

STATUTORY INSTRUMENTS
THE ELECTRICITY (TARIFF CODE) REGULATIONS, 2003

ARRANGEMENT OF REGULATIONS

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STATUTORY INSTRUMENTS
2003 NO. 23
THE ELECTRICITY (TARIFF CODE) REGULATIONS, 2003
(Under section 120 of the Electricity Act, 1999)

IN EXERCISE of the powers conferred upon the Electricity Regulatory Authority by section 120 of the Electricity Act, 1999 these Regulations are made this 11th day of April, 2003.

1. Citation.

These Regulations may be cited as the Electricity (Tariff Code) Regulations, 2003.

2. Application.

These Regulations apply to holders of licences for-

- (a) generation;
- (b) transmission;
- (c) system operation;
- (d) bulk supply;
- (e) distribution;
- (f) sale of electricity;
- (g) export or import; and
- (h) any other licensed activity.

3. Interpretation.

In these Regulations, unless the context otherwise requires-

“Act” means the Electricity Act, 1999;

“Authority” means the Electricity Regulatory Authority established under the Act;

“distribution” means the ownership operation, management or control of distribution facilities for the movement or delivery of electricity to consumers;

“generation” means the generation of electricity from water, mineral oil, coal, gas or any other means;

“transmission” includes the ownership, operation, management or control of transmission facilities for whatever purpose.

4. Objectives.

The objectives of these Regulations are-

- (a) to provide consumers with fair and reasonable price structures consistent with the maintenance of a financially and operationally secure electricity supply system;
- (b) to structure the costs reflected in the tariff in such a way as to encourage consumers to make efficient use of generating, transmission and distribution assets;
- (c) to encourage operators towards efficient use of electrical plant and increased operational effectiveness based on financial benefits and penalties;
- (d) to provide all licensed participants in the public electricity industry with a fair and reasonable return for their service and production, including a reasonable profit;

- (e) to encourage consumers towards efficient and economical use of energy based on price signals;
- (f) to provide a structure for the formulation of cost related tariffs for each section of the electricity industry, taking into account the limited scope for competition in the current market system configuration;
- (g) to provide a tariff structure that accommodates future progress towards a commercially competitive market system;
- (h) to provide for a tariff structure and regulatory environment that gives confidence to current and prospective investors in the Uganda electricity industry; and
- (i) to separate components of costs and tariffs which relate to natural monopolies from those components that could eventually become market based.

5. Principles.

In implementing these Regulations and furthering their objectives, regard shall be given to the following underlying and guiding principles-

- (a) tariffs shall be based on accurate cost information provided by operators and a transparent formulation and review process;
- (b) tariffs shall reflect short term variations in costs to reflect the fact that electricity as a commodity cannot be stored;
- (c) tariffs shall be structured and developed in such way as to reflect variations in costs imposed on the system by the time of use, seasonal factors, consumer load profile, voltage levels and similar factors; and

- (d) tariffs shall reflect the true cost of service and provide clear price signals to the consumers on the economic and efficient use of energy.

6. Regulation of Costs and Investments.

(1) The licensee is responsible for justifying that any costs or investments included in the formulation of tariffs are reasonable in the circumstances, and the Authority may challenge such costs or investments and where necessary reject them if the Authority considers them to be unreasonable or imprudent.

(2) There shall be a clear separation of activities and costs between potentially competitive and naturally monopolistic activities to clarify the regulatory situation, and allow for eventual differentiation in regulatory control.

7. Licence conditions.

The following licence conditions are particularly relevant to the tariffs setting process and shall consequently be taken into account by every licensee-

- (a) accounting records must be maintained and financial statements produced in accordance with the regulatory accounting standards determined by the Authority;
- (b) a reasonable apportionment of common costs into tariff cost categories shall be carried out in accordance with accepted business practices and the Authority must be informed of the allocation methods used;
- (c) there shall be no cross subsidies between customers or groups of customers for different activities undertaken by the licensee; except with prior approval of the Authority;
- (d) the licensee shall ensure that any activity including tariff setting, does not impede competition in the industry;

- (e) the licensee's tariffs shall be consistent with maintaining an acceptable level of quality and reliability;
- (f) the structure of the tariff shall encourage the improvement of operational and economic efficiency; and
- (g) tariffs shall be developed in accordance with these Regulations.

Components of Tariff Computation.

8. (1) The components of tariff computation for each licensee shall be in accordance with the Tariff Methodology approved by the Authority in respect of each particular licence and may include the following general categories of costs.

- (a) power acquisition related costs;
- (b) operation and maintenance costs;
- (c) investment related costs;
- (d) return on investment;
- (e) adjustment factors, for system losses, inflation and foreign exchange; and
- (f) other costs as approved by the Authority.

(2) Only the specific costs allowable by the Authority and associated with the activities of each licence shall be included in the tariff computation.

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CHAIRPERSON
ELECTRICITY REGULATORY AUTHORITY.