

TARIFF APPLICATION  
AND BUDGET FOR  
NALUBAALE & KIRA  
FY23/24



**UEGCL**  
*Generating for Generations*



Thursday 8<sup>h</sup> December 2022

# Presentation Summary

- UEGCL Profile
- Concession Monitoring
- Budget Assumptions for FY23/24
- Budget Estimates – Nalubaale & Kira
- Tariff and Tariff Methodology
- Capital Investment Plan



# UEGCL PROFILE

**UEGCL** was incorporated in 2001 under a Companies Act and started operations on 1st April 2001

- ❖ 100% Government Company and Governed by a Board of Directors appointed by its shareholders
- ❖ Operates under the policy guidance of MEMD
- ❖ Is regulated by Electricity Regulatory Authority(ERA) with the following Licenses:
  - (Isimba O&M-Generation and Sale license
  - (Karuma O&M-Generation and Sale license
  - (Namanve TPP-Generation and Sale license

**Mandate:** To establish, acquire, maintain and operate Electricity Generation facilities and to promote Research and Development in the Electricity Generation sector, while running the company on sound business principles.



# CONCESSION MONITORING

UEGCL owns Nalubaale and Kiira Hydro-Electric Power stations, with installed capacity of 180MW and 200MW respectively.

In 2003, UEGCL concessioned out the operation and maintenance of its power stations to Eskom under a 20 year Concession and Assignment Agreement (CAA).

Under the CAA, UEGCL has the right to bill Eskom for;

- Debt service,
- Depreciation,
- Return on Equity and
- Administrative costs

This has been effectively done over the Concession period.



# Monitoring of the Eskom concession

- UEGCL is responsible for monitoring the activities of Eskom to ensure that they conform to the requirements of the Concession and Assignment Agreement (CAA).
- The Monitoring is in form of periodic inspections, review and analysis of reports.
- A selected team of Engineers carries out the technical monitoring, while monitoring of other functions is done by support staff.

## UEGCL takeover of O&M

- ❖ Cabinet decision not to renew the Concessions with the ESI including that of Eskom.
- ❖ Eskom expressed interest not to renew the Concession
- ❖ As provided by the CAA, the concession will naturally end on the 31st March 2023.

# CONCESSION ACHIEVEMENTS TODATE

- UEGCL undertook a feasibility study for rehabilitation and optimisation of Nalubaale and Kira complex
- UEGCL successfully harmonised the position on the status of Nalubaale powerhouse following numerous studies that had been performed.
- UEGCL Played a role of principally agreeing on plant modifications to be undertaken during the concession monitoring period and also played a key oversight role in the implementation of the same modifications
- The successful completion of the revaluation of Nalubaale-Kiira complex considering the impairment.



# BUDGET ASSUMPTIONS FOR FY23/24

- ❖ Inflation rate of 10% (*ref; BoU Monetary Policy Statement Oct '22*)
- ❖ Exchange rate =UGX 3,900 per dollar (*current as per BoU 3744*)
- ❖ Cost allocation methodology to be applied on all shared costs.
- ❖ Plant factor is 60%
- ❖ 97% Plant availability
- ❖ Sales will be declared energy based
- ❖ 126 staff



# KIRA & NALUBAALE BUDGET ESTIMATES

UGANDA ELECTRICITY GENERATION COMPANY LIMITED		
KIRA AND NALUBALE BUDGET FY23/24		
SUMMARY		
Income	FY23/24	TOTAL
	UGX	USD
Revenue from Kira & Nalubaale	58,006,733,949	14,873,522
Return on Equity	73,287,353,038	18,791,629
<b>Total Income</b>	<b>131,294,086,987</b>	<b>33,665,151</b>
DETAILS		
	UGX	USD
STAFF COSTS	21,193,567,458	5,434,248
ADMINISTRATION EXPENSES	24,750,420,931	6,346,262
CAPEX	12,062,745,560	3,093,012
<b>Total O&amp;M Expenditure</b>	<b>58,006,733,949</b>	<b>14,873,522</b>
<b>Cash surplus/(deficit)</b>	<b>73,287,353,038</b>	<b>18,791,629</b>

## Staff Costs – Ugx 21.1bn

- Expected to support shared costs with 32% funding.

## Administrative Costs - Ugx 24.7bn

- All these in line with the current Eskom O&M costs.

## CAPEX - Ugx 12bn

- To undertake projects that Eskom was unable to do given the timing close to take over. They would not be able to recover these from the tariff.

## Return on Equity – Ugx 73bn

- As benchmarked from the CAA at 10% of NA
- Funds needed for capital investment/plant overhauls



# THE TARIFF AND TARIFF METHODOLOGY

## Energy Tariff- Guiding Principles

- Derived on a **Revenue Requirement Basis** (Revenue Requirement/Energy Sales)
- Indicative Yr I Tariff- Indicative Avg Tariff – 1.274 (Eskom- 1.293) **FOR 40Years**

- **Revenue Requirements**

Revenue Target= Invs't + O&M + Admn

Line Item	UEGCL (Million UGX)
Staff Costs	21,193.57
Admin Costs	16,778.90
O&M Costs	7971.51
Sub Total	<b>45,943.98</b>
Investments	12,062.75
Total	<b>58,006.73</b>

- **Energy Sales**

1.32GWh per year (Avg 2006 to 2021)

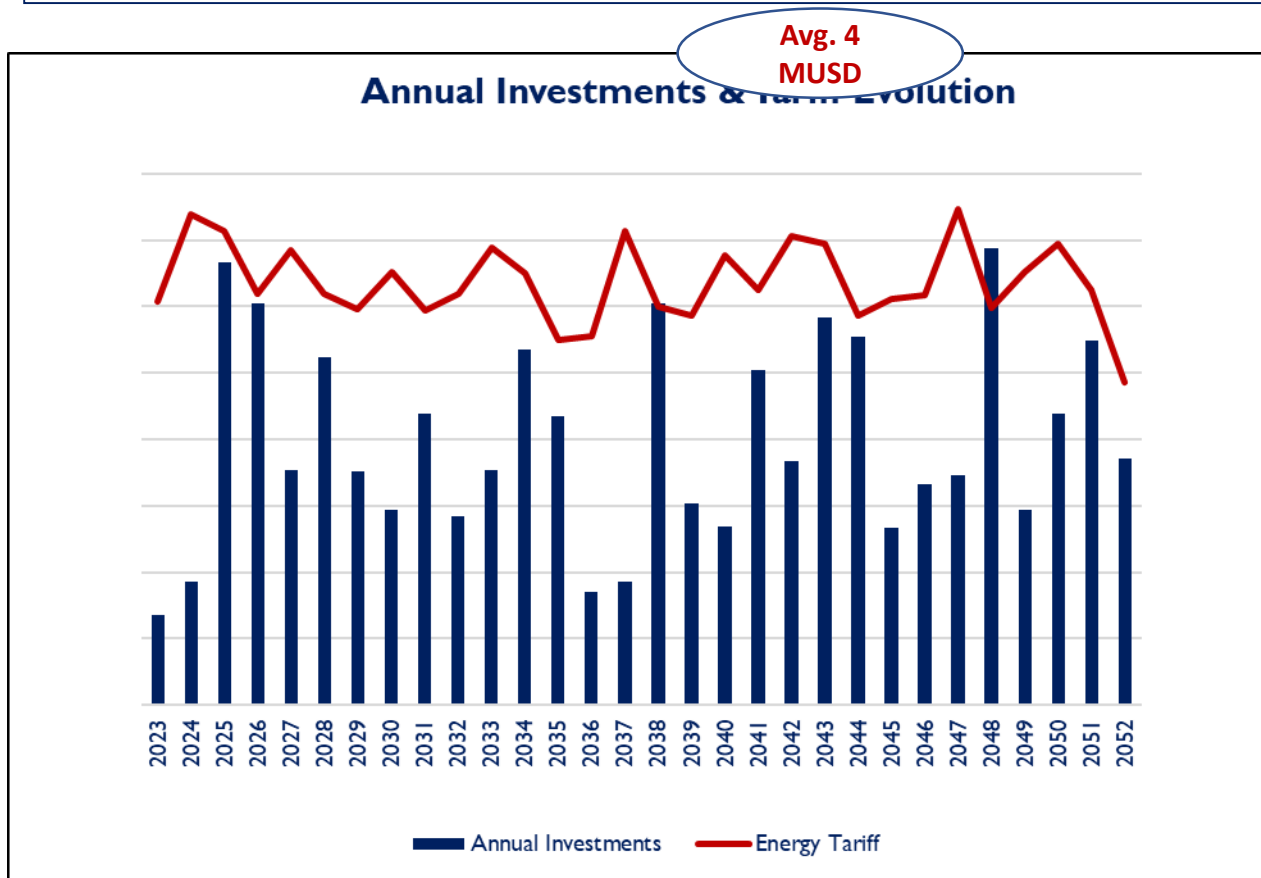
## Proposed Tariff Adjustment Methodology

Aimed at ensuring that the revenue requirements are met at all times;

1. Tariff set at the start of the year based on approved Revenue Targets and agreed energy sales estimate
2. Adjusted quarterly for: i). shortfalls./surpluses in dispatch and ii). Macroeconomic factors
3. Annually; Investment Component adjusted based on prior utilization and approved by ERA

# INVESTMENT PLAN (CAPITAL EXPENDITURE APPLICATION)

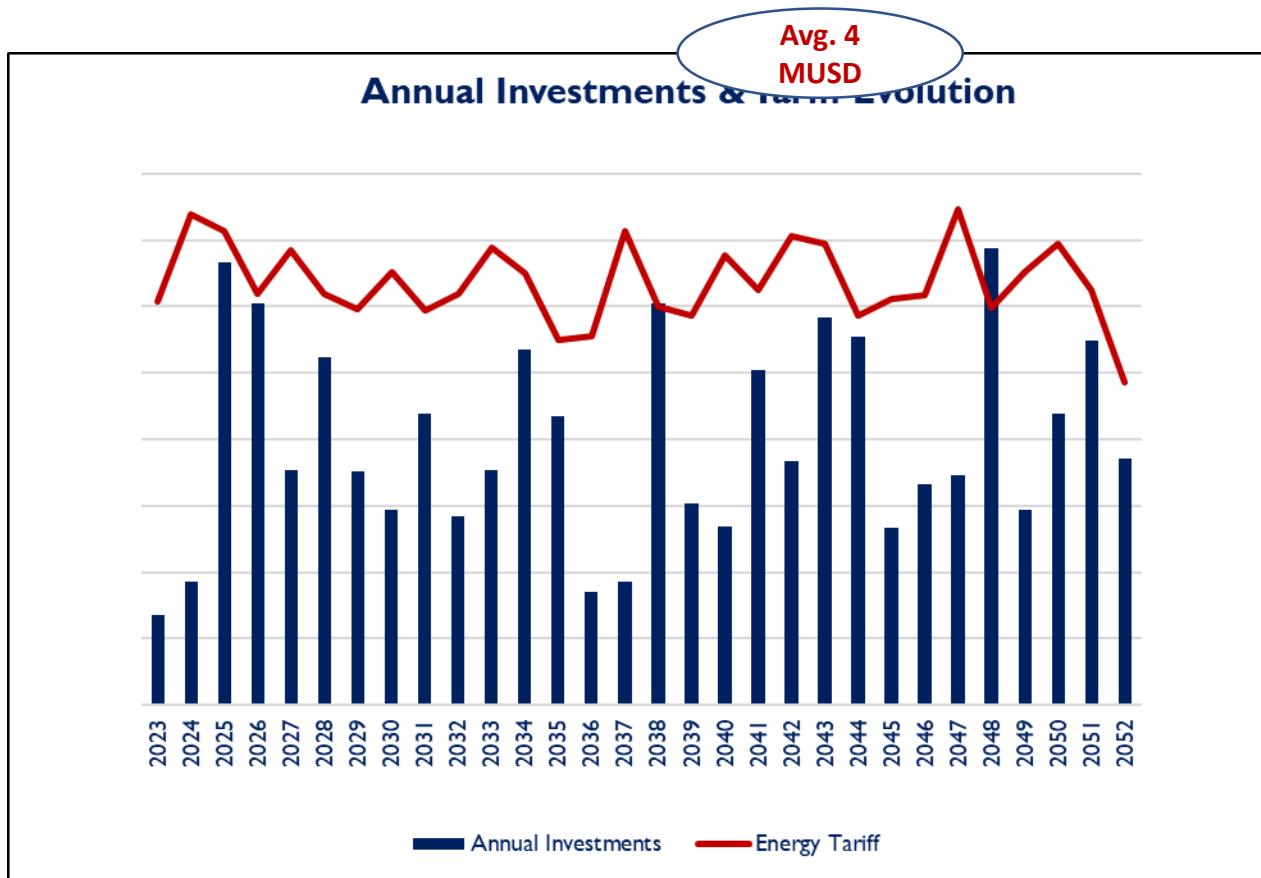
All investment needs are envisaged to be purely financed through the tariff by billing and collecting the revenues in advance in the year prior to the year of investment; the tariff has been modeled as such.



- the incomplete projects as recommended from the Independent Engineer's report of 2019
- remaining projects on the remediation plan for ASR Events
- life cycle of existing equipment (projected from the useful life)
- projects arising from the effects of lake level rise such as floating boom and river bank restoration
- spares required for different systems

# INVESTMENT PLAN (CAPITAL EXPENDITURE APPLICATION)

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12bn includes the following investments (2023 and 2024);

- Floating boom(staggered for 3 years)
- Lake level monitoring system
- Consultancy - Dam safety support
- River bank restoration
- Online vibration monitoring system
- Spares eg poles, generator thrust bearings
- Intake and tailrace cranes maintenance works

## Tools

Backup solution, MS dynamics upgrade, infrastructure laptops and computers,

# Return On Equity-Ugx73Bn

This is based on what was allowed in the **CAA Annex - Section 2- D**  
**' The company shall pay to UEGCL an amount equal to the product of (i) up to a maximum of 10% of the net asset value of the assets '**

1. This is to allow for efficient and timely implementation of the investment plan
2. Ensure sustainable and reliable power generation.



# THANK YOU

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UEGCL



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NAMANVE 50MW THERMAL POWER PLANT

