MEDIA RELEASE
Tuesday 20 June 2023

Private sector investments in PNG electricity sector are key to power generation and reform progress

The Papua New Guinea (PNG) electricity sector operates a single buyer model with the objective of attracting new investments in power generation from the private sector through Independent Power Producers (IPPs) and alleviate ongoing electricity shortages. However, the inability to fulfill commitments and rigidity of the contractual arrangements in the Power Purchase Agreement under the current model is concerning.

The National Research Institute Discussion Paper No. 203 titled: Independent power producers and deregulation in an island-based small electricity system: The case of Papua New Guinea by Associate Professor Rabindra Nepal and Research Fellow Ronald Sofe reviews the prospect of electricity sector reform and the development of IPPs.

It is important to note that PNG power sector is in transition of growth in terms of power size. Policy-makers should consider improving the planning of sector regulation and the structure of the industry.

Vast electricity shortages in PNG imply that the country should focus more on developing a framework for adequate supply of power to meet demand without imposing supply constraints. The need for adequate supply is greater in PNG’s power system. This is because the market is not interconnected and hydroelectricity generation is prone to seasonal fluctuations. To this end, it is important for PNG Power Limited to remain solvent and improve bill collections while minimising the financial losses.

The report recommends that strong “political will” and the strengthening of institutional arrangements are the urgent reform measures that are needed in the PNG power sector to attract private sector investments in power generation.

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