

Fresh attempt to end Kenya Power monopoly

PUBLIC POLICY

One more private firm applies for green light to enter retail electricity market in a move that could soon end State-owned company's single presence

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One more private company has applied for approval to enter the electricity retail market in a move that could soon end Kenya Power's monopoly.

The Energy Regulatory Commission (ERC) says in a gazette notice that a local firm, PowerGen, last month applied for a licence to generate and supply

30%
PERCENTAGE

by which Kenya Power's half-year net profit dropped in the period to last December

electricity to households and small-scale business premises

and that the application is currently under review.

"The project consists of distribution networks, service lines and other wiring for the supply of electricity to households and small commercial establishments," the ERC says in the notice dated March 7.

American companies

New entrants seek to end Kenya Power's retail market monopoly

FROM PAGE 1 Powerhive and Vulcan, owned by Microsoft co-founder Paul Allen, are the other private entities in the Kenyan market that sell small-scale solar power directly to consumers through mini-grids.

Their operations have, however, had little impact on Kenya Power's monopoly of the electricity retail market.

Mr Allen, who runs 10 mini-power grids in Kajiado and Samburu as an impact investment venture, has recently revealed plans to partner with a local investor to expand his operations after abandoning initial plans to sell off his business.

The Microsoft co-founder, who is currently ranked one of the richest persons in the world with a net worth of \$21.7 billion (Sh2.2 trillion), is one of the best known social impact investors.

Kenya Power's monopoly is also threatened by the presence in Parliament of an Energy Bill that provides for the licensing of other electricity distributors and retailers – in a move that aims to increase competition and improve the quality of service.

Kenya Power has recently come under attack over steep rises in consumer power bills as well as numerous power outages blamed on poor infrastructure.

The ERC in the notice is seeking input from members of



COMPETITION A Kenya Power technician fixes a transmission line in Nairobi. –FILE

the public before determining the fate of the latest application.

PowerGen is seeking a licence to connect consumers in the Unilever tea estate in Kericho, and other off-grid areas through solar powered mini-grids.

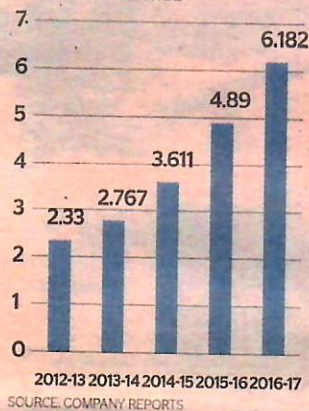
Kenya Power has over six million customers and remains the principal supplier and seller of electricity in the country.

The Nairobi bourse-listed utility firm buys electricity from producers such as KenGen for onward sale to customers.

The company's half-year net profit for the period to last December dropped 30 per cent to Sh2.9 billion, saddled by heavy cost of financing debt. The distributor was early this month spared further competition after the ERC rejected power producer KenGen's bid to start selling power directly to large consumers.

Customers connected to the national grid (Millions)

KENYA POWER HAS BEEN RIDING ON INCREASED CUSTOMER CONNECTIONS TO GROW ITS REVENUE



Energy ministry officials last November said the retail power market cannot be fully opened up – at least not in the next five years – for lack of a framework and an underdeveloped transmission network.

Energy Principal Secretary Joseph Njoroge said market

liberalisation would weaken Kenya Power's finances and make it default on its contractual obligations of buying specified amounts of power from producers since the entry of other players would eat into its retail market share.

Mr Njoroge said competition would force the power distributor to pay hefty fines to producers for power not used as its demand base narrows with the expected shifting of homes and businesses to other service providers.

Mini-grids, especially those that rely on solar-powered sources, are seen to offer Africa the shortest route to lighting off-grid towns. The small networks involve small power plants and shorter distribution lines that connect a limited number of customers outside the scope of the national power transmission network.

In 2016, Powerhive, which first set shop in Kisii, set a target of connecting 100,000 homes in western Kenya yearly.

Mini-grids work well in areas with a dense concentration of homes since the small grids cover short distances.

Customer charges are, however, higher than those for electricity distributed from the national grid by Kenya Power, partly because customers do not pay upfront charges for connection to mini-grids.