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PRESS STATEMENT**DETERMINATION OF FIJI ELECTRICITY AUTHORITY TARIFF RATES*****Tariff Alignment Phase II*****1.0 Introduction**

Energy is the vital basis of the development of human society, which is associated with several aspects of the social production and daily life. It is the basic building block of economic development. Among energy products, electricity is the high-quality secondary energy and the important material base of industrial production and people's life. Over the past few decades' significant changes have taken place in the energy sector in Fiji with total electricity consumption in Fiji growing from 202.8m KWh in 1980 to 715.3m kWh in 2009, an increase of 252.9%. With this change, our dependency on non renewable energy sources have now reached an unprecedented level. This dependency is making our country vulnerable to external shocks. We are losing substantial amount of money in importing fossil fuels. In doing so, we are not only depleting our reserves and losing valuable national income, we are also creating instability in national income by exposing ourselves to world market prices of crude oil.

A lot have been said about taking decisive steps towards energizing our nation from renewable energy sources. However, very little have done in the last three decades.

This determination is based on three key pillars:

- a) Electricity must be correctly priced to ensure efficient utilization by all sectors of the economy. Correct pricing will also ensure inefficient substitution of energy resources are eliminated;
- b) FEA to take a lead role in making investments in renewable energy projects thus reducing our dependency on non renewable energy products; and,
- c) Electricity should not be a constraining factor for growth and development of Fiji's economy.

In light of the above, the Commission today made the following determination:

1. That the subsidies provided to low income domestic household sector as well as to those in the institutions category by FEA is now removed and government will announce its plans to subsidise low income households.
2. The tariff for Commercial and Industrial category users are increased to ensure FEA is able to make reasonable return to fund its capital investment projects.
3. That the new tariff rates are effective from 1st November, 2010.
4. The increase in tariff for the Commercial sector is broken down in two steps. The first increase will kick in on 1st November, 2010 while the second increase will kick in on the 1st of April, 2011;
5. With the new tariff rates coming in to effect from 1st November, with weighted average tariff rate moving to 36 cents and then to 39 cents, the FEA is now in a better position to offer higher tariff rates to investors to enter into the generation of renewable energy. Given that costs structures of IPPs will be different in different parts of Fiji, there is a strong case for differential IPP tariff rates. In this regard, the IPP tariff rates approved by Commission is a minimum rate of 27 cents per unit. The FEA could consider a higher tariff rate to attract investors in high cost regions such as Vanua Levu or outer islands.

The Commission looks forward to Fiji generating and supplying most of its electricity requirements from renewable energy sources in the near future. In such a scenario, the owners of the capital will benefit via higher returns, the country will benefit by making savings on its import expenditure, local economy will benefit by increased economic activity via IPP's, the environment will benefit via less pollution and the end users will also benefit by having significantly lower tariff rates. This determination's expectation is nothing less. The Commission will continuously monitor FEA's progress towards this vision.



Dr Mahendra Reddy,
Chair, Fiji Commerce Commission.

Table 3: Electricity Tariff Rates Schedule.

Tariff Categories	Existing tariff rates	1-November-2010	1-April-2011	Final Tariff rate	Increase / (Decrease)
Domestic Category					
Domestic Life-line Tariff (<= 130 kWh per month) c/kWh	17.2			34.84	-
Domestic Other Tariff (>130 kWh per month) c/kWh	34.84			34.84	0
Commercial & Industrial Category					
Commercial & Industrial Tariff – in excess of 14,999 kWh per month, c/kWh	37.47	39.34	41.31	41.31	3.84
Commercial & Industrial Tariff – in excess of 14,999 kWh per month, c/kWh	39.47	41.44	43.52	43.52	4.05
Maximum Demand Tariff					
(1) Demand > 1000kW					
Demand charge \$ per kW per month	27.59	33.11	39.73	39.73	12.14
Energy charge c/kWh	18.81	24.92	31.15	31.15	12.34
(2) Demand 500 - 1000kW					
Demand charge \$ per kW per month	27.59	31.73	36.49	36.49	8.90
Energy charge c/kWh	20.88	25.06	30.07	30.07	9.19
(3) Demand 75 - 500kW					
Demand charge \$ per kW per month	27.59	31.73	36.49	36.49	8.90
Energy charge c/kWh	21.58	24.82	28.54	28.54	6.96
For Maximum Demand and Commercial & industrial consumers who elect to take a power supply directly at the high voltage, a discount of 4% is allowed.					
Excess Reactive Energy penalty fee c/kWh	19.64			43.52	
Institution Tariff c/kWh	20.59			34.84	14.25
Street Light Tariff c/kWh	34.84			34.84	0

Note: Subsidies provided by FEA are now removed and government will announce its plans to deal with those in this category