

foreign direct investment issues facing both developed

directed towards global economic growth.

meeting, Kavaaga engaged in the discussion on the use of technology to grow the

lawyers and lawmakers should be retooled to appreciate the need to expedite laws on

technology is moving very fast and the laws to accompany the changes must be made

under the theme: 'Partnership for Inclusive Growth and Sustainable Development'.

MPs grill Umeme over high electricity tariffs in rural areas

By Vivian Agaba and Faridah Kulabako

MPs on the natural resources committee on Friday tasked key players in the electricity sector with explaining why electricity tariffs have remained high since Umeme took over distribution, making it hard for many Ugandans to access power.

The players included Umeme, the Electricity Regulatory Authority (ERA) and the Uganda Electricity Distribution Company Limited (UEDCL).

The legislators noted that while Umeme was supposed to reduce the cost of electricity to make it affordable and increase accessibility, connectivity remains low at only 20.6% in urban areas and a miserable 7% in rural areas.

Speaking during a stakeholder symposium at Lake Victoria Serena Hotel-Kigo off the Kampala-Entebbe road, the committee chairperson, who is also the Isingiro County South MP, Alex Byarugaba, said previous efforts to get an explanation from Umeme about the high tariffs had proved futile as their constituents continued to feel the pinch of the high power rates.

"We are here to inform you of the pain and concerns of our people regarding electricity tariffs; Ugandans are suffering. Those in rural areas cannot afford to pay for electricity



Celestino Babungi

despite your presence in the country for all these years," Byarugaba said.

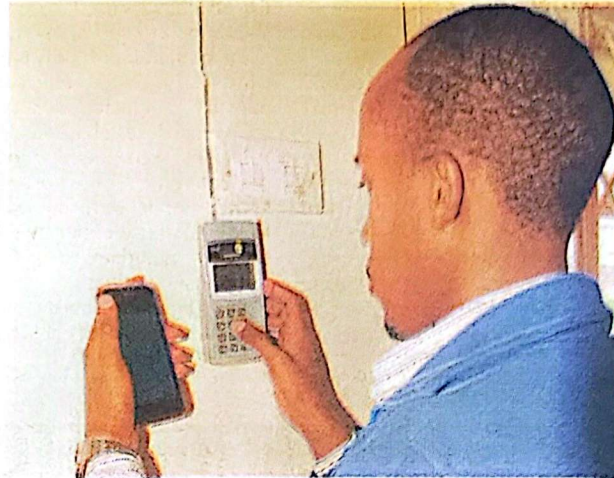
Manjiya County MP John Baptist Nambeshe was concerned that Uganda could no longer attract investors to establish factories because of the high power tariffs.

He said if the cost of power was not reduced, industrialisation would remain low and some investors might be forced to relocate their businesses.

"Umeme has failed to reduce the cost of electricity. That is why some Ugandans are tempted to steal power through illegal connections; they cannot afford it," Nambeshe said.

"Uganda should have a company that brings down electricity tariffs to affordable rates for both the ordinary Ugandans and industries. But as we talk, Umeme has failed," Nambeshe said.

Recently, President Yoweri



A customer uploads Yaka in his home. Electricity coverage remains low countrywide thus affecting development

Museveni ordered the Inspector General of Government (IGG) to investigate Umeme over alleged losses and end-user tariffs.

He also urged energy minister Irene Muloni to halt any discussions on renewing Umeme's concession as the power distributor and explain why consumers were paying high rates for power.

He later held a meeting with Umeme officials at State House in Entebbe to discuss the matter.

April-June tariff

ERA, which is mandated to set the power tariff, recently reduced the end-user tariffs for the second quarter – April

to June 2018 – to sh718.5 for domestic consumers from sh718.9, while commercial consumers tariff reduced to sh647.6 from sh648.3.

The tariff for medium industrial consumers on the other hand reduced to sh591.5 from sh592.5, sh374.4 from sh375.5 for large industrial consumers and sh369.5 from sh371.1 for extra-large industrial consumers.

Umeme

Umeme is Uganda's main electricity distribution company, listed on the Uganda Securities Exchange and cross-listed on the Nairobi Securities Exchange. It operates a 20-year electricity

distribution concession, which came into effect on March 1, 2005 and is expected to end in 2025, if not renewed.

Umeme's managing director Celestino Babungi, however, said that the end-user tariff is a function of the generation, transmission and distribution costs, with the first two accounting for about 75% of the cost.

"We remit close to sh1 trillion to the transmission company every year and that money goes to finance the needs of the generators," he said.

Babungi said Umeme could only reduce losses through continued efficiency enhancement efforts and growing consumer demand for electricity to drive the price down.

He indicated that Umeme was rethinking its business model to move towards a sales-driven organisation, where it moves out to look for potential electricity consumers so as to create demand other than waiting for customers to look for them.

Energy losses declined to 17.2% in 2017, compared to 19% in 2016. Babungi said the firm's focus remained on reducing distribution losses, increasing access and preparing the distribution infrastructure to evacuate the increasing generation in the pipeline.

He also acknowledged the Government's efforts to

lower power tariffs, including restructuring the Bujagali hydro power plant debt refinancing to reduce the generation burden on the electricity tariff. This is being spearheaded by the energy ministry in collaboration with the finance ministry.

Bujagali Energy Limited's contribution on the electricity tariff is estimated at 38.6%.

The commissioner of energy in the ministry, James Banaabe, said a government team and Bujagali Energy Limited hope to finalise the amendments to the agreements and have them signed before the end of this month.

This, he said, would enable Uganda close the refinancing in mid-May and have the revised Bujagali tariff reflected in the tariff issued by the electricity regulator in the third quarter of 2018.

He added that the Government, through the energy ministry, was fast-tracking the construction of the 600MW Karuma hydro power plant and the 183MW Isimba hydropower plant for cheaper generation to reduce the burden on the electricity tariff.

It also intends to accelerate access to electricity through the implementation of a new connection policy on free connections for domestic consumers and set stringent loss reduction targets for Umeme to 14.7% in 2018.