



Energy Regulatory Commission



2010 / 2011

ANNUAL REPORT AND FINANCIAL STATEMENTS

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CORPORATE INFORMATION

Energy Regulatory Commission (ERC) is established under the Energy Act 2006, following the operationalization of the Act with effect from July 7, 2007. The Electricity Regulatory Board (ERB) became ERC, a single sector regulatory agency, with responsibility for economic and technical regulation of electric power, renewable energy, and downstream petroleum sub sectors. Its functions include tariff setting and review, licensing, enforcement, dispute settlement, approval of power purchase and network services contracts.

VISION STATEMENT

To be a world class energy regulator that facilitates and enhances delivery of sustainable, robust and quality energy services.

MISSION STATEMENT

To regulate the energy sector in a fair, transparent and predictable manner consistent with government policy and sensitive to stakeholder interests.

CORE VALUES

Professionalism

The Commission shall uphold high standards of professionalism; all members of the board and professional staff are expected to adhere to their respective code of ethics.

Predictability

The ERC will follow clearly defined rules and regulations in the delivery of its services.

Integrity

The ERC will ensure the highest levels of integrity in its work.

Responsiveness

The ERC will endeavour to be sensitive and expeditious in dealing with stakeholders.

Teamwork

The ERC will, at all times, embrace teamwork, mutual cooperation and appreciation of diverse perspectives, in the discharge of its functions.

Transparency

The ERC will conduct its work at all times in a transparent manner, consulting widely and making information readily accessible internally and externally to stakeholders.

Accountability

The ERC will ensure the highest levels of accountability in its work.

Independence

The ERC will ensure the highest levels of independence in its work.

ENERGY REGULATORY COMMISSION INFORMATION

Established: Under the Energy Act, No. 12 of 2006

Commissioners

The Commissioners who served during the year and to date of this report are:-

- | | | | |
|----|--------------------------|---|---|
| 1. | Mr. Hindpal Singh Jabbal | - | Chairman Retired on 22nd July 2011 |
| 2. | Eng. Kaburu Mwirichia | - | Director General |
| 3. | Mr. Patrick M. Nyoike | - | Permanent Secretary, Ministry of Energy |
| 4. | Eng. Raphael M. Khazenzi | - | Alternate to the Permanent Secretary |
| 5. | Mr. David M. Mutuku | - | Commissioner |
| 6. | Mr. Mwangi Kariuki | - | Commissioner |
| 7. | Mr. Acquilino Thilange | - | Commissioner |
| 8. | Mr. Karanja Kabage | - | Commissioner |
| 9. | Eng. Emma Kiilu (Mrs) | - | Commissioner |

Principal Officers

- | | | | |
|-----|-----------------------|---|---|
| 1. | Eng. Kaburu Mwirichia | - | Director General |
| 2. | Ms. Mueni Mutung'a | - | Commission Secretary |
| 3. | Mr. Peter Nduru | - | Director Petroleum |
| 4. | Eng. Joseph Ng'ang'a | - | Director Electricity |
| 5. | Mr. Bernard Osawa | - | Director Renewable Energy |
| 6. | Dr. Frederick Nyang' | - | Director Economic Regulation |
| 7. | Ms. Elizabeth Njau | - | Senior Manager, Human, Resource
& Administration |
| 8. | Mr. James Kilonzo | - | Senior Manager, Finance and Strategic
Planning |
| 9. | Mrs. Antoinette Kamau | - | Senior Manager, Communication & Public Affairs |
| 10. | Mr. Felix Chelimo | - | Procurement Manager |

By order of the Commission

Mueni Mutung'a
Commission Secretary

PRINCIPAL PLACE OF BUSINESS

Eagle Africa Centre,
Longonot Road,
Upperhill,
P.O. Box 42681-00100
NAIROBI

BANKERS

Kenya Commercial Bank Ltd.
Moi Avenue Branch
P.O Box 48400 – 00100
NAIROBI

National Bank of Kenya Ltd.
Harambee Avenue Branch
P. O. Box 41862 - 00100
NAIROBI

LEGAL ADVISORS

Daly and Figgis Advocates,
8th Floor, Lonrho House,
P.O. Box 40034 - 00100
NAIROBI

AUDITORS

Auditor-General
Kenya National Audit Office
Anniversary Towers, University Way
P.O Box 30084 – 00100
NAIROBI



COMMISSIONERS



Mr. Hindpal S. Jabbal
Chairman

Mr. Hindpal Singh Jabbal was born in 1937. He has a Bachelor of Science degree in Electrical Engineering from Roorkee University and a Masters of Science degree in Power Systems from Manchester University. Mr. Jabbal was appointed Chairman of ERC by President Mwai Kibaki on July 23rd, 2007 in recognition of his long distinguished service to the power sector both in Kenya and abroad spanning about 46 years.

Previously, Mr. Jabbal worked with the then East Africa Power and Lighting Co. Ltd (now KLPC) as an Engineering Assistant in the Protection Department where he served in various senior positions until 1987. He took an early retirement and immediately thereafter, he was appointed to serve as General Manager of a Utility in the West Indies; Dominica Electricity Supply Company. He was in Dominica for two separate occasions, from 1987 to 1991, and from between 1994 to 1995.

Before becoming the Chairman of ERC, he was the Technical Advisor to the Ministry of Energy under a World Bank funded project where he assisted the Ministry in restructuring the power sector into Kenya Power and Lighting Company, KenGen and the Electricity Regulatory Board and generally improving the accountability and efficiency of the entire power sector. His contract came to an end in 2004.



Mr. Patrick Nyoike
PS Ministry Of Energy

Mr. Patrick M. Nyoike was born on 30th September 1947. He holds a Bachelor' of Science degree in Mathematics and Physics from University of Ghana and a degree in Economics from University of Nairobi. Mr. Nyoike was appointed to the Civil Service as a statistician at the Central Bureau of Statistics, Ministry of Finance and Planning. Between 1974 and 1978, he was posted to the Ministry of Planning and Development as a planning officer at the National Council of Science and Technology.

In 1978, he was posted to the Ministry of Power and Communications as the Senior Economist in charge of Policy Analysis and Planning Division. In 1982, he became the Principal Economist and Head of Policy Analysis and Planning Division in the Ministry of Energy. Between 1987 and 1989 Mr. Nyoike was the Deputy Chief Economist and Head of Planning and Policy Analysis Division at the Ministry of Energy after which he moved to the Ministry of Finance, Department of Fiscal and Monetary Affairs as the Head of Economic Coordination Division.

Between 1991 and 1993, Mr. Nyoike was posted back to the Ministry of Finance as the Chief Economist and Head of Economic Policy Unit after which he was seconded to the Ministry of Energy as the Chief Economist and coordinator of Energy Sector and Power Development Project co-financed by the World Bank and the European Investment Bank.

He is currently the Permanent Secretary, Ministry of Energy. Mr. Nyoike is a Director of the state corporations within the Ministry of Energy, namely Kenya Pipeline Company Limited, Kenya Electricity Generating Company Limited, National Oil Corporation of Kenya, Energy Regulatory Commission, Kenya Petroleum Refineries Limited, Ewaso Ngi'ro North Development Authority and Ewaso Ngi'ro South Development Authority.



Eng. Kaburu Mwirichia
Director General

Eng. Mwirichia was born in 1958. He joined the Energy Regulatory Commission (ERC) as Director General on 22nd August 2007, having previously served as a Board Member of the former Electricity Regulatory Board (ERB) from 2003. He holds a Bachelor of Science Degree in Mechanical Engineering from University of Nairobi and a Masters Degree in Business Administration from the United States International University (USIU).

Eng. Mwirichia worked with the Ministry of Water Development as Assistant Engineer in charge of plant maintenance at the Coast Province between 1982 and 1983 after which he joined General Motors East Africa (GMEA) as Production Engineer and remained with the company until July 2006. He rose through the ranks and eventually joined the Board of Directors of GMEA in the year 2000. When he left GM, he was the Director in charge of Engineering and Regional Integration.

He has also served as a Board Member of the Kenya Association of Manufacturers from 2001 to 2006. Eng. Mwirichia has attended numerous short courses both locally and abroad. He is a Registered Engineer (R. Eng.) and a member of the Institution of Engineers of Kenya (MIEK).



Mr. David Mutuku
Commissioner

Mr. David Mutinda Mutuku, born on 30th May 1960, holds a BSc.(Hons) Degree in Civil Engineering from the University of Nairobi. Mr. Mutuku has over 20 years experience in Design, Supervision of Road Construction under Equipment based, intensive Labour based and Roads 2000 strategies of Road Maintenance.

He has attended a Deloitte and Touché six months course on team building and training of trainers, a course at Kisii Training School on Labour based road maintenance, a training course in the Netherlands on road maintenance and site management. He has also attended a three months training program at the Eastern and Southern Africa Management Institute (ESAMI) covering the following modules: Team Building, Personnel Management, Financial Management Procurement and Maintenance Interventions.

Over a number of years he worked with the Ministry of Roads and Public Works before joining the private sector. Mr. Mutuku currently works with Sinoe Construction Limited as a Managing Director; a firm that he established.



Mr. Karanja Kabage
Commissioner

Mr. Karanja Kabage was born in 1949. He holds a Bachelor of Laws (LLB) and Master of Laws (LLM) degrees from the University of Nairobi; a Bachelor of Science (BSc) Degree and a Masters (MBA) Degree in Business Administration from the United States International University (USIU). He is a qualified Member of Chartered Institute of Arbitrators (MCI Arb).

Between 1971 and 1982, Mr. Kabage worked for AIG as an Agency Manager. Immediately thereafter, he took up an appointment as Chairman and CEO of Pacific Insurance Brokers (EA) Ltd, where he worked from 1983 to 2004.

Mr. Kabage has served on boards of various organizations including First ten Limited, First Reinsurance Brokers Limited, Pacific Insurance Brokers (EA) LTD, Communications Commission of Kenya, Federation of Kenya Employers (FKE) (2006- 2007), Kenya Private Sector Alliance upto 2007, Public Procurement Oversight Board (2006- 2007), East African Business Council(2006- 2007), and the National Social Security Fund (2006- 2007). He is currently a member of the NEPAD National Steering Committee and a Partner with Ekuru Kabage and Migai Company Advocates.

Mr. Kabage also holds several professional memberships; he is a member of the Law Society of Kenya LSK, East African Law Society of Kenya, International Bar Association (IBA), and Commonwealth Laws Association (CLA).



Mr. Acquilino Thilange
Commissioner

Mr. Thilange was born in 1970. He holds a Bachelor of Technology in Chemical and Process Engineering from Moi University and a Masters' Degree in Business Administration and Strategic Management from JKUAT University.

Between 1997 and 1998, Mr. Thilange worked with Cosmos Pharmaceutical Ltd as a production supervisor. Mr. Thilange has worked at various capacities at GlaxoSmithKline between the years 1998 to date. He worked as the Process and Products Development Technologist at SmithKline Beecham Healthcare from 1998 to 2001. In March 2001, he was promoted to Technical Services Manager where he worked until 2007 (By then SmithKline Beecham had already Merged with Glaxowellcome to form GlaxoSmithKline). In 2007, he was appointed Head of Quality and Compliance at GlaxoSmithKline a position he holds currently.

Mr. Thilange is also a member of Board of Trustee for GSK employees' pension scheme.



Mrs. Kiilu was born in 1957. She holds a Bachelor of Science in Electrical Engineering from University of Nairobi and is currently pursuing a Masters degree in Business Administration, majoring in operations Management.

Mrs. Kiilu worked with the Ministry of Public Works from 1986 to 1988 in the Provincial office in Kisumu where she was in charge of Government projects in Nyanza Province. Between 1989 and 1994, she worked as the District Works Officer, in charge of projects in Coast Province, Mombasa. Mrs. Kiilu left Government service in 1995 and joined Therero Associates as a Consulting Engineer a position she currently holds. She also served as a Board Member with Rural Electrification Authority.

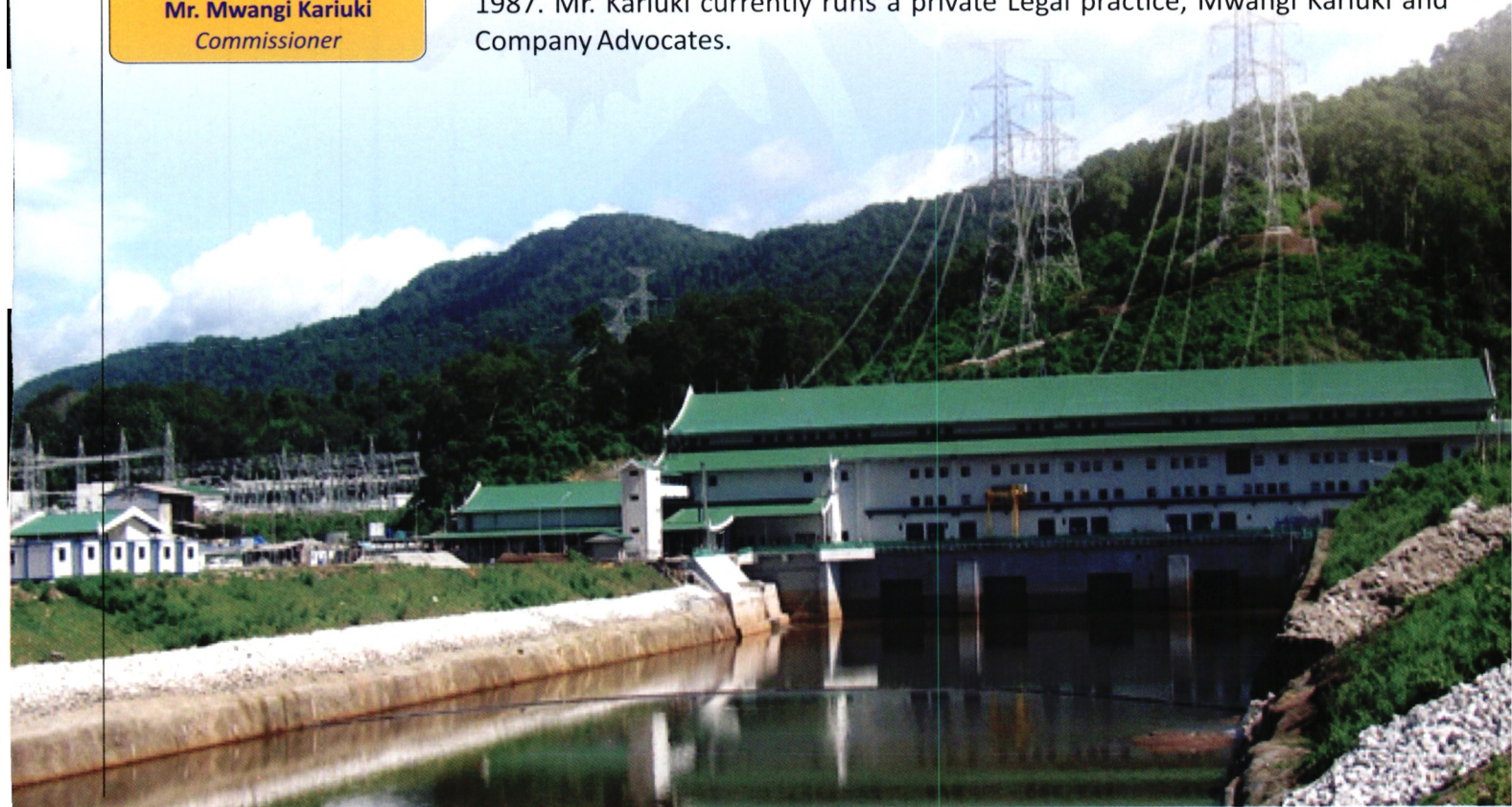
Eng. Emma Kiilu (Mrs)
Commissioner



Mr. Mwangi Kariuki, born on 1st January 1955, holds a Bachelor of Law Second class Honours (Upper Division from the University of Nairobi), which he obtained in 1978 and was admitted as an advocate of the High Court of Kenya in 1979. He further obtained a Council of Legal Education certificate from the Kenya School of Law in 1979.

Mr. Kariuki worked for Archer and Wilcock and Awori Law firm and also as a Legal Assistant, at the Public Trustee Department of the Attorney General's office from 1979 to 1980. Between 1980 and 1982, Mr. Kariuki worked as a Legal Officer at the Barclays Bank Trust Co. Limited of Kenya. He later left and joined the Insurance Company of East Africa Limited as a Legal Officer from 1982 to 1987. Mr. Kariuki currently runs a private Legal practice, Mwangi Kariuki and Company Advocates.

Mr. Mwangi Kariuki
Commissioner



SENIOR MANAGEMENT

The Director General (DG) is the Chief Executive of the Commission - responsible for the day to day management of the Commission.



Eng. Kaburu Mwirichia
Director General



Mueni Mutung'a
Commission Secretary



Dr. Fredrick Nyang
Director Economic Regulation



Mr. Peter Nduru
Director Petroleum Regulation



Eng. Joseph Ng'ang'a
Director Electricity



Mr. Bernard Osawa
Director Renewable Energy



Mrs. Antoinnete Kamau
Senior Manager, Comm. & Public Affairs



Mr. Felix Chelimo
Procurement Manager



Mr. James Kilonzo
Senior Manager, Finance & Strategic Planning



Ms. Elizabeth Njau
Senior Manager, Human Resource & Administration



QUALITY POLICY

The Energy Regulatory Commission is committed to providing high quality regulatory services that comply with international standards, statutory requirements, the needs and expectations of its stakeholders as well as the Quality Management Systems as set out in ISO 9001: 2008.

CUSTOMER FOCUS

We are a customer driven organization that views every customer contact as an opportunity to add value and enhance our relationship.

We listen to our customers, learn and understand their needs thereby enabling us to anticipate and proactively offer attractive solutions.

We continuously strive to offer the best services for our customers.

COMMUNICATION

We offer open, honest and constructive communication throughout the organization by supporting healthy debate and personal participation on issues affecting our business.

We communicate with our customers in a fresh and informative way.

SERVICE

We optimize the use of relevant technology to deliver attractive customer solutions, increase efficiency and minimize cost base. We offer reliable service delivery channels that provide a comfortable, secure and user-friendly environment for both customers and employees alike. We constantly seek ways to improve the delivery of service to our customers.

CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which companies are directed and controlled. The concept of corporate governance has gained prominence and enshrined in codes of best practice developed by Organization for Economic Co-operation and Development (OECD), Commonwealth Association of Corporate Governance (CACG) and the Centre for Corporate Governance in Kenya.

The Commissioners recognize the need to conduct the business and operations of the ERC with integrity and in accordance with generally accepted corporate practice and endorse internationally developed principles of corporate governance. The Commissioners will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the ERC's operations.

Commissioners

The members of the ERC are listed on page 3. The Commission is chaired by a Non Executive Chairman (Mr. Hindpal Singh Jabbal – retired on 22nd July 2011) appointed by the President. All Commissioners have extensive business and administrative experience in private and/or public sectors that is applied in the management of the ERC. Commissioners' allowances, honoraria and related transactions are disclosed in note 4 to these financial statements. Commission meetings are held regularly to review the ERC's performance against set targets and business plans as well as to formulate and implement strategy. Various committees whose chair-persons report to the Commission supplement the functions of the Commission.

Commission Finance and Administration Committee

The Commission Finance and Administration Committee is chaired by Non Executive Commissioner (Mr. Kariuki) meet at least on quarterly basis. The other members are Mr. Karanja Kabage, Mr. David Mutuku, and Eng. Kaburu Mwirichia. The Committee's responsibilities are ensuring overall sound financial reporting, internal system of controls, business plans and budgets, procurement, ICT, Public Relations, administration and staff affairs.

Commission Audit Committee

The Audit Committee is chaired by a Non Executive Commissioner and has not held regular meetings pending the appointment of an internal auditor (appointment in progress). Members, who are non executive Commissioners, are Mr. Aquilino Thilange, Mrs. Emma Kiilu, and Eng. Raphael Khazenzi. The responsibilities of the committee are to review the financial information of the Commission, monitoring the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and review the overall risks facing the Commission.

Commission Technical Committee

The Technical Committee is chaired by a Non Executive Director and meets at least on quarterly basis. Other Members are, Mr. Karanja Kabage, Mrs. Emma Kiilu, Mr. Acquilino Thilange, and Eng. Kaburu Mwirichia. The committee's responsibilities are to provide technical strategic direction of the ERC; and approve technical plans, activities, reports and budgets.

Delegation of Responsibilities

The preparation of ERC's financial statements is a role that has been delegated to management. These financial statements have been prepared in accordance with internationally accepted accounting practice based on appropriate accounting policies which have been consistently applied and supported by reasonable judgment and estimates.

Management ensures that adequate internal financial control systems are developed to provide reasonable certainty in respect of:

- The completeness and accuracy of accounting records
- The integrity and reliability of the ERC's annual financial statements
- The safeguarding of the ERC's assets

The responsibility for the integrity, reliability and objectivity of the ERC's financial statement lies with the Commissioners.

The external auditors are responsible for independently examining and expressing an opinion on the reasonableness of the financial statements based on their audit.



CHAIRMAN'S STATEMENT

Domestic Economy

Despite a number of economic challenges, Kenya experienced a satisfactory growth rate in 2010 of 5.6 percent. In the first half of 2011, the Kenyan economy grew by 4.5 percent, driven by a strong performance in the financial sector which grew by 8.2 percent, construction 8.1 percent while hotels and restaurants grew by 6.4 percent. moderate growth was recorded in the agricultural and industrial sectors.

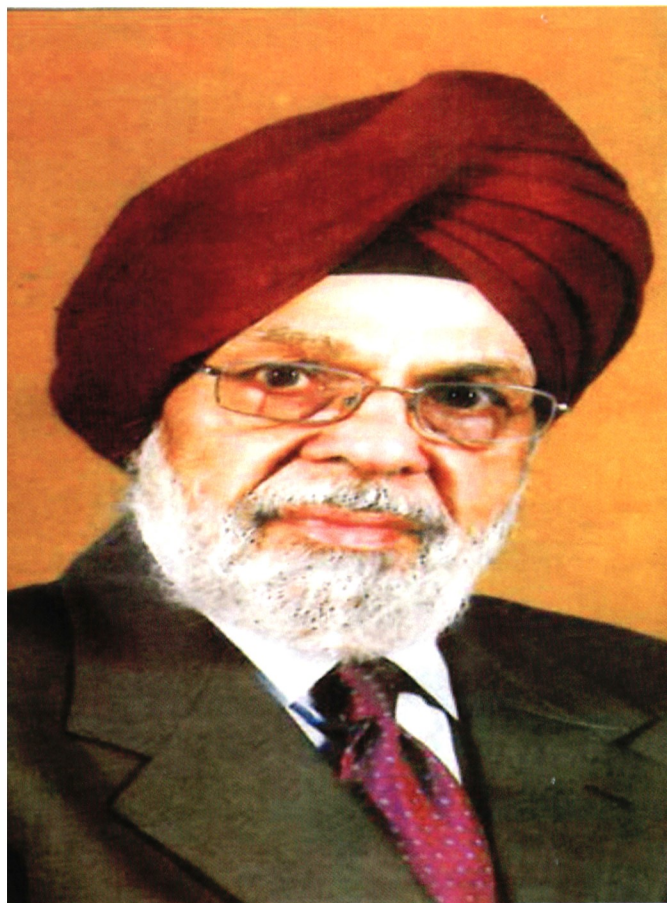
In the second and 3rd quarters of 2011 the economy grew by 4.1 percent and 3.6 percent respectively. Overall growth for 2011 is expected to be balanced across all key sectors, with the services sectors maintaining its positions as the growth engine of the decade.

Economic performance by sectors indicates that agriculture has performed better on average despite the moderate drought. Its production grew by 3.5 percent in the second first half of the year as rains normalized, especially in Kenya's "bread basket", the Rift Valley, and production held up again. The drought mostly affected Kenya's livestock production in Northern and Eastern regions. Despite promising growth rate, Kenya's economy has still come under pressure in 2011. The growth rate realized fell short of what is envisaged in the Vision 2030.

Some of the Key shocks that have curtailed her growth momentum include first, higher global fuel prices, which were triggered by the crisis in the Arab world. In the first nine months of 2011, international crude oil prices increased by 37.4 percent. This resulted in a 42.2 percent increase in Kenya's oil import bill. Oil now represents 26 percent of Kenya's imports. This has further been exacerbated by standoff between Iran and Western countries due to her nuclear programs.

Secondly, the Euro crisis, which created uncertainty in the global markets and increased currency volatility. Europe is the main market for Kenya's horticulture, and the third destination for Kenya's tea. The economic slowdown in Europe, along with the crisis in the Arab world, a significant destination for Kenya's tea, negatively impacted the growth of Kenya's key export.

which increased to 18.9 percent from the beginning of 2011, through to the third quarter.



Mr. Hindpal S. Jabbal
Chairman

DIRECTOR GENERAL REPORT



Eng. Kaburu Mwirichia
Director General

The energy sector has showed volatility in petroleum and electricity prices arising from instability in international oil prices. The year under review experienced severe drought which affected the production of hydroelectricity. Consequently, there was a significant increase in electricity prices owing to a shift to the use of emergency thermal power sources which are relatively more expensive.

The fuel cost adjustment, forex and inflation adjustment costs which are pass throughs in electricity costs increased tremendously. These are however expected to come down in the first and second quarter of 2011/2012. In addition, crude oil prices showed an upward trend which translated into an increase in retail pump prices of petroleum products.

PETROLEUM PRICE REGULATIONS

Following concerns that the oil marketing companies do not promptly respond to the changes in crude oil prices especially when the trend is downwards, the Energy Regulatory Commission introduced regulations to set maximum retail pump prices for four petroleum products namely premium motor spirit, premium motor regular, diesel and dual purpose kerosene.

The regulations were gazetted and the Commission put in place mechanisms to monitor prices based on the petroleum pump price regulations in order to maintain oversight on the deviations between expected prices and actual prices. The implementation of the petroleum price regulations began in December 2010 when the first price reviews were implemented. The Maximum prices are released every 14th day of the month.

Petroleum/Licensing

Licensing of petroleum downstream activities is one of the core functions of the Energy Regulatory Commission. The activity is organized by the Petroleum department with the assistance of Petroleum Licensing committee set up by the Director General on 4th June 2008. The committee met 16 times in 2010/2011 financial year for purposes of reviewing license applications.

According to the Energy Act 2006, petroleum trading activities as categorized as Refining, Import, Export, Storage, Wholesale, Transport, and Retail. A total of 355 applications were received and processed. Out of which three 316 were approved and licenses issued. The other 38 were deferred due to lack of compliance with the licensing requirements. One application was rejected due to the applicant's breach of the previous license conditions. A summary of the licenses applied for and the outcome is listed in table 1 below.

Table 1. Petroleum Licenses

Quarter	No. of applications	Approved	Deferred	Rejected
Jul - Sept	51	45	6	0
Oct - Dec	164	152	12	0
Jan - Mar	73	62	11	0
Apr - Jun	67	57	9	1

ECONOMIC REGULATION

COST OF SERVICE STUDY

During the period under review, a terms of reference for the Cost of Service Study to be undertaken by a Consultant was developed and the objectives of the study were to:

- I. Update of the 2007 Electricity Tariff Study by Fichtner taking into account recent changes in the sector as well as emerging issues;
- II. Update the Long Run Marginal Cost (LRMC) of supply across the power system focusing on generation, transmission and distribution at different times of the day using data from the last 5 years;
- III. Consider revenue and investment requirements of energy sector institutions and establish their bearing on bulk and retail tariffs going forward;
- IV. Review and rationalize KPLC's retail electricity tariffs and the bulk tariffs between it and power producing companies;
- V. Develop cost reflective tariffs and tariff structures in generation, transmission distribution and dispatch of electric power
- VI. Consider the current Feed-in-Tariffs (FiT) and advice on its appropriateness and cost reflectiveness. This will include recommendation of appropriate transmission and distribution tariffs under the policy.

The study will be undertaken in 2011/2012 financial year.

Least Cost Power Development Plan (LCPDP)-2011-2031

Pursuant to section 5(g), of the Energy Act No. 4 of 2006 ERC is mandated to prepare indicative national energy plans. From the FY 2008/09, ERC has been updating the 20 year rolling Least Cost Power Development Plan (LCPDP) as the first step towards fulfilling this mandate. The annual update of the LCPDP is a team effort spearheaded by the ERC in conjunction with Kenya Power & Lighting Co. (KPLC), the Kenya Generating Company (KenGen), Kenya Transmission Company (KETRACO), Rural Electrification Authority (REA), Geothermal Development Company (GDC), Ministry of Energy, Kenya National Bureau of Statistics and stakeholders from the private sector. The purpose of the exercise is to provide guidance to all stakeholders on the country's plan to meet its energy needs at the least economic as well as environmental cost. The exercise was successfully undertaken during the review period.

Highlights of the plan include;

- I. The committed power generation projects include 1835 MW to be added to the national power pool by 2015 and which require a total investment outlay of US\$ 3.9 billion, and an estimated load of 1500 MW by 2011 rising to about 16,905 MW by 2031
- II. The committed power transmission projects include an additional 973MW of new transmission lines to be commissioned by 2012. These projects are financed and are at various stages of implementation.
- III. Planned regional interconnections based on bilateral agreements and involving connectivity of 2,123 km at an approximate cost of US\$ 1091.6 million to be commissioned by 2015.

Power Purchase Agreements (PPAs)

During the reporting period, ERC received three power purchase agreements respectively from KenGen, Or Power 4, and Aeolus Wind. In addition, there was emergency power purchase agreement submitted by KenGen on behalf of the Government of Kenya and Aggreko. Each of the applications was processed and the appropriate decision made within 90 days complying with the period set in the Energy Act, 2006.

Table 2: Summary of the PPAs Reviewed

Number	Name of Organization/Plant	Technology	Capacity (MW)	No. of days
1	KenGen - Kipevu III	Thermal	115.00	84
2	Orpower4- Olkaria III	Geothermal	52.00	69
3	Aggreko- Emergency Power	Thermal	90.00	90
4	Kinangop -AELOUS	Wind	60.00	90

Financial performance of selected electricity and petroleum utilities Pursuant to sections 5, 6 and 43 of the Energy Act, 2006 ERC is mandated to monitor and ensure economic and financial viability of sub-sector utilities with respect to their financial performance. An assessment was made of the financial performance of the following two sector utilities; KPLC, KenGen and four IPPs in the electricity sub-sector and; Kenya Petroleum Refineries Ltd (KPRL), Kenya Pipeline Company (KPC) and Total Kenya in the petroleum subsector. Accordingly, nine (9) reports were prepared, submitted and noted by the Commission. The reports indicate that the sector utilities are of a sound footing and performed satisfactorily during the period.

Retail Electricity Tariffs

The overall retail electricity tariffs depend on the pre-determined base tariff, additional adjustments for fuel, forex and inflation as well as statutory deductions including levies and taxes. The base non fuel tariff was set in July 2008 at 7.12 Kshs /kWh and will remain so until the next review scheduled for the FY2012/13. KPLC submitted an application for retail tariff review and adjustment in February 2011 but the review was suspended.

The decision was partially informed by the prevailing unfavourable rising cost of living particularly with regard to high cost of food and petroleum products. However in the interim, the Commission will be taking into consideration projects which were not included in the tariff control period: 2008-2011, on a case by case basis, to enable Kenya Power continue to meet its revenue requirements. This therefore means that the approved base tariffs in July 2008 continue to be in force.

During the year under review, crude oil prices in the international market rose significantly leading to an increase in overall tariffs charged. Crude prices of Murban oil were recorded at 73 US\$/bbl in July 2010 but rose to a peak of 112.5 US\$/bbl in March April 2011. During the same period the average retail tariff in nominal terms stood at Kshs 11.9/kWh per kWh compared to Kshs 13.69/kWh in the previous financial year. Refer to annexed table 3.

Adjustments to the Retail Tariffs: Fuel Cost Charge (FCC), Foreign Exchange Rates Fluctuations Adjustments (FERFA) and Inflation Adjustments.

The Fuel Cost Charge, (FCC), Foreign Exchange Rates Fluctuation Adjustment (FERFA) and Inflation Adjustments are instruments for cushioning regulated operators against fluctuations in the concerned parameters which are beyond their control. During the period under review, the Fuel Cost Charge ranged between 3.18 Kshs/kWh in July 2010 and 7.15 Kshs/kWh in June 2011. During the same period, Murban crude oil prices ranged between 73.00 US\$/bbl in July 2010 and 112.15 US\$/bbl in June 2011. Inflation adjustment has very minimal impact on end-user tariffs and remained at 0.10 Kshs/kWh for the first 6 months between July 2010 and December 2010 but was adjusted downwards to 0.09 Kshs/kWh between January 2011 and June 2011. The summary of these adjustments is as indicated in table 3 below.

Table 3: Trends in Murban Crude oil and Pass Through Costs

	Murban Crude prices (US\$/BBL)	FERFA	FCC	Inflation	TOTAL ADJ
July '10	73.00	85	318	10	413
August '10	74.60	57	349	10	416
September '10	75.90	76	333	10	419
October '10	81.50	79	338	10	427
November '10	85.65	64	419	10	493
December '10	91.85	72	418	10	500
January '11	95.55	82	382	9	473
February '11	103.60	71	467	9	547
March '11	112.55	64	573	9	646
April '11	120.70	126	615	9	750
May '11	113.60	81	711	9	801
June '11	112.15	138	715	9	862

Electricity Generation

KenGen remained the largest power producer in the country accounting for 73 percent or 1135MW of the effective generation capacity by June 2011 which was contributed as follows; 750MW from hydro, 150MW from geothermal and 235MW from thermal(MSD). Independent Power Producers (IPPs) accounted for 17.5 percent or 272MW all from thermal (MSD) while an Emergency Power Producer (EPP) accounted for 3.85 or 60MW from thermal (HSD) in the same period. Isolated grid generation accounted for 1 percent or 10.2MW (HSD) under the rural electrification Programme while Mumias sugar's cogeneration and KenGen's wind at Ngong Hills contributed 1.7 percent or 26MW and 0.5 percent or 5.1MW respectively (See summarizes of 3percent major sources to the generation mix in annex table 4). Dispatches of the generating stations is done in the economic order of merit, with geothermal being run as the base load, followed by hydro, thermal (MSD) and lastly EPP (HSD) for the interconnected system. This brought the country's total effective generation capacity to 1557.5MW inclusive of the EPP and the off-grid.

Energy Purchased, Sales, Connected Customers and Fuel Cost Charges

The highest energy purchased for the last half of the year ended June 2011 was in May at 635.89 Gwh with the lowest experienced in February at 539.86 GWh. Sales in the sale period varied from highest of 519.22 GWh in April with the lowest of 500.36 GWh in January. This generated the highest levelized losses of 18.05 percent in January with the lowest at 17.82 percent in February. Fuel cost charge was highest at 8.1 Kshs/KWh in April and lowest at 4.64 Kshs/KWh in January due fluctuation in contribution from hydro to the generation mixed caused by poor hydrology. This meant more of thermal generation was employed in April as a result of low dam levels. (Refer to annexed; table 5).

Electric Power Transmission, Distribution and Supply Licenses

Kenya Power is still the sole off-taker, purchases power from KenGen and IPPs through Power Purchase Agreements (PPAs) approved by the Commission, and has been issued with, onetransmission licence for the existing transmission network comprising 1,323 km of 220 kV lines and 993 km of 132 kV lines, four distribution and supply licences for its Nairobi, Coast, West and Mt. Kenya regions, two distribution and supply permits for the isolated grids of Lamu and Garissa and 12 generation, distribution and supply permits for the isolated grids at Elwak, Habaswein, Mpeketoni, Mfangano Island, Merti, Wajir, Mandera, Moyale, Lodwar, Marsabit, Hola and Bargo. (Refer to annexed; table 6).

Electric Power Generation Licenses Issued

During the financial year ended 30th June 2011, the Commission licensed the following power generators; Base Titanium Ltd (16MW); captive transfer from Tiomin Titanium Ltd, Lake Turkana Wind Ltd (300 MW), Kenya Petroleum Refineries Ltd (8.5MW); captive, Unilever Ltd (4.66MW); modified captive, KenGen Kipevu 1(60MW; MSD); modified, KenGen Kipevu 111(120MW; MSD) and KenGen Gas Turbines (60MW; relocated from Kipevu to Embakasi); modified. (Refer to annexed, table7).

Accidents and Incidences

A total of 55 accident/incidence reports were received from KPLC during the financial year ended 30th June 2011. The accidents resulted in loss of 46 lives and three cows. 15 persons sustained injuries. Out of the 41 accidents received, 16 were investigated by the Commission and reports prepared with remedial recommendations to KPLC. (Refer to annexed table 13).

Efficiency in Electricity Supply

In a bid to improve service delivery and to make energy consumption efficient and affordable ERC monitors various parameters of efficiency. These parameters have a bearing on the overall retail tariff. In this regard, a key efficiency parameter is the allowable system losses. Prior to FY 2007/08, the target for allowable system losses was fixed at 15 percent. However, in the last tariff review, ERC pegged the system loss on an agreed “loss reduction path” to assist KPLC's efficiency and cost management efforts with a view to avoid loss of revenue while enhancing system efficiency. In the FY 2009/10, system losses were set at 15.9 percent . KPLC was however able to achieve almost similar level of 16.0 percent . In the 2010/11 financial year, the losses were set at 15.4 percent while KPLC achieved system losses of 16.2 percent . This is an indicator that efficiency marginally declined and KPLC missed the set target by 0.8 Labor productivity has decreased consistently in the last 3 years. In the reporting period, labor productivity decreased from 0.734 Gwh / employee to 0.681 GWh/employee. This is as a result of higher employee growth from 7,279 employees in 2009/10 to 8,543 employees in 2010/11 representing a 17.4 percent increase compared to 8.8 percent growth in GWh sold. In addition, KPLC has been profitable over the last 5 years. This is consistent with the sector policy which requires the retail electricity tariffs to be cost reflective; and with the Act which provides for financial viability of sector entities. (Refer to annexed; figure 2)

Consumer Complaints and Dispute Resolution

During the year under review, 46 complaints were received from KPLC's customers. Billing complaints were the most common and accounted for 43.5 percent of the total complaints received. 19 of these complaints were resolved while 27 were still awaiting responses from KPLC by the close of the financial year. (Refer to Annexed; table 12).

Electricity Customer Growth

In order to realize its long term energy supply target countrywide, KPLC's target for annual increase in customer base is 200,000 new connections annually. During the reporting period, customer base changed from 1,463,639 for all categories of consumption to 1,753,348, an increase of 289,709 customers, reflecting an average monthly growth rate of 1.2 percent .

(As summary of changes in customer base between 2005/06 and June 2010/11 as shown in table 10 in the annex).

TYPE OF LICENSES

Of the 355 applications received and processed during this period, 192 were renewal applications while 163 were new applications. The different types of license applied are as listed (See the annex table 22)

Environment Health and Safety (EHS)

Review of environmental impact assessment and audits of facilities within the energy sector is one of the core functions of the Energy Regulatory Commission as provided by the Energy Act, 2006, Environmental Management and Co-ordination Act (EMCA, 1999) and the Environmental Impact Assessment and Audit Regulations of 2003. A total of 220 reports were received and processed. Out of these 69 reports were EIA Study Reports (SR) while 151 were EIA Project Reports (PR). A total of 90 reports out of the 220 were recommended for approval and other recommendations made. The reports were also categorized on sub-sector. (See annexed tables 8 and 9)

Performance Level

The Environment Management and Co-ordination Act, (EMCA, 1999) Section 60 and Regulation 20 (2) of Environmental (Impact Assessment and Audit) Regulations, 2003 requires lead agencies to send comments of Study Reports to NEMA within 30 days. For project reports, section 9(c) of the Environmental (Impact Assessment and Audit) Regulations, 2003 requires that lead agencies submit their comments to NEMA within 21 days from the date of receipt of the project report. During the year under review, 17 site visits were carried out. A total of 52 reports out of the received 62 study reports representing 83.87 percent were reviewed within 30 days while 104 reports out of the received 151 project reports representing 68.87 percent were received within 21 days.

Renewable Energy

The development of solar water heating regulations were completed and submitted to the minister for gazette. While draft regulations on Energy Management and Solar PV regulations developed and subjected to stakeholder consultation and reviews. Further, terms of reference were developed to be used in conducting a study on bench marking energy consumption and efficiency in commercial and industrial sectors for use once the Energy Management regulations are gazetted. In the year under review, ERC participated in the development of Efficient Lamps Standard (KS 2262:2010 ICS 29.140.30) with KEBS and other stakeholder and in the Energy Management Awards (EMA) technical committee which conducts inspections and verifications for the energy awards, and panel of judges which decides on winners.

HUMAN RESOURCE AND ADMINISTRATION

Competency Development

The Commission acknowledges that to cope with various emerging trends in the energy sector it's important to develop and train employees in a variety of skills and competences in order to enhance performance of the Regulator and employee knowledge. Based on this commitment to train and develop the human capital the Management has identified training programmes in key areas such as regulatory certification, managing reforms, certification of energy managers, public utilities regulation, policy formulation, supervisory and leadership skills. At least 50 employees benefited from these programmes and other organized in house group programmes. The Commission has also entrenched a performance management culture by designing and implementing a performance management tool which facilitates defining and setting of clear objectives and time frames for each employee at the beginning of a financial year. This tool allows each supervisor to rate the performance of the employee (s) he/she supervises at the end of a financial year as well as identify the training needs for the individual.

Employee Wellness and Health

ERC is committed to employee health and wellness. Thus the Commission has continued to carry out various employee wellness initiative and sensitization programmes on HIV/AIDS, Disability Mainstreaming and Drug and Substance Abuse to ensure that employees are health conscious and maintain good health and well being. A Family Fun Day that involved the employees, their spouses and dependents was held to sensitize them on, HIV/AIDS, and behavior change among the youth. Counseling and testing were also done. The Commission also engaged a consultant to carry out an accessibility audit and sensitize employees on Gender Mainstreaming. The Commission has ensured that efficient medical and counseling services are available to all its employees.

Corporate Social Responsibility

During the Financial Year 2010/2011 ERC participated in various CSR programmes on a nationwide scale. This is in line with our mandate under the CSR programme, which is aimed at creating long term value for stakeholders and the public as a whole. This has gone a long way in delivering on our mandate and building a good reputation in the communities we largely operate in. We achieved this by sponsoring key programmes that brought much impact by improving livelihoods and enriching the environment. Some of the beneficiaries include: Kenya Freedom From Hunger Council where we participated in a walk to help raise funds to facilitate community based food security projects, the Nairobi Hospice; ERC, provided items to assist in the care of patients, the Shelter Children Rehabilitation Centre where ERC staff visited and gave donations of food, bedding and school items.

REPORT OF THE COMMISSIONERS FOR THE YEAR ENDED 30TH JUNE 2011

The Commissioners submit their report together with the audited financial statements for the year ended 30th June 2011, which show the state of the Commission's affairs.

Incorporation

ERC is a state corporation established under the Energy Act, No. 12 Of 2006.

Principal Activities

The principal activities of the Commission are

1. To regulate: -
 - i. Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
 - ii. Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
 - iii. Production, distribution, supply and use of renewable and other forms of energy;
2. Protect the interests of consumer, investor and other stakeholder interests

RESULTS

The results together with the notes for the year are shown from page 26 to 41.



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NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON ENERGY REGULATORY COMMISSION FOR THE YEAR ENDED 30 JUNE 2011

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Energy Regulatory Commission set out on pages 26 to 41, which comprise the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

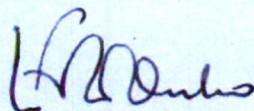
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June, 2011, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Energy Act, 2006.



Edward R. O. Ouko
AUDITOR-GENERAL

Nairobi

13 December 2011



"FINANCIAL STATEMENTS"


STATEMENT OF COMMISSIONERS' RESPONSIBILITIES ON THE FINANCIAL STATEMENT FOR THE YEAR ENDED JUNE 2011

The Energy Act, No. 12 of 2006 requires the Commission to prepare financial statements for each financial year, which includes a Statement of Financial Position showing in detail the assets and liabilities of the Commission, a Statement of Financial Performance showing the income and expenditure, and such other statements that the Commission may deem necessary. The State Corporations Act (Cap 446) requires the Commission to ensure that proper books are kept recording all the property, undertakings, funds, activities, contracts, transactions and other business of the Commission. The Commission is also responsible for safeguarding the assets of the Commission.

The Commissioners accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Commissioners are of the opinion that the financial statements give a true and fair view of the State of the financial affairs of the Commission and of its operating results. The Commissioners further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Commissioners to indicate that the Commission will not remain a going concern for at least twelve months from the date of this statement.

Eng. Kaburu Mwirichia  Date *02 Nov 11*
DIRECTOR GENERAL

Eng. Emma Kiilu (Mrs.)  Date *04 - 11 -2011*
COMMISSIONER

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30th JUNE 2011

Energy Regulatory Commission

		2011	2010
		KES	KES
Operating revenue	Note		
ERB Levy	2 (a)	172,848,343	159,647,241
Petroleum Levy	2 (b)	134,326,356	129,453,729
Transfers from other government entities	2 (c)	3,494,139	-
Other operating revenue	3	8,835,636	14,707,740
Total operating revenue		319,504,473	303,808,710
Operating expenses			
Board expenses	4	27,976,559	25,640,556
Personnel emoluments	5	122,906,638	91,739,941
Training and other personnel costs	6	24,966,172	24,521,751
Office supplies and expenses	7	8,040,272	4,674,188
Transport and travel	8	17,572,719	13,468,527
Public relations and consumer services	9	28,459,183	18,748,020
Utilities	10	2,053,210	2,272,283
Information and communication technology expenses	11	1,986,602	1,774,578
Office rent and office services	12	22,994,213	18,003,111
Consultancy and other professional services	13	56,107,645	7,430,495
HIV/AIDS prevention related expenses	14	2,073,752	344,800
Licensing Electricians	-	-	69,600
Depreciation	15	3,771,787	6,213,618
Total operating expenses		318,908,753	214,901,468
Surplus from operating activities		595,720	88,907,242
Non-operating revenue			
Gain on disposal	24	863,590	-
Total non-operating revenue		863,590	88,907,242
Net surplus before transfer to Exchequer		1,459,310	88,907,242
Surplus to Exchequer (90%) provision	1d	1,313,379	-
Net surplus after transfer Exchequer		145,931	88,907,242

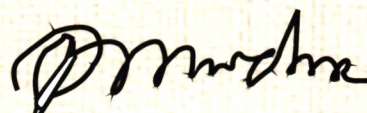
STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2011

ASSETS	NOTE	KES 2011	KES 2010
Non-current assets			
Property, Plant and Equipment	15	164,311,349	75,524,301
Investments	19	55,537,700	-
Current assets			
Trade and other receivable	18	38,314,522	32,897,482
Cash & cash equivalents	16	146,993,550	265,826,159
		185,308,072	298,723,641
Total Asset		405,157,121	374,247,941
EQUITY AND LIABILITIES			
Revaluation Reserves		7,032,500	7,032,500
Retained reserves		187,730,529	277,601,116
Sinking fund	23	55,000,000	45,000,000
		249,763,029	329,633,616
Trade and other payables	20	63,513,494	35,460,102
Overdraft	17	-	24,875
Provisions	21	82,079,696	300,000
Employee benefits	22	9,800,903	8,829,349
		155,394,093	44,614,326
Total Asset and Liabilities		405,157,121	374,247,941

The Financial statements were approved by the Commission on **22nd September 2011** and signed on its behalf by:



Eng. Hindpal S. Jabbal



Eng. Kaburu Mwirichia

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE 2011

	Revaluation Reserves KES	Retained Reserves KES	Sinking fund Reserves KES	Accumulated Reserves KES
Balance as at 30th June, 2009	7,032,500	157,548,487	-	164,580,987
Adjusted	7,032,500	233,693,873	-	240,726,373
Net surplus for the period	-	88,907,242	-	88,907,242
Transfer to/from Sinking Fund		(45,000,000)	45,000,000	-
Balance as at 30th June, 2010	7,032,500	277,601,116	45,000,000	329,633,616
Adjusted	7,032,500	277,601,116	45,000,000	329,633,616
Net surplus for the period	-	145,931	-	145,931
Transfer to Sinking Fund		(10,000,000)	10,000,000	-
Surplus to Exchequer		(80,016,518)		(80,016,518)
Balance as at 30th June, 2011	7,032,500	187,730,529	55,000,000	249,763,029

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2011

	Note	2011 KES	2010 KES
Cash flow from operating activities:			
Net surplus from operations		1,459,310	88,907,242
Adjustments:			
Investment Income		(7,415,536)	-
Gain on Disposal		(863,590)	-
Depreciation		3,771,787	6,213,618
Operating surplus before working capital changes		(3,048,028)	95,120,860
Decrease (Increase) in Trade and other receivable		(6,073,963)	17,732,114
Increase (Decrease) in Trade and other payables and accruals		29,474,745	(17,158,184)
Cash generated from operations		20,352,754	95,694,790
Investing activities:			
Purchase of fixed assets	15	(95,095,796)	(68,219,321)
Purchase of Treasury Bonds		(55,537,700)	-
Proceeds of Sale of fixed assets		3,375,675	-
Interest Received		8,072,459	-
Net Cash outflow from investing activities		(139,185,363)	(68,219,321)
Net Increase in cash & cash equivalents		(118,832,609)	27,475,469
Cash & cash equivalents at the beginning of the Period		265,826,159	157,161,996
Cash & cash equivalents at the end of the period	16	146,993,550	265,826,159
Represented by:			
Short term deposits		135,000,000	258,757,850
Bank balances		11,943,549	7,018,309
Petty cash		50,000	50,000
		146,993,550	265,826,159

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011
1. Significant Accounting Policies
a) Basis of Accounting

The financial statements comply with International Financial Reporting Standards (IFRS). The measurement base is historical cost adjusted for revaluation of assets.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

b) Revenue Recognition

Revenue from the levy is recognized when received or receivable. Other sources of revenue are recognized to the extent that related revenue can be reliably measured.

c) Fixed Assets and Depreciation

Fixed Assets are stated at cost less accumulated Depreciation

Depreciation is calculated on the cost of the fixed assets on a straight line basis, at annual rates estimated to write off the cost of these assets over the expected useful life.

The Depreciation rates used are as follows;

• Motor vehicles	25%
• Furniture & Fittings	12.5%
• Computer Equipments	30%
• Equipments	12.5%

d) Taxation/Transfer to Treasury

No provision has been made for Income Tax. The commission does not operate for gain. Its income is therefore not subject to tax. However a provision is made for transfer of surplus funds to Treasury in line with Section 13A of the Government Financial Management Act that states that a regulatory authority established by an Act of Parliament shall remit into the Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

e) Retirement Benefits-push this to the next page

The Commission operates a defined contribution pension scheme for permanent and pensionable employees. The scheme is currently administered by Retirement Benefit Authority (RBA) approved Administrator, namely CFC Insurance Company. The Commission makes a monthly contribution of 15% of the employees' basic salary and the employee contributes 7.5% of their monthly basic salary

The Commission also contributes to a statutory defined contribution plan, National Social Security Fund. Contributions are determined by Local statute and are currently limited to a maximum of KES. 200 per employee per month.

f) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents comprise cash at hand and deposits held at call.

g) Comparatives

Where necessary, comparative figures have been adjusted where applicable to conform to changes in the current presentation.

h) Employee Entitlement

The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

Employee entitlements to gratuity are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

i) Capital

The Commission's capitals consist of the Accumulated and the Sinking Funds. The objectives when managing capital include:-

- To safeguard the Commission's ability to continue as a going concern so that it can continue to provide energy regulatory services to the nation.
- To match the profile of its assets and liability, taking account of the risks inherent in the business operation.
- To comply with the statutory requirements on provision for the renewal of depreciating assets

j) Incorporation

The Commission is a state corporation established under The Energy Act NO.12 of 2006

k) Currency

These accounts are presented in Kenya Shillings (KES.)

2 (a). ERB Levy

The ERB levy is payable by every consumers of electricity energy at the rate of 3 cents per every unit of electricity sold and payment in respect thereof received by Kenya Power and Lighting Company Limited (KPLC) as per Legal Notice No. 148 of 1999. The Levy collected is payable to ERC by KPLC before the 30th day of each month in respect of the immediately preceding month.

2 (b). Petroleum Levy

The Petroleum levy is paid per Legal Notice Nos. 91 & 108 of 2008 on the petroleum products consumed in Kenya as follow: Motor spirit (gasoline) regular KES 50.00 per 1,000 litres at 20°C, Motor spirit (gasoline) Premium KES 50.00 per 1,000 litres at 20°C, Kerosene KES 50.00 per litre at 20°C, Automotive gas oil KES 40.00 per 1,000 litres at 20°C and Diesel oil (industrial heavy) KES 50.00 per 1,000 litres at 20°C. The levy is collected by the Kenya Revenue Authority (KRA) and is payable to ERC by KRA before the 30th day of each month in respect of the immediately preceding month.

2 (c). Transfers from Government:

ERC was financed under the Energy Sector Recovery Project. The Funds were received from International Development Association under Credit agreement Number 3958KE. The funds were utilized as follows:

	2011	2010
	KES	KES
Consultancy -Drafting of Regulations, Codes	2,629,839	-
Efficient and Appropriate MIS	864,300	-
	3,494,139	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

Energy Regulatory Commission

	2011 KES	2010 KES
3. Other operating revenue		
This is made up of:		
Interest on investments	7,415,536	14,114,240
Miscellaneous revenue	1,420,100	593,500
	8,835,636	14,707,740
4. Commission expenses		
Basic Salary	5,419,355	4,748,387
House Allowance	960,000	960,000
Other Allowances	720,000	720,000
Monthly Fees /Honoraria	3,120,000	3,118,061
Sitting allowance - Board Members	5,100,000	5,980,000
Seminars, travel & accommodation	9,414,520	6,903,671
Gratuity	1,680,000	1,472,000
Medical	692,949	770,041
Meeting, entertainment & others	869,736	968,395
	27,976,559	25,640,556

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

Energy Regulatory Commission

5. Staff salaries & benefits	2011	2010
Salaries	70,729,110	54,370,083
House Allowance	26,516,226	21,025,000
Car/Commuting allowance	13,385,934	10,215,645
Pension & gratuity	9,545,234	6,129,213
Special Duty / Acting Allowance	327,376	-
Leave & Other Allowances	2,402,758	-
	122,906,638	91,739,941
6. Training & other personnel costs		
Medical	8,285,349	5,928,099
Life & accident insurance	1,663,387	970,916
Training & capacity building - ERC funded	13,482,677	13,385,773
Leave Allowance	-	2,044,805
Acting / special duty allowance	-	804,940
Subscriptions-clubs & professional associations	660,597	546,404
Staff welfare & laundry	572,879	584,793
Staff uniforms	301,283	256,021
	24,966,172	24,521,751
Number of employees	61	50
7. Office supplies & expenses		
Stationery ,postage & supplies	6,271,180	2,894,870
Meetings, office tea & miscellaneous	1,242,925	1,376,996
Newspapers, books & periodicals	526,167	402,322
	8,040,272	4,674,188

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

	2011	2010
8. Transport & Travel Expenses		
Travel-local	6,768,924	6,466,334
Travel-international	7,697,314	4,233,792
Fuel	1,224,909	748,355
Vehicle repair & service	1,097,970	1,051,892
Vehicle insurance & licenses	783,601	968,154
	17,572,719	13,468,527
9. Public Relations & Consumer Services		
Corporate subscriptions	891,423	968,262
Corporate social responsibility	2,618,505	
Advertisements & public relations	14,529,185	9,366,387
Public seminars/workshops	-	672,069
Media announcements	5,826,579	5,641,301
Branding	2,593,491	
Kenya Energy Environment Programme (KEEP)	2,000,000	2,000,000
Donations- National Humanitarian Fund	-	100,000
	28,459,183	18,748,020
10. Utilities		
Telephone & fax	1,608,083	1,778,086
ISDN line	445,126	494,197
	2,053,210	2,272,283

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

11. Information and Communication Technology Expenses	2011	2010
Bandwidth	695,794	743,552
Web hosting	23,200	307,230
Software licenses	1,267,608	723,796
	1,986,602	1,774,578
12. Office rent & Office Services		
Rent	18,608,571	16,193,651
Security	1,506,934	368,154
Office cleaning	1,922,504	475,473
Repair & service-office equipment	473,273	198,837
Insurance & other	482,931	766,996
	22,994,213	18,003,111
13. Consultancy & Other Services		
Consultancy - ERC funded	51,711,259	6,779,998
Consultancy - WB funded	3,494,139	
Bank charges	602,247	350,497
Audit fees & Expenses	300,000	300,000
	56,107,645	7,430,495
14. HIV/AIDS Prevention Related Expenses		
Gender	695,552	-
Drugs & Substance Abuse	40,000	-
HIV / AIDS	1,338,200	344,800
	2,073,752	344,800

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

Energy Regulatory Commission

15. Property, Plant and Equipment	Motor Vehicles	Computer Equipment & Software	Furniture & Fittings	Equipment (Telephone, Fax, Other)	Work in progress	Total
	KES	KES	KES	KES	KES	KES
At 1st July, 2009	25,337,856	19,906,625	35,958,479	6,945,196	-	88,148,157
Add: additions during the year	3,995,000	820,500	-	890,410	62,513,411	5,705,910
Less: disposals during the year	-	-	-	-	-	-
At 30th June 2010	29,332,856	20,727,125	35,958,479	7,835,606	62,513,411	156,367,477
Cost:						
At 1st July, 2010	29,332,856	20,727,125	35,958,479	7,835,606	62,513,411	156,367,477
Adjustment	-	(6,588)	-	315	-	(6,273)
Add: additions during the year	2,803,126	960,910		989,819	90,341,941	95,095,796
Less: disposals during the year	(6,656,625)	(3,954,036)	(35,958,476)	(1,052,590)	-	(47,621,727)
At 30th June 2011	25,479,357	17,727,411	3	7,773,150	152,855,352	203,835,273

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

Energy Regulatory Commission

Depreciation:	Motor Vehicles	Computer & Software	Furniture & Fittings	Equipment (Telephone and others)	Work in progress	Total
At 1 July,2009	19,276,797	17,790,335	33,205,265	4,357,162	-	74,629,559
Charge for the year	3,636,890	1,104,425	831,150	641,153	-	6,213,618
Disposal	-	-	-	-	-	-
At 30 June, 2010	22,913,687	18,894,761	34,036,415	4,998,315	-	80,843,177
At 1 July 2010	22,913,687	18,894,761	34,036,415	4,998,315	-	80,843,177
Charge for the year	1,806,807	1,136,689	-	828,292	-	3,771,787
Disposal	(6,656,626)	(4,293,793)	(34,036,412)	(104,209)	-	(45,091,040)
At 30 June 2011	18,063,867	15,737,656	3	5,722,398	-	39,523,924
Net book value:						
At 30 June 2011	7,415,490	1,989,755	-	2,050,752	152,855,352	164,311,349
At 30 June 2010	6,061,060	2,116,290	2,753,214	2,588,034	62,513,411	75,524,301

Included in the cost of infrastructure and equipment is a carrying amount of KES 40,063,835 (KES 71,680,097 in 2010) of fully depreciated property and equipment.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

16. Cash & Cash Equivalents	2011	2010
Short Term Deposits	KES	KES
Treasury bills	-	123,757,850
National Bank of Kenya (FDR)	135,000,000	135,000,000
	135,000,000	258,757,850
Cash and Bank Balances		
National Bank of Kenya	1,338,755	-
Kenya Commercial Bank	10,604,795	7,018,309
Cash in Hand	50,000	50,000
	11,993,550	7,068,309
	146,993,550	265,826,159
17. Overdraft		
National Bank of Kenya	-	(24,875)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

	2011	2010
18. Trade and other receivables		
G.O.K (I.D.A project)-Consultancy	3,494,139	-
Hospital and Rent Deposits	4,660,472	4,660,472
Levies	27,213,620	24,435,478
Telephone-Deposits	94,000	84,000
Investment Interest Receivable	990,946	1,647,869
Staff Advance	117,957	186,669
Staff Imprest	201,798	1,574,575
Commission Imprest	277,680	-
Miscellaneous receivables	883,910	248,418
Miscellaneous deposits	380,000	60,000
	38,314,522	32,897,482
19. Investments		
Treasury bonds	55,537,700	-
	55,537,700	-
20. Trade and other payables		
Suppliers	4,702,283	31,074,459
Dispute resolution Rural Electrification Authority- Contractors	-	2,224,000
	762,220	2,161,642
Accrual	57,928,765	-
Other	120,225	-
	63,513,494	35,460,102
21. Provisions		
Cons. Fund 90% Surplus payable for 2009/10	80,016,518	-
Cons. Fund 90% Surplus payable for 2010/11	1,313,379	-
Audit fees	300,000	300,000
Withheld VAT and Other statutory deductions	449,799	-
	82,079,696	300,000

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE 2011

	2011	2010
22. Employee Benefits		
Gratuity Director General	1,466,000	3,851,600
Gratuity & staff accruals	8,631,842	4,916,833
Other-payroll deductions	296,939	58,916
	9,800,903	8,829,349

23. Sinking Fund

The Commission established a sinking fund policy and management frame work and approved an initial provision of KES.45, 000, 000 sinking fund in 2010 to be separated from accumulated reserves in line with the State Corporation Act (Cap 446) section 16(1), which states that 'every state corporation shall make provision for the renewal of depreciating assets by the establishment of sinking funds and for contributions to such reserve and stabilization funds as may be required'. A further sinking fund provision of KES 10,000,000 was made in 2011 making the total sinking fund KES 55,000,000.

24. Gain on Disposal

During the year under review, in line with the Procurement and Disposal Act, ERC disposed several fixed assets above their net book value realizing a gain on disposal amounting to KES 863,590.

Annexes

Table 4 : Effective Capacity on the Interconnected System:

Effective Capacity on the Interconnected System			
Source	Name of Licensee	Location of Power Plant(s)	Capacity (MW)
Hydro	KenGen	Masinga	40.00
		Kamburu	90.00
		Kindaruma	40.00
		Gitaru	216.00
		Kiambere	164.00
		Tana	20.00
		Wanjii, Sagana, Ndula and Mesco	12.00
		Turkwel	106.00
		Sondu Miriu	60.00
		Gogo	2.00
Sosiani	0.40		
Subtotal Hydro			750.40
Geothermal	KenGen	Olkaria I	45.00
		Olkaria II	70.00
		Olkaria II 3rd unit	35.00
	OrPower4 Inc	Olkaria III	48.00
Subtotal Geothermal			198.00
Cogeneration	Mumias Sugar	Mumias	26.00
Wind	KenGen	Ngong	5.10
Sub-total Renewable			31.10
Thermal (GTs)	KenGen	Kipevu I, Mombasa	60.00
	KenGen	Kipevu GT, Nairobi	60.00
Thermal (MSD)	KenGen	Kipevu III, Mombasa	115.00
	Tsavo Power	Kipevu, Mombasa	74.00
	Iberafrica (EA) Ltd	Nairobi	108.80
	Rabai Power Ltd	Rabai, Mombasa	90.00
Sub-total Thermal			507.80
Thermal (Emergency Emergency Power Plants)	Aggrekko	Nairobi	60.00
		Naivasha	-
Sub-total EPP			60.00
Total (excluding EPP)			1,487.30
Total (including EPP)			1,547.30
Off-Grid (Thermal)			10.20

Table 5: Energy purchased, sales, fuel cost charge, system losses and number of consumers:-

Month	Dec 2010	Jan 2011	Feb 2011	March 2011	April 2011	May 2011	June 2011
Purchases (GWh)	600.69	622.16	539.86	636.42	611.66	635.89	612.94
Sales (GWh)	491.22	500.3649	517.63	482.20	519.22	508.92	508.92
Fuel Cost Charge (Kshs/kWh)	3.82	4.64	5.73	6.15	8.1	7.50	7.23
Levelized Losses	18.02%	18.05%	17.82%	17.94%	17.89%	17.93%	17.91%
Connected consumers	1,574,812	1,594,526	1,616,276	1,640,005	1,664,683	1,690,197	1,713,824
Increase in No of Consumers	17,188	19,714	21,750	23,729	24,678	25,514	23,627

Table 6 Electric Power Transmission, Distribution and Supply Licenses for KPLC

Ref. No of License	Type of License	Description of Transmission and Distribution Networks, Sources of Supply and Generating Plants for the Isolated Mini-Grids
1. TN.01.09	Transmission of electrical energy in bulk	<p>Transmission of electrical energy in bulk over the Kenya National Grid, comprising 1,323 km of 220 kV lines and 993 km of 132 kV lines, from the major sources of generation through the transmission substations to the four KPLC regional distribution systems, together with the interconnection with Ugandan Grid.</p> <p>The sources of generation comprise the Seven Forks hydro power plants, viz. Masinga, Kamburu, Kindaruma, Gitaru and Kiambere, as well as Turkwel and Sondu Miriu hydro power plants, owned and operated by KenGen, the geothermal power plants at Olkaria owned and operated by KenGen and Orpower4 and the thermal power plants at Mombasa owned and operated by KenGen, Tsavo and Rabai Power.</p>
2. DS.01.09	Distribution and supply to consumers	Distribution in the Nairobi Region comprising of Nairobi, Kiambu, Limuru, Ruiru, Machakos, Athi River, Kajiado and environs as shown on KPLC drawing Sheet 6 of SK No 10005. Sources of supply comprise Embakasi and Nairobi North 220/66 kV as well as Juja Road and Ruaraka 132/66 kV transmission substations and the Nairobi South thermal and Ngong wind power plants.
3. DS.02.09	Distribution and supply to consumers	Distribution in the Mt Kenya Region comprising Nyeri, Thika, Embu, Meru, Murang'a, Maragua, Kirinyaga, Mbeere, Kitui, Mwingi, Tharaka, Isiolo, Laikipia, and environs as shown on KPLC drawing Sheet 6 of SK No 10008. Sources of supply comprise Kiganjo and Nanyuki 132/33 kV transmission substations, together with generation at Tana, Wanji, Sagana, Ndula and Mesco hydro power plants.
4. DS.03.09	Distribution and supply to consumers	Distribution in the Western Region comprising Nakuru, Ki sumu, Eldoret, Kakamega, Baringo, Bomet, Bungoma, Bureti, Busia, Butere, Gucha, Homa Bay, Keiyo, Kericho, Kisii, Kuria, Laikipia, Lugari, Marakwet, Migori, Mt. Elgon, Nandi, Narok, Nyamira, Nyandarua, Nyando, Rachuonyo, Samburu, Siaya, Suba, Trans Mara, Trans Nzoia, Turkana, Uasin Gishu, Vihiga, West Pokot and environs as shown on KPLC drawing Sheet 6 of SK No 10005. Sources of supply comprise Naivasha, Lanet, Lessos, Eldoret, Kisumu, Muhoroni, Chemosit, Musaga and Webuye 132/33 kV transmission substations together with generation at Gogo and Sosiani hydro power plants.
5. DS.04.09	Distribution and supply to consumers	Distribution in the Coast Region comprising Mombasa, Malindi, Kilifi, Kwale, Msambweni, Voi, Taita Taveta, Loitotok, Mtito Andei, Lunga Lunga, Vanga and environs as shown on KPLC drawing Sheet 7 of SK No 10007. Sources of supply comprise Rabai, Kipevu, Bamburi, Kilifi, Voi and Mtito Andei 132/33 kV transmission substations together with imports from the Tanesco System.
6. DS.05.09	Distribution and supply to consumers	Distribution in Garissa Town and environs as shown on KPLC drawing SK No 04800/A. Source of supply is the Garissa thermal power generating plant operated by KenGen. Distribution system comprises 70 km of 11 kV and 70 km of LV lines .

Ref. No of License	Type of License	Description of Transmission and Distribution Networks, Sources of Supply and Generating Plants for the Isolated Mini-Grids
7. DS.06.09	Distribution and supply to consumers	Distribution in Lamu Town and environs as shown on KPLC drawing SK No 10007. Source of supply is the Lamu thermal power generating plant operated by KenGen. Distribution system comprises 14.8 km of 11 kV and 17.5 km of LV lines.
8. GS.01.09	Generation, distribution and supply to consumers	Generation, distribution and supply in Elwak Town (Mandera) and environs as shown on KPLC drawing SK No 9152, Sheet 1A. Source of supply is the Elwak thermal power generating plant owned and operated by KPLC comprising 1 x 120 kW and 1 x 400 kW IDO fired machines. Distribution system comprises 6.5 km of 11 kV and 11 km of LV lines.
9. GS.02.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Habaswein Town (Wajir) and environs as shown on KPLC drawing SK No 9970, Sheets 1 and 2. Source of supply is the Habaswein thermal power generating plant owned and operated by KPLC comprising 1 x 120 kW and 1 x 400 kW IDO fired machines. Distribution system comprises 8.3 km of 11 kV and 32 km of LV lines.
10. GS.03.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Mpeketoni Town (Lamu) and environs as shown on KPLC drawing MDO No 2658, Sheets 03, 04, 05 and 06. Source of supply is the Mpeketoni thermal power generating plant owned and operated by KPLC comprising 2 x 240 kW and 1 x 120 kW fired machines. Distribution system comprises 7.4 km of 11 kV and 10.1 km of LV lines.
11. GS.04.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Mfangano Island (Mbita) as shown on KPLC drawing SK No KSM 1989, Sheets 26D, 26E, 26F, 26G, 26H, 26I, 26J, 26L and 26M. Source of supply is the Mfangano thermal power generating plant owned and operated by KPLC comprising 2 x 500 kVA IDO fired machines. Distribution system comprises 18.5 km of 11 kV and 7.6 km of LV lines.
12. GS.05.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Merti Town (Isiolo South) and environs as shown on KPLC drawing SK No 09976, Sheets 2A and 2B. Source of supply is the Merti thermal power generating plant owned and operated by KPLC comprising 2 x 64 kW AGO fired diesel generators. Distribution system comprises 7 km of 11 kV and 18 km of LV lines.
13. GS.06.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Wajir Town and environs as shown on KPLC drawing SK No 02831, Sheets 2 and 3. Source of supply is the Wajir thermal power generating plant owned and operated by KPLC comprising 2 x 635 kVA HFO and 1 x 160 kVA IDO fired machines. Distribution system comprises 57 km of 11 kV and 83 km of LV lines.
14. GS.07.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Mandera Town and environs as shown on KPLC drawing No 07131, Sheet 1. Source of supply is the Mandera thermal power generating plant owned and operated by KPLC comprising 2 x 289 kW and 2 x 400 kW IDO fired machines. Distribution system comprises 30 km of 11 kV and 76 km of LV lines.

Ref. No of License	Type of License	Description of Transmission and Distribution Networks, Sources of Supply and Generating Plants for the Isolated Mini-Grids
15. GS.08.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Moyale Town and environs as shown on KPLC drawing SK No 8805, Sheet 1. Source of supply is the Moyale thermal power generating plant owned and operated by KPLC comprising 1 x 110 kW, 1 x 289 kW, 1 x 252 kW, 1 x 160 kW and 1 x 500 kVA IDO fired machines. Distribution system comprises 43 km of 11 kV and 74 km of LV lines.
16. GS.09.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Lodwar Town and environs as shown on KPLC drawing SK 03336 Sheet 2. Source of supply is the Lodwar thermal power generating plant owned and operated by KPLC comprising 1 x 80 kW, 1 x 289 kW, and 1 x 252 kW and 1 x 160 kW IDO fired machines. Distribution system comprises 22 km of 11 kV and 23 km of LV lines.
17. GS.10.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Marsabit Town and environs as shown on KPLC drawing SK No 06662/E and 06866 Sheets 2 and 3. Source of supply is the Marsabit thermal power generating plant owned and operated by KPLC comprising 1 x 120 kW IDO and 2 x 673 kVA HFO fired machines in combination with 1 x 200 kW Windmaster. Distribution system comprises 87 km of 11 kV and 49 km of LV lines.
18. GS.11.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Hola Town (Tana River) and environs as shown on KPLC drawing SK No 09955 Sheets 1 and 2. Source of supply is the Hola thermal power generating plant owned and operated by KPLC comprising 2 x 400 kW AGO fired machines. Distribution system comprises 11.37 km of 11 kV and 21.3 km of LV lines.
19. GS.11.09	Generation, distribution and supply to consumers	Generation, distribution and supply to Bargo Town (Samburu) and environs as shown on KPLC drawing SK No NKU 41423 Sheets 1 and 2. Source of supply is the Bargo thermal power generating plant owned and operated by KPLC comprising 1 x 64 kW and 2 x 400 kW IDO fired machines. Distribution system comprises 5.8 km of 11 kV and 12.5 km of LV lines.

Table 7: Electric power generation licenses issued from 1st July 2010 to 30th June 2011 for own use.

Ref No	Name of Licensee	Technology	Location of Power Plant(s)	Capacity (MW)	Material completeness Date	License Commencement Date	Duration (Years)	Supply To	Process Days
G2.03.10	Base Titanium Ltd - Transferred from Tiomin	Thermal	Kwale	16.00	14 th July 10	28 th Oct. 10	17	Captive	104
G1.01.11	Lake Turkana	Wind	Marsabit	300.00	14 th Oct. 10	16 th Dec 10	20	Grid	62
G1.02.11	KPRL	MSD	Mombasa	8.5	1 st Dec. 10	24 th Feb 11	20		86
GD.01.08	Unilever ¹ -modified on 28/10/10	Hydro and MSD	Kericho	4.66	30 th Aug. 10	11 th Dec 08	25	Captive	58
G1.04.11	KenGen	Thermal MSD & Gas Turbine	Kipevu I - modified	60.00	10 th Feb. 11	27 th Apr 11	20	Grid	76
G1.05.11			Kipevu III - new	120.00	10 th Feb. 11	27 th Apr 11	20	Grid	76
G1.06.11			GTs- Embakasi - modified	60.00	10 th Feb. 11	27 th Apr 11	20	Grid	76

Table 8. ERC recommendation to NEMA

	Recommendation	No. of Reports
1.	No. recommended for approval	90
2.	No. recommended for rejection	14
3.	No. of reports where issues were raised	88
4.	Reports pending for review and for activities not within ERC mandate	28
Total		220

Table 9 : EIA reports per sub-sector

	Sub-sector	No. of Reports
1.	Petroleum	133
2.	Electricity	62
3.	Renewable	17
4.	Upstream	5
5.	Others	3
Total		220



ELECTRICITY SUPPLY AND DEMAND SITUATION AS AT JUNE 2011

Fig. 1 Demand Vs Supply June 2011

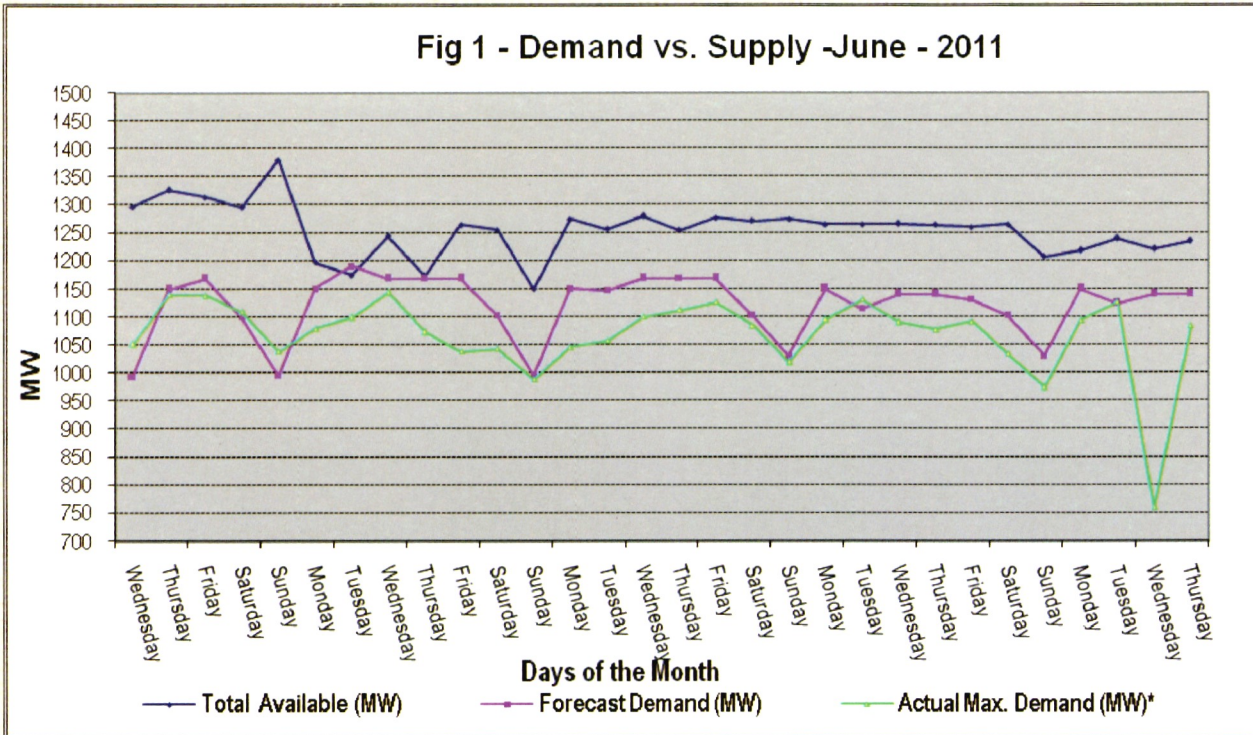


Fig. 2 Daily peak demand from March 2011 to June 2011

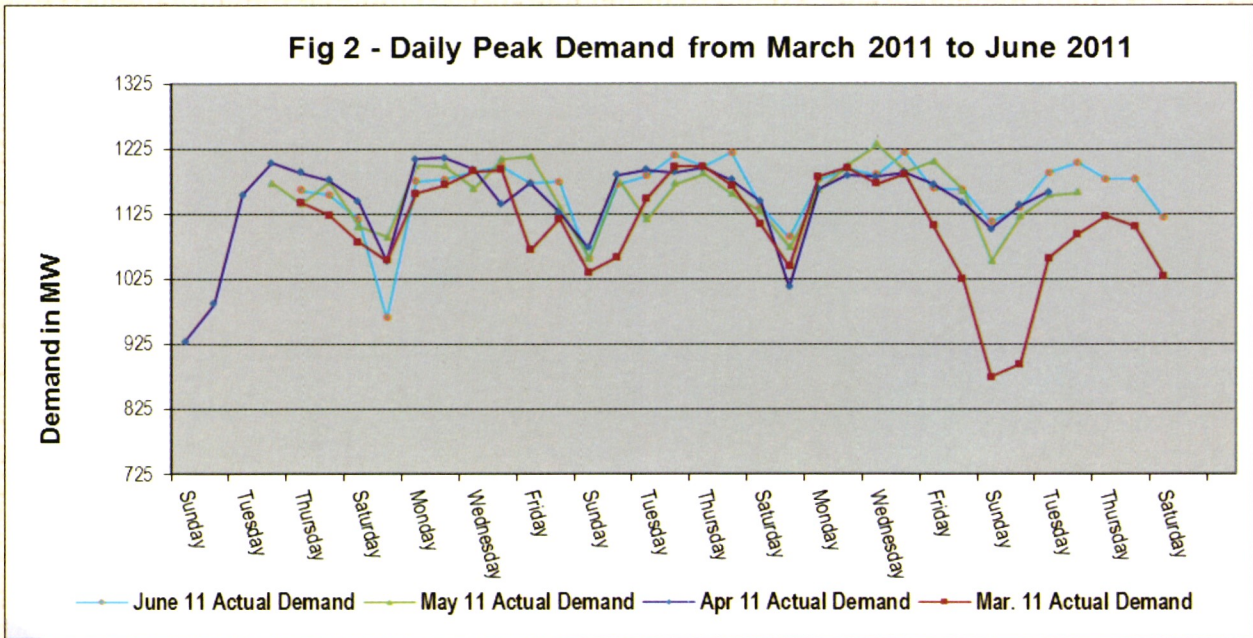


Fig. 3 Total monthly energy consumption

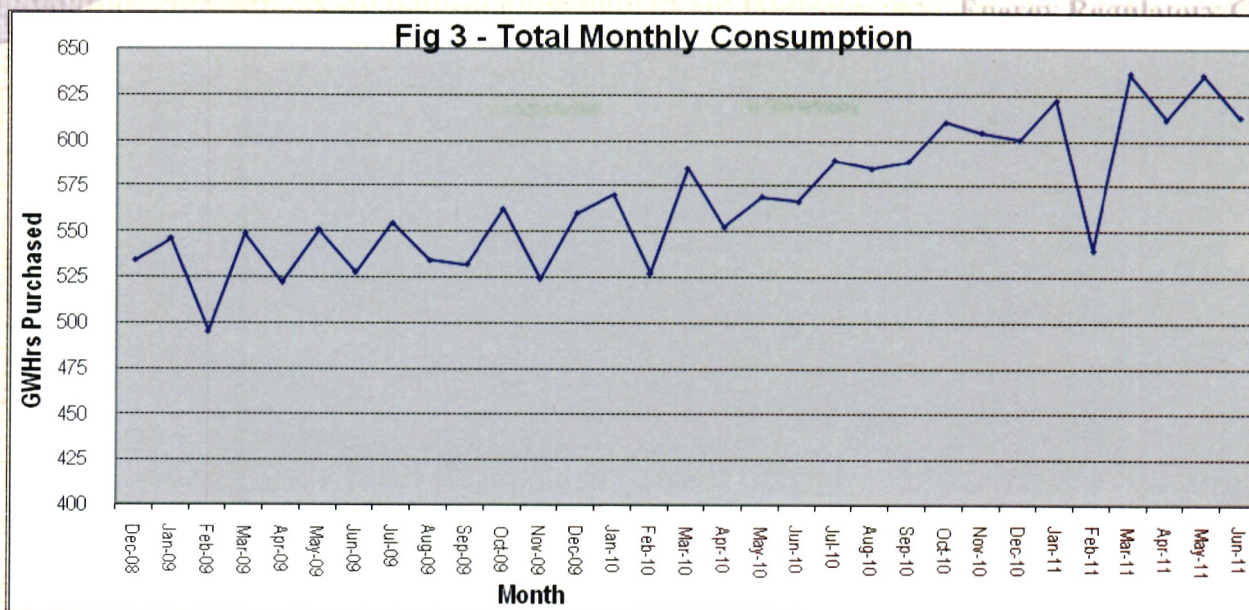
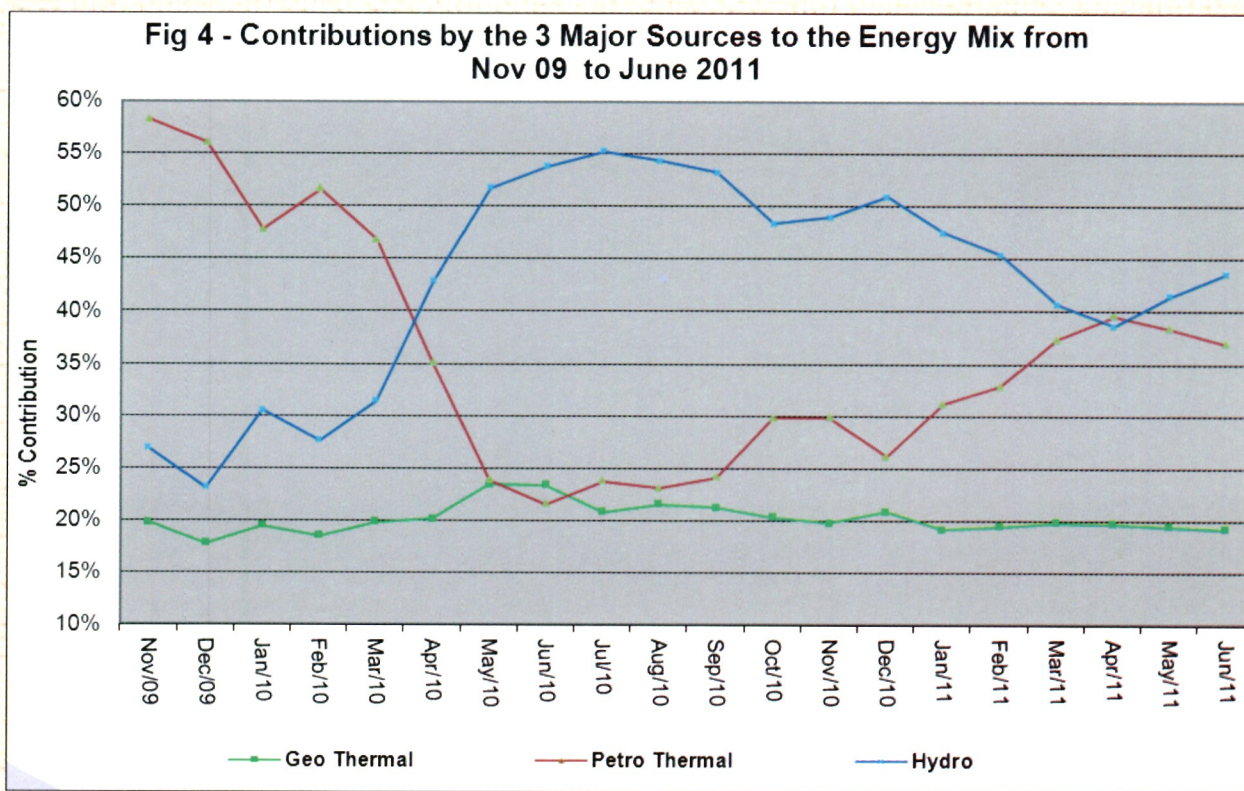


Fig.4 Contribution by the 3 major sources of generation to the Energy Mix



CUSTOMER BASE**Table10: Number of Customers as at June 2011**

REGION	2006	2007	2008	2009	2010	2011
Nairobi	388,202	445,595	505,414	595,010	669,128	814,251
Coast	98,790	109,645	121,864	139,245	157,731	178,095
West	130,044	149,606	168,608	200,266	235,291	275,033
Mt. Kenya	74,489	86,436	103,143	127,390	150,433	176,682
KPLC Customers	691,525	791,282	899,029	1,061,911	1,212,583	1,444,061
R.E.P. Customers	110,724	133,047	161,354	205,287	251,056	309,287
TOTAL	802,249	924,329	1,060,383	1,267,198	1,463,639	1,753,348
% Increase P.A.	9.1%	15.2%	14.7%	19.5%	15.5%	19.8%

Table11: LICENSING OF ELECTRICIANS AND ELECTRICAL CONTRACTORS

Licensed Electricians and Contractors as at 30th June 2011						
Class of Licence	A-1	A-2	B	C-1	C-2	Total
Licensed Electricians	366	86	235	192	1525	2404
Registered Electrical Contractors	239	27	161	53	329	809
Oral Interviews held in the Financial year						
Successful Electricians from Oral Interviews September 2011	8	4	9	22	148	191
Invitees for Written Interviews March 25 th 2011	0	1	15	68	259	343
Successful Electricians from Oral Interviews 20 th May 2011 and 31 st May 2011	6	0	5	17	83	111
Licensed in the FY 2010/11	14	4	14	39	231	302
Time taken to complete process of Individual License	79 Days					
Awaiting written Interview		0	15	73	178	268
Awaiting oral interview	8	0	3	3	36	50

Table 12: Consumer Complaints and Disputes

Nature of Complaint	Energy Regulatory Commission												Totals	%age of Total	Month
	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11			
Billing	2	4	2	1	2	4	2	1	0	0	0	0	20	43.47	
Damages	0	0	1	0	0	0	0	4	0	0	0	0	5	10.87	
Disconnection	0	1	0	0	0	0	4	0	1	0	0	0	6	13.04	
Health Safety	0	1	0	0	0	1	0	0	0	0	0	0	2	4.35	
Installations	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Interruption	1	0	0	0	0	0	1	0	0	0	0	0	2	4.35	
Scheduled Interruption	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Metering	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
New Connections	0	2	0	0	2	0	1	0	0	0	0	0	5	10.87	
Reconnection	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Service Quality	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Supply Quality	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Tariff	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Information	0	1	0	0	0	0	0	0	0	0	0	0	1	2.17	
Way leaves	0	0	1	0	0	0	0	1	0	0	0	0	3	6.52	
Power factor correction surcharge	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Totals	3	9	4	1	4	5	8	1	2			4	46	100.00	
Awaiting Utility response	2	1	1	1	3	3	5	3	2	0	0	3	25	54.35	
Arbitration	0	0	0	0	0	0	0	0	0	0	0	0	0	0.00	
Resolved	1	8	2	0	1	2	3	1	0	0	0	1	19	41.30	
Awaiting response from complainant.	0	0	0	0	0	0	0	0	0	0	0	0	2	4.35	

Month	CAUSES OF ACCIDENTS/INCIDENTS													Distribution by Region											
	Fire Related	Broken Conductors	Voltage dips/surge	Poles Falling	Inadequate Clearance	Work Related	Illegal Connections	Loose/ Open Neutral Conductor	Contact with Live Apparatus	Vandalism and Unauthorized Operation	Improper Use of Electricity	Trees Falling on Power Lines	Third Party Damage	Other Types of Faults	Totals	Investigated Accidents	Fatalities Human	Fatalities Livestock	Injuries	Equipment Damage	Nairobi	Coast	Western	Mt Kenya	TOTAL
Jul-10	0	0	0	0	0	0	0	0	5	0	0	0	1	0	6	1	6	0	0	0	3	1	2	0	6
Aug-10	0	0	0	0	0	2	0	0	2	0	0	0	0	0	4	1	2	0	2	0	0	1	2	1	4
Sep-10	0	0	0	0	0	1	0	0	2	3	0	0	0	0	6	2	4	2	2	0	0	0	4	0	6
Oct-10	0	0	0	0	0	0	0	0	4	0	0	0	1	0	5	0	4	0	2	0	0	0	3	2	5
Nov-10	0	0	0	0	0	0	0	0	4	0	0	0	0	0	4	1	3	1	1	0	0	0	4	0	4
Dec-10	0	0	0	0	0	0	0	0	4	0	0	0	0	0	4	1	3	0	1	0	1	0	2	1	4
Jan-11	0	0	0	0	1	0	0	0	3	0	0	0	0	0	4	0	2	0	2	0	4	0	0	0	4
Feb-11	0	0	0	0	0	2	0	0	3	0	0	0	0	0	5	0	4	0	1	0	1	2	2	0	5
Mar-11	0	0	0	0	0	0	0	0	4	1	0	0	0	0	5	2	5	0	0	0	2	1	1	1	5
Apr-11	0	0	0	0	0	3	0	0	1	0	0	0	0	0	3	0	2	0	1	0	2	1	0	0	3
May-11	0	0	0	0	0	0	0	0	4	0	0	0	0	0	7	1	6	0	3	0	2	2	2	1	7
Jun-11	0	0	0	0	0	0	0	0	2	0	0	0	0	0	2	0	5	0	0	0	1	1	0	0	2
Total	0	0	0	0	1	9	0	0	38	4	0	1	2	0	55	9	46	3	15	0	16	11	22	6	55
% of Total	0.00	0.00	0.00	0.00	1.82	16.36	0.00	0.00	69.09	7.27	0.00	1.82	3.64	0.00	100	16	46	3	15	0	16	11	22	6	55

Table 1 3.: ANALYSIS OF ACCIDENTS FROM JULY 10 TO JUNE 11

ACCIDENTS AND INCIDENCE REPORTS FROM 1ST JULY 2010 TO 30TH JUNE 2011

- A total of 55 accident/incidence reports were received from KPLC during the above period.
- The accidents resulted in loss of 46 human beings and 3 cows. 15 persons sustained injuries.
- Out of the 41 accidents received, 16 (sixteen) were investigated and reports prepared and remedial recommendations forwarded to KPLC

Table 14: Summary of Pump Prices as of June 2011

Month	Crude oil OSP Price-US\$ / Bbl	Pump price Petrol-Ksh/litre	Pump price Diesel -Ksh/litre	Pump price Kerosene-Ksh/litre	Exchange rates
Jul-10	73.00	90.23	80.23	63.98	81
Aug-10	74.60	91.23	81.23	64.53	80
Sep-10	75.90	96.57	86.57	67.32	81
Oct-10	81.50	97.23	87.57	67.77	81
Nov-10	85.65	97.5	88.5	69.5	80
Dec-10	91.85	94.03	87.45	75.83	81
Jan-11	95.55	95.67	88.71	77.51	81
Feb-11	103.60	98.08	91.72	79.52	81
Mar-11	112.55	102.44	94.53	83.97	85
April-11 (15th April-3rd May)	120.7	111.17	107.52	90.91	84
April-11 (4th May-14th May)	120.7	111.17	105.44	88.73	84
May-11	113.60	115.35	108.02	92.61	85
Jun-11	112.15	114.93	106.3	92.915	89

Source: PIEA various issues for crude, PMS and Diesel for the period Jan-Nov 2010, KNBS for average Illuminating kerosene for the period Jan-Nov 2010, ERC from Dec 10 – July 11

Table 15: Trends in Murban Crude oil and pass through costs (July 2010-June 2011)

	Murban Crude prices (US\$/BBL)	FERFA	FCC	Inflation	TOTAL ADJ
July '10	73.00	85	318	10	413
August '10	74.60	57	349	10	416
September '10	75.90	76	333	10	419
October '10	81.50	79	338	10	427
November '10	85.65	64	419	10	493
December '10	91.85	72	418	10	500
January '11	95.55	82	382	9	473
February '11	103.60	71	467	9	547
March '11	112.55	64	573	9	646
April '11	120.70	126	615	9	750
May '11	113.60	81	711	9	801
June '11	112.15	138	715	9	862

Generation

Table 16: Installed capacity of nominal and effective power generation

Ownership	Source	Installed capacity as at 30.06.2010		Installed capacity as at 30.06.2011	
		Nominal (MW)	Effective (MW)	Nominal (MW)	Effective (MW)
KenGen	Hydro	758.30	728.00	763.00	735.00
	Petrol-Thermal-EPPs	60.00	60.00	60.00	60.00
	Petro-thermal	140.00	125.00	259.00	182.00
	Geothermal	150.00	141.00	150.00	143.00
	Wind	5.10	5.10	5.40	5.10
IPPs	Petrol-thermal	272.50	272.50	272.50	272.50
	Geothermal	48.00	48.00	48.00	48.00
	Bagasse Cogeneration	26.00	26.00	26.00	26.00
	Imenti Tea Factory	0.60	0.60	0.30	0.30
Imports	UETCL	-	-	-	-
	TANESCO	-	-	-	-
Rural Electrification Programme	Petro-thermal	11.70	10.20	9.10	7.80
	Totals	1,472.2	1,416.4	1,593.3	1,479.7

Table 17: KPLC Electricity Operating Expenses- for the year ended 30th June 2011

	2010 Kshs '000	2011 Kshs '000	% Change
Fuel costs	33,331,120	26,150,566	-21.54
non-fuel costs	20,515,686	20,213,817	-1.47
distribution and commercial services	6,869,904	7,914,224	15.20
Administration	6,397,959	7,764,480	21.36
Energy transmission	1,643,331	2,016,247	22.69
Total	68,758,000	64,059,334	-6.83

Table 18 : KPLC Customer base

Customer class	2005/06	2006/07	2007/08	2008/09	2009/10	2010/2011
AO Domestic	660,928	773,098	895,711	1,083,408	1,262,141	1,478,347
A1 (Non domestic)	135,869	145,704	158,676	178,675	196,035	222,676
BO (irrigation agriculture)	227	216	199	-	-	-
B1-B3 Medium industrial/Commercial	3,439	3,328	3,539	-	-	-
C Large industrial/Commercial	481	507	518	3,210	3,358	3,418
E Street lighting	1,305	1,476	1,740	1,905	2,105	2,470
Subtotal KPLC	691,525	791,282	899,029	1,061,911	1,212,583	1,444,061
Subtotal REP	110,724	133,047	161,354	205,287	251,056	309,287
Gross total	802,249	924,329	1,060,383	1,267,198	1,463,639	1,753,348

Table 19: Efficiency parameters

Parameters	Measures	2005/06	2006/07	2007/08	2008/09	2009/10	2010/2011
Unit revenue	Kshs/kWh	7.64	7.83	8.03	12.58	13.69	11.99
Unit cost	Kshs/kWh	7.34	7.57	7.55	11.71	12.67	10.96
Gross Margin	Kshs/kWh	0.30	0.26	0.48	0.87	1.02	1.03
Labour Productivity	Consumers/employee	129	144	159	181	201	205
	GWh/Employee	0.717	0.753	0.762	0.739	0.734	0.681
System	Target	%	15	17.4	16.9	16.4	15.9
Losses	Actual	%	18.1	17.9	16.6	16.3	16.0
							15.4%
							16.2%

Table 20: Grid Network: Transmission circuit network (kms)

Voltage (KV)	2009/10	2010/11	Growth
220	1,331	1,331	0.00%
132	2,211	2,343	5.97%
66	655	655	0.00%
40	0	0	0.00%
33	13,812	15,271	10.56%
11	25,485	26,260	3.04%
Total	43,494	45,860	5.44%

- Approved electricity retail tariffs

Table 21: Retail Electricity tariffs Structure Excluding the pass through costs.

Tariff	Type of Customer	Supply Voltage (V)	Consumption (kWh/month)	Fixed Charge (KSh/month)	Energy Charge (KSh/kWh)	Demand Charge (KSh/kVA/month)
DC	Domestic Consumers	240 or 415	0-50	120.00	2.00	-
			51-1,500		8.10	
			Over 1,500		18.57	
SC	Small Commercial	240 or 415	Up to 15,000	120.00	8.96	-
CI1	Commercial/Industrial	415-3 phase	Over 15,000	800.00	5.75	600.00
CI2		11,000		2,500.00	4.73	400.00
CI3		33,000/40,000		2,900.00	4.49	200.00
CI4		66,000		4,200.00	4.25	170.00
CI5		132,000		11,000.00	4.10	170.00
IT	Interruptible Peak supplies	Off- 240 or 415	Up to 15,000	240.00 – when used with DC or SC	4.85	-
SL	Street Lighting	240	-	120.00	7.50	-

Table 22: Petroleum Licence

	Type of Licence	Number
1	Blending and Wholesale of Lubricants	2
2	Export of petroleum products (Except LPG) - Bunkering	2
3	Import, Storage, Export and Wholesale of Petroleum Products (Except LPG)	7
4	Import, Export and Wholesale of Petroleum products (Except LPG)	57
5	Import, Export and Wholesale of LPG	17
6	Import, Export, Storage, Filling and Wholesale of LPG	11
7	Import for Export (Transit) of Petroleum Products (Except LPG)	10
8	Import, Export and Wholesale of Bitumen, Fuel Oil and Lubricants	8
9	Import, Wholesale and Transport of LPG in bulk	1
10	LPG Exchange Pool Membership	7
11	Refining and Storage of petroleum products	1
12	Storage of Petroleum Products	14
13	Storage, Filling and Wholesale of LPG	12
14	Storage and Wholesale of LPG in Bulk	2
15	Storage and Wholesale of LPG in Cylinders	6
16	Storage and Wholesale of Petroleum Products (Except LPG)	3
17	Storage, Wholesale and Export of Petroleum Products (Except LPG)	10
18	Transportation and Storage of Petroleum Products (Except LPG)	1
19	Transport of Petroleum Products	1
20	Transport of LPG in Bulk	1
21	Wholesale and Export of LPG in Bulk	7
22	Wholesale and Transport of LPG	9
23	Wholesale of Petroleum Products (Except LPG)	73
24	Wholesale of LPG in Bulk	26
25	Wholesale of LPG in Cylinders	10
26	Wholesale of LPG in Bulk and Cylinders	4
27	Wholesale and Export of Petroleum products (Except LPG)	53
	TOTAL	355



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