BUSINESS DAILY

By NEVILLE OTUKI

Summary

- The Energy Regulatory Commission will from April eliminate a subsidy that has for long helped to keep power bills for small consumers low.
- The largest domestic power consumers currently pay eight times more compared to low users in a tariff plan where the rich pay steeply for poor homes to enjoy the subsidy.
- Low power consumers (using 50 units and below per month) currently pay Sh2.50 per kilowatt hour (kWh), known as lifeline tariff, which is a long-running government policy tool to cushion the poor from high costs.
- The energy regulator reckons that the model is unsustainable and amounts to punishing large domestic consumers, which runs the risk of discouraging more use of the utility.

Poor homes to pay more as electricity subsidy scrapped

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Energy and Petroleum Secretary Charles Keter addresses the press at his office in Nairobi on January 8, 2018. PHOTO | JEFF ANGOTE | NMG

Electricity bills for low-income households could rise from April while charges for middle-income homes are set to drop with the expected coming to an end of subsidies for small consumers.

The Energy Regulatory Commission (ERC) on Monday said it will implement a new tariff that will have uniform charges for domestic customers, eliminating a subsidy that has for long helped to keep power bills for small consumers low.

The largest domestic power consumers currently pay eight times more compared to low users in a tariff plan where the rich pay steeply for poor homes to enjoy the subsidy.

Low power consumers (using 50 units and below per month) currently pay Sh2.50 per kilowatt hour (kWh), known as lifeline tariff, which is a long-running government policy tool to cushion the poor from high costs.

Energy ministry denies Sh8.1bn backdated bills to power consumers

The new billing will only affect domestic consumers, and not commercial and industrial customers, whose tariff categorisation based on their power usage will continue.

The last time the energy regulator reviewed power tariffs was in July 2015 with Kenya Power's application in 2016 to have the charges increased flopping.

In the new billing, the only monthly fluctuations, albeit by cents or a shilling, will be as a result of the movements of the pass-through charges that consumers pay for in their power bills to cover costs incurred by power producers in generating electricity.

The main ones are forex levy and fuel cost charge which are adjusted every month by the energy regulator.

The forex levy compensates for foreign currency costs, including loans that State-owned Kenya Power and private electricity generators have in their books.

The fuel levy, on the other hand, is linked to the amount of power generated by diesel generators and injected into the national grid.

https://www.businessdailyafrica.com/news/Poor-homes-to-pay-more-as-electricity-subsidy-scrapped-/539546-4256198-5qtx2t/index.html