

# ERC rejects Kenya Power bid for Sh2.6bn tariff rise

**VIEW»»** Regulator saves electricity consumers from steep increase in monthly bills

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The energy sector regulator has shot down a Kenya Power application for electricity tariff increase that would have seen consumers' bills increase by Sh2.6 billion every month.

This is the second time since



**HURDLE** Kenya Power CEO Ken Tarus (left) and Mr Pavel Oimeke, acting ERC director-general. -FILE

last year that Kenya Power has unsuccessfully sought approval of the Energy Regulatory Commission (ERC) to raise power charges.

The electricity distributor says a tariff increase is necessary to cover surging costs from increased customer connections and

power leakages on its ageing infrastructure.

“At this point, there is nothing that justifies any power increment,” said ERC acting director-general Pavel Oimeke while confirming that Kenya Power had submitted an application for tariff **POWER** | PAGE 4



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**FROM PAGE 1** review. While ruling out any increment, Mr Oimeke said that the utility firm should instead boost efficiency in its operations by slashing system losses to grow its bottom-line.

The NSE-listed electricity company had last year presented to the ERC a tariff increase proposal, asking for its implementation from July 2016, but it was denied.

The company reverted to the ERC this year, presenting yet another proposal on why power bills should rise.

The Kenya Power managing director Ken Tarus in an interview said the company had suggested an average increment of about Sh3.1 (\$0.03) per kilowatt (kWh) across different customers' consumption bands.

If granted, this would have seen consumers fork out an additional Sh2.6 billion per month, based on Kenya's monthly average consumption of 830 million units.

Power tariff adjustments are ordinarily done after every three years and can either rise or fall depending on market dynamics.

The government has been keen on keeping the cost of power on a downward trajectory to improve Kenya's competitiveness as a

## Kenya Power full-year net profit (Sh bn).

The firm seeks to charge consumers an extra Sh2.6 billion per month through higher bills, equivalent to over a third of its 2016 full-year profit.

2013	<b>3.4</b>
2014	<b>6.9</b>
2015	<b>7.4</b>
2016	<b>7.5</b>

SOURCE: KENYA POWER

business hub. Kenya Power, however, says that the firm is incurring heavy costs through accelerated construction of a wider distribution network and substations to connect more homes as part of the government's plan to attain universal access to electricity by 2020.

"A tariff adjustment is absolutely necessary for us to cover these costs," said Mr Tarus, citing the State-backed last mile connectivity project that was launched mid-2015 to connect more homes by cutting connection fees by more than half to Sh15,000.

He says that the more expansive network has come with increased power leakages.

The Sh43.5 billion Last Mile project is financed by loans from

## Electricity tariffs for homes

Consumers also pay a fixed charge of Sh150 monthly alongside fuel cost charge (Sh2.85 per unit in August) and forex charge (Sh2.35), adjusted monthly.

Monthly use categories	Sh per unit (kWh)
0 – 50 units	2.5
51 – 1,500 units	12.75
Above 1,500 units	20.57

the African Development Bank and the World Bank, which will have to be repaid.

It has helped grow the number of connections six fold to 6.2 million customers from one million in 2010.

The proposed tariff increment was also meant to pay for new power generation projects to be fed to the national grid, including the Lake Turkana Wind power project, Africa's largest wind farm with a capacity of 310 megawatts.

Energy ministry officials had last year also shot down the idea of higher tariffs as part of President Uhuru Kenyatta's economic agenda to cut manufacturing costs and make power affordable to consumers.

Kenya Power, a public listed company, is majority owned by

the government, which has a controlling stake – giving it a big say in the firm's operations.

The regulator reckons that the utility firm should seal electricity leakages to raise the number of power units it sells to homes and businesses as a way of increasing its earnings.

The power tariffs currently in use were adjusted in July 2015 when Kenya Power made its first tariff cut of about Sh1 per kilowatt hour (kWh) for homes that consume more than 50 units monthly.

Low-volume consumers (using 0-50 units per month) currently pay Sh2.50 per unit and were unaffected by the tariff adjustment in 2015, which was the final phase of a billing structure that was set in 2013 for implementation over three years.

Homes using between 51-1,500 units of power are paying Sh12.75 per unit while consumers of above 1,500 units pay Sh20.57 per unit.

Electricity consumers also pay a fixed charge of Sh150 regardless of consumption levels, up from Sh120 in 2012.

The government has been keen to invest heavily in cheaper renewable power sources such as geothermal and wind farms to cut costs and boost the competitiveness of locally manufactured goods.