



PUBLIC UTILITIES REGULATORY COMMISSION

Updated Cash Waterfall Model

August 2023

1. Background and Purpose

In June 2023, H.E. the President and H.E. the Vice President of the Republic, gave a directive to the Energy Sector Recovery Programme to revise the implementation of the Cash Waterfall Mechanism (CWM) following challenges with ECG complying with the existing CWM Guidelines. The aim of the directive is to improve the CWM to ensure financial sustainability of the energy sector. Under the directive, payments shall be made at two (2) levels - Level A and B based under the following assumptions.

1. ECG declared monthly minimum collection of GHS1Billion for disbursement
2. Independent Power Producers (IPPs) to be paid a fixed amount of US\$43million per month
3. Sankofa gas payment excluded from the allocation and to be paid fully by Ministry of Finance (MoF)

Level A payments shall be made to IPPs directly by ECG and Level B payments to SOEs and fuel suppliers.

The purpose of this addendum is to set out the assumptions and methodology for determination and disbursement of tariff revenue collected by the Electricity Company of Ghana to the various beneficiaries along the Electricity Value Chain based on the GoG directive for the period July 2023 to February 2024.

2. Cash Waterfall Model

Based on above directives and assumptions the cash waterfall model shall reflect the various cost or revenue requirement components of the electricity value chain as approved by the PURC as follows:

$$TC = SP + VBGC + GGF + GNPCMF + TSC1 + TSC2 + DSC1 + DSC2 + RL$$

Where:

TC	- is Total Cost
SP	- is Statutory Payment Covering Taxes and Levies Including Street Light Levy
VBGC	- is Cost Attributable to Volta River Authority Operations
GNPCMF	- is Cost Attributable to Ghana National Petroleum Corporation Gas Management Fees
GGF	- is Cost attributable to Ghana National Gas Company Fuel and Services
TSC1	- is Cost Attributable GRIDCo Transmission Network Business
TSC2	- is Cost Attributable to GRIDCo Network Transmission Losses
DSC1	- is Cost Attributable to ECG's Distribution Network Business
DSC2	- is Cost Attributable to ECG's Distribution Network Losses
RL	- is Regulatory Levy

3. Disbursement and Allocation

Disbursement and allocation shall be made to State Own Enterprises (SOEs) including Regulators of the power sector, based on the formula stated in section (2) after IPPs deduction has been made in accordance to above assumptions as indicated in Table-1 below

Table-1: Allocation of Revenue Collected by ECG to Sector Players

COLLECTION			
Total Collection		A	
Payment to IPPs		B	
Balance for CWM		C=A-B	
Statutory Deductions		D	
Net Revenue for Allocation		E=C-D	
ALLOCATION			
Electricity Value Chain	Cost	% Allocation/Disbursement	
Generation	G	G/T	(G/T)*E
Fuel	F	F/T	(F/T)*E
Regulatory Levies (Power)	RI	RI/T	(RI/T)*E
Distribution	Dis	Dis/T	(Dis/T)*E
Transmission	Tr	Tr/T	(Tr/T)*E
Total	T	100	

4. Allocation Shortfalls

Based on the assumptions of this addendum, MoF shall in the interim make up for any shortfall that arises after disbursement and allocation to the beneficiaries (SOEs and Regulators). All shortfalls shall be supported by the 2023 Mid-Year Budget.

5. Improvement in ECG collection

MoF shall put in place measures to support ECG to improve on its collections beyond assumption (1). This will reduce payment by the Ministry and minimise accrual of debt by ECG to power sector players through the implementation of the CWM.

6. ECG will operate a single account from which, all collections and payments will be made

7. PURC will audit the single account on a quarterly basis.

8. PURC will publish on the Commission’s website, all receipts and disbursements through the Cash Waterfall Mechanism (CWM) on a monthly basis.

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