

REGULATION OF THE ELECTRICITY SECTOR

1.0 Background

In 1972 the Electric Power Corporation ('EPC') was established as a corporation wholly owned by the government of Samoa under the Electricity Act of 1972 and was responsible for managing Samoa's electricity sector. The Electricity Act of 1972 was later reformed first in 1980, and then with additional amendments in 1984, 1986, 1989, 1992 and 1993. The current Electricity Act of 2010 repeals major parts of the 1972 Act.

1.2 Reforms and Legal Implications

The implementation of the Electricity Act 2010 resulted in two major reforms in the electricity sector. First was the introduction of competition to the electricity market by allowing private licensees also known as Independent Power Producers ('IPPs') to generate electricity and provide electricity services in Samoa, and second the establishment of the Office of the Regulator as regulator of the electricity sector in August 2011.

In accordance with the provisions of the Act, the OOTR has amongst other major functions, the responsibility for issuing licences for IPPs and setting and reviewing all electricity tariffs.

1.3 Tariff Setting and Review

Pursuant to Part IV Sections 19, 20 and 21 of the Electricity Act 2010 the OOTR is responsible for setting, changing and reviewing all tariffs charged by electricity licensees in Samoa. To date, the OOTR has been reviewing and approving monthly 'fuel surcharge adjustments' based on monthly fuel cost movements, particularly for the one leading network service licensee in Samoa - EPC. This process is an ongoing function of OOTR pursuant to Part IV Section 20 of the Act.

1.3.1 Base Tariff

On 17 July 2012, OOTR received a proposal from EPC for a 3.6% reduction in base tariff, 2% discount on all cash power purchases and 27.24% fuel surcharge. On 23 July 2012, the Regulator issued Order No 2012/E04 approving this proposal which became effective from 1 August 2012. The following table shows the approved tariff and its components.

Table 1: Base Tariff

	Current Base Rate 2011-2012	New Base Tariff (sene) July 2012	Fuel Surcharge(sene)	Price per unit
Domestic 1-50 units	69	67	18	85
Domestic 50&above	82	79	22	101
Non Domestic	82	79	22	101

1.3.2 Fuel Surcharge

The following table shows fuel surcharge adjustments approved through Orders of the Regulator during the financial year 2012/2013.

Table 2: Fuel Surcharge 2012/2013

Orders of the Regulator	Order No 2012/E04	Order No 2012/E05	Order No 2012/E06	Order No 2012/E09	Order No 2012/E10	Order No 2012/E11	Order No 2012/E12	Order No 2012/E13	Order No 2012/E14
Effective Date	1 st August 2012	11 th October 2012	5 th December 2012	7 th January 2013	25 th February 2013	14 th March 2013	14 th April 2013	9 th May 2013	3 rd June 2013
Fuel Charge Adjustment	27.49%	28.04%	25.43%	25.65%	25.83%	25.96%	27.59%	26.02%	25.24%
Domestic 1-50 units	18	19	17	17	17	17	18	17	17
Domestic 51&above	22	22	20	20	20	21	22	21	20
Non Domestic	22	22	20	20	20	21	22	21	20
Domestic Cash Power 1-50	18	19	17	17	17	17	18	17	17
Domestic Cash Power 51&above	22	22	20	20	20	21	22	21	20
Non Domestic Cash Power	22	22	20	20	20	21	22	21	20

The following table shows fuel surcharge adjustments approved through Orders of the Regulator during the financial year 2013/2014.

Table 3: Fuel Surcharge FY 2013/2014

Order	Order No. 2013/E15	Order No. 2013/E16	Order No. 2013/E17	Order No. 2013/E18	Order No. 2013/E19	Order No 2014/E20	Order No 2014/E21
Effective Date	13 th July 2013	3 rd Aug 2013	14 th Sept 2013	7 th Nov 2013	13 th Dec 2013	9 th Jan 2014	9 th Feb 2014
Fuel Surcharge Adjustment	24.6%	27.4%	29.1%	28.9%	27.9%	27.2%	28.6%
Domestic 1-50 units	16	18	19	19	19	18	19
Domestic 51&above	19	22	23	23	22	21	23
Non Domestic	19	22	23	23	22	21	23
Domestic Cash Power 1-50	15	17	18	18	18	17	18
Domestic Cash Power 51&above	18	20	21	21	20	19	21
Non Domestic Cash Power	18	20	21	21	20	19	21

1.4 New Base Tariff and Rate Structure

EPC filed an application with the Regulator on 19 September 2013 that requested a new electricity base tariff adjustment and rate structure. The application was based on a "Cost of Service and Tariff Study" by consultants from Economist.com. EPC requested a 10% increase on the base tariff and a "modified tariff structure". The modified tariff proposed to replace the fuel surcharge with a new fuel charge and creates a new charge for debt recovery at 17sene. It also provides for a new domestic classifications based on three levels of kWh usage 0-50units, 51-100, 100+. The Regulator finds that the proposed increase by EPC for end-use customer tariff is too high, and will unfairly impact low use residential customers and commercial customers. New end-use customer tariffs were approved by the Regulator for a provisional tariff that provides the best balance between customers and EPC for 2014-2015. This provisional tariff included a new fuel charge of 55 sene kWh and a debt service charge of 17 sene/kwh. The provisional tariff was approved through the

Order of the Regulator No. 2014/E23 which became effective 24th April 2014 and included the following tariffs:

- 0% increase on usage charge for low use domestic customers (1–50kWh) = 0.20 sene
- 2% increase on usage charge for moderate use domestic customers (50-100kWh) = 0.34 sene
- 7% increase on usage charge for high use domestic customers (100+kWh) = 0.39 sene
- 7% increase on usage charge for all commercial customers = 0.39 sene
- New debt service charge = 0.17 sene
- New fuel charge = 0.55 sene

Table 4: New Base Tariff and Rate Structure.

Customer Class	Current Base Rate	New Base Tariff (sene)	Fuel charge (sene)	Debt Charge (sene)	Price per unit (sene)
Induction Meter Customers					
Domestic 1-50 units	0.67	0.20	0.55	0.17	0.92
Domestic 50&above	0.79	0.34	0.55	0.17	1.06
Non Domestic	0.79	0.39	0.55	0.17	1.11
Cash Power Customers (2% discount)					
Domestic 1-50 units	0.66	0.19	0.55	0.17	0.91
Domestic 50&above	0.78	0.33	0.55	0.17	1.05
Non Domestic	0.78	0.38	0.55	0.17	1.10

Table 5: Approved Monthly Energy Charge FY2014/2015

Order	Order No. 2014/E23	Order No. 2015/E24	Order No. 2015/E25	Order No. 2015/E26	Order No. 2015/E27
Effective Date	24 th April 2014-Feb 28 th 2015	1 st March 2015	1 st April 2015	1 st May 2015	5 th June 2015
Energy Charge	0.55	0.50	0.40	0.36	0.37

1.5 New Multi Year Tariff Base Tariff and Revised Rate Structure

The Electric Power Corporation ("EPC") submitted a Multi-Year Tariff proposal to the Office of the Regulator on the 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. As per EPC's proposal, total reductions on end-use customer tariffs by the third regulated financial year 2017/2018 are as follows:

- 21% for low use domestic customers,
- 17% for moderate use domestic customers,
- 16% for high use domestic customers, and
- 16% for non-domestic customers.

After review and consideration of Stakeholders 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,
- 17% for non-domestic customers.

The Multi Year tariff was approved through the Order of the Regulator No. 2015/E29 which became effective 15th July 2015 and included the following tariffs:

- 0% increase on usage charge for low use domestic customers (1–50kWh) = 0.20 sene
- 2% increase on usage charge for moderate use domestic customers (50-100kWh) = 0.35 sene
- 2% increase on usage charge for high use domestic customers (100+kWh) = 0.40 sene
- 2% increase on usage charge for all commercial customers = 0.40 sene
- Reduction in debt service charge = 0.11 sene
- New energy charge = 0.41 sene but subject to monthly review

Table 6: New Multi Year Tariff Base Tariff and Revised Rate Structure

Customer Class	Current Base Rate	New MYT Base Tariff (sene)	Energy charge (sene)	Debt Charge (sene)	Price per unit (sene)	New MYT Price per unit (sene)
Induction Meter Customers						
Domestic 1-50 units	0.20	0.20	0.41	0.11	0.92	0.72
Domestic 50&above	0.34	0.35	0.41	0.11	1.06	0.87
Non Domestic	0.39	0.40	0.41	0.11	1.11	0.92
Cash Power Customers (2% discount)						
Domestic 1-50 units	0.19	0.19	0.41	0.11	0.91	0.71
Domestic 50&above	0.33	0.34	0.41	0.11	1.05	0.86
Non Domestic	0.38	0.39	0.41	0.11	1.10	0.91

Table 7: Approved Monthly Energy Charges FY 2015/2016

Order of the Regulator	Order No. 2015 /E29	Order No. 2015/E30	Order No. 2015/E31	Order No. 2015 /E32	Order No. 2015/ E33	Order No. 2016/ E 34	Order No. 2016/E 35	Order No. 2016/ E 36	Order No. 2016/E 37	Order No. 2016/ E 38	Order No. 2016/ E 39
Effective Date	15 th July 2015	15 th August 2015	15 th Sept 2015	1 st Nov 2015	1 st Dec 2015	1 st Jan 2016	1 st Feb 2016	1 st Mar 2016	1 st Apr 2016	1 st May 2016	1 st June 2016
Energy Charge	0.41	0.38	0.47	0.47	0.35	0.46	0.42	0.37	0.35	0.32	0.28