

GOVERNMENT OF THE KINGDOM OF TONGA

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ENERGY COMMISSION





ANNUAL

REPORT







AUDITED FINANCIAL REPORT

for the year ended 30 June 2023

Tonga Energy Commission Tu'atakilangi Tongatapu Kingdom of Tonga



We exist to ensure that the Price of the Electricity is Fair to the Consumers; to Tonga Powers; to the Government and to Guarantee Safety and Reliability of Supply

M.40-1

Hon Fekita Katoa 'Utoikamanu Minister Ministry of Meteorology, Energy, Information, Disaster Management, Environment, Climate Change and Communications. NUKU'ALOFA

Dear Honourable Minister 'Utoikamanu

It is my pleasure to present to you the Annual Report of the Tonga Energy Commission for the financial year 2022/2023.

The Annual Report reflects the direction stipulated by the Energy Act 2021 that the Commission shall, no later than 3 months after the end of each financial year, furnish to the Minister a report of its operations during that year. A copy of the Report shall be laid before the Legislative Assembly. Please accept my most humble and sincere apologies for the lateness of this submission.

The report contains information as required under other applicable legislation including but not limited to the mandate of Tonga Energy Commission, which is encapsulated in clauses 25, 26 and 27 of the Energy Act 2021.

In presenting the Annual Report, I thank the Chairman, Commissioners, and my colleagues in the Commission for their professionalism and dedication in helping to examine, assess, inspect and investigate compliance with the safety of power supply to ensure the price of electricity is fair to the Consumers, to Tonga Power, and to the Government.

Respectfully,

(Col. (Ret'd) Siamelie Latu) Chief Executive Officer

CHAIRMAN'S STATEMENT



Our independence is necessary for promoting high performing electricity markets – reducing the risk of interventions with unintended consequences and increasing predictability in how the regulatory regime operates. This is important for electricity, which is technically complex and relies on long-term capital intensive investments.

During this reporting period, the Commission mapped out strategies to maintain the relatively stable electricity supply in the country after resolving the issue of irregular, and unpredictable electric power outage. The Commission rolled out a couple of projects in an attempt to maintain stable

power in the country which include but not limited to ensuring reliability of electricity supply in Tonga. Reliability of electricity supply in Tonga is mainly dependent on the condition and reliability of the distribution system (Power Grid) and power generation equipment (Diesel Generators and R/E plant).

Reliability of distribution system is evaluated monthly through evaluating of power outages, using SAIFI, CAIFI and system loss, included in TPL monthly compliance report. Reliability of power generation equipment is evaluated through monthly Power Generation Auditing (Stock-Take). The data gathered from Stock-Take is used to verify the accuracy of TPL Compliance report's system performance and evaluate diesel generator and renewable energy power generation equipment's monthly performances.

Any issues affecting the reliability of supplying electricity during the monthly evaluation, is addressed and rectified through co-ordination with Tonga Power and implementing agreed solution, like improving maintenance schedule, upgrading Power Grid and installing more Renewable Energy plants.

For Tonga to focus on the future benefits of renewable energy, will mean lower cost, environmental, and financial stability. The focus will be on controlling fuel costs, enhancing financial performance of generation assets by power generations and attracting capital to allow for expedited renewables transition.

The Commission provided support to raising the capacity of Renewable Energy transition and production to meet the targets stipulated by TERM plus and in order to keep the tariff at lowest possible. Additional storage capacity of fuel in Tonga should save on transportation costs thus reducing the Fuel component of the tariff. Moreover, the intervention of the Government to provide life-line subsidies for households is encouraged as a component of poverty relief.

The Commission also supported the activities of the Office of the Pacific Islands Regulators Alliance (OPERA) under the Chairmanship of Tonga Energy Commission. It was established in 2016 by Tonga, Samoa and Vanuatu. It has 13 full members from the Pacific Island Country Regulatory Authorities. Their purpose is to provide a forum for energy regulators in the Pacific Islands region to enhance regulatory decision-making skills and technical capacities, and control electricity pricing.

At this juncture, I wish to extend my sincere appreciation to my fellow Commissioners, the Chief Executive and Management of the Commission, and to all the stakeholders that have continuously supported the Commission in different capacities.

Faka'apa'apa atu,

Rev. 'Alifeleti 'Atiola Chairman, Tonga Energy Commission





The year in perspective has been another successful one for the Tonga Energy Commission (TEC) financially and operationally. The year was marked with number of achievements and new challenges - all part of our charted journey to realise our vision "to be recognised as a professional regulatory authority which aims to provide efficient and reliable electricity services for the quality of life, and sustainability of the economy and society."

The Commission has taken all efforts to establish, maintain and perpetuate a fair, transparent and objective regulatory system in the Power Sector. Similar to the previous reports, this annual report also provides an insight into the earnest and concerted efforts made by the Commission to achieve its functions specified in the then Electricity Act and Concession Contract Agreement with TPL before enactment of the new Energy Act 2021 in 2022.

Towards the beginning of this year, there was an increased effort to engage proactively and strategically with TPL to generate dialogue and solicit views in relation to regulatory requirements and several important issues relating to power generation and distribution and power tariff review. We provided a more detailed analysis of customer billing, meter reading accuracies, regulatory audit analysis, and a review of the current conditions of diesel generators and their reliability in terms of future power distribution to the customers.

We will continue to work with TPL and across Government to give confidence to industries and the wider public that we are closely watching the power sector operations and taking action on behalf of the consumers. If at times the process has been contentious on some issues, the outcome has always been to best serve the consumers.

The Electricity Act (Cap 14.04) was repealed by section 160a of the Energy Act, when the Act came into force in 2022. The Electricity Commission thus ceased to exist since the Electricity Act has been repealed. The members of the Electricity Commission are now members of the Energy Commission by default, despite the fact that it has not been formally endorsed by Cabinet. The new Energy Act has brought additional functions to the Commission which include but not limited to ensuring the safety, affordability and security of supply of petroleum, gas, renewable energy and any energy sources in the Kingdom. The new Act enables the Commission to administer and regulate renewable energy and is the best next logical step in Tonga's energy transition.

During this period, the Commission has graduated a total of 28 Certified Electrical Licensed Contractors in the country to undertake safe wiring in the country. Of the 28 Licensed Electrical Contactors one of them is from Vava'u and the rest are from Tongatapu.

Lastly, I would like to thank all the TEC management, staff members and employees for the determination to carry out their duties with utmost effort to support the regulation of electricity to be efficient and sustainable for optimum benefits of the people who are energy users and of the country as a whole.

Respectfully,

(Col. (Ret'd) Siamelie Latu) Chief Executive



USER GUIDE

Executive Summary

The format and content of this Annual Report reflect the guidelines directed by the Energy Act 2021 Section 54 that the Commission shall, no later than 3 months after the end of each financial year, furnish to the Minister a report of its operations during that year. A copy of the Report shall be laid before the Legislative Assembly.

The report addresses the Commission's performance and achievements across the range of its responsibilities including but not limited to: Regulatory Procedures and Processes; Outcome of regulatory processes in terms of benefits to consumers; Annual Statement of Accounts; Technical Managers Department Achievement and Human Resources of the Commission

The report is divided into three parts:

Part One: contains a description of the Electricity Commission and an overview of activities and outcomes, the Acts, Regulations, Policies, and Instructions relevant to the core functions of the Commission as well as its vision, mission, core values, and mandates in light of the legislation.

Part Two: provides the main source of information about Program Performance. These Programs are aligned with the authority structure, which ensures that Supervisors have the authority, responsibility, and accountability for the effective and efficient performance of these Programs. These programs' structure reflects the way EC manages its affairs and sets priorities. It provides a consistent framework for the devolution of management authority, the allocation of resources, and reporting on achievement and performance.

Part Three: The Audited Financial Statements of the Commission for its five years of operation.

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LIST OF ABBREVIATIONS

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ABBREVIATION	
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FULL FORM ADB Asian Development Bank BEV Battery Electric Vehicle Battery Energy Storage System BESS CCRA **Concession Contract Regulatory Addendum** Department of Energy (within MEIDECC) DoE EOI **Expression of Interests** ECC **Electricity Concession Contract** EEC Energy & Economics Consulting EM Electric Mobility ERP Equity Risk Premium EV Electric Vehicles GHG Green House Gas IEC International Electro-technical Commission IPP Independent Power Producer MW Megawatt MWh Megawatt hour OPEX **Operating Expenses** OPERA Office of the Pacific Energy Regulators Alliance PICT Pacific Island Countries and Territories PPA Power Purchase Agreement TEC Tonga Electricity Commission

TERM Tonga Energy Road Map

TPL Tonga Power Limited

TREP Tonga Renewable Energy Project

ILLUSTRATIONS

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INTRODUCTION

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The Commission

The conceptualization of independent Regulatory Commission for the electricity sector dates back to prior 2008, when the Tonga Electric Power Board was dissolved and Electricity Commission was introduced under the Electricity Act 2007 to reflect the best international practice for public utility regulation

The Electricity Act (Cap 14.04) was repealed by section 160.a of the Energy Act, when the Act came into force in 2022. The Electricity Commission thus ceased to exist since the Electricity Act has been repealed. The members of the Electricity Commission are now members of the Energy Commission by default, despite the fact that it has not been formally endorsed by Cabinet. The new Energy Act has brought additional functions to the Commission which include ensuring the safety, affordability and security of supply of petroleum, gas, renewable energy and any energy sources in the Kingdom.

These functions are yet to be transferred to the Tonga Energy Commission (TEC). The DoE has secured a TA from the EU to assist in setting up the Energy Commission. This would proceed first before transferring all the functions of regulating the petroleum and gas industry to the TEC. The resourcing of TEC to take on the functions of regulating the petroleum and LPG sectors needs to be considered when designing the regulations, especially which regarding the fees and levies provide to sufficient revenues without which TEC would not be able to execute the functions of the regulator.

The Commission functions are in a quasi-judicial manner as per the Concession Contact Agreement and the Energy Act 2021, it consists of a Chairperson and four Members. In recognition of the need for a multidisciplinary approach, while addressing issues related to independent regulation, the Act prescribes that the Chairperson and Members shall be recommended for appointment as a member of the Commission unless, in the opinion of the Minister, that person is qualified for appointment, having regard to the functions and powers of the Commission, by virtue of that person's knowledge of or experience in the industry, commerce, economics, law, accountancy, public administration, or consumer affairs.

Governing Body

The governing body of the Energy Commission consists of five members appointed by the then Minister of Finance acting in consultation with the Cabinet. In making the appointments, the Minister takes into consideration the knowledge, expertise and experience of the persons so appointed and in particular, their knowledge in matters relevant to the functions of the Commission.

The Secretary is responsible for the day to day administration of the Energy Commission and is required to ensure the implementation of the decision of the Board.



In the performance of their duties, the Commissioners met thirteen (13) times between 1 July 2022 and 30 June 2023. At the meetings, the Commissioners discussed and ensured that policies were followed and complied with the legal framework it operates.

PROFILES OF MEMBERS OF THE BOARD OF THE ENERGY COMMISSION 2022/2023



Rev. 'Alifeleti 'Atiola – Chairman (10 Jul 2022 - 9 Jul 2025)



Mr. Ma'u Havea – Member (1 Mar 2021 - 29 Feb 2024)



Mr. Sione Tuifio Finau-Member (1 Oct 2021 – 1 Oct 2027)



Mr. Siosaia M. Moehau - Member (1 Oct 2021 - 1 Oct 2027))



Dr. Lia Maka - Member (1 Sept 2022 - 31 Aug 2025)

The Chairman Rev. 'Alifeleti 'Atiola is the longest instrument of appointment that holds office in the Commission. Rev. 'Atiola has been with the Commission for five (5) consecutive terms in service.

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The management of the Commission is under the Chief Executive Officer since 22 August, 2022 and is responsible for ensuring that the Commission is operating effectively and efficiently.



Resources

The Commission currently has 9 staff including the CEO. The Finance Department has three personnel, one whom is an AVI volunteer. The financial sections maintain the tariff model used to update the tariff and keeps the records required to update and monitor the financial performance of TPL.

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The Financial Statements of the Commission is audited by JK Chartered Accountants in accordance with International Accountant Standards. The Audited Financial Statements and the Annual Reports every year were presented to the Minister of Finance and the Legislative Assembly.

The Technical Department has three staff that carries out electrical inspections of installation prior to connection to the grid, vet technical reports provided by TPL, verify fuel readings, and maintain technical records.

External specialist services were outsourced on an *ad hoc* basis depending on the Commission's administrative needs. However, such services must be justified by seeking an Independent Legal Opinion. Mr. Nick Langley from the Australian Volunteers Program was attached to the Commission for one year to assist the Commission Account's Section.

The Commission's main sources of income are derived from licenses and permit fees as well as regulatory fees from TPL. The Commission also has some modest investment incomes. The existing operational funding baseline for the Commission is sufficient to fund its operations and the Commission does not anticipate seeking external sources of funding unless in exceptional or unforeseen circumstances. Fees are reviewed periodically to ensure that it is appropriate and sufficient to finance its operations.

The Commission is not a commercial trading enterprise therefore does not pay dividends to the Government.

For the year ending 30 June 2023, the Commission has paid tax amount of TOP \$152,123.59 to the Department of Inland Revenue.



In January 2023, the **Tonga Institute of Science & Technology School (TIST)** has sought feedback from EC on its Electrical Engineering Syllabus though the names sound similar; there are significant differences in responsibilities, and the daily tasks performed by an electrician vs. an electrical engineer. The EC has yet to prepare for any feedback thus no syllabus has been prepared.

However, the Commissioners noted the study by the students at TIST and suggested seeking possible pathways through World Bank and its funded donors for training.

Official Mandate

As entrusted by Part VI – Energy Commission Section 25 of the Energy Act 2021, the Commission has the responsibility to discharge the following functions:

- a. Ensuring the safety, affordability and security of supply of electricity, petroleum, gas, renewable energy and any other energy sources in the Kingdom;
- b. Negotiate and enter into a concession contract on behalf of the Government ;
- c. Monitor and enforce a concession contract on behalf of the Government;
- d. Monitor and enforce standards and regulations;
- e. Administer, issue, suspend or cancel individual contractor licenses:
- f. Regulate price and quality of energy sector goods and services;
- g. Administer and maintain energy assets;
- h. Establish and collect fees. Levies and charges;
- i. Develop and recommend energy assets;
- j. Conduct or initiate investigation into or in relation to any energy related disaster;
- k. Conduct or initiate capacity building training for energy sector stakeholders; and
- 1. Do all thigs necessary for the performance of its functions and for the exercise of its powers under this Act.

The Commission shall be an independent body, exercising its powers subject to the following requirements:-

a. On or before 31 January of each year the Government shall, through the Minister, provide to the Commission short term policy directives for the energy sector for the next financial year, which the Commission shall take into account in exercising its functions; and

b. The Commission shall, in its Annual Report provided under section 64, outline how it has sought to achieve the policy directives of the Government and the extent to which those directives have been achieved.

Functions of the Energy Commission under the

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ENERGY ACT 2021

Functions of the TEC under the Energy Act 2021	Functions Currently Undertaken by TEC	Functions Yet to be Undertaken by TEC.
(a) ensuring the safety, affordability and security of supply of electricity, petroleum, gas, renewable energy and any other energy sources in the Kingdom;	 Tariff regulation for electricity. Approval of TPL's Capex Plan includes security of electricity Supply 	 Price regulation of petroleum and gas. Security of supply for petroleum and gas.
(b) negotiate and enter into a concession contract on behalf of the Government;	• CC with TPL	 Functions yet to be transferred to TEC. Uncertain if a CC shall be required for petroleum and LPG suppliers.
(c) monitor and enforce a concession contract made under this Act and take enforcement actions;	 Performance measures and penalties included in CC with TPL. Monitoring performance through reports, audits and joint verification. Enforcement action enabled in the CC. 	• Function for petroleum and LPG sector yet to be transferred to TEC
(d) monitor and enforce standards and regulations;	• Approval, monitoring and enforcement of standards in the electricity sector.	• Function for petroleum and LPG sector yet to be transferred to TEC
(e) administer, issue, suspend or cancel individual contractor licenses;	 Issue of contractor license and enforcement of contractor standards. 	• Function for petroleum and LPG sector yet to be transferred to TEC
(f) regulate price and quality of energy sector goods and services;	• Electricity prices and services regulated.	• Function for petroleum and LPG sector yet to be transferred to TEC
(g) administer and maintain energy assets;	• TEC does not directly operate and maintain energy assets. However, the maintenance plans and expenses are vetted and allowed for in the pricing of energy and services.	• Function for petroleum and LPG sector yet to be transferred to TEC
(h) establish and collect fees, levies and charges;	• Collection of fees and levies are carried out. The levy on electricity is collected by TPL as it is priced into the electricity tariff.	• Function for petroleum and LPG sector yet to be transferred to TEC. Regulation on fees and levies are yet to be implemented.
(i) develop and recommend to the Ministry standards or regulations under this Act, including for public safety;	 Need for the Grid Code, Safety Manual to be updated and Switching Programs and Permit to Work, to be implemented. Improvements to be made in fault event reporting and the determination of SAIDI and SAIFI. 	• Function for petroleum and LPG sector yet to be transferred to TEC including quality and safety standards performance monitoring.
(j) conduct or initiate investigations	• Disasters respond and contingency plans needs to be introduced.	• Function for petroleum and LPG sector yet to be transferred

into or in relation to any energy related disaster;	• Fault event reports need to be compiled by TPL and submitted to TEC.	to TEC
(k) conduct or initiate capacity building training for energy sector stakeholders; and	• Training for contractors and electricians provided.	• Function for petroleum and LPG sector yet to be transferred to TEC
(1) do all things necessary for the performance of its functions and for the exercise of its powers under this Act."	• TEC has these powers for the electricity sector.	• Function for petroleum and LPG sector yet to be transferred to TEC

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The Commission has always balanced its response with TPL as usual as we sought ways to regulate through extraordinary circumstances.

For instance, the Commission requested TPL to provide all reports regarding IPP's negotiation with ADB for the provision of 24 MWH of Solar PV and 24MWH of Bess for the Tongatapu grid. The intention is to have these capacities provided by IPPs. The initial plan was to have these installed to meet the target of 70% renewable energy contribution by 2030. This target was recently revised to 70% of renewable energy contribution by 2025. Hence, TPL is required under Electricity Concession Contract (ECC) to provide a process of the procurement of IPP capacity to be approved by the Commission. TPL has failed to do for the 24 MW Solar PV and the 24 MW /40 MWH BESS are a cause for concern. It is a concern that TPL may go ahead and sign PPA, without the approval of the Commission as is also required under ECC.

Likewise, the Commission was not formally informed of the signing of an MOU with Seabased of Sweden, the GOT and UN for the development of a 10MW wave energy park for Tonga. It is unclear whether TPL was also informed.¹ While the initiative to explore wave potential in Tonga is commendable, the lack of communication between stakeholders in the implementation of renewable energy strategy is a concern. There needs to be improved consultation and communication between stakeholders in the implementation of the renewable energy strategy.

The wind turbines were repaired and made fully operational. Wind production is expected to be increased and this was taken into consideration in projecting the production for the full financial year 2022/2023.

The commission of the Sunergise Limited IPP solar PV plans at Fualu (August 2022), Masilamea 9August 2022) and Liukava (May 2022) with an installed capacity of 2.3 MW each, has not increased solar PV production as much as was expected because of the failure of a large number of inverters. There are 16 or 33 inverters were inoperable and required replacement. With the resulting increase in diesel production, the associated cost increase, or a portion of it should have been passed on to the IPP as a penalty for under- producing.

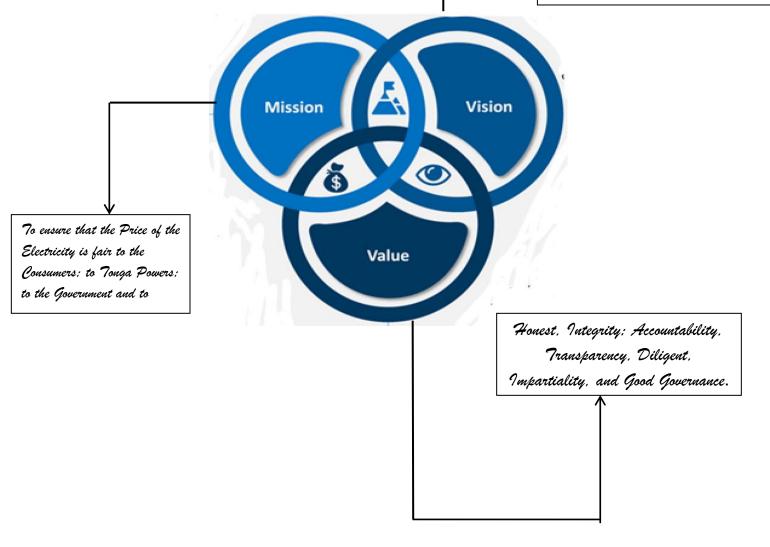
The capacity factor of the solar PV plants appears to be on the low side-less than 15%. For the Tongatapu grid, every % improvement in the Capacity Factor (CF) represents a savings in diesel fuel expense of around TOP 473,697. It is important that CF over a rolling 12 month period target greater than 16% for solar and 20% for wind.

¹ Tonga Country Study; A6810: Development of Energy Regulators Alliance. This Tonga Country Study was commissioned under ADB funded TA6810-REG: Development of the Pacific Energy Regulators Alliance to assist the Tonga Energy Commission with improving the regulation of the Tongan Electricity Sector.



VISION, MISSION & CORE VALUES

To be recognised as a Professional Regulatory Authority aims to provide efficient and reliable electricity services for the guality of life. and sustainability of the economy and society.



POLICY OBJECTIVES

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The Commission considers it a paramount consideration that regulated Electricity Providers provide a safe, continuous, and uninterrupted supply of Electric Power to Tongan consumers', and that at a price approved by the Energy Commission. (Regulated Energy Providers include Tonga Power Limited)

The Commission expects regulated Electricity Providers to achieve efficiencies in their operating costs so as to ensure that the Unit Cost of Electricity is kept as low as possible through efficiencies achieved by them.

Subject to any rule of law to the contrary the Commission will encourage Competition wherever feasible in the belief that the effective working of market forces will benefit consumers. Where competition is not possible or not sufficiently well developed the Commission will protect consumers' interests by regulating intelligently the activities of regulated Electricity Providers.

The Commission considers it environmentally desirable, and therefore encourages, the use of Renewable Energy Sources wherever feasible and capable of producing electricity at a fair cost to energy consumers.

The Commission will ensure Compliance by regulated Electricity Providers with the Law (Act, Regulations) and the terms of any Concession Contract to which they are a party.

The Commission will work with regulated Electricity Providers to develop a Customers' Charter wherein are set forth the standards of service their customers can expect.

The Commission considers it socially desirable, and therefore encourages, regulated Electricity Providers to develop a Differential Tariff Structure with a discounted unit tariff for up to the first 250 Units of electricity supplied to residential consumers.

The Commission will ensure Compliance by Electrical Contractors with legal requirements and Licence Conditions governing their activities: and will endeavour to create a Culture of Compliance.

The Commission will work with Electrical Contractors to develop a customer charter wherein are set forth the standards of service and charges their customers can expect.

In exercising its powers, the Commission will endeavour to ensure that its regulatory regime is proportionate, accountable, consistent, targeted, and transparent.

In pursuit of these objectives, the Commission aims to:

- a. Formulate an efficient tariff-setting mechanism, which ensures speedy and time-bound disposal of tariff petitions, promotes competition, economy, and efficiency in the pricing of bulk power and transmission services, and ensures least cost investments.
- b. Facilitate open access in inter-island transmission.
- c. Improve access to information for all stakeholders.
- d. Facilitate technological and institutional changes required for the development of competitive markets in bulk power and transmission services.

- e. Advise on the removal of barriers to entry and exit for capital and management, within
 - the limits of environmental, safety, and security concerns and the existing legislative requirements, as the first step to the creation of competitive markets.

Guiding principles

To pursue the mission statement and its goals, the Commission is guided by the following principles:

- a. Protect the Interest of Society including Consumer Interest and Supplier Interest while remaining fair, transparent, and neutral to all stakeholders.
- b. Remain equitable in conflict resolution brought to it through petitions after providing sufficient and equal opportunity to participants to be heard.
- c. Maintain regulatory certainty by remaining consistent in views on one hand and being open-minded to adopting change in the evolving power sector on the other.
- d. Adopt a stakeholder consultation and participative process in the formulation of its regulations to ensure that the regulations are in line with the expectations of stakeholders.
- e. Ensure optimal allocation of resources in the power sector using the regulatory and market-based mechanism.
- f. Encourage sustainable development by promoting renewable sources in power generation.



PART - TWO PROGRAMME PERFORMANCE

THE ELECTRICITY CONCESSIONS CONTRACT

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Pursuant to Section 64 of the Energy Act 2021:

- The Commission may enter into a concession contract in the form prescribed in Schedule
 3, permitting a concessionaire to generate, distribute or supply electricity.
- (2) Without limiting subsection (1), the Minister may, on behalf of the Kingdom, be a party to any concession contract under subsection (1) or (3) which confers rights or imposes obligations on the Kingdom.
- (3) Notwithstanding subsection (1), the Minister may after the date of commencement of this Act, direct the Commission to enter into a concession contract for the supply of electricity in each of the island groups which are not already subject to a Concession Contract and if any such direction is given, the
 - (a) Direction shall specify the terms of the concession contract;
 - (b) Commission shall offer to the concessionaire specified in the direction the right to enter into the concession contract on the terms specified in the direction;
 - (c) Commission shall, if the concessionaire specified in the direction accepts the offer made under subsection (3) (b), enter into the concession contract on the terms specified in the direction; and
 - (d) Concession contract entered into, pursuant to the direction, is binding on the Commission and is enforceable as if it were a contract that was freely and voluntarily entered into by the Commission².
- (4) Other than in relation to back up generation and well self-generation, a concession contract may grant a concessionaire exclusive rights to generate electricity, distribute electricity or supply electricity, or any combination of the three.
- (5) In addition to any rights under a concession contract for the supply of electricity, a concessionaire shall have the special power contained in Schedule 4.
- (6) Any penalties provided in a concession contract will be enforceable according to the terms of the concession contract.

This Concession Contract is made up of two separate documents³:

A document titled the **Agreement** which incorporates *inter alia* all the matters encompassed by Section 64 (1) of the Act and that the Agreement shall remain in force from 1 January 2021 and thereafter without limit of time at least for so long as the TPL remains an enterprise wholly or partially owned by the Kingdom of Tonga; and

A separate document titled the **Regulatory Addendum** (the Addendum) which encompasses the **regulatory arrangements** entered between the TPL and the Commission. The Addendum shall remain in full force effective from 1 January 2021 until 30 June 2025 when it shall replace by a new Addendum as provided for in the Reset provisions of the Addendum.

² The Third ECC 1, The Agreement, 1.1.5(a)(b).

³ The Third ECC 1, The Agreement, 1.1.5(a)(b).

ADMINISTRATION DESK

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After five years of being having the position of an Acting Chief Executive Officer (CEO) at the Commission, the Commissioners at the time decided to advertise the post to recruit a new CEO. The post was advertised, interviewed, appointed and employed the new CEO. Col.(Ret'd) Siamelie Latu signed his contract for three years with the Energy Commission. Expectations for the Acting CEO are surely higher than for the latter.

Regulatory Requirements

In September 2022, the Commission intends to trigger a discussion on the result of regulatory audit analysis and several important issues relating to power generation and distribution. The Commission believes that a stable, competent, and independent regulatory follow-up procedure is important to assure a financially healthy sector in which investments can be undertaken to facilitate a secure, affordable, and clean energy supply and thus sustain the economic development of the Kingdom of Tonga.

Competition is generally considered an important mechanism to achieve higher productivity, and cost-efficiency and provide customers with goods that match their quality expectation. Tonga Circular Economy System Project (TCES) and Renewable Energy Circular Economy Tonga (RECET) and Pacific's First National Electric Vehicle Charging Network are a few Competitors that should be given much consideration.

Effective competition cannot exist without effective regulation. Regulation needs to assure that all power sector entities are treated fairly, rules and regulations are enforced, and the sector can operate in a reliable and efficient manner. Moreover Tongatapu diesel generators and their reliability are in poor distribution. The six (6) 1400KW CAT generators have come to an end of their economic lives, hence, require replacement.

To trigger the discussion between TPL and the Commission on several outstanding issues in relation to regulatory requirements which include but are not limited to customer billing and meter reading accuracies. The status of the Independent Power Producers (IPP) and the Reporting Requirements as stated in Schedule 13 and Schedule 15 of the Concession Contract. It would be noted that the Commission encourages the introduction of competition which implies that the incumbent utility will no longer be the sole entity active in the power sector.

The Commission main tasks are to make sure that electricity prices are kept low as possible; electricity is delivered at reliable levels, while at the same time ensuring that TPL can operate in a financially sustainable manner.

Overall, Billing Data Analysis by TPL, as a result of EC inquiries, gave TPL a chance to selfdiscovering of their weaknesses. In terms of co-operation, current billing and system accuracy how to rectify them by implementing new working co-ordination, data checking, data input protocols and also continuous monitoring of billing data. Last but not least admitting and taking responsibility for mistakes so problems can be solved easier and faster.

Although this has not been implemented, however, it is the intention of the Commission to comply with Schedule 13 of the "Third Electricity Concession Contract". If the Concessionaire

fails to comply with any reporting obligations, then the Concessionaire shall become liable to pay a penalty to the Commission.

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ADO Prices (cent/ltr) for Power Generation

Every month EC receive the new ADO Price for Power Generation from the Ministry of Trade and Economic Development, the Tonga Competent Authority Division. The ADO Price for power generation is wholesale it from the Total (Fiji) Limited. It is a special price that they offer to generate the electricity to all consumers in the Kingdom.

The Competent Authority approved the new prices on a monthly basis and they must submit the wholesale fuel price for each month to TPL and the Commission to use in the calculation of the electricity tariff.

The table below reflects the cost set forth by the Competent Authority for the period 1 July 2022 to 30 June 2023.

Year	Jul 22	Aug 22	Sep 22	Oct 22	Nov 22	Dec 22	Jan 23	Feb 23	Mar 23	Apr 23	May 23	Jun 23
2022 - 2023	343.05	294.75	286.47	280.56	292.56	272.91	249.98	248.87	239.31	229.04	225.53	210.14
Differences	+42.85	-48.30	-8.28	-12.00	+12.00	-19.65	-22.93	-1.11	-9.56	-10.27	-3.51	-15.39

ADO Prices

The Impact of Fuel prices

Tonga generated around 77,000 mWh's of electricity for consumption over the last year. Of that, the Kingdom used diesel fuel to generate around 90% of its power. Diesel is an international fuel and subject to global demand and supply dynamics influencing prices rather than simply being a function of Tonga's economy.

The global nature of fuel price presents two significant challenges. First, prices are highly volatile and without hedging these risks, the Kingdom of Tonga is exposed to price fluctuations. To put these fluctuations into perspective, between 1 July 2022 and 30 June 2023, oil annual volatility was 44%. Thus, for every US\$50 million of imports, fuel cost moved by an additional US\$20 million. This makes generation cost hard to predict and highly variable impacting long-term profitability and planning.

The actual price range of Brent oil, which is highly correlated to diesel, was US\$70.00 to US\$114.75 over the July 2022 to June 2023 period. This substantial change in price was driven by a number of factors outside of the Kingdom's control including, war in Russia-Ukraine, global inflation and resulting higher interest rates increasing recession risk, Chinese economic recovery from heavy COVID lockdown in Q1 2023 only for China to move back into economic contraction in 2023. Finally, OPEC including Russia reduced global oil supply at a time when

Table 1



actual global demand had been higher than pre pandemic levels with their objective to keep prices and hence national revenues high.

In most recent months oil has spiked to US\$95.00 on the back of the Israel Hamas war only to revert to US\$79.00 in recent days with global growth again at the forefront of concern.

Pacific Island Nations face some of the highest freight rates in the world due to route frequency and location. At the same time, spikes in international oil prices are directly passed through to freight rates which on top of the fuel price add another volatile cost component to generation costs.

Regulated Tariff

The Regulated Tariff comprised three elements and each element was computed in accordance with the provisions of Schedule 6 of the Third Reset of the ECC:

- a. A non-fuel component;
- b. A diesel component; and
- c. A RE component.

Our current electricity generation method heavily relies on imported fossil fuels from overseas to generate electricity for the whole of Tonga. This means that every time countries from overseas raises fossil fuel prices, Tonga electricity prices increases as well.

The Commission reviewed the Fuel Component of the Tariff on a quarterly basis (effective 1 July, 1 October, 1 January, and 1 April) in comparison to the fuel price movements provided by the Tonga Competent Authority (the Competent Authority).

As referred to Table 7, TPL submitted an official submission and seek the Commission approval of a new power tariff of 1.2672 per kWh. This is an increase of 0.2882 seniti per kWh from the current power tariff of 0.9791 per kWh. All the figures are confirmed accurate and satisfied to increase.

The Government of Tonga continues the electricity price subsidy to the March 2023 quarter since the current price of electricity still appears to remain much higher than the usual monthly bill for most customers.

Allowing for the reconciliations noting that some customers have already paid their bills, the cost of subsidies for January-February 2023 should be reflected and settled together in the March 2023 billing. The government subsidy will cover both categories: (i) residential customers whose units of consumption are less than 150 kWh; and (ii) the rest up to March 2023.

The December 2022 review indicated that the electricity tariff would decrease from \$1.19 per kWh to \$1.01 per kWh, effective from the 1^{st} of January 2023. With the 18 cents per kWh decrease in electricity tariff, the estimated total subsidy for January 2023 is less than an average monthly of a million in the past six (6) months.

The continuous provision of government subsidies is to assist in reducing the burden of high electricity prices for all households, including businesses, particularly during these challenging times.

Difficulties faced by the Commissioners concerned with the late submission of tariff adjustment from the Concessionaire (TPL). If any may be brought to the notice of the TPL as a Warning even if they must have Commission consent prior to any other Optional Tariff or inform Customers on a monthly invoice.

Table 2 shows the movement in electricity Tariff paid by TPL consumers during the Financial Year ending 30 June 2023.

Movement in Electricity Tariff for the year ended 30 June 2023										
Per KWH	Current Tariff	Adjustment	Government Subsidy Lifeline Tariff Discount	New Tariff	Approved Date	Effective				
Non-Fuel Component	10.67			10.67		1 July 2022				
Fuel Component	40.67			40.67						
	57.24	18.82	18.82	76.05	29 June 2022					
TOTAL CHANGE IN TARIFF %	97.91			116.72		19.2%				
Non-Fuel Component	40.67					1 October 2022				
Fuel Component	76.05			40.67						
i del component	116.72			79.19	29 Sept 2022					
TOTAL		3.41	0.00	119.86		2 70/				
CHANGE IN TARIFF %						2.7%				
Non-Fuel Component						1 January 2023				
Fuel Component	40.67			40.67						
	79.19	-18.13		61.06	20 Dec 2022					
TOTAL	119.86	-10.15	0.00	101.73						
CHANGE IN TARIFF %						-15.1%				
Non-Fuel Component	40.67			10.67		1 April 2023				
Fuel Component	61.06	0.07	0.00	40.67 51.19	20 Mar 2022					
TOTAL	101.73	-9.87	0.00		30 Mar 2023					
CHANGE IN TARIFF %				91.86		-9.7%				

Table 2

Non Compliance

The penalties for non-compliance set out in the Electrical Contractor By-Laws 2016 Revised Edition stated that any licenced electrical contractor who fails to comply with any of these regulations or assists in violating thereof shall be liable to find of \$20.00 and his registration as an electrical contractor shall be cancelled.

During this fiscal financial year, the Commission penalise one of the electrical contractors for 1 (one) year. The contractor has been warning knowingly continues to installs and wiring on premises which does not comply with the requirements in respect to these by-laws. However, the question arises out of a dispute between the electrical contractor and the Technical Manager and a final decision made by the Commissioners satisfied the contractor.

TECHNICAL DIVISION

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Guarantee Safety

The Energy Commission notified of a fatal incident after three days from the date the incident happened. The 9 year old, Paula Kaivahe from Sopu passed away from electrocution on Friday 6 January 2023. A formal investigation carried out by the Commission with all information is given started by sight inspection and testing of the house wiring.

The Inspectors found on the service wire, there was a cracked insulation of the active wire. The overhead service line insulation failed to withstand both mechanical and electrical stress. The TPL's distribution divisions carelessly replace this overhead service line in time. If the service line replace in time there wouldn't be any fatal electrocution happened.



Smart Meter and Billing System

In May 2023, the Commission received a report of the requested Technical Assistance (TA) for an Independent Review of TPL's Smart Meter and Billing System. This copy has been kept CONFIDENTIAL and will not be shared further from EC.

The Technical Department report summarized the result and findings by an Independent Consultant contracted by AusAID upon request from the Ministry of Public Enterprise to investigate and evaluate the accuracy Smart Meter and Billing System that might account for increases in customer billings and complaints after the volcanic eruption.

After a discussion of the summarized report from the EC Technical Department by the Commissioners, the Commissioners considered and noted the installation limiting condition and design of the Advance Metering Infrastructure (AMI) system and the limited functionality of the Meter Data Management (MDM) system. The commentary noted: -

 it questions the suitability of the AMI system and whether is it the right system for Tonga; the expectation is to improve the system loss and efficiency of the power system by remotely reading customer smart meters;

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- does it synchronize the power generation cycle and billing cycle;
- > thus reducing the need for manual reading of meters.

The Commissioners noted that a copy of this report has been received by the Ombudsman as a reference for them to respond to the consumer's complaint.

The CEO and the Technical Manager met with members of TPL, the staff from the Ministry of Finance, and the Public Enterprise to raise their concerns to resolve conflicts to communicate effectively with each other. How they will be able to collaborate well and work together to reach a common goal more efficiently?

Smart Meter Installation is more than 50% completed and yet it's not utilized in the customer's billing, matching the billing cycle to the stock-take cycle which will help minimize billing deferment.

System Losses (Line Loss and Parasitic Loss)

The following **Table 3** shows the System Loss with Target weighted average from 1 July 2022 - 30 June 2023 based on monthly progress reports from TPL.

2022-	SYSTEM LOSSES: Target weighted average NOT above 9%														
2023	тс	ONGA		то	NGATAF	יט		VAVA'U	I	ŀ	IA'APAI			'EUA	
	SL	Р	L	SL	Р	L	SL	Р	L	SL	Р	L	SL	Р	L
Jul 22	9.63	2.75	6.89	9.49	2.81	6.67	10.81	2.55	8.25	10.50	3.64	6.86	5.12	0.39	4.73
Aug 22	9.70	2.73	6.97	9.58	2.78	6.80	11.11	2.57	8.54	10.37	3.64	6.72	4.98	0.40	4.57
Sep 22	10.05	2.75	7.30	9.98	2.79	7.18	10.49	2.70	7.78	10.08	3.61	6.47	5.04	0.41	4.63
Oct 22	10.25	2.86	7.39	10.18	2.91	7.27	11.35	2.78	8.57	10.60	3.56	7.04	5.22	0.39	4.83
Nov 22	9.49	3.03	6.46	9.33	3.12	6.20	10.92	2.85	8.07	10.54	3.51	7.03	4.95	0.40	4.56
Dec 22	9.15	3.16	5.99	8.96	3.26	5.69	10.19	2.79	7.39	10.31	3.44	6.87	4.82	0.40	4.71
Jan 23	9.09	3.30	5.80	9.11	3.42	5.69	11.70	2.87	8.83	9.96	3.39	6.58	5.11	0.40	4.71
Feb 23	8.68	3.40	5.28	8.45	3.54	4.92	9.55	2.89	6.67	8.97	3.35	5.62	2.33	0.53	1.79
Mar 23	11.56	3.52	8.04	11.54	3.68	7.86	12.69	2.88	9.81	9.24	3.33	5.91	3.82	0.52	3.30
Apr 23	11.00	3.64	7.37	11.07	3.80	7.27	13.37	2.83	10.54	8.27	3.38	4.89	4.23	0.91	3.32
May 23	10.49	3.78	6.71	10.67	3.97	6.70	11.85	2.83	9.03	9.26	3.44	5.82	3.55	1.01	2.54
Jun 23	10.55	4.02	6.53	10.58	4.25	6.32	11.49	2.78	8.70	10.56	3.45	7.10	1.99	1.10	0.89

Table 3

SL – System Loss; P – Parasitic: L – Line

As shows in **Table 3**, with the Compliance Report for the whole fiscal year, it stated whether TPL exceeding the targets in both losses and fuel efficiencies.

- a. The Commission wants to state that February 2023 complied with the Target of 8.68.
- b. It also gives the summary for each Island (weighted average 12 months). Line and parasitic loss for July 2022 up to June 2023. This illustrates that none of the reporting months achieved the targets set in the concession contract. By breaking down to island groups only 'Eua will hit the target and the rest exceeded the 9% loss target. It has been raised that TPL must comply with the concession contract.

Diesel Generation of Fuel Efficiency

The Regulatory Addendum requires a weighted average for Tonga as a whole of not less than 4 kWh/litre and Tonga Power Limited has exceeded this target in the months of August for 4.09 kWh/litre and December 2022 remains at 4.00 kWh/litre as well goes to January 2023; Ha'apai was the less fuel efficiency which hit in the month of March 2023 was 5.33 kWh/litre; 'Eua latest fuel efficiency was 4.09 kWh/litre in May 2023.

The following **Table 4** shows the fuel efficiency of total gross generation excluding RE from July 2022 - June 2023.

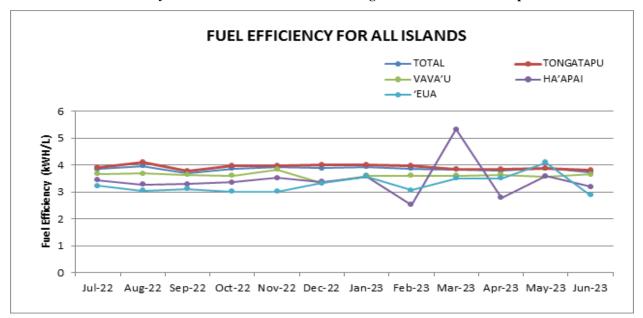


Table 4

Fuel Efficiency of Total Gross Generation excluding RE not less than 4 kWh per litre

Faults and Outages

Whenever customers affected are greater than 300 then it is an outage if it's less than 300 then it is a fault. Although there is no requirements set in the Concession Contract for the system reliability, there still need for improvements by reducing the number of outages. In terms of efficiency – TPL need more improvement in order to achieve the required target.

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Table 5 shows the faults and outages for the Financial Year 2022/23. Total faults reported from TPL fluctuated during the year mainly faults in LV lines, Service lines, and Customer premises.

Table 5

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	
Faults/Outages, 2023	2022	2022	2022	2022	2022	2022	2023	2023	2023	2023	2023	2023	TOTAL
Generator Problem	2	2	1	2	0	0	3	11	1	0	1	1	24
HV Line	8	16	6	8	34	2	9	9	20	10	3	8	133
HV/LV Transformer	5	13	9	16	11	12	19	18	10	12	13	4	142
HV Pole	5	3	2	2	0	4	0	2	0	2	4	4	28
LV Lines	26	56	32	33	2	27	28	19	26	36	34	17	336
Service Lines	37	64	36	50	37	24	50	40	39	4	39	32	452
Customer Premises	91	77	76	88	79	89	108	101	108	89	77	79	1062
Streetlights	0	0	0	0	0	0	0	0	0	0	1	0	1
Meter	5	5	2	4	4	5	8	5	4	7	3	1	53
TOTAL	179	236	164	203	167	163	225	205	208	160	175	146	2231

Faults and Outages for the year ended 30 June 2023

Frequency Power Outage in Tongatapu

In February 2023, Tongatapu Island affected by the frequencies of electricity outages. The 7 diesel generations cannot withstand the load capacities of electricity consumers. These generations were overloaded and its increased electricity demand that will place increased strain on these vulnerable diesel gensets. Two heavily loaded capacity generators were down. It was found a generator leaking water after check the radiator, looking for cracked hoses, non-tightened jubilee clips, check for corrosion while battery failure is the most common cause of generator failure. However, insufficient coolant found as one of the main problems that caused the frequency power outage.

There are small six 1.4MW and two big 2.8MW generators in operation at Popua Power Station. The six small generators were commissioned in 1998 and all had more than 20 years of operation and surpassed their expected operational lifetime of 100,000 running hrs. In 2018 and 2019, two of the small 1.4MW generators were replaced; Gen #1 and Gen #3 and the remaining four continue to operate with overdue replacement time. Even though they can replace some parts and continue to operate but more parts will prone to fail due to excessive running hours and aging (24 yrs old generator) which can be a reliability issue for power generation.

For the two 2.8MW generators, one was commissioned in 2004 (Gen #7) and exceeded the 100,000hrs lifetime in just 17 years of operation. The other 2.8MW generator (Gen #8) was commissioned in 2012 and had been in operation for just 10 years but had premature failure due to unscheduled maintenance and other issues and is currently out of service.



The 8.4MW of diesel gensets that have come to the end of their economic life represents **56%** of the total diesel generation capacity on Tongatapu. These diesel gensets will continue to be exposed to high operational conditions.

The solar did not help due to a lack of sunshine to recharge the battery box bank. The best way to ensure the generator will operate reliably is by keeping it maintained.

Table 6

	SYSTEM LOSS TARGET										
Year	Diesel	R.E.									
2025	8%	5.5% + actual pill/Battery									
2024	8%	5.5% + actual Spill/Battery									
2023	9%	6.5% + actual Spill/Battery									
2022	9%	6.5% + actual Spill/Battery									
2021	10%	7.5% + actual Spill/Battery									

DIESEL EFFICIENCY TARGET

Year	Diesel Efficiency Target (kWh/litre)
2025	4.0
2024	4.0
2023	4.0
2022	4.0
2021	4.0

Referring to **Table 6**, Line losses are projected to go down from 6.5% in 2023 to 5.5% by 2025. For diesel parasitic losses, the target will be 2.5% up until 2025. Diesel efficiency targets for this financial year 2023/2024 to 2025 will remain at 4.0 kWh per litre. As usual, the renewable energy parasitic losses for Power Purchase Agreement (PPA) are still not applicable as TPL purchases the net energy from the Independent Power Producer (IPP). So, therefore these are still kept at 0%.

Electrical Safety

At present, there are 32 licensed electricians, 29 of whom have unrestricted licenses enabling them to undertake electrical works for anyone, anywhere in the Kingdom. The remaining 3 are employed by the EC and are barred from engaging in private practice as electricians.

Electrical Permits

No electrical works may be carried out in Tonga without a Permit being issued by the Commission and the works subsequently being signed off on safety grounds by one of the Commission's Inspectors before power is connected. The number of permits issued in a year gives an indication of economic activity, as well as being indicative of the effectiveness of the Commission's Permit Enforcement Regime.

Year	No. of Permits Issued	% Cost Recovery (Financial year)		
2022/23	1,173	274,687.60	234.17	126.55%
2021/2022	1,050	197,323.22	187.93	113.20%
2020/2021	837	123,080.62	147.05	161.40%
2019/20	1,305	196,789.54	150.79	94.95%
2018/19	1,109	250,479.99	225.86	128.75%
2017	1,414	261,389	184.86	133%

Table 7



The Cost Recovery referred to the Commission's Expenditure on their electrical safety and permit functions expressed as a percentage of Electrical Safety Income received. Although the Cost Recovered varies from year to year, over the period of 5 years from 2019 to 2023 the average annual recovery was 113.20%. The policy of the Commission remains, over a period of years, to balance its public safety account.

$$Cost \ recovery = \frac{\text{Total Public Safety Income}}{\text{Total Public Safety Expenditure}} \times 100$$

Table 8

There were 1173 Permits issued in this Financial Year from July 2022 to June 2023

Year	Temporary	Domestic	Community	Commercial	Industrial	Reconnection	TOTAL
	Works	Customers	Customers	& Industrial			
			(Churches,	Customers			
			Government)				
2022/2023	330	459	77	132	6	169	1173
2021/2022	479	352	72	84	1	248	1236

From a Geographical perspective, these **1173 Permits** work was carried out on Electrical Wiring Permits issued analysis for a five-year period 2019 - 2022/2023: -

Table 9

Geographic Report

on Electrical Wiring Permits Issued Analysis for Five-Year Period (2019 – 2022/2023)

Year	Tongatapu	Vava'u	Ha'apai	'Eua	NTT	TOTAL
2022/2023	1012	92	17	52	0	1173
2021/2022	1055	96	33	51	1	1236
2020/2021						1646
2019/2020	1036	165	45	59	0	1305

Table 10

Sector Report

on Electrical Wiring Permits Issued Analysis for Five-Year Period 2019- 2023

Sector	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Temporary	487	583	590	479	330
Domestic	282	333	568	352	459
Community	59	71	150	72	77
Commercial	65	59	113	84	132
Industrial	3	4	7	1	6
Reconnections	213	255	218	248	169
TOTAL	1109	1,305	1646	1236	1173



OFFICE OF THE PACIFIC ENERGY REGULATORS ALLIANCE (OPERA)

The Office of the Pacific Energy Regulators Alliance (OPERA) was established by Samoa, Tonga and Vanuatu in December, 2026 under the chairmanship of the CEO Tonga Energy Commission. It was established as a regional hub for energy regulators with specific focus in the electricity sector. OPERA was formally endorsed at the Pacific Energy Ministerial meeting held in Samoa in November, 2019 with support from the Asian Development Bank (ADB) and the Secretariat of the Pacific Community (SPC) as the Secretariat. The role of the Alliance is to provide capacity building and knowledge sharing support to existing regulators, along with assistance to government where regulatory capacity is nascent or non-existent.

ADB is supporting regional cooperation and the progressive regulation of energy utilities in the Pacific by enabling OPERA to deliver capacity building interventions, lead the generation and exchange of knowledge and skills, and leverage Pacific Development member Countries' limited resources to address common sector development issues and challenges. OPERA has been conducting country-based consultations with development partners, encouraging a regional approach in supporting regulatory reforms and capacity building activities.

SPC continues its strong support to OPERA in strengthening the Alliance's network, including coordinating activities, social media, and consultants' outputs/deliverables. SPC has been leading the coordination of of OPERA's monthly virtual coordination meetings. To date 13 Pacific Island countries (PICs), are full members (Fiji, Tonga, Vanuatu, Palau, Samoa, Kiribati, PNG, Cook Islands, Solomon Islands, FSM, RMI, Niue and Tuvalu) have joined the Alliance and are currently active members under a formal Memorandum of Understanding signed by OPERA members elected the Tonga regulatory authority as Chair and Samoa and Vanuatu's Regulatory authorities as Vice Chairs.

The CEO of Tonga Energy Commission attended the first Annual General Meeting as Chair of OPERA on 11-14 October, 2022 with a subsequent dialogue during October 12-14 as Part of ADB supported training workshops. Additionally, during the meeting, the National Association of Regulatory Utility Commissioners (NARUC) and OPERA formally signed a Memorandum of Understanding that enables both parties to engage in regional capacity building and exchange information.

The OPERA 2nd Annual meeting and pre-event was held in Bangkok, Thailand from 15 to 18 October 2023 funded by ADB's technical assistance (TA).⁴ The workshop was attended by OPERA members from Cook Islands, Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and



Vanuatu. Col. Siamelie Latu (OPERA Chair) attended virtually, however Deputy Chairs, Mr. Paul Kaun & Ms. Perelini Lameko-Masoe co-chaired the meeting.

During the Fifth Regional Energy and Transport Ministers' Meeting held in Vanuatu on 11 May, 2023it was recalled that the Energy Ministers decision in 2019 whereby SPC and ADB were directed to establish the Office of the Pacific Energy Regulators Alliance (OPERA) and formulate a sustainable

⁴ ADB 2021. <u>Technical Assistance for Development of the Pacific Energy Regulators Alliance</u>. Manila. **31** | P a g e



financing mechanism for OPERA. Consequently, it was agreed between SPC and all OPERA members, under a signed Memorandum of Understanding (MoU), that OPERA would be hosted by SPC. ADB approved the provision of 600,000 USD to fund OPERA activities and five Experts.

The meeting highlighted the following OPERA activities that have been accomplished in the last two years: (i) Solomon Power Ltd and Kiribati's Ministry of Infrastructure and Sustainable Energy (MISE) have joined OPERA as full members, (ii) OPERA annual meeting and training was held in Fiji in October 2022, (iii) OPERA has signed a MoU with the Energy for Growth Hub, (iv) conducting country PPA Watch scoring for some OPERA members, (v) Solomon Islands country report has been completed, (vi) a number of virtual training workshops were conducted in 2022-2023.

The meeting noted the current ADB funding for OPERA lapsed in December 2023. This brings to the fore the need for a sustainable funding mechanism for OPERA in the next 5 years and beyond. ADB has indicated the possibility of additional funding for OPERA and this funding gap is among the priority areas for the next 3-5 years that have been discussed with other donors and partners.

Conferences and Training Workshops

Local Conferences and Training Workshop

The Commission provides training to the Holders of an Electrical Trade Certificate from a recognised Institutions with a minimum of 10 years' experience in the installation and repair of electrical equipment, machinery, appliances, house wiring and other related devices and gadgets satisfactory to the Board, may, upon passing an examinations to be laid down by the Board, apply for registration as an electrical contractor.

The electrical training preparation for the examination was conducted in Vava'u, Ha'apai, 'Eua and Tongatapu by the Technical Manager and his Assistants. Commissioners Ma'u Havea, and Siosaia Moehau accompanied the Technical Teams during the duration of the training.

Tonga Needs Assessments (TNA) Project Stakeholders Inception Workshop was held at Davina House 19 June, 2023. Tonga has increased its ambition to cut greenhouse gas emissions by creating the technology needs assessment project. The Commission sent a representative Technical Manager (Asita Langi) to attend the workshop.

Overseas Conferences and Training Workshop

Tonga Energy Commission is one of the beneficiaries of not only being the Chair of the Office of the Pacific Energy Regulators Alliance (OPERA) but its staff members and Commissioners participated in several training workshops and energy regulators conferences. The Chair and members of OPERA also engaged with discussion with universities in the region to explore collaboration on development of new curriculum and/or conversion of existing university curriculum to be delivered to OPERA.



During this annual reporting period, the following OPERA training workshops and conferences took place:

- a. OPERA Workshop Training and OPERA Annual General Meeting were held in Nadi on 30 September, 2022 attended by the CEO as Chair of OPERA, Commissioner Ma'u Havea and Financial Controller.
- b. OPERA workshop training held in Brisbane Australia from 24-26 April, 2023 where three participants (CEO as Chair, Tech Manager 'Asita Langi and Regulatory Auditor Kilisimasi Ma'asi, from Tonga Energy Commission participated. Subjects covered included:
 - Petroleum paper for the 5th Pacific Regional Transport and Energy Ministerial Meeting (5th PRETMM),
 - Market update and petroleum pricing,
 - Designing fuel procurement tenders,
 - World Bank Pacific Women in Power Program,
 - Tariff setting and grid codes, and
 - Roles of the SIDS regulators in Energy Transition and Energy Justice Principles.
- c. Asia Clean Energy Forum (ACEF) was held at ADB HQ in Manila, Philippines from 13-16 June, 2023. The CEO attended the forum from the Tonga Energy Commission as Chairperson of OPERA Annual General Meeting.
- d. Assistant Tech Manager Kaufana Valita and Technical Officer Mosese Vaipulu attended the training workshop in Suva Fiji sponsored by SPC. The training workshop is about unlocking Mini-Grids for sustainable development: A Regional Hands-On Training for the Pacific islands from 26 30 June 2023.
- e. Pacific Centre for Renewable Energy and Energy Efficiency (PCREEE) in collaboration with Tonga Energy Commission conducted training with the Planning Division of the Ministry of Infrastructure of Tarawa, Kiribati. The purpose of this assistance is to provide consultation and assistance in the establishment of the Kiribati Sustainable Energy Association and strengthen the roles of the Energy Regulator in the implementation of the Electricity Regulation 2023.

PART - THREE FINANCE DIVISION

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FINANCE AND AUDITED FINANCIAL STATEMENT

Introduction

This annual report explains how resources were used and what was delivered by the Finance Division. The Commission is required to produce monthly financial statement to the members of the Commissioners' monthly board meeting and annually to the Minister of MEIDECC and to the Legislative Assembly.

The Commission current Financial Management System is Reckon Accounting Premier. The Financial Division has reviewed the Financial Management System procedures and found discrepancies in its functionality to support effective and efficient Financial Management System procedures needed for the future operation of the Energy Commission.

After reviewing the Financial Management System procedures and identifying areas of weakness, it was concluded that the QuickBooks Online (QBO) would greatly strengthen the Financial Management System procedure's ability and effectiveness in financial management and reporting.

Statement of Responsibilities

The responsibility for the preparation of the following financial statements and all information contained in these statements for the financial year ending June 2023 are done by Financial Controller and Accounts Division in close collaboration with the Chief Executive Officer.

The CEO and the Accounts Division is responsible for maintaining an effective system of internal control over Energy Commission budget including safeguarding of assets, transactions are properly authorized, recorded and processed in accordance with the International Auditing Standards.

The effectiveness and adequacy of the Commission internal control system is reviewed by the Audit Department (JK Chartered Accountants) who conducts periodic audits of the Commission operations and the quality of financial reporting.

The specific responsibilities of each of those involved in the finances of the Commission are as follows:

a. Chief Executive Officer

• Responsible for endorsement of all financial payments of the Commission

a. Financial Controller

 Responsible to certify the financial request for payments from their Approved Budget Estimated

b. Assistant Accountant

- Responsible to prepare, Process and certifies all payments to be endorsed by CEO.
- Responsible to prepare the Financial Statements of the Commission for the Annual Report and other financial request.
- Responsible for the Asset record and report of the Commission.
- Ensure that all documents for the auditors are accurate and available for the audit time.
- Monitor all financial activities for Commission to ensure that all expenses are in line with Commission's approved budget.
- Responsible to recorded and file the receipts and payments of the Commission.



Statement of Cash Receipts and Payments

The following are the recurrent revenues and expenditures of the Commission for the financial year ending 30 June 2023. The expenditure was \$897,750 and revenue was \$930,167.

Energy Commission Revenue FY 2022/23

There were 6 main sources of revenue and the majority of the revenue received was from Electricity Fees which is from Tonga Power Limited (60%), Permit Fees (31%) and other income (7%). There were 3 expenditure types which are the operating expenses (93%), Depreciation of the Asset and Finance expense (0.06%).

Revenue FY 2022/2023		
Items Description	Amount (\$)	% of Total Revenue
Electricity Fees	561,192	60.33%
Permit Fees	291,226	31.31%
Contractors' Registration Fees	320	0.03%
Exam Fees	1,860	0.20%
Interest of Term Deposit	7,031	0.76%
Other Operating Income	68,538	7.37%
Total	930,167	100%

Expenditure FY 2022/2023		
Items Description	Amount (\$)	% of Total Expenditure
Operating Expenses	843,563	93.96%
Finance Expense	525	0.06%
Depreciation	53,662	5.98%
Total	897,750	100%

Risk and Risk Management

Cash Receipts: It is a usual practice as is stated on Finance Instruction 2010 to be recorded properly on a cash book, correctly certified and deposited to the bank on a daily basis. Furthermore, JK Chartered Accountants shall audit it. A receipt on FY 2022/23 was audited by the JK Chartered Accountants with a statement of True and Fair view that complies with generally accepted accounting practice in the Kingdom of Tonga.

Payments Expenditure: It is a usual process that the payments vouchers are correctly certified and endorsed by the CEO. Furthermore, JK Chartered Accountants shall audit it. Expenditures on 2023 were audited by the Auditor with a statement of True and Fair view that complies with generally accepted accounting practice in the Kingdom of Tonga – Finance Instruction 2010.

Assets: It shall take stocktaking on the 1^{st} of July of new Financial Year and reported to CEO and Commissioner's no later than 31^{st} July of New Financial Year as required on Finance Instruction Act 2010. Staff that use and keep assets shall be responsible for the custody of those assets. We shall be responsible for the cost of damage on negligence. Assets shall record correctly according to the Field Requirements of Assets Registered Book.

Audited Financial Report

Audited Financial Report is attached as Annex A



ANNEX A

ENERGY COMMISSION

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

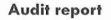
Energy Commission

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To the readers of the Electricity Commission's Financial statements for the year ended 30 June 2023

We have audited the financial statements of the Electricity Commission (the Commission) on pages 5 to 16, that comprise of financial position as at 30 June 2023, the statement of comprehensive revenue and expense, statement of changes accumulated funds and statement of cash flows for the year ended on that date, and the notes to the financial statements that include accounting policies and other explanatory information.

Unqualified opinion

In our opinion:

- The financial statements of the Commission on pages 5 to 16:
 - Present fairly, in all material respects its financial position as at 30 June 2023 and its financial performance and cash flows for the year then ended; and
 - Comply with generally accepted accounting practice in the Kingdom of Tonga.
- Based on our examination the Commission kept proper accounting records.

The audit was completed on 30th October 2023, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Electricity Commissioners (the Commissioners) and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the International Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Commissioners and the Auditor

The Commissioners is responsible for preparing the financial statements that are fairly presented and comply with generally accepted accounting practice in the Kingdom of Tonga. The Commissioners are responsible for such internal control as it determines is necessary to enable it to prepare financial statements that are free from material misstatement, whether due to fraud or error.

The Commissioners' responsibilities arise from the Electricity Act 2007.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you.





Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the International Auditing Standards will always detect a material misstatement when it exists. Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and performance information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

We communicate with the Commission regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Responsibilities of the Auditor

We are independent of the Commission. Other than the audit, we have no relationship with, or interests in, the Commission.

Common Seal of **Kisione Tupou JK Chartered Accountants** Nuku'alofa, Tonga



Energy Commission Statement of Comprehensive Revenue and Expenses For the Year Ended 30 June 2023

	Note	30-Jun-23 TOP	30-Jun-22 TOP
Electricity Fees		561,192	561,192
Permit Fees		291,226	235,321
Contractors' Registration Fees		320	240
Exam Fees		1,860	-
Interest on Term Deposit		7,031	-
Other Operating Income		68,538	16,420
Total Revenue		930,167	813,172
Depreciation	10	53,662	25,852
Other Operating Expense	6	843,563	710,410
Finance Expense	5	525	693
Loss of Funds	15	:	9,946
Total Expenses		897,750	746,900
Net Profit Before Income Tax		32,416	66,272
Income Tax Expense	13	8,027	19,055
Net Profit After Income Tax		24,390	47,218

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The above Statement of Comprehensive Revenue and Expenses is to be read in conjuction with the notes to the financial statements set out on pages 9 to 15

Energy Commission Statement of Changes in Accumulated Funds For the Year Ended 30 June 2023

	Equity Contribution	Retained Earnings	Total
	ТОР	ТОР	ТОР
Balance at 01 July 2022	114,820	456,970	571,790
Prior Period Adjustment		~	-
Net profit for the year	<u> </u>	24,390	24,390
Balance at 30 June 2023	114,820	481,360	596,180

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The above statement of changes in accumulated funds is to be read in conjunction with the notes to the financial statements set out on pages 9 to 15.

Energy Commission Statement of Financial Position As at 30 June 2023

	Note	2023	2022
Assets			
Non-current assets			
Term Deposit		-	450,000
Property, plant and equipment	10	183,704	88,646
Total non-current assets		183,704	538,646
Current assets			
Cash and cash equivalents	8	427,460	81,417
Prepayments		-	-
Account Receivable		15,984	573
Provision for Doubtful Debt		-	
Total current assets		443,444	81,990
Total assets		627,149	620,636
Accumulated funds			
Equity contribution		114,820	114,820
Retained earnings		481,360	456,973
Total Equity		596,180	571,793
Liabilities			
Current liabilities			
Other payables	11	22,943	29,789
Income tax payable	13	8,027	19,055
Total current liabilities		30,969	48,844
Total liabilities		30,969	48,844
Total retained earnings and liabilities		627,149	620,636

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Stock.

Signed on behalf of the Commission



Rev. 'Alifeleti 'Atiola

The above statement of financial position is to be read in conjunction with notes to

the financial statements set out on pages 9 to 15



Page 7

Energy Commission Statement of Cash Flows

For the Year Ended 30 June 2023

	Net	2023	2022
	Note	TOP	TOP
Operating activities			
Receipts from customers		839,182	923,597
Payments to suppliers and employees		(814,426)	(975,803)
Cash flows used in operations		24,756	(52,206)
Interest received		7,031	-
Bank Fees	5	(525)	(693)
Net cash provided by operating activities		31,262	(52,899)
Investing activities	÷		
Proceeds from disposal of fixed assets		13,500	-
Acquistion of term deposit		450,000	(450,000)
Acquistion of property, plant and equipment		(148,719)	45,776
Net cash used in investing activities		314,781	(404,224)
Financing activities			
Net cash used in financing activities		-	-
Net increase in cash and cash equivalents		346,043	(457,123)
Cash and cash equivalents at 01 July 2021		81,417	538,540
Cash and cash equivalents at 30 June 2023	8	427,460	81,417

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Stock

The above statement of cash flows is to be read in conjunction with notes to the financial statements set out on pages 9 to 15

1. Reporting entity

The Energy Commission is domiciled in the Kingdom of Tonga and is a body corporate established under the Energy Act 2021. The address of its principal office is Energy Commission Head Office, Tu'atakilangi, Nuku'alofa, Kingdom of Tonga. The principal activity of the Commission during the period was to regulate the utilities sector in the Kingdom of Tonga.

Stock

2. Basis of Accounting

(a) Statement of compliance

The financial statements of the Commission have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB) and the requirements of the Energy Act 2021.

The financial statements were authorised for audit by the Commissioners on 30th August 2023 and the audited financial statements were subsequently approved on

(b) Basis of preparation

The financial statements are prepared on the historical cost basis and, except where stated, do not take into account current valuations of non-current assets. It is also prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

(c) Functional and presentation

The financial statements are presented in Tongan Pa'anga, which is the Commission's functional currency.

Transactions in foreign currencies are translated into Tongan Pa'anga at the rate ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Tongan Pa'anga at the rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive revenue and expenses.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

Energy Commission

Notes to the Financial Statements

For the Year ended 30 June 2023

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

Stock

Note 3 (a)	Property, plant and equipment
Note 3 (b)	Trade and other receivables
Note 3 (d)	Impairment
Note 3 (e)	Employee benefits
Note 3 (f)	Provisions

3. Significant accounting policies

The principal accounting policies adopted by Electricity Commission are stated to assist in a general understanding of the financial statements.

(a) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

The gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the assets. Gains and losses on disposals are reported net in the statement of comprehensive revenue and expenses.

(ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the statement of comprehensive revenue and expenses as an expense as incurred.

(iii) Depreciation and amortisation

Depreciation and amortisation is charged to the statement of comprehensive revenue and expenses on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful lives are as follows:

Vehicles	4-5 years
Plant and equipment	2-10 years

(b) Trade and other receivables

Trade and other receivables are stated at the amount due less any impairment losses.

Energy Commission

Notes to the Financial Statements For the Year ended 30 June 2023

(c) Cash and cash equivalents

Cash and cash equivalents comprises cash balances at bank and on hand.

(d) Impairment

The carrying amount of the Commission's assets are reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the assets recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. All impairment losses are recognised in the statement of comprehensive revenue and expenses. (The Commission has no such impairment losses)

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Stock

(e) Employee benefits

(i) Annual leave

Under the Commission's Employment Code staff are entitled to receive 12 monthly payments each year whether at work or on leave. Apart from in exceptional circumstances approved by the Commissioners leave not used within the year cannot be commuted for cash and any entitlement thereto is treated as having "lapsed". Accordingly, no provision for annual leave requires to be calculated at reporting date for inclusion within the financial statements.

(ii) Pension contribution

For 2022-2023 the Commission contributed to an independent Pension Fund for all employees (including the Commissioners).

(f) Provisions

A provision is recognised when the Commission has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money, and, where appropriate, the risks specific to the liability.

(g) Trade and other payables

Trade and other payables are recorded at their face value.

(h) Revenue

Regulatory fee income

Regulatory income is recognised in the statement of comprehensive revenue and expenses when invoices are raised each month.

(i) Finance income and expenses

Finance income and expenses comprises of interest income on term deposits, interest expense on bank overdraft, borrowing and foreign currency gains or losses.

(j) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive revenue and expenses except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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Stock

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

Defered tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probably that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(k) The financial statements have been prepared on a CT exclusive basis with the exception of receivables and payables, which include CT invoiced. The net amount receivable or payable is included in either trade receivables or trade payables in the statement of financial position

4. Financial risk management policies

The Commission's operations expose it to financial risks that include:

- 1. Credit risk
- 2. Liquidity risk
- 3. Interest rate risk

This note presents information about the Commission's exposure to each of the above risks, the Commission's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Commissioners have overall responsibility for the establishment and oversight of the Commission's risk management framework. The Commission's risk management policies are established to identify and analyse the risks faced by the Commission, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Commission's activities. The Commission, through its training and management standards and procedures, has developed a disciplined constructive control environment in which all employees understand their role and obligations.

Credit risk

Credit risk is the risk of financial loss to the Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The carrying amount of trade and other receivables represent the Commission's maximum exposure to credit risk.

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Liquidity risk

Liquidity risk is the risk that the Commission will not be able to meet its financial obligations as they fall due. The Commission relies on its internal working capital to fund its operating activities. At present, the Commission has no revolving credit facilities to meet short term funding requirements, although authority is available to the Commissioners to utilise bank borrowings to cover short term "phasing difficulties". Most of the Commission's income is derived from Regulatory and Permit fees and the policy of the Commission is to review these fees periodically to ensure that they generate sufficient income to fund its ordinary operations.

Interest rate risk

The Commission's exposure to interest rate risk relates primarily to its investment in term deposits. The objective is to manage the interest rate risk to achieve stable and sustainable net interest earnings in the long term. In managing this risk, the Commission seeks to achieve a balance between reducing risk to earnings and market value from adverse interest rate movements, and enhancing net interest income through correct anticipation of the direction and extent of interest rate changes.

		2023 Less than 1 year
<u>Financial assets</u> Cash and cash equivalents		427,260
Trade receivable		15,985
Prepayments		443,245
Financial liabilities Other payables (See also Note 1) Income tax payable		(28,074) 59,043
		30,969
	2023 TOP	2022 TOP
Finance income and expenses		
Finance expense Bank Fees	525	693

5.

		2023	2022
6.	Other operating expenses	тор	ТОР
	Other operating expenses include the following items:		
	Auditor's remuneration	8,000	8,000
	Tariff review / economic oversight	47,129	7,344
	Training and networking	44,429	33,981
	General and administrative expenses	207,734	192,179
	Personnel expenses	536,272	468,906
		843,563	710,410
7.	Personnel expenses		
	Salaries (Gross)	381,462	333,330
	Fees to Commissioners (Gross)	67,586	58,626
	Pension fund contributions	87,224	76,949
		536,272	468,906
	The average number of employees during the year ended 30 June		
	2023 was 8: on 30 June 2022 was 7.		
8.	Cash and cash equivalents		
	Cash at bank	426,855	77,907
	Cash on hand	406	3,310
	Petty cash	200	200
		427,460	81,417
9.	Related parties		
	(a) Commissioners		
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The following were the Commissioners during the reporting period and thereafter up to the approval of these financial statements.

Rev. 'Alifeleti 'Atiola	(Chairman - from 7 September 2022)
Lia Maka	(from 7 September 2022)
Mr. Ma'u Havea	(from 1 March 2021)
Mr. Siosaia Moehau	(from 1 October 2021)
Mr. Tuifio Finau	(from 1 October 2021)

10. Property, plant and equipment

Plant and equipment	Motor Vehicles	TOTAL
200,101	115,251	315,352
17,968	130,435	148,403
218,069	245,686	463,755
	equipment 200,101 17,968	equipment Vehicles 200,101 115,251 17,968 130,435

Energy Commission Notes to the Financial Statements For the Year ended 30 June 2023			
Depreciation	125 052	01 220	226.200
Balance at 01 July 2022	135,052	91,336	226,388
Depreciations charged for the period	13,521	40,141	53,662
Balance at 30 June 2023	148,573	131,477	280,050
Net carrying amount at 30 June 2022	28,077	40,448	68,526
Net carrying amount at 30 June 2023	69,496	114,209	183,704
11. Payables		2023	2022
		TOP	TOP
Provision for audit fees		8,000	8,000
Accrued Expenses		2,946	1,009
Rent Overdue		-	12,000
Income Tax Payable		8,027	19,055
Consumption tax payable		11,996	8,779
	-	30,969	48,843

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12. Capital commitments

There were no commitments as at 30 June 2022, not otherwise provided for in the financial statements. (Prior Year: Nil)

13.	Income tax	2023 TOP	2022 TOP
	Net Profit/(Loss) Before Income Tax for the year	32,416	236,171
	Less Non-deductible income	-	-
	Net Taxable Profit/(Losses to Carry Forward)	32,416	236,171
	Tax Payable @ 25%	8,027	59,043

14. Contingent liabilities

At 30 June 2023: NIL contingent liabilities

The Commission does not consider that it has any liabilities not expressly taken into account in the financial statements for the year ended 30 June 2023. Accordingly, the Commission does not recognise any contingent liabilities as at 30 June 2023. (Prior Year: Nil)

Energy Commission Notes to the Financial Statements For the Year ended 30 June 2023 15. Loss of Funds

Loss of Funds	2023	2022
	TOP	TOP
Loss of Funds - Opening bal	9,946	16,946
Repayment during the year	(9,946)	(7,000)
Balannce owed		9,946
	id during the year as a result	o further

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The balance of lossed fund due from theft were repaid during the year as a result, no further legal action were taken.

16. Subsequent events

There has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Commissioners, to affect significantly the operations of the Commission, the results of those operations or the state of affairs of the Commission in subsequent financial years.