



ELECTRICITY REGULATORY AUTHORITY

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PUBLIC NOTICE

Approved tariffs for the period of January to March 2010

BACKGROUND

Licenses issued to electricity utilities have provisions for review of tariffs and UEGCL, UETCL, UEDCL, Eskom (U) Ltd and Umeme Ltd all applied for annual tariff reviews for 2010. Following a successful review process that climaxed with a Public Hearing at Imperial Royale Hotel on 22nd December 2009, the board of the Electricity Regulatory Authority sat on 23rd December 2009 considered the applications and approved tariffs for the period of January to March 2010. Overall tariffs as approved will drop by about 10% except for the large industrial tariffs which is changing by 1%.

Due to changes in cost allocation large industrial consumer tariffs were to rise but a strategic decision was taken to subsidise them by Ug. Shs.8bn for the 1st quarter 2010. This industrial subsidy protects national industry competitiveness in the EAC, employment in Uganda and affordability of consumer goods in the country.

DRIVERS AND ASSUMPTIONS FOR 2010 TARIFF CHANGES:

- a) **Increased energy generation by new entrants from:** Tronder Power – Bugoye, Electromaxx – Tororo, Kinyara Sugar Works – Masindi.
- b) **Lower level of loss targets for 2010:** Transmission (UETCL) losses set at 3.85% compared to 4% and distribution (Umeme) losses set at 28% in 2010 compared to 31.6% in 2009.
- c) **Improved collection targets for Umeme:** Set at 95% in 2010 compared to 93.0% in 2009.
- d) **Reduced working capital allowance days for Umeme:** set at 30 days in 2010 compared to 60 days in 2009.

- e) **Stronger Uganda shilling against the USA Dollar:** set at Shs. 1874 in 2010 compared to Shs. 1984 per dollar in 2009.

Other Important Factors:

- (i) Improvements in industrial energy use efficiency being introduced through the **Power Factor Correction**. Penalties and incentives for better management of reactive power generation for industrial motors.
- (ii) The 2010 tariffs assume, in addition to the new energy resources above, the following energy supplies shall remain available:
- Jinja complex optimized to deliver 135MW on average
 - The IDA financed Aggreko Mutundwe plant continues to run at between 45 and 50MW (Contracted Availability)
 - The Jacobsen at Namanve continues to run at between 45 and 50 MW (Contracted Availability).
 - The Aggreko (50MW) at Kiira remains available until Invespro (50MW) is commissioned.
 - The bagasse 12MW of Kakira Sugar Works remains available.

RESULTANT APPROVED 2010 ELECTRICITY TARIFFS (Jan to Mar '10)

		Code 10.1	Code 10.2/10.3	20	30	50
		Dom-estic	Comm-ercial	Medium Industrial	Large Industrial	Street-lights
2010	Average Tariff (Shs/kWh)	385.6	358.6	333.2	184.8	364.6
2009	Average Tariff (Shs/kWh)	426.1	398.8	369.7	187.2	403.0
	Percentage Change (%)	-9.52	-10.09	-9.88	-1.29	-9.52

Notes to Table:

- a) The above tariffs require a subsidy of Shs.7,959 million in Q1 2010 for large industrial category, **excluding the subsidy payments** towards the Aggreko –Mutundwe plant and the capacity payments to other thermal plants.
- b) As part of ensuring the sustainability of the sector, it is desirable that Debt Services obligation of UEB success companies be either differed or waived by government. For this tariff determination this would have led to a further reduction in tariffs of about 17%.

- c) If government did not provide additional subsidies for capacity charge (costs) for all thermal generation, as well as fully covering costs for Aggreko – Mutundwe, the end-user tariffs would be much higher.