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MODIFICATION NUMBER 7 (SEVEN) OF UMEME LTD LICENCE NUMBER 048 FOR THE SUPPLY OF ELECTRICITY

In line with Section 11 of the Electricity Act and Regulation 16 (4) (c) of the Electricity (Application for Permit, Licence and Tariff Review Regulations) 2007, the Electricity Regulatory Authority has concluded the review and amendment of the Umeme Limited Licence Number 048 for supply of electricity to provide for performance targets for the period 2019 – 2025. The modified instrument can be accessed below

Dated this 11th April 2019

MANAGEMENT

ELECTRICITY REGULATORY AUTHORITY



LICENCE FOR SUPPLY OF ELECTRICITY

(Under the Electricity Act, 1999 Chapter 145 Laws of Uganda)

LICENCE FOR SUPPLY OF ELECTRICITY NUMBER 048

MODIFICATION NUMBER SEVEN (7)

LICENSEE: UMEME LIMITED

Pursuant to Section 43 of the Electricity Act, 1999 (Chapter 145 of Laws of Uganda), the Electricity Regulatory Authority hereby amends the **Licence for Supply of Electricity No. 048**, issued to UMEME LIMITED on the 1st of March 2005, as follows:

1. Modification of Condition 2.4 of the Licence, 'Accounting and Reporting'

Condition 2.4 of the Licence is hereby amended to provide for Conditions 2.4.6 and 2.4.7, as follows:-

" 2.4.6. The Licensee shall within the five (5) years preceding expiry of the Term and on an annual basis thereafter, submit to the Authority, the following information:-

- (a) A Report on the status of the Network;*
- (b) A Report on training and transfer of knowledge and skills to the local community;*
- (c) A Report on the Governance and Management structure of the licensee;*
- (d) Employee Pay roll, including details of wages paid to each employee and other employment details;*
- (e) An updated electronic Asset Register maintained on an asset register management system that is properly mapped onto the Geographic Information System (GIS) and the corresponding cost revaluation not exceeding 10 years from the reporting date;*

[Signature]

[Signature]



- (f) List of insurance policies in respect of the Licensed Activity, and;
- (g) A Report on compliance with Environmental obligations.

2.4.7. The Licensee shall within the three (3) years preceding expiry of the Term, undertake a comprehensive Environmental Audit of the entire the Distribution network, in accordance with the environmental laws.”

2. Modification of Clause 1.10 of Annex A, ‘General’

Clause 1.10 of Annex A (‘Tariff Methodology’) is hereby amended to provide for ‘Minimum New Customer Connection Targets’, by deleting the existing provision in its entirety and replacing it as follows:

“Before the end of the 7th (Seventh) year, and the 14th (Fourteenth) year after the Transfer Date, the Licensee shall submit and the Authority will approve a new set of DOMC amounts, Minimum New Customer Connection Targets, TUCF and DL figures appearing in Schedule A-5 and for the LF figures appearing in Schedule A-4, which will be established for each year of such respective seven (7) and six (6) year periods.”

3. Modification of Clause 3 of Annex A ‘Power Supply Price’

Clause 3 of Annex A is hereby amended to provide a formulae for the definition of R_q in the formulae for the Power Supply Price ($PSP_{c,q}$), as follows:

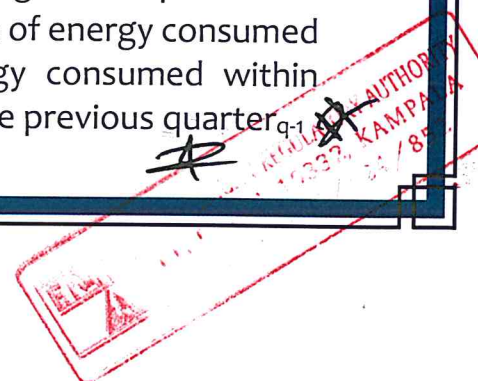
$$R_q = PSP_{E\ q-1} - PSP_{A\ q-1}$$

Where;

R_q = reconciled amount

$PSP_{A\ q-1}$ = total Power Supply Price revenue based on actual tariff parameter values of; Distribution Loss Factor, percentage of energy consumed within customer class, percentage of energy consumed within customer class during time of use period, in the previous quarter_{q-1}

$PSP_{E\ q-1}$ = total Power Supply Price revenue based on target tariff parameter values of; Distribution Loss Factor, percentage of energy consumed within customer class, percentage of energy consumed within customer class during time of use period, in the previous quarter_{q-1}



$$PSP_{A,q-1} = \sum_{i=1}^n \sum_{j=1}^n (1 - LF_A) * Cons_{(A)i} * TOU_{(A)i,j} * PSP_{C,q} * HVE_{A,q-1}$$

$$PSP_{E,q-1} = \sum_{i=1}^n \sum_{j=1}^n (1 - LF_E) * Cons_{(E)i} * TOU_{(E)i,j} * PSP_{C,q} * HVE_{A,q-1}$$

Where;

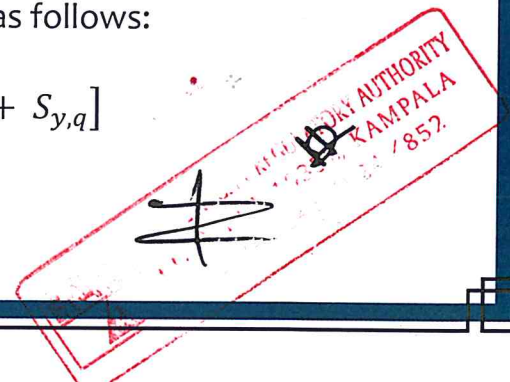
$LF_A =$	Actual Distribution Loss Factor expressed as a percentage.
$LF_E =$	Target Distribution Loss Factor expressed as a percentage.
$Cons_{(A)i} =$	Actual share of consumption for each consumer category i in expressed as a percentage.
$Cons_{(E)i} =$	Target share of consumption for each consumer category i in expressed as a percentage.
$TOU_{(A)i,j} =$	Actual share of consumption of each consumer category i in each time of use j, expressed as a percentage.
$TOU_{(E)i,j} =$	Target share of consumption of each consumer category i in each time of use j, expressed as a percentage.
$HVE_{A,q-1} =$	Total energy purchased by the Licensee from UETC for the previous quarter q-1.
$PSP_{C,q} =$	The PSP applicable to energy sales billed to customers in customer class “c” in quarter “q”.

4. Modification on Clause 6, Annex A ‘Distribution and Retail Supply Cost’

- 4.1. The formulae for $DS_{y,q}$ (Licensee’s cost for providing distribution network and retail supply services for quarter “q” of the year “y”), provided under Clause 6 of Annex A is hereby amended to provide for an incentive framework for quality and reliability of electricity supply, by deleting the existing formulae in its entirety and replacing its as follows:

$$DS_{y,q} = [OPN_{y,q} + LP_{y,q} + IN_{y,q}] * [1 + S_{y,q}]$$

Where:



$S_{y,q}$ =The S-factor as computed in accordance with the formulae below:

At least 60 (Sixty) days prior to the effectiveness of any Retail Tariff, except with prior approval of the Authority, the Licensee shall submit and the Authority will approve a new set of minimum standards of reliability and quality of electricity supply, for the subsequent Tariff Year. In addition, the Licensee shall submit a report on its performance in respect of the minimum standards of reliability and quality of electricity supply for a twelve months period ending two months before the first day of the Tariff Year “y”.

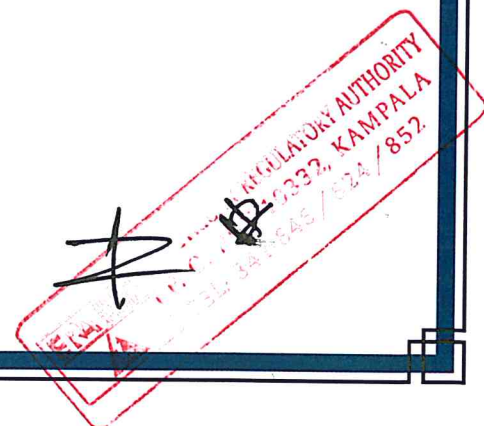
For purposes of this formulae, the System Average Interruption Duration Index (SAIDI), Customer Average Interruption Duration Index (CAIDI) and System Average Interruption Frequency Index (SAIFI) shall constitute the minimum standards of reliability and quality of electricity supply.

The S-factor shall be computed by comparing the approved/target and the actual performance in respect of the minimum standards of reliability and quality of electricity supply for the Tariff Year ‘y-1’ based on the rating as follows;

- (a) Above Average Performance (Greater than 7.5% below target) – would be worth 5 quality points on either SAIFI, SAIDI, or CAIDI
- (b) Dead Band Performance (+ or – 7.5% deviation from target) – would be worth zero (0) quality points on either SAIFI, SAIDI or CAIDI, and
- (c) Below Average Performance (Greater than 7.5% above target) – would be worth -5 Quality points on SAIFI, SAIDI, or CAIDI.

The overall S-factor score is derived by a summation of the score on SAIDI, SAIFI and CAIDI so that if;

- (i) SAIFI, SAIDI, and CAIDI is -5, then $S_{y,q} = 0.25\%$
- (ii) SAIFI, SAIDI, and CAIDI is -10, then $S_{y,q} = -0.4\%$
- (iii) SAIFI, SAIDI, and CAIDI is -15, then $S_{y,q} = -0.50\%$
- (iv) SAIFI, SAIDI, and CAIDI is 0, then $S_{y,q} = 0.00\%$
- (v) SAIFI, SAIDI, and CAIDI is 15, then $S_{y,q} = +0.5\%$
- (vi) SAIFI, SAIDI, and CAIDI is 10, then $S_{y,q} = +0.4\%$
- (vii) SAIFI, SAIDI, and CAIDI is 5, then $S_{y,q} = +0.25\%$



SAIFI – The System Average Interruption Frequency index indicates how often the average customer experiences a sustained interruption (duration > 5 minutes) over a predefined period of time.

$$SAIFI = \frac{\text{Total number of Customer interruptions}}{\text{Total number of Customers served}}$$

(Expressed in numbers of interruptions per Year)

SAIDI – The System Average Interruption Duration Index indicates the total duration of sustained interruption (duration > 5 minutes) for the average customer during a predefined period of time.

$$SAIDI = \frac{\text{Sum of all Customer interruption Durations}}{\text{Total number of Customers served}}$$

(Expressed in hours per year)

CAIDI – this index represents the average time required to restore service to the average customer per sustained interruption. It is the result of dividing the duration of the average customer's sustained outages (SAIDI) by the frequency of outages for that average customer (SAIFI)

- 4.2. The formulae for adjusting the foreign currency content of the Net operating and maintenance fees ($EOM_{y,q}$) under Clause 6 of Annex A is amended as follows:

$$EOM_{y,q} = DOMC_y * EC_y * QXR_{y,q}$$

The definitions for $INI_{E,y,q}$ and $INI_{E,R}$ are respectively deleted.

5. Modification of Schedule A-5 of Annex A- Net Operating Costs, Distribution Efficiency Factor, Working Cash-Average Days Lag, and Target Uncollected Debt Factor

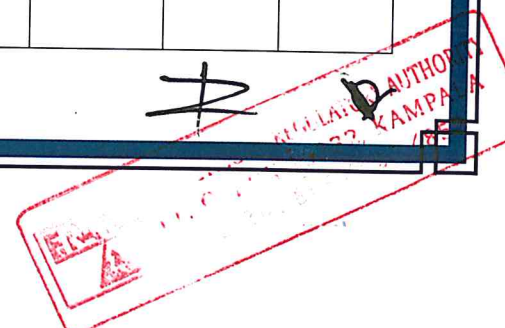
Schedule A-5 of Annex A is amended by inserting after the row for Target Uncollected Debt Factor (TUCF), a row for 'Minimum New Customer Connection Targets', as follows:



**THE REPUBLIC OF UGANDA
ELECTRICITY REGULATORY AUTHORITY
LICENCE FOR SUPPLY OF ELECTRICITY**

**ANNEX A
TARIFF METHODOLOGY
SCHEDULE A-5
NET OPERATING COSTS
DISTRIBUTION EFFICIENCY FACTORS
WORKING CASH-AVERAGE DAYS LAG
AND
TARGET UNCOLLECTED DEBT FACTORS
(Values in this table are fixed)**

	Symbol	Unit of measure	Tariff Year						
			15	16	17	18	19	20	21
Net Operating Costs	Staff Costs	USD *10 ³	15,359	15,845	16,380	17,143	18,075	19,215	20,583
	Other Staff Costs	USD *10 ³	1,928	1,989	2,056	2,158	2,278	2,425	2,601
	Transport Costs	USD *10 ³	3,038	3,225	3,433	3,670	3,952	4,265	4,632
	Repairs & Maintenance	USD *10 ³	9,474	7,548	7,807	8,256	8,894	8,874	9,535
	Prepayment, AMR, Debt collection Insurance	USD *10 ³	2,888	2,961	3,038	3,118	3,202	3,291	3,383
	Administrative Costs	USD *10 ³	7,626	7,708	7,729	7,804	8,091	8,205	8,438
	Technical Loss reduction and Reliability Improvement	USD *10 ³	1,519	1,530	1,541	1,650	1,661	1,672	568
	DOMC (Total)	USD*10³	41,832	40,806	41,984	43,799	46,153	47,947	49,740
Distribution Efficiency Factor	DEF	%	0	0	0	0	0	0	0
Days Lag	DY	Days	0	0	0	0	0	0	0
Target Uncollected Debt Factor	TUCF	%	0.38	0.30	0.21	0.16	0.12	0.08	0.05
Minimum New Customer Connection Targets		Number	189,243	216,470	247,674	283,385	324,254	371,015	424,533



6. These modifications shall take effect from 12th April 2019 and shall supersede, in all respects, the provisions of the original Licence and Licence Conditions as issued on 1st March 2005 and the subsequent modifications thereto.
7. Save for the modifications made herein, the original Licence Conditions as issued and modified in accordance with the Electricity Act, 1999, shall continue to apply and bind the Licensee until varied, modified, amended, cancelled or revoked in accordance with the provisions of the Electricity Act, 1999.

IN WITNESS WHEREOF the Common seal of the Electricity Regulatory Authority has been affixed hereto this5th..... day of **April 2019**, in the presence of;

.....
Richard S. Apire
CHAIRMAN

.....
Eng. Fabian R. Tibeita
AUTHORITY MEMBER

.....
Eng. Ziria Tibalwa Waako
EXECUTIVE OFFICER

