Challenges for IPPs

Role of IPPs in PNG

Thoughts on Future Electricity Market Design
About Dirio Gas & Power

• Founded in 2017
• Part of the MRDC Group of Companies
• 45MW of gas turbines supplying Port Moresby
• ~65MW gas turbine project under development in Hela
• Other projects, including renewables under consideration
Role of IPPs in PNG

The overall objective of the energy policy is to ensure **affordable**, **competitive**, **sustainable** and **reliable** supply of energy to meet national and provincial development needs at **least cost**, while **protecting and conserving the environment**.

- National Energy Policy 2017-2027
Role of IPPs in PNG (cont.)

- **Affordable**: Expertise = cost savings
- **Competitive**: Multiple private sector parties
- **Sustainable**: Efficient operating models
- **Reliable**: Performance standards & penalties
Challenges for IPPs

Project Development

• Raising finance (counterparty credit risk)
• Availability and capacity of network infrastructure
• Delay costs

Project Operations

• Non-payment by PPA counterparty
Challenges for IPPs (cont.)

Possible Contracting Strategy

Anchor Customer

PNG Power / Local Community
Future Electricity Markets

The goal of forecasting is **not to predict the future**, but to tell you what you need to know to take **meaningful action in the present**.

- Paul Saffo, Futurist
Future Electricity Markets (cont.)

- Energy reliability and affordability are key drivers of economic growth
- PNG Power’s success = IPPs’ success
- Private sector co-investment can help deliver new networks and upgrades to existing networks
- Private sector participation ensures assets are:
  - Fit-for-purpose,
  - Future-proof, and
  - Maintained at least to a minimum standard defined under law.
- Electricity generation sector needs to be competitive, IPPs are best placed to deliver this
Thank you