

## **ORDER OF THE REGULATOR No. 2015/E29**

### **Electric Power Corporation (“EPC”) Multi Year Tariff Proposal 2015/2016, 2016/2017, 2017/2018**

#### **Statutory Obligations**

Sub-sections 19 (1)-(3) of the Electricity Act 2010 (“the Act”) requires the Regulator to set all tariffs charged by a licensee. The Electric Power Corporation (“EPC”) filed an application with the Regulator on 27th March 2015 with proposed changes to electricity tariffs for the three regulated financial years 2015/2016, 2016/2017 and 2017/2018. Overall, the proposal requested continuous reductions on end-use customer tariffs for the three regulated financial years. EPC proposes 41% reduction on debt charge and 27% reduction on energy charge for all customers. EPC also proposes 3% increase on usage charge for low use domestic customers (1 to 50 kWh users per month) for each year of the regulated three year period. For moderate use customers (51 to 100 kWh per month); high use domestic customers (101 and above kWh per month) and all non-domestic customers, EPC proposes 6% increase on usage charge for the first year, 2015/2016; and 3% increase for each of the two remaining years, 2016/2017; 2017/2018 of the regulated three year period.

EPC also requested for annual reviews of electricity tariffs instead of a triennial review. Lastly, EPC requested to retain the existing tariff structure but proposed changes in terminology used for the components of the tariff, i.e. to replace Debt charge with Investment charge and replace Fuel Charge with Energy charge.

#### **Consultations**

The Regulator in reaching a decision reviewed the issues raised in the public stakeholder consultations and these included:

- “Time of Use” rates for non-domestic customers and net metering
- Impact of Renewable Energy sources
- Soundness of investment
- Cash power issues
- System losses
- Regulating IPP feed-in tariff
- Concerns with EPC outsourcing its functions
- Validity of costs underlying revenue requirement
- EPC improvement & sustainability of Service

- Tariff Structure to reflect Efficiency
- Tariff Subsidies
- Impact of Daylight Saving
- Discount rate for Tourism and Education Sector

The Regulator continues to work with EPC on efforts to address issues raised. The Regulator intends to develop mechanisms to facilitate these efforts going forward.

## Findings

This is the second Tariff Determination issued by the Regulator. It is a step in regulatory overview of the power sector, which will grow into a natural and logical system of regulation that will benefit everyone.

In this case, the findings are based on the evidence before the Regulator. Stakeholders had the opportunity to provide input. Many stakeholders gave valuable information about the impact of EPC's application on their businesses and their lives.

The Regulator recognizes the need to develop Rules of Procedure that will be specific about tariff filing requirements. In the absence of a full evidentiary filing, the decision must be based on what is just and reasonable for "ALL" stakeholders.

The Regulator seeks to determine tariffs that provide a balance between determining that customers only pay for just and reasonable costs while ensuring that EPC has enough revenue to meet its obligations. In the absence of Rules of Procedures, the Regulator finds that "just and reasonable rates" must comprise of the criteria described within subsections 19(1)-(3) of the Act.

In this Determination, the Regulator makes findings for the regulated 3 financial years 2015/2016; 2016/2017; and 2017/2018. Provisional Tariffs are set for the three (3) years and will be subject to review at the end of each year of the 3 year period.

After review and consideration of stakeholder input from public consultations, the Regulator determines total reduction on end-use customer tariffs by the third regulated financial year 2017/2018 as follow:

- 24% for low use domestic customers;
- 18% for moderate use domestic customers;
- 17% for high use domestic customers; and
- 17% for non-domestic customers.

Based on the EPC filings, the Regulator shall adjust the energy charge each month using the following formula:

*(total cost of fuel and lube oil to generate electricity) + (total invoice from IPP paid by EPC for feed in power)/total kWh electricity sold to consumers that month.*

End use customer tariffs may vary each month, based on changes in the energy charge.

The Regulator makes these additional findings:

1. EPC shall continue to work towards best practice and reflect outcome of implementation of recommendations from their comprehensive studies of efficiencies and operational costs of the Corporation and include their results in the next tariff filing.
2. EPC shall continue to plan to decrease losses and increase efficiencies starting 1 July 2015.
3. In their next tariff filing EPC shall continue to report on efforts of maintaining system losses at acceptable levels, and EPC's ability to do so in that tariff period.

Based on the findings and determination the Regulator makes the following Orders:

### **Order 1: Terminology**

**The Regulator orders that the term:**

1. **'Debt Charge'** remains as is for transparency purposes and ease of comprehension. The debt charge is fixed on all customer classes; and
2. **'Energy Charge'** to replace 'fuel charge'. The energy charge may change each month based on 'actual' cost of fuel and lubrication oil for electricity generation, cost of electricity purchased from Independent Power Producers and total kilowatt-hour of electricity sold to customers each month.

### **Order 2: Tariffs**

**The Regulator orders that:**

1. The following tariffs to be **effective from 1 July 2015 to 30 June 2016**

<b>For Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.11	0.20	0.41	0.72

51 to 100 units	0.11	0.35	0.41	0.87
101 units and above	0.11	0.40	0.41	0.92
<b>For Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.11	0.19	0.41	0.71
51 to 100 units	0.11	0.34	0.41	0.86
101 units and above	0.11	0.39	0.41	0.91
<b>For Non-Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.11	0.40	0.41	0.92
<b>For Non-Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.11	0.39	0.41	0.91

2. The following tariffs to be **effective from 1 July 2016 to 30 June 2017**

<b>For Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.11	0.20	0.41	0.72
51 to 100 units	0.11	0.36	0.41	0.88
101 units and above	0.11	0.41	0.41	0.93
<b>For Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.11	0.19	0.41	0.71
51 to 100 units	0.11	0.35	0.41	0.87
101 units and above	0.11	0.40	0.41	0.92
<b>For Non-Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.11	0.41	0.41	0.93
<b>For Non-Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.11	0.40	0.41	0.92

3. The following tariffs to be **effective from 1 July 2017 to 30 June 2018**

<b>For Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.10	0.20	0.40	0.70
51 to 100 units	0.10	0.37	0.40	0.87
101 units and above	0.10	0.42	0.40	0.92
<b>For Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
1 to 50 units	0.10	0.19	0.40	0.69
51 to 100 units	0.10	0.36	0.40	0.86
101 units and above	0.10	0.41	0.40	0.91
<b>For Non-Domestic Induction Meter Consumers</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.10	0.42	0.40	0.92
<b>For Non-Domestic Cash Power Consumers (2% discount on Usage Charge)</b>	<b>Debt Charge (sene/unit)</b>	<b>Usage Charge (sene/unit)</b>	<b>Energy Charge (sene/unit)</b>	<b>Total End-Use Tariff (sene/unit)</b>
All units	0.10	0.41	0.40	0.91

### Order 3: Annual Reviews

#### EPC must:

1. file for review of electricity tariffs on an annual basis instead of triennial.
2. for annual reviews; submit complete tariff filing with the Regulator three (3) months before the end of each financial year. As such, EPC must file for annual review of electricity tariffs for the next financial year by **31<sup>st</sup> March** of the current financial year.

#### Duration of the Order

This Order shall expire on the earlier of:

- a) The Regulator revoking this Order; or
- b) The making of a new Order by the Regulator in relation to the matters addressed herein.

**Effective date of this Order:**

In accordance with section 20(5) of the Act, the Electric Power Corporation shall not charge the above mentioned rates until such time when the Electric Power Corporation has notified consumers of the new tariffs. The Regulator will allow the Electric Power Corporation fifteen (15) calendar days to notify the public of the change.

This order is effective from the 15th July 2015.

Date of the Order: 30<sup>th</sup> June 2015.



Unutoa Auelua Fonoti

**INTERIM REGULATOR**