Energy Regulatory Commission

PRESS RELEASE

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RETAIL ELECTRICITY TARIFF REVIEW FOR THE 2018/19 TARIFF CONTROL PERIOD (TCP)

Pursuant to Section 6(i) and Section 45 of the Energy Act 2006, The Energy Regulatory Commission has reviewed the Electricity tariff for the 2018/2019 period. This follows Kenya Power's (KPLC) application for review of the current electricity tariff that has been operational since 2013.

ERC's review follows the need to accommodate more renewable energy costs and address the numerous complaints by electricity domestic customers on the complexity of the tariff billing regime which was difficult to understand. For instance, customers receiving varying units for the same amount of money within a billing cycle due to the graduated tariff structure and the fixed charges.

In considering KPLC's tariff application and in compliance with article 2 (10) of the Constitution of Kenya, the Commission engaged stakeholders in public hearings in addition to various memoranda, written submissions and oral representations made to the Commission.

The Commission also took into consideration best practices in tariff setting that emphasize on social equity, economic prudence and financial viability of sector utilities.

The Economic Policy Objective of retail tariff reviews is to achieve efficient resource allocation within the economy with consumers only paying for the costs prudently incurred by the utilities. In pursuit of this objective, ERC has been keen to have generation projects prioritized according to least cost considerations while there is continuous monitoring of sector utilities' financial performance to improve on efficiency.

The Financial Policy Objective aims to ensure short and long term financial viability of sector utilities. The objective is to ensure that utilities operate without financial distress and are provided with the capacity to meet the growing energy demand. This ensures that allowed revenue requirements are sufficient to meet the costs of purchasing power and expanding investments.

The New Electricity Tariffs

1. In order to ensure financial viability, economic feasibility and a sustainable and affordable electricity tariff, the Commission has approved an increase in the revenue requirement from KShs. 120 Billion to KShs. 131 Billion. This will meet energy purchase costs and allow for system expansion and maintenance.

2. Based on the revenue requirements, energy purchase costs, system expansion requirements, social equity objectives and the voice of consumers, the Energy Regulatory Commission has approved the retail electricity tariff for the next Tariff Control Period (TCP) as follows:

a. The overall unit cost of power reduces from KShs 17.87/KWh in 2017/18 to KShs 16.64/kWh 2018/19 representing an overall reduction of costs by 6.9% over the TCP.

b. The Domestic Consumer Lifeline Tariff which is meant to cushion the low income households whose consumption will not exceed 10 units per billing period, who at the moment constitute 3.6 Million of Kenya Power customers, will reduce by between 36% and 82%.

c. Commercial and Industrial Customers on average will get a reduction of 4.4%. This is in addition to the 50% discount in the Time of Use Tariffs.

d. To meet the social policy objective, the lifeline tariff consumption units have now been reduced from 50kWh per billing period to 10kWh to address the needs of the low income households in the society.

Most of the power plants being commissioned into the system are renewable energy technologies with no fuel pass through costs. In addition, increase in the non-fuel cost component will also be mitigated by the envisaged savings from the decrease in dispatch of the medium speed diesel plants that will be replaced by the renewable energy plants expected to be commissioned within the period. The Fuel Energy Cost will reduce from KShs. 4.19/kWh in 2017/18 to KShs 2.50/kWh in 2018/2019 representing 40.3% decrease over the same period.

Support of the Big Four Agenda

The new tariff ensures the financial sustainability of the electricity sector stakeholders while at the same time ensuring supply of reliable and competitively priced energy in support of the Big Four Agenda that aims to increase the share of manufacturing, food security and nutrition, universal health access and affordable housing. Electricity will play a key role as an enabler to ensure success of this agenda.

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Table 1: *Approved Energy Non Fuel Electricity Retail Tariffs for Tariff Control Period (2018/19) effective from 1st July 2018*

Code	Customer Type (Code Name)	Energy Limit kWh/month	Charge Method	Unit	2015/16 to date Approved	2018/19 KPLC Application	2018/19 ERC Approved
DC	Domestic		Fixed	KShs/month	150	200	0
	"	0-10	Energy	KShs/ kWh	2.50	13.01	12.00
		11-50	Energy	KShs/kWh	2.50	13.01	15.80
	"	51-1500	Energy	KShs/ kWh	12.75	18.90	15.80
	"	>1500	Energy	KShs/ kWh	20.57	25.56	15.80
SC	Small Commercial	0 - 15,000	Fixed	KShs/month	150	300	0
			Energy	KShs/ kWh	13.50	19.85	15.60
CI1	Comm./industrial	>15,000	Fixed	KShs/month	2,500	3,100	0
			Energy	KShs/ kWh	9.20	13.77	12.00
			Demand	KShs/ kVA	800	1,000	800
CI2	Comm./industrial	No Limit	Fixed	KShs/month	4,500	5,600	0
			Energy	KShs/ kWh	8.00	11.77	10.90
			Demand	KShs/ kVA	520	650	520
CI3	Comm./industrial	No Limit	Fixed	KShs/month	5,500	6,800	0
			Energy	KShs/ kWh	7.50	10.93	10.50
			Demand	KShs/ kVA	270	350	270
CI4	Comm./industrial	No Limit	Fixed	KShs/month	6,500	8,000	0
			Energy	KShs/ kWh	7.30	10.63	10.30
			Demand	KShs/ kVA	220	280	220
CI5	Comm./industrial	No Limit	Fixed	KShs/month	17,000	21,000	0
			Energy	KShs/ kWh	7.10	10.32	10.10
			Demand	KShs/kVA	220	280	220
SL	Street Lighting	No Limit	Fixed	KShs/month	200	250	0
			Energy	KShs/kWh	4.36	15.91	7.50

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