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## NO INCREASE IN ELECTRICITY TARIFF UP TO JUNE 2018

### PRESS RELEASE

#### No Increase in Electricity Tariff up to June 2018

Thursday, 15 March 2018

Nuku'alofa, Tonga

Tonga Power Ltd in collaboration with the Ministry of Public Enterprises and the Government of Tonga is pleased to advise that the increase in the electricity tariff will be on hold until June 2018.

#### 1. Power Tariff Overview

In November 2014, the electricity tariff was at 91.73 senti per kWh of which the price of diesel per litre was 1,6361 senti.

Since the new Government came into office, the tariff has decreased significantly to the current tariff of 81.20 senti per kWh or 1,4802 senti per litres of diesel which became effective in July 2017.

As at end of December 2017, the electricity tariff had decreased by 10.53 senti per kWh due mainly to the decrease in the cost of diesel.

#### 2. Life Line Tariff

In response to the high tariff resulted from diesel price movement, the Government of Tonga (Shareholder) approved the implementation of a Life Line Tariff Subsidy in April 2017. This lifeline support is funded from Tonga Power's dividend which is paid to the Shareholder.

The Government life line assists the most vulnerable customers, namely all residential consumers who use less than 100 kWh of electricity per month to maintain a tariff of 70 senti per kWh. This offer was specifically for the 65% of customers who consume 100kWh or less than 100 kWh of electricity each month.

This also allows all residential consumers a lifeline tariff discount of 18.69 since November 2014 or a decrease in tariff by 20%.

#### 3. Tariff Review

The electricity tariff adjustment is calculated on a quarterly basis while the price review for diesel is reviewed every month. However, the last change to the price of electricity was done in July 2017.

The electricity tariff was last reviewed in November 2017 with approval from the Electricity Commission to be implemented in January 2018. However, the increase was deferred to February 2018 due to the festive season and the New Year's.

In January 2018, the power tariff was reviewed again whereby the **under-recover in fuel cost** was more than \$2.6 million. While there were no further adjustments to the tariff, the price of diesel continued to increase since July 2017.

By February 2018, the tariff was put on hold once again due to the start of the new academic year for the schools and the New Government coming into office.

Following the aftermath of TC Gita, a decision was made to hold any tariff increase up to June 2018.

#### 4. Cost Reduction

In order to recover the expenses to pay for the cost of diesel which TPL uses to generate power, The Government and Tonga Power agreed that the non-fuel component will be reduced by 4.33 senti per kWh if the tariff is held for the next 12 months. This is equivalent to \$2.5 million.

The Hon Minister of Public Enterprises Dr. Saia Piukala and Government have therefore agreed to hold the repayment of TPL remaining dividend of \$2.1 million in order to facilitate the increase in the cost of diesel from now until June 2018.

It was also agreed that the power tariff will be reviewed in July. If the increase in the cost of diesel between March – June 2018 is more than 12.5 senti (i.e: 4.3 senti or 36% increase since July 2017), then Tonga Power will re-look at what it can do to recover that extra fuel costs.

The required power tariff to recover the 43 senti increase in diesel since July 2017 including the 12.5 senti forecast between now and June is equivalent to 15 senti per kWh.

## ANNOUNCEMENTS

### OUR PRINCIPLE

TPL values people and the environment, Tonga Power run the business as if it's our own, think differently, deliver swiftly and capture the value, and strive to succeed as a team and as an individual.

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The life line tariff of 70 senti per kWh which applies to all residential customers who use less than 100 units of electricity will remain from now until June 2018.

#### 5. Key Points

- The power tariff have decreased significantly since the new Government came into office in 2014 by 10% in total or 20% to the lifeline tariff of 70 senti per kWh targeting low income families (65.5% of TPL Customers) who consume 100 kWh or less per month.
- The electricity tariff has decreased by 18.69 senti or 20 % since 2014.
- The cost of diesel has continued to increase since July 2017 to March 2018 however, due to the aftermath of TC Gita, the Combined Utility Board and TPL Management have agreed through a consultation with the Minister for Public Enterprises to hold any tariff increase until June 2018 on the condition that the diesel price will increase no more than 12.5 senti between now and June 2018 (or 43 senti between last tariff change in July 2017 to June 2018 forecast diesel price).
- TPL expenses will be reduced by 4,33 senti per kWh by decreasing the Non-Fuel component of the tariff.
- The returned dividend of \$2.1 million will be held by TPL or re-invest back by Government to pay for the increase fuel price.
- If the diesel cost does not increase by more than 12.5 senti per litre from January – June 2018, the tariff will remain at 81.20 senti per kWh.
- If the price of diesel increases by 12.5 senti per litre, the tariff will be reviewed in July 2018 and must be allowed to pass through to customers in the agreed methodology.
- This will be a record year of holding power tariff for one whole year since July 2017.

#### 6. Acknowledgement

TPL acknowledges the support of the Honourable Minister Dr. Saia Ma'u Piukala, Minister for Public Enterprises and Health, the Utility Board of Directors for the continued collaboration with TPL Management to hold the tariff for the benefit of the people of Tonga.

ENDS

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#### ASSOCIATES



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