



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

COMMITTEE REPORT

Report on Electricity (Amendment) Bill 2023 (No. 13 of
2023)



NP-Paper No. 33 of 2023

Presented on 18 October 2023

National Parliament Office



COMMITTEE MEMBERS

The current members of the Bills and Legislation Committee (11th Parliament) are:

Hon. John Maneniaru, MP (Chairman)

Hon. Matthew Cooper Wale, MP

Hon. John Deane Kuku, MP

Hon. Rick Nelson Houenipwela, MP

Hon. Peter Kenilorea Jnr, MP

Hon. Lilly Maefai, MP

Hon. Derrick Rawcliff Manuari, MP

Hon. Silas Vaqara Tausinga, MP

Secretariat:

Committees Secretariat

Supporting Departments:

Media

Hansard

ICT

Contacts:

Bills and Legislation Committee

National Parliament of Solomon Islands

P O Box G19

HONIARA

Website: www.parliament.gov.sb

Telephone: (677) 24164

Facsimile: (677) 24272

CHAIR'S FOREWORD



Mr. Speaker,

Pursuant to Standing Orders No. 71 (g) of the National Parliament of Solomon Islands, it is an honour and pleasure for me, Sir, to present the Report of the Bills and Legislation Committee on the Inquiry into the **Electricity (Amendment) Bill 2023 (No. 13 of 2023)** for laying before Parliament.

A handwritten signature in blue ink, appearing to read 'John Maneniaru', written over a horizontal line. The signature is stylized with a large, circular flourish at the beginning.

Hon. John Maneniaru, MP

Chairman

Bills and Legislation Committee

18 October 2023

COMMITTEE FUNCTIONS

Standing Order 71 of the National Parliament of Solomon Islands.

There shall be a Standing Select Committee designated the Bills and Legislation Committee whose functions, in addition to the provisions in Orders 50 and 55, shall be to -

- a) examine such matters as may be referred to it by Parliament or the Government;
- b) review all draft legislation prepared for introduction into Parliament;
- c) examine all subsidiary legislation made under any Act so as to ensure compliance with the Acts under which they are made;
- d) monitor all motions adopted by Parliament which require legislative action;
- e) review current or proposed legislative measures to the extent it seems necessary;
- f) examine such other matters in relation to legislation that, in the opinion of the Committee, require examination; and
- g) make a written report to each meeting of Parliament containing the observations and recommendations arising from the Committee's deliberations.

EXECUTIVE SUMMARY

As mandated under Order 71 (g) of the Parliamentary Standing Orders the Committee conducted hearings into the **Electricity (Amendment) Bill 2023** in Honiara on Tuesday 10 October 2023.

The object of the Bill is to amend the Electricity Act (Cap 128) to improve and update the Electricity Act to enable the Solomon Islands to fully take advantage of the positive developments in the electricity sector.

The current Principal Act is out of date and some of its provisions are no longer relevant to the interest and welfare of the public in the modern day. Solomon Islands has the highest cost of electricity in the Pacific, a sad reality for the past 10 years, and the Government is adamant to make positive changes to address this.

The Committee, following its scrutiny of the Bill, recognizes the transitional changes proposed in the Bill and the need for its enactment into law.

The Committee makes the following recommendations:

Recommendation 1

That the 5 year period for tariff cycle be reduced to 3 years.

Recommendation 2

It is unsustainable in the long term for the Director of Energy to host the power to recommend tariff changes.

The Committee notes that the establishment of an Independent Regulator is part of the reforms to come in the energy sector, and urges the government not to delay on it.

Recommendation 3

That there is government policy to incentivize households to set up rooftop solar.

Recommendation 4

That the Minister give direction, consistent with government reform agenda, to the SIEA as provided for under SOE Act.

Recommendation 5

That the Director of Energy conduct a study on the components of the tariff structure with a view to influence customer behavior by incentivizing power consumption between domestic, commercial and industrial customers.

Recommendation 6

That the overall policy goal of government to be pursued by SIEA is make the price of electricity in Solomon Islands the cheapest in the region. That there is clear accountability for this policy goal.

Recommendation 7

That the Act should be amended to remove the demand charge for set up of solar panels.

Recommendation 8

That the licensing of installations be removed from SIEA and given to an independent body.

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1.0 INTRODUCTION

- 1.1 This Report presents the findings of the inquiry and the recommendations by the Committee. This Report summarizes the findings and recommendations of the Bills and Legislation Committee ('the Committee') after conducting an inquiry into the **Electricity (Amendment) Bill 2023** ('the Bill') as required by the Standing Orders of the National Parliament of Solomon Islands ('the Standing Orders').
- 1.2 The Bill's hearings were held over four days in the National Parliament of Solomon Islands, Conference RII, Honiara, on **Tuesday 10 October 2023**.
- 1.3 The relevant government ministry and stakeholders were invited and participated in the hearings. Appendix A contains a list of witnesses who came before the Committee, minutes of the proceedings, and a list of submissions received.

2.0 BACKGROUND

- 2.1 The electricity sector is managed by the government-owned company, *the Solomon Power*. The Solomon Power is totally depended on diesel for power generation; 80% if energy is produced for Honiara while 20% is for outstations in eight provincial centers.
- 2.2 From the Pacific Private Sector Development Initiative (PSDI) Finding Balance 2023 Report which benchmarks SOE performance across the Pacific Region we see that (based on 2014 – 2019 data) Solomon Islands average electricity price is above USD 80c per KW per hour.¹ The global average is approximately USD 22cents. Fiji is around USD 23-4c, PNG is at USD 35c per KW per hour. Kiribati is the second highest electricity rate in the Pacific but even they are at about 46c.²
- 2.3 The current Principal Ac is out of date and some of its provisions are no longer relevant to the interest and welfare of the public in the modern day. Solomon Islands have the highest cost of electricity in the Pacific, and sad reality for the past 10 years, and the Government is adamant to make positive changes to address this.
- 2.4 Discussions on the Electricity (Amendment) Bill 2023 had begun since 2012 and 2014 within the Ministry which yielded the Solomon Islands National Energy Policy in 2017.
- 2.5 Much of the consultations on this policy led to recommendations and one of which was to review the Electricity Act. Thus, with the support of the Ministry's donor partners' further consultations were done and a Solomon Islands Electricity Act Review report was produced which exposed the various gaps in the current Act.
- 2.6 The Electricity (Amendment) Bill 2023 is designed to amend the Electricity Act (Cap 128) to improve and update the Electricity Act to enable the Solomon Islands to fully take advantage of the positive developments in the Electricity sector.
- 2.7 The purpose of this Bill basically focus on the following areas. to;
 - (a) *Update the definition of electrical generation equipment to allow for the use of modern equipment's;*
 - (b) *Provide for a process impacting more on the imposition of tariff;*
 - (c) *Update and increase penalties to match the modern-day crime and need for law and order in today's society.*
- 2.8 Review the electricity and review was conducted with collaboration with donor partners and the World Bank.
- 2.9 The Bills and the Legislation Committee have conducted an inquiry on this Electricity (Amendment) Bill 2023 and acknowledges the government through the Ministry of Mines

¹ Qila Tuhanuku, Solomon Islands Chamber of Commerce, Submission #7, 13/10/23

² Ibid

and Energy to review the Electricity Bill and made the amendment to the existing Electricity Act (Cap 64).

3.0 GENERAL ISSUES

Type A changes

- 3.1 The Committee noted that the Castalia Report (Solomon Islands Electricity Act Review) had outlined ‘**four work streams**’³. ‘Work stream 1’ outlines short-term *Type A* changes (the type A changes refer to the short-term law improvements). The Committee further asked the ministry if *Type A* changes⁴ identified in the Castalia report have been addressed in the Bill.
- 3.2 The Ministry⁵ confirms to the Committee that the amendment has dealt with the Type A changes as recommended. The proposed amendment in the Bill is looking at the temporary measures to have the regulatory functions devolved from SIEA to the Ministry, and thereafter, when the restructure is done on the regulatory framework, an independent power producer centre or an electricity commission will be established for the long term amendment. Hence, there will be an energy advisory tariff commission that will advise the Minister on the tariff.

Shifting of power to set the tariff from SIEA to the Minister

- 3.3 The Committee further questioned how the shifting of the power to impose tariff on electricity to the Minister will achieve the objectives.
- 3.4 The Ministry⁶ stated that the proposed amendments will try to set the tariff in a fair and transparent way. At the moment, the Act⁷ provides for the Minister to set the tariff on the recommendation by the Solomon Islands Electricity Authority, which is seen as not transparent, and therefore, cause unfairness to the consumers for both the private and public sectors.
- 3.5 The Committee notes that the costs for producing electricity is only known to the SIEA, and with the proposed amendments to the Act, the Solomon Power is bound by this Act to clearly state the cost and revenue for the power during its consultations with the Tariff Advisory Commission.
- 3.6 The Committee also notes that the Tariff Advisory Commission will be comprised of stakeholders from the Ministry of Finance and Treasury, the price control unit within the

³ Workstream 1: Pass short-term Type A changes; Workstream 2: Implement electricity sector restructuring; Workstream 3: Implement institutional changes; Workstream 4: Improve electricity sector financing

⁴ Type A changes are: Ensure definition of electricity generation installations includes renewable energy (RE) technology, section 3.1; update technical standards, section 3.2; remove references to abolished New South Wales Energy Authority, section 3.3; update criminal offenses and fines, section 3.4

⁵ Chris Vehe, Permanent Secretary, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

⁶ John Korinihona, Director of Mines & Energy, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

⁷ Electricity Act (Cap. 128)

Ministry of Commerce, Industry, Labour and Immigration to regulate fuel prices, SICCI⁸ and the Ministry of Mines & Energy.

- 3.7 During the inquiry, the SICCI Chairlady⁹ in her submission states that, *"we must be cautious that this is not 'misused' 'and' that it must be experts from all stakeholders that are engaged in the consultation. It must be a rigorous process involving relevant experts (both technical and financial) to ensure we have viable tariff rates that are affordable for businesses and the public, while at the same time not compromising Solomon Power's viability—to be able to provide quality and safe electricity."*

Reduction of electricity cost

- 3.8 The Committee was informed that with the proposed amendments, the Solomon Islands Electricity Authority will have to report their capital expenditure (CapEx) and operational costs to ensure that when the tariff is set, it is fair for both the consumers and SIEA.
- 3.9 The Committee is concerned that there is no evidence to show that the cost of electricity will be reduced and asked if there is any modelling that would show the reduction in the cost of electricity given the shift in power to set the tariff and having a more transparent processes.
- 3.10 The Committee notes that the Ministry with the donor partners have done some work on the modelling for the reduction of the cost of electricity, and also looked at the models that SIEA would adopt in the proposed restructuring of the utility.
- 3.11 The Committee further enquired on what impact these changes would have on the pricing restructure.
- 3.12 The Ministry¹⁰ informed the Committee that work has been done on the base tariff. The base tariff used now was set in 2020 and effective as of 2021, and will be revised after 5 years. The Ministry further stated that \$700 million was spent by SIEA in capital investment and this has been charged in the tariff. This is a fixed cost and will not fluctuate for the next five years.
- 3.13 However, the Committee also notes that during the Covid19 period, there was not much investment done by Solomon Power but this cannot be proven. Thus, with these amendments the Ministry will have the power to keep the Solomon Power in check regarding such matters.

⁸ SICCI stands for "Solomon Islands Chamber of Commerce and Industry"

⁹ Qila Tuhanuku, Chairlady, SICCI, Oral evidence, Audio, 10 October 2023

¹⁰ Ibid

Weighted Average Cost of Capital (WACC)

- 3.14 The Ministry¹¹ informed the Committee that the current tariff is fixed for 5 years and cannot be reduced until 2025. During the last review with SIEA the Ministry asked if Solomon Power had not spent the \$700 million for the CapEx investment.
- 3.15 The Ministry¹² further informed the Committee that the first gazette tariff review was done in 2016. It was established during this review that the WACC used is a commercial WACC¹³ and not a SOE WAC¹⁴. Thus, the WACC that was used from 2016 to 2021 is 12%. However, the SOE WACC is only 6%, the WACC of 12% was set by Solomon Power. The SOE WACC is set by the Pacific Power Association which Solomon Islands is a member to. Thus, during the review the Ministry has asked Solomon Power to reduce the WACC to 6%.
- 3.16 The Ministry¹⁵ stated that it was brought to light that the Solomon Power's CapEx investment from 2016 to 2021 was also underspent and from 2021 to 2025, they were seeking an amount of \$200million for their CapEx investment. Thus, they requested \$200million for each year for the 5 years from 2021 to 2025 which is around \$1 billion.
- 3.17 The Committee express concern as to why the Solomon Power had underspend its CapEx for period between 2016 to 2021 and yet charge the government with this high rates. The Committee also notes that the Ministry during its review, it has considered that 5 years for the fixed tariff is too long and, therefore, should be reduced to 3 years.
- 3.18 The Ministry¹⁶ also stated that from 2016 to 2021 Solomon Power has underspent \$150 million and used the 70:30 ratio in its calculation. However, in its review in 2020, it was agreed that if Solomon Power has underspent, it should pay 70% to the Government. However, if it overspend, the Government should pay an extra 30%. In this case, it is evident, the Solomon power has underspent, therefore, it should have paid 70% back to the Government, and this has yet to be done.

Recommendation 1

That the 5 year period for tariff cycle be reduced to 3 years.

¹¹ John Korinihona, Director of Energy, Ministry of Mines and Rural Electrification, Oral evidence, 10th October 2023.

¹² Gabriel Aimaea, Deputy Director Mines & Energy, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

¹³ Commercial WACC refers to Commercial Weighted Average Cost Capital

¹⁴ SOE WAC refers to State Own Enterprise Weighted Average Cost Capital

¹⁵ Gabriel Aimaea, Deputy Director Energy, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

¹⁶ Ibid

Underspend of \$150 million by SIEA

- 3.19 The Committee enquired into the \$150 million that was underspent by SIEA, and noted that the SIEA have already collected the tariff, this means that each year it has collected \$70million plus profit per year. Since Capital investments depreciated over the years they also get the benefit of the depreciation as well. That means they are getting more regulated revenue. Thus, the Committee is concerned that this is very unfair.
- 3.20 The Committee is of the view that this policy direction is something that should have been done earlier and that SIEA should not be a monopoly. The Committee is also of the view that SIEA has a moral duty not to earn \$70million every year at the expense of the public.
- 3.21 The Ministry¹⁷, further stated that during the latest review in 2021 the Ministry asked SIEA regarding the \$150 million underspent in its capital investment but they continue to place high tariff on energy.

Recommendation 2

It is unsustainable in the long term for the Director of Energy to host the power to recommend tariff changes.

The Committee notes that the establishment of an Independent Regulator is part of the reforms to come in the energy sector, and urges the government not to delay on it.

Recommendation 3

That there is government policy to incentivize households to set up rooftop solar.

Private set up of solar

- 3.22 The Committee enquired into private set up of solar and whether it will have a cost.
- 3.23 The Ministry¹⁸ stated that the private setup of solar will be allowed in the regulation in which a charge of \$1,900 per kilowatts to be paid.
- 3.24 The Committee is also concerned that there is delay in dealing with this issue.
- 3.25 The Ministry¹⁹ informed the Committee that the reason for delay is because Solomon Power has in the past gone through a certain crisis, therefore, going forward, it wants to have careful consideration to avoid certain impacts.

Installation of Solar Farm

¹⁷ John Korinihona, Director Energy, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

¹⁸ Ibid

¹⁹ Gabriel Aimaeta, Deputy Director Energy, Ministry of Mines, Energy and Rural Electrification, Oral Evidence, 10 October 2023

- 3.26 The Committee is interested to know about the cost of installing solar farms.
- 3.27 The CEO²⁰ stated that in order to install a one-megawatt solar farm in Honiara, it cost them \$15 million (USD) and they currently have few in Honiara. The CEO further expressed that currently under the one mega-watt solar farm, they can dispose the usage of 3050 Litres of fuel every year. This will also eventually reduce the tariff costs.

Inefficiencies in the cost of electricity

- 3.28 The Committee is concerned that there are many inefficiencies with Solomon power. The Committee is of the view that if the regulatory function is taken out of SIEA, the government can have some control in it. SIEA cannot continue to do so at the expense of the citizens.
- 3.29 The Committee is of the view that SIES is a SOE, and it should set up for the purpose of assisting the government in consultation to ensure that there is better implementation of its policies.

Recommendation 4

That the Minister give direction, consistent with government reform agenda, to the SIEA as provided for under SOE Act.

- 3.30 The Committee pointed out that the SIEA Annual report 2021 states that \$846.61 million is the total value of projects that are in planning phase especially for investment. The Committee further expressed concern that the Ministry still has no mechanisms to verify the credibility of the SIEA annual reports.

Recommendation 5

That the Director of Energy conduct a study on the components of the tariff structure with a view to influence customer behavior by incentivizing power consumption between domestic, commercial and industrial customers.

Lack of investment by SIEA

- 3.31 The Committee noted that the report in regard to the depreciation policies, their operational buildings, depreciates over 20 to 30 years, generators 10 to 40 years, plant and equipment 10 to 25 years, distribution network were 20 to 60 years. The Committee is very concerned that these may have immense financial impact on the customers.
- 3.32 In regard to their annual investment and assets, under generators for 2020 to 2021 it is clear that there is no investment in generators. In terms of plant and equipment, and destruction

²⁰ Martin Sam, CEO, Solomon Power, Oral Evidence, Audio, 10 Tuesday October 2023

network in 2020 and 2021 addition, there were also no purchases. The Committee is concerned that these are years that customers have already paid for in the form of tariff.

The need for cheaper electricity

- 3.33 The Committee sought clarification if the Solomon Power can reduce the cost of electricity, as it is considered the most expensive both in Oceania and in the world.
- 3.34 The Solomon Power CEO²¹ stated that they can to a certain extent, reduce the tariff. They have to look at what levels the company would be able to reduce, and at the same time, maintain to sustain their operations.
- 3.35 The Committee stated that Solomon Power and its Board of Directors should be more efficient when it comes to finding ways to reduce the cost of electricity.

Recommendation 6

That the overall policy goal of government to be pursued by SIEA is make the price of electricity in Solomon Islands the cheapest in the region. That there is clear accountability for this policy goal.

Damage Compensations

- 3.36 The Committee is interested to know if any customer in the recent past has approached Solomon Power with complaints, particularly, damage to home appliances caused by power outages.
- 3.37 The Solomon Power CEO²² inform the Committee that they have dealt with such customers in the past and that Solomon Power has carried out assessments on those damaged home appliances caused by the power outages. This is just to establish what causes the damages and not to compensate those customers for the damage of their home appliances.

Solomon Power as the sole supply of Electricity

- 3.38 The Committee is aware that outside of Honiara, Solomon Power has power grid in each of the 9 provincial capitals. The Committee is interested to know the processes if anyone decides to install and operate solar/hybrid grids in the rural areas.
- 3.39 The Solomon Power CEO²³ stated that they are the only authorized power supplier and if there are interested groups who want to provide power on their own, they must consult with Solomon Power. This is to make sure that such power supply grids are safe, and currently in

²¹ Martin Sam, Solomon Power CEO, Oral Evidence, Audio, 10 October 2023

²² Ibid

²³ Ibid

Honiara the company has granted several licensed Independent Power Producers (IPP), especially hotels and industries.

- 3.40 The Committee was further informed that Solomon Power only give certificates after inspections to those that provide 50 Kilowatts and below.

Demand Charge

- 3.41 The Committee enquired into the demand charge and how it works.
- 3.42 The CEO²⁴ stated that for this charge, they issue it to customers that use both rooftop solar and Solomon Power. They might use one during the day and the other at night. This is because the infrastructure that is put up at the customer's rooftop is on standby and Solomon Power has already incurred costs to install it, hence the reason to put charges on such customers. It is the charges that are debatable.
- 3.43 The Committee is of the view that charging customers who install rooftop solar at their homes seems punitive.

Recommendation 7

That the Act should be amended to remove the demand charge for set up of solar panels.

Independent Power Producers (IPP) for rooftops/solar farms

- 3.44 The Committee is interested in the growth of the economy and one way to achieve that is through cheap power supply. This means that instead of charging the IPPs, Solomon Power should welcome such initiatives and encourage those IPPs to sell the power they produce to them, whether it be from rooftop solar or solar farms.
- 3.45 The CEO²⁵ stated that under the current legislation, such undertakings by (IPPs) are still prohibited. But they understand that the Ministry of Mines, Energy & Electricity is working on such reforms and Solomon Power welcomes such reforms going into the future for cheaper electricity prices.

²⁴ Martin Sam, Solomon Power CEO, Oral Evidence, Audio, 10 October 2023

²⁵ Ibid

4.0 CONTENT ISSUES

Clause 4 – Section 2 amended:

4.1 Clause 4 states; *'Section 2 of the Principle Act is amended;*

(a) In the definition of "installation":

(i) Insert after "electricity," the following "and includes any electricity generation equipment," and

(ii) Repeal "including prime movers, if any," and

(b) By repealing the term "prime mover" and its definition.'

Issues with the proposed clause:

- 4.2 The Committee sought clarity on the definition of "installation" and whether it would include solar, wind, hydro etc.
- 4.3 The Ministry²⁶ had assured the Committee that this amendment will provide for any energy generation equipment and that includes solar, wind, hydro etc.
- 4.4 The Committee further sought clarification if this amendment will permit another investor to provide these services. The Ministry in its response informed the Committee that the electricity industry will be deregulated so that independent power producers can put up their solar panels and connect to the grid. With this Bill, the transition towards that has begun. Hence, any independent power producer can sign a contract with SIEA on how much it wants to sell.
- 4.5 The Committee further questioned who will license the new operator under these amendments.
- 4.6 The Ministry²⁷ stated that it would still be the Solomon Power who will be licensing this.
- 4.7 The Committee is concerned that SIEA will still be the regulator because the main objective of this amendment is to allow independent power producers to produce and market power. However, having the SIEA to regulate the price for these independent power producers obviously defeats that objective. Furthermore, since SIEA will still set the wholesale price, this will disincentive anyone who wants to be a private electricity provider.

²⁶ John Korinihona, Director of Energy, Ministry of Mines and Rural Electrification, Oral evidence, 10 October 2023

²⁷ John Korinihona, Director of Energy, Ministry of Mines and Rural Electrification, Oral evidence, 10 October 2023

- 4.8 The Ministry²⁸ informed the Committee that the issue of the regulator will come under the regulation once the Bill is passed. Thus, according to the Castalia Review report, it indicates that the power to issue license and regulate the whole sale price of independent power producers can come under the Minister if need be.
- 4.9 However, the Committee expressed concern that that section 30²⁹ of the principal Act in fact states otherwise.
- 4.10 The Committee therefore, sought clarification on whether licensing of an independent power producer after these amendments is possible under the regulations as stated by the director.
- 4.11 The Legal Draftsperson in her written submission stated that the Authority (SIEA) is solely responsible for issuing of license to electricity suppliers. Also in the current Act section 30, license cannot be granted under regulations, it does not expressly say that license can be granted under Regulations although sometimes they do and maybe exempted under section 54³⁰, by order.

Recommendation 8

That the licensing of installations be removed from SIEA and given to an independent body.

- 4.12 The committee also asked about the definition of “prime mover” stated under clause 4 (a) (ii).
- 4.13 The Director of Mines, Energy and Rural Electrification ³¹ informed the Committee that it is a form of generator that only generates electricity but by amending it, it leaves it open for any other form of energy producer for electricity to be used.

Clause 5– Section 21 amended;

- 4.14 Clause 5 states; *‘Section 21 of the Principle Act is amended by repealing “on the recommendation of the Authority”. And substituting “on the recommendation of the Director of Energy, of the Ministry of Mines, Energy and Rural Electrification, after the Director of Energy consults with the relevant stakeholders”.*

²⁸ Ibid

²⁹ Electricity Act (Cap. 128) section 30 (3) states, *‘Such licenses shall may be granted by the Authority on payment of such fees, if any, as may be prescribed.’*

³⁰ Electricity Act (Cap. 128) section 54 states, *‘The Minister may, on the recommendation by the Authority, exempt any installation or class of installation from all or any of the provisions of Part IV and Part VIII or any regulation made thereunder. Part IV is Supply of Electricity under which section 30 is located, and Part VIII is entitled Provisions Relations to inspection, registration etc.’*

³¹ Director of Energy, Ministry of Mines and Rural Electrification, Oral evidence, 10th October 2023

Issues with the proposed Clause:

- 4.15 The Committee noted that this amendment allows for the power to make recommendations to be devolved to the Director of Energy of the Ministry from the authority (SIEA). The Committee questioned whether the ministry will be using the same formula that the SIEA uses to set tariff prices.
- 4.16 The Ministry stated that they will be using the same formula but the figures that will be used will be more accurate and transparent.

Clause 6– Section 30 amended:

- 4.17 Clause 6 states; *'Section 30 of the Principle Act is amended by repealing sub-section (2), and substituting;*

"(2) A person who contravenes subsection (1) commits an offence.

Maximum penalty: 10,750 penalty units; and of the offence is continued, 550 penalty units for every day or part of a day during which the offence continues."

Issues with the proposed clause:

- 4.18 The Committee sought clarification on why the penalty units is set at 10,750 units and not a whole number as prescribed in previous Bills.
- 4.19 The Ministry³² stated that this amounts are set out this way according to the recommendation from the Castalia Review report. .
- 4.20 The Legal Draftsperson³³ stated that penalties differ in the different laws. There is no law that restricts the use of penalty units that are only whole numbers and has to go through imprisonment. It depends entirely on the context of the law.
- 4.21 The Committee also raised concern that the 150 penalty units to be paid everyday if the offence continued in clause 7 (g) (ii) does not reflect the drop in purchasing value of the Solomon Dollar.
- 4.22 The Committee further raised that the penalties in section 30 of the principle Act are more serious because it deals with licensing. However, in the Bill clause 6 states that the penalty for licensing which is 10,750 penalty units while the penalty for illegal connections is set at 16,000 penalty units. The Committee is of the view that the licensing issue is a serious crime thus, questioned why the penalty for licensing is lower compared to the penalty for illegal connection.

³² John Korinihona, Director of Energy, Ministry of Mines, Energy and Rural Electrification, Oral evidence, Audio, 10 October 2023

³³ Dr. Lalotoa Mulitalo, Legal Draftsperson, Attorney Generals Chamber, Oral evidence, Audio, 10 October 2023

- 4.23 The Ministry is however, of the view that issue of licensing is not that serious because such crimes only happen because certain persons are pressured to provide electricity in their villages hence, imprisoning them or placing a high penalty will affect them tremendously. Thus, is of the view that penalty for illegal connections is more serious hence, the high penalty units.
- 4.24 Furthermore, with regard to clause 6 Section 30 of the Principle Act, the Committee is concerned that this section provides for the Solomon Power to be the sole provider unless it gives license to any other private power producer to operate as well. The SIEA is compelled by the amendment that it must supply electricity. The Committee notes two issues; what happens if SIEA fails to supply electricity and if it cannot supply power it will affect businesses, and SIEA does not supply power to 80% of the country. The SIEA can at any time remove private solar panels from those that set up private solar.
- 4.25 The Ministry³⁴ stated that there is an understanding that because SIEA do not supply power to small villages' private solar power producers can continue to have solar. However, big companies that produce less than 15KVA³⁵ are exempted from license that is often charged.
- 4.26 The Committee asked the ministry that technically if a person is supplying 100KVA SIEA, can the company charge that person under clause 6 of the Bill.
- 4.27 The Ministry stated that technically that is the case but this person can be exempted if an application is made.

Clause 7– Section 42 amended:

- 4.28 Clause 7 states; *'Section 42 of the Principle Act is amended:*

(a) in subsection (1), by:

(i) Placing a full stop at the end of "an offence" and repealing's the rest of the subsection (1); and

(ii) Inserting after subsection (1) the following:

"Maximum penalty: 16,000 penalty units, or to imprisonment for 5 years, or to both such time fine and imprisonment", and

Issues with the proposed Clause:

- 4.29 The Committee enquired into when will the current length of tariff lapse.
- 4.30 The Ministry stated that it will lapse in 2025 so the current amendment is done to allow for this timeframe for the tariff to complete it five years course.

³⁴ John Korinihona, Director of Energy, Ministry of Mines and Rural Electrification, Oral evidence, 10th October 2023

³⁵ Kilovolt-amps measure what's called the 'apparent power' of a generator.

END OF REPORT

5.0 APPENDICES

Appendix 1: Witnesses

Date	Name	Position & Organisation
Tuesday 10 th October, 2023 10:09 am – 11:33 am	Dr. Chris Vehe	Permanent Secretary, MMERE
	Dr. Lalotoa Mulitalo	Legal Draftsperson, AGC
	Mr. Martin Sam	CEO - SIEA
	Mr. John Korinihona	Director Energy, MMERE
	Mr. Daniel Rove	Deputy Secretary Corporate, MMERE
	Mr. Toswell Kaua	EPO, MMERE
	Mr. Gabriel Aimaea	Deputy Director Energy, MMERE
	Mr. Richard Bapo	PEO - MMERE
	Ms. Ha'a Hauirae	CLC - AGC
	Mr Ake Poa	Senior Legal Officer, SIEA
2:17 pm – 3:27 pm	Mr. Martin Sam,	Chief Executive Officer, SIEA
	Mrs. Delilah Homelo,	General Manager Customer Services/Deputy CEO, SIEA
	Mr. Ake Poa,	Senior Legal Officer, SIEA
3:30 pm – 3: 51 pm	Ms. Qila Tuhanuku,	Chairlady, SICCI.

Appendix 2: Minutes of Proceedings



NATIONAL PARLIAMENT OF SOLOMON ISLANDS

BILLS AND LEGISLATION COMMITTEE

P.O. Box G19,
Honiara.
Tel: 28520/23424.
Fax: 24272

Minutes of Proceeding

Committee Hearing into Electricity (Amendment) Bill 2023

Day 1/2023

Tuesday 10th October, 2023, CRII, Parliament Building, 10:09 am

1. **Members Present**

Hon. John Maneniaru, MP- Chairman
Hon. Matthew Wale, MP
Hon. Rick Houenipwela, MP

2. **Apologies**

Hon. John Dean Kuku, MP
Hon. Peter Kenilorea Jnr, MP
Hon. Derrick Manu'ari, MP
Hon. Silas Vaqara Tausinga, MP
Hon. Lilly Maefai, MP

3. **Secretary**

Ms. Ivory Iruha'a

4. **Secretariat**

Ms. Ivory Iruha'a, Committee Secretary
Ms. Cordney Wale, Committee Secretary
Ms. Monica Sekonga, Senior Admin-Committees
Ms. Theresa Nori, Hansard Officer
Mr. Pamentha Golo, IT Support Officer

5. **Prayer**

The Legal Draftsperson said the opening prayer.

6. **Welcome/ Opening remarks**

The Chairman of the BLC welcomes members of the committee, witnesses, committee secretariat and supporting staff and then said his opening remarks. The Chair informs the witnesses of the Parliamentary privileges.

7. Inquiry into the Electricity (Amendment) Bill 2023}

The hearing proper commenced and the following witnesses from the Ministry Mines, Energy and Rural Electrification and Attorney Generals Chamber were admitted:

Hearing 1 Witnesses

- i. Mr. Chris Vahe – Permanent Secretary, MMERE
- ii. Mr. John Korinihona, DE, MMERE
- iii. Mr. Daneil Rove, DSC, MMERE
- iv. Mr. Towell Kaua, EPO, MMERE
- v. Mr. Gabriel Almaea, DDE, MMERE
- vi. Mr. Richard Bapo, PEO, MMERE
- vii. Dr. Lalotoa Mulitalo, LD, AGC
- viii. Ms. Ha'a Hanirae, CLD, AGC
- ix. Mr. Ake Poa, SLO, SIEA
- x. Mr. Martin Sam, CEO, SIEA

The witnesses made their presentation before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

The hearing is suspended for lunch at 11:52 a.m.

The Hearing proper resumed at 2:17 pm and the following witnesses from Solomon Power were admitted:

Hearing 2 Witnesses

- i. Mr. Martin Sam, Chief Executive Officer, SIEA
- ii. Mrs. Dellah Homelo, General Manager Customer Services/Deputy CEO, SIEA
- iii. Mr. Ake Poa, Senior Legal Officer, SIEA

The witnesses made their presentations before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

The hearing is suspended for lunch at 3: 27 p.m.

The hearing proper resumed at 3:30pm and the following witnesses from the Solomon Islands Chamber of Commerce.

Hearing 3 Witnesses

- i. Ms. Qila Tuhanuku, Chairlady, SICCI.

The witnesses made their presentations before the Committee.

The Committee questioned the witnesses based on evidences presented. Discussion ensued. Evidence concluded and witnesses withdrew.

8. **Adjournment**

The hearing adjourned at 3:51 p.m.

Appendix 3: Submissions

Other Submissions

No	Author
1.	MMERE – Solomon Islands National Energy Policy, Solomon Islands Government.
2.	MMERE – Solomon Islands Electricity Act Review. Final Report: Recommended Amendments and Policy Options Roadmap, March 2022.
3.	MMERE – Bills Generic Template
4.	MMERE – Review of the “Electricity Act and Petroleum (Storage & Handling) Act” Stakeholders Workshop (Wednesday 31 st may 2023). Registration.
5.	MMERE – List of People consulted on the Electricity Act Amended.
6.	SIEA – Cost of Service Study and Tariff Review. Tariff Report, 15 th February 2021
7.	SICCI – Key Talking Points
8.	SICCI – Finding Balance 2023: Bench marking Performance and Building Climate Resilience in Pacific State- Owned Enterprises, March 2023.

