PRIVATE SECTOR FOUNDATION UGANDA

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POLICY UPDATE

ON ENERGY TARIFF REVIEWS; (IMPLICATIONS TO THE BUSINESS COMMUNITY) EFFECTIVE JANUARY 1ST 2010

(JANUARY 2010)

ELECTRICITY/ENERGY TARIFF REVIEW

The Uganda electricity regulatory authority (ERA) approved new end-user retail electricity tariff rates effective January, 1st 2010. This review has been carried out against the background of relatively stable international oil prices, appreciating shilling against the USD[1] and urge from Government to ensure that licenses become more efficient and tariff rates reduce so as to cut Uganda's cost of doing business and increase the competitiveness of her industrial sector in view of the upcoming East African Common Market.

The table below shows the tariff rates before and after the review across different consumer bands:

		Domestic	Commercial	Medium industrial	Large industrial	Street lights
2009	Average tariff (shs/kwh)	426.1	398.8	369.7	187.2	403.0
2010	Average tariff (shs/kwh)	385.6	358.6	333.2	184.8	364.6
	Percentage change (%)	-9.5	-10.1	-9.9	-1.3	-9.5

Source: Electricity Regulatory Authority

There is a tariff reduction in the region of 10% on domestic, commercial, medium industries and street-lighting. However, as indicated above, there is only a 1.3% reduction for large industrial electricity consumers. It should also be noted that this 1.3% reduction was arrived at after considering subsidization of the sector. NB. Without the subsidy, the tariffs for the industrial sector would have increased by approximately 25%.

PSFU advocates for a competitive and conducive investment business climate by lobbying Government to address key factors such as; infrastructure and energy. Following the above tariff amendments, PSFU analyzed the new rates and benchmarked them against the other East African[2] rates to see their implications to the Ugandan business community. Uganda has the highest electricity tariffs in East Africa even after this review; as indicated in the table below:

Country	Tariffs - (all in Uganda Shillings)**				
	Domestic	Commercial/general	General/low voltage	High voltage Max.	Street lighting
Uganda	385.60	358.60	333.20	184.80	364.60
Tanzania	226.10	187.00	123.20	114.50	0.00
Kenya	203.40	224.90	144.40	102.93	188.30

Source: PSFU Policy Advocacy Unit 2010
*** Exchange rate as on 31st December, 2009*

Implication to the business community

The move by the regulators and Government to lower the electricity tariffs is welcome. However, the cost of production especially for the large industrial electricity users remains high. Thus, large industrial producers may still not be able to compete effectively in the region with countries with substantially lower tariffs.

Recommendations

The Government should therefore continue supporting the energy sector so that the electricity tariffs reduce further. Support should also be extended to large industrial organisations that consume a lot of electricity and yet are so crucial to the development of the country with a view of bringing down their energy costs, for example steel and cement industries.

We also recommend that the organisations involved in the generation and distribution of electricity should strive to improve their efficiency so as to minimise power losses and other distribution costs.

[1] Uganda's major trading currency
[2] Kenya and Tanzania referred to as case in point here