



NATIONAL ENERGY AUTHORITY

ELECTRICITY LICENCING GUIDELINE

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DEFINITION

Licensee is a person who holds a generation licence, or transmission licence, or distribution licence or supply licence.

1.0 BACKGROUND

The National Energy Authority (NEA) is a statutory body established under the *National Energy Authority Act 2021* (NEA Act) and came into operation on 6th July 2021. The NEA's main objectives, amongst others, is to promote efficiency and competition in the electricity supply industry and ensuring that the consumers are protected from unreasonable tariff and unreliable electricity supply services. The NEA's primary function, amongst others, is to regulate the electricity supply industry which is declared as a regulated electricity supply industry under the NEA Act. The NEA Act confers upon NEA the authority to issue licences to any persons who is capable of generating, transmitting, distributing and retailing electricity services in PNG under the established and legislation, regulations, codes, rules and guidelines.

2.0 PURPOSE

This Guideline is intended to provide procedures to any potential person who wish to generate, transmit, distribute, and retail electricity services. The Guideline provides step-by-step process to any person who wish apply for a successful issued licence from the NEA.

3.0 UTILITY SERVICE LICENCES

3.1 Types of Licences

Section 61 subsection 5 of the *National Energy Authority Act 2021* requires that anyone operating any electricity undertaking which generates, transmits, distributes, or retails electricity should be licenced by the Authority.

The Act defines three categories of licensees, namely generation, transmission, and the distribution and retail licences. Section 111(1) of the NEA Act provides that in some circumstances the Minister may exempt a person from the requirement to hold a licence. Such exemptions may be granted in the case of a generation facility of less than 100 kW installed capacity for own use.

3.1.1 Generation Licence

A generation licence shall authorise the license holder to construct, own, operate and maintain a generation power plant intended for own use or supply to a transmission owner, or distribute or retail of electricity.

- a) A licence holder of a generation licence may supply electricity to any transmission, distribution and retail/supply licensee who purchases electricity for resale and, with the approval of the Authority, to any one or more consumers.

3.1.2 Transmission Licence

A transmission licence shall authorise the license holder to carry on grid construction, operation, and maintenance of transmission facilities within Papua New Guinea.

3.1.3 Primary Distribution Licence

A primary distribution licence shall authorise the license holder to construct, operate and maintain a distribution network system and facilities, including any of the following services as may be specified in the licence:

- a) the connection of customers for the purpose of receiving electricity services;
- b) the installation, maintenance and reading of meters, billing and collection bills;
- c) such other distribution service as may be prescribed for the purposes of this section;

3.1.4 Independent Distribution Licence

As above except (d). Examples of an independent distribution licence could be a mining location where all electricity services including supply of electricity to residential and commercial units is undertaken by the mine itself.

3.1.5 Retail Supply Licence

A retail supply licence shall authorise the license holder to supply electricity to its customers and for that purpose to engage in purchasing and selling of electricity.

A retail license holder may purchase electricity for sale from a generation licensee and with the approval of the authority may purchase power from other sources. All such purchases shall be done in an open transparent and competitive manner subject to the review of the authority.

3.2 Licence Conditions

Licensees are subject to a number of conditions, with which they are required to comply. For example, the Act requires that the utilities comply with:

- ☐ any requirements under the Act.
- ☐ any relevant industry technical codes or standards approved by the Authority and any directions given by the Authority from time to time.
- ☐ any laws and regulations prevailing in Papua New Guinea.

In the discharge of its duties, a licensee should comply with the provisions of its licence, any regulations made in terms of the Act and any code and other requirements issued by the Authority from time to time.

Subject to the terms and conditions of its licence, it shall be the duty of each licensee to provide its licenced services efficiently and to plan, develop, construct, operate and maintain an efficient and economical electricity power system.

4.0 REQUIREMENTS FOR LICENCES

This information is required from all applicants. The NEA website (www.nea.gov.pg) provides applicants with the necessary application form(s). Applicants are encouraged to provide additional information that may assist the Authority to determine whether or not a licence should be granted.

4.1 General Requirements on Application:

- ☐ NEA Application Form.
- ☐ Business Plan.
- ☐ Certificate of Incorporation/Articles of Association.
- ☐ Memorandum of Association.
- ☐ Particulars of Shareholders and Directors of the company.
- ☐ Board Profile and Shareholding Structure/Shareholders Agreement.
- ☐ Proof of Financial capability (Equity, Debt Financing/loan/grant/etc).
- ☐ Audited Financial Statements for the past 3 years.
- ☐ Tax Clearance.
- ☐ Application fees.
- ☐ Technical capacity to carry out the project.

4.2 Generation Licence Requirements

- a) Generation Capacity
- b) Buyer/Off-taker
- c) Electricity Generation Cost
- d) Grid Impact Assessment
- e) Proposed Power Purchase Agreement
- f) Proposed interconnection point to the transmission system
- g) Results of the Feasibility Study
- h) Maps indicating the location of the generating plant
- i) Land Use Permit
- j) Water Extraction Permit
- k) Investment Endorsement (where applicable)
- l) Environment Social Impact Assessment
- m) Environment Permit

The Authority may at its entire discretion issue a conditional licence subject to confirmation on fulfilment of any conditions that may have been outstanding.

4.3 Transmission Licence Requirements

- a) Map indicating location of the transmission lines.
- b) Information relating to the transmission system:
 - i) Line specifications– capacity, voltage, total length, conductor type, configuration, etc.
 - ii) Points of supply.
 - iii) Contractual arrangements (where applicant intends to operate transmission facilities not owned by the Applicant).
 - iv) Single line Diagram.
 - v) Methodology for fees and tariffs for Distribution use and Connection charges.
 - vi) Guidelines on non-discriminatory open access by third parties to transmission facilities (in case of primary licensee).

4.4. Distribution Licence Requirements

- a) Map indicating location of the transmission lines.
- b) Information relating to the transmission system.
 - i) Line specifications – (Capacity, voltage, length, conductor type, configuration, etc.
 - ii) Points of supply.
 - iii) Contractual arrangements (where applicant intends to operate transmission facilities not owned by the Applicant).
 - iv) Single line Diagram.
 - v) Methodology for fees and tariffs for Distribution use and Connection charges.
 - vi) Proposed agreements for distribution network connections and use of system.
- c) Environmental Social Impact Assessment and Environmental Management Agency approval.

4.5 Retail/Supply Licence Requirements

- a) Maps indicating the proposed area for supply of electricity.
- b) Proposed tariff model.
- c) Commercial agreements (Supply/customer side).
- d) Metering and billing systems.
- e) Proposed customer categories for the supply of electricity; and
- f) Transmission access agreements.

The Authority may at its entire discretion issue a conditional licence subject to confirmation on fulfilment of any outstanding conditions.

4.6 Further Information

The Authority may require additional information from the applicant and may make such other enquiries as it considers necessary to assess the application. The Authority is not required to determine an application until the applicant provides it with the information requested.

5.0 PUBLIC INSPECTION OF APPLICATIONS

To enable the public to be kept informed about licence applications, the applications will be available for public inspection. Applicants should therefore inform the Authority of any confidential information contained in their application and this information will be withheld where the Authority considers confidentiality is appropriate.

Applications will be available for inspection at the Authority's office for a time frame stipulated by the Authority.

6.0 FEES AND LEVIES

6.1 Application Fee

An Application fee shall be paid on submission of an application form together with the supporting documents. This fee is not refundable. The application fee shall be based on the size of the installation and reviewed from time to time.

6.2 Quarterly Generation Levy

As per the NEA Act section 61 subsection 2 a quarterly levy will be set at K0.009 per kWh generated and will be payable 1 month after every quarter in a year. This levy is meant to cover the running costs of the Authority.

6.3 Licence Fees

Licence fees are meant to reflect the costs incurred by the Authority in administering the Act. The fees are set to reflect the costs of regulation that each licensee imposes on the Authority. Small operators impose lower administration costs on the Authority as compared to large operators. The fee paid by an operator will therefore also reflect the size of the operator. Licence fee is also meant to reflect a licensee's market share where a number of licensees are involved in a similar activity.

The conditions attached to the licensee may be modified to suit certain requirements.

The basis of determining the licence fees is the licensee's projected revenue in a period of 5 years. Such projections have to be supported by a clear set of assumptions that have to satisfy the Authority.

6.4 Determination of Licence Fees

The following conditions shall apply:

- a) Licence fees are denominated in PNG Kina.
- b) Licence fees are determined by licence types.

7.0 TERM OF LICENCE

The term of the licence is perpetual until or unless there is variation, transfer, surrender, cancel or suspend pursuant to Sections 71, 72 and 74 of NEA Act.

8.0 HOW TO APPLY FOR A LICENCE

An applicant for a licence to provide an electricity utility service must apply in terms of Section 62 of the Act in the form and manner prescribed, such form to be accompanied by the prescribed fee, and any such information or document as may be required.

Application forms may be obtained from www.nea.pg
Applications should be sent to:

Managing Director
National Energy Authority
Goda Herea Building,
Section 58, Allotment 3, Waigani Drive
P.O. Box 494, Waigani 131 NCD
Papua New Guinea.

Applicants are encouraged to familiarise themselves with the Act and other relevant codes before submitting their applications.