Stephen Ilungole

UMEME on course

It is hard to believe today, but less than 15 years ago acc to electricity was reserved for urban dwellers, power outages were expected rather than a surprise and the national power company was losing four in every sh10 of power it produced to thieves and an old network.

Commonwealth Development Corporation (CDC), which initially led the concession before handing over to Actis, reported that the 20,000km network of poles, substations and wires was in a sorry state. They estimated that at least 120,000 poles were rotten and in need of urgent replacement to ensure supply reliability across the grid.

But starting in 2005 things changed with the award of a 20-year concession that would be run by Umeme. It became quickly apparent that not only were there energy losses of 38% of all power distributed, but that the power company was not collecting all the money due to it. At the beginning of the concession, only 80% of the billings were being collected.

A World Bank study in 1988 had concluded that Uganda's electricity system was financially not viable due to distribution inefficiency characterised by high energy losses (40%) and uncollected bills. The then Uganda Electricity Board (UEB) was heavily reliant on Government subsidies.

All this should not have come as a surprise as investment in the system was woefully low. In the first year of the concession, $6m was invested, a figure which has grown to $500m (sh1.8 trillion) as at the end of June this year.

This investment has been put to good use as the company's revenues and profits have continued to grow but most telling has been the dramatic increase in people connected to the grid. The network infrastructure has more than doubled.

At the end of June 2017, customer numbers were about 1,019,453 up 19% from the same time last year when the figure stood at 860,563. The 158,890 new customers added to the grid in the 12 months to June are half the number of clients Umeme found connected to the grid in 2005. Essentially, in the last year, Umeme connected half the number of people it took UEB to add to the grid since 1948 – almost 60 years prior, when it was created. Revenues have jumped tenfold since the beginning of the concession. Last year, Umeme collected sh1.2 trillion, compared to about sh130b in 2005. Uganda Electricity Transmission Company Limited (UETCL) was paid sh852b as power purchase costs from independent power producers. A World Bank study in 2016 among 30 African countries, titled "Making Power affordable for Africa and viable for utilities", noted Uganda and Seychelles as the only countries with near self-sufficient sector revenues; without reliance on Government subsidies. Uganda achieved this mainly through improving efficiencies, especially operating efficiency and cutting down system losses.

During the last 12 years of the concession, system losses have more than halved to 17.5% (June 2017) of power generated from 38% recorded in 2005. The benefit to the economy of the energy loss reduction is about sh260b per annum, which could have manifested itself through higher tariffs for tax payers or reliance on Government subsidies. The benefits to the consumer are self-evident but there has been a knock-on effect to the whole economy coming from the improved efficiencies.

What are the benefits to manufacturers who previously had to contend with intermittent power, but now runs throughout the day? How about a school child who can now do homework without fear of outages? And what about those who waited years to get a connection, but do not now have to wait a month to get connected? What about the independent power producers attracted to the economy and raising installed capacity from 380MW to about 850MW over the period?

There is still a lot to do throughout the sector – bringing more power online and expanding the transmission and distribution grid. We need to ready the economy for the extra 1000MW coming on stream. How fast are we industrialising? How ready are the 25 industrial parks? The irony is from the recent economic reports – private sector lending to the manufacturing sector is not growing! Umeme is committed to do its part in ensuring a more efficient distribution of power and with government support, we can continue earlier successes well into the second half of the concession.

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