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PRESS RELEASE

Electricity prices in Luganville to increase by 6.14%

In exercise of the powers given to the Utilities Regulatory Authority (the ‘Authority’) in accordance with section 18 of the Utilities Regulatory Authority Act No. 11 of 2007, the Authority Commission has issued an order to the Vanuatu Utilities and Infrastructure Limited (VUI), to increase its currently applied tariff of 36.29 Vatu/kWh to 38.52 Vatu/kWh. This is an average price increase of 6.14%. The Final Decision and Order was issued on 13th of September 2018 subsequent to the Commissioners’ meeting.

The Authority has approved the revised tariff of 38.52 Vatu/kWh as the reasonable tariff going forward into 2019. Upon gazettal of the Order by the State Law Office, VUI is to apply the new rate in its next cycle of customer billings in Luganville and Port Olry.

The Authority commenced the electricity tariff review for VUI in January 2018. A Preliminary Decision was issued on 20th of August 2018 followed by a consultation period. From 27th to 31st of August 2018, the Authority’s staff conducted a public consultation in Luganville and Port Olry informing the electricity customers of the increase in the electricity tariff. Customer comments and feedbacks obtained during the consultation period were taken into consideration by the Authority to arrive at its Final Decision and Order.

Additionally, in response to the Preliminary Decision, VUI has not provided any major comments which would warrant adjustment to the Authority’s Preliminary base price but supported the increase.

The key element causing the increase stems from the severe El Nino effect in 2016 resulting in the low hydro performance deviating significantly from the hydro projections for 2016 requiring the utility to meet customer demand from diesel generation. This increase is a direct recognition of the higher fuel cost in 2016 compensating the utility for its commitment in meeting customer demand when hydro performance was low.

The new base rate of 38.52 Vatu/kWh:

- Integrates a fuel cost recovery compensating VUI for the significant loss incurred in 2016;
- Incorporates a 3% adjustment to the hydro performance to allow for the hydro maintenance period and provision for the low demand during off-peak hours;
- Includes the Port Olry community mini-grid operational costs. This means electricity customers in Port Olry will continue to benefit from the same per unit rate as VUI’s Luganville electricity customers but with availability of 10 hours of operation daily (to contain cost of service). This is a significant reduction from their previous rate of 150 Vatu/ kWh;
- Retains current contributions to Santo fund and Government fund which have been used to support new electricity network extensions in Santo, recently assisted in the establishment of the National Green Energy Fund and the mini-electricity grids in Ambae & Sola (Ambae on halt due to Volcano activities);
- Shall be charged to customers according to the revised customer tariff structure as outlined in the Authority’s Final Decision and Order; and
- Shall become applicable following its gazettal at the next customer billing cycle in Luganville and Port Olry.

A copy of the Authority's Final Decision and Order (Case U-0002-17) is available from the URA Office and its website (www.ura.gov.vu).