

**ROLE OF THE
RURAL ELECTRIFICATION AGENCY
IN THE
ERT PROGRAMME**

KEYNOTE ADDRESS DELIVERED
AT THE

**HIGH LEVEL STAKEHOLDERS WORKSHOP
ON COMMUNITY ELECTRICITY:
EXPERIENCE AND OPPORTUNITIES**

2-3 SEPTEMBER, 2003

Kampala, Uganda

BACKGROUND

Situation in rural areas

- About 85% of the population lives in rural areas
- Main livelihood is by subsistence agriculture
- Inadequate infrastructure services
- Lack of integration with markets
- Electricity grid access is about 1%
- Very limited benefits of common place modern goods and services
- Limited opportunities for job creation
 - poverty remains pervasive and extensive.

GOVERNMENT INTERVENTION FROM THE ENERGY PERSPECTIVE

Electricity Act, 1999 obligated Minister responsible for Energy to:

- Develop a Rural Electrification Strategy and Plan;
- Establish a Rural Electrification Fund (REF); and
- Create special incentives for investment in rural electrification

RE STRATEGY AND PLAN

Envisages the following major aspects

- Paradigm shift in planning, sponsoring and implementing RE projects.
 - Government moving from market maker to market enabler
 - Private sector led, demand driven projects
- Provision of subsidies to project developers to buy down high investment costs.
- Light regulation of business to attract investments
- Use of a mix of technical approaches
- Will be instrumental in the Poverty Eradication Action Plan, (PEAP).

ENERGY FOR RURAL TRANSFORMATION (ERT) PROGRAMME

ERT developed with assistance of World Bank to implement RE Strategy and Plan.

Purpose

Develop rural electrification access from 1% to at least 10% by 2012.

- Develop Information/Communication Technology (ICT) sector:
 - ▶ One public phone per 5000 inhabitants
 - ▶ Internet facilities per District Headquarters
 - ▶ One rural community telecentre per district

ESTABLISHMENT OF RURAL ELECTRIFICATION AGENCY (REA)

- The Minister established the REF by Statutory Instrument in 2002.
- REF is channel for extending “Smart Subsidies”
- Statutory Instrument established institutional mechanism for management of REA
 - ▶ REA Board to manage the fund
 - ▶ REA to work as operational arm (Secretariat) of REB
 - ▶ Trust Agent to hold the REF account
- REB was instituted in December 2002
- REA started functioning in July 2003

ACTIVITIES OF REA

1. Identification and preparation of projects for bidding (usually large projects)
2. Facilitation for progressing locally initiated projects.
3. Evaluation of projects for award of subsidies
 - ▶ Meriting projects recommended to REB for award
4. Public awareness and outreach
 - ▶ Media publicity and workshops
 - ▶ Social intermediation
5. Coordination of stakeholders
6. Preparation of annual reports on progress of ERT

PROJECT REALISATION

Two methods

- ▶ Competitive bidding
- ▶ Locally initiated (non-competitive) projects

■ Competitive bidding

- ▶ REA identifies priority projects
- ▶ Feasibility studies are carried out
- ▶ Project is packaged for bidding
- ▶ Electrification Regulatory Authority coordinates bidding and concessioning
- ▶ Bidding on subsidy level and tariff

■ Locally initiated projects (not for bidding)

- ▶ Project concept presented to REA by sponsor
- ▶ Private Sector Foundation asked to provide technical assistance
- ▶ Promoter carries out studies and develops business plan
- ▶ REA evaluates proposal for subsidy award
- ▶ ERA awards licence/concession

PRIVATE SECTOR PROJECTS UNDER THE ERT

West Nile Concession

- Largest “unelectrified” population center in Uganda.
- Historically using UEB decrepit, diesel-based isolated systems in some urban areas.
- New concessionaire (WENRECO) selected by competitive bidding in March, 2003.
- To electrify the districts of Arua and Nebbi.
- Project based on 3.5 MW power plant at Nyagak.
- Project progressing well
- 60% subsidy extended to project

Kakira Sugar Cogeneration Project

- Based on generation from bagasse
- PPA for 7MW with UETCL signed
- Obtaining subsidy of US\$ 3.3 million
 - Renewable energy grant from GEF
- Demonstration of ERT's support to diversification of renewable energy-based power generation

Rukungiri/Bushenyi RE Project

- Promoted by project company – URECL
- Based on 5.5 MW generation from Ishasha
- Distribution system to supply electricity under concession
- Excess energy to be sold to UETCL by connection to grid
- Draft PPA has been initiated
- PPA to be signed late September, 2003
- Over 50% subsidy requested

Kisizi Mini-grid Project

- Based on upgrading micro-hydro 60 kW plant to 300 kW.
- Service to scale up from hospital to 2 trading centers and local community of 600 consumers.
- Process for granting subsidy and concession advanced.
- Over 50% subsidy to be provided

NEW PIPELINE OF PROJECTS

Kasese Rural Electrification Project

- Promoted by Kilembe Investment Limited (KIL)
- Electrification of Kasese District and northern part of Bushenyi District
- Based on power purchase from Kilembe Mines Power Station (5 MW)
- KIL has applied to ERA for a distribution concession
- Local authorities, cooperatives and individuals are buying shares
- Negotiating agreement with PSF for supporting feasibility study.

Buseruka Hydropower Project

- Estimated plant capacity of 15.6MW
- Promoted by an Indian Company Hydromax
- Received exclusive permit from ERA to carry out studies for 1½ years
- Possible concession for generation, distribution and sale

Mbale Rural Electrification Project

- Phase 1: Distribution concession by buying energy from the grid
- Phase 2: Possible development of two hydrosites: Site (1.04 MW) and Sipi (2 MW).

NEAR TERM PRIORITY RURAL ELECTRIFICATION PROJECTS (PREPS)

- 8 possible distribution concessions identified
- Preliminary survey to be undertaken shortly
- IREMP study to package the best five on a fast-track

CHALLENGES OF REA

- Realizing 10-year target
 - ▶ REA establishment delayed by one year
 - ▶ Staffing needs to be expedited to quicken real start-up time
- Mobilizing the private sector to participate in rural electrification projects
 - ▶ Large, multinational sponsors are scepticle
 - ▶ Local communities/entrepreneurs may lack equity and confidence
- Capitalizing the REF
 - ▶ Need for a strong fundraising strategy

Thank You for Your Attention !!!

