



# COMPETITIVE AND INVESTABLE ENERGY MARKET

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APER Forum-November 2018, Tokyo, Japan

# OUTLINE

- × Roles of the ICCC under the Electricity Industry Act.
- × Regulatory Contract.
- × Licensing Functions under EIA and types of licence.
- × Competition in electricity market.
- × Current Developments.
- × Future Potential for Competition.
- × Question and/or comment.

# REGULATORY POWERS OF ICCC UNDER ELECTRICITY INDUSTRY ACT (EIA)

- PNG Electricity supply Industry (PNGESI) is declared to be a regulated industry under the Electricity Act for the purposes of ICCC Act.
- ICCC is mandated under Electricity Industry Act (EIA) to perform both the economic and technical regulatory functions.
- However; ICCC only performs the Economic regulation.
- Technical regulatory functions have been delegated to PNG Power (the regulated retailer) due to capacity constraint within ICCC.
- Electricity Industry Policy recommends for the technical regulatory functions to be eventually transferred to the Energy Department.

# ELECTRICITY REGULATORY CONTRACT

## ■ **Regulatory Contract between ICCC and PNG Power**

- PNG Power Limited (Power Utility) is regulated entity.
- PNG Power tariffs and services standard are regulated under a regulatory contract which is binding on ICCC and PNG Power.
- The existing regulatory contract is now under review.

## ■ **Challenges:**

- PNG Power tariffs have not been adjusted since 2013 due to tariff freeze imposed by the Government.
- Due to political interference, most of the requirements under regulatory contract were not achieved/implemented.
- PNG Power's reliability performance for its three main grids (Ramu, Pom & Gazelle) has been a major concern.
- PNG Power cross-subsidize its 14 loss making centres (diesel run centres) with profits from its three main Grids.

# ICCC'S LICENSING POWERS AND LICENCES TYPES

- ICCC has powers under Part IIIB & Division 2 of the Electricity Industry Act 2002 (EIA) to issue licence to suitable electricity undertakers.
- ICCC issues the following licences to electricity undertakers who meet the licensing requirements under the EIA.
  - Generation
  - Transmission
  - Distribution
  - Retailing

# CURRENT ELECTRICITY LICENSE HOLDERS

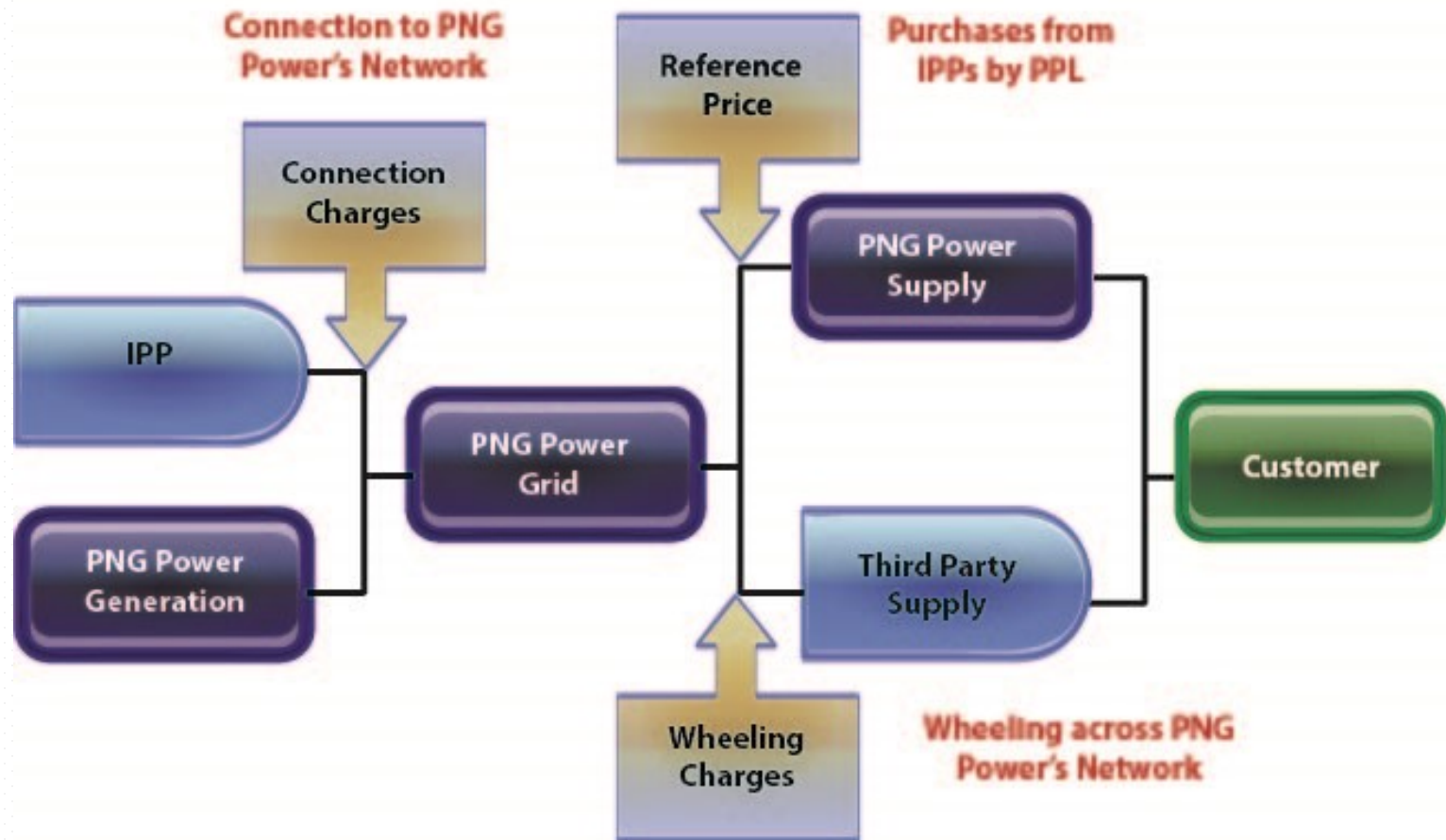
Company	Generation technology	Licence Type
PNG Power Limited	Hydro & thermal mix	Generation, Transmission, Distribution, Retail
ExxonMobil PNG	Gas (LNG)	Generation
PNG Forest Product Ltd	Hydro	Generation, Transmission, Distribution and Retail
Lihir Gold Mining Ltd (LGL)	Geothermal	Generation, Distribution, Retail
Daewoo Power limited	Thermal	Generation
Ok Tedi Mining Limited	Hydro & thermal mix	Generation, Transmission, Distribution, Retail
New Britain Palm Oil Limited	Biomass	Generation
Markham Valley Biomass	Biomass	Generation
Posco Daewoo	Thermal	Generation

# COMPETITION IN THE ELECTRICITY MARKET

- Generation market is now open for competition through Third Party Access (TPA) Code developed by ICCC in 2014.
- TPA Code facilitates third parties to access the network of the transmission network owner by setting out the rules and guidelines including pricing mechanism.
- Number of IPPs has increased since TPA Code was established.
- A good number of generation projects are currently under development which they will soon come online as IPPs.

# THIRD PARTY ACCESS & GRID CODES

## Scope Of TPA Code





## CURRENT DEVELOPMENTS

- Electricity Industry Policy (under implementation)
- TPA Code and Grid Code (under implementation)
- Existing Electricity Regulatory Contract (under review).
- National Electrification Roll-Out Plan (NEROP under discussion).
- National Energy Policy ( Approved by cabinet, but yet to be implemented).
- Community Service Obligation Policy (yet to be fully implemented).

# FUTURE POTENTIAL FOR COMPETITION

- PNG Power has retail exclusivity rights over its services areas until 2019.
- Once PNG Power retail exclusivity rights expire in 2019, the ICCC will look into unbundling PNG Power and introducing competition in the distribution & retail sectors subject to developments within the industry
- Transmission segment will be retained as monopoly by network owners.

Any Question and/or Comment?