

ELECTRICITY REGULATORY AUTHORITY

REGULATORY DECISIONS MADE AT THE 155RD AUTHORITY MEETING

1. **Hydromax Hydro Power Project:**

Upon consideration of an application for extension of the date for financial closure by Hydromax Ltd the Authority noted that:

- a. The company had made considerable progress in implementing the project using its equity contribution.
- b. The Company had made regular progress reports to the Authority and had complied with the terms and conditions of the Licence
- c. The Company had finalized negotiations with the Lenders, namely the African Development Bank, the P.T.A bank and the Attorney General had now issued the required legal opinion
- d. The bankers had requested that financial closure cannot be reached because the time stipulated in the License had expired and hence requested Hydromax Ltd to apply for the extension of the date of financial closure to allow the banks conclude the agreements.
- e. The application for the extension was justified to enable the Company finalize the agreements.

In light of the above and pursuant to the provisions of Section 6 of the Electricity (Application for permit, License and Tariff review) Regulations 2007, the Authority approved the extension of the date of financial closure for two months with effect from 10th July 2009.

2. **UETCL Request for extension of the License of the 50MW Thermal Generation Plant at Kiira by Aggreko International projects Ltd**

The Authority considered the application by UETCL for the extension of the License of the 50MW Aggreko International projects Ltd plant at Kiira and NOTED the following:

- a) That the extension of the License had been conditional subject to fulfilment of some conditions precedent and was intended to mitigate the likely power shortages in the country.

- b) That the extension of 12 months from July 2009 was based on the letter by UETCL and also the draft amended PPA as well as the minutes of the negotiations meeting.
- c) That the original GoU position as expressed by PS/MEMD's letter of 12th June 2009 was to extend the License up to 31st December 2009.
- d) That in light of the GoU position, the approved extension of the Aggreko Kiira Thermal Generation License be reviewed and Limited to 31st December 2009. Aggreko would therefore be required to submit a formal application and an amended PPA.

3. Approval of the Tariff for Quarter 3, 2009

Upon consideration of the tariff review for Quarter 3 2009, the Authority Noted the following assumptions:

- a) International Oil prices had stabilized at around US\$60 per barrel
- b) Energy purchases in (Gwh) were 602.234 and exports were 18.100 for Q3 2009
- c) Macro economic assumptions ie the continued depreciation of the Ugandan shilling expressed by an exchange rate of US\$1 = Ugx 2,237 in May 2009 and an Inflationary increase of 2.4% during Quarter 2 of the Uganda CPI and an increase of 0.1% of the USA CPI.
- d) That the resultant revenue requirements for the sector players shall be as per the table below:

	Total Rev Requirement	Generation				Transmission				Other power purchases	Export revenues	Distribution					
		Total	Asset related	O&M	Lease fee	Total	Asset related	O&M	Levies & Funds			Total	Total	Total	Asset related	O&M	Lease fee
	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill	USh mill
2009																	
Q1	471,147	36,786	3,214	14,378	19,194	46,325	16,708	15,938	13,679	265,796	17,303	139,544	57,626	51,605	30,313		
Q2	432,314	36,966	3,200	14,652	19,114	44,376	16,638	15,938	11,800	228,036	17,298	140,235	57,383	52,665	30,186		
Q3	478,808	42,023	3,624	16,753	21,646	48,077	18,843	15,938	13,296	252,735	20,109	156,081	64,886	56,910	34,185		
Q4	514,686	42,975	3,697	17,200	22,079	50,025	19,220	15,938	14,868	283,185	20,604	159,105	66,286	57,950	34,869		

That in order to maintain tariffs stable for Q3, the estimated required GoU subsidies for Q.3 shall be as follows:

	Source	Amount (US\$ Million)	Amount (Shs million)
Energy Payments (Aggreko-Mutundwe plant)	World Bank	17.258	38,606.146
Capacity payments (Aggreko-Mutundwe Plant)	World Bank	2.833	6,338.092
Capacity Payments (Aggreko Kiira Plant)	GoU Budget	3.137	7,017.860
Capacity Payments (Jacobsen Namanve Plant)	GoU Budget	3.948	8,831.676
Capacity Payments (Electro-Maxx Tororo Plant)	GoU Budget	0.551	1,232.587
Rebates/Subsidy to Umeme	GoU Budget	6.647	14,868.489
Estimated Total Subsidy Requirement		27.727	76,894.850
Notes:			
Assumed exchange rate Shs/US\$		2237	

The Authority resolved that in light of the above:

- a) A capacity price of Shs. 36,028 per MW per hour be approved for Eskom Ltd for Q3
- b) UETCL be allowed to charge the following bulk supply tariffs for Q.3 as follows – peak Shs. 162.58Kwh , shoulder Shs 143.88kwh, Off peak Shs 119.67 kwh
- c) The structure and level of the end user tariffs remain unchanged at the prevailing Q.2 rates
- d) A rebate of Shs. 14, 868 million be allowed to UMEME Ltd by UETCL for Q3 2009
- e) The revised capacity price and bulk supply tariff be effective 1st July 2009
- f) The Minister of Energy and Mineral Development be advised of the revised approved tariffs for his announcement.