

PUBLIC UTILITIES REGULATORY COMMISSION ANNUAL REPORT

1999

| DATE/MONTH | EVENT |
|------------------|--|
| 1998 March 19 | Entry into force of First PURC Legislative Instrument (L.I.) i.e. Termination of Service Regulations (L. I. 1651). |
| April 19 | Press Conference to outdoor PURC. Termination of Service Regulations. |
| April 21 | Public forum on GWC submission for water tariff adjustment. |
| May 27 | Approval of new water tariffs; effective 1 June. |
| July 27 | Workshop on electricity tariff guidelines. |
| October | Signing of partnership agreement between PURC and Maryland PSC. |
| November 27 | Workshop on regulatory issues for some members Parliamentary Select Committee on Mines and Energy etc. |

1999 - Organisation & Staffing

There was an improvement in the staffing situation over last year the staff strength of the secretariat stood at 4 professional staff; including the Executive Secretary who heads the Secretariat as well as 6 support staff.

In pursuance of vigorous employment drive, the following key additional staffs were recruited following an interviewing process:

- i. Technical Manager, Energy
- ii. Technical Manager, Water
- iii. Public Relations Manager
- iv. Finance Manager
- v. Assistant Manager, Customer Service
- vi. Internal Auditor

In addition, 4 various categories of support staff were recruited. This brings the total Secretariat staff to 9 professionals and 10 supports. Although the recruitment considerably augmented the staffing level, the additions still fell short of the Commission's staffing target of having a near full completed of staff by 1999.

Resource constraint and inadequate office space still account for the slow pace of recruitment.

Effort will continue in year 2000 to complete the recruiting of key personnel for the various departments.

1999 - Capacity Building & Training

Signature of Partnership Agreement

In November, the PURC signed a partnership agreement with the Public Service Commission (PSC) of the State of Maryland, USA under the auspices of USEA. The agreement in respect of assistance and technical cooperation as well as executive exchange programmes to enable the two institutions learn from each other. The activities under the agreement are under sponsorship from USAID. The signing formalized the coop / relationship whose modalities had been under consideration and discussion for some time.

Study tour to Maryland PSC

Two Commissioners, including the Executive Secretary and two officers of the Secretariat who participated in the signing ceremony also undertook a week's study tour of the Maryland PSC. Indeed this tour was timed to coincide with the signing thereby saving cost.

Training for Secretariat

Two Officers attended 2 week seminar on Regulatory Issues and Policy Organized by the University of Florida / World Bank in Gainesville Florida in January and June respectively.

One officer attended a 2 week seminar on Legal and Regulatory Issues on Power and Energy organized by the International Law Institute (ILI) Washington DC.

1999 - Constraints on PURC's Work

As indicated in the 1998 Annual report, the Commission operated under some constraints. The situation has improved considerably. However, some

constraints, notably difficulties in securing permanent office accommodation, lack of funds and its attendant negative effect of lack of adequate equipment and material, thereby hampering the effective performance of the Commission's functions.

Office accommodation

The PURC's office is rented from UNILEVER at considerable expense. It was the Commission's expectation that due to the high level rent that property attracts, the PURC would occupy it for a short time and re-locate to a more reasonably priced and spacious accommodation.

To that end, the Commission in 1998 approached the Ministry of Works and Housing which promised to assist.

To date, however, the MWH has not been able to allocate the offices promised and there is presently no indication that it will be done soon.

With increasing numbers in staff and the need to start a library / information center, the inadequacy of office space is steadily self.

It is proposed that various options including purchasing property, building its own offices or the renovation of a MWH property be explored to solve this accommodation problem.

Funding

As was the case in 1998, the Commission would like to re-emphasise that during the year under review, it was again constrained by inadequacy and uncertain funding.

Although there have been improvement, the Commission is better equipped it still lacks certain logistic support.

Of equal importance is the fact that a number of projects and activities including some technical studies, monitoring utility services and the establishment of consumer services committees, were not undertaken de to lack of funds, among others.

In 1998, the Commission indicated that its credibility as an independent body will be enhanced if it is able to demonstrate that in addition to the operational independence that it enjoys, it is also financially independent.

This issue was highlighted at the Workshop for some members of the Parliamentary Committees that attended the 27 November Workshop at which participants' reaction was in favour of charging some levy on utility usage to cover regulatory costs.

Towards the end of 1999, the Commission entered into related exploratory discussions with the Ministry of Finance. After the Ministry's no objection in principle to the concept, the Commission is to present a formal request for consideration towards implementation of such a scheme.

The Commission is of the firm view that in addition to all the perceived advantages to itself, such a measure will also reduce the strain on the finite central government budget.

1999 - PURC's Budget for the Year

In 1999, a budget approval of ₦ was granted by Parliament for the Commission.

This fell far short of what was requested; but the Commission like other institutions that are dependent in funds from the central government had to submit to the government budgetary process which in the final analysis entailed inevitable cuts.

Activities of the Commission:

1999 - Rate Setting

Guidelines for electricity tariffs

The draft Electricity Rate-Setting Guidelines was finalized during the year under review. This was preceded by two major workshop at Akosombo , where views and concerns expressed by all the power sector stakeholders were collated and incorporated into the final document.

In coming out with the final document, the Commission also took cognizance of comments and suggestions made by other experts and consultants like Synex,

1999 - Monitoring Utilities' Operational Performances

Electricity Sector: Volta River Authority: Technical

The Bureau, fully aware of the tariff implications of the actual supply mix of VRA's generation sources, carefully monitored these values vis-à-vis the

projected ones for 1999, submitted by VRA in 1998, and used for the last electricity tariff adjustment.

Details of the analysis are displayed in the table below:

| SOURCE | ACTUAL (GWh)- (PURC MONITORED) | % | FORECAST FOR 1999 (GWh) | % | VARIANCE ACTUAL FORECAST (GWh) |
|-----------------|---|----------|--|----------|---|
| HYDRO | 5,106 | 73 | 4,800 | 58.64 | +306 |
| TEMA | 0 | 0 | 0 | 0 | 0 |
| TAPCO | 760.2 | 11 | 2,296 | 28.05 | -1,535.8 |
| IMPORTS | 993 | 13.77 | 995 | 12.16 | +1.95 |
| EPP'S | 352 | 4.88 | 350 | 4.28 | +2 |
| SUB- TOTAL | 7,211.2 | 102.7 | 8,415 | 103.1 | |
| LESS: LOSSES | 230 | 2.7 | 230 | 3.1 | -0.4 |
| TOTAL | 6,981.2 | 100 | 8,185 | 100 | -1,203.8 |

During the period under review, the actual proportion of hydro generation in the supply mix was higher than the forecast amount by about 16%. Generation from thermal was lower than the forecast amount by about 16% while supply from imports and the EPP's was higher marginally by about 3.0%.

These variances would have tariff implications and therefore impact significantly on VRA's revenue base.

The Akosombo Retrofit Project commenced during the last quarter of 1999 and analysis made by the Bureau revealed that the project would not have any adverse impact on VRA's supply position.

Pie Chart showing Energy Generation by source (%), As monitored by the PURC for the year, 1999.

At the end of the review period, VRA's available average daily generation capacity was:

| SOURCE | CAPACITY(MW) | PERCENTAGE |
|---------|--------------|------------|
| HYDRO | 770 | 62.60 |
| TAPCO | 200 | 16.26 |
| IMPORTS | 200 | 16.26 |
| EPP'S | 60 | 4.88 |
| TOTAL: | 1,230 | 100.0 |

Pie Chart showing Capacity Contribution (%) from each supply source, as monitored by the PURC.

From the regulatory perspective, the main indicator monitored was the Rate of Return (ROR) on average revalued net fixed assets. It is expected that VRA would attain a positive ROR of 1.28 % during the review period.

- The total revenue from electricity sales was adequate enough to cover their total operating expenses in 1999, as shown below:

| | |
|-------------------------------|------------------------------|
| Total Expected Revenue | 663.678 Billion Cedis |
| Operating Expenses | 616.164 Billion Cedis |
| Operating Profit | 47.514 Billion Cedis. |

- Breakdown of VRA's operating expenses during the period under review is as follows:

| | |
|--------------------------------------|---|
| System Generation | 48.00 % |
| Imports | 29.92% |
| Transmission | 4.52% |
| Central Services | 11.40% |
| Akosombo & Akuse Township | 1.70% |
| Medical | 2.30% |
| Distribution (NED) | 2.16% |
| | |
| TOTAL: | 100.00% (450.564 BILLION CEDIS). |

- Pie Chart showing a breakdown of VRA'S Operating Expenses

1999 - Electricity Company of Ghana - Technical

Electricity Company of Ghana (ECG) - Technical

| | ACTUAL | FORECAST | VARIANCE |
|---|---------|----------|----------|
| Total Energy Purchased (GWh) | 3,791 | 4,100 | - 309 |
| Total Energy Sold (GWh). | 2,829.5 | 3,286.5 | - 457 |
| Capacity charges paid to EPP's (Million Cedis) | 43,519 | 44,501 | - 982 |
| Distribution, Operation & Maintenance (Million Cedis) | 10,774 | 20,780 | - 10,006 |
| Total Average System Losses (%) | 23 | 17 | 6 |

Bar Chart, showing comparative analysis (Actual vrs. Forecast) of ECG'S Technical Performance for 1999.

1999 - Electricity Company of Ghana - Financial

During the year under review, ECG was expected to attain an ROR of 6.96%, compared with the 1998 end-of-year figure of 0.13%.

Using the Commission's Distribution system loss benchmark of 17%, ECG should have sold 3,146.53 GWh of energy to yield a sales revenue of 633.35 Billion Cedis.

ECG however sold 2,829.5 GWh to yield a sales revenue of 543.26 Billion Cedis, giving a revenue shortfall of about 90 Billion Cedis in revenue.

After careful analysis, the Bureau realized that the main reasons for the revenue shortfall were due to:

- a. High distribution system losses, above the PURC benchmark.
- b. Inability to fully collect, the billed amounts from consumers (i.e. on the average, ECG achieved only 72% revenue target collection).

Based on the September 1998 approved average end-user-tariff of 192 cedis/KWh, ECG was able to fully cover its operating expenses during the review period, **as shown below:**

| | |
|-------------------------------|-----------------------------|
| Total Expected Revenue | 543.26 Billion Cedis |
| Operating Expenses | 494.02 Billion Cedis |
| OPERATING PROFIT | 49.24 Billion Cedis |

Thus, ECG had enough funds in 1999, to meet its debt service obligations and other non-operating expenses.

1999 - Guidelines for Water Tariffs - Electricity Tariffs

Guidelines for water tariffs

The draft Water Rate-Setting Guidelines has been prepared by the Bureau and is currently under discussions. They would be ready before the end of June 2000. A workshop would be held in the year 2000 so that all stakeholder comments and suggestions could be thoroughly discussed and incorporated into the final document.

In preparing the guidelines, due consideration has been given the on-going reforms in the water sector under the Private Sector Participation Programme.

Electricity tariffs 1999

In 1998, electricity tariff were increased by 300% through two review exercises. In 1999, the PURC did not increase electricity tariffs.

1999 - Water Tariff Revision

Water tariff 1999 - Water Tariff Revision

In accordance with its statutory responsibility to approve and publish utility rates, the PURC on May, 27, 1999, published new water rates, to be charged by the Ghana Water Company Limited, effective June 1, 1999.

The Commission approved a new average unit rate of 1,430 cedis/cubic meters (approx. 40 cents/cubic meters), representing an overall average increase of about 30%.

In arriving at this tariff level, the Commission took into consideration all relevant operating expenses, critical to GWCL's operations as well as opinions expressed by key institutions and other stakeholders at the Public Forum.

The approved water tariff schedule is attached to this report.

1999 - Workshops

The Commission organized two major workshops on the Electricity Rate-Setting Guidelines, while the Adam Smith Institute (ASI) also organized a one-day seminar for PURC professional staff on 'Setting Price Limits to Promote Efficiency'.

First Akosombo Workshop on Electricity Rate-setting Guidelines, July 27-28, 1999.

The main objectives of the workshop were to:

- i. Enable the PURC effectively synthesize views and concerns expressed by all the major stakeholders on the draft electricity guidelines.
- ii. To create a platform for in-depth discussions of comments from the participants.

The main participants at the workshop were:

- i. The utility companies
- ii. Industrial consumers
- iii. Members of the Parliamentary Sub-Committee on Mines and Energy
- iv. Other private, quasi-government and government institutions

The key area of the guidelines, which came up for discussion, was the method of calculating the Bulk Generation Charges (BGC), apparently due to the

misunderstanding by some participants of the concept underlying PURC's determination of the BGC for the regulated market, under its purview.

This issue has since been resolved, thus paving the way for PURC to come out with a BGC definition, acceptable to all stakeholders, in the final guidelines.

Second Akosombo Workshop for Members of the Parliamentary Select Committee on Mines and Energy, November, 27- 28, 1999.

Discussions at the workshop centered on the electricity rate-setting guidelines, the other key areas of PURC work in general and other relevant issues affecting the Commission. The major topics included:

- i. Role and responsibilities of the PURC
- ii. Electricity Rate-Setting Guidelines - Issues and Challenges.
- iii. General issues surrounding the Commission's work
- iv. PURC Funding

One-Day Seminar, organize by Adam Smith Institute for PURC Staff, November 22, 1999.

Adam Smith Institute, DFID consultants working on the Medium Term Programme of Capacity Building for the PURC, organized a one-day workshop for PURC professional staff on 'Setting Price Limits to Promote Efficiency'. There were discussions on the following major topics.

- i. Options for economic regulation - Pro and Cons of various options.
- ii. Rate of return and Price Cap.
- iii. Regulatory Approach and methodology

1999 - Capacity Building & Training

Signature of Partnership Agreement

In November, the PURC signed a partnership agreement with the Public Service Commission (PSC) of the State of Maryland, USA under the auspices of USEA. The agreement in respect of assistance and technical cooperation as well as executive exchange programmes to enable the two institutions learn from each other. The activities under the agreement are under sponsorship from USAID. The signing formalized the coop / relationship whose modalities had been under consideration and discussion for some time.

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Two Commissioners, including the Executive Secretary and two officers of the Secretariat who participated in the signing ceremony also undertook a week's study tour of the Maryland PSC. Indeed this tour was timed to coincide with the signing thereby saving cost.

Training for Secretariat

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1999 - Establishment of Regional Offices

In line with the Commission's outreach policy aimed at being close to consumers, regardless of geographical location, the first of a series of regional bureau is to be established in Kumasi on a pilot basis.

The regional offices will maintain a small core staff to, inter alia;

deal with non-contentious service related problems;

undertake PURC policy, awareness campaigns, educational campaigns covering consumer rights and responsibilities as well as conservation issues.

Exploratory work is also underway towards opening such offices in Tamale to cater for the northern parts of the country and Takoradi before expanding to other regional capitals.

1999 - Consumer Complaints

During the year under review, the Commission received complaints from various categories of customers. The complaints related to billing and poor quality of service.

Billing

Consumer complaints in respect of billing for water and electricity continue to dominate complaints from domestic consumers.

There were general disputes where customers' bills exceeded or did not correspond with their consumption patterns.

The utilities were requested to deal with these disputes and the Commission would like to acknowledge that the utilities have fully cooperated in the resolution of these disputes.

Quality of service

During the year, complaints were also made regarding quality of service. The complaints have come mainly from industrial customers and concern erratic and unreliability of power supply.

As in the case of the utilities' other shortcomings, the Commission has directed to improve their service.

Indeed, targets are provided in both the electricity and water tariff guidelines for the utilities. When these guidelines are fully implemented, those targets would be strictly applied and some penalties imposed for deviation.

In any event, the Commission has pointed out to the utilities that future tariff reviews will only be considered with an evaluation of factors that will include improvement in quality of service and efficiency levels.

1999 - PURC Regulations

Under the Act 538, the PURC was expressly mandated to issue specific regulations on:

- i. Complaints procedure under section 30; and
- ii. Establishment of consumer services committees under section 31.

The Commission also has general powers to issue regulations considered necessary for implementing the Act under section 48.

In 1998, the Commission initiated the process of preparing a comprehensive set of regulations designed to replace some of the old regulations which had been issued prior to the establishment of the Commission to regulate utility operations.

During the year under review, the following were achieved towards the fulfillment of that obligation:

Regulations specifically provided for under sections 30 and 31. Pursuant to sections-

a. Complaints procedures under section 30

These regulations will provide the framework for hearing and determination of complaints as well as a dispute resolution mechanism for consumer complaints against utility companies.

b. Consumer services committees regulations under section 31

By these regulations, the Commission will establish consumer services committees in each district of the nation. The Committees will be charged, inter alia, to advise on policy issues, act as "watch dogs" with regard to utility companies' operations within their districts, assist the Commission with consumer education and the protection of consumer rights while promoting observance of consumer responsibilities.

The regulations mentioned in (a) and (b) have both been finalized and submitted to the Attorney-General's Department to be laid before Parliament and to undergo the process necessary to make them into law.

c. Termination of service regulations under section 48.

These regulations provide a framework for the disconnection of service by public utilities and were issued on 19 March 1999 after the due Parliamentary process as L.I. 1651.

The regulations which were introduced to the public at a Press Conference on 19 April 1999 were designed to inculcate some civility into the process of termination and remove some of the abuses of the old system under which the utilities issued regulations they issued themselves.

Although some awareness has been created by these regulations and the utilities are generally compliant, the implementation of the regulations have met with a qualified success.

The Commission has been had occasion to firmly remind the utilities of the existence of L. I. 1651 and requested them to observe its provisions.

Thankfully, the number of uncontrolled and sometimes badly coordinated disconnections as well as general threats of mass disconnection which had characterized utility service delivery in the recent past has greatly abated.

The Commission would continue to work with the utilities to ensure that consumers derive maximum benefits in terms of the protection granted by these, and other regulations issued.

1999 - Operationalising Other Mandates Under The Act

By virtue of Act 541, the Commission has further statutory responsibility for setting rates for the following:

- a. wholesale supply, transmission and distribution of natural gas;
- b. bulk transportation of petroleum products by pipelines, barges and rail wagons; and
- c. operations of the national network of petroleum storage depots.

Although natural gas, to be transmitted by pipeline from Nigeria and elsewhere is yet to arrive, the Commission's early involvement in on-going discussions is deemed necessary. This will ensure that the project concept is developed within the framework of existing law and that these important sectoral developments are taken on board.

With regard to setting of tariffs for bulk transportation and storage of petroleum products action would have to be taken to appropriately bring those aspects of the pricing within the PURC's purview.

Some meetings have been held between the Energy Commission and PURC to discuss modalities for effectively managing areas where the two institutions have joint mandates.

With regard to petroleum pricing, the Energy Commission has indicated that it is currently engaged in some transitional process in respect of the sector and when these are concluded, the PURC would be requested to assume its statutory responsibility over the petroleum industry.

FOREWORD

The Public Utilities Regulatory Commission (PURC) is pleased to present its second annual report for the year 1999 to Parliament. The maiden report for 1998 basically introduced the newly established PURC and addressed its teething problems.

The onset of the power crisis in 1998 caused by the poor inflows into the Akosombo lake, and the late commissioning of the Takoradi Thermal Plant

combined to exacerbate the Commission's teething problems.

These initial difficulties did not deter the Commission from grappling with the full implications of its statutory obligations. Three major tariff reviews were carried out during 1998, which heralded the arrival of a regulatory institution determined to establish its credibility in the utility sectors. The resulting tariff increases effectively signalled the beginning of a recovery for the utility companies and the establishment of a basis for the improvement of the level as well as the quality of service to consumers.

With the year of baptism behind us, the Commission set about in 1999 to build up the institution which would have a solid technical capability to handle the complexities of economic regulation and monitor and evaluate the technical performance of the utilities. Establishing an administrative machinery to provide a sound legal support and a mechanism for addressing consumer issues was also a priority for the Commission during the year under review. To achieve the above, the PURC undertook a recruitment drive which resulted in the trebling of professional staff.

During the year, the Commission also began to tackle consumer issues by developing regulations to protect consumers from possible abuse. The first set of regulations on Termination of Services became effective on February 5, 1999. The second set covering Complaints Procedures became effective on December 30, 1999.

In order to further protect the interest of consumers and better monitor the quality of service provided by the utilities, the Commission recognised the need to establish its presence in other parts of the country. The Commission initiated a scheme to establish PURC offices in the regional capitals of the country and during the year, acquired suitable premises in Kumasi to be inaugurated as the first regional office of PURC.

It should be said that the determination and diligence of Commissioners and staff resulted in the modest achievements of 1999. It should also be recognised that the Commission's development as an effective institution was achieved in part with the financial and technical assistance of some donor agencies, and of course, government, which enabled the PURC to be set for full take-off at the beginning of 1999.

Looking back, the year 1999 can be described as a year of consolidation. The determined efforts during the 1998 maiden year provided the basis to build on and to achieve the objectives we set for ourselves for 1999.

Apart from the Commission's modest gains at home, its work also caught the attention of substantial parts of Africa, which have taken advantage of our pioneering experiences. We have lit the torch, which should guide the path for most of the rest of Africa as they also embark on restructuring and privatisation within a sound regulatory environment.

As we look forward to the new millennium, we have the key elements of our Mission Statement firmly in our sights: - to ensure the development and delivery of the highest quality of utility services to all Ghanaians and to build a credible regulatory regime that will respond adequately to stakeholders' concerns and also ensure fairness, transparency, reliability and equity in the provision of utility services in the country.

Organisation

Below is an Organisational Chart that depicts the PURC's institutional structure when the full complement of staff is recruited.

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In accordance with the relevant provisions of Act 538, the Commission is made up of nine Commissioners appointed by the President in consultation with the Council of State. As stipulated in its 1998 annual report, the Commission performs its duties through a Finance Committee, Technical Committee, Tariffs Committee, Administration Committee, Consumer Affairs and Public Relations Committee, Legal Committee and Water Sector Committee.

The Commission is supported by a Secretariat headed by an Executive Secretary. The Secretariat comprises three separate bureaux, namely, the Bureau of Technical Operations and Rate Economics, Bureau of Consumer Services and the Bureau of Legal Services. The Secretariat also has a department responsible for Finance & Administration as well as a Public Relations department.

The Commission is undertaking preparatory work with the aim of establishing an Inspectorate Division to facilitate monitoring of the activities of service providers. Act 538 requires that this Division be established and it is hoped that the Division will enhance the effectiveness of the Commission in its regulatory responsibility.

As stated in the 1998 report, for most of the year, the staff strength of the Secretariat stood at 4 professional staff, including the Executive Secretary, as well as 6 support staff. In pursuance of a vigorous employment drive, the following

additional professionals were recruited during the year under review:

- i. Technical Manager, Energy;
- ii. Technical Manager, Water;
- iii. Public Relations Manager;
- iv. Finance Manager;
- v. Assistant Manager, Customer Service;
- vi. Internal Auditor.

In addition to the above professionals, 4 additional support staff in various categories were recruited. This brings the total staff of the Secretariat to 9 professionals and 10 support staff. Although the recruitment considerably augmented the staffing level, the additions still fell short of the Commission's staffing target of having a near-full complement of staff by the end of 1999.

Capacity building and training

In order to enhance the capacity of the Commission to enable it to better discharge its regulatory responsibilities, particularly in the technical area, the Commission continues to attach critical importance to training. All the training is designed to provide Commissioners and staff the right kind of exposure to regulatory mechanisms and also to sharpen their technical and analytical skills required for their regulatory responsibilities.

Signing of Partnership Agreement

On November 2, 1999 the PURC signed a partnership agreement with the Public Service Commission (PSC) of the State of Maryland, USA under the auspices of United States Energy Association (USEA). The agreement is in respect of assistance and technical cooperation, as well as executive exchange programmes, to enable the two institutions share regulatory experience. The activities under the agreement are being sponsored by the USAID. The signing formalized the relationship whose modalities had been under consideration and discussion for some time.

Executive Exchange Visit to Maryland Public Service Commission

Two Commissioners, including the Executive Secretary, and two officers of the Secretariat who participated in the signing ceremony of the Partnership Agreement mentioned in paragraph 3.1 above, also undertook a week's exchange visit to the Public Service Commission of Maryland, USA which exposed them to techniques of technical analysis, public education and consumer satisfaction.

Training for Commissioners and Secretariat

In furtherance of the Commission's regulatory capacity building and knowledge upgrading drive, the following training was provided within the year under review:

One Commissioner and the Executive Secretary attended a workshop on "Public-Private Partnerships in Water and Wastewater Infrastructure; Project Appraisal, Analysis and Financing Techniques" which was held in Washington DC from August 2 to 20.

Three Commissioners including the Chairman and the Executive Secretary, as well as the Technical Director, also attended a high-level course organised by the Adam Smith Institute on "Reform and Regulation of the Electricity Sector" in London from October 27 to 29. The following subjects relevant to PURC's work were dealt with:

- A retrospective view of 10 years of electricity regulation in Britain;
- Principles and goals of electricity sector reform;
- The sequencing of reform programmes;
- Lessons to be learnt from the developing world;
- Regulating generation, transmission, distribution and supply;
- New private generation facilities (IPPs)
- Pool systems; and
- Competition policy.

Two officers attended a 2-week "International Training Program on Utility Regulation and Strategy" organised by the University of Florida and the World Bank in Gainesville, Florida in January and June 1999 respectively.

One officer attended a 2-week seminar on "Legal and Regulatory Issues on Power and Energy" organized by the International Law Institute (ILI) Washington DC in June, 1999.

Technical Assistance by Consultants

The Adam Smith Institute, a British consulting firm, is providing the PURC Secretariat technical assistance on the regulatory issues involved in the water sector, with financial support from the Department for International Development (DFID) of the United Kingdom.

The programme commenced in September, 1999 and is to run for two years. Its key objective is to extend and build the water sector regulatory capacity of the PURC to effectively regulate public utilities in the water sector.

After a needs assessment, the following main tasks were agreed upon:

i. Strategic Regulatory Advice

- Assisting the Commission to evolve its own approach to the substance and process of regulation;
- Highlight strategic interest of parties to the regulatory bargain;
- Stimulate linkage with local academia to broaden knowledge of economic regulation; and
- Review of Legal Framework.

ii. Out of Country Training

- Arranging study tours for personnel of PURC to assist the Secretariat to decide on appropriate software and hardware requirements for regulatory database;
- Arranging secondment for two members of staff to UK regulator, OFWAT to obtain first hand information;
- Financing of short courses on legislative drafting.

Since its inception in October, 1999, the relevant Secretariat staff and ASI have been working together to achieve the objectives of the programme.

Constraints on the work OF PURC

As indicated in the previous Annual Report, the Commission operated under some major constraints in 1998. The situation has now improved considerably. However some major problems remain. These include difficulties in securing permanent office accommodation, the inadequate current staffing level and inadequate funding to enable the Commission to undertake all of the key programmes necessary for its regulatory work. These problems still hamper the effective performance of the Commission's functions.

Funds

Funding constraints still remain a problem due to the rather arbitrary ceiling imposed on the Commission's budget proposals submitted to government for approval. Inevitably, the budgetary allocation fell short of what was required to sustain the Commission's programmes. The Commission's proposal to secure its own sources of funding is highlighted in paragraph 5 below.

Office Accommodation

The PURC's office is rented from UNILEVER Ghana Ltd., at considerable expense. It was the Commission's expectation that due to the high rent that the property attracts, the PURC would occupy it for a short time and re-locate to a more reasonably priced and spacious accommodation.

To that end, the Commission in 1998 approached the Ministry of Works and Housing (MWH), which promised to assist the Commission to move into alternative and more suitable accommodation. However, to date, the MWH has not been able to allocate the offices promised and there is presently no indication that it will be done soon.

With the increasing number in staff and the need to start a library / information centre, the inadequate office space has become a major issue that must be addressed soon.

It is proposed that various options, including purchasing a property, building our own offices or renovating a MWH property, be explored to solve this accommodation problem.

Staffing

Although there was an improvement in the staffing situation, resource constraint and inadequate office space still account for the relatively slow pace of recruitment. However, efforts will continue in year 2000 to complete the recruiting of personnel for the various departments. The Commission intends to recruit more professionals to fill the following positions:

- I. Energy Analyst;
- II. Water Analyst; and
- III. Legal Officer

PURC's Budget 1999

In 1999, Parliament approved a budget of ₦3.543 billion for the Commission. This fell far short of what was requested, but the Commission like other institutions that are dependent on funds from the central government, had to submit to the government budgetary process which in the final analysis entailed inevitable cuts.

In the 1998 Annual Report, the Commission expressed the view that its activities, as well as its standing as a credible, independent organization would be greatly enhanced if in addition to the current operational independence it enjoys, it is also financially independent.

The Commission proposed the option of obtaining funds from the utilities as a charge for regulatory costs or as a contribution towards regulatory activities. This concept was to be discussed with the utilities and the related proposals submitted for Parliamentary approval.

The Commission has indeed consulted the utilities on the matter and they are agreeable to the proposition. The Ministry of Finance, which has also been duly informed of the Commission's intention regarding the introduction of such a levy, has indicated that it has no objection to the principle.

Following the initial consultations, the Commission has been requested to formally submit the relevant proposal to Government for consideration, adoption and implementation after going through the necessary approval process.

Activities of the Commission

Rate Setting

Guidelines for electricity tariffs

The draft Electricity Rate-Setting Guidelines was finalized during the year under review. This was preceded by two major workshops at Akosombo [1], where views and concerns expressed by all stakeholders of the power sector were discussed and incorporated into the final document.

Before issuing the final document, the Commission also took cognizance of comments and suggestions made by both local and foreign experts and consultants. The guidelines will be issued after certain transitional arrangements have been appropriately determined.

Guidelines for Water Tariffs

In line with the requirement of Act 538, Water Tariff Guidelines, similar to those for electricity are being developed by the Secretariat. The Adam Smith Institute, consultants assisting the Commission in its technical development have been asked to comment on the draft and provide some input.

In furtherance of the Commission's commitment to fully consult interested parties on important sector issues such as the water tariff guidelines, the draft has been made available to major stakeholders whose contributions will be taken into account in finalizing the guidelines.

In order to ensure that the guidelines are relevant for the water sector, the PURC also gave due consideration to the on-going reforms in the sector under the Private Sector Participation (PSP) Programme.

1999 Electricity Tariffs

It would be recalled that the tariff review announced in September 1998 was to run for at least 14 months to the end of 1999 to ensure that some price stability was maintained throughout the year 1999. Thus, no tariff adjustment was envisaged in 1999 unless some drastic changes in the system necessitated a review.

1999 Water Tariffs - Revision

In accordance with its statutory responsibility to approve utility rates, the PURC on May, 27, 1999, approved and published new water rates, to be charged by the Ghana Water Company Limited, effective June 1, 1999.

The Commission approved a new average unit rate of 1,430 cedis per cubic metre (57 cents per cubic metre, @ 1 US\$=¢2508), representing an average increase of about 30%.

In arriving at this tariff level, the Commission took into consideration all relevant operating expenses critical to the operations of the Ghana Water Company Limited (GWCL) as well as contributions and comments made by relevant institutions and other stakeholders, in respect of GWCL's tariff proposal.

It must be noted that special provision was made within the water tariff to enable GWCL to pay Electricity Company of Ghana for the use of electricity as part of its operational expenses.

The approved water tariffs are tabulated below:

Category of Service Monthly Consumption (1,000 Litres) Approved Rates in Cedis Per 1,000 Litres

- a) Metered Domestic 0 - 10 10 - 40 40 and above 500 1,300 1,820
- Commercial / Industrial 0 - 40 40 and above 1,820 2,230
- Public Institutions 1,560
- Government Departments 1,560
- b) Unmetered Premises - Flat rate per house per month 6,500
- c) Boreholes, wells, hand pumps - Flat rate per house per month 1,500
- d) Premises without connection (Public stand pipes) per 1,000 litres 400
- e) Sewer surcharge on house with sewer connection 35%
- f) Reconnection fee: (i) Domestic (ii) Commercial/ Industry 10,000 40,000
- g. Meter rent per month (Meter size) 1/2" 3/4" 1" 1 1/4" 1 1/2" 2" 3" - 4" Above 4" 2,000 2,500 3,500 4,000 6,000 10,000 20,000 30,000

Monitoring the Operational Performance - Energy Sector

Volta River Authority (VRA)

Technical Analysis

The Commission, fully aware of the tariff implications of the actual supply mix of VRA's generation sources, carefully monitored these values vis-à-vis the projected values for 1999, submitted by VRA in their 1998 proposals. These values were utilized in the last electricity tariff adjustment.

Details of the analysis are shown below:

| Source | Actual GWh | (PURC Monitored) | % Forecast for 1999 (GWh) | % Variance Actual - Forecast (GWh) | |
|--------------|------------|------------------|---------------------------|------------------------------------|----------|
| HYDRO | 5,106.73 | 4,800 | 58.64 | +306 | |
| TEMA | 0 | 0 | 0 | 0 | |
| TAPCO | 760.211 | 2,296 | 28.05 | -1,535.8 | |
| IMPORTS | 993 | 13.77 | 995 | 12.16 | +1.95 |
| EPP'S | 352 | 4.88 | 350 | 4.28 | +2 |
| SUB-TOTAL | 7,211.2 | 102.7 | 8,415 | 103.1 | |
| LESS: LOSSES | 230 | 2.7 | 230 | 3.1 | -0.4 |
| TOTAL | 6,981.2 | 100 | 8,185 | 100 | -1,203.8 |

During the year under review, the actual proportion of hydro generation in the supply mix was higher than the forecast amount by 6.4%, while generation from thermal source was lower than the forecast amount by about 66%. Supply from imports was lower by 0.20% while EPP's generation was higher by about 3.0%, compared to the forecast amounts.

By reducing energy generation from the more expensive thermal source by 1,535 GWh, and increasing the hydro energy supply from the forecast amount by 306 GWh to meet the system energy demand, VRA reduced its total budgeted generation expenses from the projected figure of 411.7 Billion Cedis to 276 Billion Cedis.

The Akosombo Retrofit Project commenced during the last quarter of 1999 with explanation given to the Commission revealing that the project should not have any adverse impact on VRA's supply position.

Given the thermal complementation from the Aboadze Thermal Plant, the Commission's own analysis appeared to support this view.

The Pie Chart below shows Energy Generation by source (%), as monitored by the PURC for the year, 1999.

At the end of the review period, VRA's available average daily peak capacity supply was:

| SOURCE | CAPACITY (MW) | PERCENTAGE |
|---------|---------------|------------|
| HYDRO | 770 | 62.60 |
| TAPCO | 200 | 16.26 |
| IMPORTS | 200 | 16.26 |

EPP'S 60 4.88
TOTAL: 1,230 100.0

The Pie Chart below shows Capacity Contribution (%) from each supply source, as monitored by the PURC.

The average daily demand situation during the peak period was:

DOMESTIC DEMAND 720 MW
VALCO'S DEMAND 260 MW
VRA SUPPLY TO CEB 37 MW
TOTAL: 1,017 MW

The Energy Demand
Customer Demand (GWh) % Composition

VALCO 1,928 28.34
CEB 326 4.79
ECG 3,492 51.32
Mines 696 10.23
Aluworks 13 0.19
AKOTEX 28 0.41
Akos. / Akuse
Township 14 0.21
NED 307 4.51

TOTAL: 6,804 100.00

Financial Performance

From a regulatory perspective, the main indicator monitored was the Rate of Return (ROR), based on average revalued net fixed assets. VRA attained a ROR of 1.8 % in 1999, compared to 0.62% in 1998 and 2.47 % in 1997. The total revenue from electricity sales was adequate to comfortably cover their total operating expenses in 1999, thus leaving an operating profit of 79.0 Billion Cedis, as shown below:

Total Revenue 629.1 Billion Cedis
Operating Expenses 549.1 Billion Cedis

Operating Profit 79.0 Billion Cedis

Breakdown of VRA's operating expenses during the period under review, is as follows:

System Generation 21.92%
Imports 28.31%

Transmission 2.94%
Central Services 7.92%
Akosombo & Akuse
Township 0.72%
Medical 1.24%
Distribution (NED) 1.88%

Depreciation 35.07%

TOTAL: 100.00% (549.1) BILLION CEDIS).

The Pie Chart below shows a breakdown of VRA'S Operating Expenses

Quality of Service

In 1999, VRA's recorded peak demand of 1061 MW exceeded that of 1998 by 27 MW. Energy generated from both hydro and thermal sources increased by 18%, over the 1998 figure of 5,012 MW. VRA achieved a reliable power supply in 1999 with only one system voltage collapse, compared to ten system voltage collapses recorded in 1998.

Regarding the transmission system, VRA achieved a 98.97% average in-service period, compared to the 1998 performance of 99.04%. The loss transmission system performance could be attributed to the effect of planned maintenance outages and major rehabilitation works, particularly on the Volta-Achimota and Akosombo-Lome lines.

VRA made a significant improvement in reducing transmission system losses from the 1998 figure of 2.3% to 1.8% in 1999.

Electricity Company of Ghana (ECG).

Technical Analysis

ACTUAL FORECAST VARIANCE

Total Energy Purchased (GWh) 3,846 4,100 - 254
Total Energy Sold (GWh) 2,829.5 3,286.5 - 457
Energy Purchased (Million Cedis) 401,774 398,645 3,129
Capacity charges paid to EPP's (Million Cedis). 64,389 44,501 19,888
Distribution, Operation and Maintenance (Million Cedis) 10,774 20,780 - 10,006
Distribution system Losses (%) 26 17 9 % Deterioration

ECG purchased a total of 3,846 GWh (i.e. 3,492 GWh from VRA & 354.37 GWh from the EPP's), but sold 2,829.5 GWh, thus giving a distribution system loss of

26%.

Capacity payments to the EPP's was higher than the forecast amount by 19.8 billion cedis.

Out of ECG's total billed amount of 570 billion cedis for 1999, it collected 467.2 billion cedis, thus achieving a collection rate of 82%.

The Bar Chart below shows comparative analysis (Actual vrs. Forecast) of ECG'S Technical Performance for 1999.

Financial Performance

During the year under review, ECG attained a ROR of 6.96%, compared with the 1998 end-of-year figure of 0.13%.

Using the Commission's Distribution system loss benchmark of 17%, ECG should have sold 3,146.53 GWh of energy, to yield a sales revenue of 633.35 Billion Cedis.

However ECG sold 2,829.5 GWh, thus giving a sales revenue of 535.9 Billion Cedis, giving a revenue shortfall of about 97.5 Billion Cedis.

After careful analysis, the Commission concluded that the main reasons for the revenue shortfall were the following:

- I. High distribution system losses, above the PURC benchmark of 17%, for 1999.
- ii. A low sales collection rate of 82% (i.e. ratio of amount collected to amount billed).

Based on the September 1998 approved average end-user-tariff of 192 cedis/KWh and the distribution system losses of 26% recorded, ECG's total revenue was able to fully cover its operating expenses during the review period, as shown below:

Total Revenue (Energy Sales, VAT & Power 570 Billion Cedis

Factor surcharges)

Operating Expenses 520 Billion Cedis

OPERATING PROFIT 50 Billion Cedis

Amount Collected 467.2 Billion Cedis

UNCOLLECTABLE AMOUNT 102.8 Billion Cedis

Quality of Service

Analysis of ECG's outage report revealed that unplanned outages and faults

accounted for 80% of total outages in the country while planned outages and load shedding accounted for 16% and 3% respectively.

The following system average availability figures (excluding load shedding) for the entire country is as follows:

Distribution Zones Average Customer hours
Lost per year

Accra 85

NED 118

Tema, Volta & Eastern 41

Western & Central 225

Ashanti 130

Monitoring the Operational Performance - Water Sector

Ghana Water Company Limited (GWCL)

Technical Analysis

Water Production - GWCL's Water production during the year under review was 193.4 million cubic metres. This represented an increase of about 5% over the production in the previous year. The target set for water production was 193.6 million cubic metres.

Billing and Collection - GWCL's billing improved by 25%, from ₵87.71 billion in 1998 to ₵109.311 billion in 1999. This was mainly due to an average increase of 30% in tariff in June 1999. Revenue collection amounted to ₵86.12 billion, representing a collection ratio of 78.8%.

Non-Revenue Water - Non-revenue water recorded an average of 55% in the year under review. This was attributed to various reasons notably, low metering, frequent pipe burst and illegal connections. GWCL has started to address the issue by embarking on a systematic programme for procurement and installation of consumer and bulk meters and setting up a task force to identify and disconnect illegal connections.

Financial Analysis

The financial analysis was based on un-audited accounts for the two halves of the year, (January - June and July - December) submitted by GWCL in 1999. The financial performance was not satisfactory due to the depreciation of the Cedi resulting in high exchange loss of ₵101.84 billion and interest payment of ₵18.4 billion.

Below are highlights of the financial performance in 1999:

Total Revenue ₺114,902,946,341

Operating Expenses ₺126,935,341,612

NET LOSS (₺12,032,395,271)

The rate of return on fixed assets deteriorated from -0.4% in 1998 to -3.57% in 1999.

Water Quality

Prior to the last quarter of 1999 only financial reports were submitted by GWC. This water quality report therefore covers only the 4th quarter of 1999.

According to the results of GWC analysis of water quality in the regional systems, acceptable standards were maintained. This, however, excluded the Volta, Brong Ahafo, and Eastern regions whose reports were not ready at the time of compiling the report.

An analysis of the performance of the regional systems indicated the following:

- Total Number of samples as target: 4080

- Number of samples taken: 3091

Thus sampling was inadequate since 76% of the target was achieved instead of 100%.

The table below gives an indication of the level of residual chlorine and bacteriological compliance of the samples taken.

Water Quality Performance (Residual Chlorine & Bacteriological Compliance)

INDICATOR TARGET REGION

| | Greater Accra | Ashanti | Western | Northern | Central | Upper East |
|--|---------------|---------|---------|----------|---------|------------|
|--|---------------|---------|---------|----------|---------|------------|

| | | | | | | |
|---------------------------------|-----|----|----|---|----|---|
| Residual Chlorine (% Compliant) | 100 | 36 | 90 | 0 | 50 | 0 |
|---------------------------------|-----|----|----|---|----|---|

| | | | | | | |
|---------------------------------------|----|----|-----|----|-----|----|
| Bacteriological Quality (% Compliant) | 95 | 97 | 100 | 90 | 100 | 95 |
|---------------------------------------|----|----|-----|----|-----|----|

Residual chlorine was absent completely in the regional systems of Western and Central regions. Greater Accra and the Northern regions were 36% and 50% respectively. The recommended standard is 100%. This implies that consumers of these regional systems did not have adequate protection from bacteriological contamination in the distribution system. GWC should take drastic measures to curb this situation because of the consequences on the health of consumers. With the exception of the Western Region all the other systems were bacteriological compliant.

Some of the problems enumerated by GWC were:

- Pollution of raw water sources.
- Lack of laboratory reagents and bacteriological media.
- Lack of transport for monitoring purposes.

Considering the importance of water quality to the health of consumers, the Commission has asked the Ghana Water Company to take measures to rectify these quality problems.

Workshops and Seminars

The Commission organized two workshops on the Electricity Rate-Setting Guidelines. The Adam Smith Institute (ASI) also organized a one-day seminar for the Commissioners and Secretariat professional staff on “Setting Price Limits to Promote Efficiency.”

Workshop on Electricity Rate-Setting Guidelines

On 27 and 28 July, the Commission organized a workshop on electricity rate-setting guidelines. The main objectives of the workshop were to:

- Enable the PURC effectively synthesize views and discuss concerns expressed by major stakeholders on the draft electricity guidelines;
- To create a platform for in-depth discussions of comments from the participants.

The main participants at the workshop were:

- The utility companies
- Industrial consumers
- Members of the Parliamentary Sub-Committee on Mines and Energy
- Other private, quasi-government and government institutions
- Foreign and local energy experts
- Officials of foreign regulatory bodies

The main part of the guidelines, which attracted lively debate and discussion, was the method of calculating the generation component of the electricity tariff (i.e. Bulk Generation Tariff), using the Weighted Average Cost (WAC) Concept. This was partially due to the apparent complexities posed by the WAC concept, underlying PURC’s determination of the BGC for the regulated market under its purview.

This issue was satisfactorily dealt with, thus paving the way for PURC to determine in the finalized guidelines a BGC definition understood and acceptable to all stakeholders.

Workshop for Parliamentary Committees

On November 27-28, 1999 the Commission organized a workshop for the Parliamentary Select Committee on Mines and Energy and some members of the Parliamentary Committees on Finance, Subsidiary Legislation and the Constitution, Legal and Parliamentary Affairs. The VRA, ECG, the Ministry of Mines and Energy were also represented.

Issues addressed at the workshop include the following:

- i. The role, responsibilities and operations of the PURC;
- ii. Electricity Tariff Guidelines;
- iii. The Social and Economic Implications of PURC regulations: the Regulatory Environment;
- iv. Commitment to Competition among Utilities.

The workshop gave the legislators the opportunity to learn at first hand, insights into the Commission's activities and achievements to date and some of the constraints and difficulties experienced since its inception.

At the conclusion of the workshop, it was clear that both the Commission and the MPs found the interaction very useful.

The Commission is very grateful to the Parliamentarians for their keen interest and support demonstrated and contribution towards a very successful and fruitful workshop. It is intended that similar arrangements for such interactions will be made on an annual basis.

Workshop Organized by ASI for PURC

On September 22, 1999 the Adam Smith Institute (ASI), DFID consultants working on the Medium Term Programme of Capacity Building for the PURC, organized a one-day workshop for PURC professional staff on "Setting Price Limits to Promote Efficiency." The workshop dwelt on the following major topics:

- i. Options for economic regulation – Pros and Cons of various options.
- ii. Rate of return and Price Cap methods for tariff setting
- iii. Regulatory Approach and methodology

Mediation between GWC and ECG

A meeting was convened at the end of November at the instance of the Commission to discuss the failure of GWC to honour its electricity bills to the ECG though sufficient provision had been made in the last water tariff for electricity. The purpose of the meeting was to resolve the debt issue between the

two utilities and come up with an acceptable arrangement that would enable GWC to honour its debt obligation, which at the time stood at 44.9 Billion Cedis quite apart from the average monthly bill of 2 billion Cedis.

At the meeting, GWC agreed to make monthly payments of 1.5 billion cedis and promised to mobilize more funds from its debtors, mostly State-Owned Institutions, to reduce the debt.

The Commission requested the two companies to take cognizance of their sensitive roles and resolve such problems amicably.

Establishment of Regional Offices

The PURC's Bureau of Consumer Services (BCS) has the primary responsibility of ensuring that the utilities currently being regulated deliver good quality service to meet consumer expectations.

The objects and functions of the bureau include:

- i. Providing responsive, efficient and accountable management of consumer complaints;
- ii. Protecting rights of consumers with regard to quality of service;
- iii. Advising consumers of their rights, responsibilities as well as educating the public to enable consumers make informed choices;
- iv. Investigating utility/consumer complaints and to mediate or solve minor disputes.

A major feature within the strategy of the BCS to achieve the above objects is the establishment of offices within each region of the country.

To that end, a plan of action has been duly prepared for establishing PURC regional bureaux. These regional offices will, inter alia, perform the following functions:

- i. Provide an effective network between the Consumer Services Committees and the Commission;
- ii. Establish and manage Consumer Service Information System;
- iii. Train field office staff to handle complaints;
- iv. Promote public awareness campaigns and educational activities in the regions and districts.

As indicated above, it is intended that PURC regional offices will be established in each of the ten regional capitals and in Tema.

The Commission has initiated action towards establishing the first of the regional offices in Kumasi on a pilot basis. This will be quickly followed by others depending on, inter alia, availability of funds.

Consumer Complaints

During the year under review, the Commission received 184 complaints from different categories of customers and were satisfactorily redressed. These complaints related mainly to billing, tariff increase and poor quality of service. Some of the complaints were made by industrial consumers complaining about ECG's threats to terminate electric service and the imposition of Value Added Tax on their electricity bills. Among the complaints received were 4 letters threatening legal action against the utilities. The intervention of the Commission prevented the institution of the intended legal suits. The Commission also intervened and assisted in resolving some complaints which were not directly referred to it.

Classification of Complaints

The number and types of complaints received and addressed by the Commission during the year are classified as follows:

| Quarter | Number of Complaints | Tariff Increase | Quota System | Billing | Quality of Service/Load Shedding | Debt Reschedule | Others |
|---------|----------------------|-----------------|--------------|---------|----------------------------------|-----------------|--------|
| 1st | 41 | 10 | 7 | 10 | 6 | 2 | 6 |
| 2nd | 49 | 7 | 12 | 24 | 5 | 1 | - |
| 3rd | 56 | 16 | - | 19 | 10 | 2 | 9 |
| 4th | 38 | 2 | - | 15 | 10 | 3 | 8 |
| Total | 184 | 35 | 19 | 68 | 31 | 8 | 23 |

Redress of Complaints

The procedures adopted by the Commission in redressing complaints are:

- Filing of complaint forms by the complainant;
 - The utility is notified of the complaint and asked to investigate and submit a report;
 - The Commission conducts preliminary investigation;
 - Full inquiry by the Commission after the utility has submitted its report;
 - Mediation and settlement between the parties;
 - Communicating the Commission's decision or agreements reached formally to the parties;
 - Ensuring compliance with the Commission's decision or agreement reached;
- and
- Post settlement interview with the complainant.

Consumer Satisfaction

To improve the quality of service rendered by the utilities and therefore enhance consumer satisfaction, a series of meetings were held with the utilities to discuss

the following:

Improvement in Billing – The utilities were requested to step up supervision on meter readers, scrutinise billing reports to avoid delivery of wrong bills and to promptly deal with billing disputes when they arose. The Commission would like to acknowledge that the utilities have co-operated in the resolution of billing disputes.

Improvement in Quality of Service – The Commission has directed the utilities to improve quality of service by taking measures to reduce frequent and unannounced cuts in electricity and water supply. Indeed, targets have been provided in both electricity and water tariff guidelines for the utilities. When these guidelines are fully implemented, these targets would be strictly applied and penalties imposed for deviation.

Need to abide by L.I. 1651 – As part of efforts to avoid arbitrary termination of service and to respect the rights of consumers as enshrined in the Public Utilities (Termination of Service) Regulations, 1999 (LI 1651), the Commission reminded the utilities to abide by the regulations on termination of service. This became necessary when a monitoring exercise revealed that the requirement for 14 days Termination Notice was not properly implemented by some utilities.

Regulations issued UNDER ACT 538

Under the Act 538, the PURC is expressly mandated to issue specific regulations on:

- i. Complaints procedure under section 30; and
- ii. Establishment of consumer services committees under section 31.

Under section 48 of Act 538, the Commission also has general powers to issue regulations considered necessary for implementing the Act.

In 1998, the Commission initiated the process of preparing a comprehensive set of regulations designed to replace some of the old regulations which had been issued prior to the establishment of the Commission, to regulate utility operations.

During the year under review, the following were achieved towards the fulfillment of those obligations.

Regulations Specifically Provided for under Sections 30 and 31.

- i. Complaints procedures under section 30

These regulations will provide the framework for hearing and determining complaints and serve as a dispute resolution mechanism for consumer complaints against utility companies.

- ii. consumer services committee's regulations under section 31

By these regulations, the Commission will establish consumer services committees in each district of the nation. The Committees will be charged, inter

alia, to advise on policy issues, act as “watch dogs” with regard to operations of utility companies within their districts, assist the Commission with consumer education and the protection of consumer rights while promoting observance of consumer responsibilities.

The regulations mentioned in (i) and (ii) have both been finalized and submitted to the Attorney-General’s Department. The Consumer Complaints Procedures are to be laid before Parliament and to undergo the process necessary to pass it into law. With respect to the Consumer Services Committees, some policy issues that have arisen regarding the structure and operations of the Committees have necessitated further discussion before proceeding with the parliamentary process.

Regulations issued Under Section 48

These regulations provide a framework for the disconnection of service by public utilities and were issued on 19 March 1999 as L.I. 1651 after the due Parliamentary process.

The regulations were introduced to the public at a Press Conference on 19 April 1999 and were designed to inculcate some civility into the process of termination and remove some of the abuses of the old system under which the utilities enforced regulations they issued themselves.

Although these new regulations have created some awareness and the utilities are generally compliant, the implementation of the regulations has been met with a qualified success.

The Commission has had occasion to firmly remind the utilities of the existence of L. I. 1651 and has requested them to observe its provisions.

The Commission would continue to work with the utilities to ensure that consumers derive maximum benefits in terms of the protection granted by these, and other regulations issued.

Operationalising PURC’s mandate under the Energy Commission Act

By virtue of the Energy Commission Act, 1997 (Act 541), the PURC has further statutory responsibility for setting rates in respect of the following:

- i. Wholesale supply, transmission and distribution of natural gas;
- ii. Bulk transportation of petroleum products by pipelines, barges and rail tanker wagons; road vehicles or any means determined by the Energy Commission, and
- iii. Operations of the national network of petroleum storage depots.

Although natural gas, to be transmitted by pipeline from Nigeria and elsewhere is yet to arrive, the Commission’s early involvement in on-going discussions is deemed necessary. This will ensure that the project concept is developed within the framework of existing law and regulatory requirements and that these

important sectoral developments are taken on board.

With regard to setting of tariffs for bulk transportation and storage of petroleum products, action would have to be taken to ensure that the PURC assumes its full regulatory responsibility.

Meetings have been held between the Energy Commission and PURC to discuss modalities for Effectively managing areas where the two institutions have joint mandates.

The Energy Commission has indicated that it is currently engaged in some transitional process in respect of the sector and when these are concluded, the PURC would be in a position to assume its statutory responsibility over that aspect of the petroleum industry stipulated in Act 541.

R elationship with External Regulatory Bodies

During the year under review, the Commission received three main delegations from sister regulatory institutions in other countries.

Kenya Electricity Board

A three-member delegation from Kenya Electricity Board visited from May 26-28, 1999. This body is responsible for regulating the electricity sector of Kenya and the visit aimed at learning about the Ghana experience at first hand.

Maryland PSC

That visit was followed by a five-member team Maryland Public Services Commission (PSC)/USEA visit from May 30 – June 4. This visit was an initial executive exchange visit which cemented the discussions that culminated in the Executive Exchange Agreement which was subsequently signed in Washington DC on November 2, 1999.

Gambia Government Team

From August 2-6, 1999, a Government of Gambia team also visited the PURC as well as some other sector institutions. Gambia has started a power sector reform process and the team, which was effectively managing their reform process wanted to learn about Ghana's power sector reform and the regulatory framework that evolved at the end of the reforms.

These visits, among other things, indicate that the Commission is gaining some international recognition with its pioneering activities and achievements in regulation in Ghana.

Visits to Zambia/Uganda

At the invitation of the relevant authorities, the technical director visited Zambia and Uganda. The purpose of the visit was to provide insights into Ghana's pricing methodology and other regulatory mechanisms to these countries which are in the process of establishing their own regulatory institutions.

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