Energy & Petroleum Regulatory Authority

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2022



Our Mission

Enhancing lives by ensuring there is sustainable, cost efficient and quality energy and petroleum.

Our Vision

A leading regulator driving sustainable and clean energy and petroleum for all.

Our Rallying Call

Quality energy, quality life.

Our Core Values

Professionalism / Integrity / Responsiveness / Mutual Respect / Teamwork

Inside this Report

ACRONYMS AND ABBREVIATIONS

AGPO	Access to Government Procurement Opportunities
AGO	Automotive Gas Oil (Diesel)
BESS	Battery Energy Storage System
BOPD	Barrels of Oil Per Day
CAIDI	Customer Average Interruption Duration Index
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CBK	Central Bank of Kenya
CBR	Central Bank Rate
COSSOP	Cost of Services for the Supply of Petroleum Products
CI	Commercial & Industrial
DPK	Dual Purpose Kerosene
EHS	Environment, Health & Safety
EMCA	Environment Management and Coordination Act
ESIA	Environmental and Social Impact Assessment
EPRA	Energy and Petroleum Regulatory Authority
EPZ	Export Processing Zones
FERFA	Foreign Exchange Rates Fluctuation Adjustment
FCC	Fuel Cost Charge
FiT	Feed in Tariff
GDC	Geothermal Development Company
GDP	Gross Domestic Product
GPOBA	Global Partnership on Output Based
GWh	Gigawatt hours
HHI	Herfindhal Hirschman Index
HVDC	High Voltage Direct Current
HV	High Voltage
INEP	Integrated National Energy Plan
INFL	Inflation Adjustments
IVR	Interactive Voice Response
IPPs	Independent Power Producers
IPSAS	International Public Sector Accounting Standards (IPSAS)
IRMPF	Institutional Risk Management Policy Framework
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power and Lighting Company
Kms	Kilometer
KNBS	Kenya National Bureau of Standards
KPC	Kenya Pipeline Company
kV	Kilo volt
kVA	Kilowatt hour
KWh	Kilowatts
LCPDP	Least Cost Power Development Plan

LLCOP	Lokichar-Lamu Crude Oil Pipeline
LPG	Liquefied Petroleum Gas
LV	Low voltage
MEPS	Minimum Energy Performance Standards
MOE	Ministry of Energy
MOPM	Ministry of Petroleum and Mining
MPC	Monetary Policy Committee
MW	Megawatt
MV	Medium Voltage
MVA	Mega volt ampere
NEMA	National Environmental Management Authority
NOCK	National Oil Corporation
NSCs	Network Service Contracts
NuPEA	Nuclear Power and Energy Agency
OMCs	Oil Marketing Companies
OTS	Open Tender Systems
PMS	Premium Motor Spirit (Super Petrol)
PWDs	Persons with Disabilities
PPAD	Public Procurement and Asset Disposal
PPA	Power Purchase Agreements
PSC	Public Service Commission
QMS	Quality Management System
REREC	Rural Electrification and Renewable Energy Corporation
REP	Rural Electrification Programme
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SEZ	Special Economic Zones
SC	Small Commercial
SCAC	State Corporation Advisory Committee
SPV	Solar Photovoltaic
TANESCO	Tanzania Electric Supply Company Limited
TJ	Terra Joules
VRE	Variable Renewable Energy
WRMA	Water Resource Management Authority

DEFINITION OF TERMS

Distribution Network: A power grid of interconnected electrical lines, transformers, equipment and other installations, which supply electricity to end users through low, medium and high voltage.

Effective Capacity: Amount of power generated by a power plant under a given sets of constraints. It is the installed capacity less auxiliary consumption.

Electricity Access: This entails a household having initial access to sufficient electricity to power a basic bundle of energy services – at a minimum, several lightbulbs, phone charging, a radio and potentially a fan or television – with the level of service capable of growing over time.

Electricity Generation: This is the process of converting primary energy (for example hydro or geothermal) into electricity.

Electricity end user tariff: The unit price of electricity paid by an end user customer to an energy service provider.

Energy Efficiency: Using less energy to produce the same quality and quantity of goods and services.

Energy Market: Commodity markets that deal specifically with trade and supply of energy.

Expression of interest: This is a formal initial offer by an energy service provider to the Ministry of Energy and Petroleum for the supply of an energy good or service.

Generation capacity: This is the amount of energy that a generation plant is able to produce over a given period of time. It is usually measured in Kilowatt hours, Megawatt hours or Gigawatt hours.

Geothermal power: Power generated from steam derived from the underground.

Grid: A network of transmission systems, distribution systems and connection points for movement and supply of electrical energy from generating stations to consumers.

Hydro power: Power generated from turbines energized by force of flow of water.

Import bill: This is the total value in Kshs. of petroleum imports in the country in a calendar year.

Installed capacity: Maximum power generation capacity in megawatts that a power plant can achieve.

Landed cost: This is the total cost of importing petroleum products to the Kenyan port. It is normally expressed in Kshs. /Litre.

Low case scenario: The scenario represents a low growth trajectory where most of the government plans are not implemented. It is assumed that in this scenario economic development will be at the existing rate with no expected increase during the planning period.

Load: Amount of electricity being used or demanded at one time by a circuit system.

Murban crude oil: This is a light grade crude oil mostly exported from Fujairah and Abu Dhabi.

Network Service Contract: This is a legal agreement between the system operator and electricity transmission as well as distribution companies to transmit and distribute electricity.

Nominal capacity: Same as installed capacity.

Optimistic scenario: A planning scenario based on the development patterns highly driven by Vision 2030 growth projections and implementation of flagship projects alongside growth in macroeconomic fundamentals.

Pass through charges: These are parameters denoting additional variable costs incurred by electricity generating plants and are transferred to the consumers.

Peak demand: This is the highest level of electricity power demand recorded in the country over a specific time period.

Pessimistic scenario: Scenario that represents a low growth trajectory where most of the government plans are not implemented and there is weak performance from macroeconomic indicators.

Prospective demand: This is the highest expected (forecasted) power demand over a given time period.

Renewable energy sources: These are natural energy sources that are replenishable at a higher rate than they are consumed.

Security of Supply: This is the assurance of an uninterrupted availability of energy and petroleum supply over a defined period of time.

Solar photovoltaic power: Power generated through the effect of conversion of a light photon into electric energy through a semi-conductor.

Tariff: The regulated price at which various consumer categories are charged for the supply of electricity.

Tariff evolution: This is how electricity tariffs vary over time.

Transmission Network: A power grid of interconnected electrical lines, transformers, equipment and other installations, that transfers power at high voltage from generation facilities to a distribution network.

Time of use tariff: This is a special tariff based on the estimated cost of electricity during a particular time block, for example off peak hours.

Wind power: Power generated through the force of energy of moving wind over a turbine blade.

Vision Scenario: A planning scenario based on the development patterns highly driven by Vision 2030 growth projections and implementation of flagship projects.

CORPORATE INFORMATION

Incorporation

The Energy and Petroleum Regulatory Authority (EPRA) is established under the Energy Act, 2019 with the responsibility for economic and technical regulation of electric power, renewable energy, petroleum and coal subsectors.

Board Members

The Board Members who served during the year hitherto are:

Name	Designation	Appointment/ Reappointment	Term Expiry
Maj. Gen (Rtd.) Dr. Gordon O. Kihalangwa, CBS	Principal Secretary, Ministry of Energy	-	-
Mr. Andrew Kamau	Principal Secretary, State Department of Petroleum and Mining	-	-
Hon. Rtd. Justice (Prof) Jackton B. Ojwang	Board Chairman	Appointed on 12th May 2020	11th May 2024
Mr. Daniel Kiptoo	Director General	Appointed as Acting Director General effective 14th December 2020 Confirmed on 30th June 2021	30th June 2024
Mr. Moses Gitari	Alternate to the Principal Secretary State Department of Energy	Appointed on 29th April 2019	23rd August 2021
Mr. Albert Mwenda	Representing National Treasury	Appointed on 17th July 2020	-
Mr. James M. Nganga	Representing Ministry of Petroleum & Mining	Appointed on 26th April, 2021	30th June 2022
Dr. Sellah Kebenei	Board Member	Re-Appointed on 8th February 2019	7th February 2022
Mr. Wanjuki Muchemi	Board Member	Appointed on 6th November 2019	14th April 2022
Prof. George Achoki	Board Member	Appointed on 8th February 2019	7th February 2022
Mr. Masini Ichwara	Alternate to the PS Ministry of Energy	17th February, 2022	-
Mr. Barnabus Ngeno	Representing Council of Governors	11th June, 2021	-
Mr. George Mwakule	Board Member	14th April 2022	7th September 2023
Eng. Mercy Wambugu	Board Member	14th April 2022	7th September 2023
Mr. Moses Mutuli	Board Member	14th April 2022	7th September 2023
Mr. Daniel Ndonye	Board Member	14th April 2022	7th September 2023

Management

Name	Designation
Mr. Daniel Kiptoo	Director General
Ms. Mueni Mutung'a	Corporation Secretary & Director Legal Services
Eng. Edward Kinyua	Director Petroleum & Gas
Eng. Joseph Oketch	Director Electricity & Renewable Energy
Dr. John Mutua	Ag. Director Economic Regulation & Strategy
Mr. James Kilonzo	Ag. Director Corporate Services
Ms. Loise Thuge	Supply Chain Manager
Ms. Everlyne Orenge	Manager, Internal Audit and Risk Assurance Department
Mr. Cyprian Nyakundi	Director Enforcement and Consumer Protection

Headquarters

Eagle Africa Centre
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Nairobi

Contacts

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Email: info@epra.go.ke
Website: www.epra.go.ke

Bankers

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400 – 00100
NAIROBI

National Bank of Kenya
Harambee Avenue
P.O. Box 41862 – 00100
NAIROBI

Commercial Bank of Africa
Upperhill Branch
P.O. Box 30437 - 00100
NAIROBI

Auditors

Auditor General
Anniversary Towers
P.O. Box 30034 – 00100
NAIROBI

Principal Legal Advisor
Attorney General
State Law Office
P.O. Box 40112 – 00100 GPO
NAIROBI

CHAIRMAN'S STATEMENT

Hon. Rtd. Justice (Prof)

Jackton B. Ojwang

I am pleased to present to you the Authority's annual report and financial statements for the year ended June 30th, 2022. This report underscores the Authority's dedication to advancing the country's core development plans as outlined in Vision 2030 and the Big Four Agenda. Energy stands as a crucial driver of our nation's economic prosperity. Recognizing this, the Authority remains steadfast in its commitment to regulating and steering the energy sector to support the nation's developmental aspirations.

During the period under review, the economy exhibited notable expansion following the easing of Covid-19 containment measures and the resumption of economic activities across all sectors. The real Gross Domestic Product (GDP) is estimated to have grown by 7.5%, with most economic activities registering positive growth, according to the Economic Survey 2022.

The country has witnessed a surge in interest from developers in Liquefied Petroleum Gas (LPG) infrastructure, driven by increased LPG consumption attributed to the growing middle class and the shift from traditional biomass cooking fuels. To encourage this energy transition, the Authority is providing fiscal and regulatory incentives. Additionally, measures are being taken to enhance the quality of petroleum fuels, safeguarding consumers from adulterated products and ensuring compliance with quality standards.

Challenges persist, particularly concerning high energy prices, resulting from international oil price fluctuations, which have adversely impacted the cost of living. The Authority is actively engaging with the government to mitigate these impacts through measures such as subsidy programs for price-regulated petroleum products and the implementation of Presidential directives for electricity tariff reductions.

The Authority continues to facilitate the smooth functioning of the sector through various regulatory instruments, including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, and monitoring the performance of sector utilities. Efforts are underway to streamline these processes, ensuring efficient issuance of legal instruments.

The Energy Act 2019 serves as a cornerstone for the development and coordination of the energy sector, underpinning initiatives such as the proposed 5-year National Energy Policy and the envisaged 3-year Integrated National Energy Plan (INEP). These efforts aim to ensure the provision of affordable, adequate, and reliable electricity services crucial for achieving our Vision 2030 objectives. A particular emphasis has been placed on leveraging renewable energy resources, with investments in geothermal power production prioritized for their comparatively lower generation tariffs.

The Petroleum Act 2019 also plays a pivotal role in the Authority's regulatory mandate, providing a framework for the development of the National Petroleum Policy, especially in light of successful crude oil discoveries in

Turkana. Through its regulatory oversight and capacity-building initiatives, the Authority is poised to facilitate the growth and regulation of the petroleum sector, a critical component for realizing the goals of the Big Four Agenda.

Addressing the regulatory requirements of the Energy Act 2019 and Petroleum Act 2019 remains a significant challenge. The Authority is working closely with relevant ministries to mobilize resources for developing and implementing necessary regulations.

Looking ahead, with the upcoming General Elections in mind, the Authority has collaborated with sector agencies to ensure secure and reliable energy supply during this period. Collaboration with stakeholders will remain paramount as we strive to enhance our regulatory mandate and improve the business environment.

In closing, the Authority expresses gratitude for the unwavering support from national and county governments, energy sector players, and all Kenyans. I commend the dedication of the Authority's staff, management, and fellow Board Directors for another successful year, marked by our relentless pursuit of excellence in fulfilling our mandate and surpassing stakeholders' expectations.

Hon. Rtd. Justice (Prof) Jackton B. Ojwang
Board Chairman

DIRECTOR GENERAL'S STATEMENT

Daniel Kiptoo Bargoria,
OGW, MBS

Kenya's energy sector has continued to advance significantly in policy and regulatory frameworks, driven by reforms enacted through the Energy Act and the Petroleum Act 2019. The successful implementation of these reforms has notably enhanced service delivery to the general public and stakeholders in both the Energy and Petroleum sectors.

In the financial year ending June 2022, the country witnessed substantial milestones as it progressed along its economic recovery trajectory, marked by the relaxation of Covid-19 containment measures and the subsequent resumption of economic activities across all sectors.

Within the electricity subsector, a multi-agency approach to energy planning persisted, with Kenya Power and Lighting Company leading the coordination of the Least Cost Power Development Plan (LCPDP), as recommended by the Presidential Taskforce on the Review of Independent Power Producer – Power Purchasing Agreement. The interim report of this plan was prepared pending the finalization of the Integrated National Energy Plan (INEP) framework and associated regulations.

The year also saw the submission of the Least Cost Power Development Plan 2022-2041 to the Cabinet Secretary for Energy. Additionally, in response to a Presidential directive for a 33% reduction in end-user tariffs, a new tariff was reviewed and implemented in two phases, each comprising a 15% reduction, effective from 1st January 2022, for a one-year period.

The Authority continued to play a pivotal role in the evolution of Kenya's power system, notably designating the Kenya Transmission Company (KETRACO) as the country's System Operator, pursuant to section 138 of the Energy Act 2019. This designation is instrumental in realizing an open access electricity market, in line with the objectives of the Act.

At the electricity sector performance level, the resurgence in economic activities drove record peak demand, reaching 2,057MW by June 2022. The government's commitment to achieving universal electricity access remained steadfast, with a record 8,919,584 customers connected as of June 2022. In terms of electricity generation capacity, the country had an installed capacity of 3,077MW, comprising hydroelectric power, geothermal power, thermal power, wind power, solar power, biomass, and isolated minigrids.

The Authority's commitment to reviewing Power Purchase Agreements (PPAs) within 60 days of receipt of materially complete applications, as stipulated in the Energy Act 2019, led to improved efficiency in ensuring the reliability of power supply. Notably, the financial year welcomed the addition of a new Independent Power Producer to the grid, the 40MW Malindi Solar Plant, underscoring Kenya's leadership in renewable energy power generation.

In the Petroleum sub-sector, notable developments included the issuance of a total of 13,853 Petroleum Business Licenses by June 2022. The Authority continued to set maximum retail prices for key petroleum products and wholesale prices for main supply depots in Kenya, in accordance with the Energy Act 2019. This pricing mechanism, executed on the 14th day of every month, incorporates various factors such as international oil prices, exchange rates, taxes, levies, premiums, storage costs, pipeline tariff costs, and transportation costs.

During this period, the Authority received South Lokichar Field Development Plan (FDP). The Authority, in its mandate as outlined in section 32 (3), is expected to review the FDP and submit to the Cabinet Secretary for approval. The submission by the Kenya Joint Venture (KJV) partners, and subsequent review of the FDP by the Authority put Kenya on the path towards realizing final investment decision and establishing Kenya as an exporter of crude oil.

Financially, the Authority observed a decrease of 10% in revenue from the petroleum levy compared to the previous year, while electricity levy revenue increased by 28.8%. Total non-exchange revenue saw a 2.7% increase, with total recurrent expenditure rising by 11% from the previous financial year. The Authority's total asset base increased by 38.1%, with both non-current and current assets experiencing significant growth. Current liabilities saw a notable increase of 105.1%, while total equity increased by 1.2%.

I encourage you to explore this report, which illuminates the developments showcasing the resilience and progress of Kenya's energy sector amidst shifting regulatory frameworks and economic dynamics. I am confident that this resilience will pave the way for sustainable growth and bolster energy security in the years ahead.

I extend my gratitude to the dedicated staff at EPRA, our esteemed Board of Directors, and all our stakeholders for their unwavering support throughout the financial year.

Daniel Kiptoo Bargoria, OGW, MBS
Director General

CORPORATE GOVERNANCE

Who Governs Us

**Hon. Rtd. Justice (Prof)
Jackton B. Ojwang
Board Chairman**

Prof. Ojwang is a retired judge of the Supreme Court of Kenya with a span of 45 years' experience in the legal profession.

Prof. Ojwang' has had an illustrious 17-year career in the Judiciary after having been first appointed a high court Judge in 2003 and then elevated to the Supreme Court in 2011 as one of the key seven Judges of the newly created Apex Court.

He holds Bachelor's and Master's degrees in Law from the University of Nairobi and a PhD in Comparative Constitutional Law from Downing College, Cambridge. In 2015, he earned a Doctor of Laws degree (LLD) from the University of Nairobi making him the first sitting judge to receive the Degree. He is an accomplished scholar and has authored numerous academic papers and other scholarly works. He has also taught at reputable universities around the world including the University of Nairobi where he served for 27 years. He has also been a visiting Associate Professor of Law at the J. Reuben Clark Brigham Young University Law School in the United States.

Prof. Ojwang' was awarded the University of Nairobi's Staff Merit Award in recognition of his outstanding contribution towards the University's mission. He was also bestowed the coveted East African Law Society Senior Lawyer of Year Award in 2013 for his remarkable legal and judicial career.

Daniel Kiptoo Bargoria took on the role of Director General on June 30, 2021, following an interim appointment in the same capacity since December 14, 2020.

Daniel boasts extensive experience in the Energy and Petroleum sectors, with a specialization in Policy Formulation, Regulation, and Project & Structured Finance. He has previously served as a Legal Advisor at the Ministry of Energy and State Department of Petroleum and has chaired the Government's First Oil Committee, responsible for the delivery of First Oil for Kenya. His expertise extends to representing Kenya in various Investor-State Arbitrations and participating in two task forces focused on Independent Power Producers (IPPs). Daniel also played a key role in drafting the Energy Act, 2019, and Petroleum Act, 2019.

His educational background includes a Master of Business Administration (MBA) in Energy & Sustainability from the University of Cumbria and a Master of Laws (LLM) in Petroleum Law and Policy from the University of Dundee, both in the United Kingdom. He holds a bachelor's degree in law (LLB) from the University of Nairobi and a Post Graduate Diploma (Dip.) from the Kenya School of Law. In addition, Mr. Kiptoo is a Harvard Senior Executive Fellow (SEF) and holds two executive certificates, one in public policy and another in economic development, both from the Harvard Kennedy School of Government. Currently, he is pursuing a PhD from the Centre for Energy, Petroleum, and Mineral Law and Policy (CEPMLP) at the University of Dundee.

**Mr. Daniel Kiptoo Bargoria
Director General**

Mr. Kiptoo is a member in good standing of the Law Society of Kenya, having been called to the bar as an Advocate of the High Court of Kenya. He is also a qualified Certified Secretary (CS) in corporate governance and a member of the Association of International Energy Negotiators (AIEN), a global organization of international energy negotiators.

In recognition of his exceptional service to the country, Mr. Kiptoo has been honored with the Order of the Grand Warrior (OGW) by the President of the Republic of Kenya, a prestigious award presented to individuals for their outstanding contributions to the nation.

Maj. Gen (Rtd) Dr. Gordon.O. Kihalangwa, CBS
Principal Secretary, State Department of Energy

Maj. Gen (Rtd) Dr. Gordon. O. Kihalangwa, CBS joined the Ministry of Energy in 2021 as the Principal Secretary from the State Department for Public Works. Before his posting in the Ministry of Energy, he served as the Director for Immigration services from 2014 until March 2018 when he was appointed as the Principal Secretary, State Department for Immigration and Citizen Services, in the Ministry of Interior and Coordination of National Government. He also had a short stint as Principal Secretary, Ministry of Defence in August 2019, he was reassigned in the same capacity to the State Department for Public Works in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works in 2019.

Prior to joining the Civil Service, he worked in the Military which he joined as a Cadet Officer. He diligently served and worked his way through the ranks in the military and rose to the rank of Major General and was appointed to the position of Assistant Chief of General Staff in-charge of Personnel and Logistics. He retired as a Major General in 2014 after close to 33 years of Service.

Mr. Andrew Nganga Kamau, CBS, is the Principal Secretary State Department of Petroleum, Ministry of Petroleum and Mining.

Since his appointment as Principal Secretary in December 2015, he has been instrumental in the development and implementation of landmark oil and gas projects which include the Kenya Petroleum Technical Assistance Project (KEPTAP), a World Bank funded project for capacity building in the petroleum sector in the country. He is also steering two key flagship projects: The Early Oil Pilot Scheme and the Crude Oil Pipeline.

Mr. has vast experience in the mining, oil and gas sectors spanning over twenty-five (25) years. He previously

Mr. Andrew N. Kamau C.B.S
Principal Secretary, State Department of Petroleum

held senior positions in Saillies Ltd. the oldest Johannesburg Stock Exchange listed mining company and Drillex Ltd, a mineral exploration drilling company with drilling rigs in South Africa, Mozambique and Zambia. In addition, he has been a director of Gulf of Guinea Petroleum Company in the Republic of Congo.

In his oil trading career, he has advised on various petroleum upstream, mid/ downstream ventures in countries in the region. He successfully negotiated USD 60 Million revolving line of credit for the Democratic Republic of Congo for the purchase of refined petroleum products. Other achievements include helping in the development of the tender and supply contract for gasoline on behalf of the Government of Sudan, export of 200,000 MT of gasoline from the refinery in Khartoum and supplied over USD 200 million worth of refined petroleum products to Tema Oil Refinery in Ghana.

In 2005, he was awarded the Deal Maker of the Year by Global Pacific Partners.

CPA. Moses Gitari
Board Member
(Alternate to the Principal Secretary, Ministry of Energy)

CPA. Moses Gitari is currently the Head of Accounting Unit, State Department for Energy and an Alternate to the Energy Principal Secretary on the EPRA Board. He holds a Master of Business Administration Degree in Strategic Management from the University of Nairobi and a Bachelor's in Business Administration, Accounting & Finance from the Kenya Methodist University (KEMU).

Mr. Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK). He has vast experience in accounting systems implementation and business process re-engineering.

He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of Business Process Re-engineering.

Mr. James M. Nganga
Alternate to the Principal Secretary, Ministry of Petroleum

Mr James Nganga is currently the Principal Superintending Geologist and Acting Secretary in the Directorate of Petroleum at the State Department of Petroleum and Mining. His directorate is responsible for overseeing the exploration of Oil and Gas fields, determination of their commerciality, licensing and ensuring compliance with environmental protection policies.

He has extensive experience, spanning over 25 years, and has been involved in the exploration of geothermal, coal, oil and gas in Kenya.

Mr. Nganga holds a Bachelor of Science Degree in Geology from the University of Nairobi and a Master of Science Degree in Structural Geology from the University of Leeds, UK. He also holds a Post Graduate Diploma in Geothermal Technology from Auckland University, New Zealand and a Certificate in Geothermal Energy and Environmental Sciences from Kyushu University, Japan.

He is a member of the Geological Society of Kenya (GSK) and the Geologist Registration Board (GRB).

Mr. Barnabas Ngeno is a seasoned expert in housing, land, and urban governance. Presently, he holds the position of County Executive Committee Member for Lands, Housing, and Physical Planning in Kericho County. Additionally, Hon. Ngeno serves as the Chairperson of the Lands, Housing, Physical Planning, Housing, Urban Development, and Energy Committee at the Council of Governors.

He also plays a crucial role as the Co-Chair of the National Program Technical Committee for the Kenya Urban Support Program (KUSP), a significant initiative backed by the World Bank with a budget of $300 million, designed to facilitate infrastructural development across 45 counties.

Mr. Barnabas Ngeno
Representative Council of Governors

During a pivotal period of transition into the new constitutional dispensation, Hon. Ngeno led the sector's technical team. Under his guidance, the team successfully established the policy, legislative, and regulatory framework that currently governs this expansive sector.

Hon. Barnabas Ngeno represents the Council of Governors on the board. He holds a Bachelor's Degree in Business Management from Moi University and is currently pursuing an MBA at Kenyatta University, making him an MBA Finalist. Furthermore, he is the inaugural Chairperson and founder of the Institute of Corporate Governance.

Mr. Albert Mwenda
National Treasury Representative

Mr. Albert Mwenda was appointed to the position of Director General, Budget, Fiscal and Economic Affairs on an acting capacity in November 2018.

Prior to his current appointment he served as the Director of the Intergovernmental Fiscal Relations Department of the National Treasury which he helped to establish. He has made significant contributions in the recent development of Kenya's policy and legislative framework for public finance management, including the management of fiscal relations between the two levels of government.

He holds a Master's Degree in Public and Economic Policy from the London School of Economics and Political Science (LSE), UK as well as a Master's of Business Administration (Finance) from the University of Nairobi (UON). He also holds a Bachelor of Arts degree in Economics from the University of Nairobi (UON).

Dr. Kebenei J. Sellah
Board Member

Dr. Kebenei, a senior lecturer at Kabarak University, has conducted extensive research in the field of Organic and Environmental Chemistry. She began her academic career at the University of Nairobi in 1981 where she graduated with a Bachelor of Science Degree (BSc), with a Major in Chemistry. She subsequently did a Master of Philosophy (M.Phil.) Degree in Chemistry at the Moi University, Eldoret and graduated in 2003. She holds a Doctor of Philosophy Degree in Chemistry (PhD) from the same university (2009).

From 2006 to 2015, she served as Head of Environmental and Life Science Department at the same university. Since 2016 to date, she has served as Head of Physical and Biological Sciences Department. She served as acting Dean for the School of Science, Engineering and Technology (2014) and as Director of the Institute of Post-Graduate Studies and Research (2016).

She was coordinator for the development of the School of Medicine and Health Science from 2009 to 2014, which resulted in the launching of Nursing and Clinical Medicine Degree program.

Prof. George O. Achoki, PhD.
Board Member

Professor George O. Achoki has experience in Management, Academia and Board directorship spanning over twenty years. Professor Achoki's career life started in 1997 at Manpower Services (K) Limited where he worked as a Management Consultant. He had a one-year stint as a senior lecturer at Kenyatta University where he taught finance and accounting. He is currently an associate Professor of Accounting and Finance at United States International University (USIU) where he has taught for over 20 years.

Professor Achoki holds a Bachelor's degree in Commerce, a Master of Commerce in Accounting and Statistics and a Doctor of Philosophy in Human Resource Accounting, all from Sukhadia University, India.

He has published in the International Journal of Economics and Finance, the American Journal of Finance, and the Journal of Business and Management among others. Between 2016-2018, he served as a Council Member at the Export Promotion Council where he chaired the Strategy, Product Development and Promotion and the Finance and Resource Mobilization Committees.

Eng. Mercy Wambugu
Board Member

Mercy is an Independent Consultant with a special interest in the oil and energy sector. She is passionate about helping organizations achieve operational excellence through professional advice and hands-on support, working mostly in association with other consultants (2013 to-date). Her clients include both public and private organizations with an interest in the oil sector.

Mercy has extensive experience in the corporate world including a 27-year career-span with the Shell Group (1986-2013) with core competences in petroleum downstream operations as well as generic management functions such as leading/managing teams, budgeting/financial management and project/change management. In her last role with Shell, she worked as a member of the project team that managed Shell's divestment from its downstream business in Africa and transition to Vivo Energy BV. Prior to that she worked as the oil terminal operations advisor for Africa and held various operational roles within the Kenya Shell. Earlier in her career, she handled public sector engineering projects under the Ministry of Public Works (1983-1986).

Mr. Daniel Ndonye
Board Member

Mr. Daniel Ndonye is a chartered accountant by profession, having worked with Deloitte & Touche for over 30 years, 20 of which he was the Managing/Senior Partner. He holds a Bachelor of Commerce degree from the University of Nairobi. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya. He sits on the boards of several companies, two (2) of which are listed on the Nairobi Securities Exchange.

Moses is currently the General Manager, Life Insurance East Africa, at Sanlam Pan Africa. For his role, he serves in the Boards of Sanlam in Uganda, Tanzania, Rwanda and Burundi and in addition is a Director at Hubris Holdings Ltd in Kenya.

Moses is a qualified actuary and is a Fellow of the Institute of Actuaries UK (FIA) and Fellow of The Actuarial Society of Kenya – TASK (FeASK). He is the immediate past chairman of TASK. He has over 18 years experience in insurance and actuarial consulting gained in United Kingdom, South Africa and Kenya.

Moses is a Rhodes Scholar and holds an MBA and MSc in Applied Statistics both gained from University of Oxford and BSc Mathematics from University of Nairobi.

Mr. Moses Mutuli
Board Member

Mr. George Mwakule
Board Member

Mr. George Mwakule is an Information Technology professional with vast experience in the corporate world including 21 years with Coca-Cola in Africa, Middle East and Turkey. He managed multi-country infrastructure services delivery, led information technology projects and systems integration within The Coca-Cola Company and its franchise bottling partners. His early corporate career was at Barclays Bank of Kenya where he led transformative technology projects in data centers, cheque processing and office automation. He also worked at Kenya Posts & Telecommunication Corporation as an Executive Engineer and implemented several telephone and data transmission systems.

He holds a Bachelor of Science Degree in Electrical Engineering from the University of Nairobi.

Mr. Masini J. Ichwara
Board Member

Mr. Masini J. Ichwara is currently the Director of Planning in the Central Planning and Programme Monitoring Unit at the Ministry of Energy. He previously served at the same level at the Ministry of Industrialization, Trade and Enterprise Development, State Department for Industrialization.

Mr. Ichwara has comprehensive national and international development level experience spanning over 25 years having worked for UNDP-Somalia as a Research Officer, UNDP-Kenya as a Monitoring and Evaluation Specialist and as a consultant for UNFPA, UNICEF and UNWomen. He previously worked for the Kenya National Bureau of Statistics and the Monitoring and Evaluation Directorate at National Treasury and Planning.

Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is currently serving as a non- Executive Director in the Boards of several listed and private companies.

Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal assistant to the attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency, President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for 10 years.

He holds a Master of Business administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of arbitrators, London, U.K. (FCI arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS (K)), and The Law Society of Kenya.

Mr. Wanjuki Muchemi
Board Member

Ms. Mueni Mutung'a
Corporation Secretary & Director Legal Services

Ms. Mutunga holds a Master's in Business Administration and a Bachelor of Laws degree both from the University of Nairobi, and a Diploma in Legal Practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Chartered Institute of Arbitrators and a fellow of the Institute of Certified Secretaries of Kenya. She has also trained extensively in Good Corporate Governance and is a Public Private Partnerships specialist.

Ms. Mueni started her career as an advocate and worked as an associate with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd. where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Corporation Secretary and Director Legal Services.

Who Leads Us

Mr. Daniel Kiptoo Bargoria - Director General

Daniel Kiptoo Bargoria took on the role of Director General on June 30, 2021, following an interim appointment in the same capacity since December 14, 2020.

Daniel boasts extensive experience in the Energy and Petroleum sectors, with a specialization in Policy Formulation, Regulation, and Project & Structured Finance. He has previously served as a Legal Advisor at the Ministry of Energy and State Department of Petroleum and has chaired the Government's First Oil Committee, responsible for the delivery of First Oil for Kenya. His expertise extends to representing Kenya in various Investor-State Arbitrations and participating in two task forces focused on Independent Power Producers (IPPs). Daniel also played a key role in drafting the Energy Act, 2019, and Petroleum Act, 2019.

His educational background includes a Master of Business Administration (MBA) in Energy & Sustainability from the University of Cumbria and a Master of Laws (LLM) in Petroleum Law and Policy from the University of Dundee, both in the United Kingdom. He holds a bachelor's degree in law (LLB) from the University of Nairobi and a Post Graduate Diploma (Dip.) from the Kenya School of Law. In addition, Mr. Kiptoo is a Harvard Senior Executive Fellow (SEF) and holds two executive certificates, one in public policy and another in economic development, both from the Harvard Kennedy School of Government. Currently, he is pursuing a PhD from the Centre for Energy, Petroleum, and Mineral Law and Policy (CEPMLP) at the University of Dundee.

Mr. Kiptoo is a member in good standing of the Law Society of Kenya, having been called to the bar as an Advocate of the High Court of Kenya. He is also a qualified Certified Secretary (CS) in corporate governance and a member of the Association of International Energy Negotiators (AIEN), a global organization of international energy negotiators.

In recognition of his exceptional service to the country, Mr. Kiptoo has been honored with the Order of the Grand Warrior (OGW) by the President of the Republic of Kenya, a prestigious award presented to individuals for their outstanding contributions to the nation.

Ms. Mueni Mutung'a - Corporation Secretary & Director Legal Services

Mueni holds a Master's in Business Administration and a Bachelor of Laws degree both from the University of Nairobi, and a Diploma in Legal Practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Chartered Institute of Arbitrators and a fellow of the Institute of Certified Secretaries of Kenya. She has also trained extensively in Good Corporate Governance and is a Public Private Partnerships specialist.

Mueni started her career as an advocate and worked as an associate with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Corporation Secretary and Director Legal Services.

Dr. John M. Mutua - Acting Director Economic Regulation

Dr. Mutua has extensive experience, spanning over 17 years in Energy Planning, Pricing, Competition, Research and Policy Analysis. Prior to his appointment in his current role, he served as the Deputy Director Regulatory Research and Policy Analysis at the Authority.

Before joining EPRA, he was a Policy Analyst at the Kenya Institute for Public Policy Research and Analysis (KIPPRA). He is a Certified Regulation and Utility Management Specialist by the Institute for Public Private Partnerships (IP3), Washington D.C.

Dr. Mutua has authored papers in journals such as the Energy Policy, Journal of Energy and Development, Journal of African Development, Resources for the Future (RFF) Discussion Papers, KIPPRA Discussion and Working Papers as well as the African Economic Research Consortium publications. He is an alumni of the Collaborative Masters Programme (CMAP) in Economics, which is supported and hosted by the African Economic Research Consortium, and is a Research Associate at the Environment for Development (EfD) Initiative-Kenya. He is also a member of the International Association for Energy Economics (IAEE) and the Economist Society of Kenya (ESK).

Loise Thuge - Supply Chain Manager

Loise Thuge is the Procurement Manager responsible for development and implementation of the Authority's supply chain management policies, strategies and procedures.

She holds a Master of Science in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelor of Arts from the University of Nairobi, and a Diploma in Purchasing and Supplies Management from the Chartered Institute of Supplies Management.

Prior to joining EPRA, Loise worked for various institutions including the Kenya Revenue Authority (KRA), University of Nairobi and the Institute of Certified Public Accountants of Kenya (ICPAK).

Loise is a member of the Kenya Institute of Supplies Management (KISM) and the Chartered Institute of Purchasing and Supplies Management or Chartered Institute of Procurement & Supply (CIPS).

Eng. Edward Kinyua - Director Petroleum and Gas

Eng. Edward Kinyua is responsible for the development and implementation of strategies to ensure effective regulation of the mid and downstream petroleum sub-sectors in Kenya.

Eng. Kinyua holds a Master of Science in Energy Management from the University of Nairobi and a Bachelor of Technology in Mechanical and Production Engineering from Moi University.

He has a wealth experience in the energy sector spanning over 12 years in various organizations including Total Kenya Limited. He is a member of the Institution of Engineers of Kenya (IEK) and the Association of Energy Professionals Eastern Africa (AEPEA).

Eng. Joseph Oketch - Director Electricity & Renewable Energy Directorate

Eng. Oketch is the Director Electricity & Renewable Energy department, responsible for overseeing formulation, review, and monitoring of regulations, standards and codes for the electrical the electrical and renewable Energy subsectors in Kenya.

He has over 25 years of experience in the energy sector. Prior to joining EPRA 8 years ago, he had served in senior positions at Kenya Power and the Rural Electrification Authority (REA).

Eng. Oketch holds a Bachelor of Science (Electrical Engineering) from the University of Nairobi, Master of Business Administration (Strategic management) from Kenyatta University and a Post Graduate Diploma (Project Planning and management) from the University of Nairobi. He is a Member of the Institute of Engineers of Kenya (IEK), the Kenya Institute of Management (KIM) and is a Registered Professional Engineer with the Engineers Board of Kenya (EBK).

James Kilonzo - Acting Director Corporate Services

James Kilonzo is the Acting Director Corporate Services, responsible for formulation and execution of policies, plans and strategies in functional areas such as Finance and Corporate Communications, Human Resources and Administration and ICT. He has over 15 years of experience working in the finance and ICT sector.

James started his career as an accountant at the African Retail Traders (K) Ltd. He later moved to Dyer and Blair Investment Bank Ltd where he worked as a Financial Controller. Prior to joining EPRA, he was the Head of Finance at the Kenya Tourism Board.

James is a Certified Public Accountant and holds Master of Business Administration (Strategic Planning) from Moi University, a Bachelor of Commerce (Accounting) from the University of Nairobi.

Evelyne Orenge - Manager Internal Audit and Risk Assurance

Everlyne Orenge is the Manager Internal Audit and Risk Assurance department and is responsible for providing independent and objective assurance to the adequacy and effectiveness of the internal control systems.

She has a wealth of experience in Finance and Audit spanning over 15 years in the private and public sector. She started her career as an accountant at the Kenya Tea Development Agency (KTDA). She later moved to Ernst & Young and the Kenya Rural Roads Authority (KeRRA) where she worked as a Senior Auditor and Regional Accountant respectively. Prior to joining the Authority in 2018, she was the Chief Internal Auditor at the Judiciary.

Evelyne holds a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce (Finance) from the same University. She is a Certified Public Accountant, a member of the Institute of Certified Public Accountant of Kenya(ICPAK) and the Institute of Internal Auditors (IIA).

Cyprian M. Nyakundi - Director Enforcement & Consumer Protection

Cyprian has 11 years of experience in Energy Regulation and Policy Making. Cyprian has played a lead role in the development of Petroleum Pricing Regulations, 2010; Draft Electricity Tariffs Regulations, 2017; and Draft Regulatory Accounts Regulations, 2017. He is the Chairperson of the petroleum pump pricing committee, a member of the Power Purchase Agreements Review Committee and Secretary to the Electricity Tariffs Review Committee.

He holds a Bachelor of Commerce (Finance) degree from the University of Nairobi and a Master of Business Administration (MBA) in Strategic Management from the same University. He is currently undertaking a PhD (Finance) at the University of Nairobi.

Cyprian is a Certified Public Accountant Kenya, CPA (K) – Strathmore University, 2003 and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also Kenya's Liaison officer for the Energy Regulators Association of East Africa (EREA).

Establishment and Mandate of the Authority

1.1 Legal, Policy & Regulatory Framework

The Authority adheres to laws, regulations, policies, and both national and international standards while fulfilling its mandate. The following list enumerates some of the relevant laws with which the Authority ensures compliance:

CONSTITUTION

Energy Act, 2019 | **Petroleum Act, 2019**

- Leadership and Integrity Act, 2012
- Public Officers Ethics Act, 2003
- Statutory Instruments Act, 2013
- Employment Act, 2007
- Public Finance Management Act, 2012
- Public Procurement and Assets Disposals Act, 2015

1.1.1 The Constitution

The Constitution stands as the supreme law of Kenya, outlining provisions for the sustainable exploitation, utilization, management, and conservation of the environment and natural resources, as well as the equitable sharing of resulting benefits. According to the Constitution, every individual bears a responsibility to collaborate with state organs and others to safeguard and conserve the environment, fostering ecologically sustainable development and the responsible use of natural resources.

Parliament is mandated to ratify transactions and agreements involving the grant of rights or concessions for the exploitation of any natural resource in Kenya.

In adherence to Article 10 of the Constitution, the Authority upholds the National Values and Principles of Governance. Through its engagement with stakeholders, the Authority actively promotes people's participation and social justice. Additionally, in accordance with Article 46 of the Constitution, the Authority safeguards consumer rights by ensuring the protection of the health, safety, and economic interests of electricity and petroleum product consumers.

1.1.2 Statutes

The Authority undertakes its mandate of energy regulation as provided under the Fourth Schedule of the Constitution. The Authority's mandate and functions are anchored under the Energy Act and the Petroleum Act. The Energy Act inter alia provides for:

- The establishment, powers and functions of the energy sector entities;
- Promotion of renewable energy and energy efficiency;
- Exploration, recovery and commercial utilization of geothermal energy;
- Regulation of coal activities;
- Regulation of the production, supply and use of electricity and other energy forms;
- National and County Government functions in relation to energy; and
- Inclusion of local content requirements in energy projects.

The Petroleum Act establishes the legal framework governing the upstream, midstream, and downstream sectors of the petroleum industry. It serves to operationalize pertinent articles of the Constitution, particularly those related to upstream petroleum operations, as well as the regulation of midstream and downstream petroleum activities.

1.1.3 Policy

In addition to the applicable laws, several policies exist and are instrumental in the regulation of the energy and petroleum sectors. The policy framework for the energy sector is anchored on the following documents.

(a) National Energy Policy, Sessional Paper No. 4 of 2004

The Sessional Paper highlights the policy framework upon which cost-effective, affordable and adequate quality energy services will be made available to the economy on a sustainable basis.

(b) Feed in Tariff (FiT) Policy 2012

The Policy was enacted to supplement the Sessional Paper No. 4 towards accelerated investment in power generation from renewable energy sources.

1.1.4 Regulations

There are several regulations which exist to supplement both the Energy Act and Petroleum Act. These regulations relate to petroleum, electricity, energy efficiency and renewable energy. Some of the key regulations are listed below:

(a) Petroleum	
1.	Energy (Petroleum Strategic Stock) Regulations, 2008 (L.N. 43/2008);
2.	Energy (Minimum Operational Stock) Regulations, 2008 (L.N. 44/2008);
3.	Energy (Blending of Power Alcohol with Motor Gasoline) Regulations, 2010 (L.N. 69/2010);
4.	Energy (Importation of Petroleum Products) (Quota Allocation) Regulations, 2010 (L.N. 96/2010);
5.	Energy (Petroleum Pricing) Regulations, 2010 (L.N. 196/2010);
6.	Energy (Petroleum Information and Statistics) Regulations, 2013 (L.N. 6/2014);
7.	Energy (Retail Facility Construction and Licensing) Regulations, 2013 (L.N. 7/2014);
8.	Energy (Operation of Common User Petroleum Logistics Facilities) Regulations, 2013;
9.	Energy (Lubricants Facility Construction and Business Licensing) Regulations, 2013;
10.	Energy (Licensing of Petroleum Refining Businesses and Facility Construction) Regulations, 2013;
11.	Energy (Licensing of Petroleum Business and Petroleum Facility Construction) Regulations, 2013;
12.	Energy (Licensing of Petroleum Logistics Business and Facility Construction) Regulations, 2013 (L.N. 9/2014);
13.	Energy (Energy Regulatory Commission Petroleum Levy) Order, 2018 (L.N. 162/2018);
14.	Energy (Licensing of Petroleum Road Transportation Business) Regulations, 2013;
15.	The Energy (Licensing of Petroleum Road Transportation Business) (Amendment) Regulations 2019 (L.N. 99/2019); and
16.	Petroleum (Liquefied Petroleum Gas) Regulations, 2019 (L.N. 100/2019).

(b) Electricity and renewable energy	
1.	Electric Power (Electrical Installation Work) Rules, 2006 (L.N. 115/2006);
2.	Energy (Rural Electrification Programme Fund) Order, 2008 (L.N. 92/2008);
3.	Energy (Electricity Licensing) Regulations, 2012 (L.N. 44/2012)
4.	Electricity Regulatory Board Order, 1999
5.	Energy (Solar Photovoltaic Systems) Regulations, 2012 (L.N. 103/2012).

(c) Energy Efficiency	
1.	Energy (Energy Management) Regulations, 2012 (L.N. 102/2012).
2.	Energy (Appliances' Energy Performance and Labelling) (Amendment) Regulations, 2018 (LN. 242/2018).

Cross Cutting Regulations	
1.	Energy (Complaints and Disputes Resolution) Regulations, 2012 (L.N. 42/2012);
2.	The Energy Tribunal Rules, 2008 (Gazette Notice No. 9163).

The Energy Act and Petroleum Act necessitated enactment and review of several regulations. A Taskforce was established by the Cabinet Secretary Ministry of Energy to, among others, spearhead the development and review of new regulations under the Energy Act. In this regard, the Authority undertook the review and development of 11 regulations in the petroleum sector.

Corporate Governance

2.1 Ethical leadership

The Authority upholds the principles of good governance as enshrined in the Constitution of Kenya, the State Corporations Act Cap 446 and the Mwongozo Code of Governance for State Corporations. These principles ensure efficiency, effectiveness, transparency, disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. They guide the Authority in executing its mandate.

The Board of Directors (the Board) acknowledges the significance of corporate governance in fulfilling the Authority's regulatory mandate as stipulated in the Energy Act No. 1 of 2019 (Energy Act) and the Petroleum Act No. 2 of 2019 (Petroleum Act). To ensure effective governance, the Board upholds good corporate governance by adhering to the following principles which are anchored in the Board Charter:

- Observation of high standards of ethical and moral behavior;
- Identification and mitigation of risks while acting in the best interests of the Authority;
- Promotion of legitimate interests of all stakeholders;
- Ensuring that the organization acts as a good corporate citizen; and
- Ensuring fair staff remuneration and promotion.

2.2 Strategic Plan

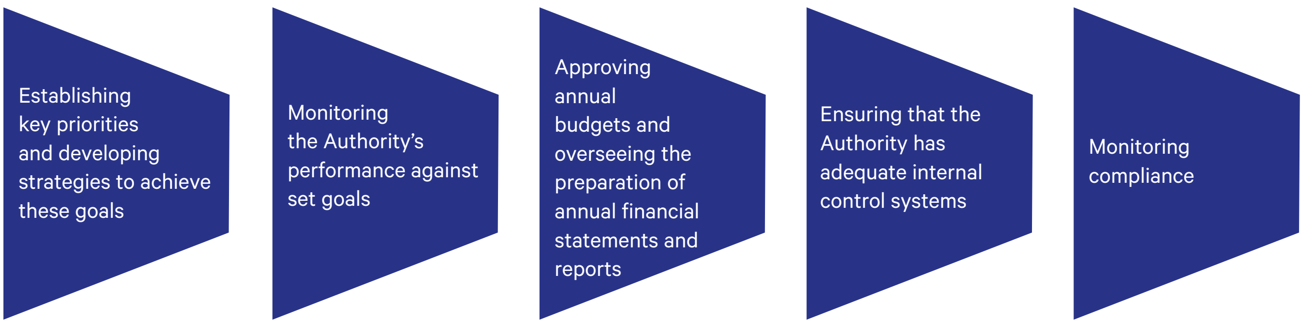
The Strategic Plan reflects the Authority's dedication to its regulatory mandate, aiming to facilitate the development of Kenya's energy sector for all key stakeholders. The period 1st July 2021 to 30th June 2022 marks the 2nd year of the implementation of the Strategic Plan 2020/21–2022/23. The period also marks the fifth cycle of strategic planning since the establishment of EPRA and its predecessor ERC.

The Authority's strategic objectives as outlined in the strategic plan are:

- Promote energy sector growth and development;
- Strengthen energy research, data management and information dissemination;
- Enhance regulatory awareness, compliance and safety;
- Enhance EPRA's institutional capacity.

The day-to-day execution of the strategic plan is implemented through the annual work plan.

The Board provides the overall strategic direction and operational guidance by:



2.3 Enterprise Risk Management

The Authority has enhanced processes of accountability, risk management and internal controls, by developing and implementing the Risk Management Plan which takes into consideration the strategic plan and relevant policies.

During the period, the Authority reviewed the risk management framework and developed necessary strategies to mitigate the risks.

2.4 Board Composition

2.4.1 Board Charter

The Authority has instituted a Board Charter, delineating the roles and responsibilities of the Board. This document serves as a guide for the Board's strategic oversight function, covering aspects such as the composition of the Board, the conduct of Board meetings, and the expected behavior of Board members.

The Charter underscores the Board's dedication to fostering good corporate governance and outlines key principles governing the Authority. In alignment with the Charter's principles, Board members are expected to discharge their duties with integrity, independence, honesty, competence, courage, and diligence.

2.4.2 Board Appointment

The Board Directors are appointed pursuant to section 12 of the Energy Act. The Board consists of:

- the Chairperson;
- the Principal Secretary responsible for Energy or his representative;
- the Principal Secretary responsible for Petroleum or his representative;
- the Principal Secretary in the National Treasury or his representative;
- one County Executive Committee member responsible for energy and petroleum or his representative;
- the Director General; and
- five other members (independent directors)

The Chairperson is a non-executive member of the Board and is appointed by the President. The other five members are not public officers and are appointed by the Cabinet Secretary. Public officers in the board are nominated by their respective institutions.

The Chairperson serves a four-year term while Board members are appointed for a three-year term. The respective terms are renewable once for the same duration. To ensure continuity in the operations of the Authority, the Board members are appointed at different times.

The Board, subject to the approval of the Cabinet Secretary and through a competitive selection process, appoints a Director General (DG) who is the Chief Executive Officer of the Authority. The DG's term limit is three years, renewable once. The DG is an ex officio member of the Board with no voting rights. The termination of appointment of the Board members is in accordance with the provisions of the Second Schedule of the Energy Act or through voluntary resignation.

2.4.3 Corporation Secretary

The Corporation Secretary is appointed by the Board. They act as a key advisor to the Board and guides the Board on governance and statutory matters.

2.4.4 Board Diversity

The Board is composed of members with diverse academic and professional backgrounds, which are crucial to the effective conduct of Board business. The appointments and composition of the Board takes into account and reflects the gender balance and diversity of the people of Kenya.

2.5 Board Effectiveness

2.5.1 Independence and Separation of Roles and Responsibilities

The Mwongozo Code of Governance stipulates that Board members must exercise independent judgment in fulfilling their responsibilities. It mandates the disclosure of all real and perceived conflicts of interest, emphasizing their management within an agreed-upon framework. Crucially, Board members are reminded to acknowledge their obligations to the organization, prioritizing these over their nominating authority.

The primary mandate of the Board is to optimize the Authority's performance through strategic direction and oversight. Additionally, the Board plays a pivotal role in shaping and executing the Strategic Plan while assessing the Authority's overall performance.

The Chairperson assumes the principal responsibility for overseeing Board and committee activities. This role involves approving meeting agendas, presiding over sessions, and ensuring effective communication with stakeholders. The Chairperson also serves as the spokesperson of the Board. The Director General oversees the day-to-day operations of the Authority and implements the strategic direction set by the Board.

2.5.2 Role of the Board

The Board, in the performance of its functions, is guided by the principles of Public Service as provided in Chapter Thirteen of the Constitution of Kenya. The Board assumes collective responsibility in discharging its mandate.

The Board's role includes:

1. Determination of the Authority's mission, vision, purpose and core values;
2. Guiding the strategic direction;
3. Ensuring preparation of the annual budget and financial forecasts;
4. Ensuring that the procurement process is cost effective and delivers value for money;
5. Ensuring effective and accurate information flow to stakeholders;
6. Ensuring that effective processes and systems of risk management and internal controls are in place;
7. Determining the overall organizational and remuneration structure and succession plans;
8. Protection of the rights of stakeholders; and
9. Ensuring compliance with the Constitution and all applicable laws, regulations and standards.

2.5.3 Responsibilities of Individual Directors

The Board Charter outlines the responsibilities of the Directors. It serves as a guide on the conduct expected of Directors. Each Director is required to act within the provisions of the Board Charter while observing the principles of good corporate governance.

The Directors undertake to:

- Exercise the highest degree of care, skill and diligence in discharging their duties;
- Act in the best interest of the Authority and not for any other purpose;
- Act honestly at all times and avoid conflict of interest;
- Exercise independent judgment;
- Devote sufficient time to carry out their responsibilities, continuously update their knowledge and enhance their skills;
- Promote and protect the image of the Authority;
- Owe their duty to the Authority and not to the nominating or appointing authority; and
- Owe the Authority the duty to hold in confidence all information available to them by virtue of their position as Directors.

2.5.4 Board and Committee Meetings

The First Schedule of the Energy Act provides for the frequency of holding Board meetings. It stipulates that the Board shall meet as often as necessary for the transaction of business but it shall meet at least four times every financial year. Additionally, not more than four months should lapse between one meeting and the next.

A schedule of dates of the meetings is agreed upon by Board Members and set out in the Board Work Plan.

2.5.5 Board Committees

The Board works through Committees which are established with terms of reference. These committees ensure that the Board operates effectively and facilitate efficient decision making. The chairpersons of these committees are independent directors.

The Board has three (3) Committees as follows:

Finance and Administration Committee;
Technical Committee; and
Audit & Risk Committee.

Additionally, the Authority has a Pension Scheme with representatives from the Board serving as Trustees representing the Sponsor.

The matters deliberated by the Committees are presented to the Board by the respective Chairman of the Committee during the subsequent Board meeting.

Committee membership is on rotational basis among the Board members. Members serve in a particular committee for at least one year. The Chairman of the Board is not a member of any Committee.

(a) Finance and Administration Committee

The Authority's Finance and Administration Committee (FAC) is chaired by an independent Board member and convenes at least quarterly or as needed to address the organization's affairs. The committee is tasked with recommending financial reports, business plans, budgets, procurement plans, risk management strategies, information and communication technology (ICT) initiatives, public relations strategies, as well as overseeing administration and staff matters for approval by the Board.

The Finance and Administration Committee held eight (8) meetings during the year.

Members of the Committee were as shown in the table below.

Members of the Committee as at June 2022	
Chairperson	Mr. Daniel Ndonye
Member	Mr. Albert Mwenda (Alternate to PS National Treasury)
Member	Mr. George Mwakule
Member	Eng. Mercy Wambugu
Member	Mr. Daniel Kiptoo, DG

(b) Technical Committee

The Technical Committee, chaired by an independent Board member, convenes at least quarterly or as required to address the Authority's business. This committee is entrusted with offering strategic technical guidance to the Authority and recommending technical plans, activities, network agreements, license tariffs, and projects for approval by the Board.

The Technical Committee held six (6) meetings during the year.

Members of the Committee were as shown in the table below.

Members of the Committee as at June 2022	
Chair	Eng. Mercy Wambugu
Member	Mr. Barnabas Ngeno
Member	Mr. James Ng'ang'a (Alternate to PS Ministry of Petroleum and Mining)
Member	Mr. Moses Mutuli
Member	Mr. Daniel Ndonye
Member	Mr. Masini Ichwara
Member	Mr. Daniel Kiptoo, DG

(c) Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent Board member. The Committee meets at least on a quarterly basis or as often as necessary to transact the Authority's business. The purpose of the Committee is to assist the board in their oversight responsibilities regarding corporate governance, internal controls and evaluation of risk management and the internal audit function.

The Audit and Risk Committee held five (5) meetings during the year.

Members of the Committee were as shown in the table below.

Members of the Committee as at June 2022	
Chair	Mr. Moses Mutuli
Member	Mr. James Ng'ang'a (Alternate to PS Ministry of Petroleum and Mining)
Member	Mr. Barnabas Ngeno
Member	Mr. Albert Mwenda (Alternate to PS National Treasury)

NUMBER OF SCHEDULED MEETINGS AND ATTENDANCE

The attendance of board and committee meetings during the year is as summarized below:

Schedule of Board & Committee Meetings						
Board of Directors	Designation	Board Meetings Total No. of Meetings (13)	Finance & administration Committee Total No. of Meetings (8)	Technical Committee - Total No. of Meetings (6)	Audit & Risk Committee - Total No. of Meetings (5)	Pension Board Meetings (5)
Hon. Justice (Prof) Jackton Ojwang'	Chairman	13/13	-	-	-	-
Dr. Sellah Kebenei	Member	12/13	3/3	-	1/1	5/5
Mr. Barnabas Ngeno	Member	12/13	-	6/6	5/5	-
Prof. George Achoki	Member	12/13	3/3	2/2	-	2/5
Mr. Moses Gitari	Member	3/4	-	1/1	1/1	-
Mr. Albert Mwenda	Member	9/13	3/8	1/6	4/5	-
Mr. Wanjuki Muchemi	Member	10/11	3/7	5/5	3/4	-
Mr. Hassan Mohamed	Member	4/4	-	2/2	-	-
Mr. James Ng'ang'a Mbugua	Member	9/13	3/4	5/6	4/4	-
Mr. Timothy Gakuu	Member	6/7	2/2	2/2	-	-
Mr. Daniel Kiptoo	DG	12/13	6/8	5/6	-	-
Eng. Mercy Wambugu	Member	2/2	1/1	1/1	-	-
Mr. Daniel Ndonye	Member	2/2	1/1	1/1	-	-
Mr. George Mwakule	Member	2/2	1/1	-	-	-
Mr. Moses Mutuli	Member	1/1	-	1/1	-	-

2.6. Board Performance and Code of Conduct

2.6.1 Directors induction and skills development

The Directors undergo an induction program designed to ensure that they understand their responsibilities and acquaint themselves with the fundamental principles of corporate governance. The directors are also appraised on the Authority's mandate and the structure of the energy and petroleum sectors. The directors undertake continuous development programmes to enhance their knowledge of the public sector, energy and petroleum sectors, emerging trends and corporate governance matters.

2.6.2 Board Evaluation

The Board conducts an annual Performance Evaluation, facilitated by a representative from the State Corporation Advisory Committee (SCAC). This evaluation is conducted at three distinct levels, as outlined below:

The results are analyzed and an average score is determined for each level. This process allows the Board to identify its strengths and weaknesses. The Board is committed to addressing the identified challenges.

2.6.3 Remuneration of the Board of Directors

The remuneration of Board members is determined by the Salaries and Remuneration Commission (SRC). The remuneration comprises of sitting allowance payable to Board Members when attending to the Authority's business and an allowance paid monthly in arrears. Where transport is not provided, a Board Member is paid mileage at prevailing AA rates. When Board Members are working outside the Authority's headquarters, they are entitled to Daily Subsistence Allowance (DSA) at applicable rates as determined by SRC.

2.6.4 Ethical Leadership and Corporate Citizenship

Mwongozo requires Boards of State Corporations to ensure that a Code of Conduct and Ethics is developed in their organisations. The Board is also required to promote ethical conduct and sanction misconduct. The Authority has a Code of Conduct and Ethics that guides the Board and employees when undertaking their duties.

2.6.5 Conflict of Interest and Declaration of Interest

The Board has a statutory duty not to have interests that conflict with those of the Authority. All Board members sign a declaration of interest form indicating that they will disclose any matters of potential conflict of interest. At the start of every meeting, the Board is required to declare any conflict of interest. The Corporation Secretary keeps a record of conflicts of interest declared for accountability purposes.

Further, the Board declare their wealth status as per the Public Service Commission (PSC) requirements. The Authority also maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003.

Status of the Industry

3.1 Overview of the National Economy

Kenya's economic performance improved in 2021 following the relaxation of Covid-19 containment measures and resumption of economic activities across all sectors. The Real Gross Domestic Product (GDP) is estimated to have grown by 7.5%, an improvement compared to a contraction of 0.3% over the same period last year. The Economic Survey 2022 attributes this positive momentum to enhanced performance in key sectors such as Manufacturing (6.9%), Wholesale and Retail Trade (7.9%), Real Estate (6.7%), Transportation and Storage (7.2%), and financial and insurance activities (12.5%). Agriculture maintained its dominance, contributing approximately 22.4% to the overall GDP.

During this period, the Central Bank of Kenya (CBK), in its efforts to mitigate against the adverse economic effects of COVID-19, proposed a raft of policy measures. Among these measures was the decision to maintain the Central Bank Rate (CBR) at 7%, aimed at accelerating post-Covid economic recovery. Consequently, money supply grew by 6.1%, while the capitalization of the capital markets surged by 11.0% to Ksh. 2,592.9 billion.

The easing of COVID-19 containment measures facilitated the reopening of economies, leading to improved global trade. Kenya witnessed a significant 30.9% growth in imports and a 15.5% increase in total exports during the review period. However, the faster growth in imports compared to exports widened the trade deficit from Ksh. 999.9 billion to Ksh. 1,407.6 billion, resulting in a deterioration of the current account balance.

Despite potential challenges such as inflationary pressures and potential currency fluctuations against major trading currencies, the country's macroeconomic environment is expected to remain stable. The upcoming election period may temporarily slow down economic activities, with investors likely to prioritize savings over business expansion. However, expectations of a peaceful election period create a conducive environment for economic activities to flourish.

3.2 The electricity subsector

3.2.1 Organisation of the electricity subsector

Kenya's electricity subsector has advanced in generation, transmission, distribution and access. The electricity sub sector is structured as presented in figure 3.1.

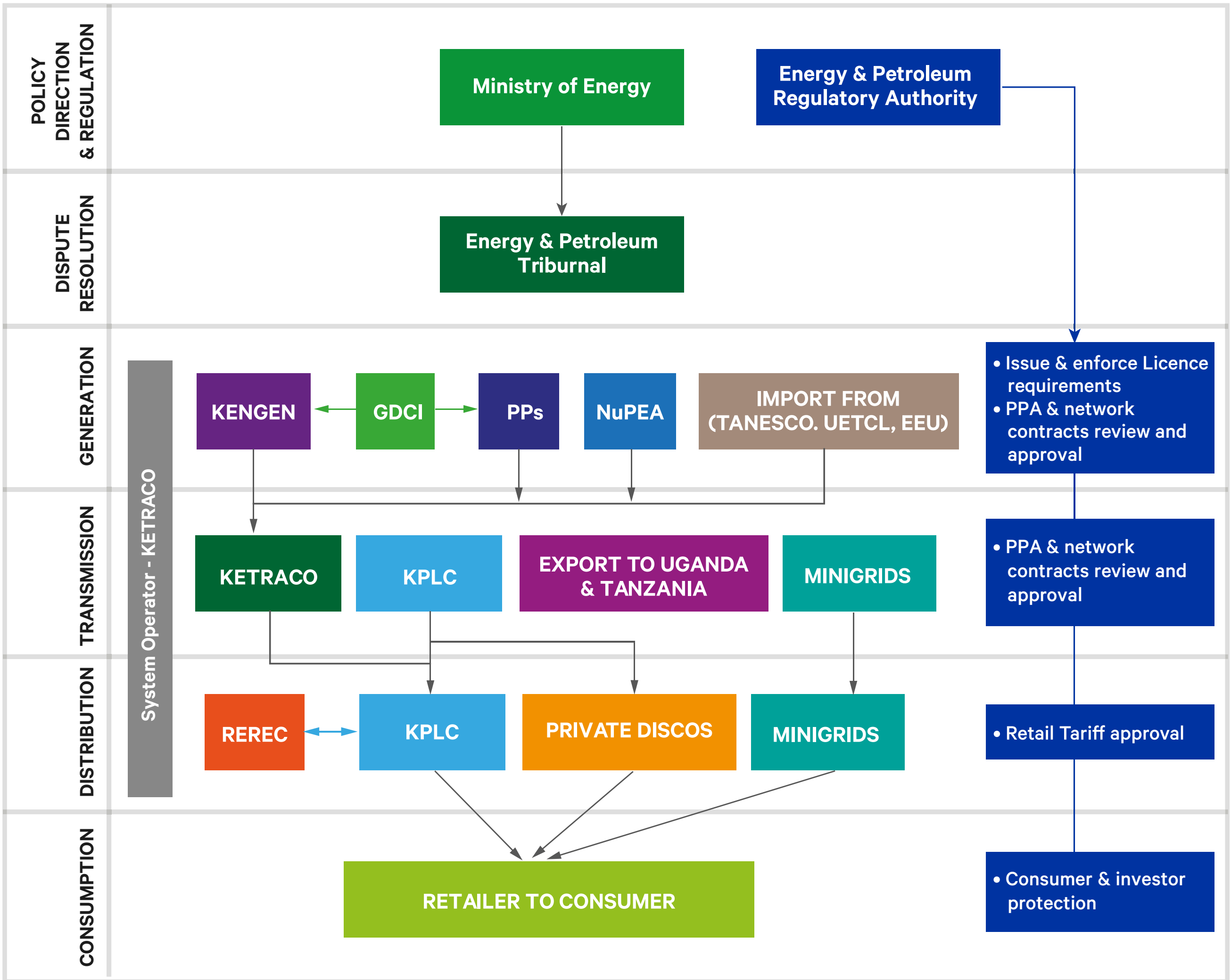


Figure 3.1: The institutional structure of the electricity subsector

(a) **The Ministry of Energy and Petroleum (MOEP)** is responsible for policy formulation and monitoring of policy implementation to facilitate an environment conducive for efficient operation and growth of the sector.

(b) **The Energy and Petroleum Regulatory Authority (EPRA)** is responsible for the economic and technical regulation of the electricity, renewable, coal and petroleum subsectors.

(c) **Energy & Petroleum Tribunal** is a quasi-judicial entity whose function entails hearing and determining disputes and appeals in the energy sector.

(d) **Rural Electrification and Renewable Energy Corporation (REREC)** is the lead agency for development of renewable energy resources other than geothermal and large hydropower, in addition to its previous mandate of rural electrification.

(e) **The Kenya Electricity Generating Company (KenGen)** is a partly-government owned electric power generating company.

(f) **Kenya Electricity Transmission Company (KETRACO)** has the mandate to plan, design, construct, own, operate and maintain high voltage (132kV and above) electricity transmission lines that form the backbone of the National Grid & regional inter-connections.

In December 2021 KETRACO was designated as the system operator responsible for matching consumer's requirements or demand with energy availability or supply, maintaining electric power system security and scheduling the dispatch process.

(g) **Nuclear Power and Energy Agency (NuPEA)** is the institution responsible for promoting the development of nuclear electricity generation in Kenya.

(h) **The Kenya Power and Lighting Company (KPLC)** is the system operator and the main off-taker in the power market, buying bulk power from all power generators on the basis of negotiated Power Purchase Agreements (PPAs) for onward supply to consumers. It also owns and operates part of the existing transmission infrastructure and the entire interconnected distribution network.

(i) Geothermal Development Company (GDC) is responsible for undertaking surface exploration of geothermal fields, exploratory, appraisal and production drilling and managing proven steam fields. GDC also enters into steam sales agreements with investors in the power sector.

(j) Independent Power Producers (IPPs) are private investors involved in power generation. They sell energy through the Feed-in-Tariff policy arrangement, public private partnership or competitive bidding.

(k) Mini-grids are a set of electricity generators and energy storage systems interconnected to a distribution network that supplies electricity to a localized group of customers not covered by the national power grid.

(l) Off-grids are publicly owned mini-grids operated by Kenya Power on behalf of the government, which are considered part of the national grid.

(m) Distribution Companies (DISCOS) are privately operated power distribution companies that purchase power in bulk and distribute it to defined consumers.

3.2.2 Performance of the Electricity Subsector

There was a general improvement in the performance of the electricity subsector during the financial year. This can be partly attributed to the easing of COVID-19 containment measures and the reduction of electricity prices by 15% in accordance with the presidential directive. This section analyses the sector's performance during the year.

3.2.2.1 Electricity supply

Substantial investment in geothermal, hydro, wind and solar energy generating has propelled Kenya to the forefront of renewable energy power generation. Table 3.1 presents a comparison of the installed capacity between the financial year ending 2021 and 2022.

Table 3.1: Installed capacity in the financial year 2021/2022

	Capacity (MW) as at 30th June 2021				Capacity (MW) as at 30th June2022			
	Installed	**Effective/ Contracted**	**Installed**	**Effective/ Contracted**	**Installed**	**Effective/ Contracted**	**Installed**	**Effective/ Contracted**
Hydro	838.097	809.127	28%	28%	838.897	809.927	27%	28%
Geothermal	863.13	805.1	29%	28%	950.01	871.1	31%	30%
Thermal	751.793	717.68	25%	25%	677.793	643.68	22%	22%
Cogeneration	2	2	0%	0%	2	2	0%	0%
Solar	92.51	92.152	3%	3%	172.51	172.152	6%	6%
Wind	436.05	425.5	15%	15%	436.05	425.5	14%	15%
	2,983.58	**2,851.559**	**100%**	**100%**	**3,077.26**	**2,924.359**	**100%**	**100%**

3.2.2.2 Generation mix

Renewable energy sources continued to dominate the electricity subsector, accounting for approximately 87% of the generation mix. However, this marked a slight decrease from the 90% share observed in the previous financial year. The reduction can be attributed to a decline in hydro generation due to unfavorable hydrological conditions during the period under review. Specifically, hydro generation's share during the year stood at 26.46%, down from 34.23% in the previous financial year. Figure 3.2 presents the electricity generation mix during the period under review.

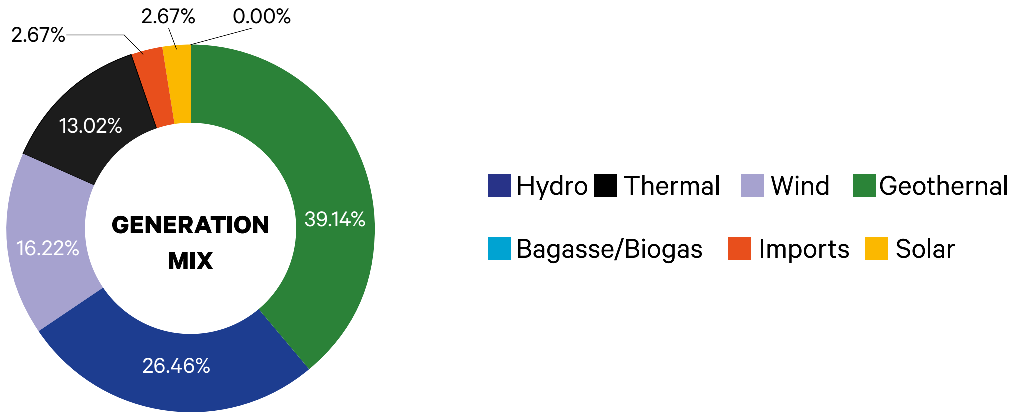


Figure 3.2: Generation mix during the Financial Year 2021/2022

Figure 3.3 presents the actual monthly contribution from the various renewable energy technologies to the annual energy mix.

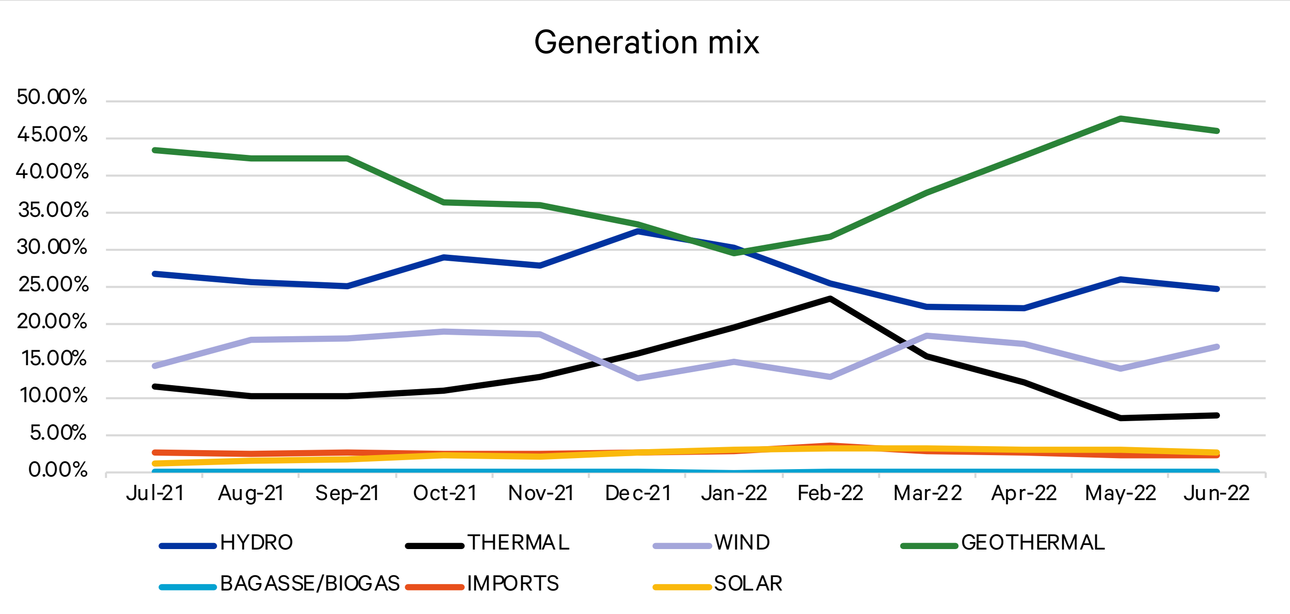


Figure 3.3: Trends in the renewable energy mix

Geothermal continued to dominate the renewable energy mix with an annual average contribution of 39.06% of the energy mix as at June 2022. Hydro ranked second with 26.47%, while wind contributed 16.19% as at June 2022.

3.2.2.3 Energy Purchases

Energy purchased from thermals increased from 1,001 GWh in the previous financial year to 1,648 GWh. Energy purchased from wind increased to 2,053GWh while solar energy purchases increased significantly from 87GWh to 313GWh respectively. Table 3.2 provides a trend of energy purchases since 2017.

Table 3.2: A summary of energy purchased from the financial year 2017/2018 to the financial year 2021/2022

Energy purchased (GWh)	2017/18	2018/19	2019/20	2020/21	2021/22
Hydro	3,224	3,741	3,693	4,142	3,349
Géothermal	5,053	5,033	5,352	5,455	4,943
Thermal	2,202	1,298	882	1,001	1,648
Cogeneration	4	0	0	0	0
Solar	0	60	91	87	313
Wind	47	1,192	1,284	1,788	2,053
Imports	171	170	161	196	338
Total	**10,702**	**11,493**	**11,462**	**12,101**	**12,653**

3.2.2.4 Electricity demand and consumption

The period ending June 2022 recorded gradual increment in peak demand as illustrated in figure 3.4.

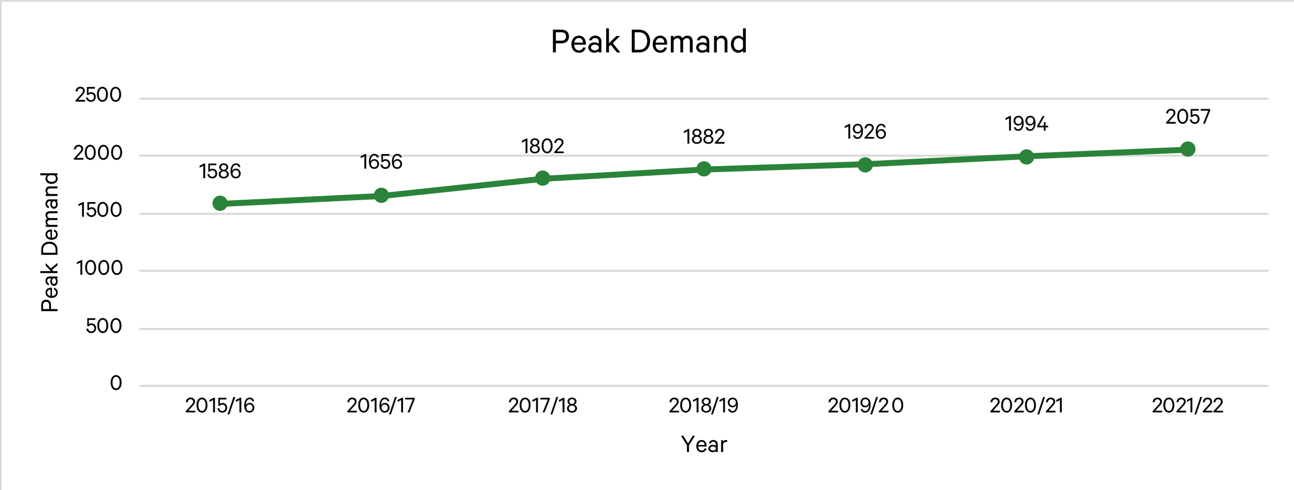


Figure 3.4: Trends in the system peak demand from the financial year 2015/2016 to 2021/2022

The peak demand for the period recorded was 2,057MW, attributed to post-recovery economic interventions by the government.

Customer connections to the grid increased by an estimated 7.75% as illustrated in Figure 3.5.

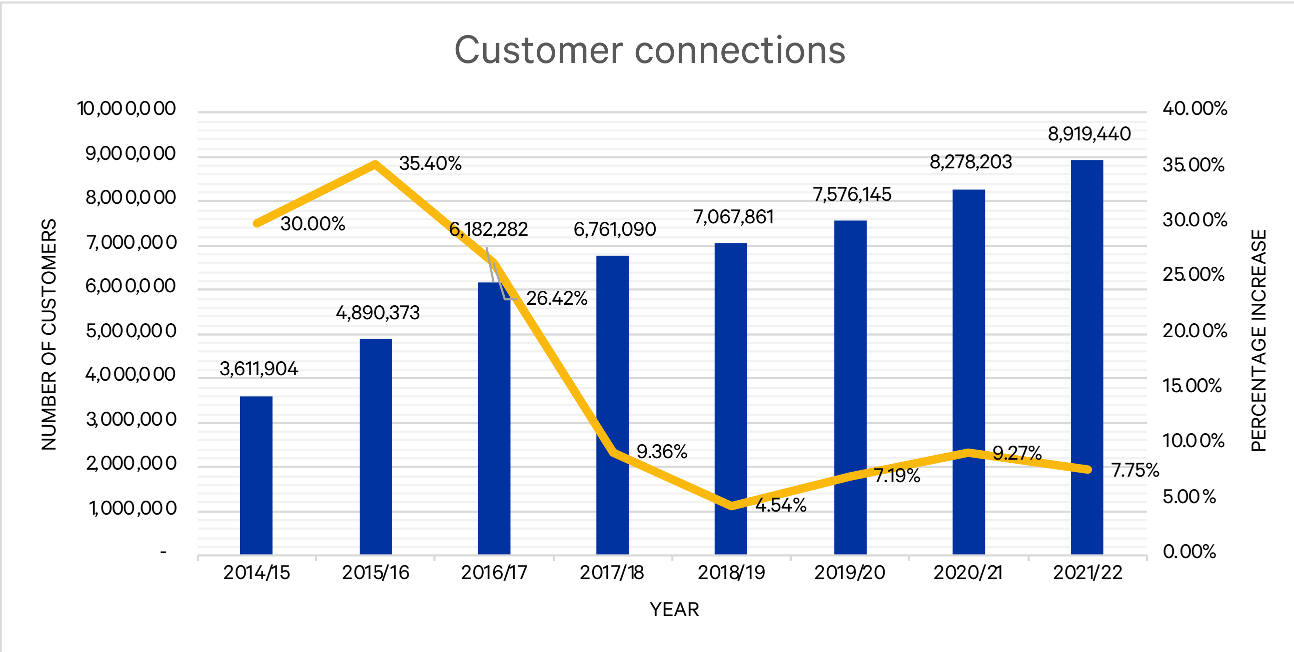


Figure 3.5: Trend in cumulative customer connections from the financial year 2014/2015 to 2021/2022

There has been a steady growth in the number of connections over the years. However, the annual growth rate in connections has reduced substantially over the last five years. This is primarily attributed to reduced number of customers without connection as a result of the government's prior initiatives toward universal access to electricity.

Electricity consumption has steadily risen over the past 5 years. In the year under review, electricity sales reached 9,813 GWh, marking a 6.63% increase from the 9,203 GWh sold in the 2020/2021 financial year. Table 3.3 provides a summary of consumption trends across different customer categories.

Table 3.3: Electricity sales based on customer category

		2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
DC	Domestic	2,335	2366	2,508	2,630	2,728
SC	Small Commercial	1,222	1250	1,262	1,326	1,474
CI	Commercial and Industrial	4,225	4462	4,308	4,514	4,851
IT	Off-peak	33	N/A	N/A	N/A	N/A
SL	Street Lightning	66	68	76	84	95
	REP System (DC (*((DC, SC, SL)	554	595	602	632	650
	Export to Uganda	22	27	18	17	16
	Export to TANESCO	1	0.01	0	0	0
	TOTAL	**8,459**	**8,769**	**8,773**	**9,203**	**9,813**
	% INCREASE P.A.	2.30%	3.70%	0.0%	4.90%	6.63%

The upward trend in electricity consumption is expected to persist driven by factors such as population growth, urbanization, intensive electrification programmes by the government and post-covid recovery of the manufacturing, agricultural and other sectors.

3.2.2.5 Electricity Transmission and Distribution

The total length of the transmission and distribution network increased from 213,582 kilometres to 289,937 kilometres between the financial year 2016/2017 and 2021/2022. The 400kV, 220kV, and 132kV systems make up the transmission network. The transmission network had a total length of 7,676 kilometres as of June 2022. The distribution network comprises 415/240V LV lines, 33kV and 11kV medium-voltage lines and 66 kV feeder lines that are dispersed across the country. The total length of the distribution network was 247,905 kilometres as at June 2022.

Table 3.4: A summary of transmission and distribution network as at June 2022

VOLTAGE	2017/18	2018/19	2019/20	2020/21	2021/22
400 kV	1244.4	2116.4	2116.4	2,116	2,116
220 kV	1,686	1,686	1,686	2,116	2,116
132 kV	3,322	3,372	3,372	3,444	3,444
66 kV	1,168	1,187	1,187	1,187	1,188
33 kV	34,508	35,177	35,703	36,570	38,051
11 kV	38,968	39,797	40,616	41,553	42,971
Total HV and MV	80,897	83,335	84,681	86,986	89,887
415/240V or 433/250V	143,331	152,799	158,527	168,595	200,050
TOTAL	**224,228**	**236,134**	**243,207**	**255,581**	**289,937**
% INCREASE P.A.	5%	5%	3%	5%	13%

There was a notable increase in the capacity of generation substations, rising from 3,205 MVA in the financial year 2016/17 to 4,078 MVA in 2021/22. Concurrently, transmission substations saw their capacity grow from 4,361 MVA to 5,455 MVA during this period, while distribution substations' capacity increased from 4,056 MVA to 4,669 MVA. Distribution transformers capacity also saw a significant rise from 7,276 MVA to 9,170 MVA over the same timeframe. Table 3.5 details the capacities of transmission and distribution substations for the reviewed period.

Table 3.5: Transmission and distribution substations capacity as at June 2022

	2017/2018	2018/2019	2019/2020	2020/2021	2021/ 2022
Generation Substations Total	3,370	3,720	3,878	3,878	4,078
Transmission Substations Total	4,866	4,942	4,942	5,455	5,455
Distribution Substations Total	4,372	4,480	4,563	4,603	4,669
11/0.415 kV & 33/0.415 kV Distribution Transformers	7,606	7,844	8,174	8,778	9,170

3.2.2.6 Competition Analysis

The Authority uses Herfindahl Hirschman Index (HHI) as the metric for determining competition and market power. Market power is the ability of a firm to profitably raise the market price of a good or service over marginal cost. In perfectly competitive markets, firms have no market power.

In the electricity subsector, only the generation and retail functions exhibit characteristics of a competitive market. The transmission and distribution functions are natural monopolies. A HHI of below 0.1 indicates a healthy market competition.

The HHI for the generation function at the end of the financial year 2021/22 was 0.546. This is an indicator that the market is still highly concentrated with KenGen the largest generator. KenGen's share of electricity generation decreased from 65.8% as at June 2021 to 64.5% while IPPs' share slightly increased from 33.6% to 34.8% as at June 2022. REREC's share increased from 0.6% to 0.7% as at June 2022.

3.3 The Petroleum Subsector

3.3.1 Organization of the Petroleum Subsector

Kenya's petroleum subsector comprises upstream, midstream and downstream operations. Figure 3.6 shows the structure of the petroleum subsector with the different stakeholders involved.

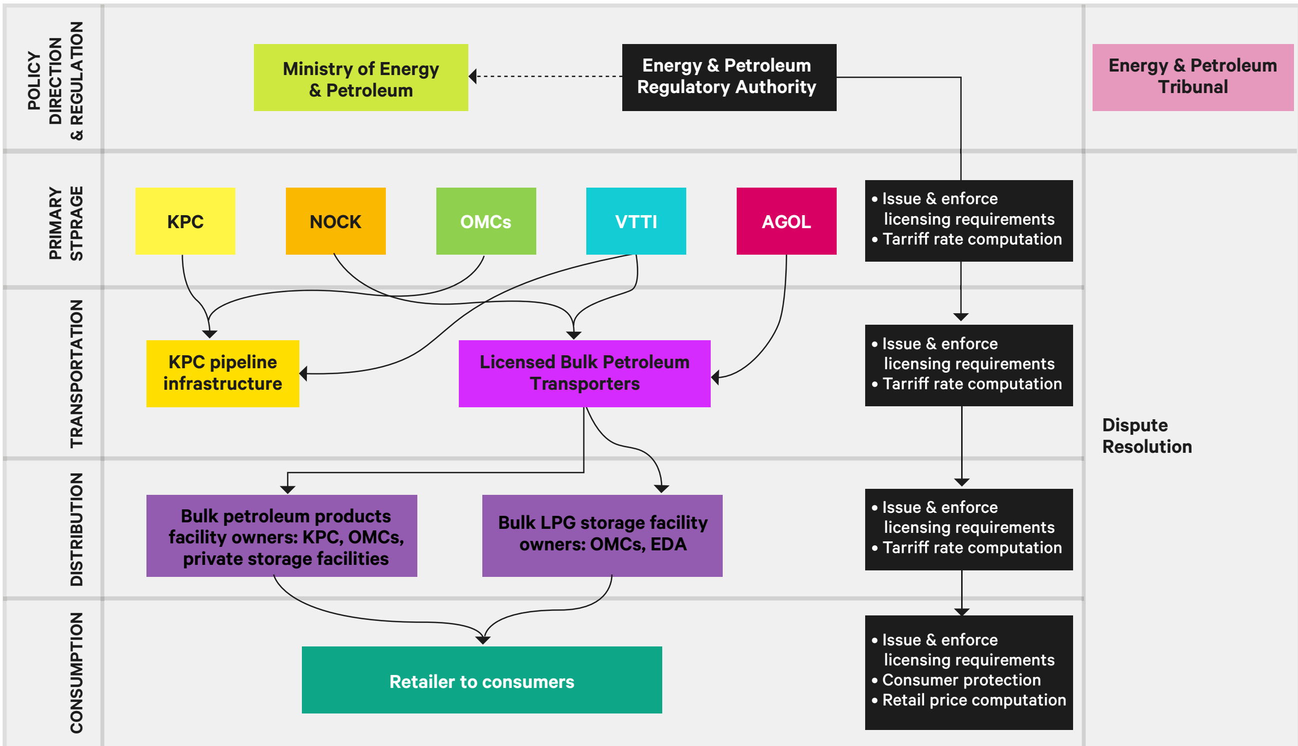


Figure 3.6: Structure of petroleum subsector in Kenya

The key players in the petroleum sector include:

National Oil Corporation of Kenya (NOCK) is a State Corporation that is involved in upstream petroleum activities such as exploration, appraisal, development and production.

International Oil Companies (IOCs) are companies participating in the oil and gas industry in the licensed blocks and are actively carrying out exploration, appraisal, development and production of oil and gas.

The downstream sector is defined by the existence of storage infrastructure, retail stations, refined oil pipelines, road and rail transportation and trade in refined petroleum products.

The downstream sector has the following key participants:

Kenya Pipeline Company (KPC) is licensed to build and operate bulk petroleum storage, pipelines, jetties and common user loading facilities in Kenya.

National Oil Corporation of Kenya (NOCK) is a fully integrated State Corporation involved in all aspects of the petroleum supply chain covering the upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products.

Oil Marketing Companies (OMCs) are licensees who deal in refined petroleum products by importing petroleum through the Open Tender System (OTS) and own and operate retail stations all over the country.

The Ministry of Petroleum and Mining (MOPM) is responsible for policy formulation and monitoring of policy implementation to facilitate an environment conducive to efficient operation and growth of the sector. It sets the strategic direction for the growth of the sector and provides a long-term vision for all sector players.

The Energy and Petroleum Regulatory Authority (EPRA) is responsible for the economic and technical regulation of the coal and petroleum sectors.

Energy Tribunal is a quasi-judicial entity whose function is to hear and determine disputes and appeals in the energy sector.

3.3.2 Performance of the petroleum subsector

3.3.2.1 Upstream

EPRA is mandated to issue permits for upstream petroleum activities, which include, but not limited to, non-exclusive exploration permits, drilling permits, plugging and abandonment permits.

Kenya presently has 63 gazetted oil blocks, with 27 of them designated for prospecting by 15 oil companies, including the National Oil Corporation of Kenya (NOCK). Figure 3.7 visually depicts how these gazetted blocks are distributed geographically throughout Kenya.

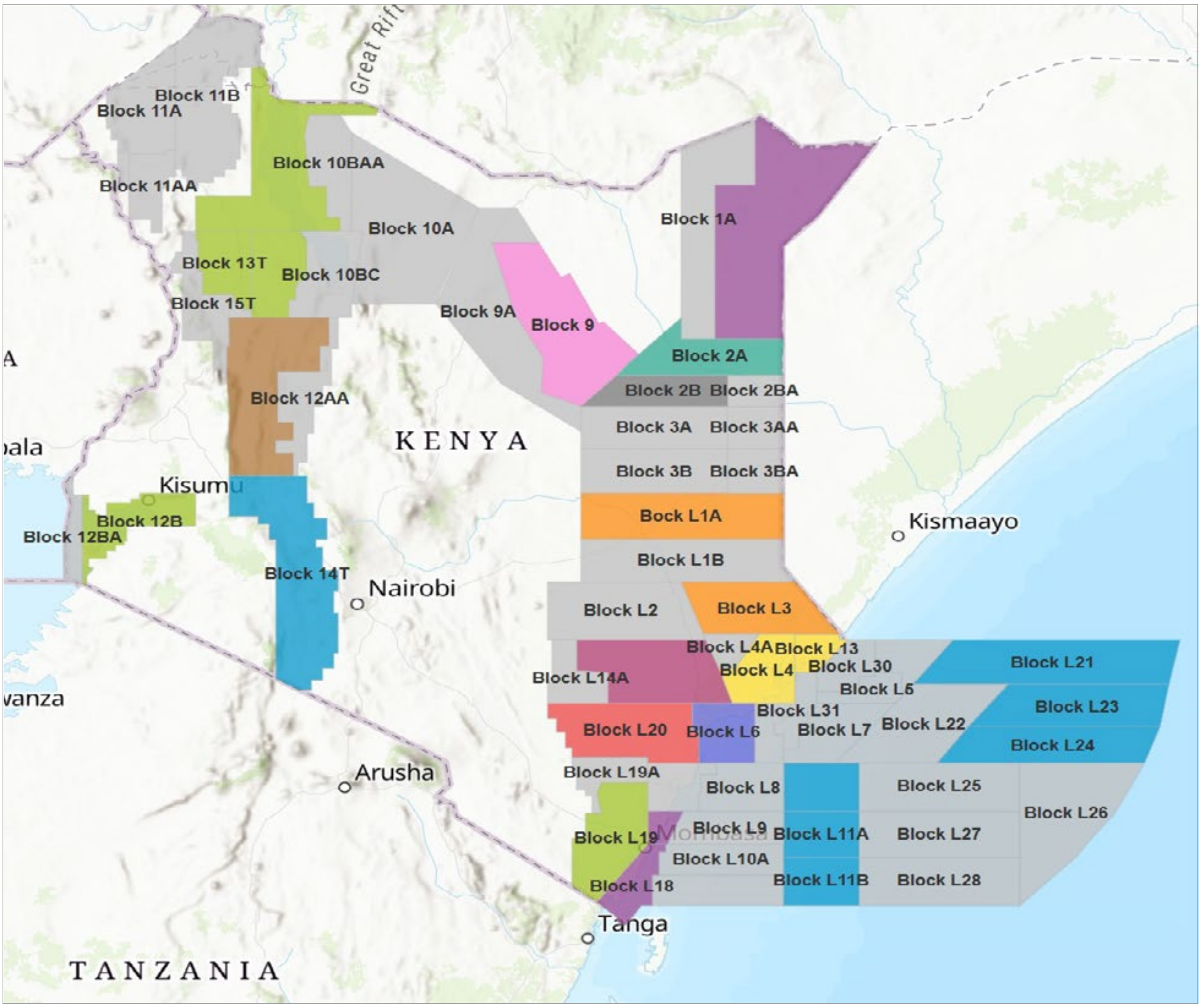


Figure 3.7: Gazetted oil blocks in Kenya

Exploration activities on Blocks 13T and 10BB located in the South Lokichar Basin have resulted in discoveries that are projected to be commercially viable. The licencees of the two blocks, the Kenya Joint Venture (KJV) partners, submitted a draft Field Development Plan (FDP) for the block for review on 10th December 2021.

The proposed development plan will cover 9 fields; Ngamia, Ekales, Amosing, Twiga, Etom, Agete, Erut and Ewoi fields within Blocks 10BB and 13T. The field development will be undertaken in two phases with phase 1 targeting the mature resources of Ngamia, Ekales, Amosing and Twiga (NEAT) fields at a production plateau of 120,000 barrels per day. The fields are shown in figure 3.8.

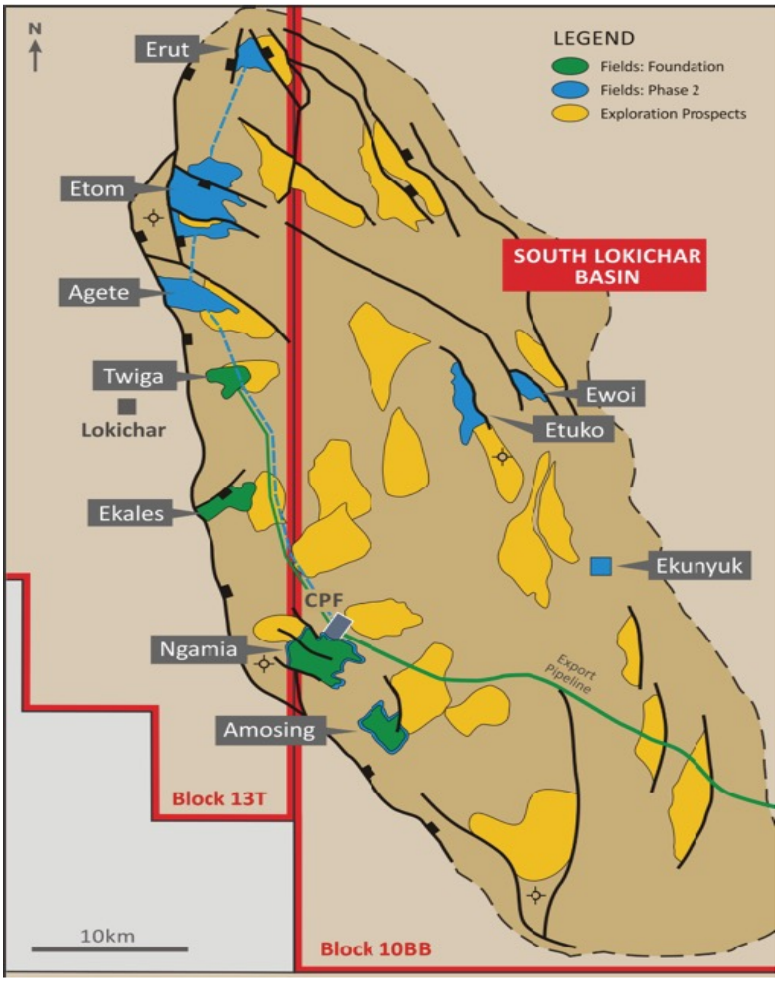


Figure 3.8: A map of the South Lokichar Basin exploration fields

3.3.2.2 **Mid-stream**

The Authority oversees the construction and operations of crude oil pipelines and refineries, primarily focusing on midstream infrastructure.

The Lokichar-Lamu crude oil pipeline (LLCOP) project, initiated in 2019 to transport crude oil extracted from the South Lokichar basin, is currently in the project development stage (PreFID). The Front End Engineering Design (FEED) phase is complete, and the Environmental Impact Assessment license for the midstream project has been issued for a 20-inch oil export pipeline.

The pipeline will boast a capacity of 120,000 barrels of oil per day, maintained at a constant temperature through insulation and heating, with four pumping stations along its length, including the station at the Central Processing Facility (CPF).

3.3.2.3 Global oil supply and demand

Towards the end of 2021, there was a surge in global demand for oil products, resulting in a significant increase in the average Murban crude oil prices, rising from USD 41.45 per barrel in 2020 to USD 69.72 per barrel in 2021. Additionally, during the first half of 2022, prices experienced further escalation, primarily attributed to the Russia-Ukraine conflict and the worldwide decline in crude oil stock inventories.

3.3.2.4 Petroleum supply, demand and consumption in Kenya

During the review period, the volume of imported petroleum products decreased by 7.6% to 5.9 million tonnes in 2022. Concurrently, petroleum exports also saw a decline from 610.8 thousand tonnes in 2021 to 504.2 thousand tonnes in 2022.

Table 3.6: A summary of Petroleum Supply and Demand from 2017 to 2022

Demand (thousand tonnes)	2018	2019	2020	2021	2022
Liquefied Petroleum Gas	222.3	312.1	326.2	371.4	333.8
Motor Spirit (Premium and Regular)	1,359.0	1,434.3	1,395.3	1,554.4	1,561.3
Aviation Spirit	18.8	10.2	1.9	1.4	0.9
Jet/Turbo Fuel	674.4	699.4	394.8	506.8	592.3
Illuminating Kerosene	339.4	168.3	127.0	111.3	89.0
Light Diesel Oil	2,173.1	2,198.7	2,157.6	2,305.7	2,219.7
Heavy Diesel Oil	0.2	1.3	1.8	0.8	0.0
Fuel Oil	402.0	382.8	273.9	340.3	337.1
Total	**5,189.2**	**5,207.1**	**4,678.5**	**5,192.1**	**5,134.1**
Refinery Usage	-	-	-	-	
Total Domestic Demand	5,189.2	5,207.1	4,678.5	5,192.1	5,134.1
Export of Petroleum Fuels	8.4	7.0	2.3	0.4	8.0
Total Demand	**5,197.6**	**5,214.1**	**4,680.8**	**5,192.5**	**5,142.1**
Supply					
Crude oil	-	-			
Total Imports	5,396.3	5,682.2	5,682.2	5,827.6	5,453.6
Adjustment	198.6	468.1	239.5	635.1	311.5
Total Supply ('000 tonnes)	**5,197.6**	**5,214.1**	**4,680.8**	**5,192.5**	**5,142.1**

At the macro level, the total import bill surged from KSh. 348.3 billion in 2021 to KSh. 628.4 billion in 2022, mainly due to the global increase in petroleum product prices. Conversely, the value of total exports, including products destined for transit to other countries, witnessed a notable 69.2% rise to KSh. 50.0 billion in 2022. Domestic exports of petroleum products also saw a significant growth, increasing by 54.6% to KSh 8.1 billion in 2022. However, the net balance value deteriorated from a deficit of KSh. 318.8 billion in 2021 to a deficit of KSh. 578.4 billion in 2022.

3.3.2.5 Petroleum transportation and distribution

Transportation and distribution of petroleum products in Kenya is done through the following modes:

(a) Pipeline

The Kenya Pipeline Company (KPC) oversees the management of product movement infrastructure, which includes storage facilities and an oil pipeline network. This network spans approximately 1,342 km, extending from the port of Mombasa to Kisumu. Throughout the review period, the total throughput of refined petroleum products amounted to approximately 7,602,155 cubic meters.

(b) Railway

Petroleum products are also transported by rail through the old Meter Gauge railway (MGR) and the Standard Gauge Railway (SGR).

(c) Road

Transportation of petroleum products by road provides a means to get petroleum products from bulk storage facilities to the retail stations. There are approximately 5,700 licensed petroleum tankers that are used for this purpose.

(d) Water

Water transport offers a secure and efficient mode of product transportation. KPC has finalized the construction of a Jetty, facilitating the loading of petroleum products onto barges destined for receiving terminals in Entebbe, Uganda. The Jetty is designed to accommodate barges with capacities of up to 3,000 DWT and is slated to become fully operational by December 2022.

3.3.2.6 Competition Assessment in the Petroleum Subsector

As of June 2022, there were one hundred and eight (108) registered oil-marketing companies (OMCs) and 4,373 retail stations operating in Kenya. These companies are engaged in the marketing, sale, and distribution of various oil products, including diesel, kerosene, gasoline (petrol), lubricants, and liquefied petroleum gas (LPG).

The importation of petroleum products through the Oil Trading System (OTS) enables OMCs to procure these products at uniform prices, fostering fairness in the petroleum supply chain.

During the financial year 2021/2022, the Herfindahl-Hirschman Index (HHI) stood at 0.1099, an improvement from the 0.1105 recorded in the previous fiscal year (2020/2021). This indicates an enhanced level of competition within the petroleum subsector, likely attributable to effective and equitable regulation. Some smaller firms have expanded their market presence, capturing a significant share, thus enhancing product accessibility, a critical factor in achieving supply security. Figure 3.9 illustrates the trend of the HHI index for the petroleum sector during the financial year 2021/2022.

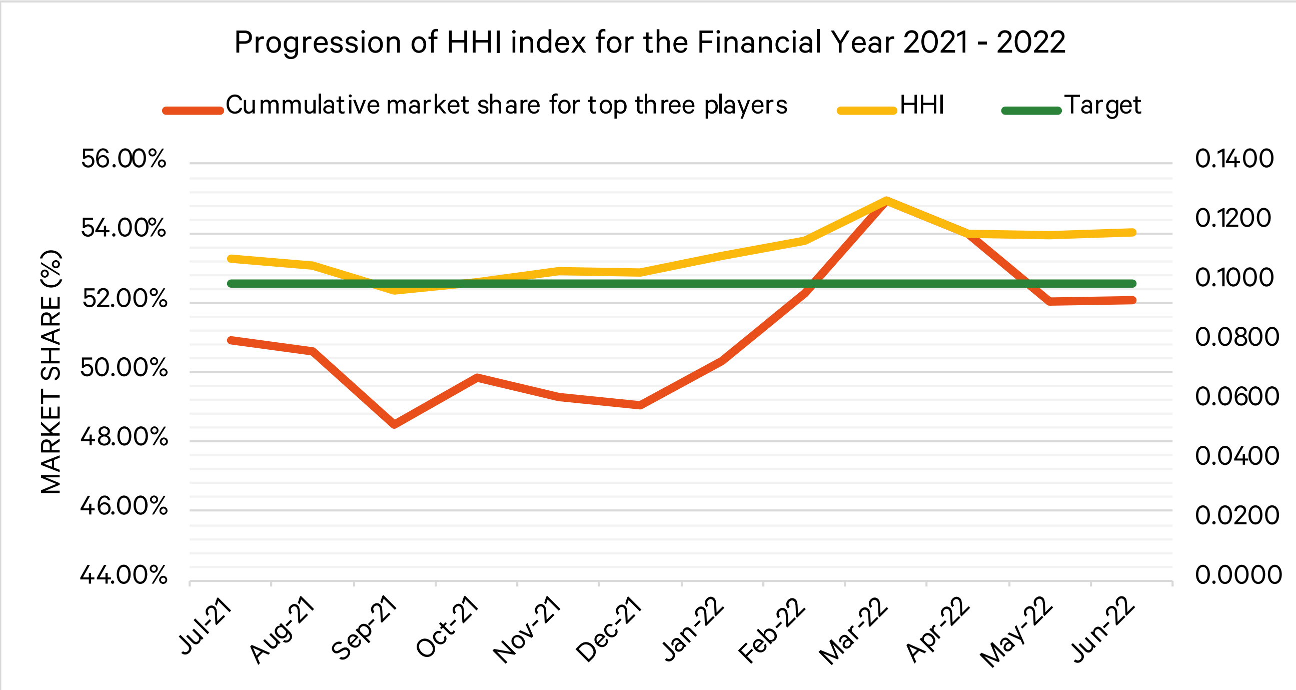


Figure 3.9. A trend of HHI in the financial year 2021/2022

4

Energy Planning and Research

Energy planning entails forecasting short and long-term demand and supply, as well as estimating investment costs—an essential endeavor for stabilizing electricity and petroleum supply sustainably and affordably. During the review period, the Authority collaborated with key stakeholders to develop the Least Cost Power Development Plan (LCPDP) and the Petroleum Development Plan (PDP) for their respective subsectors. Additionally, the Authority conducted research on various critical topics to enhance its regulatory framework, as elaborated in this chapter.

4.1 Least Cost Power Development Plan

During the financial year, preparations for the Least Cost Power Development Plan (LCPDP) 2022-2041 were finalized, building upon the long-term plan 2020-2040 developed in the preceding year. The updated plan prioritizes the scaling up of the country's renewable energy sources and addresses intermittency challenges through the implementation of storage and hybrid projects. Furthermore, the plan emphasizes the enhancement of the grid, necessitating significant investments in both distribution and transmission infrastructure. Key areas of focus also encompass geothermal power development, enhancing last-mile access to electricity, phasing out fossil fuel-based power plants, and enhancing affordability and reliability for end-users.

The annual forecasted electricity demand and peak load are projected to increase across all planning scenarios throughout the forecast period. System peak demand is anticipated to grow at an average rate of 5.34% from 2,036MW recorded in 2021 (base year) to 5,757MW in 2041 under the reference scenario. The vision and low scenarios foresee peak demand reaching 9,731MW and 5,035MW in 2041, with average growth rates of 8.14% and 4.64% respectively. The peak demand is primarily driven by domestic consumers and exhibits a similar pattern to energy consumption, as illustrated in Figure 4.1.

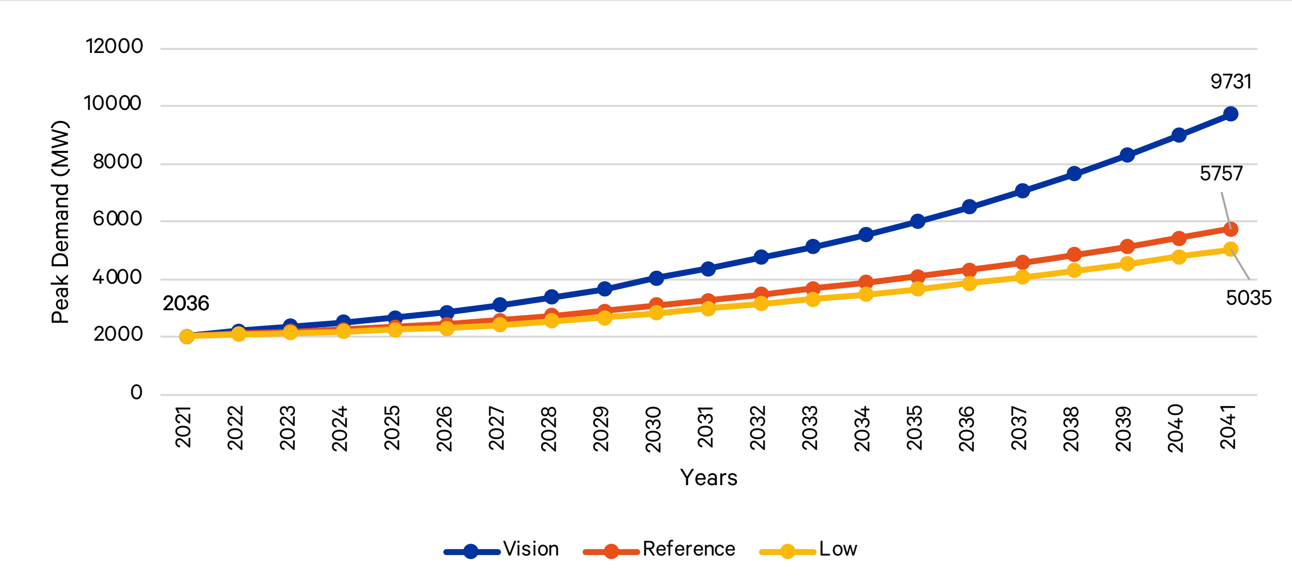


Figure 4.1: A trend of the peak demand from 2022 to 2041

Under the reference scenario, total electricity consumption exhibits an annual average growth of 5.67%, rising from 9,440GWh in 2021 to 28,433GWh in 2041, as depicted in Figure 4.2. The growth rate reaches its peak at 6% in 2030, attributed to the assumption of heightened connectivity upon achieving universal access. In the vision and low scenarios, total sales expand at annual averages of 8.24% and 4.99% respectively.

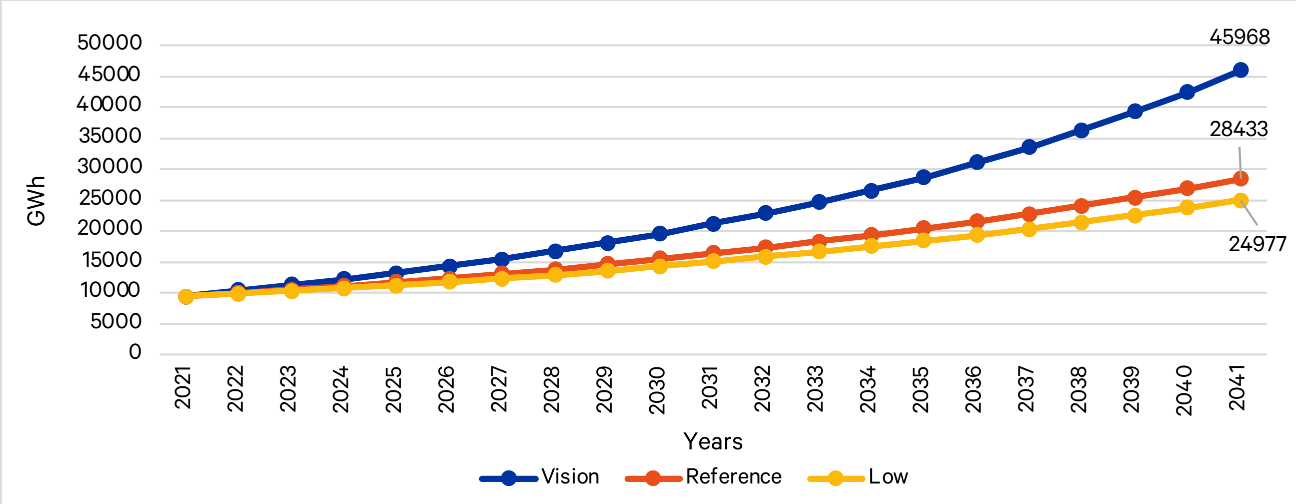


Figure 4.2: An outlook of electricity consumption from 2021 to 2041

During the planning period from 2022 to 2041, Battery Energy Storage Systems (BESS) are anticipated to address peaking capacity gaps in the medium term and efficiently manage vented geothermal steam during periods of low demand. Moreover, battery storage is projected to contribute to the provision of primary reserves for frequency regulation as the penetration of Variable Renewable Energy (VRE) Sources in the energy mix rises. Furthermore, the generation from BESS is expected to decrease the necessity for thermal energy utilization, thereby reducing greenhouse gas emissions.

4.2 Petroleum Development Plan (PDP)

The Authority initiated the development of a petroleum demand-forecasting tool and facilitated a multi-agency PDP technical team to conduct demand forecasting for selected petroleum products spanning the period 2022-2041. A summary of the forecast is provided in Table 4.1.

Table 4.1: A reference scenario for petroleum demand forecast from 2022 to 2041

	2022	2023	2024	2025	2026	2031	2036	2041
PMS (million litres)	2,226	2,369	2,523	2,689	2,866	3,962	5,516	7,763
AGO (million litres)	3,040	3,212	3,390	3,575	3,765	4,810	5,994	7,240
DPK (million litres)	258	245	232	219	206	139	81	55
LPG (tonnes)	309	328	349	370	393	529	711	958
Fuel Oil (tonnes)	375	393	403	408	411	416	402	302

The projections show a steady increase in demand for petrol and diesel throughout the period, while demand for kerosene is expected to decline. This shift is primarily attributed to the enforcement of anti-adulteration measures and promotion of cleaner cooking alternatives like LPG. Additionally, the forecast anticipates electric vehicles gradually displacing petroleum-fueled vehicles in the future. However, at the time of conducting the forecast, available data did not indicate an immediate impact, hence the anticipated rise in demand for petrol and diesel.

4.3 Research and Policy

One of the primary strategic priorities of the Authority is to enhance research, data management, and information dissemination within the energy and petroleum sectors. During the financial year, the Authority undertook various research-focused initiatives, including:

- Development of the institutional Science, Technology, and Innovation (STI) Strategy.
- Conducted a study to analyze the system requirements for stabilizing power supply in western Kenya.
- Power market study for Kenya's electric power sub-sector to assess the feasibility of establishing a power market in Kenya and its implications for the local and regional markets.
- Facilitation of the annual research and innovation program

Additionally, the Authority published the Energy and Petroleum Statistics Report 2022, providing insights into Kenya's performance in the energy and petroleum sectors throughout the year.

Energy Pricing

The Energy Act empowers the Authority to approve electric power purchase and network service contracts, as well as to establish, review, or adjust electricity tariffs. Additionally, in accordance with the Petroleum Act and Legal Notice No. 96 of 2010, the Authority is tasked with determining the retail and wholesale prices of petroleum and petroleum products. This chapter outlines the activities carried out in fulfillment of these mandates.

5.1. Power Purchase Agreements (PPAs) and Network Service Contracts

During the financial year 2021/2022, the Authority reviewed and approved the following PPAs:

i) The Electricity Supply Agreement (ESA) between KPLC and Ethiopia Electric Utility (EEU) for cross border power exchange at Moyale and Sololo;

ii) The PPA between KPLC and KenGen for the 56MW Muhoroni Gas Turbine Power plant;

iii) The PPA between KPLC and KenGen for the 30MW Olkaria 1 Geothermal Power plant; and

iv) The Energy Exchange Agreement (EEA) between KPLC and Uganda Electricity Transmission Company Limited (UETCL).

The total contracted capacity for Muhoroni Gas Turbine Power plant and Olkaria 1 Geothermal Power plant is 86 MW, while EEU and UETCL have variable contracted capacities.

5.2 Retail electricity tariffs

In response to the recommendation of the Independent Power Producer Power Purchase Agreement (IPP-PPA) taskforce, the President issued a directive to reduce end-user power tariffs by 33% in December 2021. This reduction was to be implemented in two phases, commencing in January 2022. Consequently, the retail tariff underwent a review, resulting in a 15% reduction during the first phase. Table 5.1 displays the approved energy charges for each customer category.

Table 5.1: Retail electricity tariff effective 1st January 2022

Customer Category	Energy Limit (kWh/Month)	Charge Rate (KES/kWh)	Demand Charge (KES/kVA)
DC- Lifeline	0-100	7.70	-
DC-Ordinary	>100-1500	12.60	-
Small Commercial SC-1	0-100	7.70	-
Small Commercial SC-2	>100-15000	12.40	-
Commercial and Industrial CI 1	No limit	8.70	800
Commercial and Industrial CI 2	No limit	8.10	520
Commercial and Industrial CI 3	No limit	8.00	270
Commercial and Industrial CI 4	No limit	7.80	220
Commercial and Industrial CI 5	No limit	7.60	220
Street Lighting	No Limit	5.50	-

5.3 Electricity pass-through charges

Pass-through charges encompass variable costs incurred by electricity generating plants and subsequently passed on to customers, in addition to the base tariff. These charges, approved by EPRA, include Fuel Energy Cost (FEC), Foreign Exchange Rates Fluctuations Adjustments (FERFA), Water Resource Management Authority (WARMA) levy, Inflation Adjustments, and taxes.

Fuel Energy Charge (FEC) stands out as the predominant component among all pass-through costs. From July 2021 to December 2021, FEC steadily rose from 3.3 Ksh./kWh to 4.63 Ksh./kWh. The fluctuations in FEC can be attributed to various factors such as poor hydrology, fluctuating wind output, and breakdowns in geothermal power plants, resulting in a higher reliance on thermal dispatch. From December 2021 to June 2022, FEC remained constant at 4.63 Ksh./kWh, as depicted in Figure 5.1.

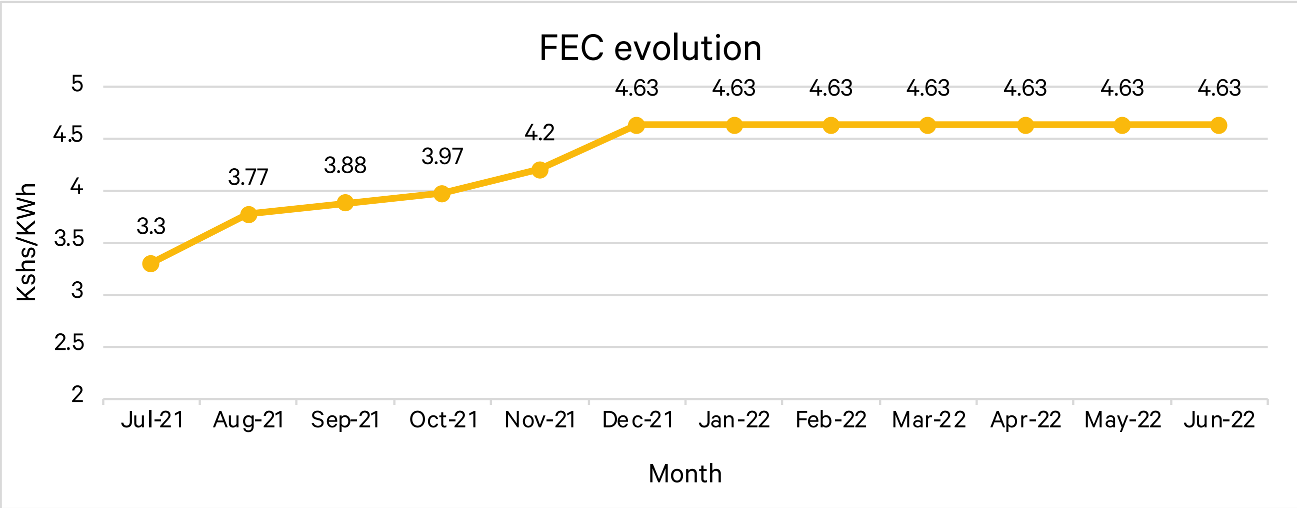


Figure 5.1: FEC evolution from July 2021 to June 2022

The Foreign Exchange Rates Fluctuation Adjustment (FERFA), Water Resources Management Authority (WRMA) Levy and Inflation Adjustments (INFL) remained relatively stable with minimal impact to the end user tariff. The pass-through costs for the period July 2021 to June 2022 are summarized in table 5.2.

Table 5.2: Pass-through charges (Ksh./kWh) in the retail electricity Tariff for the Financial Year 2021/2022

Pass-through Costs	**Jul-21**	**Aug-21**	**Sep-21**	**Oct-21**	**Nov-21**	**Dec-21**	**Jan-22**	**Feb-22**	**Mar-22**	**Apr-22**	**May-22**	**Jun-22**
FEC (KSh/ kWh)	3.3	3.77	3.88	3.97	4.2	4.63	4.63	4.63	4.63	4.63	4.63	4.63
FOREX ADJ. (KSh/kWh)	1.1621	0.6889	0.7647	1.0392	0.7342	0.7314	0.7314	0.7314	0.7314	0.7314	0.7314	0.7314
INFL ADJ. (KSh/kWh)	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47	0.47
WRMA LEVY(KSh/ kWh)	0.0193	0.0167	0.016	0.0157	0.0181	0.0174	0.0174	0.0174	0.0174	0.0174	0.0174	0.0174
Total (KSh/ kWh)	**4.951**	**4.946**	**5.131**	**5.495**	**5.422**	**5.849**	**5.849**	**5.849**	**5.849**	**5.849**	**5.849**	**5.849**

5.4 Petroleum prices

The Authority is tasked with regulating the maximum wholesale and retail prices for Super Petrol (PMS), Diesel (AGO), and Kerosene (DPK). Every 14th day of the month, the Authority publishes the maximum pump prices for all major towns.

During the reviewed period, international Crude Oil Prices experienced fluctuations, starting from $66.70/Bbl in July 2021 and peaking at $112.48/Bbl in May 2022. Notably, prices surged to $82.03/Bbl in January 2022 before declining to $74.36/Bbl in February 2022. The subsequent increase in April and May 2022 was attributed to geopolitical tension arising from the Russia-Ukraine conflict, leading to global supply disruptions of crude oil and natural gas.

Landed costs for petrol, diesel, and kerosene exhibited price increments beginning in April 2022, with peak prices observed in June 2022, reaching Ksh. 102.64/litre for petrol, Ksh. 116.5/litre for diesel, and Ksh. 105.8/litre for kerosene.

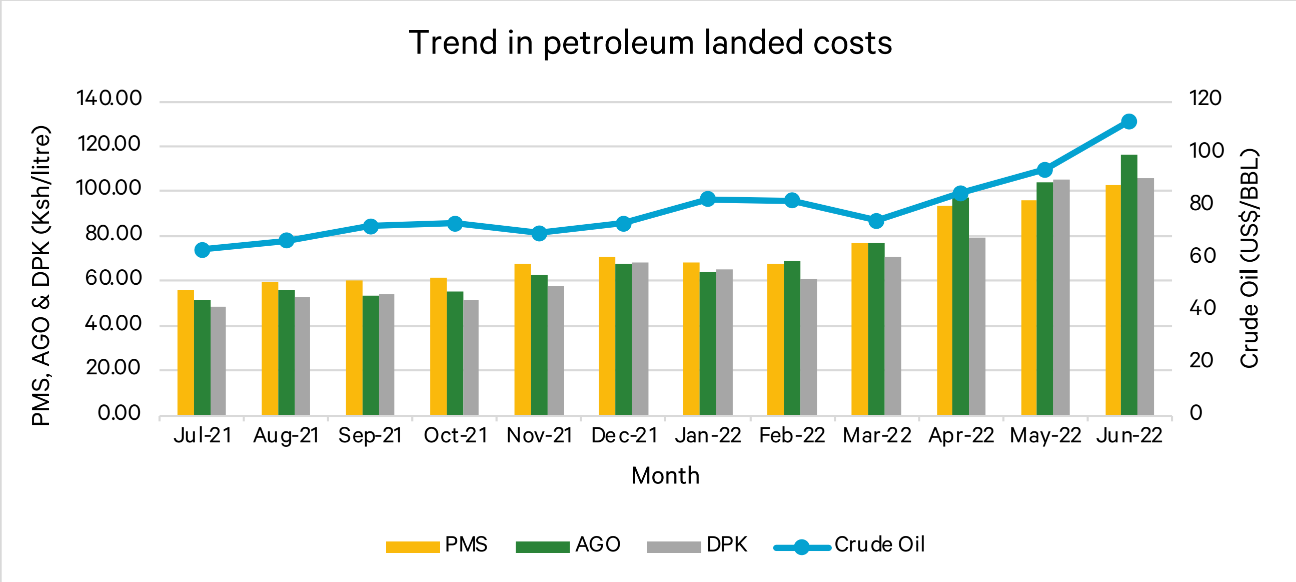


Figure 5.2: Trends in the price of crude oil and landed costs

A price neutral status was upheld from October 2021 to February 2022, notwithstanding the rise in the landed cost of petroleum products. This measure aimed to shield citizens from the escalating prices of petroleum. To facilitate this, the Government utilized funds collected through the Petroleum Development Levy under the Petroleum Development Levy (Amendment), Order 2021. Figure 5.3 illustrates the trend of Nairobi pump prices from July 2021 to June 2022.

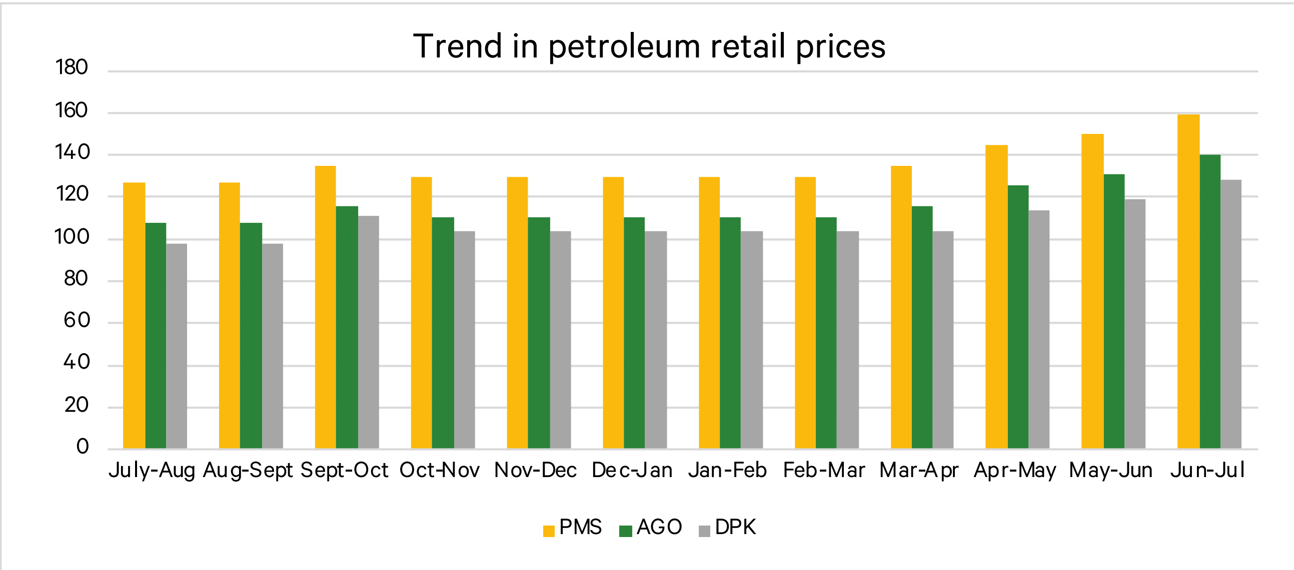


Figure 5.3: A trend in the retail petroleum prices in Nairobi during the financial year 2021/2022

In July 2021, the retail price of super petrol was Ksh 127.14 per litre, increasing to an average of Ksh 135.52 per litre by the end of the year, reaching Ksh 159.12 per litre in June 2022. Conversely, kerosene averaged Ksh 107.34 per litre, rising from Ksh 87.73 per litre in 2021 to Ksh 127.94 per litre by the end of the year. Diesel started the year at Ksh 107.66 per litre, climbing to Ksh 140.00 per litre by June 2021, averaging Ksh 116.34 per litre throughout the year. This price trend was consistent across other towns in the country. A comparison of fuel prices between the financial year 2020/2021 and the financial year 2021/2022 is provided in table 5.3.

Table 5.3: A comparison of fuel prices between the financial year 2020/2021 and the financial year 2021/2022

	Price (Ksh./Litre)	% change	
	2020/2021	**2021/2022**	
Petrol	112.68	135.52	+20.27%
Diesel	98.83	116.34	+17.72%
Kerosene	87.73	107.34	+22.35%

6

Licensing

The Energy Act mandates the Authority to license utilities, companies and technicians operating in the energy sector. The licensing function aims at protecting consumers, investors and other stakeholders by guaranteeing access to quality and safe products.

6.1 Electrical power undertakings

The Authority is responsible for licensing electric power undertakings engaged in generation, exportation, importation, transmission, distribution, and retail supply of electricity. This licensing process adheres to the guidelines outlined in the Act and the Energy (Electricity Licensing) Regulations, 2012. The primary objective of licensing electric power undertakings is to guarantee economic efficiency, safety, and the consistent quality and reliability of electricity supply.

Throughout the reviewed period, the Authority issued a total of 68 electric power undertaking licenses. Specific details regarding these licensed power undertakings are outlined in Tables 6.1, 6.2, and 6.3.

Table 6.1: A summary of generation licences issued during the financial year 2021/2022

No	Licensee	Technology	Category	Capacity	Location
1.	Umoja Rubber Products Limited	Solar PV	Kikambala,	1.1MW	Kilifi
2.	Menengai Oil Refineries Limited	Solar PV and Diesel	Nakuru	4.1MW	Nakuru
3.	Kenya Electricity Generating Company PLC	Geothermal	Olkaria V	172.8MW	Nakuru
4.	Kapa Oil Refineries Limited	Solar	Kapa Oil Refineries	2.5MW	Machakos
5.	Kenya Electricity Generating Company Plc	Geothermal	Olkaria I Unit VI	83MW	Nakuru
6.	West Kenya Sugar Company Limited	Bagasse	West Kenya Sugar	12MW	Kakamega
7.	Sukari Industries Limited	Bagasse	Homa Bay	6MW	Homa Bay
8.	James Finlay (Kenya) Limited	Hydro	Dimbolil	300kW	Kericho
9.	James Finlay (Kenya) Limited	Hydro	Saosa	440kW	Kericho
10.	James Finlay (Kenya) Limited	Hydro	Kaproret	140kW	Kericho
11.	James Finlay (Kenya) Limited	Hydro	Chemamul	374kW	Kericho
12.	James Finlay (Kenya) Limited	Hydro	Masobet	1.07MW	Kericho
13.	James Finlay (Kenya) Limited	Biogas	Saosa	180kW	Kericho
14.	James Finlay (Kenya) Limited	Solar PV	Kitumbe	30kW	Kericho
15.	James Finlay (Kenya) Limited	Diesel	Central PowerHouse	3.4MW	Kericho
16.	James Finlay (Kenya) Limited	Diesel	Changana	990kW	Kericho
17.	James Finlay (Kenya) Limited	Diesel	Chepkembe	16kW	Kericho
18.	James Finlay (Kenya) Limited	Diesel	Chomogonday	1.2MW	Kericho
19.	James Finlay (Kenya) Limited	Diesel	Finance	192kW	Kericho
20.	James Finlay (Kenya) Limited	Diesel	Flowers II	400kW	Kericho
21.	James Finlay (Kenya) Limited	Diesel	Flowers	15kW	Kericho
22.	James Finlay (Kenya) Limited	Diesel	Flowers I	224kW	Kericho
23.	James Finlay (Kenya) Limited	Diesel	Kitumbe	1.68W	Kericho
24.	James Finlay (Kenya) Limited	Diesel	Kymulot	920kW	Kericho
25.	James Finlay (Kenya) Limited	Diesel	Lemotit	688kW	Kericho
26.	James Finlay (Kenya) Limited	Diesel	Medical	14kW	Kericho
27.	James Finlay (Kenya) Limited	Diesel	Saosa Volvo	2.24MW	Kericho
28.	Renewvia Energy Kenya Limited	Solar PV	Ringiti Island	20kW	Homa Bay

No	Licensee	Technology	Category	Capacity	Location
29.	Renewvia Energy Kenya Limited	Solar PV	Ndeda Island	30kW	Homa Bay
30.	Renewvia Energy Kenya Limited	Solar PV	Oyamo Island	12kW	Homa Bay
31.	CP Solar Resources Limited	Solar PV	Thika	1.7MW	Kiambu
32.	Powergen Renewable Energy East Africa Limited	Solar PV	Canteen Village	13kW	Kericho
33.	Powergen Renewable Energy East Africa Limited	Solar PV	Chelimo Village	26kW	Kericho
34.	Powergen Renewable Energy East Africa Limited	Solar PV	Kapsuser West Village	20kW	Kericho
35.	Powergen Renewable Energy East Africa Limited	Solar PV	Kericho Central Village	20kW	Kericho
36.	Powergen Renewable Energy East Africa Limited	Solar PV	Kiptetan Village	20kW	Kericho
37.	Powergen Renewable Energy East Africa Limited	Solar PV	Lower Village	13kW	Kericho
38.	Powergen Renewable Energy East Africa Limited	Solar PV	Main Village	26kW	Kericho
39.	Powergen Renewable Energy East Africa Limited	Solar PV	Masobet A Village	20kW	Kericho
40.	Powergen Renewable Energy East Africa Limited	Solar PV	Masobet B Village	26kW	Kericho
41.	Powergen Renewable Energy East Africa Limited	Solar PV	Mbiri Village	20kW	Kericho
42.	Powergen Renewable Energy East Africa Limited	Solar PV	Mwangaza Village	7kW	Kericho
43.	Powergen Renewable Energy East Africa Limited	Solar PV	Nairobi Area Village	26kW	Kericho
44.	Powergen Renewable Energy East Africa Limited	Solar PV	Tagabi Main Village	20kW	Kericho
45.	Kenya Electricity Generating Company PLC	Geothermal	Eburru Hill	2.4MW	Nakuru
46.	Magiro Hydro Electricity Limited	Run off river Hydro	Kahinduini	22kW	Murang'a
47.	Magiro Hydro Electricity Limited	Run off river Hydro	Gitugu	18kW	Murang'a
48.	Magiro Hydro Electricity Limited	Run off river Hydro	Kiawambogo	60kW	Murang'a

Table 6.2: Generation and retail supply licences (C&I) issued during the financial year 2021/2022

No	Licensee	Technology	Category	Capacity	Location	County
1.	Ofgen Limited	Solar	Generation	500kW	Sotik	Bomet
2.	Ofgen Limited	Solar	Retail	500kW	Sotik	Bomet
3.	Lean Energy Solutions Ltd	Solar	Generation	120kW	Murang'a	Murang'a
4.	Lean Energy Solutions Ltd	Solar	Retail	120kW	Murang'a	Murang'a
5.	Ecoligo Limited	Solar PV	Generation	550kW	Shimanzi,	Mombasa
6.	Ecoligo Limited	Solar PV	Retail	550kW	Shimanzi,	Mombasa
7.	BE AFRICA C&I Ltd	Solar PV	Generation	932kW	Junction Mall	Nairobi
8.	BE AFRICA C&I Ltd	Solar PV	Retail	932kW	Junction Mall	Nairobi
9.	BE AFRICA C&I Ltd	Solar PV	Generation	751kW	Thika	Kiambu
10.	BE AFRICA C&I Ltd	Solar PV	Retail	751kW	Thika	Kiambu
11.	Ecoligo Ken Assets One Ltd	Solar PV	Generation	999kW	Githunguri	Kiambu
12.	Cp Solar Resources Limited	Solar PV	Retail	1.7W	Thika	Kiambu
13.	BE AFRICA C&I Ltd	Solar PV	Generation	1MW	Kitumbe	Bomet
14.	BE AFRICA C&I Ltd	Solar PV	Retail	1MW	Kitumbe	Bomet
15.	BE AFRICA C&I Ltd	Solar PV	Generation	1MW	Chomogonday	Kericho
16.	BE AFRICA C&I Ltd	Solar PV	Retail	1MW	Chomogonday	Kericho
17.	Crossboundary Energy Kenya Limited	Solar PV	Generation	1.51MW	Kandara Business Park	Murang'a
18.	Crossboundary Energy Kenya Limited	Solar PV	Retail	1.51MW	Kandara Business Park	Murang'a

Table 6.3: Distribution and supply licences issued during the financial year 2021/2022

No	Licensee	Technology	Category	Capacity	Location
1.	Sotik Highlands Tea Estate Limited	Diesel	Nyamira	1.424MW	Nyamira
2.	Sotik Tea Company Limited	Diesel	Aroget	1.98MW	Bomet

Among the 68 licenses issued, 27 were designated for captive generation, primarily for facilities already integrated into the national grid. The proliferation of solar panel installations among small and medium commercial and industrial enterprises has been mostly motivated by the cost competitiveness of the technology, leading to a reduced reliance on grid power.

6.2 Electrical workers and contractors

The Energy Act mandates the Authority to license electrical workers and contractors involved in electrical installation works. This licensing process is designed to ensure the competence of individuals undertaking such works, thereby enhancing the functionality and safety of installations. These works encompass both new installations and alterations to existing installations, which must undergo testing before electricity supply is initiated.

There are five classes of electrical worker certificates: C2, C1, B, A1, and A2. Similarly, there are corresponding categories for electrical contractor licenses. The license categories are outlined in Table 6.4.

Table 6.4: A description of electrical workers and contractors license categories

License Class	Scope
C-2	Entitles the holder to carry out electrical installation work for connection to a single phase supply at low voltage, restricted to a maximum of two storey residential and commercial buildings not used as factories or places of public entertainment.
C-1	Entitles the holder to carry out electrical installation work similar to Class C-2, in addition to connection to a three phase supply at low voltage, restricted to a maximum of four storey buildings not used as factories or places of public entertainment.
B	Entitles the holder to carry out electrical installation work similar to Class C-1, but without limitation in the number of storeys in the buildings and whether used as factories or places of public entertainment or otherwise, and for connection to supply metered at voltages not exceeding medium.
A-1	Entitles the holder to carry out all kinds of electrical installation work.
A-2	Entitles the holder to carry out specialized electrical installation work.

During the period under review, 667 electrical workers and 324 electrical contractors were licensed. This increased the total number of licensed electrical workers to 6,338 from 5,660 while the number of licensed electrical contractors grew from 2,336 to 2,660. Table 6.5 presents the number of electrical worker certificates and electrical contractor licences issued in the period under review.

Table 6.5: A summary of electrical worker certificates and contractor licences issued during the financial year 2021/2022

	Number of Licences and Certificates Issued					
	C-2	C-1	B	A-1	A-2	Total
Electrical Worker	325	202	79	52	9	667
Electrical Contractor	107	124	43	46	4	324

Figure 6.1 illustrates the trend in the growth of electrical workers and contractors licenses issued from the financial year 2017/2018 to the current period.

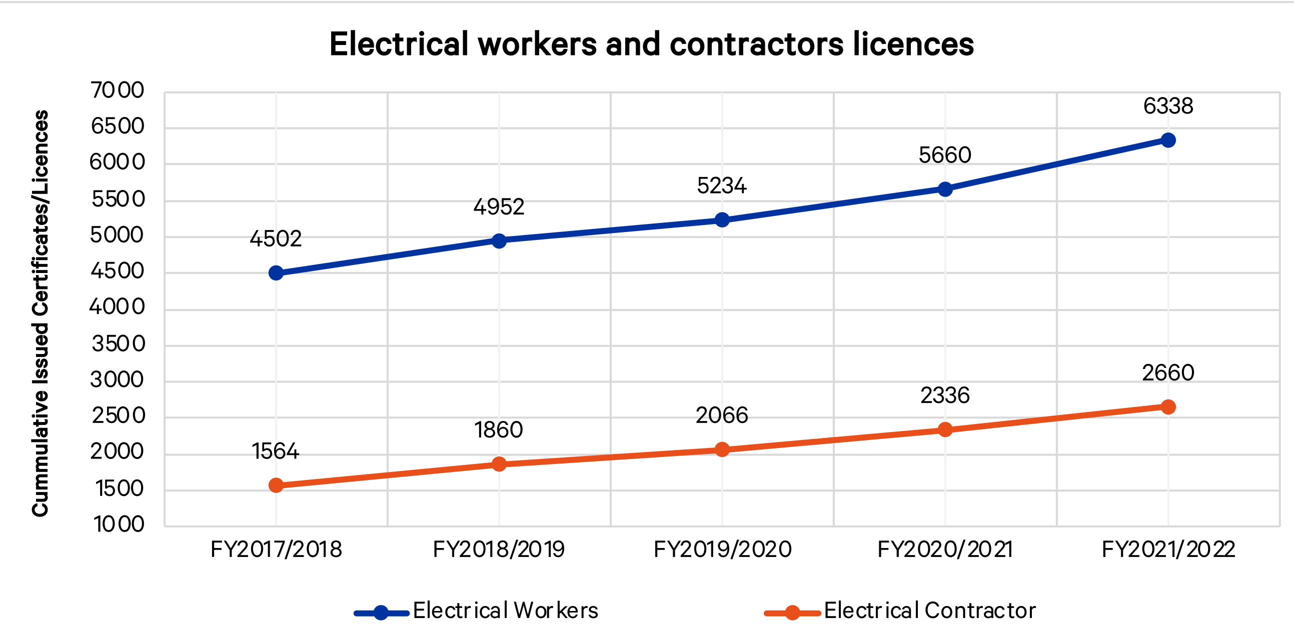


Figure 6.1: A trend in the cumulative electrical workers and contractors licenses issued from the financial year 2017/2018 to 2021/2022.

6.3 Solar PV operations

The Authority plays a pivotal role in promoting the adoption of renewable energy in the country. Under the Energy (Solar Photovoltaic Systems) Regulations 2012 framework, the Authority licenses technicians, contractors, importers, vendors, and manufacturers to carry out various activities related to solar photovoltaic systems.

Technician licenses are categorized in classes T1, T2 and T3. Importers and manufactures licences are categorized under V2, contractors under C1 and vendors under V1. A description of each category is presented in Table 6.6.

Table 6.6: A description of solar PV licence categories

License Type	Works Licensed
Class T3	Entitles the holder authorization to perform solar PV system installations for advanced configurations such as grid-connected and hybrid systems.
Class T2	Entitles the holder to carry out solar PV system installation work for medium systems or multiple batteries which may include an inverter.
Class T1	Entitles the holder to carry out solar PV system installation work for small systems or single battery DC system of up to 100 Wp
Class V1	Entitles the holder to design, distribute, promote, sell or install solar PV systems
Class V2	Entitles the holder to manufacture or import solar PV systems or components
Class C1	Entitles the holder to carry out design and installation of solar PV systems

Figure 6.2 presents a comparison of solar PV licenses issued during the financial year 2021/2022 and 2020/2021.

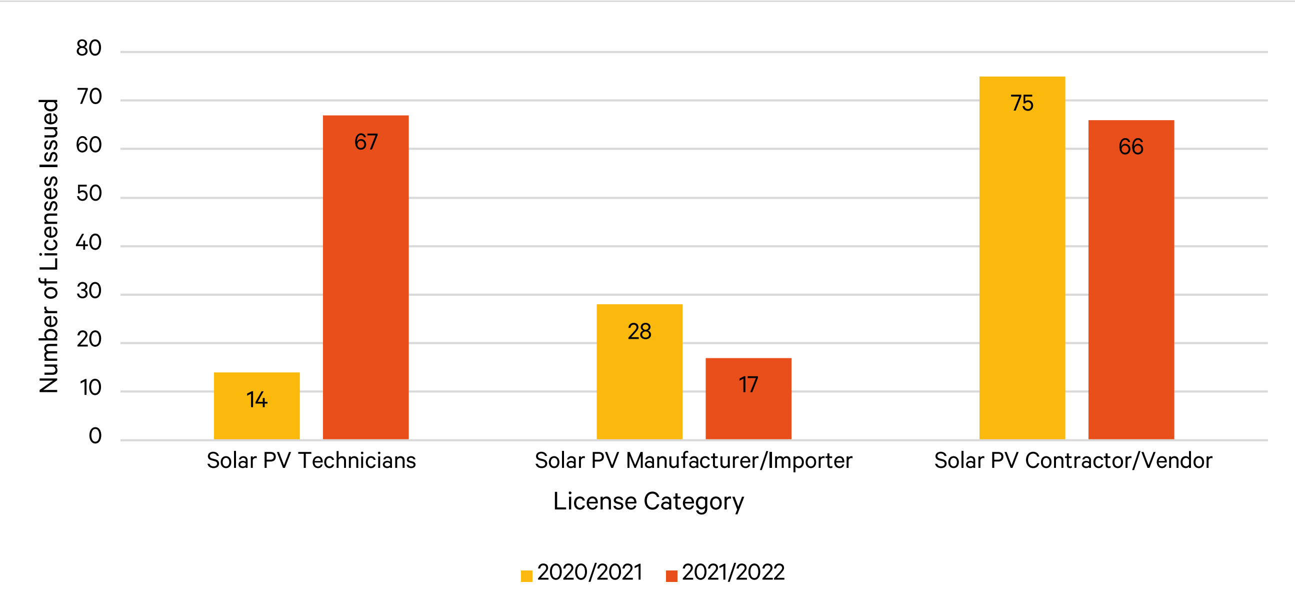


Figure 6.2: A comparison of Solar PV licenses issued during the financial year 2020/2021 and 2021/2022

There was a notable increase in the licenses issued to technicians during the review period compared to the previous year. This increase is attributed to the resumption of licensing activities, which had been paused the previous year, due to the COVID-19 restrictions on group gatherings.

6.4. Energy audit firms, auditors and appliances

The Authority implements measures to support the country in achieving its energy efficiency goals as outlined in the Energy Act, the Kenya National Energy Efficiency and Conservation Strategy, and the Nationally Determined Contributions (NDC). These objectives are pursued through the enforcement of two regulatory frameworks: the Energy (Energy Management) Regulations 2012 and the Energy (Appliances Energy Performance and Labelling) Regulations 2016.

The Energy (Energy Management) Regulations 2012 outlines the criteria for identifying energy-consuming facilities. In 2013, the Authority defined this designation, setting the threshold at 180,000 kWh of energy consumption annually. Designated energy-consuming facilities are mandated to undergo energy audits once every three years. To facilitate these audits, the Authority grants licenses to energy auditors and firms specializing in energy audits.

During the reporting period, three applications for energy auditor licenses were received. Two of these applications were successful, resulting in the issuance of licenses. This increased the total number of licensed auditors to 92. In the previous year, four (4) energy auditors were licensed. Additionally, four (4) energy audit firms obtained licenses during the reporting period, compared to no applications in the preceding year. Figure 6.3 illustrates the licensing trend from the 2016/2017 financial year to the current period under review.

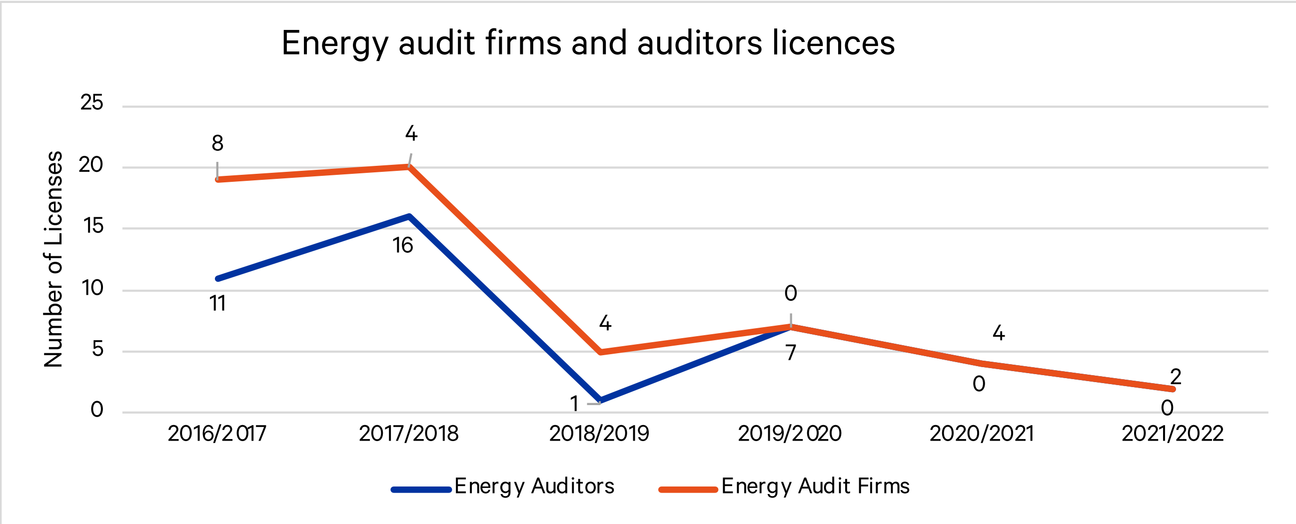


Figure 6.3: A trend in the licencing of auditors and energy audit firms

The number of licensed energy auditors and energy audit firms has been declining. However, the Authority anticipates increase in this number with the publication of the revised draft Energy (Energy Management) Regulations 2022. These revisions introduce improved financing mechanisms to the market, expected to bolster the pipeline of energy efficiency projects. Consequently, this will generate increased demand for energy auditors, audit firms, and Energy Service Companies (ESCOs).

In accordance with the Energy (Appliances Energy Performance and Labelling) Regulations 2016, the Authority oversees the importation, manufacturing, distribution, and retailing of the following appliances:

Domestic refrigerators

Non-ducted air conditioners

Three phase induction motors

Compact fluorescent lamps

Double capped lamps

Ballasts for fluorescent lamps

These appliances bear energy performance labels indicating their efficiency. The energy performance is indicated by a specific metric and the number of stars displayed on the label. More stars signify higher efficiency and greater energy savings, with the highest performing appliances boasting five stars. Energy appliances meeting the Minimum Energy Performance Standards (MEPS) are granted registration certificates by the Authority. Figure 6.4 depicts the comparison between registration certificates issued in the current year and those issued in 2020/2021.

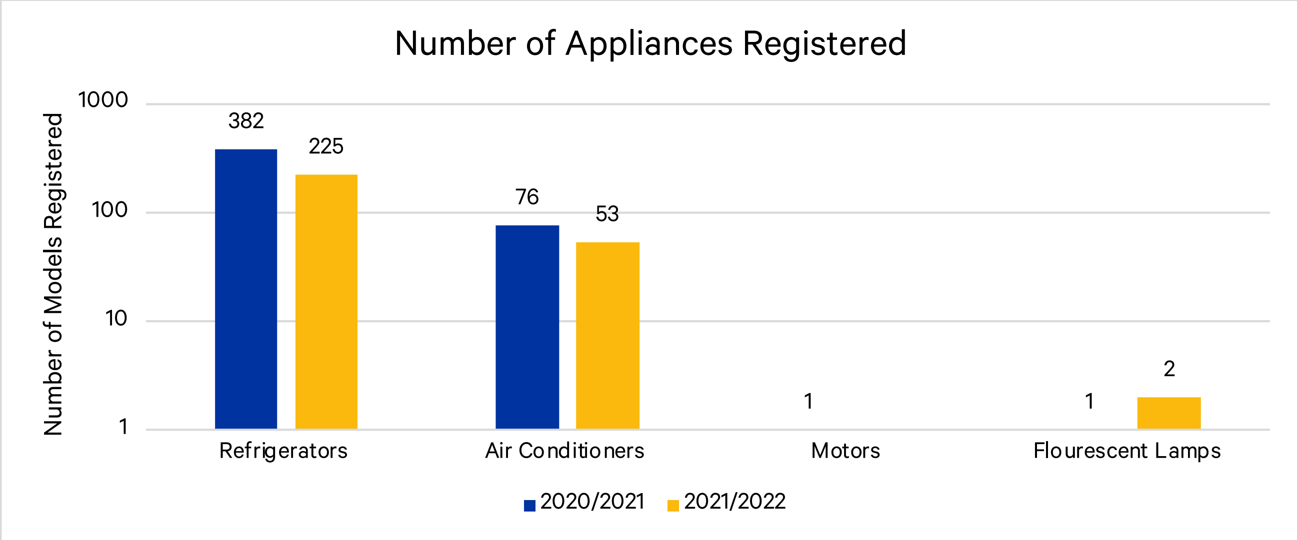


Figure 6.4: A comparison of appliances registration certificates issued between the Financial Year 2021/2022 and 2020/2021

The number of refrigerator models registered during the year reduced by 41% whereas the models for air conditioners reduced by 30.2%. There were minimal fluctuations in the applications for registration certificates concerning motors and lighting appliances. Importers and distributors of motors encountered technical hurdles in meeting the existing standards for these appliances. Challenges included the limited availability of accredited motor testing laboratories globally, with testing often being voluntary in many countries. Consequently, motor importers faced operational obstacles in conducting tests on their appliances. To address this, the Kenya Industrial Research and Development Institute (KIRDI) has established an accredited laboratory for local motor testing.

As for lighting appliances, the existing standards posed compliance difficulties for importers due to set metrics that were challenging to meet. These standards have now been revised to align with global performance metrics. These revisions are expected to boost the number of registration applications as importers can now adhere to the updated standards more effectively.

6.5 Petroleum operations

The Authority is responsible for licensing operations across the petroleum value chain, encompassing refining, importation, export, bulk storage, or transportation of petroleum crude or products. Table 6.7 illustrates the licenses issued during the year.

Table 6.7: A comparison of petroleum licenses issued in the Financial Year 2020/2021 and 2021/2022

Licence category	No of licenses in the FY 2020/2021	No of licenses in the FY 2021/2022
Driver Certification	7,256	8,375
Transport of petroleum products(Except LPG) by Road	955	1,722
Retail of LPG in Cylinders	1,801	984
Export and Wholesale of Petroleum Products(Except LPG)	1,129	1,025
Retail of Petroleum Products (except LPG)	243	504
Transport of LPG in Cylinders	266	300
Storage & Wholesale of LPG in cylinders	156	196
Transport of LPG in bulk by Road	101	207
Import, Export and Wholesale of Petroleum Products (Except LPG)	113	111
Storage & Filling of LPG in Cylinders	91	97
Transport of Jet-A1	40	99
Import, Export and Wholesale of LPG in bulk	56	55
Export and Wholesale of LPG in bulk	31	48

Licence category	No of licenses in the FY 2020/2021	No of licenses in the FY 2021/2022
Storage of petroleum products(Except LPG)	31	33
Export & wholesale of Jet-A1	42	41
Import, Export and Wholesale of Bitumen	13	17
Import, Export and Wholesale of Fuel Oil	13	11
Bunkering of Petroleum Products (Except LPG)	8	13
Storage & Filling of LPG in Bulk	5	5
Import of Lubricants	3	4
Storage of LPG in Bulk	5	4
Export and Wholesale of Crude Oil	-	1
Reticulation of LPG	-	1
Total	**12,358**	**13,853**

There was a significant rise in the total number of licenses issued during the financial year 2021/2022, with an increase of 1,495 compared to the previous year.

Consumer Protection

Consumer rights are enshrined in the Constitution of Kenya, 2010, ensuring entitlement to goods and services meeting reasonable quality standards, access to pertinent information to maximize benefits, protection of health, safety, and economic interests, and compensation for any resulting losses or injuries from defects.

The Authority plays a crucial role in safeguarding consumer interests regarding energy and petroleum products and services. This involves activities such as licensing, economic regulation, project monitoring, ensuring product quality, consumer awareness initiatives, managing complaints and disputes, and investigating accidents and incidents. This section will delve into technical audits and project monitoring in electricity and petroleum sectors, surveillance inspections, enforcement actions, complaints resolution, and accident/incident investigations.

7.1 Electricity technical audits and projects monitoring

7.1.1 Electric Power Undertakings

Electric power licensees have the primary responsibility for safety, quality and reliability in relation to their undertakings. The Authority is charged with ensuring that once licensed, power undertakings maintain secure, safe, and reliable operations. In fulfilling this mandate, the Authority focuses on fostering the development and operation of infrastructure that is both safe and dependable, while also mitigating any negative impacts that may arise.

To uphold these standards, the Authority conducts periodic technical and safety audits on the operations of licensed electric power undertakings. These audits aim to verify that these entities are operating safely and in accordance with the provisions of the Energy Act, license conditions, and relevant standards and codes.

During the 2021/2022 financial year, technical audits were conducted on the operations of the following licensees.

i) KenGen's 60MW Muhoroni Gas Turbine power plant
ii) KenGen's 106MW Turkwel Hydroelectric power plant
iii) 40MW Selenkei Solar power plant
iv) 40MW Cedate Solar power plant
v) 87MW Thika Power (thermal) plant
vi) KPLC Embu Distribution Area
vii) KPLC Kisumu and Kakamega County Distribution Area,
viii) KPLC Mfangano Island Offgrid distribution area in Homabay County,
ix) Talek Power mini-grid in Talek, Narok County,
x) Renewvia Energy mini-grid in Kalobeyei, Turkana County and,
xi) Cloverfield Energy mini-grid in Bobasi, Kisii County.

Technical audit reports highlighting areas of improvement and appropriate recommendations were prepared and shared with the respective licensees. The licensees were required to take corrective actions to promote industry best practices. The Authority oversees the implementation and effectiveness of these corrective actions.

Overall, the electric power undertakings audited demonstrated a high level of compliance with their license conditions, provisions of the Energy Act, and relevant requirements of the Grid Code pertaining to their operations.

7.1.2 Electrical Installation Works (New Electricity Connections)

Throughout the review period, a comprehensive audit of 820 new electricity connections, spanning across the country, was conducted to assess the quality of electrical installations.

Technical audit reports were prepared, detailing any nonconformities observed, areas requiring improvement, and offering pertinent recommendations. These reports were then disseminated to the respective electrical contractors and the power utility, compelling them to take corrective actions in alignment with industry best practices.

In instances where non-compliance was identified, enforcement actions were recommended for the non-compliant licensees.

7.1.3 Generation and transmission projects

In addition to the technical audit of operating power undertakings, the Authority monitors key electricity generation and transmission projects to ensure smooth and timely implementation of those projects in addition to adherence to environmental, health and safety (EHS) standards.

During the 2021/2022 financial year, the following ten (10) electricity generation and transmission projects were monitored:

i) DWA Estates 1.44 MW Biomass Power generation project
ii) KTDA's 2.5MW Chemosit small hydro generation project
iii) KTDA's 1.8MW Rupingazi small hydro generation project
iv) KTDA's 1.5MW Iraru small hydro generation project
v) KTDA's 2.0MW South Maara small hydro generation project
vi) KETRACO's 105km,132kV Sultan Hamud- Oloitoktok Transmission project
vii) KETRACO's 63km,132kV Olkaria-Narok Transmission project
viii) KETRACO's 67km,132kV Rabai-Bamburi-Kilifi transmission project
ix) KETRACO's 62km,132kV Lessos-Kabarnet transmission project
x) KETRACO's 2*200MVA,400/220kV Mariakani substation

Project monitoring reports were prepared and shared with the respective licensees to institute appropriate corrective actions where anomalies were noted.

Most of the generation and transmission projects monitored were progressing as planned. The Authority shall continue to monitor the ongoing projects to ensure achievement of project objectives and adherence to EHS standards.

7.2 Technical audits on Solar PV Installations

During the review period, the Authority conducted 32 technical audits on solar PV installations across various categories including solar home systems, solar water pumping systems, embedded solar PV installations, and solar mini-grids in the seven (7) regions.

The audits revealed a noteworthy expansion of captive solar PV plants, highlighting the importance of their monitoring for effective national energy planning. Consequently, the Authority has drafted captive power guidelines awaiting the gazettement of the captive power policy by the Ministry of Energy. These documents aim to offer guidance for the approval and reporting of captive power plants under development in the country.

7.3 Energy Efficiency Audits

The Energy (Energy Management) Regulations of 2012 mandate designated energy-consuming facilities to conduct energy audits every three years. These facilities are also required to develop energy policies to steer their energy management processes and to furnish energy audit reports. In the past year, the Authority received and reviewed 214 energy audit reports along with 16 energy policies.

Moreover, the Authority conducts quality control energy audits to ensure the integrity of audits conducted by licensed energy auditors. During the year 2021/2022, the Authority carried out 35 quality control audits against the committed thirty (30) for the year.

Additionally, to ascertain compliance with the Energy (Appliances Energy Performance and Labelling) Regulations of 2016, the Authority inspected twenty-six distribution outlets dealing with various appliances such as refrigerating appliances, non-ducted air conditioners, self-ballasted lamps, double-capped fluorescent lamps, ballasts for fluorescent lamps, and three-phase cage induction motors. The inspection revealed a compliance level exceeding 90%.

7.4 Review of ESIA reports

Sustainable Development Goal (SDG) 15 focuses on efforts to safeguard, restore, and promote the conservation and sustainable utilization of terrestrial and other ecosystems. The National Environmental Management Authority (NEMA) is a governmental body tasked with overseeing the management of the country's environment. In pursuit of its mandate, NEMA collaborates with sector lead agencies to assess environmental requirements for specific projects, evaluating their environmental and social impact assessment (ESIA) reports for approval. The Authority is among these agencies, providing essential input for the approval of energy-related projects.

During the review period, the Authority evaluated the following ESIA reports.

Table 7.1: Energy projects whose ESIA reports were reviewed by the Authority

No	Project	Proponent	County	Nature of Project	Capacity (MVA)
1.	Proposed Kehancha -Kilgoris High Voltage Transmission Line	KETRACO	Migori	Transmission	80 MVA
2.	Proposed Rumuruti -Maralal High Voltage Transmission Line	KETRACO	Samburu	Transmission	80 MVA
3.	Proposed relocation of dual circuit 132kV transmission line at Lake Nakuru National Park	KPLC	Nakuru	Transmission	160 MVA

7.5 Surveillance inspections of electricity and renewable energy projects & facilities

The Authority conducts routine inspections in the energy sectors to ensure utilities adhere to the Energy Act and relevant laws and standards. These inspections are crucial for verifying utilities' compliance with regulations and industry standards.

During the review period, the Authority conducted the following inspections:

- Forty-one (41) inspections were carried out on installed or ongoing solar PV projects to assess compliance with applicable standards and the Energy (Solar Photovoltaic Systems) Regulations, 2012.
- Seventy-four (74) inspections were conducted to assess compliance with the Energy (Energy Management) Regulations, 2012.
- One thousand and nineteen (1,019) inspections were performed on consumer premises to verify the authenticity of completion certificates for electrical works.
- Sixty-two (62) inspection audits were undertaken on electricity generation, transmission, and distribution projects to evaluate compliance with the Kenya Grid Code, applicable standards, and regulations.

7.6 Investigation of electricity related accidents

The Authority investigates electricity-related accidents reported by licensees, the media, and the public. During the reviewed period, a total of one hundred and twenty-six (126) accidents were reported to the Authority. Among these, sixty-five (65) resulted in human fatalities, forty-five (45) in human injuries, twenty-two (22) in animal fatalities, and eighteen (18) in incidences of property damage. The accidents occurred on networks/systems operated by various entities, including KPLC (120), KETRACO (3), KenGen (1), Cloverfield (1), and Unilever Tea Kenya Limited (1).

The primary factors contributing to these accidents were identified as follows:

- Poor state of repair of power distribution infrastructure (23%), characterized by deteriorated poles leading to power line collapses and low-hanging power lines.
- Defects in consumer installations due to poor wiring (15%).
- Unsafe work practices by utility employees, contractors, or third parties near power lines (10%).

All fatal accidents underwent thorough investigation, and reports were shared with the respective licensees for corrective actions and follow-up. Additionally, these reports were disseminated to other sector players for informational purposes to prevent similar accidents.

The Authority issued key recommendations to utilities and premises owners to prevent future accidents including:

- Prioritize preventive maintenance to avoid injuries/electrocutions resulting from poorly maintained electrical infrastructure.
- Expedite regulations or guidelines to implement periodic test requirements for installations as mandated by the Energy Act.
- Ensure that electrical installation works are conducted by duly authorized electrical contractors and workers.
- Refrain from connecting or discontinuing supply to defective electrical installations until identified defects are rectified.

The Authority convenes biannual Energy Sector Safety Committee meetings to review accident reports and formulate recommendations aimed at mitigating future accidents.

7.7 Monitoring Reliability, Quality and Efficiency of Electricity Supply

(a) Reliability indices

Reliability indices measure how frequently outages occur in the power supply system and how they affect customers and for how long these outages last. The following reliability indices were monitored and recorded in the period under review:

The System Average Interruption Duration Index (SAIDI) - SAIDI is the average outage duration for each customer served, and is calculated as:

$$SAIDI = \frac{\text{Sum of all customer interruptions}}{\text{Total number of customers served per reporting period}}$$

SAIDI is measured in units of time, often minutes or hours.

The System Average Interruption Frequency Index (SAIFI) – SAIFI is the average number of interruptions that any given customer experiences, and is calculated as:

$$SAIFI = \frac{\text{Total number of customers interrupted per reporting period}}{\text{Total number of customers served per reporting period}}$$

SAIFI is measured in units of interruptions per customer.

Customer Average Interruption Duration Index (CAIDI) - This index measures the average outage duration that any given customer would experience.

$$CAIDI = \frac{\text{Sum of customer interruption durations per reporting period}}{\text{Total number of customers interrupted per reporting period}}$$

(b) System Losses

System losses refers to electrical energy lost during transmission and distribution (technical losses) and unbilled electrical energy delivered to consumers (commercial losses). Technical losses are inherent to the power system and are proportional to the efficiency of the transmission and distribution network. Commercial losses include power supplied to illegal connections, meter tampering and fraudulent use of electrical energy.

Table 7.2 presents a comparison of reliability indices and system losses recorded in the financial year 2020/2021 and 2021/2022.

Table 7.2: Reliability Indices and System Losses recorded in 2020/2021 and 2021/2022 (Source KPLC)

	SAIDI		SAIFI		CAIDI		System Losses	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
July	6.22	10.56	1.65	2.93	3.78	3.61	25.59	23.57
August	9.57	8.11	1.90	3.08	5.03	2.63	25.80	22.85
September	10.54	8.15	2.15	2.69	4.89	3.03	23.71	22.91
October	9.91	9.14	2.13	2.90	4.64	3.16	24.70	21.50
November	8.90	7.72	2.14	2.99	4.17	2.58	24.69	23.37
December	7.15	9.72	1.73	3.19	4.14	3.05	26.77	23.02
January	6.82	10.94	1.62	3.97	4.20	2.75	23.15	21.69
February	10.14	8.40	2.53	3.52	4.02	2.39	21.80	20.88
March	12.26	8.85	3.60	3.39	3.41	2.61	24.50	23.81
April	13.66	9.26	3.54	3.64	3.86	2.55	20.60	22.14
May	14.03	6.31	3.67	3.38	3.82	1.87	23.69	22.45
June	8.74	7.37	2.64	2.52	3.31	2.93	22.25	20.85
Monthly Average	9.83	8.71	2.44	3.18	4.11	2.76	23.94	22.42

Between the period July 2021 to June 2022, the average monthly SAIDI was 8.71, SAIFI was 3.18, while CAIDI was 2.76. The low SAIDI and CAIDI recorded in 2021/2022 financial year compared to the previous year is a manifestation of the vast upgrade of the transmission and distribution system by the government and enhanced customer service by the power utility.

In the period between July 2021 and June 2022, cumulative system losses of 22.42% were recorded against the 19.9% benchmark set by the Authority. There was insignificant decrease of system losses from 23.94% in in 2020/2021 to 22.42% in 2021/2022. The power utility is expected to continue implementing loss reduction strategies.

7.8 Monitoring compliance in the petroleum subsector

7.8.1 Fuel Quality Monitoring

The Authority oversees the fuel marking process, ensuring the quality of fuel for local consumption and preventing diversion of export-bound products. This involves adding a unique identifier to fuel to detect adulteration or products intended for export.

In the past year, the Authority marked 2,896,068,253 liters of Export/Duty-free motor fuels and 121,516,582 liters of Domestic Kerosene. Compared to the previous financial year, there was a decrease in export and local kerosene volumes by 3.29% and 16.74%, respectively.

The notable decline in local kerosene volumes correlates with a nationwide reduction in local consumption. The decrease in export volumes may be attributed to adverse economic conditions in the region and a global surge in fuel prices during this period.

Additionally, the Authority conducted 21,932 sample tests at 4,700 petroleum outlets nationwide. Of these, 98.90% were compliant, 0.23% were found with adulterated fuel, and 0.87% contained export-bound fuel. All non-compliant stations were sanctioned according to relevant legislation.

7.8.2 LPG compliance monitoring

The Authority performs routine compliance inspections on LPG facilities to assess their adherence to regulatory requirements, operational safety standards, maintenance of plant and equipment, emergency preparedness, and risk management practices. Table 7.3 shows the inspections conducted during the year and the compliance levels.

Table 7.3: A summary of LPG compliance inspections undertaken in the financial year 2021/2022

LPG Facilities	Number of Inspections conducted	Compliance Level
Revalidation Plants	2	85%
Storage and filling plants	40	63%
Road tankers	125	82%
Wholesale and Retail Sites	1440	47%

7.8.3 Surveillance inspections of petroleum and gas facilities

The Authority conducts surveillance inspections to enhance regulatory compliance and safety in the petroleum sector, while also promoting awareness and collaboration with stakeholders nationwide. These inspections entail monitoring compliance with regulations and licensing conditions.

During the review period, the Authority conducted the following surveillance inspections across the country:

- Forty-five (45) inspections on petroleum depots;
- One thousand four hundred and thirty-seven (1,437) inspections on the petroleum retail stations;
- Sixty-nine (69) inspections on storage of LPG facilities;
- One hundred and twenty-seven (127) inspections construction of petroleum and LPG facilities.
- Technical audits of petroleum and gas facilities

A total of nine hundred and thirty (930) petroleum retail stations underwent inspection as part of a baseline study aimed at assessing compliance levels with set Technical and EHS standards. This study, scheduled for completion in May 2024, will provide insights to the Authority for optimizing resources.

Additionally, 27 bulk petroleum storage and twenty-seven LPG storage facilities, including three (3) multiproduct pipelines, were audited. The list of audited facilities is detailed in Table 7.4.

Table 7.4 A summary of facilities that were audited in the financial year 2020/2021 and 2021/2022

Financial Year	Bulk Facility Audits				Retail Sites
	LPG	Petroleum	Pipeline	Total	
2020/2021	25	24	1	50	640
2021/2022	27	25	2	54	930

The classification of the audited facilities by integrity is as shown in the table 7.5.

Table 7.5: A comparison of Bulk Facility Audit Risk Rating in the Financial Year 2020/2021 and 2021/2022

Classification	2020/2021	2021/2022
High Integrity (>81%)	14	11
Medium Integrity (61-80%)	42	54
Risky (51-60%)	22	15
High Risk (0-50%)	22	20

7.8.5 Enforcing Compliance

The Authority imposes sanctions on facilities or persons found violating regulatory and licensing requirements. The types of sanctions may vary depending on the nature and severity of the violation, and they can include penalties, fines, suspensions, revocation of licenses and prosecution.

During the reviewed period, the Authority took enforcement actions against 22 LPG storage and filling facilities, leading to charges filed against the owners or their representatives in court. Additionally, the Authority issued 159 statutory notices to non-compliant petroleum, gas, electricity, and renewable energy facilities. Furthermore, the Authority litigated 42 civil cases stemming from enforcement actions and participated in the prosecution of 71 criminal cases.

7.8.6 Investigation of petroleum accidents and incidents

During the period under review, the authority investigated 47 petroleum and LPG related accidents, an increase from the 42 incidents reported in the previous year. Table 7.6 presents a comparison of accidents reported in the financial year 2020/2021 and 2021/2022.

Table 7.6: A comparison of incidents investigated in the financial year 2020/2021 and 2021/2022

S/No.	Accident Classification	Number in the FY 2020/2021	Number in the FY 2021/2022
1	LPG tanker	7	13
2	Petroleum Tanker	15	16
3	Retail station	3	5
4	Consumer site	-	1
5	Domestic LPG	14	8
6	Pipeline	3	1
7	Upstream	-	1
8	Depot	-	1
9	Illegal LPG site	-	1
	Total	**42**	**47**

The majority of the investigated accidents were related to petroleum and LPG tanker incidents, including collisions resulting in fires and tanker rollovers leading to containment loss, among other issues. These were closely followed by domestic LPG cylinder incidents. However, there was a reduction in the number of domestic LPG incidents compared to the previous year.

7.9 Complaints & Disputes

The Authority investigates and resolves complaints or disputes between parties concerning licenses and license conditions in the energy and petroleum sub-sectors. In doing so, it plays a vital role in ensuring fairness, transparency, and compliance with license conditions, while also resolving issues that could affect the functioning of the energy and petroleum sectors.

In the financial year 2021/2022, the Authority addressed 400 complaints, successfully resolving 247 of them, representing a 66% resolution rate. Table 7.7 presents a breakdown of the complaints status as of the end of the financial year.

Status	No.	Percentage %
Resolved	262	66
Under Review	44	11
Referred to utility	41	10
Customer requested to share more facilitative information	42	10
Mediation	11	3
Total	**400**	**100**

Additionally, the Authority managed 22 disputes, settling two of them while the remaining 20 were in various stages of mediation.

Corporate Services

8.1 Performance Management

The Authority ensures implementation of the annual performance targets outlined in the Government of Kenya's annual Performance Contract (PC). Through implementation of these targets, the Authority has improved service delivery, re-engineered business processes and implemented strategies for effectiveness of performance management.

The Authority received commendable rankings, securing the 29th position out of 249 State Corporations, ranking 3rd out of 57 in regulatory functions, and emerging as the top performer in the Energy and Petroleum Sector.

8.2 Human Resource

Human capital plays a pivotal role in fulfilling the Authority's mandate. We implement strategies aimed at attracting, training, and retaining qualified, skilled, and motivated employees.

Our Human Resource Policy & Procedure manual serves as a comprehensive guide for the daily management and administration of our human capital. Additionally, it facilitates informed decision-making and enhances the optimization of internal workflows.

8.3 Employee capacity building

The Authority has established mechanisms to ensure the availability of necessary skills for operations, as outlined in our strategic objectives. This is achieved through the implementation of Training Needs Assessment (TNA), which involves identifying employees' skill gaps and training requirements. Any identified gaps are addressed through various means, including staff deployment, recruitment, training programs, coaching, and mentoring initiatives.

8.4 Knowledge Management

The Authority remains committed to implementing Knowledge Management practices to effectively address challenges, adapt to evolving business needs, and navigate disruptions.

Our knowledge management initiatives include the digitization of records, establishment of an idea framework, and access to e-learning resources such as the Kenya Libraries & Information Services Consortium (KLISC).

Our Knowledge Management system adheres to the ISO 30401: 2018 Knowledge Management Standard. In the review period, 21 staff members received training on the implementation of this standard.

8.5 Youth Internship / Industrial Attachment / Apprenticeship

The Public Service Internship program, a government initiative, aims to provide graduates with opportunities to gain and enhance valuable technical and professional skills, along with practical work experience within the Public Service.

In alignment with this initiative, the Authority extended opportunities to thirty-five (35) interns through the Internship and Apprenticeship program and thirteen (13) through the Attachment program.

8.6 Wellness & Safety

Employee wellness encompasses various dimensions including physical, intellectual, mental, environmental, social, and spiritual well-being. Throughout the year, employees were encouraged to prioritize their wellness by seeking professional counseling services to address emerging issues.

In collaboration with the Kenyatta National Hospital (KNH), the Authority facilitated medical screenings for conditions such as Cancer, Blood Pressure, and Blood Sugar, among others.

A comprehensive sensitization campaign was launched focusing on mental health awareness, promoting healthy lifestyles, and addressing alcohol and substance abuse. Additionally, the Authority's medical scheme offers enhanced coverage for a range of wellness checks and associated costs.

In efforts to enhance accessibility for Persons with Disabilities (PWDs), an accessibility and usability audit was conducted across four (4) EPRA offices, facilitated by the National Council for Persons with Disabilities (NCPWD).

8.7 Corruption Prevention

The Authority remains committed to educating employees on the responsibilities outlined in the Leadership & Integrity Act, 2012, the Bribery Act, 2016, and the Code of Conduct & Ethics. This ongoing sensitization fosters a culture of integrity, ethical conduct, and professionalism throughout the organization.

To reinforce transparency and accountability, the Authority has implemented an operational corruption/unethical behavior reporting mechanism. This includes various channels such as anonymous email, telephone hotlines, walk-in reports, and suggestion boxes. These avenues allow for the submission of anonymous reports regarding unethical or corrupt behavior, ensuring confidentiality and protecting individuals from victimization or intimidation.

8.8 Quality Management System

The Authority upholds its commitment to providing quality regulatory services through the implementation of the ISO 9001:2015 standard. Annual surveillance and internal audits are conducted to verify adherence to the standard, and the Authority holds a valid ISO 9001:2015 compliance certificate.

In efforts to maintain compliance and enhance capacity, thirteen (13) employees received training in Internal Quality Auditing, while one (1) employee underwent ISO 9001:2015 Lead Auditing Course.

8.9 Enterprise Risk Management (ERM)

The Authority has implemented an Enterprise Risk Management (ERM) plan and framework, guided by a comprehensive policy that outlines a systematic approach to identifying, analyzing, monitoring, and mitigating potential risks.

Aligned with the ISO 31000:2018 Standard (Risk Management), the Authority's risk management framework ensures robust risk management practices. During the period, the Board received training on security intelligence, and 15 employees underwent training on implementing the Risk Management standard.

8.10 Supply Chain Management

In the Financial year 2021/2022, the Authority consistently settled all payments to suppliers within an average of five (5) working days upon receipt of all supporting documents, including invoices. This timeline complied with the statutory requirement of settling payments within thirty (30) days. This efficient process ensured that businesses maintained adequate liquidity levels and could meet their financial obligations promptly.

The Authority's annual procurement amounted to Kshs. 932,128,000.00, with Kshs. 38,881,736.19 allocated to special interest groups (Youth, Women, & PWDs).

YOUTH	WOMEN	PWDs
Kshs 19,011,257.80	Kshs. 17,421,514.69	Kshs. 2,448,963.70

Additionally, Kshs. 440,005,891.49 was directed towards Local Content procurement, promoting the consumption of locally produced goods and services. This initiative aims to foster the creation of meaningful employment opportunities, particularly for youth and women, while addressing local social and environmental challenges. Consequently, it directly contributes to the achievement of targets outlined in the Sustainable Development Goals (SDGs).

8.11 Assurance and Audit Approach

Throughout the Financial Year 2021/2022, the Internal Audit & Risk Assurance (IARA) function persistently collaborated with management to strengthen internal controls. This endeavor ensures that the Authority maintains robust systems and processes for accountability, risk management, and internal controls.

The Authority's combined assurance model adopts a three-pronged approach, involving management reviews complemented by internal and external audits. The Internal Audit & Risk Assurance function conducted audits across all operational areas, consistently providing assurance that internal controls and processes are effectively in place and optimized for risk mitigation.

Due to the proactive monitoring and assurance provision, the Authority successfully executed its activities without disruption and adhered to set timelines throughout the review period.

8.12 Public and Stakeholder Engagement

Recognizing the pivotal role that stakeholders play in shaping regulatory decisions, the Authority conducted 25 stakeholder engagement workshops across the country. These workshops addressed a wide array of topics, including draft regulations, energy management, and innovation.

To ensure broad outreach to stakeholders, the Authority utilized a combination of digital media and traditional mass media channels for effective communication.

8.13 Service to Communities

As a responsible corporate citizen, the Authority is committed to making a positive impact in the communities it serves.

Understanding the significance of education in shaping destinies, the Authority took steps to improve educational facilities. This included equipping a Dormitory at St. Mary Immaculate Mayekwe Girls Secondary School in Bungoma County with a 300kW Solar backup system, fifty-five (55) double-decker beds, 110 mattresses, and student lockers. Additionally, the Authority provided support to four (4) underprivileged students at St. Mary's Girls Secondary School Nakuru by covering their school fees.

In alignment with the government's objective of increasing forest cover, the Authority embarked on a tree planting initiative, contributing to the planting of over 36,000 trees in the Menengai Forest in partnership with the local community.

Financial Statements

Report of the Board of Directors

The Board of directors submit their report together with the audited financial statements for the year ended 30th June 2022, which show the state of the Authority's affairs.

1) Principal activities

The principal activities of the Authority are: -

(a) To regulate: -

- Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
- Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
- Production, distribution, supply and use of renewable and other forms of energy;

(b) Protect the interests of consumer, investor and other stakeholder.

2) Results

The results of the Authority for the year ended June 30, 2022 are set out from page 65.

3) Board Members

The Board of Directors who served during the year are shown on pages 14-19. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

4) Dividends/Surplus remission

In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. The Authority had a surplus of Ksh. 47,942,655.

5) Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The annual report and financial statements set out on page 65-96 which have been prepared on the going concern basis, were approved by the on 26/04/2023 and were signed on its behalf by:

By Order of the Board

Ms. Mueni Mutunga
Board Secretary

Statement of Directors' Responsibilities

Section 81 of the Public Finance Management (PFM) Act, 2012, section 8 (3) of the Second Schedule of the Energy Act 2019 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;

iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

iv) Safeguarding the assets of the Authority;

v) Selecting and applying appropriate accounting policies; and

vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012.The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended 30th June 2022, and of the Authority's financial position as at that date.

The Directors further confirms the completeness of the accounting records maintained for the Authority's which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements.

The annual report and financial statements set out on page 65-96, which have been prepared on the going concern basis, were approved by the on 26/04/2024 and were signed on its behalf by:

Hon. (Prof) Jackton Boma Ojwang	**Mr. Daniel Kiptoo Bargoria**
Chairman	**Director General**

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management, and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management, and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 47 to 84, which comprise of the statement of financial position as at 30 June, 2022, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public

Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Energy Act, 2019.

Basis of Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Energy and Petroleum Regulatory Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Differences in Reported Levies

The statement of financial performance reflects levies amounting to Kshs.1,502,688,963 as disclosed in Note 7 to the financial statements which comprises of electricity and petroleum levies of Kshs.304,045,393 and 1,198,643,570 respectively. However, review of audited financial statements of Kenya Power and Lighting Co. PLC revealed that the Company had electricity sales of 9,823,790,911.98 KWh. The applicable levy rate for the financial year 2021/2022 was 30cts/KWh which translates to electricity levies of Kshs.294,713,727 whereas the Authority had reported levies of Kshs.304,045,393 resulting in unexplained variance of Kshs.14,438,323. Additionally, audited financial statements for Kenya Power and Lighting Co. PLC for the year ended 30 June, 2022 reflected Energy Regulatory Levies of Kshs.144,193,000. However, the Authority had not reflected any receivables from Kenya Power and Lighting Co. PLC in its books, an indication that electricity levy is not recognized on accrual basis as required by IPSAS 1 and 23. Similarly, no evidence was provided that the Authority maintained an independent data base on the units of electricity purchased and sold by Kenya Power and Lighting Co. PLC as stipulated by Section 10(jj) of the Energy Act, 2019.

My opinion is not qualified with respect to this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of Comparison of Budget and Actual Amounts reflects a total actual revenue of Kshs.1,546,501,625 against final budgeted revenue of Kshs.2,098,272,136 resulting to an adverse variance of Kshs.551,770,511 or 16%. Similarly, the Authority projected to spend Kshs.2,061,164,530 but incurred an expenditure of Kshs.1,548,938,365 resulting to an under absorption of Kshs.512,226,165 or 25%.

In the circumstances, the unrealized revenue and under absorption of the budget may have impacted negatively on the Authority's service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Payment of Professional Fees without a Valid Contract

Review of the procurement documents provided for audit revealed that the Authority entered into a contract with a public relations firm on 30 August, 2019 at a contract sum of Kshs.13,711,200 for the provision of public relations, digital & advertising agency services for a period of 1 year, with an option for extension by another 1 year. The contract expired on 30 August, 2020 and was renewed on 18 September, 2020 for the period 1 September, 2020 to 30 August, 2021. The Authority undertook a procurement for public relations, digital & advertising agency services, vide tender ref. EPRA/SCM/4/3/21-22/024, out of which the same firm was awarded another contract for the same services on 1 December, 2021 for a period of one (1) year at a contract sum of Kshs.13,896,800. The Contractor was paid an amount of Kshs.3,427,800 for the months of September, October and November, 2021 outside the contract period.

In the circumstances, the authority and lawfulness of the payment of Kshs.3,427,800 to the public relations firm could not be confirmed.

2. Non-Compliance with Contractual Provisions

Review of the procurement records provided for audit revealed that the Authority invited request for proposals for Consultancy services for provision of baseline study on the compliance level in the electricity and renewable energy sub-sectors in Kenya on 26 January, 2021. The proposals were opened on 11 February, 2021. A professional opinion in respect of the procurement was issued on 5 March, 2021 recommending award of the consultancy works to a Local Institution which was approved on 24 March, 2021 and notification of award issued on 24 March, 2021. The tenderer accepted the award on 7 April, 2021. On 18 May, 2021, a contract was entered into between the Authority and the Local Institution for a period of one year at a contract sum of Kshs.8,950,000. The contract payments were to be made up as; 20% upon submission of inception report; 40% on submission of draft report and 40% on submission of final report. However, review of payments under the contract revealed that invoices were received and posted in the ledger as follows:

Posting Date	Document Type	Description	Amount (Kshs.)
28/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
23/06/2022	Invoice	40% Charges for Baseline study on compliance	3,580,000
Total			**7,160,000**

In the circumstances, Management was in breach of the contractual provisions.

3. Unapproved Special Board of Directors Meetings

During the year under review, the Authority's Board held five (5) special board meetings without the relevant approval by the Cabinet Secretary of Energy in consultation with State Corporations Advisory Committee (SCAC) contrary to the provisions of the Circular Ref No: OP/CAB.9/1A of 11 March, 2020 on Management of State Corporations states that approval for any extra board meetings (including special Board meetings) above the maximum number specified shall require a justification by the board as to the source of funds, and implications thereof, and reasons why the same cannot be adjudicated in regular meetings, which request shall be submitted for approval by the relevant cabinet secretary in consultation with SCAC. As a result, the authority incurred an expenditure totalling to Kshs.740,000 on sitting allowances in respect of the special board meetings.

In the circumstances, the Authority was in breach of provisions of Circular Ref No: OP/CAB.9/1A of 11 March, 2020.

4. Payment of Retention Money Before Expiry of Defect Liability Period

Review of payment records revealed that a construction Company was issued with a final certificate on 27 August, 2021 with revised final account of Kshs.58,130,808. The contractor was paid Kshs.7,358,177 on 10 September, 2021 as final payment inclusive of full retention fees amounting to Kshs.5,813,308 before lapse of defects liability period of 180 days contrary to clause GCCC.20.3 of the provisions of the contract.

In the circumstances. Management was in breach of the contractual provisions.

5. Employees on Acting Appointments

Review of the human resource records revealed that ten (10) officers were appointed to acting positions for periods ranging between two (2) to five (5) years. This was contrary to Section 34 of the Public Service Commission Act 2017 which states that government officers cannot serve in an acting position for more than six (6) months. Management has explained that the process of recruitment of substantive office holders was in progress.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions, and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

15 June, 2023

Statement of Financial Performance for The Year Ended 30th June 2022

Figures in Kenyan Shilling	Note(s)	2021	2020
Revenue			
Revenue from non-exchange transactions			-
Transfers from other government entities	6	8,566,167	
Levies	7	1,502,688,963	1,456,062,096
License fees	8	35,246,495	47,898,594
Total revenue from non-exchange transactions		**1,546,501,625**	**1,503,960,690**
Revenue from exchange transactions			
Other income(miscellaneous)	9	569,692	2,833,210
Interest received	10	6,661,313	3,389,586
Total revenue from exchange transactions		**7,231,005**	**6,222,796**
Total revenue		**1,553,732,630**	**1,510,183,486**
Expenses			
Use of Goods and Services	11	(576,105,854)	(470,301,015)
Employee Costs	12	(684,271,832)	(630,822,709)
Remuneration of Directors	13	(16,365,696)	(16,939,646)
Depreciation and amortisation expense	14	(73,432,900)	(64,841,656)
Repairs and Maintenance	15	(10,577,443)	(8,887,107)
Contracted services	16	(93,036,250)	(120,872,750)
Transfers	17	(52,000,000)	(42,000,000)
Total expenses		**(1,505,789,975)**	**(1,354,664,883)**
Gain on disposal of assets	18	-	3,738,122
Surplus for the year from continuing operations		**47,942,655**	**159,256,725**
Remission to National Treasury	19	(43,148,390)	(2,171,545)
Surplus for the year		**4,794,265**	**157,085,180**

The notes set out from 80-96 form an integral part of the annual report and financial statements. The annual report and financial statements set out from page XX to XX (edit after layout), were signed on its behalf by:

Mr. Daniel Kiptoo Bargoria
Director General

Muznah S.

Ms. Muznah Sisiwa
Ag. Deputy Director Finance & Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Financial Position as at 30th June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
Assets			
Current Assets			
Cash and cash equivalents	20	322,360,486	204,545,482
KCB-Snr Mgt Gratuity Investment	21	37,389,990	15,495,712
Receivables from exchange transactions	22	22,281,036	18,872,751
Receivables from non-exchange transaction	23	218,401,044	209,497,333
Inventories	24	4,322,203	2,762,200
		604,754,759	**451,173,478**
Non-Current Assets			
Property, plant and equipment	25	305,677,752	200,638,169
Intangible assets	26	3,094,648	9,411,968
		308,772,400	**210,050,137**
Total Assets		**913,527,159**	**661,223,615**
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	135,514,489	148,652,307
Payables under non- exchange transactions	28	257,076,686	27,356,109
Employee benefits	29	91,472,413	60,545,893
		484,063,588	**236,554,309**
Total Liabilities		**484,063,588**	**236,554,309**
Reserves			
Capital replacement reserve		55,000,000	55,000,000
Accumulated surplus		374,463,571	369,669,306
Total Net Assets/Equity		**429,463,571**	**424,669,306**
Total Net Assets and Liabilities		**913,527,159**	**661,223,615**

The annual report and financial statements and the notes on 65-96 were approved by the on 30th September 2022 and were signed on its behalf by:

The accounting policies on page 81-85 and the notes on pages 80-96 form an integral part of the annual report and financial statements.

Mr. Daniel Kiptoo Bargoria
Director General

Muznah S.

Ms. Muznah Sisiwa
Ag. Deputy Director Finance & Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Changes in Net Assets for The Year Ended 30th June 2022

Figures in Kenyan Shilling	Capital replacement reserve	Accumulated surplus	Total net assets/ equity
Prior year			
Balance at 1st July 2020	55,000,000	113,067,271	168,067,271
Changes in net assets/equity Surplus for the year	-	159,256,725	159,256,725
90% Remittance to National Treasury	-	(2,171,545)	(2,171,545)
Prior Year Adjustments	-	99,516,855	99,516,855
Balance at 30th June 2021	55,000,000	369,669,306	424,669,306
Current year			
Restated* Balance at 1st July 2021	55,000,000	369,669,306	424,669,306
Changes in net assets/equity Surplus for the year	-	47,942,655	47,942,655
Provision- 90% Remission to National Treasury	-	(43,148,390)	(43,148,390)
Total changes	**-**	**4,794,265**	**4,794,265**
Balance at 30th June 2022	**55,000,000**	**374,463,571**	**429,463,571**

Prior year adjustments relates to erroneously accrued LPOs whose goods and services were not supplied, amounting to Ksh. 99,516,855, which resulted to overstating use of goods and services expenditure by a similar amount in the financial year.

Statement of Cash Flow for The Year Ended 30th June 2022

Figures in Kenyan Shilling	Note(s)	2021-2022	2020-2021 Restated*
Cash flows from operating activities			
Receipts			
Transfers from other government entities		200,000,000	-
Levies		1,503,229,648	1,443,486,156
License fees		35,246,495	47,898,594
Other income(Miscellaneous)		569,692	2,833,210
Interest received		1,306,463	3,389,586
		1,740,352,298	1,497,607,546
Payments			
Use of goods and services		(577,913,902)	(450,247,849)
Employee Costs		(679,739,030)	(591,779,364)
Remuneration Directors		(16,681,596)	(16,717,146)
Repairs and Maintenance		(9,854,283)	(4,887,106)
Contracted services		(90,127,497)	(117,873,250)
Transfers		(52,000,000)	(42,000,000)
90% Transfer To National Treasury		(2,171,545)	-
		(1,428,487,853)	(1,223,504,715)
Net cash flows from operating activities	**30**	**311,864,445**	**274,102,831**
Cash flows from investing activities			
Purchase of property, plant and equipment		(215,824,685)	(130,097,244)
Proceeds from sale of property, plant and equipment		-	3,805,400
Purchase of other intangible assets		-	-
KCB-Snr Mgt Gratuity Investment		21,894,278	6,590,360
Net cash flows from investing activities		**(193,930,407)**	**(119,701,484)**
Net increase/(decrease) in cash and cash equivalents		**117,815,004**	**154,401,347**
Cash and cash equivalents at the beginning of the year		204,545,482	50,144,133
Cash and cash equivalents at the end of the year	**20**	**322,360,486**	**204,545,482**

The annual report and financial statements set out on 65-96 were signed on its behalf by:

Muznah S.

Mr. Daniel Kiptoo Bargoria
Director General

Ms. Muznah Sisiwa
Ag. Deputy Director Finance & Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Comparison of Budget and Actual Amounts The For The Year Ended 30th June 2022

Figures in Kenyan Shilling	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Perfomance Difference	% Utilization
Revenue						
Revenue from non-exchange transactions						
Revenue Transfers from other government entities	235,000,000	(35,000,000)	200,000,000	8,566,167	191,433,83	4
Levies	1,831,679,127	-	1,831,679,127	1,502,688,963	328,990,164	82 %
License fees	66,593,009	-	66,593,009	35,246,495	31,346,514	53 %
Total revenue from non- exchange transactions	**2,133,272,136**	**(35,000,000)**	**2,098,272,136**	**1,546,501,625**	**551,770,511**	**74 %**
Revenue from exchange transactions Other income (Miscellaneous)	727,053	-	727,053	569,692	157,361	78 %
Interest Received	3,563,651	-	3,563,651	6,661,313	(3,097,662)	187 %
Total revenue from exchange transactions	**4,290,704**	**-**	**4,290,704**	**7,231,005**	**(2,940,301)**	**169 %**
Total revenue	**2,137,562,840**	**(35,000,000)**	**2,102,562,840**	**1,553,732,630**	**548,830,210**	**74 %**
Expenditure Use of goods and services	(808,142,118)	82,606,182	(725,535,936)	(576,105,854)	(149,430,082)	79 %
Employee costs	(896,122,086)	-	(896,122,086)	(684,271,832)	(211,850,254)	76 %
Remuneration Directors	(25,020,000)	-	(25,020,000)	(16,365,696)	(8,654,304)	65 %
Depreciation and amortisation	(75,883,582)	-	(75,883,582)	(73,432,900)	(2,450,682)	97 %
Repair and Maintenance	(8,000,000)	(3,000,000)	(11,000,000)	(10,577,443)	(422,557)	96 %
Contracted services	(104,450,000)	-	(104,450,000)	(93,036,250)	(11,413,750)	89 %
Repair and Maintenance	(52,000,000)	-	(52,000,000)	(52,000,000)	-	100 %
90% Remission to National Treasury	(151,150,549)	(20,002,377)	(171,152,926)	(43,148,390)	(128,004,536)	25 %
Total expenditure	**(2,120,768,335)**	**59,603,805**	**(2,061,164,530)**	**(1,548,938,365)**	**(512,226,165)**	**75 %**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**16,794,505**	**24,603,805**	**41,398,310**	**4,794,265**	**36,604,045**	**12 %**

The budget and financial statements of EPRA are reported on accrual basis, hence differences arising from accounting treatment are not expected. The variance between the approved and final budget are due to reallocations, which were submitted to the National Treasury through the Ministry of Energy for approval. The variance between the actual and budget are as enumerated and explained as follows;

i) Upstream petroleum income was below budget due to delayed upstream activities occasioned by longer than expected transition, conclusion on FDP staff recruitment and set up of various other structures for implementation of the upstream activities.

ii) Levies received were below budget by Ksh. 328,990,164 representing under collection of 18%. This is as a result of a combination of many economic factors that impacted on the fuel prices and sale of electricity. This included a depressed economy and high fuel prices that led to low consumption.

iii) License fees was below budget by Ksh. 31,346,514 representing an under collection of 47% due to a decrease in the number of new license applicants and renewals.

iv) Miscellaneous income was above budget by 356%.

v) Interest received was above budget by Ksh. 3,097,662 representing a positive variance of 47% this was due to an increase in investment of senior management gratuity fund.

vi) Use of goods and services was below budget by Ksh. 149,430,082, an under expenditure of 21%, this was as a result of delayed procurement processes majorly due to non-responsive tenders that required a repeat of the tendering process. There were also significant savings in operational costs on general office expenses, communication and ICT expenses.

vii) Employee costs were below budget by Ksh. 211,850,254 representing an under expenditure of 24% this was due to late approvals for recruitment and overwhelming applications leading to a lengthy application process.

viii) Directors expenses were below budget by Ksh. 8,654,304 representing an under expenditure of 35% which could be attributed to savings in international travels and sitting allowance.

Notes to The Financial Statements

1. General Information

The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority (EPRA) as the successor to the Energy Regulatory Commission (ERC). The Authority is mandated with regulation of all forms of energy except nuclear power.

2. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The Authority ensures compliance to the relevant accounting policies.

The Authority adopted IPSAS in 2014 following the gazettement of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The accounts are presented in Kenya Shillings (KES) which is the functional and reporting currency of the Authority and all values are rounded to the nearest shilling.

3. Adoption of new and revised standards

3.1 New and amended standards and interpretations in issue, effective in the year ended 30th June 2021

• IPSAS 40 – Public Sector Combinations 1st January 2019

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30th June 2021

The Authority has not applied the following standards and interpretations, which have been published and are mandatory for the Authority's accounting periods beginning on or after 1st July 2022 or later

Standard	Effective date: Years beginning on or after
IPSAS 41 Financial Instruments	1st January 2023
IPSAS 42. Social Benefits	1st January 2023
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	1st January 2023
Other Improvements to IPSAS	1st January 2023

3.3 Early adoption of standards

The Authority did not adopt new or amended standards during the financial year.

The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about a public sector and its effects. To accomplish that, this Standard establishes principles and requirements for how:

- A reporting entity classifies a public sector combination as an amalgamation or an acquisition;
- A reporting entity recognizes and measures in its financial statements the identifiable assets received, the liabilities assumed and any non-controlling interest in an amalgamation;
- A reporting entity recognizes and measures components of net assets/equity and other adjustments recognized in an amalgamation;
- An acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired operation;
- An acquirer recognizes and measures the goodwill acquired in, or the gain or loss arising from, an acquisition; and
- A reporting entity determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of a public sector combination.

It furthermore covers definitions, identifying a public sector combination, classification of public sector combinations, accounting for amalgamations, the modified pooling of interests method of accounting, accounting for acquisitions, the acquisition method and effective date and transition.

The effective date of the standard is for years beginning on or after 1st January 2019.

4. Summary of Significant Accounting Policies

(a) Revenue recognition

i) Revenue from non-exchange transactions

Levies and licenses

The Authority recognizes revenues from electricity, petroleum levies and license fees when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

ii) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

(b) Budget information

The original budget for the financial year 2021/2022 was approved by the National Treasury through Ministry of Energy on 20th July 2021. Subsequent revision or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or commission differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

(c) Taxation/Transfer to treasury

The Authority remitted 90% surplus to the National Treasury. No Income tax or deferred tax accrue as a result.

(d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

(e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

(f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Authority. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Authority also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Authority will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight- line basis over the lease term.

(g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

(h) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

(i) Financial instruments

1. Financial assets

Initial recognition and measurement
Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Authority has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets
The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or an entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

2. Financial liabilities

Initial recognition and measurement
Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method, amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

j) Inventory

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non- exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

i) Raw materials: purchase cost using the weighted average cost method.
ii) Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Authority.

(k) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

(l) Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

There are no contingent liabilities at the moment.

(m) Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

(n) Nature and purpose of reserve

The Authority creates and maintains reserves in terms of specific requirements, which is accumulated surplus. The Authority's capitals consist of the Accumulated reserves.

(o) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

(p) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate fund, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

(q) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. Members of key management are regarded as related parties and comprise Board of Directors, the Director General and senior managers.

The Government (represented by Ministry of Energy and Ministry of Petroleum and Mining) is also regarded as a related party. The Permanent Secretaries in the two Ministries or their representative are members of the Board.

(r) Service concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Authority recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Authority also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash in Mpesa and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial period.

(t) Comparative figure

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

(u) Subsequent events

There have been no events subsequent to the financial period end with a significant impact on the financial statements.

5. Significant Judgement & Sources of Estimation Uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur IPSAS 1.140.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

i) The condition of the asset based on the assessment of experts employed by the Authority.
ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
iii) The nature of the processes in which the asset is deployed.
iv) Availability of funding to replace the asset.
v) Changes in the market in relation to the asset.

6. Transfers from other government entities

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
Upstream Regulatory support	5,817,507	-
Deferred Income-Energy Act	2,748,660	-
	8,566,167	-

Transfers from other government entities

Name of Entity	Amount Recognized in Statement of Financial Performance (Kshs)	Amount Deferred Under Deferred Income (Kshs)	Amount Recogized in Capital Fund (Kshs)	Total Income During the Period (Kshs)	Comparative Period (Kshs)
Ministry of Petroleum and Mining	5,817,507	194,182,49	Nil	200,000,000	Nil
Energy Act Stakeholders	2,748,660	8,451,340	-	11,200,000	-
	8,566,167	**202,633,833**	**-**	**211,200,000**	**-**

7. Levies

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
Electricity Levy	304,045,393	236,696,328
Petroleum Levy	1,198,643,570	1,219,365,768
	1,502,688,963	**1,456,062,096**

Electricity Levy-Legal Notice No. 148 of 1999

Petroleum Levy-Legal Notice No. 162 of 2018

8. License fees & miscellaneous

License fees	35,246,495	47,898,594

9. Other Income (Miscellaneous)

Other income(Miscellaneous)	569,692	2,833,210

10. Interest

Interest	6,661,313	3,389,586

11. Use of goods and services

Training Seminars and Workshops	40,144,098	55,977,009
Subscriptions	3,248,458	1,802,116
Staff Welfare	5,869,832	4,823,234
General Office Expenses	12,184,053	15,642,459
Fuel	9,336,456	7,974,163
Insurance license & MV subscriptions	2,956,521	3,029,595
Travel, Inspections, surveillance & Audit	157,412,824	98,077,155
Corporate Subscriptions	16,810,351	5,930,132
Seminars Workshops, Public hearings and CSR	42,156,551	17,125,870
Advertising and gazette notices	38,614,868	96,426,322
Bank Charges	1,755,942	1,205,761
Branding/Printing	8,540,673	13,628,604
Telephone and Internet	11,467,548	8,350,220
Software licenses support and disaster recovery	11,499,192	3,955,779
Rent and Service charges	63,913,650	61,735,442

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
Security	7,243,177	4,321,940
Electricity	6,197,061	5,614,818
Office cleaning	4,799,348	4,318,456
Consultancies	97,609,158	48,523,497
HIV, Safety, Culture change and Related	24,942,433	11,838,443
Energy & Petroleum Act Expenses	9,403,660	-
	576,105,854	**470,301,015**

12.Employee costs

Basic Salaries	391,925,001	364,998,664
Employee Compensation-Court	-	2,000,000
Pension and Gratuity	90,932,011	80,957,303
Special Duty / Acting Allowance	9,832,793	6,782,914
Car and Commuter allowance	29,643,506	29,195,652
House Allowance	91,557,035	89,190,006
Fringe benefits	4,035,007	2,657,538
Leave & Other Allowances	16,814,066	5,545,494
Medical	42,331,995	42,762,449
General Life & Personal Insurance	4,200,712	4,057,352
Staff Uniforms	1,296,743	1,702,837
Warm Clothing Allowance	1,016,963	-
Meal Allowance	686,000	972,500
	684,271,832	**630,822,709**

13. Remuneration of directors

Monthly fees and honorarium	5,863,333	6,659,833
Sitting Allowance	4,920,000	7,178,000
Meeting, Entertainment and Other Allowances	2,071,823	872,499
Seminars, Travel, and Accommodation	3,083,494	1,757,179
Insurance & Medical	427,046	472,135
	16,365,696	**16,939,646**

14. Depreciation and amortisation

Property, plant and equipment	67,115,580	55,537,521
Intangible assets	6,317,320	9,304,135
	73,432,900	**64,841,656**

15. Repairs and maintenance

Repair & service motor vehicle	9,265,786	7,921,136
Repair & maintenance - office equipment	1,311,657	965,971
	10,577,443	**8,887,107**

16. Contracted services

Fuel Marking	67,421,040	78,343,366
LPG Inspection	25,615,210	42,529,384
	93,036,250	**120,872,750**

17. Transfers

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
Transfers to mortgage & car loan	50,000,000	40,000,000
Kenya energy-sector environment and social responsibility program fund	2,000,000	2,000,000
	52,000,000	**42,000,000**

18. Gain on sale of assets

Property, plant and equipment	-	3,738,122

19. Remission to National Treasury

Surplus for the year	47,942,655	159,256,725
Purchase of assets	-	(136,556,254)
Capital Commitments	-	(20,287,643)
Realised surplus	**47,942,655**	**2,412,828**
90% of realised profit	**43,148,390**	**2,171,545**

The Authority did not deduct capital expenditures in calculating 90% of realised surplus.

20. Cash and cash equivalents

Cash and cash equivalents consist of:

M-pesa	2,475,027	8,995,984
Bank balances	281,664,781	160,953,748
KCB-Snr Management Gratuity Current Account	38,220,678	34,595,750
	322,360,486	**204,545,482**

In the month of October 2018 all Senior management staff were placed on a five-year renewable contract. KCB Senior Management Gratuity Account is held for Senior Management gratuity obligation. This is cash payable at the end of each employees' contract.

Detailed analysis of cash and cash equivalents

Financial institution	Account number		
KCB Bank	1107180198	276,819,772	158,520,791
National Bank	01003003110800	3,894,386	1,574,767
NCBA Bank	6959370012	950,623	858,190
		281,664,781	160,953,748
Gratuity Custody Accounts			
KCB-Senior Management Gratuity Current Account	1273022599	38,220,678	34,595,750
Others		**-**	**-**
Mobile Money Accounts M-pesa	923311	2,475,027	8,995,984
		2,475,027	8,995,984
Total cash and cash equivalents		**322,360,486**	**204,545,482**

21. KCB-Senior Management Gratuity Investment

KCB-Snr Management Gratuity Investment	37,389,990	15,495,712

Prior and current year KCB-Snr Management Gratuity Current Account has been split to disclose investment in treasury bills

22. Receivables from exchange transactions

Figures in Kenyan Shilling	2021-2022	2020-2021 Restated*
Prepayments	77,699	96,177
Deposits	17,042,166	17,034,166
Interest Receivable	5,161,171	1,742,408
	22,281,036	**18,872,751**

Prior year receivables from exchange transactions has been restated by Ksh. 1,742,408 to include interest from KCB Current Account which was not accrued during the year.

23. Receivables from non-exchange transactions

Board Imprest	72,999	17,966
Staff Imprest	7,612,256	3,406,773
Other receivables	11,009,234	4,867,814
KPLC-Electricity Levy	107,489,706	104,763,313
KRA-Petroleum Levy	90,610,638	93,877,717
Staff salaries & Medical advances	1,606,211	2,563,750
	218,401,044	209,497,333

Prior year receivables from non-exchange transactions were erroneously understated by 83,320,309 and the corrections has resulted to restating Board imprest from 393,224 to 17,966, Staff Imprest from 3,311,889 to 3,287,739, revenue debtors from 119,789,127 to 203,508,844.

24. Inventories

Inventories	4,322,203	2,762,200

The prior year inventory amount has been restated to Ksh. 2,762,200 from Ksh. 4,269,954 this was as a result of adjustment of erroneously overvalued stock.

25. Property, plant and equipment

Controlling entity	2022			2021		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Furniture and fixtures	212,014,850	(133,136,344)	78,878,506	140,252,142	(119,844,910)	20,407,232
Motor vehicles	135,739,527	(106,711,849)	29,027,678	135,739,527	(84,452,165)	51,287,362
Office equipment	33,379,621	(19,933,413)	13,446,208	32,970,231	(16,936,081)	16,034,150
IT equipment	140,199,777	(102,295,484)	37,904,293	125,533,504	(73,728,354)	51,805,150
Work in Progress	146,421,067	-	146,421,067	61,104,275	-	61,104,275
Total	**667,754,842**	**(362,077,090)**	**305,677,752**	**495,599,679**	**(294,961,510)**	**200,638,169**

25. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Figures in Kenyan Shilling	Furniture and fixtures	Motor vehicles	Office Equipment	IT Equipment	Work in Progress	Total
Cost At 1st July 2020	137,383,523	109,839,216	29,596,471	124,130,626	79,067,020	480,016,856
Additions	2,868,616	40,312,757	3,692,604	5,676,526	-	52,550,503
Adjustment	-	-	46,500	(1,465,100)	(17,962,745)	(19,381,345)
Disposals	-	(14,412,447)	(365,344)	(2,808,548)	-	(17,586,339)
Transfers	-	-	-	-	-	-
	-	-	-	-	-	-
At 30th June 2021	**140,252,139**	**135,739,526**	**32,970,231**	**125,533,504**	**61,104,275**	**495,599,675**
Additions	2,404,870	-	409,389	14,666,272	154,674,633	172,155,164
Transfers	69,357,841	-	-	-	(69,357,841)	-
At 30th June 2022	**212,014,853**	**135,739,527**	**33,379,620**	**140,199,776**	**146,421,067**	**667,754,843**
Depreciation and impairment At 1st July 2020	(115,272,250)	(81,436,936)	(15,094,823)	(52,704,992)	-	(264,509,001)
Adjustment	7,362,626	-	(6,665)	209,990	-	7,565,951
Disposals	-	14,412,447	365,344	2,741,270	-	17,519,061
Depreciation	(11,935,286)	(17,427,676)	(2,199,937)	(23,974,622)	-	(55,537,521)
At 30th June 2021	**(119,844,910)**	**(84,452,165)**	**(16,936,081)**	**(73,728,354)**	**-**	**(294,961,510)**
Disposals and scrapings - accumulated depreciation and impairment	-	-	-	-	-	-
Depreciation	(13,291,434)	(22,259,684)	(2,997,332)	(28,567,130)	-	(67,115,580)
At 30th June 2022	**(133,136,344)**	**(106,711,849)**	**(19,933,413)**	**(102,295,484)**	**-**	**(362,077,090)**

	2022			**2021**		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Cost	212,014,853	135,739,526	33,379,620	140,199,776	146,421,067	667,754,842
Accumulated depreciation and impairment	(133,136,344)	(106,711,849)	(19,933,413)	(102,295,484)	-	(362,077,090)
At 30th June 2022	**78,878,509**	**29,027,677**	**13,446,207**	**37,904,292**	**146,421,067**	**305,677,752**
At 30th June 2021	**20,407,229**	**51,287,362**	**16,034,150**	**51,805,150**	**61,104,275**	**200,638,169**

Under PPE Furniture and Fittings have been adjusted by 79,067,023 from 219,067,020 to 140,252,139 this was as a result of restating erroneously capitalisation of work in progress relating to partitions in the financial year 2020/2021.

Work in progress of Ksh. 146.4M relates to renovation & partitioning of EPRA Head office and regional offices.

As at 30th June 2022, property and equipment with cost amounting to Ksh. 198.8M were fully depreciated and intangible assets with cost amounting to Ksh. 95.8M were fully amortized.

Property plant and Equipment includes the following assets that are fully depreciated:

Asset	Cost	Normal Annual Depreciation
Furniture and fixtures	98,215,787	12,276,973
Motor vehicles	46,709,169	11,677,292
Office equipment	9,690,138	1,211,267
IT equipment	44,165,923	13,249,777
Intangible assets	95,782,412	28,734,724
Total	294,563,428	67,150,033

26. Intangible assets

Figures in Kenyan Shilling	2021-2022	2020-2021
Reconciliation of intangible assets		
Cost Opening balance	115,415,454	113,996,854
Adjustment	-	1,418,600
Closing balance	**115,415,454**	**115,415,454**
Amortisation and impairment Opening balance	(106,003,486)	(96,496,026)
Adjustments	-	(203,325)
Amortisation	(6,317,320)	(9,304,135)
Closing balance	**(112,320,806)**	**(106,003,486)**
Made up as follows: Cost	115,415,454	115,415,454
Amortisation and impairment	(112,320,806)	(106,003,486)
Net book value	**3,094,648**	**9,411,968**

27. Payables under exchange transactions

Suppliers	128,961,143	130,836,837
Accruals	6,553,346	17,815,470
	135,514,489	**148,652,307**

Prior year accruals has been adjusted from Ksh. 25,173,648 to Ksh. 17,815,470 as a result of reversal of accrued LPOs whose goods and services were not supplied in the respective financial year.

28. Payables under non-exchange transactions

Deferred Income-Energy Act	13,309,501	4,858,161
Taxes and other statutory deductions	5,278,741	12,517,964
Other Employee payables	720,111	7,370,988
Provision- 90% Remission to National Treasury	43,148,390	2,171,546
Deferred Income- Upstream Petroleum	194,182,493	-
Deferred Income-UNEP Project	437,450	437,450
	257,076,686	**27,356,109**

Payables have been separated to payables from exchange transactions and payables from non-exchange transactions.

Payables from non-exchange transactions has been restated from Ksh. 27,755,516 to Ksh. 27,356,108 as a result of correcting other employee payable from Ksh. 7,770,396 to Ksh. 7,370,988.

28. Payables under non-exchange transactions (continued)

The deferred income movement is as follows:

	Deferred Income - Petroleum Upstream	Deferred Income - Energy Act	Deferred Income - UNEP Project	Total
Balance brought forward	-	4,858,161	437,450	5,295,611
Additions	200,000,000	11,200,000	-	211,200,000
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(5,817,507)	(2,748,660)	-	(8,566,167)
Balance carried forward	**194,182,493**	**13,309,501**	**437,450**	**207,929,444**

29. Employee benefit obligations

Figures in Kenyan Shilling	2021-2022	2020-2021
Snr Mgnt Gratuity Payable	78,030,961	51,236,103
Contract Staff Gratuity Payable	2,795,260	3,195,850
Salary Payable	1,180,299	1,236,299
Other payroll benefits	9,465,893	4,877,641
	91,472,413	**60,545,893**

30. Cash Generated in operations

Surplus	4,794,265	159,256,725
Adjustments for:		
Depreciation and amortisation expense	73,432,900	64,841,656
Gain on sale of assets	-	(3,805,400)
Adjustment	-	87,323,416
Changes in working capital:		
Inventories	(1,560,003)	(844,729)
Receivables from exchange transactions	(3,408,285)	16,974,791
Receivables from non-exchange transactions	(8,903,711)	(39,340,532)
Payables under exchange transactions	(13,137,818)	(10,675,271)
Payables under non-xchange transactions	229,720,577	(8,934,565)
Employee Benefit Provision	30,926,520	9,306,740
Cash Generated in operations	**311,864,445**	**274,102,831**

31. Risk management

Financial risk management

Risk management is carried out by the management under the supervision of the Board of Directors. The Directors provide policies for overall risk management, as well as policies covering specific areas such as, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The activities of the Authority expose it to a variety of financial risks: credit risk, liquidity risk and market risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Authority regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Authority's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

The carrying amount of financial assets recorded in the financial statements representing the Authority's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

As at June 2022

	Fully performing Ksh	Past due Ksh	Impairment Ksh	Total
Receivables from non-exchange transactions	218,401,044	-	-	218,401,044
Receivables from exchange transactions	21,786,245	-	-	21,786,245
Bank Balances	359,750,477	-	-	359,750,477
	599,937,766	**-**	**-**	**599,937,766**

As at June 2021

Receivables from non-exchange transactions	209,378,299	-	-	209,378,299
Receivables from exchange transactions	18,872,751	-	-	18,872,751
Bank Balances	220,041,194	-	-	220,041,194
	448,292,244	**-**	**-**	**448,292,244**

All the Authority's receivables are fully performing and are expected to be repaid. Bank balance includes cash in hand and deposits held with banks.

Liquidity risk management

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors.

The table below provides a contractual maturity analysis of the Authority's financial liabilities:

As at 30th June 2022	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	86,656,214	4,314,337	37,990,592	128,961,143
Deferred Income-Energy Act	-	-	13,309,501	13,309,501
Accrual	6,553,346	-	-	6,553,346
Taxes and other statutory deductions	5,278,742	-	-	5,278,742
Other Payables	720,110	-	-	720,110
Employee benefits obligation	91,472,413	-	-	91,472,413
UNEP Project	437,450	-	437,450	874,900
Deferred Income- Upstream Petroleum	-	-	194,182,493	194,182,493
Provision- 90% Remission to National Treasury	43,148,390	-	-	43,148,390
	234,266,665	**4,314,337**	**245,920,036**	**484,501,038**

As at 30th June 2021

Trade & other payables from exchange transactions	93,365,860	3,586,901	33,884,076	130,836,837
Deferred Income-Energy Act	-	5,295,612	-	5,295,612
Accrual	-	17,815,470	-	17,815,470
Taxes and other statutory deductions	12,517,964	-	-	12,517,964
Other Employee Payables	-	7,370,988	-	7,370,988
Employee benefits Obligation	60,545,893	-	-	60,545,893
Provision- 90% Remission to National Tresury	2,171,545	-	-	2,171,545
	168,601,262	**34,068,971**	**33,884,076**	**236,554,309**

32. Operating Lease Commitments

Operating lease commitments represent rentals payable by the Authority for rented office space.

Not later than 1 Year

Not later than 1 Year	55,652,905	49,350,260
Not later than 1 Year	278,264,527	246,751,300
	333,917,432	**296,101,560**

The Authority is of the view that future net revenues and funding will be sufficient to cover these commitments. The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance.

33. Related parties Disclosures

Transactions with related parties

Purchases from related parties		
Purchases of Electricity from KPLC	6,197,061	5,614,818
Rent expenses paid to Government agencies (Lake Basin)	3,104,289	2,126,461
Training and Conferences fees paid to Govt Agencies(KSG)	2,099,600	8,744,602
Transfers from the Government		
Ministry of Petroleum and Mining	200,000,000	-

Key management compensation

Compensation to Senior Managers	92,483,125	87,444,840
Compensation to Director General	11,040,000	9,420,000
	103,523,125	**96,864,840**

Remuneration of Directors

2021-2022			
Name	**Monthly Fees and Honoraria**	**Sitting Allowance**	**Total**
Hon.Justice(Prof) Jackton B. Ojwang	1,565,000	440,000	2,005,000
Dr. Sellah J. Kebenei	362,500	520,000	882,500
Mr Albert Mwenda	-	360,000	360,000
Mr. James Mbugua	-	480,000	480,000
Mr. George Mwakule	128,333	180,000	308,333
Eng Mercy Wambugu	128,333	100,000	228,333
Mr. Moses Gitari	-	100,000	100,000
Prof. George Achoki	357,500	440,000	797,500
National Treasury	2,350,000	-	2,350,000
Mr. Barnabus Ngeno	-	520,000	520,000
Mr. Christopher Ombenga	-	40,000	40,000
Isaac Omondi Odek	-	500,000	500,000
Mr. Daniel Mutisya Ndonye	128,333	120,000	248,333
Mr. Wanjuki Muchemi	471,667	520,000	991,667
Mr. Timothy Gakuu	-	200,000	200,000
Mr. Jared Masini Ichwara	-	220,000	220,000
Mr. Moses Gitari	100,000	60,000	160,000
Mr. Hassan Mohamud Haji	271,667	120,000	391,667
	5,863,333	**4,920,000**	**10,783,333**

2020-2021				
Name	**Monthly Fees and Honoraria**	**Sitting Allowance**	**Lunch**	**Total**
Hon.Justice(Prof) Jackton B. Ojwang	1,560,000	420,000	6,000	1,986,000
Dr. Sellah J. Kebenei	600,000	880,000	6,000	1,486,000
Mr Albert Mwenda	-	438,000	4,000	442,000
Mr. James Mbugua	-	120,000	2,000	122,000
Eng. Samuel N. Maugo	558,333	480,000	6,000	1,044,333
Ms. Lilian Mahiri Zaja	558,333	740,000	4,000	1,302,333
Mr. Moses Gitari	-	520,000	6,000	526,000
Prof. George Achoki	600,000	940,000	6,000	1,546,000
National Treasury	2,183,167	-	-	2,183,167
Ms. Jacqueline Mogeni	-	640,000	2,000	642,000
Mr. Christopher Ombega	-	40,000	-	40,000
Ms. Lucy Waithira Mugwe	-	40,000	-	40,000
Isaac Omondi Odek	-	520,000	4,000	524,000
Mr. Daniel Kiptoo Bargoria	-	400,000	2,000	402,000
Mr. Wanjuki Muchemi	600,000	980,000	6,000	1,586,000
Mr. Andrew Kamau	-	20,000	-	20,000
	6,659,833	**7,178,000**	**54,000**	**13,891,833**

34. Contingent Liabilities

EPRA is a party to a number of court cases whose determination is yet to be made. In view that damages or court awards are known upon conclusion of a matter, EPRA has made provision for contingency liabilities towards the same amounting to 55.3M. The following is summary of key matters whose contingent liability is high.

i) Apollo Mboya & Electricity Consumers Society of Kenya -vs- KPLC & 4 Others- Petition No. 6 of 2018;

ii) Okiya Omtatah Okoiti -vs- ERC- Petition No. 38 of 2017;

iii) Josephine Washifutswa Nambiro -vs- ERC- ELRC Petition No. 101 of 2018;

iv) John Nganga –vs- Energy Regulatory Commission- High Court- ELRC Petition No. 08 of 2018;

v) Energy and Petroleum Regulatory Authority v Gitson Energy Limited, Cabinet Secretary of the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company, Energy Regulatory Commission & Attorney General- Civil Appeal No. E190 of 2022 and

vi) John Muthomi Mathiu -vs- EPRA & 3 Others-Civil Case No. MCCC/E5986 of 2020.

35. Dividends/surplus remission

In accordance with Section 219 (2) of the Public Management Act regulation, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. EPRA had a surplus of Ksh. 2,412,828 and remitted Ksh. 2,171,545 during the financial year 2020/2021. This Financial Year the Authority had a surplus of Ksh. 47,942,655 and will remit Ksh. 43,148,390 to the National Treasury.

The surplus Remission has been computed as follows:

Surplus for the period	47,942,655	2,412,828
90% Computation	43,148,390	2,171,545
	-	-
Payable at the beginning of the year	2,171,545	-
Paid During the Year	(2,171,545)	-
Payable at end of the year	**(43,148,390)**	**-**

36. Events after the reporting period

There were no material adjusting and non-adjusting events after the reporting period.

37. Ultimate and Holding Entity

EPRA is a state corporation under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

38. Currency

The financial statements are presented in Kenya Shillings (Kshs).

Appendix I: Progress on Follow up of Auditor Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
A. Report on The Financial Statements	Inaccuracies in Property Plant and Equipment (PPE)	A prior year adjustment has been posted in the annual financial statement for the year ended 30th June 2022 and PPE balances for the year ended 30th June 2021 Restated	Ag. DDF&A	Resolved	
	Inaccuracies in Employee Costs	Employee costs include gratuity pension and other non-payroll costs reconciliation from the payroll reports to the amount disclosed in financial statement as employee costs has been done	Ag. DDF&A	Resolved	
	Unsupported Expenditure on Consultancy	The expenditure of FY 2020/21 disclosed under consultancy services was supported by a contract and the final report for “Environment, Health and Safety” available for audit review.	Ag. DDF&A	Resolved	
B. Report on Lawfulness and Effectiveness in Use of Public Resources	Irregular Expenditure on Contract for Monitoring Domestic Kerosene	The fuel marking and monitoring contract was varied by USD 510,907.5 with effect from 23rd March 2020 via a letter dated 19th March 2020 which was signed by the DG and addressed to the contractor. b) Because of safety concerns, EPRA as a regulator met the cost and utilised the entire contract variation amount of USD 510,907.50 towards testing and monitoring of fuel in independent and unbranded stations.	Management	Resolved	
	Irregular Extension of LPG Storage and Cylinder Contract	The extension of the contract was not irregular, the recommendation of the Contract Implementation Committee dated 12th July 2020. The contract was competitively procured as evidenced by LPG Evaluation report.	Manager Supply Chain	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
	Unutilised Offce Space	The office space required remodeling that involved procurement of a consultant for interior design which would result in floating of another tender for the contractor. Both tendering processes and design of the floor would require time. The winning contractor also required time to mobilize resources. Covid-19 impacted the speed of the contract implementation due to restricted movement and disruption of supply chain for materials used in the construction, some of which were sourced from outside the country. The office floor is currently fully operational.	Management	Resolved	
	Failure to Remit Surplus Funds to KRA	The funds demanded by KRA are attributed to purchase of capital items. The Authority reports on accrual accounting. This require that capital expenditures are reported on the statement of financial position (balance sheet) and not in the income statement. This results in excess surplus in the income statement which the Authority nets off against the capital items purchased. This has been a point of departure which the Authority has been seeking guidance from the National Treasury since the funds used to Purchase capital items are paid out to the suppliers.	Management 2023	Not Resolved	30 June 2023
	Irregular Appointment of the DG	The Energy Act number 1 of 2019.	Management		
	Irregular Payment of Retention Money	The completion certificate was issued on 27th August 2021, the final invoice dated 28th August 2021 submitted on 9th September 2021 and the final payment of Ksh.7,358,177.25 made on 10th September 2021 and not before issuance of the certificate.	Ag. DDF&A	Resolved	

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe
	Budget control and performance	Operations of the Authority were greatly hampered by the Covid-19 Pandemic in the financial year 2020/2021, which affected both the Authority's revenue streams and ability to undertake various scheduled activities, which were either downscaled, delayed or suspended both within the Authority and on the part of service providers and other stakeholders.	Management	Resolved	

Mr. Daniel Kiptoo Bargoria
Director General

Appendix II: Projects Implemented by the Entity

The authority did not implement any projects during the Financial year.

Appendix III: Recording of Transfers from Other Government Entities

Name of Entity	Date received as per bank statement	Nature	Total Amount Kshs	Where Recorded/recognized		
				Statement of Financial Performance	Deferred Transfers	Total Income During the Year
Ministry of Petroleum and Mining	07/04/2022	Recurrent	100,000,000	5,817,507	94,182,493	100,000,000
Ministry of Petroleum and Mining	13/05/2022	Recurrent	100,000,000	-	100,000,000	100,000,000
Energy Act Stakeholders	-	Recurrent	11,200,000	2,748,660	8,451,340	11,200,000
			211,200,000	**8,566,167**	**207,633,833**	**211,200,000**

The Authority received Ksh. 200M and Ksh. 11,200,000 from Ministry of Petroleum and Mining and Energy Act Stakeholders respectively.

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