



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

(MITYANA DISTRICT)

FEBRUARY, 2014



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LIST OF ACRONYMS

CAO	Chief Administrative Officer
C/P	Chair Person
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

Electricity Regulatory Authority is a statutory body that was established under the Electricity Act of 1999 to supervise the electricity sector in Uganda. 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 the 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

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 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 in place 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 THE MITYANA DISTRICT HEADQUARTERS

The meeting which was held on 6th February 2014 was chaired by Mr. Peter Kityo, the ERA Principal Environmental Officer. It was attended by the following personalities;

- 1) The RDC Mityana

- 2) The LC V Chairperson
- 3) The Secretary for Works and Technical
- 4) The Secretary for Production
- 5) The Deputy CAO
- 6) The LC III Chairperson Bulela Sub-County
- 7) The District Water Officer

4.1 EMERGING ISSUES

- 1) Whether the project would continue operating if Airtel is out of business.
- 2) The proposed tariff is too high
- 3) The criteria for selecting the villages
- 4) Whether the project would not interfere with government plans of rural electrification
- 5) Sustainability of the Project
- 6) The exact location of the project since the mast cuts through two Sub-Counties
- 7) The VAT used by the developer (15%) is lower than the Government approved rate (18%)
- 8) Whether there would be royalties and revenue to the district
- 9) Whether the company received applications from other telecommunication companies
- 10) Why bigger consumers are paying more than smaller consumers
- 11) Whether the project would have a negative impact on the environment

4.2 DISCUSSION SESSION

The following questions and comments were raised at the meeting:-

Question 1 - Zziwa Suleiman; Secretary for Works; welcomed the project to Mityana district but requested to know what would happen if Airtel was no longer in business and if the project had any effect on the environment.

Response; ERA advised that no guarantee could be made that the company would continue operating with Airtel out of business and that the project would remain as long as Airtel is operating the masts.

The developer advised that the project had no negative impact on the environment and the batteries used were rechargeable and would not be disposed of in the villages.

Question 2 - Joseph Ssebuliba, Sub-County Chief Bulera; requested to know the criteria of selecting the villages and if the project would not affect government plans.

In response to the question of the criteria used, the developer advised that the villages selected had Airtel masts at a radius of not more than five kilometres and were not likely to undergo rural electrification in the near future and therefore the project would not affect government plans as feared by Mr. Joseph Ssebuliba.

Question 3 - Deborah Kyazihe, LC V Chairperson; noted that the Airtel mast borders two Sub-Counties and sought clarification on how this would be handled.

Response; The developer advised that both Sub-Counties if within the radius of 5 kilometres would benefit from the project.

ERA emphasised that even on the border, residents on both sides of the mast would be able to benefit as long as they were within a radius of not more than 5km from the mast. The developer was advised to do more on ground study and verify the right location of the mast.

Question 4 - Kiwanuka Katende, RDC Mityana; requested to know who would be responsible for operation and maintenance and the mode of payment that would be used.

Response; The developer advised that the company would be responsible for operation and maintenance while the mode of payment would be prepayment using mobile money.

Question 5 - Kyazihe Deborah, LC V Chairperson; noted that the presenter had said that an MOU between the developer and Airtel would be signed after the developer had received a license and sought clarification on why it would be signed after awarding a license and not before. She suspected that the consumers might be exploited as a result.

She also wanted clarification on why MPs and not district leaders were taken to the pilot project in Kabunyata village in Luwero.

Response; ERA advised that while discussing with Airtel, they said they would sign the MOU without being sure that Kirchner Solar would be given a license and that the MOU concerns availability of power. Supply should be 99.9% availability. The consumers would not be affected but stood to benefit from the relationship.

ERA also added that Kirchner was in the process of discussing an MOU with ERA which would entail Standards of the network, and what would happen when REA extended to the affected Sub-Counties.

On taking district leaders to the pilot project, ERA advised that initially the plan was to take MPs, CAOs and LCVs but the cost for all the 32 districts would be exorbitant. ERA advised that the issue would be further discussed by the Authority.

Question 6 - Lubega Israel, Vice Chairperson; advised that the community perception of solar is that there is a grand initial fee and that consumers are not required to make any other payments thereafter. He feared that the locals may not understand the unit payment for solar. He also requested to know why Airtel was not subjected to competition from other telecommunication companies.

The Deputy CAO Mityana added that according to the locals, solar should be cheaper than hydro but after adding VAT, it would become more expensive than Umeme, which the rural communities could not afford.

The developer advised that only Airtel had applied for their service although other telecommunication companies were free to apply for the same service. He added that once they applied, the company would consider bringing them on board.

On solar being expensive; the developer said that it was a misconception that solar is cheaper than hydropower and that it is more expensive in terms of cost of production and therefore the charges are higher than Umeme's.

ERA also advised that the tariffs put forward by the presenter were proposals that would be looked into by the Authority, amongst other factors.

Question 7 - Turyasirwa Edith, Deputy CAO Mityana; requested to know if the 15% VAT had been approved by the Authorities or if it should have been the standard 18% VAT.

Response; the developer said the VAT would be revised to 18%.

Question 9 - Seruwagi Godfrey, Secretary Production Mityana; and Kiwanuka Katende - RDC Mityana; requested to know why the developer had applied for a license exemption yet the service was not subsidised.

Response; ERA advised that the license exemption did not mean the company would not pay any money but that companies generating less than 2 MW qualify for an exemption. The exemption concerns the extent to which a company will be required to report on certain aspects.

Question 11 - Kyazihe Deborah, LC V Chairperson; requested to know if the land where the developer would put the container had been paid for.

Response; The presenter advised that the company would consult with district leaders before installing the container and then acquire the land on which the container would be put.

4.3 VIEWS AND COMMENTS

Comment 1 – Seruwagi Godfrey - District Secretary for Production; advised that tariff charges should be reduced

Comment 2 – Kiwanuka Katende - RDC Mityana; appealed that the proposed tariff be reduced and that Umeme should be used as a benchmark.

Comment 3 - Serunjogi Joseph - LCIII Bulela Sub-County; more consultative meetings with the district leaders and people at the grassroots.

Comment 4 – Kyazihe Deborah - LC V Chairperson; thanked ERA for organising the meeting and the developer for selecting Mityana District among the beneficiaries. She noted that Bulela Sub-County was very remote but with electricity the area would start to develop. She requested for more regular meetings with the developer and updates on the progress. She said her office was open for consultation if need arose and that as leaders, they would proceed to disseminate the information.

She also said that the proposed tariffs were too high and requested that a tour of the pilot project in Luwero be organised for the district leaders. She also requested that the company signs an MOU with the district.

Comment 5 - Katende Kiwanuka - RDC Mityana; thanked all the participants for taking part in the meeting. He requested that the salient issues raised by the leaders be considered to avoid any reservations and requested that the developer embarks on community sensitization about the project.

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.