



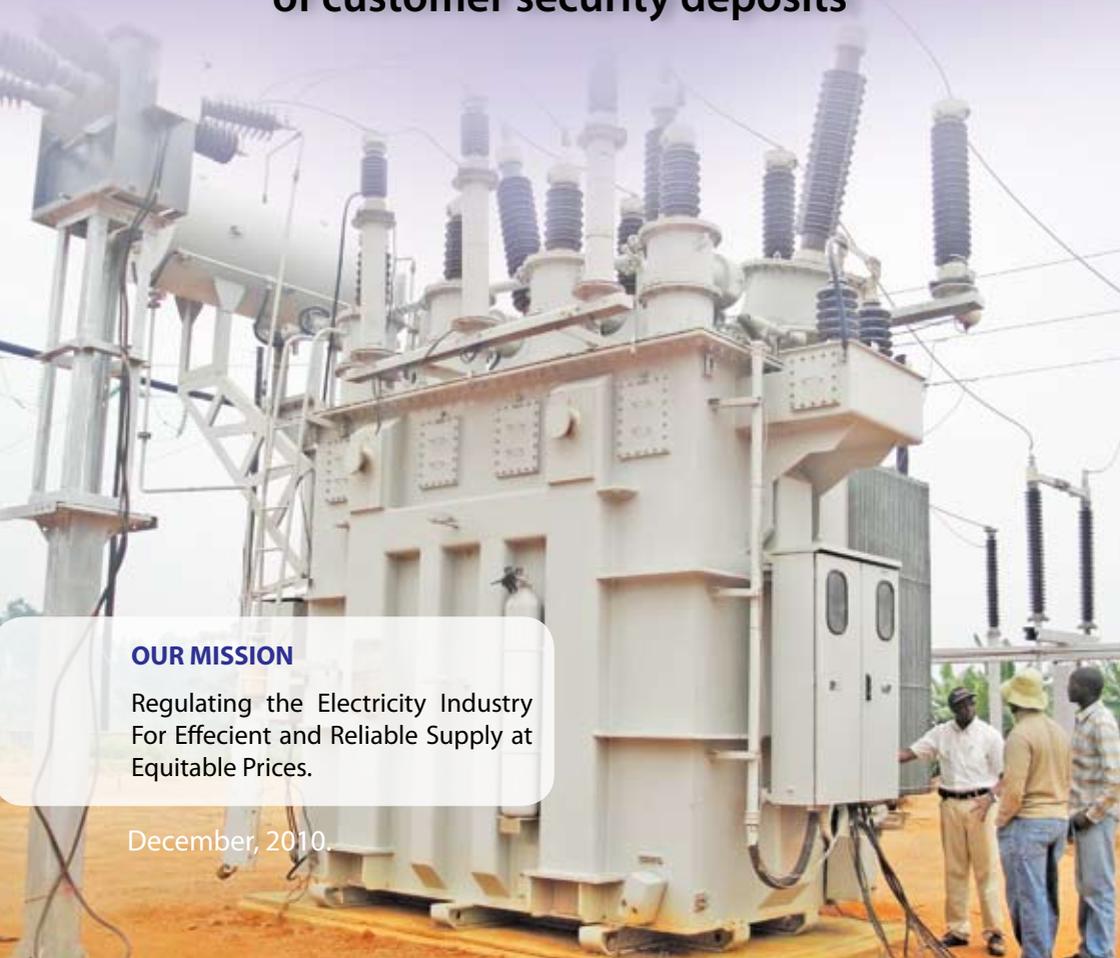
THE ELECTRICITY REGULATORY AUTHORITY

Guidelines on the management of customer security deposits

OUR MISSION

Regulating the Electricity Industry
For Efficient and Reliable Supply at
Equitable Prices.

December, 2010.



The objective of these guidelines is to streamline the management and utilization of customer security deposits with a view of ensuring safety of these funds while protecting their value in real terms.

Section of 80 of the Electricity Act and Clause 14 of the Electricity (Primary Grid Code) Regulations provide that a licensee may require a customer to provide a security deposit before connection to supply subject to the licensee paying interest at a rate and on terms and conditions approved by ERA.

Section 80 of the Act provides as follows:-

SECURITY

(1) A licensee may require a person who requires a supply of electricity under section 77 to give to the licensee reasonable security for all monies that may become due to the licensee—

- (a) in respect of the electricity supply; or
- (b) where the supply line or electrical plant or equipment has to be provided under section 77, in respect of the provision of that facility.

(2) Where a person fails to give the security required under

subsection (1), the licensee may if he or she thinks fit, refuse to give the supply or equipment until the security has been given.

Clause 14 of the Electricity (Primary Grid Code) Regulations provides as follows:-

14.0 SECURITY DEPOSIT

14.1 Security Deposits:

14.1.1 Subject to clauses 14.2 and 14.3, a Licensee may require a consumer to provide a Security Deposit before connection to supply.

14.1.2 The amount of a Security Deposit shall not be greater than:-

¹ Chapter 145, Laws of Uganda.

² Statutory instrument 24 of 2003

(a) for a consumer who is on a quarterly billing cycle, 1.5 times the estimated quarterly bill ;

(b) For a consumer who is on monthly billing cycle, 3 times the estimated monthly bill.

The amount for Security Deposit shall be calculated with reference to a schedule of type of consumer and type of business.

14.1.3 A Licensee may increase any consumer's Security Deposit when the existing deposit becomes insufficient to secure the consumer's current electricity usage.

14.1.4 If agreed between the Licensee and the consumer, a bank guarantee may be accepted as an alternative to the Security Deposit arrangement.

14.2 Interest on Security Deposit.

14.2.1 Where a Licensee received a Security Deposit from a consumer, the licensee shall pay to the consumer interest on the deposit at a rate and on the terms and conditions approved by ERA

14.3 Use of Security Deposits.

14.3.1 A Licensee may use a consumer's Security Deposit and interest which has accrued to it to offset any amount owed by a consumer to the licensee-

(a) If the consumer refused to take supply after work at installations to provide the consumer supply has been conducted

(b) If the consumer fails to pay a bill resulting in disconnection of the supply address;

(c) If the consumer defaults on a final bill; or

(d) At the request of a consumer who is vacating the supply address or requesting disconnection of supply to the supply address.

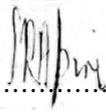
14.3.2 When a Licensee uses a Security Deposit in accordance with clause 14.3.1 the licensee shall provide the consumer an account of its use of the security deposit and pay the balance (if any) of the security deposit to the consumer within the current billing cycle.

GUIDELINES

- 1) The guidelines are governed by Section of 80 of the Electricity Act and Clause 14 of the Electricity (Primary Grid Code) Regulations
- 2) The guidelines are applicable and extend to all licensed electricity distribution companies in Uganda (Licensees) that require a customer to provide a security deposit and licensed companies under the Electricity Act that hitherto collected or intend to ask for a security deposit from a customer of electricity in Uganda.
- 3) The Security Deposit shall not be greater than or shall not exceed three (3) times the customer's estimated monthly bill.
- 4) If agreed between the Licensee and the customer, a bank guarantee may be accepted as an alternative to the Security Deposit arrangement.
- 5) The Licensee shall ring fence the customer Security Deposit funds (inclusive of accrued interest) from any other funds of the company.
- 6) The Licensee's investment policy governing the customer Security Deposits shall aim at minimizing the risk while maximizing the return to the consumers. In this regard, the licensee shall ensure that customer Security Deposits are invested in government securities such as bonds and treasury bills or any asset with a similar risk profile and as approved by the Authority.
- 7) The Licensee shall pay to the customer an interest rate equivalent to the annualized rate on a 360 day–Treasury bill as published by Bank of Uganda.
- 8) The Licensee shall be in position to provide a statement to any customer on request the closing balance as at the 31st December of each calendar year. The statement shall clearly show the interest earned for each year.
- 9) A Licensee may use a customer's Security Deposit and interest which has accrued to it to offset any amount owed by a customer to the licensee:-
 - (a) If the customer refuses to take supply after work at a supply address or installationstoprovidetothe customer electricity supply has been conducted by the licensee satisfactorily.
 - (b) If the customer fails to pay a bill resulting in

- disconnection of the electricity from the supply address.
- (c) If the customer defaults on a final bill; or
 - (d) At the request of a customer who is vacating the supply address or requesting disconnection of supply to the supply address.
 - (e) Where the customer finally pays any outstanding payments the Security Deposits shall be reinstated.
- 10) Where a Licensee uses a Security Deposit in accordance with clause 14.3.1 of the Electricity (Primary Grid Code) Regulations, the Licensee shall provide the consumer an account of its use of the security deposit and pay the balance (if any) of the security deposit to the consumer within the current billing cycle.
- 11) All Licensees shall submit annual reports by the end of March of each calendar year to the Authority showing:
- (a) The assets in which Security Deposits are held;
 - (b) Interest earned over the previous year ; and
 - (c) Evidence that the Security Deposits are ring fenced from other company funds should be exemplified by a special account disclosed separately in the annual financial statement.
- 12) For any Security Deposits collected by the Licensee before the effectiveness of this policy, the licensee shall calculate the interest earned with effect from 1st January 2011 to date at an average annual interest rate equivalent to the annualized rate on a Government of Uganda 360-day Treasury bill for the relevant period.
- 13) The Licensee will initially inform all the customers of balances on their Security Deposits not later than three (3) months from the date of effectiveness of these guidelines using appropriate means as approved by the Authority.
- 14) These guidelines are effective from the 1st day of January 2011.

IN WITNESS WHEREOF the common seal of the Electricity Regulatory Authority has been affixed hereto this20th..... day ofDecember 2010..... 2010 in the presence of:



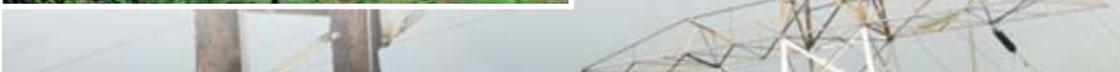
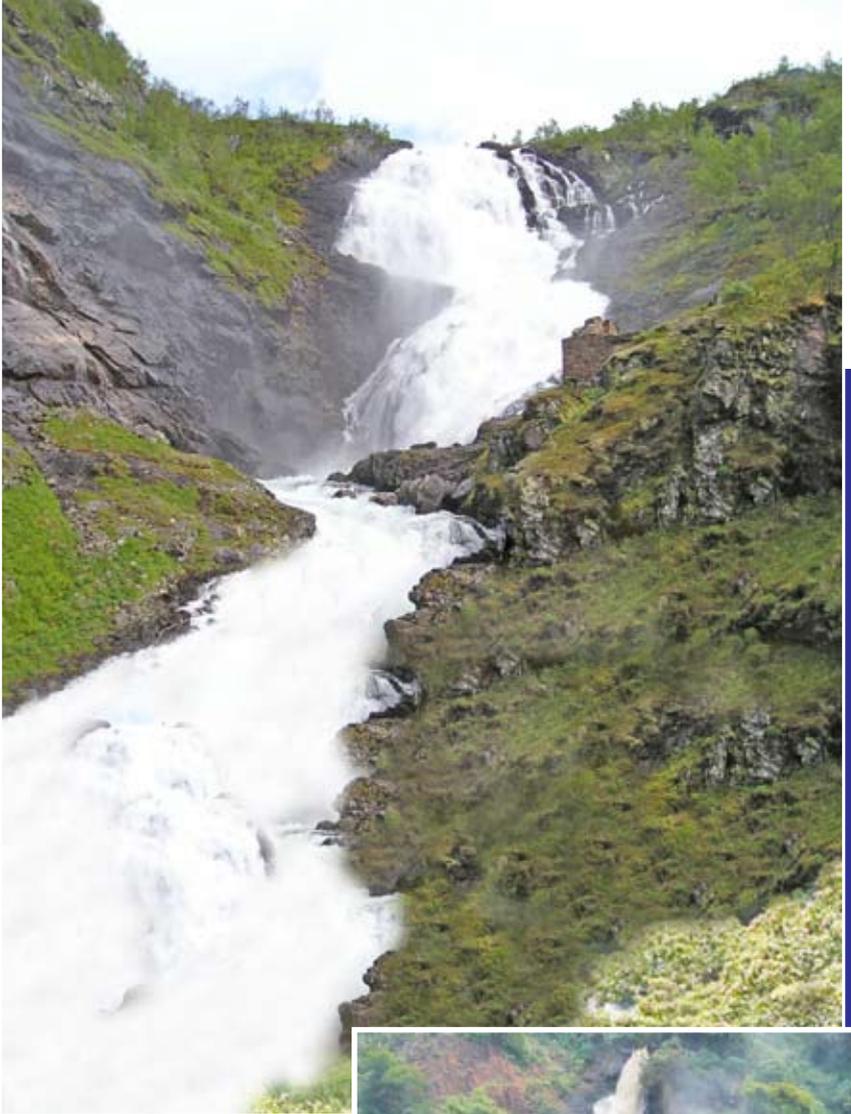
.....
CHAIRMAN



.....
AUTHORITY MEMBER



.....
AG. CHIEF EXECUTIVE OFFICER





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