
SIEA: 2021 Statement of Corporate Objectives

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1. INTRODUCTION

Solomon Power (SP) is all about 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 72% of the denizens of Honiara have access to electricity. We are targeting to increase this to 23% and 80% respectively by 2025.

The COVID-19 pandemic is posing unprecedented challenges to the general public, the industrial and the business fraternity. Solomon Power like all other organisations in Solomon Islands is not immune to the pandemic. We are experiencing a fall in the demand for electricity, subdued sales, increase in debtors and delayed/erratic shipping lines impacting on the procurement of critical equipment/materials.

We started the year with good progress on all our scheduled projects during January and February. However, the Covid-19 crisis cruelly intervened in March to derail our capital infrastructure programme. The travel restrictions imposed by various nations worldwide as a result of the pandemic has delayed our capital programme especially the renewable energy projects, the upgrade at Lungga Power Station, the Output Based Aid Programme (under SIEAREEP), the Call Centre, the Supervisory Control and Data Acquisition (SCADA) project and the Green Village project. The pandemic has significantly impacted the supply chain. Like many other electricity utilities worldwide, we too are facing the challenge of timely revenue collection from our esteemed customers. Many of our planned renewable energy projects may be further delayed, resulting in delayed commitments to reduce the carbon footprint.

The way things are panning out in the international community and in Solomon Islands we anticipate to experience minimal growth in sales next year and also the forecast for 2022 is not very promising

Despite the challenges posed by the pandemic, Solomon Power, as an essential service provider, is required to, and is, continuing to carry out all the scheduled/planned operations and maintenance activities in the network and is currently sustaining the reliability of power supply in Honiara and in the 11 Outstations in the provinces.

The 2 MW Henderson Solar Farm; the 11 solar hybrids - Afio, Munda, Malu'u, Tulagi, Kirakira, Lata, Tingoa, Visale, Dala, Baolo, Bina Harbour; the 220 kW roof top solar at Ranadi; the 1 MW solar farm at Tanagai, the 66 kV transmission lines from Tina River Hydropower site to Lungga Power Station; 11 kV and 415 V network extensions at various locations in Honiara and at the Outstations; the SCADA project; Call Centre, the Green Village development in Honiara are all committed projects in our capital infrastructure plan.

Despite the Covid-19 crisis, SP is at the forefront of the commercialisation initiative of Solomon Islands Government (SIG). During the period 2012 to 2020, a significant improvement in the commercial sustainability of SP has been achieved. Management with

the support of the Board has already embarked on a programme to take the organisation to newer and greater heights.

SP has embarked on an ambitious plan to increase electricity accessibility 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.

Prudent management has resulted in a situation where SP is able to commit to a \$835 million capital works programme for the period 2021 -2025. This will further improve the reliability in Honiara and at the existing outstations and see the development of 10 new outstations. Furthermore, the prudent management has enabled SP to invest \$70million in SIG Bonds (\$30m in December 2018 and \$40m in May this year).

Despite the challenges posed by the Covid-19 virus we in Solomon Power have not lost sight of our community and social obligations and hence the organisation's recent contribution of \$1million to SIG as financial assistance for the repatriation of our students and their families from the Philippines.

We are conscious of the high cost of electricity in Solomon Islands due to logistic challenges, tyranny of distances to our remote outstations and our heavy reliance on imported diesel fuel. We are therefore actively working with all our stakeholders to pursue initiatives to bring down the price of electricity. Currently, we have on the table, twenty two (22) renewable energy initiatives including Tina River Hydropower Project. These renewable energy proposals, on completion, will assist SP to reduce the price of electricity.

We have managed to sustain the reliability in Honiara during 2020 except for the poor reliability performance during the month of April due to Cyclone Harold and due to a system blackout on 27th April. At the Outstations we have sustained good reliability during the year.

The Solomon Islands Electricity Access Expansion Project (SIEAEP) under the auspices of the Global Partnership on Output Based Aid, which ended on 31 March 2020, has been a great success and a great story for Solomon Power, our Shareholders and the World Bank. A draft Implementation Completion and Results Report has been prepared by the World Bank with critical input from us. It gives us great pleasure to advise that the report portrays SP in very good light and we have come out with flying colours on most of the key performance indicators. We connected 2488 customers under this scheme of subsidized connections. The output based aid project is now being progressed under the Solomon Islands Electricity Access and Renewable Energy Expansion Project and we will be connecting a further 1500 customers on to our grid during 2020-2021.

The World Bank, Asian Development Bank, Japan International Cooperation Agency, New Zealand and United Arab Emirates Governments have continued to support us explore opportunities in renewable energy and to drive commercialisation in our operations.

The four key challenges for SP in the future are to increase the footprint of the electricity network, offer electricity at lower prices, deliver a \$835 million capital programme over the period 2021-2025 efficiently and effectively and the development and sustenance of human capital.

In compliance with the gazette under which the Electricity Tariff 2016 was promulgated, Solomon Power has commenced the Cost of Services and Tariff Review 2020, funded by the World Bank. The consultants from UK, Economic Consulting Associates Limited (ECA) who were selected to conduct the above cost of services and tariff review have progressed the work. ECA conducted two stakeholder workshops (16th July and 10th September). SP is going Green. We have solar hybrid installations one each at Kirakira, Lata, Malu'u, Munda and Tulagi under design and construction. The proposed solar hybrid station at Afio is expected to be constructed and commissioned in the second half of 2021. In Honiara we are going to add another 2.20 MW grid connect solar in 2021-2022. Furthermore, the grid connect solar at Tanagai, solar hybrid installations at Hauhui, Namugha, Sasamunga, Tingoa, Visale and Vonunu which are at various stages of development are expected to be commissioned in 2022. We are also proposing to develop a 1.4MW solar installation in Ambu, Auki, in Malaita. All of the above together with the existing solar installations will enable SP to achieve 10% renewable energy mix by 2024. On commissioning of the solar hybrid plant in Tingoa, SP for the first time will gain a presence in Renbell/Bellona Province.

2. 2020 IN REVIEW

The Key drivers of 2020 budget are the following Key Result Areas

- KRA 8 - Developing a modern workforce planning, performance and skill development.
- KRA 3 - Increase the number of customers to 30,000 and increase annual sales.
- KRA 5 - Reducing non-technical losses and implementing lower tariffs.
- KRA 6 - Improved reliability of power supply.

2.1 Developing a modern workforce planning system

SP's permanent workforce was 278 at the beginning of the year. Robust talent management initiatives, from recruitment to performance management and training programmes, were geared towards the long term sustainability of SP human resources.

Attraction and retention practices include a comprehensive three-day induction and orientation programme, graduate and apprentice programmes, succession planning and a tailored learning and development programme for the on-going professional development of staff. It is now compulsory for all newly appointed officers to undertake the induction and orientation programme. On the succession planning front, we have increased our focus to

train and upskill potential candidates by putting them on higher duties/acting roles and providing soft skills training to complement their technical skills and experience.

Investment in people development ranged from technical class room and post training activities, to local and overseas programmes for tertiary qualifications and business accreditations; and these were either fully funded by SP or via a combination of external scholarships and SP's contribution.

In 2020, SP's graduate development programmes intake expanded to include business disciplines like accounting and ICT, apart from the core engineering fields. As of June 2020, there were 6 graduates on rotation.

In the first half of the year, seven students from local and international institutions were on their workplace placements with SP in order to fulfil their course requirements. Of these, three have completed their attachment in May and the balance of four are continuing with the programme.

For long term studies, two officers continued with their programmes, with one at the Southern Queensland University in Australia pursuing a Masters in Engineering Science specialising in Power and the other at FNU in Fiji undertaking a Bachelor of Engineering (Honours) majoring in Electrical.

SP has continued with its successful internal Apprenticeship Programme, sponsoring nine (9) recipients. Seven (7) apprentices have continued to rotate in various technical areas in Generation, Electrical Workshop, Distribution and Customer Services while the remaining two apprentices are on a two-year Solomon Power sponsorship at Manukau Institute of Technology in Auckland, New Zealand. Both are studying towards a Diploma in Electrical Engineering and this year will be their second and final year.

Seven Trainee Line Mechanics have continued with their normal day to day work/support/on-the-job training with the various teams in the Distribution and Transmission department.

Two senior officers from the Corporate Services Division are studying towards a Master of Business Administration (MBA) at the University of the South Pacific on a part-time basis. Another two senior officers from the Finance Division continued with their studies towards a Certified Practising Accountant (CPA) Australia.

SP is increasingly becoming an employer of choice, attracting new graduates and professional personnel alike and this has resulted in the recruitment of engineers and business managers to fill vacant roles. Ms. Ila Tura joined the Executive Team as the Chief Information and Communication Technology Officer in April this year. With her inclusion we now have two females in the Executive Management, giving a female representation of 28% (two out of seven).

Health and safety initiatives support SP's strategy on safety and continuing electrical safety awareness, induction, training and inspection programmes.

By 30 September 2020, the permanent workforce was 289, with an attrition rate of less than 1%. Out of the 289 permanent employees, females represent about 19% of the workforce.

Robust talent management initiatives from recruitment to performance management and training Programmes were geared towards the sustainability of SP human resources.

Attraction and retention practices involved the implementation of people policies, which included, but were not limited to:

- The provision of transport for Honiara based staff;
- The conferment of gross rental and housing allowance for levels 7 – 5 staff;
- The grossing up of housing allowance for levels 7 – 2 staff;
- The provision of free local medical consultation and prescription for all local employees and their immediate family members;
- The flexible option for employees to spend their annual leave at their own or legal spouse's home village;
- Retirement benefits; and
- The provision of the death benefit for employees' legal spouse, children and parents.

2.2 Increasing the number of Customers

Total number of active and billable customers for all locations for both kW and Cash power by 30 September 2020 was 21,734; with a total of 2,203 (10%) on kW and 19,531 (90%) on Cash power.

As part of SP's plan to increase the footprint of electricity in the Solomon Islands the following have been the highlights with an aim to connect 3,000 new customers every year from now until 2023.

2.2.1 New Outstations

The outstations at Seghe in Western Province and Taro in Choiseul Province which were opened in August 2017 have continued to add new customers and show growth in demand. Total number of customers in the two outstations as at 30 September 2020 was 340. Taro has achieved a peak demand of 62 kW with Seghe a modest peak of 17 kW.



Figure 1. Taro Hybrid Station

A design and construct contract has been signed for the hybrid generation and distribution systems at Namugha, Hauhui, Sasamunga and Vonunu.

The tender for the 5 solar hybrids one each at Baolo, Dala, Bina Harbour, Tingoa, Visale will be out in the market in early 2021.

Detailed survey reports for the proposed solar hybrid systems and associated distribution network at Kia, Biluro, Baolo, Kamaosi, Kolotubi and Tatamba in Isabel Province has been completed. For these sites we are now progressing land survey and registration works. For Baolo we have commenced lease documents for leasing registered land for the proposed solar site. We will be appointing customary land acquisition officers for completing the registration of customary land sites at Kia, Biluro and Kolotubi. We have also sought development consent from the Isabel Provincial Government for the solar hybrid at these sites.

We have appointed two Land Acquisition Officers to conduct consultations with the communities and the Provincial Government for the proposed hybrid generation and distribution system at Fo'ondo, Kiu, Maoro, Rohinari and Talakali in Malaita Province.

2.2.2 Network Extensions

SP is progressing with its plans of building 11kV and 415V extension lines for sites in Honiara and at the Outstations.

For 2020 as at 30 September we have completed and commissioned the network extensions at 9 locations which are Raubabate & Keru; Kunu, Buriniasi, Sopapera, Barana, Burnscreek, Milestone, Mbokona and Tulagi. A further 8 extensions are anticipated to be completed by 31 December 2020.



Figure 2. Network Extension at Keru

2.2.3 Output Based Aid

The Output Based Aid Programme (OBA) subsidises the funding of the service line connections and the house wiring of low income customers. Under the initial project connection to a total of 2488 customers as planned have been livened up. These 2488 connections were made in Honiara, Auki, Dundee, Mbaru, Taro and Seghe. This project expired on 31 March 2020.

A similar project for subsidised connections for low income households is now being progressed under component 2 of the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) which will connect a further 1500 customers to our grid over 2020 and 2021. Of this we have already livened up connection to 569 Customers as at 30 September 2020.

The above Programme together with the 11 kV and 415 V network extensions in Honiara and in the Provinces aligns very well with our vision to make electricity accessible to all Solomon Islanders by 2050.

2.3 Reducing non-technical losses and implementing the Tariff Regulations 2016

2.3.1 Reducing non-technical losses

We have improved our performance since 2008 when non-technical losses were approximately 16%. Since then due to sustained efforts there has been a steady decline in

the non-technical losses. As a result of the current transformer metering inspection and replacement programme, updating of the revised multiplication factors in the billing system, regular inspections to identify bypasses and the meter test bench in our head office at Ranadi, we have experienced further reduction in the non-technical losses to 6% and this has been sustained during the last 4 years. Strategies will be put in place to further reduce the non-technical losses to 5% in the future.



Figure 3. House connected under the OBA Programme

2.3.2 Electricity Tariffs

The Electricity Tariff Regulation 2016 which replaced the old tariff 2005 has been applied since 1 January 2017.

By way of continuous support to the nation during the trying times posed by the pandemic we reduced the fuel charge from the calculated figure of \$2.84 per kWh to \$2.40 per kWh, a reduction of 44 cents. During April therefore the weighted average tariff applied was \$5.90 (6.34 minus 0.44) per kWh.

In May we provided a reduction in the tariff and this was part of the Stimulus Package of SIG. The reduction was calculated with respect to the weighted average tariff of \$6.34 in April. The applied weighted average tariff in May was SB\$5.36 per kWh which equated to a reduction of approximately 16% with respect to SB\$6.34 per kWh. For May we applied a Non Fuel Adjustment index (NFAI) of 1.00 (this was the index in December 2014) whereas the calculated NFAI was actually 1.14. This together with the applied fuel charge resulted in a weighted average tariff of \$5.36 per kWh.

In addition to the above during the period July-September 2020 the electricity tariff rates for the domestic customers were reduced by 8% (by the reduction in the NFAI from 1.14 to 1.05).

2.3.3 Renewable Energy

The current mode of power generation contributes significantly to the high cost of electricity in Solomon Islands and we are working actively with our stakeholders to address this.

The hybrid generation systems (solar, battery storage and diesel back up) at Seghe and Taro were commissioned mid-2017. Taro is currently operating in the 80% renewable mode and the balance 20% with diesel generation. At Seghe it is nearly 100% renewable.

The works under the design and construct contract for converting the existing diesel sites at Kirakira, Lata, Malu'u, Munda and Tulagi Outstations to solar with battery storage has progressed well. We are now ready to test and commission the works at Munda, Kirakira, Malu'u and Tulagi. However, due to the travel restrictions, we are unable to get the technical experts from Fiji, New Zealand and Australia to undertake the testing and commissioning.

The design and construct contract for the proposed hybrid generation (solar, battery storage and diesel back-up) systems at Namugha, Hauhui, Sasamunga and Vonunu was signed this year and the design works have commenced. The New Zealand Government is providing grant funds of NZ\$7.15million for these four hybrid locations and also for increasing access to electricity to potential customers. However, due to the travel restrictions posed since March this year is having a profound impact on the procurement and site works.

The Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP) with funding totalling USD19.95m (Grant USD14.40m and Loan USD5.55m) from various donors for mini-hybrid plants, grid connect solar, improving access to electricity and technical assistance was approved by the World Bank in late 2018. Under this project we will increase the renewable energy capacity at Henderson by 2.0 MW, install 220kW solar plant on the roof of our Head Office Building and build 5 hybrid stations in the Provinces. The design and construct contract for the proposed 2 MW solar farm at Henderson was executed in January this year. However, there has been no progress in light of the travel restrictions.

The design and construct contracts for the mini hybrids at Tingoa and Visale and for the grid connect solar on the roof top of the head office building were executed in February this year. However, both these contracts had to be terminated as the contractor had a prior debarment imposed by the World Bank. We now propose to go back to the market with the tenders in the fourth quarter of 2020.

We have identified the preferred contractor for the design and construct contract for the proposed 1 MW grid connected solar farm at Tanagai. However, due to the restrictions imposed by the pandemic and the likely potential delays due to this we have decided to defer the signing of the contract.

A four hectare plot in Ambu, Auki (Malaita Province) has been acquired for a proposed 1.4 MW solar farm. The erection of the perimeter security fence for this plot has been completed.

Detailed survey reports for the proposed solar hybrid systems and the associated distribution network at Kia, Biluro, Baolo, Kamaosi, Kolotubi and Tatamba in Isabel Province has been completed. For these sites we are now progressing land survey and registration works. For Baolo we have commenced lease documents for leasing registered land for the proposed solar site. We will be appointing customary land acquisition officers for completing the registration of customary land sites at Kia, Biluro and Kolotubi. We have also sought development consent from the Isabel Provincial Government for the solar hybrid at these sites.

Land Acquisition Officers have been appointed to conduct consultations with the communities and the Provincial Government for the proposed hybrid generation and distribution system at Fo'ondo, Kiu, Maoro, Rohinari and Talakali in Malaita Province.

The Planning team has commenced work to assess the potential to install more grid connect solar farms at proposed sites in Honiara.



Figure 4. Tulagi solar farm- progress

The 150 kW mini-hydro generation plant in Buala has been operational since May 2016 and is displacing on an average 2500 litres of diesel every month.

The 50kW grid-connected solar installation funded by Japan International Cooperation Agency was commissioned in August 2014 and is connected to SP's Head Office at Ranadi. This installation has provided in total 440,000 kWh of energy since August 2014 thereby displacing in total approximately 110,000 litres of diesel making a total cost saving of \$700,000 during this period. This project has been a precursor to more solar farms in the country.

The 1 MW Solar plant at Fighter 1 in Henderson under a grant from the governments of United Arab Emirates and New Zealand which was commissioned in May 2016 has achieved a peak output of 840kW and displaces approximately 300,000 litres of diesel annually. The 150kW mini hydro at Buala, the 50 kW solar installation at Ranadi, the 1 MW solar farm at Henderson and the mini hybrids at Taro and Seghe on an average reduce greenhouse gas emissions by 70 tons, 33 tons, 800 tons, 155 tons and 33 tons CO2 equivalent respectively on an annual basis thereby assisting the Solomon Islands Government to meet its intended target of reduction in GHG emissions.

2.3.3.1 Tina River Hydropower Project

The 15 MW Tina River Hydro Project in Guadalcanal, a project of national significance has our serious and urgent attention. We have participated diligently in negotiations with Tina Hydropower Limited (THL), the project company and mid- this year we signed the Power Purchase Amendment Agreement No. 2.

For the proposed 66 kV transmission line fine tuning of the selected route has already been completed by doing a walk through from Malongo Junction all the way to our Lungga Power Station.

The easements from Malongo Junction along Blackpost Road to the proposed 66 kV switchyard at Tina Plant Site has been arranged by the Project Office in MMERE. The respective easement agreements with the Seventh Day Adventist Church, the Commissioner of Lands and Private landowners has already been executed. The fourth landowner Levers Solomon is not agreeing to provide the easement to us and has advised that they would like us to purchase the land instead. However, in accordance with clause 34 of the Electricity Act, we have the right of way on the land of Levers Solomon to erect the poles, wires and have unhindered access for construction and maintenance activities. We have already advised Levers of this. Levers has filed a case against us in the High Court challenging us on the ex-gratia amount offered for the easements.

The loan and grant agreements for the funding for the design and construction of the 66 kV transmission lines and the associated 66/33 kV transformers and switchgear at the Lungga Power Station is being negotiated with the Australian Infrastructure Financing Facility for the Pacific (AIFFP). We anticipate to execute these agreements in November this year. The business case for the 11kV and 415 V extension from Malongo junction to the Tina Village and Konga Village has already been approved by our Board. This work is being

funded under the Community Benefit Sharing Scheme by the Japan Social Development Fund. The extensions together with the highly subsidised internal electrical house wiring and service connections will connect electricity to 217 customers including the Rate School. We will be constructing the lines in the first quarter of 2021.

2.4 Reliability of Power Supply

The power situation in Honiara and at the Outstations has been good during the year except for subdued performance in Honiara for a few days in the months of April and August. During April we had two major incidences- Cyclone Harold on 3 April and a total blackout in Honiara on 27th April for a few hours. In August on two days due to faults on our generators at Lungga we had to carry out planned rotational load shedding in Honiara for two hours on individual feeders. Cyclone Harold resulted in extensive damage to our distribution network at 11,000 V and 415 V and it took us nearly 14 days to restore all the circuits to normalcy.

Cyclone Harold affected the SAIDI reliability index drastically and also the Customer Minutes Loss (CML). This single incident resulted in CML of 5 million accounting for approximately 40% of the YTD (31 August 2020) CML of 11.5million.

The travel restrictions imposed world-wide as a result of the Covid-19 is impacting our scheduled overhaul of 5 generators in Lungga Power Station.



Figure 5. New Feeder 12 in Honiara

2.5 Other Highlights

2.5.1 Cost of Service and Tariff Review 2020

As planned and in accordance with the gazetted Electricity Tariff Regulations 2016 this year we commenced the cost of service and tariff review. This review is funded under component 4 of the Solomon Islands Electricity Access and Renewable Energy Expansion Project (SIEAREEP).

In April this year ECA, the Consultant, selected by a competitive process in accordance with the World Bank procurement processes, commenced the review.

The review is being conducted in 3 phases- Phase 1 is data collection, inception report and a stakeholders' workshop, phase 2 comprises a draft Cost of Service and Tariff Review Report and a stakeholders' workshop and Phase 3 consists of tariff design, training and revision of the Tariff Regulations and gazetting.

As at 19th October the Consultant has completed phases 1 and 2. The two stakeholders' workshops were successfully conducted on 16th July and 10th September.

2.5.2 Information, Communications and Technology

Solomon Power relies on Information and Communications Technology (ICT) to support its day-to-day activities.

During the three quarters of the year the Information and Communications Technology Division continued to support the full suite of business applications, the communication networks to offices and power house sites in Honiara, the communication links to all the 11 Outstations in the Provinces, managing all the IT equipment, managing 160 Terrabytes of storage space for corporate information and managing 21 production and 18 disaster recovery servers across two Data Centre environments for the organisation.

The implementation of the automated timesheet approvals in the Microix System across SP offices and power stations in Honiara has progressed. Time clocks were successfully installed at all sites in Honiara, including Lungga Power Station, Hyundai Mall and Honiara Power Station. Training on how to use the time clocks and make timesheet approvals in the system, was also conducted for users.

The ICT division has been actively supporting Customer Services Project Team to run a series of smart meter reading integrations into the USP (Utility Star Platinum) test Database. The integration of the existing smart meter readings into the USP live Database was completed end June.

In the first half of 2020 we have successfully deployed in total 80 computers in the Outstations and in Honiara with Windows 10 operating system replacing the End of Life support Windows 7. A further replacement of 50 such computers is scheduled during the second half of this year.

A telecommunications connectivity between Lungga Power Station and the existing 1MW solar plant at Henderson Fighter 1 was restored in August.

We have reviewed/strengthened our processes and procedures to improve/increase our preparedness to detect viruses, cyber-attacks and proactively minimise their impacts.

2.5.3 Financial Situation

SP has had good financial results with unqualified books of accounts for the last eight financial years 2012, 2013, 2014, 2015, 2016, 2017, 2018 and 2019. SP has had significant investment into the network and also to the business and will continue to do so in the foreseeable future. SP has already embarked on a plan to invest \$835 million capital funds over the period 2021-2025.

In 2019 SP experienced a sales growth of 2.5% lower than the 3.6% achieved in 2018. Our budgeting process for FY2020 took into account a forecast growth in sales of 2.5%, budgeted return on investment of 9% to 10% and Net Profit of \$107 million. This is premised on an anticipated growth in customer numbers partly due to the successful ongoing implementation of the Output Based Aid Programme and the network extensions in Honiara and at the Outstations. However due to the Covid-19 crisis, YTD 30 September 2020 figures shows nil growth in sales in comparison with the YTD 30 September 2019 sales.

The unprecedented challenges posed by the Covid-19 pandemic is having a negative impact on our sales. The sales in the period April-September has experienced a fall of 1.4 GWh. Based on the sales trend experienced in the second quarter of 2020 we can forecast a drop in sales to 76 GWh (compared to the budget figure of 81 GWh) in 2020 and this together with the reduction in tariff offered during April, May, July, August and September, increased bad and doubtful debts will reduce our Net Profit After Tax to circa \$71million in comparison with the budgeted NPAT of \$107million.

Despite putting strategies in place to increase the number of customers in 2020 and in the years to come we have not been able to increase our customer connections in the first half of the year due to delays in the procurement of cash power meters. The delays in procurement are due to the travel restrictions posed by the Covid-19 virus.

3. SP'S OBJECTIVES¹

SP's principal objective as set out under Section 4 of the SOE Act is:

“to operate as a successful business and, to this end, to be:

- a) As profitable and efficient as comparable businesses that are not owned by the Crown...; and*
- b) A good employer; and*

¹ State Owned Enterprises Act, Section 13 (2) (a)

- c) *An organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates.”*

To achieve these objectives SP has developed, and annually reviews, its Vision, Mission, Values, Strategic Objectives and Key Result Areas. This is articulated in SP’s Statement of Corporate Objectives and is summarised as follows.

3.1 SP’s Vision

Energising Our Nation

3.2 SP’s Mission

To provide a safe, reliable, affordable and accessible supply of electricity to the Solomon Islands

3.3 SP’s Values

- 1. Respect for our Customers and our People*
- 2. Improvement through Change & Innovation*
- 3. Meeting our Service Quality Commitments*
- 4. Care for the Environment*
- 5. Individual Responsibility for our Actions*
- 6. Honesty and Trust*
- 7. Teamwork*

3.4 SP’s Strategic Objectives

- 1. Strategic: Planned and sustainable development consistent with government objectives*
- 2. Technical: Reliable, affordable and safe generation and distribution*
- 3. Commercial: Profitable, efficient and sustainable business*
- 4. People and Safety: Right people in the right job, safety for staff and public*

3.5 Strategic Plan and Key Result Areas

Budgetary emphasis should be placed on the strategic plan and on the Key Result Areas (KRAs). There are a number of things in this strategic plan and Key Results Areas that need detailed project plans to be developed that may change the cost allocations within the overall budget. Most have been accounted for within the capital or operational budgets. Key drivers of this budget are the following KRAs.

- KRA 8 - Developing a modern workforce planning, performance and skill development.
- KRA 3 - Increase the number of customers to 30,000 and increase annual sales.
- KRA 5 - Reducing non-technical losses and implementing lower tariffs.

- KRA 6 - Improved reliability of power supply.

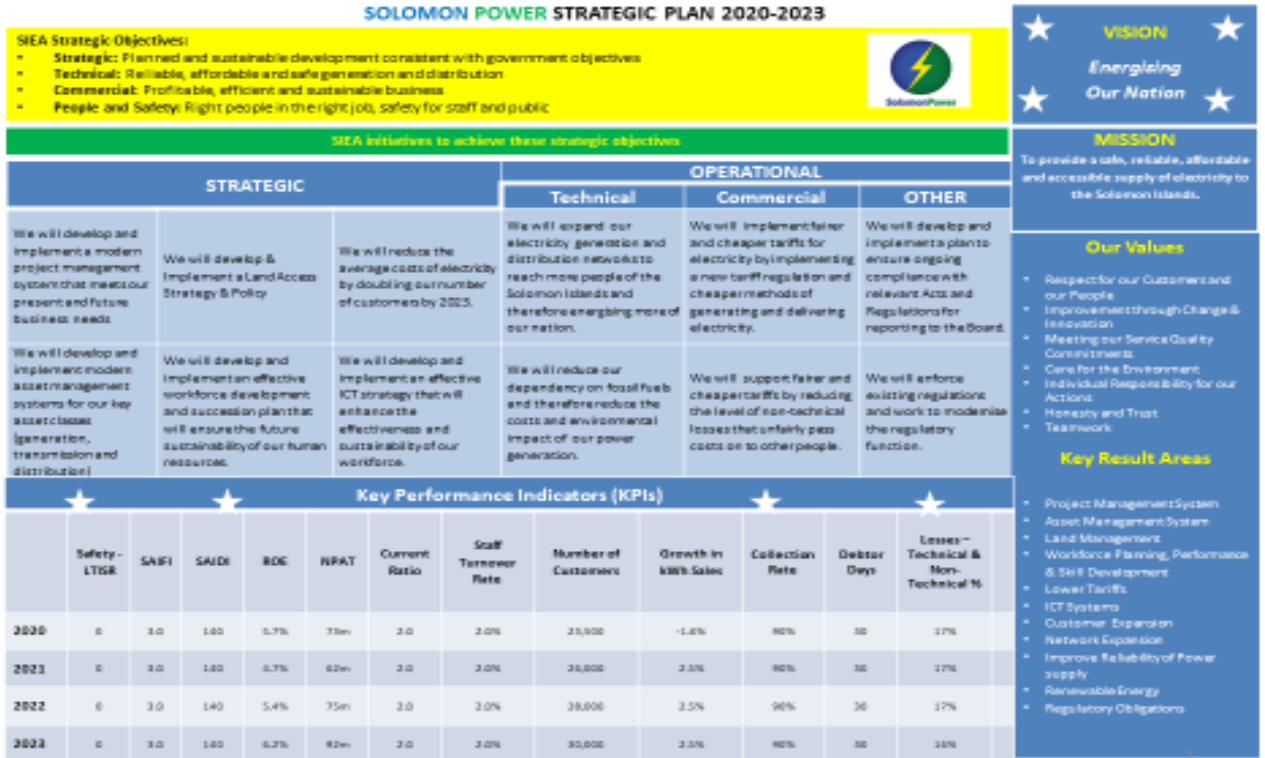


Figure 9- The Strategic Plan aka "Plan on a Page"

To move towards these objectives, SP has developed the following Key Result Areas for 2020.

Key Result Area	Strategic Objective	Accountable Executive
1. Project Management Systems	1. We will develop and implement a modern project management system that meets our present and future business needs;	GMCW
2. Land Management	2. We will develop & implement a land access strategy and policy;	GMCORPS
3. Customer Expansion	3. We will reduce the average costs of electricity by increasing the number of customers to 30,000 by 2023 and by increasing our annual sales to 83.6 GWh in 2023;	GMCS
4. Network Expansion	4. We will improve and expand our electricity generation and distribution networks to reach more people of the Solomon Islands and so energise more of our nation;	GMCW
5. Lower Tariffs	5. We will implement cheaper methods of generating and delivering electricity;	GMCW

	6. We will support lower and cheaper tariffs by reducing the level of non-technical losses that unfairly pass costs on to other people;	GMCS
6. Improved Reliability of Power Supply	7. We will address the network constraints and improve the transmission and generation capacity and maintenance of the distribution system to ensure reliability of power supply;	GMCW
7. Asset Management System	8. We will develop and implement modern asset management systems for our key asset classes (generation, transmission and distribution);	GMCW
8. Workforce Planning, Performance & Skill Development	9. We will develop and implement an effective workforce development and succession plan that will ensure the future sustainability of our human resources;	GMCorpS
9. ICT Systems	10. We will develop and implement an effective ICT strategy that will enhance the efficiency and sustainability of our workforce;	CICTO
10. Renewable Energy	11. We will reduce our dependency on fossil fuels and so reduce the costs and environmental impact of our power generation;	GMCW
11. Regulatory Obligations	12. We will enforce existing regulations and work to modernise the regulatory function; and 13. We will assist MMERE to review and amend the Electricity Act.	CE CE

CE – Chief Engineer

CFO – Chief Financial Officer

GMCorpS – General Manager Corporate Service

GMCS – General Manager Customer Service

CICTO – Chief Information, Communication & Technology Officer

GMCW – General Manager Capital Works

4. PLANS TO ADDRESS SP's STRATEGIES

4.1 Capital Expenditure Programme – 2021 to 2023

SP's priority for the next three years "is to deliver the key projects necessary to address generator capacity issues, technical and commercial loss issues, aged infrastructure, and to expand its networks." This is a significant "recapitalisation" of Solomon Power.

- Significant capital investments planned during 2021-2023 and beyond include:
 - Progressively upgrade the ageing electricity distribution systems in all locations.
 - Build new Hybrid stations at our existing outstations at Kirakira, Lata, Malu'u, Munda and Tulagi during 2021.
 - Building of additional solar sites in and around Honiara 2021 – 2025.
 - Additional hybrid stations at a number of locations 2021-2025.
 - Develop a central SCADA control centre at Lungga. This will be a crucial network element when the additional generation provided by Tina River comes on stream - 2020-2022.

- Output Based Aid under SIEAREEP – World Bank Access Project- continue into 2021 and beyond.
- Development of Henderson land into a Green village 2019 – 2023.
- Building of a 66kV transmission line from Tina River to Lungga P/S 2020 – 2024.
- Building of 11kV and 415V extension lines for 15 new sites around Honiara and in the Provinces 2020 – 2021.
- Establishment and implementation of Call Centre System 2020/21.
- Construction of extension to workshop at Lungga to house the Control Centre, Call Centre and Disaster Recovery.

Projects for 2020 and 2021 are defined and are under way. The actual CAPEX projects beyond that period will be shaped by construction projects in Honiara and progress with projects like Tina River, New Hybrid Power Generation systems at Hauhui, Namugha, Sasamunga and Vonunu and conversion to Hybrid Power Generation of the 5 Existing Outstations.

A full list of Capital Expenditure Projects is shown in [Appendix C](#).

4.2 Funding the Capital Expenditure Programmes

The CAPEX Programme of \$1.025B (2020-2026) has been balanced with the available sources of funding and the Board's parameters on minimum Working Capital. There is funding through the SIEAREEP project with World Bank, ADB funding for Solar Hybrids at five existing outstations, funding from MFAT, NZ Government for Solar Hybrids and access to electricity. The funds from World Bank, ADB and MFAT, NZ and surplus cash generated from operational functions, defines the CAPEX envelope for SP.

The proposed mix of funding is as follows:

Statement of Cash Flows
2019 Actual, 2020 Forecast, 2021 Budget, 2022-2026 Forecast

	AUDITED 2019 SBD	FORECAST 2020 SBD	BUDGET 2021 SBD	FORECAST 2022 SBD	FORECAST 2023 SBD	FORECAST 2024 SBD	FORECAST 2025 SBD	FORECAST 2026 SBD
Operating activities								
Cash received from customers	490,966,193	361,166,091	426,052,953	425,155,523	443,169,063	461,613,265	472,306,591	483,488,249
Cash paid to suppliers and employees	(354,340,862)	(219,182,481)	(288,333,381)	(276,415,297)	(274,869,758)	(278,509,356)	(284,176,434)	(287,992,236)
Net cash provided by operating activities	136,625,330	141,983,610	137,719,572	148,740,226	168,299,305	183,103,909	188,130,157	195,496,013
Investing Activities								
Net payments for property, plant and equipment	(191,872,350)	(125,742,560)	(215,186,916)	(196,844,370)	(163,768,928)	(156,600,777)	(101,229,560)	(65,814,474)
Domestic Development Bonds - SIG	-	(40,000,000)	-	4,285,714	7,142,857	10,000,000	10,000,000	10,000,000
Self-insurance Fund net payments	-	(50,000,000)	-	-	-	-	-	-
Net cash used in investing activity	(191,872,350)	(215,742,560)	(215,186,916)	(192,558,656)	(156,626,071)	(146,600,777)	(91,229,560)	(55,814,474)
Financing activities								
LOANS RECEIVED								
- IDA CREDIT	12,225,280	-	2,665,000	8,125,000	10,125,000	-	-	-
TOTAL	12,225,280	-	2,665,000	8,125,000	10,125,000	-	-	-
Principal Repaid								
- IDA CREDIT	(3,657,972)	(3,599,000)	(3,599,000)	(6,026,642)	(6,026,642)	(6,026,642)	(6,026,642)	(6,026,642)
Interest Repaid								
- IDA CREDIT	(1,817,332)	(1,817,967)	(1,949,738)	(1,956,004)	(2,075,329)	(2,406,472)	(2,501,147)	(2,511,694)
TOTAL	(5,475,304)	(5,416,967)	(5,548,739)	(7,982,646)	(8,101,971)	(8,433,114)	(8,527,789)	(8,538,336)
Interest on bond	1,500,000	2,500,000	3,500,000	3,446,429	3,232,143	2,803,571	2,303,571	1,803,571
TOTAL	1,500,000	2,500,000	3,500,000	3,446,429	3,232,143	2,803,571	2,303,571	1,803,571
Grants Received								
* IDA Grants - (USD2m)	9,366	-	-	-	-	-	-	-
- IDA/SREP/SID-DOCK	387,593	2,623,111	36,374,429	34,975,104	33,855,908	-	-	-
- ADB Grants - 5 HYBRIDS	37,731,002	-	-	-	-	-	-	-
- NZ Aid Grant	9,125,000	9,153,550	-	-	-	-	-	-
- Output Based Aid Program (OBA)	9,902,379	3,599,544	-	-	-	-	-	-
TOTAL	57,155,340	15,336,204	36,374,429	34,975,104	33,855,908	-	-	-
Debt repayments received (SIBC / SIWA)								
	937,500	937,500	-	-	-	-	-	-
Dividends	(4,000,000)	(3,562,034)	(3,117,396)	(3,778,785)	(4,593,644)	(4,751,989)	(4,555,142)	(4,794,913)
Net cash provided by Financing activities	62,342,816	9,794,703	33,873,304	34,785,102	34,517,436	(10,381,531)	(10,779,360)	(11,529,677)
CASH BALANCES								
Net increase in cash and cash equivalents	7,095,796	(63,964,248)	(43,594,040)	(9,033,328)	46,190,671	26,121,601	86,121,237	128,151,862
- Cash & Cash Equivalents - OPENING	303,524,441	310,620,237	246,655,989	203,061,949	194,028,621	240,219,292	266,340,893	352,462,130
Cash & Cash Equivalents - CLOSING	310,620,237	246,655,989	203,061,949	194,028,621	240,219,292	266,340,893	352,462,130	480,613,992
Minimum Working Capital (3 months fuel)	44,269,494	37,038,008	29,643,687	29,579,705	29,620,652	31,462,224	5,750,037	6,893,635

4.3 Funding Sustainability

To fund the \$1.025B (2020-2026) CAPEX Programme, SP needs to draw upon all available financing resources. The Board has set a Debt to Equity limit of 30%. The proposed funding mix remains within those parameters into the medium term (2026).

INTEREST SUMMARY		2019	2020	2021	2022	2023	2024	2025	2026
- IDA CREDIT		890,196	1,817,967	1,949,738	1,956,004	2,075,329	2,406,472	2,501,147	2,511,694
	TOTAL	890,196	1,817,967	1,949,738	1,956,004	2,075,329	2,406,472	2,501,147	2,511,694
LOAN BALANCE		2019	2020	2021	2022	2023	2024	2025	2026
- IDA CREDIT		34,190,504	30,591,503	29,657,503	31,755,861	35,854,219	29,827,577	23,800,935	17,774,293
	TOTAL	34,190,504	30,591,503	29,657,503	31,755,861	35,854,219	29,827,577	23,800,935	17,774,293
	Debt to Equity Ratio (%)	17.08%	19.83%	19.25%	18.29%	17.24%	13.94%	12.77%	11.88%
	Return on Equity	7.83%	5.65%	4.71%	5.43%	6.25%	6.10%	5.53%	5.52%
	Self-Financing Ratio (at least 25%)	71%	113%	64%	76%	103%	117%	186%	297%

5. GOVERNANCE OVERVIEW

5.1 Introduction

This Statement of Corporate Objectives (SCO) is submitted by the Board of Directors of the Solomon Islands Electricity Authority (SP) in accordance with Section 13 of the State Owned Enterprises Act 2007 (SOE Act). It sets out the Board's overall intentions and objectives for SP for the year commencing 1 January 2021 and the following two financial years.

5.2 Business Scope

SP is the owner, manager, operator and/or licensor of electricity supply infrastructure in areas of operation throughout the Solomon Islands as directed by the Minister under Section 13(1) (b) of the Electricity Act 1969.

Its present areas of electricity supply operation include the towns and general surrounds of Honiara, Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi.

5.3 SP's Duties

Its duties (as per Section 13 of the Electricity Act) are:

- (a) to manage and work any electrical installations transferred to the Authority by the Government and such other installations and apparatus as may be acquired by the Authority;
- (b) to establish, manage and work such electrical installations as the Minister may from time to time require or as the Authority may from time to time deem it expedient to establish;
- (c) to secure the supply of electricity at reasonable prices;
- (d) to promote and encourage the generation of electricity with a view to the economic development of Solomon Islands;
- (e) to advise the Minister on all matters relating to the generation, transmission, distribution and use of electricity;
- (f) to ensure standards of safety, efficiency and economy in respect of the production, transmission, distribution and use of electricity.

5.4 The Role of Electricity Supply Systems

The supply of electricity systems is essential for the proper development of towns to meet modern living standards in the country, and to facilitate its economic development. Increasing the reliability of supply is a necessary pre-requisite to growth in industrial and commercial investments.

5.5 Nature and Scope of Commercial Activities²

SP's principal commercial activities are:

- a) Generation and distribution of electricity supply to connected customers in approved areas;
- b) Operation, maintenance and development of assets that are necessary to achieve these outcomes on a long term sustainable basis; and
- c) The approved expansion of services to increased areas of operation.

Any significant departure from these principal activities will be discussed initially with Shareholding Ministers, and then their approval sought through amended Statements of Corporate Objectives.

5.6 Corporate Social Responsibility

SP's prime corporate social responsibility is to provide reliable and safe electricity supply systems within its area of operations, while working in partnership with the community to plan, deliver and operate infrastructure in such a manner which seeks to mitigate the social and environmental impacts of SP's activities. This includes working closely with existing and new customers, landowners and agencies on current and future activities.

SP will work to develop performance targets and reporting frameworks to show how these responsibilities are embedded in SP's functions and actions.

5.7 Regulatory Framework

SP is governed directly under the SOE Act 2007, the Electricity Act 1969, the Electricity Regulations 1993 and the SOE Regulations 2010.

As regards securing regulated revenue, it is empowered, under Section 13 of the Electricity Act, to:

...exercise and perform its functions under this Act as to secure that the total revenues of the Authority are sufficient to meet its total outgoings properly chargeable to revenue account, including depreciation, loan redemption and interest on capital, taking one year with another and making adequate allowance for any increase or decrease in the cost of replacing any property owned and used by the Authority.

The Minister may, under Section 14 of the Electricity Act, give directions to the Authority:

...in relation to matters that appear to him to affect the interests of Solomon Islands...

There are no regulated service standards for SP's electricity delivery performance, other than those stated in Part II of Electricity Regulations regarding frequency and voltage variations, etc. SP has developed a set of standards and performance measures that are used for internal management

purposes. In addition, a Customer Survey was carried out in 2018 which aligns with our plan to carry out such survey every two years to assess our performance in relation to our customers' expectations. However, due to the challenges faced as a result of the Covid-19 pandemic we did not undertake a survey as scheduled in 2020.

As an SOE, SP is expected to also obey all other Acts and Regulations that may affect its work, unless otherwise directed by the Minister. Reviews have taken place to ensure compliance with all of the relevant Acts and Regulations.

5.8 Relationship to the National Development Plan

The Government has developed and published a National Development Plan (NDP). The following extracts from the NDP that relate to SP and SP's actions in relation to them are commented on as follows:

- **Focus Area Objective 5 – 1: Enabling Environment for Private Sector Led Growth:** SP is closely following the SOE legislation to ensure that it operates as a sustainable business; the objective of the SISEP Project. Furthermore, SP is encouraging private sector participation in the sector by developing Distributed Generation Regulations and by working with Independent Power Producers (IPPs) when needed.
- **Focus Area Objective 5 – 2: Enabling Environment for Private Sector Led Growth:** SP has already signed a Power Purchase Agreement with Tina Hydropower Limited for the Tina River Hydro Project. We are also well prepared for any privatisation plans that the Government may have in the future.
- **Focus Area Objective 6 – Energy Sector Planning and Management:** SP is undertaking more active publicity to bring to the attention of all sectors of the community the issues surrounding the energy sector. It will also support the Government with any policy issues, legislation and regulations. Recently SP has provided critical input to the Government's National Energy Policy 2019. Furthermore, SP is assisting the Ministry of Mines, Energy and Rural Electrification for the development of the scope for the review of the Electricity Act and Regulations.
- **Focus Area Objective 6 – Electricity - 1:** the main focus of SP is to provide reliable and affordable energy in all urban centres. Renewable energy sources are being investigated; the involvement of Independent Power Producers (IPPs) is being encouraged; over 87% of SP's customer base is now on pre-paid Cashpower meters; and the managerial and technical expertise of the organisation is being strengthened in preparation for Public Private Participation (PPP).
- **Focus Area Objective 6 – Electricity – 2:** SP is working closely with other agencies and Governments such as the World Bank, the Asian Development Bank, Japan International Cooperation Agency and the NZ Government to increase the supply and coverage to rural areas. There is a focus on hydro power, where possible, solar power, and encouragement of community and private participation.

- **Focus Area Objective 6 – Electricity – 3:** SP actively promotes energy conservation and is working with the Electrical Contractors' Association to improve the standards of equipment being installed throughout the country.

6. CAPITAL STRUCTURE TARGETS AND FORECAST RATIOS

The estimated capital structure at end 2020, and those forecast for the next three years are as follows:

Capital structure and Investment (as per IFRS)	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
Debt (\$M)	257m	261m	261m	261m
Equity (\$M)	1,297m	1,356m	1,428m	1,516m
Debt to Equity (\$M)	19.8%	19.3%	18.3%	17.2%
Capital Investment (\$M)	126m	216m	197m	164m

SP's intent is that investment-related expenditures can be recovered from connected customers over time. It is SP's intention that it should be able to fund a portion of its investments from its own cash-flows, donor funding and loans through Solomon Islands Government and if necessary borrow the remainder on the basis of its own balance sheet.

7. PERFORMANCE TARGETS AND INDUSTRY MEASURES²

The targets for SP's performance are detailed below. They are contingent on no unexpected or materially adverse events occurring. These ratios are explained in Appendix A. SAIFI and SAIDI are internationally recognised measures of Electricity Distribution and Generation Companies' performance.

- a) To be as profitable and efficient as comparable businesses:

Operational Performance Targets	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
System Average Interruption Frequency Index (SAIFI)	3.0 times	3.0 times	3.0 times	3.0 times
System Average Interruption Duration Index (SAIDI)	10,000 minutes	140 minutes	140 minutes	140 minutes
kWh Sales Growth	-1.6%	2.5%	2.5%	2.5%
Average Tariff	\$6.1110	\$5.0190	\$5.0056	\$5.0738

Please note that the reliability performance in 2020 was poor largely due to the outages caused as a result of cyclone Harold on 3 April 2020. Furthermore the other system incidents in April and

² State Owned Enterprises Act, Section 13 (2) (e)

rotational load shedding in August on two days for a few hours also impacted negatively on the performance.

Financial Performance Targets	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
Net Profit (\$M)	71m	62m	75m	92m
Current Ratio	4.3	4.3	4.3	4.9
ROA (%)	4.8%	3.9%	4.6%	5.3%
Return on Equity (%)	5.6%	4.7%	5.4%	6.2%

Commercial Performance Targets	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
Collections ratio (%)	90	90	90	90
Technical losses	11.0%	11.0%	11.0%	11.0%
Non-technical losses	6%	6%	6%	5%
Debtors Days (excluding SIG)	30	30	30	30
Number of customers	23,500	26,000	28,000	30,000

b) To be a good employer:

Non-Financial Performance Targets	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
No. of Lost Time Injuries	0	0	0	0
LTIFR (Lost Time Injury frequency Rate)	0	0	0	0
% Staff Turnover (non-retirement)	2.0%	2.0%	2.0%	2.0%
No. of Unfair Dismissal Case Lost	0	0	0	0

c) To be an organisation that exhibits a sense of social responsibility:

Corporate Social Responsibility		
Area	Target	2021 Proposed Actions
Environmental Care	Compliance with environmental laws and regulations.	<ul style="list-style-type: none"> Identify relevant laws, regulations and consents, and establish current performance. Work with Ministry of Environment to resolve bulk, electronic and oil waste disposal issues. Ensure that EIS and EMP are in place for Capital Works projects where required. Implement work Programme to improve performance. Prepare an annual sustainability report
Public Safety	Public accidents due to SIEA operations reduced by 20%	<ul style="list-style-type: none"> Identify and track incidents. Identify remedial actions that can be taken. Use the media to communicate safety issues to the public. Advise the public on how to deal with safety issues.

Climate Change	Identify greenhouse gas emissions resulting from SIEA activities	<ul style="list-style-type: none"> • Catalogue sources of emissions from SIEA activities, and commence Programme of estimating emissions from the top three areas. • Continue with Energy Efficiency and Demand Management Programmes through the media.
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8. DIVIDEND POLICY³

This dividend policy provides guidelines that SP should use to determine how much of its earnings it should pay to its Shareholders, the responsible Ministers. This should be negotiated annually between the Board and the Shareholding Ministers and agreed in writing as part the Statement of Corporate Objectives.

This negotiated dividend will consider SP's:

- Capital Structure
- Cash Flow
- Working Capital requirements
- Capital Investment Plans
- An appropriate contingency for financial flexibility

The Board considered on 20th November 2018 a number of options for the dividend policy including:

No Dividend Policy

SP will use all its internally generated funds to reinvest in its infrastructure or to reduce tariffs.

Residual Dividend Policy

Dividends will only be paid if there are retained earnings left over after SP has financed all investment projects capable of generating acceptable returns. This method leads to volatility which governments don't normally like.

Dividend Stability Policy

Dividends are set at a fraction of annual Net Profit. This approach reduces uncertainty for the Shareholder.

CSO as Dividend Policy

The Board adopted the CSO as Dividend Policy in 2016 and \$4.4m was the dividend for 2016. In 2017, there was no CSO received from MOFT. A \$1.5 million was received in 2018 as CSO from the Ministry of Finance and Treasury. No CSO was requested in both 2019 and 2020 financial years.

Hybrid Dividend Policy

³ State Owned Enterprises Act, Section 13 (2) (f)

SP would set a dividend that is a small fraction of its annual Net Profits over the medium term. SP could top this up if Net Profits over the medium term significantly exceeds this forecast average. This final approach is most commonly used now. The Board has deliberated on 20th November 2018 and opted to adopt a Hybrid Dividend Policy. It should be noted that the Net Profit used to calculate the dividend amount is based on operating profit only and does not include revaluation increments if any.

Parameters are

Fraction of Net Profit – 5% per annum Stability

Residual – Excess of NPAT \$100m at 10%

Year	2020 Forecast	2021 Budget	2022 Plan	2023 Plan
Dividend	\$4m	\$3m	\$4m	\$5m

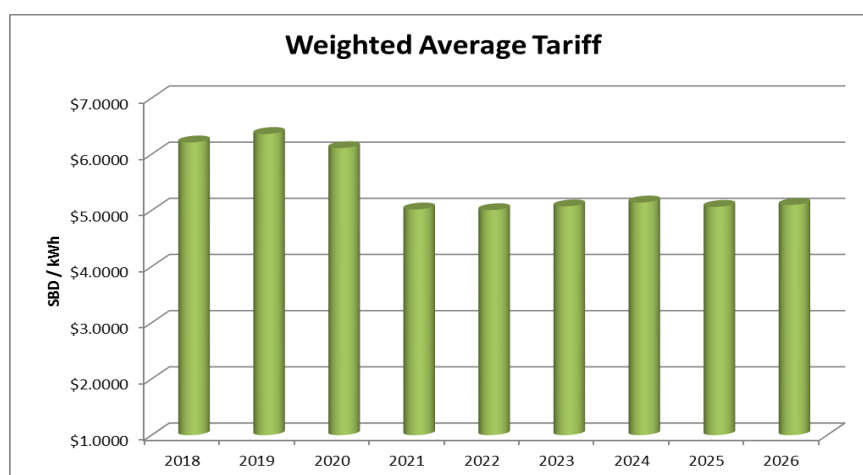
In recommending payment of dividends to shareholders, SP Directors will follow the policies of similar public companies, and will comply with Section 14 of the SOE Act.

9. ELECTRICITY TARIFF

During 2020 the Tariffs have been based upon the Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 effective from the 1st January 2017.

The implementation of The Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2016 has resulted in a reduction in the weighted average tariff in 2017, 2018, 2019 and 2020. The electricity tariff would have been at least 12.5% higher in 2018-2020 if we had continued with the Tariff Regulation 2005.

The Non-Fuel Tariff is currently going through a review process, which will be completed in late 2020. A revised tariff regulation will be implemented in 2021 and into the next five years. We anticipate the rates in the revised Tariff Regulations 2020 to be lower than the rates in the current Tariff Regulations 2016. This SCO is based on the anticipated Electricity Tariff (Base Tariff and Tariff Adjustments) Regulations 2020.



To reduce the tariff further SP is required to increase its customer base, reduce outages and non-technical losses which will subsequently increase electricity demand; and also reduce its fuel costs by increasing its generation through Renewable Energy Sources.

10. INFORMATION TO BE REPORTED⁴

To enable the Shareholding Ministers to assess the value of their investment in SP, any information that would normally be supplied to a controlling private shareholder will be made available.

An annual report for each financial year, including audited financial statements, will be submitted in accordance with Section 14 of the SOE Act. The annual report will:

- Contain sufficient information to enable an informed assessment to be made of SP's operations, including a comparison with the SCO; and
- State the dividend payable to the shareholders for the relevant financial year.

SP will also submit the following information to the Shareholding Ministers:

- Half-yearly reports in accordance with Section 15 of the SOE Act, which will include unaudited profit and loss, balance sheet and cash flow statements together with such details as are necessary to permit an informed assessment of the company's performance during that reporting period; and
- Draft of SP's Strategy Plan and a draft SCO, which will be made available to Shareholding Ministers for discussion prior to the commencement of the financial year to which the plan and the SCO relates.

SP will, in addition, provide other information relating to the affairs of the company as might be requested by the Shareholding Ministers pursuant to section 19 of the SOE Act and in accordance with good continuous disclosure practice.

11. ACTIVITIES FOR WHICH COMPENSATION IS SOUGHT⁵

SP will, in accordance with Section 8 of the SOE Act and Part 6 of the State Owned Enterprises Regulation 2010 (The Regulations), seek compensation sufficient to allow SP's position to be restored if the Government wishes SP to undertake activities or assume obligations that, in SP's view, will:

- Result in a reduction of SP's profit or net worth; or
- Modify or expand the electricity networks in ways that might negatively affect its ongoing capacity, security and/or reliability

⁴ State Owned Enterprises Act, Section 13 (2) (g)

⁵ State Owned Enterprises Act, Section 13 (2) (i)

There are two major areas where the Government has requested SP to provide services that would otherwise be non-commercial.

- Provision of Electricity supply in the Outstations; and
- Operation and Maintenance of Streetlights in Honiara and the Outstations,

The provision of power to the Outstations is non-commercial because of the cost of fuel transport, the size of the operation and the relatively high level overheads associated with the provision of power in these small areas. SP has made significant improvements to the efficiency of operations in the outstations with the effect that some outstation operations are making a reasonable return and the other outstations are close to breaking even. SP will continue this effort through a number of initiatives including automation of the outstations, improved fuel delivery mechanisms, implementing solar energy and Supervisory Control and Data Acquisition Systems (SCADA).

The provision of Streetlights in Honiara and the Outstations has been an area of neglect due to provincial governments (in the main), town councils and some ministries not taking responsibility for this function. The Government therefore decided in 2014 to request SP to perform this important civic function on behalf of the Government. This function has been costed and started in 2015.

The Government in 2016, has written to SP stating that CSO will be allocated to Capital Projects.

In 2018 the Solomon Islands Government had committed and paid \$1.5 million as CSO for services in the Provinces and for Streetlights in Honiara and at the Outstations. The Government and SP will agree the scope and cost of the Community Service Obligations (CSO) scheme in the future. In 2019 and 2020 SP did not make a request for CSO payment. However, this position may change in subsequent years.

12. SUBSIDIARY COMPANIES

SP has no subsidiary companies at present. SP is currently exploring options to setup subsidiary companies. SP will consult with the Shareholding Ministers in due course.

13. OTHER MATTERS AGREED BY THE SHAREHOLDING MINISTERS AND THE BOARD

There are no other matters that have been agreed by the Shareholding Ministers and SP Board for inclusion in this statement pursuant to Section 13(2)(j) of the SOE Act. Any such matters will be formally reported as appropriate in Annual Reports.

14. COMMERCIAL VALUE OF THE SHAREHOLDERS' INVESTMENT

The principal physical assets of SP primarily include:

- Lungga Power Station.

- Honiara Power Station.
- Henderson Solar Farm.
- 33kV, 11kV and LV overhead, underground and substation network and metering systems in Honiara.
- Outstation Power stations at: Auki, Buala, Gizo, Kirakira, Lata, Malu'u, Munda, Noro, Seghe, Taro and Tulagi
- 11kV and LV overhead and substation networks and metering systems associated with the above Outstation Power stations.
- Head Office building in Ranadi including the new toilet block and the extension of the ground floor. This ground floor extension has sufficient space to accommodate an additional 10 staff.
- 71 staff houses and 51 land parcels in Honiara.
- 34 staff houses in the various Outstations.
- 49 ha of land under perpetual or fixed term estate.

In addition the company has significant intellectual capital in staff, company processes and procedures.

The audited estimate of the current commercial value of the Shareholders' investment in SP was \$1227M as at the end of 2019. This compares with a value of \$1139M as at end 2018 based on the audited 2018 accounts.

15. ACCOUNTING POLICIES⁶

SP has adopted IFRS standards as the basis of its accounting policies as regards the measurement and reporting of profit, cash-flow, movements in equity, and financial position.

Details of SP's accounting policies and their application are given in Appendix B.

⁶ State Owned Enterprises Act, Section 13 (2) (d)

APPENDIX A – DEFINITIONS

Capital Structure and Investment	
Debt	“Debt” equals current and non-current debt and finance leases
Equity	“Equity” equals share capital, reserves and accumulated retained earnings.
Total Funds Employed	“Total Funds Employed” equals current liabilities, non-current liabilities and equity.
Ratio of (Debt) to (Debt plus Equity) ⁷	Self-explanatory
Capital Investment	Capital investment equals total capital expenditure, excluding net property acquisitions/disposals
Operational Performance Targets	
SAIFI	System Average Interruption Frequency Index
SAIDI	System Average Interruption Duration Index
Load-shed Index	Number of days with load-shed events due to lack of generation capacity
Revenue per KWh	In SBD
Financial Performance Targets	
Operating profit margin (%)	[Earnings before interest, tax, depreciation, amortisation (EBITDA)] divided by [total revenue].
Interest coverage (times)	[Earnings before interest, tax, depreciation, amortisation, (EBITDA) less cash tax], divided by [interest paid].
Return on assets (ROA) (%)	[Earnings before interest and tax expense (EBIT)], divided by [average capital employed]. <i>Capital employed is made up of current assets plus fixed assets (excluding works under construction), less current liabilities (excluding current debt, interest payable and income in advance).</i>
Return on equity (ROE) (%)	Profit After Tax divided by equity.
Commercial Performance Targets	
Collections ratio (%)	(Revenue Received)/ (Revenue Billed)
Aged Debt Index (\$M >90 days)	Self-explanatory
Debtor Days	Number of days to collect the outstanding debt
Customer Service Index	No. of written complaints from customers

⁷ State Owned Enterprises Act, Section 13 (2) (c)

APPENDIX B - ACCOUNTING POLICIES⁸

1. Reporting entity

Solomon Islands Electricity Authority (SIEA or Authority) is a state owned enterprise established under the Electricity Act (Cap 128) 1969. SIEA's registered office and principal place of business is at the Ranadi Complex, East Honiara, Solomon Islands. There are no subsidiary companies.

2. Nature of Operations

The principal activity of SIEA is the generation, distribution and sale of electricity in the Solomon Islands. SIEA is the owner and operator of the Solomon Islands' Government owned electricity supply systems.

3. Basis of Preparation

The financial statements have been presented in accordance with the State-Owned Enterprise Act 2007, and in accordance with accepted reporting principles. The financial statements comply with International Financial Reporting Standards (IFRS) and other applicable Financial Reporting Standards.

The financial statements are presented in Solomon Island Dollars ("SBD"), which is SIEA's functional and presentation currency. All financial information is presented in Solomon Island Dollars and has been rounded to the nearest dollar, except when otherwise indicated.

4. Measurement Basis

The measurement basis adopted in the preparation of these financial statements is historical cost except as modified for certain non-current assets and financial instruments as identified in specific accounting policies below.

5. Use of estimates and judgments

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

6. Specific Accounting Policies

a) Basis of Consolidation

There are no subsidiaries in existence, or proposed, so no consolidation is required.

b) Goodwill

SP does not recognised any goodwill.

⁸ State Owned Enterprises Act, Section 13 (2) (d)

c) Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SIEA recognises revenue when it transfers control over a product or service to a customer.

There is an implied contract between a customer and the Authority for the purchase, delivery, and sale of electricity. This represents a promise to transfer a series of distinct goods that are substantially the same and that have the same pattern of transfer to the customer. The customer obtains control of the good (electricity) when delivered and consumed by them over time. Invoices are issued monthly and are usually payable within 14 days thus there is no significant financing component. Additionally, discount is provided to some customers against the approved tariff rates. Contract with customers permit quantities of electricity consumed to be estimated based on previous months' average consumption in the event the Authority could not conduct the monthly meter readings.

- Tiered-pricing for customers; and
- Estimate of unbilled electricity supplied to customers.

The variable consideration is included in the transaction price only to the extent that it is 'highly probable' that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is resolved. In respect to the considerations from:

a) Read meter customers, these are not constrained because it is calculated based on actual units consumed during the period, thus variability due to tiered-pricing on consideration for the period is known.

b) Unread meter customers, the unbilled electricity supplied at period end is estimated based on previous periods' average consumption (expected value). Similarly, the monthly billed consideration is estimated as well. Management consider this to be best estimate of the transaction price without incurring undue cost and time and thus not necessary for SIEA to quantify all possible outcomes using complex models and techniques. Additionally, the full transaction price not considered constrained as the likelihood and potential magnitude of the revenue reversal is not considered by management to be significant.

d) Accounts Receivable

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cash flow characteristics. Accounts receivable are designated as per the 'Held to Collect' business model and an allowance matrix is used to measure the expected credit loss of accounts receivable.

e) Inventories

Stocks of materials are recorded at the lower of cost and net realisable value after due consideration for excess and obsolete items. Cost is determined on a weighted average basis.

f) Investments

SP has no non-core investments.

g) Other Financial Assets at Fair Value through Profit or Loss

SP has no other financial assets such as derivatives or hedging instruments. These may be developed in the future to provide better management of electricity price fluctuations. If they are used in the future, the realised and unrealised gains and losses arising from changes in the fair values are included in the income statement in the period in which they arise.

h) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. These assets are carried at amortised cost using the Held to Collect business model.

i) Trade and Other Payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the company prior to the end of the financial year that are unpaid.

Provisions are liabilities of uncertain timing or amount. They are measured at the amounts expected to be paid when the liabilities are settled.

j) Available for Sale Financial Assets

Available for sale financial assets are non-derivatives that are either designated as available for sale by management or not designated in any of the other categories.

These investments are carried at fair value with any unrealised gains and losses arising from changes in fair value recognised directly in equity. On sale or on impairment, the accumulated fair value adjustments are included in the income statement.

k) Property, Plant and Equipment

Property, plant and equipment are recognised at cost less accumulated depreciation. Cost is determined by including all costs directly associated with bringing the assets to their location and condition for their intended use.

l) Capital Work in Progress

Capital work in progress is recorded at cost. Cost is determined by including all costs directly associated with bringing the assets to their location and condition. Finance costs incurred during the period of time that is required to complete and prepare the asset for its intended use are capitalised as part of the total cost for capital work in progress. The finance costs capitalised are based on the company's weighted average cost of borrowing. Assets are transferred from capital work in progress to property, plant and equipment as they become operational and available for use.

m) Depreciation

Depreciation of property, plant and equipment is calculated using the straight line method to write down the cost of property, plant and equipment to its estimated residual value over its estimated useful life.

The estimated useful lives are as follows:

Power Stations - 20 years

Freehold Buildings – 40 years

Overhead and Underground distribution networks - 20 years

Metering system assets- 20 years

IT Assets – 5 years

Vehicles – 5 years

Administration Assets - 10 years

n) Non-Current Assets Held for Sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets (and disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition and is expected to be completed within one year from the date of classification.

o) Investment Property

Investment property is property held primarily to earn rentals and/or capital gain rather than used for operational purposes. Measurement is at fair value at the reporting date. Gains or losses arising from changes in the fair value of investment property are included in the income statement in the period in which they arise.

p) Leased Assets

SIEA has applied IFRS 16 using the modified retrospective approach.

As a lessee

SIEA recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, SIEA's incremental borrowing rate. Generally, SIEA uses its incremental borrowing rate as the discount rate.

As a lessor

When SIEA acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, SIEA makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, SIEA considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

q) Intangibles

The cost of acquiring an intangible asset is amortised from the date the underlying asset is held ready for use on a straight line basis over the period of its expected benefit, which is as follows:

Software – 3 to 7 years

Easements -Indefinite

Easements are deemed to have an indefinite useful life, as the contracts do not have a maturity date and the SP expects to use the easements indefinitely. Therefore, easements are not amortised. Their value is assessed annually for impairment, and their carrying value is written down if found impaired. SP capitalises the direct costs associated with putting the easements in place. These costs include registration and associated legal costs and also any injurious affection payments. Where SP buys land and then establishes an easement, a valuation is obtained for the easement. This valuation is used as deemed easement cost and capitalised, with a corresponding reduction in the land valuation.

Certain easements may have been donated by the Crown. These are recognised at cost (nil) plus any direct cost associated with putting the easement in place.

For intangibles with a finite life, where the periods of expected benefit or recoverable values have diminished due to technological change or market conditions, amortisation is accelerated or the carrying value is written down.

r) Impairment of Assets

At each reporting date, SP reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are largely independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and

the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in the income statement immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

s) Debt

Debt is designated as fair value through profit or loss on the basis of preventing an “accounting mismatch”. The company’s net debt is managed as one integrated portfolio; therefore, measuring derivatives and net debt on different bases would create a recognition inconsistency or accounting mismatch.

Fair values of quoted debt are based on prices current at balance date.

The effect on fair values of credit risk (i.e. the premium over the basis interest rate risk for credit to reflect the credit rating of the relevant counterparty) is based on quoted market prices.

t) Employee Benefits

Provision is made for benefits accruing to employees when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits that are not expected to be settled within 12 months are measured at the present value of the estimated cash flows to be made by SP in respect of services provided by employees up to reporting date.

Contributions to defined contribution plans are expensed when incurred.

u) Taxation

The part of the Income of the Authority which is derived from the sale of electricity shall not be liable to income tax.

v) Foreign Currency Transactions

Transactions denominated in a foreign currency that are not hedged are converted at the Solomon Islands exchange rate at the date of the transaction. Foreign currency receivables

and payables at balance date are translated at exchange rates current at balance date. Exchange differences arising on the translation or settlement of accounts payable and receivable in foreign currencies are recognised in the income statement.

Certain purchase commitments denominated in a foreign currency are hedged against foreign currency risk and designated as hedge items in fair value hedges under IAS 39. The cumulative change in the fair value of the purchase commitments attributable to the hedged foreign currency risk is recorded as an asset or liability using forward rate based measurement with the corresponding gains or losses recognised in the income statement. The gains or losses in the associated derivative are also recognised in the income statement.

w) Translation of Foreign Group Entities

SP has no foreign or other subsidiaries.

x) Cash Flow Statement

For the purposes of the cash flow statement, cash is considered to be cash held in bank accounts (net of bank overdrafts) plus highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value. Cash flows from certain items are disclosed net, due to the short term maturities and volume of transactions involved.

y) Grants

An unconditional grant related to an asset is recognised in profit & loss as other income when the grant becomes receivable.

Other grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and SP will comply with the conditions associated with the grant and are recognised in profit and loss as other income on a systematic basis over the useful life of the asset. Grants that compensate SP for expenses incurred are recognised in profit and loss on a systematic basis in the same period in which the expenses are recognised.

6. New Standards adopted


SP has adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as on 1st January 2018. Further, SP has adopted IFRS 16 Leases which is effective from 1st January 2019.

APPENDIX C – CAPITAL PROJECTS 2020 to 2026

SOLOMON POWER
CAPITAL BUDGET - 2020 Forecast, 2021 Budget, 2022 - 2026 Forecast
08-Oct-20

PROJECT	2020 FORECAST WIP	2021	2022	2023	2024	2025	2026	TOTAL
MAJOR PROJECTS								
Henderson 2 MW Solar Expansion	2,692,375	6,000,000	6,000,000					14,692,375
SDA 3MW Solar Farm				5,000,000	10,000,000	10,000,000	10,000,000	35,000,000
Tasafe 3 MW Solar Farm							1,000,000	1,000,000
New 8MW - 10MW Generation							1,000,000	1,000,000
Foxwood Okea 3 MW Solar Farm							1,000,000	1,000,000
Solar - Ranadi Head Office Roof	329,868	6,000,000						6,329,868
Tanagai 1 MW Solar Farm	250,000	5,500,000	5,500,000					11,250,000
Tina River Hydro Project	300,000	750,000	750,000	750,000				2,550,000
Old Lungga Electrical Upgrade	3,998,099	12,000,000	12,000,000	12,000,000	12,000,000			51,998,099
Lot 4 - 1x 12.5/15MVA 11/33kV Lungga Transformer	734,150	4,000,000						4,734,150
Lungga to Honiara OPGW Upgrades	600,000	2,000,000						2,600,000
SCADA Implementation Stage 1	7,390,180	5,000,000	5,000,000	5,000,000				22,390,180
SCADA Stage 2					5,000,000			5,000,000
SCADA Stage 3						5,000,000		5,000,000
East Honiara Feeder 1 Realignment to main road from Alligator to Blackpost			2,500,000	2,500,000				5,000,000
Express Feeder for Fighter 1 Solar Farm		3,000,000						3,000,000
66kv transmission - Tina River Hydro - Lungga	2,500,000	15,000,000	38,000,000	38,000,000	38,000,000	38,000,000	8,000,000	177,500,000
TOTAL MAJOR	18,794,671	59,250,000	69,750,000	63,250,000	65,000,000	53,000,000	21,000,000	350,044,671
SECONDARY PROJECTS								
BUILDING PROJECTS								
Green Village Detailed Design	6,050,000	2,000,000	2,000,000	2,000,000				12,050,000
Green Village Construction			10,000,000	10,000,000	10,000,000	10,000,000		40,000,000
WORLD BANK ACCESS PROJECT								
Output Based Aid Program (OBA)	2,788,002	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	3,500,000	23,788,002
11kV Network Line Extension								-
Burns Creek extension line	2,688,109							2,688,109
Green Valley extension (new hospital site)								-
Kakabona/Mamara extension line								-
Baranamba extension line								-
Amaville Community								-
Buala	3,000,000	1,000,000						4,000,000
Papapo	921,139							921,139
Barana	1,806,984							1,806,984
Sopapera								-
Lucuva	558,908	500,000						1,058,908
Burniasi	1,314,326							1,314,326
Raubabate	1,612,286							1,612,286
New Zealand Camp	537,041	100,000						637,041
Henderson Fighter 1	503,828	100,000						603,828
Milestone	175,384							175,384
Ferakusia & Jericho	536,098							536,098
Tina Network	15,109	500,000						515,109
Mbokona	172,598							172,598
Supizai	328,583	500,000						828,583
Tisi Valley	307,312	300,000						607,312
Kukum Highway Project - Phase 1								-
Kukum Highway Project - Phase 2								-
JICA Phase 2 Road Upgrade Works		4,000,000	4,000,000	4,000,000	4,000,000			16,000,000
Town Ground to White River Diversions for ADB Road Upgrade Works		6,400,000	5,000,000	5,000,000	5,000,000			21,400,000
SP New Fuel Meters								-
SYSTEMS								
ICT - Strategy	1,000,000	1,000,000	2,000,000	2,000,000	2,000,000	1,000,000	1,000,000	10,000,000
ICT - Corporate storage capacity	300,000	150,000	100,000	50,000	50,000	50,000	50,000	750,000
ICT - Suprima upgrade	300,000	300,000	250,000	200,000	150,000	100,000	100,000	1,400,000
HR Document Management System								-
Call Center System	100,000							100,000
Smart Meters								-
OWNER ENGINEER								
Owners Engineers - 5MW								-
Owners Engineers - 33Kv								-
Owners Engineers - SISEP 2								-
TOTAL SECONDARY	25,015,707	20,350,000	26,850,000	26,750,000	24,700,000	14,650,000	4,650,000	142,965,707
OUTSTATIONS PROJECTS								
Ambu Solar Farm				1,800,000	5,100,000	5,100,000		12,000,000
Auki Generator		2,400,000						2,400,000
Auki Fuel Tank								-
Buala - Hydropower Refurbishment	800,000	5,000,000						5,800,000
Buala Network Extension								-
Buala Network Upgrade to 11KV		1,000,000						1,000,000
Buala Operational Upgrade								-
Buala Generator & LV Board		2,400,000	2,400,000					4,800,000
Noro-Munda new overhead 11kv link		2,500,000	2,500,000					5,000,000
ADB FUNDED SOLAR								
Tulagi 150kw solar farm	2,850,156	1,500,000						4,350,156
Kirkira 150kw solar farm	5,147,763	1,500,000						6,647,763
Lata 150kw solar farm	5,896,797	1,500,000						7,396,797
Maluu 150kw solar farm	2,203,945	1,500,000						3,703,945
Munda 1mw solar farm	2,381,389	1,500,000						3,881,389
Hybrid - Consultant								-
HYBRI MICRO GRIDS								
New Power Station - Afio	50,000	2,000,000	5,000,000	5,000,000	5,000,000			17,050,000
New Power Station - Hauhui	2,832,899	7,000,000	7,000,000					16,832,899
New Power Station - Sasamuga	2,729,353	7,000,000	7,000,000					16,729,353
New Power Station - Vonunu	2,649,994	7,000,000	7,000,000					16,649,994
New Power Station - Narmugha	2,734,582	7,000,000	7,000,000					16,734,582
New Power Station - Visale	427,242	5,000,000	5,000,000	5,000,000				15,427,242
New Power Station - Tingoa	467,975	5,000,000	5,000,000					15,467,975
New Power Station - Dala	250,000	1,000,000	5,000,000	5,000,000	5,000,000			16,250,000
New Power Station - Bina	250,000	1,000,000	5,000,000	5,000,000	5,000,000			16,250,000
New Power Station - Baolo	250,000	1,000,000	5,000,000	5,000,000	5,000,000			16,250,000
Solar Hybrid 1 - Kia							1,000,000	1,000,000
Solar Hybrid 2 - Kolobuti							1,000,000	1,000,000
Solar Hybrid 3 - Biluro							1,000,000	1,000,000
Solar Hybrid 4 - santa Ana							1,000,000	1,000,000
Solar Hybrid 5 - Lambi							1,000,000	1,000,000
Solar Hybrid 6 - Ulawa							1,000,000	1,000,000
Solar Hybrid 7 - Kiu							1,000,000	1,000,000
Solar Hybrid 8 - Foondo							200,000	200,000
Solar Hybrid 9 - Talakali							100,000	100,000
Solar Hybrid 10 - Pangoe							100,000	100,000
TOTAL OUTSTATIONS	31,922,094	63,800,000	62,900,000	31,800,000	25,100,000	5,100,000	7,400,000	228,022,094
TOTAL BUILDINGS	22,100,000	31,550,848	-	-	-	-	-	53,650,848
DISTRIBUTION PROJECTS								
TOTAL DISTRIBUTION	1,678,194	9,660,492	17,455,043	17,597,193	17,600,607	17,585,324	17,228,474	98,805,327
BUSINESS AS USUAL PROJECTS (BAU)								
Distribution - Network Replacement & Extensions	1,275,000	2,625,000	4,240,000	4,240,000	3,940,000	1,020,000	820,000	18,160,000
TOTAL BAU	26,231,893	30,575,576	19,889,327	24,371,735	24,200,170	10,894,236	15,536,000	151,698,938
TOTAL PROJECTS	125,742,560	215,186,916	196,844,370	163,768,928	156,600,777	101,229,560	65,814,474	1,025,187,586

APPENDIX D – SP STRATEGIC PLAN 2020 to 2023

SOLOMON POWER STRATEGIC PLAN 2020-2023												
SIEA Strategic Objectives: <ul style="list-style-type: none"> • Strategic: Planned and sustainable development consistent with government objectives • Technical: Reliable, affordable and safe generation and distribution • Commercial: Profitable, efficient and sustainable business • People and Safety: Right people in the right job, safety for staff and public 												<p>VISION</p> <p><i>Energising Our Nation</i></p>
<p>SIEA initiatives to achieve these strategic objectives</p>												
STRATEGIC			OPERATIONAL									
			Technical	Commercial	OTHER							
We will develop and implement a modern project management system that meets our present and future business needs	We will develop & implement a Land Access Strategy & Policy	We will reduce the average costs of electricity by doubling our number of customers by 2025.	We will expand our electricity generation and distribution networks to reach more people of the Solomon Islands and therefore energising more of our nation.	We will implement fairer and cheaper tariffs for electricity by implementing a new tariff regulation and cheaper methods of generating and delivering electricity.	We will develop and implement a plan to ensure ongoing compliance with relevant Acts and Regulations for reporting to the Board.							
We will develop and implement modern asset management systems for our key asset classes (generation, transmission and distribution)	We will develop and implement an effective workforce development and succession plan that will ensure the future sustainability of our human resources.	We will develop and implement an effective ICT strategy that will enhance the effectiveness and sustainability of our workforce.	We will reduce our dependency on fossil fuels and therefore reduce the costs and environmental impact of our power generation.	We will support fairer and cheaper tariffs by reducing the level of non-technical losses that unfairly pass costs on to other people.	We will enforce existing regulations and work to modernise the regulatory function.							
Key Performance Indicators (KPIs)												
	Safety-LTGR	SAFI	SAIDI	RDC	NPAT	Current Ratio	Staff Turnover Rate	Number of Customers	Growth in kWh Sales	Collection Rate	Debtor Days	Losses – Technical & Non-Technical %
2020	0	3.0	140	5.7%	75m	2.0	3.0%	23,500	-1.6%	90%	30	17%
2021	0	3.0	140	5.7%	82m	2.0	3.0%	24,000	2.0%	90%	30	17%
2022	0	3.0	140	5.4%	75m	2.0	3.0%	24,000	2.5%	90%	30	17%
2023	0	3.0	140	6.2%	80m	2.0	3.0%	30,000	2.0%	90%	30	18%


MISSION

To provide a safe, reliable, affordable and accessible supply of electricity to the Solomon Islands.

- Our Values**
- Respect for our Customers and our People
 - Improvement through Change & Innovation
 - Meeting our Service Quality Commitment
 - Care for the Environment
 - Individual Responsibility for our Actions
 - Honesty and Trust
 - Teamwork

- Key Result Areas**
- Project Management System
 - Asset Management System
 - Land Management
 - Workforce Planning, Performance & Skill Development
 - Lower Tariffs
 - ICT Systems
 - Customer Expansion
 - Network Expansion
 - Improve Reliability of Power supply
 - Renewable Energy
 - Regulatory Obligations

APPENDIX E – Statement of Financial Position – 2019 (Audited), 2020 Forecast, 2021 Budget, 2022 to 2026 Forecast

 Solomon Islands Electricity Authority Statement of financial position 2019 Audited, 2020 Forecast, 2021 Budget, 2022-2026 Forecast								
	AUDITED	FORECAST	BUDGET	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24	31-Dec-25	31-Dec-26
	SBD\$	SBD\$	SBD\$	SBD\$	SBD\$	SBD\$	SBD\$	SBD\$
Assets								
Non-current assets								
Property, plant and equipment	802,140,452	976,288,624	1,057,018,206	1,099,854,274	1,109,906,667	1,116,218,261	1,124,749,813	1,104,578,354
Right of use Assets	7,984,758	7,984,758	7,984,758	7,984,758	7,984,758	7,984,758	7,984,758	7,984,758
Works In Progress	166,550,704	95,566,228	126,031,294	162,063,418	194,583,647	219,243,506	212,595,027	200,082,413
SWA Debt	-	-	-	-	-	-	-	-
Government Bonds	30,000,000	70,000,000	70,000,000	65,714,286	58,571,429	48,571,429	38,571,429	28,571,429
Total non-current assets	1,006,675,914	1,149,839,609	1,261,034,257	1,335,616,736	1,371,046,499	1,392,017,953	1,383,901,027	1,341,216,954
Current assets								
Cash In the Bank	310,573,237	246,608,989	203,014,949	193,981,621	240,172,292	266,293,893	352,415,130	480,566,992
Petty Cash	47,000	47,000	47,000	47,000	47,000	47,000	47,000	47,000
Debtors	61,305,594	94,867,319	84,917,141	87,365,028	90,890,702	95,140,587	95,988,128	99,024,002
Stocks	51,531,308	53,592,743	59,152,475	63,095,885	65,224,516	66,773,088	66,867,242	65,233,038
Prepayments	7,305,488	7,305,488	7,305,488	7,305,488	7,305,488	7,305,488	7,305,488	7,305,488
Short Term Assets	-	-	-	-	-	-	-	-
Total current assets	430,762,626	402,421,538	354,437,053	351,795,022	403,639,997	435,560,056	522,622,988	652,176,520
Total assets	1,437,438,540	1,552,261,147	1,615,471,311	1,687,411,758	1,774,686,497	1,827,578,009	1,906,524,015	1,993,393,474
Liabilities								
Current Liabilities	52,975,844	93,935,349	83,313,442	82,757,938	82,333,637	84,075,308	85,757,625	86,671,976
Deferred Income	122,181,545	130,104,608	145,640,345	144,241,021	140,562,475	107,451,189	104,193,821	105,072,231
Lease Liabilities	2,191,164	2,191,164	2,191,164	2,191,164	2,191,164	2,191,164	2,191,164	2,191,164
Term Liabilities & Loans	32,330,119	30,591,503	29,657,503	31,755,861	35,854,219	29,827,577	23,800,935	17,774,293
Total liabilities	209,678,672	256,822,625	260,802,455	260,945,984	260,941,495	223,545,237	215,943,545	211,709,663
Net Assets	1,227,759,868	1,295,438,522	1,354,668,856	1,426,465,774	1,513,745,002	1,604,032,771	1,690,580,469	1,781,683,811
Equity								
Contributed capital	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170	246,933,170
Reserves	376,621,369	376,621,369	376,621,369	376,621,369	376,621,369	376,621,369	376,621,369	376,621,369
Accumulated Profits / (Losses)	604,205,329	671,883,984	731,114,317	802,911,235	890,190,463	980,478,233	1,067,025,931	1,158,129,272
Total equity	1,227,759,868	1,295,438,522	1,354,668,856	1,426,465,774	1,513,745,002	1,604,032,771	1,690,580,470	1,781,683,811

APPENDIX F – Statement of Comprehensive Income – 2019(Audited), 2020 Forecast, 2021 Budget, 2022 to 2026 Forecast

Statement of Comprehensive Income

2019 Audited, 2020 Forecast, 2021 Budget, 2022 -2026 Forecast

	AUDITED 2019 SBD	FORECAST 2020 SBD	BUDGET 2021 SBD	FORECAST 2022 SBD	FORECAST 2023 SBD	FORECAST 2024 SBD	FORECAST 2025 SBD	FORECAST 2026 SBD
Operating Income								
Electricity sales								
CashPower Sales	134,291,723	126,567,077	113,289,283	116,555,047	121,258,703	126,928,541	128,059,259	132,109,466
Kwh Sales	343,309,038	316,224,396	283,057,138	291,216,761	302,969,006	317,135,290	319,960,428	330,080,008
CashPower Fees	1,490,882	1,205,571	1,218,833	1,232,240	1,245,794	1,259,498	1,273,353	1,287,359
Kwh Fees	111,645	100,519	101,625	102,743	103,873	105,015	106,171	107,338
Sundry Income	9,745,964	5,460,206	5,520,269	5,580,992	5,642,382	5,704,449	5,767,198	5,830,637
	488,949,251	449,557,769	403,187,147	414,687,781	431,219,758	451,132,794	455,166,408	469,414,808
Less Cost of Sales	12%	-9%	-12%	3%	4%	4%	1%	3%
Electricity Bought	-	-	-	-	-	-	110,000,000	110,000,000
Fuel Oil	177,077,975	148,152,034	118,574,746	118,318,821	118,482,610	125,848,895	23,000,148	27,574,542
Lubricating Oil	6,075,571	2,931,671	2,873,038	2,815,577	2,759,265	2,704,080	2,649,998	2,596,998
Generation R&M	11,890,087	11,771,244	11,992,950	11,753,091	11,518,029	11,287,669	11,061,915	10,840,677
	195,043,633	162,854,949	133,440,734	132,887,489	132,759,905	139,840,644	146,712,062	151,012,217
Gross Profit	293,905,618	286,702,820	269,746,413	281,800,293	298,459,854	311,292,150	308,454,346	318,402,591
<i>Margin</i>	60%	64%	67%	68%	69%	69%	68%	68%
Other Operating Expenses								
Distribution R&M	4,085,199	3,028,482	3,759,239	3,725,405	3,691,877	3,658,650	3,625,722	3,593,091
Metering R&M	464,314	1,173,406	1,232,076	1,220,987	1,209,998	1,199,108	1,188,316	1,177,622
Property R&M	2,620,808	3,331,844	3,498,436	3,466,950	3,435,747	3,404,826	3,374,182	3,343,814
Employment Costs	62,816,245	66,999,687	71,199,250	70,558,457	69,923,431	69,294,120	68,670,473	68,052,439
	69,986,566	74,533,419	79,689,000	78,971,799	78,261,053	77,556,704	76,858,693	76,166,965
Operating Profit	223,919,051	212,169,401	190,057,413	202,828,493	220,198,801	233,735,446	231,595,653	242,235,626
<i>Margin</i>	46%	47%	47%	49%	51%	52%	51%	52%
Other Income or Adjustments								
Grant Income	7,456,816	6,316,389	10,024,935	10,024,935	10,024,935	9,090,963	12,348,331	11,469,921
Grant Income - IDA	428,671	1,096,752	2,890,693	2,890,693	5,450,043	5,639,393	5,639,393	5,639,393
Bond Income	-	1,769,909	3,500,000	7,732,143	10,375,000	12,803,571	12,303,571	11,803,571
	7,885,487	9,183,050	16,415,628	20,647,771	25,849,978	27,533,928	30,291,295	28,912,886
Overheads								
Training & Dev.	3,757,781	1,184,748	3,523,561	3,491,849	3,460,422	3,429,278	3,398,415	3,367,829
ICT	5,668,185	7,558,106	6,570,800	6,511,663	6,453,058	6,394,980	6,337,425	6,280,389
Vehicle Costs	3,731,099	4,353,892	3,234,642	3,205,530	3,176,681	3,148,090	3,119,758	3,091,680
Consultants	4,376,917	1,612,174	6,720,000	6,659,520	6,599,584	6,540,188	6,481,326	6,422,994
Customs & Logistics	5,422,932	3,923,519	4,119,695	4,082,618	4,045,874	4,009,461	3,973,376	3,937,616
Personnel Costs	7,550,774	5,282,431	6,387,928	6,330,437	6,273,463	6,217,001	6,161,048	6,105,599
Finance & Fees	23,794,377	37,614,105	15,853,555	15,710,873	15,569,475	15,429,350	15,290,486	15,152,871
Travelling	3,510,120	2,527,468	4,898,030	4,853,948	4,810,262	4,766,970	4,724,067	4,681,551
OHS Costs	913,260	1,734,055	977,100	968,306	959,591	950,955	942,396	933,914
Other Admin Costs	10,532,784	9,938,965	12,296,430	12,185,762	12,076,090	11,967,405	11,859,699	11,752,961
Total Overhead Costs	69,258,231	75,729,462	64,581,740	64,000,504	63,424,500	62,853,679	62,287,996	61,727,404
Financial Costs								
Depreciation	67,923,584	72,616,298	77,593,843	81,944,053	88,676,079	100,969,465	105,994,965	111,011,160
Interest on Loans	1,932,232	1,766,002	1,949,738	1,956,004	2,075,329	2,406,472	2,501,147	2,511,694
Total Financial Costs	69,855,816	74,382,300	79,543,582	83,900,057	90,751,408	103,375,937	108,496,112	113,522,854
NET PROFIT	92,690,491	71,240,689	62,347,720	75,575,703	91,872,871	95,039,758	91,102,840	95,898,254
<i>Margin</i>	19%	16%	15%	18%	21%	21%	20%	20%
<i>ROE</i>	7.8%	5.6%	4.7%	5.4%	6.2%	6.1%	5.5%	5.5%
<i>ROA</i>	6.6%	4.8%	3.9%	4.6%	5.3%	5.3%	4.9%	4.9%