



PUBLIC NOTICE ON ELECTRICITY TARIFF HARMONIZATION

Pursuant to the Energy Act, 2006, the Energy Regulatory Commission (ERC) is mandated to review the electricity tariffs from time to time. The last tariff review was done in 2013.

There have been numerous complaints by consumers on the current retail tariff structure whereby the billing of consumers has not been well understood. This in particular affects the prepaid customers due to the graduated tariff structure and the fixed charges. The Commission seeks to harmonize the tariffs in order to address these challenges and make it simpler for customers to understand their electricity bills.

Pursuant to Article 33 of the Constitution of Kenya, 2010, the Commission will be conducting national stakeholder consultation workshops with a view of sensitizing the public on the tariff adjustment and giving a fair chance of participation to all stakeholders.

Consequently, stakeholders, parties and individuals who wish to participate in the hearing may express their interests by sending an email to ERC (info@erc.go.ke) with a copy to KPLC (Communications@kplc.co.ke) or call ERC on +254722200947/+254734414333.

The Commission invites the general public and stakeholders to submit written or oral representations on the application to the Commission during the consultative forums that will take place in Garissa (Almond Hotel), Eldoret (Sirikwa Hotel), Kisumu (Royal City Hotel), Mombasa (Pride Inn Hotel- Haile Selassie Avenue), Naivasha (Naivasha Country Club) and Nairobi (KICC) as communicated earlier by the Commission. The Stakeholder consultative hearings shall be held in the designated venues and dates from 8:00am to 12:00 noon.

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THE PROPOSED HARMONIZED ELECTRICITY TARIFF STRUCTURE

1.0 INTRODUCTION

The Energy Regulatory Commission (the Commission) is empowered by Section 6(i) of the Energy Act 2006 (The Act) to set, review and adjust electric power tariffs and tariff structures, and investigate tariff charges, whether or not a specific application has been made for tariff adjustment.

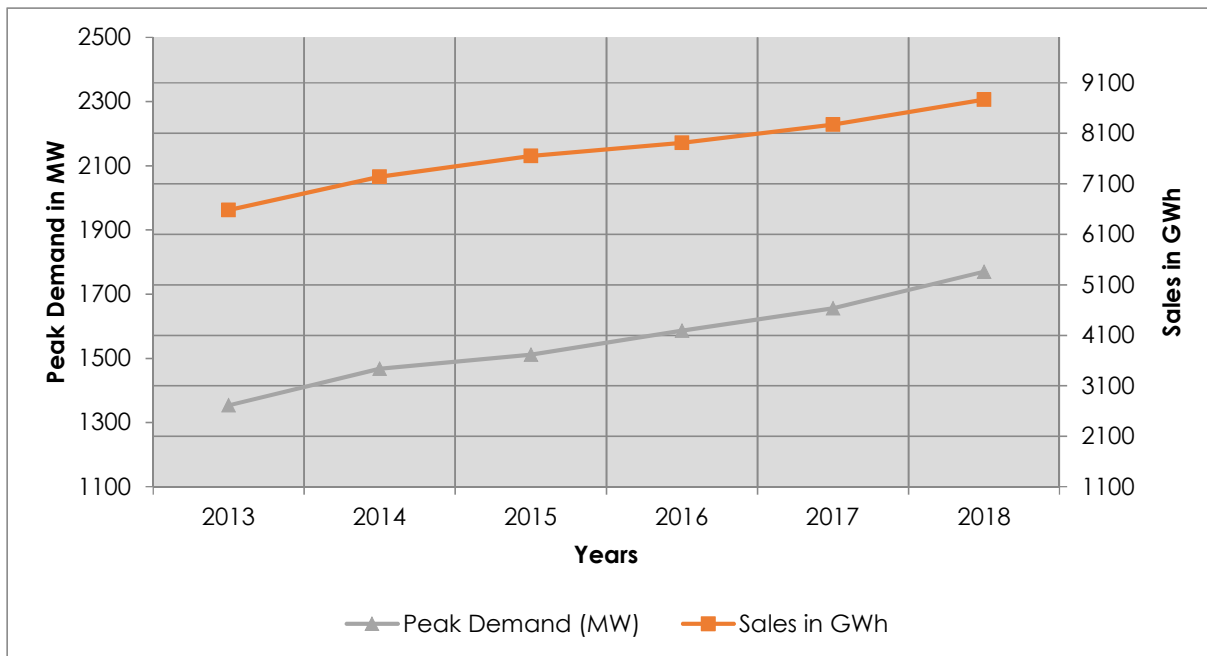
2.0 POWER SUPPLY SITUATION

The installed generation capacity stands at 2,351MW while the total effective capacity is 2,275.4MW. The current national interconnected system peak demand is 1,802MW recorded on 6th June 2018. Several committed power generation projects, which are currently under implementation, will improve the security of supply, reduce cost impact to customers and assist in meeting the forecast demand in the medium to long term.

The total units purchased for the financial year 2017/18 was 8,836.4GWh up to April 2018 at an average generation cost of KSh 10.63 per kWh.

The peak demand and customer consumption trend is as shown in Figure 1 below.

Figure 1: Peak demand and Customer Consumption Trend (July 2012 - April 2018)



*Customer Consumption (Sales in GWh) for 2018 is a projection

2.1 Electricity Access

Kenya Power focus on accelerated customer connectivity is in tandem with the Government's goal of universal electricity access. The customer connectivity drive has seen the number of total customers connected grow from 2,264,508 in March 2013 to 6,526,987 customers as at end of March 2018 meaning electricity access rate of the households is 72.55%.

3.0 TARIFF HARMONIZATION

There have been numerous complaints by electricity customers on the complexity of the tariff regime whereby the billing has not been fully understood. For example, prepaid customers have been receiving varying units for the same amount of money within a billing cycle. This is mainly due to the existing graduated tariff structure for Domestic Consumers and the application of fixed charges.

This proposed tariff harmonization seeks to address these challenges by:

- i. Development of a new lifeline category of consumers with consumption up to 15 units accounting for 3.6 million customers.
- ii. Removal of the monthly fixed charges for all consumer categories and harmonize them in the energy charge.
- iii. Splitting of the small commercial (SC) category into two based on consumption: Small Commercial 0-1,000 kWh and Small and Medium Enterprises (SMEs) 1,001-15,000 kWh.
- iv. Revision of the current Time of Use Tariffs

The above changes will ensure that the tariffs are predictable and that consumers are not charged for any fixed costs when they are not consuming power at any given point. Consumers on prepaid will be able to get same units for same amount of money for all purchases within the billing cycle.

Other areas being considered is the introduction of the following customer categories;

- a) Special Economic Zones (SEZ)
- b) Economic Processing Zones (EPZ)

4.0 ELECTRICITY SECTOR REVENUE REQUIREMENTS

This tariff review seeks to ensure the financial sustainability of the electricity sector stakeholders while at the same time ensuring supply of reliable and competitively priced energy. The electricity sector revenue requirement aims to address the following objectives:

- Meet power purchase costs obligation for existing and committed additional power projects for Kenya Electricity Generating Company (KenGen) and Independent Power Producers (IPPs);
- Continuous system expansion, refurbishment and improvement to provide quality power;
- Support Government objective on universal electricity access; and
- Meet increased Transmission and Distribution (T&D) costs to operate and maintain the expanding electricity network owned by Kenya Power, Kenya Electricity Transmission Company (KETRACO) and Rural Electrification Schemes (RES).

The total revenue requirement is as shown in **Table 1** below.

Table 1: Summary of Electricity Sector Revenue Requirements

No.		Unit of measure	Base Year	Year 1	Year 2
			2016/17	2017/18	2018/2019
1	Energy Sales to Customers	GWh	8,272	8,768	9,294
2	Energy Purchased by KPLC	GWh	10,205	10,426	11,052
3	Total sector Revenue Requirements	KSh Million	111,118	120,028	131,466
Revenue Requirements					
4	Rural Electrification Scheme O&M (a)	KSh Million	1,364	1,364	1,364
5	Generation cost (Non Fuel) (b)*	KSh Million	56,815	61,494	71,364
6	KETRACO O&M (c)	KSh Million	2,011	2,700	2,700
7	Total KPLC T&D (d)	KSh Million	30,041	33,083	33,459
8	Capital Related Requirement/Tax (e)	KSh Million	20,887	21,387	22,579
9	Total Application (a+b+c+d+e)	KSh Million	111,118	120,028	131,466

*Generation cost for KenGen and IPPs

4.0 PROPOSED CHANGES IN THE TARIFF STRUCTURE

4.1 Proposed Harmonized Retail Tariff Rates

The proposed electricity tariff structure for the review period is intended to be cost reflective, efficient and sustainable. The existing base non-fuel retail tariffs are proposed to be adjusted as shown in table below.

Table 2: Proposed Retail Tariff Rates

Existing Code	Proposed Code	Customer Type (Code Name)	Energy Limit kWh/month	No of Customers	Charge Method	Unit	Existing tariffs	2018/19 Proposed Charge rates
DC		Domestic			Fixed	KSh/ month	150	0
	DC-L	Domestic Lifeline	0-15	3,633,720	Energy	KSh/ kWh	2.50	12.00
	DC-O	Domestic Ordinary	16-50	2,544,808	Energy	KSh/ kWh	2.50	16.50
			51-1500		Energy	KSh/ kWh	12.75	
			>1500		Energy	KSh/ kWh	20.57	
SC	SC	Small Commercial	0 - 1,000	206,700	Fixed	KSh/ month	150	0
	SME	Small & Med Ent	1,001-15,000	55,865	Energy	KSh/ kWh	13.50	16.00
					Fixed	KSh/ month	13.50	0
CI1	CI1	Comm./industrial	>15,000	3,096	Energy	KSh/ kWh	13.50	15.50
					Fixed	KSh/ month	2,500	0
					Demand	KSh/ kVA	800	800
CI2	CI2	Comm./industrial	No Limit	381	Fixed	KSh/ month	4,500	0
					Energy	KSh/ kWh	8.00	10.50
					Demand	KSh/ kVA	520	520
CI3	CI3	Comm./industrial	No Limit	53	Fixed	KSh/ month	5,500	0
					Energy	KSh/ kWh	7.50	10.05
					Demand	KSh/ kVA	270	270
CI4	CI4	Comm./industrial	No Limit	38	Fixed	KSh/ month	6,500	0
					Energy	KSh/ kWh	7.30	9.90
					Demand	KSh/ kVA	220	220
CI5	CI5	Comm./industrial	No Limit	32	Fixed	KSh/ month	17,000	0
					Energy	KSh/ kWh	7.10	9.75
					Demand	KSh/ kVA	220	220
IT	IT	Interruptible			Fixed	KSh/ month	150	0
					Energy	KSh/ kWh	13.50	19.00
DC IT	DC IT	"		73,265	Fixed	KSh/ month	300	0
SC IT	SC IT	"		551	Fixed	KSh/ month	300	0
SL	SL	Street Lighting	No Limit	8,478	Fixed	KSh/ month	200	0
					Energy	KSh/ kWh	4.36	7.50
		Total Customers		6,526,987				

4.2 Effective Date

Pursuant to Section 45 of the Energy Act, 2006, that provides for variation of effective rates and tariffs charged to consumers for the supply and consumption of electricity, the harmonization of tariffs including stakeholders' consultation is scheduled for completion by end of July 2018. The proposed commencement date of the harmonized tariffs is 1st July 2018. Billing is to be done in August 2018 based on July 2018 consumption.