

THE UNITED REPUBLIC OF TANZANIA



**ANNUAL REPORT FOR THE YEAR ENDED
30TH JUNE 2008**

DECEMBER 2008

Energy and Water Utilities Regulatory Authority

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LETTER OF TRANSMITTAL



Hon. Prof. Mark James Mwandosya (MP),
Minister for Water and Irrigation,
P.O. Box 9153,
Dar es Salaam.

Honourable Minister,

In accordance with section 48 of the Energy and Water Utilities Regulatory Authority Act Cap 414, I have the honour to submit to you the Annual Report and Audited Accounts of the Energy and Water Utilities Regulatory Authority (EWURA) for the financial year ended 30th June 2008.

The report outlines the major activities and accomplishments of the Authority during the year under review.

I submit.



Simon F. Sayore
Chairman, Board of Directors
31st December, 2008

VISION, MISSION AND CORE VALUES

Vision: Quality, affordable and sustainable energy and water services for all.

Mission: To champion the delivery of energy and water services through world-class regulation for enhancement of the welfare of the Tanzanian society.

Core Values:

- a) Transparency;
- b) Integrity;
- c) Responsiveness;
- d) Diligence;
- e) Accountability;
- f) Courtesy;
- g) Honesty;
- h) Excellence;
- i) Equity; and
- j) Professionalism.

The Authority's core values are the guiding principles that all EWURA members and employees commit themselves to follow in pursuit of the above-described shared and agreed Vision and Mission.

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Introduction

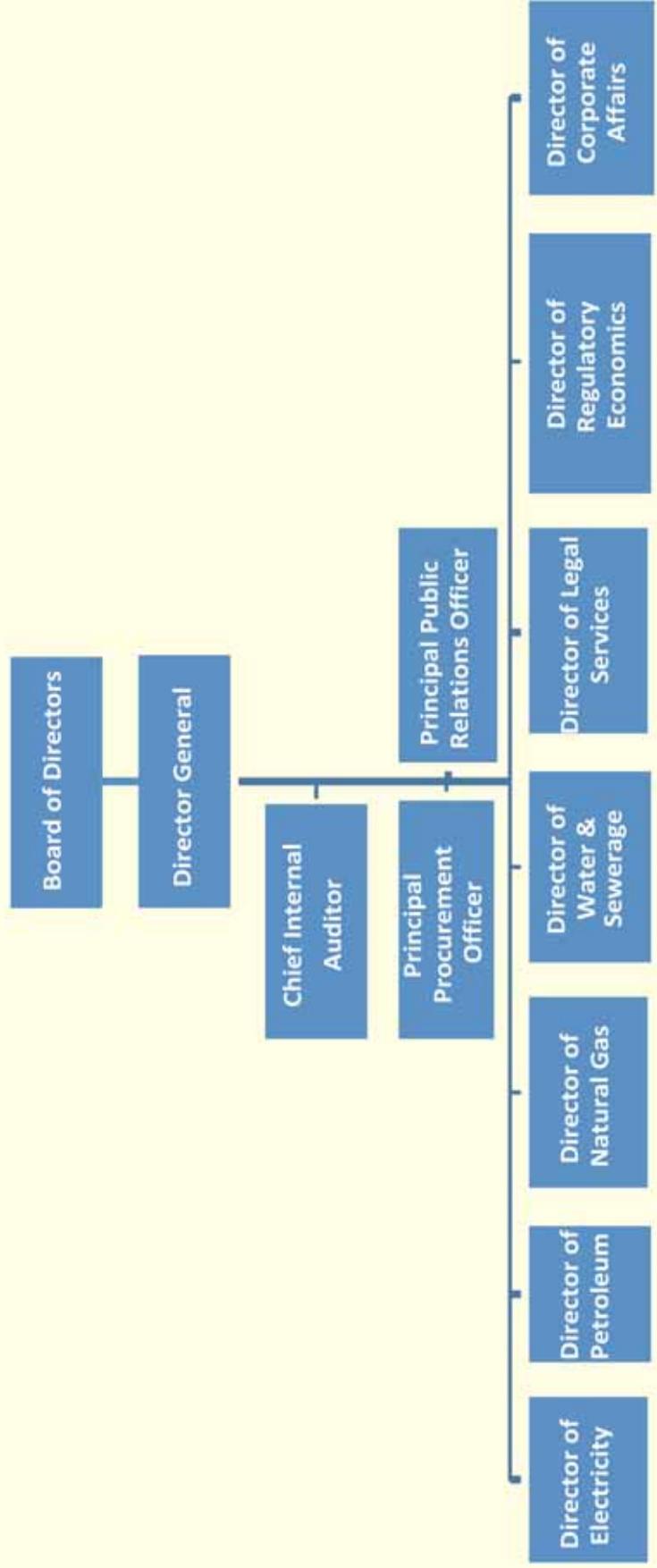
The Energy and Water Utilities Regulatory Authority (EWURA) was established under the Energy and Water Utilities Regulatory Authority Act, Cap 414 of the Laws of Tanzania (EWURA Act). EWURA is a multi-sector regulatory authority charged with responsibility to regulate the electricity, petroleum, natural gas and water sectors. Its functions include, inter alia, tariff review, licensing, performance monitoring and enforcement of standards of regulated goods and services, taking into account service quality, safety, health and environmental conservation. This is the Authority's second year of operation since its establishment.

Objectives

The Authority is determined to increase its contribution to national economic development and improve the welfare of the general public through quality delivery of regulatory functions. It is within this drive that the Authority has set out five objectives with a view to enabling the Authority address imminent and medium term regulatory challenges in all sectors that it regulates. These strategic objectives are:

- a) To have a well managed organisation by 2010.
- b) To have a well developed Regulatory Information System by December 2011.
- c) To enhance public knowledge, awareness and understanding of the regulatory functions and regulated sector by June 2010.
- d) To improve availability and quality of regulated services to customers by 2011.
- e) To have an effective intervention strategy against HIV/AIDS for enhanced productivity by June 2009.

ORGANISATION CHART



BOARD OF DIRECTOR



Mr. Simon F. Sayore
Chairman



Eng. Nerei Msimbira
Member



Ms Lucy H. Sondo
Deputy Chairperson



Eng. Robert M. Swere
Member



Mr. Haruna Masebu
Member



Eng. Vincent T. Gondwe
Member



Mr. George M.J. Nchwali
Member

CHAIRMAN'S STATEMENT

This is the second Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the period ended 30th June 2008. EWURA is an autonomous multi-sector regulatory authority responsible for regulation of the electricity, petroleum, natural gas and water sectors in a manner that will improve the welfare of the Tanzanian society in respect of the regulated sectors.



The functions of EWURA include, among others, licensing, tariff review, performance monitoring and enforcement of standards of regulated goods and services, taking into account service quality, safety, health and the environment. During the second year of operations, EWURA focused its efforts on development of the regulatory tools, the establishment of baseline information, recruitment and capacity building of staff and mobilization of financial and non-financial resources required to effectively conduct its regulatory functions.

Our vision is to ensure that Tanzania attains 'Quality, affordable and sustainable energy and water services for all'. It is this vision which guides the Authority's operations and sheds light on how the Authority has formulated and is guided by the set of achievable objectives. The vision drives our aspirations to continuously enhance the welfare of the Tanzanian society in the delivery of energy and water services by implementing the following policy areas:

- a) Promoting effective competition and economic efficiency.
- b) Promoting the availability of regulated services to all consumers, including low income, rural and disadvantaged groups.
- c) Protecting the interest of consumers.
- d) Protecting the financial viability of efficient suppliers by ensuring that all utility suppliers have adequate means to finance their activities.
- e) Enhancing public knowledge, awareness and understanding of the regulated sectors.
- f) Taking into account the need to protect and preserve the environment.

During this second year of operations, EWURA continued to promote good governance in the regulated sectors by persistently observing the principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process. In the second year, the Authority continued with the task of establishing regulatory processes that are both universally acceptable and capable of implementation in our country environment. Such processes included the establishment of rules, standards and guidelines on one hand and implementation of the regulatory tools so far developed on the other hand.

EWURA fully participated in the preparation of the two sector legislation, namely the Electricity Act, 2008 and the Petroleum Act, 2008. The enactment of the legislation allows EWURA to effectively carry out its mandates related to the regulation of the respective sectors.

Finally, during this year, EWURA has continued enjoying much support from various stakeholders and this has helped the Authority to ensure that the interests of all stakeholder groups are effectively balanced. The key stakeholders include the Government and its institutions, development partners, regulated suppliers, investors, consumers and the general public. In particular, I wish to extend my sincere appreciation to the Government of the United Republic of Tanzania, the Minister for Water and Irrigation, the Minister for Energy and Minerals, the Minister for Finance and Economic Affairs and all other stakeholders for their close cooperation and continued support.

The second year has given us challenges that further guide us in our endeavour to a world class status in our regulatory functions. We, therefore, look forward to a busy year ahead full of challenges in our quest to promote vibrant and thriving energy and water sectors in the country. Last but not least, I would like to thank EWURA Board, Management and staff for their dedication and hard work during this second year of Authority's operations.



Simon F. Sayore
Chairman
December, 2008

MANAGEMENT STRUCTURE

Board of Directors

EWURA is governed by a Board of Directors which is the highest decision-making organ for the Authority established under section 8 of the Energy and Water Utilities Regulatory Authority Act, Cap 414. It consists of the Non-Executive Chairman appointed by the President of the United Republic of Tanzania, five (5) non-executive members appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers and the Director General.

Director General

The Director General is appointed under section 14 of Cap 414 and is responsible for the day to day operations of the Authority, subject to the directions of the Board of Directors.

Divisional Directors

The Director General is assisted by seven (7) divisional Directors namely, Director of Electricity, Director of Petroleum, Director of Natural Gas, Director of Water and Sewerage, Director of Regulatory Economics, Director of Legal Services and Director of Corporate Affairs. Internal Audit, Public Relations and Procurement are functions that are under the Director General's Office.

Office of the Authority

The principal office of the Authority is currently located in Dar es Salaam

MANAGEMENT



Mr. Haruna Masebu
Director General



Eng. Anastas Mbawala
Director of Electricity



Ms. Muna Mahanyu
Director of Legal Services



Eng. Charles Omujuni
Director of Natural Gas



Mr. Felix Ngamlagosi
Director of Regulatory Economics



Eng. Mutaekulwa Mutegeki
Director of Water and Sewerage



Mr. Sirili Massay
Director of Petroleum



Mr. Titus Kago
**Principal Communications &
Public Relations Officer**



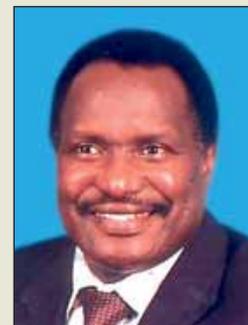
Chief Internal Auditor



Mr. Paskali Massawe
Director of Corporate Affairs

DIRECTOR GENERAL'S STATEMENT

During the second year of operation, EWURA has made significant progress in achieving the planned targets. This annual report covers various activities performed by the Authority during the year under review in discharging its duties. EWURA continued implementing various targets such as capacity building and staff training; development of regulatory tools, installation of financial and procurement management system and conducting of regulatory functions.



EWURA also saw various challenges during the period, many of which resulted from the public awareness of the rights and obligations of the consumers and service providers. The key challenges that we faced include:

- a) the unfolding regulatory challenges across all sectors under EWURA's jurisdiction calling for specific knowledge that addresses specific sectoral challenges;
- b) high public expectations from EWURA as a multi-sector regulator, given the size of the country. The challenge is how to ensure that EWURA services reach the wider population at an acceptable speed and standard;
- c) further development of effective regulatory tools to cover all regulated sectors;
- d) obtaining correct and timely information from all regulated sectors in order for EWURA to attain effective regulation. Compliance by regulated suppliers especially in the petroleum sector has not been satisfactory in the first two years of EWURA's operations; and
- e) need for collaboration with other key stakeholders such as Tanzania Revenue Authority (TRA) and Tanzania Ports Authority (TPA) in sharing important information on real time basis.

In conclusion, EWURA has made significant progress during the period under review where regulated sectors registered encouraging progress in both sector reforms and service provision. I sincerely wish to thank the Government of Tanzania, EWURA Board of Directors, Government Consultative Council, Consumer Consultative Council, Regulated Suppliers and staff members for their continued support and cooperation they offered in the course of performing EWURA's regulatory functions in the year 2007/2008.

The achievements made and challenges encountered during the second year will enable EWURA to clearly develop a strong way forward to ensure sustainable delivery of quality, affordable energy and water services to all Tanzanians as envisaged in our vision.



Haruna Masebu
Director General
December 2008

1.0 GENERAL PERFORMANCE REVIEW

During the year under review the Authority performed various activities as summarised below:

1.1 Staffing and Institutional Capacity Building

1.1.1 Recruitment

The Authority provides equal opportunity for all. It employs the most appropriate candidates selected in a transparent manner to ensure that the public receives quality service.

During the period under review, the Authority recruited 13 employees bringing the total number of staff to 54 out of 73 required under the current establishment. In addition three replacements were made for the positions of Director of Corporate Affairs, Finance and Administration Manager and Principal Procurement Officer.

In terms of gender balance, out of 54 staff, 38 are male, while 16 are female. When fully fledged, EWURA will have about 73 highly qualified and motivated professionals coming from both the public and private sectors, thus bringing wide variety of experiences. For all positions filled, public job advertisements with formal competitive selection procedures were followed.

Table 1: Staff as at 30th June 2008

Gender	No. of Staff as at 30 th June 2007	No. of Staff by 30 th June 2008
Female	14	16
Male	31	38
Total	45	54

1.1.2 Capacity Building

It is the Authority's policy to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the period under review Board Members and senior management attended general courses on Public Utility Regulation and Strategy, International Petroleum Management Certificate training and study tours on regulatory best practices.

Middle level and support staff attended regional and local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance.

1.1.3 Regional Cooperation and Collaboration

EWURA subscribed and participated mainly in the activities of three international associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR) and Energy Regulators Association of East Africa (ERAEA). The main objective is to exchange regulatory experiences within the region, and allow EWURA to have access to information necessary for regulation and performance benchmarking.

1.2 Development of Regulatory Tools

The Authority continued to develop regulatory tools in collaboration with sector Ministries.

1.2.1 Legislation

In executing its functions, the Authority is governed by the provisions of the EWURA Act (Cap. 414) and the relevant sector legislation.

During the period under review, EWURA worked with the Government in coming up with a new Petroleum Act, 2008 (governing the downstream petroleum sub-sector) and Electricity Act, 2008, which were passed by the Parliament in April 2008. The Authority shall continue to play a key role in supporting the Government in drafting relevant Regulations under these Acts.

Furthermore, the Authority shall continue to cooperate with the Government in its effort to develop regulations and rules to support primary legislation, and enactment of the remaining sector legislation including Water Supply and Sanitation and Gas Supply.

1.2.2 Rules

The Authority continued with the task of finalising the preparation and issuing the rules initiated during the previous year and developing new ones. During the period under review the preparation of the following rules were completed:

- a) EWURA(Licensing) Rules, 2008;
- b) EWURA (Consumer Complaints and Settlement Procedure) Rules, 2008;
- c) EWURA (Petroleum Products Sampling and Testing) Rules, 2008;
- d) EWURA (Collection of Fees and Levies) Rules, 2008;
- e) EWURA (Wholesale Operations Rules), 2008; and
- f) EWURA (Retail Operations) Rules, 2008.

1.2.3 Licences

The Authority continued with its efforts to prepare licence templates for the various services contemplated in the respective sector legislation and the EWURA Act.

During the year under review, the Authority approved licence templates for petroleum wholesale and retail operations. The licence templates provide a framework for petroleum business operations, including rights and obligations of wholesale and retail operators.

1.2.4 Standards

In consultation with Tanzania Bureau of Standards (TBS), EWURA prepared templates for technical standards on the design, construction and operations of retail stations and depots. Standards for petroleum trucks are also being prepared. These will be made available for public comment before adoption.

1.3 Performance Monitoring

1.3.1 Electricity

During the period under review EWURA collected information from licensees covering operational matters, through periodic reporting at agreed frequencies. TANESCO being the sole vertically integrated utility in the sector, has been providing most of the information in the electricity sector, including the power purchased from Independent Power Producers. System status reports have been received on daily basis, covering power generation, distribution and major power interruptions. Artumas has also been submitting reports on quarterly basis on generation at Mtwara. Plans have been initiated to establish a regulatory reporting system to be used by various operators.

During the licensing and compliance monitoring activities environmental, health and safety issues have been checked for compliance with statutory requirements. There were no reported fatal accidents during the year.

1.3.2 Petroleum

EWURA monitored the behaviour of the local market in a competitive petroleum sector and equally monitored standards of facilities and quality of products. The results of quality monitoring during the year under review is as summarised in the Table 2 below:

Table 2: Quality of Petroleum Products Samples Tested During 2007/08

Type	Number of Samples Taken	Number of Samples Failed Test	% Failure
Retail Outlets	189	114	60.32
Depots	13	10	76.92

Most of these results are from Dar es Salaam, Coast, Morogoro, Dodoma, Tanga and Arusha regions. The Petroleum (Conservation) Act was amended in August 2007 to increase penalties for malpractices including fuel adulteration. The Authority plans to use modern testing techniques in curbing petroleum products adulteration.

1.3.3 Natural Gas

Downstream natural gas sub-sector is currently regulated using the Petroleum (Exploration and Production) Act, Cap. 328 of the Laws of Tanzania and negotiated agreements involving the Government of Tanzania, Tanzania Petroleum Development Corporation (TPDC) and international oil and gas companies. The challenges being faced by the natural gas downstream sub-sector include difficulties in monitoring the regulated suppliers due to lack legal instruments including sector legislation, licences and rules. This calls for enactment of sector legislation. During the period under review, EWURA accomplished monitoring activities to Songas, PanAfrican Energy and Artumas Group & Partners (Gas) as follows:

- a) Reviewed and analyzed operations information related to the quality of regulated goods and services, market behaviour, third party access to essential facilities, and compliance to regulatory Orders and contractual arrangements.
- b) Monitored amendments to the existing basic project agreements, and proposals in the initialled project agreements consistent with world class benchmarks and where appropriate, constructive comments were availed to the parties thereto for consideration.
- c) Conducted physical inspection of natural gas processing, transportation and distribution infrastructure to verify operational reports received from regulated entities. Performance of each entity was measured against the negotiated technical, safety and environment standards.

1.3.4 Water and Sewerage

EWURA is implementing computerised system (The Water Utility Information System – MajIs) for monitoring and evaluating water and sewerage services providers to ensure that quality of service and consumer satisfaction is maintained.

Performance monitoring of 19 Regional Water Supply and Sewerage Authorities (Regional UWSAs) was introduced in July 2006 and is supplemented by physical inspection. On a monthly basis, operations data are posted by the service providers, received, analyzed and archived by EWURA. The information is also received by the Ministry of Water and Irrigation through the same system. EWURA in collaboration with the Ministry of Water and Irrigation and with the assistance of the German Agency for Technical Cooperation (gtz) launched the 2nd MajIs version in May 2008. The reports were also used in the evaluation of tariff applications and in tracking the implementation of various Orders issued by EWURA.

Monitoring of districts and small towns was not adequately done due to lack of reliable basic managerial, technical and financial information from the respective towns. However, some monthly reports in hard copies were received from only 21 utilities out of 104. Through site visits, EWURA collected basic information from 30 Districts and Small Towns.

There were 134 conditions attached to tariff Orders to water authorities during the year under review. Data on status of compliance is shown in Table 3.

Table 3: Compliance to Tariff Conditions

Utilities	Number of Authorities	Conditions Issued	Conditions due for Implementation in 2007/08	Conditions Implemented in 2007/08	Percentage Implementation
Regional Water UWSA's	11	113	61	40	66
District and small towns UWSA's	5	21	19	6	32
DAWASA	1	4	0	0	0
Total	22	134	80	46	57.5

1.4 Regulatory Decisions

During the year under review, EWURA made decisions relating to tariffs and charges, licensing and dispute settlements. In carrying out its regulatory functions, EWURA balances the interest of efficient suppliers and consumers taking into account the Government policies, interests of the investors and other stakeholders including the needs of the disadvantaged members of the society.

1.4.1 Determination of Rates and Charges

All applications from regulated utilities for new tariff or changes to existing ones are evaluated within a framework provided by the EWURA tariff review guidelines of October 2006. A summary of tariff determinations made is shown in Table 4.

Table 4: Tariff Applications Review during 2007/2008

Regulated Sector	Applications Received	Withdrawn	Status		
			Referred Back	Determined	Under Review
Electricity	1	0	0	1	0
Natural Gas	4	0	2	0	2
Water	26	1	6	16	3
TOTAL	31	1	8	17	5

In most cases tariff adjustments were approved with conditions necessary to improving provision of regulated services.

Out of the decisions above, EWURA considered and decided on the following major tariff review applications.

Table 5: Tariff Review Determinations for 2007/2008

S/N	Regulated Utility	Date of Application	Date of Approval	Requested Tariff Increase	Approved Tariff Increase
1	Shinyanga (SHUWASA)	22-Feb-07	20-Jul-07	Water supply 75%	Water supply 25%
2	Igunga (IGUWASA)	28-Jun-07	28-Sep-07	Water supply ranges from 0% to 148%	Water supply ranges from 0% to 148%
3	Bukoba (BUWASA)	30-May-07	28-Sep-07	Water supply 56.4%	Water supply 32.8%
4	Liwale (LIUWASA)	April-07	28-Sep-07	Approval of existing tariff	Approved
5	Babati (BAWASA)	16-May-07	19-Oct-07	Water supply 31%	Water supply 31%
6	Ngara (NGUWASA)	17-May-07	8-Oct-07	Approval of existing tariff	Approved
7	TANESCO	27-Aug-07	24-Dec-07	Electricity Tariff: 40%	Electricity Tariff 21.7%
8	Moshi (MUWSA)	08-Aug-07	28-Dec-07	Water supply 16%	Water supply 16%

S/N	Regulated Utility	Date of Application	Date of Approval	Requested Tariff Increase	Approved Tariff Increase
9	Musoma (MUWASA)	07-Sep-07	28-Dec-07	Water tariff increase of 51%	Water tariff increase of 32%
10	Kondoa UWSA	31-Dec-07	8-May-08	Water supply ranges from 0% to 340%	Water supply ranges from 0% to 340%
11	Dodoma (DUWASA)	31-Dec-07	8-Apr-08	Water Supply 58%	Water supply 11%
12	Dar es Salaam (DAWASA)	07-Jan-08	8-Apr-08	(a) Water supply 22.1% (b) Sewerage tariff: 18.5%	Disallowed tariff and charges increase for water supply and sewerage services
13	Mwanza (MWAUWASA)	24-Jan-08	27-May-08	Water supply ranges from 32.34 to 37.27%	Water supply ranges from 0% to 33%
14	Songea (SOUWASA)	29-Jan-08	27-May-08	(a) Water supply ranges from 20% to over 220%. (b) Sewerage ranges from 30%-50%	(a) Water supply ranges from 20% to over 220% (b) Sewerage charges ranges from 30%-50%.
15	Tanga (UWSA)	30-Jan-08	27-May-08	(a) Water Supply ranges from 9.52% - 19.8% (b) Sewer Tariff ranges from 42% - 75%	(a) Water supply ranges from 0% to 11.4% (b) Sewerage 37.5%
16	Mbeya - UWSA	12-Feb-08	27-Jun-08	(a) Water supply ranges from 8.7% to 33.33% (b) Sewerage 5%	Water supply ranges from 7.6% to 20% Sewer age 5%
17	Morogoro UWSA	19-Mar-08	27-Jun-08	(a) Water supply 71% (b) Sewerage 62%	Water supply 32% Sewerage 62%

1.4.2 Licensing

During the year under review, licensing activities increased significantly following completion of preparation of licence templates and rules made in the preceding financial year. The table below summarises the licensing status as at 30th June 2008.

Table 6: Summary of Licensing Status as at 30th June 2008

Sector	Entities	Licences			
		Applied	Referred Back	Granted	In Process
Electricity	12	7	0	4	3
Contractors and Wiremen	NA	167	5	150	12
Petroleum	950+	928	244	32	652
Natural Gas	6	NA	NA	NA	NA
Water	124	19	0	0	19

Licensing process involves inspection of facilities, consideration of environmental issues and submission of required information.

1.4.3 Dispute Settlement

During the period under review, the Authority handled a dispute between Ubungo Plaza Limited and DAWASCO. The Authority conducted hearing proceedings in line with the EWURA (Consumer Complaints Settlement Procedure) Rules, 2008 and reached a settlement.

1.4.4 Complaint Resolution

During the year ended 30th June 2008, EWURA received a total of sixty three (63) complaints. The nature of complaints received is shown in Table 7. Complaints that have reached hearing process are shown in Table 8.

Table 7: Type of Complaints Received During 2007/08

Nature of Complaint	Received as of 30/6/2008	Percentage of Total
Billing	27	43
Petroleum products adulteration	12	19
Low voltage	3	5
Insufficient water supply	5	8
Unreliable power	2	3
Compensation for loss	3	5
Unfair disconnection	3	5
Poor services	2	3
Meter tempering	3	5
Fuel shortage	1	2
Mistreatment	1	2
Un-authorized connection	1	2
Total	63	100

Out of 63 complaints received, 26 were related to water. Complaints related to electricity services were 20, while 17 complaints were associated with petroleum products adulteration. By the end of the year under review, 35 complaints (56%) were resolved while 28 (44%) were still under hearing.

Table 8: Complaints Hearing in Progress as of 30th June 2008

S/N	Parties	Date Received	Nature of Complaint
1	Kilimanjaro Truck Co Ltd Vs MGS International (T) Ltd	12/05/2008	Petroleum products adulteration
2	Nova Associates Vs TANESCO	01/01/2008	Billing
3	Ravji Construction Ltd Vs TANESCO	09/05/2007	Billing
4	Terracotta Vs MGS International (T) Ltd	25/06/2008	Petroleum products adulteration
5	Clemence Benard Vs TANESCO	06/03/2008	Billing

1.4.5 Litigations

There was only one appeal to the Fair Competition Tribunal against EWURA decision involving DAWASA. The appeal by DAWASA contested EWURA's decision refusing to grant their tariff review application. This appeal had not been determined by the Tribunal at the end of the year under review.

2.0 REGULATED SECTORS OVERVIEW

This chapter gives an overview of electricity, petroleum, natural gas, and water sectors which are regulated by the Authority.

2.1 Electricity

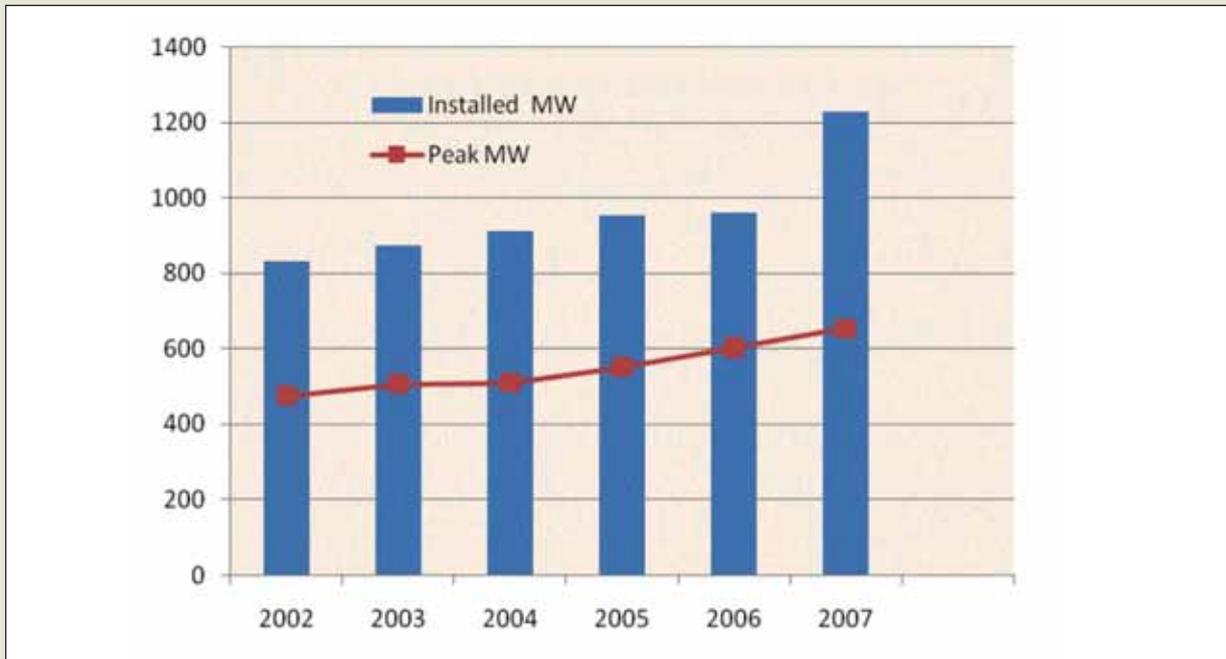
2.1.1 Overview

The electricity sector is dominated by a public utility, Tanzania Electric Supply Company Limited (TANESCO), which is a vertically integrated utility owning generation, transmission and distribution facilities for electricity supply in Tanzania. There are a few Independent Power Producers (IPPs) in the generation of electricity, including short-term emergency rental power plants. Independent Power Tanzania Limited (IPTL) and Songas, are IPPs with long-term contracts (over 10 years) while Artumas Group & Partners (Power) has interim power purchase agreement renewable each year. Aggreko, APR Energy and Dowans are emergency power plants with short-term contracts (2 years). Due to high cost of diesel TANESCO did not dispatch power from APR Energy during the period. TANESCO had generation mix of 39% thermal to 61% hydro in 2007 as compared to 60% thermal to 40% hydro in 2006, when there was drought.

TANESCO owns generation facilities, transmission (66kV, 132kV, 220kV) and distribution (400V, 11kV, 33kV) networks, imports power from Uganda and Zambia for its isolated areas, and sells about 45 MW of electric power to Zanzibar Electricity Company (ZECO). Current electricity coverage is estimated at 11%, with the consumers located mainly in urban areas.

In an effort to promote private sector participation in the electricity industry, arrangements are being made for a private investor, Artumas Group and Partners, and other private investors under Millennium Challenge Corporation (MCC) to generate and operate electricity distribution networks in franchise areas of the southern regions of Mtwara and Lindi, and Kigoma. The installed capacity and peak system demand are shown in Figure 1 below.

Figure 1: National System Installed Capacity and Peak Demand



Source: TANESCO Annual Report 2007

The generation installed capacity plants status is shown in Table 9 below.

Table 9: Grid Generation Plants Status

Plant	Owner	Type	Installed Capacity (MW)
Kidatu	TANESCO	Hydro Power Plant	204
Kihansi	TANESCO	Hydro Power Plant	180
Mtera	TANESCO	Hydro Power Plant	80
New Pangani Falls	TANESCO	Hydro Power Plant	68
Hale	TANESCO	Hydro Power Plant	21
Nyumba ya Mungu	TANESCO	Hydro Power Plant	8
Sub-total			561
Songas 1-6	Songas	Natural Gas	182
Aggreko	Aggreko	Natural Gas	40
Dowans	Dowans	Natural Gas	112
Sub-total			334
IPTL	IPTL	Heavy Furnace Oil	100
Grid Diesel	TANESCO	Diesel	10
APR Energy	APR Energy	Diesel	40
Sub-total			150
Grand Total			1,045

During the year 2007 AG&P Power generated and sold to TANESCO a total of 18,305MWh from its 12 MW Power plant at Mtwara. Since the commissioning of the gas fired power plant, electricity supply in Mtwara and Lindi regions has improved significantly.

2.1.2 Electricity Generation

Due to higher cost of thermal energy, TANESCO’s power dispatch during 2007 and first half of 2008 has mainly been from hydro sources, while thermal generation has been predominantly from natural gas sources. During 2007/2008, a total of 212 MW of total capacity was added in the system after Dowans completed commissioning its 112 MW power plant and TANESCO commissioned its 100 MW gas fired power plants at Ubungo. Power generation increased from 3,621,509 MWh in 2006 to 4,223,214 MWh in 2007, respectively, an increase of over 16%, as shown in Table 10 below.

Table 10: Electricity Generation Situation in 2006 and 2007

Energy Source	Generation (MWh)	
	2006	2007
Hydro	1,436,234	2,512,429
Thermal (HFO/Diesel)	116,641	73,063
IPP – Thermal	2,068,634	1,637,722
Total	3,621,509	4,223,214

Due to improved hydrology, generation from hydro has almost doubled whereas thermal generation has been reduced to half from 2006 to 2007.

Figure 2: Generation Mix in 2006 and 2007 (MWh)

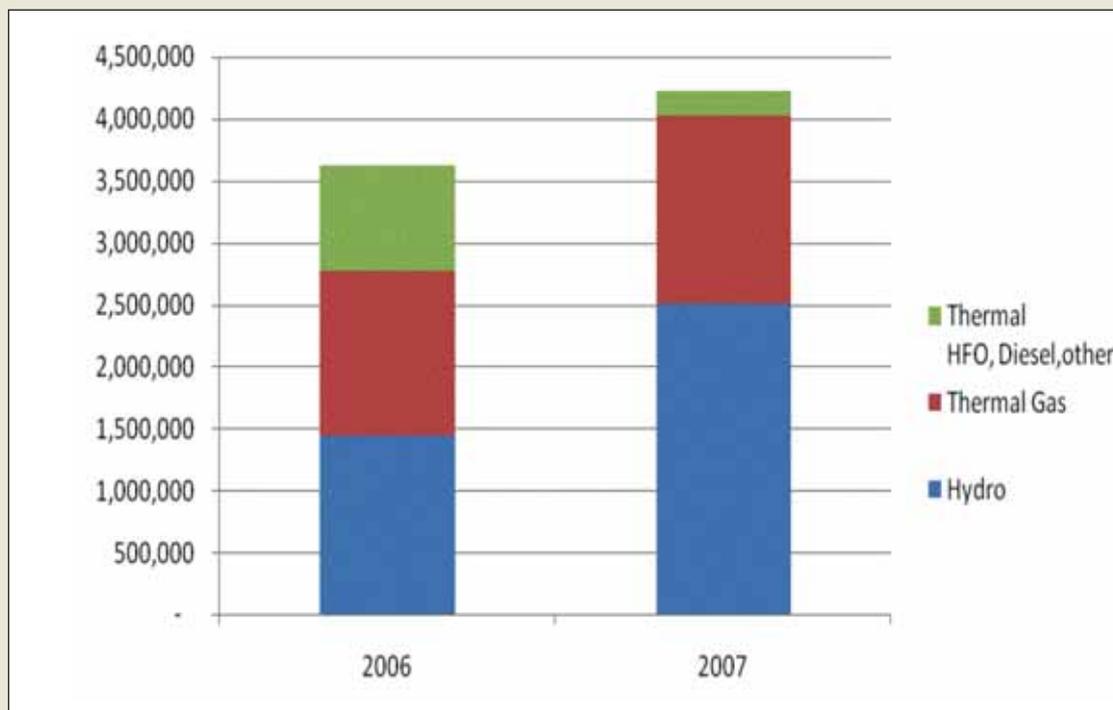


Figure 3: Total Generation Trend



Table 11: TANESCO Billing and Collection Performance

Item	2006	2007
Units Sold (GWh)	2,768	3,187
Billing/ Sales (TZS million)	232,146	292,006
Collection (TZS million)	238,382	281,160
Collection Level including arrears	106%	96%

2.1.3 Transmission and Distribution Networks

There were no major transmission line projects commissioned during the reporting period, but work is in progress to construct 220 kV from Shinyanga to Buzwagi Gold Mine (108 km) and 132 kV transmission line from Musoma to Nyamongo (87 km), to supply electricity to mining loads in Shinyanga and Mara regions. Table 12 shows the status and network expansion by end 2007.



Table 12: Network Expansion

Network System	2006	2007	Increase
Low voltage lines (km)	21,370	23,157	1,787
Distribution 33kV and 11kV lines (km)	14,778	16,671	1,893
HV 66 kV transmission lines (km)	486	486	-
HV 132 kV Lines transmission lines (km)	1,442	1,442	-
HV 220 kV Lines transmission lines (km)	2,624	2,624	-

2.1.4 Electricity Access

Electricity access was hindered due to inadequate funds to expand the distribution network, especially in rural and peri-urban areas. Table 13 shows the customer base build-up. From the year 2008, TANESCO plans to connect 100,000 new customers per year for the next five year

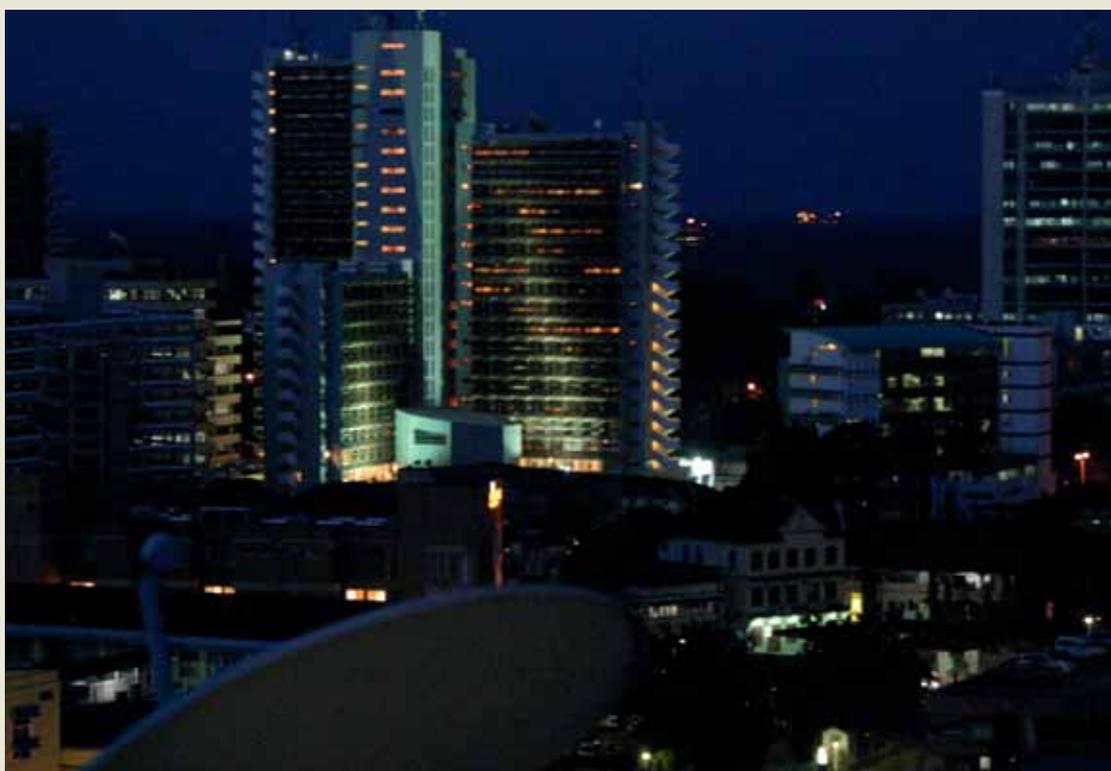


Table 13: Service Line and Customer Base Build Up

Customer and Staff Comparison	2006	2007	Change
Service Lines completed during the year (km)	21,281	32,180	+51%
Energy sold during the year (GWh)	2,769	3,187	+10%
Total number of customers by the end of year	635,310	667,490	+5%
Total number of company staff	4,665	4,695	+1%
Customer per staff	136	142	+4%

In an effort to increase access to electricity the Government is also promoting the development of Small Power Projects of up to 10 MW, through the introduction of a simplified implementation framework. MEM, EWURA and the Rural Energy Agency (REA), are developing the framework, through a consultative process, for renewable energy projects. The framework shall include a Standardised Power Purchase Agreement (SPPA), Standardised Power Tariff Methodology, and Standardised Power Tariff (SPT).

2.1.5 Sales of Electricity

TANESCO has supplied electricity to its customers in Tanzania Mainland, and sold bulk power to ZECO. The customers are grouped into seven categories as shown in Table 14 below. Energy sold in 2007 increased by 15% from that sold in 2006, resulting in 25% increase in sales (note that the average electricity tariff was increased by 6% in January 2007).

Table 14: TANESCO Electricity Sale and Collection

Customer Category	Tariff Category	Energy Sold (GWh)		Sale (TZS Million)	
		2006	2007	2006	2007
Domestic low usage	D1	391	444	35,258	43,588
General use	T1	786	923	70,237	93,452
Low voltage supply	T2	398	481	39,927	50,192
High voltage supply	T3	830	933	65,648	79,944
ZECO	T5	204	231	6,799	8,453
Resolute Gold Mine	T7	48	56	3,228	3,713
Bulyanhulu Gold Mine	T8	112	119	11,049	12,664
Total		2,769	3,187	232,146	292,006

2.1.6 Rural Electrification

For a long time TANESCO has been responsible for rural electrification using its own funds and Government subventions. Following establishment of the REA and the Rural Energy Fund this responsibility has been vested on REA. Although TANESCO will still be implementing the Rural Electrification projects, it is REA that will promote the projects by providing funds for the projects on priority basis, based on criteria established by the Agency.

2.1.7 Power System Master Plan (Including Investment Projects)

Short term and medium term projects have been identified in the twenty five (25) years' Power System Master Plan (PSMP) of 2007 to 2031 to replace the short-term emergency generation plants. Major issues include timely implementation of projects to meet power demand, which is increasing rapidly. Both generation projects and transmission grid strengthening and extensions are foreseen. Interconnections with neighbouring countries' networks are foreseen in the Southern and Eastern Africa regions. Energy sources that are considered include hydro, natural gas, coal and other renewable sources. Short-term and medium-term plans in the PSMP include:

2009	Tegeta	45 MW gas fired power plant
	Kinyerezi	100MW gas fired power plant
2010	Kinyerezi	100 MW gas fired power plant
	Kiwira Phase I	200MW coal fired
2012	Kiwira Phase II	200 MW coal fired
2014	Ruhudji	358 MW Hydro
	Zambia-Tanzania-Kenya	
	Interconnector	200MW
2015	Wind	50 MW
	Rusumo	21 MW Hydro
2016	Kakono	53 MW Hydro
2017	Mpanga	144 MW Hydro
2018	Mchuchuma I	200 MW
	Wind	50 MW

Transmission Lines that are planned to be under construction by 2013 include the new 400 kV lines traversing along the following routes-

Zambia-Tanzania-Kenya 400 kV Inter-connector (270 km in Tanzania)

Mbeya – Makambako – Mufindi – Iringa – Mtera – Dodoma – Singida 400 kV lines (797 km)

Singida - Shinyanga – Mwanza 400 kV lines (340 km)

Singida – Babati - Arusha 400 kV lines (312 km).

Detailed studies need to be undertaken to confirm the configurations and routing of the transmission lines.

2.1.8 Challenges on the Working of the Power Systems

Generation Capacity and Energy Demand

The existing power systems is characterised by inadequate generation, where the current peak demand approaches 700 MW while the available capacity might drop to 850 MW due to faulty generating plant (10.5 MW from Hale, 4 MW from Nyumba ya Mungu) and retirement of 192 MW of the emergency power plants. Thus there will be no sufficient margin for stable operation of the power system network.

Furthermore, the existing grid which consists of long radial transmission lines is overloaded, thus limiting further the power transfer capability in the grid. Without additional generation and transmission projects, the available capacity does not meet the projected load demand, especially the new mining loads. Therefore there is a big challenge in mobilising resources to implement new power generation and transmission projects, to meet the forecasted demand that is projected to grow at about 9% according to Power System Master Plan 2007-20031 study.

Support from the IDA funded Tanzania Energy Development and Access Expansion Project (TEDAP) and the Millennium Challenge Corporation (MCC) Project partly address the system expansion, by constructing more transmission and distribution lines.

Losses

TANESCO technical and commercial losses are above 21%, and to reduce the same requires investment in both distribution and transmission infrastructure as well as increase in revenue protection systems, posing a big challenge to the Utility. New distribution

projects currently undertaken by TANESCO in several regions will improve the distribution losses.

Electricity Access

Electricity access of 11% is still very low, and this is mainly in urban areas, whereas most of the people live in the rural areas (about 80%). More resources are needed to increase (affordable) electricity access in rural and peri-urban areas in order to improve the economy and livelihood of the Tanzanian population. With the establishment of the Rural Energy Agency and the Rural Energy Fund to promote rural electrification, the commencement of TEDAP and MCC Projects, the promotion of Small Power Projects (SPPs) and other initiatives undertaken by TANESCO there is hope that the rate of increase in electricity access will improve in the next few years. TANESCO, in their Financial Recovery Program are targeting to reach 25% access by 2012. Furthermore, the proposed implementation of generation and distribution transfer of operations from TANESCO to Artumas G & P Power and Umoja Light Company Ltd. is expected to improve the electricity access in the Mtwara and Lindi regions.

Delays in Implementing the Power System master Plan

There is a big challenge in mobilising funds to meet the proposed implementation schedules of the PSMP, particularly the short and medium term projects. The promotion by the Government of private participation in the implementation of power projects will help to improve the mobilisation of resources to implement the PSMP. The delay in implementation of the 200 MW Kiwira Coal to Electricity Project and the planned de-commissioning of the emergency power projects threaten the power supply situation between 2009 and 2011.

2.2 Petroleum

2.2.1 Overview

The Petroleum (Conservation) Act, Cap 392 as amended in 2003 and 2007, mandates EWURA to regulate the downstream petroleum sub-sector in Tanzania, ranging from importation, unloading, transportation, storage, transforming, to selling of petroleum products in the country. EWURA's jurisdiction in the petroleum sub-sector covers all aspects related to technical, safety and economic regulation.

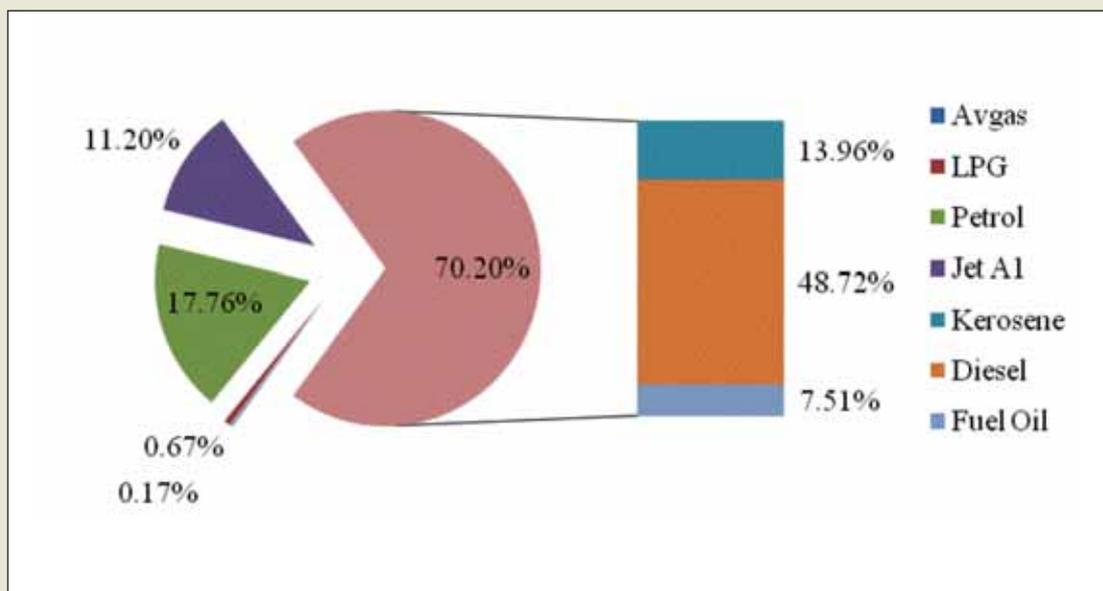
The sub-sector has about 35 wholesale service providers and more than 900 retailers. These operate in the liberalized market where prices are determined by market forces. However, EWURA is vested with powers to intervene and modify as and when deemed appropriate, the economic behaviour of a regulated supplier aimed at narrowing choices in certain areas including prices, rate of return and methods of procurement. EWURA is obliged to promote effective competition in the sector by monitoring and inhibiting anti competitive market behaviour.

2.2.2 Importation of Petroleum Products

EWURA monitors and disseminates information on petroleum prices in order to inform consumers and foster competition. Tanzania imports its entire petroleum products

requirement. It is projected that the country consumption of petroleum products per year stands at 1.7 million tonnes. Reported imports in year 2007 were of 1.3 million cubic metres, about 50% of this volume is diesel. Breakdown of the petroleum imports for year 2007 is shown in Figure 4.

Figure 4: Petroleum Imports for Local Market - 2007



2.2.3 Offloading Facilities

The Kurasini Oil Jetty (KOJ) has remained the major refined petroleum products receiving point in the country. The KOJ handles vessels of up to 42,000 metric tonnes (MT) dead weight. Offloading efficiency at KOJ has, however, been affected by frequent breakdown of the flow-meters which has indeed increased congestion.

Single Buoy Mooring Facility (SBM), located at Dar es Salaam can handle vessels of a maximum of 80,000 MT. The SBM is, however, aged and needs major rehabilitation. The planned rehabilitation will enable importation of petroleum products with marine vessels of larger capacity, therefore, cutting down freight and demurrage costs.



2.2.4 Storage and Retail Outlet Facilities

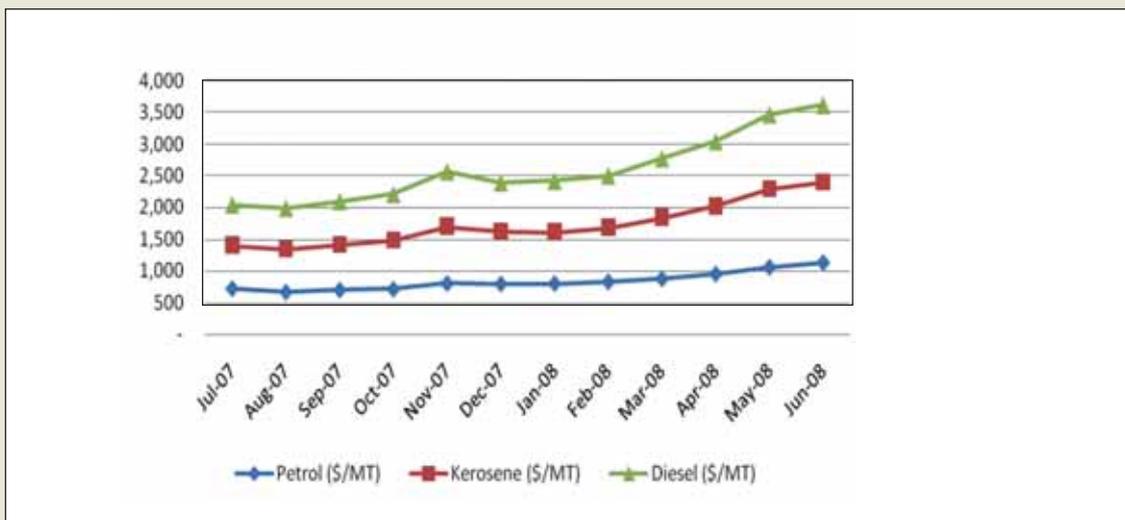
There are 49 petroleum depots, in the country with a total capacity of 493,892 MT. There are also more than 900 petrol stations in the country. Conditions of most of these petrol stations and some of the depots do not meet minimum safety standards and were constructed without conforming to standards. EWURA has carried out facilities inspection for compliance with those minimum health, safety and environmental (HSE) requirements before granting licence. The specifications of petroleum products are set by TBS assisted by a national technical committee in creation and adopting HSE standards. EWURA controls and enforces the compliance of these standards by Oil companies throughout the petroleum supply chain. EWURA has been actively participating in generation of those standards.



2.2.5 Petroleum Prices

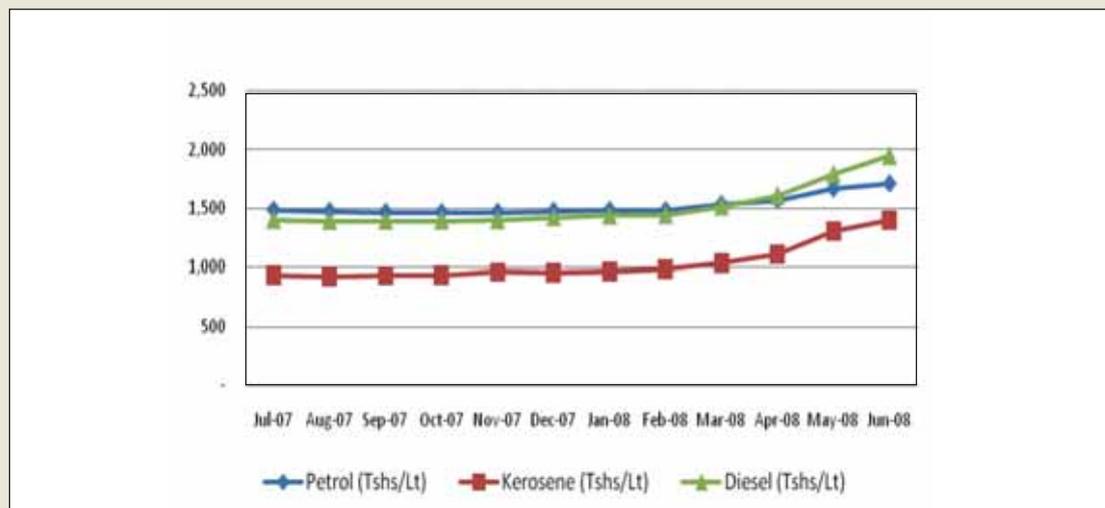
The rise in the local market petroleum prices in year 2007 was to a large extent caused by the continued rise in the world market prices. Monthly average FOB prices in the world market (Arabian Gulf and Mediterranean Basis) are shown in the Figure 5 below.

Figure 5: Petroleum FOB Prices (July 2007 – June 2008)



As a result of continuous prices rise of crude and subsequently petroleum products in the world market, the local petroleum products prices shot-up at an alarming rate. Monthly average prices for the three major products, in Dar es Salaam are as shown in the Figure 6 below.

Figure 6: Petroleum Pump Prices (July 2007 – June 2008)



2.2.6 Challenges in the Petroleum Operations in Tanzania

Currently the downstream petroleum sub-sector in Tanzania is faced with a number of challenges which include:

- Sale of adulterated petroleum products;
- Safety issues in the petrol stations which are below standards; and
- Volatility of petroleum products prices in the world market makes long term planning for the development of the sector very difficult to attain.

2.3 Natural Gas

2.3.1 Overview

Active operators in the sector are Songas, PanAfrican Tanzania and Tanzania Petroleum Development Corporation, in the case of Songo Songo Project, while Artumas Group & Partners (AG&P) Gas Limited and TPDC are sole operators in respect of the Mnazi Bay gas to electricity project. Only Songas and AG&P (Gas) own and operate the existing natural gas infrastructures. EWURA's regulatory responsibility for the sector begins at the well-head and covers activities related to processing, transportation, distribution and sales of natural gas. EWURA reviewed contractual arrangements, including amendments to the Songo Songo basic project agreements entered before EWURA was operational.

2.3.2 Processing

AG&P (Gas) owns and operates the processing plant at Msimbati (Mtwara) with the capacity to process 10 million standard cubic feet per day (MMcfd) of natural gas. However, the consumption at Mtwara Power plant averages 0.87 MMcfd. PanAfrican Energy, on behalf of Songas, operates the Songo Songo natural gas processing



plant. The capacity of the existing plant is limited at 70 MMscfd. In order to match with the gas-based power generation capacity, the demand for natural gas is estimated at 90 MMscfd by 30th June 2009. Songas has initiated necessary procurement process to double the gas processing plant capacity by June 2010.

During the year 2007/08, cumulative consumption increased from 16.63 billion cubic feet (Bcf) in year 2006/07 to about 19.77 Bcf, equivalent to an increase of 19 percent. The supply of natural gas was uninterrupted for the whole year, and the quality of natural gas supplied was maintained at above 97% methane.

2.3.3 Transmission

AG&P (Gas) owns and operates the 28 km, 8"Ø high pressurised transmission pipeline running from Msimbati to Mtwara. The transmission pipeline was oversized to address the needs of up to 30 MMscfd without applying intermediary compression. On the other hand, Songas owns and operates the 25 km, 12"Ø marine portion of transmission pipeline, and additional 207 km, 16"Ø land portion of transmission pipeline running from Songo Songo Island to Dar es Salaam. While the marine portion of transmission pipeline is constrained once its throughput exceeds 105MMscfd, the land portion of pipeline can deliver up to 140 MMscfd if intermediary compression is applied.

During the year under review, third party access was provided by Songas, at pre-agreed gas processing and transportation fee payable by the gas shippers. EWURA conducted three inspections on facility integrity: health, safety and environment (HSE), and on compliance to technical standards. No loss of life or near miss incidents was recorded.

2.3.4 Distribution

A 28 km, 3"Ø Heavy Duty Plastic Pipe (HDP) Dar es Salaam ring main owned by PanAfrican Energy was extended from 28 km to 35km long (about 25% increase) together with installation of pressure reduction and metering devices. During the period under review, three industrial customers were connected to the ring main, which brings the total number of customers to 22 compared to 19 customers in previous year.

2.3.5 Price Movements

The pricing formula in the case of Mnazi Bay Gas-to-Electricity Project (12 MW power generation capacity) is part of negotiated Production Sharing Agreement. As of 30th June 2008, AG&P (Gas) and TPDC delivered natural gas to AG&P (Power) at a price of US\$5.36/million cubic british thermal unit (MMBtu). Due to high prices of imported heavy fuel oil, at which the parties pegged the selling prices, AG&P (Gas) and TPDC are developing the new natural gas pricing methodology acceptable to EWURA.

Price movements in the case of Songo Songo Project were more visible when comparing prices of additional gas sold to industrial customers. Over three consecutive years of operations, the price of natural gas to industrial customers increased from US\$7.67/MMBtu to US\$9.34/MMBtu, an increase of about 22 percent. Protected Gas and Additional Gas prices for power generation increased using US Consumer Price Index (CPI) capped at 2 percent. The details of natural gas price movement trends are shown in Table 15 below.

Table 15: Natural Gas Prices Trend (in US\$/MMBtu)

Sales	2005/06	2006/07	2007/08
Protected Gas - Songas	0.55	0.57	0.59
Protected Gas - Wazo Hill	US\$2.3 to US\$2.8 based on volumes		
Additional Gas - Power	1.80	2.32	2.97
Additional Gas - Industries	7.67	8.92	9.34
Mnazi Bay Gas - Power	5.36	5.36	5.36

Source: Songas, PanAfrican Energy, Artumas Gas

2.3.6 Financial Impact

Natural Gas in the current market competes with Jet-A1 (in the case of gas turbines and reciprocating engines), and Heavy Fuel Oil (in the case furnaces in industrial processes). During the period under review, the savings from import substitution was calculated at US\$521.343 million. Foreign exchange savings are sensitive to volumes of natural gas consumed, price movements of alternative fuel at the world market, and exchange rate as shown in Table 16.

Table 16: Foreign Exchange Savings from Import Substitution

Uses of Natural Gas	Natural Gas		Displaced Liquid Fuel		Savings in Foreign Exchange
	Quantity	Post-Tax Value	Quantity	Post-Tax Value	
	Bcf	US\$ mill	MT	US\$ mill	US\$ mill
Fuel for power generation	15.558	23.281	380,728	515.333	492.052
Fuel for industrial processes	2.775	22.363	62,256	51.654	29.291
Total	18.333	45.644	442,984	566.987	521.343

2.4 Water and Sewerage

2.4.1 Overview

EWURA regulates 124 autonomous Urban Water Supply and Sewerage Authorities (UWSAs) which include 19 Regional Urban Water Supply and Sewerage Authorities (Regional UWSAs) located in regional capitals, 104 District and Small Towns Water Supply and Sewerage Authorities (DUWSAs) located in district capitals and small towns, and the Dar es Salaam Water and Sewerage Corporation (DAWASCO), a service provider contracted by Dar es Salaam Water and Sewerage Authority (DAWASA) to provide water services in Dar es Salaam, Kibaha and Bagamoyo.

2.4.2 Performance of Regional UWSA's and DAWASCO

a) Water Demand and Production.

The average water demand for the Regional Water Authorities has surpassed the average water production capacity and similarly, water production capacity for DAWASCO is

currently about 68% of water demand. This indicates that, even if water is produced at the installed capacity, the present water demand cannot be met. There is therefore a need to aggressively invest in identification and construction of new water sources while maximizing the operational capacity of the present water production units. Utilisation of installed capacity as of 30th June 2008 for Regional Water Authorities was 75%, while that for DAWASCO was 90%. The water demand, production capacity, and actual water production are depicted in the Table 17 below.



Table 17: Water Demand and Production during 2006/07 and 2007/08

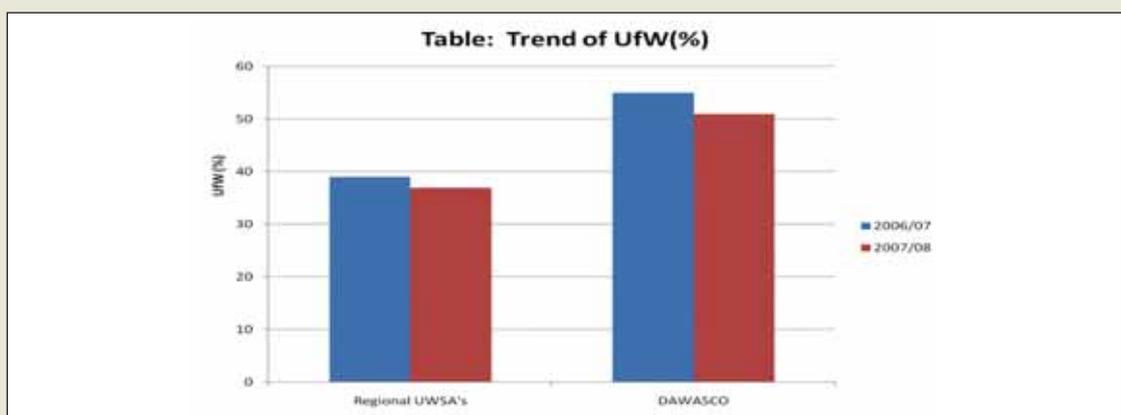
Item	Regional Water Authorities		DAWASCO	
	2006/07	2007/08	2006/07	2007/08
Water Demand (m ³ /day)	377,741	395,652	410,000	*
Water Production Capacity (m ³ /day)	393,617	390,078	280,500	280,500
Actual water production (m ³ /day)	274,419	287,808	241,881	253,840

* Data not available

b) Un-accounted for Water

Un-accounted for water in percentage is the difference between the volume of water delivered into a supply system and the volume of water accounted for by legitimate consumption, whether metered or not. Improvement in un-accounted for water, will translate in increase of sales without necessarily increasing the water production. The trend for un-accounted for water, for Regional UWSA's and DAWASCO, is demonstrated in Figure 8 below.

Figure 8: Trend of Un-Accounted for Water (UfW)



The average un-accounted for water improved from 39% in 2006/07 to 37% in 2007/08 for Regional UWSAs and from 55% in 2006/07 to 51% in 2007/08 for DAWASCO. Each of the Regional UWSAs and DAWASCO has room for improving the un-accounted for water to an acceptable level of 20%

c) Sewerage system

Only UWSAs for Mwanza, Moshi, Arusha, Dodoma, Iringa, Mbeya, Morogoro, Songea, Tabora, Tanga and Dar es Salaam have sewerage systems. Sewage treatment is done by all the above UWSAs, with the exception of Tanga-UWASA and Dar es Salaam which dispose their sewage directly to the Indian Ocean.

d) Customer Profile

There has been an increase in total number of customers for Regional UWSA's and DAWASCO. The difference between the number of total customers and active customers represents customers who are either disconnected or do not get water. The customer profile for Regional UWSAs and DAWASCO is depicted on Table 18 below.

Table 18: Customer Profile

Item	Regional Water Authorities		DAWASCO	
	2006/07	2007/08	2006/07	2007/08
Total Customers	199,106	214,335	132,620	140,810
Total Active Customers	173,202	185,847	52,223	63,537
Total Metered Customers	161,187	174,137	22,548	34,128

The ratio of total active customers to total customers and the metering ratio for Regional UWSAs remained almost constant for 2006/07 and 2007/08 at 86% and 81%, respectively. The ratio of total active customers to total customers for DAWASCO improved from 39% in 2006/07 to 45% in 2007/08 and the metering ratio improved from 17% in 2006/07 to 24% in 2007/08.

e) Water Quality

Urban Water Supply and Sewerage Authorities conduct and report on their water quality testing results at both their water sources and distribution points. EWURA compiled the bacteriological water quality results which have a fast impact upon the health of the individuals. The results for E-Coli and residual chlorine provided by Regional UWSAs showed that, more than 90% of the water samples tested in the distribution system had NIL E-Coli and more than 80% had recommended residual chlorine of about 0.2mg/ltr. Almost 55% and 25% of water samples tested by Morogoro UWSA and Bukoba UWSA, respectively, did not comply with the E- Coli requirement.



2.4.3 Performance of District and Small Towns Water Authorities

a) Collection of Basic Information

EWURA collected and reviewed basic information for 29 district and small towns' water authorities which included Handeni, Korogwe, Mombo, Lushoto, Same, Karatu, Monduli, Magu, Geita, Biharamulo, Ngara, Karagwe, Muleba, Mafinga, Makambako, Rujewa, Tukuyu, Kyela and Vwawa. Others are Utete, Kilwa Masoko, Nachingwea, Masasi, Newala, Gairo, Kongwa, Mpwapwa, Kibaya and Kondo out of 104. Collection of basic information will continue till all Districts and small water authorities are covered so as to assist EWURA in the evaluation of their licence applications and to facilitate future performance monitoring.

b) Submission of Performance Information

EWURA received a total of 19 annual reports from Korogwe, Nzega, Manyoni, Igunga, Same, Utete, Lushoto, Mombo, Handeni, Biharamulo, Muleba, Magu, Kyela, Nachingwea, Kilwa Masoko, Tukuyu, Vwawa, Makambako and Itumba Isongole Districts and Small Towns UWSAs. Almost all the above DUWSAs had been given on-site guidance by EWURA.

c) Services to the Poor

In 2007/08, a total of 1,534 extremely poor and disadvantaged households in the Regional-UWSAs were each provided with a maximum of 5m³ of free water per month.

3.0 PUBLIC AWARENESS

Public awareness programme is aimed at enhancing the public knowledge, awareness and understanding of regulated sectors and involved stakeholder consultations.

3.1 Mass Outreach

EWURA conducted stakeholders' meetings, structured-and-recorded TV and Radio programmes, and promotional materials. The media as channel of communications consistently covered EWURA's public activities whenever and wherever they have been held. Summary of activities that were conducted during the financial year 2007/08 include:

- a) Press conferences on various regulatory decisions which were covered by televisions, radios and various newspapers;
- b) TV-talk shows in which the Authority mainly explained regulatory functions of EWURA. These shows appeared on ITV, TBC, Channel Ten, Radio Wapo and Clouds FM; and
- c) Media Editors Seminar on EWURA regulatory activities. This involved 100 media personnel from various media houses in Dar es Salaam.

3.2 Stakeholder Consultation

The Authority conducted public consultations involving various stakeholders including Government Consultative Council (GCC), Consumer Consultative Council (CCC), the

general public and mass media. The GCC and CCC had several meetings to deliberate on various regulatory decisions and provided their comments which were considered in reaching regulatory decisions.

The activities include public hearings on tariff review adjustments, issue of rules and issue of licences. Consultations for the financial year 2007/08 were held at different areas as summarised below:

- a) Public hearings for electricity tariff adjustment were held in Eastern (Dar es Salaam), Northern (Arusha), Lake (Mwanza) and Southern (Mbeya) zones;
- b) Public hearing for petroleum prices and inefficiencies in the petroleum supply chain was held in Dar es Salaam;
- c) Tariff adjustment for natural gas was held in Dar es Salaam; and
- d) Water tariff adjustments were held in the following regions: Babati, Bukoba, Dar es Salaam, Dodoma, Igunga, Iringa, Kigoma, Kondoa, Liwale, Mbeya, Morogoro, Moshi, Mtwara, Mwanza, Ngara, Shinyanga, Singida, Songea and Tanga.

4.0 DECLARATION OF CONFLICT OF INTEREST

During the year under review there was no incident of conflict of interest for the Board Members and staff.

5.0 CONCLUSION AND FUTURE OUTLOOK

The Authority looks at the future with determination to increase its contribution to national economic development and improvement in the welfare of the general public through quality delivery of regulatory services. It is within this drive that the Authority will tackle the prevailing challenges so as to deliver the expected results. Measures that will to achieve the necessary impact include:

- a) Speeding up the process of developing regulatory tools including making rules and standards that all players in the regulated sectors must adhere to;
- b) Ensuring that all regulated suppliers in the country are licensed and operate in observance of the required standards, rules and regulations governing their respective industry in the country;
- c) Developing a regulatory monitoring systems for all regulated sectors to ensure timely availability of sufficient and accurate information;
- d) Conducting capacity building activities for the Authority's human resources in technical, managerial as well as regulatory skills in order to execute regulatory duties effectively and efficiently; and
- e) Continuing to play a strong supporting role in the development of the remaining gas and water sector legislation which are tools for effective sector regulation.

6.0 FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2008

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2008

1.0 INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 30 June 2008 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

2.0 ESTABLISHMENT

The Energy and Water Utilities Regulatory Authority (EWURA) is an autonomous statutory body established under the Energy and Water Utilities Regulatory Authority Act Cap 414 of the Laws of Tanzania (EWURA Act). Although EWURA was established in November 2005 through Government Notice No. 19 of February 2006, it became operational in June 2006 when the Board of Directors was fully established.

3.0 PRINCIPAL ACTIVITIES

EWURA is a world class regulatory authority responsible for the technical and economic regulation of the electricity, petroleum, natural gas and water sectors in Tanzania. The functions of the Authority include, among others, licensing, tariff review, and monitoring performance and standards with regard to quality, safety, health and environment of the regulated suppliers.

4.0 BOARD MEMBERS

The Board members who served the Authority during the period are as follows:

Name	Status	Date of Appointment	Nationality
Mr Simon F. Sayore	Chairman	Appointed 1 June 2006	Tanzanian
Ms Lucy H. Sondo	Deputy Chairperson	Appointed 1 June 2006	Tanzanian
Eng. Nerei Msimbira	Member	Appointed 1 January 2006	Tanzanian
Eng. Robert M. A. Swere	Member	Appointed 1 January 2006	Tanzanian
Eng. Vincent T. Gondwe	Member	Appointed 1 January 2006	Tanzanian
Mr. George M. J. Nchwali	Member	Appointed 1 January 2006	Tanzanian
Mr. Haruna Masebu	Director General	Appointed 1 January 2006	Tanzanian

5.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

These financial statements have been prepared by the management of the Energy and Water Utilities Regulatory Authority in accordance with the provision of section 46 of the EWURA Act and section 25(4) of the Public Finance Act (No. 6) of 2001. The Directors of EWURA are responsible for establishing and maintaining a system of effective internal control designed to give reasonable assurance that the transactions recorded in the accounts are within the statutory requirement and that they contain the receipts and use of resources by the Authority.

The Directors of EWURA are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority, and which enable them to ensure that the financial statements comply with the EWURA Act. They are also responsible for safeguarding the assets of EWURA and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 30 June 2008. The Directors also confirm that International Financial Reporting Standards have been followed and that the financial statements have been prepared on the going concern basis.

To the best of our knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30 June 2008.

We accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with International Financial Reporting Standards.

6.0 PERFORMANCE

During the year under review, the Authority witnessed significant achievements in mobilisation of financial and non-financial resources, legal framework, licencing, development of rules, standards and codes, tariff review for public utilities, sector monitoring, public awareness, and recruitment and capacity building of staff.

6.1 Financing

The Authority's operations are financed mainly through collection of levies from regulated service providers in the electricity, petroleum, natural gas and water sectors. Other sources of financing include Government Grant from the Privatisation and Private Sector Development Project (PPSDP) of the World Bank. During the year under review flow of funds to the Authority amounted to TZS 8.51 billion indicating 82% increase as shown in the table below.

Description	% Increase	Amount for the Period Ended 30 June 2008	Amount for the Period Ended 30 June 2007
		TZS'000	TZS'000
Income from Regulatory Levy and Licence	422	6,956,860	1,332,658
Operating Grant from PPSDP	-59	1,361,466	3,346,529
Other Income	12360	196,238	1,575
Total Income	82	8,514,564	4,680,762

6.2 Strategic Objectives

During the year, EWURA focused on the implementation of its Strategic Objectives which guide the Authority to achieve its vision, champion good governance and facilitate the attainment of vibrant and thriving energy and water sectors in Tanzania. The Strategic Objectives are as follows:

- a) To have a well managed and effective organisation by June 2010;
- b) To have a well developed regulatory monitoring system by December 2009;
- c) To enhance public awareness in regulatory functions by June 2010;
- d) To achieve a high standard of financial and procurement management by June 2008;
- e) To have regulatory tools developed and operational by June 2010; and
- f) To have an effective intervention strategy against HIV/AIDS for enhanced productivity by June 2009.

6.3 Legal Framework

EWURA Act governs the activities of the Authority. Currently EWURA regulates the relevant sectors pursuant to EWURA Act and sector legislation. During the year under review, the Authority played a strong supporting role in the development and enactment of two sector legislation as follows:

- a) The Electricity Act, 2008; and
- b) The Petroleum Act, 2008

The Authority shall continue to play a key role in supporting the Government in drafting relevant regulations under these Acts. In addition, efforts shall continue to support the development and enactment of the remaining two sector legislation, namely:

- a) The Water Supply and Sanitation Bill; and
- b) The Gas Supply Bill.

It is imperative that these two sector laws be brought up to date and harmonized with the existing EWURA Act to enable the Authority to effectively execute its legal regulatory obligations.

6.4 Licensing

The Authority's long term objective is to licence all regulated activities under its jurisdiction. During the year under review, licensing activities increased significantly following completion of preparation of licences templates and rules which incorporated comments from stakeholders made in the preceding financial year.

The Authority has prepared and issued licences to some regulated suppliers operating in the regulated sectors. The table below summaries the status of licensing in EWURA regulated sectors as at 30th June 2008.

Sector	Entities	Licences			
		Applied	Referred Back	Granted	In Process
Electricity	12	7	0	4	3
Contractors and Wiremen	NA	167	5	150	12
Petroleum	950+	928	244	32	652
Natural Gas	6	NA	NA	NA	NA
Water	124	19	0	0	19

Pending applications are due to requirements of the licensing process which involves inspection of facilities, consideration of environmental issues and submission of required information.

6.5 Establishment of Rules

The Authority continued with the task of finalising the preparation and issuing the rules initiated during the previous year and developing new ones. During the period under review the preparation of the following rules were completed:

- a) The EWURA (Licensing) Rules, 2008;
- b) The EWURA (Consumer Complaints and Settlement Procedure) Rules, 2008;
- c) The EWURA (Petroleum Products Sampling and Testing) Rules, 2008;
- d) The EWURA (Collection of Fees and Levies) Rules, 2008;
- e) The EWURA (Wholesale Operations Rules), 2008; and
- f) The EWURA (Retail Operations) Rules, 2008.

The process of developing rules is governed by principles of good governance which require the collection of comments from interested parties and holding hearings and workshops. The process of developing rules and procedures is an ongoing one. In addition, EWURA's Code of Conduct was finalised during this period. It governs the behaviour of the members of the Board and the Authority's employees, both in the course of performing our duties and also with the general public.

6.6 Standards and Codes

During the period under review, the Authority began the process of developing new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. This process involves Tanzania Bureau of Standards (TBS), service providers, academic institutions, and other stakeholders.

6.7 Tariff Review

The Authority carried out public inquiries and public hearings to determine several tariff review matters filed by regulated suppliers. Summary of public inquiries and tariff reviews conducted during the year is shown below:

Activity	No. of Matters	Concluded
Public Inquiries	19	18
Tariff Reviews	18	18

In all cases, the legal requirement of taking the views of both consumers and service providers into account were respected when determining the new rates.

6.8 Sector Monitoring

During the year, the Authority conducted performance monitoring in the activities of regulated service providers in all of the regulated sectors, both at the time that the licensee applies for a tariff revision and at regular intervals. Key objectives include the following:

- a) to promote effective competition and economic efficiency;
- b) to protect the interest of the consumers and financial viability of efficient service providers;
- c) to promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers; and
- d) to protect and preserve the environment.

In the petroleum sector, there is a rampant practice of mixing low priced petroleum products with high priced products such as mixing diesel with kerosene or condensate. The negative impact of this practice includes shortening of the lifespan of motor vehicles and equipment, air pollution and reduction of government revenue due to the substitution of product volumes. The Authority conducted routine quality monitoring to ensure that service providers trade the right quality products. Some of the results of performance monitoring activities are as follows:

- a) The Authority disallowed portions of tariff increase.
- b) 70% of the entities inspected for fuel adulteration on ad hoc were found to have adulterated products and appropriate penalties instituted to ensure they trade the right quality products.
- c) Global oil price fluctuations meant more challenges to the Authority in mitigating the impact of oil price on the Tanzanian economy. As part of the monitoring process, during the year under review, the Authority started publishing indicative oil pump prices across the country with a view to keeping consumers aware of the price trends and to widen their choices.

6.9 Public Awareness

The Authority conducted public hearings on tariff matters in Babati, Liwale, Bukoba, Igunga, Ngara, Moshi, Musoma, Dar es Salaam, Dodoma, Kondo, Songea, Mwanza, Tanga, Mbeya, Morogoro and Iringa. The Authority also conducted Media Houses Workshop in Bagamoyo. The media have consistently covered EWURA’s public activities whenever and wherever they were held.

6.10 Complaints and Disputes

The number and quality of complaints received and resolved is a measure of public awareness, performance of regulated service providers, and effectiveness of the regulator. EWURA attends to complaints against a supplier of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services. As at 30th June 2008, EWURA received a total of 63 complaints, out of which 39 were resolved and closed and 24 were under consideration by the service providers.

Complaints	Fuel	Electricity	Water & Sewerage	Total
Received	15	21	27	63
Resolved	9	11	19	39
In Progress	6	10	8	24

During the period under review, there were no disputes filed for resolution by the Authority.

7.0 RECRUITMENT

The Authority’s recruitment policy is to provide equal opportunity for all. The Authority employs the most appropriate candidate available in a transparent manner to ensure that the public receives quality service.

During the period under review, the Authority recruited 13 staff bringing the total number of staff to 54 out of 73 required under the current establishment. In addition three replacements were made for the positions of Director of Corporate Affairs, Finance and Administration Manager and Principal Procurement Officer.

Out of 54 staff, 38 are men, while 16 are women. When fully fledged, EWURA will have about 73 highly qualified and motivated professionals coming from both the public and private sectors, thus bringing wide variety of experiences. For all positions filled, public job advertisements with formal competitive selection procedures were followed.

8.0 STAFF WELFARE

8.1 Staff Relations

Good relationship between employees and management of the Authority was observed during the period under review.

8.2 Capacity Building

It is the Authority's policy to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the period under review Board Members and senior management attended general courses on Public Utility Regulation and Strategy, International Petroleum Management Certificate training and study tours on regulatory best practices which included fact finding on the implementation of Bulk Procurement System for petroleum products in Tanzania.

Middle level and support staff attended regional and local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance.

In addition, EWURA subscribed and participated mainly in the activities of three International Associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR) and Energy Regulators Association of East Africa (ERAEA). The main objective is to exchange regulatory experiences within the region, and allow EWURA to have access to information necessary for regulation and performance benchmarking.

8.3 Medical Services

The Authority provides free medical care to all staff, spouses and up to four children not exceeding 18 years of age. The Authority commits funds sufficient to cater for evacuation of staff and overseas treatment, where necessary.

9.0 PERSONS WITH DISABILITIES

The Authority gives equal opportunities to persons with disabilities.

10.0 CORPORATE SOCIAL RESPONSIBILITY

In recognition of its corporate social responsibility, the Authority contributed TZS 3 million to Dar es Salaam Regional Administrative Secretary for building secondary schools in Dar es Salaam and TZS 1 million to facilitate a conference on environmental protection.

11.0 SOLVENCY

Since establishment, the Authority has never sought financing through leverage or sources other than those specified under the EWURA Act. The Directors consider the Authority to be solvent on the basis of its working capital of TZS 1.89 billion as at 30th June 2008 and net cumulative surplus of TZS 1.22 billion as at the end of the year under review.

12.0 AUDITORS

The Controller and Auditor General is the statutory auditor of the Energy and Water Utilities Regulatory Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania, amplified by section 30(1) (c) of the Public Finance Act Cap 348. However, in accordance with section 37(5) of the Public Finance Act Cap 348 M/S MEKONSULT were authorised by the Controller and Auditor General to carry out the audit of EWURA on his behalf.

BY ORDER OF THE BOARD



Chairman

05 JAN 2009

Date



Director General

05 JAN 2009

Date

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY

I have audited the accompanying financial statements on page 42 to page 51 of Energy and Water Utilities Regulatory Authority which comprise the balance sheet as at 30 June, 2008 and the related income statement, statement of changes in equity and the cash flow statement for the year ended on that date, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes set out on pages 46 to 51. The statements have been prepared under the historical cost convention and the accounting policies set out on pages 46 to 47.

Responsibility of Members of the Board of Directors

The responsibility for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards rests with the Directors of the Authority as provided for under the provisions of the Energy and Water Utilities Regulatory Authority (Established Order). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to form and issue an independent opinion on these financial statements based on our audit. According to provisions of the Public Finance Act, 2001 (revised 2004), my specific responsibilities are to examine, enquire into, audit and report on the accounts of the Authority as well satisfy myself that the accounts of the Authority have been kept in accordance with generally accepted accounting principles. Furthermore I am required under the provisions of the Public Procurement Act, 2004 state whether or not the Authority has complied with the provisions of the Act and its regulation.

Basis of Opinion

I conducted my audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement whether caused by fraud, error or other irregularities. An audit includes examination, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement, the auditor considers internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes an assessment of the significant estimates and judgements made by the directors in the preparation and overall presentation of the financial statements and whether the accounting policies are appropriate to the business circumstances, consistently applied and adequately disclosed.

I have obtained all the information and explanations we considered necessary for the purposes of our audit and we believe that our audit provides a reasonable basis of my opinion.

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material aspects, the financial position of the Energy and Water Utilities Regulatory Authority as at 30th June 2008 and its surplus, changes in equity and cash flows and for the year then ended in accordance with the International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

In my opinion, the financial statements have been properly prepared in accordance with the Energy and Water Utilities Regulatory Authority Act, CAP 414 and that the Corporation has complied with the provisions of the Public Procurement Act (No. 21) of 2004 and its Regulations in relation to competitive tendering and approval of procurement or disposal by tender.



L. S. E. UTOUH

CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General
National Audit Office,
Dar Es Salaam,
TANZANIA

DATE: 22 - 01 - 20 09

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	NOTES	2008 TZS'000	2007 TZS'000
Income			
Operating Revenue	2	8,326,432	4,679,187
Other Income	3	<u>200,263</u>	<u>1,575</u>
Total Income		<u>8,526,695</u>	<u>4,680,762</u>
 Expenditure			
Staff Costs	4	2,290,507	1,248,973
Operating Expenditure	5	4,000,889	1,868,276
Administration Costs	6	862,160	866,524
Financial and Other Charges	7	31,367	2,480
Depreciation	9	<u>226,112</u>	<u>168,739</u>
Total Expenditure		<u>7,411,035</u>	<u>4,154,992</u>
Surplus for the Year	8	1,115,660	525,770
Add: Surplus Brought Forward		<u>507,462</u>	-
Total Surplus Before			
Appropriation of Building Fund		1,623,122	525,770
Appropriation:			
Building Fund		<u>400,000</u>	-
Retained Surplus		<u>1,223,122</u>	<u>525,770</u>

The Notes on pages 46 to 51 form an integral part of these financial statements.

BY ORDER OF THE BOARD



Chairman

05 JAN 2009

Date



Director General

05 JAN 2009

Date

Report of the Auditors – Page 40 to 41

BALANCE SHEET AS AT 30 JUNE 2008

	NOTES	2008 TZS'000	2007 TZS'000
ASSETS			
Non-Current Assets			
Property and Equipment	9	570,858	724,829
Intangible Assets	9	31,173	-
Total Non-Current Assets		<u>602,031</u>	<u>724,829</u>
Current Assets			
Stocks and Consumables		16,291	7,940
Staff Loans and Advances	10	550,232	84,140
Prepaid Office Rent		465,114	-
Cash and Bank Balances		<u>1,418,205</u>	<u>1,107,719</u>
Total Current Assets		<u>2,449,842</u>	<u>1,199,799</u>
TOTAL ASSETS		<u>3,051,873</u>	<u>1,924,628</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		1,223,122	525,770
Building Fund		400,000	-
Government Fund from PPSDP Credit		876,332	893,568
Total Capital and Reserves		<u>2,499,454</u>	<u>1,419,338</u>
Current Liabilities			
Trade Creditors		132,877	65,198
Other Creditors and Accruals	11	419,542	440,092
Total Current Liabilities		<u>552,418</u>	<u>505,290</u>
TOTAL EQUITY AND LIABILITIES		<u>3,051,873</u>	<u>1,924,628</u>

The Notes on pages 46 to 51 form an integral part of these financial statements.

BY ORDER OF THE BOARD



Chairman

05 JAN 2009

Date



Director General

05 JAN 2009

Date

Report of the Auditors – Page 40 to 41

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2008

	Capital Fund	Building Fund	Surplus	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Balance at 1 July 2007	893,568	-	525,770	1,419,338
Adjustment due to Change of Depreciation Policy	(17,236)	-	(18,308)	(35,544)
Surplus for the Period	-	-	1,115,660	1,115,660
Transfer to Building Fund	-	-	(400,000)	(400,000)
Building Fund	-	<u>400,000</u>	-	<u>400,000</u>
Balance at 30 June 2008	<u>876,332</u>	<u>400,000</u>	<u>1,223,122</u>	<u>2,499,454</u>

During the year the Authority changed Depreciation Policy for computers from 20% to 331/3% per annum. According to IAS 8 paragraph 22 and 26 adjustment resulting from additional depreciation of TZS 18,307,654.86 has been made to the opening retained surplus.

The Authority established a special fund which will be used for construction of office building for its own use. For the year ended 30th June 2008, an amount of TZS 400,000,000 was appropriated to the Building Fund.

The Notes on pages 46 to 51 form an integral part of these financial statements.

BY ORDER OF THE BOARD



Chairman

05 JAN 2009

Date



Director General

05 JAN 2009

Date

Report of the Auditors – Page 40 to 41

CASH FLOW STATEMENT YEAR ENDED 30 JUNE 2008

	30 June 2008	30 June 2007
	TZS'000	TZS'000
Cash Flow From Operating Activities:		
Operating Surplus for the Period	1,115,660	525,770
Adjustments for:		
Depreciation	<u>226,112</u>	<u>168,739</u>
Operating Surplus Before Working Capital Changes	1,341,772	694,509
Changes in Working Capital Items:		
Increase in Stocks and Consumables	(8,351)	(7,940)
Increase in Debtors and Prepayments	(931,206)	(84,140)
Increase in Creditors	<u>47,128</u>	<u>505,290</u>
Cash Flows From Operating Activities	449,343	1,107,719
Cash Flows From Investing Activities		
Acquisition of Equipment	(138,857)	(893,568)
Adjustments on Acquisition of Equipment	<u>17,236</u>	-
Net Cash Flows from Investing Activities	(121,621)	(893,568)
Cash flows from Financing Activities		
PPSDP Credit	(17,236)	893,568
Net Cash Flows from Financing Activities	(17,236)	893,568
Net Increase in Cash and Cash Equivalents	310,486	1,107,719
Cash and Cash Equivalents at 1 July 2007	<u>1,107,719</u>	-
Cash and Cash Equivalents at 30 June 2008	<u>1,418,205</u>	<u>1,107,719</u>

The Notes on pages 46 to 51 form an integral part of these financial statements.

BY ORDER OF THE BOARD



Chairman

05 JAN 2009

Date



Director General

05 JAN 2009

Date

Report of the Auditors – Page 40 to 41

NOTES ON THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) **Basis of Preparation**

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Tanzanian shillings (TZS), rounded to the nearest thousand, and are prepared under the historical cost convention. No adjustments have been made for inflationary factors affecting the accounts.

b. **Revenue Recognition**

The Annual Levy Policy

Revenue from the annual levy is recognised when received. This is in accordance with the requirement of International Accounting Standard (IAS) 18, since the amount of annual levy due from each regulated supplier cannot be assessed or measured reliably.

Donor and Government Funds

Funds from the World Bank and Government are reported as Operating Grant and recognized as income in the year received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

Other Income

Other sources of revenue are recognised and accounted for as income to the Authority on receipt basis.

c. **Property and Equipment**

Items of property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight-line method to write off the cost of assets over their estimated useful lives. Full year depreciation is charged to the asset irrespective of the date of acquisition, while no depreciation is charged during the year of disposal. The annual rates applied are:

Category of Assets	Rate per Annum (%)
Leasehold Improvement	20.00
Technical Equipment	12
Motor Vehicles	20.00
Furniture and Fittings	12
Office Equipment	12
Computers	33 ¹ / ₃

d. **Financial Assets and Liabilities**

The Authority classifies its financial assets in accordance with the disclosure requirements of IFRS 7.

The following categories were held by the Authority at the year end:

i. Staff Advances

Advances to staff are non-derivative financial assets with the fixed or determined payment. They arise when the Authority provides temporary loans directly to staff.

ii. Creditors

Creditors are non-derivative financial liabilities with fixed or determined payment terms. They arise when the Authority receives services on credit directly from the service providers.

e. Foreign Currency Translation

i. Functional and Presentation Currency

The financial statements are presented in Tanzanian Shillings, which is the Authority's functional and presentation currency.

ii. Transactions and Balances

Foreign currencies are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure accounts for the period in which they arise.

f. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank.

g. Retirement Benefits

The Authority contributes to statutory defined pension contribution plans for its employees at the rate of 10% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF).

In addition, the Authority sets aside 15% of employee's basic salary per month as gratuity payable at the end of the contract.

h. Comparatives

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

2: OPERATING REVENUE

	30 June 2008	30 June 2007
	TZS'000	TZS'000
Regulatory Levy		
Electricity	2,869,599	868,637
Petroleum	3,576,398	207,897
Natural Gas	138,361	73,168
Water and Sewerage	213,567	80,856
Total Regulatory Levy Income	<u>6,797,926</u>	<u>1,230,558</u>
License Fees		
Electricity	63,371	51,200
Electricity Contractors and Wiremen	12,463	-
Petroleum	9,300	-
Natural Gas	-	45,200
Water and Sewerage	100	-
Total License Fees Income	<u>85,234</u>	<u>96,400</u>
Application Fees		
Electricity	556	600
Petroleum	81,250	5,100
Total Application Fees Income	<u>81,806</u>	<u>5,700</u>
Operating Grant		
Operating Grant - IDA PPSDP	1,361,466	3,346,529
Total Operating Grant	<u>1,361,466</u>	<u>3,346,529</u>
Total Operating Revenue	<u>8,326,432</u>	<u>4,679,187</u>

3: OTHER INCOME

Sale of Tender Documents	2,225	1,400
Intervenors Fees	38	175
Penalties from Petroleum Adulteration	198,000	-
Total Other Income	<u>200,263</u>	<u>1,575</u>

4: STAFF COSTS

Salaries	1,496,096	927,444
Gratuity Expenses	224,409	137,872
Pension Employer's Contribution	150,634	92,034
Skills and Development Levy	89,660	45,988
Medical Expenses	54,436	19,876
Other Staff Costs	275,272	25,758
TOTAL	<u>2,290,507</u>	<u>1,248,973</u>

5: OPERATING EXPENSES

	30 June 2008	30 June 2007
	TZS'000	TZS'000
Capacity Building	1,515,472	608,684
Management Retreat Technical Review	110,459	-
Field and Inspection Expenses	176,758	47,829
Public Inquiries	425,156	64,391
Government Consultative Council Expenses	147,140	35,984
Consumer Consultative Council Expenses	330,527	114,253
Standard Review Expenses	16,280	-
Public Awareness Program	295,031	71,072
Advertisement Expenses	141,606	119,987
Consultancy Expenses	-	28,787
Membership Contribution, Books and Periodicals	41,182	32,920
International Conference Expenses	334,724	307,417
RERA Annual Conference Expenses	6,843	-
Local Travel Expenses	97,015	35,251
Motor Vehicle Fuel Expenses	30,539	114,601
Motor Vehicle Repairs and Maintenance	40,754	43,413
Maintenance of Computer Hardware	7,283	-
Maintenance of Computer Software	19,805	-
Maintenance of Other Office Equipment	4,784	-
Wiremen Licencing Activities	12,477	-
Directors Fees	21,500	21,500
Board Expenses	<u>225,555</u>	<u>222,187</u>
TOTAL	<u>4,000,889</u>	<u>1,868,276</u>

6: ADMINISTRATIVE COSTS

Office Rent	491,177	723,384
Telephone, Fax and Internet	43,616	46,453
Staff Airtime	66,536	-
Stamps and Postages	1,675	-
Printing and Stationery	75,828	31,104
Maintenance of Leasehold Property	4,838	-
Office General Expenses	46,165	37,046
Donations and Contributions	3,000	-
Audit Fees	59,560	16,740
Tender Board Expenses	<u>69,765</u>	<u>11,797</u>
TOTAL	<u>862,160</u>	<u>866,524</u>

7: FINANCIAL AND OTHER CHARGES

Insurance Charges	613	-
Legal Fees	24,054	-
Bank Charges	6,700	2,480
TOTAL	<u>31,367</u>	<u>2,480</u>

8: SURPLUS FUNDS

The surplus funds of the Authority reported as at 30th June 2008 shall be deposited to a Special Account as per requirement of Section 44 (1) of EWURA Act. In accordance with the Act, funds in the Special Account shall be used only for one or more of the following purposes: consumer education or information projects, special non-recurring projects, budgeted capital expenditure, or major rate regulating inquiries.

9: PROPERTY AND EQUIPMENT

	Property and Equipment							Intangible Assets
	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total	Computer Software
Cost	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
At 1 July 2007	262,480	850	307,053	55,501	76,644	191,040	893,569	-
Re-classification Adjustments					6,811	(24,047)	(17,236)	
Purchase for the Year	-	5,340	-	12,456	16,863	57,438	92,097	46,760
At 30 June 2008	<u>262,480</u>	<u>6,190</u>	<u>307,053</u>	<u>67,957</u>	<u>100,318</u>	<u>224,431</u>	<u>968,429</u>	<u>46,760</u>
Depreciation								
At 1 July 2007	52,496	106	61,411	6,938	9,581	38,208	168,739	
Re-classification Adjustments					851	(4,809)	(3,958)	
Change of Policy						22,266	22,266	
Charges for the Year	52,496	774	61,411	8,495	12,540	74,810	210,525	15,587
At 30 June 2008	<u>104,992</u>	<u>880</u>	<u>122,821</u>	<u>15,432</u>	<u>22,972</u>	<u>130,475</u>	<u>397,572</u>	<u>15,587</u>
Net Book Value								
As at 30 June 2008	<u>157,488</u>	<u>5,310</u>	<u>184,232</u>	<u>52,525</u>	<u>77,346</u>	<u>93,956</u>	<u>570,857</u>	<u>31,173</u>

10: STAFF LOANS AND ADVANCES

This comprises of staff revolving loans, salary advances, un-deducted pension granted as loan to staff and imprest. Summary position of staff loan/advances as at 30 June 2008 is shown below:

	30 June 2008	30 June 2007
	TZS'000	TZS'000
Staff Revolving Loans	524,278	-
Salary Advances	14,080	21,620
Staff Loan for Recovery of Un-deducted Pension	3,923	24,800
Imprest	7,952	37,721
TOTAL	<u>550,233</u>	<u>84,140</u>

11: CREDITORS AND ACCRUALS

Gratuity Payable	353,955	137,872
Audit Fees	59,560	16,740
Salary Payable	33	-
Pension Contribution Payable	5,994	184,068
Skills and Development Levy	-	45,988
Office Rent	-	33,923
Directors Fees	-	21,500
Total	<u>419,542</u>	<u>440,092</u>

The Authority contributes to the approved pension contribution plans for its employees at 10% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF). As at 30 June 2008, some of the Authority's new employees had not identified their respective pension fund and therefore TZS 5,993,415.05 was outstanding. Contributions to these funds are recognised as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of 15% of employee's basic salary per month on income statement and maintains gratuity payable account for future payment to staff. As at 30 June 2008, total gratuity payable was TZS 353,954,987.97 as shown below:

STATEMENT OF CHANGES IN GRATUITY PAYABLE PROVISION AS AT 30 JUNE 2008

Gratuity Payable	30 June 2008	30 June 2007
	TZS'000	TZS'000
At 1 July 2007	137,873	-
Charge for the Year	224,409	137,872
CCC Charge for the Year	3,765	-
Release During the Year	<u>(12,092)</u>	-
Balance at 30 June 2008	<u>353,955</u>	<u>137,872</u>

12: CONTINGENT LIABILITIES

As at 30 June 2008 the Authority had no contingent liabilities.

Energy and Water Utilities Regulatory Authority

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