ELECTRICITY REGULATORY AUTHORITY
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REGULATORY DECISION OF THE 225th AUTHORITY MEETING

The Authority, at its 225th Meeting held on Monday 13th January 2014, in the ERA Boardroom at ERA House Plot 15 Shimoni Road, upon consideration and taking into account the information availed to it in respect of the following matters, **RESOLVED** inter alia as follows:-

ANNUAL TARIFF REVIEW FOR 2014.

Pursuant to the provisions of the Licenses of Eskom (U) Limited, Uganda Electricity Transmission Company Limited (UETCL), Uganda Electricity Generation Company Limited (UEGCL), Uganda Electricity Distribution Company Limited (UEDCL) and Umeme Limited, the companies applied for the review of their respective budgets and tariffs for 2014.

All applications were advertised in accordance with the provisions of the Electricity (Application for Permit, License and Tariff Review) Regulation, 2007and the Electricity Act, 1999 and a public hearing was held on 23rd December 2013.

The review of the applications resulted in the determination of the tariffs for 2014; these tariffs were expected to act as the base tariffs on which the quarterly tariff adjustment would be applied.

The 2014 annual tariff review was carried out in consideration of the following major factors;

(i) The assumption that Government of Uganda would continue paying capacity payments to the thermal plants in 2014, estimated at UShs 59.531 billion and debt service to UEB successor companies (UEGCL, UETCL and UEDCL) would not be financed through the tariff.
(ii) Electricity demand would be expected to grow at 10% per year in 2014.
(iii) The Water release at Nalubaale/Kiira was projected at 800 Cumecs for 2014, translating into an average generation of 139 MW, from Nalubaale/Kiira and 167MW, from Bujagali Energy Limited.
(iv) The Uganda Shilling had appreciated against the US Dollar from UShs 2,698.44/US in January 2013 to UShs 2,524.5/US in November 2013, representing an appreciation of 6.89%.
(v) There had been stabilization in electricity consumption, following the cessation of load shedding and unlocking of suppressed demand.
(vi) The total energy purchased by UETCL was expected to increase from 3,059.3GWh in 2013, to 3,370.6GWh in 2014.
(vii) Increase in Umeme Limited's capital investments that qualified to earn a return by US$50 million, increasing the gross investments from US$ 146 million in 2013 to US$ 196 million in 2014.
(viii) The Overall Distribution Loss Factor (LF) and the Total Un-collected Debt Factor (TUCF) for Umeme Limited was set at 20% and 2.5% for 2014 compared to 23% and 2.7% for 2013 respectively and ;
(ix) The project costs of UETCL and UEGCL were treated as development costs and would be funded from the Energy Fund.

Revenue Requirement Implications:-

As a result of the assumptions considered, the annualized revenue requirement of Eskom (U) Ltd increased from UShs 33,155 million in Q4 2013 to a 2013 base of UShs 33,918 million, while the annualized revenue requirement of UETCL (excluding the power acquisition costs & dispatch stabilization fund) increased from UShs 74,154 million in Q4 2013 to UShs 85,632 million in Q1 2014.

The annualized power acquisition costs (excluding the capacity payments to all thermal generators) increased from UShs 547,360 million in Q4 2013(excluding the amount clawed back) to UShs 601,728 million in Q1 2014.

Umeme's annualized revenue requirement increased from UShs 232,650 million in Q4 2013 to UShs 257,289 million in 2014.

Summary of Revenue Requirements

Summary of Revenue Requirements														
	Eskom Generation					Transmission			Other power purchases	Export revenues		Distribution		
	Total	Asset related	O&M	Lease fee		Total	Asset related	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
Q1 2014	33,918	7,209	21,434	5,275		85,632	7,808	24,065	601,728	40,697		257,289	142,064	109,725	5,500

RESOLVED to approve the following:-

1. Tentative investments that qualify for return for Umeme Limited of US$ 50 million, subject to reconciliation after the conclusion of the verification exercise.
2. Investment in non-core assets for Umeme Limited amounting to US$ 3.765 million.
3. Umeme Limited DOMC local currency split of 67%.
4. Tentative Investment for Eskom (U) Limited of US$ 2.748million, subject to reconciliation after the conclusion of the verification exercise.
5. Target availability of Eskom Uganda of 95.5736%.
6. Tested capacity of Eskom Uganda of 138.7 MW.
7. Eskom Uganda Limited GOMC Local currency split of 60.53.
8. Time of use factor by customer category and time of use weighting factor as shown in the table below:-

Table 1: Time of Use Profile

Customer category		Domestic	Commercial	Small Industrial	Large Industrial	TX Large Industrial	Street Lighting
		Code 10.1	Code 10.2	Code 20	Code 30	Code 40	Code 50
2014	Peak	36.0%	24.5%	24.3%	24.4%	30.0%	60.0%
	Shoulder	44.0%	55.8%	59.0%	52.0%	46.0%	0.0%
	Off-peak	20.0%	19.7%	16.7%	23.6%	24.0%	40.0%

Table 2: Time of Use Weighting Factors

Status	BST-Peak	HV-Peak	HV-Shoulder	LV-Peak	LV-shoulder
Current	110%	110%	100%	110%	100%
Approved	120%	120%	100%	120%	100%

9. Additional Generation Operation and Maintenance costs of Eskom Uganda Limited of UShs 10,756,345, arising from change in the Law.
10. Transmission loss target of 3.8% in 2014.
11. UETCL Operation and Maintenance local currency split of 75%.
12. A cap on the Quarterly Adjustment Factor of 2.5% per quarter and 10% per annum.
13. Capacity Price of UShs 28,961 per MW per hour for Eskom (U) Limited.
14. The Bulk Supply Tariff of UShs 263.1/kWh, UShs 219.3/kWh and UShs 162.3/kWh at Peak, Shoulder and Off-peak respectively effective 16th January 2014.
15. The 2014 base end-user tariff of UShs 520.6/kWh, UShs 474.4/kWh, 452.0/kWh, UShs 310.4/kWh and UShs 488.8/kWh for domestic, commercial, medium industries, large industries and street lighting respectively effective 16th January 2014.
16. Increase in the lifeline tariff to UShs 150/kWh.
17. Other charges including fixed monthly service charge, maximum demand charge, reactive energy charge, reactive energy reward and reconnection charges remain unchanged.

18. Effective date for capacity price and the Bulk Supply Tariff of 1st January 2014 and the effective date for the end-user tariff and the lifeline of 16th January 2014 and;
19. To waive the requirement of three days' notice before the effectiveness of the tariff and instead allow one day notice by Umeme Limited.

TO CONSIDER AND APPROVE UETCL TARIFF RECONCILIATIONS FOR THE PERIOD JANUARY 2013 TO SEPTEMBER 2013. [AUTHORITY PAPER NO. 225.6]

REPORTED as follows:-

In setting the quarterly Bulk Supply Tariff (BST), the projections for both energy expected to be bought by UETCL in the preceding quarter and the respective power purchase costs, were considered for reconciliation.
The major highlights of this reconciliation were as follows:--

(i) There had been reduction in the power purchase costs compared to 2011 and 2012, which was mainly attributed to the minimal dispatch of thermal plants in Q1 of 2013 and zero dispatch of the thermal plants in Q2 and Q3 of 2013.
(ii) The end-user tariff had not been adjusted to cost reflective levels, therefore the Bulk Supply Tariff was unable to fully recover UETCL power purchase costs and the operation and maintenance costs.
(iii) In accordance with the Power Sales Agreement (PSA) with UETCL, in April 2013, Umeme Limited withheld Ugx 18.34 billion, on account of failure of Government departments to pay power bills.
(iv) In addition, in July 2013, Umeme Ltd had withheld Ugx 14.52 billion, on account of outstanding Power Supply Price (PSP) reconciliation.
(v) The amounts withheld by Umeme had adverse financial implications on UETCL and its ability to honor its obligations to the generators.
(vi) The macro economic factors had remained favorable with the Uganda Shilling appreciating against the US dollar from UShs 2,685.9/US in December 2012, to UShs 2,561.03/US in September 2013.
(vii) UETCL had experienced delays by Government of Uganda (GoU) to honor its obligations in respect of capacity payments to the thermal plants and;

(viii) Capacity payments to the thermal plants were not considered for the purposes of this reconciliation since these are financed by GoU outside the tariff.

Based on the approved Bulk Supply Tariff (BST), UETCL realized a surplus of Ugx 31.020 billion, between January and September 2013 and when the PSP reconciliation amount of Ugx 9.686 billion was taken into account, the surplus realized by UETCL was Ugx 21.334 billion.

It was noted that Management had taken the following actions:-

(i) Directed Umeme Limited to release the amount withheld on account of the PSP reconciliation and Umeme Limited had committed to release the funds as soon as possible.

(ii) Had written to Ministry of Energy and Mineral Development and Ministry of Finance Planning and Economic Development, indicating the implications of Umeme Limited's withholding of UShs 18.34 billion, on account of failure of Government departments to pay power bills and request Government to honor its obligation and ;

(iii) Was preparing to undertake annual reconciliation for the year 2013 (January to December 2013) and present the same to the Authority.

RESOLVED as follows:-

(i) To take note of the financial surplus of the Uganda Electricity Transmission Company Ltd, as at 30th September 2013 and the actions taken by Management and;

(ii) Approve to deposit and ring-fence the surplus amount as part of the Tariff Stabilization Fund and authorize the Uganda Electricity Transmission Company Ltd, to invest the funds in Government securities.

TO CONSIDER AND APPROVE THE LICENSE APPLICATION BY ECO POWER HOLDINGS LIMITED FOR THE DEVELOPMENT OF THE PROPOSED RWIMI 5.54 MW HYDRO POWER PLANT IN KASESE DISTRICT. [AUTHORITY PAPER NO. 225.7]

REPORTED as follows:-

On 1st April 2011, Eco Power Holdings Limited was issued with Permit number 2011/30, to enable the Company undertake detailed feasibility studies in respect of the 5.54 MW Hydro Power Project on River Rwimi.
The proposed project would be located in Kihoko, Nyakabale, Nyaseke and Rugendabara Villages, Kitswamba Parish, Kitswamba Sub-County, in Busongora County, Kasese District.

On 26th March 2013 the company submitted a License application and had been approved to benefit from the GETFiT program.

Application was published in the Uganda Gazette on 15th July 2013 and no comments were received from the general public regarding the application.
A Public notice was run on 30th August 2013 for 30 days, calling for objections but the time lapsed without any comments from the public.

Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

The corporate information revealed that Eco Power Holdings Limited was a private limited liability Company, properly incorporated in Uganda under the Companies Act.

Technical considerations

Eco Power Holdings Ltd, through one of its subsidiaries, Eco Power Uganda Ltd developed the 6.5 MW Ishasha HPP in Kanungu District and was commissioned in November 2011. The plant was operating without any major issues. Based on the previous experience in developing similar projects and in-house expertise,

there was demonstrable evidence that the Company had technical capacity to undertake the proposed project.

Economic and Financial considerations

(i) **Project Costs**

The total project costs for Kakaka Hydro Power Project was US$19.461 million which in project development costs of US$ 1.449 million and interest during construction of US$1.2million.

(ii) **Project Viability**

Analysis of the of the project Internal Rate of Return, Net Present Value with and without the GETFiT premium show that the project is viable without GETFiT and even more viable with the GETFiT premium.

(iii) **Financial Capacity**

30% (US$ 5.838 million) of the total project development costs would be financed through equity availed by the project sponsor, ECO Power Holdings Limited Colombo and 70 percent (US$ 13.624 million) through debt.

Analysis of the financial statements of the project sponsor, ECO Power Holdings Limited Colombo revealed that it had financial capacity to raise equity (US$ 6.389) required for project development.

The following observations were made:-

(i) The technical feasibility study had been completed and it was considered to be adequate for implementing the project.
(ii) All relevant approvals (NEMA for EIA, RAP and DWRD for the Abstraction and Construction Permits) were acquired from the respective government bodies.
(iii) Technical Capacity – Based on the previous experience in developing similar projects and in-house expertise, it was evident that the Company had adequate technical capacity to undertake the proposed project.

(iv) The Company confirmed funding the transmission line of which the cost of USD 35,000, had been included in the total project costs and;
(v) The company was agreeable to the terms of the Standardized GET-FIT Power Purchase Agreement.

RESOLVED to approve the issuance of a generation and sale license for the 5.54 MW Hydro Power Project across River Rwimi in Kasese District by Eco Power Holdings Ltd, effective 12th December 2013 subject to the following:-

(i) Posting a performance bond of **US$ 27,700** (Twenty seven thousand, seven hundred USD) to secure financial close and construction start date and another performance bond of **US$ 13,850** to Secure Commercial Operations Date (COD).
(ii) A License term of 22 years, including construction time of 24months.
(iii) A levelised tariff of US$0.098/kWh for the License term excluding the GETFiT top up.
(iv) A construction / EPC implementation period of 24 months.
(v) Submission of a revised implementation time plan for the 5.54 MW Rwimi power project.
(vi) Achievement of Financial closure, in line with the project implementation time plan.
(vii) Completion of the power evacuation study for Rwimi Hydropower Project within 6 (months) from the effective date of the License.
(viii) Confirmation by Umeme and UETCL that the plant can be fully evacuated, in line with the interconnection and load flow studies and;
(ix) Making provisions to ensure that the plant can operate in island mode.

TO CONSIDER AND APPROVE THE LICENSE APPLICATION BY GREENWUS ENERGY AFRICA LIMITED FOR THE DEVELOPMENT OF THE PROPOSED 5 MW KAKAKA HYDROPOWER PROJECT IN KASESE DISTRICT. [AUTHORITY PAPER NO. 225.8]

REPORTED as follows:-

Greenewus Energy Africa Ltd was issued with Permit No. 2009/018, effective 27th August 2009, to carry out the necessary feasibility studies in connection with the development of the proposed 5.0 MW Kakaka hydropower plant along River Rwimi in Kasese District.

The applicant submitted a License application on 18th September 2013 and it was published in the Uganda Gazette on the 18th October 2013.
Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

The corporate information revealed that Greenewus Energy Africa Ltd was a private limited liability Company, properly incorporated in Uganda, under the Companies Act.

Technical considerations

(i) The proposed 5 MW Hydropower Project was designed with plant factor of 52.1% and was estimated to generate 22.8 GWh annually.

(ii) The Applicant intends to develop the 5.0 MW Hydropower Project, as an Engineering Procurement Contract (EPC).
(iii) The procurement process for the EPC contractor was on-going and would be concluded upon issuance of a generation License and achievement of financial closure.
(iv) The Applicant would have to adapt the current plant design to be able to operate in Island mode and black start and;
(v) The current power evacuation study required finalization to address the aspect of load analysis and the voltage profile of the distribution network onto which the plant would be connected and confirmation that the network could fully evacuate the proposed plant.

Economic and Financial considerations

(i) Project Costs

The total project costs for Kakaka HPP amounted to US$ 13.83 million, of which US$ 11.1 million was for project construction costs and US$ 1 million was for contingencies.

(ii) Project Viability

The Applicant had applied for GETFiT but had not been successful in the first round. At the prevailing REFIT of US$ 0.1/kWh, the IRR was only 11.0%, while the NPV is US$0.934m, which indicated that the project would be only marginally profitable.

(iii) Financial Capacity

The project development costs would be financed through equity provided by DI Frontier Market Energy and Carbon Fund K/S.

RESOLVED: To approve the issuance of a generation and sale License for the 5 MW Hydro power Project across River Rwimi in Kasese District, to Greenewus Energy Africa Limited, subject to the following conditions:-

(i) Posting a performance bond of US$ 25,000 (Twenty five thousand American dollars) to secure financial closure and construction start by construction

start date and another performance bond of US$ 12,500 (Twelve thousand five hundred American dollars) to secure Commercial Operations Date (COD).

(ii) A License term of 22 years and 3 months, including construction time of 27months.

(iii) A levelised tariff of US$0.10/kWh for the License term.

(iv) A construction / EPC implementation period of 27 months.

(v) Achievement of Financial closure in line with the project implementation time plan.

(vi) Submission of a revised implementation time plan for Kakaka Hydropower Project.

(vii) Undertaking of an additional power evacuation study to comprehensively analyze the load and voltage profile of the distribution network onto which the proposed plant will be connected to ensure proper, timely and full evacuation of the proposed plant.

(viii) Confirmation by Umeme and UETCL that the plant can be fully evacuated, in line with the interconnection studies and;

(ix) Confirmation that the plant is designed and constructed in such a way that it can operate in island mode.

TO CONSIDER AND APPROVE THE PERMIT APPLICATION BY NGOROMWO SMALL HYDRO LTD IN RESPECT OF THE PROPOSED 12 MW HYDRO POWER PROJECT IN KAPCHORWA DISTRICT [AUTHORITY PAPER NO. 225.9]

REPORTED as follows:-

On 6th August 2013, Ngoryomwo Small Hydro Limited submitted a Notice of Intended Application (NIA) for a generation and sale of electricity License for the proposed 12 MW Hydropowerpower Plant, proposed to be established in Kapchesombe Sub County, Kapchorwa District.

The application was published in the Uganda Gazette and in the media on 20th September 2013. No objections were received from the general public regarding the application.

Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

Certified copies of Ngoryomwo Small HydroLimited's corporate documents confirmed that the company was properly incorporated in Uganda under the Companies Act.

The company also submitted certified copies of legal documents from Transroad Uganda Limited and Newplan Limited, its financial and technical partners respectively.

Technical Capacity to Undertake the Project

An evaluation of the technical aspects of the NIA revealed that the company proposed to engage the services of Newplan Limited and Sweco International AB of Sweden, as their technical partners.
The proposed technical partners were found to possess the necessary track record and experience to execute the feasibility studies for the proposed project.

Financial Assessment

An assessment of the Audited financial statements for Transroad (U) Ltd for the years (2010, 2011 and 2012) revealed that whereas the company, had a healthy financial status that had been sustained over the years, through provision of real estate business to its clients in Uganda, its commitment was limited to US$ 7 Million only, which was less than the 30% equity requirement equivalent to US$ 25.56 Million and the Applicant had not demonstrated ability to raise the outstanding US$D 18.56 Million.

RESOLVED: To REJECT the Notice of Intended Application, submitted by Ngoryomwo Small Hydro Limited, for failure to demonstrate adequate financial capacity to undertake the project.

TO CONSIDER THE APPEAL BY SAVIMAXX LIMITED IN RESPECT OF THE AUTHORITY DECISION TO REJECT THE APPLICATION FOR PERMIT IN RESPECT OF THE PROPOSED 9.2 MW HYDRO POWER PROJECT ALONG LOWER RIVER NSONGYA IN KABAROLE DISTRICT.
[AUTHORITY PAPER NO. 225.10]

REPORTED as follows:-

At the Authority's 224th meeting held on 3rd December 2013, a Notice of Intended Application submitted by Savimaxx Limited was rejected on the following grounds:-

(i) The letter of intent from the Trevi group was not sufficient demonstration of commitment between Trevi Group and Savimaxx Limited.
(ii) There was no evidence to demonstrate Savimaxx Limited's stake in the proposed project and;
(iii) Savimaxx Limited's directors did not have a track record in developing projects of similar nature.

Upon receipt of the Authority's decision, Savimaxx Limited lodged an appeal at the electricity Disputes Tribunal and provided additional information and clarifications which after being reviewed, revealed and demonstrated the following:-

(i) A detailed Memorandum of Understanding indicated the roles and responsibilities of each party and further revealed the level which demonstrated commitment by the Trevi group, the project sponsor which included meeting the costs of the feasibility studies.

(ii) That Savimaxx Limited was committed to carrying out and financing the Environmental and Social Impact activities of the proposed project, as well as the Resettlement Action Plan in addition to other activities such as river gauging and obtaining of historical data.

(iii) That the intending developers would form a Company in which Savimaxx Limited would have 7.5% stake, which would be in recognition of both sweat equity (in cases where tasks would be performed by Savimaxx

Limited without actual injection of finances) as well as financial contribution and;

(iv) Savimaxx Limited had a track record in undertaking feasibility study activities of electrical projects mainly with respect to Environmental and Social Impact Assessment studies and resettlement action plans.

RESOLVED: To approve the issuance of a twelve (12) months Permit for feasibility studies in respect of the proposed 9.4 MW Hydropower Power Project on River Nsongya in Rwimi Sub County, Kabarole District.

TO CONSIDER AND APPROVE THE NOTICE OF INTENDED APPLICATION BY OPTIMUS ENERGY LIMITED IN RESPECT OF THE PROPOSED HFO PLANT OF 50 MW IN HOIMA DISTRICT [AUTHORITY PAPER NO. 225.11]

REPORTED as follows:-

Optimus Energy Limited submitted a Notice of Intended Application (NIA) for the generation and sale of electricity from a 50 MW crude oil power project, to be installed in Buseruka Sub County, Hoima District, in the Albertine region.

Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

The Application lacked the following information:-

(i) Certified copies of Optimus Energy's Certificate of Incorporation, Memorandum and Articles of Association and the company Form 7 and;

(ii) Certified copies of the intending developers' technical and financial partners' company legal documents.

Technical Capacity to Undertake the Project.

The Applicant indicated that it would be looking to tap into the technical expertise of its technical partner – Guangdong Shineng Electric Equipment

Company Limited, which had installed an estimated installed capacity of 1,500 MW in various countries.

Financial Assessment

The company submitted partial financial statements for Guangdong Shineng Electric Equipment Company Limited. However, a comprehensive review of the financial statements could not be carried out because, the following had not been submitted:-

(i) The company's statement of financial position.
(ii) A comprehensive income statement.
(iii) Statement of changes in equity.
(iv) Cash flow statements.
(v) Notes to the accounts.

The intending developers were informed and requested to submit the above mentioned information on 12th August 2013, but failed or ignored to do so.

From the submission, it could be deduced that applicant through its technical partner, had the requisite technical capacity to undertake the proposed project, but had failed to adequately address the following aspects:-

(i) Demonstration of financial capacity to undertake the feasibility studies and later on implement the proposed project and;
(ii) To provide evidence that the company had approached Government of Uganda and that Government was willing to provide crude oil needed for the generation plant.

RESOLVED: To REJECT the Notice of Intended Application by Optimus Energy Limited.

TO RECEIVE AND CONSIDER THE NOTICE OF INTENDED APPLICATION BY NYAMAGHASANI II HPP LIMITED IN RESPECT THE PROPOSED 6 MW HYDRO POWER PROJECT ON RIVER NYAMAGHASANI [AUTHORITY PAPER NO. 225.12]

REPORTED as follows:-

On 24th July 2013, Nyamagasani II HPP Limited submitted a Notice of Intended Application (NIA) for a generation and sale of Electricity License, to establish a 6 MW Hydropower Plant on River Nyamagasani in Kasese District.

Nyamagasani II HPP Limited was incorporated on 6th December 2013, to operate as a Special Purpose Vehicle (SPV) for the development of the proposed 6 MW hydro power project. Carnelian Prime Trust Ltd and DI Frontier Market Energy and Carbon Fund K/S are the only shareholders in the SPV with 25% and 75% respectively.

The Application was published in the Uganda Gazette and in the New Vision Newspaper on 6th August 2013. No objections were received from the general public regarding the application.

Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

The corporate information submitted, revealed that the company was properly registered and incorporated in Uganda under the Companies Act on 6th December 2013, to work as a Special Purpose Vehicle (SPV) for the development of the proposed 6 MW Hydropower Project and that the shareholders were, Carnelian Prime Trust Ltd and DI Frontier Market Energy and Carbon Fund K/S with 25% and 75% share respectively.

The intending developers also provided a signed Memorandum of Understanding with Aurecon, their technical partners.

Technical Assessment

The technical partner-Aurecon was found to be a reputable firm, with local presence in over 26 countries, including Uganda. It had been engaged in projects in over 80 countries with over 7,500 employees across 11 fields of engineering. It was confirmed that it had the requisite technical skills and capacity to undertake the feasibility studies for proposed the project.

Financial Assessment

DI Frontier Market Energy and Carbon Fund K/S are the majority shareholders in Nyamagasani II HPP Limited, with 75% stake in the SPV committed funds for the feasibility study, as indicated in the board resolution and further committed to providing equity once the feasibility studies prove project viability.

RESOLVED: To approve issuance of a twelve (12) months Permit for the proposed 6 MW Hydropower Project on River Nyamaghasani in Kasese District, subject to submission of a revised study implementation time plan, within 14 days from receipt of the Authority's decision.

TO CONSIDER AND APPROVE A NOTICE OF INTENDED APPLICATION BY EQUATOR ENERGY SOLUTIONS LIMITED IN RESPECT OF THE PROPOSED 100 MW OF SOLAR AND 60 MW OF BIOMASS [AUTHORITY PAPER NO. 225.13]

REPORTED as follows:-

Equator Energy Solutions Limited submitted a Notice of Intended Application (NIA) for a License for the generation and sale of electricity, from a 100 MW solar power plant and a 60 MW Biomass plant to be installed in Nabigoza village, Butuntumula Sub County, Luwero District.

Analysis of the legal, technical and financial aspects of the application revealed the following:-

Legal Assessment

Information submitted revealed that Equator Energy Solutions Limited was properly registered and incorporated in Uganda under the Companies Act.

Equator Energy Solutions Limited also submitted corporate documents relating to the proposed financial and technical partners which were assessed and found satisfactory.

Technical Capacity to Undertake the Project

Equator Energy Solutions Limited proposed to enlist the services of HDM Solar Power Pvt and Hydro Design Management Company Pvt Ltd and would also engage Chadha Power – an EPC company from India, which would carry out the implementation of the proposed project, as well as source 85% of the project costs as debt.

A due diligence undertaken on the proposed technical partners revealed that the firms did not have much experience regarding solar power and Biomass projects of the magnitude they had applied for.

Financial Assessment.

Equator Energy Solutions Limited submitted financial statements for Chadha Power, Hydro Design Management Company Pvt Ltd and Bank statements from Mr. Sudhir Gupta, which was assessed and found insufficient to finance the feasibility studies. The assessment also indicated that equity for project implementation in the event that the feasibility studies proved financial viability of the proposed project could not be raised.

Basing on the analysis, it was deduced that Equator Energy Solutions Limited, did not have the requisite technical capacity to undertake a 100 MW solar power project and a 60 MW Biomass project and did not have adequate financial capacity to develop the projects as well.

RESOLVED: To REJECT the Notice of Intended Application by Equator Energy Solutions Limited.

TO CONSIDER THE APPLICATION BY MOLA SOLAR SYSTEMS (U) LIMITED FOR TRANSFER OF PERMIT [AUTHORITY PAPER NO. 225.15]

REPORTED as follows:-

The Authority at its 221st Meeting held on 29th August 2013, approved Mola Solar System (Uganda) Limited's application for a permit in respect of a 20 MW Solar power project in Kabulasoke, Gomba District and a 20 MW Wind power project in Tororo District, for a period of twelve (12) months effective 30th August, 2013.

Subsequently Mss Xsabo Power Limited was formed by Mola Solar Systems (Uganda) Limited and Bryan Xsabo Strategy Consultants (Uganda) Limited as the project company.

Mola Solar Systems (U) Limited requested that the permit be re-issued in the name of Mss Xsabo Power Limited.

It was observed that Ms Xsabo Power Limited was a different legal entity from Mola Solar Systems (U) Limited and that the re-issuance of the permit would not be premised on a change of name but rather a transfer of the permit to a different legal entity.

RESOLVED: To approve the re-issuance and transfer of Permit No. 2013/052, in the names of Molar Solar (U) limited to Ms Xsabo Power Limited.

TO CONSIDER AND APPROVE THE APPLICATION FOR LICENSE AMENDMENT BY KILEMBE MINES LIMITED. [AUTHORITY PAPER NO. 225.16]

REPORTED as follows:-

In July 2013, Kilembe Mines Limited (KML) applied for an increase in the generation tariff from UShs 87.8/kWh to UShs 122.47/kWh. KML also applied for an approval of emergency expenditure to restore electricity generation facility, following a damage caused by floods in May 2013.

Analysis of the submission revealed the following:-

1. In regard to the application for increase in generation tariff, the following observations were made:-

   (a) The repair of the plant had remained incomplete despite the Authority's approval of UShs 1.23 billion for repairs for over 2 years from October 2010 to December 2012.
   (b) From the analysis and scrutiny of the documents submitted by Kilembe Mines Limited, it was evident that it did not carry out any significant works on the generation facility during the approved period (2012).
   (c) The statutory inspection revealed that minimal work had been done to improve on the facility, there was no evidence of a contracted company on site carrying out the vital repairs and Kilembe Mines Limited could not produce a valid contract for the repair works.
   (d) KML failed to provide sufficient information to enable ERA audit the approved repair works.
   (e) During the year 2012, KML collected a total incremental income of UShs 536.3 million, compared to the approved repair cost of UShs 374 million, therefore the company should have been able to complete all pending repair works within the period but did not and did not provide any justification or explanation and;
   (f) KML indicated that the estimated cost for the repair of the generation plant was UShs 1.4 billion, but the figures presented were not supported by any documentation.

2. As regards the emergency expenditure to restore electricity generation facility, it emerged that the plant was under divesture and the power plant would be taken over by the Concessionaire as a core asset and the plant would be upgraded from 5 MW to 12 MW. It was established that the process was expected to be concluded within 6 to 8 months and therefore the proposed refurbishment by the current Management was not viable considering the cost and time remaining to conclude the divesture process.

RESOLVED to as follows:-

(i) To reject the application for tariff increase and;

(ii) To approve a generation tariff of UShs 87.8/kWh, for the period 1st January 2014 to 31st December 2014.

TO CONSIDER AND APPROVE THE SCHEDULE OF TARIFFS FOR 2014 AND THE QUARTERLY TARIFF ADJUSTMENT METHOD FOR THE SUPPLY OF ELECTRICITY BY UMEME LIMITED FOR THE YEAR 2014. [AUTHORITY PAPER NO. 225.17]

REPORTED as follows:-

Pursuant to Section 11 of the Electricity Act, 1999, Management had developed a notice to be published to provide information to stakeholders in the electricity supply industry and the general public about the methods followed in the determination of the annual tariffs and other charges and also about the method of the quarterly adjustment of the tariff.

The notice contained a Schedule of tariffs, quarterly tariff adjustment method and the process of implementation of the methodology and was to be published to provide information to the general public.

RESOLVED as follows:-

(i) To take of the methodology for the determination of the annual tariffs and the quarterly tariffs adjustment and;

(ii) To approve the publication of the methodology in the Uganda Gazette for circulation to the general public.

TO CONSIDER AND APPROVE THE APPLICATION FOR LICENSE TRANSFER BY SOUTH ASIA ENERGY MANAGEMENT SYSTEMS LLC [AUTHORITY PAPER NO. 225.18]

REPORTED as follows:-

The Authority issued License No. 094 (as modified) on the 10th of January 2012, to South Asia Energy Management Systems LLC (SAEMS LLC) for the generation and sale of approximately 9.2 MW of electricity from Nyamwamba Hydro Power project.

The Licensee applied for a transfer of License No. 094 to Africa EMS Nyamwamba Ltd and the application was advertised in the Daily Monitor Newspaper dated 18th November 2013.

The Application was considered and rejected at the 224th Authority meeting held on Tuesday 3rd December 2013, following which the Licensee submitted additional information and clarifications for further consideration of the application.
A review of the supplementary information revealed inter alia the following:-

(i) Africa EMS Nyamwamba Limited was incorporated as a Special Purpose Vehicle (SPV) wholly (100%) owned subsidiary of SAEMS LLC as the turn key company for the construction of the Nyamwamba Hydro Power Project.
(ii) The directors and shareholders of SAEMS LLC and Africa EMS were the same and;
(iii) SAEMS LLC and Africa EMS submitted a certified copy of a Board Resolution dated 15th July 2013 and a transfer agreement dated 18th June 2013, transferring all the License obligations from SAEMS LLC to Africa EMS Nyamwamba Limited for the entire duration of the License.

It was observed that considering the fact that Africa EMS Nyamwamba Limited and SAEMS LLC were one and the same company, there would not be

any dilution of the technical and financial competence and no change in its legal constitution that would adversely affect or dilute its controlling interest in the enterprise or debilitate it from performing its obligations under the License.

RESOLVED: To approve the transfer of License No. 094 from **South Asia Energy Management Systems LLC** to **Africa EMS Nyamwamba Ltd,** subject to payment of License transfer fees in the sum of **US$ 3,500.**

TO CONSIDER AND APPROVE THE PROPOSED DEMAND SIDE MANAGEMENT STRATEGY [AUTHORITY PAPER NO. 225.19]

REPORTED as follows:

That the country was expected to experience both an electricity supply shortage and an increase in electricity prices in the near future and that the strategy aimed at reducing consumers' demand for electricity and/or the timing of such usage.

The strategy further provided a solution to utilities to match the supply and demand for electricity and manage short and long term network constraints, while limiting the dispatch of expensive generation to minimize the increase in electricity prices.

The strategy had the following approach categories:-

(i) Load shifting which entailed shifting of demand peaks from one time slot to another on permanent basis.
(ii) Energy efficiency which aimed at reducing overall consumption on a permanent basis and;
(iii) Load shedding which aimed at temporarily reduce consumption and demand from the grid.

The strategy could be achieved through the following measures:-

(i) **Economic measures**
These entailed providing financial incentives for consumers to change their consumption patterns.

(ii) **Regulatory measures.** These take the form of a legal and regulatory framework for efficient energy usage.
(iii) **Information measures**. These entailed provision of information to the public/consumers as a campaign to get them to reduce their energy consumption patterns.
(iv) **Voluntary measures**. These are mutual agreements between utilities and consumers to manage peak demand and in turn, offer the consumer a better tariff.

RESOLVED as follows:-

(i) To take note of the Demand Side Management Strategy and the measures proposed.

(ii) To review the Time of Use tariff structure, so as to send efficiency and load shifting signals to industrial consumers and;

(iii) To approve inclusion in the tariff, US$ 1,808,577.54, for the Compact Fluorescent Lamps (CFL) program.

TO CONSIDER AND APPROVE APPLICATION FOR A PERMIT BY CIRE UGANDA LIMITED FOR THE PROPOSED 20 MW SOLAR PROJECT IN OSUKURU SUB-COUNTY, TORORO DISTRICT. [AUTHORITY PAPER NO. 225.20]

REPORTED as follows:-

CIRE Uganda Limited submitted a Notice of Intended Application (NIA) for a License for the generation and sell of electricity from a 20 MW Solar power plant to be installed in Asinget village, Osukuru Sub-County, Tororo District.

The application was considered at the 222nd Authority meeting held on 25th September 2013, but the decision was deferred owing to insufficient information on the applicant's ability to raise equity for the proposed project.

The applicant submitted additional information and clarifications which revealed the following:-

(i) The Applicant had been acquired by Avelar Energy South Africa, a Company which owned 79.2% by Renova holdings. A due diligence conducted on both companies revealed that they were of sound financial position;

(ii) Renova Group had issued a letter of intent, committing to providing equity contribution of US$ 10million, which represented approximately 20% of the total project implementation costs and;

(iii) The audited financial statements (by Ernest and Young) of the Renova Group revealed that the company was in a healthy financial position and had adequate capacity to finance both the feasibility study and provide the equity required to attract debt financing should the studies return a viable project.

RESOLVED: To approve issuance of a twelve (12) months permit to enable the Company carry out comprehensive feasibility studies in respect of the 10 MW Solar power project in Osukuru Sub County, Tororo District subject to the following:-

(i) The reduction in capacity from 20 MW to 10 MW, to fit within the maximum capacity that can be absorbed by the Grid and;

(ii) The resultant tariff not exceeding the Average Weighted Cost of Generation, otherwise the Uganda Electricity Transmission Company Ltd would not be obliged to dispatch the plant as a base plant.

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Benon M. Mutambi, Ph.D

CHIEF EXECUTIVE OFFICER