

# Uganda: Power firms plan to invest billions in 2018

By [Jeff Mbanga](#)

5 Jan 2018

Umeme, Eskom, the Uganda Electricity Distribution Company Limited (UEDCL), the Uganda Electricity Transmission Company Limited (UETCL) and Uganda Electricity Generation Company Limited (UEGCL) have submitted investment plans for 2018 to the country's Electricity Regulatory Authority (ERA), all of them signalling an increase in capital expenditure. The investment is expected to be recouped from power tariffs to be charged, suggesting that the cost of power will remain high next year.



[123rf.com](#)

These revelations came to light at a public hearing held by ERA to seek views from different businesses before announcing the tariff. The exchange rate is expected to be the biggest determinant of the movement of the power tariff considering that more than 80% of the investment costs that power firms incur are pegged on the US dollar.

All five companies see capital spend going up by at least 30% in 2018.

Eskom, the South African power utility that manages the two dams at Nalubaale and Kiira, is slated to account for the highest increase when the company invests \$20.2m in 2018 compared to the \$2.5m in 2017.

Umeme, the locally-listed company, where the National Social Security Fund is the major shareholder with 23%, submitted an application with a revenue requirement of \$250m.

The Uganda Electricity Distribution Company Limited said it will spend \$1.52m from January 2018 to June 2019, an increase of 38% compared to the previous period.

While the Uganda Electricity Transmission Company and the Uganda Electricity Generation Company Limited will spend billions of shillings in the coming year. For these two, their investments are not recovered from the tariff because ERA treats them as development costs.

## **Umeme**

A lot of Umeme's 2018 budget is a continuation of work the company has been carrying out in 2017. Described as "work in progress", Umeme has set aside \$49m for this component.

But when it comes to calculating the tariff, the bone of contention between Umeme and ERA always appears to be what should be determined as an investment cost in the network.

"In determining the 2018 end user tariffs, it is expected that ERA will aggregate revenue requirements of all sector entities (including Umeme's revenue requirement) and take account of all assumptions underlying upstream costs and distribution costs," Umeme said in a statement.

Umeme has asked ERA to consider \$14m it has committed in non-network assets as part of the distribution operation and maintenance cost, which should be recovered through the tariff.

Umeme has also included \$6.95m, which it says ERA over-recovered using an erroneous computation. ERA recovers money that Umeme earns beyond what was budgeted for.

## **Eskom**

The company said it had revised the amount needed to refurbish mainly Nalubaale dam from \$2m to \$3.35m, the largest amount on a single component.

Eskom said the money was revised upwards due to the "cost of mobilisation of necessary equipment into the country." Negotiations for this work are currently ongoing. There have been concerns over the failure of some units to generate power.

## **UEDCL**

The state distribution company says it will create a new planning department, which should see overall administration costs go up by 11%.

UEDCL says it intends to put in place planning software and "other assets for network investment", valued at Shs 926m in its new planning department.

## **UETCL**

The national transmission company faces a number of challenges, right from overloaded transformers in towns to weak sub-stations and transmission lines in the rural areas.

It plans to install a new 60/80MVA transformer for Tororo, as one of its major tasks, although it does not mention how much it will spend on this.

The transformer is expected to cater for the anticipated increase in demand from the new Hima Cement factory, the new Simba Cement factory, and the expansion of the existing Tororo Cement factory, among others.

## UEGCL

Since UEGCL does not invest in real assets, much of the money it has budgeted will cover staff costs estimated at Shs 8bn, with the top earner there, the chief executive officer, Harrison Mutikanga, earning a basic monthly salary of Shs 24.4m.

The biggest percentage increase, though, is for consultancy, which has gone up \$259,000 from \$26,400. The agency said a substantial amount of these fees - \$83,300 - will go towards asset verification at the Nalubaale and Kiira power dams.

ERA is currently reviewing the applications and reserves the right to either approve the investments or block them.

There is quite a bit to read from all the investments. It would suggest that there is increased demand for electricity, with the large consumers, especially the industries, expected to increase their uptake.

Demand for electricity is expected to grow at 8% in 2018, which is more than the average 6% in 2017.

Some demand is slated to come from Kenya, with the Uganda Electricity Transmission Company Limited saying it plans to export at least 220.51GWh by the end of the year against a budgeted figure of 35GWh.

**Source:** *The Observer*

For more, visit: <https://www.bizcommunity.com>