

Energy Regulators
Power Utility CEOs
Directors of Energy

10th August 2020

**Invitation to Participate in a virtual Training Workshop on Electricity Concession Contract Reset
and Power Tariff Reviews**

9.00 am – 12 noon (Tongan Time): 13th & 14th August 2020

Dear Colleagues

We write with respect with the above-mentioned subject.

The Pacific Centre for Renewable Energy and Energy Efficiency (PCREEE) is currently supporting the Tonga Electricity Commission (TEC) in promoting private sector investments in Tonga's Power Sector. The support is being carried out in the context of the 5 yearly Regulatory Reset to the Electricity Concession Contract (ECC) between the Tonga Power Ltd (as Concessionaire) and TEC (the Regulator).

As part of the TA, the PCREEE in collaboration with the TEC are jointly organizing a training workshop on electricity concession contract reset and power tariff reviews.

The training will target middle managers and will provide the opportunity for participants to understand IPPs in the power sector, process of selecting IPPs, key elements of PPAs and issues and risks associated with setting PPA prices. It will also address the way in which the Fuel/Renewable Energy component of the Regulated Tariff is computed and periodically reset.

The training will be conducted by Dr Viren Ajodhia, an international energy sector consultant who has over 20 years of experience in the energy industry in more than 40 countries. Due to the COVID19 restrictions, training will be delivered via zoom to the Tongan workshop participants at the House of Tonga, Nuku'alofa.

TEC has kindly agreed to make the training available to others in the region who may be dealing with the same exercise. We are therefore pleased to invite the participation of a relevant member from your agency / office to be part of the training which is scheduled for the mornings only of the 13 & 14 August 2020, Tongan time.

Please find attached training outline for the two days and proposed training content. Upon the confirmation of your agency's participation, we will forward the link and details about the Zoom session. We look forward to your participation and should you have any queries, please do not hesitate to contact us.

Sincerely



Kilisimasi Masi

Acting CEO, TEC



Solomone Fifita

PCREEE Manager

Annex A:

Tonga Electricity Commission and PCREEE training workshop on Electricity Concession Contract reset and Power Tariff Reviews House of Tonga, Nuku'alofa: 13 & 14 August 2020

TRAINING SESSION 3: IPPs and PPAs

Thursday 13 August 2020, Time: 9am – 12 pm (Tonga time)

Background

The Pacific Centre for Renewable Energy and Energy Efficiency (PCREEE) is currently supporting the Electricity Regulator in Tonga (Tonga Electricity Commission - TEC) to promoting private sector investments in Tonga's Power Sector. The support involves reviewing the current Electricity Concession Contract and the tariff parameters and the inclusion of renewable energy in the tariff model. Part of the support includes training on priority areas identified by the TEC.

Purpose: This course will provide participants with an introduction to the topic of IPPs and PPAs. The role of IPPs in the electricity sector will be explained as well as the historical developments leading to this. The process of selecting an IPP as well as the elements of a PPA are the key topics of this training.

Course Objectives: After completing the course, the participant will:

- Have a good understanding on the role of IPPs in the power sector
- Have an understanding of the process through which a IPP is selected
- Be aware of the key elements of a PPA
- Have an understanding of the main issues and risks associated with prices in a PPA

Participant expectations:

- Basic understanding of power systems
- Basic understanding of economics

Course Content:

- The Independent Power Producer (IPP)
 - Legal and/or regulatory aspects
 - Contractual business relationship Utility – IPP
- Procurement process
- Basics of a Power Purchase Agreement
 - Phase definition
 - Technical issues
 - Legal issues
- Particular issues for different energy sources (fuel, wind, solar, etc.)
- Tariff Issues
 - Average Cost Pricing
 - Efficiency Incentives
 - Capacity Pricing
- Availability Incentives

TRAINING SESSION 4: FUEL/RE TARIFF COMPONENT

Friday 14 August 2020, Time: 9am – 12 pm (Tonga time)

Purpose: This course will focus on Schedule 6 of the ECC, which set out the way in which the Fuel/RE component of the Regulated Tariff is computed and periodically reset.

Course Objectives: After completing the course, the participant will:

- Have an understanding of the principles underlying of the Fuel/RE Tariff
- Have an understanding of the formulas applies to compute and/or adjust the Fuel/RE Tariff
- Have an understanding of the working of the Fuel/RE Excel Model

Participant expectations:

- Basic knowledge of the ECC

Course Content:

- Principle of the Fuel/RE Tariff
 - Basic approach
 - Forecast/Adjustment principles
- Step-by-step process of setting and adjusting the Fuel/RE Tariff
 - Forecasts
 - Adjustments
- Fuel/RE Tariff Excel model workings
 - General overview
 - Sheet-by-sheet explanation

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