

Proactive Partnerships - Enhancing Utility Performance

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Climate Institute

Overview

- The Energy Crisis
- The role of utilities
- The Ministerial Challenge
- Partnerships are essential
- How can we improve performance?
- Changing the way we do business
- New challenges, new opportunities

The Energy Crisis

The RMI's biggest crisis

The Marshall Islands is facing a classic example of "external shock" from the global fuel crisis. The RMI can't control world market prices but it is being severely affected by them.

The reality of diesel fuel prices now over \$4 per gallon means that for a three month supply, MEC has to fork over more than \$6 million and it's only collecting about \$3 million each quarter from its customers. That is why the RMI's Disaster Committee is recommending calling a

Fab FAD

MIDB Shark chair P2 attack P5

THE MARSHALL ISLANDS JOURNAL

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\$8.5m crisis

By GIFF JOHNSON

The RMI Disaster Committee on Monday approved a recommendation to Cabinet that it declare a national state of emergency because of an impending crisis in the energy sector. The Cabinet was expected to meet on the recommendation Wednesday or Thursday.

The state of emergency recommendation is based on Majuro and Ebeye's utility companies being on the verge of financial collapse, and without a big injection of funding are expected to suffer an \$18 million shortfall this year.

Call for State of Emergency over energy

July 10 deadline for payment of \$6.5 million for the fuel delivered earlier this month from SK Networks.

Snapsheets of the problem were provided by the

MEC faces dollar crunch
 \$\$ needed by July 10

THE BUSINESS DIRECTORY

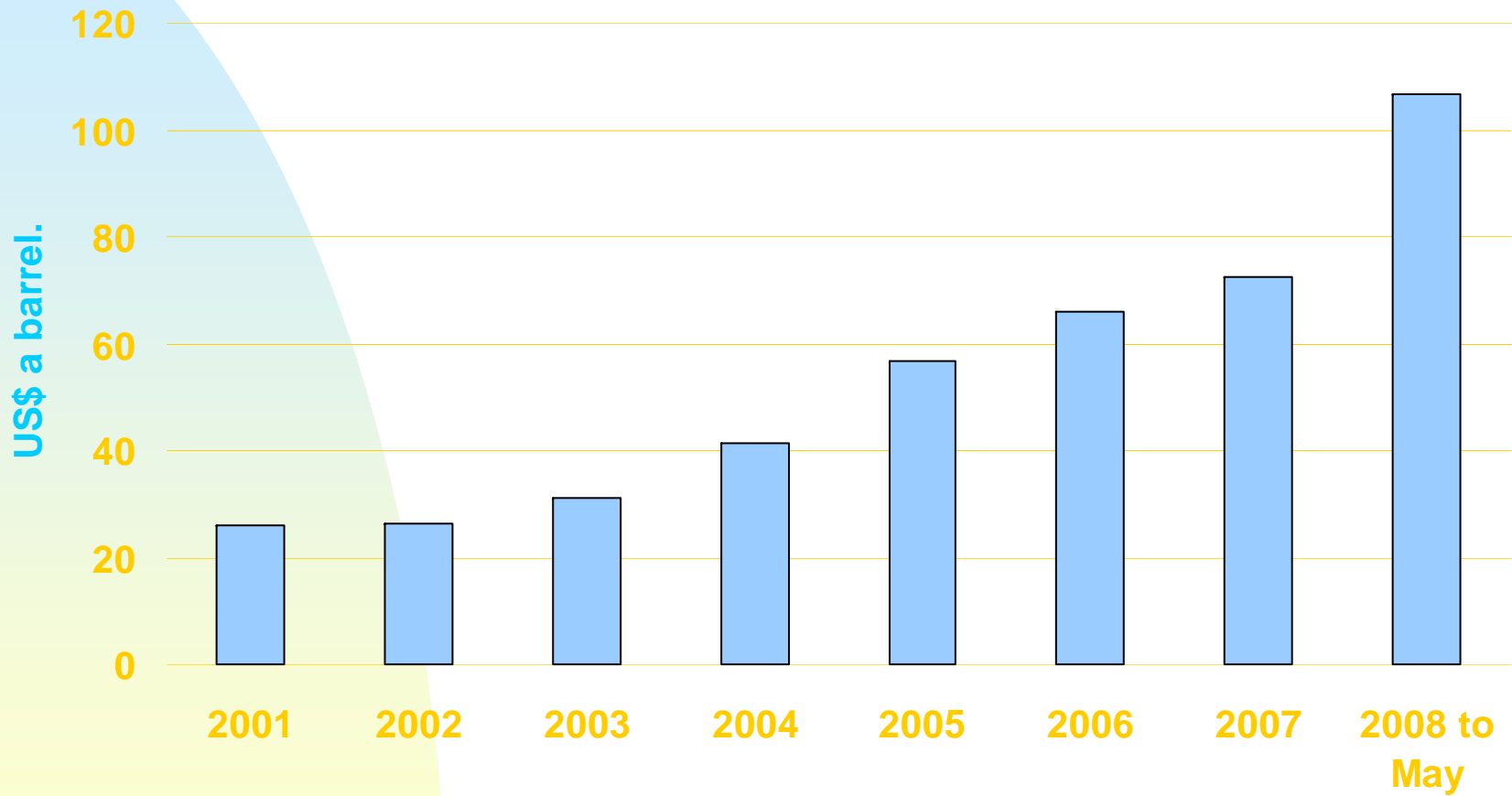
Streetlights hurt our hip pocket

Majuro's streetlights are costing MEC more than \$200,000 a year to operate — so in this energy crisis period, should they all be turned

Diesel usage 'insane'

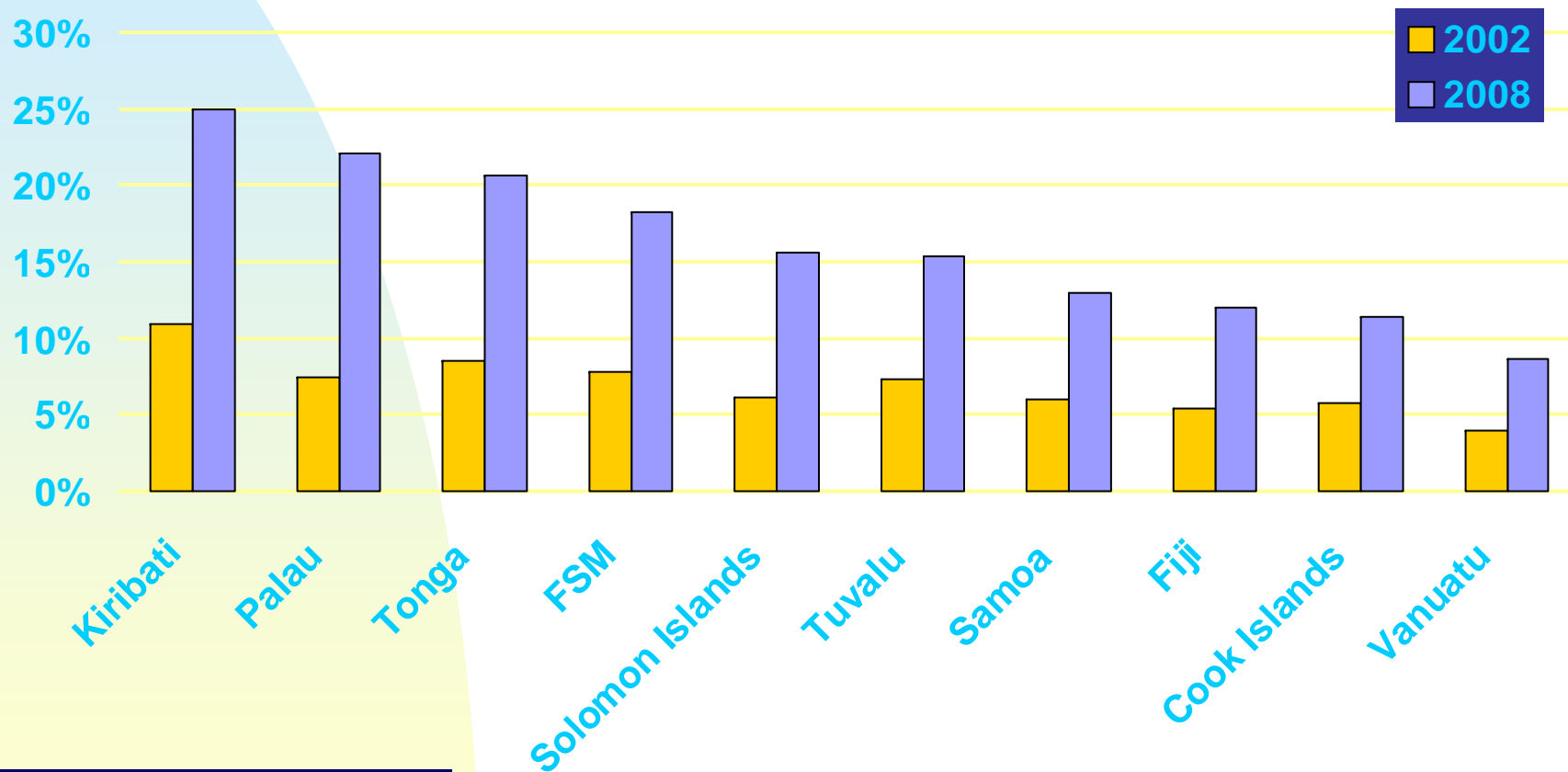
MWSC owes MEC \$1m

The Oil Price Crisis



The Rise In Oil Prices Is Having A Huge Impact In The Pacific

Fuel imports as a per cent of GDP, 2002 and 2008



An Example For The World

“The Small Island States can by promoting a clean energy environment set an example for the rest of the world. Too much of our national budgets are spent on fossil fuels for diesel generation of electricity. This is a drain on our national budgets and does not work towards a solution to the problems of climate change. When the tanker comes in the foreign reserves go out.”

T. Neroni Slade

Chairman of Alliance of Small Island States (AOSIS)

Ambassador of Samoa to the UN

A Vital Role For Utilities

- Utilities are major players in island economies enabling industry development, improved lifestyles and a higher standard of living
- A badly run utility damages the economy, destroys opportunities and penalizes the less well off
- Utilities must be a key element in the National Development Plan and promote energy efficiency and renewable energy technology

Pacific Ministers Say “Improve”

- The inefficient operation of many power utilities and distribution facilities is unacceptably high
- Increase sustainable renewable energy initiatives at a national level and share experiences and expertise in the region
- Implement appropriate policies, incentives and programmes to improve energy efficiency. Reducing energy losses and improving consumer behaviour can deliver significant savings.

Source: Communique, Pacific Energy Ministers, Cook Islands, April 2007

Partnerships Are Essential

- The PPA
- Governments and utilities
- Donors
- Communities and consumers
- Utilities and business
- With Allied Members

The Role Of The PPA

- Utilise all available resources to assist members in training, resolving problems through sharing of information and expertise, and encourage members to be efficient and accountable in their operations;
- Utilise group buying power to achieve real cost reductions in costs of goods and services within the region;
- Establish a network of information sharing and expertise within the region. Organise annual meetings of members to share information, workshops on common and regional problems and issues, trade exhibitions for goods and services;
- Interact with regional and international agencies and institutions.

Is Your Government Supportive?

- Government willingness to let the Board of a public corporation or corporatized entity operate independently
- Government willingness, in the case of a corporatized entity, to allow the organization to operate on a commercial basis, with a profit objective to provide for growth
- Transparent decision making by the Board and the management team
- Independent and capable senior management and Board members
- Board and government support for prices that cover full and reasonable costs, or explicit subsidies to make up any shortfall
- Ensuring there are appropriate oversight mechanisms in place

How Do You Compare - Benchmarking

- Generation efficiency
- Transmission and distribution losses
- Interruptions/power quality
- Costs per kWh
- Human resources
- How good is your data?



Photo Source: Pacific Magazine: Photo: Giff Johnson

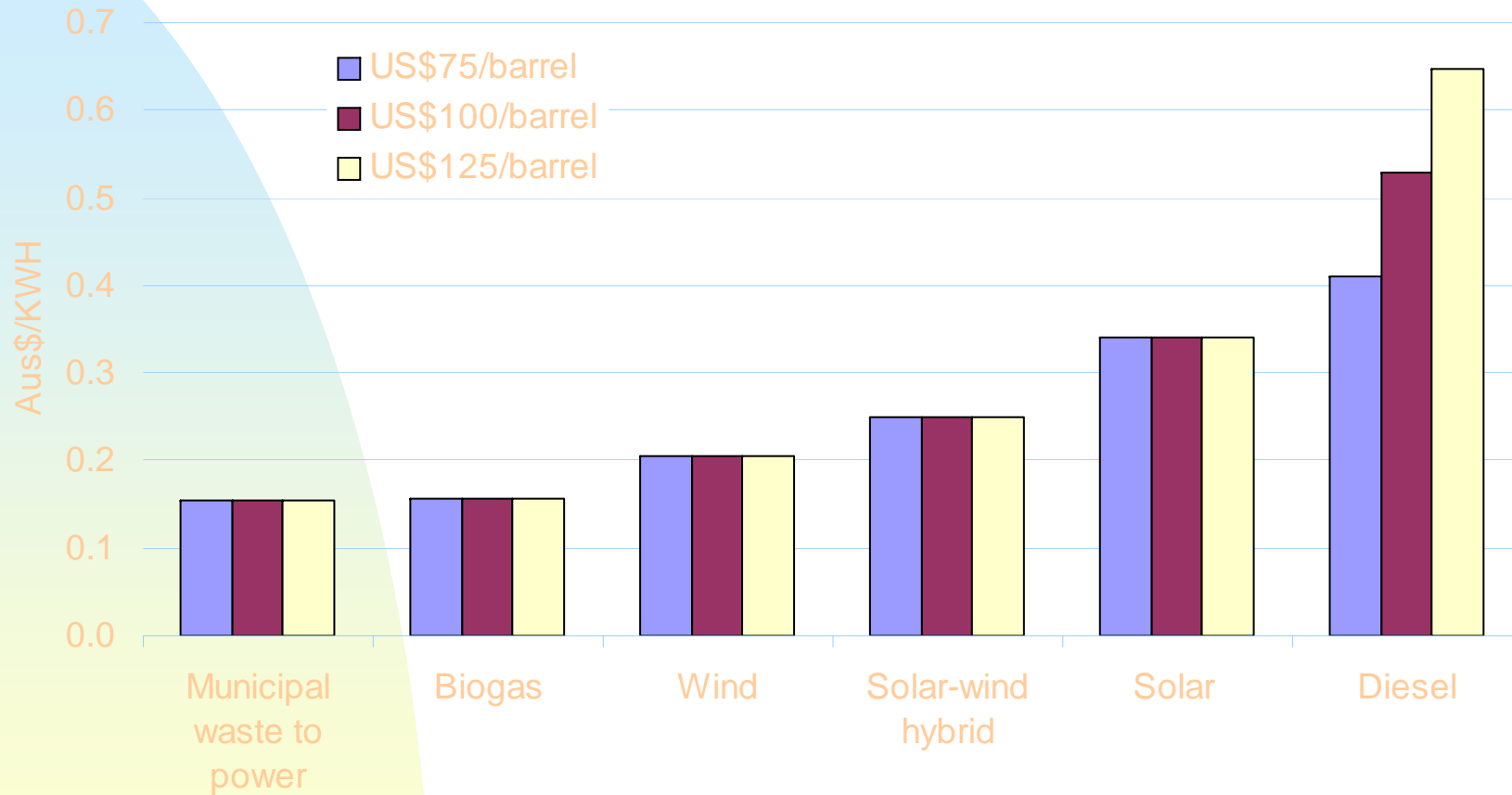
Summary Of Benchmarking Results - Pacific

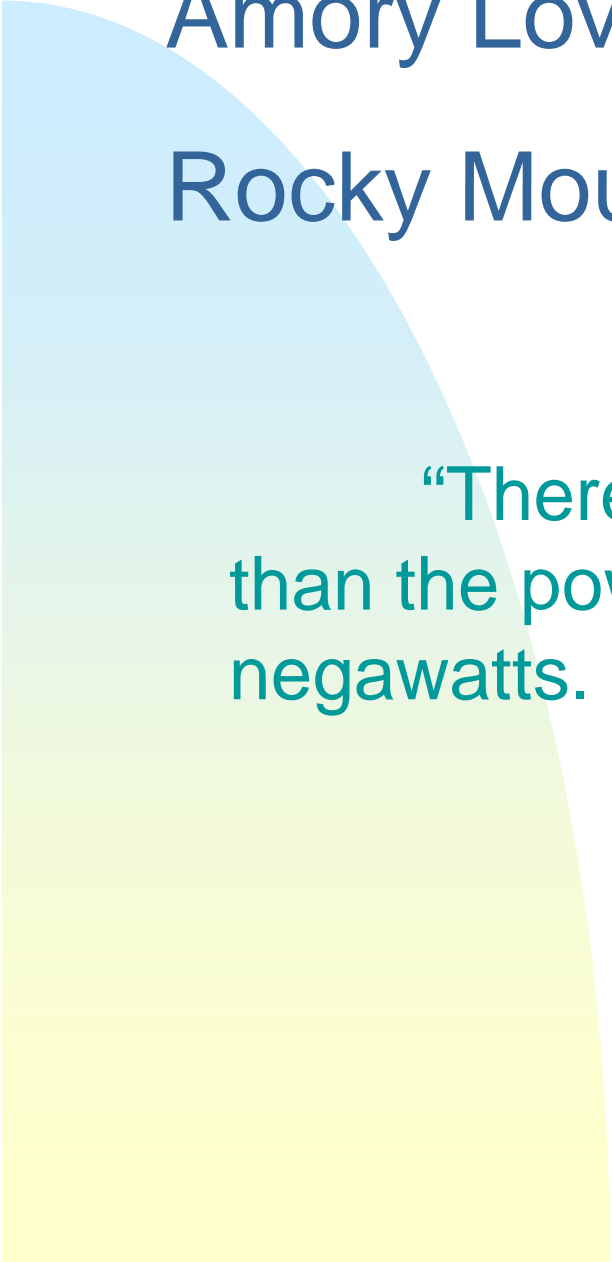
Indicator	Int'l Best Practice (%)	Pacific		
		Range (%)	Average (%)	Benchmark (%)
Load factor	50 - 80	51 – 81	67	50 – 80
Capacity	35 – 60	17 – 60	34	>40
Transmission losses	5	4.5 – 14.9	8	5
Distribution losses	5	5.1 – 23.4	12	5
SAIFI	0.9	2 - 62	19	10

Clean Modern Power



Cost Comparison Of Electricity Generation In Kiribati





Amory Lovins,
Rocky Mountain Institute

“There is no cheaper or cleaner power than the power you don’t produce. I call it negawatts. “

What's In It For You And Your Utility?

- Allows you to meet growth needs
- Spend capital more effectively
- Benefits for the economy – creates employment and replaces imports
- Lowers diesel use and cost
- Cheaper and more reliable energy for business and individual consumers
- Lower monthly bills

Targets For The Pacific By 2020

- Introduce 25% renewable energy targets
- Improve existing diesel generation and transmission efficiency by at least 20%
- Reduce oil use for transportation by 20%
- Set efficiency targets for motors, A/C, appliances and lighting
- Reduce energy consumption in public offices and buildings by 10 to 15% immediately
- At least double village and outer island access to electricity