Energy & Petroleum Regulatory Authority

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2023

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

THE YEAR AT A GLANCE

EPRA approved the jetty handling and storage tariff for the 2022/2023 to 2023/2024 tariff control period, effective 15th October 2022.

EPRA approved the Retail Electricity Tariff for the Fourth Tariff Control Period, covering 2022/2023 to 2025/2026, in March 2023, with an effective date of 1st April 2023.

EPRA approved KPC's unbundled pipeline, transportation, and secondary storage tariff application for the 2022/2023 to 2024/2025 tariff control period.

Renewable energy sources dominated the electricity subsector, contributing approximately 78% to the generation mix.

Enacted the Petroleum (Pricing) Regulations, 2022

Enacted the Petroleum (Importation) Regulations, 2023.

EPRA was recertified to the ISO 9001:2015 Quality Management System Standard on 11th October 2022.

CONTENTS

ACRONYMS AND ABBREVIATIONS

AGO	Automotive Gas Oil (Diesel)
AGPO	Access to Government Procurement Opportunities
BESS	Battery Energy Storage System
CAIDI	Customer Average Interruption Duration Index
CBK	Central Bank of Kenya
CBR	Central Bank Rate
CI	Commercial & Industrial
COSSOP	Cost of Services for the Supply of Petroleum Products
CSR	Corporate Social Responsibility
DG	Director General
DPK	Dual Purpose Kerosene
EEP	Ethiopia Electric Power
EHS	Environment, Health & Safety
EPRA	Energy and Petroleum Regulatory Authority
ESIA	Environmental and Social Impact Assessment
FCC	Fuel Cost Charge
FDP	Field Development Plan
FERFA	Foreign Exchange Rates Fluctuation Adjustment
FiT	Feed-in Tariff
GDC	Geothermal Development Company
GDP	Gross Domestic Product
GWh	Gigawatt hour
HHI	Herfindhal Hirschman Index
HV	High Voltage
HVDC	High Voltage Direct Current
INFL	Inflation Adjustments
IPP	Independent Power Producer
IPSAS	International Public Sector Accounting Standards
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
Km	Kilometer
KNBS	Kenya National Bureau of Standards
KPC	Kenya Pipeline Company
KPLC	Kenya Power and Lighting Company
KTDA	Kenya Tea Development Agency
kV	Kilovolt
kVA	KiloVolt-Ampere
kWh	Kilowatt hour
LCPDP	Least Cost Power Development Plan
LLCOP	Lokichar-Lamu Crude Oil Pipeline
LPG	Liquefied Petroleum Gas
LV	Low voltage
MEPS	Minimum Energy Performance Standards
MV	Medium Voltage

MVA	Mega volt ampere
MW	Megawatt
NDC	Nationally Determined Contribution
NEMA	National Environmental Management Authority
NOCK	National Oil Corporation of Kenya
NuPEA	Nuclear Power and Energy Agency
OMC	Oil Marketing Company
OTS	Open Tender System
PMS	Premium Motor Spirit (Super Petrol)
PPA	Power Purchase Agreement
PSC	Public Service Commission
PWDs	Persons with Disabilities
QMS	Quality Management System
REREC	Rural Electrification and Renewable Energy Corporation
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SC	Small Commercial
SDG	Sustainable Development Goal
SPV	Solar Photovoltaic
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.

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 Ksh. /Litre.

Low case scenario: This 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 replenished 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, No. 1 of 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
Mr. Alex Wachira, BSCN	Principal Secretary, Ministry of Energy & Petroleum - State Department of Energy	-	-
Mr. Mohamed Liban	Principal Secretary, Ministry of Energy & Petroleum -State Department of Petroleum	-	-
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. Masini Ichwara	Alternate to the Principal Secretary State Department of Energy	Appointed on 17th February 2022	17th February 2025
Mr. Albert Mwenda	Representing National Treasury & Economic Planning	Appointed on 17th July 2020	-
Mr. James Nganga	Alternate to the Principal Secretary State Department of Petroleum	26th April 2021	27th April 2022
Mr. Barnabus Ngeno	Representing Council of Governors	11th June 2021	12th June 2024
Mr. George Mwakule	Board Member	14th April 2022	14th April 2025
Eng. Mercy Wambugu	Board Member	14th April 2022	14th April 2025
Mr. Moses Mutuli	Board Member	14th April 2022	14th April 2025
Mr. Daniel Ndonye	Board Member	14th April 2022	14th April 2025
Ms. Caroline Gathii	Board Member	5th August 2022	5th August 2025

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	Deputy Director - Supply Chain Management
Ms. Everlyne Orenge	Director - Internal Audit and Risk Assurance
Mr. Cyprian Nyakundi	Director - Public Education, Advocacy and Consumer Protection

Headquarters

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Contacts

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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
NAIROBI

CHAIRMAN'S STATEMENT

The energy sector is a critical driver of the nation's economic prosperity, and the Authority plays a central role in steering its growth through robust regulatory frameworks that enhance efficiency and effectiveness.

This report highlights the Authority's key activities, not only in advancing the sector but also in supporting national development goals, including Vision 2030 and His Excellency President William Ruto's Bottom-Up Economic Transformation Agenda (BETA). These initiatives aim to drive economic turnaround and inclusive growth through a value chain approach.

The Energy Act, 2019 and the Petroleum Act, 2019 continue to provide the legislative foundation for the energy and petroleum sectors. In its regulatory oversight role, the Authority remains committed to facilitating growth and compliance within these sectors. During the review period, the Authority advanced several proposed regulations in electricity, renewable energy, and petroleum by subjecting them to Regulatory Impact Assessments in accordance with the Statutory Instruments Act, 2013. These regulations will promote sustainable, high-quality, and reliable energy services.

During this period, the Authority successfully developed and gazetted two key petroleum regulations; the Petroleum (Pricing) Regulations, 2022 and the Petroleum (Importation) Regulations, 2023. These regulations align with the recommendations of the Cost of Service Study in the Supply of Petroleum Products (COSSOP), the Petroleum Act, 2019, and the Government-to-Government petroleum importation framework.

Global macroeconomic and geopolitical factors led to high petroleum prices, significantly impacting the cost of living. To mitigate these effects, the Authority worked with other government agencies to implement price stabilization measures, including subsidy programs and the Government-to-Government bulk petroleum procurement scheme.

The Authority continues to oversee the electricity subsector through key regulatory functions, including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, and performance monitoring of sector utilities.

As you read this report, you will note the Authority's extensive regulatory efforts to enhance sector performance. Moving forward, collaboration with stakeholders remains essential in strengthening our regulatory mandate and fostering a conducive business environment.

In closing, the Authority extends its gratitude to the national and county governments, energy sector stakeholders, and all Kenyans for their unwavering support. I commend the dedication of the Authority's staff, management, and fellow Board Directors for another successful year, marked by our commitment to excellence and exceeding stakeholder expectations.

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

DIRECTOR GENERAL'S STATEMENT

This annual report presents EPRA's key functions and highlights our unwavering commitment to fostering a conducive environment for sector operations, ultimately enhancing consumer satisfaction.

The past year demonstrated Kenya's economic resilience despite global challenges, including the lingering effects of the COVID-19 pandemic and geopolitical disruptions. The economy continued its recovery trajectory, with a notable 4.8% GDP growth. Nominal GDP rose from Ksh. 12,027.7 billion in 2021 to Ksh. 13,368.3 billion in 2022, driven by the stabilization of economic sectors after their strong post-pandemic recovery.

Kenya remained steadfast in its commitment to renewable energy leadership, with clean energy sources accounting for approximately 78% of the generation mix. Geothermal led at 45.41%, followed by hydro at 19.33% and wind at 16.57%.

The Energy Act 2019 mandates the Cabinet Secretary to develop an integrated national energy plan, consolidated from county and service provider plans. In response, EPRA developed the Draft Energy (Integrated National Energy Plan) Regulations, 2023, to guide preparation, content, publication, and monitoring, ensuring cost-effective and reliable energy services.

In the electricity sector, increased economic activity drove demand to a record peak of 2,149 MW. The government remained committed to universal electricity access, with 9,212,581 connections as of June 2023, marking a 2% increase from June 2022. Installed electricity generation capacity stood at 3,199 MW, comprising hydro (838.5 MW), geothermal (940 MW), thermal (681.9 MW), wind (435.5 MW), solar (210.3 MW), cogeneration (2 MW), and imports (200 MW). Total energy generation grew by 5.03%, from 12,653 GWh in 2021/2022 to 13,290 GWh in the review period.

Additionally, EPRA approved the Retail Electricity Tariff for the fourth Tariff Control Period (2022/23–2025/26), effective April 1, 2023. Significant revisions were introduced to this tariff, with a focus on better serving customers, particularly those with lower incomes. The new tariff structure provided for special e-mobility tariff, aimed at incentivizing the growth of e-mobility as Kenya strives for sustainable transport solutions.

In the petroleum sector, the full operationalization of the Kisumu Oil Jetty marked a significant milestone. The first export, totaling 1,178 cubic meters, departed on 27th December 2022 and reached its destination on 29th December 2022. The adoption of barge transport for petroleum products is set to enhance safety and cost-effectiveness compared to road transport, boosting the transit market.

EPRA played a pivotal role in implementing the Government-to-Government (G2G) petroleum import framework, introduced to stabilize foreign exchange reserves and curb the rapid depreciation of the Kenyan shilling. Under this framework, credit terms were extended to six months, allowing local Oil Marketing Companies (OMCs) to transact in Kenyan shillings and convert to dollars upon Letter of Credit maturity. These measures are expected to ease pressure on forex reserves and slow currency depreciation.

In its efforts to uphold fuel quality standards, EPRA conducted 21,190 sample tests across 4,445 petroleum outlets nationwide. A compliance rate of 98.76% (4,390 stations) reinforced public confidence in the quality of petroleum products available to consumers.

Financially, revenue from the petroleum levy declined by 10%, in line with reduced demand. However, electricity levy revenue grew by 28.8%. Total non-exchange revenue increased by 2.7%, while recurrent expenditure rose by 11%. EPRA's asset base expanded by 38.1%, with significant growth in both current and non-current assets. Meanwhile, current liabilities surged by 105.1%, and total equity grew by 1.2%.

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

Daniel Kiptoo Bargoria, OGW, MBS
Director General

CORPORATE GOVERNANCE

Who Governs Us

Hon. Justice (Rtd.) 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.

Mr. Daniel Kiptoo Bargoria

Director General

Mr. Daniel Kiptoo Bargoria was appointed as the 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 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 an Advocate of the High Court of Kenya and a member of Law Society of Kenya in good standing. 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) and Chief of the Order of the Burning Spear (CBS) by the President of the Republic of Kenya, a prestigious award presented to individuals for their outstanding contributions to the nation.

Mr. Alex Wachira, BSCN

Principal Secretary, State Department for Energy

Mr. Alex Wachira was appointed the Principal Secretary, Ministry of Energy & Petroleum, State Department of Energy in December 2022. He holds a Bachelor of Science degree in Nursing from the University of Nairobi and is currently pursuing a Master of Arts degree in Leadership at Pan African Christian University. He has a wealth of experience from the private sector where he worked as an investment banker. He previously worked with Faida Investment Bank where he traded and structured treasury bonds and corporate bonds at the Nairobi Securities Exchange. He has also worked with Dyer & Blair Investment Bank and Genghis Capital limited.

Mr. Wachira was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers. He has spearheaded community initiatives such as youth mentorship programme and sports tournaments among other similar projects.

Mr. Mohamed Liban is the Principal Secretary for the State Department for Petroleum having been appointed to the position in December, 2022. Prior to the appointment, he was the Chairman of the Ewaso Ng'iro North Development Authority.

Mr. Liban has a wealth of leadership capabilities having served as Regional Elections Coordinator under the Independent Electoral and Boundaries Commission from 2009 - 2017. Other positions held include Regional Health Manager with the Kenya Red Cross Society and Deputy Chief Clinical Officer at the Ministry of Health.

Among other qualifications, Mr. Liban holds a Masters of Public Health and Epidemiology from Kenyatta University, Higher National Diploma in Cataract Surgery from the Kenya Medical Training College (KMTC), International Diploma in Community Eye Health from London University and a Higher National Diploma in Ophthalmology from KMTC.

Mr. Mohamed Liban

Principal Secretary, State Department for Petroleum

Mr. Masini Ichwara

Alternate to the Principal Secretary, State Department for Energy

Mr. Masini 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 UN Women. He previously worked for the Kenya National Bureau of Statistics and the Monitoring and Evaluation Directorate at National Treasury and Planning.

Mr. Barnabus Ngeno

Representative Council of Governors

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, 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.

He holds a Bachelor's Degree in Business Management from Moi University and is currently pursuing a Master of Business Administration at Kenyatta University. Furthermore, he is the inaugural Chairperson and founder of the Institute of Corporate Governance.

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).

Mr. Albert Mwenda

National Treasury Representative

Ms. Caroline Githii

Board member

Caroline is an expert in governance, trade, and risk management with over 20 years of diverse experience across multiple sectors and regions. She began her career at PwC, then moved to KPMG East Africa, and later joined the European Union. Currently, she manages FirstIdea Consulting (FIC) Limited, a risk advisory firm.

Her expertise has led her to serve as a board member for Faulu Bank, the Africa Economic Research Consortium (AERC), and Wetlands International. Caroline is also the immediate past president and a board advisor for the Organization of Women in International Trade (OWIT) Kenya, as well as an advisor for OWIT in African countries.

Caroline holds a Master's degree in Financial Management and a Bachelor of Science in Accounting. Additionally, she has an International Professional Diploma and Certificate in Enterprise Risk Management (ERM) from the Institute of Risk Management (IRM) in the United Kingdom. She is a Certified Public Accountant (CPA-K) and holds a Higher Diploma in Human Resource Management (HRM).

Mr. Moses Muturi
Board member

Moses is the General Manager for Life Insurance in East Africa at Sanlam Pan Africa. He serves on the boards of Sanlam in Uganda, Tanzania, Rwanda, and Burundi, and is also a Director at Hubris Holdings Limited in Kenya.

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

Moses is a Rhodes Scholar, holding a Master of Business Administration and a Master of Science in Applied Statistics from the University of Oxford, as well as a Bachelor of Science in Mathematics from the University of Nairobi.

Mr. George Mwakule is an experienced Information Technology professional with over 21 years in the corporate sector, including significant roles at Coca-Cola in Africa, the Middle East, and Turkey. He has managed multi-country infrastructure service delivery and led IT projects and systems integration within The Coca-Cola Company and its franchise bottling partners.

Earlier in his career, he worked at Barclays Bank of Kenya, where he spearheaded transformative technology projects in data centers, cheque processing, and office automation. He also served as an Executive Engineer at Kenya Posts & Telecommunication Corporation, where he implemented several telephone and data transmission systems.

Mr. Mwakule holds a Bachelor of Science degree in Electrical Engineering from the University of Nairobi.

Mr. George Mwakule
Board member

Mr. Daniel Ndonye
Board member

Mr. Daniel Ndonye is a chartered accountant with over 30 years of experience, including 20 years as Managing/Senior Partner at Deloitte & Touche. He holds a Bachelor of Commerce degree from the University of Nairobi. Daniel 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 serves on the boards of several companies, including two listed on the Nairobi Securities Exchange.

With 27 years of corporate experience, Eng. Mercy's career includes a significant tenure at the Shell Group from 1986 to 2013, where she developed expertise in petroleum downstream operations and general management functions such as team leadership, budgeting, financial management, and project/change management. In her final role at Shell, she was part of the project team that managed the company's divestment from its downstream business in Africa and the transition to Vivo Energy BV. Previously, she served as the oil terminal operations advisor for Africa and held various operational roles within Kenya Shell. Earlier in her career, she worked on public sector engineering projects under the Ministry of Public Works from 1983 to 1986.

Currently, Eng. Mercy works as a consultant with a special focus on the oil and energy sector. She is a registered Professional Engineer with the Engineers Board of Kenya (EBK) and a Corporate Member of the Institution of Engineers of Kenya (IEK). Mercy holds a Bachelor of Science in Mechanical Engineering and a Master of Business Administration, both from the UK, as well as a BTEC Diploma in Project Management.

Eng. Mercy Wambugu
Board member

Who Leads Us

Mr. Daniel Kiptoo Bargoria

Director General

Mr. Daniel Kiptoo Bargoria was appointed as the 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 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 an Advocate of the High Court of Kenya and a member of Law Society of Kenya in good standing. 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) and Chief of the Order of the Burning Spear (CBS) 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

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.

Dr. Mutua has extensive experience, spanning over 18 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).

Dr. John M. Mutua

Acting Director, Economic Regulation

Ms. Thuge is the Deputy Director Supply Chain Management 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.

Ms. Loise Thuge

Deputy Director, Supply Chain Management

Prior to joining EPRA, Loise worked for various institutions including the Kenya Revenue Authority (KRA), the 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.

Eng. Edward Kinyua is responsible for the development and implementation of strategies to ensure effective regulation of upstream, 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.

Eng. Edward Kinyua

Director, Petroleum and Gas

He has a wealth experience in the energy sector spanning over 13 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. Oketch is the Director Electricity & Renewable Energy Directorate, responsible for overseeing formulation, review, and monitoring of regulations, standards and codes for the electrical and renewable energy subsectors in Kenya.

He has over 27 years of experience in the energy sector. Prior to joining EPRA,he had served in senior positions at Kenya Power and the Rural Electrification and Renewable Energy Corporation (REREC).

Eng. Joseph Oketch

Director, Electricity & Renewable Energy Directorate

Eng. Oketch holds a Bachelor of Science im Electrical Engineering from the University of Nairobi, a 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 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) Limited. He later moved to Dyer and Blair Investment Bank Limited where he worked as a Financial Controller. Prior to joining EPRA, he was the Head of Finance at the Kenya Tourism Board.

Mr. James Kilonzo

Acting Director, Corporate Services

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

Everlyne Orenge is the Director Internal Audit and Risk Assurance Directorate 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 Orenge

Director, Internal Audit and Risk Assurance

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 has more than a decade of experience in energy regulation and policy-making. He played a lead role in the development of key regulations including the Petroleum Pricing Regulations, 2010

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) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

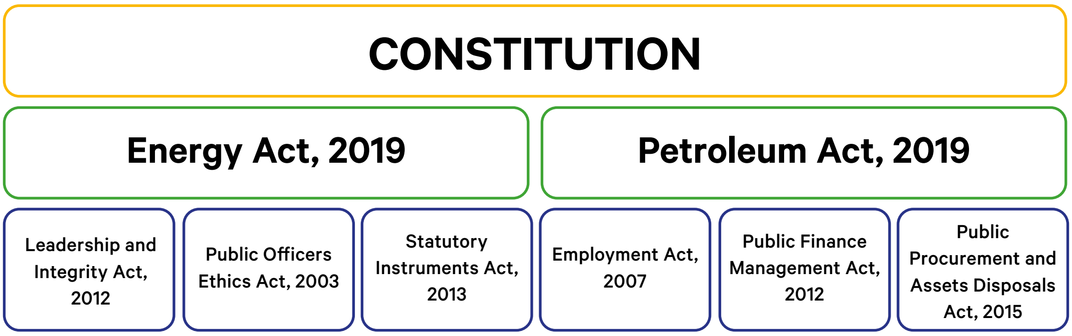
Cyprian M. Nyakundi

Director, Public Education, Advocacy & Consumer Protection

1 ESTABLISHMENT AND MANDATE OF THE AUTHORITY

1.1 Legal, Policy & Regulatory Framework

The Authority is governed by the Constitution and applicable laws, regulations, policies, standards and codes in execution of its mandate.



1.1.1 The Constitution

The Constitution is the supreme law of the Republic of Kenya, binding all individuals and state agencies at both levels of government. It articulates national values and principles of governance, including the rule of law, democracy, public participation, human rights, equality, social justice, accountability, and sustainable development.

Under Article 69, the Constitution guarantees the right of access to natural resources for the people of Kenya, ensuring equitable sharing of the benefits derived from these resources. Hydrocarbons and renewable energy are considered accruing benefits, entitling Kenyan citizens to their advantages. Parliament is tasked with ratifying transactions and agreements involving the granting of rights or concessions for the exploitation of any natural resource in Kenya.

The Constitution also defines the roles of the National Government and County Governments in matters related to energy planning, regulation, and distribution.

1.1.2 Statutes

As a statutory body, the Authority is governed by various laws and regulations that guide its operations. Its mandate and functions are primarily anchored in the Energy Act, No. 1 of 2019 (hereinafter referred to as "Energy Act"), and the Petroleum Act, No. 2 of 2019 (hereinafter referred to as "Petroleum Act"). The Energy Act stipulates the following key provisions:

i. The establishment, powers, and functions of energy sector entities;

ii. The promotion of renewable energy and energy efficiency;

iii. The exploration, recovery, and commercial utilization of geothermal energy;

iv. The regulation of coal activities;

v. The regulation of electricity production, supply, and use;

vi. The delineation of functions for National and County Governments regarding energy; and;

vii. The inclusion of local content requirements in energy projects.

The Petroleum Act establishes the legal framework for the upstream, midstream, and downstream sectors. It provides guidelines for the exploration, production, storage, transportation and trading of hydrocarbons.

1.1.3 Policies

The Authority is a statutory body under the Ministry of Energy and Petroleum (MoEP), which is responsible for policy formulation in the energy sector. In addition to applicable legislation, several key policies guide the regulation of the energy and petroleum sectors. The policy framework for the energy sector is anchored in the following documents:

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

This Sessional Paper outlines the goals for the energy sector in the short, medium, and long term. It provides a roadmap for reforms in the energy sector to ensure cost-effective, affordable, and high quality energy services that support economic growth.

The Ministry of Energy and Petroleum is reviewing existing policies governing the electricity and petroleum sub-sectors. Two new policies are being developed: the Energy Policy and the Petroleum Policy, both aimed at enhancing the implementation of the Energy Act and the Petroleum Act.

(ii) Feed-in Tariff (FiT) Policy 2012

The FiT policy allows power producers to sell electricity generated from renewable sources to an off-taker at a predetermined tariff for a specified period. This policy was introduced to complement Sessional Paper No. 4 of 2004 and to promote accelerated investment in renewable energy power generation and participation by the private sector.

1.1.4 Regulations

The Energy Act and the Petroleum Act provide the broad legal framework for the energy sector. Various regulations have been enacted to address specific issues related to petroleum, electricity, energy efficiency, and renewable energy. Some of key regulations currently under formulation and review are highlighted below:

i. Energy (Electricity Market, Bulk Supply and Open Access) Regulations

Once enacted, these regulations will govern the operations and management of the electricity market, including open access and bulk supply.

ii. Energy (Reliability, Quality of Supply and Service) Regulations

These draft regulations establish performance standards for the reliability and quality of electrical energy supply. They specify the quality of service provided by generators, transmitters, the system operator, distributors, and retail supply licensees.

iii. Energy (Energy Fund) Regulations

These draft regulations provide for the establishment of the Energy Fund, detailing its sources and management of the Fund.

iv. Energy (Rural Electrification Programme Fund) Regulations

These draft regulations are intended to govern the management of the funds collected for the implementation of rural electrification strategy.

v. Energy (Integrated National Energy Plan) Regulations

These draft regulations provide for energy planning at both the national and county levels.

vi. Energy (Energy Management) Regulations

The primary objective of these regulations is to improve energy efficiency and conservation among industrial, commercial and institutional facilities.

vii. Energy (Net Metering) Regulations

These regulations aim to facilitate net-metering arrangements, allowing small-scale electricity producers to bank excess electricity in the national grid and consume when needed through a balancing mechanism.

viii. Petroleum (Pricing) Regulations, 2022 (L.N. 192/2022)

These regulations seek to set the legal framework for the setting of capped retail and wholesale petroleum prices.

ix. Petroleum (Importation) Regulations, 2023 (L.N. 3/2023)

These regulations aim to streamline and regulate the importation of petroleum products into Kenya to ensure efficiency, transparency, and security of supply.

2 CORPORATE GOVERNANCE

Corporate governance ensures that organizations have appropriate decision making processes and controls that safeguards stakeholder interests in line with the applicable laws and guidelines. The Board is responsible for oversight of corporate governance at the Authority.

2.1 Board Appointment

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

1. the Chairperson;
2. the Principal Secretary responsible for Energy or his representative;
3. the Principal Secretary responsible for Petroleum or his representative;
4. the Principal Secretary in the National Treasury or his representative;
5. one County Executive Committee member responsible for energy and petroleum or his representative;
6. the Director General; and
7. 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 responsible for Energy. 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 succession planning and seamless operations of the Authority, their appointment is staggered. 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.

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.

2.2 Board Diversity

The inclusion of attributes such as skills, gender, age, ethnicity and educational background are crucial to the effective conduct of Board business. The appointments and composition of the Board takes into account and reflect these attributes.

2.3 Independence and Separation of Roles and Responsibilities

The Mwongozo Code of Governance for State Corporations provides a guide on matters of effectiveness of Boards, transparency and disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship. Board members are required to exercise independent judgment in undertaking their responsibilities. They are also required to disclose any real or perceived conflicts. The Authority maintains a conflict of interest register to record such disclosures.

The Chairman is responsible for leading the Board. He plays a pivotal role in fostering the effectiveness of the Board and individual Directors. The Chairman approves meeting agendas and presides over sessions. He 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.

2.4 Role of the Board

The Board sets policies and makes decisions on behalf of the organization. The Board, in the performance of its functions, is guided by the applicable laws, the Board Charter, the Mwongozo Code of Governance for State Corporations and relevant Government Circulars. 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 costeffective 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. Balancing the interests of stakeholders; and
9. Ensuring compliance with the Constitution and all applicable laws, regulations and standards.

2.5 Board Charter

The Board has established a Charter that outlines its responsibilities and the roles of its members, both individually and collectively. This Charter sets the direction, management, and control of the Authority and emphasizes the Board's strategic oversight function. It also addresses aspects such as Board composition, the conduct of meetings, and the expected behavior of Board members.

Additionally, the Charter reinforces the Board's commitment to promoting good corporate governance and outlines key principles that govern the Authority. In line with these principles, Board members are expected to fulfill their duties with integrity, independence, honesty, competence, courage, and diligence.

2.6 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 as per the provisions of the Constitution, applicable laws, Mwongozo, Board Charter and other applicable government circulars whilst observing the principles of good corporate governance.

The Directors undertake to:

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

2.7 Board Meetings

The Energy Act provides for the frequency of holding Board meetings. It stipulates that the Board shall meet as often as necessary for business transaction 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.

The Board may hold special meetings to expedite on urgent matters that relate to the Authority's operations.

A schedule of dates of the meetings is agreed upon by Board Members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Work Plan is adjusted when deemed necessary by the Board.

2.8 Board Committees

Board Committees are designed to ensure that the Board runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings.

The Committees conduct their business within the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman during Board meetings for adoption.

The Board has three Committees; Technical, Finance and Administration and Audit and Risk. The chairpersons of these committees are independent directors.

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.

The members of Audit and Risk Committee do not sit in the Finance and Administration Committee.

a) Finance and Administration Committee

The Finance and Administration Committee (FAC) is chaired by an independent Board member and convenes on quarterly basis. The Committee is tasked with recommending financial reports, business plans, budgets, procurement plans, risk management strategies, information and communication technology initiatives, public relations strategies, as well as overseeing administration and staff matters.

The FAC held six meetings during the year.

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

Members of the Committee as at June 2023	
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, (Director General)

b) Technical Committee

The Technical Committee, chaired by an independent Board member and convenes on quarterly basis. This Committee is entrusted with offering strategic technical guidance to the Authority and recommending technical plans, activities, network agreements, licenses and tariffs for approval by the Board.

The Technical Committee held six meetings during the year.

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

Members of the Committee as at June 2023	
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, (Director General)

c) Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent Board member and convenes on quarterly basis. 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 four meetings during the year.

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

Members of the Committee as at June 2023	
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)

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

NUMBER OF SCHEDULED MEETINGS AND ATTENDANCE

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

Board of Directors	Classification	Board Meeting Total No. of Meetings (8)	Finance & Administration Committee - Total No. of Meetings (6)	Technical Committee - Total No. of Meetings (6)	Audit & Risk Committee - Total No. of Meetings (4)	Pension Board Meetings (3)
Hon. Justice Jackton Ojwang	Board Chairman	8/8	N/A	N/A	N/A	N/A
Eng. Mercy Wambugu	Member	8/8	5/6	6/6	N/A	N/A
Mr. Daniel Ndonye	Member	8/8	6/6	6/6	N/A	N/A
Mr. Moses Mutuli	Member	8/8	5/6	6/6	4/4	N/A
Mr. George Mwakule	Member	8/8	6/6	N/A	N/A	3/3
Ms. Caroline Gathii	Member	7/8	N/A	5/6	2/4	N/A
Mr. Barnabas Ngeno	Rep. Council of Governors	8/8	N/A	6/6	4/4	N/A
Mr. Albert Mwenda	Rep. National Treasury	3/8	4/6	N/A	2/4	N/A
Mr. Masini Ichwara	Rep. MoEP	7/8	N/A	6/6	N/A	3/3
Mr. Daniel Kiptoo Bargoria	Director General	7/8	6/6	4/6	N/A	N/A

2.9 Corporation Secretary

The Corporation Secretary is a senior staff member appointed by the Board and is responsible coordinating Board business. The Secretary also serves as advisor to the Board and guides on governance and statutory matters.

2.10 Directors Induction and Skills Development

Induction for Board members assist them to understand the Authority's operations. During induction, the Board members are familiarized with the Authority's organizational structure and the guiding legal instruments, tools and practices. The program also involves field visits, meeting with utilities and other stakeholders.

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.

2.11 Board Evaluation

The Mwongozo Code of Governance for State Corporations requires the Board to conduct 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:

Self Evaluation → **Peer Review** → **Board Evaluation**

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 undertakes corrective measures for the challenges that may be highlighted.

2.12 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, Board members are paid mileage at prevailing AA rates.

2.13 Ethical Leadership

Ethical Leadership is key towards inspiring and motivating employees in an organization. The three major elements of ethical leadership are; integrity, accountability and ethical awareness. The Authority espouses the principles of good governance as enshrined in the Constitution, the State Corporations Act, the Mwongozo Code of Governance for State Corporations and all applicable laws and standards. The Mwongozo requires Boards of State Corporations to ensure that a Code of Conduct and Ethics exists in their organizations. The Authority has formulated a Code of Conduct and Ethics that guides the Board and employees when undertaking their duties.

The Board in executing it's oversight mandate of the organization is required to be objective and act ethically. The Board has enacted a Board Charter that guides it in handling Board business effectively and efficiently. The Board adheres to the following principles which are anchored in the Board Charter:

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

2.14 Conflict of Interest and Declaration of Interest

The Authority maintains a conflict of interest register for the Board where such interest is recorded. 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.

In addition, Board members are required to 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.

3 STATUS OF THE INDUSTRY

3.1 Overview of the National Economy

Real Gross Domestic Product (GDP) expanded by 5.6% in 2023 compared to a revised growth of 4.9% in 2022. The positive growth was notable across most sectors of the economy. The Agriculture, Forestry and Fishing sector grew by 6.5% in 2023, marking a recovery from the 1.5% contraction recorded in 2022. This recovery was mostly attributed to favorable weather conditions that prevailed through most of the year. Other sectors that experienced growth include Information and Communication (9.3%), Transportation and Storage (6.2%), Finance and Insurance (10.1%), Real Estate (7.3%) and Accommodation and Food Service (33.6%) sectors. The Mining and Quarrying sector recorded a 6.5% contraction, largely attributable to a decline in production of most of the minerals such as titanium and soda ash.

Nominal GDP grew by 12% reaching Ksh. 15,108.8 billion in 2023, from Ksh. 13,489.6 billion in 2022. Gross National Disposable Income increased to Ksh. 15,882.5 billion in 2023 from Ksh. 14,051.0 billion in 2022. Additionally, the Gross Domestic Product (GDP) per capita at current prices improved to Ksh. 293,229 in 2023 from Ksh. 266,473 in 2022. Private final consumption expenditure increased to Ksh. 11,517.1 billion from Ksh. 10,106.6 billion recorded in 2022, accounting for slightly above three-quarters of the total GDP. Similarly, government final consumption expenditure increased from Ksh. 1,647.5 billion in 2022 to Ksh. 1,800.2 billion in 2023.

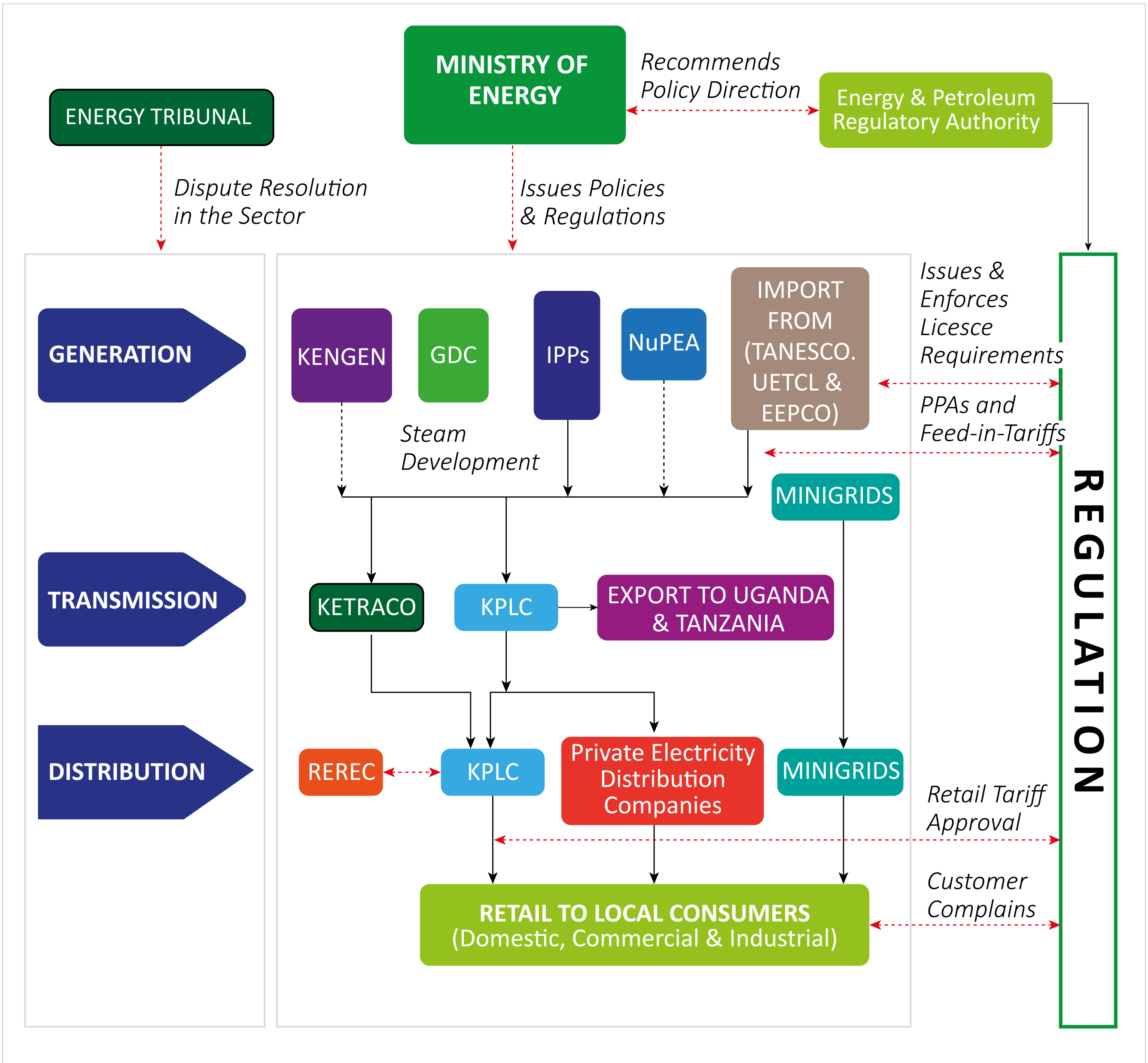
During the review period, the Central Bank Rate (CBR) was raised from to 8.75% in December 2022 to 10.5% as at June 2023. The CBR was revised to 12.5% as at December 2023. This was necessitated by the need to address inflationary pressures occasioned by depreciation of the Kenyan Shilling against major currencies and high global prices during the review period

Kenya's economy is projected to remain resilient in 2024 mainly supported by a robust services sector, strong performance in agriculture aided by anticipated adequate rainfall and a decline in global commodity prices that is expected to reduce the cost of production. In addition, the distribution of the subsidized fertilizer and seed subsidy program is expected to support the agriculture sector's growth. This is revealed through the leading indicators that point to continued strong performance of the economy in the first quarter of 2024, on account of robust activities in the agriculture and service sectors, particularly accommodation and food services, as well as information and communication.

3.2 The electricity subsector

3.2.2 Organization 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.



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 core mandate of rural electrification.

e) **Kenya Electricity Generating Company (KenGen)** is an electric power generation 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, which form the backbone of the National Grid & regional inter-connections.

In addition, it 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) **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. The Minigrids are both privately owned and public owned (operated by Kenya Power)

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

3.2.3 Performance of the Electricity Subsector

3.2.3.1 Electricity supply

This section analyzes the performance of the electricity subsector over the past year. There was a significant improvement, reflected in the increase in both electricity generation and sales. Renewable energy continued to dominate the generation mix, with geothermal energy leading the way. The following section provides a more in-depth analysis.

Table 3.1: Interconnected Installed capacity in the Financial Year 2022/2023

	Capacity (MW) as at 30th June 2022				Capacity (MW) as at 30th June2023			
	Installed	Effective/ Contracted	Installed	Effective/ Contracted	Installed	Effective/ Contracted	Installed	Effective/ Contracted
Hydro	838.8	809.9	28%	28%	838.6	809.8	26%	27%
Geothermal	950.01	871.1	31%	30%	940.0	876.1	29%	29%
Thermal	646.3	622.4	21%	21%	572.8	506.4	18%	17%
Cogeneration	2	2	0%	0%	2	2	0.06%	0.07%
Solar	170.3	170.3	6%	6%	210.3	210.3	6%	7%
Wind	435.5	425.5	14%	15%	435.5	425.5	13%	14%
Imports					200	200	6%	7%
	3,043	**2,901**	**100%**	**100%**	**3,199**	**3,030**	**100%**	**100%**

In the financial year ending June 30, 2023, the installed capacity and effective/contracted capacities recorded growths of 5.13% and 4.4%, respectively. This growth is attributed to the commissioning of the 35MW Sossian Geothermal Power Plant in Menengai, the 40MW Alten Solar Photovoltaic Plant in Kesses, and the 200MW imports from Ethiopia via the Kenya-Ethiopia High Voltage Direct Current (HVDC) transmission line. As of June 2023, geothermal and hydro accounted for 55% of the total installed capacity, while solar and wind generation made up 18%.

Figure 3.2 presents the electricity generation mix during the period under review.

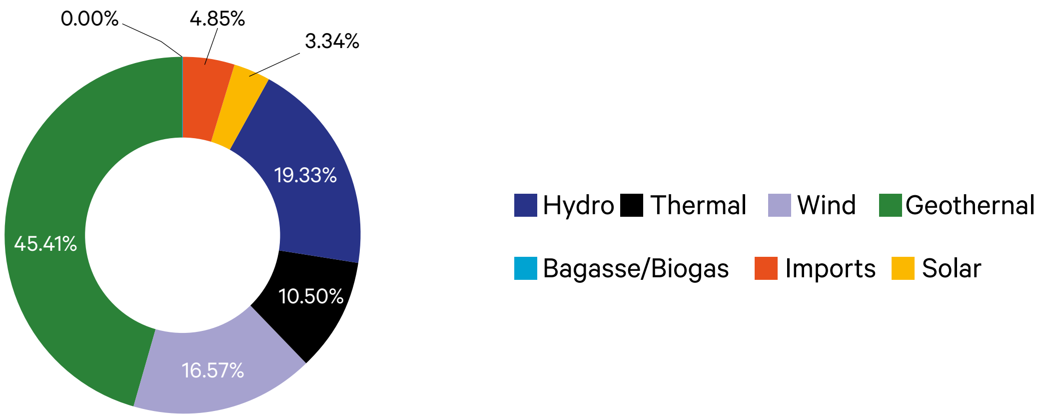


Figure 3.2: Generation mix during the Financial Year 2022/2023

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

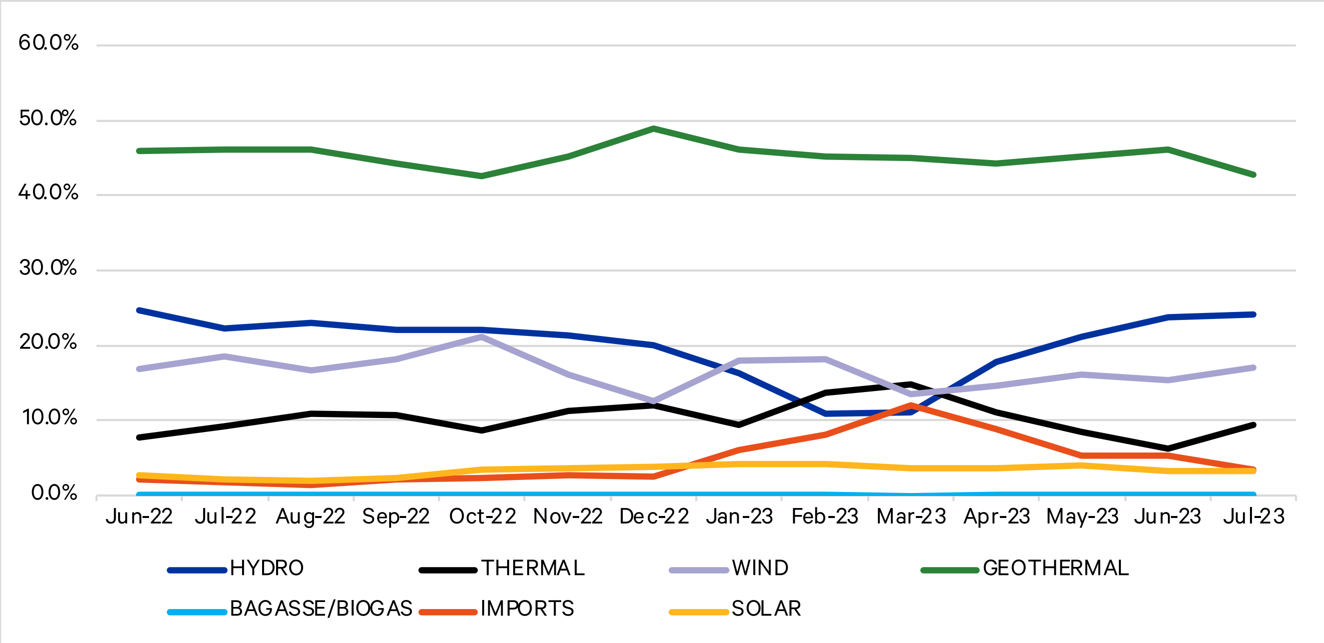


Figure 3.3: Monthly trend in the energy generation mix during the financial year 2022/2023

Contribution from hydro power plants decreased between the months of January and March, 2023, as seen in Figure 3.3. These are usually dry months affecting dam levels. In these months the contribution from fossil fuel fired thermal power plants usually increases. This was however mitigated by an increase in wind generation that supplemented the decreased contribution from hydro power plants specifically in the month of January, 2023.

Geothermal continued to dominate the energy mix with a monthly average contribution of 45.41% of the energy mix. Hydro ranked second with 19.33%, while wind contributed 16.57%.

3.2.3.2 Energy Purchases

Table 3.2 provides a trend of energy purchases since 2018/19 financial year.

Energy purchased (GWh)	2018/19	2019/20	2020/21	2021/22	2022/23
Hydro	3,741	3,693	4,141	3,349	2,569
Geothermal	5,033	5,352	5,034	4,943	6,035
Thermal	1,298	882	940	1,648	1,396
Cogeneration	0.27	0.29	0.33	0.38	0.21
Solar	60	91	88	313	444
Wind	1,192	1,284	1,700	2,052	2,202
Imports	170	161	197	338	644
Total	11,493	11,462	12,101	12,653	13,290

Table 3.2: A Summary of Energy Purchased from the Financial Year 2018/2019 to 2022/2023

Energy purchased from thermals decreased from the previous financial year, due to non-dispatch of the Muhoroni Gas Turbine Power Plant and decommissioning of the Kipevu Diesel Power 1 power plant,with the lapse of power purchase agreements. Energy purchased from wind increased by about 7% on account of increased wind availability causing increased electricity production from the wind power plants. Solar energy purchases increased by 30%, with the additional capacity from Alten Solar Plant in Kesses.

3.2.3.3 Electricity Demand and Consumption

The period ending June 2023 recorded gradual increment in peak demand as illustrated in figure 3.4.

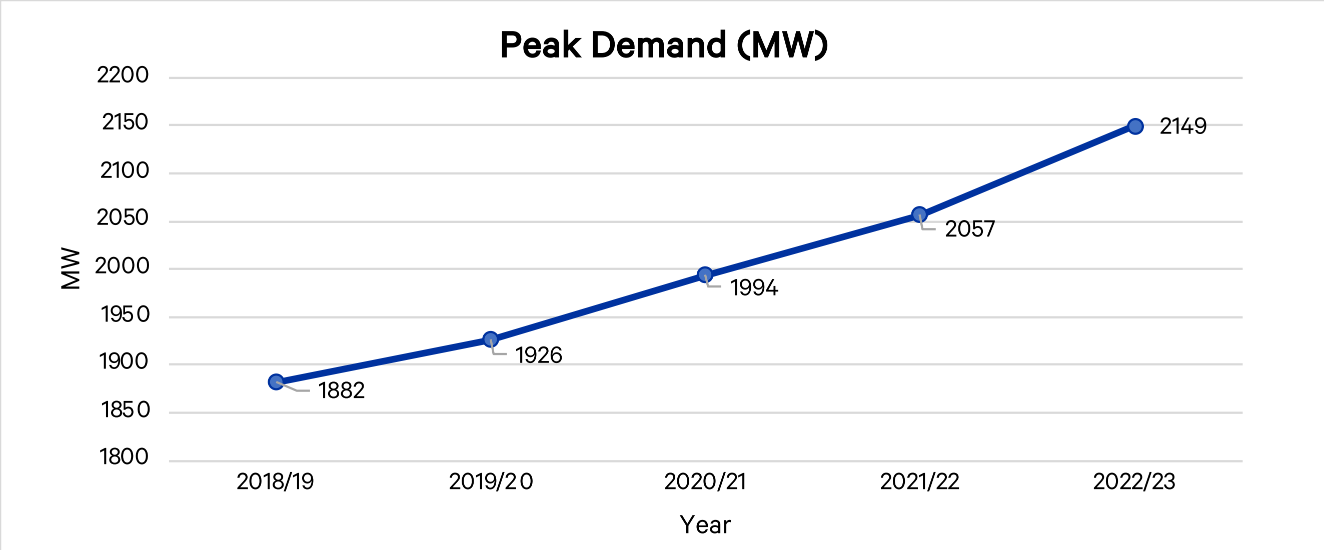


Figure 3.4: Trends in the system peak demand from the financial year 2018/2019 to 2022/2023

The peak demand for the period recorded was 2,149MW, attributed to increase in economic activities within the country.

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

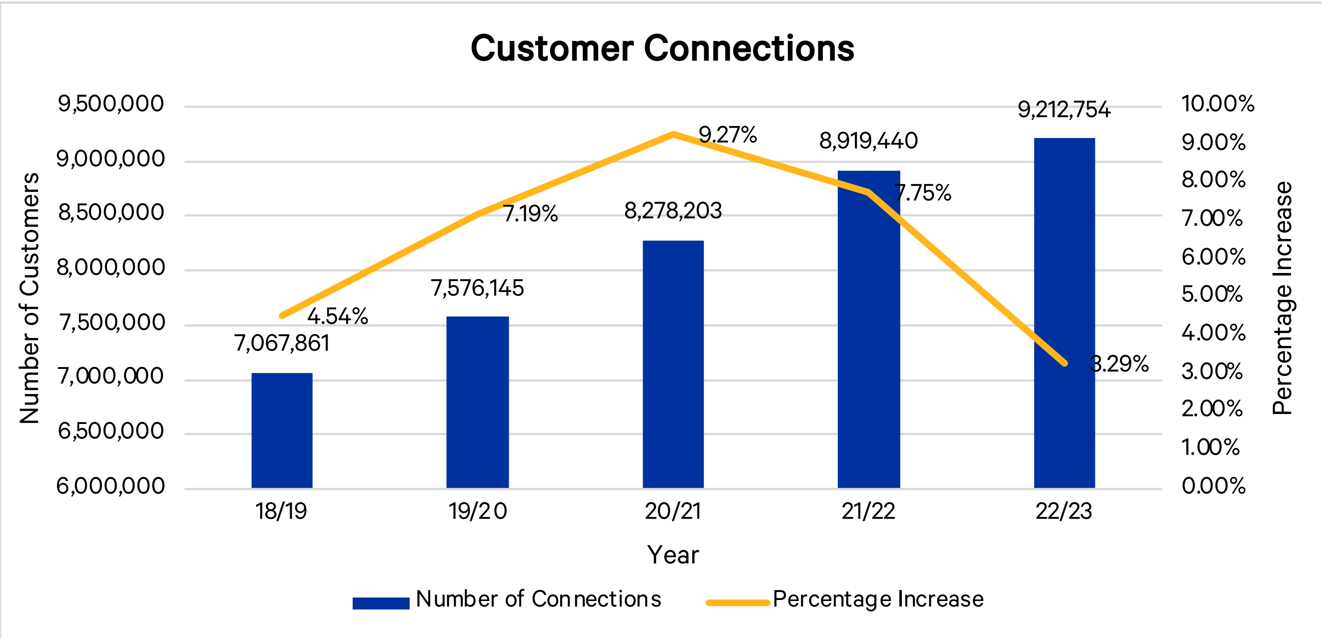


Figure 3.5: Trend in cumulative customer connections from the financial year 2018/2019 to 2022/2023

There has been a steady growth in the number of connections over the years as a result of organic economic growth, increased investments and policies targeted to improve electricity access. However, the annual growth rate in connections has reduced over the last five years. This is primarily attributed to a reduction in the number of customers without connection as a result of the government's prior initiatives towards universal access to electricity.

Electricity consumption rose over the past 5 years. Table 3.3 provides a summary of consumption trends across different customer categories.

		2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
DC	Domestic	2,366	2,508	2,630	2,728	2,798
SC	Small Commercial	1,250	1,262	1,326	1,474	1,504
CI	Commercial and Industrial	4,462	4,308	4,514	4,851	5,137
IT	Off-peak	N/A	N/A	N/A	N/A	N/A
SL	Street Lightning	68	76	84	95	99
	REP System (DC (*((DC, SC, SL)	595	602	632	650	667
	Export to Uganda	27	18	17	16	27
	Export to TANESCO	0.01	0.01	0.01	0.01	0.01
	TOTAL	**8,769**	**8,773**	**9,203**	**9,813**	**10,233**
	% INCREASE P.A.	3.70%	0.0%	4.90%	6.63%	4.28%

Table 3.3: Electricity Sales Based On Customer Category From The Financial Year 2018/2019 To 2022/2023

The upward trend in electricity consumption is expected to maintain the same trajectory driven by factors such as population growth, urbanization, intensive electrification programmes by the government and growth of the manufacturing, agricultural and other sectors.

3.2.3.4 Electricity Transmission and Distribution

The total length of the transmission and distribution network and related substations has continued to increase year on year due to continued implementation of projects as summarized in table 3.4 and table 3.5.

VOLTAGE	2018/19	2019/20	2020/21	2021/22	2022/23
500kV HVDC KETRACO	N/A	N/A	N/A	N/A	1,282
400 kV KETRACO	2,020	2,020	2,479	2,479	2,479
220 kV KETRACO & KenGen Links	472	475	616	616	616
132 kV KETRACO & KenGen Links	985	985	1,049	1,049	11,17
KPLC					
220 kV	1,352	1,352	1,352		1,352
132 kV	2,350	2,350	2,350	2,350	2,350
66 kV	1,187	1,187	1,187	1,188	1,227
33 kV	35,177	35,703	36,570	38,051	39,168
11 kV	39,797	40,616	41,553	42,971	44,077
Total HV and MV	83,339	84,688	87,156	90,056	93,667
415/240V or 433/250V	152,799	158,527	168,595	200,050	217,784
TOTAL	**236,139**	**243,215**	**255,751**	**290,106**	**311,452**
% INCREASE P.A.	5%	3%	5%	13%	7%

Table 3.4: A Summary Of Transmission And Distribution Network As At June 2023

	2018/19	2019/20	2020/21	2021/ 22	2022/ 23
Generation Substations Total	3,720	3,818	3,958	4,118	4,093
Transmission Substations Total	4,942	4,942	5,455	5,455	5,455
Distribution Substations Total	4,480	4,563	4,603	4,669	4,847
11/0.415 kV & 33/0.415 kV Distribution Transformers	7,844	8,174	8,778	9,170	9,444

Table 3.5: Transmission and Distribution Substations Capacity as at June 2023

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 illustrates the structure of the petroleum subsector and its various stakeholders.

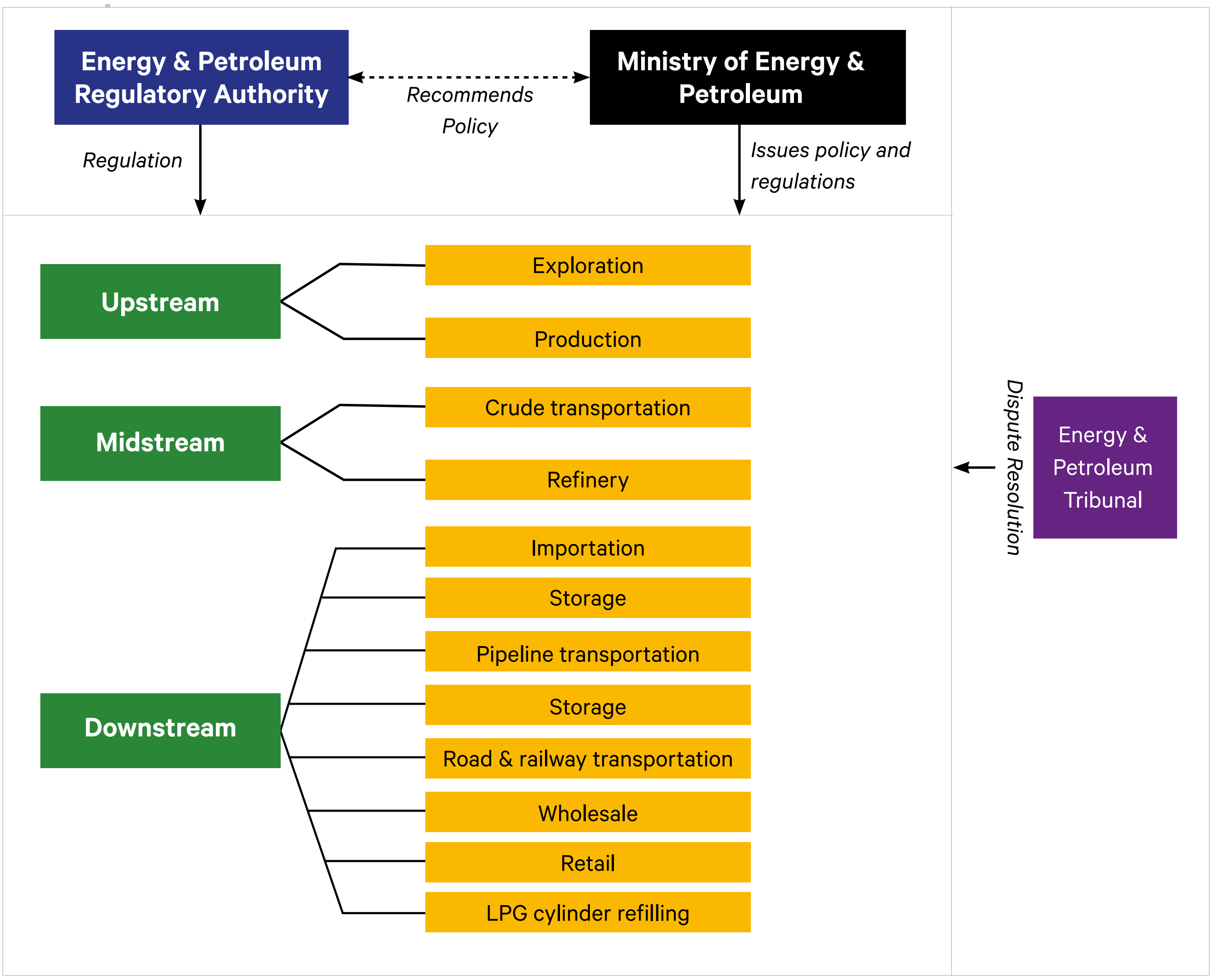


Figure 3.6: Structure of the Petroleum Subsector in Kenya

a) **The Ministry of Energy and Petroleum** is responsible for policy formulation, implementation and monitoring of the sector. It sets the strategic direction for the growth of the sector and provides a long-term vision for all sector players.

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

c) **Energy & Petroleum Tribunal** is a quasi-judicial entity whose function is to hear and determine disputes and appeals in the energy and petroleum sector.

d) **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.

e) **Kenya Pipeline Company (KPC)** operates bulk petroleum storage, pipelines, jetties and common user loading facilities.

f) **National Oil Corporation of Kenya (NOCK)** is an integrated national oil company involved in all aspects of the petroleum value chain namely upstream oil and gas exploration, midstream petroleum infrastructure development and downstream marketing of petroleum products.

g) **International Oil Traders** are companies supplying petroleum to oil marketing companies in the country.

h) **Oil Marketing Companies (OMCs)** are petroleum companies which deal with importation, marketing and distribution of refined petroleum products.

3.3.2 Performance of the petroleum subsectors

3.3.2.1 Upstream

Kenya presently has 63 gazetted oil blocks, with 27 of them designated for prospecting by 15 oil companies, including the NOCK. Figure 3.7 depicts how these blocks are distributed geographically in the country.

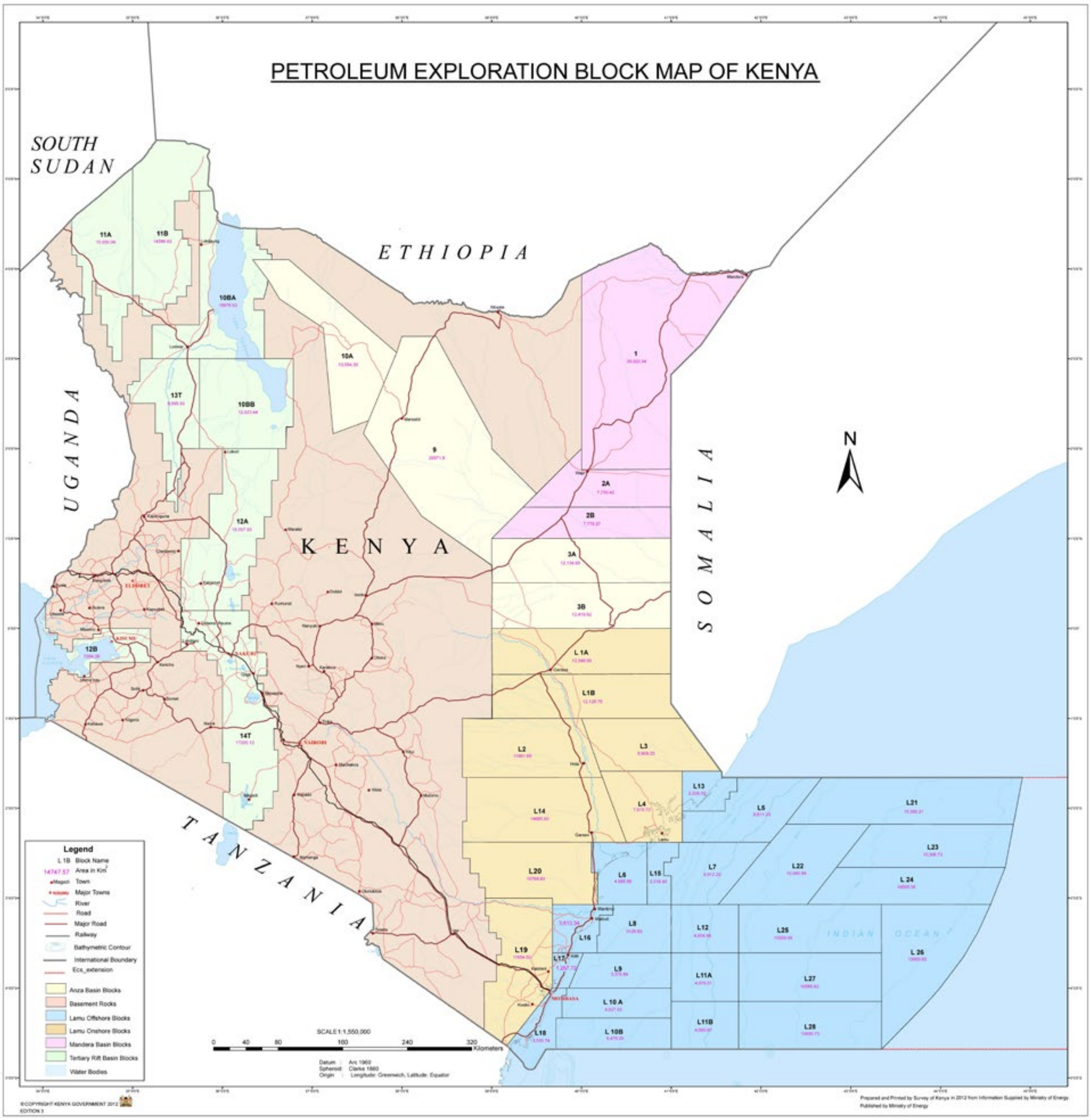


Figure 3.7: Gazetted Oil Blocks In Kenya

The Petroleum Act mandates EPRA to regulate upstream, mid and downstream petroleum sectors. Section 30 of the Act requires that an upstream contractor should, after making commercial discovery, submit for review and approval a Field Development Plan (FDP). The FDP specifies the technical, commercial and legal matters that will be considered in the development of the licensed block where the petroleum resources have been discovered.

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. Phase 1 targets 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.

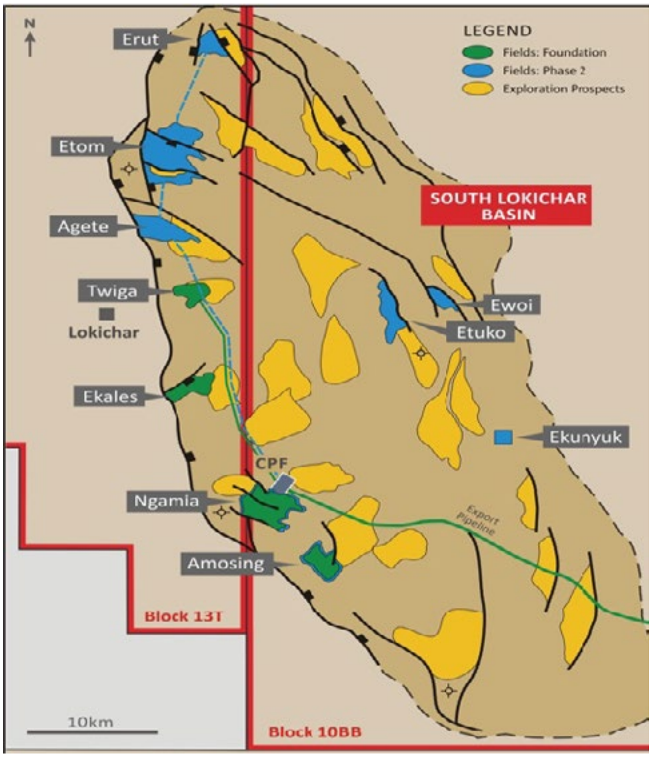


Figure 3.8: A map of the South Lokichar Basin exploration fields

Exploration activities on Blocks 13T and 10BB located in the South Lokichar Basin have resulted in discoveries that are projected to be commercially viable.

EPRA is mandated to issue permits for upstream petroleum activities, which include non-exclusive exploration permits, drilling permits, plugging and abandonment permits.

The licencees of Blocks 13T and 10BB, the Kenya Joint Venture (KJV) partners, submitted a Field Development Plan (FDP) to the Authority for review and determination during the review period.

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 under consideration within the FDP. The Front-End Engineering Design (FEED) phase is complete, and the Environmental Impact Assessment (EIA) license for the midstream project has been issued for a 20-inch oil export pipeline.

The proposed pipeline has an estimated capacity of 100,000 to 120,000 barrels of oil per day.

3.3.2.3Downstream petroleum

The volume of imported petroleum products decreased by 27.6% to 4.3 million tonnes in 2023 signaling continued shrinking of petroleum product demand in the country. Equally, the volume of petroleum product exports also decreased from 504.2 thousand tonnes in 2022 to 310.2 thousand tonnes during the year.

Table 3.6: A Summary of Petroleum Supply and Demand in in the last 5 Years.

Demand (thousand tonnes)	**2019**	**2020**	**2021**	**2022**	**2023**
Liquefied Petroleum Gas (metric-tonnes)	312.1	326.2	371.4	333.8	365.2
Motor Spirit (Premium and Regular)	1,434.3	1,395.3	1,554.4	1,561.3	1,446.6
Aviation Spirit	10.2	1.9	1.4	0.9	1.3
Jet/Turbo Fuel	669.4	394.8	506.8	592.3	669.0
Illuminating Kerosene	168.3	127.0	111.3	89.0	55.0
Light Diesel Oil	2,198.7	2,157.6	2,305.7	2,219.7	2,186.9
Heavy Diesel Oil	1.3	1.8	0.8	0.0	1.3
Fuel Oil	382.8	273.9	340.3	337.1	377.0
Total	5,207.1	4,678.5	5,192.1	5,134.1	5,102.4
Refinery Usage	-	-	-	-	-
Total Domestic Demand	5,207.1	4,678.5	5,192.1	5,134.1	5,102.4
Export of Petroleum Fuels	7.0	2.3	0.4	8.0	9.5
Total Demand	5,214.1	4,680.8	5,192.5	5,142.1	5,111.9
Supply					
Crude oil	-	-	-	-	-
Total Imports	5,682.2	5,682.2	5,827.6	5,453.6	4,016.2
Adjustment	468.1	239.5	635.1	311.5	-1,095.7
Total Supply ('000 tonnes)	5,214.1	4,680.8	5,192.5	5,142.1	5,111.9

Total import bill of petroleum products rose to Ksh. 626.4 billion in 2023 from Ksh. 628.4 billion in 2022. This was mainly attributed to shrinking demand for petroleum products domestically largely due to increased fuel prices. The value of total exports of petroleum products declined from Ksh. 50.0 billion in 2022 to Ksh. 49.8 billion in 2023. The value of domestic exports of petroleum products increased from Ksh. 8.1 billion in 2022 to 12.2 billion in 2023, while the value of net balance improved from a deficit of Ksh. 578.4 billion in 2022 to a deficit of Ksh. 576.6 billion in 2023.

Petroleum products in Kenya are transported and distributed through the following modes:

a) Pipeline

KPC operates the oil pipeline network and storage facilities. 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 7,825,817.30 cubic-metres.

b) Railway

Petroleum products are also transported by rail through the Meter Gauge Railway (MGR).

c) Road

Transportation of petroleum products by road provides a means to get petroleum products from bulk storage facilities to the retail stations and consumer sites. As of 30th June 2023, there were approximately 5,700 licensed petroleum tankers.

d) Water

Water transport offers a secure and efficient mode of product transportation. During the period, the Kisumu Oil Jetty (KOJ) was commissioned with the inaugural export, comprising 1,178 cubic meters, departing from the Kisumu port on 27th December 2022.

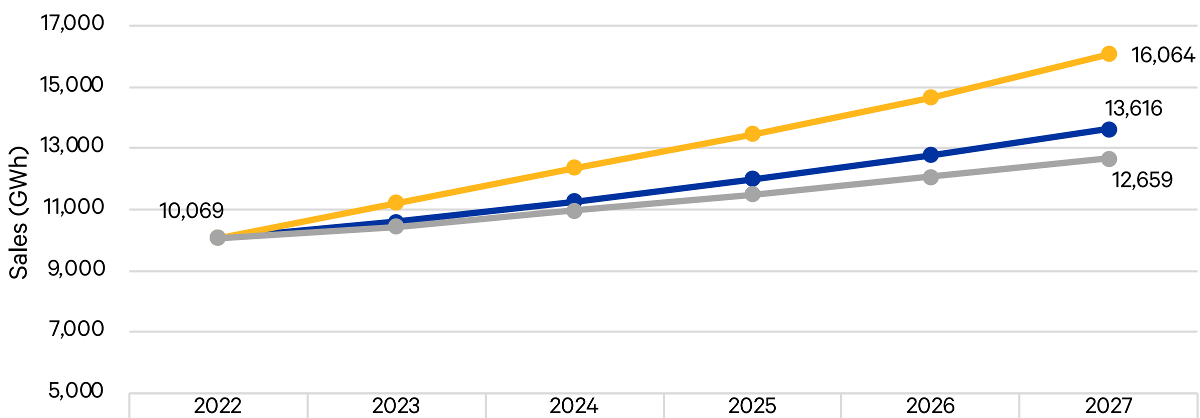
The jetty is designed to accommodate barges with capacities of up to 3,000 Dead Weight Tonnage (DWT). The barges can accommodate approximately 4,500 cubic-metres of petroleum per trip.

ENERGY AND PETROLEUM PLANNING, POLICY AND RESEARCH

Energy planning involves forecasting both short-term and long-term demand and supply. During the financial year, the Authority, in collaboration with stakeholders, updated the Medium-Term Least Cost Power Development Plan (LCPDP) and developed a Medium-Term Petroleum Development Plan (PDP). Additionally, the Authority conducted several research activities, as detailed in this chapter.

4.1. Least Cost Power Development Plan (LCPDP)

The Medium-Term Plan (2023-2027) of the LCPDP was updated during the financial year with two primary objectives: addressing the demand-supply gap observed during the period and tackling intermittency challenges through the implementation of storage and hybrid projects. The updated plan further emphasizes the need for grid expansion and reliability improvements, which will require significant investments in both distribution and transmission infrastructure. Key focus areas include the development of geothermal power, enhancing last-mile electricity access, and phasing out fossil fuel-based power plants. The electricity demand projections for the forecast period are presented in figure 4.1.

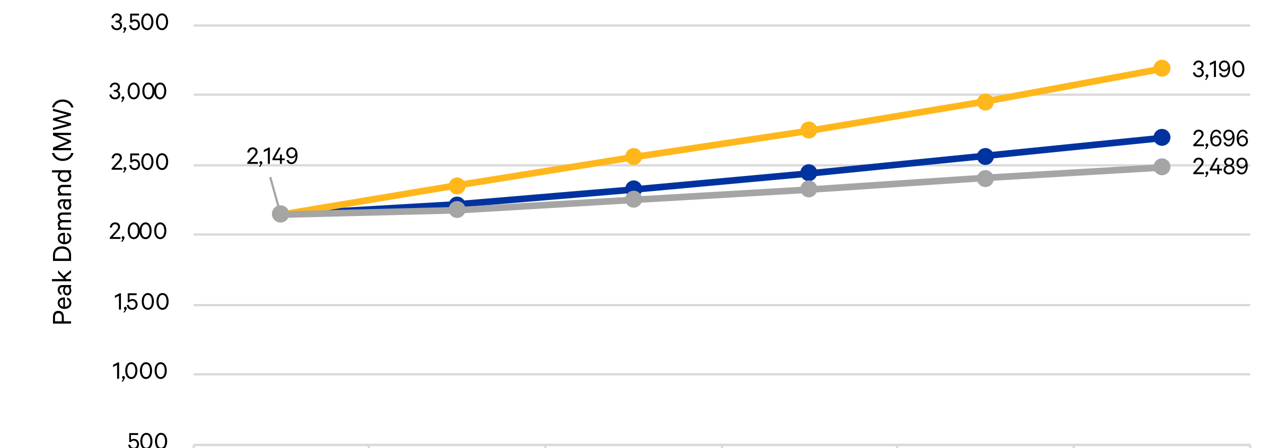


	2022	2023	2024	2025	2026	2027
Reference	10,069	10,602	11,268	11,999	12,784	13,616
Vision	10,069	11,225	12,353	13,453	14,662	16,064
Low	10,069	10,448	10,956	11,493	12,062	12,659

Figure 4.1: Electricity Demand Projections for the Medium Term Forecast Period (2023 – 2027)

Under the medium term reference scenario, total electricity consumption is projected to grow at an annual average rate of 6.22% from 10,069GWh in 2022 to 13,616GWh in 2027. In the same period, total consumption under the vision and low scenarios is projected to grow at annual averages of 9.8% and 4.69% to reach 16,064GWh and 12,659GWh in 2027 respectively.

The projected medium term growth in peak demand is illustrated in figure 4.2.



	2022	2023	2024	2025	2026	2027
Reference	2,149	2,220	2,327	2,444	2,567	2,696
Vision	2,149	2,357	2,561	2,750	2,954	3,190
Low	2,149	2,183	2,254	2,329	2,407	2,489

Figure 4.2: Peak Demand for the Medium Term Forecast Period (2023 – 2027)

Under the reference scenario, system peak is projected to grow from 2,149MW recorded in 2022 to 2,696MW in 2027 at an average growth rate of 4.6%. The vision and low scenarios system peak is expected to grow at an average growth rates of 8.2% and 3.0% respectively.

To meet the growing demand in this scenario, it is anticipated that electricity generation from both geothermal and hydropower sources will account for an average of 70% of the total annual generation as depicted in Figure 4.3.

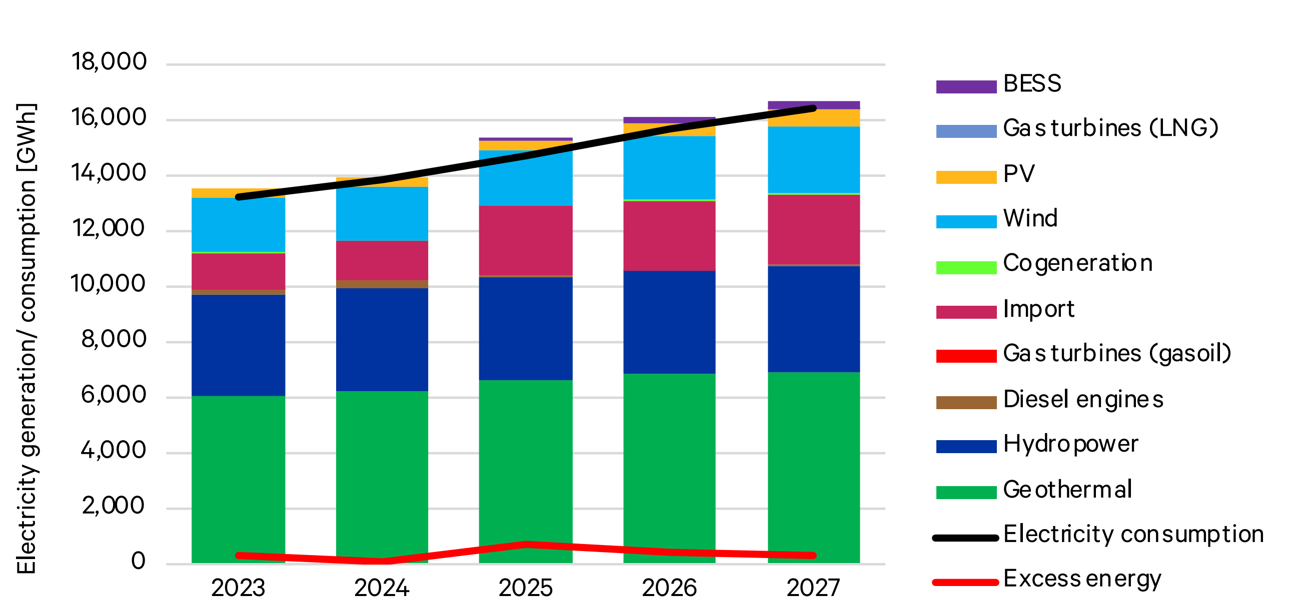


Figure 4.3: Annual Generation Reference Demand Scenario Medium Term Forecast Period (2023 – 2027)

The average vented steam is projected to account for 17% of the potential maximum geothermal generation, largely due to the high proportion of inflexible generation capacity in the system. To mitigate the challenges of vented steam and increased intermittency, Battery Energy Storage Systems (BESS) are planned for introduction starting in 2025.

4.2. Petroleum Development Plan (PDP)

The Authority developed a petroleum demand forecasting tool and prepared a Medium-Term Plan for the period 2023 to 2027. A demand forecast for selected petroleum products during this period was also conducted. A summary of the forecast is presented in Table 4.1.

Table 4.1: A reference forecast scenario for petroleum demand for the forecast period 2023 to 2027

Products (Tonnes' 000')	2022	2023	2024	2025	2026	2027
Petrol Demand	1,526	1,666	1,825	1,972	2,128	2,293
Diesel Demand	2,298	2,573	2,869	3,032	3,201	3,374
LPG Demand	300	334	362	388	415	444
Kerosene Demand	95	110	131	113	94	74
Jet fuel Demand	585	649	700	746	784	814
Fuel oil Demand	316	468	522	579	612	632

The demand for various petroleum products is projected to grow at the following average annual rates: petrol (8.5%), diesel (7.1%), LPG (8.2%), jet fuel (6.9%), and fuel oil (15.9%), while demand for kerosene is expected to decline by 3.2%.

These projections indicate a continued increase in demand for petrol and diesel over the period, while kerosene demand is expected to contract. This shift is mainly attributed to the growing popularity of cleaner cooking alternatives, such as LPG.

4.3. Research and Policy Analysis

The Authority uses research and knowledge management as a key strategy to understand the needs of the energy and petroleum sectors and to proactively address emerging issues. During the financial year, the Authority organized and facilitated the Research & Innovation Conference, which served as a platform for sharing ideas and discussing key issues in the sector. Additionally, the Authority published the Energy and Petroleum Statistics Report 2023, offering valuable insights into Kenya's performance in the energy and petroleum sectors throughout the year. This report is available on the EPRA website www.epra.go.ke.

5 ENERGY & PETROLEUM PRICING

The Energy Act grants the Authority the power to approve electric power purchase and network service contracts, as well as to establish, review, or adjust electricity tariffs. Additionally, under the Petroleum Act and the Petroleum (Pricing) Regulations, 2022 (L.N. 192/2022), the Authority is responsible for determining the retail and wholesale prices of petroleum and petroleum products, and for providing a regulatory framework for pricing. This chapter outlines the activities undertaken to fulfill these mandates.

5.1. Power Purchase Agreements (PPAs)

A Power Purchase Agreement (PPA) is a contractual arrangement between power generators and utilities or companies, outlining the terms for the sale of electricity. During the financial year 2022/2023, the Authority received and approved the following PPAs:

i) PPA agreement between KPLC and Rentco Renewable Energy Limited for C&I solar under the project name Kipkebe Limited with a contracted capacity of 1.3MW.

ii) PPA agreement between KPLC and Everseasons Limited for Hydro power under the project name Bureti and Chemalal Tea Factories with a contracted capacity of 1.67MW.

iii) PPA agreement between KPLC and Ethiopia Electric Power (EEP) to import electricity with a contracted capacity of 200MW.

iv) PPA agreement between KPLC and Momnai for C&I solar under the project name Bamburi-Mombasa with a contracted capacity of 5 MW.

v) PPA agreement between KPLC and Momnai for C&I solar under the project name Bamburi-Nairobi with a contracted capacity of 14.5MW.

All the PPAs were reviewed and approved within the stipulated statutory period.

5.2 Retail electricity tariffs

During the period under review the Authority approved the Retail Electricity Tariff for the fourth Tariff Control Period covering the period 2022/23 to 2025/26. The approval was made in March 2023 with an effective date of 1st April 2023. The tariff approval adjusted electricity tariffs with the objective of balancing cost recovery and consumer affordability. The applicable base tariff for the period under review is presented in table 5.1. The table also shows the approved energy charges for each customer category.

Table 5.1: Retail electricity tariff effective 1st April 2023

Customer category	Energy Limit (kWh/month)	Base Tariff (2022/2023)	Demand Charge/KVA(Ksh.)
Domestic	0-30	12.22	0
	30-100	16.30	0
	>100	20.97	0
Small Commercial	0-30	12.22	0
	30-100	16.40	0
	>100	20.18	0
Electric Mobility	=<15,000	16.00	0
Commercial/Industrial	>15,000	14.70	1,100
	No Limit	13.24	700
	No Limit	12.66	370
	No Limit	12.40	300
	No Limit	12.12	300
	No Limit	10	200
	No Limit	10	200
Street Lighting	No Limit	9.22	0

5.3 Electricity pass-through charges

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

The FEC is approved on a monthly basis and stands out as the predominant component among all pass-through costs. From July 2022 to July 2023 FEC fluctuated significantly reaching a high of Ksh.8.30/kWh in March and a low of Ksh.3.39/kWh in April. The trend in FEC during the period is depicted in figure 5.1.

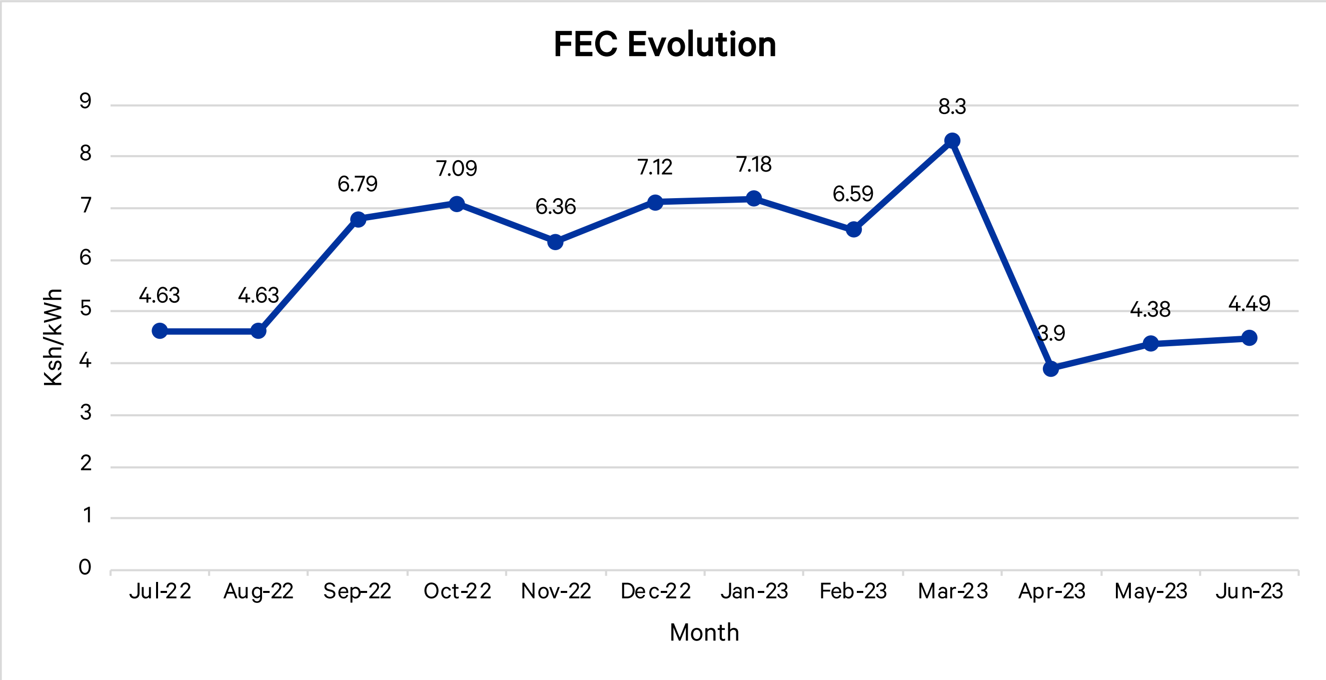


Figure 5.1: A trend in the FEC evolution from July 2022 to June 2023

The rising trends in FEC can be attributed to various factors such as poor hydrology, fluctuating wind output, and breakdowns in geothermal power plants, resulting in an increase in thermal dispatch. Additionally, power plants commissioned before review of the retail tariff, consequently not factored in the revenue requirements, had their costs paid off under the FEC. The dip in FEC in April 2023 can be attributed to the period the approved Retail Electricity Tariff became effective, removing the costs from power plants not factored in revenue requirements at their time of commissioning.

The FERFA, WRMA Levy and INFL are monthly adjustments made with respect to fluctuations in foreign currency, water management specifically for large hydro power plants and inflation that is adjusted every 6 months respectively. They remained relatively stable with minimal impact to the end user tariff during the review period. The pass-through charges for the period July 2022 to June 2023 are summarized in table 5.2.

Table 5.2: Pass-Through Charges (Ksh./kWh) in the Retail Electricity Tariff during the Financial Year 2022/2023

Pass Through Costs	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23
FCC (KShs/kWh)	4.63	4.63	6.79	7.09	6.36	7.12	7.18	6.59	8.30	3.90	4.38	4.49
FOREX ADJ. (KSh/kWh)	0.73	0.73	1.37	1.48	1.41	2.07	1.93	1.85	2.16	0.96	0.84	2.06
INFLATION ADJ. (KSh/kWh)	0.47	0.47	0.67	0.67	0.67	0.67	0.85	0.85	0.85	0.85	0.85	0.85
WARMA LEVY (KShs/kWh)	0.02	0.02	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01
ERC Levy (KSh/ kWh)	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03	0.03
Total (KShs/kWh)	**5.88**	**5.88**	**8.87**	**9.28**	**8.48**	**9.90**	**10.00**	**9.33**	**11.35**	**5.75**	**6.11**	**7.44**

NB: The figures have been rounded off the two decimal points

5.4 Pipeline, Storage and Jetty Handling Tariffs

Pursuant to section 11(b) of the Energy Act 2019, the Authority is mandated to set, review and approve contracts, tariffs and charges for common user petroleum logistics facilities and petroleum products. During the year under review, the Authority received an unbundled pipeline, transportation and secondary storage tariff application by the Kenya Pipeline Company (KPC). The unbundled tariff application was informed by the recommendations of the Cost of Service Study for Petroleum (COSSOP) 2018.

The study proposed unbundling of the KPC tariff in order to define and demarcate the business and investment segments. The study also proposed that KPC splits the current pipeline tariff into pipeline transmission tariff and a storage/loading tariff. This was deemed necessary to achieve transparency and clarity in costs identification and fairness in margins allocation.

Subsequently, the Authority reviewed and approved the unbundled tariff for the tariff control period 2022/2023 to 2024/2025 as shown in table 5.3.

Table 5.3: Applicable pipeline and storage tariffs for the period 2022/2023 to 2024/2025

	Applicable Tariffs		
	2022/23	**2023/24**	**2024/25**
Composite Tariff (Ksh./m3/Km)	5.03	5.12	5.44
Moi Airport (USD/m3)	22.89	23.40	25.29
JKIA (USD/m3)	22.89	23.40	25.29
Nairobi Terminal (Ksh./m3)	2,526.60	2,582.72	2,791.85
Nakuru Terminal			
Local Ksh./m3	3,149.25	3,211.26	3,467.62
Export USD/m3	28.53	29.09	31.42
Eldoret Terminal			
Local Ksh./m3	3,801.37	3,869.56	4,175.37
Export USD/m3	34.44	35.06	37.83
Kisumu Terminal			
Local Ksh./m3	3,797.69	3,865.84	4,171.37
Export USD/m3	34.41	35.02	37.79
Konza (Ksh./m3)	1,407.40	1,420.73	1,527.48

Additionally, the Authority approved the jetty handling and storage tariff for the 2022/2023 – 2023/2024 tariff control period effective 15th October 2022 as shown in table 5.4.

Table 5.4: Applicable Jetty Handling and Storage Tariffs for the period 2022/2023 – 2023/2024

Tariff Control Period	Applicable Tariff (USD/M3)
2022/23	3.47
2023/24	3.74

5.5 Petroleum prices

The Authority is mandated to regulate the maximum wholesale and retail prices for Super Petrol (PMS), Diesel (AGO), and Kerosene (DPK). Accordingly, the process is undertaken monthly with prices gazetted on the 14th day of each month.

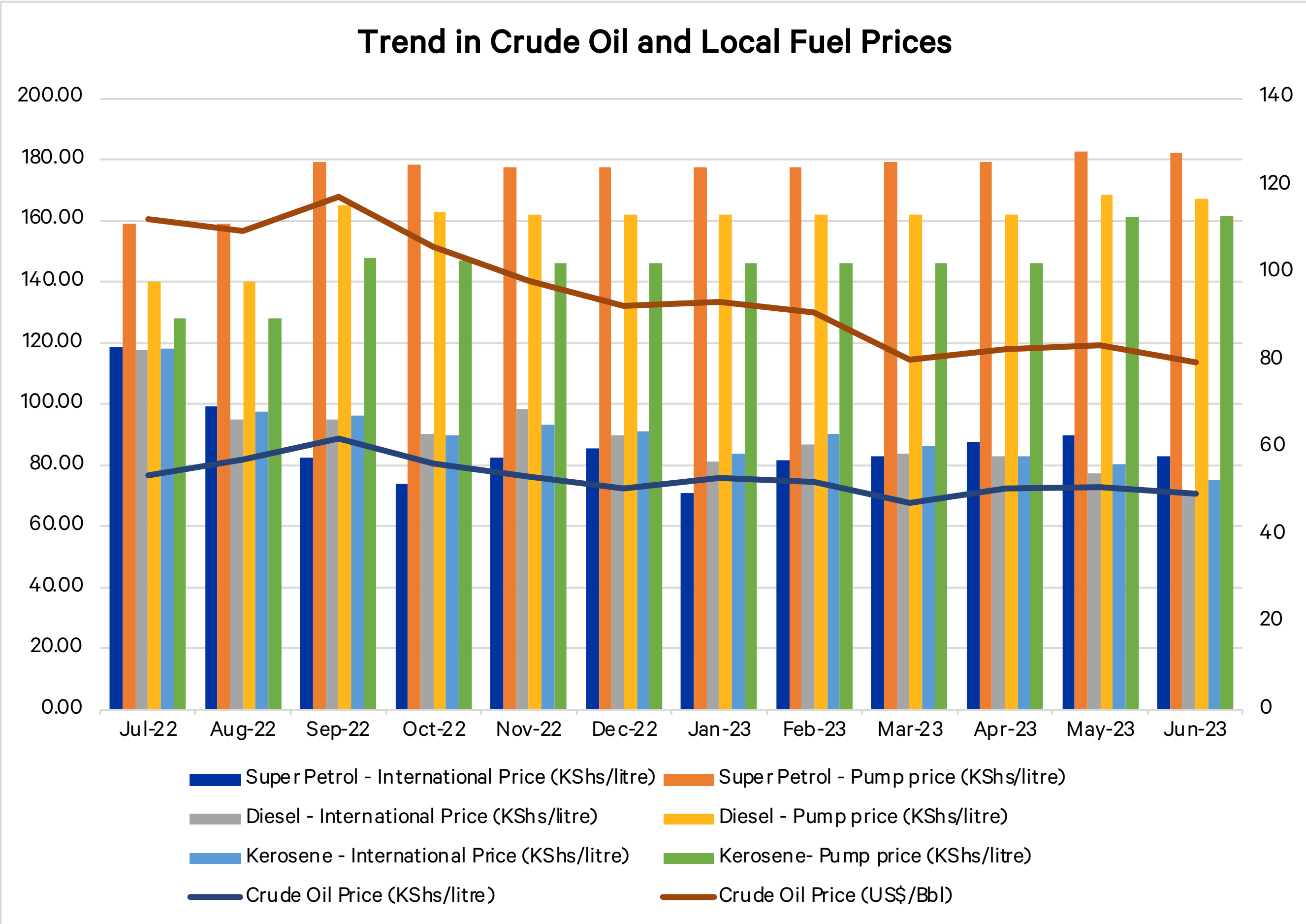


Figure 5.2: Trends in the price of crude oil and local fuel prices

During the period under review, the local pump prices remained relatively stable as presented in figure 5.2. The pump price is determined by adding incremental costs such as storage, transport, and approved margins to the landed cost.

The Petroleum Development Levy was applied to stabilize petroleum prices, with price stabilization measures implemented at various times throughout the year to minimize the impact of price increases.

A comparison of fuel prices between the 2021/2022 and 2022/2023 financial years is presented in Table 5.5. The price increase in the review period is attributed to a rise in landed costs following Russia's invasion of Ukraine.

Table 5.5: A comparison of average fuel prices between the financial year 2021/2022 and the financial year 2022/2023 in Nairobi

	Price (Ksh./Litre) 2021/2022	2022/2023	% change
Petrol	135.52	175.70	+29.65%
Diesel	116.34	159.64	+37.22%
Kerosene	107.34	145.75	+35.78%

6 LICENSING

The Authority issues licenses to companies and individuals involved in electric power undertakings, electrical installations, and solar PV installations. To promote energy efficiency, the Authority also issues appliance registration certificates, as well as licenses to energy auditors and energy audit firms.

In the petroleum subsector, the Authority grants licenses, permits, or certificates to companies engaged in the importation, exportation, bulk storage, or transportation of petroleum products. Additionally, the Authority issues licenses to tanker drivers to enhance road safety and minimize malpractices such as adulteration and product diversion. The various licensing activities are detailed in this chapter.

6.1 Licensing of Electric Power Undertakings

Section 117 of the Energy Act requires a person who wishes to carry out generation, exportation, importation, transmission, distribution and or retail supply of electricity to apply for a license. The licensing process is guided by the Energy Act and the Energy (Electricity Licensing) Regulations, 2012.

During the review period, the Authority issued 24 electric power undertaking licences in an average of 38 days against the 60 days stipulated in the Energy Act. A list of the power undertaking licenses is provided in Table 6.1.

Table 6.1: Power Undertaking Licences Issued in the Financial Year 2022/2023

No	Licensee	Technology	Category	Capacity (MW)	Location	County
Generation and Retail Supply Licence (C&I)						
1	DPA Kenya Limited	Solar PV	Generation	0.1	Marigat	Baringo
2	DPA Kenya Limited	Solar PV	Retail	0.1	Marigat	Baringo
3	DPA Kenya Limited	Solar PV	Generation	0.08	Nanyuki	Laikipia
4	DPA Kenya Limited	Solar PV	Retail	0.08	Nanyuki	Laikipia
5	DPA Kenya Limited	Solar PV	Generation	0.76	Juja	Kiambu
6	DPA Kenya Limited	Solar PV	Retail	0.76	Juja	Kiambu
7	Ecoligo Limited	Solar PV	Generation	0.08	Eldama Ravine	Baringo
8	Ecoligo Limited	Solar PV	Retail	0.08	Eldama Ravine	Baringo
9	Ecoligo Limited	Solar PV	Generation	0.08	Eldama Ravine	Baringo
10	Ecoligo Limited	Solar PV	Generation	0.08	Eldama Ravine	Baringo
11	Ecoligo Limited	Solar PV	Generation	0.1	Eldama Ravine	Baringo
12	Ecoligo Limited	Solar PV	Generation	0.1	Eldama Ravine	Baringo
13	Crossboundary Energy Kenya Limited	Solar PV	Generation	0.679	Athi River	Machakos
14	Crossboundary Energy Kenya Limited	Solar PV	Retail	0.679	Athi River	Machakos
15	Crossboundary Energy Kenya Limited	Solar PV	Generation	0.49	Athi River	Machakos
16	Crossboundary Energy Kenya Limited	Solar PV	Retail	0.49	Athi River	Machakos
17	Busia Sugar Industry Limited	Biomass	Generation	6	Busia	Busia
18	Tata Chemicals Magadi Limited	Solar PV	Generation	10	Kajiado	Kajiado
19	Momnai Energy Limited	Solar PV	Generation	14	Bamburi	Mombasa
20	Momnai Energy Limited	Solar PV	Generation	5	Athi River	Machakos
Distribution and Supply Licences						
21	Busia Sugar Industry Limited	Biomass	Distribution and Supply	6	Busia	Busia

No	Licensee	Technology	Category	Capacity (MW)	Location	County
22	Momnai Energy Limited	Solar PV	Distribution and Supply	14	Bamburi	Mombasa
23	Momnai Energy Limited	Solar PV	Distribution and Supply	5	Athi River	Machakos
24	Tata Chemicals Magadi Limited	Solar PV	Distribution and Supply	10	Kajiado	Kajiado

6.2 Licensing of Electrical Workers and Contractors

The Energy Act and the Electric Power (Electrical Installation Work) Rules, 2006 require electrical installation work to be carried out by licensed electrical contractors or electrical workers.

During the period under review, the Authority licensed 513 electrical workers in an average of 47 days against the 60 days stipulated in the Energy Act. Similarly, 468 electrical contractors were licensed in an average of 15 days against the 30 days stipulated in the Energy Act. A summary of electrical worker certificates and electrical contractor licences issued in the financial year 2022/23 is presented in table 6.2.

Table 6.2: Issued Electrical Worker Certificates and Contractor Licences

Licence type	Number of Issued Certificates/Licences						Average processing Time (days)
	C2	C1	B	A2	A1	Total	
Electrical Worker	222	191	40	7	53	513	47
Electrical Contractor	206	159	44	7	52	468	15

As of 30th June, a total of 6,850 electrical worker certificates and 3,128 electrical contractor licenses had been issued. Figure 6.1 shows the growth in the number of issued electrical worker and contractor licensees.

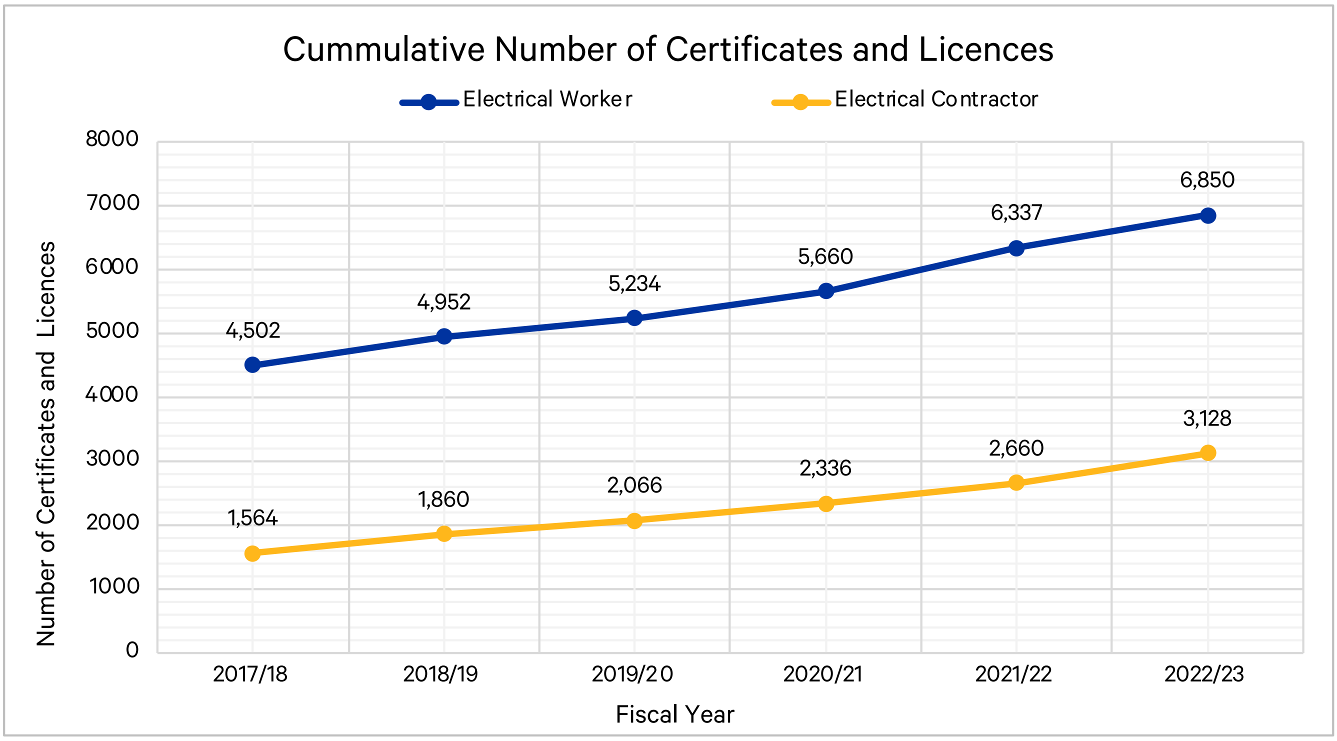


Figure 6.1: Cumulative number of Issued Certificates and Licences from the financial year 2017/2018 – 2022/2023

6.3 Solar PV Operations

The Authority licenses technicians and firms in the solar PV industry with the aim of improving the quality and safety of the Solar PV System installations. The licensing framework is guided by the provisions of the Energy (Solar Photovoltaic Systems) Regulations 2012. A description of each category is presented in table 6.3.

Table 6.3: A Description of Solar PV License Categories

License Type	Works Licensed
Class T3	This is an individual licences that grants the holder authorization to perform solar PV system installations for advanced configurations such as grid-connected and hybrid systems.
Class T2	This is an individual license that authorizes the holder to carry out solar PV system installation work for medium systems or multiple batteries which may include an inverter.
Class T1	This individual license 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	This is issued to firms and it entitles the holder to design, distribute, promote, sell or install solar PV systems.
Class V2	The firm license entitles the holder to manufacture or import solar PV systems or components.
Class C1	This firm license entitles the holder to carry out design and installation of solar PV systems.

During the review period, the Authority received and processed applications for the license categories outlined in Table 6.3. A comparison of the number of licenses issued during the review period with those issued in the previous two financial years is presented in figure 6.2.

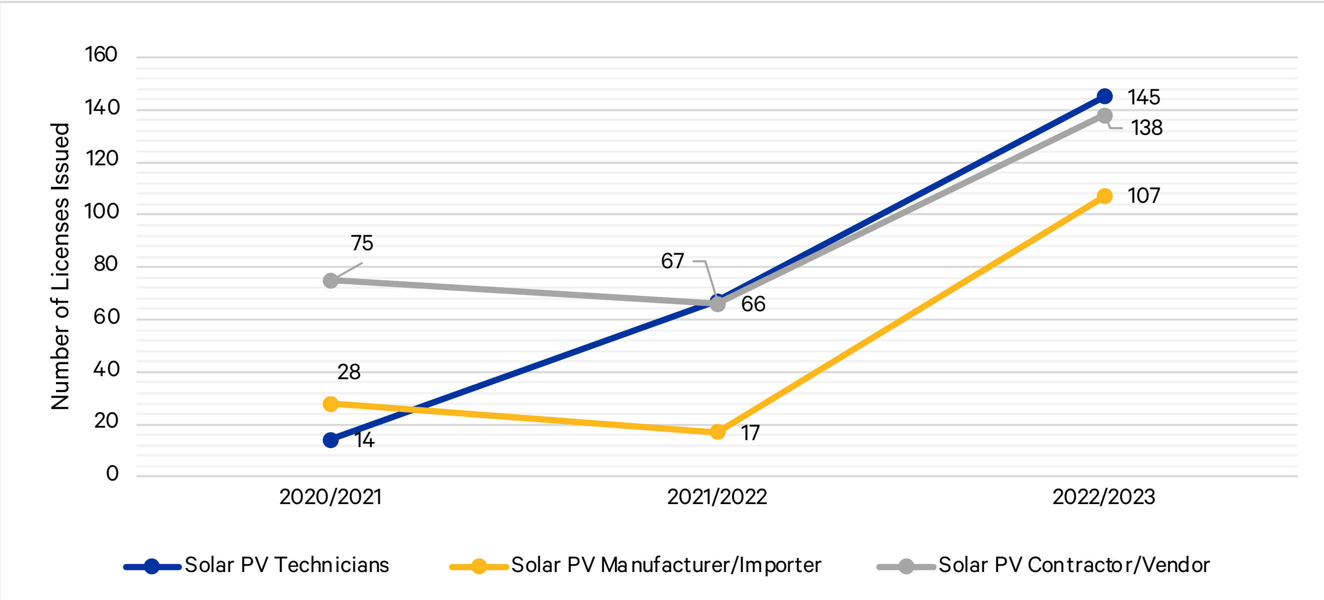


Figure 6.2: A comparison of Solar PV licenses issued during the financial year 2022/2023 and two previous years

There was a notable increase in the number of licenses issued during the review period compared to the previous year. This growth reflects the post-COVID expansion of the solar PV industry. If this upward trend continues, the solar PV market is expected to grow further, increasing its share in both off-grid and grid-connected energy generation.

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 2019, the Kenya National Energy Efficiency and Conservation Strategy, and the Nationally Determined Contributions (NDCs) targets. 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 required to conduct energy audits once every three years. To facilitate these audits, the Authority grants licenses to energy auditors and firms specializing in energy audits. Figure 6.3 illustrates the licensing trend for three financial years.

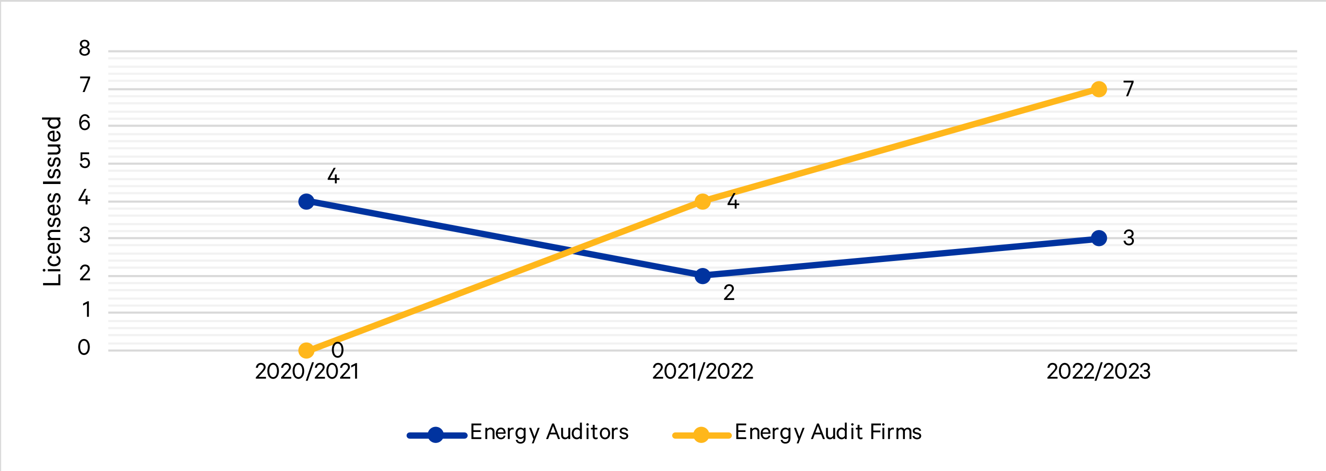


Figure 6.3: A trend in licences issued to Energy Auditors and Audit Firms

During the reporting period, there was an increase in the number of licensed energy audit firms and energy auditors. As a result, the total number of licensed auditors over the past ten years has reached 95.

Although the number of licensed energy auditors and audit firms remains relatively low, it is expected to grow due to recent initiatives that are likely to drive demand for energy auditing services. With the rollout of energy performance benchmarks, more facilities will be incentivized to conduct audits, further increasing the need for qualified auditors.

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

1. Domestic refrigerators
2. Non-ducted air conditioners
3. Three phase induction motors
4. General Lighting Appliances

The Authority issues registration certificates for energy-consuming appliances based on their energy performance test reports. Appliances that meet the Minimum Energy Performance Standards (MEPS) are granted these certificates. The energy performance of an appliance is indicated by the number of stars on the label, with five stars representing the highest level of energy efficiency. The trend in the number of registration certificates issued over the past three years is shown in Figure 6.4.

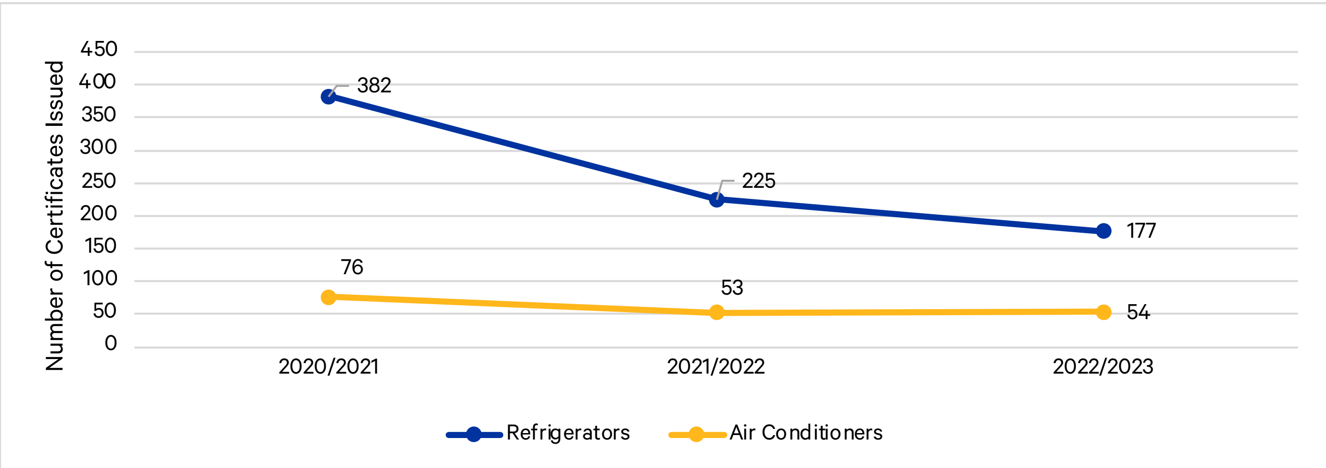


Figure 6.4: A comparison of appliances registration certificates issued for the past three years

The number of refrigerator models registered during the year decreased by 21%, while the number of air conditioner models registered fell by 1.8%. No new registrations were made for motors or lighting appliances.

Importers and distributors of motors continue to face technical challenges in meeting the existing standards for these appliances. Key hurdles include the limited availability of accredited motor testing laboratories globally, with testing often being voluntary in many countries. To address this, the Kenya Industrial Research and Development Institute (KIRDI) has established an accredited laboratory for local motor testing, although it has not yet been commissioned.

Regarding lighting appliances, importers have faced compliance challenges due to the stringent metrics in the existing standards, which were difficult to meet. These standards have now been revised to align with global performance metrics and will be integrated into the existing appliance regulations.

6.5 Petroleum and LPG Licensing

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 6.4 summarizes the licenses issued in the financial year 2022/2023.

Table 6.4: A summary of Petroleum and LPG Licenses issued in the financial year 2022/2023

Type of licence	**Licences issued**
Tanker Drivers' Certification	8,916
Export and Wholesale of Petroleum Products (Except LPG)	1,160
Retail of LPG in Cylinders	1,024
Transport of petroleum products(Except LPG) by Road	947
Storage & Wholesale of LPG in cylinders	208
Transport of LPG in Cylinders	207
Import, Export and Wholesale of Petroleum Products (Except LPG)	137
Transport of LPG in bulk by Road	121
Storage & Filling of LPG in Cylinders	114
Import, Export and Wholesale of LPG in bulk	63
Transport of Jet-A1	50
Export and Wholesale of LPG in bulk	47
Export & wholesale of Jet-A1	46
Storage of petroleum products (Except LPG)	41
Import, Export and Wholesale of Bitumen	21
Import, Export and Wholesale of Fuel Oil	18
Bunkering of Petroleum Products (Except LPG)	9
Import of Lubricants	6
Storage & Filling of LPG in Bulk	11
Storage of LPG in Bulk	5
Storage of Crude Oil	1
Reticulation of LPG	1
Total	**13,153**

A total number of 13,153 licences were issued to persons with operations in the downstream sector.

The permits issued during the review period for the construction of petroleum facilities are presented in Table 6.5.

Table 6.5: Petroleum facilities construction permits issued during the financial year 2022/2023

Permit Category	Permits issued
Petroleum Retail Dispensing Station	54
LPG Storage And Filling Facility	12
LPG Storage depot	4
Pipeline	3
Fuel Consumer Site	2
Autogas Dispensing Station	2
Fuel storage Depot	1
Total	78

7 CONSUMER PROTECTION

The Authority's mandate in consumer protection is to promote the welfare of end users in relation to the provision of energy and petroleum products and services. This chapter explores the various activities undertaken by the Authority to fulfill its consumer protection mandate. They include competition monitoring, complaints and disputes handling, accidents and incidents investigation, surveillance and compliance monitoring.

7.1 Consumer protection in the electricity subsector

7.1.1 Technical Audit of Electric Power Undertakings

Electric power licensees bear primary responsibility for safety, quality, and reliability in their operations. The Authority is tasked with ensuring that, once licensed, these power undertakings continue to operate in a secure, safe, and reliable manner. In fulfilling this mandate, the Authority oversees the development and operation of infrastructure that is safe, reliable, and secure, while also ensuring that any impacts are mitigated to acceptable levels.

To ensure compliance, the Authority conducts periodic technical and safety audits of licensed electric power undertakings. These audits verify that the licensees are operating safely and adhering to the Energy Act, license conditions, and applicable standards and codes. During the 2022/2023 financial year, technical audits were carried out on the undertakings of the following licensees, as required under section 130 of the Energy Act and their respective license conditions.

i) KenGen's 220MW Olkaria 1AU Geothermal Power Plant,
ii) KenGen's 120MW Kipevu III Diesel Power Plant,
iii) KenGen's 20MW Sangoro hydroelectric power plant,
iv) KenGen's 2MW Gogo hydroelectric power plant,
v) REREC's 50MW Garissa Solar Power Plant,
vi) 80MW Gulf Thermal Power Plant,
vii) KETRACO's Isinya-Embakasi 220kV transmission line,
viii) KPLC's Naivasha-Lessos-Chemosit 132kV transmission line,
ix) KPLC Kisii County Distribution Area,
x) KPLC Mombasa County Distribution Area,
xi) KPLC Moyale Offgrid Power Station and Distribution Area,
xii) Kudura Solar Power Minigrid in Busia County,
xiii) Nirav Solar Power Minigrid in Turkana County,
xiv) Milly Glass Limited Factory in Mombasa County; and
xv) Bamburi Cement Facctory in Mombasa County.

The audited electric power undertakings were generally found to be compliant. Technical audit reports, which highlighted areas for improvement along with appropriate recommendations, were prepared and shared with the respective licensees. The licensees were required to take corrective actions, and the Authority continuously monitors the implementation and effectiveness of these actions through follow-up audits.

7.1.2 Technical Audit of Electrical Installation Works

The Authority carries out technical audit of electrical installation works carried out by licensed electrical contractors from time to time to ascertain compliance of works done to the set electrical installation and safety standards. During the period under review, works carried out by the following electrical contractors were audited.

Table 7.1: Electrical installation technical audits undertaken during the financial year 2022/2023

No.	Licenced Electrical Contractors	County
1	Mara Moja Commercial Agencies	Kisumu
2	Lesirwo Electronic Services	Bomet
3	TENMO Investments Ltd	Kisii
4	Moori General Contractors	Kisumu
5	Dejus Electrical and Construction Ltd	Makueni
6	David Passionate	Kitui
7	Andimas Electrical Contractors	West Pokot
8	Bluelilly General Merchants	Laikipia
9	Profield Technologies	Muranga
10	Saunya Enterprises	Meru
11	Lavistair Company Ltd	Embu
12	Viclar Solutions Ltd	Kirinyaga
13	Cancy Electrical Services	Kitui
14	Davca Electricals Ltd	Kericho
15	Eastmont Electrical Services	Kericho
16	Introdec Ltd	Kericho
17	Jomat Electrical Contractors	Nakuru
18	Mbogo-ini Electrical Services	Nyeri
19	Mega Amps Services	Narok
20	Doyscal Solutions Ltd	Trans Nzoia
21	Amerkel Power Systems Ltd	Machakos
22	Palisade Agencies	Nakuru
23	Lolian Ltd	Nakuru
24	Matrix Solutions Ltd	Uasin Gishu
25	Inphase Links Enterprises	Nyeri
26	Sunlight Power Controls	Nandi
27	Maranga Electrical Contractors	Uasin Gishu
28	Strutcore Solutions	Baringo
29	Vilakazi Ltd	Kisumu
30	Linang Consortium Ltd	Kisumu
31	Mpate Enterprises Company	Mombasa
32	Henrysparks Contractors Ltd	Kakamega
33	Henokel Ltd	Uasin Gishu
34	Gaston Electrical Installations Ltd	Migori
35	Dalo Electrical Services	Mombasa
36	Fortune Works Ltd	Mombasa
37	Hohmwatt Ltd	Mombasa
38	Kanine Engineering Ltd	Mombasa
39	Atomic Electronics Ltd	Mombasa
40	Miknet Enterprises Ltd	Embu
41	Hijoka Electricals Ltd	Marsabit
42	Electro Solar Tech Ltd	Turkana
43	Live Jubilee Electrical Services	West Pokot
44	Pisonaz International Ltd	Turkana
45	Glern Ventures Ltd	Uasin Gishu
46	Kijoph Electricals Ltd	Nandi
47	Rezam Electrical Contractors	Kakamega
48	Wellbucks Contractors	Nakuru

Technical audit reports highlighting nonconformities, areas of improvement and appropriate recommendations were prepared and shared with the respective electrical contractors for corrective actions. Enforcement actions were recommended for licensees who violated the scope and conditions of their licences.

7.1.3 Review of Electricity ESIA Reports

The Sustainable Development Goal (SDG) 15 focuses on protection, restoration and promotion of sustainable use and conservation of terrestrial and other ecosystems. The National Environmental Management Authority (NEMA) is a government agency charged with management of the environment. To realize its mandate, NEMA works with relevant agencies in reviewing environmental requirements for specific projects whose Environmental and Social Impact Assessment (ESIA) reports require approval. The Authority is one such agency whose input is required in the approval of energy related projects.

During the period under review, the Authority received and reviewed 11 ESIA reports for electricity projects within an average of 15.45 days. Particulars of the projects and proponents are as presented in table 7.2.

Table 7.2: Electricity Projects whose ESIA reports were Reviewed by the Authority

SN.	Proponent	Nature of project	Technology	Capacity (kW)	County
1	Devki Steel Mills Limited	Utility Scale	Wind	60	Kwale
2	Hydrobox Kenya Limited	Mini Grid	Small Hydropower Project	0. 146	Kirinyaga
3	National Cement Company Limited	Waste Heat Recovery Project	Waste Heat Recovery Project	10	Kwale
4	Orpower 4 Inc.	Proposed Geothermal Drilling	Geothermal	NA	Nakuru
5	Crossboundary Energy Kenya Limited (Maisha Mabati Rolling Mills)	Grid Tied Solar PV System	Solar Photovoltaic	1.29	Machakos
6	Crossboundary Energy Kenye Limited (Maisha Packaging Limited)	Grid Tied Solar PV System	Solar Photovoltaic	1.386	Machakos
7	Univergy Kenya Limited (DL Koisagat)	Grid Tied Solar PV System	Solar Photovoltaic	0.352	Nandi
8	Laboratory and Allied Limited	Grid Tied Solar PV System	Solar Photovoltaic	1.2	Nairobi
9	Astley Properties Limited	Grid Tied Solar PV System	Solar Photovoltaic	0.117	Nairobi
10	KETRACO	Main National Control Centre	N/A	NA	Nairobi
11	KETRACO	Transmission Project	N/A	1200	Makueni

7.1.4 Monitoring Progress of Ongoing Energy Projects

In addition to the technical audit of operational power undertakings, the Authority monitors key electricity generation and transmission projects under development to ensure smooth and timely completion of those projects in addition to adherence to environmental, health and safety standards during the lifetime of the projects. The following electricity generation and transmission projects were monitored:

i) KETRACO's 66km Kitui-Wote 132kV transmission project;

ii) KETRACO's 96km Kenya-Tanzania 400kV transmission project;

iii) KETRACO's 29km Awendo-Isebania 132kV transmission project;

iv) KETRACO's 72km Thurdiburo (Sondu)-Ndhiwa 132kV transmission project;

v) KETRACO's 2,000MW Suswa HVDC Converter and Electrode station project;

vi) Kaimosi Estates 1.5MW Solar generation project;

vii) 40MW Alten Solar generation project;

viii) Menengai 1.05MW Solar generation project;

ix) Umoja Rubber 1.3MW Solar generation project; and

x) Solar generation projects by Ecoligo Ltd for Abyssinia Steel Industries Ltd (2.5MW) and Fresha Dairies Ltd. (600kW).

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

7.1.5 Technical Audits on Solar PV Installations

The Authority conducted 40 technical audits of solar PV system installations across domestic, industrial, and mini-grid setups. The audit reports indicated improvements in compliance levels and the quality of work performed. However, concerns were raised regarding the maintenance of installed systems, particularly in the cleaning of solar panels. Improper maintenance could affect the quality of power output from the systems. To address this, the Authority continues to sensitize system users on the importance of proper maintenance to ensure optimal performance and better energy output.

7.1.6 Energy Efficiency Audits

The Authority conducted 40 technical audits of solar PV system installations across domestic, industrial, and mini-grid setups. The audit reports indicated improvements in compliance levels and the quality of work performed. However, concerns were raised regarding the maintenance of installed systems, particularly in the cleaning of solar panels. Improper maintenance could affect the quality of power output from the systems. To address this, the Authority continues to sensitize system users on the importance of proper maintenance to ensure optimal performance and better energy output.

7.1.7 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:

i) Forty (40) inspections of installed or ongoing solar PV projects.
ii) One hundred and twenty-two (122) inspections in consumer premises to assess compliance with the energy management requirements.
iii) One thousand and six (1,006) inspections in consumer premises to verify the authenticity of completion certificates on electrical works.
iv) Sixty-two (62) inspections audits of electricity generation, transmission and distribution projects to evaluate compliance with Kenya Grid Code, applicable standards and regulations.

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

7.1.8 Investigation of Electricity Related Accidents

The Authority investigates electricity-related accidents reported by licensees, the media, the public, and other sources. During the review period, a total of 116 accidents were reported, resulting in 73 fatalities and 51 injuries.

Figure 7.1 shows the trends in electrical accident numbers reported to the Authority from the financial year 2018/2019 to 2022/2023.

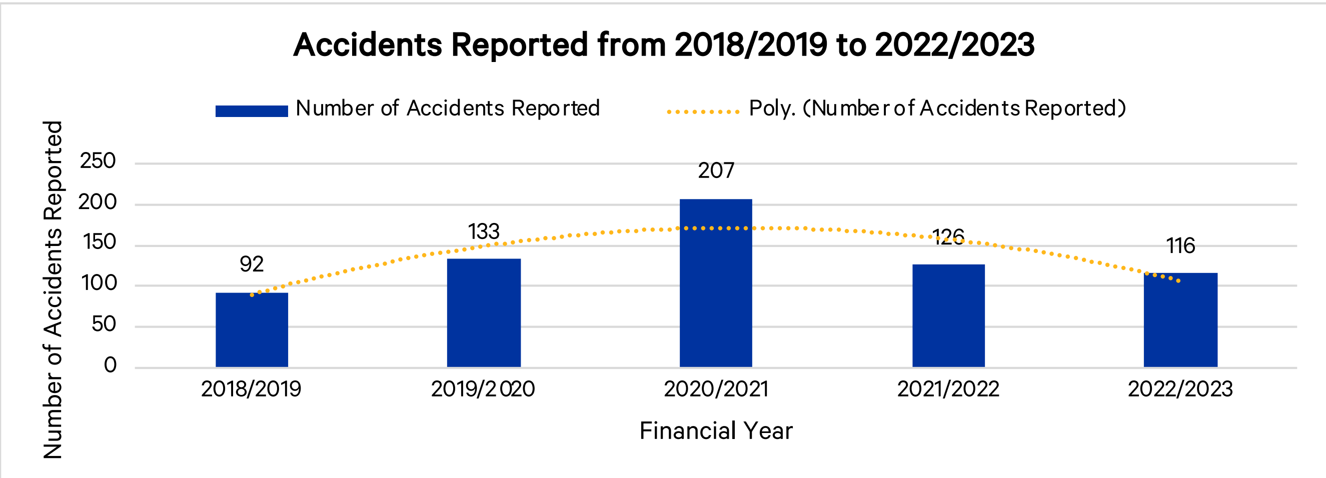


Figure 7.1: A Trend in Electrical Accident Reported to the Authority

Table 7.3 shows the trend in root cause of the accidents over the last five financial years.

Table 7.3: A Summary of Accident Root Causes from the financial 2018/2019 to 2022/2023

Cause of Accident	Percentage Contribution by Root Cause					
	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	Average
Defective/Fallen Power Line	22.83	27.07	27.54	25.40	20.69	24.71
Poor/Substandard Customer Wiring	14.13	14.29	10.14	16.67	13.79	13.80
Illegal Activities and vandalism	20.65	18.05	16.43	15.08	12.93	16.63
Ignorance/foolhardy Acts	5.43	10.53	13.53	15.08	18.97	12.71
Poor Safety Culture in organizations/ Licensee/ Customer/maintenance team	16.30	10.53	9.18	20.63	19.83	15.29
Wayleave encroachment	19.57	19.55	14.01	3.97	11.21	13.66
Other causes	1.09	0.00	9.18	3.17	2.59	3.21
Total	100.00	100.00	100.00	100.00	100.00	

In the 2022/2023 financial year, the leading causes of electrical accidents were defective/fallen power lines (20.69%), poor safety culture across stakeholder groups (19.83%), and ignorance (18.97%). Over the past five years, the primary causes of electrical accidents were "defective/fallen power lines" at 24.71%, followed by "illegal activities and vandalism" (16.63%) and "poor safety culture" (15.29%).

The Authority convenes biannual energy sector safety committee meetings to review accident reports and recommend measures to mitigate accidents. Some of the committee's recommendations include:

i) Licensees should allocate a percentage of their budgets to fund safety awareness campaigns.

ii) The fast-tracking of electricity supply and installation work regulations, which provide for periodic inspections and testing of installations.

iii) Making safety a performance indicator when evaluating utility performance.

iv) Developing a strategy to foster a strong and progressive safety culture among stakeholders in the electricity sector, including regulators, licensees, customers, contractors, and the public.

In response to these recommendations, the Authority has taken the following actions to reduce accidents:

i) Drafted regulations on electricity supply and electrical installation works.

ii) Raised consumer awareness on the importance of hiring licensed electrical contractors and workers.

iii) Conducted periodic technical audits on the operations of licensed utilities.

iv) Promoted electrical safety awareness through public education campaigns and social media interactions.

7.1.9 Monitoring System Reliability

The Authority monitors electricity supply reliability indices with the aim of measuring utility performance. To achieve this objectives, the authority uses Reliability indices as tools to measure how frequently interruptions occur in a power supply system, how long they last and how long it takes to restore supply. There are three indices used to quantify how reliable a power supply system is namely: CAIDI, SAIDI and SAIFI.

i) The System Average Interruption Duration Index (SAIDI) - is the average outage duration for each customer served.

ii) The System Average Interruption Frequency Index (SAIFI) - is the average outage frequency for each customer served.

iii) The Customer Average Interruption Duration Index (CAIDI) - gives the average outage duration that any given customer would experience, also known as restoration time.

KPLC's performance on the various reliability indices is presented in table 7.4.

Table 7.4: KPLC system reliability indices during the financial year 2022/2023

Month	Reliability Index		
	CAIDI (Hrs)	SAIDI (Hrs)	SAIFI (Hrs)
Jul-22	2.29	6.90	3.01
Aug-22	2.18	6.07	2.78
Sep-22	2.32	6.68	2.88
Oct-22	1.96	6.76	3.45
Nov-22	2.36	10.63	4.51
Dec-22	2.36	8.50	3.61
Jan-23	2.14	7.65	3.58
Feb-23	1.54	8.47	5.51
Mar-23	2.78	12.75	4.59
Apr-23	2.26	9.97	4.41
May-23	2.55	9.88	3.87
Jun-23	2.3	6.22	2.71
Annual	2.25	100.48	44.91
Monthly Average	2.25	8.37	3.74
EPRA-set target for 2022/23	4.62	6.75	2.68

As shown in Table 7.4, KPLC underperformed, particularly in terms of SAIDI and SAIFI, compared to the EPRA-set targets for the financial year. KPLC is expected to continue implementing measures aimed at reducing losses to target levels, which will positively impact the company's sales, revenue, and business sustainability, as well as enhance customer service. These measures include the automation of the distribution network, proactive network maintenance programs, provision of adequate operation and maintenance equipment, materials, and personnel, and ongoing vegetation management along power line wayleave areas.

7.1.10 Monitoring System losses

System losses refer to the difference between the total amount of electrical energy purchased by a power off taker from generators and the amount sold to customers. As of 30th June 2023, the system losses stood at 23.32%, which exceeds the approved regulatory threshold of 19.5%. This elevated loss level can be attributed to the rapid expansion of the distribution network, which has not been matched by a corresponding growth in electricity demand. As a result, underutilized grid assets have led to increased technical losses. Additionally, the rise in electricity pilferage and illegal connections has contributed to higher commercial losses. KPLC's performance on the system losses is presented in table 7.5.

Table 7.5: KPLC system loses during the financial year 2022/2023

Month	System Losses (%)
Jul-22	23.43
Aug-22	25.49
Sep-22	22.16
Oct-22	23.23
Nov-22	21.83
Dec-22	24.75
Jan-23	23.44
Feb-23	23.09
Mar-23	23.29
Apr-23	23.11
May-23	23.06
Jun-23	23.00
Annual	23.32
Monthly Average	23.32
Target for 2022/23	19.50

KPLC is expected to continue implementing the measures outlined in the EPRA System Losses Audit Report of November 2021, which are aimed at reducing these losses to the desired level. Achieving lower system losses will have a positive impact on KPLC's sales, revenue, and overall business sustainability.

7.2. Consumer Protection in the Petroleum subsector

7.2.1 Technical Audits of Petroleum and Gas Facilities

A total of 947 petroleum retail stations were inspected as part of a baseline study to assess compliance with established Technical and Environmental, Health, and Safety (EHS) standards. This study will provide a baseline compliance status for all retail stations nationwide.

In addition, 28 bulk petroleum storage facilities, 32 LPG storage facilities, and the KPC pipeline system were audited. A summary of the audited facilities is provided in table 7.6.

Table 7.6 A summary of facilities that were audited in the financial year 2020/2021 to 2022/2023

Financial Year	Bulk Facility Audits				Retail Sites
	LPG	Petroleum	Pipeline	Total	
2022/2023	32	28	1	61	947
2021/2022	27	25	2	54	930
2020/2021	25	24	1	50	640

An audit of bulk petroleum and LPG facilities was conducted and categorized into four groups based on their compliance with technical standards and legal requirements.

The classification of the audited facilities by integrity is as shown in the table 7.7.

Table 7.7: A Comparison of Bulk Facility Audit Risk Rating from the Financial Year 2020/2021 to2022/2023

Classification	2022/2023	2021/2022	2020/2021
High Integrity (>81%)	8	11	14
Medium Integrity (61-80%)	47	54	42
Risky (51-60%)	17	15	22
High Risk (0-50%)	28	20	22

7.2.2 Fuel Quality Monitoring

The Authority oversees the fuel marking process to ensure the quality of fuel for local consumption and to prevent the diversion of products intended for export. This involves adding a unique identifier to fuel, allowing for the detection of adulteration in products designated for export.

In FY 2022-23, the Authority marked a total of 3,137,068,078 litres of export/duty-free motor fuels and 94,723,615 litres of domestic kerosene. Compared to FY 2021-22, the volume marked for export increased by 8.32%, while the volume of local kerosene marked decreased by 22.05%. The decline in local kerosene volumes can be attributed to reduced demand for kerosene in both industrial and domestic sectors, with consumers shifting to alternative fuels. In contrast, the increase in export volumes is linked to Oil Marketing Companies (OMCs) preferring to transport products destined for the East African market via the Northern Corridor.

Additionally, the Authority conducted 21,190 sample tests at 4,445 petroleum outlets nationwide. The selection of sample sites is based on factors such as the need for broad geographic coverage, intelligence gathered through surveillance efforts, and public feedback. Of the sites tested, 98.76% were found to be compliant, while 1.24% were non-compliant. The non-compliant stations were sanctioned in accordance with the relevant legislation.

7.2.3 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.

During the period under review, the Authority undertook 1,680 inspections on wholesale and retail sites which scored a compliance level of 53.54%, 108 bulk LPG road tankers with a compliance level of 79.35% and 36 LPG storage and filling plants with a compliance level of 65.15%.

Overall, there was improved compliance within the LPG sector during the period under review, compared to previous years. This improvement is attributed to heightened safety awareness.

7.2.4 Surveillance Inspections of Petroleum and Gas Facilities

During the review period, the Authority carried out the following surveillance inspections across the country with the aim of monitoring regulatory compliance and safety:

i) Forty-nine (49) inspections on petroleum depots:

ii) One thousand three hundred and nine (1,309) inspections on the petroleum retail stations

iii) Thirty-six (36) inspections on LPG storage and filling facilities

iv) One hundred and seventeen (117) inspections on ongoing construction sites for petroleum and LPG.

Arising from this inspections, the Authority imposed sanctions on facilities or persons found violating regulatory and licensing requirements. The types of sanctions varied depending on the nature and severity of the violations, and they included issuance of statutory notices, penalties, fines, suspensions, revocation of licenses and prosecution.

7.2.5 Investigation of petroleum accidents and incidents

During the period under review, the authority investigated 57 petroleum and LPG related accidents, an increase from the 47 incidents reported in the previous year. Table 7.8 presents a comparison of accidents reported in the financial year 2020/2021 and 2022/2023.

Table 7.8: A comparison of accidents and incidents investigated in the financial year 2020/2021 and 2021/2022

S/No.	Accidents and incidents classification	Number in the FY 2022/2023	Number in the FY 2021/2022	Number in the FY 2020/2021
1	LPG tanker	19	13	7
2	Petroleum Tanker	24	16	15
3	Retail station	1	5	3
4	Consumer site	0	1	-
5	Domestic LPG	10	8	14
6	Pipeline	2	1	3
7	Upstream	0	1	-
8	Depot	0	1	-
9	Illegal LPG site	1	1	-
	Total	57	47	42

The majority of the investigated accidents were related to petroleum and LPG tanker incidents, including collisions resulting in fires and tanker rollovers leading to loss of containment, among other issues. These were closely followed by domestic LPG cylinder incidents.

7.3 Complaints & Disputes Resolution

The Authority investigates and determine complaints or disputes between parties over any matter relating to licences and licence conditions. As such, the Authority plays a crucial role in ensuring fair and transparent practices, promoting compliance with license conditions, and resolving disagreements that may impact the functioning of the energy and petroleum sectors.

The Energy (Complaints and Disputes Resolution) Regulation, 2012 requires licensees and permit holders to have procedures for handling complaints. Complainants and disputants must first utilize these procedures before submitting a complaint or dispute to the Authority.

During the period under review, 304 complaints were reported the Authority through different mechanisms. Table 7.9 provides a summary of the complaints status as at the end of the financial year.

Table 7.9: A summary of complaints that the Authority handled during the financial Year 2023/2024

Status	Number	Percentage
Under Review	64	21.05%
Referred to Utility	39	12.8%
Resolved	152	50.04%
More information req. from customer or utility	49	16.11%
Total	304	100

7.4 Competition Analysis

The Authority monitors competition conditions in both the electricity and petroleum markets and uses this information to make informed regulatory decisions, including the approval of mergers, acquisitions, and new market entrants.

These conditions include ease of market participation, consumer access to information, and an open environment for both buyers and sellers. A competitive market ensures optimal outcomes for consumers in terms of product accessibility, pricing, quality, and safety. However, these benefits do not always apply to certain segments of the power supply value chain, such as transmission and distribution, where natural monopolies are preferred for economic efficiency.

The Authority employs the Herfindahl-Hirschman Index (HHI) to measure competition and market power within the petroleum and electricity subsectors. Market power refers to the ability of a firm to raise the market price of a good or service above its marginal cost. In perfectly competitive markets, firms have no market power, whereas in monopolistic markets, firms wield absolute power. An HHI below 0.1 indicates healthy market competition.

a) Electricity Subsector

In the electricity subsector, only the generation and retail functions exhibit competitive market characteristics, largely due to the unbundling of these segments. The transmission and distribution functions, however, remain natural monopolies. Currently, KETRACO is responsible for expanding the high-voltage transmission network (132kV and above).

The average HHI for electricity power generation stood at 0.50 for the 2022/2023 financial year, well above the Authority's benchmark of 0.1, indicating low competition.

KenGen is the largest generator, accounting for 60.74% of the total energy generated in the country. Independent power producers (IPPs) have also gained significant market share, with Lake Turkana Wind Power (LTWP) at 12.70%, OrPower at 7.11%, and imports making up 4.87%. This market concentration is partly due to historical factors, such as KenGen's separation from KPLC, as well as the challenging market environment for new entrants, driven by high entry costs and stringent conditions.

In the retail market, KPLC remains the sole off-taker of the interconnected power generation. However, this is likely to change as the sector prepares for a more competitive market structure, as outlined in the draft Power Market, Bulk Supply, and Open Access Framework currently under development.

b) Petroleum Subsector

As of June 2023, there were 137 registered Oil Marketing Companies (OMCs) and 4,373 retail stations operating in Kenya, involved in the marketing, sale, and distribution of petroleum products, including diesel, kerosene, gasoline (petrol), lubricants, and LPG.

In the petroleum importation segment, significant changes were introduced to support oil marketers with foreign currency access, particularly under the Open Tender System (OTS). To address constraints faced by OMCs in accessing foreign currency for imports, the Government introduced a Government-to-Government arrangement that facilitated smoother access to petroleum products. One key change was extending the term for Letters of Credit (LCs) from 30 days to 180 days, providing more flexibility for oil marketers.

The HHI for the downstream petroleum subsector was 0.1037 as of the 2022/2023 financial year, a decrease from 0.1099 in the previous year. This indicates an improvement in competition within the sector, primarily due to the entry of new OMCs. Smaller firms have expanded their market presence, capturing significant shares and improving product accessibility, which is vital for ensuring supply security. Figure 7.3 illustrates the trend of the HHI index for the petroleum sector during the financial year 2022/2023.

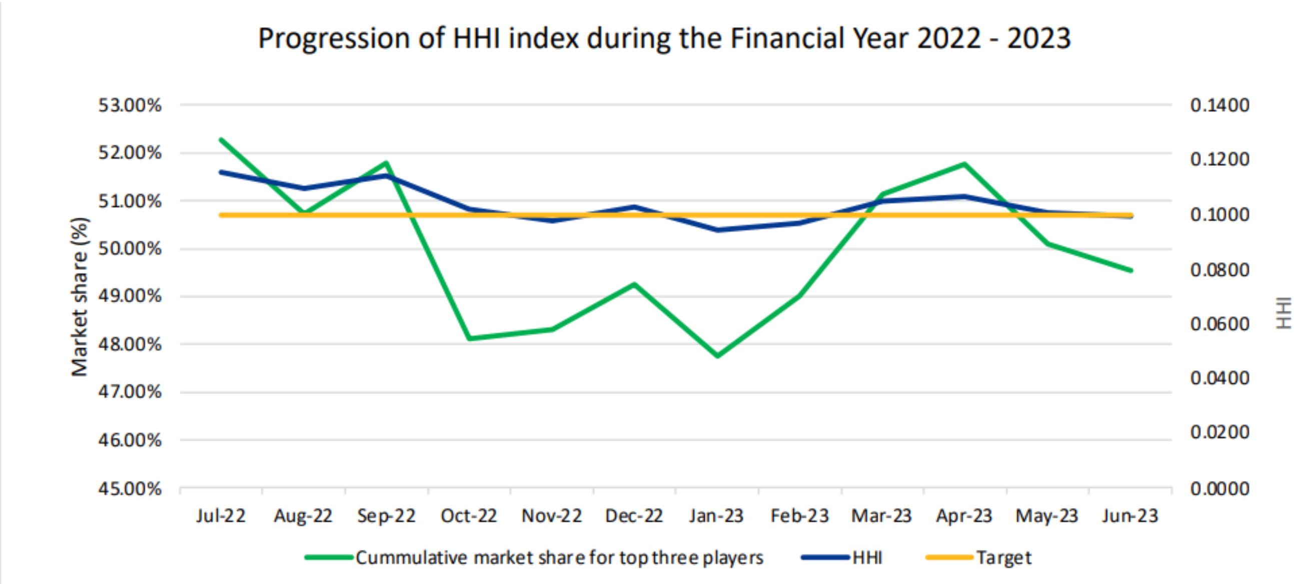


Figure 7.3: A progression of the Petroleum HHI index in the financial year 2022/2023

The Authority has continued to foster an enabling environment for participants in both the petroleum and electricity sectors. Monitoring competition in these subsectors remains a crucial tool for providing valuable information on market dynamics and enabling the necessary regulatory interventions for the benefit of consumers.

8 CORPORATE SERVICES

8.1 Strategic Plan

The Strategic Plan is anchored on sections 10 and 11 of the Energy Act, which describes the Authority's mandate and powers. The Strategic Plan is aligned to the regulatory mandate, with the goal of fostering the growth of Kenya's energy sector for all key stakeholders.

The timeframe from 1st July 2022 to 30th June 2023 represents the third and final year of implementing the 2020/21–2022/23 Strategic Plan. It also signifies the fifth cycle of strategic planning since the establishment of the Authority and its predecessor, ERC.

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

a) Promote energy sector growth and development;

b) Strengthen energy research, data management and information dissemination;

c) Enhance regulatory awareness, compliance and safety;

d) Enhance institutional capacity.

The total number of the strategic plan performance targets for the period 2022-2023 was 565. The overall achievement was 94.34%.

The day-to-day implementation of the strategic plan is carried out through the annual work plan, with the Board offering overall strategic direction and operational guidance by establishing key priorities and formulating strategies to achieve them, monitoring the Authority's performance against set goals, approving annual budgets, overseeing the preparation of financial statements and reports, ensuring adequate internal control systems are in place, and monitoring compliance.

8.2 Performance Management

The Authority ensures the implementation of annual performance targets outlined in the Government of Kenya's Performance Contract (PC), driving improvements in service delivery, business process optimization, and more effective performance management strategies. The PC assesses performance across seven criteria: Financial Stewardship, Service Delivery, Core Mandate, Implementation of Presidential Directives, Access to Government Procurement Opportunities (AGPO), Promotion of Local Content in Procurement, and Cross-Cutting Initiatives.

Performance is rated on a scale from 1.00 to 5.00, where 1.00 indicates an "Excellent" achievement (surpassed target), and 5.00 represents a "Poor" achievement (failure to meet the target). During the reporting period, the Authority achieved an overall score of 2.7059 (Very Good), reflecting a 4% decrease from the previous year's score of 2.8018 (Very Good) in FY 2021/2022. The greatest achievement was in the Access to Government Procurement Opportunities (AGPO) performance criteria, which showed significant improvement.

8.3 Human Resource

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

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

8.4 Employee capacity building

The Authority has established mechanisms to ensure the availability of necessary skills for operations, as outlined in the 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.

8.5 Knowledge Management

Knowledge Management involves collecting, organizing, sharing, and utilizing knowledge to enhance efficiency, productivity, learning, and growth. The Constitution of Kenya (2010) provides the foundation for Knowledge Management. This is further supported by Kenya Vision 2030's goal of establishing a knowledge-based economy.

During the period, the Authority implemented a framework for idea identification as part of its knowledge management initiatives. The system follows the ISO 30401:2018 Knowledge Management Standard. Eighteen staff members were trained in its implementation during the review period.

8.6 Youth Internship / Industrial Attachment / Apprenticeship

The Public Service Internship Program is designed to offer graduates opportunities to develop and enhance their technical and professional skills, as well as gain practical work experience within the Public Service.

In support of this initiative, the Authority provided opportunities to 45 interns through its Internship and Apprenticeship Program, and 25 youth through its Attachment Program.

8.7 Wellness & Safety

Employee wellness encompasses various dimensions including physical, intellectual, mental, environmental, social, and spiritual well-being.

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 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.

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

8.8 Corruption Prevention

The Authority is 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.

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.

8.9 Quality Management System

The Authority upholds its commitment to providing quality regulatory services by implementing the ISO 9001:2015 Standard on Quality Management Systems. Annual surveillance and internal quality audits are conducted to verify adherence to the standard.

The Authority underwent a recertification audit during the review period and received its ISO 9001:2015 Quality Management System compliance certificate on 11th October 2022.

8.10 Enterprise Risk Management (ERM)

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

The Authority's risk management framework is aligned with the ISO 31000:2018 Standard (Risk Management). During the period, the Board and Management reviewed the Authority's risk management framework, and the risk champions documented opportunities within their respective function in line with the ISO 9001:2015 Standard.

8.11 Supply Chain Management

The Authority settled payments to suppliers within an average of five working days upon receipt of all supporting documents. This timeline complied with the statutory requirement of settling payments within 30 days.

The Authority's annual procurement budget was Ksh. 1,132,213,000.00, with Ksh. 103,654,638.69 allocated to special interest groups (Youth, Women, & PWDs).

Youth
Ksh. 34,201,504.13

Women
Ksh. 64,857,527.76

PWDs
Ksh. 4,595,606.80

Additionally, Ksh. 498,268,009.68 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 social and environmental challenges.

8.12 Assurance and Audit Approach

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. Audits were conducted to across all operational areas, providing assurance that internal controls and processes are effectively in place and optimized for risk mitigation.

8.13 Public and Stakeholder Engagement

Recognizing the pivotal role that stakeholders play in shaping regulatory decisions, the Authority conducted 35 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 employed a combination of digital and traditional mass media channels. Additionally, to accommodate the diverse needs of stakeholders, the Authority engaged sign language interpreters for the workshops.

8.14 Corporate Social Responsibility

In support of the "Responsibility for Communities" CSR pillar, the Authority donated 10 beds and mattresses to Kenyatta National Hospital (KNH) as part of their 'Adopt a Bed Campaign.' The campaign aimed to provide additional beds to improve the capacity of the hospital's casualty ward.

To promote digital learning and equip children for the future, the Authority donated computers to St. Teresia Vocational Training Center in Kakamega County.

Additionally, in line with the President's call for increased tree planting to enhance Kenya's forest cover, the Authority partnered with stakeholders to plant trees in various forests across the country.

9 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 2023, 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 stakeholders.

2) Results

The results of the Authority for the year ended 30th June 2023 are set out from page 73 to 93.

3) Board Members

The members of the Board of Directors who served during the year are shown on page 15 to 18. The Directors are appointed in line with the 2nd Schedule of the Energy Act, 2019.

4) 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 did not make any surplus during the year and had a deficit of Ksh. 78,791,839.00 hence no remittance to the Consolidated Fund.

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 financial statements set out from page 73 to 93, which have been prepared on the going concern basis, were approved by the board on 28th September 2023 and were signed on its behalf by:

By Order of the Board

____

Mr. Robert Mahenia
Ag. 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 30th June 2023. This responsibility includes:

i) Maintaining adequate financial management arrangements and ensuring that they 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 2023, 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, 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 Authority's financial statements were approved by the Board on 28th September 2023 and signed on its behalf by:

Hon. Justice Prof Jackton B. Ojwang' **Chairman**	**Mr. Daniel Kiptoo Bargoria** **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, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on the 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, risk management environment and 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

Qualified Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 47 to 83, which comprise the statement of financial position as at 30 June, 2023, 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2023 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 Energy Act, 2019.

Basis for Qualified Opinion

Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.348,012,761. Included in the balance is Kshs.221,300,026 receivables from the Kenya Power and Lighting Company (KPLC)-Electricity Levy out of which, an amount of Kshs.83,719,717 had been outstanding for more than two (2) years. However, Kenya Power and Lighting Company Limited had not recognized this liability in their financial records.

In the circumstances, the accuracy, recoverability and completeness of the KPLC-Electricity levy balance of Kshs.83,719,717 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Energy and Petroleum Regulatory Authority Management in accordance with ISSAI 130 on the 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 qualified opinion.

Emphasis of Matter

Differences in Reported Levies

The statement of financial performance reflects levies amounting to Kshs.1,566,917,417 which, as disclosed in Note 7 to the financial statements, comprises of electricity and petroleum levies of Kshs.406,046,291 and Kshs.1,160,871,126 respectively. However, review of audited financial statements of the Kenya Power and Lighting Company PLC revealed that the Company had electricity sales of 10,234,000,000 KWh. The applicable levy rate for the financial year 2022/2023 was 30cts/KWh which translates to electricity levies of Kshs.307,020,000 whereas the Authority had reported levies of Kshs.406,046,291 resulting in unexplained variance of Kshs.99,026,291. Similarly, no evidence was provided that the Authority maintained an independent data base on the units of electricity purchased and sold by the Kenya Power and Lighting Company PLC as stipulated by Section 10(jj) of the Energy Act, 2019.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, 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

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflect total actual revenue of Kshs.1,726,692,103 against final budgeted revenue of Kshs.2,151,600,276 resulting to a variance of Kshs.424,908,173 or 20%. Similarly, the Authority projected to spend Kshs.2,051,335,749 but incurred an expenditure of Kshs.1,735,453,229 resulting to an under absorption of Kshs.315,882,520 or 15%.

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

2. Unresolved Prior Year Matters

In the audit report of 2021/2022 financial year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues or given any explanation for failure to resolve them.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and 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, 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. Irregular Procurement of Fuel Marking, Testing and Monitoring Services

During the year under review, Management invited tender bids for petroleum fuel marking, testing and monitoring services. The tender attracted four (4) bidders as was indicated in the tender opening minutes. Review of the tender evaluation report revealed that two (2) firms met the set criteria and were recommended for award being the lowest bidders in both technical and financial at a total price of Kshs.546,354,432 (USD 4,944,384).

Further, a professional opinion issued on 20 December, 2021 by the Head of Procurement recommended award of the tender to the two firms, which was approved by the Director General three days later. The tender was terminated on 28 December, 2021 but Management did not provide a report to Public Procurement and Regulatory Authority (PPRA) indicating reasons for termination in line with Section 63(2) of the Public Procurement and Disposal Act, 2015.

In addition, a letter from PPRA dated 6 December, 2021 directed Management to rescind the procurement process in favor of a local service provider. The letter further indicated that Management should seek authorization to use specifically permitted procurement method for the service provider. Subsequently, Management sought and obtained the approval from The National Treasury on 9 May, 2022, and a tender was issued to the service provider on 15 June, 2022. However, no justification were provided to indicate that the request fulfilled the conditions listed in Regulation 107(1) of the Public Procurement and Asset Disposal Regulations 2020, which require the method to applied in instances of public interest or interest of National Security.

Further, review of the procurement process leading to award of contract to the sole bidder revealed the following anomalies:

i. The professional opinion was approved on behalf of the Director General on 29 June, 2022. However, no documents were provided to indicate that the approving officer had delegated authority of the Accounting Officer.

ii. The contract was signed on 1 July, 2022, two (2) days after the acceptance letter and before the lapse of fourteen (14) days provided for in Section 135 (3) of the Public Procurement and Asset Disposal Act, 2015.

iii. The contract was awarded at a cost of Kshs.2,356,105,351 (USD16,773,403). However, the amount was higher than that quoted in the cancelled tender of Kshs.694,438,732 (USD 4,944,384) by Kshs.1,661,385,718 (USD11,829,019).

iv. The contract of the previous service provider expired on 31 December, 2021 and a three (3) months extension was granted. However, the new provider was awarded a contract on 1 July, 2022. It was not clear how the services were provided in the remaining three (3) months before a new contract was issued.

v. Management indicated that the bidder was the only company with capacity to implement the intended Information Technology (IT) system, a fact dispelled by an earlier successful procurement process. Further, no evidence was provided to indicate that the system had been implemented as at the time of conclusion of the audit in March, 2024, which was over nine (9) months later.

vi. The IT system component was not part of the initial tender requirements, thus constituted a change in scope that would call for an addendum to the tender documents prior to the tender closing date. However, the component was introduced after the evaluation had been concluded, the award recommendation made by the Evaluation Committee, and the professional opinion submitted to the Accounting Officer.

vii. The condition for approval of specially permitted procurement was availability of budget. However, Management did not demonstrate how additional cost of Kshs.1,661,385,718 (USD 11,829,019) under the new contract was to be funded since it had not been factored in the original budget.

In the circumstances, validity of the tender award, contracting of the service provider could not be confirmed. In addition, the value for money for the services may not be realized.

2. Non-compliance with E-Procurement Requirements

During the year under review, the Authority was yet to migrate fully to the e - procurement in contravention of the Executive Order No.6 of 2016 which required all the public entities to migrate to e-procurement.

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

3. Employees on Acting Appointments Beyond Stipulated Period

Review of human resource records revealed that five (5) officers were appointed to acting positions for periods ranging between one (1) to five (5) years. This was contrary to Section 34 of the Public Service Commission Act, 2017 which provides that employees should not serve in an acting position for more than six (6) months. Management did not explain measures taken to recruit substantive office holders.

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

4. Lack of Governance Audit

Paragraph 1.13 of the Mwongozo code of governance for State Corporations requires that the Board, in consultation with the oversight office, should ensure that it subjects the organization to an annual Governance Audit by a member regulated by Institute of Certified Public Secretaries of Kenya (ICPSK).There was no evidence of Governance Audit for the year 2023 and no explanation was provided why it was not done.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, except for the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Follow Up on Violations by Petroleum Outlets

The Energy and Petroleum Regulatory Authority (EPRA) is mandated by the Energy Act, 2019 to regulate Electric Power, Renewable Energy, Upstream, Midstream and Downstream Petroleum subsectors. Additionally, the Authority enforces the Petroleum Act, 2019 that specifically deals with the Petroleum subsector.

Review of inspection reports at Mombasa Regional Office revealed several cases of noncompliance with the Act by nine (9) petroleum outlets and filling stations including structural deficiencies, pricing violations and lack of operation permits that had been documented during inspections by the Authority officials. However, despite the recommendations and action areas issued against the outlets, there was no evidence of follow up made to review compliance several months after the recommended actions were issued.

In the circumstances, the Authority's objectives during the year may not have been achieved.

2. Inadequate Capacity to Undertake Authority Functions due to Understaffing

The Authority's staff establishment records reflected a staff establishment of four hundred and twenty-four (424) employees against those in place totalling one hundred ninety-one (191) or 45% staffing level. This resulted to capacity challenges in execution of the Authority functions as was evidenced during a field visit to Authority's Regional Offices in Nakuru and Mombasa in the month of January, 2024. For instance, Nakuru office operated lean workforce comprising of three technical officers, one office administration officer and a driver who were expected to serve five (5) expansive counties. Similarly, Mombasa office had three technical officers, one office administration officer and one driver for an office which serves six (6) expansive counties.

In the circumstances, the Authority may not be able to achieve its mandate.

3. Lack of Valid License for Garissa Solar Power Plant

Review of information relating to licensing of power generating firms revealed that Garissa solar power plant owned by the Rural Electrification and Renewable Energy Corporation generated and dispatched power for consumption during in the year under review without a valid license for power generation contrary to Section 117 of the Energy Act, 2019.

In the circumstances, the Authority's ability to undertake any licensing function as provided in the Energy Act of 2019 was in doubt.

4. Lack of Facilitation to Regional Offices

Field visit to the regional offices of Nakuru and Mombasa revealed that office managers were not being facilitated with standing imprest or petty cash for running the office. This resulted in the respective managers spending their own money to run the offices and address unexpected occurrences. Similarly, critical office activities could not be undertaken due to lack of required cash.

In the circumstances, the main operational objectives of the offices may not be achieved.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require 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 the Management and Board of Directors

The 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 controls as the 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 governance.

In preparing the financial statements, the 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 the Management is aware of the intention to terminate the Authority or to cease operations.

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply 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 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 which 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 which 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 overall 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 controls would not necessarily disclose all matters in the internal controls which 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 controls components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts which 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 which 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 which may cast significant doubt on the Authority ability 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 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 which 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls which are identified during the audit.

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 May, 2024

Statement of Financial Performance for the Year Ended 30th June 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Revenue			
Revenue from non-exchange transactions			
Transfers from other government entities	6	21,500,436	8,566,167
Levies	7	1,566,917,417	1,502,688,963
License fees	8	61,887,346	35,246,495
Total revenue from non-exchange transactions		**1,650,305,199**	**1,546,501,625**
Revenue from exchange transactions Other income(miscellaneous)	9	1,142,402	569,692
Interest received	10	5,213,789	6,661,313
Total revenue from exchange transactions		**6,356,191**	**7,231,005**
		6,356,191	7,231,005
		1,650,305,199	**1,546,501,625**
Total revenue		**1,656,661,390**	**1,553,732,630**
Expenses Use of Goods and Services	11	(746,448,843)	(576,105,854)
Employee Costs	12	(716,731,031)	(684,271,832)
Remuneration of Directors	13	(20,526,228)	(16,365,696)
Depreciation and amortisation	14	(62,920,691)	(73,432,900)
Repairs and Maintenance	15	(13,370,974)	(10,577,443)
Contracted services	16	(133,955,462)	(93,036,250)
Transfers	17	(41,500,000)	(52,000,000)
Total expenses		**(1,735,453,229)**	**(1,505,789,975)**
Gain on disposal of assets	18	-	-
(Deficit) surplus before taxation		(78,791,839)	47,942,655
(Deficit) surplus for the year from continuing operations		**(78,791,839)**	**47,942,655**
Remission to National Treasury	19	-	-
Surplus for the year		**(78,791,839)**	**47,942,655**

The notes set out on page 79 to 93 form an integral part of the annual financial statements.

The annual financial statements set out on page 73 to 93 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 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Assets			
Current Assets			
Cash and cash equivalents	20	255,273,661	322,360,486
KCB-Senior Management Gratuity Investment	21	18,469,660	37,389,990
Receivables from exchange transactions	22	27,759,178	22,281,036
Receivables from non-exchange transaction	23	348,012,761	218,401,044
Inventories	24	5,426,740	4,322,203
		654,942,000	**604,754,759**
Non-Current Assets			
Property, plant and equipment	25	297,024,497	305,677,752
Intangible assets	26	2,219,719	3,094,648
		299,244,216	**308,772,400**
Non-Current Assets		299,244,216	308,772,400
Current Assets		654,942,000	604,754,759
Total Assets		**954,186,216**	**913,527,159**
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	163,067,089	135,514,489
Payables under non- exchange transactions	28	294,557,091	257,076,686
Employee benefits	29	102,918,892	91,472,413
		560,543,072	**484,063,588**
Non-Current Liabilities		**-**	**-**
Current Liabilities		560,543,072	484,063,588
Total Liabilities		**560,543,072**	**484,063,588**
Reserves			
Capital replacement reserve	30	55,000,000	55,000,000
Accumulated surplus		338,643,144	374,463,571
Total Net Assets/Equity		**393,643,144**	**429,463,571**
Total Net Assets and Liabilities		**954,186,216**	**913,527,159**

The annual financial statements and the notes on page 73 to 93 were approved by the on the 28th September 2023 and 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 Changes in Net Assets for the Year Ended 30th June 2023

Figures in Kenyan Shilling	Capital replacement reserve	Accumulated surplus	Total net assets/ equity
Prior year			
Balance at 1st July 2022	55,000,000	369,669,306	424,669,306
Changes in net assets/equity Surplus for the year	-	47,942,655	47,942,655
90% Remittance 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
Current year			
Opening balance as at 1st July 2022	55,000,000	374,463,571	429,463,571
Prior year adjustments	-	43,148,390	43,148,390
Balance at 1st July 2022 as restated*	**55,000,000**	**417,611,959**	**472,611,959**
Changes in net assets/equity Surplus for the year	-	- (78,791,839)	- (78,791,839)
Provision- 90% Remission to National Treasury	-	-	-
Total changes	-	(78,791,839)	(78,791,839)
Balance at 30th June 2023	**55,000,000**	**338,643,144**	**393,643,144**

Prior year adjustments relate to reversal of 90% remittance to the National Treasury.

Statement of Cash Flow for The Year Ended 30th June 2023

Figures in Kenyan Shilling	Note(s)	2022-2023	2021-2022
Cash flows from operating activities			
Receipts			
Transfers from other government entities		92,287,350	200,000,000
Levies		1,444,118,629	1,503,229,648
License fees		61,887,346	35,246,495
Other income(Miscellaneous)		1,142,402	569,692
Interest received		684,981	1,306,463
		1,600,120,708	**1,740,352,298**
Payments			
Use of goods and services		(745,917,878)	(577,913,902)
Employee Costs		(711,472,226)	(679,739,030)
Remuneration Directors		(20,526,228)	(16,681,596)
Repairs and Maintenance		(14,512,589)	(9,854,283)
Contracted services		(111,425,388)	(90,127,497)
Transfers		(41,500,000)	(52,000,000)
90% Transfer To National Treasury		-	(2,171,545)
		(1,645,354,309)	**(1,428,487,853)**
Total receipts		1,600,120,708	1,740,352,298
Total payments		(1,645,354,309)	(1,428,487,853)
Net cash flows from operating activities	**31**	**(45,233,601)**	**311,864,445**
Cash flows from investing activities			
Purchase of property, plant and equipment		(22,149,616)	(215,943,719)
Purchase of other intangible assets		(2,998,599)	-
KCB-Senior Management Gratuity Investment		3,294,991	21,894,278
Net cash flows from investing activities		**(21,853,224)**	**(194,049,441)**
Net increase/(decrease) in cash and cash equivalents		**(67,086,825)**	**117,815,004**
Cash and cash equivalents at the beginning of the year		322,360,486	204,545,482
Cash and cash equivalents at the end of the year	**20**	**255,273,661**	**322,360,486**

Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2023

Figures in Kenyan Shilling	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Performance Difference	% Utilization
Revenue						
Revenue from non-exchange transactions						
Revenue Transfers from other government entities	330,000,000	(232,725,840)	97,274,160	97,887,340	(613,180)	101
Levies	1,984,360,240	-	1,984,360,240	1,566,917,417	417,442,823	79 %
License fees	69,965,876	-	69,965,876	61,887,346	8,078,530	88 %
Total revenue from non-exchange transactions	**2,384,326,116**	**(232,725,840)**	**2,151,600,276**	**1,726,692,103**	**424,908,173**	**80 %**
Revenue from exchange transactions						
Other income (Miscellaneous)	905,900	-	905,900	1,142,402	(236,502)	126 %
Interest Received	3,774,868	2,800,000	6,574,868	5,213,789	1,361,079	79 %
Total revenue from exchange transactions	**4,680,768**	**2,800,000**	**7,480,768**	**6,356,191**	**1,124,577**	**85 %**
Total revenue	**2,389,006,884**	**(229,925,840)**	**2,159,081,044**	**1,733,048,294**	**426,032,750**	**80 %**
Expenditure Use of goods and services	(728,916,480)	(131,440,127)	(860,356,607)	(746,448,843)	(113,907,764)	87 %
Employee costs	(978,181,690)	69,000,000	(909,181,690)	(716,731,031)	(192,450,659)	79 %
Remuneration Directors	(30,000,000)	-	(30,000,000)	(20,526,228)	(9,473,772)	68 %
Depreciation and amortisation	(123,847,452)	36,500,000	(87,347,452)	(62,920,691)	(24,426,761)	72 %
Repair and Maintenance	(18,000,000)	3,000,000	(15,000,000)	(13,370,974)	(1,629,026)	89 %
Contracted services	(159,880,000)	-	(104,450,000)	(133,955,462)	29,505,462	128 %
Transfers	(45,000,000)	-	(45,000,000)	(41,500,000)	(3,500,000)	92 %
Total expenditure	**(2,083,825,622)**	**(22,940,127)**	**(2,051,335,749)**	**(1,735,453,229)**	**(315,882,520)**	**85 %**
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**305,181,262**	**(252,865,967)**	**52,315,295**	**(2,404,935)**	**54,720,230**	**(5)%**

Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2023

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 hereunder;

The total Cash received from other government entities was Ksh. 97,887,340 and Ksh.21,500,436 was utilised during the period and recognised in the statement of financial performance.

a) Levies received were below budget by Ksh. 417,442,823 representing under collection of 21%. 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.

b) License fees was below budget by Ksh. 8,078,530 representing an under collection of 12%. This is due to a low number of new license applications and renewals than projected.

c) Miscellaneous income was above budget by 26% due to increased insurance compensation than projected.

d) Interest received was below budget by Ksh. 1,361,079 representing a variance of 21%. This was due to reduced investment of senior management gratuity fund.

e) Use of goods and services was below budget by Ksh. 113,907,764, an under expenditure of 3%. This was as a result of delayed procurement processes majorly due to non-responsive tenders that required repeat of the tendering process. There were also significant savings in operational costs on general office expenses, communication and ICT expenses.

f) Employee costs were below budget by Ksh. 192,450,659 representing an under expenditure of 21%. This was due late approvals for recruitment and overwhelming applications leading to a lengthy recruitment process.

g) Directors expenses were below budget by Ksh. 9,473,772 representing an under expenditure of 33% as a result of reduced expenditure on international travels and sitting allowances.

h) Depreciation and amortisation was below budget by Ksh. 24,426,761, an under expenditure of 28%. This was due to assets not being purchased because of delayed procurement processes caused by non-responsive tenders.

i) Repair and maintance was below budget by Ksh. 1,629,026 representing an under expenditure of 11% resulting from savings realised from repairs of motor vehicles and office equipment.

j) Contracted services were above budgets by Ksh. 29,505,462, representing an over expenditure of 28%.

NOTE:
RECONCILIATION

In the review period, Ksh. 97,887,340 was received as transfers from other entities of which Ksh. 21,500,436 was recognised in the statement of financial performance while Ksh. 76,386,904 was treated as deferred income as a liability under the statement of financial position.

Notes to the Financial Statements

1) General Information

The Energy Regulatory Commission (ERC) was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority (EPRA) as the successor to the ERC. EPRA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are 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 accounting policies have been consistently applied to all the years presented.

The Authority adopted IPSAS in the year 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 30 June 2023

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

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30th June 2023

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 2023 or later periods:

	Effective date: Years beginning on or after	**Expected impact:**
IPSAS 43	1st January 2025	
IPSAS 44 Non- Current Assets Held for Sale and Discontinued Operations	1st January 2025	

3.3 Early adoption of standards

The Authority did not early- adopt new or amended standards in the review period.

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 2022/2023 was approved by the National Treasury through Ministry of Energy on 30th June 2022. Subsequent revisions 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 remit 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 off 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

a) Financial assets

Classification of financial assets

The Authority classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Authority's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the Authority classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity.

Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Authority manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The Authority assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Authority recognizes a loss allowance for such losses at each reporting date.

b) Financial liabilities Classification

The Authority classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) 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.

n) 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.

o) Nature and purpose of reserves

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

p) 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.

q) 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.

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred.

Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) 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.

u) Services concession arrangements

The Authority analyses all aspects of service concession arrangements that it enters 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.

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

w) Comparative figures

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

x) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

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:

a) The condition of the asset based on the assessment of experts employed by the Authority.

b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.

c) The nature of the processes in which the asset is deployed. d)Availability of funding to replace the asset.

d) Changes in the market in relation to the asset.

6) Transfers from other government entities

Figures in Kenyan Shilling	2022-2023	2021-2022
Deferred Upstream Regulatory support	10,990,986	200,000,000
Deferred Income-Energy Act	3,009,450	2,748,660
Government support	7,500,000	-
	21,500,436	**8,566,167**

Transfers from other government entities					
Name of Entity	**Amount Recognized in Statement of Financial Performance (Ksh.)**	**Amount Deferred Under Deferred Income (Ksh.)**	**Amount Recogized in Capital Fund (Ksh.)**	**Total Income During the Period (Ksh.)**	**Comparative Period (Ksh.)**
Ministry of Petroleum and Mining conditional	10,990,986	64,009,01	Nil	75,000,000	5,817,507
Ministry of Petroleum and Mining Non conditional	7,500,000	-	-	7,500,000	-
Other Stakeholders	3,009,450	12,377,900	-	15,082,850	2,748,660
	21,500,436	**76,386,914**	**-**	**97,582,850**	**8,566,167**

7) Levies

Figures in Kenyan Shilling	2022-2023	2021-2022
Electricity Levy	406,046,291	304,045,393
Petroleum Levy	1,160,871,126	1,198,643,570
	1,566,917,417	**1,502,688,963**
Electricity Levy-Legal Notice No. 148 of 1999		
Petroleum Levy-Legal Notice No. 162 of 2018		
8) License fees & Miscellaneous		
License fees	61,887,346	35,246,495
9) Other Income(Miscellaneous)		
Other income(Miscellaneous)	1,142,402	569,692
10) Interest		
Interest	5,213,789	6,661,313
11) Use of goods and services		
Training Seminars and Workshops	71,324,269	40,144,098
Subscriptions	3,079,034	3,248,458
Staff Welfare	4,896,452	5,869,832
General Office Expenses	22,442,441	12,184,053
Fuel	11,600,393	9,336,456
Insurance license & MV subscriptions	3,997,708	2,956,521
Travel, Inspections, surveillance & Audit	162,243,756	157,412,824
Corporate Subscriptions	19,220,952	16,810,351
Seminars Workshops, Public hearings and CSR	37,993,405	42,156,551
Advertising and gazette notices	86,024,086	38,614,868
Bank Charges	1,903,135	1,755,942
Branding/Printing	9,275,131	8,540,673
Telephone and Internet	11,286,959	11,467,548
Software licenses support and disaster recovery	24,274,771	11,499,192
Rent and Service charges	62,396,058	63,913,650
Security	8,393,269	7,243,177

Figures in Kenyan Shilling	2022-2023	2021-2022
Electricity	6,084,447	6,197,061
Office cleaning	6,757,065	4,799,348
Consultancies	165,855,179	97,609,158
HIV, Safety, Culture change and Related	24,043,525	24,942,433
Energy & Petr Act Expenses	3,313,950	9,403,660
Water	42,858	-
	746,448,843	**576,105,854**
12) Employee costs		
Basic Salaries	408,453,590	391,925,001
Employee Compensation-Court	-	-
Pension and Gratuity	94,691,654	90,932,011
Special Duty / Acting Allowance	20,691,635	9,832,793
Car and Commuter allowance	29,188,141	29,643,506
House Allowance	89,671,899	91,557,035
Fringe benefits	6,311,904	4,035,007
Leave & Other Allowances	8,349,100	16,814,066
Medical	44,533,901	42,331,995
General Life & Personal Insurance	12,132,093	4,200,712
Staff Uniforms	2,689,114	1,296,743
Warm Clothing Allowance	-	1,016,963
Meal Allowance	18,000	686,000
	716,731,031	**684,271,832**
13) Remuneration of Directors		
Monthly fees and Honorarium	6,908,548	5,863,333
Sitting Allowance	5,340,000	4,920,000
Meeting, Entertainment and Other Allowances	1,476,180	2,071,823
Seminars, Travel, and Accommodation	6,395,502	3,083,494
Insurance & Medical	405,998	427,046
	20,526,228	**16,365,696**
14) Depreciation and Amortisation		
Property, plant and equipment	59,047,162	67,115,580
Intangible assets	3,873,529	6,317,320
	62,920,691	**73,432,900**
15) Repairs and Maintenance		
Repair & Service Motor Vehicle	11,607,414	9,265,786
Repair & Maintenance Office Equip	1,763,560	1,311,657
	13,370,974	**10,577,443**
16) Contracted Services		
Fuel Marking	92,161,102	67,421,040
LPG Inspection	41,794,360	25,615,210
	133,955,462	**93,036,250**
17) Transfers		
Transfers to Mortgage & Car Loan	40,000,000	50,000,000
Kenya Energy-Sector Environment and Social Responsibility Program Fund	1,500,000	2,000,000
	41,500,000	**52,000,000**

Figures in Kenyan Shilling	2022-2023	2021-2022
18) Gain on sale of assets		
Property, plant and equipment & Intangible Assets	-	-
There was no gain on sale of Assets during the period.		
19) Remission to National Treasury		
(Deficit) surplus for the year	(78,791,839)	47,942,655
90% of realised profit		**43,148,390**
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 did not make any surplus during the year and had a deficit of Ksh. 78,791,839.00 hence no remittance to the National Treasury. The prior year surplus was of Ksh. 47,942,655 resulting to a ninety per centum surplus due to the National Treasury of Ksh. 43,148,390. However, a prior year adjustment of Ksh. 43,148,390 has been made to reverse the 90% remission to the National Treasury.		
20) Cash and cash equivalents		
Cash and cash equivalents consist of:		
Mpesa	6,487,030	2,475,027
Bank balances	160,829,059	281,664,781
KCB-Senior Management Gratuity Current Account	87,957,572	38,220,678
	255,273,661	**322,360,486**
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 employee's contract.		

Detailed analysis of cash and cash equivalents			
Financial institution	**Account number**	**2022-2023**	**2021-2022**
KCB Bank	1107180198	155,911,086	276,819,772
National Bank	01003003110800	3,978,510	3,894,386
NCBA Bank	6959370012	939,463	950,623
		160,829,059	**281,664,781**
Gratuity Custody Accounts KCB-Senior Management Gratuity Current Account	1273022599	87,957,572	38,220,678
Others		-	-
Mobile Money Accounts M-pesa	923311	6,487,030	2,475,027
		6,487,030	**2,475,027**
Total cash and cash equivalents		**255,273,661**	**322,360,486**
21) KCB-Senior Management Gratuity Investment			
KCB- Senior Management Gratuity Investment		18,469,660	37,389,990
Prior and Current year KCB- Senior Management Gratuity Current Account has been split to disclose investment in treasury bills.			

22) Receivables from exchange transactions		
Prepayments	2,293,049	77,699
Deposits	21,411,056	17,042,166
Interest Receivable	4,055,073	5,161,171
	27,759,178	**22,281,036**

Ageing analysis for receivables from exchange transactions

	Current FY	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	3,426,763	12%	1,183,112	5%
1-2 years	1,118,652	5%	3,418,763	15%
2-3 years	2,109,012	8%	1,742,408	8%
Over 3 years	21,104,751	75%	15,936,753	72%
Total	**27,759,178**	**-**	**22,281,036**	**-**

Figures in Kenyan Shilling	**2022-2023**	**2021-2022**
23) Receivables from non-exchange transactions		
Board Imprest	209,999	72,999
Staff Imprest	5,900,320	7,612,256
Other receivables	16,915,401	11,009,234
KPLC-Electricity Levy	221,300,026	107,489,706
KRA-Petroleum Levy	99,599,106	90,610,638
Staff salaries & Medical advances	4,087,909	1,606,211
	348,012,761	**218,401,044**

Ageing analysis for receivables from non-exchange transactions

	Current FY	**% of the Total**	**Comparative FY**	**% of the Total**
Under one year	113,810,320	32 %	93,877,717	43 %
1-2 years	24,567,598	7 %	17,112,622	8 %
2-3 years	10,993,813	4 %	2,647,393	3 %
Over 3 years	198,641,030	57 %	104,763,312	46 %
Total	**348,012,761**	**-**	**218,401,044**	**-**

Figures in Kenyan Shilling	**2022-2023**	**2021-2022**
24) Inventories		
	5,426,740	**4,322,203**

25) Property, plant and equipment						
Controlling entity	**2023**			**2022**		
	Cost / Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying value**
Furniture and fixtures	213,754,600	(147,387,012)	66,367,588	212,014,850	(133,136,344)	78,878,506
Motor vehicles	158,959,527	(125,217,075)	33,742,452	135,739,527	(106,711,849)	29,027,678
Office equipment	36,838,701	(22,931,893)	13,906,808	33,379,621	(19,933,413)	13,446,208
IT equipment	141,110,966	(122,295,761)	18,815,205	140,199,777	(102,295,484)	37,904,293
Work in Progress	164,192,444	-	164,192,444	146,421,067	-	146,421,067
Total	**714,856,238**	**(417,831,741)**	**297,024,497**	**667,754,842**	**(362,077,090)**	**305,677,752**

Reconciliation of property, plant and equipment						
	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Work in Progress	Total
Cost						
At 1st July 2021	140,252,142	135,739,527	32,970,231	125,533,504	61,104,275	495,599,679
Additions	2,404,870	-	409,389	14,666,272	154,674,633	172,155,164
Adjustment	69,357,841	-	-	-	(69,357,841)	-
Transfers	-	-	-	-	-	-
	-	-	-	-	-	-
At 30th June 2022	**212,014,853**	**135,739,527**	**33,379,620**	**140,199,776**	**146,421,067**	**667,754,843**
Additions	1,739,750	23,220,000	3,459,080	4,203,700	17,771,378	50,393,908
Disposals	-	-	-	(3,292,511)	-	(3,292,511)
Transfers	-	-	-	-	-	-
At 30th June 2023	**213,754,600**	**158,959,527**	**36,838,701**	**141,110,966**	**164,192,445**	**714,856,239**
Depreciation and impairment						
At 1st July 2021	(119,844,910)	(84,452,165)	(16,936,081)	(73,728,354)	-	(294,961,510)
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)
Disposals	-	-	-	3,292,511	-	3,292,511
Depreciation	(14,250,669)	(18,505,225)	(2,998,480)	(23,292,788)	-	(59,047,162)
At 30th June 2023	**(147,387,013)**	**(125,217,074)**	**(22,931,893)**	**(122,295,761)**	**-**	**(417,831,741)**
Net book values						
Cost	213,754,600	158,959,526	36,838,701	141,110,966	164,192,445	714,856,238
Accumulated depreciation and impairment	(147,387,013)	(125,217,074)	(22,931,893)	(122,295,761)	-	(417,831,741)
At 30th June 2023	**66,367,587**	**33,742,452**	**13,906,808**	**18,815,205**	**164,192,445**	**297,024,497**
At 30th June 2022	**78,878,507**	**29,027,677**	**13,446,208**	**37,904,293**	**146,421,067**	**305,677,752**

Work in progress of Ksh. 146.4 million relates to renovation and partitioning of the EPRA head office and regional offices.

As at 30th June 2023, property and equipment with cost amounting to Ksh. 275.4 million were fully depreciated and intangible assets with cost amounting to Ksh. 114.8 million were fully amortized.

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

Figures in Kenyan Shilling	Cost	Normal Annual Depreciation charge
Furniture and fixtures	98,759,511	12,276,973
Motor vehicles	89,312,619	11,677,292
Office equipment	9,970,693	1,211,267
IT equipment	76,933,254	13,249,777
Intangible assets	114,781,004	28,734,724
Total	**389,757,082**	**67,150,033**

Figures in Kenyan Shilling	2022-2023	2021-2022
26) Intangible assets		
Reconciliation of intangible assets		
Cost		
Opening balance	115,415,454	115,415,454
Additions	2,998,600	-
Closing balance	**118,414,054**	**115,415,454**

Figures in Kenyan Shilling	2022-2023	2021-2022
Amortisation and impairment		
Opening balance	(112,320,806)	(112,320,806)
Amortisation	(3,873,529)	(6,520,645)
Closing balance	**(116,194,335)**	**(118,841,451)**
Made up as follows:		
Cost	118,414,054	115,415,454
Amortisation and impairment	(116,194,335)	(112,320,806)
Net book value	**2,219,719**	**3,094,648**
27) Payables under exchange transactions		
Suppliers	159,187,243	128,961,143
Accruals	3,879,846	6,553,346
	163,067,089	**135,514,489**

Ageing analysis-payables under exchange transactions	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	61,213,970	38 %	54,719,945	40 %
1-2 years	24,719,945	16 %	22,386,312	16 %
2-3 years	38,446,680	23 %	19,223,340	14 %
Over 3 years	38,686,494	23 %	39,184,892	30 %
	163,067,089	**-**	**135,514,489**	**-**

28) Payables under non-exchange transactions		
Figures in Kenyan Shilling	**2022-2023**	**2021-2022**
Deferred Income-Energy Act	15,900,051	13,309,501
Taxes and other statutory deductions	8,588,919	5,278,741
Other Employee payables	1,651,814	8,287,445
Deferred Income- Upstream Petroleum	258,191,507	194,182,493
Deferred Income-UNEP Project	10,224,800	437,450
	294,557,091	**221,495,630**

The deferred income movement is as follows:

	Deferred Income - Petroleum Upstream	Deferred Income - Energy Act	Deferred Income - UNEP Project	Total
Balance brought forward	194,182,493	13,309,501	437,450	207,929,444
Additions	75,000,000	5,600,000	9,787,350	90,387,350
Transfers to Capital fund	-	-	-	-
Transfers to income statement	(10,990,986)	(3,009,450)	-	(14,000,436)
Balance carried forward	**258,191,507**	**15,900,051**	**10,224,800**	**284,316,358**

Ageing analysis-payables under non-exchange transactions	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	75,000,000	5 %	10,112,368	5 %
1-2 years	194,182,493	66 %	194,182,493	87 %
2-3 years	15,402,023	10 %	3,489,523	2 %
Over 3 years	9,972,575	19 %	13,711,246	6 %
	294,557,091	**-**	**221,495,630**	**-**

29) Employee benefit obligations		
Figures in Kenyan Shilling	**2022-2023**	**2021-2022**
Senior Management Gratuity Payable	84,940,794	78,030,961
Contract Staff Gratuity Payable	2,424,792	2,795,260
Salary Payable	1,205,499	1,180,299
Other payroll benefits	14,347,807	9,465,893
	102,918,892	**91,472,413**

The Authority operates a pension scheme for all full-time permanent employees, which is remitted to the pension fund at the end of every month. The scheme is based on defined percentage of salary of an employee at the time of retirement. Contract staff are paid gratuity at the end of respective contracts. The Authority has a gratuity custody account with KCB Bank. Gratuity is paid at the end of the contract or upon termination of the contract as defined in the Human Resource policy.

The Authority also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Authority's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Ksh. 1,080 per employee per month.

30) Capital Replacement Reserve

Ksh. 55 million has been set aside as a sinking fund for capital replacement in compliance with Section 16(1) of the State Corporation Act.

31) Cash Generated in operations		
(Deficit) surplus	(78,791,839)	4,794,265
Adjustments for: Depreciation and amortisation expense	62,920,691	73,432,900
Changes in working capital: (Increase) Decrease in Inventories	(1,104,537)	(1,560,003)
(Increase) Decrease in Receivables from exchange transactions	(5,478,142)	(3,408,285)
(Increase) Decrease in Receivables from non-exchange transactions	(129,611,717)	(8,903,711)
Increase(Decrease) in Payables under exchange transactions	6,368,699	(13,137,818)
Increase (Decrease) in Payables under non-exchange transactions	89,016,765	229,720,577
Increase (Decrease) in Employee Benefit Provision	11,446,479	30,926,520
Cash Generated in operations	**(45,233,601)**	**311,864,445**

32) 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 risk: 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.

i) 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:

	Fully performing Ksh.	Past due Ksh.	Impairment Ksh.	Total
As at June 2023				
Receivables from non-exchange transactions	341,194,466	-	-	341,194,466
Receivables from exchange transactions	23,390,288	-	-	23,390,288
Bank Balances	273,743,321	-	-	273,743,321
	638,328,075	**-**	**-**	**638,328,075**
As at June 2022				
Receivables from non-exchange transactions	218,401,044	-	-	218,401,044
Receivables from exchange transactions	22,281,036	-	-	22,281,036
Bank Balances	359,750,477	-	-	359,750,477
	600,432,557	**-**	**-**	**600,432,557**

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.

ii) 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:

	Less than 1 Month	1 - 3 Months	Over 5 Months	Total
As at 30th June 2023				
Trade & other payables from exchange transactions	97,013,747	14,671,871	42,052,621	153,738,239
Deferred Income-Energy Act	-	-	15,900,051	15,900,051
Accrual	3,879,846	-	-	3,879,846
Taxes and other statutory deductions	8,588,919	-	-	8,588,919
Other Payables	1,470,437	-	-	1,470,437
Employee benefits obligation	98,037,478	-	-	98,037,478
UNEP Project	9,787,350	-	437,450	10,224,800
Deferred Income- Upstream Petroleum	-	-	258,191,507	258,191,507
	218,777,777	**14,671,871**	**316,581,629**	**550,031,277**
As at 30th June 2022				
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 Employee Payables	720,110	-	-	720,110
Employee benefits Obligation	91,472,413	-	-	91,472,413
UNEP Project	-	-	437,450	437,450
Deferred Income- Upstream Petroleum	-	-	194,182,493	194,182,493
	190,680,825	**4,314,337**	**245,920,036**	**440,915,198**

iii) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments.

a) Foreign currency risk

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

iv) Capital Risk Management

The objective of the Authority's capital risk management is to safeguard the entity's ability to continue as a going concern. The Authority capital structure comprises of the following funds:

	2022-2023	2021-2022
Retained Earnings	328,057,921	374,463,571
Capital replacement reserve	55,000,000	55,000,000
Less: Cash and Bank Balances	(255,273,661)	(322,360,486)
	127,784,260	**107,103,085**

33) Related party Disclosures

Transactions with related parties		
Purchases from related parties		
Purchases of Electricity from KPLC	6,197,061	6,197,061
Rent expenses paid to Government agencies (Lake Basin)	3,062,943	3,104,289
Training and Conferences fees paid to Government Agencies(KSG)	2,372,548	2,099,600
Transfers from the Government and other stakeholders		
Ministry of Petroleum and Mining	82,500,000	200,000,000
Energy Act	5,600,000	11,200,000
UNEP	9,787,350	-
Key management compensation		
Compensation to Senior Managers	104,505,931	92,483,125
Compensation to Director General	12,475,200	11,040,000
	116,981,131	**103,523,125**

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 Ksh. 55.3 million. 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 and.;

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

35) Events after the reporting period

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

36) Ultimate and Holding Entity

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

37) Currency

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

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	Status: (Resolved / Not Resolved)	Timeframe
1.	Differences in Reported Levies	The Authority undertook reconciliation of electricity levy payable by Kenya Power for the period 2019/2020-2021/2022. A total of Ksh.107,489,705.71 was identified as outstanding receivables and a demand letter was written to KPLC.	Resolved	
2.	Budget Control and Performance variance	Revenue was below projected budget due to high fuel prices and depressed economic environment leading to low consumption of electricity and petroleum products. Expenditure was below budget due to delayed staff recruitment, delayed procurement of some goods and services and due to some savings realized on some budget lines.	Resolved	
2.	Payment of Professional Fees without a Valid Contract	The PR consultancy was extended by three months from 1st September 2021 to 30th November 2021 through a letter to the service provider dated 5th November 2021. The service provider wrote back accepting the offer of extension within the stipulated time. The offer and acceptance letter was provided.	Resolved	
3.	Non-Compliance with Contractual Provisions	Credit notes were passed to reverse the invoices and the invoices posted in the subsequent period when they were due.	Resolved	
4.	Unapproved Special Board of Directors Meetings	EPRA wrote all the stated letters directly to the Cabinet Secretary, Ministry of Energy, seeking approval for the board meetings. The letters were received at the office of the Cabinet Secretary. The decision to delegate responsibility for approving the meetings rested with the Cabinet Secretary. Notice of the meetings were also copied to the Inspectorate of State Corporations as required.	Resolved	
5.	Payment of Retention Money Before Expiry of Defect Liability Period	Retention money was withheld in the certificates as prepared by the Project Manager who advised the Authority on the payment schedules upon completion of payment milestones. The last instalment of the contract amount of Ksh. 7,358,177.25 was paid on 14th September 2021 after the Project Manager had issued a defect liability certificate and certified the final payment. No defects were reported within the defect liability period.	Resolved	
6.	Employees on Acting Appointments between two (2) to five (5) years contrary to Section 34 of the Public Service Commission Act, 2017	Section 4.5.8 of the EPRA Human Resource Policies and Procedures Manual (June 2016) provides that appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. The Authority could not undertake recruitment because recruitment in the public service remained frozen for some time.	Resolved	

Mr. Daniel Kiptoo Bargoria
Director General
Date: 28th September 2023

Appendix II: Projects Implemented by the Authority

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 Ksh.	Where Recorded/recognized		
				Statement of Financial Performance	Deferred Income	Total Transfers During the Year
Ministry of Petroleum and Mining-Conditional	24/10/2022	Recurrent	75,000,000	18,490,986	64,009,014	75,000,000
Ministry of Petroleum and Mining-Non Conditional	25/01/2023	Recurrent	7,500,000	-	-	7,500,000
Nuclear Power and Energy Agency	20/07/2022	Recurrent	5,600,000	3,009,450	2,590,550	5,600,000
UNEP	31/05/2023	Donor Fund	9,787,350	-	9,787,350	9,787,350
			97,887,350	**21,500,436**	**76,386,914**	**97,887,350**

The Authority received Ksh. 82.5 million from Ministry of Petroleum and Mining, Ksh. 9.8million from UNEP-Electric Mobility Programme and 5.6 million from Nuclear Power and Energy Agency.

Appendix VI: Reporting of Climate Relevant Expenditures

Project Name	Project Description Project Objectives	Project Activities					Source Of Funds	Implementing Partners
			Q1	Q2	Q3	Q4		
N/A	N/A N/A	N/A	1	1	1	1	N/A	N/A

Appendix VII: Disaster Expenditure Reporting Template

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	**Sub-programme**	**Disaster Type**	**Category of disaster related Activity that require expenditure reporting (response/recovery/ mitigation/preparedness**	**Expenditure item**	**Amount (Ksh.)**	**Comments**
N/A	N/A	N/A	N/A	N/A		N/A

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