Rural Electrification in Peru

Abuja, 17 to 19 July 2017
Concessions for distribution without subsidy

- In Peru, the government pays the bulk of the costs of extending the grid into new areas, but as the grid expands, concessions are given for management and further expansion to the final costumer.
- Through the combination of government-financed grid extension and concessionaire-financed customer connections, utility concessions in Peru connected more than 700,000 households to the grid between 2004 and 2013, raising the national electricity access rate from 26 to 70 percent.
Legal Framework

• 2006 General Law for Rural Electrification:
  • Definition of rural electrification
  • Actors and their responsibilities
  • Funding
  • 10 years Rural Electrification Plan (review every 2 years)
  • Uniform Tariffs (by Max. capacity) calculated by regulator
  • Concessions system
  • Access to land affected
  • Capacity Building (entrepreneurs and consumers)
Legal Framework

- Fund for Rural Electrification:
  - 2/1000 of incomes collected from tariffs from users connected to the main electricity grid system
  - National budget
  - Development Aid
  - Fines to utilities
  - Fee on utilities benefits
  - Any ear marked donation
Rural Electrification Plan

- Rural areas with difficult access (no infrastructure, mountain, forest) low density very disperse populations
- Encourage to use renewable energy sources
- Different funding for:
  - Grid extension
  - Mini-grids
  - Solar home systems
Rural Electrification Plan

- There are calls and projects compete for funding, three criteria:
  - Less subsidy per connection. Gap between tariff and cost calculated by the Ministry
  - New connections
  - Renewable energy
- In some calls productive uses are mandatory.
Concessions
Distribution
No subsidy

Concessions
Rural
Electrification
Subsidies

Tender
Solar Home
System
Subsidies
SHS International tender

- From 150,000 to 500,000 SHS. Finally 192,000 will be installed
- 15 year contract with the Ministry of Energy to install, operate and maintain the systems
- Collection of the retail tariff is collected by closest DSO
- Subsidy is paid monthly
- If grid arrive they will have to move the system, but at least they know grid is not supposed to arrive in the next ten years
- After fifteen years Ministry can offer to renew or pay residual value.
Philippines

Market options in the Philippines

<table>
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<th>Declared remote and unviable areas</th>
<th>NPC-SPUG areas</th>
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<td>Qualified Third Party</td>
<td>New Power Producer (Competitive Selection Process)</td>
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<td>Bid Tender</td>
<td>Unsolicited Proposal</td>
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Output Based Aid (OBA)
Tender price (True cost) – SAGR (subsidized tariff)
Cross subsidy from electricity tariff (Universal Charge for Missionary Electrification)

UCME:
RE Incentive
Tax incentives …
Thank you for your attention!