

PACIFIC COMMUNITY

FIFTH PACIFIC REGIONAL ENERGY AND TRANSPORT MINISTERS MEETING

(Port Vila, Vanuatu, 8 – 12 May 2023)

AGENDA ITEM E11 –UPDATE ON THE ESTABLISHMENT AND OPERATIONS OF THE OFFICE OF THE PACIFIC ENERGY REGULATORS ALLIANCE (OPERA)

[Jointly submitted by Pacific Community (SPC), Asian Development Bank (ADB), United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP), and the Office of the Pacific Energy Regulators Alliance (OPERA)]

Purpose

1. The purpose of this paper is to provide an update on the establishment and initial operations of OPERA and to highlight existing partnerships and the need to sustain the operations of OPERA for the benefit of its members.

Background

2. Providing the enabling environment is crucial to the global effort to transition away from fossil fuels to clean, reliable and affordable renewable energy sources. One of the priority initiatives under the Framework for Energy Security and Resilience in the Pacific (FESRIP) 2021-2030 is strengthening independent energy regulations. It is prudent for all the Pacific Island Countries and Territories (PICTs) to establish, where practical and cost-effective, independent energy / electricity regulators that provide regulatory advice and oversight for the wider energy sector.
3. At the 4th Pacific Regional Energy and Transport Ministers Meeting that was held in Apia, Samoa in 2019, the Pacific Community (SPC) and the Asian Development Bank (ADB) were directed to establish the Office of the Pacific Energy Regulators Alliance (OPERA) and formulate a sustainable financing mechanism for OPERA. In 2020-2021 the US' National Association of Regulatory Utility Commissioners (NARUC) was engaged by ADB to develop the OPERA Business Plan in consultation with OPERA members and SPC. OPERA's primary strategic goals are to: (i) strengthen and enhance the regional capacity in utility regulation in OPERA member countries, (ii) promote the independence, professionalism, accountability and visibility of national utility and energy regulators, and (iii) develop its regional and international outreach and visibility with a communication strategy and action plan.
4. Following a number of consultation meetings between SPC and ADB as well as with OPERA members it was agreed that OPERA will be hosted at SPC's Suva Regional Office. This arrangement has been formalised under a Memorandum of Understanding (MoU) signed by SPC and all OPERA members in 2021. Additionally, in alignment with the Ministers' decision, ADB approved the provision for a Knowledge and Support Technical Assistance to OPERA in the amount of 600,000 USD. Under ADB funding, the following experts are contracted to implement priority OPERA activities in 2021-2022: (i) Institutional Expert / Team Leader, Tariff/regulation Expert, (ii) Public-Private-Partnership expert, Power Expert, and Coordination and Communications Expert. These experts are contracted based on deliverables.
5. Through ADB-funded technical assistance, priority actions are undertaken to: (i) strengthen the regulation of power utilities to promote clean energy technologies that will help decarbonize Pacific economies and achieve their respective national climate targets; (ii) support preparation of regulatory reforms to ensure good governance and to facilitate market-based incentives for attracting private participation in the energy sector; and (iii) raise awareness and identify regional issues and challenges in attracting private investment in the energy sector, including the use of public-private partnership transparency frameworks to enable a more efficient and transparently

regulated power sector. These include three country specific reports, one each for Samoa, Tonga and Solomon Islands and an additional three regional reports, namely (i) tariff and cost of service, (ii) Prosumer tariffs, net metering and net billing, and (iii) Manual/guidelines on regulating utilities' performance (both on-grid and off-grid).

Current status

6. Recalling the 4th PRETMM Energy Ministers Resolution, other PICs who have not joined OPERA are encouraged to join. Since then, Solomon Power and the Kiribati's Ministry of Infrastructure and Sustainable Energy (MISE) have followed due process and are subsequently endorsed as members, increasing OPERA's membership to nine national energy regulators. Energy regulators in non-OPERA member countries are again encouraged to join.
7. During the ADB-OPERA consultation mission in May 2022 and the annual meeting in October, priorities tasks for OPERA members were identified, discussed, and confirmed. Some of these will be carried out under the current ADB TA and some will be shifted to 2024 and beyond. The implementation of these activities will require funding support.
8. OPERA has signed a Memorandum of Understanding (MoU) with the Energy for Growth Hub. Both parties have agreed to share regulatory, policy, and contracting best practices on issues related to power sector contract transparency and disclosure processes and support the OPERA Consultants in their ongoing efforts to improve procurement, negotiation, and regulation, of power projects in member countries.
9. Currently, the ADB-funded OPERA Technical Assistance Team is conducting country PPA Watch scoring for OPERA members who elected to participate in the program, with an initial focus on three members Tonga, Samoa and Solomon Islands. Solomon Islands country report has been completed and is ready to be presented to the Cabinet of the government of the Solomon Islands.
10. In March 2023, the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), in partnership with the Regulatory Energy Transition Accelerator (RETA) and the Rocky Mountain Institute (RMI) organised a virtual training workshop for energy regulators, focusing on facilitating peer-to-peer knowledge sharing between Small Islands Developing States (SIDS) on the topic of Deployment of Distributed Energy Resources (DER) in island nations. OPERA members had participated in this training and similar capacity building initiatives (in-person and virtual) are planned for 2023 and beyond.

Issues and Opportunities

11. OPERA members have agreed to select and train a pool of energy regulation experts within its membership for the next 3-5 years rather than relying entirely on external experts. Members will draw on this pool of experts for training and technical assistance and advice as needed.
12. The current ADB funding for OPERA will lapse 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.

Recommendations

13. The meeting is invited to:

- i. **note** the critical role of the electricity / energy regulators and OPERA in accelerating the decarbonisation of the Blue Pacific;
- ii. **acknowledge** ADB's initial funding to support the establishment and operation of OPERA;
- iii. **acknowledge** PICs that have recently joined or submitted their expression of interest to join OPERA and reiterate the call for non-OPERA members to join;
- iv. **call** on ADB and other donors and partners to support OPERA beyond December 2023.