting in Port Vila.

3.2.3 Rescind May 2013 Decision for increase of Water tariff in Luganville: by Order of URA Commission

On May 27, 2013 the URA Commission issued a Final Order authorizing a 13.5% increase in water tariff for Luganville from VT52 to VT59/cm conditioned upon certain management actions undertaken by the operator- PWD (Public Works Department). As the operator PWD failed to meet these conditions and took no concrete action, the URA issued a Showcause Notice and subsequently rescinded the tariff order. However URA has advised the PWD that it will reconsider a tariff increase if and when the operator takes steps to implement the management improvements. Moreover the URA is aware that the reduction of Luganville electricity tariffs has provided a significant relief to PWD water system in Luganville as electricity costs are a major item of its expenses.

3.2.4 Registration of Water utilities throughout Vanuatu

Due to a number of complaints received by the URA on other small water utilities providing water services to public outside the UNELCO water network, the URA in 2014 commenced issuing notices and announcements throughout Vanuatu on mandatory registration. Some small systems have already registered with the URA providing basic data on their operations. Further efforts will be undertaken to complete this registration. The URA is also responsible for the quality of water supplied by these small systems and is thus continuing investigations in this area.

3.2.4 Ordering Rules 2014 on Utilities Restriction on Provision of Financial Support

Final Decision (Case U-0018-14) was issued, Utilities (Restriction on Provision of Financial Support) Rules 2014 to regulate financial transactions of a concessionaire to ensure that revenue collected from consumers is used prudently and that utility services are not jeopardized. UNELCO did not agree with this decision and filed a notice of grievance which was rejected by the commission. UNELCO has filed for a Judicial Review.

3.2.5 Feed in tariff program Final Decision and Order

The Feed- in program developed by staff proposed to implement a limited roof-top solar program in UNELCO’s service area in Port Vila. The program allows domestic and small commercial customers to reduce their electricity dependence on the grid by generating their own roof-top solar energy. Customers benefit from this program as they can still use grid power at the normal retail tariff to supplement their electricity use when their own solar powered energy is limited or unavailable, like at night time. Furthermore, any excess solar power generated can be sold to the network grid which will further offset higher cost energy generation, thereby benefit all consumers. The program contains limits on the size of individual installations, and also the total installed capacity. A customer may install solar panels equivalent to the subscribed kVA of their current
connection, up to 20kWp. The total program is limited to 500kWp, available currently to approximately 50-70 domestic customers, 10 commercial customers, and 3 High voltage customers. During the program development the staff were directed to work with UNELCO to cooperatively arrive at the program parameters and implementation mechanism.

By June 2014, the URA had completed all public consultations, actions and requested letter of support from UNELCO prior to Commission Final Order. In the end UNELCO declined to support the program. The Commission then issued its Final order adopting the program, on July 22, 2014. UNELCO filed a grievance against the Final Order and the Commission responded by rejecting the grievance and affirming the Order. UNELCO has filed a petition with the courts for judicial review of the Order, challenging the powers of the URA to issue such as Order. URA is vigorously defending its position.

### 3.2.6 Business Development Incentive electricity tariff Final Decision and Order

To promote new businesses, the URA staffs were directed to analyse ways to encourage new and expanding businesses by offering attractive electricity prices. Staff found that there is significant excess capacity in the UNELCO’s Port Vila generation and network. The staff analyzed the incremental costs to serve new loads. Based on its analysis, staff proposed a special tariff for new and expanding businesses that will offer up to 30% discount in Port Vila. The discounted tariff shall cover the operating and out of pocket costs of the utility and therefore will not adversely impact utility or other consumers. The URA has adopted the proposal and ordered the Business Development Incentive (BDI) electricity tariff for new large business customers in Port Vila. This tariff shall be available for up to 5 years. However UNELCO has opposed this tariff on the grounds that it is outside the powers of the URA to order such tariff and requested a Judicial Review. URA is vigorously defending the BDI Order.

By December 2014, this program implementation is on hold pending the Court decision.

### 3.2.7 Electricity network safety Rules

The URA had previously issued safety standards for electricity to prevent accidents and injuries to persons working in the vicinity of networks. Upon review and based on experience of the utilities, the URA decided to revise and strengthen the standards to protect persons and equipment from injuries, accidents or damage. In cooperation with and support of the two electricity utilities, UNELCO and VUI, the URA staff drafted the safety standards. The Commission issued Final Order on December 5 2014, adopting the revised standards. These were gazetted and are now in effect.

The URA also wants to develop general guidelines and standards for electrical systems covering generation, distribution, inside wiring, etc. This shall include public safety as well modernizing the network equipment, improved efficiencies through state of art technology applications as practiced in advanced countries such as Australia, New Zealand, etc.
The URA is in the process of hiring a suitable expert to assist with this work. Expressions of Interest have been received for this assignment. This major part of URA’s task in 2014 as a project on Inspection and Safety of the Utilities Network (Case U-0024-14), is anticipated to complete by November-December 2015.

3.2.8 URA Financial Sustainability Plan

The URA team developed the institution financial sustainability plan to meet financial needs of the statutory body with permanent funding mechanism. Plan primarily proposes a levy on the regulatory utilities utility with partial funding to be provided by the Government. This document being a direct instruction from the Minister of Finance and Economic Management was completed with much investigation and preliminary discussions with utilities. Plan calls for amendments to the URA Act to incorporate assessment of fees to the utilities.

The proposal once implemented will ensure that the URA operations is sustained to enable the institution to facilitate responsibilities of the regulatory framework, capacity build and among other things perform its duties under the Act.

In June 2014, the proposal was sent to the Hon. Minister of Finance for submission to Council of Ministers approval prior to consideration by the Parliament. In November, the Plan was placed before the Government, Development Committee Officers (DCO) for their approval. The Plan was considered and approved by the Council of Ministers in November 2014. Next step is to submit the plan to SLO for legislative drafting.

3.2.9 Advisory services to Government

URA is providing day to day and strategic advice to ministries and government departments on regular basis such as:

- Department of Energy - review of PPA, Evaluation of technical consultation bidders, renewable energy strategy;
- Department of Lands – Long term strategy to establish new water concession areas on Efate such as Stella Marie, Havannah Harbour and in Rentapau area. Advice on Port Vila Water mid-term review;
- Port Olry Electricity network – assisting with facilitating meetings to improve current electricity network and encourage connection to the grid through finding sustainable options for the network and service restoration issues.
- Review of Solar Project Power Purchase Agreement between United Arab Emirates and UNELCO – reviewing and providing advice to the Department of Energy

Staffing and Institutional Capacity Building

The URA is constantly working to enhance skills and professional capacity of the organization to achieve the goal of eventually performing all tasks including those currently provided by expat
technical support with the local Vanuatu staff, as timely as feasible without impacting quality of analysis and output.

During 2014 there were altogether eight (8) technical personnel: 4 (four) local Ni Vanuatu and 4 (four) expatriate technical advisors in the sector of legal, economics and regulatory finance. In 2014 Authority hired six new staff, consisting of locals, expatriate experts and a Commissioner.

The URA plans to accelerate training and professional development initiatives to rapidly build local staff capacity with end goal to enable local staff to conduct full tariff reviews and other tasks with light or no supervision from international technical advisors.

It is important that the URA maintain a balance between its goal of rapid capacity building and fulfilling objectives of the high quality performance in its regulatory responsibilities and tasks.

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.
3.3 Other Activities

URA Audit & Annual Report 2013

During the year, the Authority worked with the Office of the Vanuatu Auditor General and the World Bank in the process of selecting the appropriate audit firm to undertake its 2013 annual audit. The office of the Law Partners, a Vanuatu-based audit firm was appointed and who successfully completed the Audit by June 2014. The Authority’s 2013 annual report was issued following completed audited report.

Amendment of the Utilities Regulatory Authority Act No. 11 of 2007 (the “Act”)

In 2014, a review of the current Act and Regulatory Framework to attain more clarity and remove ambiguities in the URA Act was commenced. This high priority task is at research stage and will involve URA interacting with other relevant Government bodies especially the Department of Energy and Ministry of Climate Change, Min. of Lands, PMO, SLO and others.

Other projects currently undertaken by the URA includes:

- Developing diesel price comparison reports to verify the lower global fuel prices realized are appropriately reflected in retail electricity tariff in Vanuatu;
- Continuing to provide to the public a monthly energy snapshot outlining the different sources that make up the electricity that is consumed each month by customers;
- Continuing to advise PWD on actions to improve water quality and financial management of their water services;
- Developing competitive generation and least cost models including reference price for new generation sources;
- Undertaking audits and cost analysis of utility company records to ensure operating efficiency and regulatory compliance;
- Revising electricity safety standards with particular emphasis on monitoring, inspection and enforcement;
- Revising electricity reliability standards with particular emphasis on monitoring, inspection and enforcement;
- Developing water quality standards, monitoring, inspection, and enforcement;
- Conduct survey of electricity prices in regional small pacific islands in comparison to Unelco and VUI prices.
3.4 Corporate Services Output Report

The intended outcome of the URA’s actions are 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 services and ensure that consumers benefit from regulatory-induced efficiencies.

The Authority’s budget for 2014 was prepared on an output budgeting basis in accordance with Vanuatu Government standards and World Bank requirements. The following is a brief report on output targets set for 2014:

**Workforce Data**

Total Employment as at 31 December 2014
(By Division):

<table>
<thead>
<tr>
<th>Division</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Executive</td>
<td>1</td>
</tr>
<tr>
<td>Management</td>
<td>2</td>
</tr>
<tr>
<td>Engineering and Consumer Protection</td>
<td>2</td>
</tr>
<tr>
<td>Economic and Tariff</td>
<td>0</td>
</tr>
<tr>
<td>Finance, Accounting &amp; Audit</td>
<td>2</td>
</tr>
<tr>
<td>Legal</td>
<td>0</td>
</tr>
<tr>
<td>Administration*</td>
<td>4 (1 in Management)</td>
</tr>
<tr>
<td>Technical Advisors</td>
<td>4 (Legal, Economics, &amp; Finance)</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>14</td>
</tr>
</tbody>
</table>

* Excluding the Commissioners (Chairman and Executive Commissioner), outsourced services and contractors.

**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.

The Authority has a health and safety representative.

**Private Interest Declarations**

Declarations of private interests were completed by all relevant officers.

**Medical/Leave**

**Medical / Leave statistics**

<table>
<thead>
<tr>
<th>Medical / Leave statistics</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Claims for 2014</td>
<td>29</td>
</tr>
</tbody>
</table>
Employee Relations
No employee time was lost in 2014 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 offers comparable benefits including severance, matching VNPS 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. The Commissioners met quarterly during 2014, meeting for the first meeting of the year on the 20th of February 2014 and last in 5th December 2014. The Authority operates under its own Corporate Governance Statement. This statement also outlines the role of the Chairperson and Commissioners, which comprises the two-part-time Commissioners (Dr. Hasso C. Bhatia and Mr. John Obed Alilee) and Chairperson (Mr. Johnson Naviti).

The role of the Commissioners is to assist the Authority 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
- External and internal audits.

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 Authority to enter into Memoranda of Understanding with a range of interacting Government agencies. In addition, the Authority may enter into Memoranda of Understanding with agencies with which it shares important working relationships.

The objective of a memorandum is to improve communications, encourage input into regulatory processes and avoid overlap with the other agencies.
In December 2013, a Memorandums of Understanding was signed between the Law Students Internship Program (a partnership program of the University of the South Pacific) and the Utilities Regulatory Authority on cooperation for hosting arrangements. To date, three (3) student interns were hosted by the Authority pursuant to the MOU.

An Agreement was also signed between the Universite Toulouse Capitol and the Utilities Regulatory Authority to host their second and third and final year students in their bachelor degree. To date two (2) students have spent two (2) occasions with the Authority.

**Information & Communication Technology (ICT)**

Information technology facilitates the communication and delivery of the Authority’s 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.

In 2014, the Authority engaged the ODC Consulting company to provide ICT services to the Authority including installation of a local server as in-house storage facility and files management.

**Charter of Consultation and Regulatory Practice**

The *Utilities Regulatory Authority Act No 11 of 2007* requires the Authority to develop and publish a Charter of Consultation and Regulatory Practice. In 2008 the first version of the Charter was produced.

The purpose of the Charter is to provide guidance on the Authority’s processes for making determinations and conducting inquiries. It outlines the Authority’s principles of consultation and outlines how external audiences are notified of inquiries, decisions and determinations.

Staff of the Authority refer to the Charter when planning price and regulatory reviews and other activities, and are guided by it in conducting public consultation and seeking comment from stakeholders. The Charter was last reviewed in 2010, although the Authority is committed to continually reviewing and updating its consultation processes to ensure they remain relevant.

**Consultation Processes**

The Authority encourages stakeholder participation in its regulatory activities. Following activities were consulted on and information was provided and feedback received:

- stakeholder consultation on the Luganville electricity tariff review;
- consultation with the Public Works Department on unmet conditions of May 2013 Luganville water tariff Final Decision and Order;
- Stakeholder consultation on Feed in tariff program;
- Stakeholder consultation on Business Incentive tariff scheme;
- Consultation with relevant Government Ministries and Department on the URA Financial Sustainability plan;
- Consultation with relevant Government Department on IPP/PPA Guidelines;
- Consultation on the Complaint and Dispute Resolution process
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.

**Communications and Publications**

In 2014, the Authority published 14 media releases which involved providing information to public, announcing publication of reports and consultations such as the Luganville electricity tariff adjustments, feed in tariff system, the Business development incentive tariff and the Port Vila street lighting transfer of responsibility from the Port Vila Municipality to UNELCO.

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 URA were also invited to put on a Radio interview on the Feed In tariff scheme developed by the URA to be implemented. This was mainly to provide clarity on recent media release.

The Authority also met regularly with government representatives and utilities staff.

The bilingual website [www.ura.gov.vu](http://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 management. Commissioners are subject to Vanuatu Leadership Code as condition of their appointment. A formal code of conduct for staff is currently under development.

**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 were found during 2014.

**Research and Development**

No major research and development activities were undertaken by the Authority in 2014.

**Building Works**

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

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>VUV</td>
</tr>
<tr>
<td></td>
<td>(M)</td>
</tr>
<tr>
<td>Operating Budget</td>
<td>90.0</td>
</tr>
<tr>
<td>Actual Operating</td>
<td>89.8</td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
</tr>
</tbody>
</table>

Fees

No fees were issued by the Authority in 2014.
Appendix A: Financial Statements for Year Ending 31 December 2014

Office of the Utilities Regulatory Authority

FINANCIAL STATEMENTS

PMB 9093
Port Vila

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Statement of comprehensive Income 32
Statement of changes in funds 33
Statement of financial position 34
Statement of cash flows 35
Notes to the Financial Statements 36–41
Accountants’ disclaimer 42
Detailed Income statement 43-44
UTILITIES REGULATORY AUTHORITY OF VANUATU

Report of the Chief Executive Officer
For the year ended 31 December 2014

The Chief Executive Officer (CEO) presents his report together with the audited financial statements for the year ended 31 December 2014 and the auditors' report thereon.

CEO

The CEO of the entity at the date of this report, who served throughout the year except where otherwise indicated, is:

Date appointed

Dr. Hasso C. Bhatia (PhD.) 15/10/2013

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 2014, 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 for connection.

State of affairs

In the opinion of the CEO, there were no significant changes in the state of affairs of the organisation that occurred during the financial year not otherwise disclosed in this report or the financial statements. Further, it is the opinion of the CEO 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 surplus for the year was VT 23,279,731 (2013: operating deficit VT 7,775,270).

CEO’s benefits

The CEO received salaries and benefits which were paid by the Utilities Regulatory Authority of Vanuatu under the World Bank Grant financed by the Australian Government Governance for Growth Program.

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 2014 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 2014. The CEO also confirms that applicable accounting standards have been followed and that the financial statements have been prepared on a going concern basis.

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.
A resolution to re-appoint Law Partners, as auditors will be proposed at the Annual General Meeting.

For and on behalf of the Board and in accordance with a resolution of the CEO.

Dated at Port Villa, the 30th April 2015.

Chief Executive Officer
Independent Auditors' Report to the Commission of
Utilities Regulatory Authority of Vanuatu

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

We have audited the accompanying financial statements of the Utilities Regulatory Authority of Vanuatu which comprise the statement of comprehensive income for the year ended 31 December 2014, the statement of changes in funds, the statement of financial position 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 5 to 14.

CEO's responsibility for the financial statements
The CEO of the entity is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion
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 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Law Partners
Chartered Accountants
(Qualified auditors under Section 166 of the Companies Act [CAP 191] of the Republic of Vanuatu)

Port Vila
30 April 2015
# Utilities Regulatory Authority of Vanuatu

**Statement of Comprehensive Income**

*For the year ended 31 December 2014*

*Expressed in Vatu*

<table>
<thead>
<tr>
<th>Description</th>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>2</td>
<td>113,183,549</td>
<td>55,721,823</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>3</td>
<td>(89,803,818)</td>
<td>(63,497,093)</td>
</tr>
<tr>
<td>Operating surplus / (deficit) for the year</td>
<td></td>
<td>23,379,731</td>
<td>(2,775,270)</td>
</tr>
</tbody>
</table>

*The accompanying notes are an integral part of these financial statements.*
<table>
<thead>
<tr>
<th></th>
<th>Accumulated deficit</th>
<th>Accumulated deficit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2014</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance at the beginning of the year</td>
<td>(10,522,576)</td>
<td>(2,747,306)</td>
</tr>
<tr>
<td>Operating surplus / (deficit) for the year</td>
<td>23,379,731</td>
<td>(7,775,270)</td>
</tr>
<tr>
<td><strong>Balance at the end of the year</strong></td>
<td>12,857,155</td>
<td>(10,522,576)</td>
</tr>
</tbody>
</table>

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 2014

Expressed in Vatu

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current asset</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>10</td>
<td>3,751,709</td>
</tr>
<tr>
<td>Receivables</td>
<td>4</td>
<td>13,025,808</td>
</tr>
<tr>
<td>Other assets</td>
<td>5</td>
<td>745,411</td>
</tr>
<tr>
<td><strong>Total current asset</strong></td>
<td></td>
<td>17,522,928</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>6</td>
<td>7,180,763</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>7,180,763</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>24,703,691</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payables and accruals</td>
<td></td>
<td>6,561,128</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>942,798</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td></td>
<td>7,503,926</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Non current liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions</td>
<td>9</td>
<td>4,342,610</td>
</tr>
<tr>
<td><strong>Total non-current liabilities</strong></td>
<td></td>
<td>4,342,610</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>11,846,536</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td>12,857,155</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total accumulated surplus / (deficit)</strong></td>
<td></td>
<td>12,857,155</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## UTILITIES REGULATORY AUTHORITY OF VANUATU

**STATEMENT OF CASHFLOW**
FOR THE YEAR ENDED 31 DECEMBER 2014

*Expressed in Vatu*

<table>
<thead>
<tr>
<th>Note</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash receipts in the course of operations</td>
<td>90,872,028</td>
<td>73,251,924</td>
</tr>
<tr>
<td>Cash payments in the course of operations</td>
<td>(89,836,690)</td>
<td>(64,668,763)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>1,035,338</td>
<td>8,583,161</td>
</tr>
<tr>
<td>10(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Investing activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of vehicles, plant and equipment</td>
<td>(7,098,169)</td>
<td>-</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(7,098,169)</td>
<td>-</td>
</tr>
<tr>
<td>10(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net (decrease) / increase in cash and cash equivalents</strong></td>
<td>(6,062,831)</td>
<td>8,583,161</td>
</tr>
<tr>
<td>Cash and cash equivalents at the beginning of the financial year</td>
<td>9,814,540</td>
<td>1,231,379</td>
</tr>
<tr>
<td>Cash and cash equivalents at the end of the financial year</td>
<td>3,751,709</td>
<td>9,814,540</td>
</tr>
<tr>
<td>10(a)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*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 2014

Expressed in Vatu

1. Statement of significant accounting policies

The Utilities Regulatory Authority of Vanuatu was created by an act of Parliament and operates as an independent statutory body. 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 recognised to the extent that it is probable that economic benefits will flow to the organisation and can be measured reliably.

Revenue includes grant income. These are recognised in the statement of comprehensive income as they are received.

(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 receivables and 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.
UTILITY REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Vatu

(g) Property, 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: 10%

(h) Employee entitlements

Annual leave

Annual leave is calculated on employee leave entitlements 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. It is assumed that employees will remain in the company’s employment for the years necessary to qualify for the respective entitlements.

Vanuatu National Provident Fund (VNPF)

Contributions to VNPF are charged as incurred.

(i) Payables

Payables are stated at their cost.

(j) Deferred revenue – note 8

Grants are recognised 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 recognised 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 acquisition 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 business activities, realization of assets and the settlement of liabilities in the ordinary course of business. 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 establishment of an alternative sustainable funding mechanism and the Vanuatu Government.
# Utilities Regulatory Authority of Vanuatu

## Notes to and forming part of the financial statements for the year ended 31 December 2014

**Expressed in Vatu**

### 2. Revenue

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grant from Vanuatu Government</td>
<td>22,225,576</td>
<td>21,225,659</td>
</tr>
<tr>
<td>Grant from World Bank</td>
<td>90,957,973</td>
<td>34,496,164</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>113,183,549</td>
<td>55,721,823</td>
</tr>
</tbody>
</table>

### 3. Operating expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>548,205</td>
<td>747,361</td>
</tr>
<tr>
<td>Auditors remuneration</td>
<td>609,000</td>
<td>650,000</td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>15,579,339</td>
<td>10,565,516</td>
</tr>
<tr>
<td>Staff Amenities</td>
<td>13,329</td>
<td>-</td>
</tr>
<tr>
<td>VNPF contributions</td>
<td>686,554</td>
<td>549,899</td>
</tr>
<tr>
<td>Training local</td>
<td>338,961</td>
<td>397,583</td>
</tr>
<tr>
<td>Training international</td>
<td>3,439,958</td>
<td>5,540,399</td>
</tr>
<tr>
<td>Employee annual leave and severance</td>
<td>2,159,133</td>
<td>1,347,440</td>
</tr>
<tr>
<td>Subsistence and other allowances</td>
<td>2,163,313</td>
<td>2,145,298</td>
</tr>
<tr>
<td>Vehicle expenses</td>
<td>298,191</td>
<td>525,974</td>
</tr>
<tr>
<td>Depreciation</td>
<td>1,711,014</td>
<td>1,677,296</td>
</tr>
<tr>
<td>Office rent</td>
<td>2,667,676</td>
<td>2,793,446</td>
</tr>
<tr>
<td>Telephone and fax</td>
<td>883,726</td>
<td>837,519</td>
</tr>
<tr>
<td>Other expenses</td>
<td>4,524,962</td>
<td>2,494,584</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>35,625,361</td>
<td>30,272,309</td>
</tr>
</tbody>
</table>

**Consultancies and contractor wages**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consultants – firms paid by World Bank</td>
<td>132,751</td>
<td>1,225,672</td>
</tr>
<tr>
<td>Consultants – wages paid by World Bank</td>
<td>54,045,706</td>
<td>31,999,112</td>
</tr>
<tr>
<td><strong>Total Consultancies and Contractor Wages</strong></td>
<td>54,178,457</td>
<td>33,224,784</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Consultancies and Contractor Wages</strong></td>
<td>89,803,818</td>
<td>63,497,093</td>
</tr>
</tbody>
</table>

### 4. Receivables

**World Bank Funded Project – TF014801**

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>To URA accounts</td>
<td>13,025,808</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total To URA accounts</strong></td>
<td>13,025,808</td>
<td>-</td>
</tr>
</tbody>
</table>

### 5. Other assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanuatu Government</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Immigration Bond</td>
<td>201,720</td>
<td></td>
</tr>
<tr>
<td>VAT receivable</td>
<td>152,511</td>
<td>120,394</td>
</tr>
<tr>
<td>Other assets</td>
<td>27,439</td>
<td></td>
</tr>
<tr>
<td>World Bank Funded Project – TF014801</td>
<td></td>
<td></td>
</tr>
<tr>
<td>VAT receivable</td>
<td>351,634</td>
<td>143,511</td>
</tr>
<tr>
<td>Prepayments</td>
<td>12,037</td>
<td></td>
</tr>
<tr>
<td><strong>Total Other assets</strong></td>
<td>743,411</td>
<td>263,905</td>
</tr>
</tbody>
</table>
# UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Vatu

## 6. Property, plant and equipment

### Vanuatu Government

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Furniture and fittings</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>3,179,077</td>
<td>2,596,268</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(1,558,380)</td>
<td>(1,222,659)</td>
</tr>
<tr>
<td>Total</td>
<td>1,611,697</td>
<td>1,373,609</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office equipment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>8,385,760</td>
<td>5,209,680</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(5,495,518)</td>
<td>(4,789,681)</td>
</tr>
<tr>
<td>Total</td>
<td>2,891,242</td>
<td>419,999</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Motor vehicle</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At cost</td>
<td>7,104,602</td>
<td>3,757,322</td>
</tr>
<tr>
<td>Less: Accumulated depreciation</td>
<td>(4,426,778)</td>
<td>(3,757,322)</td>
</tr>
<tr>
<td>Total</td>
<td>2,677,824</td>
<td>-</td>
</tr>
</tbody>
</table>

**Total plant and equipment:**

<table>
<thead>
<tr>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>7,180,763</td>
<td>1,793,608</td>
</tr>
</tbody>
</table>

### Movement in property, plant and equipment:

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening carrying value</td>
<td>1,793,608</td>
<td>3,470,904</td>
</tr>
<tr>
<td>Additions (*)</td>
<td>7,098,169</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,711,014)</td>
<td>(1,677,296)</td>
</tr>
<tr>
<td>Closing carrying value</td>
<td>7,180,763</td>
<td>1,793,608</td>
</tr>
</tbody>
</table>

(*) Total additions purchased by the Trust Fund 014801 during the 2014 financial year was Vt6,254,818 and total purchases by the Vanuatu Government was Vt843,351.

## 7. Payables and accruals

### Vanuatu Government

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>763,393</td>
<td>1,297,623</td>
</tr>
<tr>
<td>Accruals</td>
<td>16,378</td>
<td>670,001</td>
</tr>
</tbody>
</table>

### World Bank Funded Project – TF014801

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>5,130,857</td>
<td>-</td>
</tr>
<tr>
<td>Accrued audit fee</td>
<td>650,000</td>
<td>7,522,758</td>
</tr>
<tr>
<td>Total</td>
<td>6,561,128</td>
<td>9,490,582</td>
</tr>
</tbody>
</table>

## 8. Deferred revenue

### World Bank Funded Project – TF014801

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>9,258,254</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>9,258,254</td>
</tr>
</tbody>
</table>


Utilities Regulatory Authority of Vanuatu

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Vatu

8. Deferred revenue (cont’d)

Movement in deferred revenue
Balance at the beginning of the year 9,258,254 4,652,025
Grants received in cash 68,441,136 11,095,200
Release to income and expense account (77,699,390) (6,488,271)

----------
- 9,258,254

Trust Fund 014801
Total funding available under this Trust Fund was USD1,500,000 dated 27th June 2013 for the period 1 November 2013 to 30 June 2015.

2014 2013


Vanuatu Government

Current
Provision for annual leave 942,798 833,906

Non current
Provision for severance pay 4,342,610 2,812,087

10. Notes to the statement of cash flows

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:

Vanuatu Government
Cash at Bank 1,319,123 539,848
Cash on hand 28,730 16,438
1,347,853 556,286

World Bank Funded Project – TF014801
Cash at Bank 2,403,856 9,258,254
3,751,709 9,814,540

(b) Reconciliation of surplus for the year to cash provided by operating activities during the year

Surplus / (deficit) for the year 23,379,731 (7,775,270)

Non-cash items
- Depreciation 1,711,014 1,677,296
- Profit on sale of fixed assets
UTILITIES REGULATORY AUTHORITY OF VANUATU

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Expressed in Vatu

Net cash provided by / (used in) operating activities before changes in assets and liabilities

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>25,090,745</td>
<td>(6,097,974)</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2013</td>
</tr>
</tbody>
</table>

(b) Reconciliation of surplus for the year to cash provided by operating activities during the year (cont’d)

Changes in assets and liabilities during the financial year:

- (Decrease) / increase in payables and accruals
- (Decrease) / increase in employee entitlements
- Increase / (decrease) in deferred revenue
- Decrease / (increase) in receivables
- Decrease / (increase) in other assets

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(2,929,254)</td>
<td>(3,973,511)</td>
</tr>
<tr>
<td></td>
<td>1,639,415</td>
<td>(252,630)</td>
</tr>
<tr>
<td></td>
<td>(9,258,254)</td>
<td>4,606,229</td>
</tr>
<tr>
<td></td>
<td>(13,025,808)</td>
<td>12,823,872</td>
</tr>
<tr>
<td></td>
<td>(481,506)</td>
<td>1,377,175</td>
</tr>
<tr>
<td></td>
<td>1,035,338</td>
<td>8,583,161</td>
</tr>
</tbody>
</table>

Net cash provided by operating activities

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,035,338</td>
<td>8,583,161</td>
</tr>
</tbody>
</table>

11. Employees

The number of permanent employees as at 31 December 2014 was 7 (2013: 5).

12. Contingent liabilities

The CEO is aware of no contingent liabilities at balance sheet date (2013: Nil).

13. Subsequent events

The URA is subject to two Judicial Reviews incidental to the ordinary course of its operations. These Judicial Reviews, (1) Case No. 25 of 2014 “Final Decision and Order implementing Feed-In tariffs and net-metering program for renewable energy in Port Vila, dated 22 July 2014; and the Utilities (Restriction on Provision of Financial Support) Rules 2014 and (2) Case No. 4 of 2015 “In the matter of investigating and implementing a Business Development Incentive electricity tariff for UNELCO in Efate” and were initiated as Grievances as provided for under the URA Act No. 11 of 2007 then became Judicial Reviews. The former case was opened in the last quarter of 2014 and currently not resolved and the latter opened in 2015 and similarly still not resolved. The Authority has made adequate provision in its budget to date in 2015 to ensure that both cases, although the outcome of these proceedings are presently not determinable, in the opinion of the URA Commission the resolution of these matters should approximate to Vt6,000,000 and should not have a materially adverse effect on the financial condition of the URA.

Other than the above, there are no events subsequent to balance sheet date which require disclosure or adjustments in the financial statements (2013: Nil).
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 2014. 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.

Law Partners
LAW PARTNERS
Chartered Accountants

30 April 2015
### Utilities Regulatory Authority of Vanuatu

#### Income and Expenditure Statement

For the Year Ended 31 December 2014

*Expressed in Vatu*

<table>
<thead>
<tr>
<th>Account name</th>
<th>2014</th>
<th>2013</th>
<th>Total</th>
<th>2014</th>
<th>2013</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income</strong></td>
<td>T927490</td>
<td>T914801</td>
<td>Van Govt</td>
<td>Total</td>
<td>T927490</td>
<td>T914801</td>
</tr>
<tr>
<td>Grants</td>
<td>-</td>
<td>-</td>
<td>22,225,576</td>
<td>-</td>
<td>-</td>
<td>21,225,659</td>
</tr>
<tr>
<td>Governmental</td>
<td>-</td>
<td>-</td>
<td>59,587,973</td>
<td>-</td>
<td>-</td>
<td>34,496,164</td>
</tr>
<tr>
<td>Grant from World Bank</td>
<td>232,775</td>
<td>90,725,198</td>
<td>3,659,218</td>
<td>1,836,946</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Profit (Loss) on disposal of Fixed Assets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td>232,775</td>
<td>90,725,198</td>
<td>22,225,576</td>
<td>3,659,218</td>
<td>1,836,946</td>
<td>21,225,659</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries &amp; Wages - Admin</td>
<td>3,697,053</td>
<td>11,507,964</td>
<td>15,205,047</td>
<td>-</td>
<td>10,565,510</td>
<td>10,565,510</td>
</tr>
<tr>
<td>Salaries &amp; Wages - Other</td>
<td>-</td>
<td>124,322</td>
<td>124,322</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>VNF</td>
<td>140,144</td>
<td>546,610</td>
<td>686,554</td>
<td>-</td>
<td>549,859</td>
<td>549,859</td>
</tr>
<tr>
<td>Staff Amenities</td>
<td>-</td>
<td>13,329</td>
<td>13,329</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Training - Local</td>
<td>334,997</td>
<td>3,964</td>
<td>338,961</td>
<td>-</td>
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<td>(111,300)</td>
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<td>Consultancy wages paid by World Bank</td>
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<td>54,295,766</td>
<td>23,444,202</td>
<td>8,488,823</td>
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<td>9,123,822</td>
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<td>Kitchen Supplies</td>
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**Total**

- 2014: 24,249,509
- 2013: 14,640,147
- Total: 38,889,656
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<td>Water</td>
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<td>IT Software</td>
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<td>-</td>
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<tr>
<td>IT Equipment Dept</td>
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<tr>
<td>Kitchen Equip Dept</td>
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<td>-</td>
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<tr>
<td>Vehicle Dept</td>
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<td>Total Depreciation</td>
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<td>Total Expenses</td>
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<td>Operating surplus / (deficit)</td>
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<td>23,957,962</td>
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<td>Other Expenses</td>
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<tr>
<td>Net surplus / (deficit)</td>
<td>-</td>
<td>23,957,962</td>
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</tbody>
</table>
Appendix B: Regulatory Framework

Regulated Industries and Relevant Legislation

At 31 December 2014, 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 Utilities Regulatory Authority Act No 11 of 2007
  o UNELCO (GDF Suez) – Port Vila, Malekula and Tanna Islands
  o VUI Ltd (Pernix) - Luanville

• the water industry – prices, service standards and conditions of service for the Vanuatu water supply and sanitation industry under the Utilities Regulatory Authority Act No 11 of 2007
  o UNELCO (GDF Suez)- Port Vila
  o Public Works Department - Luganville, Lenakel, Lakatoro, Saratamata, Sola
  o Other water companies having a network and supplying water services throughout Vanuatu
Appendix C: Utilities Regulatory Authority Publications 2014

The majority 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 2014, the following completed documents were published:

- URA Live Dockets;
- Work Program 2014;
- Annual Report 2013;
- Pacific Region Electricity Bills Comparison Report;
- Monthly Energy snapshots;
- Port Vila Street lighting Commission Order;
- Luganville Electricity tariff adjustment;
- Media Releases on projects undertaken:
  - Business Development Incentive Tariff;
  - Feed In tariff and net metering system;
  - Electricity network safety;
  - Luganville Electricity Tariff adjustment;
  - Port Vila street lighting;
  - Small water suppliers registration;
  - Comparative report on electricity bills in the region;
Appendix D: Legislation and Agreements

The following is a list of legislation, regulations, concession agreements and policies applying to the Authority’s responsibilities in relation to regulated industries as at 31 December 2014.

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.
- Specifications relating to the Concession for the Generation and Public Supply of Electric Power in Port Vila.
- Electricity Supply Act

Relevant Acts, Regulations and Orders

- Utilities Regulatory Authority Act No. 11 of 2007
- Electricity Supply Act [CAPS 65]

Utilities Regulatory Authority Policies and Procedures

- Utilities Regulatory Authority Manual of Processes and Development.
- Utilities Regulatory Authority Charter of Consultation and Regulatory Practice.
- Utilities Regulatory Authority Policies and Procedures.
- Utilities Regulatory Authority Staff Manual
- Utilities Regulatory Authority Travel Guidelines
- Utilities Regulatory Authority Finance Manual
- Utilities Regulatory Authority OHSW 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 2014 – 0;
- 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 2014 – 1;
- Safety inspection (section 16) of premises, plant, equipment or vehicle connected with a regulated service conducted in 2014 – 0;
- Reliability standards (section 17) issued in relation to the reliability of a regulated service in 2014 – 0;
- Commission Order issued to rescind tariff increase for Luganville Water due to non implementation of tariff conditions.
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 - 1 (Luganville Water Show Cause Notice)

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 a number of internal processes and performance measures to effectively and efficiently deal with customer enquiries, complaints and disputes that customers may have with the utility.

Requests made to the Authority for assistance in dispute resolution in 2014:

- Electricity related dispute - 0
- Water related dispute - 0
Enquiries

During the year ending 31 December 2014, the Authority received a number of enquiries. The nature of the enquiries received related to electricity and water services, customer accounts, services provided and customer responsibilities in relation to electricity and water connections.

All enquiries were responded to by Authority staff with 24 hours of receipt of the customer’s enquiry.

Complaint Resolution

During the 2014 year, the Authority received a total of fourteen (14) customer complaints. The nature of the complaints received related to customer accounts for electricity and water, electricity and water connection issues and service safety and reliability.

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

Dispute Settlement

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

At 31 December 2014, there were no outstanding customer disputes requiring the Authority’s Decision and Resolution.
Appendix G: Compliance Report per Concession Area

There has been no Compliance Report sought for this reporting period.
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 2014 – 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 2014 – 2.

Arbitration Proceedings – Notice of Dispute issued in 2014 - 0
Contact Details

Utilities Regulatory Authority
VNPF Investment Building
Andre Ballande Street (PMB 9093)
Port Vila
Vanuatu.

Phone:       (678) 23335
Email:       info@ura.gov.vu
Website:    www.ura.gov.vu

Office hours
07:30 am to 16:30 pm
Monday to Friday

Commissioners
Chairman/Commissioner:    Mr. Johnson Naviti Matarulapa Marakipule
CEO/Exec. Commissioner:  Dr. Hasso C. Bhatia, PhD.
Exec. Commissioner        Mr. John Obed Alilee