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National
Association of
Regulatory
Utility
Commissioners

UPDATE OF GHANA'S ENERGY SECTOR – ECONOMIC REGULATION

COMMISSIONER ANDREW QUAYSON
(CHAIRMAN, TECHNICAL COMMITTEE-PURC)



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PURC - The Commission

- Independent regulatory institution
 - Established by an Act of Parliament (Act 538), Oct, 1997 as part of the utility sector reform process
 - To regulate and oversee the provision of utility services
- Scope of authority
 - Regulate and oversee the provision of utility service to consumers
 - for time being electricity, water and aspects of natural gas services
 - Responsible for Economic Regulation
 - Responsible for Quality of Services Regulation



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PURC - The Commission Act 538

Key Functions

- Monitor standards of performance for provision of utility services
- Protect interest of both consumers and providers of utility services
- Provide open and transparent guidelines for rate setting
- Regulate tariffs to ensure efficient full cost recovery by utilities



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ANNUAL REVIEWS FROM INCEPTION

- Transitional Plan to move tariffs gradually to Economic Level to enable utilities improve service delivery and have a fair return on investment
- Major review in 2002
- Followed by Automatic Adjustment Formula
- Insignificant improvement in quality of service



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MAJOR REVIEW

- Major review in 2005/2006 entailed:
 - Public consultations on concerns with delivery of utility services
 - Solicit views on ways of improving quality of service
 - Undertake thorough review of utility operations



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FINDINGS- STATE OF THE UTILITIES

- **LOW QUALITY OF SERVICE**
 - Low coverage level of about 50%
 - Supply systems unable to cope with increasing demand driven by subsidised residential consumers
 - Inadequate power generation
 - Transmission network constraints and overloaded distribution system
 - Erratic and unreliable power supply
 - Unsatisfactory customer relations



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FINDINGS- STATE OF THE UTILITIES (CONT'D)

- **WEAK FINANCIAL STATE**
 - Loss making and cash strapped
 - Inadequate tariffs and high operational inefficiencies
 - High receivables
 - Lack of funds for rehabilitation and expansion



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RECOMMENDATIONS

STAKE HOLDER OBLIGATIONS

- **Government**
 - Provide substantial investment to rehabilitate and expand systems
 - Amount required about \$1.5-2Billion spread over next 5 years
 - Task Boards and Management of utilities to provide effective leadership to ensure operational efficiency



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RECOMMENDATIONS

STAKE HOLDER OBLIGATIONS-CONT'D

- Utilities
 - Improve Management practices to ensure timely implementation of capital investment programmes and cost-cutting measures
 - Strive to achieve efficiency targets to improve service delivery
 - Improve customer service and customer relations



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RECOMMENDATIONS

STAKE HOLDER OBLIGATIONS-CONT'D

- PURC
 - Ensure financial viability of the utility companies through efficient full cost recovery
 - Monitor key performance targets to ensure better quality of service
 - Intensify consumer protection activities.



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RECOMMENDATIONS

STAKE HOLDER OBLIGATIONS-CONT'D

- Tariffs
 - Discontinue the use of quarterly Automatic Adjustment Formula
 - Move to full cost recovery for residential consumers
 - To ensure financial viability of the utilities and to create the environment for attracting private sector participation in the power sector
 - To signal 'scarcity factor' of commodity
 - To encourage conservation



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RECOMMENDATIONS

STAKE HOLDER OBLIGATIONS-CONT'D

- **CONSUMERS**

- Monitor performance of the utilities and provide feedback to the utility companies and the PURC
- Avoid and report any anti-social activities such as illegal connections
- Pay bills promptly
- Practice energy conservation lifestyle