

PRESS CONFERENCE ADDRESSED BY THE DEPUTY CHIEF EXECUTIVE, ENGINEERING AND OPERATIONS, VOLTA RIVER AUTHORITY, ING. KIRK KOFFI RELATING TO ISSUES WITH REGARD TO THE RECENT ELECTRICITY TARIFF INCREASES APPROVED BY THE PUBLIC UTILITIES AND REGULATORY COMMISSION (PURC) ON MONDAY, OCTOBER 14, 2013.

Good morning Ladies and Gentlemen of the Media,

The Volta River Authority is holding this press conference to shed some light on the recent electricity tariffs approved by the Public Utilities and Regulatory Commission (PURC) and build understanding around critical issues with regard to the tariff increases. The applicable tariff announced by the PURC for all customer categories, which came into effect on October 1, 2013 was an average increase of 78.9 percent.

To begin with, we sympathize with electricity consumers over the dramatic electricity increases. However, the reality of the situation on the ground is that the current electricity tariff applicable to the VRA covers only part of our cost of operation. Our request to the PURC was for a tariff increase of 128 per cent, but the PURC approved just 36 percent tariff increase for bulk generation. This means that we would have to depend on Government support for the difference to enable us operate satisfactorily without any destabilization of the electricity system.

The VRA's Bulk electricity tariff proposal submitted to the PURC was for a Bulk tariff increase from 8.4495GHP pesewas to 19.29GHP. This represents an increase of 128 per cent. However, the new Bulk tariff approved by the PURC was from to GHP8.4495 to 11.4900GHP, representing an increase of 35.98 per cent against our proposed increase of 128 per cent.

In our representation to the PURC we had argued that even the cost of crude oil should get our tariffs to 15.78 pesewas per kilowatt hour (kWh). It must be noted that this cost does not include maintenance and overhead

costs. The VRA's year-to-date average cost of production including maintenance and overhead costs is a weighted average of about 19.2 pesewas per kilowatt hour, which is less than 30% of what VRA asked for. With the PURC approved rate of 36 percent what we receive is just 11.5 pesewas per every kilowatt of electricity produced. Regrettably, even with the current BGT of 36 percent VRA's total revenue stands at 900 Million Dollars, while the Authorities fuel bill alone stands at 1.3 Billion Dollars, creating a deficit of 400 Million Dollars.

It must also be noted that since the last quarter of 2011 the PURC had imposed a freeze on quarterly tariff adjustments in spite of rapid depreciation of the Cedi against the Dollar, explosion in fuel costs and large volumes of crude oil purchases, and problems associated with natural gas supply from Nigeria.

We believe that the way forward is for the PURC to apply the automatic tariff adjustment formula to allow for gradual tariff increase and thus give a breather to electricity consumers. This approach is sustainable and economically manageable.

While we sympathize with the public dissatisfaction with the current electricity tariff increases, we believe that we must be careful not to take any action to deter private or even government investments in the energy sector.

The current structure continues to favour the less advantaged: the first 50, and 150 units continue to be subsidized. Most people use less than 300 units. In the NEDCo area, for instance, close to 80% use less than 300 units a month. To reduce the tariff increase actually benefits the large consumers, who use the most and can afford to pay. That is the purpose and reason for energy conservation and demand-side management.

Already, the energy sector is faced with the problem of insufficiency in capacity resulting occasionally in periodic country-wide load-shedding, as we have all witnessed. Tariffs that barely cover operational and maintenance costs, not even to speak of investments in generation continue to threaten system security.

We wish to re-emphasize our call to consumers to consume the electricity they really need. Energy conservation practice apart from helping us reduce our bills also assist the generation system by reducing wastage on the demand side.

The VRA has focused on a number of generation expansion projects designed to ensure electricity availability and accessibility, expected to add 500 MW in new capacity in the short-to-medium term. These include:

- Conversion of the 220 MW Takoradi International Company (TICO) Thermal Plant into a 330 MW combined cycle plant - financing arrangements have been concluded and construction work started in 2012
- Progression of work on the 220 MW KTRP project in Kpone, near Tema.
- Development of a 12 MW Solar Power Plant. The first 2.5 MW of which was commissioned in May 2012.
- Commencement of feasibility studies aimed at expanding the 110 MW simple cycle Tema Thermal Plant (TT1PP) and the 110 MW CENIT Plant into a 330 MW combined cycle plant.
- Development of a 50 MW multipurpose dam in Pwalugu.
- Development of a 90 MW dam on the Oti river in Juale.
- Development of a 150 MW wind farm to augment the existing capacity.
- Development of a 170 MW Thermal project in Takoradi called T4.
- Development of a 500-600 MW Thermal project in Domunli in the Western Region.
- Development of a 450 MW Thermal plant in Domunli under the WAPP integration project.

All these projects fall within the VRA's 10 year capacity expansion strategy, which aims to see these projects materialize between now and the year 2023.

Strategy Review

We have made gas supply our highest priority. We have therefore deepened our exploration of other alternatives of gas supply, talking with gas producers in Nigeria, and Ghana, including ENI, the holders of the Sankofa Non-Associated Gas field. We have led initiatives to explore the possibility of securing additional gas supplies through re-gasified Liquefied Natural Gas (LNG), imported from around the world. These supplies will complement current sources in Ghana and Nigeria, and go a great way to stabilize the Authority's operations and electricity supply generally in the country.

Conclusion

We believe that if we all put our shoulder to the wheel and play our roles and accept challenges associated with the delivery of electricity supply we will be able build an energy economy to support national development

Thank you and may God bless us all.

