



Delivering for our nation

A bright energy future for Papua New Guinea



“Energy reform isn’t
just critical for the
future of PNG Power.

It’s critical to the future
of our people.”

The time is right

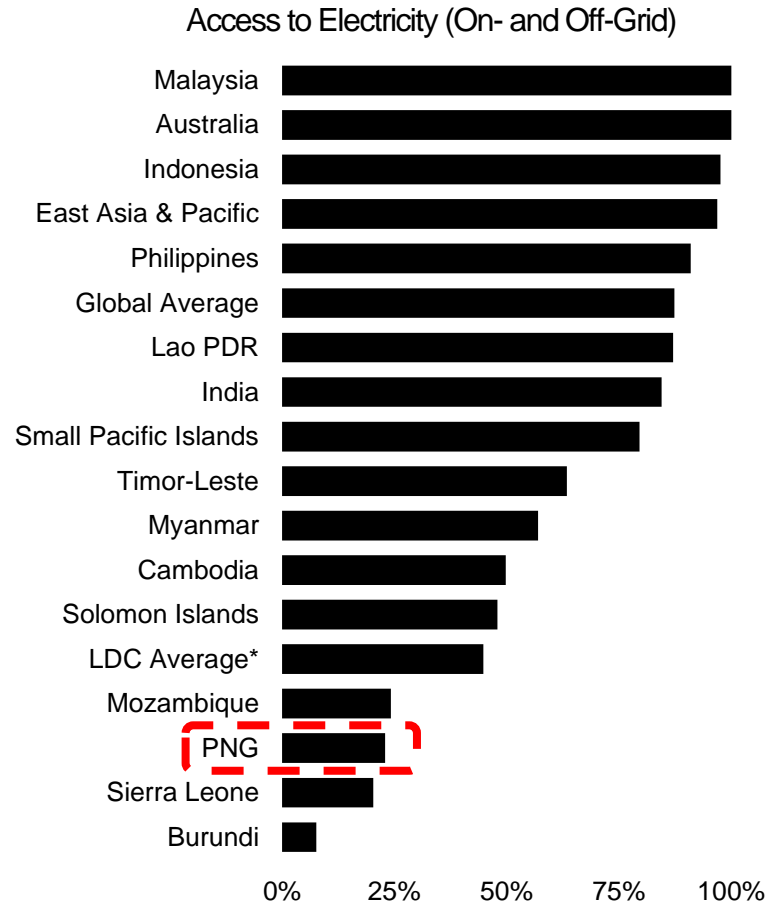
Tackling our two key challenges

Our country suffers from the double jeopardy of low access to electricity and high cost of power.

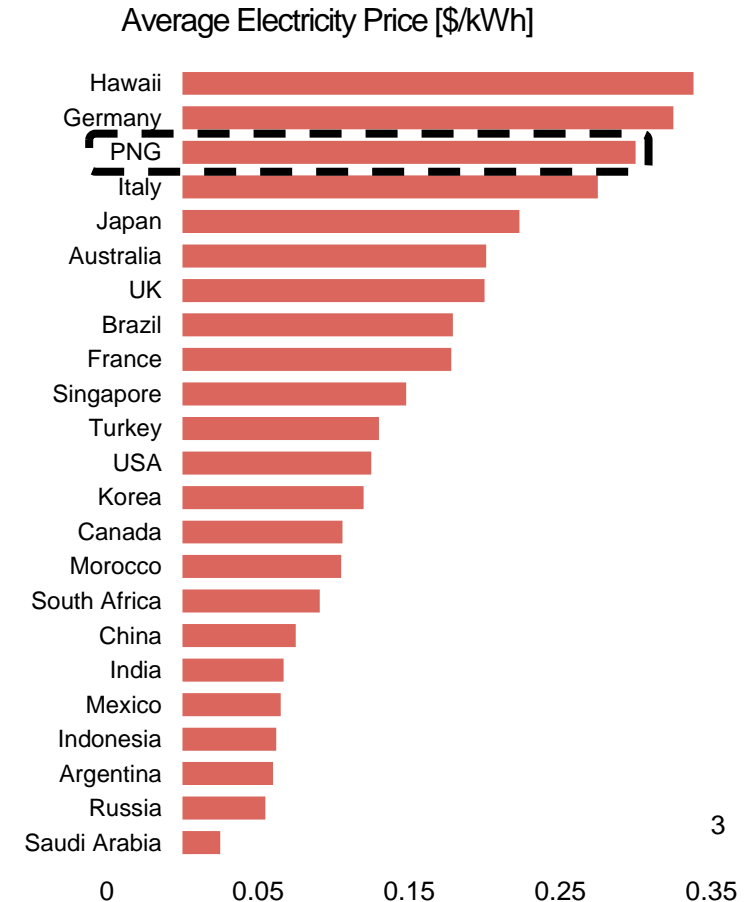
To accelerate development, the time is right to tackle both challenges.

*LDC – Least Developed Countries as per UN classification
Source: World Bank (2016), IEA (2016), EIA (Nov. 2018) for Hawaii

Only 22% of people in PNG have access to electricity
(~13% have on-grid power)



The average price of electricity in PNG is US\$ 0.30/kWh



Past, present and future

We are on the move

From a conservative, monopolistic minded and inward focused corporation, we are evolving to a dynamic modern enterprise, delivering for the Nation.

We have started this tough journey and are committed to its success.



Slow deterioration of institutional performance Post ELCOM - 2017

- Low reliability / constant outages
- Ageing generation & transmission infrastructure
- Underinvestment in assets
- Reliance on high cost IPPs & imported fuels
- Uncommercial procurement practices
- High technical and non-technical losses
- Cycle of Government bail outs; debt & tariff increases
- High debt level on balance sheet
- Poor reputation, lack of community respect
- Outdated & unsophisticated operations
- Reactive, low levels of preventative maintenance
- Less than 3,000 new connections per year (average less than net population growth)

An aerial photograph of a lush green forest. A wide, light-brown dirt road winds through the trees, forming a large loop. In the center of the loop, there is a small, shallow pond. To the right of the pond, there is a circular structure, possibly a well or a small building. The forest is dense and green, with some areas showing signs of clearing or logging. The overall scene suggests a remote, natural environment.

Our fight for survival

2018



Our fight for survival 2018

- Tight cash management
- Accelerated collection of debtors / cash
- Generation restoration; especially hydropower
- Reconnection of previously lost industrial customers back on to the grid
- Organisational restructure and new leadership team (the right capability)
- Re-establish functional working relationship with the Union
- 18,000 new connections
- No bail out, no tariff increase, no new debt
- Final payment of syndicated loan facility

Our fight for survival

2018

We took actions to address structural issues in the business, regain customer trust and ensure the survival of PNG Power.

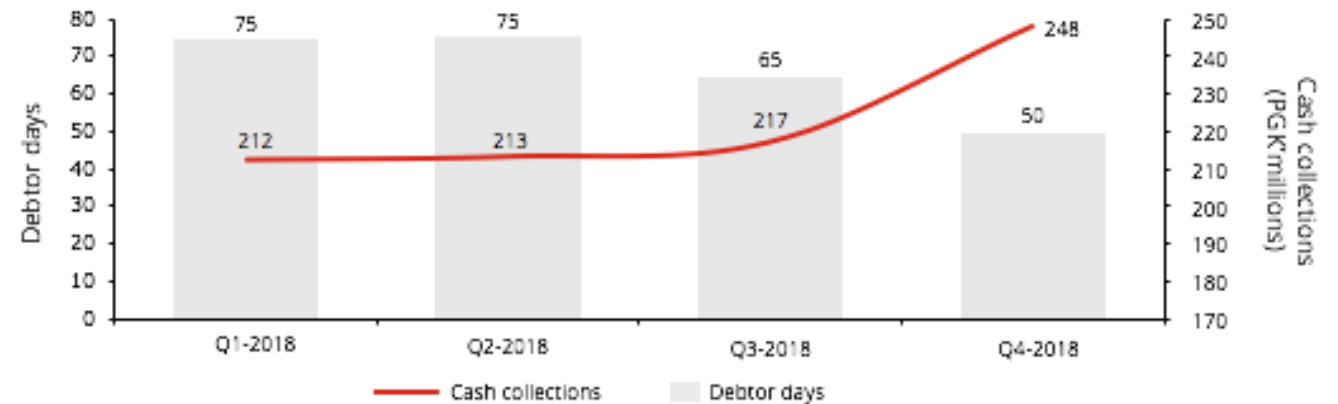
These inflight initiatives will continue throughout FY19 and beyond.



Strict control of cash



Laser focus on debtor collection



Significant Achievements

2018

During the year, PNG Power focussed on its National obligations and supported the government in achieving significant outcomes and tackled core operational issues.



APEC Papua New Guinea



Restoration of hydro power stations



PNG Electrification Partnership



Reduced outages in 2018



No bailout

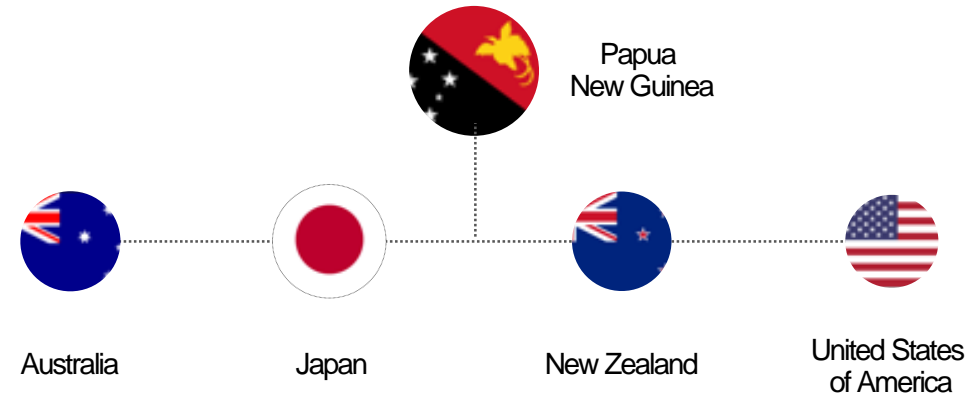


Reliability of supply

PNG Electrification Partnership

2018

The Papua New Guinea Electrification Partnership will support Papua New Guinea's objectives of 70% electrification by 2030. This high level partnership forms part of the enduring economic and security partnership between the nations.



Improving Power Quality - doubled reliability on the Ramu Grid and increased supply by 18% (3.3GWhr) to Lae City since July 2018.

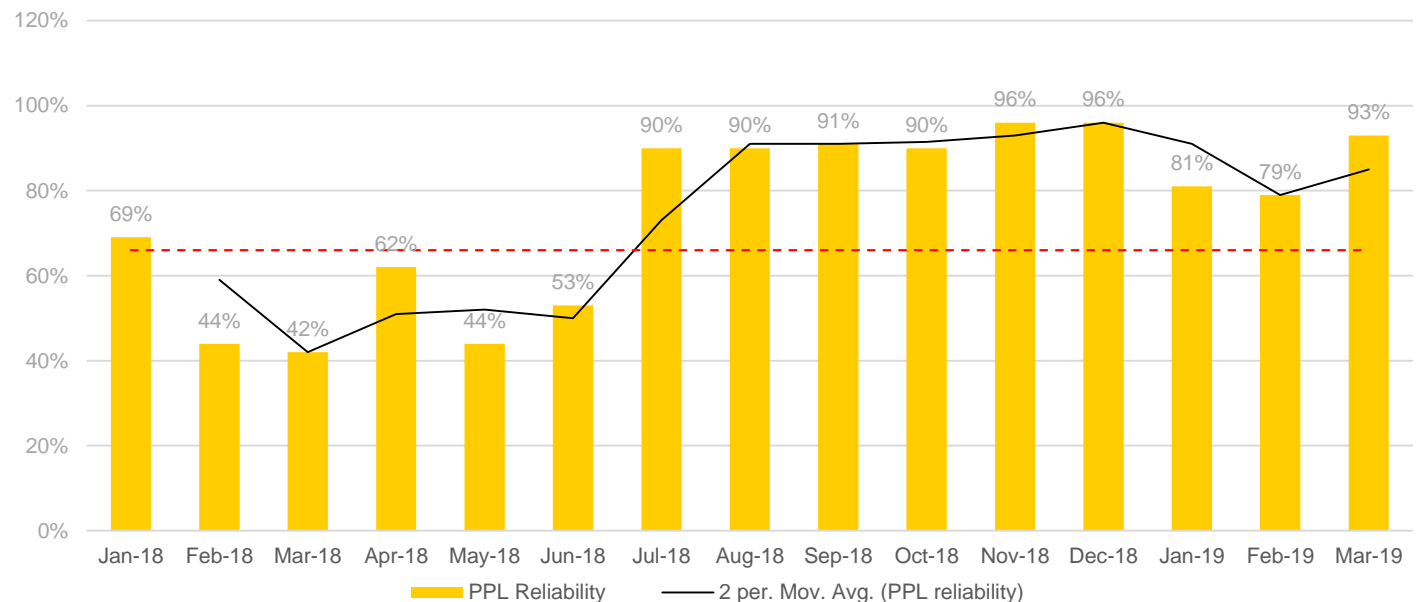
Source: Hidden Valley Gold Mine

Reliability increased to average 89% since July 2018 from 52% the previous 6 months.

2019 aim is 93% average and 96% in 2020

Customers are returning to the grid and buying more power in Lae City – Coca Cola; Mainland Holdings; Laga Industries; PNG Taiheiyo Cement; UNITECH

PNG Power Reliability – % - Hidden Valley Mine



Launching into the Future

2019 - 2030



Launching into the future 2019 - 2030

- Increase coverage via District, Provincial, National and International partnerships
- Lower unit cost of production (fuel switch)
- Achieve financial sustainability
- Introduce smart meters & AMI
- Improve customer satisfaction; dedicated relationship management for corporate & industrial customers
- Modern, safe, high performing workplace
- Improve reliability. Report transparently.
- Become a net contributor. Underpin industrialisation
- 6 million people connected to the grid by 2030

Our Reform Agenda

2019 - 2030

We will focus on three specific fundamentals to build PNG Power capabilities and accelerate our deliverables to deliver our and the Nation's vision

- Reliability
- Growth
- Rewiring

01

Reliability

- Reverse the trust deficit. Report on performance
- Rehabilitation of hydropower and new distributed hydropower
- 8,000 new smart meters and AML for largest power consumers in 2019. Rollout to all new connections.
- Operating partnerships to boost ongoing power plant and network performance (Entura)
- Urgent investments in distribution infrastructure in Port Moresby, Lae and Madang
- New high voltage circuit - Mt Hagen to Tari enabling lower cost, domestic gas
- Reduce reliance on diesel in outer centres and isolated grids e.g. Samarai solar, small hydropower

02

Growth

- New and returning industrial customers. PNG Power is uniquely positioned to provide power to Wafi-Golpu
- Reducing illegal "free power customers" to formal, paying customers. 33% illegal connections in POM.
- New household connections - around 30,000 in 2019 and peaking at 80,000 pa until 2030
- Customer centric approach. Relationship Management of 80% of our revenues.
- District Electrification Partnerships to govern access to electricity priorities
- Settlements to Suburbs in major cities. Hot water, electricity & lighting in public spaces. UN Women
- Lighting and Electrification of roadside market places to support micro and SME development

03

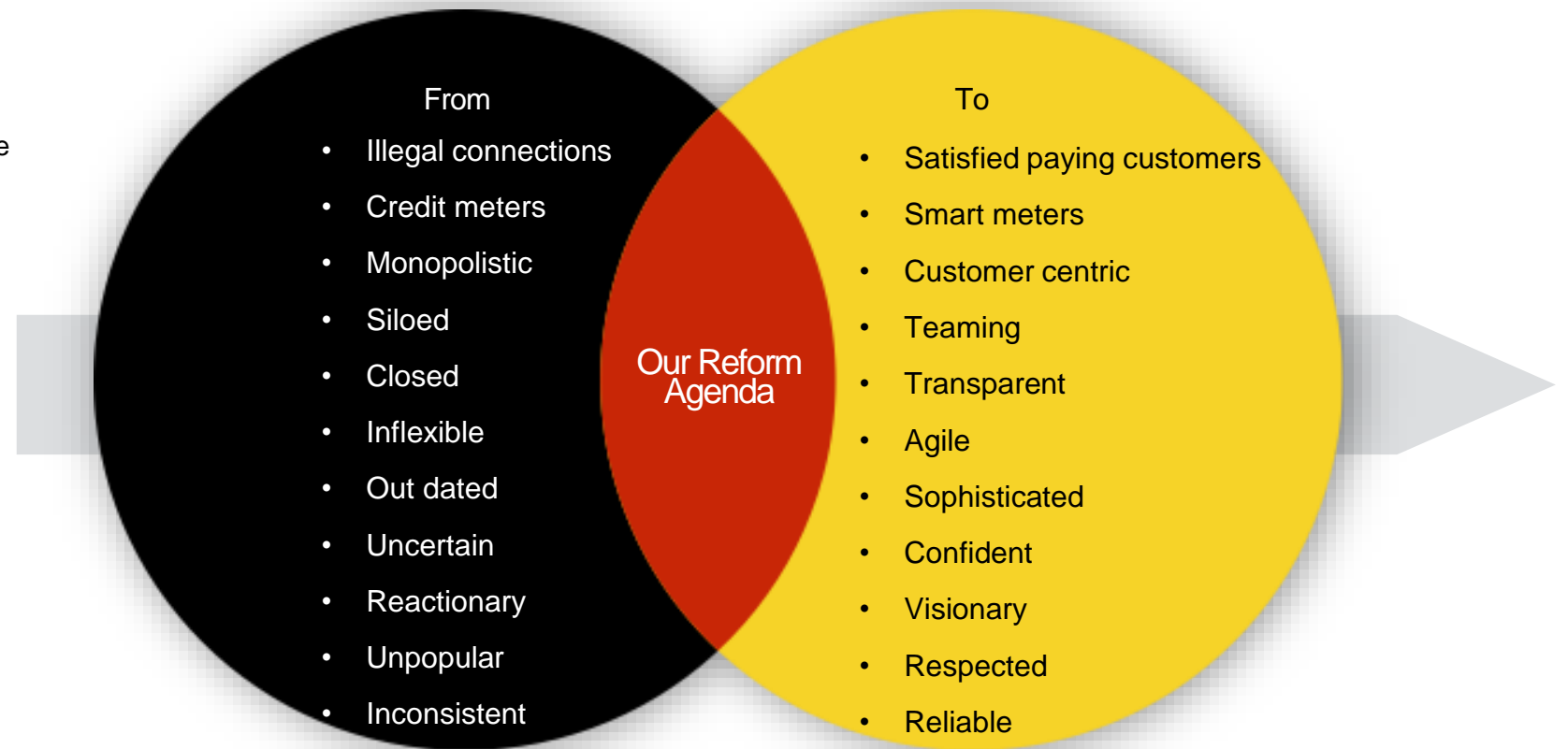
Rewiring

- Financial self-sufficiency driven by fuel switches from imported, high cost, high emission fuels to low cost, clean, domestic hydropower and gas on the POM Grid in 2019 and Ramu Grid in early 2020
- Rectification of existing uncommercial arrangements
- Modernisation of MIS and workplace
- Upgrade outdated Training Centre to National Electricity Institute
- Leadership and Management capability upgrade
- Instilling a sense of pride and commitment in our team. Safety upgrade

The transformation

2019 - 2030

Our Reform Agenda must and will materially change the culture at PNG Power. We are committed to taking the tough actions and we are prepared to outpace development - lighting the way for social and economic development.





“Our Reform is centred on a switch from high cost, carbon intensive, imported fuels to low cost, cleaner, domestic sources of power to fundamentally restructure our cost of operating, improve reliability and be environmentally responsible”

Our Reform Agenda

2019-2030

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A unique opportunity to accelerate - Powering the resources industry in PNG

PNG Power is uniquely positioned to provide a low cost solution to Wafi Golpu but will need to prove its reliability.

While Wafi-Golpu is not yet secured as an industrial customer, PNG Power is working closely with Wafi, a very large block-cave mine to identify a least solution that also delivers 99.9% reliability.

RamuNiCo, an established but off-grid mine is now also working with PNG Power for supply of ~ 12MW of power from Ramu Grid.

The PNG Power strategy to support rapid electrification and industrialisation is:



Improved hydro generation capability



Gas to power at gas field and wired into the Ramu Grid




Network upgrade and ongoing maintenance to provide uninterrupted supply

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Papua New Guinea finds itself at a crucial moment in its development journey and we at PNG Power are determined to be part of the country's future success.



Nation builders

Thank-you.