Energy & Petroleum Regulatory Authority

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2024

OUR MISSION

To facilitate sustainability in the energy and petroleum sector for improved livelihoods through regulation.

OUR VISION

A leading energy and petroleum regulator.

OUR RALLYING CALL

Quality energy, quality life.

OUR CORE VALUES

- Professionalism
- Integrity
- Responsiveness
- Accountability
- Innovativeness

THE YEAR AT A GLANCE

Issued 15,356 licences to businesses with operations in the downstream sector during the financial year.

Launched the strategic plan covering the financial year 2023/2024 - 2027/2028 marking the sixth planning cycle.

Approved and the truck loading tariff for KPRL for the tariff control period 2024/2025 to 2026/2027.

Approved the import handling and primary storage tariff levied at the Kipevu Oil Storage Facility (KOSF) and the KPRL.

Renewable energy sources dominated the generation mix accounting for 83% of total generation.

EPRA published the Electric Vehicles Charging and Battery Swapping Infrastructure Guidelines.

CONTENTS

ACRONYMS AND ABBREVIATION

AGPO	Access to Government Procurement Opportunities
BESS	Battery Energy Storage System
CAIDI	Customer Average Interruption Duration Index
COSSOP	Cost of Services for the Supply of Petroleum Products
CSR	Corporate Social Responsibility
DG	Director General
EHS	Environment, Health & Safety
EPRA	Energy and Petroleum Regulatory Authority
ERM	Enterprise Risk Management
ESCOs	Energy Service Companies
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 hours
HHI	Herfindhal Hirschman Index
HV	High Voltage
HVDC	High Voltage Direct Current
INFL	Inflation Adjustments
IPPs	Independent Power Producers
IPSAS	International Public Sector Accounting Standards (IPSAS)
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
Kms	Kilometer
KNBS	Kenya National Bureau of Standards
KNeCS	Kenya National Electric Cooking Strategy
KNEECS	Kenya National Energy Efficiency Conservation Strategy
KPC	Kenya Pipeline Company
KPLC	Kenya Power and Lighting Company
KTDA	Kenya Tea Development Agency
kV	Kilo volt
kVA	Kilowatt hour
kWh	Kilowatts
LCPDP	Least Cost Power Development Plan
LLCOP	Lokichar-Lamu Crude Oil Pipeline
LPG	Liquefied Petroleum Gas
LV	Low voltage
MEPS	Minimum Energy Performance Standards
MoEP	Ministry of Energy and Petroleum
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
OMCs	Oil Marketing Companies
OTS	Open Tender Systems
PPA	Power Purchase Agreements
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: The scenario represents a low growth trajectory where most of the government plans are not implemented. It is assumed that in this scenario economic development will be at the existing rate with no expected increase during the planning period.

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

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

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

Nominal capacity: Same as installed capacity.

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

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

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

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

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

Renewable energy sources: These are natural energy sources that are 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	17th January 2028
Mr. Daniel Kiptoo	Director General	Appointed as Acting Director General effective 14th December 2020 Confirmed on 30th June 2021	30th June 2024
Mr. Albert Mwenda	Representing National Treasury & Economic Planning	Appointed on 17th July 2020	-
Mr. Barnabus Ngeno	Representing Council of Governors	11th June, 2021	12th June 2024
Mr. Gabriel Kitumu	Alternate to the PS, State Department of Energy	25th April 2025	25th April 2026
Mr. Abdulkarim Mohammed	Alternate to PS State Department of Petroleum	13th February 2023	13th February 2026
Mr. Anthony Mbuthia	Board Member	8th September 2023	8th September 2026
Ms. Jennipher Long'or	Board Member	8th September 2023	8th September 2026
Mr. Daudi Huka	Board Member	8th September 2023	8th September 2026
Ms. Jane Masai	Board Member	13th October 2023	13th October 2026

Management

Name	Designation
Mr. Daniel Kiptoo	Director General
Mr. Robert Mahenia	Acting Corporation Secretary & Director Legal Services
Eng. Edward Kinyua	Director Petroleum & Gas
Eng. Joseph Oketch	Director Electricity & Renewable Energy
Dr. John Mutua	Director- Economic Regulation & Strategy
Mr. Simeon Cheplel	Director Corporate Services
Ms. Loise Thuge	Deputy Director Supply Chain Management
Ms. Everlyne Orenge	Director Internal Audit and Risk Assurance
Major Augustine Ouma	Acting Director Public Education, Advocacy and Consumer Protection

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Contacts	Telephone: +254 709 336 000/ 020 284 7000 Email: info@epra.go.ke Website: www.epra.go.ke
Bankers	Kenya Commercial Bank Moi Avenue Branch P.O. Box 48400 – 00100 NAIROBI National Bank of Kenya Harambee Avenue P.O. Box 41862 – 00100 NAIROBI Commercial Bank of Africa Upperhill Branch P.O. Box 30437 - 00100 NAIROBI
Auditors	Auditor General Anniversary Towers P.O. Box 30034 – 00100 NAIROBI Principal Legal Advisor Attorney General State Law Office P.O. Box 40112 – 00100 NAIROBI

CHAIRMAN’S STATEMENT

I am pleased to present the Energy and Petroleum Regulatory Authority’s (EPRA) Annual Report and Financial Statements for the year ended 30th June 2024. During the year under review, the Authority laid strong foundations for transformative growth through strategic planning, robust regulatory interventions, and enhanced stakeholder engagement, as we continued to steer Kenya’s energy and petroleum sector towards greater efficiency, sustainability, and inclusivity.

A key milestone was the commissioning of the Authority’s Strategic Plan 2023/24–2027/28, marking EPRA’s sixth planning cycle. The Plan articulates a bold vision anchored on six strategic result areas aimed at positioning EPRA as a leading regulator within a dynamic and rapidly evolving energy and petroleum landscape. These strategic pillars, sector growth and development; research and innovation; data management; consumer protection and awareness; partnerships and collaboration; and institutional capacity development, are deliberately aligned with national, regional, and global development frameworks, including the Bottom-Up Economic Transformation Agenda (BETA), the Sustainable Development Goals (SDGs), and the African Union’s Agenda 2063, “The Africa We Want.”

The operating environment during the period demonstrated notable economic resilience, with real Gross Domestic Product (GDP) expanding in 2023, supported by positive performance across key sectors. Favorable weather conditions boosted agricultural productivity and overall economic activity, while targeted Government policy interventions contributed to improved energy access and affordability. Notably, the removal of Value Added Tax (VAT) on Liquefied Petroleum Gas (LPG) through the Finance Act, 2023, coupled with the implementation of the National LPG Growth Strategy, has accelerated adoption. The strategy aims to increase per capita LPG consumption to 15 kilograms by 2030, reinforcing the transition to cleaner cooking solutions.

In line with its consumer protection mandate, the Authority intensified fuel quality assurance, market surveillance, and compliance monitoring to safeguard consumers from substandard products and to uphold industry standards across the sector.

Notwithstanding these gains, the year was not without challenges. Persistent global energy price volatility, driven largely by international oil price fluctuations, continued to exert upward pressure on energy prices, adversely impacting the cost of living. In response, the Authority engaged closely with Government to mitigate these effects through targeted subsidy programmes for price-regulated petroleum products, while continuing to balance market stability with investor confidence.

The Authority remains steadfast in fulfilling its mandate as provided under the Energy Act, 2019 and the Petroleum Act, 2019, guided by the principles of transparency, accountability, and stakeholder inclusivity.

In closing, I extend my sincere appreciation to the National and County Governments, industry players, development partners, and all Kenyans for their continued support and collaboration. I particularly commend the dedication and professionalism of the Board, Management, and staff of the Authority for another successful year, marked by their unwavering commitment to excellence and to meeting stakeholder expectations.

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

DIRECTOR GENERAL'S STATEMENT

We recognize that we regulate an industry that serves as a critical enabler of all other sectors, a position we hold with privilege, while fully appreciating the high expectations of our primary stakeholders and the Kenyan public.

During the review period, the Authority continued to play a pivotal role in shaping the evolution of Kenya's power system. A key milestone was the gazettement of the Energy (Net Metering) Regulations 2024, which provide a framework for prosumers to bank excess energy on the grid, thereby promoting the uptake of renewable energy. This initiative aligns with Section 162 of the Energy Act, empowering consumers with generators of up to one megawatt (1 MW) to enter into net metering arrangements with electricity distributors and retailers, including Kenya Power and Lighting Company.

The resurgence in economic activity during the year drove record electricity peak demand, reaching 2,177 MW by June 2024. The Government's commitment to achieving universal electricity access remains unwavering, with 9,659,877 customers connected by the end of the period. Kenya's total installed electricity generation capacity stood at 3,243 MW, comprising hydroelectric, geothermal, thermal, wind, solar, and biomass sources, complemented by 43.77 MW from isolated public mini-grids.

Strategic infrastructure additions further strengthened the sector. The Sossian Geothermal Power Plant commenced full commercial operations in October 2023, contributing 35 MW to the Central Rift region and enhancing supply reliability. Additionally, the Kenya–Ethiopia 200 MW HVDC interconnection, which began full commercial operations on 1st December 2023, significantly expanded Kenya's regional power import and export capabilities, reinforcing energy security and integration.

In the petroleum sub-sector, the Authority issued 15,366 business licenses by June 2024, even as the sector continued to experience growth in consumption, reflecting Kenya's expanding energy needs.

Financially, the Authority recorded a 65% increase in petroleum levy revenue and an 82% increase in electricity levy revenue compared to the previous year. Total non-exchange revenue grew by 77%, while recurrent expenditure rose by 38%. The Authority's total asset base expanded by 52%, with strong growth in both current and non-current assets. Current liabilities increased by 79%, while total equity grew by 13%, reflecting both the Authority's operational efficiency and prudent financial management.

I extend my sincere gratitude to the dedicated staff of EPRA, our esteemed Board of Directors, and all stakeholders for their unwavering support throughout the year. Your commitment has been instrumental in advancing Kenya's energy sector and ensuring that the Authority continues to deliver on its mandate with excellence, driving sustainable growth, reliability, and innovation across the industry.

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 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 degree 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
Principal Secretary, State Department for Petroleum

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. 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
Alternate to Principal Secratary, National Treasury

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. Gabriel Kaunda Kitumu
Alternate to the Principal Secretary, State Department for Energy

Mr. Gabriel Kaunda is currently the Director of Planning in the Central Planning and Project Monitoring Unit at the State Department for Energy, Ministry of Energy and Petroleum. He previously served at the same level at the State Department for Devolution, at the Office of the Deputy President.

Mr. Kaunda has vast experience in trade negotiations (COMESA Free Trade Area and COMESA Customs Union), International Trade statistics and social statistics, Monitoring and Evaluation and national development planning spanning over 30 years. He previously worked in the ministries of Trade and Industry, Tourism and Health.

He holds a Master of Science, Bachelor of Statistics and Post Graduate Diploma from the University of Nairobi. He has several professional qualifications from various institutions across the world in Monitoring & Evaluation and International trade statistics.

Mr. Diba Daudi Huka
Board Member

Mr. Diba Daudi Huka is a results-driven business management leader with over 25 years of experience in the banking and finance sector.

His extensive professional journey includes a distinguished tenure at Barclays Bank, where he showcased a remarkable proficiency. He has expertise in assessing creditworthiness, minimizing debt losses, increasing sales and risk management.

He holds a Bachelor of Commerce (Finance) from the University of Nairobi, a Diploma in Credit Management from KASNEB and is currently pursuing a Master of Science in Finance & Accounting from the University of Nairobi.

Mr. Anthony Gachau
Board Member

Mr. Anthony Gachau's career spans over 12 years of executive management experience overseeing strategic leadership, operational oversight, training and mentorship across various organizations.

Ms. Jennipher Nawoi Long'or
Board Member

Ms. Jennipher Nawoi Long'or brings an impressive wealth of experience, accumulating over fifteen (15) years of dedicated service across diverse sectors such as public administration, corporate entities, and Non-Governmental Organizations (NGOs). Her expertise spans Public Sector Management, Policy Formulation, and Accounting and Financial Management.

She has previously worked for Oxfam, Norwegian Refugee Council, Turkana University College, and currently works as CEO/programme Coordinator Turkana Development Trust (TDT).

She holds a Bachelor's degree in Commerce (Finance) from Kenyatta University and a Master of Science degree in Energy Studies with Specialization in Energy Finance from University of Dundee, Scotland.

Mr. Abdulkarim Mohamed
Board Member

Mr. Abdulkarim Mohamed is an accomplished professional with a diverse and extensive background in Public Administration. He holds a Bachelor of Arts degree from Kenyatta University and a Post Graduate Diploma in Public Administration.

He is currently serving as the Deputy Head of Administration in the Ministry of Energy and Petroleum. His previous roles span across key ministries, including Petroleum and Mining, Industry, Trade, Cooperatives, East African Affairs, Commerce, Tourism, and Education, reflecting a broad and comprehensive understanding of different governmental sectors.

Ms. Jane Cheptoo Masai
Board Member

Ms. Jane Cheptoo Masai is a seasoned legal professional with a dynamic presence across prominent legal associations. With over 12 years of practice as an Advocate of the High Court of Kenya, she boasts a wealth of experience and expertise.

Her affiliations include memberships in the Law Society of Kenya, the Federation of Women Lawyers, the East Africa Law Society, and the Commonwealth Lawyers Association. She holds a Bachelor of Laws Degree (LL.B.) from Moi University a Diploma in Law.

Who Leads Us

Mr. Daniel Kiptoo Bargoria
Director General

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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.

Robert Mahenia
Acting Corporation Secretary & Director of Legal Services

Robert is an advocate of the High Court of Kenya, a Certified Public Private Partnerships (PPP) Specialist, and holds a Master of Laws in Petroleum & Policy from the University of Dundee.

He has previously held a senior legal role at Kenya Power and in private practice. He has deep expertise in legislation, policy drafting, project finance and PPPs.

Dr. John M. Mutua (PhD)
Director, Economic Regulation

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).

Ms. Loise Thuge
Deputy Director, Supply Chain Management

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.

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
Director, Petroleum and Gas

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.

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. Joseph Oketch
Director, Electricity & Renewable Energy Directorate

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. 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).

Major (Rtd.) Augustine Ouma
Acting Director Public Education, Advocacy and Consumer Protection

Major (Rtd.) Augustine Ouma is a distinguished military veteran with a wealth of experience in military engineering, disaster response, and energy regulation.

Before joining EPRA, he worked at Kenya Power and Lighting Company (KPLC) focusing on power distribution security.

He hold a Masters in Public Policy (Homeland Security Coordination) from Walden University.

Mr. Marona K. Cheplel
Director Corporate Services

In his role, as the Director of Corporate Services, Mr. Cheplel is responsible for formulating and implementing strategies and policies related to Finance & Accounts, Human Resources and Administration (HRA), Information Communication and Technology (ICT), and Corporate Communications.

He holds a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor's degree in Economics. He is also a Certified Public Accountant (CPAK) and a reputable member of Institute of Certified Public Accountants of Kenya (ICPAK).

Mr. Cheplel has over 17 years of professional experience in Financial Management, Auditing, and Corporate Governance within the public sector.

Before joining EPRA, Mr. Cheplel contributed his skills and knowledge to various public institutions, including the Higher Education Loans Board (HELB), County Government of Uasin Gishu, Kenya National Commission for UNESCO, and the Kenya Institute of Curriculum Development. Additionally, he served as a Board Member at the Eldoret Water & Sanitation Company.

Evelyne Orenge
Director, Internal Audit and Risk Assurance

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 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).

01 ESTABLISHMENT AND MANDATE OF THE AUTHORITY

1.1 Legal, Policy & Regulatory Framework

The Energy and Petroleum Regulatory Authority (EPRA) is established under section 10 of the Energy Act Cap. 314 as Kenya's energy sector regulatory agency responsible for economic and technical regulation of electric power, renewable energy, coal and coal bed- methane, upstream, mid and downstream petroleum sub-sectors. Additionally, the Authority is tasked with implementing the Petroleum Act Cap 308.

In execution of its mandate, the Authority is governed by the Constitution of Kenya, 2010, the Energy Act Cap 314 and Petroleum Act Cap 308, regulations, policies, standards and codes.

1.1.1 The Constitution

The Constitution binds all individuals and state agencies at national and county 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 to ensure equitable sharing of the benefits derived from these resources. The Constitution therefore entitles all Kenyans to affordable, reliable and sustainable energy access.

1.1.2. Statutes

The mandate and functions of the Authority are primarily anchored in the Energy Act, Cap 314 (hereinafter referred to as "Energy Act"), and the Petroleum Act Cap 308. (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 petroleum and petroleum products.

1.1 3 Policies

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, quality energy which supports 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, 2021

This policy is a revision of the 2012 FiT Policy with substantial changes introduced on the development of renewable energy projects in Kenya to align with the Energy Act, and other recent developments in the Kenyan energy sector. The policy has now been limited to small scale biomass, biogas and small hydro projects of up to 20 MW.

(iii) Kenya National Cooking Transition Strategy & Kenya National Electric Cooking Strategy (KNeCS) 2024:
These strategies aim to accelerate the transition from traditional biomass to clean cooking solutions, with a goal of achieving universal access to clean cooking by 2030.

(iv) Bioenergy Strategy 2020-2027
This strategy's objective is to promote sustainable production, distribution, and utilization of bioenergy as a clean source of energy.

(iv) Kenya Energy Transition & Investment Plan (ETIP) 2023–2050
This plan outlines the pathway for Kenya's equitable energy transition, with targets for massive deployment of solar PV, onshore wind, and geothermal energy to reach an almost fully decarbonized power system by 2040.

(v) Kenya National Energy Efficiency Conservation Strategy (KNEECS) 2022
Aimed at facilitating transition to energy efficient systems, enhance energy conservation, and promote affordable and sustainable energy for all citizens.

(vi) Green Hydrogen Strategy and Roadmap: September 2023
This roadmap supports the exploration of emerging technologies like green hydrogen to substitute fossil fuels in various sectors and aid decarbonization.

1.1.4 Regulations

i) 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, LPG, electricity, energy efficiency, and renewable energy. Some of key regulations currently under formulation and review are highlighted below:

ii) The Energy (Electricity Tariffs) Regulations 2024 designed to ensure a fair and transparent energy sector by promoting competition and efficiency in the electricity market, allowing non-discriminatory open access to transmission or distribution systems for use by licensees or eligible customers;

iii) The Energy (Regulatory Accounts) Regulations 2024 are a set of guidelines that govern the financial reporting and accounting practices of energy licensees in Kenya;

iv) The Energy (Integrated National Energy Plan) Regulations 2024 provide a framework for energy planning to ensure universal energy access, drive sustainable development and enhance climate resilience;

v) The Energy (Rural Electrification Program Fund) Regulations 2024 are intended to govern the management of funds collected for the implementation of the rural electrification strategy;

vi) The Energy (Consolidated Energy Fund) Regulations 2024 establish the Consolidated Energy Fund to support the energy sector disaster mitigation, hydro risk mitigation, operations of the Agency and promotion of renewable energy;

vii) The Energy (Net Metering) Regulations 2024 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) The Energy (Solar Photo Voltaic Systems) Regulations 2024 govern the installation and operation of solar voltaic systems and apply to manufacturers, importers, vendors, technicians, contractors, system owners and consumer devices;

ix) The Energy (Mini grids) Regulations 2024 are designed to support the growth of mini-grid development and apply to mini grids with an installed capacity of up to 1MW and provide a clear framework for their development and operation;

x) The Energy (Energy Management) Regulations 2024 which aim to improve energy efficiency and conservation among industrial, commercial and institutional facilities;

xi) The Energy (Solar Water Heating) Regulations 2024 aim to promote the use of solar water heating systems in Kenya and are part of a broader effort to increase the adoption of renewable energies;

xii) The draft Petroleum (Information and Statistics) Regulations, 2021 which are a revision of the Energy (Petroleum Information and Statistics) Regulations, 2013;

xiii) The draft Petroleum (Licensing of Petroleum Road Transportation Business, Road Tankers and Drivers) Regulations, 2021 which are a revision of the Energy (Licensing of Petroleum Road Transportation Business) Regulations, 2013;

xiv) The draft Petroleum (Business Licensing and Facility Construction) Regulations, 2021 which are a revision of the Energy (Licensing of Petroleum Logistics Business and Facility Construction) Regulations, 2013;

xv) The draft Petroleum (Minimum Operational Stock) Regulations, 2021 which are a revision of the Energy (Minimum Operational Stock) Regulations, 2008;

xvi) The draft Petroleum (Strategic Stock) Regulations, 2021 which are a revision of the Energy (Petroleum Strategic Stock) Regulations, 2008;

xvii) The draft Petroleum (Retail Station Construction and Licensing) Regulations, 2021 which are a revision of the Energy (Retail Station Construction and Licensing) Regulations, 2013;

xviii) The draft Petroleum (Operation of Common User Petroleum Facilities) Regulations, 2021 which are new regulation aimed at operationalizing Section 94 of the Petroleum Act;

xix) The draft Petroleum (Lubricants Facility Construction and Business Licensing) Regulations, 2021 which are new regulations developed in line with Section 101 (dd) of the Petroleum Act; and

xx) The draft Petroleum (Products Quality Management) Regulations, 2021 which are a revision of the Petroleum (Amendment) Rules, 2000

02 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 and Petroleum. 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 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 regarding 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.

Apart from members representing the National Treasury and the Ministry of Energy and Petroleum (MoEP), a member serving in the Audit and Risk Committee shall not be an appointed member of the Finance and Administration Committee and vice versa.

2.8.1 Finance and Administration Committee

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

The FAC held six meetings during the year.

Members of the Committee are as listed;

Members of the Committee as at June 2024	
Chair	Ms. Jennipher Nawoi
Member	Mr. Albert Mwenda (Alternate to PS National Treasury)
Member	Mr. Abdulkarim Mohamed (Rep. MoEP)
Member	Mr. Barnabas Ngeno (Rep. Council of Governors)
Member	Mr. Daniel Kiptoo, OGW (Director General)

2.8 2 Technical Committee

The Technical Committee is chaired by an independent Board member and convenes quarterly, or on need basis. This Committee offers strategic technical guidance to the Authority and recommends regulatory activities, network agreements, licenses and tariffs for approval by the Board. The Technical Committee held seven meetings during the year.

Members of the Committee are;

Members of the Committee as at June 2024	
Chair	Mr. Anthony Gachau
Member	Mr. Barnabas Ngeno
Member	Mr. Abdulkarim Mohamed (Rep. MoEP)
Member	Mr. Diba Daudi Huka
Member	Ms. Jane Masai
Member	Mr. Daniel Kiptoo, OGW (Director General)

2.8.3 Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent Board member and convenes quarterly, or on need 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 three meetings during the year. Members of the Committee are;

Members of the Committee as at June 2024	
Chair	Mr. Diba Daudi Huka
Member	Mr. Albert Mwenda (Alternate to PS National Treasury)
Member	Mr. Anthony Gachau Mbuthia
Member	Ms. Jane Masai
Member	Ms. Jennipher Nawoi

Additionally, the Authority has a Pension Scheme with representatives from the Board serving as Trustees. The Pension Committee held four meetings during the year. Members of the Committee are:

Members of the Pension Committee as at June 2024		
1.	Ms. Jennipher Nawoi	Chair
2.	Mr. Barnabas Ngeno	Rep. Council of Governors

NUMBER OF SCHEDULED MEETINGS AND ATTENDANCE

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

Board of Directors	Designation	Board Meeting Total No. of Meetings (12)	Finance & Administration Committee - Total No. of Meetings (6)	Technical Committee - Total No. of Meetings (7)	Audit & Risk Committee - Total No. of Meetings (3)	Pension Board Meetings (4)
Prof. Justice Jackton Ojwang	Board Chairman	12/12	N/A	N/A	N/A	N/A
Mr. Antony Gachau	Member	9/12	N/A	5/7	N/A	N/A
Ms. Jane Masai	Member	8/12	N/A	4/7	2/3	N/A
Ms. Jennipher Nawoi	Member	8/12	1/6	N/A	2/3	¾
Mr. Diba Huka	Member	6/12	N/A	5/7	N/A	N/A
Mr. Barnabas Ngeno	Rep. Council of Governors	12/12	5/6	N/A	N/A	¾
Mr. Albert Mwenda	Rep. National Treasury	2/12	0/6	N/A	1/3	N/A
Mr. Abdulkarim Mohamed	Rep. MoEP	9/12	5/6	5/7	N/A	N/A
Mr. Gabriel Kitumu	Rep. MoEP	2/12	N/A	N/A	N/A	N/A
Mr. Daniel Kiptoo Bargoria, OGW	Director General	8/12	6/6	5/7	N/A	N/A

2.9 Corporation Secretary

The Corporation Secretary is responsible for coordinating Board business and serves as advisor to the Board and guides on governance and statutory matters.

2.10 Board Induction and Skills Development

The Board Directors are inducted to understand the Authority's mandate, structure operations, and the legal instruments. The program may involve field visits, meeting with utilities and other stakeholders.

The Board directors further undertake continuous development programmes to enhance their knowledge of the energy and petroleum sectors, emerging trends and corporate governance.

2.11 Board Evaluation

The Mwongozo Code of Governance for State Corporations require 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:

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 and undertakes corrective measures for the challenges that may be highlighted.

2.12 Remuneration of the Board of Directors

The remuneration of Board Directors is determined by the Salaries and Remuneration Commission (SRC). The remuneration comprises of sitting allowance payable to Board directors when attending to the Authority's business and an allowance paid monthly in arrears. Where transport is not provided, Board directors are paid at prevailing Automobile Association (AA) mileage rates.

2.13 Code of Governance

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 is required to be objective and ethical in executing its oversight mandate. It has therefore enacted a Board Charter that guides it in handling its business effectively and efficiently. The Board adheres to the following principles which are anchored in the Board Charter:

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

2.14 Conflict of Interest

The Authority maintains a conflict of interest register for the Board where such interest is recorded. All Board Directors 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 Directors are required to declare any conflict of interest.

The Board members are also 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.

03 STATUS OF THE INDUSTRY

3.1 Overview of the National Economy

In 2024, Kenya's real Gross Domestic Product (GDP) grew by 4.7%, down from the revised 5.7% recorded in 2023. Most sectors recorded positive performance, with Agriculture, Forestry and Fishing expanding by 4.6% compared to 6.6% in the previous year. Financial and Insurance, Transportation and Storage, and Real Estate sectors also grew by 7.6%, 4.4%, and 5.3% respectively.

The construction sector contracted by 0.7% while Mining and Quarrying experienced a sharper decline of 9.2% compared to a 6.5% contraction in 2023. This was largely due to reduced production of key minerals including construction materials, titanium, crude salt and gemstones.

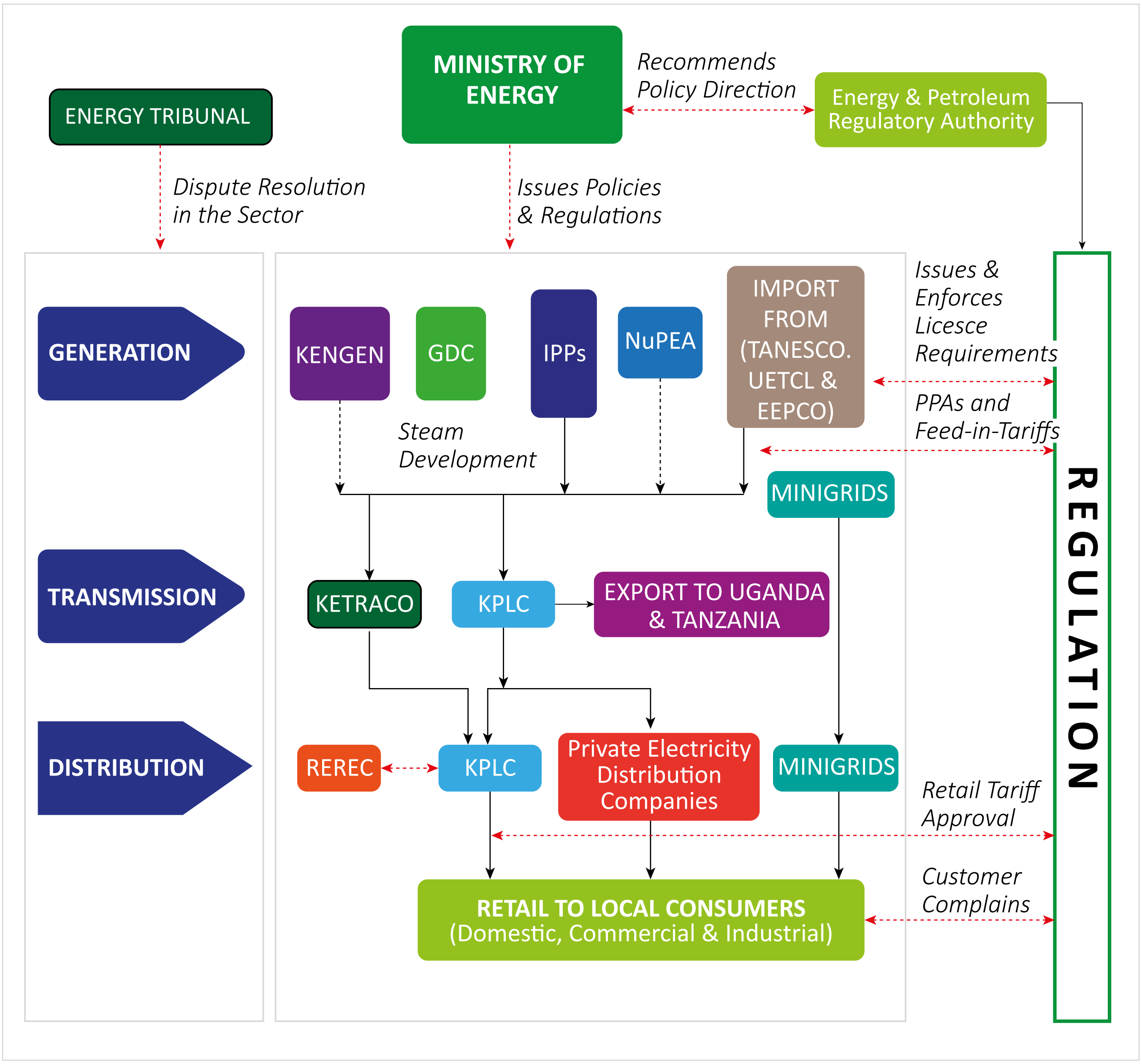
The Central Bank Rate (CBR) was adjusted upwards from 12.50% in December 2023 to 13.00% in March 2024, before being reduced to 12.75% in September and further to 11.25% in December 2024. The interbank rate eased slightly from 11.65% in December 2023 to 11.45% in December 2024, while the average interest rate on commercial bank loans and advances increased from 14.63% to 16.89% over the same period. The overall liquidity ratio improved from 56.8% in December 2023 to 58.4% in December 2024. Additionally, credit to the private sector rose from KSh. 4,707.2 billion in December 2023 to KSh. 4,751.6 billion in December 2024.

The Kenyan economy is expected to strengthen in 2025 and maintain positive momentum over the medium term.

3.2 The electricity subsector

3.2.1 Organization of the electricity subsector

Kenya's electricity 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 electricity, renewable energy, 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)** is responsible for developing, maintaining and operating all new high voltage (132kV and above) electricity transmission infrastructure and are the designated system operator.

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

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

i) **Geothermal Development Company (GDC)** is responsible for undertaking surface exploration of geothermal fields, 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.

3.2.2 Performance of the Electricity Subsector

3.2.2.1 Electricity supply

Figure 3.1 presents the installed capacity by energy source during the review period.

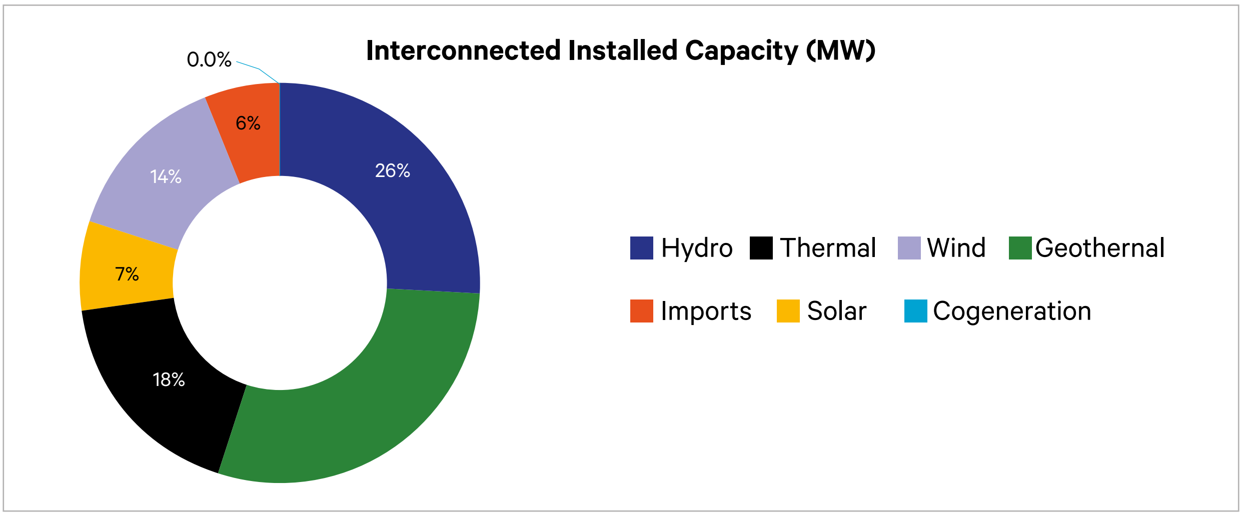


Figure 3.1: Interconnected Installed capacity by energy source during the Financial Year 2023/2024

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 taking the lead. The country's installed and effective generation capacities remained steady between 30th June 2023 and 30th June 2024 maintaining a total installed capacity of 3,199.9 MW and an effective capacity of 3,030 MW in both years. As of June 2024, geothermal and hydro accounted for 55% of the total installed capacity, while solar and wind generation comprised 21%.

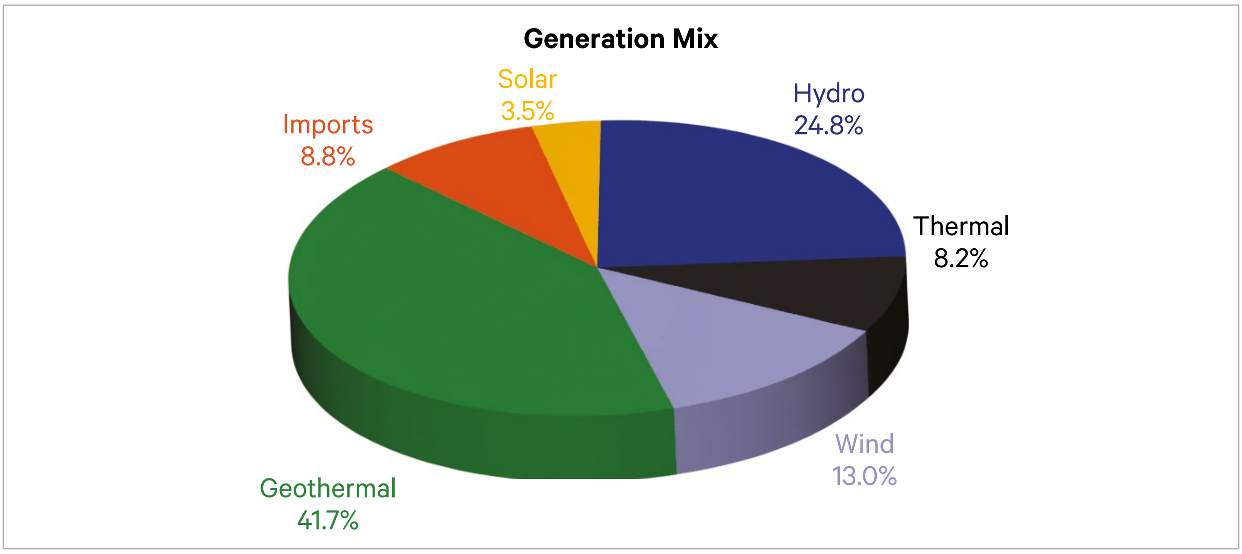


Figure 3.2: Electricity generation mix during the Financial Year 2023/2024

Renewable energy sources accounted for 83% of the generation mix. This is an improvement from 78% in the previous year. Thermal plants contributed 8.2%, while 8.8% was imported from neighboring Ethiopia and Uganda. Notably, 90% of the imported electricity is generated from hydropower.

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

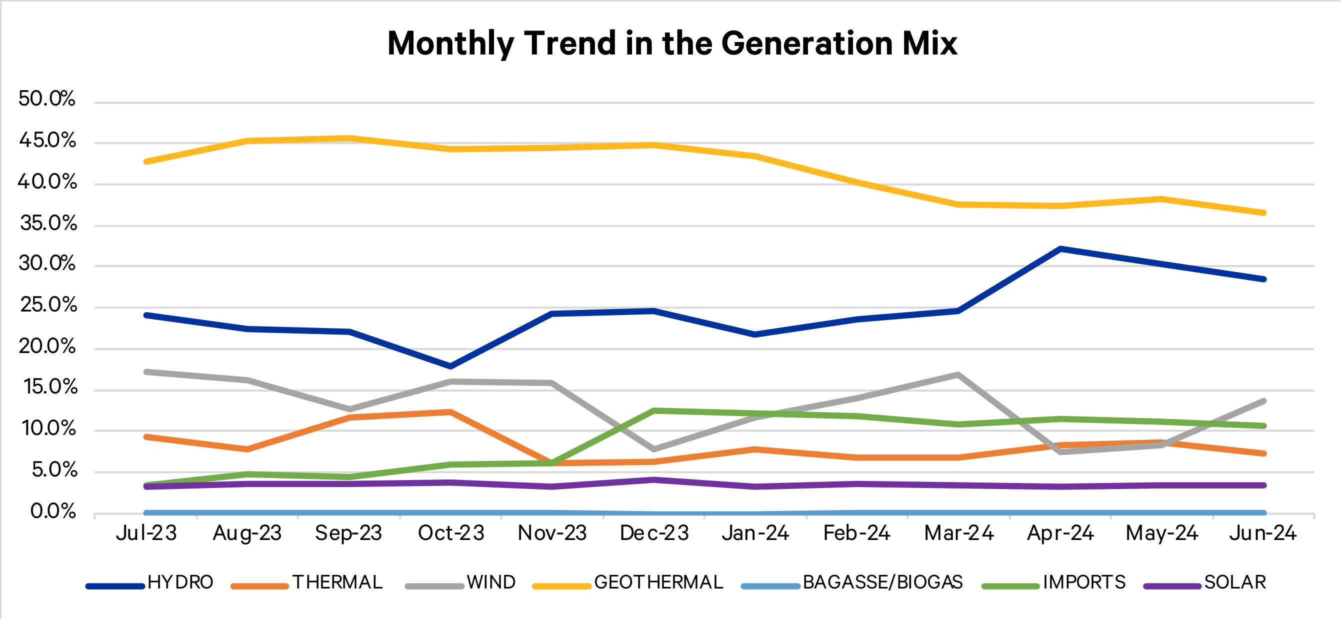


Figure 3.3: A monthly trend in the energy generation mix during the financial year 2023/2024

Contribution from hydropower to the energy mix increased by 31.47% from 2,569.18 GWh in June 2024 to 3,377.58 GWh in June 2024. This is attributed to improved hydrology from November 2023 to June 2024.

Geothermal energy contribution decreased by 5.42% to a monthly average contribution of 41.71%. The reduction is partly due to the decommissioning of the 45 MW Olkaria I power plant and an increase in hydro generation and electricity imports during the period. Hydro energy contributed 24.7% of the total electrical energy generated, wind 13.1%, and solar 3.5%.

3.2.2.2 Energy Purchases

Figure 3.4 provides a trend of energy purchases from the financial year 2019/2020.

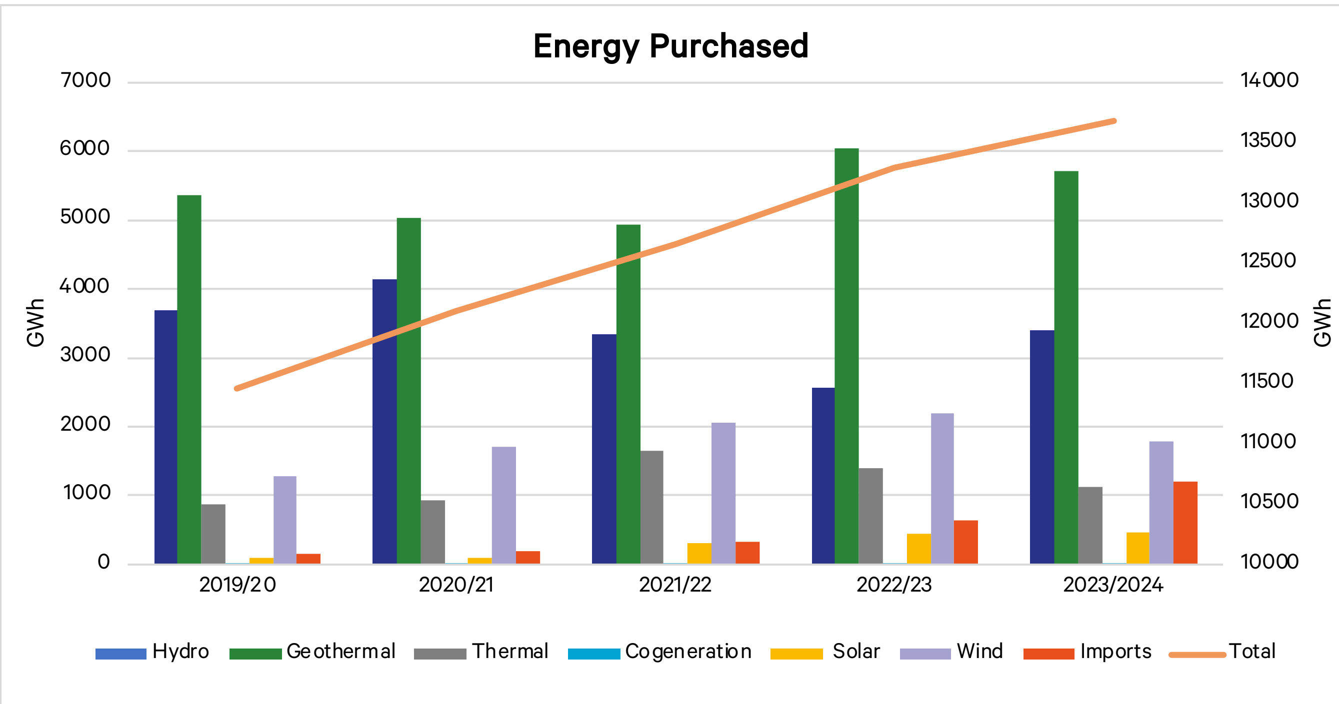


Figure 3.4: A trend of the energy purchased from the financial year 2019/2020 to 2023/2024

Energy purchased from thermal sources declined to 8.2% of the total energy purchased in the year ending June 2024, compared to 10.52% in the previous financial year. This decline is attributed to a shift towards prioritizing renewable energy sources over thermal power. Energy purchased from wind decreased to 13.1%, down from 16.6% in the previous financial year. This decline is attributed to a reduction in output from wind generation plants.

3.2.2.3 Electricity Demand and Consumption

The period ending June 2024 recorded gradual increment in peak demand as illustrated in figure 3.5.

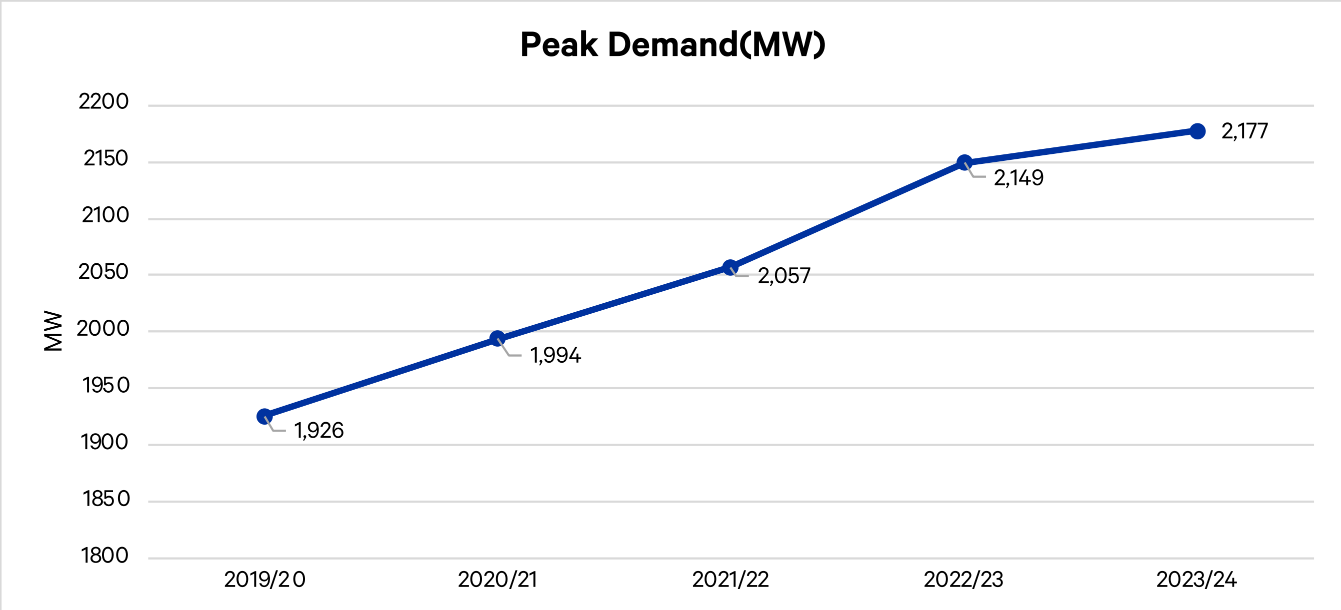


Figure 3.5: A trend in the system peak demand from the financial year 2019/2020 to 2023/2024

The peak demand for the period recorded was 2,177MW, attributed to an increase in economic activities within the country.

Customer connections to the grid increased by an estimated 4.85% as illustrated in figure 3.6.

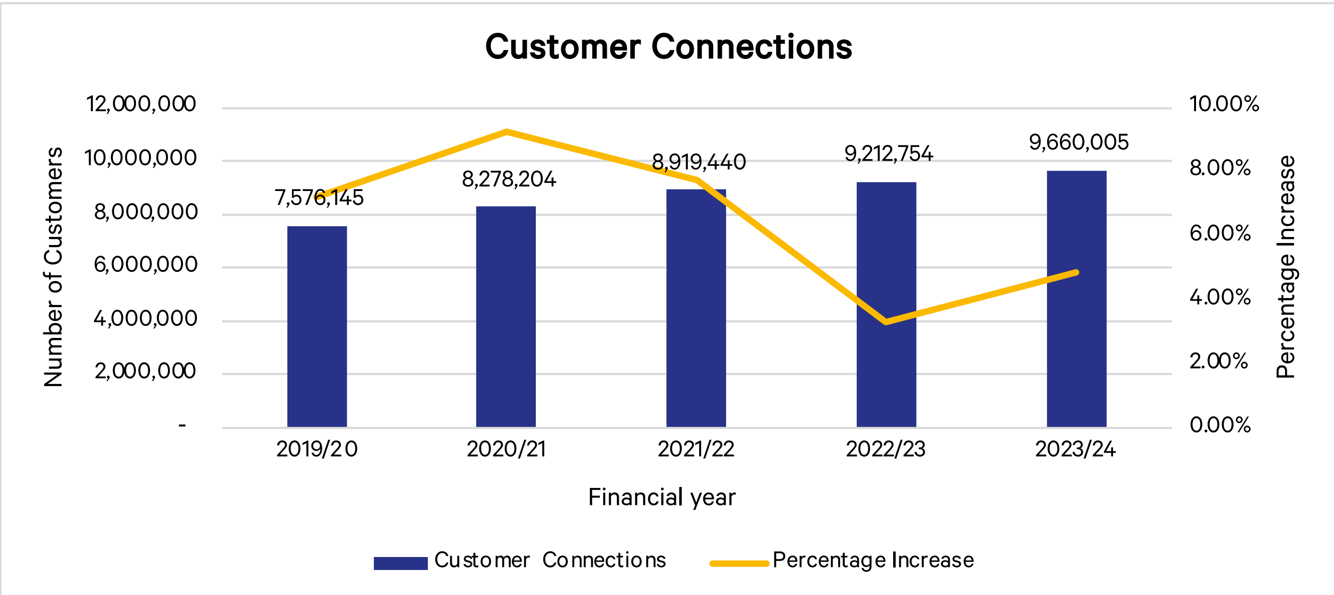


Figure 3.6: A trend in cumulative customer connections from the financial year 2018/2019 to 2023/2024

The number of electricity connections has continued to rise over the years, driven by economic growth, increased investments, and targeted policies aimed at expanding access. However, the annual growth rate of new connections has slowed over the past five years, largely because fewer households remain unconnected following the government's earlier efforts to achieve universal electricity access.

Figure 3.7 provides a summary of consumption trends across different customer categories.

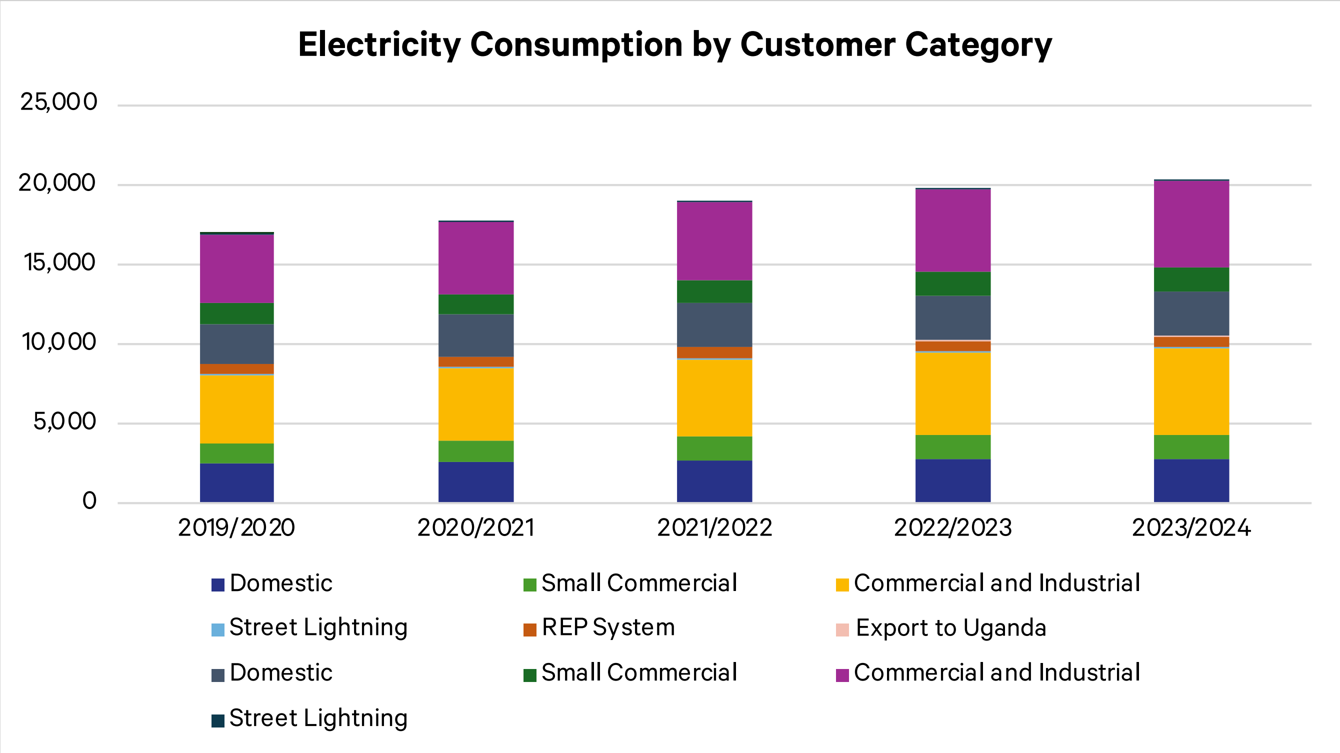


Figure 3.7: Electricity Sales Based on Customer Category from the Financial Year 2019/2020 to 2023/2024

As illustrated in figure 3.7, electricity consumption has risen steadily over the past 5 years. This upward trend is expected to continue, supported by population growth, accelerating urbanization, ongoing government electrification programmes, and increased demand from the manufacturing, agricultural and other sectors.

3.2.2.4 Electricity Transmission and Distribution

The total length of the transmission and distribution network and related substations has continued to increase over the last five financial years as shown in figure 3.8.

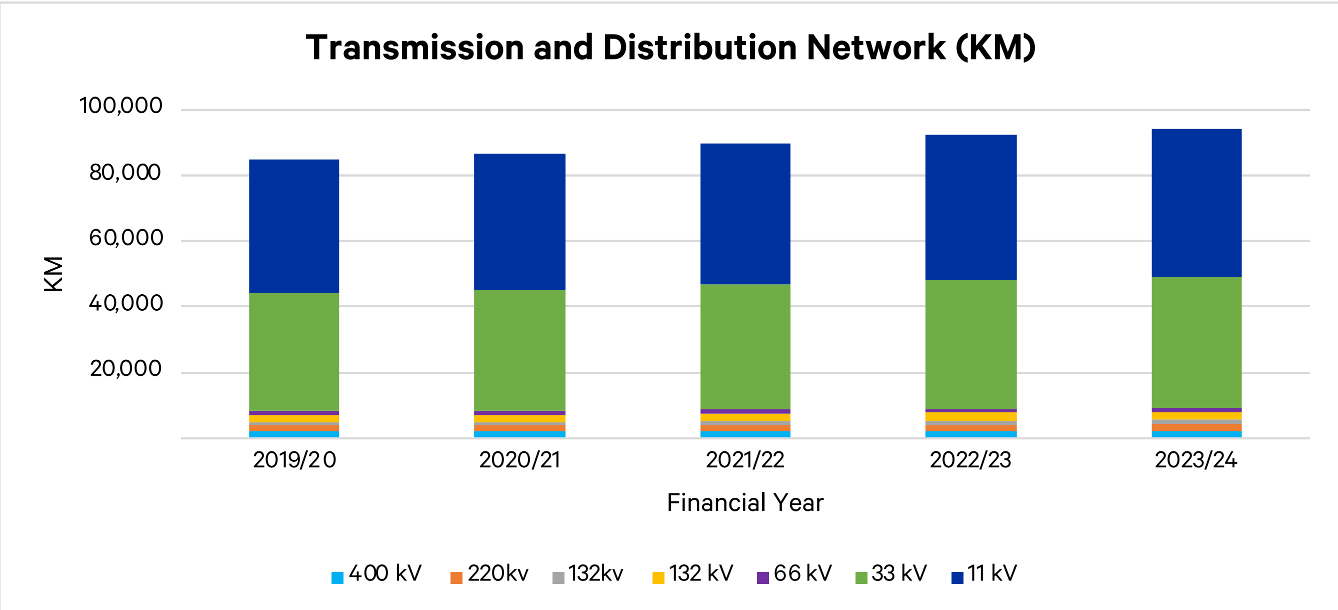


Figure 3.8: A trend in the growth of transmission and distribution network from the financial year 2019/2020 to 2023/2024

During the period under review, the total network transmission and distribution (T&D) network expanded from 311,231 km to 320,762 km, representing a 3% increase.

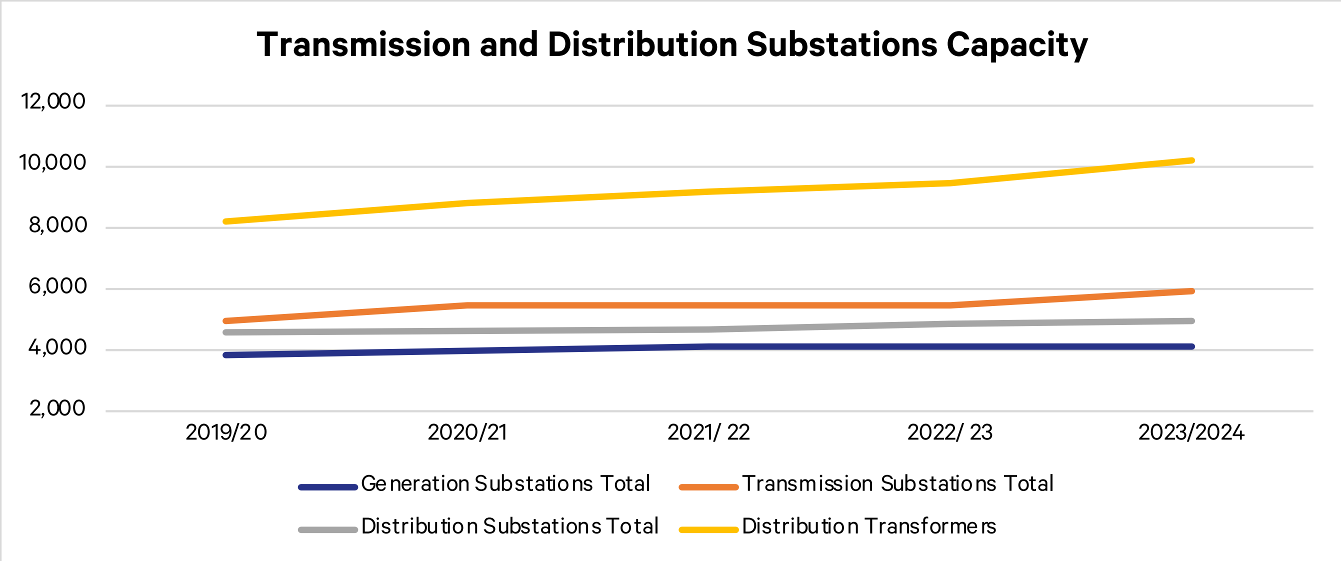


Figure 3.9: A trend in the growth of transmission and distribution substations capacity from the financial year 2019/2020 – 2023/2024

3.3 The Petroleum Subsector

3.3.1 Organization of the Petroleum Subsector

Kenya's petroleum subsector comprises upstream, midstream and downstream operations. Figure 3.10 illustrates the structure of the petroleum subsector and its various stakeholders.

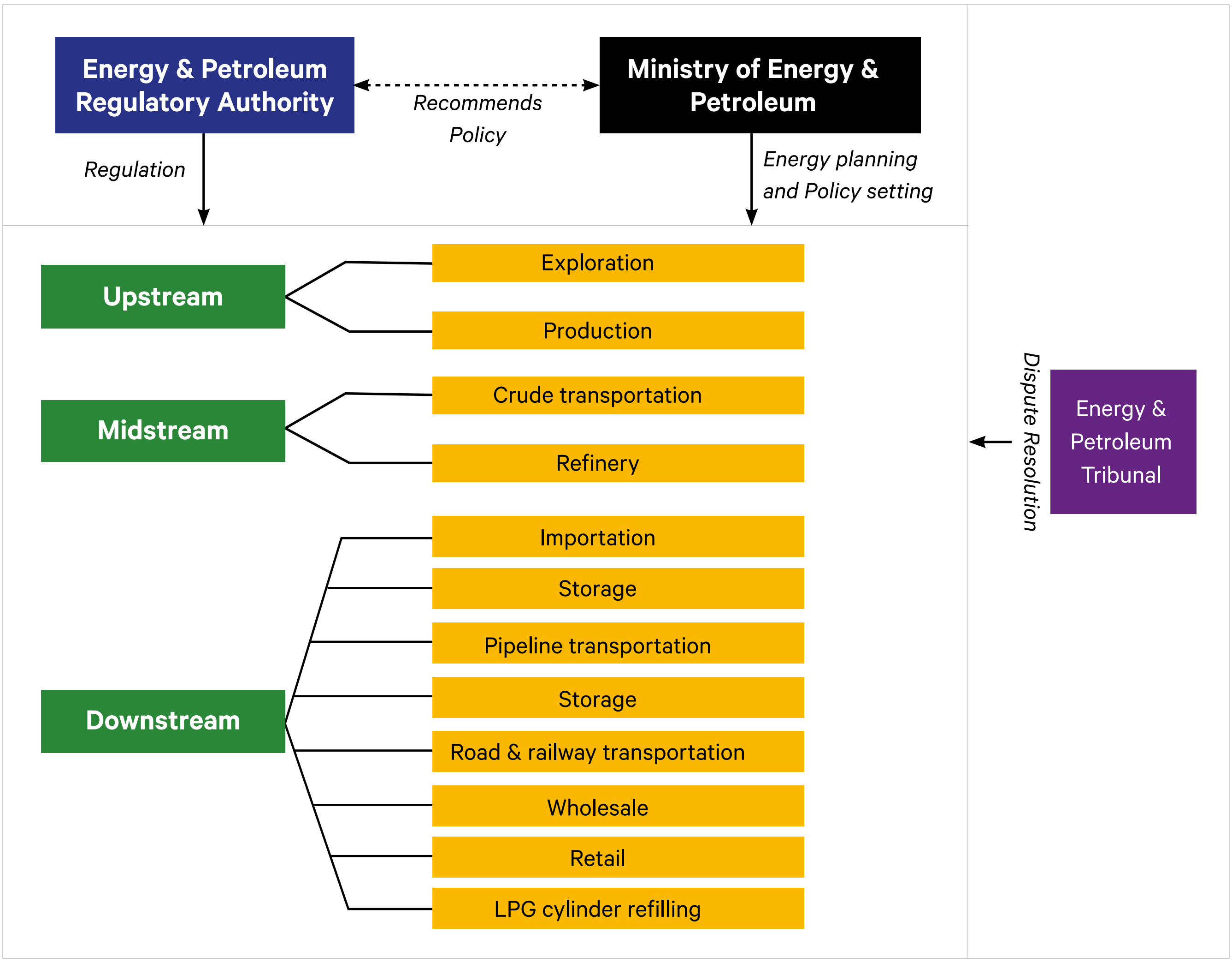


Figure 3.10: Structure of the Petroleum Subsector in Kenya

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 whose focus is actively carrying out exploration, appraisal, development, and production of oil and gas.
e) Kenya Pipeline Company (KPC) is a State Corporation wholly owned by the Government and whose primary function is to provide an efficient, reliable, safe, and cost-effective means of transporting petroleum products from Mombasa to the hinterland.
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) Oil Marketing Companies (OMCs) are petroleum companies that deal with importation, marketing, and distribution of refined petroleum products.

3.3.2 Performance of the petroleum subsectors

3.3.2.1 Upstream

Upstream petroleum operations encompass all activities related to the exploration, development, production, separation and treatment, storage, and transportation of petroleum up to the agreed delivery point. In Kenya, exploration activities are ongoing both onshore and offshore.

To date, ninety-four (94) exploration wells have been drilled by various oil exploration companies across four sedimentary basins. These basins cover a total surface area of 485,000 km^2 and are divided as follows:

i) Lamu Basin: 261,000 km^2
ii) Mandera Basin: 43,000 km^2
iii) Anza Basin: 81,000 km^2
iv) Tertiary Rift Basin: 100,000 km^2

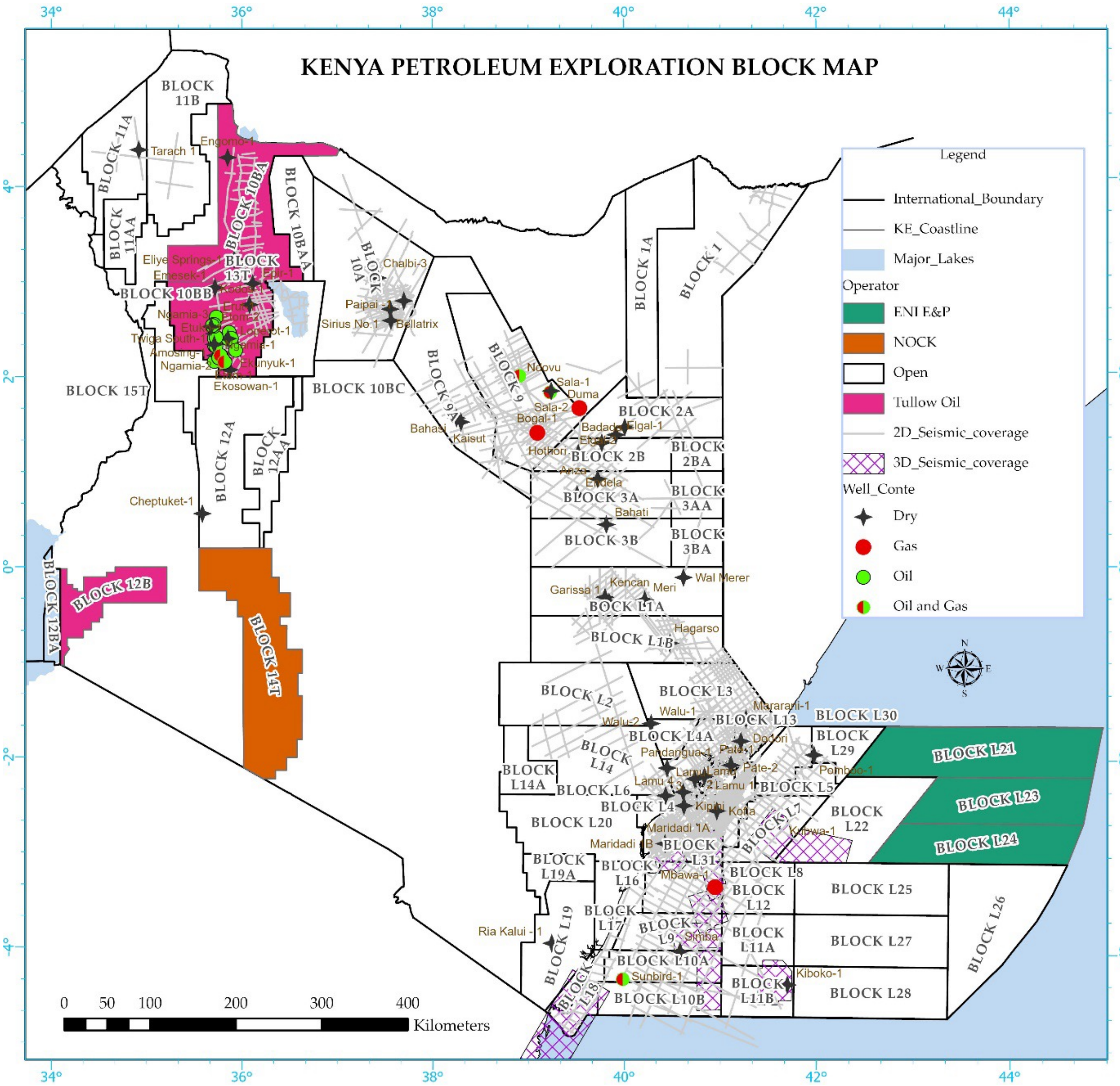


Figure 3.11: A map of the petroleum exploration blocks

The Kenyan government is in the process of evaluating the final Field Development Plan (FDP) submitted by Tullow Oil. The FDP outlines a strategic roadmap for the development of resources within Block 10BB and 13T license areas, as well as additional appraisal and exploration activities aimed at optimizing resource extraction within the designated development zone.

The proposed development plan will cover 9 fields; Ngamia, Ekales, Amosing, Twiga, Etom, Agete, Erut and Ewoi fields within the blocks. The fields are shown in figure 3.12

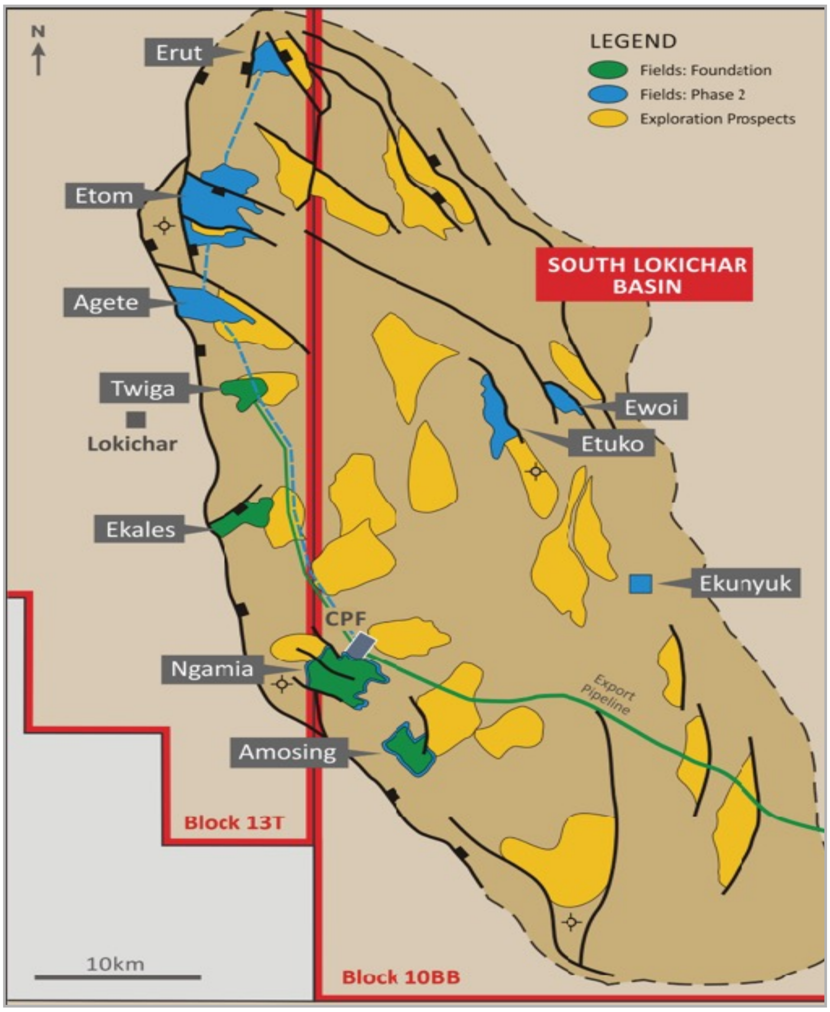


Figure 3.12: A map of the South Lokichar Basin exploration fields

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. It revolves around a well-structured, phased infrastructure-driven approach, commencing with the most sizable and technically advanced reservoirs.

The field development aims to tap into a discovered Stock-Tank-Oil-Initially-in-Place ("STOIIP") range spanning from 1,620 to 4,573 million barrels and anticipates the recovery of an estimated 240 to 971 million barrels of contingent resources over the course of the 25-year contract period

3.3.2.2 Mid-stream

The Authority oversees the construction and operations of crude oil pipelines, refineries, and petroleum storage facilities.

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.

Kenya currently imports all its petroleum demand requirements as refined products. The MoEP coordinates the bulk procurement of refined product through Government to Government (G-G) framework or Open Tender System (OTS) as provided by the Petroleum (Importation) Regulations of 2023. KPC provides product movement infrastructure including storage, pipeline transport and handling services.

3.3.2.3 Downstream petroleum

Kenya is a net importer of petroleum products. The petroleum supply and demand for petroleum products for the period 2020 to 2024 is shown in figure 3.13.

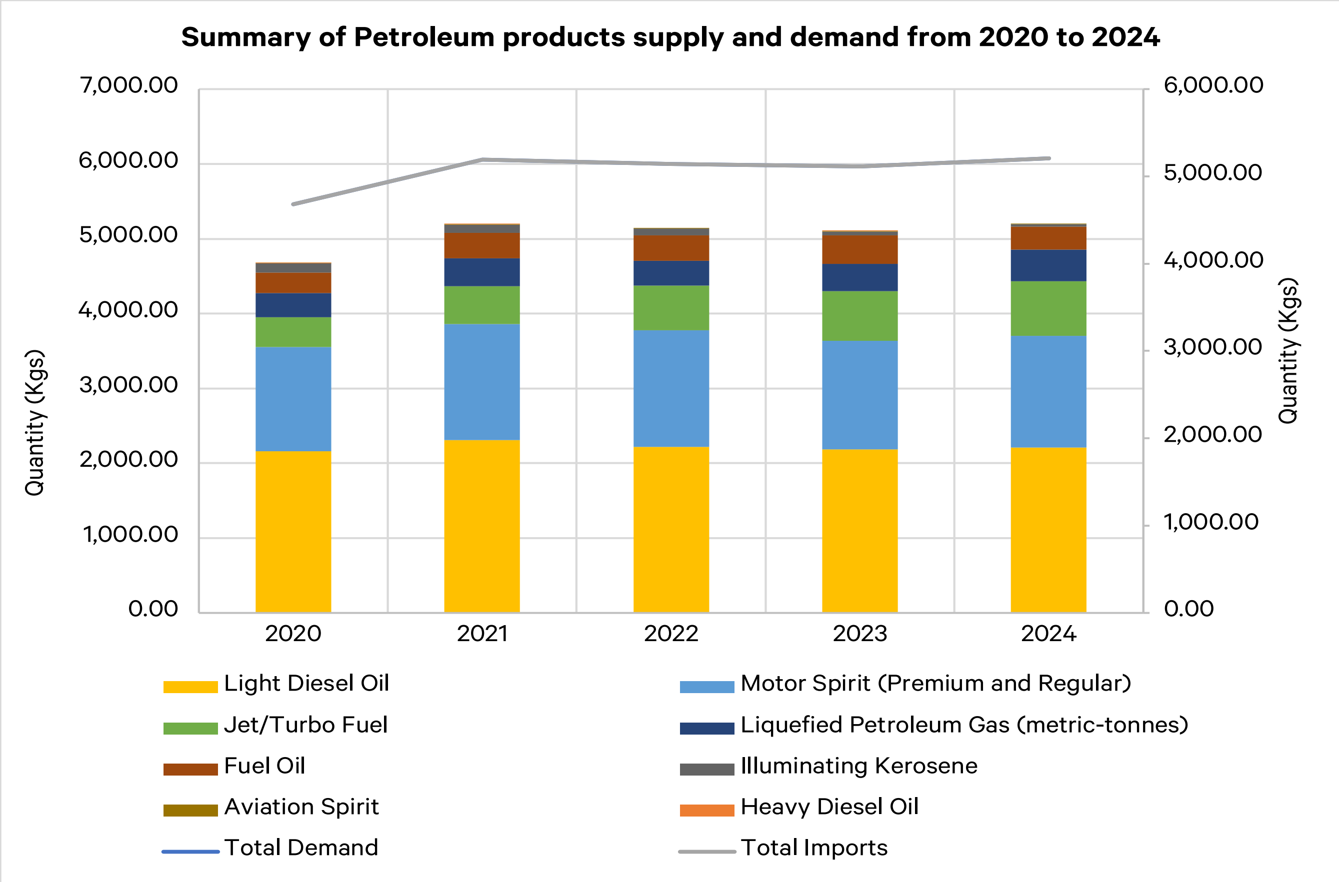


Figure 3.13: A Summary of Petroleum Supply and Demand in the last 5 Years

The quantity of imported petroleum products increased to 5.2 million tonnes in 2024. The total domestic demand increased by 2% in 2024 supported by an increase in demand on all grades of petroleum products except for illuminating kerosene, which decreased by 33% to 36.7 thousand tonnes, and fuel oil, which decreased by 18% to 309.2 thousand tonnes.

The observed increase in LPG demand is supported by government initiatives aimed at promoting its use in both households and institutions

3.3.2.4 Petroleum Supply and distribution Infrastructure

Figure 3.14 illustrates the country's supply and distribution infrastructure.

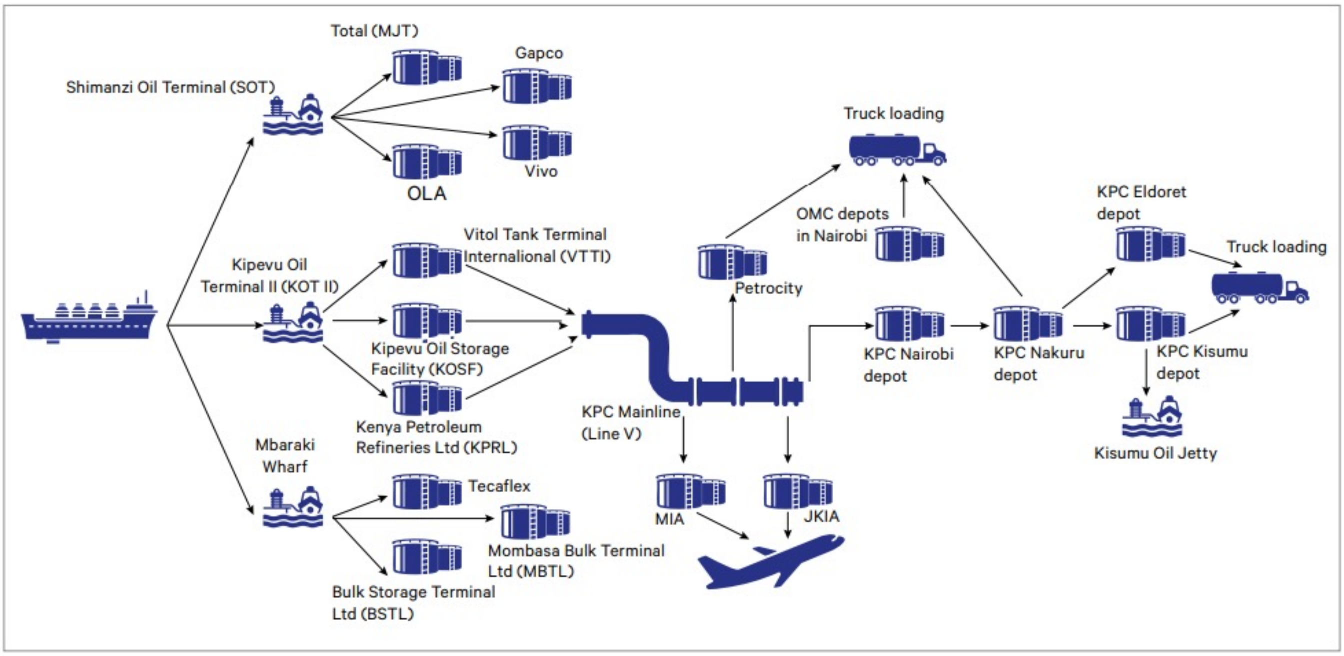


Figure 3.14: An illustration of the petroleum supply and distribution infrastructure

e) Petroleum Receiving Infrastructure

Petroleum products imported into the country are primarily received through the Kipevu Oil Terminal (KOT) I which handles vessel of capacity up to 85,000 DWT and KOT II which accommodates up to 120,000 DWT. The two jetties are connected to primary receiving terminals namely Kipevu Oil Storage Facility (KOSF), Vitol Tank Terminal International Kenya (VTTI) and Kenya Petroleum Refineries Limited (KPRL).

Shimanzi Oil terminal (SOT) receives slightly smaller vessels of capacity up to 18,000 DWT. Table 3.1 shows the capacity of bulk storage facilities within the Mombasa port.

Table 3.1: A summary of the capacity of bulk storage facilities within the Mombasa port

No.	Name of Facility	Capacity (Cubic meters)	Location
1.	Kenya Pipeline Company Limited	326,230	Kipevu
2.	Kenya Petroleum Refineries Limited	264,438	Changamwe
3.	GAPCO Kenya Limited	105,000	Shimanzi
4.	VTTI Kenya Limited	111,057	Kipevu
5.	Vivo Energy Kenya Limited	100,000	Shimanzi
6.	Kenya Petroleum Refineries Limited (Port reitz)	100,000	Kipevu
7.	Mbaraki Bulk Terminal Limited	36,000	Mbaraki
8.	Total Energies Marketing PLC (MJT)	44,460	Shimanzi
9.	Ola Energy Kenya Limited	42,200	Shimanzi
Total Capacity		**1,129,385**	

b) Petroleum Distribution Infrastructure

KPC owns and operates a pipeline that spans approximately 1,342 km which transports refined petroleum products from the Mombasa port to depots in Konza, Nairobi, Nakuru, Eldoret and Kisumu. During the financial year, KPC made capacity enhancements to its Mombasa – Nairobi line, boosting its flow rate from 950 m3/hr to 1,300 m3/hr. Table 3.2 shows the pipeline infrastructure and operational flow rates.

Table 3.2: Pipeline infrastructure and design flow rates

Pipeline	Pipeline Diameter (Inches)	Pipeline length (km)	Flow rate (m3/hr)
Nairobi – Sinendent – Eldoret pipeline (Line 2)	8/6	325	220
Sinendet – Kisumu pipeline (Line 3)	6	121	140
Nairobi – Eldoret pipeline (Line 4)	14	325	311
Mombasa – Nairobi pipeline (Line 5)	20	450	1,300
Sinendet – Kisumu pipeline (Line 6)	10	121	280

Throughout the review period, the total throughput of refined petroleum products amounted to approximately 8,216,733 m3. This represents a 5% increase in throughput compared to the previous financial year. The increase is attributed to higher volumes directed towards the export market.

Additionally, there was a rise in throughput of JET fuel at both the Mombasa International Airport (MIA) and the Jomo Kenyatta International Airport (JKIA), showing an improvement in air travel

The pipeline is the primary mode of transport for petroleum products from Mombasa to the hinterland. A summary of the other supporting modes is presented in table 3.3.

Table 3.3: Secondary modes of transport for petroleum products

Mode of Transport	Description
Road Transport	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 2024, there were approximately 6,500 licensed petroleum tankers.
Rail Transport	Petroleum products are also transported by rail through the Meter Gauge Railway (MGR).
Water transport	Water transport offers a secure and efficient mode of product transportation. The Kisumu Oil Jetty (KOJ) has been in operation since December 2022. The jetty is designed to accommodate barges with capacities of up to 3,000 Dead Weight Tonnage (DWT). In the financial year 2023/2024, the Jetty handled a combined volume of 86,671 m3 of refined products

04 ENERGY AND PETROLEUM PLANNING, POLICY AND RESEARCH

This chapter provides updates on energy planning, including both short-term and long-term demand and supply forecasting. It also highlights progress on research activities that are instrumental in understanding the evolving needs of the energy and petroleum sectors and in proactively addressing emerging issues. The chapter concludes with an overview of efforts to support the transition to electric mobility.

4.1 Least Cost Power Development Plan

The long-Term Plan (2024-2043) of the Long-Term Least Cost Power Development Plan (LCPDP) was updated during the financial year. The update included the implementation of virtual demand applicable to Battery Energy Storage Systems (BESS) modelling during off-peak hours.

This will support the provision of ancillary services to enhance system reliability and minimize steam venting. The update also incorporated the consideration of emerging demand drivers such as electric cooking and electric mobility, which are expected to influence future demand trends.

The plan emphasizes power system flexibility and stability through the deliberate modeling of specific technologies, including pumped hydro and battery energy storage. It provides for the future consideration of Modular Nuclear Technology as part of the capacity mix to enhance long-term adequacy and diversity. The electricity demand projections for the forecast period are presented in figure 4.1.

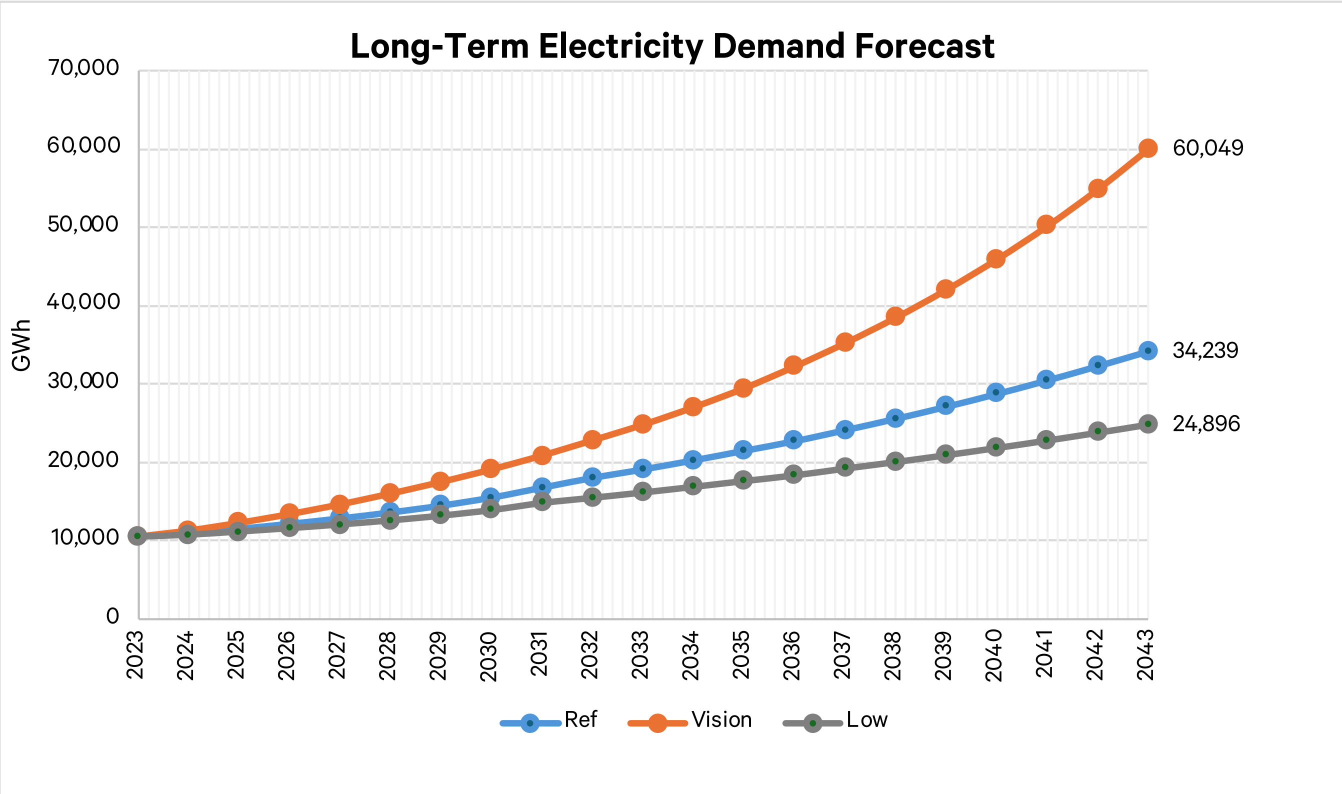


Figure 4.1: Electricity Demand Projections for the Long-Term Forecast Period (2024 – 2043)

Electricity consumption is projected to grow at an average of 6.1% from 10,488 GWh in 2024 to 34,239 GWh and 10.1% to 60,049 GWh in 2043 in reference and vision scenario respectively. In the vision scenario, the growth in consumption is attributed to increased demand from emerging technologies such as electric vehicles and electric cooking.

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

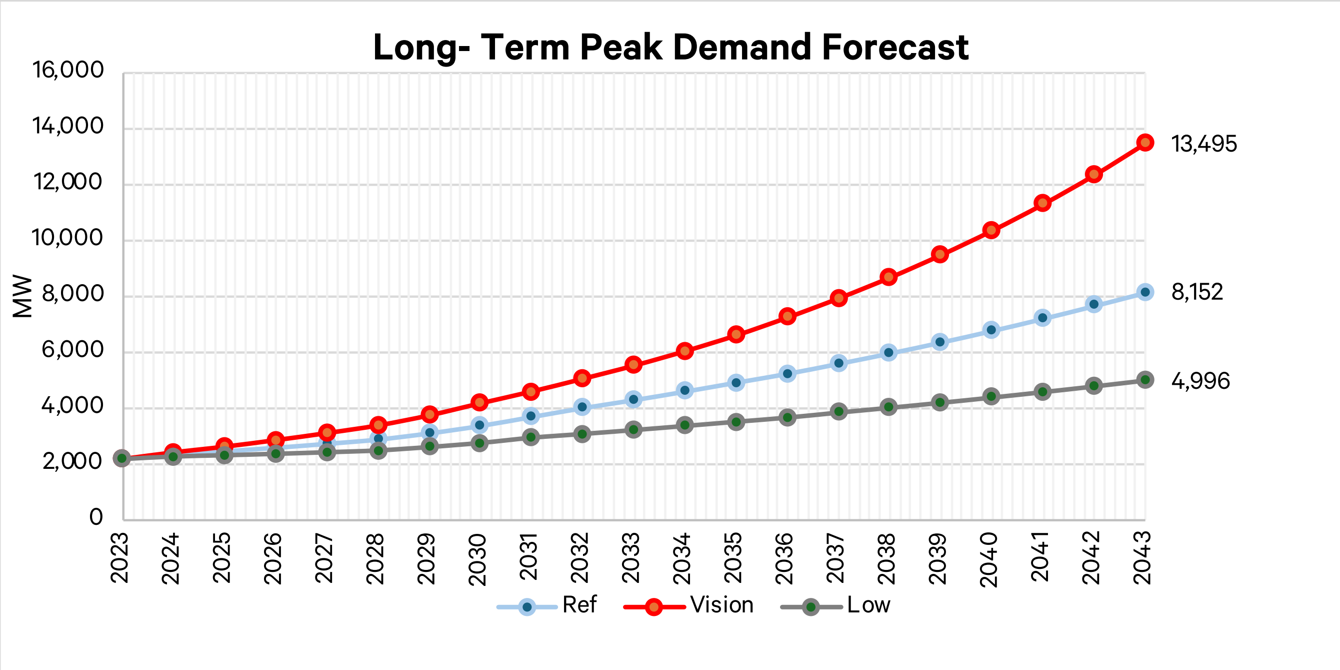


Figure 4.2: Peak Demand for the Long-Term Forecast Period (2024 – 2043)

The peak demand is projected to grow from 2,170 MW in 2023 to 8,152 MW under the reference scenario, 13,495 MW under the vision scenario, and 4,996 MW under the low scenario by 2043.

The resultant recommended generation expansion path based on the reference electricity demand scenario is as shown in figure 4.3.

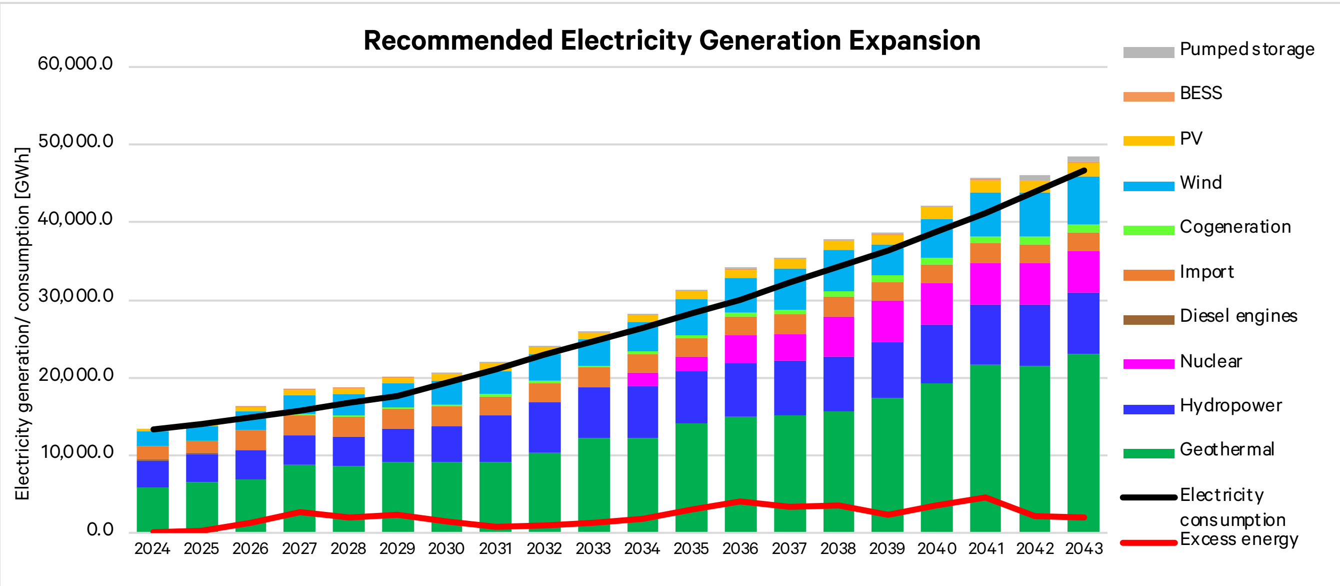


Figure 4.3: Recommended annual generation expansion under the reference demand scenario for the Long Term Forecast Period (2024 – 2043)

To meet the growing peak demand, renewable energy generation is projected to account for 82.3% of the electricity generation mix by 2043. In the same year, geothermal energy is projected to have the highest contribution, accounting for 47.3% of the total electricity generation mix. Generation from nuclear power is expected to start from 2034 and grows from 6.2% to 10.8% of the electricity generation mix in 2043.

4.2 Petroleum Development Plan (PDP)

The Authority developed a petroleum demand forecasting tool and updated the Long-Term Plan for the period 2024 to 2043. A demand forecast for selected petroleum products during this period was also conducted. An illustration of the demand forecast is presented in figure 4.4.

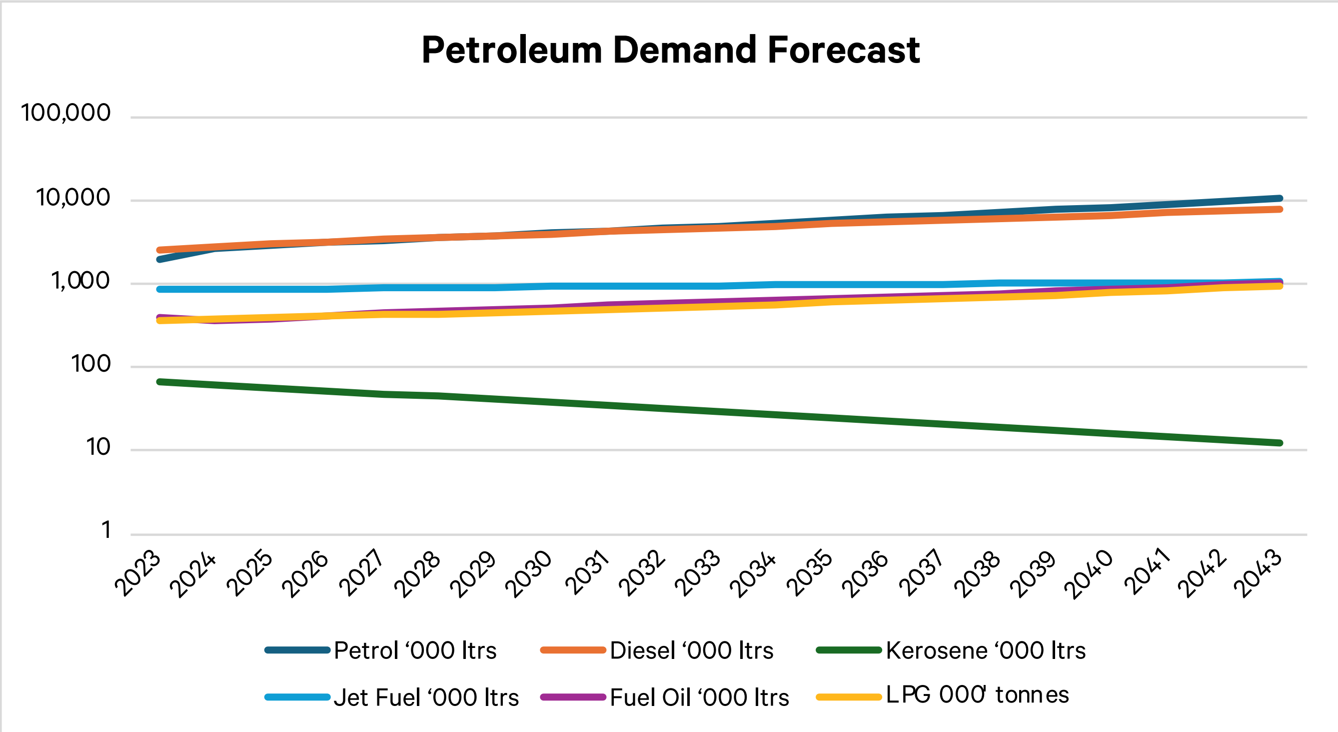


Figure 4.4: Petroleum products demand for the Long Term Forecast Period (2024 – 2043)

The demand for various petroleum products is projected to grow at varying average annual rates: petrol (7.39%), diesel (5.88%), LPG (4%), jet fuel (1.13%), and fuel oil (4.8%), while demand for kerosene is expected to decline by 8%. The decline in kerosene consumption is attributed to uptake of other cheaper alternatives like solar lighting, and the growing popularity of cleaner cooking alternatives, such as LPG.

4.3 Research

The Energy Act mandates the Authority to provide information, advice and statistics to various stakeholders in the Energy and Petroleum sectors. In exercise of this mandate the Authority in its strategic plan has identified regulatory research and data management as a key strategic activity that will lead to the enhancement of efficient and evidence-based decision making.

During the financial year, the Authority hosted the Research & Innovation Conference, which served as a platform for sharing ideas and discussing key issues in the sector. Additionally, the Authority publishes biannual and annual Energy and Petroleum Statistics Reports offering insights into the performance of the country's energy and petroleum sectors.

4.4 Electric Mobility

Kenya is advancing its transition to clean and efficient transportation system through the promotion of electric mobility. The Authority supports this transition through the development of an enabling regulatory framework for electric vehicle (EV) charging infrastructure, enforcing technical standards to ensure the safety, reliability and performance of EV technologies and targeted initiatives to strengthen market readiness.

To promote affordable charging and stimulate EV adoption, the Authority introduced a special e-mobility tariff of Sh8 per kWh during off-peak hours and Sh16 per kWh during peak hours. This tariff reduces operational costs for both EV users and charging station operators. In response to growing industry demand, the Authority also initiated plans to remove the existing monthly consumption cap of 15,000 kWh, enabling charging stations that exceed this limit to benefit fully from the discounted tariff.

A major milestone during the year was the development of the EV Charging and Battery Swapping Infrastructure Guidelines, which provide a framework for the installation, licensing and operation of electric mobility infrastructure. The guidelines outline technical, safety and operational requirements for both public and private charging stations as well as battery-swapping facilities. It specifies charger categories, metering arrangements and requires all charging equipment to be type-approved or certified by KEBS or other accredited agencies to ensure compliance with quality and safety standards.

The guidelines further set out minimum infrastructure requirements for public charging stations, including power supply specifications, fire-safety measures, accessibility provisions and standards for connectors and charging modes. Compliance processes such as inspection, testing and issuance of completion certificates prior to commissioning are clearly defined.

The Authority further conducted a comprehensive electric mobility market assessment covering EVs, charging stations, electric motorcycles and batteries. The findings highlighted strong growth in electric motorcycle adoption and increasing interest from fleet operators. These insights are being used to refine the EV Charging Infrastructure Guidelines, develop EV supply equipment standards and support the finalization of the Energy (Electric Mobility Charging Infrastructure) regulatory framework.

Beyond technical regulation, EPRA expanded efforts to build public awareness and accelerate EV readiness. In partnership with the Ministry of Energy and Petroleum and the United Nations Environment Programme (UNEP), the Authority launched the “Tusonge na EVs” nationwide awareness campaign to promote understanding of EV safety, affordability, and environmental benefits. The campaign was complemented by a market assessment report on electric two- and three-wheelers in Nairobi, offering practical insights to guide policy and investment decisions.

05 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. Further, 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. Section 11(b) Energy Act 2019, mandates the Authority to set, review and approve contracts, tariffs and charges for common user petroleum logistics facilities and petroleum products. 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 2023/2024, the Authority received and approved the following PPAs:

1. A PPA between DWA Estate Limited and KPLC for a 1.14 MW Biomass Power Plant;
2. A PPA between Marco Borero Limited and KPLC for a 1.5MW Solar Power plant;
3. The Solar Operations Agreement between Equator Energy & Saj Ceramics Limited;
4. The Solar Operations Agreement between Equator Energy & Milly Glass Works Limited;
5. A PPA between Gusii Tea Solar Company Limited and Kebirigo Tea Factory Company Limited;
6. PPA between Gusii Tea Solar Company Limited and Sanganyi Tea Factory Company Limited;
7. PPA between Ecoligo Ltd. and DL Koisagat Tea Estate Limited;
8. PPA between Ecoligo Ltd. and Mogogosiek Tea Factory Company Limited;
9. PPA between Ecoligo Ltd. and Summit Fibres Limited;
10. PPA between Ariya Finergy Ltd and Isuzu East Africa Limited;
11. PPA between Crossboundary energy Kenya Ltd and Maisha Packaging Company Limited;
12. PPA between Ecoligo Ltd and Quality Meat Packers Limited;
13. PPA between Farmdo Energy Kenya Ltd and PJ Dave Flora Limited;
14. PPA between Gridx Africa Development Limited and Muthu Keekorok Management Limited;
15. PPA between Ofgen Limited and Tropikal Brands Limited;
16. A Solar Operation Agreement between Ecoligo Limited & Abyssinia Iron & Steel Limited;
17. A Solar Operation Agreement between Ecoligo Limited and Devyani (Daima) Limited;
18. A Solar Operation Agreement between Gridx African Development Limited & Mabati Rolling Mills Limited (Athi River, Machakos);
19. A Solar Operation Agreement between Gridx African Development Limited & Mabati Rolling Mills Limited (Olkalou Rd, Nairobi);
20. A Solar Operation Agreement between Ecoligo Energy and Abyssinia Iron & Steel Limited;
21. A Solar Operation Agreement between Ecoligo Limited and Deyvani Food Industries (KE) Limited (Daima Dairy);
22. A power purchase agreement between Equator Energy Kenya Limited Mombasa Cement Factory in Vipingo, Kilifi;
23. A power purchase agreement between Ecoligo Limited and Abyssinia Iron and Steel Limited in Mariakani; and
24. A power purchase agreement between Equator Energy and Mombasa Cement.

5.2 Retail electricity tariffs

The Authority approved the Retail Electricity Tariff for the fourth Tariff Control Period covering the period 2022/23 to 2025/26 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 and energy charges for each customer category for the period under review are presented in table 5.1.

Table 5.1: Applicable base tariff and energy charges for the period 2023/2024

Customer category	Voltage at connection	Energy Limit (kWh/ month)	Base Tariff (2022/2023)	Base Tariff (2023/2024)	Demand Charge/ KVA(Ksh.)
Domestic	240 Volts/415 Volts	0-30	12.22	12.24	0
		30-100	16.30	16.58	0
		>100	20.97	20.58	0
Small Commercial	240 Volts/415 Volts	0-30	12.22	12.24	0
		30-100	16.40	16.36	0
		>100	20.18	20.00	0
Electric Mobility	240 Volts/415 Volts	<15000	16.00	16.00	0
Commercial/ Industrial	415 V (CI 1)	>15000	14.70	14.50	1,100
	11KV (CI 2)	No Limit	13.24	13.08	700
	33 KV (CI 3)	No Limit	12.66	12.52	370
	66 KV (CI 4)	No Limit	12.40	12.26	300
	132 KV (CI 5)	No Limit	12.12	11.98	300
	220 KV (CI 6)	No Limit	10	10	200
	SEZ- CI 7	No Limit	10	10	200
Street Lighting	240 Volts/415 Volts	No Limit	9.22	9.24	0

5.3 Electricity pass-through charges

Pass-through charges are variable costs incurred by electricity generating plants and subsequently passed on to consumers. They are 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, levies and taxes.

From July 2023 to June 2024 FEC fluctuated significantly reaching a high of Ksh.5.74/kWh in November 2023 and a low of Ksh.3.26/kWh in April 2024. The trend in FEC during the period is depicted in figure 5.1.

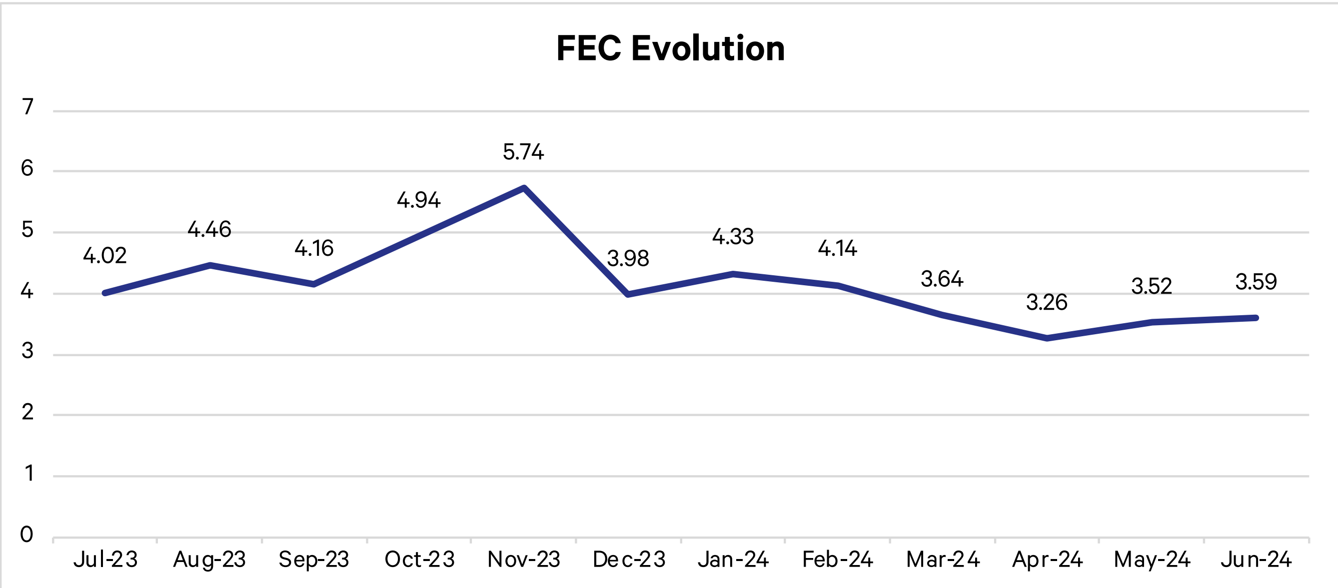


Figure 5.1: A trend in the FEC evolution from July 2023 to June 2024

The fluctuations in FEC are driven by variations in hydro generation, wind output, and geothermal power production, all which influence the dispatch of thermal plants.

FERFA fluctuated throughout the period under review with January 2024 recording the highest value of +6.4634Ksh./kWh. This is attributed to the depreciation of the local currency during the period and the large volume of foreign currency payments made by both KPLC and KenGen towards settling their foreign currency denominated financial obligations.

The WRMA Levy and INFL are monthly adjustments made with respect to water management specifically for large hydro power plants and inflation that is adjusted every 6 months. They remained relatively stable with minimal impact to the end user tariff during the review period. The pass-through charges for the period July 2023 to June 2024 are summarized in figure 5.2.

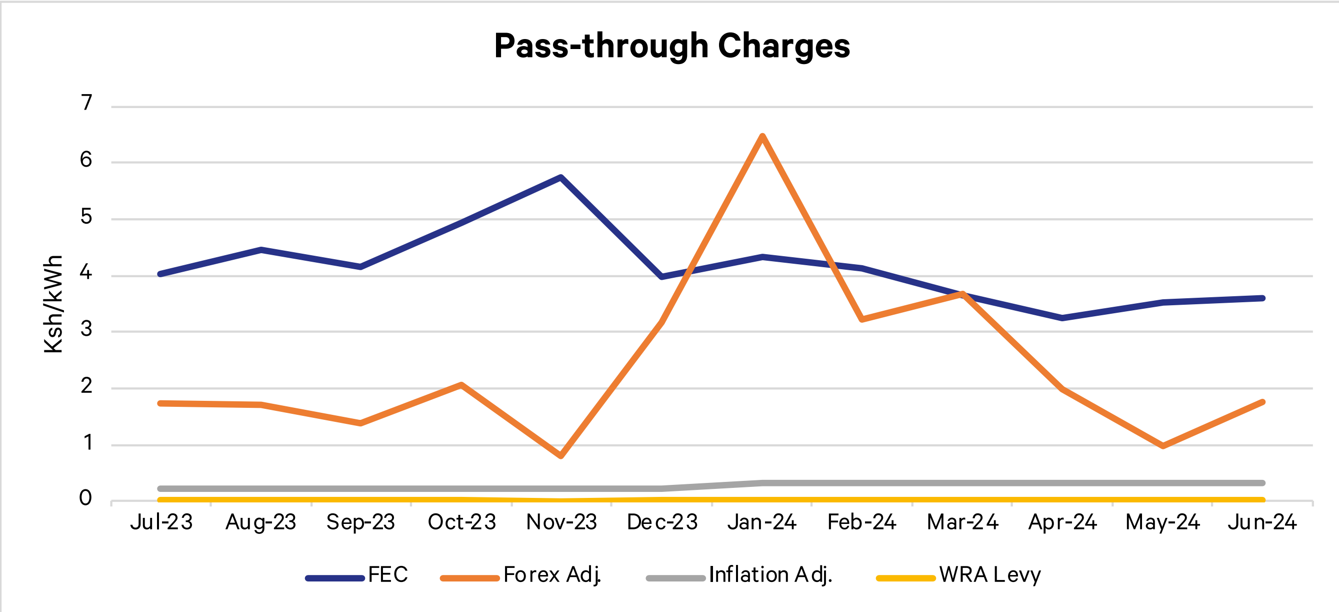


Figure 5.2: A trend of the retail electricity tariff pass-through charges during the fiinancial year 2023/2024

5.4 Import Handling, Primary Storage and Truck Loading Tariff

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 application for the Import Handling and Primary Storage and Truck loading tariff at the Kenya Petroleum Refineries Limited (KPRL).

Subsequently, the Authority reviewed and approved the import handling and primary storage tariff levied at the Kipevu Oil Storage Facility (KOSF) and the KPRL and the truck loading tariff at KPRL for the tariff control period 2024/2025 to 2026/2027 as shown in table 5.2.

Table 5.2: Applicable Import Handling, Primary Storage and Truck Loading Tariff for the period 2024/2025 to 2026/2027

	Prevailing (2023/24) Tariff US$/m3	2024/25		2025/26		2026/27	
		US$/m3 Transit & Jet A-1	Ksh./m3 Local	US$/m3 Transit & Jet A-1	Ksh./m3 Local	US$/m3 Transit & Jet A-1	Ksh./m3 Local
Imports Handling	0.19	0.31	41,.04	0.32	42.14	0.32	43.29
Storage	3.55	3.59	477.79	3.92	521.78	3.91	521.63
Total Import Handling and Storage Tariff	3.74	3.9	518.81	4.24	563.92	4.23	564.92
Truck loading	2.62	2.85	379.87	3	400.09	2.82	375.88

5.5 Petroleum prices

The Authority is mandated to regulate the maximum retail prices for Super Petrol, Diesel, and Kerosene. Accordingly, the Authority undertakes monthly price reviews, with retail prices published on the 14th day of each month.

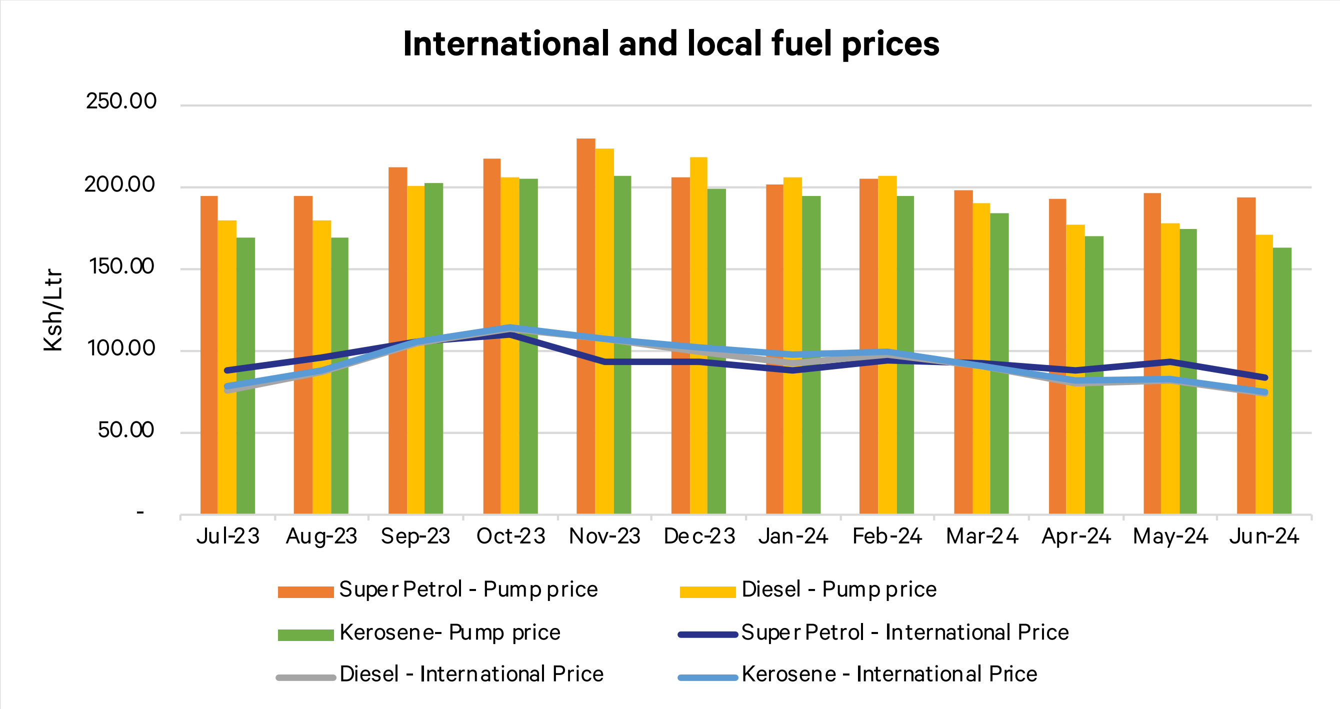


Figure 5.3: Trends in the international and local fuel prices

The local pump prices are determined by adding incremental costs such as landed costs, distribution costs, storage costs, taxes and levies, demurrage costs and margins accrued by Oil Marketing Companies (OMCs). During the period under review, the local pump prices remained relatively stable as presented in figure 5.3

A comparison of fuel prices between the 2022/2023 and 2023/2024 financial years is presented in table 5.3. The price increase in the review period is attributed to a rise in landed costs.

Table 5.3: A comparison of average fuel prices between the financial year 2022/2023 and the financial year 2023/2024 in Nairobi

	Price (Ksh./Litre)	Financial year	% change
	2022/2023	**2023/2024**	
Petrol	175.7	202.54	+15.28%
Diesel	159.64	189.65	+18.80%
Kerosene	145.75	184.64	+26.68%

The local fuel prices in Nairobi averaged higher in the review period compared to the previous financial year across all products. Petrol prices increased by 15.28%, diesel by 18.80%, and kerosene by 26.68%. The Petroleum Development Levy (PDL) was applied to stabilize petroleum prices, with price stabilization measures implemented at various times throughout the year to minimize the impact of adverse price increases.

06 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 and permits to companies engaged in the importation, exportation, bulk storage, distribution and sale 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 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.

The electricity generation and retail and supply licences are issued for a period of 25 years and are renewed annually. During the review period, the Authority issued 40 electric power undertaking licences in an average of 55.8 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 2023/2024

No	Licence Number	Licensee	Technology	Category	Capacity (MW)	County
1.	EPRA/PUL/GN/00015	Kenya Breweries Limited	Diesel-Solar PV Hybrid	Generation	2	Kisumu
2.	EPRA/PUL/GN/00011	Crossboundary Energy	Solar PV	Generation	1.17	Machakos
3.	G1.01.24	Keda Ceramics International Company Limited	Solar PV	Generation	4	Kisumu
4.	EPRA/PUL/GN/0009	DPA Kenya Limited	Solar PV	Generation	4	Kiambu
5.	EPRA/PUL/R/00011	Crossboundary Energy Kenya Limited	Solar PV	Retail Supply	1.17	Machakos
6.	EPRA/PUL/GN/00013	Equator Energy Kenya Limited	Solar PV	Generation	2.2	Mombasa
7.	EPRA/PUL/GN/00014	Equator Energy Kenya Limited	Solar PV	Generation	1.4	Machakos
8.	CI_G.011.2023	Gusii Tea Solar Company Limited	Solar PV	Generation	0.69	Nyamira
9.	CI_R.011.2023	Gusii Tea Solar Company Limited	Solar PV	Retail Supply	0.69	Nyamira
10.	CI_G.012.2023	Gusii Tea Solar Company Limited	Solar PV	Generation	0.52	Nyamira
11.	CI_R.012.2023	Gusii Tea Solar Company Limited	Solar PV	Retail Supply	0.52	Nyamira
12.	CI_G.013.2023	Crossboundary Energy Kenya Limited	Solar PV	Generation	2.3	Nakuru
13.	CI_R.013.2023	Crossboundary Energy Kenya Limited	Solar PV	Retail Supply	2.3	Nakuru

14.	CI_G.014.2023	Crossboundary Energy Kenya Limited	Solar PV	Generation	1.3	Machakos
15.	CI_R.014.2023	Crossboundary Energy Kenya Limited	Solar PV	Retail Supply	1.3	Machakos
16.	CI_G.015.2023	Ariya Finergy Limited	Solar PV	Generation	0.55	Nairobi
17.	CI_R.015.2023	Ariya Finergy Limited	Solar PV	Retail Supply	0.55	Nairobi
18.	CI_G.016.2023	Crossboundary Energy Kenya Limited	Solar PV	Generation	0.68	Nakuru
19.	CI_R.016.2023	Crossboundary Energy Kenya Limited	Solar PV	Retail Supply	0.68	Nakuru
20.	CI_G.017.2023	Ecoligo Limited	Solar PV	Generation	0.1	Nandi
21.	CI_R.017.2023	Ecoligo Limited	Solar PV	Retail Supply	0.1	Nandi
22.	CI_R.018.2023	Ecoligo Limited	Solar PV	Retail Supply	0.45	Bomet
23.	CI_G.018.2023	Ecoligo Limited	Solar PV	Generation	0.45	Bomet
24.	CI_G.019.2023	Ecoligo Limited	Solar PV	Generation	0.082	Mombasa
25.	CI_R.019.2023	Ecoligo Limited	Solar PV	Retail Supply	0.082	Mombasa
26.	CI_G.020.2023	Rentco Renewable Energy Limited	Solar PV	Generation	0.65	Nyamira
27.	CI_R.020.2023	Rentco Renewable Energy Limited	Solar PV	Retail Supply	0.65	Nyamira
28.	CI_G.021.2023	Ecoligo Limited	Solar PV	Generation	0.3	Nairobi
29.	CI_R.021.2023	Ecoligo Limited	Solar PV	Retail Supply	0.3	Nairobi
30.	CI_G.022.2023	Farmdo Energy Kenya Limited	Solar PV	Generation	0.22	Kajiado
31.	CI_R.022.2023	Farmdo Energy Kenya Limited	Solar PV	Retail Supply	0.22	Kajiado
32.	CI_G.023.2023	Gridx Africa Development Limited	Solar PV	Generation	0.32	Narok
33.	CI_R.023.2023	Gridx Africa Development Limited	Solar PV	Retail Supply	0.32	Narok
34.	CI_G.024.2023	Ofgen Limited	Solar PV	Generation	0.2	Nairobi
35.	CI_R.024.2023	Ofgen Limited	Solar PV	Retail Supply	0.2	Nairobi
36.	CI_G.001.2024	Ecoligo Limited	Solar PV	Generation	1	Kericho
37.	CI_G.002.2024	Ecoligo Limited	Solar PV	Generation	6	Kericho
38.	CI_G.003.2024	Gridx Africa Development	Solar PV	Generation	2.5	Kilifi
39.	CI_R.003.2024	Gridx Africa Development	Solar PV	Retail Supply	2.5	Kilifi
40.	EPRA/PUL/GN/00019	Fullcare (Kenya) Medical Sez Limited	Solar PV	Generation	1.6	Kiambu

6.2 Licensing of Electrical Workers and Contractors

The Authority has instituted measures to ensure that all electrical installation works are undertaken by competent and qualified personnel, in line with its mandate to safeguard public safety. This mandate is pursued by implementing the Energy Act and the Electric Power (Electrical Installation Work) Rules, 2006. These regulations require all electrical installation works to be undertaken by licensed electrical contractors or licensed electrical workers.

Under Electrical Installation Work Rules, there are five classes of licenses for electrical workers and electrical contractors. Each class defines the scope and level of work that a licence holder is authorised to undertake as presented in Table 6.2.

Table 6.2: A description of categories for electrical workers and contractors Licenses

License Class	Works Licensed
Class C-2	This licence entitles the holder to carry out electrical installation work for connection to a single phase supply at low voltage, restricted to up to two storey residential and commercial buildings not used as factories or places of public entertainment;
Class C-1	This licence entitle the holder to carry out electrical installation work as in Class C-2, and for connection to a three phase supply at low voltage, restricted to up to four storey buildings not used as factories or places of public entertainment;
Class B	The licence entitle the holder to carry out electrical installation work as in Class C-1, but without limitation as to number of storeys in the buildings and whether used as factories or places of public entertainment or otherwise, and for connection to supply metered at voltages not exceeding medium;
Class A-1	The licence entitle the holder to carry out all kinds of electrical installation work;
Class A-2	The licence entitle the holder to carry out specialized electrical installation work

During the period under review, the Authority licensed 479 electrical workers in an average of 50 days against the 60 days stipulated in the Energy Act. Similarly, 442 electrical contractors were licensed in an average of 12 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 2023/24 is presented in table 6.3.

Table 6.3: Electrical Worker Certificates and Contractor Licences issued during the financial year 2023/2024

Licence type	Licence Category						Average processing Time (days)
	C2	C1	B	A2	A1	Total	
Electrical Worker	242	141	49	6	41	479	50
Electrical Contractor	161	128	73	7	73	442	12

Figure 6.1 shows the growth in the number of licenses issued to electrical workers and contractors.

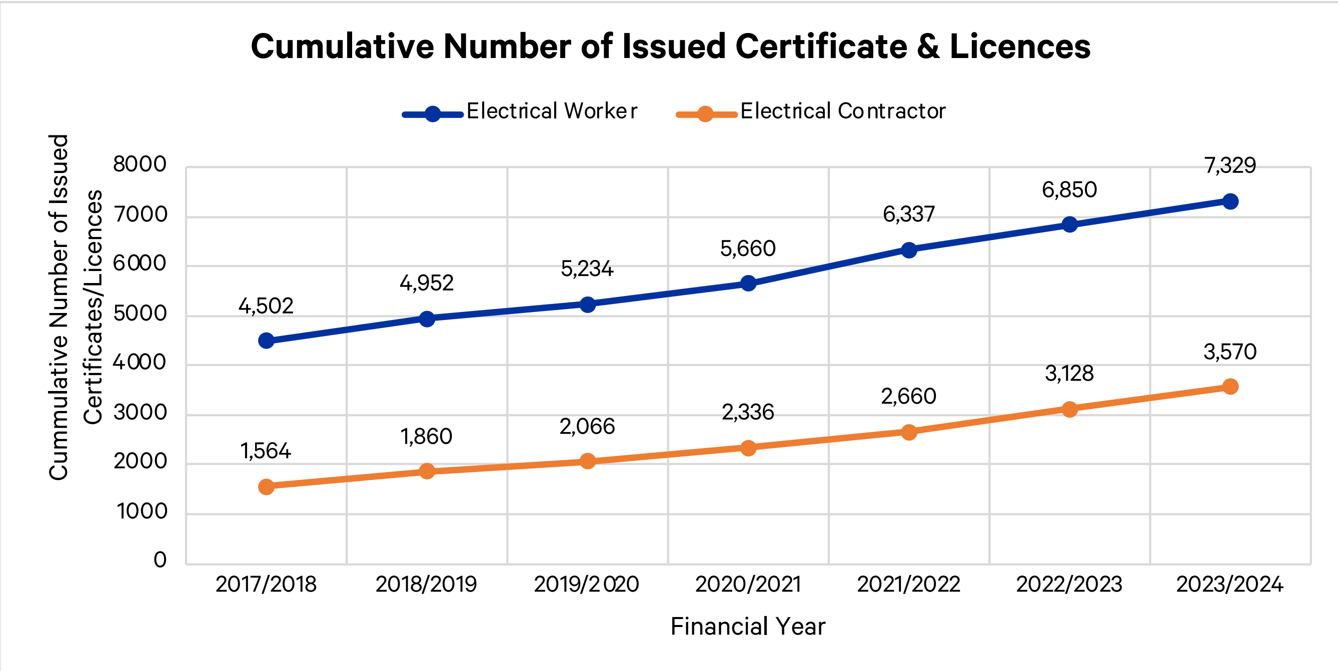


Figure 6.1: Cumulative number of certificates and licences issued to electrical workers and contractors from the financial year 2017/2018 to 2023/2024

The cumulative number of licensed electrical workers and contractors has generally increased over the years. However, in the financial year 2023/2024, there was a decline in the number of licenses issued, with electrical worker licenses dropping by 6.6% from 513 in the previous year to 479 and contractor licenses dropping by 5.5% from 468 to 442. This decline indicates reduced applications, highlighting the need for continued sensitization to sustain industry growth and capacity.

6.3 Solar PV Operations

Solar PV systems are vital for the country to meet it's universal access goals, through decentralized generation. They further improve sustainability, through supply of clean energy. For growth of the Solar PV sector, it is essential to improve the quality and safety of the products and the installation works, through licensing. The Authority licenses the technicians and firms in the solar PV industry. The process is guided by the provisions of the Energy (Solar Photovoltaic Systems) Regulations 2012. Under these regulations, there are six categories of licenses for technicians and firms, as presented in table 6.4.

Table 6.4: 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 period under review, the Authority licensed 154 Solar PV technicians in an average of 48 days against the 60 days stipulated in the Energy Act. Additionally, 355 Solar PV contractors/manufacturers/importers were licensed in an average of 14 days against the turn around time of 30 days. The cumulative number of licences issued since 2013 when the regulation was enacted is provided in figure 6.2.

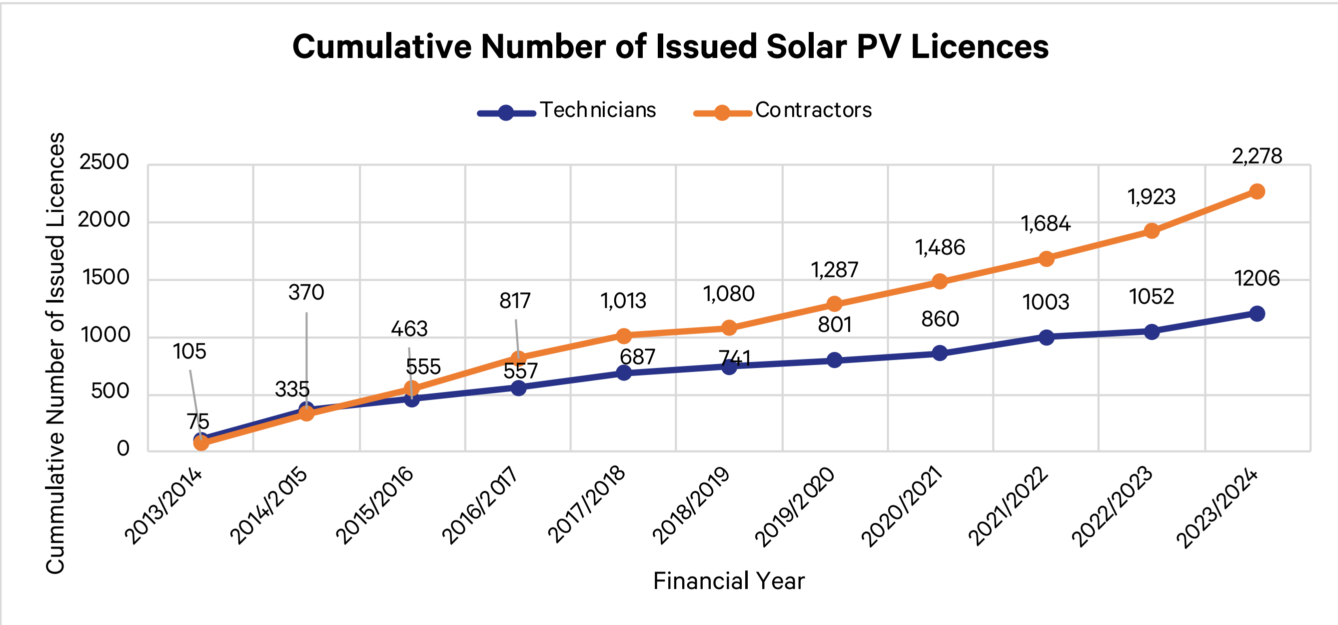


Figure 6.2: Cumulative number of Issued Licences from the financial year 2013/2014 – 2023/2024

The cumulative number of licensed solar PV technicians and contractors has generally increased over the years. In the financial year 2023/2024, licences issues to technicians increased by 68%, from 49 in the previous financial year to 154, while contractor licenses increased by 32% from 239 to 355. As of June 2024, the Authority had licensed a total of 1,206 solar technicians and 2,278 solar contractors. This growth reflects the continued expansion of solar PV works and underscores the Authority's ongoing efforts to strengthen regulatory compliance and promote the adoption of renewable energy technologies.

6.4 Energy Audit Firms, Auditors and Appliances

The Authority implements measures to support the country in achieving its energy efficiency goals as outlined in the Energy Act, the Kenya National Energy Efficiency and Conservation Strategy (KNEECS), 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.

In the financial year 2023/2024, the Authority issued 7 energy auditor licences and 5 energy audit firm licences. These licences were issued within 58 days and 21 days respectively against the 60 days and 30 days timeframe stipulated in the Energy Act for energy auditors and energy audit firms respectively. The cumulative number of licences issued since 2017 is provided in figure 6.3.

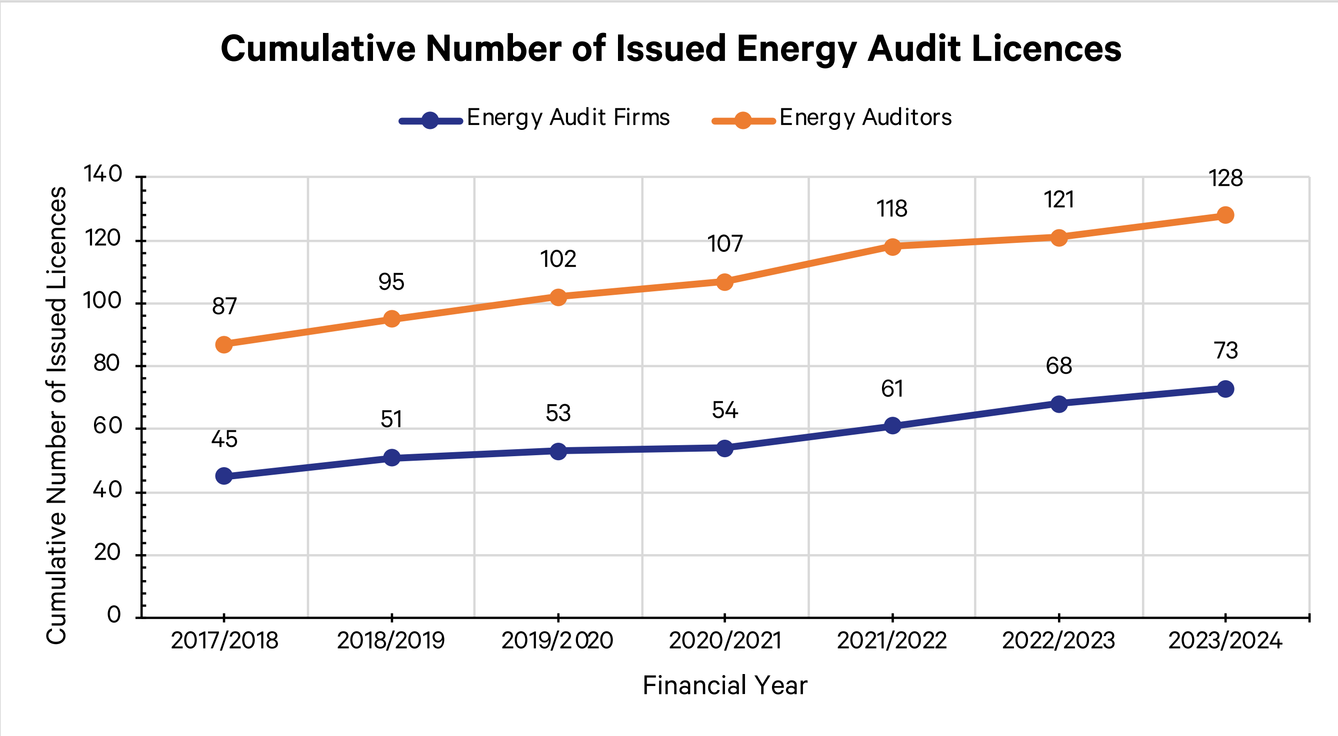


Figure 6.3: A trend of licences issued to Energy Auditors and Audit Firms from the financial year 2017/2018 to 2023/2024

There has been a consistent upward trend in the cumulative number of licensed energy auditors and audit firms from 2017/2018 to 2023/2024. In the financial year 2023/2024, the number of licensed energy auditors increased by 57%, rising from 3 in the previous financial year to 7. Over the same period, the number of licensed energy audit firms decreased by 40%, from 7 to 5. By June 2024, the total number of licensed Energy Auditors had grown to 128, while licensed Energy Audit Firms had grown to 73.

Despite this overall growth, the uptake of auditor licences remains relatively low, likely due to reduced market prices for energy audits, which has made the profession less attractive. With the publication of the revised Energy (Energy Management) Regulations, 2024, an increase in licence applications is expected as the new regulation introduces licensing for energy managers and Energy Service Companies (ESCOs).

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:

Domestic refrigerators	Three phase induction motors
Non-ducted air conditioners	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.

In the 2023/2024 financial year, the Authority processed registration certificates for 82 models of air conditioners and 197 models for household refrigerators in an average 10 days against the 30 days timeframe stipulated in the Energy Act. The trend in the number of registration certificates issued over the past three years is shown in figure 6.4.

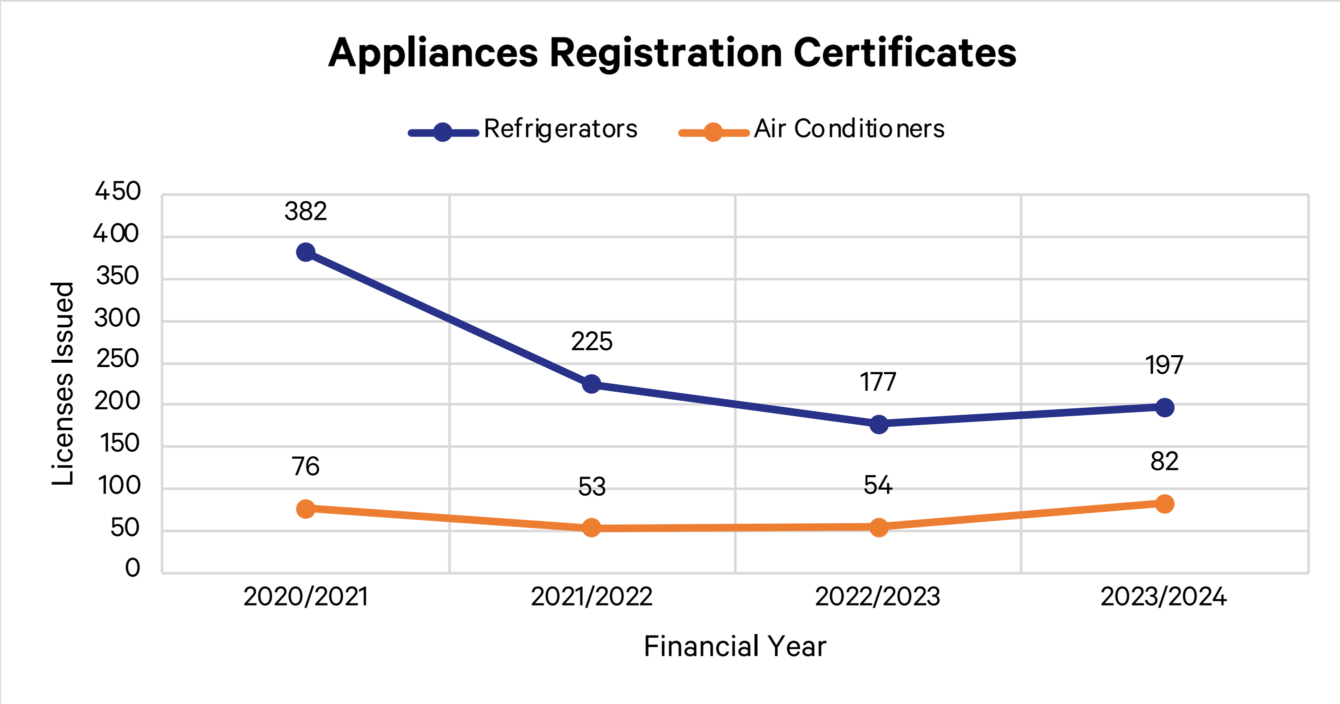


Figure 6.4: A comparison of appliances registration certificates issued from the financial year 2020/2021 to 2023/2024

Appliance registrations declined from the financial year 2020/2021 to 2022/2023, followed by a slight recovery in 2023/2024. The trend in appliances registration reflects the market activities. The Authority processed the certificates within 10 days against the 30 days timeframe stipulated in the Energy Act, an indicator of enhanced operational efficiency.

6.5 Petroleum and LPG Licensing

The Authority undertakes regulation of the petroleum value chain to ensure public safety, environmental protection, enhance security of supply of petroleum products and promote fair market prices. Section 74 of the Petroleum Act mandates the Authority to issue licences to persons undertaking petroleum businesses. Table 6.5 summarizes the licenses issued in the financial year 2023/2024.

Table 6.5: A comparison of Petroleum and LPG Licenses issued in the financial years 2022/2023 and 2023/2024

Type of licence	Financial Year 2022/2023	Financial Year 2023/2024
Tanker Drivers' Certification	8,916	9,254
Export and Wholesale of Petroleum Products (Except LPG)	1,160	1,136
Retail of LPG in Cylinders	1,024	883
Transport of petroleum products (Except LPG) by Road	947	2,037
Storage & Wholesale of LPG in cylinders	208	215
Transport of LPG in Cylinders	207	290
Import, Export and Wholesale of Petroleum Products (Except LPG)	137	151
Retail of petroleum products (except LPG)	-	660
Transport of LPG in bulk by Road	121	239

Storage & Filling of LPG in Cylinders	114	114
Import, Export and Wholesale of LPG in bulk	63	57
Transport of Jet-A1	50	128
Export and Wholesale of LPG in bulk	47	40
Export & wholesale of Jet-A1	46	50
Storage of petroleum products (Except LPG)	41	40
Import, Export and Wholesale of Bitumen	21	16
Import, Export and Wholesale of Fuel Oil	18	17
Bunkering of Petroleum Products (Except LPG)	9	14
Import of Lubricants	6	3
Storage & Filling of LPG in Bulk	11	6
Storage of LPG in Bulk	5	4
Storage of Crude Oil	1	0
Reticulation of LPG	1	1
Total	**13,153**	**15,356**

A total of 15,356 licences were issued to businesses with operations in the downstream sector during the financial year. This represents a 17% increase from the 13,154 licenses issued in the previous financial year.

The Authority also issues permits to persons intending to construct petroleum storage facilities that store and handle flammable and hazardous materials, ensuring adherence to design principles and applicable Kenyan and International standards. Table 6.6 shows a comparison of permits issued in the financial year 2022/2023 and 2023/2024.

Table 6.6: A comparison of petroleum facilities construction permits issued during the financial years 2022/203 and 2023/2024

Permit Category	FY 2022/2023	FY 2023/2024
Petroleum Retail Dispensing Station	54	57
LPG Storage and Filling Facility	12	23
LPG Storage depot	4	1
Pipeline	3	2
Fuel Consumer Site	2	2
Autogas Dispensing Station	2	9
LPG reticulation system	-	1
Fuel storage Depot	1	-
Total	78	95

A total of 95 permits were issued for the construction of Petroleum and LPG facilities, which represents a 22% increase from the 78 permits issued in the previous financial year.

07 CONSUMER PROTECTION

In fulfilling its mandate to protect both consumers and investors, the Authority monitors competition, resolves complaints and disputes, investigates accidents and incidents, and conducts surveillance and compliance activities. The Authority also implements public education and advocacy programs.

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 financial year 2023/2024, technical audits were carried out on the undertakings of the licensees listed in table 7.1, as required under section 130 of the Energy Act and their respective license conditions.

Table 7.1: Technical Audits of Electric Power Undertakings undertaken during the financial year 2023/2024

i) KPLC's Nakuru County Distribution Area	ii) KPLC's Masinga-Kiganjo-Nanyuki 132kV transmission line
iii) KPLC's Taita Taveta County Distribution area	iv) KPLC's Suswa-Nairobi North - Dandora 220kV transmission line
v) KenGen's Olkaria IV 140MW geothermal power plant	vi) Sololo KPLC offgrid undertaking
vii) Ormat's OrPower 150MW geothermal power plant	viii) Kibos Sugar and Allied Industries power undertaking
ix) Triump Power Limited 83MW Heavy Fuel Oil (HFO) Power plant	x) West Kenya Sugar power undertaking
xi) KenGen's 20MW Tana Hydroelectric Power plant	xii) Renewvia's 29.4 kW minigrid in Ndenda Island, Siaya County
xiii) KenGen's 165MW Kiambere Hydroelectric Power plant	xiv) Renewvia's 12.4 kW minigrid in Oyamo islands, Siaya County

The audited electric power undertakings were found to be generally compliant. Technical audit reports, which highlighted areas of improvement alongside appropriate recommendations, were prepared and shared with the respective licensees. The licensees are 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 audits of electrical installation works undertaken by licensed electrical contractors periodically to ascertain compliance of works done to the set electrical installation and safety standards. During the period under review, works carried out by the electrical contractors listed in table 7.2 were audited.

Table 7.2: Electrical installation technical audits undertaken during the financial year 2023/2024

SN	Electrical Contractor	Licence Class	Audit Region
1	Abachada Network Solutions	C1	Coast
2	Al-Mariano Power Solutions	C2	Coast
3	Amps Electricals	B	Coast
4	Benco Electrical Contractors Limited	C2	Nairobi
5	Brewaka Electrical Engineering Limited	C1	Central
6	Cambridge Engineering Services Limited	B	Coast
7	Chappa Electrical & Services	C2	Coast
8	Cherangany Electricals	C1	North Rift

9	Claros Company Limited	C1	Central
10	Davetech Agency	C1	Coast
11	Electro Idyll Enterprises Limited	A1	Coast
12	Elegance Electrical Services	C2	Nairobi
13	Fastway Construction Company Limited	C2	Western
14	Fladpower Engineering Company Limited	C2	Central
15	Geomac Company Limited	C1	Nairobi
16	Gramics Power Systems Limited	A1	Nairobi
17	Hijoka Electrical Limited	C2	North Eastern
18	Jacem Enterprises	C1	North Rift
19	Kakawanja Contractors Limited	C1	Central
20	Kenlink Electricals Limited	C1	Central
21	Kimuh Engineering Limited	B	Central
22	Kipgaa Electrical Company	A1	North Rift
23	Macrose Electrical	C2	Western
24	Mule Electricals Services	C2	South Rift
25	Ndellam Enterprises Limited	A1	Central
26	Njiraini Electro Services	C2	Central
27	Njorowaru Electrical Building Services Limited	A1	North Eastern
28	Ohmic Electrical Enterprises Limited	C2	Nairobi
29	Pen Electrical Services Company Limited	C2	North Rift
30	Philips Electrical Services	C2	Central
31	Profield Technologies Limited	C2	Central
32	Reproco East Africa Limited	C2	Central
33	Rik Electricals Services Sales Limited	A1	Nairobi
34	Samlite Enterprises Limited	C2	Central
35	Sanjud Contractors Limited	A1	Coast
36	Spenter Electrical Contractor	C2	Nyanza
37	Suric Electricals Contractors Limited	C2	Nyanza
38	Timau Electrical Services Limited	C2	Central
39	Toroget Electrical Installation	B	North Rift
40	Worcester Engineering Limited	B	Central

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 Environmental and Social Impact Assessment (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 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 29 ESIA reports for electricity projects within an average of 13.76 days. A list of the projects and proponents whose ESIA reports were reviewed is presented in table 7.3.

Table 7.3: Electricity Projects whose ESIA reports were reviewed by the Authority

SN	Proponent	Nature of project	Technology	Capacity (kW)	County
1	Apex Steel Limited	Captive Solar	Solar Photovoltaic	1271	Machakos
2	Hydrobox Kenya Limited	Mini Grid	Solar PV + Run Off River Hydropower	85	Kirinyaga
3	Equator Energy Kenya Limited Nandi Tea Estates	Captive Solar	Solar Photovoltaic	739.2	Nandi
4	Ecoligo Limited	Captive Solar	Solar Photovoltaic	75.2	Embu
5	World Vision Kenya	Captive Solar	Solar Photovoltaic	100.8	Nairobi
6	Hydrobox Kenya Limited	Mini grid	Run off River Hydropower	160	Nyeri
7	GridX Africa Limited MGM Muthu Keekorok	OffGrid Solar	Solar Photovoltaic	320	Narok
8	GridX Africa Limited Natural Stones Limited	Captive Solar	Solar Photovoltaic	300	Machakos
9	Equator Energy Kenya Limited	Captive Solar	Solar Photovoltaic	246	Mombasa
10	Associated Battery Manufacturers Limited	Captive Solar	Solar Photovoltaic	352	Machakos
11	Berkeley Energy Corporate Solutions (BECS)	Captive Solar	Solar Photovoltaic	650.12	Nyeri
12	Berkeley Energy Corporate Solutions (BECS)	Captive Solar	Solar Photovoltaic	700.92	Kisumu
13	Qwetu Hurlingham	Captive Solar	Solar Photovoltaic	40.3	Nairobi
14	Qwetu Parklands	Captive Solar	Solar Photovoltaic	42.55	Nairobi
15	Qwetu Karen	Captive Solar	Solar Photovoltaic	42.55	Nairobi
16	Equator Energy Kenya Limited Simba Apparel Unit 1	Captive Solar	Solar Photovoltaic	370	Mombasa
17	Equator Energy Kenya Limited Simba Apparel Unit 2	Captive Solar	Solar Photovoltaic	123	Mombasa
18	Tononoka Rolling Mills Limited	Captive Solar	Solar Photovoltaic	2055.44	Nairobi
19	DPA Kenya Limited Ecobank Karatina	Captive Solar	Solar Photovoltaic	6.6	Nyeri
20	DPA Kenya Limited Ecobank Nyeri	Captive Solar	Solar Photovoltaic	7.29	Nyeri
21	Qwetu Jogoo Road By Renewable Safi Power	Captive Solar	Solar Photovoltaic	33.93	Nairobi
22	Qwetu Hurlingham By Renewable Safi Power	Captive Solar	Solar Photovoltaic	34.5	Nairobi
23	Qwetu Parklands By Renewable Safi Power	Captive Solar	Solar Photovoltaic	51.75	Nairobi
24	Qwetu USIU by Renewable Safi Power	Captive Solar	Solar Photovoltaic	46	Nairobi
25	Qwetu Karen by Renewable Safi Power	Captive Solar	Solar Photovoltaic	42.55	Nairobi
26	Qwetu Chiromo by Renewable Safi Power	Captive Solar	Solar Photovoltaic	51.8	Nairobi
27	Basim Energy Limited	Utility Solar	Solar Photovoltaic	100,000	Nairobi
28	Ngong Hills Hotel	Captive Solar	Solar Photovoltaic	124.2	Nairobi
29	KPLC	Upgrading of Tononoka 33/11kV substation	N/A	N/A	Mombasa

7.1.4 Monitoring Progress of Ongoing Energy Projects

The Authority monitors key electricity generation and transmission projects under development to ensure smooth and timely completion of those projects and adherence to EHS standards. A list of electricity generation and transmission projects that were monitored during the review period is presented in table 7.4.

Transmission Projects	Generation Projects
Isinya-Konza 400kV transmission project	Sossian 35MW geothermal generation project
Garsen-Hola-Garissa 220kV transmission project	Globeleq 35MW geothermal generation project
Mariakani 400kV substation	Nyambunde Nyakwana 500kW and Nyamindi 800kW generation projects by KTDA.
Turkwel-Ortum-Kitale 220/132kV transmission project	50MW Chania Green wind power generation project
Nanyuki-Rumuruti 132kV transmission project	10MW Kwale Sugar co-generation project.

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 35 technical audits of solar PV system installations in domestic, industrial, and mini-grid setups. The audit reports indicated improvements in compliance levels and the quality of work performed. The reports also highlighted gaps in the maintenance of installed systems, particularly in the cleaning of solar panels. To address improper maintenance that could affect the quality of power output from the systems, the Authority sensitized system users on the importance of proper maintenance to ensure optimal performance and better energy output.

7.1.6 Energy Efficiency Audits

Energy efficiency in designated facilities is partly reliant on the quality of energy audits conducted by the licensed energy auditors. To ensure this, the Authority reviews all energy audit reports for designated facilities, before the energy conservation measures are implemented. Additionally, the Authority samples some of the audit reports and conducts quality control audits in the selected designated facilities.

The Authority conducted 43 control audits to ascertain the quality of energy audits undertaken by licensed auditors and audit firms. The audit reports showed notable improvements in compliance levels and in the overall quality of audit work performed by licensed energy auditors and audit firms. However, concerns were raised regarding the accuracy of certain measurements and the adequacy of some recommendations provided in the audit reports. To address these gaps, the Authority continues to strengthen its oversight measures, including enhanced technical guidance, targeted capacity-building initiatives, and increased follow-up inspections to ensure continuous improvement in the quality of energy audits. The Authority also plans to author guidebooks that will improve the technical capacity of auditors.

7.1.7 Surveillance inspections of electricity and renewable energy projects & facilities

The Authority conducts routine inspections in the energy sector 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) 48 inspections of installed or ongoing solar PV projects.

ii) 117 inspections in consumer premises to assess compliance with the energy management requirements.

iii) 1,162 inspections in consumer premises to verify the authenticity of completion certificates on electrical works.

iv) 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 153 accidents were reported, resulting in 98 fatalities and 61 human injuries and 16 animal deaths. Figure 7.1 displays the root causes of accidents reported during the financial year.

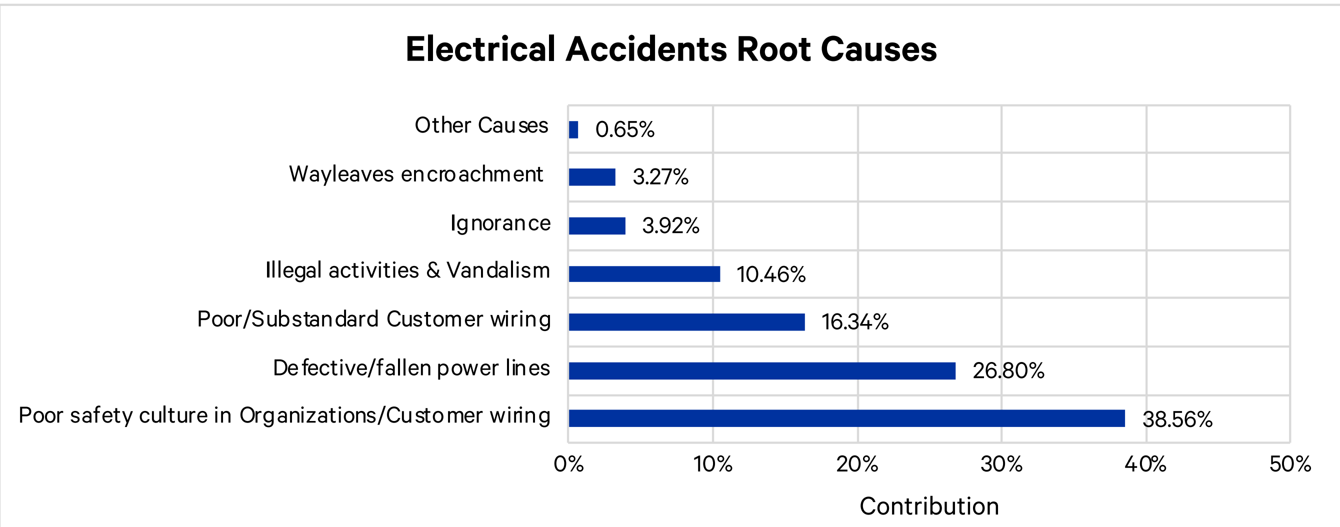


Figure 7.1: A summary of electrical accidents root causes

7.1.9 Monitoring System Reliability

The Authority sets power supply reliability targets for KPLC. These targets ensure that consumers are supplied with quality power in required quantities.

To achieve this objective, the authority uses reliability indices to measure the frequency of interruptions, the outage duration and power supply restoration time. There are three indices used to quantify how reliable a power supply system is namely:

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

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

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

KPLC's performance on the various reliability indices during the financial year is presented in figure 7.2.

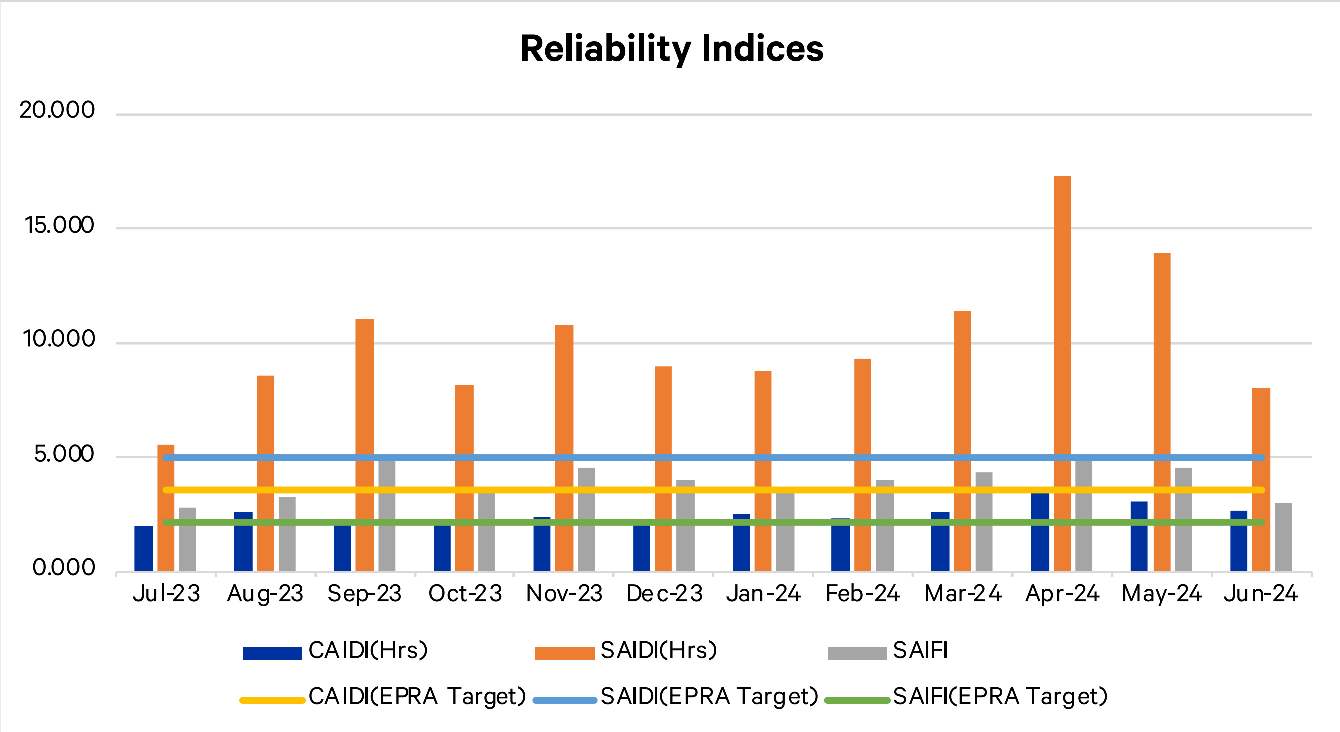


Figure 7.2: An illustration of KPLC's performance in power reliability indices during the financial year 2023/2024

As observed in figure 7.2, KPLC failed to meet EPRA benchmarks, particularly on SAIDI. KPLC is expected to implement measures aimed at improving efficiency 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 encompass the electrical energy lost during transmission and distribution, comprising both technical losses and commercial losses. Technical losses are proportionate to the effectiveness of the transmission and distribution network, while commercial losses are caused by factors such as power supply to illegal connections and meter tampering.

In the review period, total system losses, comprising both technical and commercial, accounted for 23.47% of the energy purchased, an average that exceeds the 18.5% benchmark set by the Authority for financial year 2023/24. The financial losses arising from the difference between the allowed benchmark losses and actual losses are absorbed by the utility.

Table 7.5 provides a summary of monthly system losses as a factor of energy purchased by KPLC from power producers and energy sold to consumers

Table 7.5: A summary of the system losses during financial year 2023/2024

Month	Total Energy purchased (GWh)	Total Energy Sales (GWh)	Total system losses
Jul-23	1,158.855	881.0062	23.73%
Aug-23	1,154.216	885.1724	23.33%
Sep-23	1,119.774	874.3496	22.72%
Oct-23	1,148.642	877.4838	22.90%
Nov-23	1,114.283	859.4333	22.85%
Dec-23	1,109.523	828.3412	23.19%
Jan-24	1,168.734	881.3668	23.36%
Feb-24	1,110.442	854.0089	23.29%
Mar-24	1,180.381	878.9306	23.51%
Apr-24	1,126.69	883.0172	23.29%
May-24	1,152.37	892.4264	23.19%
Jun-24	1,140.932	877.3799	23.16%
Total	**13,684.84**	**10,472.92**	

KPLC is expected to continue implementing the measures outlined in the EPRA System Losses Audit Report for November 2021, with the aim of reducing losses to the desired level.

7.2 Consumer Protection in the Petroleum subsector

7.2.1 Technical Audits of Petroleum and Gas Facilities

The Authority undertook Technical Audits of retail stations to assess their compliance to set standards and codes of practice. The Audits were guided by a checklist which focused on the technical and EHS aspects in operations at retail stations across the country. A total of 1,037 petroleum retail stations were inspected during the financial year. Based on the assessment, 54% of the stations were found to be above average while 36 stations scored below 30% and were recommended for closure.

LPG and Petroleum bulk facilities play a critical role in enhancing the security of supply of petroleum products in the country. The Authority conducts technical audits in these facilities to ensure their adherence to technical standards and legal requirements in their operation. During the review period, the Authority audited 34 bulk petroleum storage facilities, 34 LPG storage facilities, 3 KPC pipelines and 1 petroleum jetty.

The outcome of each audit is a report outlining the key findings and a scoring criterion that classifies the facilities into four categories based on their level of compliance. Three of the sixty-eight audits conducted were preventive maintenance audits. These set of audits focused on the maintenance of critical facilities to confirm adherence to the set maintenance schedules and plans. This is critical to mitigate equipment failure during operation.

The classification of the audited facilities by integrity is as shown in the table 7.6.

Table 7.6: A summary of Bulk Facility Audit Risk Rating during the Financial Year 2021/2022 to 2023/2024

Classification	Number of facilities audited
High Integrity (compliance level above 81%)	9
Medium Integrity (compliance level ranging from 61% to 80%)	24
Risky (compliance level ranging from 51 % to 60%)	10
High Risk (compliance level below 50%)	22

7.2.2 Fuel Quality Monitoring

The Authority undertakes fuel marking to ensure that fuel in local market meets quality standards and to prevent the diversion of products intended for export. The fuel marking process entails adding a unique identifier to fuel, to detect adulteration and diversion of export -bound products.

In the financial year 2023-24, the total volume of export products and domestic kerosene marked across all loading facilities increased by 11.7% to 3,609,915,872 litres compared to 3,230,659,914 litres marked in the previous financial year. Of this, export/duty-free motor fuels accounted for 3,561,548,557 litres (98.7%), while domestic kerosene accounted for 48,367,315 litres (1.3.%).

Export volume marked during the financial year grew by 13.5% compared to the previous year. The significant growth of export volumes was attributed to factors such as logistical efficiencies on the Kenya transit corridor, improved infrastructure and a fuel marking and monitoring program which guarantees product integrity.

The domestic kerosene volumes marked declined by 48.2%. The significant decline was attributed to the reduced demand for domestic use as more consumers transition to alternative fuels and the closure of the Muhoroni Gas Turbine power plant.

Further, the Authority conducted fuel sampling in retail stations with 27,174 sample tests conducted in 5,946 petroleum sites across the country. From the tested sites, 98.67% of the stations were found to be compliant while 1.33% were found non-compliant and appropriate penalties were imposed in accordance with relevant legislation.

7.2.3 LPG Compliance Monitoring

The Authority conducts 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. A list of LPG facilities inspected during the financial year is provided on table 7.7.

Table 7.7: A summary of LPG compliance inspections conducted in the Financial Year 2023/2024

Category	No. of sites	Compliance level
Wholesale and retail sites	1,680	52.45%
LPG road tankers	108	80.50%
LPG manufacturing and revalidation plants	2	73.05%

The Authority also performed 66 re-evaluation audits of LPG storage and filling facilities across the country.

Overall, there was improved compliance within the LPG sector during the period under review, compared to previous years. The improved performance was attributed to increased adherence to safety and regulatory requirements.

7.2.4 Surveillance Inspections of Petroleum and Gas Facilities

Surveillance inspections are undertaken to ensure that petroleum and gas facilities operate in full compliance with statutory and regulatory requirements, thereby safeguarding public safety, the environment, and the reliability of energy supply.

During the financial year, the Authority conducted the following surveillance inspections across the country with the aim of monitoring regulatory compliance and safety:

i) 40 inspections on petroleum depots;

ii) 1,529 inspections on the petroleum retail stations;

iii) 36 inspections on LPG storage and filling facilities;

iv) 136 inspections on ongoing construction sites for petroleum and LPG.

Arising from these 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 49 petroleum and LPG related accidents, a decrease from the 57 reported in the previous year. Table 7.8 presents a summary of accidents reported in the financial years 2021/2022, 2022/2023 and 2023/2024.

Table 7.8: A comparative summary of accidents and incidents investigated in the financial year 2021/2022 and 2023/2024

S/No.	Accidents and incidents classification	Financial Year 2023/2024	Financial Year 2022/2023	Financial Year 2021/2022
1	LPG tanker	10	19	13
2	Petroleum Tanker	17	24	16
3	Retail station	0	1	5
4	Consumer site	0	0	1
5	Domestic LPG	11	10	8

6	Pipeline	6	2	1
7	Upstream	0	0	1
8	Depot	1	0	1
9	Illegal LPG site	1	1	1
10	Fuel Spill	3	0	0
	Total	**49**	**57**	**47**

The majority of the investigated accidents were related to petroleum and LPG tanker incidents resulted from collisions resulting in fires and tanker rollovers leading to loss of containment. Domestic LPG cylinder accidents ranked second, mostly attributed to lack of awareness on the safe use of LPG.

7.3 Complaints & Disputes Resolution

The Authority investigates and determines 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) Regulations, 2012 requires licensees and permit holders to have procedures for handling complaints. Complainants and disputants must first exhaust these procedures before escalating complaints or disputes to the Authority for resolution.

During the financial year, 319 electricity related complaints were reported to the Authority through different channels. 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	11	3.4%
Referred to utility/ company/licensee	43	13.4%
Resolved	223	69.90%
More information required from customer or utility/ company/licensee	42	13.10%
Total	**319**	**100 %**

Additionally, the Authority received 85 complaints regarding fuel quality. Tests were conducted at the affected sites, and the complaints were resolved.

7.4 Competition Analysis

The Authority monitors competition conditions in both the electricity and petroleum markets and uses this information to make 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 marginal cost. In perfectly competitive markets, firms have no market power, whereas in monopolistic markets, firms wield absolute power. A 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. During the year, KenGen was the leading contributor, accounting for 62% of the total energy generated in the country. Other notable companies with substantial market shares included Lake Turkana Wind Power (LTWP) with (10%), Imports (9%) and Orpower (6%).

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 generation during the year was 0.404, indicating a slight decrease in competition compared to 0.396 recorded in the financial year 2022/2023. This figure remains significantly above the Authority's benchmark of 0.1.

The HHI for the electricity sector has been decreasing over the years, indicating improved competition. This is attributed to entry of new players in the generation market particularly the Independent Power Producers (IPPs).

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 at June 2024, there were 140 registered Oil Marketing Companies (OMCs) and approximately 5,428 retail stations in Kenya, involved in the marketing, sale, and distribution of petroleum products, including diesel, kerosene, gasoline (petrol), lubricants, and LPG.

The HHI for the downstream petroleum subsector was 0.1079, a slight increase from 0.1037 in the previous financial year.

Figure 7.3 illustrates the trend of the HHI index for the petroleum sector during the financial year 2023/2024.

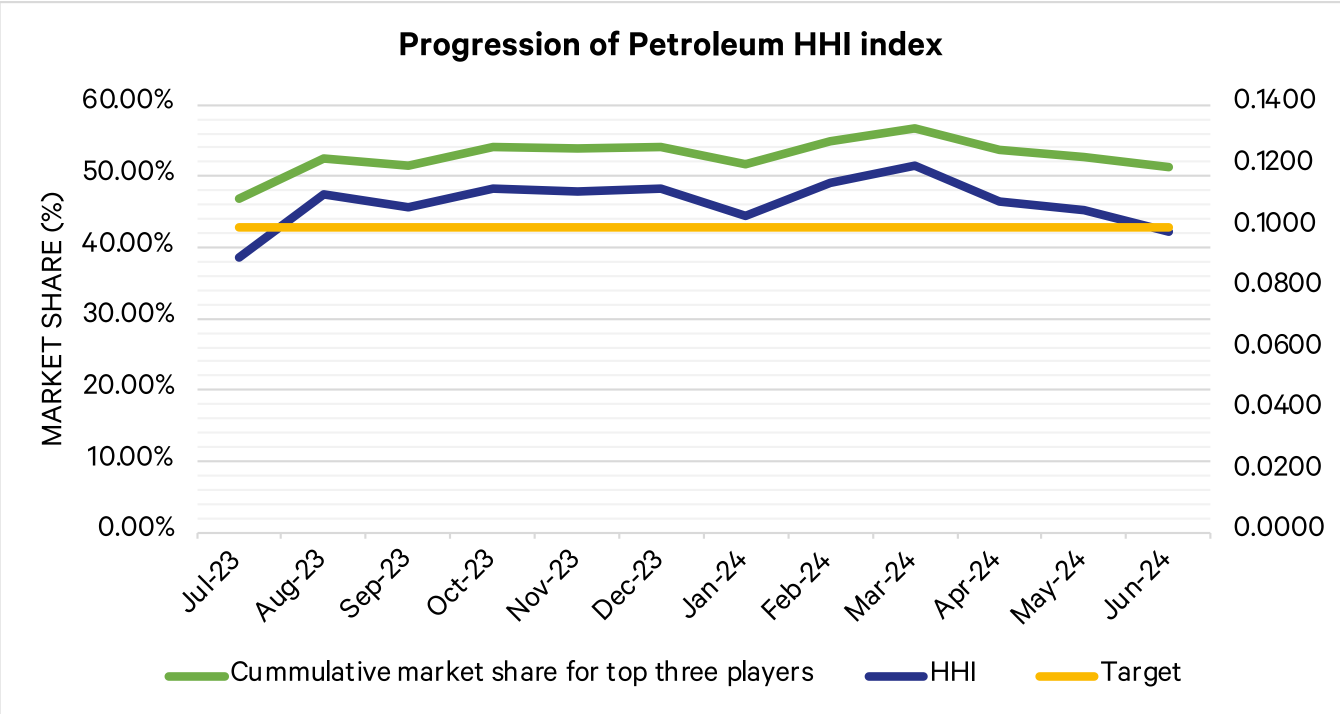


Figure 7.3: A progression of the Petroleum HHI index in the financial year 2023/2024

The Authority fosters an enabling environment for market 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.

7.5 Public Education and Advocacy

Section 10 (hh) of the Energy Act outlines the Authority's mandate to protect consumers, investors and stakeholders' interests. This is achieved through public awareness and education, training, advocacy and sensitization of consumers and stakeholders.

During the 2023/2024 financial year, the Authority conducted 101 public education forums, 26 forums targeting National Government Administration Officers (NGAO) and 2 capacity building forums for the Nairobi and Mombasa County Governments.

08 CORPORATE SERVICES

8.1 Strategic Plan

During this review period, the Authority developed the strategic plan which covers 2023/2024 - 2027/2028 marking the sixth planning cycle. The strategic plan focuses on six Key Result Areas (KRAs):

1. Sector growth and development;
2. Applied research & innovation;
3. Data management;
4. Consumer protection & awareness;
5. Partnerships & collaboration; and
6. Institutional capacity & development.

The strategic plan is implemented through the annual work plan. The Board offers strategic direction and operational guidance by establishing key priorities and strategies. The Authority had set 660 performance targets for the review period. The overall achievement of these targets was 96.67%.

8.2 Performance Management

The Authority ensures implementation of the annual performance targets outlined in the government's Performance Contract (PC). Implementation of the PC drives improvements in service delivery, business process optimization, and more effective performance management strategies. The PC assesses performance across seven areas: 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 2.7751(Very Good), reflecting a 3% decrease from the previous year's score of 2.7059 (Very Good) in the 2022/2023 financial year. The highest achievement recorded was in the Access to Government Procurement Opportunities (AGPO) performance criteria.

8.3 Human Resource

Energy regulating entities are primarily knowledge based organisations. They thus rely on human capacity with the appropriate skills set to execute their regulatory mandate. The Authority acknowledges the importance of human resources in meeting its functions.

The 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.

During the financial year, the Authority expanded its capacity by recruiting and deploying 61 staff.

8.4 Employee capacity building

The Authority has established mechanisms to ensure the availability of necessary skills, as outlined in strategic objectives. This is achieved through the implementation of the Training Needs Assessment (TNA), which involves identifying employees' skill gaps and training requirements.

A skills gap analysis was conducted in the financial year 2023/2024. The gaps identified were addressed through staff deployment, recruitment, training, coaching and mentorship.

8.5 Knowledge Management

In executing its mandate, the Authority generates knowledge, experience and lessons that should be preserved for future use. A knowledge management framework is essential for preservation and dissemination of these outcomes.

The Authority's Knowledge Management System is guided by the ISO 30401:2018 Knowledge Management Standard. During the financial year, the Authority implemented a framework for idea identification, evaluation and adoption as part of its knowledge management initiatives and trained 18 staff members on implementation.

8.6 Youth Internship / Industrial Attachment / Apprenticeship

Internship programs are designed to offer graduates opportunities to develop and enhance their technical and professional skills, as well as gain practical work experience.

In support of the program, the Authority provided opportunities to 32 interns for a minimum of six months and engaged 32 attaches for a period of three months.

8.7 Wellness & Safety

To proactively safeguard employee health and foster a supportive environment, the Authority implemented various wellness initiatives. Throughout the period, dedicated sensitization programs were conducted to promote mental wellness and to create awareness on Non-Communicable Diseases (NCDs) and HIV/AIDS.

The Authority enhanced its commitment to inclusivity and compliance with disability mainstreaming requirements by acquiring wheelchairs for all regional offices. This action serves as a necessary measure to reasonably accommodate both staff and clients with physical disabilities, ensuring accessible services and a supportive work environment.

To ensure compliance with the Occupational Health and Safety (OHS) Policy, the Authority had Fire Marshals from all regions trained and certified by the Directorate of Occupational Safety and Health (DOSH). Additionally, to improve service delivery to persons with hearing impairment, two staff received specialized training on sign language.

8.8 Corruption Prevention

The Authority is committed to sensitising employees on the responsibilities outlined in the Leadership & Integrity Act, 2012, the Bribery Act, 2016, and the Code of Conduct & Ethics. This 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 channels. They anonymous email, telephone hotlines, walk-in reporting, and suggestion boxes. These avenues allow for the submission of anonymous reports regarding unethical or corrupt behavior. They also ensure confidentiality and protect individuals from victimization or intimidation.

To strengthen the governance framework, the Authority updated the Corruption Prevention Policy, developed a Whistleblower Protection Policy and established a Corruption Risk Mitigation Plan.

The execution of these policies and strategies has been embedded into day-to-day operations, ensuring ease of follow-up, continuous compliance and a proactive approach to maintaining a high standard of institutional integrity.

8.9 Quality Management System

The Authority adheres to the requirements of the ISO 9001:2015 Quality Management System (QMS) thereby ensuring delivery of high quality regulatory services. Regular annual surveillance and internal quality audits are conducted to ensure that the management system meets the standard's requirements and is being implemented and maintained.

During the review period, 22 employees were trained on the ISO 9001:2015 Standard; 17 on the ISO 9001:2015 Implementation Course and 5 on ISO 9001:2015 Internal Quality Auditing Course.

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 review period, the strategic risks were reviewed in line with the financial year 2023/2024 – 2027/2028 Strategic Plan and an ERM policy was developed.

8.11 Supply Chain Management

The Authority's annual procurement budget was Ksh. 138,773,700.00, with Ksh. 125,495,649.83 allocated to special interest groups (Youth, Women, & PWDs).

Youth	Women	PWDs
Ksh. 34,201,504.13	Ksh. 64,857,527.76	Ksh. 4,595,606.80

To promote the consumption of locally produced goods and services, Ksh. 509,326,000.00 was preserved for Local Content procurement. This initiative aims to foster the creation of meaningful employment opportunities, particularly for youth and women, while addressing social and environmental challenges.

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.

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 is built on a three-pronged approach: management reviews; internal audits and external audits. By auditing all operational areas, the Authority gains assurance that the internal controls are effective and processes are optimized to mitigate risks.

During the period under review, an independent external quality assurance and improvement program was conducted, affirming the quality, relevance, and credibility of the Authority's internal audit function.

8.13 Public and Stakeholder Engagement

Recognizing the pivotal role that stakeholders play in shaping regulatory decisions, the Authority developed a stakeholder engagement framework and conducted 29 stakeholder engagement workshops across the country. These workshops focused on issues such as regulations, capacity building on energy management and public awareness and education.

To ensure broad reach to stakeholders, the Authority employed digital and traditional mass media channels. To ensure inclusiveness, sign language interpreters were provided to ensure that persons with hearing impairments could participate.

8.14 Corporate Social Responsibility (CSR)

The Authority's Corporate Social Responsibility (CSR) is guided by the following pillars;

a) Environmental rehabilitation
b) Responsibility for communities
c) Responsibility for energy and petroleum consumers
d) Promotion of educational causes
e) Promotion of energy efficiency practices amongst communities

In support of the environmental rehabilitation CSR pillar, the Authority executed a flagship tree planting project that also supports the Presidential Directive of planting 15 billion trees by 2032.

In partnership with the Kenya Forest Service and local communities, a total of 82,000 trees were planted across Elgeyo Marakwet (62,000 indigenous in Kipkabus Forest) and Baringo (20,000 exotic in Koibatek Forest) counties, significantly enhancing Kenya's forest cover.

09 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 June 30, 2024, 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 or 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 June 30, 2024 are set out from page 76.

3) Board Members

The members of the Board of Directors who served during the year are on pages 10-13. Tire 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 load a surplus of Ksh. 590,120,531.00 hence remittance of Ksh. 531,108,478.00 to the National Treasury.

5) Auditors

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

The annual report and financial statements set out on pages 76 to 96, which have been prepared on the going concern basis, were approved by the Board on 25th September 2024 and were signed on its behalf by:

By Order of the Board

Mr. Ibrahim Kitoo
Corporation Secretary and Director, legal Services

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 or 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 at the end of the financial year ended on June 30, 2024. This responsibility includes:

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

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

(c) 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;

(d) Safeguarding the assets of the Authority;

(e) Selecting and applying appropriate accounting policies; and

(f) 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 arid estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Directors are o/ 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 June 30, 2024, and of the Authority's financial position as at that date.

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

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

Approval of financial statements.

The Authority's financial statements were approved by the Board on 25th September 2024 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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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, 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 is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 50 to 87, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Petroleum Regulatory Authority as at 30 June, 2024 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 Energy Act, 2019 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total revenue of Kshs.2,825,636,390 against a budgeted revenue amount of Kshs.3,434,434,334 resulting in underperformance of Kshs.608,797,944 or 18%. In addition, the Authority incurred expenditure of Kshs.2,436,243,026 against an income of Kshs.2,825,636,390 resulting in an under absorption of Kshs.389,393,364 or 14%.

The under collection and under absorption may have impacted negatively on service delivery to the public.

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

Unresolved Prior Year Matters

In the audit of the previous 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. Although Management has indicated as having resolved some of those matters in Appendix 1 to the financial statements, no evidence was provided to support that status.

Other Information

Management is responsible for the other information set out on page 3 to 48 which comprise of Key Entity Information and Management, The Board of Directors, Management Team, Chairman's Statement, Report of the Director General, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Authority's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements, or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Procurement of Motor Vehicles

During the year under review, Management awarded a tender for supply of two (2) motor vehicles to a local distributor at a contract price of Kshs.20,694,911 using the State Department for Public Works' Supply Branch tender recommendations. Review of the procurement process revealed anomalies as detailed below:

i. The procurement process did not follow the procedure outlined in Section 52(4) of the Public Procurement and Asset Disposal Act, 2015, which requires the procuring entity to obtain a whole list of relevant categories from the State organ or entity, and together with its own relevant list, and subject the list to the Act.

ii. Management made full advance payments for the vehicles totaling to Kshs.20,694,911 before delivery contrary to section 146 of the Public Procurement and Asset Disposal Act, 2015 which provides that no works, goods or services contract shall be paid for before they are executed or delivered, and accepted by the Accounting Officer of a procuring entity or an officer authorized by him or her in writing, and that no advance payment shall be made before the contract is signed.

iii. Letters from the suppliers dated 15 May, 2024 and 16 June, 2024, indicated that the vehicles were at production stage in Japan and were expected in the Country in September, 2024 and November, 2024 respectively. However, an inspection and acceptance committee certified the vehicles as received on 23 May, 2024 and 25 June, 2024 respectively, and additionally certified that the vehicles had been received and taken on charge as per order and specifications.

iv. As at the time of conclusion of the audit in December, 2024, the two vehicles had not been delivered to the Authority.

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

2. Irregular Procurement of Consultancy Services

During the year under review, Management engaged a Consultancy Company for provision of staff recruitment ser\/ices of sixty-one (61) and one hundred and twenty-one (121) vacant positions at a contract price of Kshs.50,297,600 and Kshs.69,970,829 respectively, through request for proposals - single source selection method. As at 30 June, 2024 a total of Kshs.95,119,629 had been paid to the consultant in respect of the two contracts. Review of the procurement process revealed anomalies as detailed below:

i. Management used single source selection method to procure the services in the two tenders. However, the tender did not meet conditions for single source selection set out in Section 124 (12) of the Public Procurement and Asset Disposal Act, 2015 which provides that use of single source selection to situations where it presents a clear advantage over competition and where it can be evidenced that goods, works or services are available only from a particular supplier, or a particular supplier has exclusive rights in respect of the consultancy services, and no reasonable alternative or substitute exists; or for tasks that represent a natural continuation of previous work carried out by the firm.

ii. No written justification was provided for the use of single source selection method contrary to Section 124 (13) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to issue a written justification for single-source selection in the context of the overall interests of the procuring entity.

iii. A report of a negotiation committee dated 21 September 2022 indicated that, based on a market survey undertaken by the committee on recruitment services for sixty-one (61) vacant positions, the average cost for the services from similar firms and scope was Kshs.22,500,000. However, despite the quoted prices being higher than the market price, and a recommendation to have the quoted price to be adjusted to match the market price, Management awarded the contract at the higher cost of Kshs.50,297,600.

iv. The tender for recruitment services for sixty-one (61) positions was awarded at a price of Kshs.50,297,600 against an approved budget of Kshs.30,000,000 exceeding the budget by Kshs.20,297,600 or 68%. Similarly, the tender for recruitment services for one hundred and twenty-one (121) positions was awarded at a price of Kshs.69,970,829 against budgeted amount of Kshs.40,000,000 exceeding the approved budget by Kshs.29,970,829 or 75%. This was contrary to Section 44 (2) and 53 (8) of the Public Procurement and Asset Disposal Act, 2015 which requires the accounting officer to ensure that procurements of goods, works and services of the public entity are within approved budget of that entity and not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

v. A professional opinion issued on 8 August, 2023 and the contract with the consultant for recruitment services for one hundred and twenty-one (121) positions indicated that the prices were based on the number of positions to be filled. However, the consultant quoted for one hundred and twenty-two (122) positions in the price schedule. Therefore, the quote was overpriced by one position.

vi. The contract for recruitment of one hundred and twenty-one (121) vacant positions at a cost of Kshs.69,970,829 was entered when the Consultant had already entered into an earlier contract for recruitment services for sixty-one (61) positions at the Authority through request for proposals. This was contrary to Section 130 of the Public Procurement and Asset Disposal Act, 2015 which provides that a person who enters a contract resulting from procurement by a request for proposals shall not enter into any other subsequent contract for the procurement of goods, services or works related to that original contract.

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

3. Lack of Governance Audit

Paragraph 1.13 of the Mwongozo code of governance for State Corporations requires the Board, in consultation with the oversight office, to ensure that the organization is subjected to an annual governance audit by a member registered by the Institute of Certified Public Secretaries of Kenya (ICPSK). Despite Management indicating that a governance audit had been undertaken, no evidence and report of the audit was provided for review.

In the circumstances, Management was in breach of the Code of Governance for State Corporations.

4. Non-Compliance with the One Third Gender Rule

Review of the composition of Authority's Board of Directors revealed that nine (9) out of the eleven (11) Board members were male translating to 82%. This was against the gender equality principle outlined in Article 27 (8) of the Constitution of Kenya, 2010 which requires the State to take legislative and other measures to implement the principle that not more than two-thirds of the members of elective or appointive bodies shall be of the same gender.

In the circumstances, the composition of the Board was in breach of the law.

5. Authentication of Academic Qualifications for Employees Certificate

Review of Human Resources records revealed that Management undertook an authentication of academic certificates exercise during the year under review. However, the authentication only covered certificates from local universities. The other academic certificates such as those on secondary education, diploma courses, and professional courses, academic qualifications obtained from foreign universities for the Authority's fifty-two (52) employees were yet to be authenticated. This was contrary to the Public Service Commission circular issued on 19 October, 2022 which required all Authorized Officers to government institutions to undertake an audit of academic and professional certificates of employees.

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

6. Non-Compliance with the One-Third of Basic Salary Rule

Analysis of the payroll data revealed that during the year under review, one hundred and eighty-five staff (185) employees were paid a net salary which was less than a third (1/3) of their basic pay. This contravened section 19(3) of the Employment Act, 2007 which requires that the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages. No sufficient explanation was given for breach of law on payment of salaries and allowances.

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

7. Non-Compliance with Leave Management Policy

Review of employees' leave records revealed that forty-seven (47) employees had carried forward more than fifteen (15) leave days of their annual leave entitlement and accrued leave allowance totaling to Kshs.12,194,586. This was contrary to Section 6.3.3 and 6.3.4 of the Authority's Human Resource Policy and Procedures Manual which requires employees to take leave earned within the leave year it falls due or forfeit it and only carry forward not more than half of annual leave entitlement in exceptional circumstances with prior written approval of the Director General.

In the circumstances, Management was in breach of the Authority's policies.

8. Non-Compliance with Migration to E-Citizen Platform

Review of records in respect of revenue collection revealed that the Authority was yet to onboard its services into the e-citizen platform contrary to Presidential directive communicated through the Head of Public and Secretary to the Cabinet circular dated 4 August, 2023. The circular required all Ministries, State Departments and State Agencies to transition all payments to a single payment platform under the designated pay bill number 222222 by 8 August, 2023 and onboard all government services onto the e-citizen platform by 30 September. No explanation or documentary evidence was provided for the non-compliance with the requirements set out in the circular.

In the circumstances, Management was in breach of Government policy directives.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 effect of the matters described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, 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. Long Outstanding Receivables

The statement of financial position and as disclosed in Notes 23 to the financial statements, reflects Kshs. 566,886,064 in respect of receivables from non-exchange transactions. The balance includes Kshs.320,899,132 receivable from Kenya Power and Lighting Company PLC and Kenya Revenue Authority which had been outstanding for more than a year. No evidence was provided of actions, if any, taken by Management to recover the long outstanding debts.

In the circumstances, the effectiveness of internal control measures put in place to collect outstanding debts could not be confirmed.

2. Long Outstanding Payables

The statement of financial position and as disclosed in Note 27 to the financial statements reflects payables under exchange transactions balance of Kshs.367,871,990. Review of the aging analysis provided in support of the balance revealed an amount of Kshs.50,834,864 which had been outstanding for more than one year. Management indicated that part of the payables was subject to an ongoing court case while others were retainers for existing contractual obligations which were yet to be finalized. However, no evidence to support Management claims and the likely implications including chargeable interest was provided. In addition, no contingent liabilities were disclosed in respect of the payables.

In the circumstances, the likely implications, including chargeable interest on overdue amounts, could not be ascertained.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 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 Management and Board of Directors

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 Authority's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/. This description forms part of my auditor's report.

FCPA **Nancy Gathungu,** CBS
AUDITOR-GENERAL

Nairobi

27 December,2024

Statement of Financial Performance for the Year Ended 30th June 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Transfers from other government entities	6	200,731,704	21,500,436
Levies	7	2,746,918,810	1,566,917,417
License fees & Miscellaneous	8	65,688,211	61,887,346
Total revenue from non-exchange transactions		3,013,338,725	1,650,305,199
Revenue from exchange transactions			
Other income	9	5,633,157	1,142,402
Interest	10	7,396,212	5,213,789
Total revenue from exchange transactions		13,029,369	6,356,191
Total revenue		**3,026,368,094**	**1,656,661,390**
Expenses			
Use of goods and services	11	(1,237,602,063)	(750,637,957)
Employee costs	12	(871,447,380)	(714,041,917)
Remuneration of Directors	13	(29,093),087)	(20,526,228)
Depreciation and Amortization	14	(61,654,611)	(62,920,691)
Repairs and Maintenance	15	(18,960,459)	(13,370,974)
Contracted services	16	(197,485,426)	(133,955,462)
Transfers	17	(20,000.000)	(40,000,000)
Total expenses		**(2,436,243,026)**	**(1,735,453,229)**
Loss on sale of assets	18	(4,537)	
Surplus (deficit) for the year from continuing operations		**590,120,531**	**(78,791,839)**
Remission to National Treasury		(531,108,478)	
Surplus (deficit) for the year		59,012,053	(78,791,839)

The notes set out on pages 82 to 96 form an integral part of these financial statements. The annual report and financial statements set out on pages 76 to 97 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 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Assets			
Current Asset			
Cash and cash equivalents	20	525,265,084	255,273,661
KCB Senior Management Gratuity Investment	21		18,469,660
Receivables from exchange transactions	22	22,656,050	27,759,178
Receivables from non-exchange transaction	23	566,886,064	348,012,761
Inventories	24	5,492,014	5,426,740
		1,120,299,212	**654,942,000**
Non-Current Assets			
Property, plant and equipment	25	393,875,963	297,024,497
Intangible assets	26	24,608,982	2,219,719
		418,484,945	299,244,216
Non-Current Assets		418,484,945	299,244,216
Current Assets		1,120,299,212	654,942,000
Total Assets		**1,538,784,157**	**954,186,216**
Liabilities			
Current Liabilities			
Payables under exchange transactions	27	367,871,990	163,067,089
Payables under non-exchange transactions	28	641,732,230	294,557,091
Employee benefits	29	74,173,899	102,918,892
		1,083,778,119	**560,543,072**
Non-Current Liabilities			
Current Liabilities		1,083,778,119	560,543,072
Total liabilities		**1,083,778,119**	**560,543,072**
Reserves			
Capital replacement reserve	30	55,000,000	55,000,000
Accumulated surplus		400,006,038	338,643,144
Total Net Assets/Equity		**455,006,058**	**396,643,144**
Total Net Assets and Liabilities		**1,538,784,157**	**954,186,216**

The annual report and financial statements and the notes on pages 76 to 97 were approved by the board on 25th September 2024 and were signed on its behalf by:

Mr. Daniel Kiptoo Bargoria
Director General

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

Hon. (Prof) Jackton Boma Ojwang
Chairman

The accounting policies on page 81 to 86 and the notes on page 81 to 95 form an integral part of the annual report and financial statements.

Statement of Changes in Net Assets for the Year Ended 30th June 2024

Figures in Kenyan Shilling	Capital replacement reserve	Accumulated surplus	Total net assets/ equity
Balance at 2nd July 2022	**55,000,000**	**4I7,611,959**	**472,611,9S9**
Changes in net assets/equity			
Surplus for the year		(78,791, 839)	(78,791,839)
Total changes		(78,791,839)	(78,791,839)
Balance at 30th June 2023	55,000,000	338,643,144	393,643,144
Balance at 1st July 2023	**55,000,000**	**338,643,144**	**393,643,144**
Changes in net assets/equity			
Surplus for the year		590,120,531	590,120,531
Prior Year Adjustment-Stores and Accruals		2,350,841	2,350,841
Provision - 90% Remission to National Treasury	-	(531,108,478)	(531,108,478)
Total changes		61,362,894	61,362,894
Balance at 30th June 2024	**55,000,000**	**400,006,038**	**455,006,038**

Prior year adjustments relate to adjustments of stores accruals and audit fees.

Statement of Cashflow
for The Year Ended 30th June 2024

Figures in Kenyan Shilling	Note(s)	2023 - 2024	2022 - 2023
Cash flows from operating activities			
Receipts			
Transfers from other government entities			92,287,350
Levies		2,553,991,221	1,444,118,629
License fees		65,688,211	61,887,346
Other income (miscellaneous)		5,633,157	1,142,402
Interest received		7,396,212	684,981
		2,632,708,801	1,600,120,708
Payments			
Use of goods and services		(1,130,286,638)	(745,917,878)
Employee Costs		(866,434,347)	(711,472,226)
Remuneration Directors		(29,093,087)	(20,526,228)
Repairs and Maintenance		(15,747,659)	(14,512,589)
Contracted services		(122,611,148)	(111,425,388)
Transfers		(20,000,000)	(41,500,000)
		(2,184,172,879)	**(1,645,354,309)**
Total receipts		2,632,708,801	1,600,120,708
Total payments		(2,184,172,879)	(1,645,354,309)
Net cash flows from Operating activities	**31**	**448,535,922**	**(45,233,601)**
Cash flows from investing activities			
Purchase of property, plant and equipment	25	(157,961,929)	(22,149,616)
Purchase of other intangible assets	26	(20,582,570)	(2,998,599)
KCB Senior Management Gratuity Investment			3,294,991
Net cash flows from investing activities		**(178,544,499)**	**(21,853,224)**
Net increase / (decrease) in cash and cash equivalents		269,991,423	(67,086,825)
Cash and cash equivalents at the beginning of the year		255,273,661	322,360,486
Cash and cash equivalents at the end of the year	**20**	**525,265,084**	**255,273,661**

Statement of Comparison of Budget and Actual Amounts the for the Year Ended 30th June 2024

Figures in Kenyan Shilling	Original Annual budget	Adjustments	Final Annual Budget	Actual amounts on comparable basis	Performance Difference	% Utilization
Revenue						
Revenue from non-exchange						
Revenue						
Transfers from other	300,000,000	13,580,000	313,580,000	-	313,580,00	-
Government entities						
Levies	2,753,079,205	277,309,253	3,030,388,458	2,746,918,810	283,469,648	91%
License fees	83,865,876	-	83,865,876	65,688,211	18,177,665	78 %
Total revenue from non-exchange transactions	**3,136,945,081**	**290,889,253**	**3,427,834,334**	**2,812,607,021**	**615,227,313**	**82%**
Revenue from exchange transactions						
Other income (Miscellaneous)	1,100,000	-	1,100,000	5,633,157	(4,533, 157)	512%
Interest Received	3,500,000	2,000000	5,500,000	7,396,212	(1,896,212)	134%
Total revenue from exchange transactions	**4,600,000**	**2,000,000**	**6,600,000**	**13,029,369**	**(6,429,369)**	**197%**
Total revenue	**3,141,545,081**	**292,889,253**	**3,434,434, 334**	**2,825,636,390**	**608,797,944**	**82%**
Expenditure						
Use of goods and services	(1,452,164,797)	38,538,000	1,413,626,797)	(1,237,602,063)	(176,024,734)	88%
Employee costs	(1,262,307,318)	79,000,000	(1,183,307,318)	(871,447,380)	(311,859,938)	74%
Remuneration Directors	(30,000,000)	-	(30,000,000)	(29,093,087)	(906,913)	97%
Depreciation and amortization	(123,653,287)	35,300,000	(88,353,287)	(61,654,611)	(26,698,676)	70%
Repair and Maintenance	(18,000,000)	-	(18,000,000)	(18,960,459)	960,459	105%
Contracted services	(230,300,000)	-	(230,300,000)	(197,485,426)	(32,814,574)	86%
Transfers	(25,000,000)	-	(25,000,000)	(20,000,000)	(5,000,000)	80%
Total expenditure	**(3,141,425,402)**	**152,838,000**	**(2,988,587,402)**	**(2,436,243,026)**	**(552,344,376)**	**82%**
	3,141,545,081	292,889,253	3,434,434,334	2,825,636,390	608,797,944	
	(3,141,425,402)	152,838,000	(2,988,587,402)	(2,436,243,026)	(552,344,376)	
Operating surplus	**119,679**	**445,727,253**	**445,846,932**	**389,393,364**	**56,453,568**	
Loss on disposal of assets	-	-	-	(4,537)	-	-%

Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**119,679**	**445,727,253**	**445,846,932**	**389,388,827**	**56,458,105**	**87%**

Statement of Comparison of Budget and Actual Amounts for the Year Ended 30th June 2024

Budget Differences

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 is 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 here under;

a) Levies received were below budget by Ksh. 283,469,648 representing under collection of 9%. This was as a result of depressed economic environment and high fuel prices that led to reduced fuel consumption, leading to lower-than-expected levy collections.

b) License fees were below budget by Ksh. 18,177,665 representing an under collection of 22%. This was due to the low number of new license applications and renewals.

c) Miscellaneous income was above budget by Ksh. 4,533,157 representing a variance of 412% due to increased insurance compensation.

d) Interest received was above budget by Ksh. 1,896,212 representing a variance of 34%. This was due to high interest earned on current account as a result of a healthy cash balance resulting from increased petroleum and electricity levy collection.

e) Use of goods and services was below budget by Ksh. 176,024,734 an under expenditure 12%. This was as a result of delayed procurement processes majorly due to non-responsive tenders that required repeating the tender process.

f) Employee costs were below budget by Ksh. 311,859,938 representing an under expenditure of 26%. This was due to a lengthy recruitment process arising from the many positions advertised and high number of applications received.

g) Depreciation and amortization expense was below budget by Ksh. 26,698,676 an under expenditure of 30%. This was majorly because of delay in completion of the partitioning works in 5th floor and regional offices and delayed procurement of office equipment.

h) Contracted services was below budget by Ksh. 32,814,574 representing an under expenditure 14%. This was due to delayed procurement processes majorly due to non-responsive tenders.

i) Transfers were below budget by Ksh. 5,000,000 representing an expenditure 20%. This was because transfer to car loan was not effected as the fund was sufficient in the period.

NOTE:

RECONCILIATION

In the period expenses relating to upstream activities and UNEP projects were recognized as income in the statement of financial performance and reduced the deferred upstream Income and UNEP liabilities respectively, hence difference with budget statement.

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 o£ the Authority. The accruing 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 (Ksh.) 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 interpretation in issue, effective in the year ended 30th June 2025.

There were no new and amended standards issued in the financial year.

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30th June 2024.

	Effective date: Years beginning on or after	Expected impact:
IPSAS 43	01 January 2025	
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	01 January 2025	
IPSAS 45: Property Plant and Equipment	01 January 2025	
IPSAS 46: Measurement		
IPSAS 47: Revenue	01 January 2026	
IPSAS 48: Transfer Expenses	01 January 2026	
IPSAS 49: Retirement Benefit Plans	01 January 2026	

3.3 Early adoption of standards
The Authority did not early- adopt new or amended standards in the financial year 2023/2024.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) **Revenue from non-exchange transactions**
Levies and licenses
The Authority recognizes revenues from electricity and 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 comprises sales of stores, tenders and surplus goods.

Interest income

Interest income 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 on outstanding to determine interest income each period.

b) Budget information

The original budget for financial year 2023/2024 was approved by the National Treasury though the Ministry of Energy and Petroleum on 30th June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities on 11th June 2024. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget.

The annual budget is prepared on the 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 remits 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 leave been disposed 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.

After 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; and
- 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 amortized 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 assets 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 time recognition of impairment gains or losses, interest revenue and foreign exchange gains end losses which are recognized in surplus/deficit. Interest income from these financial assets is eluded 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 liaiailities 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 or 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 arid 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 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 individual and/or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society. The entity recognizes a social benefit as an expense for the social benefit scheme at the same time that it recognizes 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 control or 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 drill 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 period. The contributions to fund obligations for the payment t 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 employer. 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 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. 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 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 the 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 authorized 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 leave been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2024.

5. Significant judgement and 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 value

The useful lives and residual values of assets are assessed using the following indicators to inform potential torture 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.

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

6. Transfer from other government entities

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
Deferred Upstream Regulatory support	191,249,815	10,990,986
Deferred income-Energy Act	-	3,009,450
Government support	-	7,500,000
UNEP	9,481,889	-
	200,731,704	**21,500,436**

Transfers from other government entities				
Name of Entity	**Amount Recognized in Statement of Financial Performance (Ksh.)**	**Amount Recogized in Capital Fund (Ksh.)**	**Total Income During the Period (Ksh.)**	**Comparative Period (Ksh.)**
Ministry of Petroleum and Mining (conditional)	191,249,815	Nil	191,249,815	10,990,986
Ministry of Petroleum and Mining (conditional)	-	-	-	7,500,000
Other Stakeholders	9,481,889	-	9,481,889	3,009,450
	200,731,704	**-**	**200,731,704**	**21,500,436**

7. Levies

Electricity Levy	830,413,932	406,046,291
Petro1eum Levy	1,916,504,878	1,160,871,126
	2,746,918,810	**1,566,917,417**

Electricity Levy-Energy Act 2019

Petroleum levy-Legal Notice No. 45 of 2024

8. License fees & Miscellaneous

License fees	65,688,211	61,887,346

9. Other Income (Miscellenous)

Other income (Miscellenous)	5,633,157	1,142,402

10. interest received - investment

Interest	7,396,212	5,213,789

11. Use of goods and services

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
Training seminars and workshops	86,515,712	71,324,269
Subscriptions	3,572,537	3,079,034
Staff Welfare	11,207,554	7,585,566
General office expenses	24,908,770	22,442,441
Fuel	16,444,358	11,600,393
Insurance license & MV subscriptions	2,966,466	3,997,708
Travel, inspections, surveillance & audit	426,999,222	162,243,756
Corporate subscriptions	22,801,513	19,220,952
Seminars, workshops, public hearings	35,926,992	32,364,087
Advertising and gazette notices	61,050,716	86,024,086
Bank charges	2,494,026	1,903,135
Branding/Printing	2,986,972	9,275,131
Telephone and Internet	12,840,903	11,286,959
Software licenses support and disaster recovery	37,982,748	24,274,771
Rent and service charges	60,277,240	62,396,058
Security	13,396,547	8,393,269
Electricity	8,185,699	6,084,447
Office cleaning	7,325,606	6,757,065
Consultancies	319,672,696	148,720,539
LBV, safety, culture change and related	39,715,035	24,043,525
Energy Act expenses	507,200	3,313,950
Water	148,951	42,858
Corporate social responsibility	7,231,939	7,129,318
Audit fees	748,000	714,085
Legal fees regulatory expenses	31,694,661	16,420,555
	1,237,602,063	**750,637,957**
12. Employee costs		
Basic Salaries	502,822,495	408,453,590
Pension and Gratuity	109,853,369	94,691,654
Special Duty / Acting Allowance	6,662,078	20,691,635
Car and Commuter allowance	36,801,020	29,188,141
House Allowance	106,382,579	89,671,899
Fringe benefits	10,866,797	6,311,904
Leave & Other Allowances	16,098,090	8,349,100
Medical	55,709,875	44,533,90
General Life&Personal Insurance	18,131,532	12,132,093
Meal Allowance		18,000
Affordable Housing Levy	8,119,545	
	871,447,380	**714,041,917**
13. Remuneration of Directors		
Monthly fees and honorarium	6,456,774	6,908,548
Sitting allowance	9,034,428	5,340,000
Meeting, entertainment and other allowances	2,470,774	1,476,180
Seminars, travel, and accommodation	10,580,891	6,395,502
Insurance & medical	550,220	405,998
	29,093,087	**20,526,228**
14. Depreciation and Amortization		
Property, plant and equipment	60,486,304	59,047,162
Intangible assets	1,168,307	3,873,529
	61,654,611	**62,920,693**

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
15. Repairs and Maintenance		
Repair & service motor vehicle	16,675,247	11,607,414
Repair maintenance office equipment	2,285,212	1,763,560
	18,960,459	**13,370,974**
16. Contracted Services		
Fuel Marking	158,668,179	92,161,102
LPG Inspection	38,817,247	41,794,360
	197,485,426	**133,955,462**
17. Transfers		
Transfers to Mortgage & Car Loan	20,000,000	40,000,000
18. Gain or sale of assets		
Property, plant and equipment & intangible assets	(4,537)	

There was no gain on sale of assets during the period

19. Remission to National Treasury		
Surplus (deficit) for the year	590,120,531	(78,791,839)
Released surplus	590,120,531	(78,791,839)
90% of released profit	**531,108,478**	**-**

In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. The Authority had a surplus of Ksh. 590,120,531.00 hence remittance of Ksh. 531,108,478.00 to the National Treasury.

20. Cash and cash equivalents

Cash and cash equivalents consist of:		
Mpesa	1,176,990	6,487,030
Bank balances	479,221,534	160,829,059
KCB Senior Management Gratuity Current Account	44,866,560	87,957,572
	525,265,084	**255,273,661**

In October 2018, all senior management staff were placed on a five-year renewable contract. A 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 or cash and cash equivalents

Financial institution	**Account number**		
KCB Bank	1107180198	473,715,064	155,911,086
National Bank	01003003110800	4,578,167	3,978,510
NCBA Bank	6959370012	928,303	939,463
		479,221,534	**160,829,059**
Gratuity Custody Accounts			
KCB Senior Management Gratuity Current Account	1273022599	44,866,560	87,957,572
Others			
Mobile Money Accounts M-pesa	923311	1,176,990	6,487,030
		1,176,990	**6,487,030**
Total cash and cash equivalents		**525,265,084**	**255,273,661**
21. KCB Senior Management Gratuity Investment			
KCB Senior Management Gratuity Investment			16,469,660

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

22. Receivable from exchange transactions Prepayments

Prepayments	1,004,994	2,293,049
Deposits	21,651,056	21,411,056
Interest receivable		3,055,073
	22,656,050	**27,759,178**

Ageing analysis for receivables from exchange transaction.

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	3,935,533	17 %	3,426,763	12 %
1-2 years	4,252,088	18 %	1,118,652	5 %
2—3 years	3,363,678	15 %	2,109,012	8 %
Over 3 years	11,104,751	50 %	21,104,751	75 %
	22,656,050	**-**	**27,759,178**	

23. Receivables from non-exchange transactions

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
Board Imprest	90,999	209,999
Staff imprest	24,993,691	5,900,320
Other receivables	21,528,670	16,915,401
KPLC-Electricity levy	236,654,619	221,300,026
CRA—Petroleum levy	277,172,102	99,599,106
Staff salaries & medical advances	6,445,983	4,087,909
	566,886,064	**348,012,761**

Ageing analysis for receivables from non-exchange transactions.

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	393,561,817	64 %	113,810,320	32 %
1-2 years	14,045,645	3 %	24,567,598	7%
2-3 years	10,400,338	2 %	10,993,813	4 %
Over 3 years	148,878,264	31%	198,641,030	57 %
Total	**566,886,064**	**-**	**348,012,761**	

24. Inventories

Inventories	5,492,014	5,426,740

25. Property, plant and equipment

Controlling entity	2024			2023		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	412,654,145	(161,396,650)	251,257,495	213,754,600	(147,387,012)	66,367,588
Motor vehicles	180,017,506	(141,683,148)	38,334,358	158,959,527	(125,217,075)	33,742,452
Office equipment	51,301,276	(25,868,346)	25,432,930	36,838,701	(22,931,893)	13,906,808
IT equipment	227,854,717	(149,003,537)	78,851,180	141,110,966	(122,295,761)	18,815,205
Other property, plant and equipment				164,192,444	-	164,192,444
Total	**871,827,644**	**(477,951,681)**	**393,875,963**	**714,856,238**	**(417,831,741)**	**297,024,497**

Reconciliation of property, plant and equipment

Cost	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Work In Progress	Total
At 1st July 2022	212,014,850	135,739,527	33,379,621	140,199,777	146,421,067	667,754,842
Additions	1, 739,750	23,220,000	3,459 080	4,203,700	17,771,377	50,393,907
Disposal		-		(3,292,511)		(3,292,511)
At 30th June 2023	**213,754,600**	**158,959,527**	**36,838 701**	**141,110,966**	**164,192,444**	**714,856 238**
Additions	5,636,576	21,057,979	14,102,575	87, 114,651	29,430,525	157,342,306
Disposal				(370,900)	-	(370,900)
Transfers	193,262,969		360,000	-	(193,622,969)	
At 30 June2024	**412,654,145**	**180,017,506**	**51,301,276**	**227,854,717**	**-**	**871,827,644**
Depreciation and impairment						
At 1st July 2022		(133,136,344]	(106,711,849)	(19,933,413)	(102,295,484)	(362,077,090)
Disposal		-			3,292,511	3,292,511
Depreciation		(14,250,668)	(18,505,226)	(2,998,480)	(23,292,788)	(59,047,162)
At 30th June 2023		**(147,387 012)**	**(125,217,075)**	**(22,931,893)**	**(122,295,761)**	**(417 831,741)**
Disposal		-	-	-	368,799	368,799
Depreciation		(14,009,638)	(16,466,073)	(2,936,453)	(27,076,575)	(60,488,739)
At 30th June 2024		**(161,396,630)**	**(141 683,148)**	**(25,868,346)**	**149,003,537)**	**(477,951,681)**
Netbook values						
Cost	412,654,145	180,017,506	51,301,276	227,854,217		871,827,644
Accumulated depreciation and impairment	(161,396,650)	(141,683,148)	(25,868,346)	(149,003,537)	-	(477,951,681)
At 30 June 2023	**66,367,587**	**33,742,462**	**13,906,808**	**18, 815,205**	**164,192,445**	**297,024,497**
At 30 June 2024	**251, 257,495**	**38,334,358**	**25,432,930**	**78,851,280**	**-**	**393,875,963**

As at 30th June 2024, property and equipment with cost amounting to Ksh. 343.5M were fully depreciated and intangible assets with cost amounting to Ksh. 115.4M were fully amortized.

Property, plant and Equipment include the following assets that are fully depreciated 2023-2024.

Description	Cost	Normal annual depreciation charge
Furniture and fixtures	127,452,291	15,931,536
Motor vehicles	89,312,619	22,328,155
Office equipment	15,937,441	1,992,180
IT equipment	10,786,614	33,269,253
Total	**343,488,965**	**73,521,124**

Property, plant and equipment includes the following assets that are fully depreciated 2022-2023.

Description	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
Total	**274,976,077**	**38,415,309**

26. Intangible assets

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
Reconciliation of intangible assets		
Cost		
Opening balance	118,414,054	1 15,415,454
Additions	23,557,570	2,998,600
Closing balance	**141,971,624**	**118,414,054**
Amortisation and impairment Opening balance	(116,194,335)	(112,320,806)
Amortisation	(1,168,307)	(3,873,529)
Closing balance	**(117,362,642)**	**(116,194,335)**
Made up as follows:		
Cost	141,971,624	118,414,054
Amortisation and impairment	(117,362,642)	(116,194,335)
Net Book Value	**24,608,982**	**2,219,719**

Included in intangible assets at 30th June 2024 are assets with a gross value of Ksh. 115.4M and Ksh. 114.4M in 2023 which are fully amortised but still in use. The notional amortisation charge on these assets for the year would leave been Ksh. 34.7 and Ksh. 28.6M in 2023.

27. Payables under exchange transactions

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
Suppliers	366,247,862	159,187,243
Accruals	1,624,128	3,879,846
	367,871,990	**163,067,089**

Ageing analysis-Payables under exchange transactions

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	313,481,304	85%	61,213,970	40%
1-2 years	2,467,865	1%	24,719,945	16%
2-3 years	3,529,516	1%	38,446,680	14%
Over 3 years	48,393,305	13%	38,686,494	30%
	367,871,990	**-**	**163,067,089**	
28. Payables under non-exchange transactions				
Deferred Income-Energy Act			15,900,051	15,900,051
Taxes and other statutory deductions			26,211,870	8,588,919
Other Employee payables			827,228	1,651,814
Provision - 90% Remission to National Treasury)			531,108,478	-
Deferred Income - Upstream petroleum			66,941,692	258,191,507
Deferred Income - UNEP project			742,911	10,224,800
			641,732,230	**294,557,091**

The deferred income movement is as follows;

	Deferred Income Petroleum Upstream	Deferred Income-Energy Act	Deferred Income-UNEP Project	Total
Balance brought forward	258,191,507	15,900,051	10,224,800	284,316,358
Transfers to capital fund				
Transfers to income statement	(191,249,815)	-	(9,481,889)	(200,731,704)
	66,941,692	**15,900,051**	**742,911**	**83,584,654**

Ageing analysis-payables under non-exchange

	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	551,059,287	84%	75,000,000	5%
1-2 years	14,106,451	3%	194,182,493	66%
2-3 years	66,728,692	21%	15,402,023	10%
Over 3 years	9,837,800	2%	9,972,575	19%
	641,732,230	**-**	**294,557,091**	
29. Employee benefit obligations				
Senior Management Gratuity Payable			43,783,987	84,940,794
Contract Staff Gratuity Payable			1,145,116	2,424,792
Salary payable			4,565,025	1,205,499
Other payroll benefits			24,679,771	14,347,807
			74,173,899	**102,918,892**

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 a 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

The 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.

Figures in Kenyan Shilling	2023 - 2024	2022 - 2023
31. Cash Generated in operations		
Surplus (deficit)	59,012,053	(78,791,839)
Adjustments for:		
Depreciation and amortization expense	61,654,611	62,920,691
Changes in working capital:		
(Increase) Decrease in Inventories	(65,274)	(1,104,537)
(Increase) Decrease in receivables from exchange transactions	5,103,128	(5,478,142)
(Increase) Decrease in gratuity	18,469,660	
(Increase) Decrease in receivables from non-exchange transactions	(218,873,303)	(129,611,717)
Increase (Decrease) in Payables under exchange transactions	204,804,904	6,368,699
Increase (Decrease) in Payables under non-exchange transactions	347,175,139	89,016,765
Increase (Decrease) in Employee Benefit Provision	(28,744,993)	11,446,479
Cash Generated in operations	**448,535,922**	**(45,233,601)**

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 payroll risk management programme focuses on the unpredictability of financial markets and seeks to minimize 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 or its contractual obligations resulting in contractual loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Authority's management assesses the quality of each customer, taking into account its financial position, past experience and other factors.

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

As at June 2024	Fully performing (Ksh.)	Past Due (Ksh.)	Impairment (Ksh.)	Total (Ksh.)
Receivables from non-exchange transactions	566,886,064	-	-	566,886,064
Receivables from exchange transactions	22,656,050	-	-	22,656,050
Bank Balances	525,265,084	-	-	525,265,084
	1,114,807,198	**-**	**-**	**1,114,807,198**

As at June 2024	Fully performing (Ksh.)	Past Due (Ksh.)	Impairment (Ksh.)	Total (Ksh.)
Receivables from non-exchange transactions	348,012,761	-	-	348,012,761
Receivables from exchange transactions	27,759,178	-	-	27,759,178
Bank Balances	273,743,321	-	-	273,743,321
	649,515,260	**-**	**-**	**649,515,260**

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:

As at 30th June 2024	Less than 1	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	97,013,747	14,671,871	42,052,621	153,738,239
Deferred income-Energy Act			14,493,451	14,493,451
Accrual	3,183,846			3,183,846
Taxes and other statutory deductions	2,609,572			2,609,572
Other Payables	827,228			827,228
Employee benefits obligation	74,173,899			74,173,899
UNEP Project	9,787,350		437,450	10,224,800
Deferred Income-Upstream Petroleum		-	66,341,692	66,341, 692
	187,595,642	**14,671,871**	**123,325,214**	**325,592,727**

As at 30 June 2023	Less than 1	1 - 3 Months	Over 5 Months	Total
Trade & other payables from exchange transactions	97,013,747	20,120,875	42,052,621	159,187,243
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	1,651,814			1,651, 814
Employee benefits obligation	102,918,892			102,918,892
UNEP Project	9,787,350		437,450	10,224,800
Deferred Income-Upstream Petroleum		-	258, 191,507	258,191,507
	223,840,568	**20,120,875**	**316,581,629**	**560,543,072**

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,

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 30 days after 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:

	2023-2024	2022-2023
Retained Earnings	400,006,038	338,645,144
Capital replacement reserve	55,000,000	55,000,000
Less: Cash and Bank Balances	(525,265,084)	(273,743,321)
	(70,259,046)	**119,899,823**

33. Related party disclosures

Transactions with related parties		
Purchases from related parties		
Purchases of Electricity from KPLC	8,185,699	6,084,447
Rent expenses paid to government agencies (Lake Basin)	2,486,400	3,104,289
Training and Conferences fees paid to government agencies (KSG)	4,489,382	2,372,548
Transfers from the government and other stakeholders		
Ministry of Petroleum and Mining	-	82,500,000
Energy Act	-	5,600,000
UNEP	-	9,787,350
Key management compensation		
Compensation to Senior Managers	105,761,366	104,505,931
Compensation to Director General	11,520,000	11,040,000
	117,281,366	**115,545,931**

34. Contingency liabilities

Court cases against EPRA	10,000,000	50,000,000

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. Below is a summary of key matters whose contingent liability is high.

No.	Case
1.	Apollo Mboya & Electricity Consumers Society of Kenya vs. KPLC & 4 Others- Petition No. 6 of 2018.
2.	Okiya Omtatah Okoiti -vs- ETC -Petition No. 38 of 2017.
3.	HCC Misc. Application No. 518 of 2016-S.M Kilonzo &Associates Advocates Versus Energy & Petroleum Regulatory Authority Kenya Petroleum Refineries Limited Vs Total Kenya Limited Energy Regulatory Commission.
4.	EPRA v Gitson Energy Limited, Cabinet Secretary o£- the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company &- Attorney General -HCPA No. E190 of 2022.
5.	San we1 Owino and Geoffrey Obegi & 4 Others Vs Derdols Petroleum Limited and Derdols Petroleum Limited T/A Maxxis Nairobi Energy & 7 Others -HC II E242 of 2024.
6.	Francis Mureithi Vs EPRA and 5 Others -HCCHR PET/E101/2024.

35. Events after the Reporting period

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

36. Ultimate and Holding Entity

EPRA is a state corporation under the Ministry of Energy and Petroleum. 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	Timeframe
1	Budgetary and performance	Revenue is affected by economic conditions resulting in low consumption of petroleum products than projected. Under absorption is attributed to delays in recruitment and procurement	Not Resolved	
2	Unresolved prior year matters	All issues relating to financial year 2021/2022 were all resolved in the financial years 2022J2023 and 2023/2024	Not Resolved	
3	Irregular procurement for Fuel marking, Testing and Monitoring Process Services	1) The Accounting Officer recommended termination of the tender on 28th December 2021 pursuant to section 63 a (i) and 63 (e) with the reason that the subject procurement load been overtaken by operation of law as per the Government policy communicated to the Authority vide letter MICNE/Sec. 1/43 dated 6th December 2021 directing on the integration of the fuel Marking program under the IPMAS EGMS system and recommending *rescission on of* the ongoing tendering and procurement process for provision of Fuel Marking and Monitoring Services. 2) Termination Letters were done to the bidders notifying them of the termination pursuant to section 63 (4) of the PPADA 2015 and a termination report to Public Procurement Regulatory Authority done pursuant to section 63(3)of the PPADA 2015.	Resolved	
4	Non-compliance with E-Procurement Requirements	The Authority has partially implemented e-procurement as follows; Outward facing web-based supplier portal where the following functions are executed; 1. Registration of Suppliers. 2. Publishing of procurement opportunities. 3. Submission of bids is under piloting and improvements are ongoing. This can be verified on the EPRA website.	Resolved	

5	Employees on Acting Appointments beyond stipulated Periods.	The Authority could not recruit new staff due to the Public Service freeze on new employemnts. Requests for approval to undertake recruitment on numerous occasions were unsuccessful.	Not Resolved	
6	Lack of Governance Audit	A governance audit was undertaken in financial year 2021/2022. Management was still working and closing on the audit findings. It was noted that it would not have been prudent to undertake the same audit in the subsequent year having undertaken legal audit and the findings/recommendation having not been conclusively implemented. Another governance audit is scheduled for financial year 2023/2024.	Not Resolved	
7	Lack of follow up on Violations by petroleum outlets	The Authority has completed recruitment of staff in the financial year 2023-2024 to make sure our objectives are achieved	Resolved	
8	Inadequate capacity to undertake Authority functions due to understaffing	The Authority has completed recruitment of staff in the financial year 2023-2024 to make sure our objectives are achieved	Resolved	
9	Lack of Valid License for Garissa Solar Power Plant	Garissa Solar Power plant is owned by the Government of Kenya (REREC) and currently operated by KenGen. It has not been issued with a generating license due to pending land title or lease for the power plant that is a prerequisite for licensing. The issue is being handled by MOEP and Garissa County government.	Not Resolved	
10	Lack of facilitation to regional offices	Management has reviewed the finance policies and procedures manual to provide guidelines on management and administration of petty cash at the regional offices.	Not resolved	

Mr. Daniel Kiptoo Bargoria
Director General
24th December 2024

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