

**SPEECH BY THE SECOND DEPUTY PRIME MINISTER  
AND MINISTER OF PUBLIC SERVICE RT. HON.  
MUGANWA KAJURA AT THE STAKEHOLDERS'  
FORUM ON POWER SYSTEM LOSSES HELD AT  
IMPERIAL ROYALE HOTEL -18 JULY 2008**

Honorable Ministers

Honorable Members of Parliament

Distinguished Forum Participants

Ladies and Gentlemen

1. It is a pleasure for me to be here this morning as you deliberate on the important issue of electric power system losses. I wish to take this opportunity to welcome you all. It is my hope that you will have a fertile exchange of ideas on this challenging subject of power system losses and come up with a package of solutions to address the problem.
2. Uganda's power sector is faced with three major challenges. The first one is the inadequate power supply capacity unable to meet demand. This has had a negative impact on the economic and social development of the country as there is not enough

electricity to operate the industries, commercial enterprises and provision of social services.

3. The second major challenge is that of increasing access to electricity to cover a larger cross section of the population. With a national electrification rate of about 10%, more needs to be done especially in the rural areas where the majority of the population live. Efforts are currently focused on electrifying district headquarters and areas of economic activities.
4. The third major challenge, and the subject of our discussions today, is that of power system losses. Uganda's power system losses standing at about 40% (both distribution and transmission losses) are one of the highest on the continent.
5. The inadequate power supply was caused by a combination of factors. First of all, there was a delay in undertaking investments and therefore increasing generation capacity. Secondly, the main hydropower generation facilities at Jinja were hit with the drought conditions which affected the East African region from 2003 – 2006. The third factor is the ever increasing demand for electricity growing at a rate of 24 – 30 MW per annum.

6. While government had wanted to develop two hydropower plants in the short to medium term (ie between 1999 and 2009) to mitigate against the above issues, our financiers insisted on the sequencing of projects and over a long time. That advice was wrong and we shall not take such advice again.
7. To address the power supply issue, Government formulated a comprehensive plan to meet the electricity supply needs of the country in the short, medium and long term. This includes provision of emergency thermal power supply; energy efficiency and demand side management measures; development of hydropower facilities at Bujagali, Karuma and Isimba; development of renewable energy resources including small hydropower sites, solar photovoltaic and solar thermal, biomass cogeneration and geothermal resources; diversification of power supply mix to include thermal generation based on heavy fuel oil; and establishing and strengthening the regional grid interconnection to facilitate regional power trade.
8. Government established an Energy Fund to facilitate the development of the power projects. The large hydropower projects will be developed using proceeds from this Fund. The projects could then be concessioned out to the private sector.

9. I should also point out that in order to mitigate the high tariff of diesel generated power, Government provides substantial subsidies and also waived the duty on the fuel used for power generation. We are however implementing a sound plan to replace the expensive diesel generation with cheaper options like heavy fuel oil and natural gas based generation let alone the hydropower generation.
10. From the above it is clear that on the power supply side the various interventions outlined above will help us to find sustainable solutions to the power supply problems in the country.
11. This leaves us with power system losses as one of the remaining major challenges. With the current total generation of about 250 MW, losses of 40% mean that 100 MW, including the expensive thermal power, ends up in losses.
12. Compared to other Nile Basin countries Namely; Kenya, Tanzania, Rwanda, Burundi, Sudan, Ethiopia and Egypt, Uganda has the highest power system losses. Egypt on the other hand has the lowest losses at 12% while Burundi follows Uganda with total losses of 24%. The other six countries have losses ranging 18 – 20%.

13. For each percentage point of power loss, US\$3.2 million is lost annually. This means that for the commercial losses (power thefts) estimated at 20%, US\$64 million (about Shs.110 billion) is lost annually. With such a magnitude of losses, efforts to improve power supply are greatly impended.
14. I am informed that Umeme has come up with a Strategy to address these losses. The Strategy includes among others installation of a new billing system which is expected to be finalized in December 2008. They are also cleaning up their customer database. Umeme together with Uganda Electricity Transmission Company Limited (UETCL) are also carrying out investments to address the technical losses.
15. Umeme's efforts to reduce losses especially power thefts are however being hindered by a number of challenges. For example, in Masaka, where power thefts were found to be about 70% of the total power supplied to the area, illegal consumers would reconnect themselves as soon as Umeme staff left the area. It would certainly be difficult for Umeme to deploy manpower to monitor on a daily basis the activities of illegal consumers in the entire country.

The company has also had challenges prosecuting culprits.

16. Umeme too, will need to do major house cleaning work where Umeme staff are involved in the malpractices. I am informed that the company's policy is to get rid of such staff whenever found. The reports on the ground are not encouraging at all.
17. As you all realize, the problem is a big one and this Forum should exhaustively deliberate on it and come up with concrete solutions.
18. I wish to make some suggestions on how to fight these losses:

### Government Action

- (i) We shall ensure that Police, ISO and other security agencies, assist Umeme in the fight against power thefts.
- (ii) We shall also ensure that the local leaders assist Umeme in identifying and reporting illegal consumers of electricity.
- (iii) Government will continue implementing energy efficiency and demand side management

programmes to impart awareness among the different categories of electricity users.

- (iv) Government will ensure investment in the sector with a view to improving the supply mix and availing cheaper and affordable tariffs.
- (v) Finally on the part of government, we realize that it will be necessary to handle power and electrical materials thefts under a more vigorous legal arrangement. We shall address this matter fairly soon.

### Umeme Action

- (i) Umeme needs to urgently address the issue of Umeme staff getting involved in the malpractices, getting to the root cause of this.
- (ii) In terms of prosecuting culprits, Umeme needs to consider hiring private prosecutors.
- (iii) There should be a thorough audit power consumption of the large consumers because power theft is not limited to the small domestic consumers.

- (iv) Umeme should also review the timeliness of connecting new customers to avoid the temptation of would be customers using 'kamyufus' to connect themselves.
- (v) Umeme must install other efficient technologies like prepayment metres to address the problem of power thefts and lack of payment. I am informed that the small Ugandan companies which have obtained rural distribution concessions to supply electricity in Kibaale and Kanungu districts have installed prepayment metres and the technology is helping those concessionaires to manage some of these challenges and vices. Prepayment metres are therefore a must.

### General Public Action

- (i) The general public should come out to identify and report illegal consumers. Those who pay for electricity also pay for those who steal it. The thefts inhibit government to extend power supply to new consumers.
- (ii) Users of electricity should adopt energy efficiency measures so that they attract

manageable bills which they can pay on time.

19. Ladies and Gentlemen, it is my hope that in the course of the day you will be able to carry out a thorough surgery of this formidable problem and come up with a package of solutions.
20. With those remarks, I wish to take this opportunity to declare the Forum open. I wish you fruitful deliberations.
21. I thank you for your attention.

**FOR GOD AND MY COUNTRY**