Policy reform to improve electricity – Papua New Guinea's experience

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Standard reform paradigms -key elements & lessons

- Separation of commercial, regulatory and policy functions
- Unbundling and introduction of competition
- Independent and sufficiently resourced regulator
- No ‘cookbook’ solutions – starting conditions important
- Successful reform depends on extent of economic development, size of network and institutional capacity
- Case for unbundling is very limited in small markets

PNG’s Electricity Sector

- Extensive portfolio of energy assets
  - Hydro, geo-thermal, natural gas, renewable
  - Total installed capacity is 797 MW (ADB, 2017)
  - Least energy intensive in APEC region
- Electricity access and coverage
  - 13% of the population (70% target by 2030)
- Key players
  - PNG Power Limited (vertically integrated state monopoly)
  - Department of Energy (central agency);
  - Independent Consumer & Competition Commission (economic regulator);
  - Independent Power Producers (IPP)

Reform

- Rural electrification and renewables
  - Rollout of rural electrification programs
  - National Energy Policy with greater focus on renewables
- Institutional reform
  - Proposal to establish National Energy Authority and Energy Regulatory Commission
  - Ongoing restructure within PNG Power Ltd
- Promotion of competition
  - IPPs access to network in generation segment

PNG Issues

- Overlap in roles and responsibilities with respect to policy, planning and operations
- Limited accountability mechanisms
- Limited funding and institutional capacity
- Differing positions on the scope for unbundling and competition

Way forward

- Clarity in roles and responsibilities of key players
  - PPL focusing on development objective
- Enhance affordability and capacity for rural electrification programs
  - PNG Electrification Partnership (APEC 2018)
- Encourage private sector investment
  - Public-Private Partnership Policy
  - IPPs participate in power generation