

**THE ELECTRICITY INDUSTRY
REFORMS IN UGANDA
&
THE RURAL ELECTRIFICATION
PROGRAMME**

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**WHAT IS ELECTRICITY
INDUSTRY REFORM IN UGANDA
ABOUT?**

SHIFT FROM THE TRADITIONAL WAY OF FINANCING PROJECTS AND DELIVERY OF SERVICES

- Utility had monopoly to generate, transmit, distribute & supply electricity.
- Financing obtained from internal resources & development partners on concessional terms.
- Government/ministry & utility regulate the sector
 - » Government approved Tariff.
 - » Utility granted licenses to other developers and set standards.

OBJECTIVES OF THE REFORM

- Create a level playing field for all players.
- Attract private capital in the power sector.
- Attain efficiency in service delivery.

ENABLING ENVIRONMENT: POLICY & LEGISLATION

■ POWER SECTOR STRATEGIC PLAN 97 &99

- Defined the industry & market structure, form of regulation & Role of government.
- Put in place a roadmap for the reform program.
- Spelt-out new policy direction and emphasized:
 - » Need to make power sector financially viable.
 - » Involvement private sector in electricity.
 - » Increase of access to electricity.

■ **ELECTRICITY ACT, 1999**

- Broke the monopoly of UEB in power generation, transmission, distribution and supply.
- Created a Regulator (ERA).
- Created a licensing regime for projects.
- Gave powers to the Minister to create a Rural Electrification Fund.
- Obligates Government to promote, support and undertake Rural Electrification programmes.

STATUS OF THE ELECTRICITY INDUSTRY REFORM

. ELECTRICITY REGULATORY AUTHORITY ESTABLISHED 2000.

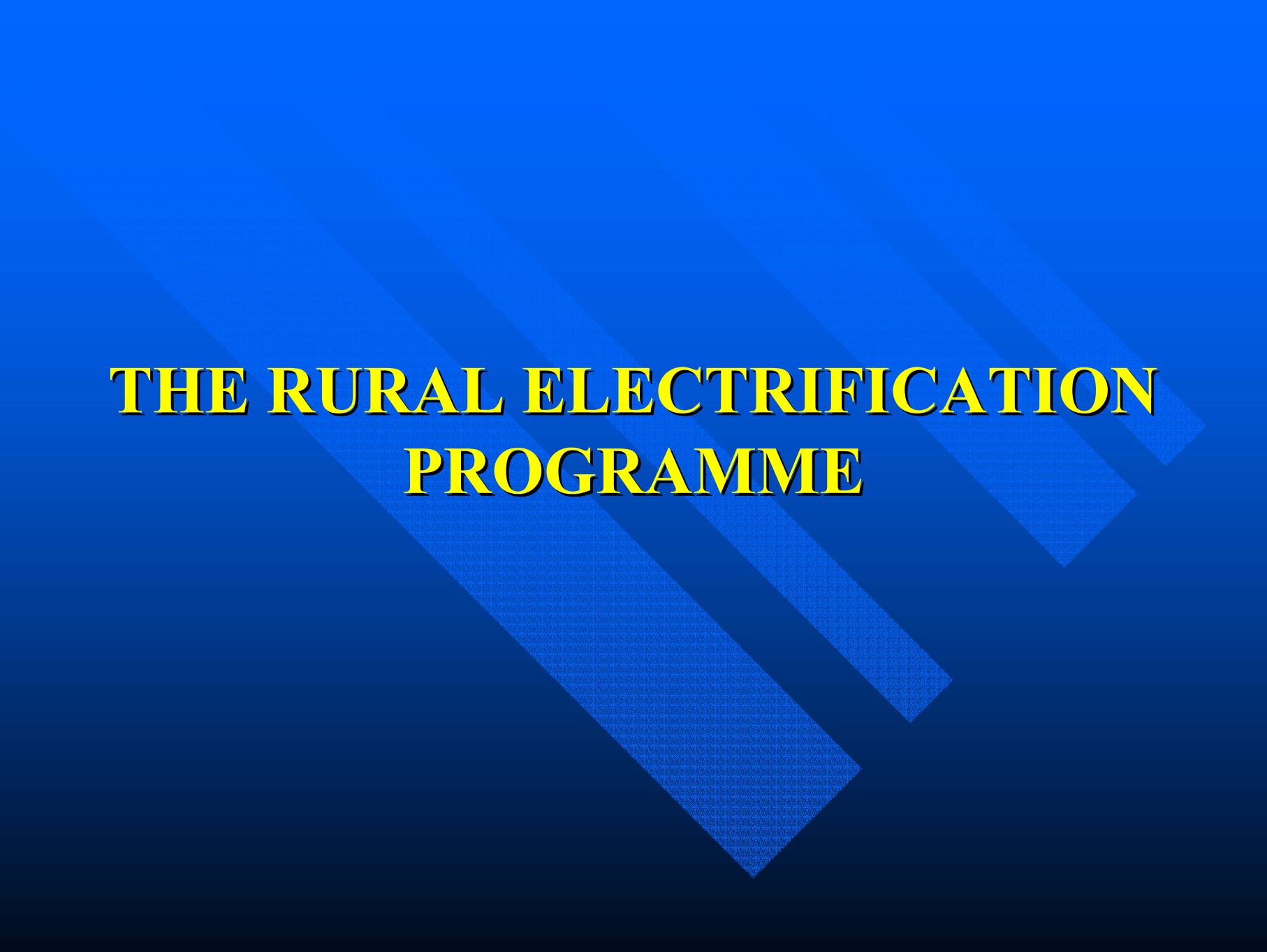
- Issues licences.
- Sets tariff.
- Develops and enforces standards.
- General regulation of the industry

2. CONCESSIONING OF UTILITY (UEB) NEAR COMPLETION.

- UEB unbundled into Generation, Transmission and Distribution business.
- Generation concessioned to Eskom (U) Ltd.
- Distribution concessioning to be finalized soon.
- Transmission Company is a Bulk Supplier and System operator.
- To remain Govt parastatal in foreseeable future.

3. IPPs DEVELOPMENT

- Small generators in place.
- Bujagali and Karuma projects planned for development by IPPs.

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THE RURAL ELECTRIFICATION PROGRAMME

DRIVING FORCE OF RE

MEMD/ESMAP STUDY:1996 - 1997

Key findings were:

- At least 60 Mw of self generation: Indicates entrepreneurship in the sector.
- Consumers outside the grid pay over 10 times: Indicates willingness to pay.
- There was an equal number of Ugandans with grid electricity as those with car batteries.

MEMD/ESMAP STUDY:

1996 – 1997 Cont'd

- Level of rural access is very low – 1% grid connected.
- Traditional extension of the grid-even where there is no economic sense.
- Limited sources of financing projects from GOU or donors only.
- Limited capacity to pay for electricity consumed and connection.

**THE RURAL ELECTRIFICATION
STRATEGY AND PLAN-(2001-2010) OF
FEBRUARY 2001**

- It spelt out the mechanism of Rural Electrification and the targets:

- Institutional framework for the Rural Electrification Fund.
- Increase of rural electrification from 1% to 10% by 2012.
- Defined the strategy for development of projects & delivery of services.
 - » Private sector led commercially oriented rural electrification: spp, ngos, cbo, local investments
- Combination of delivery modes : grid extension, off-grid systems, solar PVs and renewable energy projects.

– DEFINED THE TARIFF POLICY

- » Private capital to earn a reasonable return.
- » Cost reflective tariff.
- » Tariff vary from place to place

– TYPE OF REGULATION

- » Relax administrative procedures and stringent standards
- » The regulator delegates to local Authorities/Institutions

– DEFINED SYNERGIES WITH SOCIAL & ECONOMIC ACTIVITIES

- » Agriculture, Health, Water Education and ICT.
- » Set the target for RETs & RE
 - Increase RETs from the current 20 MW to 100 MW in 2012

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ENERGY FOR RURAL TRANSFORMATION (ERT) PROGRAMME

WHAT IS ERT?

- A ten year programme developed by GOU with support of World Bank 2002-12.
- It is private sector led.
- Projects benefit from subsidies to buy down capital costs.
- The overall goal is to increase electricity access in rural areas from 1% to 10% by 2012.

- It address several delivery mechanisms grid extension:
 - Grid extension where feasible;
 - Decentralized mini grids;
 - Solar PVs; and
 - Development of other renewable energy resources.

OPERATIONAL FRAMEWORK

- ERT has strong linkage with key production and human resource sectors: Agriculture, Health, Water and Education.
- Target areas are: District Headquarters, Trading Centers, Agro Processing areas, Schools, Health Centers and Rural Water supply units.
- Delivery mechanism and Project Developers: Private Sector, NGO's, Local Communities and local governments.

INSTITUTIONAL FRAMEWORK

Ministry of Energy and Mineral Development

- Policy role and coordination.
- Generate required data and information.

RURAL ELECTRIFICATION BOARD

- To manage Rural Electrification Fund and Authorize Disbursement of Smart Subsidies.
- Define criteria for award of subsidies.

RURAL ELECTRIFICATION AGENCY

- Initiate projects and pass them to ERA to advertise and license.
- Receive and review applications for grants.

UGANDA COMMUNICATIONS COMMISSION (UCC)

- Ensure proper management of ICT component

BANK OF UGANDA

- Manage loan component of ERT through Commercial Banks

SECTOR MINISTRIES (Health, Education and Agriculture)

- Identify and package energy and ICT requirements for their for their respective institutions.
- Submit package as appropriate for grant financing.

MICRO-FINANCING INSTITUTION

- Intermediaries for delivery of solar PV

MINISTRY OF LOCAL GOVERNMENT

- Provide support services in linking with local authorities
- Work with MEMD to disseminate information.

PRIVATE SECTOR FOUNDATION

- Business plan development and technical assistance

FAST TRACK PROJECTS

- **WEST NILE POWER PROJECT**
- **KAKIRA COGENERATION PROJECT**
- **KANUNGU, RUKUNGIRI, BUSHENYI POWER PROJECT**
- **KISIIZI PROJECT**
- **OTHER PROJECTS**

SWOT ANALYSIS OF ERT

■ Strengths

- Attracts new capital in rural electrification.
- A combination of delivery mechanism (grid, off grid solar PV etc.)
- Strong legal and policy environment rules are well defined.
- Strong linkage with production.

■ Weakness

- A challenge to coordinate several institutions involved
- Offshore coordination.

SWOT ANALYSIS OF ERT Cont'd

■ Opportunities

- Subsidies on projects.
- Small to big sized projects (solar PVs, generation and grid extension).
- Strong informal sector in Uganda creates local businesses to be exploited.

■ Threats

- Rural Electrification Fund dwindling due to:
 - » Resistance on tariffs; and
 - » Donor funding.

LESSONS LEARNT IN SECTOR REFORM

- Strong Policy and Legal Framework on which to build the reforms required
- Areas which are sensitive with high commercial risks like Distribution should be tackled first
- In introducing IPPs one should start with small projects to create confidence in the market
- A lot of public awareness is required e.g. tariff issues, investment programmes, introduction of new policies.