



# **ELECTRICITY REGULATORY AUTHORITY**

## **SYMPOSIUM WITH MEMBERS OF THE SESSIONAL COMMITTEE OF PARLIAMENT ON NATURAL RESOURCES**

**HELD AT  
IMPERIAL RESORT BEACH HOTEL ENTEBBE  
6<sup>TH</sup> -8<sup>TH</sup> NOVEMBER 2008**

## **EXECUTIVE SUMMARY:**

### **Objective:**

The objective of the symposium was to ensure that the new Members of Parliament on the Sessional Committee of Natural Resources gain a deeper insight of the fundamental changes in energy sector, the structure of the Electricity Regulatory Authority, rural electrification and private investment in the energy sector.

### **Issues:**

By the end of the symposium it was clear that the Members of Parliament were concerned about the following issues:

- Affordability of the electricity tariffs;
- Whether electricity is a commercial or social good;
- Limited accessibility of electricity especially in rural areas;
- Several potential investment opportunities that were not being explored ;
- Persistent poor service delivery.

### **Topics:**

During the symposium, different Resource Persons presented and discussed several topics in respect of:

- An over view of the Electricity sector in Uganda and concerns of the Natural Resources committee,
- Government Policy and Outlook for the electricity sub- sector;
- ERA's legal mandate in the sector - Electricity sector Regulation and Challenges;
- Generation and Financing plans: Challenges of meeting increasing demand for electricity;
- Loss reduction and Distribution Challenges;

- Rural Electrification status Report: challenges of increasing access to electricity.
- Optimizing water usage in hydro generation.
- Generation licenses : Experiences and challenges
- Prospects and challenges of diversifying the energy sector.

## **PROLOGUE:**

Uganda's Energy Sector like many African countries has under gone several reforms. The enactment of the Electricity Act, 1999 provided for the unbundling and eventual dissolution of the former State monopoly - Uganda Electricity Board and established the Electricity Regulatory Authority (ERA), three successor companies responsible for the Generation, Transmission and Distribution of electricity.

The unbundling was aimed at improving service delivery, promoting efficiency and sustainability in the Energy Sector. ERA has embarked on an awareness campaign aimed at sensitizing the public about the new reforms in the Energy Sector.

**ATTENDANCE:** Refer to Annexure marked "A"

## **WORKSHOP PROGRAMME:**

Refer to annexature marked "B".

## OPENING REMARKS

1. The Chairman Mr. Ben Dramadri, in his opening remarks thanked all the participants for honouring ERA's invitation to the symposium. He noted that the presence of Mr. Geoffrey Turyahikayo the Executive Director of the Rural Electrification Agency (REA) who was representing the minister for Energy and Mineral Development who was away on official duty. He introduced Hon. Ocheing Patrick the chairman of the Natural Resources committee and the Honourable Members of Parliament on Sessional Committee on Natural Resources who introduced themselves. The chairman introduced members of the ERA board and staff present. Other stakeholders from UMEME, Jacobsen AS and Eskom introduced themselves.
2. He highlighted several achievements of ERA and these were:
  - a) Establishment of a Regulatory system and Framework for the electricity sector towards fulfillment of the policy objectives of the Government.
  - b) Recruitment of professional staff to run the Secretariat
  - c) Development and implementation of a capacity building programme for Members and staff of the Secretariat.
  - d) Issuing Licenses to operators in the sector and establishment of a monitoring mechanism for all Licensees.
  - e) Review of a tariff regime and establishment of a tariff methodology that falls within the ambit of the Law and Government's Policy objectives.
3. In addition, he mentioned that despite the above achievements, ERA has faced a number of challenges, which include among others:
  - a) Interference in the decision making process;
  - b) Delays Implementation of the reform programme;
  - c) Inadequacy of financial resources.

## **AN OVERVIEW OF THE ELECTRICITY SECTOR, CONCERNS FROM THE NATURAL RESOURCES COMMITTEE.**

Hon. Patrick Ochieng the Chair Person of the PCNR made a presentation on behalf of the MPs. He noted that there were new and old members and that this symposium gives them an opportunity to know about issues in the sector and what progress has been made since their last briefing. He Thanked the MPs for coming despite the hardships and their busy schedules.

### **PROBLEMS / QUESTIONS**

-Distribution of electricity is in urban centres and he noted that this puts the populations in rural areas at a disadvantage

- Noted further that the restructuring of the sector in Generation, Transmission and Distribution which were meant to improve the efficiency of the sector
- Noted that in the generation segment we are not utilizing the existing capacity at Kiira and Nalubale. Noted that currently over 90% of energy source is firewood which is not sustainable and is leading to degradation of the environment.
- The old dam at Nalubale and the extension at Kiira took a lot of money but was not performing as it should be. The same applies to the Bujagali Dam under construction. How does one justify such an investment.
- Regarding the distribution segment, people just see the electricity lines by pass their homes with out giving power to the people where the lines pass.
- Distribution lines are in a bad state. That Umeme should not give an excuse of commercial losses. It is their work to ensure losses are reduced.
- Rural electrification. The demand is far higher than the target of 10% which we need to double. That the realistic annual growth is 10% p.a. He called for more investment in the sector using some of money from the energy fund to increase rural electrification especially the load centres.
- That there are pending issues concerning Umeme and the escrow account and the price of projects and installations in the sector which keep on changing even doubling the price
- Why do costs keep escalating or even doubling.
- The issue of distributing bulbs is of concern. How can there be no money to distribute the bulbs when the company distributes bills and even disconnects consumers.
- Concerns are being raised in Arua because of WENRECO's poor performance

- The committee wants to follow each coin approved. And all projects promised must be completed especially as the elections in 2011 are drawing near.
- Wanted to know progress on projects which have been licensed. He noted the issue of 11Bn subsidies and wondered whether the way it is being used is the best and wondered whether the fuel purported to be delivered is all used for the power generation and proposed alternative possibilities such as having generation plants in Industrial area

### **PRESENTATION BY MR. GEOFFREY TURIAHIKAYO ON BEHALF OF THE MEMD**

Mr. Turyahikayo Conveyed the Minister of State's apologies and explained that he was away in Adjumani District on official duty. He presented a paper on behalf of the minister as attached which was circulated to the members. The paper highlighted the Government plans and interventions made in the sector as well as the challenges met by GOU. The detailed paper is attached and marked annexure "C"

### **QUESTIONS ARISING FROM THE MINISTER'S PRESENTATION**

#### ***Hon. Dr. Yeko John Kapchorwa***

- Referred to Page 10 and 11 of ERA annual report with regard to the table of licensees in Uganda.
- The sites for Electricity Generation are skewed to the west and north west. He noted that there is a lot of potential in the Mt. Elgon area which is not exploited WHY??
- That there is no electricity in Kapchorwa apart from line extension to Kapchorwa in 1997 and the planned schemes which however are taking too long.

#### ***Hon Anifa Kawooya***

- She noted that there were new members in the symposium who she did not know
- Page 12 of ministers Presentations-Long term solutions -How were the challenges high lighted going to be solved
- Stakeholders in Serena hotel had made resolutions how far have the implementations gone?
- Every time members meet they make good critical reports what has happened? Are these reports passed on to these entities for implementation? Why cant these be implemented?

***Hon Mukitare –Buliisa***

- Where is the plan for the supply plan for the next 40 years? If not in place then we are operating as crisis managers
- It appears Umeme got a weak agreement, if they claim they are performing according to the agreement then what they have done is not seen? Can we raise the targets and the investment?
- The pace of growth is too slow? When shall we have electricity for all?
- Is the problem in power sector money or design? Can we be more creative?

***Hon Ngabirano Rwampara***

- There is no power to many trading centres in Rwampara on the Kabale road despite the presence of electricity lines passing through. Cant Umeme provide a step down transformer?
- Rural Electricification program is narrow and does not meet our expectations.
- At the balkanization of UEB we created too many entities that are running vehicles and offices at expense of service delivery.

***Busongola North Kasese district***

- Many projects which were mentioned are not listed eg Bundibugyo
- UEB was dissected into too many entities how are we going to benefit as rural areas. We are not going to allow wires pass over our heads without giving us power
- Umeme, when we get explanations they are superb but at the grass roots there are very many problems

***Hon Harry Kasigwa- Jinja west***

- For along time there is a claim of poor power due to hydrology but this is not the real problem;
- Why are we not attracting investment? I think the problem is a poor foundation.
- There is a problem of data, the statistics are not correct e.g rate of growth. Many sectors of the economy e.g Agriculture are not captured. He proposed that there is need for a review. E.g Renewable energy, what proportion of energy mix do we need? Regarding the mini-hydros- how are they licensed, why are they having problems with financial closure. Don't you do due diligence on them?

***Hon Kyahurwenda Buhaguzi- Hoima***

- Need to organize a visit to these projects
- Energy fund is ERA know how it is utilised/
- Poor utilization of water how do they do it/ the Egyptians, Ethiopians? Who produce more power.
- Problem of transformers why can't GOU buy them and give them out?

***Hon Rose Munyira - Busia***

- I represented MP's at the opening of the Jacobsen plant at Namanve and it is already having good impact and I thanked them for the good work. Members need to visit these projects.

- There is also a problem of transformers in my area. Some which were put in my area were removed. They say after the elections they were removed. Proposed that the electricity sector should have pamphlets to explain the differences in function of different organizations.

***Hon Nyanzi Vincent- Busujju***

-The president pledged power to my sub county but nothing has been done. Letters of consent were given in 2005 but nothing has been done. Asked Mr Turyahikayo to consult with PS/MEMD.

- Umeme cannot do well because they inherited a bad situation from UEB most of his workers have ethical problems.

***PA to Hon Sam Olimi***

- There is a crisis in the sector. It takes long to get a license. It took Kakira 2 years to get a license. This results in higher costs.

- Who is responsible for technical losses- UETCL or Distribution. Renewable energy study concentrated in areas of central and west. Yet this was to result in national policy.

***Mr. Simon Kasyate - journalist***

- It is not true that all Umeme staff are thieves. He noted that this was a blanket reckless statement to be made in the presence of journalists and stakeholders.

**RESPONSES FROM THE MEMD REPRESENTATIVE:**

- ***Resolutions of Serena meeting:***

Mr. Turyahikayo noted that Govt usually gives answers to any questions raised by MPs and also passes on other issues to other action ministries and stake holders. He however agreed to report the members concerns to Minister.

- ***Projection of power for next 40 years***

We have plans documented showing planned supply to meet demand in the long term, There is also a plan to integrate our system with the regional system in EA

- ***Issue of energy mix***

The issue of energy mix is determined by least cost supply Hydro resources and location of load centres which may necessitate use of other sources.

There is capacity in MEMD to develop policies but there is constraint on resources to develop the plans. Ethiopia has a better environment for

hydropower Mountains eg high mountains that provide high heads to generate water and hence generate more; it can not be compared with Uganda.

### **CHALLENGES IN THE ENERGY SECTOR IN UGANDA –CEO ERA- ENG. DR. SEBBOWA**

CEO made a presentation high lighting the background and formation of ERA and its role. He explained the challenges the organization has gone through and the achievements made to date. The detailed paper was circulated to the members and is attached and marked annexure “D”.

### **GENERATION AND FINANCING PLAN – MR. BENON MUTAMBI –DER ERA**

Mr. B Mutambi DER made a presentation highlighting the effects of the global financial crisis on the energy sector as attached. He explained some of the projects undertaken to mitigate the effects of shortage of power supply and the level of government subsidies to the sector. He high lighted the challenges of thermal generation at a time the price of fuel on the international market was sky rocketing. The detailed paper was circulated to the members and is attached marked annexure “E”.

### **LOSSES IN THE ENERGY SECTOR – MR. PAUL MARE – MD UMEME**

The MD of Umeme made a detailed presentation on the status of distribution losses in the sector. He highlighted the causes and the strategic action being taken to contain the problem. He called upon the members to support the company to stamp out the problem of power thefts. The detailed paper was circulated and is attached marked annexure “F”.

**PRESENTATION ABOUT THE RURAL ELECTRIFICATION PROJECT – MR. G. TURIAHIKAYO –EXECUTIVE DIRECTOR REA.**

The Executive director REA made a detailed presentation regarding the establishment and the legal mandate of the Agency. He highlighted the several projects implemented and the others in the pipeline. He concluded by highlighting the significant challenges the Agency is facing especially the shortfall in the required financial resources to meet the demands. The detailed paper is circulated and is attached and marked annexure “G”.

**OPTIMIZATION OF WATER USE – MICHAEL ELIMU - ESKOM**

The Eskom representative made a technical presentation regarding the operation of Kiira Nalubale to ensure optimization of the water use. He highlighted the current operational problems especially those caused by the current hydrological conditions. The detailed paper is attached and marked annexure “H”.

**PRESENTATION BY JACOBSEN AS –EXPERIENCES AND CHALLENGES IN LICENSING IN UGANDA- DAG MOEN – MD JACOBSEN**

He explained the ownership set up of Namanve project and the beginning of Kairo Tonya project in Bunyoro. He analysed the current situation in Uganda and proposed some improvements especially in the licensing process. The presentation highlighted the global presence of the company and its operations in Uganda. The detailed presentation was circulated and is attached marked annexure “I”.

**PROSPECTS AND CHALLENGES OF DIVERSIFYING ENERGY SOURCES – DR. DA’ SILVA**

He made a comparison with other countries Installed capacity per person (Egypt 250W, South Africa 1150W, Japan 2500W, Uganda 10W .He noted Uganda needs 100 Billion dollar investment to meet the required demand. He noted that it would be very difficult for Uganda to catch up in the foreseeable future. However he identified some smart ways of mitigating the situation through energy conservation –What he called a hidden source namely:

- Power factor correction- which was illustrated
- Energy Savings bulbs
- Rocket Lorena stoves

He talked about energy mix and gave example of Brazil. He recommended the installation and use of small solar systems to replace “tadoobas” having pointed out the disadvantages of their use. He advocated for the production of bio fuels such as ethanol in the country from sources like sugar cane which could greatly benefit the country through multiplier effects. He also noted that you can increase power supply through interconnection with other systems e.g Ethiopia, SADC around L. Victoria etc. He concluded by talking about carbon capture and storage as away to mitigate against effects of global warming. The detailed paper is attached and marked annexure “J”.

### **GENERAL DISCUSSION AND QUESTIONS**

- How far can power generated say from Namanve go?
- Will the low level of water affect Bujagali? If so then we may not achieve our targets.
- Whether Umeme cannot put in place a programme like there was “operation sigma” to combat power thefts.
- Wondered why there is Rural Electrification Agency without sufficient resources. Observed that money was appropriated to the sector. Where did it go?
- Noted that inefficiencies in the sector affect the cost of power. Is ERA and others working on programs to reduce costs. Is there an exit route.
- What is a turn around time for someone to get a licence?
- When Umeme took over it is alleged the level of losses was 35% but it is now 45%. Is there element of profiteering?
- Should the person in Jinja pay for the losses that happen else where? Shouldn't there be tariff differentiation?
- How will Bujagali affect power generation at Kiira?

### **ANSWERS**

- The workshop is for both old and new members of the committee
- The contracts can be renegotiated but if both parties agree.
- Projects whose permits expire drop off from the list of projects.
- It is possible to arrange visits by members of the committee to visit the projects and sites
- Power factor problems can be handled by ERA and ERA is taking up this issue with Umeme
- The movement of tariffs is currently stable for the time being unless the subsidies are removed. Agreed it reasonable to look at the issue of subsidies again as the money could be used to finance new generation.

- It was also noted that GOU can borrow money and use the money for the subsidies to pay off the loan.
- It was also explained that the issue of subsidies is not ERA policy but GOU policy which wanted tariffs frozen till end of crisis.
- The licensing time turn around depends on whether the documents provided are complete or not. Assuming the documents are complete ERA needs time at least for advertising and public hearings.
- The issue of undertaking feasibility studies can be expensive which funding is not available. However project profiles are available with the ministry.
- Losses at the time of Umeme concessions were not properly ascertained and Umeme was expected to ascertain them within 2 years. It is now 34.7%. Transmission losses are 4.2%. It is not clear how much of the losses are technical and commercial until all bulk meters are installed.
- The current tariff policy provides for a national tariff which applies to all consumers
- Noted that the Ministry receives money in one pot and it is up to the Ministry to apportion it and the financial resources available to the ministry are in many cases not sufficient. However the only money the Agency benefits from has been supplemental budget.
- Explained that some amendments of the Electricity Act were made which include making the Agency a Statutory body.
- On the use of water optimally is high table of water. The way Bujagali is designed is OK and provides that there is co-ordination in the operation of the two Dams.
- The technical parameters of operating at Owen Falls dam were explained.
- Yes electricity from Namanve can be transmitted to Kapchorwa although of course it would be better to get power locally

## **WAY FORWARD AND CLOSING REMARKS**

Hon. Ochieng on behalf of MPs Thanked organizers for the symposium. He assured stakeholders of support from the Natural Resources Committee. He Informed participants that Implementers should feel free to inform the NR Committee of any problems that may be affecting their performance. The Committee was willing to offer help in any way possible. He Introduced new Clerk to Parliamentary Committee on NR and concluded by wishing all a safe journey back home.

Mr. Ben Dramadri the Chairman concluded the symposium by Thanking all for attending. He pledged to continue co-operating with all stakeholders in the energy industry and pledged that they will continue providing as much information as possible. He recognized that this Committee plays an important role regarding decisions affecting the Energy Sector. He invited all participants for a cocktail and wished them all the best as they develop the sector. He wished all safe journey back home.

## **Annexeture “A”**

1. Mr. Ben Z. Dramadri – ERA
2. Mrs. Sarah Banage Birungi – ERA
3. Mrs. Rita Zaramba Sekadde –ERA
4. Mr. Vincent B. A. Kasangaki –ERA
5. Mrs. Declane Kabuzire Centenary –ERA
6. Hon. Ocheng Patrick – Parliament
7. Mr. Dag Moen – Jacobsen AS
8. Mr. Elimu Michael – Eskom
9. Hon. Nyanzi Vincent – Parliament
10. Mr. Solomon Kirunda – Parliament
11. Mr. Asuman Guloba –Parliament
12. Eng. Dr. Sebbowa – ERA
13. PA, Hon Winifred Masiko – Parliament
14. Hon. Nvumetta Ruth Kavuma – Parliament
15. Hon. Tom Kyahurwenda – Parliament
16. Mr. Benon Mutambi – ERA
17. Mr. Faisal Kasujja –ERA
18. Mr. Paul Mare – UMEME
19. Mr. Wamaniale Nicholas – Eskom
20. Mr. Johnson Kwesigabo – ERA
21. Hon. John A. Yekko – Parliament
22. Mr. Gedfrey Turyahikayo – REA
23. PA, Hon. Sam Olili Egir – Parliament
24. Mrs. Fatumah Nsereko – ERA
25. Hon Kyetunda Muhindo – Parliament
26. Ms Ayaa Rita Peace – Parliament
27. Hon. Harry Kasigwa – Parliament
28. Hon. Charles Ngabirano – Parliament
29. Mr. Patrick Mwesigye – ERA
30. Dr. Da’ Silva – CREEC Makerere
31. Hon. Anifa Kawooya – Parliament
32. Hon. Mukitale Stephen - Parliament
33. Hon. Bukeni Gyabi – Parliament
34. Hon. Munyira Wabwire – Parliament
35. Mr. Simon Kasyate – Parliament
36. Hon. Najjume Farida Kasasa – Parliament
37. Hon. Onyango Kakoba – Parliament
38. Ms. Judith Taaka –Parliament
39. Hon. Wamakuyu Mudimi- Parliament
40. Mr. Unen Fredrick – ERA
41. Mr. S Throndeen – Jacobsen
42. Hon. Florence Ekwau Ibi - Parliament