

Executive Summary:

Electricity Regulatory Authority recently hosted a two-day symposium for Members of Parliament on the Sessional Committee on Natural Resources from 13th December 2006 to 15th December 2007 at Imperial Botanical Hotel, Entebbe. The theme of the symposium was, *“The Transition of the Electricity Sub-Sector from its Past, Its Present Status and Future Outlook”*

The Symposium for MPs was part of our regular consultation process and information sharing with key stakeholders on pertinent issues in the power sector. The Symposium was specific to only members of the Natural Resources Committee, giving them basic information on the Sector. Additionally it was aimed at further consultation, discussions and provision of updates in Uganda’s Energy Sector. The two-day symposium was a success in terms of attendance (see attached attendance list) and discussions.

Attendance:

- The Symposium attendance was comprised of eighteen MPs out of twenty on the Committee, along with one Secretary, one Parliamentary Economist, and a Parliamentary Research Officer.
- The State Minister for Energy and Mineral Development – Hon Simon D’ujanga attended and handled the Government Policy issues to the satisfaction of the MPs.
- All other resource persons both ERA and its consultants on the program (see Annex) were able to attend except the Aggreko representative and the representative from the Rural Electrification Agency (REA). All those present, i.e. Eskom (U) Ltd, UETCL, Umeme, and WENRECO were able to successfully deliver their presentations. Additionally all Authority members attended.

Objectives of the Symposium:

- Electricity Regulatory Authority regularly conducts consultation, and discussions with MPs who have a political overseeing role on electricity sector. The objective of consulting them is to understand their concerns while sharing ERA’s views on the sector also more importantly to follow up on previous discussions on the same and gauge the progress and seek answers where progress has been slow as we enter the New Year.

- To inform one another on pertinent issues in the power sector especially as the year 2007 wound up and to provide the future outlook of the sector for the year 2008.
- The urgent need for all stakeholders (including Parliament) to support the Government policy on rural electrification in order to expedite its success.
- ERA recognizes that without the partnership of MP's on the Sessional Committee on Natural Resources, ERA's work can be difficult since the same MP's approve Government policy and make important decisions for the sector.
- This symposium is held to brainstorm together and obtain input from MPs on the way forward with the scarcity of cheaper hydro electricity and its replacement with more expensive thermal generation.

Presentations (see appendices attached):

The following presentations were made during the two-day symposium: -

- Current and Future Outlook of Government of Uganda policy for the Electricity Sub sector: Emphasis on Renewable Energy Strategy. (*Ministry of Energy and Mineral Development*.)
- Current Demand and Supply Status, a sector outlook – Medium Projections, 2007 – 2012 (*UETCL*).
- Managing Energy Losses (*Umeme*).
- The Performance of Eskom in Uganda, the challenges and the way forward. (*Eskom*)
- The Performance and Challenges of WENRECO. (*WENRECO*).
- Quality of Supply Issues. (*Technical Regulation, ERA*).
- Tariff Adjustments and future outlook. (*Economic Regulation, ERA*).
- The Financial Performance of the Electricity Sector. (*Financial Department, ERA*).
- Development of Uganda's Electricity Regulator. (*CEO, ERA*)

Issues and concerns addressed during the Symposium:

The Parliamentary team on Natural Resources had just completed an informative tour of the power generation set up in Ethiopia, therefore there were a number of questions raised concerning the improvement of the efficiency of power generation in Uganda in relation to the methods that had been witnessed in Ethiopia.

The Vice Chairman of the Parliamentary Committee of Natural Resources, Hon. A.J. Kigyagi headed the questions session.

Questions and Answers

- Concerning power generation in Uganda, how efficient, sufficient and reliable is the load forecast that is being used to address the load consumption pattern for the future? (Ethiopia has got a very efficient load forecast model that has allowed it to address the growing power demand.)

Ans: The load forecast model in Uganda is good. The question arises mainly due to the energy crisis that we had in the second half of 2006, the cause of this crisis was the dry spell that plagued the country and left the water levels of L. Victoria too low to sustain the dispatch regime that enabled sustained amount of electricity generation. Consequently, the amount of electricity generated dropped causing the extensive load shedding that was experienced.

- Is ERA monitoring the cost of electricity in the country and is ERA consequently advising the government on these costs?

Ans: The Electricity Regulatory Authority has endeavoured to be as transparent as possible while adjusting tariffs following the receipt of Applications for tariff adjustments from licensees. ERA has achieved this through a public disclosure process at the ERA resource centre, and publishing a public call in daily newspapers for people to study the documents and provide their views.

Where public concerns through the public disclosure process have been immense – a Public Hearing is hosted by ERA as further consultation prior to adjustments in tariffs. Unfortunately in the past; the public has shown little interest in the public disclosure process; not until tariffs are set do they show interest.

- Umeme Ltd Quality of Supply is not to standard in many cases?

Ans: ERA is aware of specific cases when they are brought to their attention by consumers or following our regular inspections and monitoring of the company. However to a great extent; ERA can safely state that there has been improvement in the quality of supply system since the concessionaire took over operations. But a lot is yet to be done to improve to the desired levels.

ERA is monitoring progress of Umeme Ltd improvements in the various fields of work to include quality of supply with infrastructural investment monitoring, complaints handling procedures and the System Losses. There is a drive to bring the losses down especially the commercial losses occurring from power theft and non payment. Umeme is put to task to demonstrate their effort in reducing the losses.

- What is the progress of the Bujagali hydro power project?

Ans: Construction of the Bujagali Hydro Project is underway and in fact is ahead of schedule according to the project developers – IPS Bujagali Energy Limited. Commissioning is scheduled for after 44 months.

- Is there a possibility of Uganda having excess production with the commissioning of the Karuma Power Plant?

Ans: The fact that the Karuma Power Plant is not going to be commissioned at the same time as Bujagali, there will not be a situation of excess production. Demand in Uganda is growing steadily therefore any extra generation is being used to meet the steady demand.

- What has brought about the delay in the China Shan Sheng project in Kikagati?

Ans: The project location is unique in that it is on the border of Uganda and Tanzania. The Company came to ERA and was given a license to generate and sale electricity; however the river Kagera on which the Company is to base its investment, runs partly in Tanzanian territory therefore this created a delay in their activity since they had to get clearance from the relevant authorities in Tanzania.

- What can ERA say about promoting local investment in the Electricity Industry and guaranteeing access to funds therefore eliminating the need for foreign investors and donors like the World Bank who are expensive in their investment?

Ans: a) Information on available sites for the generation and sale of electricity in Uganda is available in the small hydro power development in Uganda booklet, produced by ERA in July 2007. All information on viable projects is inserted in the booklet.

b) Local Investment is encouraged however in certain instances the local investors submit documentation that is lacking, or in other instances the local investors cannot raise the capital required for the electricity investment project.

c) The availability of debt capital in Uganda is low and where it exists, the cost of this capital is high. The way ERA and government are promoting local investment in the sector is by promoting Public Private Partnerships (PPP) where the risk sharing is enabled consequently buying down the cost of debt.

- What is the status of the Kalangala Infrastructure Services project?

Ans: Kalangala Infrastructure Services (KIS) are on course obtain a license to generate, transmit and distribute to sell the electricity for which the company applied for a license. ERA received their application for a license, reviewed it, and made comments for which a letter requesting KIS to respond to the comments was sent on 30th November, 2007. ERA is waiting for KIS to respond to the issues raised in the letter.

- MPS have noted with concern that the environment is not being protected by the investors in the sector. How does ERA confirm that a project is sensitive to the protection of the environment?

Ans: One of the major requirements in a Notice of Intended Application (NIA) is for the intending developer to obtain an Environmental Impact Assessment and clearance certificate from NEMA. ERA is working with NEMA on this one for every project or activity in the Electricity Supply Industry. The NEMA clearance is an approval by the environmentalists that the project is environment friendly.

- How far has the energy saving bulbs project gone?

Ans: The first phase of the project was completed. The second phase will commence with more funding from the World Bank who is the main sponsor of this project. The project has achieved 33% coverage, i.e. a third of the Ugandan population have switched their lighting usage from incandescent bulbs to energy savers, there is still a long way to go but progress has been made, the projected target of saving 29MW of electricity per annum is slowly but surely being met.

- What is the status of the Jacobssen project?

Ans: The project was delayed due to the procedural difficulties between procurement guidelines and licensing guidelines. The project is off the ground, the company has been licensed expected to commence generation in early May 2008.

- How is ERA monitoring and promoting the use of renewable energy and the reduction in the use of firewood?

Ans: The Renewable Energy Policy (November 2007) has been published by the Ministry of Energy and Mineral Development in collaboration with ERA, REA, UETCL and GTZ is available. One of the main purposes of the document is to discourage the use of non renewable energy sources like fossil fuels. The fossil fuels for example firewood and diesel are destroying the environment.

- Mps thanked ERA, MEMD for the strategies in place to handle the power shortage crisis. Wanted to know more about Government plans and electricity generation through solar. Is Government thinking of a solar panel assembling Plant? Plans on rural electrification with electricity from Biomass?

Ans: Government is addressing the affordability of solar panels. A plant is desired but the problem is the costs of having it vis-à-vis the size of the market. What is important is to create a market first and then manufacturing will be justified. However, there is an application to ERA from an investor for a license to generate 50MW of electricity through the utilisation of solar technology.

The promotion of rural electrification through bio mass technology is being done by REA. The Renewable Energy Policy has got supporting documentation.

- MPs inquired on the usage of concrete poles as opposed to wooden poles? Wooden poles are being imported into the country and yet they are expensive to use. Can the companies use concrete poles?

Ans: Concrete poles are expensive to make and are bulky to erect. Wooden poles are also manufactured in Uganda by UEDCL at the pole treatment plant in Lugogo. In the past, companies like Umeme were importing poles from South Africa but they are encouraged to purchase them locally.

- Based on the trip that the committee on Energy and Natural Resources made to Ethiopia where they visited a number of power generation sites, MPs asked why the small rivers in Ethiopia are of high generation capacity in contrast to Uganda's case?

Ans: Ethiopia is a mountainous country with many highlands. Most of the rivers in Ethiopia run through the highlands. The majority of the hydro generation technology utilises run of river technology where the pressure build up from the height of drop by the river leads to increase in generation capacity. This is not the case with Uganda which is not mountainous. Therefore the small rivers in Ethiopia are able to produce more hydro power than the Ugandan rivers as a whole.

- There was a time this year (2007) when the price of fuel dropped considerably, however why didn't the tariff for electricity drop since a considerable proportion of the generation in Uganda uses diesel?

Ans: The generation of Aggreko is based on pre negotiated fuel contracts that have got the price of fuel fixed for a certain amount of fuel to be consumed for a negotiated period. For a fall in price to have a downward effect on the tariff, the price drop should be prolonged enough to take into account the next negotiated fuel supply contract.

- What happened to the Ayago power project?

Ans: The Ayago project is planned for the long term future.

- Why does construction of larger hydro in Uganda delay so much after MPs visited China and saw technology and bureaucracies which work / don't take too long.

Ans: China manufactures hydro generating machinery / equipment while Uganda does not. More so China manufactures in bulk and hence each unit cost per machinery is relatively very low.

Additionally China and Uganda have different political structures. Whereas the China system is central command, Uganda has a democratic system of governance and allows for debate of projects before decisions are made. Sometimes debates have led to delays in implementation of projects.

- **How are consumers protected from exploitation especially with private ownership of power concessionaires? What are the standards in place?**

Ans: This is the one of the Regulatory roles of ERA. The Electricity Regulator is an independent Agency of Government established to over see the sector. We professionally perform our tasks through tariff approvals, public consultation, receiving complaints that Utilities have failed to handle and monitoring and enforcing compliance.

- **Clarification needs to be provided by ERA what efforts are being undertaken to reach those regions without power at all. A policy on this is necessary.**

Ans: The policy to reach non-electrified areas exists. The challenge to-date is to increase the generation capacity because the network cannot be expanded when the generation is insufficient. REA is developing a master Plan for Rural electrification (IREMP) for the whole country. The Act provides for funds for rural electrification. There are donor funds also to this activity. These may not be sufficient to cover the whole country at once but the government will follow this plan, which has criteria for selection of different projects and arrangements for O&M.

- **In the case of tabulating depreciation costs, who benefits? Is it Eskom alone? Or even Government?**

Ans: Eskom only takes depreciation on the investment it makes. With respect to Government, the depreciation earned is being used to offset loans for now.

- If Umeme Ltd is given a provision for bad debts, and systems losses. Where is the incentive for them to perform?

Ans: The allowance for bad debts and losses is reduced every year in the tariff calculations regardless of whether these are actually achieved. If they are not achieved, Umeme takes the loss. Additionally Government through ERA is closely monitoring the performance of this Company against pre- agreed benchmarks.

Discussions:

- Discussions during the Symposium were informative, educative and helpful.
- Unanswered questions have been noted and will be taken up as action points for the Regulator.

ACTION POINTS:

- Symposium Report will be circulated to participants following compilation.
- Response to unanswered questions / issues raised will also be responded to in the same report.

Signed:.....

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Mr. Ben Z Dramadri

James Philip K Sembeguya

CHAIRMAN

SECRETARY

Date: 15th February 2008

Annexes: 1. *List of persons who attended the Symposium.*

2. *Copies of Presentations.*