ICCC comments on recent power bill increases

Under new contractual arrangements that operate between PNG Power Ltd and the Independent Consumer and Competition Commission (ICCC), the recent increase in power bills introduced by PNG Power Ltd on 1 January 2014 will be reviewed by the ICCC on a quarterly basis.

Under those new arrangements, the ICCC will closely scrutinise any increase in operating costs that PNG Power has incurred. And, in deciding if the price of electricity should rise, and to what extent, it will now also take into account the standard of service that PNG Power has provided. The number of unplanned outages and the time taken for PNG Power to make new connections are key factors that will now be taken into account by the ICCC in considering any application by PNG Power for increased tariffs.

Dr Billy Manoka, Commissioner and CEO of the ICCC said

"This will mean that from now on the ICCC will not only take into account increased operating costs of PNG Power, including rising fuel costs, but also the interests of consumers. The ICCC expects that by penalising PNG Power, if it does not perform, it will improve the standard of service to the community.

Under the previous contractual arrangements that operated between PNG Power and the ICCC, the ICCC was required to consider and approve all proposed increases in electricity prices on the basis of increased costs incurred by PNG Power. Effectively, the ICCC had to approve and allow PNG Power to pass on any increased operating costs. This was not necessarily in the interest of consumers.

Under the new ICCC/PNG Power contractual arrangements, a number of service standards have been set and if those standards are not met then power bills will be reduced by an amount to reflect failure to meet service standards.

This means that when the ICCC reviews prices to be charged by PNG Power during the first quarter of 2014, it will take into account the standard of service provided by PNG Power and if it
does not meet service requirements, the Commission will reduce the prices that PNG Power may charge by up to 2%. The ICCC regards this as a significant incentive for PNG Power to improve its efficiency.”

For more information telephone the Acting Chief Executive Officer on 325 2144 or e-mail egeroro@iccc.gov.pg

Authorized By:

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Background

The Independent Consumer and Competition Commission is responsible for the regulation of PNG’s state-owned entities. These SOE’s are:

1. PNG Power
2. PNG Ports
3. MVIL
4. Post PNG
5. Water PNG
6. Eda Ranu

The ICCC regulates the first four of these SOE’s under the ICCC Act through regulatory contracts - formal contractual arrangements between the ICCC and each of the four SOE’s. The last two are regulated under the Prices Regulation Act.

Under the current regulatory contract with PNG Power, when PNG Power submits its proposed quarterly tariffs at the end of each quarter, the ICCC follows all the requirements in the Electricity Industry Act and foremost the Electricity Regulatory Contract with PNG Power to assess and approve the quarterly tariff. If PNG Power is in compliance with all the requirements set out in the contract, the proposed tariff is approved.

As per section 3.1 of the Regulatory Contract, PNG Power submitted to the ICCC in November 2013 its proposed Tariff for 2014 for the sale and supply of electricity for assessment and subsequent approval if all conditions and requirements of the contract are met.

The ICCC assessed PNG Power proposed tariff submission for 2014 in accordance with requirements in the Electricity Regulatory Contract. The ICCC affirmed that PNG Power has complied with the requirements set out in clause 2.2 and schedule 1, 2, 3, 4, 5, 6 and 8 of the Electricity Regulatory Contract.