



**REPORT ON THE CONSULTATIVE MEETING HELD IN RESPECT OF THE
APPLICATION FOR A LICENSE EXEMPTION BY KIRCHNER SOLAR (U)**

(BUNDIBUGYO, KYENJONJO AND NTOROKO DISTRICTS)

FEBRUARY, 2014



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LIST OF ACRONYMS

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| CAO | Chief Administrative Officer |
| C/P | Chairperson |
| DCAO | Deputy Chief Administrative Officer |
| DISO | District Internal Security Officer |
| DISE | District Secretary for Education |
| ERA | Electricity Regulatory Authority |
| GIZ | Deutsche Gesellschaft fur international Zusammenarbeit |
| LC | Local Council |
| MOU | Memorandum of Understanding |
| MP | Member of Parliament |
| MW | Mega Watt |
| PCO | Principal Communications Officer |
| RDC | Resident District Commissioner |
| REA | Rural Electrification Agency |
| RESCO | Renewable Energy Service Company |
| SME | Small Medium Enterprise |
| UNBS | Uganda National Bureau of Standards |
| USA | United States of America |
| VAT | Value Added Tax |

1.0 EXECUTIVE SUMMARY

The Electricity Regulatory Authority is a statutory body that was established under the Electricity Act of 1999 to supervise the electricity sector. ERA is mandated to issue licenses for the generation, transmission, distribution or sale of electricity; and the ownership or operation of transmission systems.

Kirchner Solar Uganda Limited applied to ERA for a license exemption to electrify Airtel telephone masts using small scale island Solar Photo Voltaic systems, and sell the surplus electricity to villages in close proximity of not more than five kilometres from the mast.

In partnership with GIZ, the developer intends to commence with 100 masts and 3 villages in the first year, 7 villages in the second year, and 10 villages in the third, fourth and fifth years.

The company set up a pilot project in Kabunyata village in Luwero District and so far 50 households have been connected to the solar power although they are not yet paying bills or connection fees. The site was toured by Members of Parliament from the intended beneficiary districts and staff from the Electricity Regulatory Authority on 30th January 2014. The company has set up a training centre for solar technicians in Luwero where Kirchner staff are being equipped with skills to handle technical problems.

Following the application for a license exemption by Kirchner Solar, the Electricity Regulatory Authority held consultative meetings with district leaders from some of the districts that would benefit from the project. These included Bugiri, Buyende, Namayingo, Mityana, Hoima, Kyenjojo, Bundibugyo, Rubirizi, Kabale, Rakai, Alebtong, Nwoya, Arua and Nebbi districts.

At these meetings, the applicant made a presentation regarding the application after which the leaders were given an opportunity to ask questions seeking clarification on the different matters in the presentations.

This report summarises the verbal submissions from the district leaders and provides responses made.

2.0 OBJECTIVES OF THE MEETINGS

The objectives of the meetings were to;

- a) Provide for an opportunity for ERA to receive information which may be useful in arriving at a fair and just decision in respect of the application by Kirchner Solar Uganda Limited for a license exemption.
- b) Provide for comments, questions and answers in respect of the application for a license by Kirchner Solar Uganda Limited before ERA considers the license exemption application.
- c) Provide for district leaders' awareness about the Kirchner Project and get their views which are representative of the Project Affected Persons especially in regard to the proposed tariff.

The district leaders in attendance included;

- ❖ The Resident District Commissioners
- ❖ The District LC V Chairpersons
- ❖ The District Chief Administrative Officers
- ❖ The District Secretaries for Production
- ❖ The LC III Chairpersons from the Affected Sub-Counties
- ❖ The District Speakers

The Kyenjojo, Bundibugyo meeting was presided over by Ms. Lydia Kiriire, an ERA Board Member.

3.0 PRESENTATION FROM THE DEVELOPER

The presentation made jointly by Kirchner Solar Uganda Ltd and GIZ focused on whom GIZ and Kirchner Solar are, the project idea, the project benefits and the tariff structure. The presentation detailed how GIZ is an experienced service provider and assists the German Government in achieving its objectives in the field of international cooperation while Kirchner Solar Group is one of the pioneers of the solar industry with 13 locations in Germany, Africa, Greece, India, Italy, Canada and the USA.

While explaining the concept of the Kirchner Solar idea, it was explained that a solar gen set would provide electricity for a mobile tower and a community nearby through a mini grid. Households in the proximity of not more than 5km would be connected to the gen set. The electricity would be sold with a prepayment meter system, payments would be made through mobile money and customers would be required to pay connection fees before connection. The presenter clarified that whereas before the project, mobile towers were run by diesel and there was no economic development in the communities, with the project there would be Renewable Energy Service Companies (RESCOs) that would supply power to both towers and communities. There would also be establishment of small enterprises and creation of job opportunities in the villages.

The developer clarified that the project is a proven concept and the first mobile tower in Kabunyata has been running faultlessly on solar energy since November 2012. A mini grid was installed using ABC wiring and as many as 50 households

have been connected. The area has since had significant levels of rural economic development with some consumers setting up milling and welding businesses.

The developer presented the following as anticipated benefits of the project:-

- a) Access to electricity for lighting, media, milling machines
- b) Substitution of expensive and unhealthy sources of energy
- c) New business opportunities that would emerge with community access to electricity
- d) Ability to meet power demand
- e) Job creation

The developer presented the proposed tariff structure with three categories of consumers; households (Bronze), shops/restaurants (Silver) and Small Medium Enterprises (Gold).

Under bronze which is the lifeline tariff, consumers would have 16 hours of guaranteed availability of power, load limit of 50 watts or less and a proposed tariff of Shs800 inclusive of VAT.

The silver category would have 18 hours of guaranteed availability, a load limit of 1000 watts or less and a proposed tariff of Shs1735 inclusive of VAT.

The gold category would have 18 hours of guaranteed availability, load limit of 1000 watts or less and a proposed tariff of Shs1841 inclusive of VAT.

The proposed connection fee for bronze categories was at Shs204, 000/- and Shs340,000/- for both silver and gold consumers.

4.0 MEETING HELD AT GARDENS RESTAURANT IN FORT PORTAL WITH DISTRICT LEADERS FROM KYENJOJO AND BUNDIBUGYO DISTRICTS

Ms. Lydia Kiriire, an ERA Board Member who presided over the meeting welcomed and thanked the participants for attending the meeting. She also thanked the developer for the initiative to electrify rural areas and pledged assistance from ERA that may be required by the developer. She added that the training scheme in Luwero was admirable and appreciated that the developer was equipping Ugandans with skills that would sustain the project. She informed the participants that views and comments submitted at the meeting would feed into the Authority report which would be analysed before the company is awarded a license.

The meeting was notably attended by the following personalities:-

- 1) The LC V Chairperson Kyenjojo District
- 2) The LC V Chairperson Bundibugyo District
- 3) The Secretary for Production Kyenjojo District
- 4) The Secretary for Production Bundibugyo District
- 5) The LC III Chairperson Nyantungo Sub-County Kyenjojo District
- 6) The LC III Chairperson Ntotoro Sub-County Bundibugyo District
- 7) The LC III Chairperson Kihuura Sub-County Kyenjojo District
- 8) The Acting Deputy CAO Ntoroko District

4.1 EMERGING ISSUES

- 1) The need for sensitization of consumers about how to reduce their electricity bills
- 2) The location of the identified Sub-County
- 3) The Criteria for selecting the villages
- 4) The proposed tariff is too high for the consumers

- 5) The possibility of lowering the connection fees
- 6) The need for the developer to carry out more on ground studies
- 7) The possibility of connecting other villages
- 8) Reliability of the power

4.2 DISCUSSION SESSION

The presentation from the developer was followed with a discussion session. Below are the issues that arose:-

The Presiding Officer appreciated the plan of electrifying 20 villages in the first phase as a good start and communicated that she was happy about the Kabunyata project. She advised the participants that the meeting was a consultative process and that ERA had not pronounced itself as yet. She urged the participants to air out their views concerning the project and that the information given is pertinent and would be used in arriving at the final decision.

She also advised that there was need for high levels of sensitization for people to understand consumption and how to reduce electricity bills. She requested to know if the 3500/- estimated monthly consumption for households was studied and also requested for the criteria that was used for choosing the 20 Sub-Counties.

Response; The developer advised that GIZ and Kirchner financial experts had studied the consumption patterns of households and based on the patterns, the 3500/- was arrived at with an assumption that a household has two bulbs with four hours of lighting every day, a phone with thirty charges power month and a radio used four hours every day.

In response to the question of the criteria used, the developer advised that the Sub-Counties considered for rural electrification had to be in close proximity to the Airtel Masts. Kirchner got a list of 100 masts in different Sub-Counties to be converted to solar. Forty villages were found to be in close proximity of not more than a radius of 5 kilometres from the mast. The first 20 villages were the most viable ones although the list was subject to change. The Sub-Counties were also not on the national grid and not likely to undergo rural electrification by REA in the next ten years.

Question 2 - Bahemuka Keith - Acting Deputy CAO; Ntoroko District; sought for clarification on the name of the Sub-County with the mast in the district.

Response; The developer advised that the consultative meeting was being held to clarify the details of location and to get advice from the leaders and once on ground studies have been done, the exact location would be identified.

Question 4 - James Byamukama - LC V Chairperson Kyenjojo; said he was not sure whether the Sub-Counties in Kihuura and Nyatungo had Airtel masts.

Response; The developer advised that he was faced with a challenge of district boundaries that keep changing but that he would also carry out more studies to verify the location.

The Presiding Officer advised that it was important to know where the masts were and then communicate to the district leaders and ERA.

The Chairperson said that the connection charges were rather high and that they should be reduced. He cited an example of REA which gave consumers in the district a window period where connection rates in Kyenjojo District were as low as 50,000shs and 45,000shs in Mubende and Kyegegwa but the connection rate

was still low. He advised that perhaps the money be subsidised or a grace period be created as an incentive to attract consumers.

Question 5; He also requested to know how reliable the power would be.

On providing subsidies, the developer advised that he would further discuss with Kirchner to see whether it is possible or not.

In response to the issue of reliability, the developer advised that the power was reliable but consumers would have to guard against using heavy power consuming gadgets like flat irons at night.

The Presiding Officer noted that the choice of villages was dependant on whether they had Airtel telephone masts, she however requested to know if the developer had consulted with REA to establish whether the locations were not in the rural electrification plan for the ten years.

Response; The developer advised that the company was in the process of signing a Memorandum of Understanding with REA and only areas that were likely to be electrified in the next 5-10 years would be considered. He added that once the national grid was extended to the villages, the company would hand over the grid to the Government.

Question 6 - Tibemanya Jolly - Bundibugyo LC V Chairperson; requested to know the possibility of putting the telephone mast in Bundibugyo among the first 20 Sub-Counties.

Response; The developer advised that Airtel had given the company a total of one hundred masts out of which forty had villages in proximity of not more than five kilometres and were considered. Covering villages much further than that was costly and would increase the costs of operation for the developer.

Question 7 - James Byarugaba - LC V Kyenjojo; suggested that the tariffs be increased but the connection fees reduced to attract the communities to pay. He cited an example of REA which had connection fees as low as 50,000 and 45000 but the villagers failed to pay.

Response; The developer advised that ERA had advised against increasing the tariff any higher than it was presented and it was therefore not possible for the developer to act contrary to the Regulator's decision.

Question 8 – Tibemanya Jolly LC V Chairperson Bundibugyo; requested that the connection fees be reduced and that the district leaders have a tour of the pilot project in Kabunyata Luwero.

ERA responded that the site visits had been limited to Members of Parliament from the beneficiary constituencies because it would be costly to transport 4-5 leaders from each district to the site in Luwero.

Question 9 - Senior Projects Engineer ERA - Peter Kakeeto; in reference to the consumers providing security for the equipment in Kabunyata, he requested to know what would happen once they are required to pay for the power consumed.

Response; The developer advised that after several considerations, it was resolved that there was no better security system than having the community members themselves watch over the equipment which gives them a sense of ownership over the equipment.

Question 10 - James Byamukama LC V Kyenjojo; requested to know if the developer could lobby for masts for villages that have high consumption levels.

Response; The developer advised that he would be able to lobby for the masts if the villages were identified.

Question 11 - Presiding Officer – Ms. Lydia Kiriire; requested to know what would happen if there were no consumers and the equipment was not taken away as said by the developer.

Response; The developer advised that the equipment would indeed remain since Airtel was the primary consumer of the power and the villages were beneficiaries from the agreement between Airtel and the developer.

Question 12 – Grace Tumuramyie - Secretary Production Kyenjojo; requested to know if there was a possibility of GIZ patterning with MTN or any other telecommunication companies.

Response; The developer advised that at the moment the contract was with Airtel and the company would first accomplish the 100 masts given by Airtel before considering other networks.

VIEWS AND COMMENTS

Comment 1 – James Byamukama - LC V Chairperson Kyenjojo; said that at the time of implementation the leaders would be ready to mobilise the community members for sensitization and that he was grateful for the project which would contribute towards the national plan of rural electrification.

5.0 CONCLUSION OF THE MEETING

From the meeting, it was observed that the proposed tariff was too high for the community in question and that there was need for the developer to verify the exact locations of the masts and the affected villages.

The district leaders were in support of the project but requested for a reduction of the proposed tariffs.