

# **REQUEST FOR EXPRESSIONS OF INTEREST (CONSULTING SERVICES – FIRMS SELECTION)**

**Country: Solomon Islands**

**Project ID: P162902**

**Project Name: Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP)**

IDA Grant No.: IDA-D3270

**Assignment Title: Cost of Service and Tariff Review**

**Reference No.: SP-C4-8**

## **1. Background and sector context:**

The Solomon Islands Electricity Authority (SIEA) trading as Solomon Power (SP) is a vertically integrated state owned enterprise that owns, maintains and operates the national electricity grid in the Solomon Islands. SIEA is currently experiencing an exciting time of capital infrastructure development, network expansion and transformational change, undertaking SBD \$1bn capital works program to building an electricity network model that allows it to better service its customers, improve affordability and accessibility and hence future proof the network.

The Solomon Islands Electricity Authority (SIEA) has received funds from the World Bank under the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP). SIEA proposes to utilize part of funds in component 4 of SIEAREEP towards this proposed Consulting Services for the cost of the Cost of Service and Tariff Review.

SIEA is focused on Nation building. We are working with our stakeholders to increase the footprint of the electricity network and make electricity accessible and affordable to more people in Solomon Islands. Currently 17% of Solomon Islanders and 65% of denizens of Honiara have access to electricity. We are targeting to increase this to 25% and 75% respectively by 2021.

SIEA has embarked on an ambitious plan to increase electricity access to more Solomon Islanders in not just Honiara and other urban centres, but also at other outer islands and rural locations, and to improve affordability.

The four challenges for SIEA are the following:

- Increasing affordability
- Increasing accessibility
- Deliver a SBD 1 billion capital infrastructure program
- Human Development and Sustenance

The majority of SIEA's assets are located in Honiara on the island of Guadalcanal, the capital of the Solomon Islands. Its 33/11/0.4kV, 11/0.4kV and 0.4kV electricity networks are largely concentrated in twelve (12) town centers serving the main

urban/industrial areas on eight of the nine provinces. They include Guadalcanal Province (Honiara) as noted above, Western Province (Noro, Munda, Seghe and Gizo), Malaita Province (Auki and Malu'u), Central Province (Tulagi), Makira Province (Kirakira), Temotu Province (Lata), Isabel Province (Buala) and Choiseul Province (Taro).

## **2. Cost of Service and Tariff Review in 2014-2016**

A cost of service and tariff review was conducted during 2014-2016 by an independent consulting firm under funding from the World Bank. An outcome of this study and review was the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 which was gazetted by the Solomon Islands Government on 13 December 2016. This tariff repealed the then Electricity (Tariff) (Automatic Base Tariff and Fuel Price Adjustment) Regulation 2005.

## **3. Objective of the study and deliverables for this assignment**

The objective of this study is to review the Non-Fuel Base Tariff of the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 which includes the review of the Weighted Average Cost of Capital, the re-calculation of the Regulated Asset Base, the Capital Recovery Factor, Depreciation, and the Non-fuel operating cost of SIEA as stated in Parts 2 and 3 of the gazette to establish the revised non-fuel base tariff. This study also includes review and revision of parameters A and B as defined in Part 6 of the gazette.

In addition to this, the scope also includes review of the existing monthly consumption ranges in the existing Tariff and if prudent/justifiable include a lifeline tariff taking into consideration Community Service Obligations (CSOs) and subsidies likely to be provided by the Solomon Islands Government (SIG).

The broader purpose where this exercise fits is to determine SIEA's full costs of providing electricity for various categories of customers, at different points in the supply chain (i.e. generation, transmission, distribution, retail) and across different geographical areas (e.g. by province, by urban or rural, etc). SIEA's full cost of service includes its efficient operating costs plus an appropriate return on the assets necessary to produce, deliver and sell electricity to its customers and meet growing demand through prudent investment. The scope of this exercise does not include review of the Fuel Charge as in paragraph 12 of Part 4 of the gazette.

The purpose of this exercise is to re-establish the Non-Fuel Revenue Requirement as defined on page 259, Part 3, 4 (1) of the gazette.

The objective is to assess SIEA's costs of service, revenue requirements, and tariffs over a 5-year time horizon (2021-2025), taking into consideration the following:

### **Diesel generation, Renewable Generation and Network capacity expansion.**

- 1) The SIEA develops a mixed thermal-hydro-solar- battery system with:
  - a) Generation fueled with diesel fuel;
  - b) Hydropower (Tina River Hydro) to be commissioned in 2024– under an existing Power Purchase Agreement;

- c) Grid Connected Solar PV at Henderson, Tanagai, Ranadi roof top, Green Village and at other locations in Honiara either funded by SP, or through joint funding with donors and also through IPPs;
- d) Mini-Hybrid generation systems (solar, battery storage and diesel back-up); and
- e) Battery Energy Storage Systems (BESSs) in Honiara

(2) Increase the footprint of electricity by building new Outstations in the Provinces with Solar Hybrid (solar, battery storage and diesel back-up) and distribution self-sustained grids

(3) Increase the footprint of electricity by carrying out 11 kV and 415 V network extensions in Honiara and at the Outstations

(4) Infrastructure development for the transfer of energy from the Tina River Hydropower site to Lungga Power Station

Deliverables will include inception, draft, interim and final reports assessing the SIEA's cost of service, conduct workshops, consultations in country, draft amended tariff regulations, training, final models and model documentation.

#### **4. Duration**

The Consultancy assignment may run for a period of 7 months (both in and out of country) or as agreed upon and is proposed to start in February 2020.

#### **5. Competence and Qualification**

The SIEA now invites eligible consulting firms or Consultants to indicate their interest in providing the Services. Interested Consultants should provide information demonstrating that they have the required qualifications and relevant experience to perform the Services.

The Consultant's team must be familiar with international best practices in power utility management, economic regulation, power system operation and planning, and electricity tariff design and implementation. The Consultant must have extensive international experience in: a) Cost of Service and Tariff Studies, with expertise in economic, financial, policy and regulatory issues; b) Electricity tariffs and associated costing, financial/economic analysis and corporate/strategic planning.

The following key positions are an indication only and it is the final responsibility of the Firm to propose a team highly qualified and suited to achieve the objectives of this consultancy: Regulatory Expert (RE); Regulatory Lawyer (RL); Pricing Advisor (PA); and Financial Advisor (FA). The consultants must not be concurrently engaged, either at the commencement of the assignment or for 12 months after the expiry of the assignment, in advising any other person on any aspect of the energy sector in Solomon Islands.

#### **6. Selection**

The attention of interested Consultants is drawn to Section III, paragraphs, 3.14, 3.16, and 3.17 of the World Bank's "Procurement Regulations for IPF Borrowers" July 2016 [Revised November 2017 and August 2018] ("Procurement Regulations"), setting forth the World Bank's policy on conflict of interest.

Consultants may associate with other firms to enhance their qualifications, but should indicate clearly whether the association is in the form of a joint venture and/or a sub-consultancy. In the case of a joint venture, all the partners in the joint venture shall be jointly and severally liable for the entire contract, if selected.

A Consultant will be selected in accordance with the CQS method set out in the Procurement Regulations.

The detailed Terms of Reference (TOR) for the assignment and the gazette of the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 are both attached to this EOI.

## **7. Application and Submission**

Interested eligible firm or consultant can obtain further information at the address below during office hours 8 am to 4:30 pm on business days, Monday to Friday.

Expressions of interest must be delivered in a written form to the address below (in person, or by mail, or by fax, or by e-mail) by 3 October 2019

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