REQUEST FOR QUOTATION
REVIEW OF SOLOMON ISLANDS ELECTRICITY ACT AND RURAL ELECTRIFICATION FRAMEWORK

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~ Participating Pacific Islands Countries ~
Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu
Request for Quotation

Review of Solomon Islands Electricity Act and Rural Electrification Framework

9 February 2006

1. The Government of the Solomon Islands requested the PIEPSAP project to review its Electricity Act and the regulatory and enabling frameworks for rural electrification. In response to this request the PIEPSAP project funded by the Government of Denmark under the European Union Energy Initiative will commission a consultancy to support the Solomon Island Government through technical assistance.

2. Quotations are requested from parties that are willing and able to undertake the services as specified in the detailed Terms of Reference (TOR) in Annex A.

3. Instructions to Bidders:

   a. The Quotation must cover all the objectives, outputs and activities as specified in the TOR (Annex A)
   b. The Quotation must include costs for professional fees, travel and Per Diem
   c. US$ only must be used in the Quotation
   d. The Quotation must include:

      i) An updated CV of the individuals who will undertake the consultancy;
      ii) A summary of recent work in the areas to be covered in this consultancy (including client and work produced);
      iii) Information on availability;
      iv) Total person days proposed for the work on the consultancy and daily rate in US$; and
      v) A preliminary methodology and work plan of not more than 5 pages

   e. The consultancy preferably should commence in April 2006 and must be finalized before end of August 2006
   f. The offer must be in the English language only
   g. The above-mentioned documents, information and requirements are mandatory and as such are required to form a complete tender. An offer will be rejected unless it is substantially responsive
   h. If the Quotation is received prior to the formal submission date corrections/modifications can be made up to that date
   i. The Quotation must be submitted in electronic format only (Word or PDF-format, 1 MB max) by email to the e-mail address specified in below
   j. The consultancy must be undertaken with one (2) field visit to Solomon Islands. The exact number of working days will be determined subsequently between the successful Contractor and PIEPSAP.
   k. The final working plan will be determined subsequently between the successful Contractor and PIEPSAP.
   l. Confirmation of receipt of quotations will be provided by e-mail within three working days.
   m. Successful as well as unsuccessful bidders will be informed by e-mail as soon as possible.
   n. Award of contract and Evaluation criteria. Quotations will be evaluated according to the following criteria:
i. Price (20 %)
ii. Relevant experience rural electrification frameworks and standards 15 %
iii. Experience in the review of electricity legislation 20 %
iv. Relevant regional experience in Solomon Islands and Pacific Island countries 15 %
v. Methodology/Work Plan 30%

o. Deadline for the submission of quotations is March 17, 2006.
p. Contact Information:

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Annex A

Terms of Reference for the Review of Solomon Islands Electricity Act and Rural Electrification Framework

1.0 Introduction

The Solomon Islands’ Director of Energy has requested PIEPSAP to review the current Electricity Act and regulatory framework in the Solomon Islands and recommend improved regulation of the provision of electricity into the rural areas. The SI Director of Energy has endorsed the following Terms of Reference.

2.0 Objective

SOPAC through PIEPSAP is seeking the services of Consultants to review the current Electricity Act of the Solomon Islands. The primary objective of the review is to identify the barriers and constraints to the provision of electricity into the rural areas. The Consultant based on his findings will be required to provide recommendations as to how the Electricity Act can be improved/strengthened to establish an enabling framework for an expanded provision of electricity to rural areas of the whole Solomon Islands group.

3.0 Background

3.1 General Information

Solomon Islands comprises of about 300 islands. The population is just under half a million with a per capita GDP of USD 530. As in most Pacific Island Countries (PICs), the majority of the population live in the rural areas relying mainly on subsistence fisheries and agriculture. The Solomon Islands is slowly recovering from the political unrest as a result of ethnic conflicts that brought the country to a civil war situation in 2000. The deployment of the Regional Assistance Mission to Solomon Islands (RAMSI) in 2003 has improved the situation significantly. SI is one of the least developed economies in the Pacific has low electricity access and also one of the lowest per capita rates of electricity consumption in all of Pacific Island countries. Currently less than 20 % of the households have access to electricity and the per capita electricity consumption stands at less than 100 kWh (Kilowatt-hours). The economy in rural areas beyond the reach of the national grid is characterized by high energy costs, low agricultural productivity and few opportunities to create non-farm employment or other economic activities. Providing electricity can contribute to poverty alleviation in two main ways, namely: (i) providing a reliable source of energy which allows the development of new and alternative economic activities, and (ii) through a general improvement in living conditions. However, meeting the stated objective will require implementation of electrification strategies that combine measures delivering the highest benefits with solutions at the lowest costs. This
would include extension and strengthening of the national grid; development of off-grid renewable energy sources such as micro hydro, solar, wind, biomass; increasing energy self-sufficiency and security; and implementation of power projects for maximum long-term sustainability.

3.2 Government Priority Objectives

The need to restore law and order to pre-conflict days and the need to improve economic management and meeting the basic needs of its citizens remain the most priority areas for the Government of Solomon Islands. Electricity supply is considered as one of the priority areas in the development and improvement of rural infrastructure.

3.3 Electricity Services

The provision of electricity in the Solomon Islands is focused only in urban centres with the Solomon Islands Electricity Authority (SIEA) given the mandate under the Electricity Act for providing the services. The rural areas are either serviced by individual and private installations or through NGOs that have installed stand-alone power supply systems such as diesel generators, small hydro schemes and solar home systems. It is estimated that fewer than 20% of the population have access to electricity services. In rural areas access is only approx 10%.

3.4 SIEA

SIEA, a fully government-owned power utility is the sole supplier of electricity under the Electricity Act in the Solomon Islands. The establishment of SIEA and its area of service are governed by the Electricity Act and the area of service is restricted to urban centres and a few provincial centres in the outer islands. There have been concerns with recent technical and financial performance of SIEA.

With assistance of the World Bank the SI Government will restructure the SI utility industry, restore financial health and attract private sector participation (PSP). In particular, the electricity industry reforms will improve the economic efficiency of the sector and to establish an environment that promotes participation by private investors and lenders.

4.0 Government Strategy for Electrification

In line with its overall social and economic development programmes, the Government of the Solomon Islands places high priority to the provision of reliable, and affordable electricity services to all consumers. The SIG under its development plan promotes the establishment of economic-growth centres in key selected areas to accelerate economic recovery and create stability in the country. These economic-growth centres will require a reliable electricity supply. A restructuring program supported by the World Bank aims to enable the national power utility SIEA to ensure a reliable and cost effective electricity supply to Honiara and other provincial growth centres.
The provision of electricity into the rural areas is also seen as a priority. The lack of electricity and other essential services in rural areas has contributed to the hardships faced by rural constituents and has been associated with the dissatisfactions that erupted into ethnic violence in 2000. Consequently, it is one of the Government’s priorities to improve rural energy supply together with its development partners. In order to establish a regulatory framework that is conducive to a rapid expansion of rural energy supply the relevant legislation such as the Electricity Act will be reviewed.

5.0 Scope of Work

In reviewing the Electricity Act the consultant shall undertake the following activities:

- Review the current regulatory framework for rural electrification in the Solomon Islands;
- Develop a framework for financing rural electrification programmes.
- Develop a rural electricity infrastructure quality standard for the Solomon Islands;
- Develop a public-private partnership model to expedite the provision of electricity into rural areas;
- Recommend and up-date of the Electricity Act

The consultants shall contact all stakeholders namely GSI institutions including the Ministry of Finance, Energy Department, SIEA, relevant bi- and multilateral donors such as AusAid, World Bank ADB, UNDP, EU/EDF, NGOs and private sector representatives. The consultants shall also visit at least two existing rural electrification projects in order to assess their performance and consult with the operators and customers of these schemes.

5.1 Review the current legislative and regulatory framework for rural electrification in the Solomon Islands

The Consultant shall conduct a diagnostic review of the regulatory framework for rural electrification in the SI. This will include but not be limited to the following:

- Review all recent (post 2000) reports and studies on rural electrification in SI
- Assess national energy policy draft with respect to comprehensiveness and appropriateness in the field of rural electrification;
- Assess if legislation and policy is appropriate for future development of the electricity sector as a whole;
- Identify and review current and proposed legal and regulatory arrangements for rural electrification;
- Review institutional, governance and accountability arrangements
- Identify gaps and constraints in the current regulatory regime for rural electrification
5.2 Develop a framework for financing rural electrification programmes.

In carrying out this part of the work the consultants should bear in mind that rural electrification projects will eventually receive contributions from multiple donors and deliver subsidies to multiple projects of various types, such as Solar Home System programs, minigrids powered by diesel and/or mini hydropower implemented by NGOs or communities, pico hydropower, extension of existing grids etc. The consultants should therefore compare the establishment of a general rural electrification fund supporting various types of projects with transparent and equal subsidies versus the implementation of regulations that would apply to all projects irrespective of funding. In developing a framework for financing rural electrification programmes the Consultant’s work shall include but not be limited to the following:

- Identify potential delivery models for the provision of electricity to rural areas and highlight the strengths and weaknesses of each model (hire-purchase agreements, supplier credits, utility models, community schemes, RESCO's)
- Review the current financing models for rural electrification programmes including government and privately funded projects and highlight the strengths and weaknesses of each model
- Assess pricing issues including pricing level and its variation with regard to repayment periods, appropriateness of subsidy levels and subsidy mechanisms (in principle level of subsidy should be such that equality issues are considered together with willingness and ability to pay)
- Assess risk management and risk allocation arrangements including role and qualifications of potential financial intermediaries;
- Recommend appropriate financing models to be adopted by Government, clearly detailing the financial, institutional and operational framework of such models.

5.3 Develop a quality standard for rural electricity infrastructure for the SI.

The consultant shall develop a set of standards for rural electricity infrastructure in the SI. The Consultants’ work will include but not necessarily be limited to the following

- Visit two rural electrification schemes and assess their performance and technical standards applied;
- Review any rural electricity infrastructure standards applied in SI;
- Study international practises of rural electrification standards through a web search;
- Identify a reference standard preferably based on a model used in the Pacific region to adopt for SI;
- Assess intuitional arrangements required to monitor and enforce standards and technical regulations,
- Recommend technical and safety standards for individual household systems SHS, pico hydro,
- Recommend technical and safety standards for grid based systems (small hydro, diesel generators, biomass/biofuel, hybrid and grid extension projects;
- Recommend licensing procedures for rural service providers,
- Recommend and outline a project for establishing and monitoring technical and safety standards in SI.

### 5.4 Develop a public-private partnership model to expedite the provision of electricity into rural areas.

It is anticipated that Public Private Partnership models will play an increasing role in the provision of rural electricity. In developing a public-private partnership (PPP) model to expedite the provision of electricity into rural areas, the Consultants’ work will include but not necessarily be limited to the following:

- Identify electrification schemes that are conducive to a PPP approach;
- Identify and assess existing PPP models in SI (not necessarily in the energy sector);
- Present lessons learnt from PPP initiatives;
- Identify and review institutional capacity (both public and private) and arrangements for PPP models in rural electrification;
- Identify various models for public-private partnerships in RE, highlighting the strengths and weaknesses of each model in the SI situation;
- Assess allocation of functional responsibilities in potential models such as procurement, financial management, technical training etc;
- Recommend appropriate models for public-private partnership in the provision of electricity to rural areas in the SI.
- Develop an operational guideline (business plans, appraisal, monitoring and evaluation) for PPP rural electrification models in SI.
- Identify training and capacity building requirements to strengthen the institutional framework for rural electrification.

Special consideration shall be given to the roles to be played by the central institutions such as the Energy Department facilitating new models and responsibilities that could be delegated to provincial and/or community level.

The consultant will also assess the need for and the feasibility of a specialized institution such as a “Rural Electrification Authority” to provide technical, regulatory and training support to rural electrification projects.

### 5.5 Recommend Changes to the Electricity Act.

Based on the activities highlighted above, the Consultant shall draft necessary changes to the Electricity Act that provide the legal framework to improve the delivery of electricity services to the rural areas.
6.0 Outputs

The following are the expected outputs:

- Inception report covering the approach and methodology to be followed during the study
- Draft Report providing preliminary documents and recommendations
- Stakeholder Workshop
- Revised Draft Electricity Act
- Regulatory Guidelines for Rural Electrification
- Standards for Rural Electrification
- Final Report

The Draft Electricity Act, the Regulatory Guideline and the Technical Standards will be produced as separate documents. The consultant will organize a stakeholder workshop to discuss the preliminary recommendations and to build consensus among key stakeholders. Discussions and comments received during the workshop will be incorporated to provide a final set of recommendations and documents to the Government for action.

6.0 Consultants

As a minimum the study will require a specialist in electricity sector regulation and a technical expert with a background in electrification standards. The integration of a local specialist into the team is encouraged.

Two missions to the SI will be necessary. A first mission for initial discussions with all stakeholders, data collection and field visits. A short second mission of the team leader will be necessary to present the draft report and hold the stakeholder workshop.