NINTH OLBIIL ERA KELULAU

Seventh Regular Session, July 2014 Senate Bill No. 9-124

A BILL FOR AN ACT

To establish a regulatory framework for the energy sector, and for other related purpose.

THE PEOPLE OF PALAU REPRESENTED IN THE OLBIIL ERA KELULAU DO ENACT AS FOLLOWS:

Section 1. Legislative findings. The Olbiil era Kelukau finds that there is a need to organize the energy sector in the Republic, in order to promote energy security by diversifying the supply of affordable electrical energy within Palau, including renewable energy, and enhancing safety practices. There is a need to monitor, evaluate and report on the performance, progress and achievements of the Palau Energy Sector.

Section 2 Amendment. Title 37 "Public Utilities" is hereby amended to add a Chapter 6, as follows:

Chapter 6

Palau Energy Act

§ 512. Short Title.

§ 513. Intent and Purpose.

§ 514. Definitions.

§ 515. General Functional Arrangements.

§ 516. The Palau National Energy Policy.

§ 517. The National Energy Committee: Membership, Duties and Powers.

§ 518. The Energy Administration: Establishment, Duties and Powers.

§ 519. The Palau Annual Energy Report.

§ 520. Independent Power Producers.

§ 521. Electricity Tariffs.

§ 522. Energy Efficiency.

§ 523. Petroleum Management.

§ 512. Short Title. This act shall be known as the "Palau Energy Act of 2014".

§ 513. Intent and Purpose. The intent and purpose of this Act is to establish a comprehensive national framework to improve energy security by diversifying the supply of

energy to the People of Palau, including renewable-energy, and promoting progressive policy development and implementation by a more robust, cost effective, and efficient energy administration.

§ 514. Definitions. In this act:

(a) "Central electricity grid" means the electricity infrastructure that is operated by the Palau Public Utilities Corporation for the purpose of supplying electricity to electricity customers in Koror, Babeldaob, Iouldab and outer Islands.

(b) "Energy Administration" means the key administration agency within the Executive Branch of the Government of Palau with responsibility for energy sector management, including, to the extent specified by this Act, the regulation of the energy sector. It may mean the Palau Energy Office or its restructured replacement.

(c) "Energy Monitoring, Evaluation and Reporting Framework" or "EMER" means the framework for monitoring, evaluating and reporting on the performance, progress and achievements of the Palau Energy Sector.

(d) "Energy Policy" or "National Energy Policy" or "NEP" means policies that are developed and declared by the Government of Palau in relation to Energy Sector. This includes relevant regional or international agreements that are adopted by the Government of Palau.

(e) "Energy Sector" means the Palau Energy Sector, including the infrastructure, stakeholders and institutions that are directly or indirectly involved in the importation, storage, transformation, delivery, and usage of energy resources and services.

(f) "FAESP" means the Framework for Action on Energy Security in the Pacific: 2010 - 2020.

(g) "Government Green Fleet Efficiency Target" means the fuel emissions standards agreed between the relevant Palau Government Agencies and the Energy Administration.

(h) "Grid Connection" means the process of making an application to generate electricity for the purpose of exporting to the central electricity grid, the regulations that govern that process, the decision to approve the technical connection, and the commercial arrangements as to power off-take.

(i) "Independent Power Producer" or "IPP" means a person or entity that enters into a commercial agreement (the Power Purchase Agreement) with the PPUC for the supply of energy

to the central electricity grid or at any other location where PPUC is legislated to operate, and private properties.

(j) "Minister" means the Minister of Public Infrastructure, Industries and Commerce appointed by the President to preside over energy issues on behalf of the People of Palau.

(k) "Office of Environmental Response and Coordination" or "OERC" means the entity created by executive order no. 189

(l) "PIFACC" means the Pacific Islands Framework for Action of Climate Change.

(m) "Power Purchase Agreement" means a commercial agreement between an Independent Power Producer and the PPUC that specifies the price, duration, and other conditions, by which the PPUC shall compensate the Independent Power Producer for electricity that is exported to the central electricity grid.

(n) "PPUC" or "Palau Public Utilities Corporation" means the Palau Public Utilities Corporation that has the powers and responsibilities as defined by 37 PNCA Chapter 4, as amended by the Utilities Consolidation Act RPPL No. 9-4, and this Act.

(o) "President" means the President of the Republic of Palau.

(p) "Renewable energy" means energy derived from solar power, water power, or wind power. Other forms of renewable energy may be applicable if, at the discretion of the Minister, they are deemed to be consistent with the objectives of the Palau National Energy Policy and this Act.

(q) "Tourism Marine Vessel Efficiency Standards" means the fuel emissions standards agreed between the Tourism Operators and the Energy Administration.

(r) "UNFCCC" means the United Nations Framework Convention on Climate Change.

(s) "Utilities Consolidation Act" means RPPL No. 9-4 to merge the water sewer utilities of the Republic under the umbrella of the Palau Public Utilities Corporation, and for other related purposes; also known as 'The Utilities Consolidation Act".

§ 515. General Functional Arrangements.

To promote the appropriate governance and administrative organization, the following functional arrangements shall apply:

(a) The Energy Administration, in accordance with the provisions of § 518, shall have the principal responsibility for the implementation of this Act, for the development and

dissemination of the Palau National Energy Policy. The Energy Administration shall develop Energy Policy in conjunction with the National Energy Committee.

(b) The National Energy Committee (NEC), in accordance with the provisions of § 517, shall be responsible for the reporting, governance and strategic oversight of energy matters in Palau as far as they relate to the Palau National Energy Policy and related strategic and operational agendas. The NEC shall monitor, evaluate and report in accordance with the agreed Energy Monitoring Evaluation and Reporting Framework (EMER) on the implementation, progress and impact of activities under this Act and related Regulations. The NEC shall formulate comprehensive recommendations, particularly in relation to future direction of Energy Policy, which shall be submitted to the Minister and the President.

(c) The Palau Public Utility Corporation (PPUC), consistent with its legislated mandate provided by 37 PNCA Chapter 4, and as amended by the Utilities Consolidation Act RPPL No. 9-4, is operating as an electricity generator, network operator, and retailer of electricity services. The Energy Administration shall collaborate with the PPUC in the interest of achieving the objectives of the Palau National Energy Policy, and this Act, particularly in relation to electricity tariff setting, energy efficiency, independent power producers, and planning to meet the future energy needs of the Republic.

(d) The NEC and Energy Administration shall report to the Minister, and be the principle advisors to the President on energy and related matters. The President shall provide direction to the Minister, NEC and Energy Administration in relation to the Palau National Energy Policy. The President may give directions to the NEC, or the Minister in relation to the performance of their functions as specified by this Act.

§ 516. The Palau National Energy Policy.

(a) The Energy Administration and the NEC shall continue pursuant to this Act to give leadership on the ongoing development and dissemination of the NEP. The objectives of the NEP shall remain the delivery of clean, secure, and affordable energy within Palau, and to respond to the risks of climate change through adaptation and mitigation measures that respectively enhance social and economic resilience, and reduce greenhouse gas emissions from the Energy Sector.

(b) As provided for in § 517 of this Act, the NEP shall be the subject of ongoing review by the NEC and the Energy Administration through the EMER framework. The Key Energy

Metric indicators, as prescribed under the EMER framework and § 517 of this Act, shall be the subject of three (3) monthly monitoring and evaluation and the subject of six (6) monthly reporting by the NEC as defined by this Act.

(c) This regime of monitoring, evaluation and review shall provide ongoing guidance to the Minister and the President to ensure the NEP remains a unified and integrated energy sector policy instrument. The Energy Administration shall make publicly available an updated version of the NEP on their Designated Website.

§ 517. The National Energy Committee: Membership, Duties and Powers.

(a) The NEC shall consist of seven voting members, appointed by the President of the Republic of Palau, from the following entities:

(1) The Minister

(2) The Senate

(3) The House of Delegates

(4) The Energy Administration

(5) The Office of Environmental Response and Coordination

(6) The Palau Public Utilities Corporation

(7) The Chamber of Commerce

(b) Each member shall be appointed for three (3) years, and shall be eligible for reappointment by the President three (3) months from the expiry of their appointed term. The NEC shall organize by electing one of its members as Chairman and another as Vice Chairman. All decisions of the NEC shall require an affirmative vote of the majority of those entitled to vote.

(c) The NEC shall meet at least four times during the year. The NEC shall meet at least once in the year before the 30th of April. In years where the Government of Palau is required to report to regional and international organization on matters of relevance to the Energy Sector, at least one meeting shall take place at least 30 days before the Regional Meeting.

(d) Members of the Committee shall receive no compensation from the Committee. All members shall be entitled to receive reasonable travel costs and per diem at established national government rates when traveling on the business of the Committee. Any employee of the national or state governments shall be granted administrative leave while engaging in the performance of the duties of the Committee.

(e) The NEC shall monitor, evaluate and report to the Minister, the President, the Senate and the House of Delegates on the implementation of the NEP, the Energy Act and on matters related to Palau's energy sector as specified from time to time by the President.

(f) In reporting to the Minister, the President, the Senate and the House of Delegates, the NEC shall directly address the Key Energy Metrics of the Palau Energy Monitoring, Evaluation and Reporting Framework (EMER) which are:

(1) The Palau Renewable Energy Target

(2) The Palau Renewable Energy Target Economic Assessment

(3) The Palau Energy Efficiency Target

(4) Energy Security Indicators

(5) Tourism Marine Vessel Efficiency Standards

(6) The Government Green Fleet Efficiency Target

(g) The NEC shall report bi-annually to the Minister, the President, the Senate and the House of Delegates on the Key Energy Metrics. These written reports shall be submitted to the Minister for reference to the President before the 31st of May of each year, and the 30th of November of each year.

(h) Upon review of the Annual Energy Report from the Energy Administration, the NEC may request for the Energy Administration to undertake further investigation and analysis that shall assist in fulfilling the EMER Reporting Requirements, and the objectives of this Act.

(i) The NEC, under the authorization of the Minister, shall be responsible for reporting, and coordinating with the Office of Environmental Response and Coordination, such energy related climate change information as is specified by International and Regional Agreements to which the Government of Palau has made a commitment, particularly:

(1) The Pacific Islands Framework for Action on Climate Change (PIFACC) 2006–2015.

(2) The Framework for Action on Energy Security in the Pacific (FAESP).

(3) The United Nations Framework Convention on Climate Change (UNFCCC).

(4) Any other such agreement that may be committed to by the Government of Palau in furtherance of the objectives of this Act, and the Palau National Energy Policy.

(j) The NEC shall be responsible for setting energy efficiency benchmark for the PPUC and for monitoring and reporting on PPUC energy efficiency performance against the benchmarks.

(k) The Energy Administration shall provide administrative support to the NEC.

§ 518. The Energy Administration: Establishment, Duties and Powers.

(a) The Energy Administration established by this Chapter shall:

(1) be a separate entity within the relevant Ministry of the Executive Branch of the Government of Palau;

(2) be responsible for the proper and effective administration of this Act.

(3) report to the responsible Minister on its key regulatory responsibilities. The Energy Administration shall indirectly report to the NEC on the monitoring, evaluation and reporting responsibilities specified in this Act.

(b) The General Functions and Powers of the Energy Administration shall be to:

(1) monitor all energy-related matters in the Republic, and prepare the Palau Annual Energy Report, as specified by § 519 of this Act;

(2) provide advice to any energy-related institution, including but not limited to PPUC and OERC; the Minister; and the President on matters of energy sector policy and implementation;

(3) facilitate all energy-related grants in the energy sector;

(4) educate the public concerning energy-related matters, as specified by § 522 of this Act;

(5) coordinate maintenance contracts for solar-facilities owned by the Government of Palau;

(6) promulgate and adopt regulations setting standards for renewable energy projects and Independant Power Producer projects, as specified by § 520 of this Act;

(7) promulgate regulations, including Net Metering arrangements and any other regulations implemented in relation to this Act. This may include Regulations to monitor

and regulate energy matters such as electricity generation licenses, grid access codes, equipment standards, and import rules for energy equipment;

(8) Establish, maintain and analyze a public register of petroleum products import, quantity or volume, price and quality specifications, as specified by § 523 of this Act.

§ 519. The Palau Annual Energy Report.

(a) The Energy Administration shall support the development of Energy Policy through the preparation of a Palau Annual Energy Report by the 30th of September each year. The objectives of this report shall be to:

(1) Provide the NEC with the requisite information such that the NEC can report to the Minister, the President, the Senate and the House of Delegates on the Key Energy Metrics covered under the EMER.

(2) Promote private sector investment in the Palau's energy sector by providing a range of information for Independent Power Producers.

(b) In reporting on the Key Energy Metrics, the Energy Administration shall assess the following:

(1) Technical and economic indicators relating to the existing deployment of renewable energy technologies;

(2) Potential for additional renewable energy deployment, and ability to meet the Palau Renewable Energy Target;

(3) Progress towards the Palau Energy Efficiency Target;

(4) The performance of the Republic of Palau against select Energy Security Indicators from the FAESP, as specified by the NEC;

(5) Progress towards the Government Green Fleet Emission standard Target;

(6) The efficiency of marine vessels used by operators in the tourism industry;

(7) Any other reporting areas specified by the Minister or the NEC.

(c) To encourage investment by Independent Power Producers, the Energy Administration shall report, in the form of an Annual Energy Report, on the following:

(1) Existing energy infrastructure and the utilization of that infrastructure;

(2) A forecast of the future energy needs of the Republic of Palau;

(3) The renewable energy resource availability;

(4) The PPUC Energy Efficiency Performance Benchmark;

(5) Any other dataset or analysis that is considered by the Energy Administration to be consistent with this objective.

(d) The Energy Administration shall make the Annual Energy Report publicly available.

§ 520. Independent Power Producers.

(a) The Energy Administration shall set standards for different categories of renewable energy providers, and shall provide the information necessary for IPPs to participate in a solicited or unsolicited process whereby a proposal is made for the development of a renewable energy project.

(b) Grid Connection Application Processes;

(1) Solicited requests for proposals (RFP) for renewable energy projects shall be made by the Energy Administration, and the relevant information published in accordance with this Act and Regulations, except for RFP issued by PPUC.

(2) Unsolicited requests for Grid Connection for renewable energy projects shall be made or referred to the Energy Administration and shall be assessed in accordance with this Act and Regulations.

(3) Information as to the necessary content and structure of an unsolicited application shall be publicly available.

(c) The Energy Administration shall establish and publish forms and Guidelines for the assessment of applications for Grid Connection, in consultation with PPUC. These Guidelines shall address the following criteria:

(1) Technical requirements;

(2) Economic considerations;

(3) Social considerations;

(4) Environmental factors.

(d) The PPUC shall decide on technical and economic guideline considerations whether to accept or reject an application for Grid Connection, and the PPUC shall communicate that decision in writing to the Applicant and the Energy Administration.

(e) The PPUC shall issue a Grid Connection Agreement to successful Applicants.

(f) The PPUC shall submit the Grid Connection Agreement and project proposal to the Energy Administration for review and comment. PPUC shall take into considerations comments submitted by NEC into Agreements.

(1) On receipt of a completed Grid Connection Agreement, the Energy Administration shall assess applications against Social considerations and Environmental factors, as specified by the Guidelines.

(2) The Energy Administration shall work in cooperation with the applicant if the application does not comply with these Guidelines, or issue a License for the Generation of electricity in the event of compliance.

(3) The Energy Administration, in conducting its assessment process, may at its discretion, as provided for in the Regulations, conduct a public consultation process.

(g) A Generation License shall contain:

(1) A complete description of the technology involved, including the capacity, the fuel type, the expected output, and the proposed schedule;

(2) Proof of a Power Purchase Agreement and Grid Connection Agreement with the PPUC.

§ 521. Electricity Tariffs.

(a) The Energy Administration shall develop tariff guidelines against which the PPUC electricity tariffs, and tariff formula, may be reviewed.

(b) The PPUC tariff promulgated schedule shall be submitted to the NEC for review and comments. Concerns raised by NEC shall be considered by PPUC in formulating Tariff Schedule.

§ 522. Energy Efficiency.

(a) Energy Efficiency Programs shall be developed by the Energy Administration in accordance with the objectives of the Palau National Energy Policy. In so doing, the Energy Administration shall:

(1) Develop and deliver business, community and residential programs which promote energy savings;

(2) Create education and public awareness programs about relevant energy issues related to the Palau National Energy Policy;

(3) Report the outcomes of these programs against the EMER requirements as set by the NEC.

(b) In keeping with the objectives of the Palau National Energy Policy, and in the interest of improving economic productivity, reducing localized pollution and curbing the emission of greenhouse gases, the Energy Administration shall:

(1) Introduce efficiency standards for the tourist road and marine fleets of the Government of Palau;

(2) Introduce efficiency standards for buses and marine vessels that are used in the course of operating a tourism enterprise.

(3) Monitor and report on a six monthly basic to the Minister, the President, the Senate and the House of Delegates, and the NEC on diesel fuel quality and diesel pricing.

§ 523. Petroleum Management.

(a) The Energy Administration, as directed by the NEC, shall maintain a register of the price, quantity and quality of petroleum products imported for consumption in the Republic of Palau.

(b) The scope of the register shall include al types of petroleum energy, including diesel fuel and liquefied petroleum gas. The register shall address both the wholesale and retail price of the relevant products.

(c) This register of petroleum product price, quantity and quality shall be made available to the public and be updated on a monthly basis

(d) The Energy Administration may introduce safety standards for the transport and storage of petroleum products. These safety standards shall be in keeping with regional best practice.

Section 3. Effective date. This Act shall take effect upon its approval by the President of the Republic, or upon becoming law without such approval, except as otherwise provided by law.

Date: _____ Introduced by:_____

Rukebai K. Inabo, Senator