



**ELECTRICITY REGULATORY AUTHORITY**

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**REGULATORY DECISION OF THE 226<sup>th</sup> AUTHORITY MEETING**

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The Authority, at its 226<sup>th</sup> Meeting held on Wednesday 12<sup>th</sup> February 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:-

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**PREPAYMENT METER SPECIFICATIONS FOR BUSERUKA (KABALEGA) HYDRO POWER PLANT**

On 9<sup>th</sup> November 2013, Hydromax Limited submitted meter specifications for the Authority's approval, to enable the company procure prepayment meters for use on the distribution network.

The meter specifications were submitted to the Uganda National Bureau of Standards for consideration and advice on compliance with the applicable standards.

A review of the specifications (BEC 44 and BEC 62), revealed conformity to IEC 62052-11, IEC 62053-21 and STS, as provided in Section 2.5 of the Electricity (Primary Grid Code) Regulations, 2003.

Due diligence on the supplier and the type of meters revealed the following:-

(a) The same type of meters (BEC 44 and BEC 62) had in the past been approved for use in Uganda by ERA and UNBS as below:

- (i) In 2007, for use in the Umeme Ltd concession.
- (ii) In 2013, for use in the WENRECO concession.

(b) The type of meters had been jointly verified, tested and approved by ERA and UNBS for use in the WENRECO concession in 2013 and;

(c) The manufacturer (Conlog) had supplied the same type of meters to Umeme Ltd (16,000), Eskom South Africa (1,000,000), Kwaduka Municipality (34,000) and La Couperativa Argentina (1,200).

Accordingly, the Authority approved the prepayment meter specifications, in particular the single phase -BEC 44 and three phase - BEC 62 prepaid meters to enable Hydromax limited start the procurement process.

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## **TARIFFS APPLICABLE TO FERDSULT ENGINEERING SERVICES LIMITED DISTRIBUTION CONCESSION**

Ferdsult Engineering Services Limited (FESL), was licensed to distribute and sell electricity in the areas of Masaka-Rakai, Isingiro, Kibaale-Kyenjojo and Rukungiri-Kanungu and had extended operations of distribution lines, taking on additional distribution lines that the Rural Electrification Agency handed over to the company to operate.

The approved end-user tariffs had expired at the end of December 2012 and the Licensee was expected to submit a comprehensive Business Plan, taking into account the new concession areas.

Despite numerous reminders to submit a comprehensive business plan, the Licensee had failed to submit the plan and instead continued to apply the expired tariffs of US\$ 512.17 /kWh for Domestic, US\$ 479.80/kWh, for Commercial and US\$ 341.59/kWh, for Industrial consumers.

Considering the fact that by February 2014, the Licensee had failed to submit its application and a comprehensive business plan, the Authority **RESOLVED** as follows:-

- (i) To undertake a comprehensive review of the Licensee's performance, including a field inspection and present a report to the Authority within a period of six months and;
- (ii) To approve the existing end- user tariffs effective January 1<sup>st</sup> 2013 to 30<sup>th</sup> June 2014, as shown below:

**APPROVED END- USER TARIFFS.**

<b>Customer Category</b>	<b>UShs/kWh</b>
<b>Domestic Consumers</b> (Low Voltage Single Phase Supply at 240 Volts)	512.17
<b>Commercial Consumers</b> (Three Phase Low Voltage Load Not Exceeding 100 Amperes)	479.8
<b>Industrial Consumers</b> (Three Phase Load Exceeding 100 Amperes or High Voltage 11,000/33,000)	341.59

- (iii) To maintain all other charges as follows:-

(a) Connection Charges.

<b>Approved Connection Charge</b>	<b>Costs (UShs)</b>
Materials Costs (Single Phase)	250,000
Premises Inspection charges	20,000
Security Deposit	-
Monthly Service Fee	2,000
Start Up Energy Payment	20,000
VAT (18%)	52,560
<b>Total</b>	<b>344,560</b>

(b) Other Charges.

Reconnection Fees	Single Phase- UShs 10,000 Three Phase - UShs 20,000
Fine for Meter bypass	Estimated lost energy plus 20% surcharge

- (c) Monthly charges for industrial customers remain at UShs 30,000.

## **UMEME LIMITED INVESTMENT PLAN FOR 2014.**

On 28<sup>th</sup> November 2013, Umeme Limited submitted its proposed Investment Plan for the year 2014, with a capital budget projected at **US\$ 120.47 million**, of which **US\$60.90million** was proposed to be financed by Umeme's internally generated budget, while **US\$59.57 million** would be financed by loan capital. The submission was presented at the stakeholders' consultation meeting held on 22<sup>nd</sup> January 2014.

The investment plan was categorized under the following strategic objectives:-

- (i) 2013 carryovers.
- (ii) Safety improvements.
- (iii) Load growth and new customers.
- (iv) Distribution losses reduction.
- (v) Reliability and quality of supply improvements.
- (vi) Business Efficiency.

A detailed analysis and review of the 2014 investment plan was undertaken, taking into consideration the respective justifications, the implementation status of the 2013 approved investment plan, cost estimates, previous loading and outage data analysis and respective field inspections to capture the current network constraints.

Accordingly, the Authority approved **US\$ 40.945 million** towards Umeme Limited 2014 Investment Plan.

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## **APPEAL BY UMEME LIMITED IN RESPECT OF DISALLOWED INVESTMENTS FOR 2012**

The results of the joint verification of the 2012 investments for Umeme Ltd were considered at the 219<sup>th</sup> Authority Meeting held on 9th July 2013, following which Umeme Ltd appealed to the Authority to reconsider its decision.

The appeal was reviewed thoroughly and a stakeholders' workshop was held on 22<sup>nd</sup> January 2014, at Imperial Royale Hotel Kampala, to bring Umeme's appeal in a transparent way to a wider stakeholder group.

Umeme argued that the disallowance on account of investment being work in progress, was significant and the details thereof would be examined during the 2013 verification exercise and that as regards other aspects, the relevant information was readily available and would be provided.

However, when requested to submit the said information, Umeme took the position that the Authority was duty bound to approve the investments based on the rights and obligations agreed to in the concession agreements in particular, the Lease and Assignment Agreement (LAA), the Licenses and applicable laws.

In the circumstances, the appeal was determined based on the additional information and explanations provided as best information available and as a result, the following items were reconsidered:-

- (i) **New Substations Interconnection lines.** The Waligo and Lubowa substations which were under construction during 2012 and had been completed, functional and together valued at US\$ 1.54 billion and;
- (ii) **10/14 MVA Njeru Substation Transformer.** Information obtained revealed that the transformer that was deployed in the network for the benefit of consumers and therefore the substation upgrade was reconsidered at US\$ 879 million.

Accordingly, the Authority approved the inclusion of **US\$ 2,424,807,213**, to the 2012 investments undertaken by Umeme Limited, which qualifies for Return on Investment, thereby increasing the investments from US\$ 54,157,135,228 to US\$ 56,581,942,441; reconciliation of the approved amount with the Return on Investment provision in the tariff and rejected the request for extension of time to submit additional information.

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**TO CONSIDER AND APPROVE THE NOTICE OF INTENDED APPLICATION BY C & G ANDIJES LTD IN RESPECT OF A 9.83 MW HYDROPOWER PROJECT IN BUKWO DISTRICT.**

On 26<sup>th</sup> August 2013, C & G Andijes Ltd submitted a Notice of Intended Application for a generation and sale of Electricity License for the proposed 9.83 MW Hydro Power Plant in Bukwo District.

The Application was published in the Uganda Gazette and in the New Vision Newspaper of 19<sup>th</sup> September 2013 and no objections were received from the general public regarding the application.

The legal, financial and technical aspects of the license application were reviewed and found to be in conformity with the requirements of Section 27 of the Electricity Act, 1999.

**Notably:-**

#### **A. TECHNICAL ASSESSMENT**

The technical partner was found to have adequate engineering skills and experience to undertake the design and field investigations as part of the feasibility study for the proposed project.

#### **B. FINANCIAL ASSESSMENT**

Analysis of the Applicant's three year audited financial statements revealed that the company was financially capable of raising \$8.83 million, equivalent to US\$21.68 billion, from its operations and remains in operation.

Accordingly, the Authority approved the issuance of a twelve (12) months Permit, effective 14 days from receipt of the Authority Decision, to enable the company undertake feasibility studies in respect of the proposed 9.83 MW Hydro Power Project, along River Bukwa in Bukwo District, subject to submission of a revised feasibility study implementation time plan.

## **APPEAL BY PROSPER WOOD WORKS LIMITED AGAINST THE AUTHORITY DECISION TO REJECT THE PERMIT APPLICATION IN RESPECT OF THE PROPOSED 3 MW RUSHAYA HYDRO POWER PROJECT.**

At the 218<sup>th</sup> meeting held on Wednesday 5<sup>th</sup> June 2013, the Authority rejected the Permit application by Prosper Woodworks Limited, in respect of the proposed 3 MW Hydro Power Project, in Rukungiri District owing to the following:-

- (i) Failure to submit the required legal documents.
- (ii) Failure to demonstrate adequate financial capacity to undertake feasibility studies on the proposed project and ability to raise 30% of the project costs as shareholders' equity and;
- (iii) Failure to demonstrate internal technical capacity to undertake the feasibility studies.

The Applicant submitted an appeal and additional information seeking the Authority to reconsider its decision.

The legal, financial and technical aspects of the license application were reviewed and found to be in conformity with the requirements of Section 27 of the Electricity Act, 1999.

### **Notably:-**

#### **A. TECHNICAL ASSESSMENT**

The Applicant indicated its intention to engage the services of Electric Power Infra Tech, to carry out the feasibility studies for the proposed project. A due diligence on the technical partner revealed that the firm had adequate personnel with sufficient engineering skills and experience to undertake the design and field investigations as part of the feasibility study for the proposed project.

#### **B. FINANCIAL ASSESSMENT**

An analysis of the three year audited financial statements of Prosper Woodworks Limited revealed a healthy financial position for its business operations during the

period under review, but not sufficient to demonstrate ability to raise the desired level of equity for the proposed project.

Accordingly, the Authority rejected the appeal by Prosper Woodworks Limited owing to failure to demonstrate adequate financial capacity to raise equity equivalent to 30% of the estimated project costs.

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Benon M. Mutambi, Ph.D.  
**CHIEF EXECUTIVE OFFICER**