



## **ELECTRICITY REGULATORY AUTHORITY**

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### **STATEMENT ON THE 2014 ELECTRICITY END-USER TARIFFS**

**Kampala – 14<sup>th</sup> January 2014**

#### **1.0 BACKGROUND**

The Electricity Act, 1999 (Cap 145 of the Laws of Uganda) mandates the Electricity Regulatory Authority (Authority) to review and approve electricity tariffs in accordance with the principles of tariff calculation and the terms of supply of the licensees in the Electricity Supply Industry (ESI).

- 1.1** The 2014 end-user tariffs are a culmination of a tariff review process that started with the submission of tariff applications by Umeme Limited, Eskom (U) Limited, Uganda Electricity Transmission Company Limited, Uganda Electricity Generation Company Limited, and Uganda Electricity Distribution Company Limited, in accordance with the Electricity (Application for Permit, License and Tariff Review) Regulations, 2007; and the provisions of the licenses of the companies.
- 1.2** On 21<sup>th</sup> November 2013, these applications were advertised in the media calling on the public for comments or objections. However, no objections or representations were received.
- 1.3** On 23<sup>rd</sup> December 2013, a Public Hearing in respect of the tariff applications was held at Imperial Royale Hotel and the participating

public presented their comments and views on the applications which were taken into consideration.

## **2.0 TARIFF DRIVERS**

The Authority undertook a detailed analysis of the submissions by the different power companies. The analysis was driven largely by the following factors:-

- (i) The Government of Uganda will continue meeting capacity payments to the thermal plants in 2014 estimated at Shs. 59.531 billion;
- (ii) Government of Uganda will convert debt obligations to UEB successor companies (UEGCL, UETCL and UEDCL) into zero return equity and debt service will not be financed through the tariff;
- (iii) The project costs for Uganda Electricity Transmission Company Ltd (UETCL) and Uganda Electricity Generation Company Ltd in respect of the development of the transmission projects and the development of the 600MW Karuma and 183MW Isimba projects are treated as development costs and shall be funded from the Energy Fund;
- (iv) A favorable exchange rate regime where the Uganda Shilling appreciated from Shs 2,688 per US Dollar in 2013 to Shs 2,524 in 2014;
- (v) Reduction in Umeme Limited energy distribution losses to a target of 20% in 2014 from 23% in 2013; and

- (vi) Minimal dispatch of thermal plants in the first quarter of 2014 due to favorable hydrology.

### **3.0 APPROVED TARIFFS**

**3.1** The Authority at its 225<sup>th</sup> meeting held on the 13<sup>th</sup> of January 2014 considered and approved the following end-user tariffs and other charges for 2014.

#### **END-USER TARIFFS**

- (i) A Lifeline Tariff of **Shs 150** per unit for the first 15 units;
- (ii) A reduction in the Domestic Consumer Tariff from **Shs 524.5** to **Shs 520.4** per kWh;
- (iii) A reduction in the Commercial Consumer Tariff from **Shs 487.6** to **Shs 474.4** per kWh;
- (iv) A reduction in the Medium Industrial Tariff from **Shs 458.9** to **Shs 452.0** per kWh;
- (v) A reduction in the Large Industrial Tariff from **Shs 312.8** to **Shs 310.4** per kWh; and
- (vi) A tariff for Street-lights of **Shs 488.8** per kWh.

## OTHER CHARGES

Other charges by Umeme Ltd remain unchanged as shown in the table below.

<b>Reconnection Fees (Shs)</b>	
Single Phase	11,800
Three Phase	25,200
<b>Fixed Monthly Charge (Shs)</b>	
Domestic	3,360
Commercial	3,360
Medium Industrial	22,400
Large Industrial	70,000
<b>Maximum Demand Charge (Shs)</b>	
Maximum Demand Charge medium Industrial (Per kVA per month)	16,644
Maximum Demand Charge up to 2,000kW (Per kVA per month)	11,096
Maximum Demand Charge between 2,000 and 10,000kW (Per kVA per month)	5,548
Reactive energy charge -(per kVAh per month)	40
Reactive energy reward -(per kVAh per month)	20
<b>Inspection fee (Shs)</b>	
Domestic	41,500
Commercial	48,000
Medium Industrial	88,000
Large Industrial	118,000
<b>Security Deposit (Shs)</b>	
Domestic	100,000
Commercial	200,000
Medium Industrial	1,000,000
Large Industrial	2,000,000

#### 4.0 QUARTERLY TARIFF ADJUSTMENT

The approved tariffs shall be subject to a quarterly adjustment determined in accordance with an approved methodology. The quarterly tariff adjustment mechanism has a number of advantages including the following:

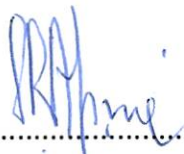
- (i) Elimination of large fluctuations in the tariff;
- (ii) Enabling the consumer to relate his bill to movements in macro-economic factors;
- (iii) Enhancing transparency in the tariff setting as well as improving overall investor confidence in the sector.

The following modalities shall guide the quarterly tariff adjustments;

- (i) At the beginning of every calendar year, the Authority shall approve a Base Tariff taking into account the licensees' Revenue Requirements.
- (ii) The process of setting the Base Tariff shall be open, transparent and will involve the participation of the public through Public Hearings and other mechanisms.
- (iii) The applicable Adjustment Factor for each quarter shall be computed by the Authority based on an open and transparent process as contained in Part III of the Gazette Notice.
- (iv) Within two weeks following the end of each respective quarter, the Authority shall publish the applicable Adjustment Factors for that particular quarter.
- (v) The quarterly Adjustments shall not be applied on other charges namely:-
  - Fixed Monthly Service Charges
  - Maximum Demand Charges

- Reactive Energy Charge
- Reconnection Fees; And
- The Lifeline End-User Tariff

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