

FIRST ANNUAL REGULATORY CONFERENCE

For the Global Regulatory Network

KENYA UPDATES & ISSUES

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Electricity Regulatory Board
KENYA**

Windhoek, Namibia

16 – 17 June 2003

PROFILE OF THE BOARD

- The Electricity Regulatory Board, was established in September 1998, pursuant to section 119 of the *Electric Power Act, 1997* as an autonomous electric power sub-sector regulator in Kenya.
- The Board is funded through a levy imposed by the Minister for Energy on electricity sales.
- The Board's source of funds is therefore independent of the exchequer, thus enhancing its independence and minimising the possibility of regulatory capture.

FUNCTIONS OF THE BOARD

The Board is empowered to:

- Set, review and adjust transmission and distribution tariffs;
- Investigate the tariff structure
- Ensure there is genuine competition in the electricity sub-sector where this is expected;
- Approve electric power purchase contracts and transmission and distribution service contracts.
- Enforce environmental and safety regulations in the power sub-sector;
- Investigate complaints made by, and mediate disputes between parties with grievances over any matter required to be regulated under the *Act*

MISSION OF THE BOARD

ERB has committed itself to regulate the electric power sub-sector in a fair, transparent, and predictable manner consistent with government policy and sensitive to stakeholder interests.

The Board aims to:

- protect consumer interests, guarantee economic and financial viability of sub-sector utilities, and enhance the confidence of consumers, investors and lenders in the Kenyan power industry.
- ensure affordable, reliable, and adequate electric power supplies for sustainable social & economic development of the country.

Key Events & Activities July 2002 to June 2003

- **Review of the Electric Power Act, 1997**
 - **intended to address anomalies that have hampered the efficient operation of the Board and the power sub-sector**
- **Drafting of Regulations, Rules, Procedures, Licenses**
 - **aimed at facilitating the enforcement of compliance with the provisions of the Act**
- **Participation in international engagements**
 - **African Forum for Utility Regulators (AFUR)**

Key Events & Activities July 2002 to June 2003

The Board continued with the performance of the following functions:

- **Protection of consumer interests, entailing:**
 - **Resolution of complaints, including conducting investigations and hearings**
 - **Monitoring levels of service delivery by regulated utilities**
- **Guaranteeing viability of sub-sector utilities by:**
 - **Reviewing and approving power purchase agreements. One new PPA was approved while another old one was reviewed.**

Key Events & Activities July 2002 to June 2003

- **Issue of Annual Report for the Year 2001/2002**
 - **As this is the first annual report issued by the Board, it includes information relating to earlier years as necessary for completeness**
- **The Board has been implementing a new Information Technology Strategy which will culminate in:**
 - **Service delivery improvement**
 - **Establishment of a web site by June 2003**

Key Events & Activities July 2002 to June 2003

The Board has completed three studies

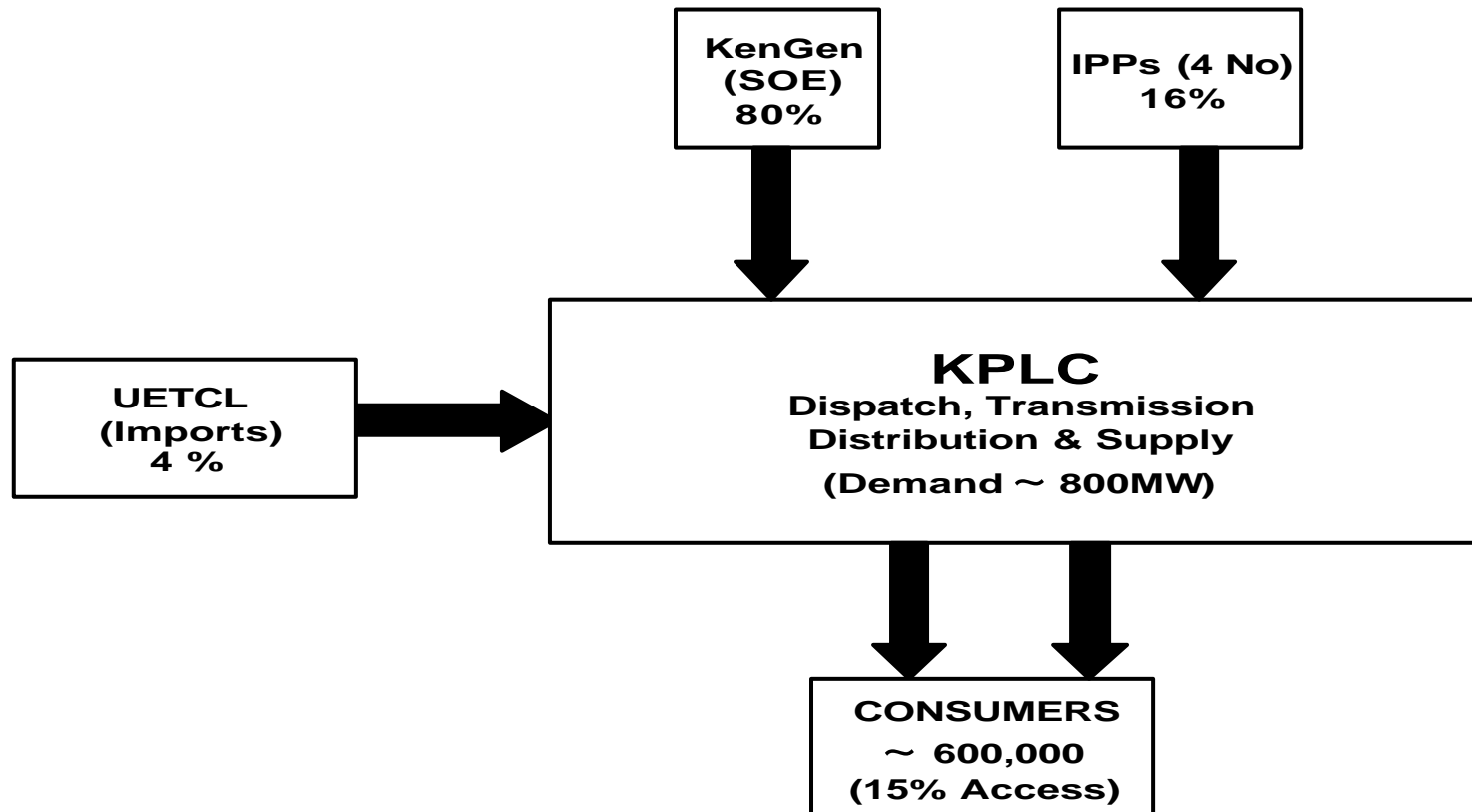
- Tariff Review Policy Study**
 - An outcome will be a new policy to be used in setting/adjusting electricity tariffs**
- Review of Operational Costs and Capital Expenditure of the Power Industry in Kenya**
 - The outcome of this study was used as input into the Tariff Review Policy Study**
- Environmental, Health and Safety (EHS) Study**
 - An audit of the EHS performance of utilities in the power sub-sector has been done, including delineation of ERB responsibilities**

Key Anticipated Events July 2003 to June 2004

- **The Board has initiated a process to establish a mechanism to ensure that in the absence of an ISO, system operation currently performed by the Single Buyer is non-discriminatory and objective. It is hoped that the mechanism will be in place in the coming year.**
- **The Board will participate in establishing a forum for utility regulators in the East African region**

Introduction of Competition & Related Issues

The Kenyan Electricity Supply Industry



Introduction of Competition and Related Issues

- **Pre-Privatisation and Market Design Study**
 - **The Ministry of Finance and Planning initiated the study aimed at increasing competition, reforming and restructuring of the industry, and determining its future structure**
 - **The main focus of the study is on**
 - **KenGen, a SOE generating about 80% of the country's electricity**
 - **KPLC, which is the Single Buyer for the production from KenGen and the IPPs, and also responsible for dispatch, system operation, transmission and supply**