DRAFT ENERGY (ELECTRICITY TARIFF) REGULATIONS 2023

Legal Notice No						
THE ENERGY ACT (No. 1 of 2019)						
IN EXERCISE o	IN EXERCISE of the powers conferred by Section 167 and 208 of the Energy Act, 2019, the					
	-	tary for Energy makes the following Regulations—				
		(ELECTRICITY TARIFFS) REGULATIONS, 2023				
		PART I: GENERAL PROVISIONS				
Short title.	1.	These Regulations may be cited as the Energy (Electricity Tariffs) Regulations, 2023				
Interpretations	2.	In these Regulations, unless the context otherwise requires –				
		any word or expression defined for the purposes of the Act shall have the same meaning ascribed thereto when used in these Regulations;				
		"Act" means the Energy Act, No 1 of 2019;				
"Authority" means the Energy and Petroleum Regu Authority established by section 9 of the Act;						
		"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for energy;				
	"Company" means a company within the meaning Companies Act;					
"Control formulae" means the formulae specific Authority for the computation of the applicable tariff tariff year;						
		"Control period" means the period of the applicable tariff being three years in accordance with section 165 (7) of the Act;				
"Consumer" has the meaning assigned to it under the Ac						
"Cost allocation" means the process of correctly ident aggregating and assigning a single cost to more that business activity, process or service in a manner that process subsidization;						

"Financial year" means the period of twelve months in respect of which a licensee prepares its accounts in accordance with the requirements of the Companies Act;

"Grid" has the meaning assigned to under the Act;

"Licensee" means a holder of any licence issued under the Act and one to whom these Regulations apply;

"Mini-Grid" means any electricity supply system with an installed capacity of up to 1 MW, supplying electricity to more than one consumer and is not connected to the grid;

"Regulatory accounts" means the prescribed system of accounts set out in the Energy (Electricity Regulatory Accounts) Regulations, 2023;

"Regulatory Asset Base" means tangible and intangible assets used for the regulated activity, that are directly related to the regulated activity and are used in tariff calculation (except third-party-funded assets);

"Tariff" has the meaning assigned to it under the Act;

"Tariff applicant" or "Applicant" means the person who makes an application for tariff approval or review in accordance with these Regulations;

"Tariff control" means the process of tariff constraint specified in these Regulations;

"Tariff constraint" means the maximum allowable level for a tariff control measure;

"Tariff control framework" means the processes involved in the determination and periodic review of control formulae, the monitoring and enforcement of tariff constraints, and the operation of incentives;

		"Tariff control measure" means a financial indicator derived from the books and records of a licensee used to indicate compliance with a tariff constraint; and "Tariff year" means any one period or a series of periods, usually a financial year, as specified by the Authority.
Purpose of the Regulations.	3.	The purpose of the Regulations is to provide a fair, transparent and data-driven methodology of determining tariffs for a sustainable electricity sector.
Application	4.	These Regulations shall apply to persons engaged in— a) purchase and sale of electrical energy as a retailer; or b) provision of transmission, distribution and system operations services except for mini-grids.
	PAR	Γ II: TARIFF APPROVAL AND REVIEW
Tariff Application.	5.	(1) A person shall not undertake sale or purchase of electrical energy or charge for provision of transmission, distribution network, system operation services unless under tariffs approved by the Authority.
		(2) A tariff approval application under sub regulation (1) shall be made electronically in the form set out in the First Schedule with one hard copy submitted to the Authority.
		(3) The tariff application shall be accompanied by documents set out in the Second Schedule .
		(4) The Authority shall, within fifteen days of receipt of a tariff application, inform the applicant whether the application is complete.
Approval of Tariffs.	6.	(1) The Authority shall before approving any tariff undertake a public hearing in accordance with Regulation 11.
		(2) In approving the tariffs, the Authority shall consider as applicable—

	a) existing tariff policy or guidelines;
	b) power procurement costs;
	c) investment related costs;
	d) network operation and maintenance costs;
	e) fuel costs;
	f) allowable system losses;
	g) submissions during the public hearings including journal articles, studies or reports relied on in the submission;
	h) rewards for outperformance and/or penalties for underperformance applicable;
	i) sector studies undertaken by the Authority such as cost
	of service studies;
	j) pass through costs;
	k) regulatory asset base;
	l) allowable rate of return
	m) depreciation; and,
	n) Government funded initiatives targeting socio-economic
	development.
	(3) (a) The Authority shall allow only prudently incurred net
	costs for providing the services and variable costs supported by
	documentation, and a reasonable rate of return. The net costs and variable costs are as set out in the Third Schedule .
	(b) The tariff applicant shall be responsible for justifying that any costs or investments included in the formulation of tariffs
	are reasonable, and the Authority may challenge such costs or
	investments and where necessary reject them if it considers
	them to be unreasonable or imprudent.
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	(4) (a) The Authority shall process the tariff application and
	publish its decision, no later than sixty days from the date of
	receipt of a complete tariff application.
	(b) The Authority may approve, reject or modify the required
	tariffs taking into account—
	a) reasons and information submitted by the
	applicant to justify the tariffs; and
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		b) comments from stakeholders and the public.
		c) The Authority shall take into account, and shall endeavor to procure, good quality evidence to inform its decisions.
		(5) The tariff control period for approved tariffs shall be three years in accordance with the provisions of section 165 of the Act.
		(6) (a) The tariff control period in sub regulation (5) shall not apply to sale of electrical energy or provision of transmission or distribution services for long term contracts approved by the Authority under section 163 of the Act.
		(b) Where a review of the tariff set out in a contract approved under section 163 of the Act is proposed during the term of the contract, parties shall require the Authority's approval before execution of the revised contract. In making its decision, the Authority shall consider the extent of substantive cost changes since the approval of the existing tariff.
		(7) A person who charges tariffs other than those approved by the Authority commits an offence.
Retail Tariff Structure.	7.	(1) Tariffs charged to consumers on the Grid shall indicate building blocks per kWh including generation cost, transmission cost, distribution cost and approved pass through costs.
		(2) The Authority shall publish pass through costs charged on consumers periodically as set out in the Fourth Schedule .
		(3) A licensee shall not earn a return on any pass-through costs.
Regulatory Asset Base.	8.	(1) The Authority shall determine and account for a Regulatory Asset Base for licensees whose tariff application is under processing.
		(2) The Regulatory Asset Base shall be based on a systematic method for rolling forward considering information reported in

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		regulatory accounts. The accounts shall be from tariff year to tariff year that allows for-
		 a) additions in respect of all investment in non-current business assets incurred in good faith in whole or in part for the purpose of delivering services subject to tariff control;
		b) depreciation on Regulatory Asset Base which shall be determined by the straight-line method;
		c) deductions in respect of consumer capital contributions;
		d) deductions in respect of asset disposals, such that the amount deducted represents the proceeds of disposal or the fair value of disposed assets if higher; and
		e) adjustments necessary to effect incentives.
Allowances for Return	9.	(1) The Authority shall provide for a fair rate of return on a licensee's Regulatory Asset Base when determining tariffs.
		(2) The rate of return shall be allowed based on the usage of assets that is consistent with cost allocation methods provided in the Energy (Electricity Regulatory Accounts) Regulations.
		(3) The allowed rate of return shall be such as to attract debt and equity capital, maintain financial integrity of the applicant without transferring avoidable costs to the consumer.
		(4) The Authority shall assess the cost of debt that reflects -
		a) The interest rate terms and other terms of prudently incurred financial obligations of the tariff applicant; and
		b) Competitive forecasts of interest rates for new debt financing and refinancing.

		(5) The Authority shall assess the cost of equity with reference to -		
		 a) the Capital Asset Pricing Model or any other justifiable model supported by other regulatory or academic authorities; b) industry benchmarks; c) evidence of relevant investor risks; and d) the taxes payable on profits by the tariff applicant. 		
Tariff Review	10.	(1) The Authority shall review the retail tariffs every three years in accordance with Section 165 (7) of the Act.		
		(2) A licensee shall make a tariff review application not later than forty-five days before the tariff's proposed effective date.		
		(3) A tariff review application shall be made in the form set out in the First Schedule and shall be determined in line with these Regulations.		
		(4) The Authority shall review and adjust electric power tariffs and tariff structures and investigate tariff charges, whether or not a specific application has been made for a tariff adjustment in accordance with Section 11(c)of the Act.		
		(5) The Authority shall publish a register of approved tariffs from time to time.		
	PAR	T III: PUBLIC HEARING ON TARIFFS		
Public Hearing Preliminaries.	11.	(1) Where a tariff application is for a tariff to be charged on parties that were not part of the tariff development process, the Authority shall conduct a public hearing prior to making its decision.		
		(2) The Authority shall give notice of a public hearing at least seven (7) days to the hearing the date. Copies of the tariff		

		application shall be availed on the applicant's and Authority websites.
		(3) The notice shall be in the form set out in the Fifth Schedule and shall at the cost of the applicant be published in any form of mass media or communication with reach to most of the affected parties including:
		 a) in at least one newspaper of wide circulation in Kenya; b) in a newspaper having general circulation in the area where the proposed subject of the application is to be located; or c) through any other form of mass media or communication. Where the applicant has email addresses and telephone contacts of the affected parties, the applicant shall be required to send personalized communication in a format to be provided by the Authority.
		(4) The Authority may invite any person, body, institution or organization directly to provide expert knowledge/opinion on the submitted application as part of the public hearing.
Conducting public hearings.	12.	(1) The public hearing shall be conducted in English and Swahili and presided by the Authority at the most publicly convenient venues identified so as to collect as much feedback as possible from the affected parties.
		(2) The tariff applicant shall present the submitted application during the public hearings with participants allowed to interrogate the application.
		(3) The Authority shall give a fair hearing to any stakeholder or to any person wishing to give views, comments or submission on the subject matter.
		(4) Any stakeholder or interested person wishing to be given a slot to make a formal presentation shall register their interest

		with the Authority at least 24 hours before the hearing. The request shall be in writing and highlight the issue to be presented, justification of the need to present, name, address, and affiliation if any.
		(5) The Authority shall review the request for formal presentation and make a decision whether to admit the request or not.
		(6) The Authority shall provide a reasonable time for the applicant to present their tariff, a justification for the requested tariff and respond to raised queries.
		(7) The Authority shall provide a summary of the consultations had at the end of each public hearing, outline the outcomes and maintain a record of the discussion.
		(8) During the public hearing period, the Authority may accept written references such as journals, studies or reports from members of the public for consideration in arriving at the final decision.
PAR	T IV: REP	ORTING, COMPLIANCE AND ENFORCEMENT
Reporting	13.	(1) A licensee shall submit to the Authority, within six months after the end of each tariff year, a tariff control compliance statement demonstrating compliance with the tariff control formulae.
		 (2)The tariff control compliance statement shall disclose - a) a computation of the tariff constraints; b) a statement of the corresponding tariff control measures; and c) a statement of any variances between (a) and (b)
		(3) A licensee shall incorporate the compliance statement in the regulatory accounts which shall be subject to audit.
Compliance,	14.	The Authority may carry out inspection to ensure compliance
Inspection and		with these regulations pursuant to Section 11 of the Act.

Enforcement		
Offences	15.	(1) A person who – a) charges tariffs that are not approved by the Authority commits an offence and shall, upon conviction, be liable to a fine twice the amount collected, and in any event the fine imposed shall not be less than one hundred thousand
		shillings. b) contravenes any of their licence condition related to the application, charging, approval or review of tariffs commits an offence and shall be liable on conviction to a fine of not less than one million shillings or to a term of imprisonment of not less than one year, or to both, in
		accordance with section 168 (1) (a) of the Act. c) makes a false statement or a statement one has reason to believe is untrue to the Authority or to an agent or an officer acting on behalf of the Authority commits an offence and is on conviction liable to a fine not exceeding ten million shillings or imprisonment for a term not exceeding five years or to both, in accordance with section 210 of the Act.
		d) fails to submit a tariff control compliance statement within the due date shall be liable to a fine of one hundred thousand shillings for every day the non-compliance persists, for a maximum of thirty days.e) submits a tariff control compliance statement that demonstrates failure to comply with the tariff control formulae, shall be liable to a fine of not less than one hundred thousand shillings.
		(2) The fines or penalties in sub regulation (1) are without prejudice to the Authority's right to suspend or revoke the licensee's licence or certificate in accordance with the Act.
		(3) Any fines or penalties which are not paid shall be a civil debt recoverable summarily.
Appeal	16.	Any person aggrieved by a decision or order of the Authority

		may appeal to the Tribunal in accordance with section 24 of the Act.
PART	V: TRANS	ITIONAL PROVISIONS AND COMMENCEMENT
Transitional provisions	17.	The tariffs existing at the commencement of these Regulations shall continue in place until new tariffs are gazetted under these Regulations.
Commencement	18.	These regulations shall come into effect immediately upon
		gazettement by the Cabinet Secretary.

FIRST SCHEDULE (r. 5 (2), 10(3)) TARIFF APPROVAL APPLICATION FORM

Type of Tariff applied for (tick relevant	option):				
Generation of electricity for own use	. 🗆	Distribution of el	ectricity		
Generation and sale of electricity	f 🗆	Retail supply electricity	or sale	of	
Transmission of electricity		Export of electric	itv		П
Bulk supply of electricity		Import of electric			
System operator		and out or enemie)		_
Purpose of Application: NewApplica Tariff Review					
(Please tick (ü) as appropriate)					
Particulars of intended application: Name of Applicant:					
Physical address:			•••••	••	
				• • • • • • • • • • • • • • • • • • • •	•••••
Postal address:					
Talanhana			••		
Telephone:					•••••
Fax:					• • • • • • • • • •
E-mail address:					
PIN:					
VAT Registration:					
				••••	
Name and details of contact persor					
Name:			•••••	• • • • • • • • • •	
Thy ofcur address.					

Postal address:			
Website address:			
Position Held			
Legal status of applicar			
Indicate legal state a) Sole propri b) Partnership c) Public Limi d) Private Lim e) Cooperativ f) Other (plea	us of applicant (tick apetorship ited Liability Company ited Liability Company e Union Society use specify) f registration, certification	y	
Particulars of directors			
Name	Address	Nationality	Country of Usual Residence
Financial status of appl Share capital of th Loans:	icant: e applicant (fully paid)	:	

	ertified audited fina ble, prior to applicat		and accounts for th	ie last three (3) y	ears, if
	lress of bankers				
Bankers i Name	Address	Email Address	Telephone	Fax	Contact Person
Bankers o	outside Kenya:				
Name	Address	Email Address	Telephone	Fax	Contact Person
Other ref	erees for the appli				
No.		Name and	Address	Contact Per	son
ource of fund	ling:		1		
Source of	funding for feasib	oility study (sp	ecify the source ar	nd amount expe	ected):
•••••		•••••			• • • • • • • • • • • • • • • • • • • •
					•••••
Sources o	of funding for the p	proposed proje	ct:		
	oital contribution (
•••••					
•••••					
		1 .1 .1			
Loan cap	ital (specify source a	ınd provide evid	ence):		
•••••		• • • • • • • • • • • • • • • • • • • •	•••••		

Others(specify):
Main current business activity of applicant:
Technical capacity and experience.
Technical and industrial competence of applicant.
Provide detailed statements of applicant's technical and industrial competence and
experience to undertake the proposed project
Describe technical and industrial automout from external courses.
Describe technical and industrial support from external sources:
Description of managed musicat
Description of proposed project.
Provide detailed description of intended project (attach detailed feasibility study)
Design to site on attilities (attack volument was and duranines and state whether there are assess
Project site or utilities. (attach relevant map and drawings and state whether there are access
roads required):
••••••
••••••
Capacity of proposed project. (state amount of power to be generated, transmitted, distributed
or supplied):

Time plan for implement	ation of the project:		
Land use at the project si	te:		
Access roads, generation (attach map):	plant, transmission an	d distribution require	d for the project
Contact or consultants w	ith local authorities: (a	tach relevant document	::::::::::::::::::::::::::::::::::::::
State if there is need to accommodate and their status (attack	nses required from oth		
Consent required and from	Description of activity	Legal provisions	Status
whom			
pact of the projects. Impact on socio - economics			
Impact on cultural			

•	
•	
Imp	act on
ϵ	environment
Imp	act on natural
r	resources
Imp	act on
τ	wildlife
Rest	conse to comments by stakeholders (attach an evaluation report and a response to
-	comments):
Con	nmercial aspects of the project. State intended market for generated power:(tick
	relevant option)
	iestic
Dom	
	ort
Ехра	
Expo Own	ort 1 distribution 1s to national grid

Tariff charges and methodology Provide detailed proposed term methodology:	ns of supply, structure	
	total annual revenue re	equirements projected for first five
Indicate the planned investmen	its in the first five years	5:
Indicate the required rate of ret		
•		
Declaration by the applicant:		
	- <i>'</i>	and that the details stated above
are, to the best of my/our kn	_	
Dated this day or	f 20	•
Authorized signature(s) and sea	al of the applicant(s)	
Signature	Signat	ture
Name	Name	e
Witnesses to above signatures:		
Name	Position	Signature
FOR OFFICIAL USE ONLY		
Date of submission of application	on:	
Results of verification for comp	leteness:	

••••••
Date and newspaper in which application was advertised:
Results of public hearing:
Decision of Authority:
Recommendations by Authority:
Date of Issue:
Date of Expiry:
Other relevant information:

SECOND SCHEDULE (r. 5 (3)) DOCUMENTATION TO ACCOMPANY TARIFF APPLICATIONS

New Applications

The tariff application shall be accompanied by the following supporting documents:

- a) Certified Copy of Certificate of Registration or Certificate of Incorporation and Memorandum and Articles of Association in case of a company (whichever is applicable);
- b) Valid Certified Form CR12
- c) Valid tax compliance certificate from the Kenya Revenue Authority;
- d) PIN certificate.
- e) Proof of Main Office Occupancy
- f) Audited financial statements and accounts for the last (3)three years prior to application
- g) Tariff Model
- h) Detailed Feasibility Study
- i) Environmental Impact Assessment Study from the National Environmental Management Authority
- j) Relevant approvals from Local Authorities
- k) Proof of Land ownership of project site
- 1) Maps and drawings of project site
- m) Expression of Interest approval issued by the Cabinet Secretary (where applicable)
- n) Power Purchase Agreements or Power Sales Agreements (where applicable)
- o) Evaluation report and a response to comments by stakeholders

Tariff Review

- a) The application for tariff extension/review approval shall be accompanied by the following supporting documents:
- b) Tariff model
- c) Valid Certified Form CR12
- d) Valid Tax Compliance Certificate from the Kenya Revenue Authority;
- e) Audited Financial statements and accounts last (3) three years prior to application

THIRD SCHEDULE (r. 6 (3) (a))

EXPLANATORY SCHEDULE FOR NET COSTS AND VARIABLE COSTS

REGULATION	EXPLANATION
6 (4) (c)	Where it considers it appropriate, the Authority should seek independent verification or undertake analysis to ensure the evidence base for its decisions is of appropriate quality. Evidence may include: i. Evidence on historical and forecast costs, investment needs, outputs, risks, user demand and user preferences ii. Evidence on the performance and costs of comparable licensees within and outside Kenya
6 (3) (a)	The net costs of providing the services to which tariffs relate will include: i. The costs of procuring electric energy and standby electricity generating capacity, ii. Other expenditure necessary to support the relevant services, including the costs of public service obligations, including but not limited to those required to meet environmental and social objectives, where these obligations are imposed by empowered authorities in accordance with relevant legislation, iii. The costs of maintaining, renewing and replacing business assets, generally accounted for as depreciation, iv. Allowances for profits to provide a reasonable expectation for a fair rate of return on investment in business assets, represented by a Regulatory Asset Base, that is consistent with attracting debt and equity capital and maintaining the finance ability of the licensee's investment programmes. v. Less any other income arising from or otherwise reasonably attributable to the activities and assets of the licensee

nt business assets will generally include tangible fixed software licences but exclude financial investments, goodwill and other intangible assets unless the otherwise agrees. In the description of the control formulae for the relevant software licences but exclude financial investments, goodwill and other intangible assets unless the otherwise agrees.
omputed on a consistent basis with, amounts included
capital contributions would include capital grants pital component of connection charges.
ndue asymmetrical risk for licensees/consumers.
na tariff control formulae may include: ase year value for the respective tariff constraint ustments for inflation s-through adjustments of outputs, incentive adjustments for: ances in service levels ances in asset performance evement of milestones in the delivery of outputs, estment or other objectives of tariff control compliance (for other than fuel cost ances disclosed in a tariff control compliance ement apensation for financing costs or benefits associated a under-recovery or over-recovery of fuel cost tariffs: ases of any accumulated surplus from a regulatory cost provision in the event that a provision exceeds sholds determined by the Authority after due sultation in accordance with Regulation 11
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FOURTH SCHEDULE (r. 7 (2)) SCHEDULE OF PERIODIC PUBLICATION FOR PASS THROUGH COSTS

NO	PASS THROUGH	FREQUENCY OF PUBLICATION
1.	Taxes and Levies	As imposed by government from
		time to time
2.	Inflation Adjustment (INFA)	Biannual
3.	Water Resource Management	Monthly
	Authority (WRMA) Levy	
4.	Fuel Energy Cost (FEC)	Monthly
5.	Foreign Exchange Rate	Monthly
	Fluctuation Adjustment	
	(FERFA)	

FIFTH SCHEDULE (r. 11 (3)) NOTICE OF PUBLIC HEARINGS

Take notice that the Energy & Petroleum Regulatory Authority shall, on theday of
20 hold a public hearing regarding (nature of the application) at
(venue) starting at (time).
Government agencies, electricity sector stakeholders and persons affected by the application
are hereby invited to attend the hearing.
All stakeholders and affected persons wishing to make presentations may register with the
Secretary to the Authority not later than the day of20
Signed:
For and on behalf of the Energy & Petroleum Regulatory Authority.
Dated thisday of