



THE REPUBLIC OF UGANDA

CONSULTATIVE WORKSHOP WITH MEMBERS OF PARLIAMENT

LAKE VICTORIA SERENA HOTEL, KIGO

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**KEY NOTE ADDRESS: "GOVERNMENT POLICY FRAMEWORK AND KEY
PROGRESS IN THE POWER SUBSECTOR"**

BY

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The Chairperson of the session

Hon. Members of Parliament

Heads of Agencies in the Energy Sector

Invited Guests

Ladies and Gentlemen

INTRODUCTION

1. It is my honor and pleasure to be here this morning to participate in this important workshop organized by the Electricity Regulatory Authority (ERA). I commend ERA for organizing this workshop for the Members of the Natural Resources Committee of Parliament .
2. The workshop is aimed at providing an adequate overview of the electricity industry in the country and acquainting the Members of the Committee with the developments in the Electricity Supply Industry, thereby promoting transparency and accountability.
3. Noting that majority of the Members here are new to the committee, this workshop is timely and it will go a long way in bringing them on board with regard to the sector matters.
4. I wish to point out that, adequate, affordable and reliable power supply is the engine for social and economic development. Energy transforms people, it changes the way they behave, improves their levels of productivity and liberates the marginalized in society.

5. The National Development Plan (NDP II), 2016 – 2020 and Vision 2040 requires enormous investment in the energy sector because energy is a catalyst for the development of all the other sectors of the economy.
6. The key issues/challenges in Uganda's Power Subsector currently are;
 - a) **Infrastructure Gap in Generation Capacity to meet the growing demand:** Previously, investment in least cost technologies in the power sector has not been sufficient to match the growth in power demand.
 - b) **Financing Gap for the Power Sector:** There is a huge financing gap in the power sector that does not match the needed investment to meet the growing energy demand.
 - c) **The Need to Increase Access to Modern Forms of Energy:** Only 20.4% of our population has access to modern energy services yet without energy, sustainable development goals cannot be attained.
 - d) **The Transmission and Distribution Infrastructure Cannot Support Power Trade in the Region.** We have a weak infrastructure which is not well interconnected to our neighbours. This cannot support inter-regional energy trade which would enhance security of power supply.
 - e) **High Power Losses** (commercial & technical) within the distribution network now at about 19.5%.
7. To address the aforementioned challenges in Power Sub-sector, the Government of Uganda has prioritized the following:

- a) To increase electricity generation capacity and develop the transmission network;
 - b) To increase access to modern energy services through rural electrification and renewable energy development;
 - c) To promote the efficient utilization of energy and reduction in power losses.
8. To realize the above priorities, Government has put in place an appropriate policy, legal and regulatory framework to promote investment in the energy sector. These are detailed below.

POLICY AND LEGAL FRAMEWORK IN THE POWER SECTOR

The Electricity Act, 1999

9. The Parliament of Uganda enacted the Electricity Act of 1999 with the aim of bringing about an enabling environment for the transformation of the electricity sector. The main objective of the Act is to provide a framework for regulation of the generation, transmission, distribution, sale, export and import of electrical energy in Uganda.
10. The salient features of the Act include the enabling legislation for:
- i. Liberalising the electricity industry;
 - ii. Unbundling of the Uganda Electricity Board (the “**UEB**”) (historically a vertically integrated monopoly) into three entities namely generation, transmission and distribution;
 - iii. The establishment of Electricity Regulatory Authority (the “**ERA**”) to regulate the sector;
 - iv. The establishment of the Rural Electrification Fund (the “**REF**”), with the main objective of enhancing rural access to electricity; and

- v. The establishment of the Electricity Dispute Tribunal (the “EDT”) that has jurisdiction to hear and determine electricity sector disputes which are referred to it.
11. The Electricity Act 1999 is under review. The key areas to be reviewed include the following:
- a) Elevating the status of the Rural Electrification Agency into a body corporate institution to handle Rural Electrification.
 - b) Introduction of stringent penalties for power theft and damage to electrical installations;
 - c) Exemption of electrical equipment in the possession of a third party from attachment through court orders and GOU Assets.
 - d) Increasing membership of the Electricity tribunal to 7 members;
 - e) Increasing the maximum levy that the Electricity Regulatory Authority can receive from 0.3 to 1% of the Electricity generated.
 - f) The introduction of a maximum levy that the Electricity Disputes Tribunal can receive of 0.1% of the Electricity generated.
 - g) Authorizing embedded generators or small power plants to sell electrical energy in bulk to customers.
 - h) Designation of other power buyers on application and approval by the ERA.
 - i) The provision for the minister to issue all Statutory Instruments.
 - j) The successor companies of Uganda Electricity Board and all sector institutions to be managed and supervised by the Minister responsible for the Electricity Sub-sector.
12. The second draft of the Electricity Amendment Bill 2016 has been finalized by the First Parliamentary Council. This will be presented to Cabinet early next month before it is sent to Parliament for debate.

The Energy Policy for Uganda (2002)

13. In 2002, Government put in place the Energy Policy for Uganda. Its main policy goal is “to meet the energy needs of the Ugandan population for social and economic development in an environmentally sustainable manner”.

The Renewable Energy Policy for Uganda, 2007

14. The Renewable Energy Policy, of 2007 was put in place to increase the share of Renewable energy in the energy mix. To attract private capital it provided for the following;
 - a. **Feed-in-Tariffs** were introduced to provide a predictable environment.
 - b. A **Standardized Power Purchase Agreement, PPA** was introduced reduce the lengthy time involved in negotiations between the developer and the off taker. This dramatically cut down time spent on negotiations as well as on transaction costs.
 - c. The introduction of specific regimes that favor renewable energy. These include preferential tax treatment, tax exemption and accelerated depreciation was introduced.
15. The Uganda Energy Credit Capitalization Company (UECCC) was established to assist project developers attain financial closure.

The Rural Electrification Strategy and Plan 2013-2022 (RESP II)

16. In 2013, Government put in place the second Rural Electrification Strategy and Plan 2013-2022 (RESP II) with a primary objective of achieving an accelerated pace of electricity access and service penetration to meet national development goals during the planning period and beyond.

17. The Secondary Objective is to ensure that, progressively, the programme facilitates access to all forms of modern energy services to replace kerosene lighting and other forms of traditional cooking and heating by 2030. This strategy aims at increasing the electrification rate to 26% by 2022.

The Power Sector Investment Plan (PSIP)

18. In 2012 Government developed a Power Sector Investment Plan which involved inter- related studies comprising of forecasting of the demand of electricity development of least cost generation, transmission, distribution and rural electrification plans required to provide adequate power supply.
19. The aim of the PSIP is to:
- i) Enable provision of adequate reliable power while anticipating the demand based on the country vision for economic development.
 - ii) Provide sector wide framework encompassing programmatic finding in a coordinated and harmonized manner.
 - iii) Translating the strategic sector plans into a series of costed actioned projects for a period of 20 years.
20. This PSIP is being updated so that it continues to guide the development of the power sub sector in an orderly manner.

KEY PROGRAMMES BEING PURSUED BY THE MINISTRY

21. Electricity Generation Projects.

Key projects being developed include:

- **Isimba Hydropower Plant (183 MW)** is under construction and is to be commissioned in August 2018. Construction works are currently at 51%.
- **Karuma Hydropower Project (600 MW)** to be commissioned in December 2018. Construction works are currently at 48%.
- **Agago-Achwa hydropower projects (83MW):** Construction commenced in December, 2015.
- In addition, there a number of renewable energy projects under the Global Energy Transfer - Feed in Tariffs (GET-FiT) program totaling over 150 MW that are under development.

22. Transmission Infrastructure

To ensure that power generated is evacuated, the Government is expanding the Power Transmission Infrastructure through the construction of several transmission lines and substations. By June 2017, a total of 976 km of transmission lines will be completed and commissioned. **Those meant to facilitate regional power trade include;** Bujagali-Tororo-Lessos 220kV, 127km line; Mbarara – Mirama – Birembo 220kV, 66km line.

23. Rural Electrification

To increase energy access in rural areas, a rural electrification program was developed targeting connecting district headquarters, production areas to support Agricultural modernization, socially desirable areas like schools, health centres, water supply facilities, trading centres which provide services to the rural population as well as Individual households. This has enabled us increase the level of energy access in the rural areas to about 10%.

24. Energy Efficiency and Loss Reduction

- A Power loss reduction program is being implemented by Umeme Ltd. This has resulted into a reduction in power losses from 25% in 2013 to the current level of about 19%. Some of the initiatives that have been taken by Umeme Ltd to reduce the losses include among others; installation of Smart meters for large consumers, prepaid meters for domestic consumers and use of insulated conductors in the distribution system to curb illegal connections.
- The Energy Week is held annually to sensitize the public on efficient utilization of energy. The main focus of the week is to create public awareness in regards to Energy Efficiency technologies and Renewable Energy technologies that can be used to reduce energy bills.
- Energy Audits are carried out in high energy consuming industries to help identify areas of energy wastage and opportunities for energy efficiency improvements.
- Training of Energy Managers and consultants is carried out for large energy consumers with the aim of building the capacity of energy managers within these facilities.
- Energy Efficiency standards were developed by the Ministry in collaboration with UNBS and gazetted in 2013 for five key appliances, namely Electric motors, Lighting appliances, Refrigerating appliances, Freezers and Air Conditioners. Alongside the Standards, the comparative energy labels were developed. The Ministry is currently sensitizing the public and the stakeholders about the use of the standards and the labels.

25. Energy Efficiency and Conservation Bill

- To sustain energy efficiency improvements, The Energy Efficiency and Conservation Act will need to be introduced. The Principles to be embodied in the Energy Efficiency and Conservation Bill 2016 were approved by Parliament in January

2016 and the drafting of the bill is underway. Key elements in the bill include;

- i) Issuing of the relevant regulations and designation of energy consumers whose energy consumption exceeds the agreed threshold in relation to the Act.
- ii) The Uganda Energy Credit Capitalization Company (UECCC) mandated to create a financing instrument for projects aimed at improving energy efficiency.
- iii) Designate Energy consumers to be put in place and implement an Energy Management system.
- iv) Introduction of Energy Efficiency Performance Standards, that effectively limit the amount of energy that may be consumed by specified goods in performing specified tasks.
- v) Specified Equipment and Appliance to be labeled with information to inform users the relative level of energy efficiency of the equipment or appliances

CONCLUSION

26. In conclusion, let me observe that while there are challenges in the Power Sub-sector, Government has put in place strategies to have them addressed.

27. This workshop is going to provide Members of Parliament with key strategies being undertaken in the sector to grow the Electricity Supply Industry.

28. I wish to thank the Members of Parliament for their support and to request them to continue supporting the programs in the Ministry so that the Energy Sector continues to grow.

29. With these few remarks I wish to thank you for your attention and to declare the workshop opened.