



Annual Report **2012**

**THE UNITED REPUBLIC OF TANZANIA**

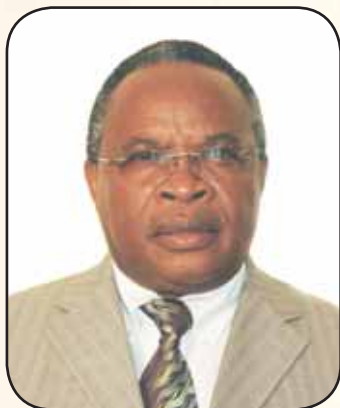


**6<sup>TH</sup> ANNUAL REPORT  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2012**

**NOVEMBER, 2012**

Energy and Water Utilities Regulatory Authority  
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## LETTER OF TRANSMITTAL



Hon. Prof. Jumanne Maghembe (MP),  
Minister for Water,  
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 30<sup>th</sup> June, 2012.

The report outlines the major activities accomplished by the Authority during the year under review.

I submit.



Simon F. Sayore  
**Chairman, EWURA Board of Directors**  
**14<sup>th</sup> November, 2012**

## VISION, MISSION AND CORE VALUES

- Vision:** To be a world Class Regulator of Energy and Water Services
- Mission:** To regulate the Energy and Water Services in a Transparent, Effective and Efficient manner that promotes Investments and Enhances the Socio Economic Welfare of the Tanzanian Society.
- Core Values:** The Authority's core values that appear below are the guiding principles that all EWURA members and employees commit themselves to follow in pursuit of the above-mentioned shared and agreed Vision and Mission:
- a) transparency;
  - b) integrity;
  - c) Courtesy;
  - d) accountability;
  - e) professionalism; and
  - f) equity;

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL.....</b>	<b>2</b>
<b>INTRODUCTION .....</b>	<b>6</b>
<b>ORGANISATION STRUCTURE.....</b>	<b>7</b>
<b>CHAIRMAN'S STATEMENT .....</b>	<b>9</b>
<b>DIRECTOR GENERAL'S STATEMENT .....</b>	<b>12</b>
<b>1.0 CORPORATE GOVERNANCE .....</b>	<b>13</b>
1.1 Board of Directors.....	13
1.2 Board Committees.....	13
1.3 Director General.....	13
1.4 Internal Monitoring Systems.....	13
<b>2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW .....</b>	<b>14</b>
2.1 Staffing and Institutional Capacity Building .....	14
2.2 Information and Communication Technology (ICT).....	15
2.3 Financial Performance Review.....	16
2.4 Key Achievements and Challenges .....	17
<b>3.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION .....</b>	<b>18</b>
3.1 Overview .....	18
3.2 Performance Monitoring.....	19
3.3 Licensing .....	22
3.4 Determination of Rates and Charges.....	23
3.5 Legislative Matters .....	24
3.6 Complaints and Dispute Resolutions.....	24
3.7 Litigation .....	24
3.8 Health, Safety and Environmental Matters .....	24
3.9 Challenges and Way Forward.....	25
<b>4.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION .....</b>	<b>25</b>
4.1 Overview .....	25
4.2 Performance Monitoring.....	26
4.3 Third Party Access .....	33
4.4 Licensing .....	33
4.5 Legislative Matters .....	34
4.6 Complaints and Conflict Resolution.....	34
4.7 Litigation .....	34
4.8 Health, Safety and Environmental Matters .....	34
4.9 Challenges and Way Forward.....	35
<b>5.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION.....</b>	<b>36</b>
5.1 Overview .....	36
5.2 Performance Monitoring.....	36
5.3 Licensing .....	40
5.4 Determination of Rates and Charges.....	40
5.5 The Impact of Natural Gas Import Substitution to the Economy .....	40

5.6	Third Party Access .....	40
5.7	Policy and Legal Matters .....	40
5.8	Disputes and Complaints .....	40
5.9	Litigation .....	40
5.10	Health, Safety and Environmental Matters .....	40
5.11	Challenges and Way Forward.....	41
<b>6.0</b>	<b>WATER SUPPLY AND SANITATION SERVICES PERFORMANCE AND REGULATION.....</b>	<b>42</b>
6.1	Overview .....	42
6.2	Performance Monitoring.....	43
6.3	Promotion and Monitoring of Investment.....	44
6.4	Water Utilities Performance Review Report.....	45
6.5	Licensing .....	45
6.6	Determination of Rates and Charges.....	45
6.7	Legislative Matters .....	45
6.8	Complaints Handling and Dispute Resolution .....	46
6.9	Litigation .....	46
6.10	Health, Safety and Environmental Matters .....	46
6.11	Awareness Creation to WSSAs .....	47
6.12	Other Interventions in the Water Sector.....	47
6.13	Challenges and Way Forward.....	48
<b>7.0</b>	<b>CROSS CUTTING REGULATORY MATTERS .....</b>	<b>48</b>
7.1	Tariff Application Review.....	48
7.2	Complaints and Dispute Resolutions.....	49
<b>8.0</b>	<b>PUBLIC AWARENESS AND OUTREACH PROGRAMME .....</b>	<b>49</b>
8.1	Implementation of the Programme .....	49
8.2	Impact of Public Awareness Campaigns .....	50
8.3	Corporate Social Responsibility.....	50
8.4	Challenges and Way Forward.....	51
<b>9.0</b>	<b>STAKEHOLDER CONSULTATIONS.....</b>	<b>51</b>
<b>10.0</b>	<b>DECLARATION OF CONFLICT OF INTEREST.....</b>	<b>51</b>
<b>11.0</b>	<b>CONCLUSION AND FUTURE OUTLOOK.....</b>	<b>51</b>
<b>12.0</b>	<b>FINANCIAL STATEMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2012 .....</b>	<b>53</b>



## 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 the responsibility to regulate the electricity, petroleum, natural gas and water sectors. The Authority is charged with the responsibility of carrying out economic and technical regulation in the energy and water sectors, in a manner that will enhance the welfare of the Tanzanian community in respect of the regulated sectors. The functions of the Authority as spelt out in the Act are:

- (a) to perform all functions conferred on it by sector legislation and Cap. 414;
- (b) to issue, renew and cancel licences;
- (c) to establish standards for goods and services;
- (d) to establish standards for terms and conditions of supply of goods and services;
- (e) to regulate rates and charges;
- (f) to make rules;
- (g) to monitor performance of regulated sectors in relation to availability, quality, standards of services, cost of services, efficiency of production, investment levels and distribution of services;
- (h) to facilitate resolution of complaints and disputes; and
- (i) to disseminate information about matters relevant to its functions.

Section 6 of the EWURA Act, Cap 414, further requires the Authority to assume the following duties in the course of carrying out its functions:

- (a) promoting effective competition and economic efficiency;
- (b) protecting the interests of consumers;
- (c) protecting the financial viability of efficient suppliers;
- (d) promoting the availability of regulated services to all consumers, including low income, rural and disadvantaged consumers;
- (e) taking into account the need to protect and preserve the environment; and
- (f) enhancing public knowledge, awareness and understanding of the regulated sectors including the rights and obligations of consumers and regulated suppliers, the ways in which complaints and disputes may be initiated and resolved, and the duties, functions and activities of the Authority.

### Objectives

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

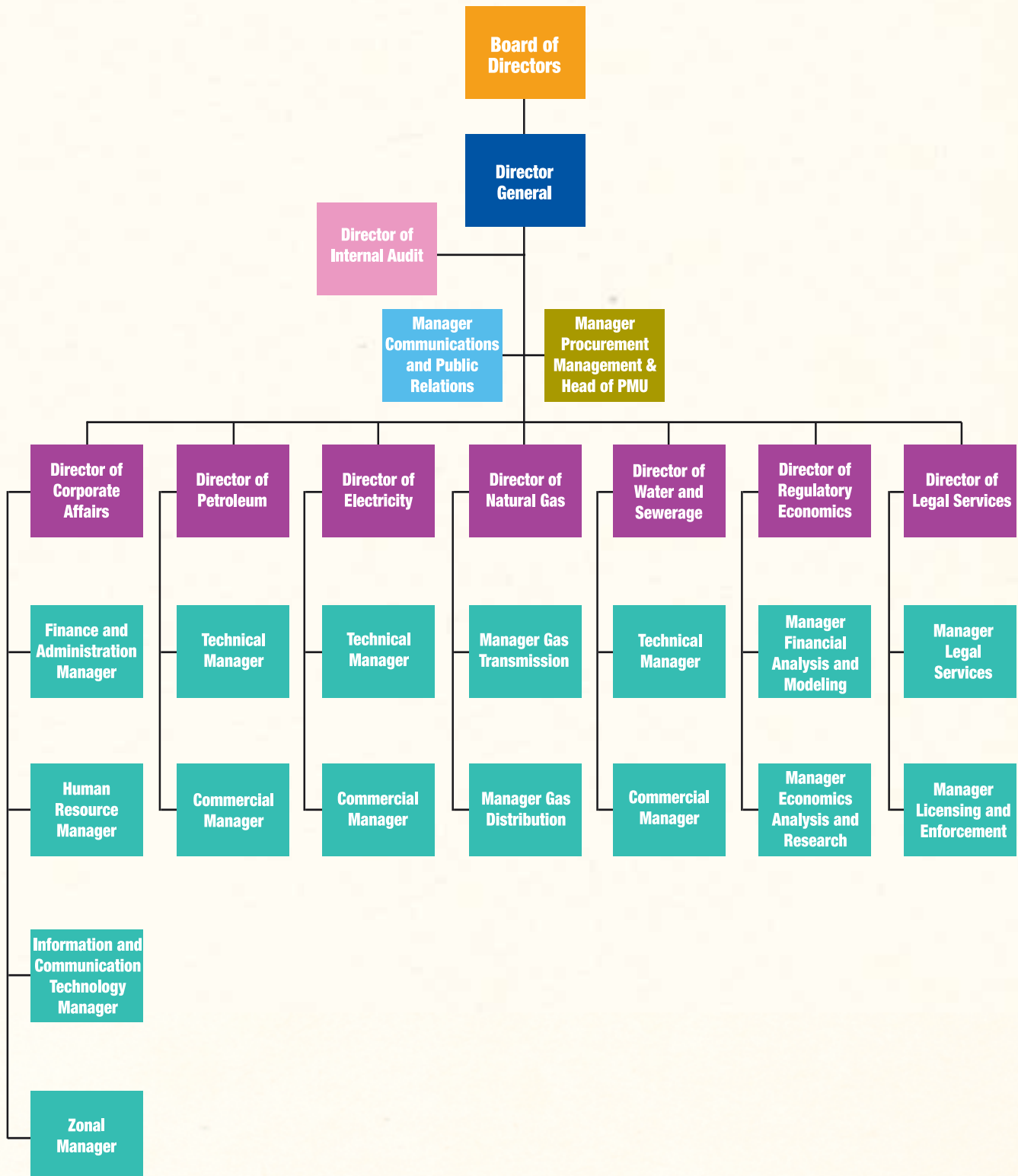
- a) have a well-managed organisation;
- b) have a well-developed Regulatory Information System;
- c) enhance public knowledge, awareness and understanding of the regulatory functions and regulated sectors;
- d) improve availability and quality of regulated services to customers; and
- e) have an effective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

During the year under review, the Authority approved a new Strategic Plan that will guide the Authority's operations for the next five years, 2012/13 to 2016/17.

## Organisation Structure

The Authority adopted a cost-effective organisation structure that facilitates efficient regulation of the four sectors (that is, electricity, petroleum, natural gas and water), good corporate governance and cross-cutting services. The structure has the Board of Directors as the top decision-making body, Director General and eight Divisions headed by Directors. There are also heads of Departments who report directly to the Director General, namely, Manager Procurement Management (Head of Procurement Management Unit) and Manager, Communications and Public Relations. Summary of the organisation structure is shown below.

### ORGANISATION STRUCTURE

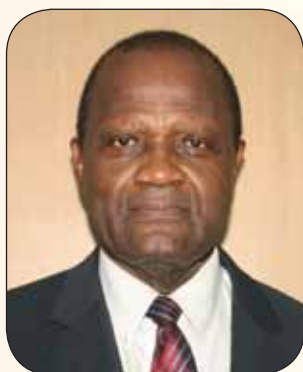




## BOARD OF DIRECTORS



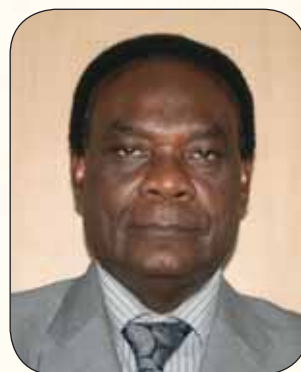
Mr. Simon Sayore  
**Chairman**



Dr. Geoffrey Mariki  
**Deputy Chairman**



Ms Lucy Sondo  
**Member**



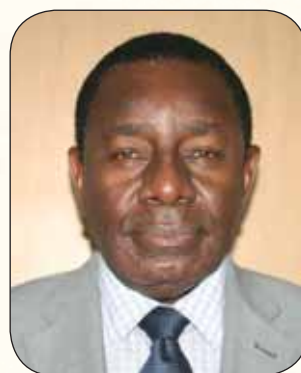
Mr. Omar Bendera  
**Member**



Mr. Haruna Masebu  
**Member**



Ms. Juliana Mwalongo  
**Member**



Mr. Nicholas Mbwanji  
**Member**

## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors and in accordance with section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap 414, it is my pleasure to present the sixth Annual Report and Accounts of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30<sup>th</sup> June, 2012.

EWURA is a multisectoral regulator responsible for the regulation of the energy and water sectors on Mainland Tanzania. During its sixth year of operation EWURA continued to maintain its commitment to international regulatory best practices. In addition, EWURA consistently observed principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process.

During the year under review, EWURA recorded several successes and faced several challenges as detailed in this report. Most notably were, the introduction in January, 2012 of the Bulk Procurement System for petroleum products, the introduction of a new petroleum products pricing template in August, 2011, and the commencement of a Cost of Service Study for the electricity sector that would enable the determination of cost reflective tariffs for electricity consumers in the country and the introduction of Multi Year Tariff setting for TANESCO.

Due to poor hydrology, the power situation in the country deteriorated significantly in the second half of 2011 and this necessitated power rationing and the subsequent setting of emergency power tariffs for electricity consumption from January, 2012. The Authority is also in the process of engaging a consultant to determine appropriate operating margins for operators in the petroleum sector. The circumstances behind these events demonstrate the Authority's belief in the need to preserve unparallel good governance and economic viability in the regulated sectors.

EWURA has continued to distinguish itself as a world class regulator by its use of a transparent and elaborate consultative process designed to engage all stakeholder groups in all its regulatory process thus ensuring that a level playing field exists for all stakeholders in the regulated sectors, and that stakeholder interests are balanced. As a result of this process EWURA continued to enjoy respect and support from various stakeholders such as Government and its institutions, development partners, regulated suppliers, investors, consumers and the general public.

Financially the Authority was able to finance all its operations and activities from internally generated resources that included levies on regulated suppliers, licence fees, penalties and interest income from fixed deposits.

As we move into the new financial year, the Authority will continue with its efforts to remain a world class regulator by continuing to develop appropriate regulatory tools, enhance the capacity of its work force and carry out its regulatory functions in a transparent and efficient manner. The authority's success in carrying out its regulatory functions thus far would not have been achieved without the great support it receives from various people. In this regard, I wish to extend my sincere appreciation to the Government in general and in particular, to the Minister for Water, the Minister for Energy and Minerals, the Minister for Finance and Economic Affairs, and all other stakeholders, for their close co-operation and continued support over the past six years of the Authority's operation.

Finally, I would like to thank members of the EWURA Board of Directors, Management and Staff, for their unwavering commitment, dedication and hard work during this sixth year of the Authority's operations.



Simon F. Sayore

**Chairman**

**14<sup>th</sup> November, 2012**

## **BOARD AND MANAGEMENT STRUCTURE**

### **Board of Directors**

EWURA is governed by a Board of Directors which is the highest decision-making organ of the Authority established under section 8 of the EWURA Act. The Board consists of the non-executive Chairman appointed by the President of the United Republic of Tanzania, five (5) non-executive members and the Director General who are appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers. In order to fulfil its oversight responsibilities, the Board has six (6) Committees based on sectoral regulation and cross-cutting issues. These are Audit, Legal and Corporate Affairs, Electricity, Petroleum, Natural Gas and Water Committees.

### **Director General**

The Director General is appointed under section 14 of the EWURA Act 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 eight (8) 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, Director of Corporate Affairs and Director of Internal Audit. Communications and Public Relations and Procurement Management are functions headed by managers under the Director General's Office.

### **Office of the Authority**

The office of the Authority is currently located in Dar es Salaam at Harbour View Towers, Samora Avenue.



## MANAGEMENT



Mr. Haruna Masebu  
**Director General**



Ms. Miriam G. Mahanyu  
**Director of Legal Services**



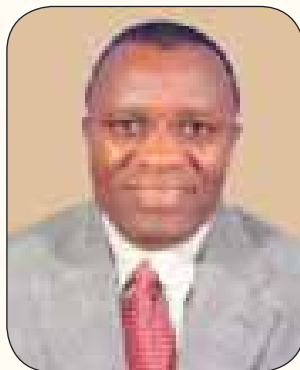
Mr. Paskali Massawe  
**Director of Corporate Affairs**



Eng. Godwin Samwel  
**Director of Petroleum**



Eng. Anastas Mbawala  
**Director of Electricity**



Eng. Charles Omujuni  
**Director of Natural Gas**



Eng. Mutaekulwa Mutegeki  
**Director of Water and Sewerage**



Mr. Felix Ngamlagosi  
**Director of Regulatory Economics**



Dr. Fred Msemwa  
**Director of Internal Audit**



Mr. Titus Kaguho  
**Manager Communications & Public Relations**



Mr. Deogratius Kumali  
**Manager Procurement Management & Head of PMU**

## DIRECTOR GENERAL'S STATEMENT

In 2012, EWURA maintained its position as the leading regulatory institution on Mainland Tanzania, at the forefront of regulatory excellence, through its commitment to good governance, and the championing of quality energy and water service delivery, through world class regulation.

During the period under review, 1<sup>st</sup> July 2011 to 30<sup>th</sup> June 2012, EWURA continued to demonstrate adherence to international best practices so as to balance the interests of all relevant stakeholders namely the general public, the private sector and the Government of Tanzania.

During this period, EWURA was at the epicenter of two crucial endeavors i.e. the establishment of the Bulk Procurement System (BPS) of petroleum products in the Petroleum sector as well as a key emergency tariff review application that was submitted by TANESCO in the electricity sector, both of which, were of great national interest.

In both cases, EWURA distinguished itself by effectively considering the viewpoints of all stakeholders through a consultative process which is admired by its peers all across the African continent. The BPS is currently on its fourth tender as successfully coordinated by the Petroleum Importation Coordinator (PIC) while the tariff review which was submitted by TANESCO is in its final stages.

During the period under review, EWURA also kept a close watch on developments surrounding the Natural Gas Policy with a view to participating in the drafting of the expected Natural Gas Act which is crucial tool towards the regulation of the Natural Gas sector.

Despite the successes of the Authority in its sixth year, EWURA is still in an infancy period in that there is still room for growth. As we move forward into the next financial year, we are continually mindful of the need to enhance public understanding of all the regulated sectors, while simultaneously upholding our unwavering commitment to sector reform. Challenges encountered this past year serve as lessons learnt providing additional insight as incorporated in the Authority's Strategic Plan 2012/13-2016/17.

I wish to thank the Government of Tanzania, EWURA Board of Directors, Government Consultative Council, Consumer Consultative Council, all regulated suppliers, and the general public, for their continued support, and co-operation with the Authority. I wish to also thank EWURA Management and Staff for their diligence during the course of performing their duties.



Haruna Masebu  
**Director General**  
**14<sup>th</sup> November, 2012**

## 1.0 CORPORATE GOVERNANCE

### 1.1 Board of Directors

According to the EWURA Act, Cap. 414, the Board of Directors is responsible for all regulatory decisions, policy formulation, code of conduct and strategic direction of the Authority. The EWURA Board is comprised of seven Board Members out of whom six are non-executive Directors and the Director General of the Authority. The Board Chairman is appointed by the President of the United Republic of Tanzania whereas other Board Members are appointed by the Minister responsible for EWURA as provided under section 8 of the EWURA Act.

During the year under review, the Authority's Board of Directors conducted twelve (12) Ordinary Meetings, twenty-four (24) Extra-Ordinary Meetings and two (2) Special Board Meetings.

### 1.2 Board Committees

In line with the EWURA multi-sector regulatory model, the Board has appointed sector-specific and other Board Committees. During the year under review, Audit, Legal and Corporate Affairs, Electricity, Petroleum, Natural Gas and Water and Sewerage Committees were in place in line with the provisions of section 21 of the EWURA Act. A total of twenty-nine (29) meetings were conducted by these Committees as shown in Table 1.

**Table 1: Board Committee Meetings**

S/n	Board Committee	Number of Meetings
1	Audit	7
2	Legal and Corporate Affairs	7
3	Electricity	5
4	Petroleum	4
5	Natural Gas	1
6	Water	5
	<b>Total</b>	<b>29</b>

**Note:** During the year under review there were two (2) ad-hoc Board Committee meetings in addition to the above committee meetings.

### 1.3 Director General

The Director General is responsible for the day-to-day running of the Authority and advises the Board, among other things, on the staffing needs and other resources required in undertaking the Authority's functions.

### 1.4 Internal Monitoring Systems

The Authority's internal monitoring system is undertaken in line with public sector legislation, regulations, rules and procedures. The internal administrative monitoring system is achieved through financial controls, the Code of Conduct and Internal Audit functions.

#### 1.4.1 Finance and Budget Administration

EWURA is a public institution and, therefore, governed by the Public Finance Act, 2002. The Authority's annual operations originate from its Strategic Plan covering a period from 2008/09 – 2011/12. The Annual Plan and Budget is approved by the Board and submitted to the Minister responsible for EWURA in line with the provisions of section 49 of the EWURA Act. Resources used to implement annual plans are derived from regulatory levies collected from consumers of regulated services. The outcome of the implementation of annual plans is presented to the Minister responsible for EWURA through an Annual Report and Accounts in line with the provisions of section 48 of the EWURA Act.



#### **1.4.2 Procurement Management**

The Authority's procurement activities are governed by the Public Procurement Act (No.21) of 2004 and its Regulations. In compliance with the law, the Authority has a Tender Board and an independent Procurement Management Unit (PMU). During the year under review, EWURA continued to maintain high standard of compliance with the law. Major tenders awarded to various suppliers and service providers during the year include supply of power system analysis software (DIgSILENT), provision of disaster recovery services, designing and construction supervision of Analytical Laboratory for petroleum products, supply of Integrated Financial Management System (EPICOR) and system administrative software and consulting services to develop electricity tariff-setting methodology and carrying out cost of service study.

#### **1.4.3 Code of Conduct**

EWURA Code of Conduct binds both staff and Members of the Board of Directors. To this effect, every member and employee signed the EWURA Code of Conduct which, among other things, promotes ethical behaviour by all employees and Board Members. Among other things, the Code of Conduct explicitly underlines that the Authority has zero tolerance on fraud and corruption. All incidents of fraud and corruption are reported to appropriate Authorities. During the year under review, the Authority did not encounter any incident of fraud or corruption.

#### **1.4.4 Internal Audit and Risk Management**

The Internal Audit is part and parcel of the Authority's governance framework. The major function of Internal Audit is to assist the Board on its oversight roles by carrying out independent audits with a view to promoting improvement in internal controls, risk management and corporate governance processes. Furthermore, the Internal Audit carries independent appraisals of the Authority's activities with a view to providing assurance services on the effectiveness at which the Authority is achieving its set objectives. Activities of the Internal Audit are guided by the EWURA Internal Audit Policy and the Board Audit Committee Charter. During the financial year 2011/12 audits were carried out aimed at assisting the Authority to achieve its corporate objectives and compliance with legal requirements, accounting standards and internal procedures. Audits carried out during the year under review include operational, financial, procurement and compliance audits. Audit reports were submitted to the Audit Committee and deliberated by the Board which gave guidance to Management on reported issues in line with the corporate governance structures that govern internal audit activities within the Authority.

## **2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW**

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

### **2.1 Staffing and Institutional Capacity Building**

#### **2.1.1 Recruitment**

The Authority provides equal opportunity for all. It employs the most appropriate candidates selected in a transparent and competitive manner to ensure that the public receives quality service. Consequently, EWURA has attracted highly qualified and motivated professionals from both the public and private sectors, thus bringing in a wide variety of experiences.

During the period under review, the Authority recruited 9 staff to fill-in the existing vacancies. However, the total number of staff decreased from 97 to 91 due to termination of contract involving six (6) staff in which two (2) staff were terminated on disciplinary grounds, contracts for two (2) staff were not renewed and two (2) staff joined the Ministry of Energy and Minerals. Staff gender structure is as indicated in Table 2:

**Table 2: Staff as at 30<sup>th</sup> June, 2012**

Item	Male	Female	Total
Staff Complement	63	28	91
Percentage	69%	31%	100%

### 2.1.2 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, the Authority continued to invest in human capital development particularly in the core functions of EWURA. New senior officers attended general courses on public utility regulation and strategy. Some middle level and support staff attended local training in general management courses, secretarial practices, advanced drivers and office attendants training courses. The objective is to improve their skills and performance.

### 2.1.3 Regional Co-operation and Collaboration

EWURA subscribed and participated mainly in the activities of four Regional Associations, namely African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (EREA), Regional Electricity Regulators Association (RERA) and Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS). The main objective of EWURA's participation is to exchange regulatory experiences within the region, and allow EWURA to have access to information necessary for regulation and performance benchmarking.

## 2.2 Information and Communication Technology (ICT)

### 2.2.1 Regulatory and Management Information Systems

The Authority's Information Technology System supports regulatory functions. The Authority maintains the Water Management Information System (MajlS) which monitors the performance of Urban Water Supply and Sewerage Authorities (UWSAs). In addition, the MajlS system serves to improve accessibility to data and information for monitoring, planning and decision-making. It has also provided guidance to UWSAs on planning, development, operation and maintenance of water supply and sewerage services.

During the reporting period, the Authority recruited a Consultant for the development of the National Petroleum Information System (NPIS). NPIS is an integrated and centralised information system covering all petroleum supply operations and market activities in the petroleum sub-sector.

Finance and accounting activities of the Authority are managed through accounting software which provides accurate data and timely reporting. All staff are connected to the email system. This is achieved through a well maintained and reliable network which ensures reliable desk support services.

### 2.2.2 Public Register

It is the Authority's policy to ensure that the public is provided with the correct and accurate information. EWURA maintains Public Access Register, which is available for public inspection at all times during business hours in its principal office in Dar es Salaam. The Register is also available at the Authority's website. It provides access to the Code of Conduct adopted by the Authority, regulatory information and all regulatory decisions made by the Authority and published in the Government *Gazette* such as rules, tariff orders, awards and licences.

The objective is to improve transparency and provide timely information to all stakeholders on the Authority's regulatory activities.

### 2.3 Financial Performance Review

During the year under review, the Authority collected a total of TZS 22.65 billion from regulatory levy, licence fees and other income. This indicates a slight increase of 1% compared to the previous year.

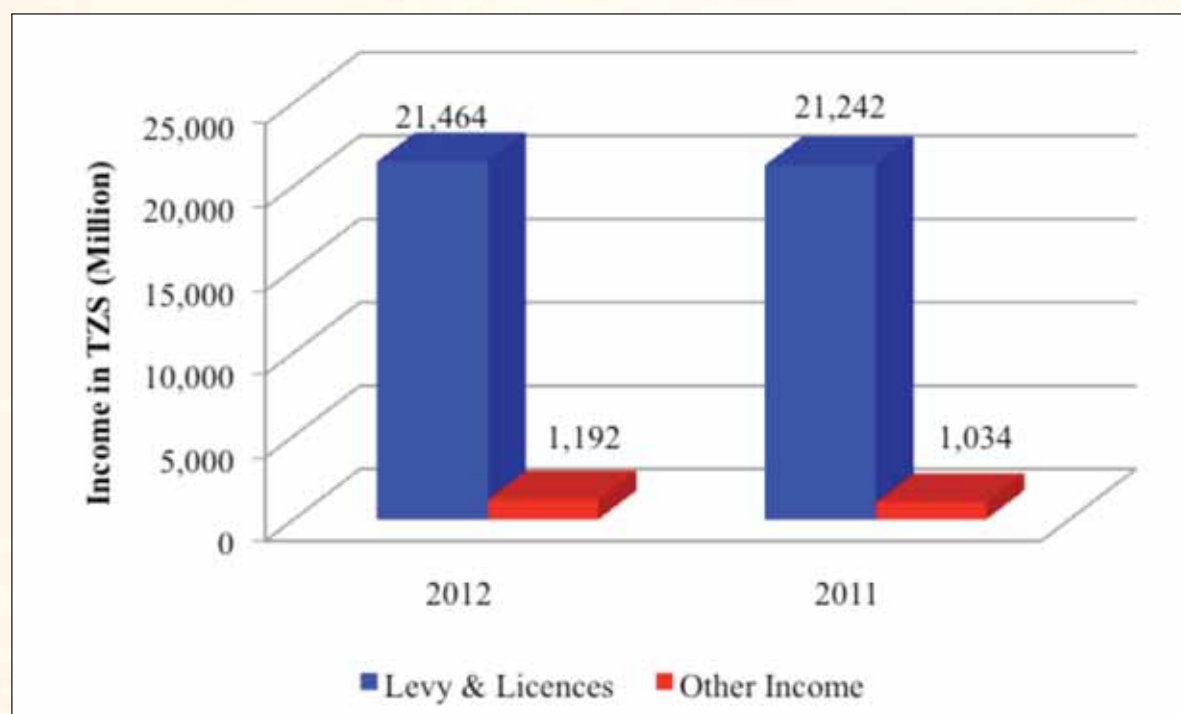
In the same period, the Authority spent a total of TZS 22.63 billion for recurrent expenditure. The overall expenditure indicates a decrease of 10% compared to the previous year due to constraint in resources. A summary of financial performance is shown in Table 3.

**Table 3: Summary of Financial Performance**

Item	%Increase Over Previous Year	Amount for the Year Ended 30 <sup>th</sup> June, 2012	Amount for the Year Ended 30 <sup>th</sup> June, 2011
	%	TZS'000	TZS'000
<b>Income from Levy and Licences</b>	1	21,463,644	21,241,921
<b>Other Income</b>	15	1,191,560	1,033,680
<b>Total Income</b>	<b>2</b>	<b>22,655,204</b>	<b>22,275,601</b>
<b>Re-current Expenditure</b>	3	24,274,981	21,901,383
<b>Capital Expenditure</b>	(100)	0	3,113,817
<b>Total Expenditure</b>	<b>(10)</b>	<b>24,274,981</b>	<b>25,015,200</b>

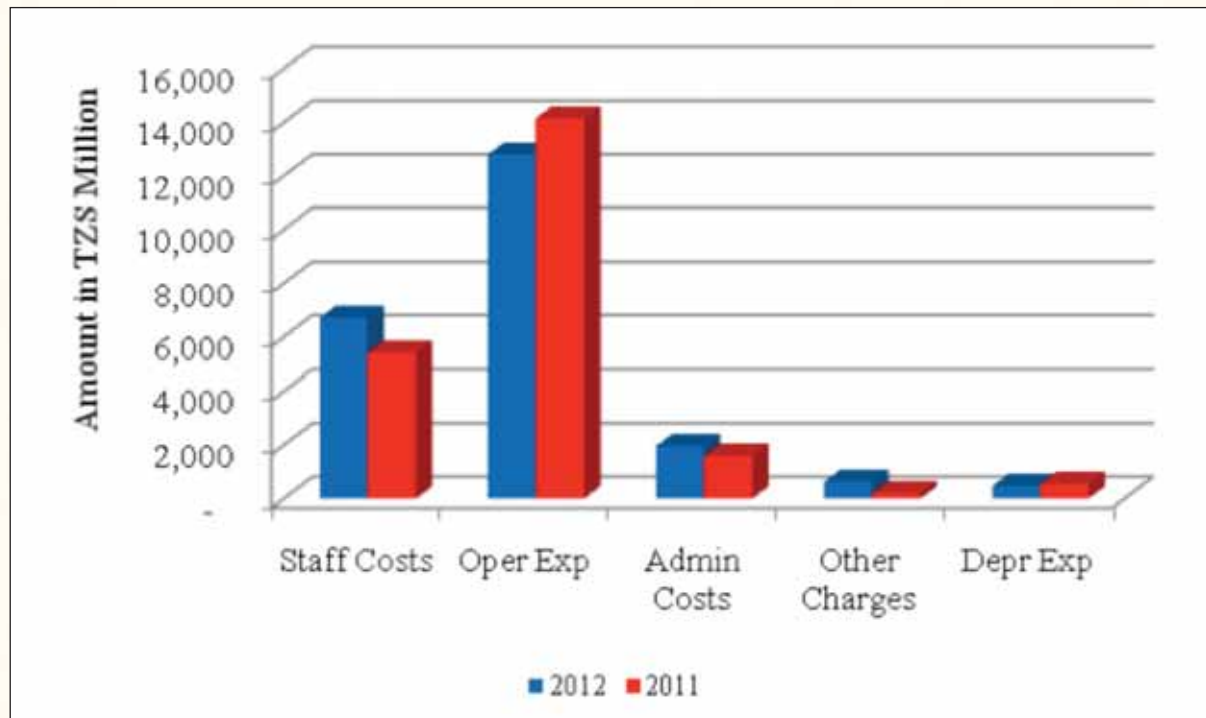
Other key financial performance highlights are depicted in the Figures 1 and 2:

**Figure 1: Main Sources of Income**





**Figure 2: Recurrent Expenditure Trend**



## 2.4 Key Achievements and Challenges

Key achievements and challenges faced by the Authority during the year under review are discussed below.

### 2.4.1 Key Achievements

- Introduction of Bulk Procurement System for petroleum products for local market in January, 2012. The system has reduced congestion of ships at the port and improved fuel importation data.
- Attained financial self sufficiency which enabled the Authority to run its operations without depending on grants from Government or Development Partners.
- Continued with petroleum products marking system which has significantly reduced adulteration and dumping of transit petroleum products. This has improved quality of petroleum products and competition in the sector. In addition the system has reduced tax evasion on transit petroleum products.
- The Authority conducted public awareness campaigns and seminars on the roles and responsibilities of the Authority, rights and obligations of the service providers and consumers and complaints handling mechanism, for editors and journalists of Dar es Salaam based media houses.
- Developed regulatory tools which include rules, guidelines and licences.
- Approved one pricing template for petroleum, three tariff adjustments for electricity and 18 tariff adjustments for water and sewerage.

### 2.4.2 Key Challenges

- Inadequate investment in the power sector, thus leading to mismatch between supply and demand of electricity. As a result the system is operating without sufficient reserve margin..
- Absence of Natural Gas Policy and Natural Gas Act. This affects gas regulatory environment and consequently investment in the sector. The Authority will continue to support the Ministry of Energy and Minerals in developing the Gas Policy and Gas Bill enactment process.
- The Authority is also faced with office accommodation challenges which include increase in rent and insufficient space. The Authority plans to construct its own office on a plot provided by the Ministry of Water at Ubungu.

- d) Insufficient public knowledge in understanding the rights and obligations of consumers and the regulated suppliers. The Authority shall continue to implement its Public Awareness Programme to address this challenge.

### 3.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION

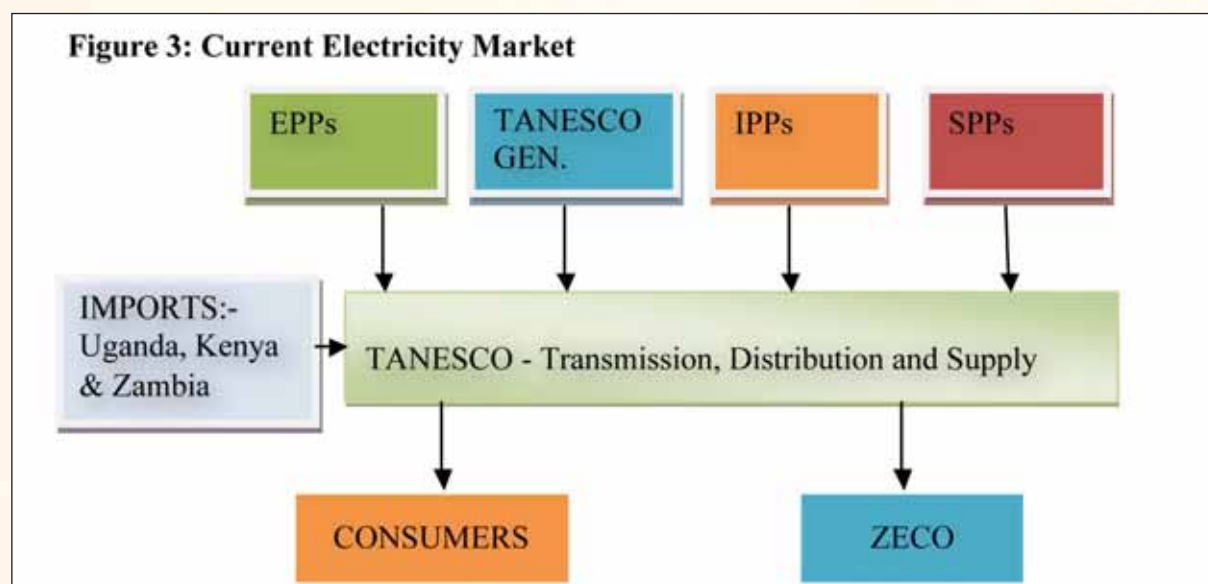
Electricity is one of the three subsectors of the energy sector that is regulated by the Authority. This section gives an overview of the electricity sub-sector performance, regulatory activities performed by the Authority during the period under review and challenges facing both the sector and the Authority in regulating the electricity sub-sector.

#### 3.1 Overview

##### 3.1.1 Electricity Supply Industry

The electricity supply industry in Tanzania is vertically integrated, with TANESCO owning and carrying out generation, transmission and distribution of electricity up to the final consumers, and sells electricity in bulk to Zanzibar Electric Company (ZECO) through submarine cables to Zanzibar and Pemba Islands. Several Independent Power Producers (IPPs) and Small Power Providers (SPPs) are selling bulk electricity to TANESCO under long-term and short-term (emergency power supply - EPPs) contracts, see Figure 3.

**Figure 3: Current Electricity Market**



Tanzania has again faced a year of low rainfall resulting in very low water levels in the hydropower reservoirs, resulting in much lower energy and capacity contribution into the grid. This also resulted in further installation of emergency rental power plants and increased use of liquid fuels including Jet A1 and diesel. This has significantly affected TANESCO's cashflow required to provide adequate power at acceptable quality levels. The Government had to intervene by providing funds to the utility to meet the essential obligations.

There has been an increase in interest during the year for opportunities in the renewable energy component of electricity generation option, particularly in the off-grid and isolated towns; these include mini-hydros, biomass, solar and wind power. Natural gas and coal have also created interest to some potential investors in power generation.

### **3.1.2 Regional and International Participation**

EWURA continued to play a vital role at regional and international regulatory fora. EWURA was involved in the Regional Electricity Regulatory Association of Southern Africa whereby its staff participated at various RERA events, including information sharing workshops, capacity building programmes. Also, EWURA is an active member of the Africa Forum for Utility Regulators (AFUR), and the Director General was elected Chairperson of AFUR in April, 2012 for three years. In June, 2012 EWURA hosted the Annual General Assembly meeting for the East African Community Energy Regulators Association (EREA). EWURA has also participated actively in the various events as a member of different regional and international organisations, including the Eastern Africa Power Pool (EAPP), and International Confederation of Energy Regulators (ICER) of the European Union (EU).

## **3.2 Performance Monitoring**

### **3.2.1 Reporting System**

Since EWURA came into operation in mid 2006, regulated entities submitted daily, weekly, monthly, quarterly and annual reports on their operations. However, the current reporting format and process have been noted to have some deficiencies on data collection, accuracy and timing. EWURA has therefore developed a new Electricity Regulatory Information System (ERIS) and an Asset Register (AR) for TANESCO.

ERIS is a web-based system that captures, and maintains the data submitted by TANESCO, and can be made to produce reports which are of use TANESCO for decision making and to EWURA for regulatory purposes. Also, ERIS can be accessed by officials of the Ministry of Energy and Minerals for policy decision. The web-based Assets Register which has been developed for TANESCO is an important tool for EWURA during tariff setting process, as it provides a good foundation for valuing TANESCO's regulatory asset base in tariff determination. Both ERIS and AR will be fully operational by the end of the year 2012.

### **3.2.2 Generation Capacity**

#### **a) Local Generation Capacity**

The total installed capacity in the National Grid increased from 1120 MW to 1375 MW, at the end of June, 2012, with the increase being the result of commissioning of TANESCO's new gas fired power plant (105 MW) at Ubungu, Dar es Salaam, and rental power plants installed by Aggreko (100 MW) in Dar es Salaam and Symbion (55 MW) at Dodoma. The contribution of IPPs to the total installed capacity includes Songas (189 MW) and IPTL (100 MW), and two Small Power Producers (SPPs), namely, TANWAT (1.0 MW) and TPC (10 MW). However, the available capacity has reached just about 950 MW only due to machine breakdowns, inadequate water for power generation, inadequate gas infrastructure and insufficient funds for supply of liquid fuel. Hence the Peak Demand in the National Grid was only 829 MW compared to 833 MW reached in the previous reporting period.

The installed capacity in the isolated grid increased by 25 MW thereby reaching a total installed capacity of 81 MW. The additional capacity was realized after commissioning of new generators for the districts of Kasulu (2.5 MW), Kibondo (2.5 MW), Loliondo (5.0 MW), and new generators added in existing isolated grids of Songea (2.5 MW), Kigoma (7.5 MW) and Sumbawanga (5 MW).

EWURA has issued four (4) provisional licences to Wind East Africa (100 MW) and three SPPs, namely, EA Power (10 MW), St. Agnes (7.5 MW) and Kikuletwa Community Development Corporation (7 MW).

#### **b) Import and Export Operations with Neighbouring Countries**

Tanzania is not yet interconnected with its neighbours, and import and export of electricity is limited to distribution cross border electrification at voltage level of 33 kV at the grid level. Isolated areas are the



beneficiaries of the import/export of electricity at border towns of the respective countries. Tanzania imports about 10MW from Uganda for Kagera region, 3 MW from Zambia for Rukwa region and part of Mbeya region; and about 0.8 MW from Kenya for the Namanga and Longido district headquarters in Arusha, while Tanzania exports power to Kenya through Horo Horo, supplying consumers at the Lunga Lunga border town (maximum capacity of 315 kVA).

### 3.2.3 Generation Mix

Tanzania has been reducing its hydro dependency by investing in more climate neutral projects, such as natural gas and coal. The electricity generation mix in the National Grid has, during the period, changed from hydro/thermal ratio of 51:49 in 2010/11 to the ratio of 32:68 in 2011/12, with 17% of the thermal portion contributed by Industrial Diesel Oil (IDO). The observed drastic drop in hydro portion of the generation mix is due to inadequate hydro generation resulting from prolonged drought in 2011 and 2012. However, the high use of expensive fuel such as diesel and Jet A1 has resulted in the utility not being able to use the available capacity fully.

**Table 4: Total Generation Mix by Resource 2010/11 and 2011/12**

Resource	2010/11		2011/12	
	GWh	Proportion	GWh	Proportion
<b>Hydro</b>	2,621	51%	1,806	32%
<b>Gas</b>	2,351	46%	2850	51%
<b>Diesel/ Jet A1</b>	147	3%	920	16%
<b>Biomass</b>	18	0.4%	25	0.4%
<b>Total</b>	<b>5,137</b>	<b>100%</b>	<b>5,601</b>	<b>100%</b>

### 3.2.4 Measures Taken to Address Power Shortage

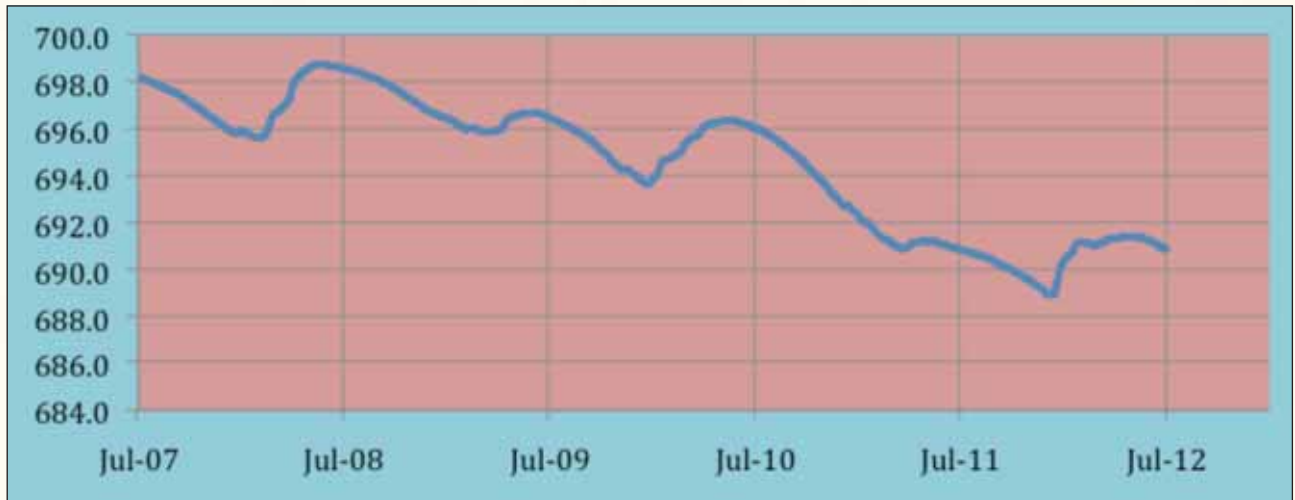
The Government and TANESCO embarked on various measures to address the power shortages, including:

- providing funds for purchase of liquid fuel to run TANESCO's own thermal generation plants and purchase of electricity from IPPs;
- purchasing electricity from rental power plants namely, Symbion 112 MW (75 MW dual fuel by using natural gas or Jet A1, and 37 MW using Jet A1), Aggreko 100 MW diesel plants (50 MW installed at Ubungo and 50 MW at Tegeta), and Symbion 55 MW diesel fired power plants at Dodoma; and
- expediting implementation and commissioning of TANESCO's 105 MW gas fired plant at Ubungo Dar es Salaam.

### 3.2.5 Hydrological Situation

There are two river basins that contribute significantly to power production in Tanzania, namely the Pangani River Basin and the Rufiji River Basin. The two river basins contributed less power production due to poor hydrology; Mtera Dam, which also regulates the water flow into Kidatu hydropower plant, recorded low water levels. The long rains which were expected between March and May, 2012 were not sufficient to raise the dam level appreciably, hence by the end of the rain season dam level was about 691.42 m.a.s.l. compared to the maximum level of 698.50 m.a.s.l. as depicted in Figure 4 and photo in Figure 5.

**Figure 4: Mtera Trajectory 2007 to 2012**



**Figure 5: Mtera Dam at Low Water Level**



### 3.2.6 Customer Base

During the year 2011, TANESCO connected only 68,000 new customers out of the targeted 100,000 customers. In the first half of year 2012 TANESCO connected 30,106 new customers. The rate of connecting new customers appears to be too low to meet the Government target of 30% access by end of 2015. New strategies are required to increase the rate of connecting new customers in line with the anticipated increase in generation.

### 3.2.7 Customer Service Performance

EWURA continued to monitor implementation of TANESCO's Customer Service Charter (CSC), which was launched in 2010. TANESCO submits to EWURA reports on the implementation of the CSC on quarterly basis. EWURA conducted a survey of TANESCO's residential customers, to systematically

assess how customers perceive the level of quality of service they receive from TANESCO. The purpose of the assessment is to create momentum for TANESCO to improve quality of supply, and quality of service it provides to customers.

The results of the survey show that customers were not satisfied with the services delivered by TANESCO. Customers' main concerns are related to poor quality power supply and poor communication with customers. EWURA has sent the report to TANESCO for action, and it is expected that such survey will be conducted regularly.

### 3.3 Licensing

#### 3.3.1 Power Supply Licensing

During the period under review pre-licensing inspections were conducted to TANESCO's infrastructures including power stations, substations, transmission lines and regional offices, Aggreko and Symbion power plants, Tulila hydropower Ltd and Community Development Corporation Ltd's Kikuletwa sites. EWURA issued 13 licences for generation and distribution of electricity. Out of these, ten licences were for generation (2 for short term emergency contracts, 6 Provisional licences, and 2 long term contracts) and three provisional licences were for distribution of electricity. More details of the licences issued during the period are included in Table 5.

**Table 5: Licences Granted**

No.	Licensee	Project Area	Capacity (MW)	Type of Licence/ Duration	Date Issued
1	Aggreko Projects Ltd	Ubungo Yard and Tegeta	100	Generation 12 months	26/10/2011
3	TPC Ltd	Moshi	10	Generation 24 months	10/8/2011
4	Wind East Africa Co. Ltd	Singida	100	30 months Provisional License	7/5/2008
5	Lung'ali Natural Resources Company Limited	Kilolo, District	7.5	Generation	9/5/2012
6	Wentworth	Mtwara	18	Generation 12 months	14/09/2011
7	Tanganyika Wattle Co. Limited	Njombe District	2.4	Generation 13 years	18/6/2012
8	NextGen Co. Ltd	Solawazi, Kigoma	5	Generation 36 months	30/4/2012
9	Community Development Corporation Ltd	Kikuletwa, Hai District	8	Generation 36 months	30/4/2012
10	Mwenga Hydro Limited	Mufindi District	3.36	Generation and Distribution 30 months	1/11/2011
11	Lung'ali Natural Resources Company Limited	Kilolo, District	N/A	Distribution	9/5/2012
12	Mwenga Hydro Limited	Mufindi District	3.36	Distribution 30 months	1/11/2011
13	Armstone Company Limited	Misenyi and Kyerwa District		Distribution 24 months	4/9/2011

#### 3.3.2 Electrical Installation Licensing

Pursuant to Electricity Act Cap 131, electrical installation is a licensed activity, therefore personnel (contractors and wiremen) require to obtain licences from the EWURA to carry out such works. During the period EWURA received a total of 98 licence applications from contractors and wiremen, out of which 83 were issued with licences, 14 were rejected for not meeting the requisite qualifications for



the licence classes they had applied for, and one was referred back for lack of sufficient information. Electrical contractors and wiremen licences that were issued in the last five years are listed in Table 6.

**Table 6: Electrical Contractors' Licences Issued from 2007 to June, 2012**

Year	Applications	Licenses Issued by Classes				
	Received	A	B	C	D	W
<b>2007</b>	113	5	26	40	28	11
<b>2008</b>	123	5	17	42	32	19
<b>2009</b>	61	6	14	27	11	2
<b>2010</b>	134	7	16	45	35	19
<b>2011</b>	114	5	18	35	27	18
<b>Jun-12</b>	42	1	6	11	5	18
<b>Total</b>	<b>587</b>	<b>29</b>	<b>97</b>	<b>200</b>	<b>138</b>	<b>87</b>

### 3.4 Determination of Rates and Charges

#### 3.4.1 TANESCO Emergency Tariff

The Authority reviewed an emergency tariff adjustment application, which was submitted by TANESCO on 9<sup>th</sup> November, 2011. In the Application, TANESCO requested for a tariff increase of 155% to cater for increased operational costs due to increased utilization of liquid fuel thermal plants and rental Emergency Power Plants (EPPs) in order to address the acute power shortage experienced in the country following consecutively repeated droughts.

Following the review of the application and based on the assumptions aforementioned, the Authority on 15<sup>th</sup> January, 2012 approved an average tariff increase of 40.29% to be applicable for six months consistent with Section 15 of the Tariff Application Guidelines, 2009.

TANESCO were required to borrow money from commercial banks to meet the increased cost of electricity generation. However, by 30<sup>th</sup> June, 2012, TANESCO only received the loan bridge finance that was given by the Government and later converted to a grant, and all other assumptions were not realized.

#### 3.4.2 Rate Setting Methodology and TANESCO Cost of Service Study

In February 2012, the Authority engaged an independent consultant, AF-MERCADOS EMI of Spain, to develop a Rate Setting Methodology (RSM) for the electricity sector in Tanzania, and carry out a Cost of Service Study (COSS) for TANESCO. The COSS was to recommend multi-year cost reflective tariffs for TANESCO, which would be applicable after the expiry of the TANESCO emergency tariff by end of 2012 (extended by six months). Approval of a multi-year tariff is consistent with section 24(2) of Cap. 131, which requires the Authority to make amendments or review tariffs charged by a licensee once in every three years.

#### 3.4.3 Tariff for Small Power Projects

The Authority approved the Standardized Tariffs for Small Power Projects (SPPT) for 2012, which became effective from 1<sup>st</sup> May, 2012. The tariffs were approved after consultation with the Working Group on Small Power Development (WGSPD) and the Public.

Furthermore, the Authority reviewed a retail tariff application from Mwenga Hydro Limited (MHL), for distribution supply services in 16 villages in Mufindi. The MHL tariff application was approved by the Authority on 18<sup>th</sup> June, 2012 and be effective from 1<sup>st</sup> July, 2012.

### 3.5 Legislative Matters

The Authority continued to develop regulatory instruments including rules and guidelines for electricity industry. The Authority developed rules on electricity generation, development of SPPs, approval of initiation of power projects, and approval of Power Purchase Agreements.

The consultation process for the amendment of SPP Rules and Guidelines was completed. Rules and Guidelines for the initiation of procurement and approving Power Purchase Agreements (PPAs) for large power projects were also developed and the same are to be finalised after consultations with key stakeholders.

### 3.6 Complaints and Dispute Resolutions

EWURA received 64 complaints, which comprised of disputed billing, unlawful disconnections, delayed connections, unreliable power supply and poor response on emergency calls. Out of the total complaints received, 27 were determined and awards issued, and one complaint was withdrawn. Hearing and mediation of the remaining 35 complaints are in progress as indicated in Table 7.

**Table 7: Complaints Determined by the Authority in the Electricity Sector**

S/n	Nature of Complaint	Settlement Mode	Status	Number of Complaints
1	Billing	Hearing	Award issued	4
			In progress	22
			Withdrawn	1
		Mediation	Award issued	15
2	Compensation due to fire accidents	Hearing	Award issued	2
			In progress	12
3	Unlawful Disconnection	Hearing	Award issued	2
		Mediation	Award issued	1
4	Delayed new connection	Hearing	In progress	1
		Mediation	Award issued	3
	Total			63

### 3.7 Litigation

During the period under review, EWURA was involved as a party in two litigations in the electricity sub-sector as shown in Table 8.

**Table 8: Litigations in the Electricity Sector**

S/n	Parties	Court or Tribunal	Nature of Claims	Status as at 30 <sup>th</sup> June, 2012
1	Appeal No.1 of 2011 between TANESCO and EWURA and Clement Bernard	FCT	Appeal against the decision of EWURA in the Complaint lodged by Mr. Clement Bernard against TANESCO. EWURA has been joined as the necessary party.	Pending
2	Appeal of 2011 between TANESCO and EWURA	FCT	Appeal against EWURA's decision on a Tariff Application by TANESCO	Appeal was withdrawn on the request of the appellant.

### 3.8 Health, Safety and Environmental Matters

EWURA conducted inspections, in some cases in collaboration with Occupational, Safety and Health Agency (OSHA) and National Environment Management Council (NEMC), on compliance to Health, Safety and Environmental (HSE) requirements. The inspections covered electricity infrastructure in the generation, transmission and distribution segments.

Inspections conducted at generation and transmission facilities revealed that some power stations and

substations were found with oil spillage, unkempt surroundings and faulty indication meters. At distribution level, inspections revealed poles that needed immediate replacement and some distribution transformers not protected against possible contact and low sagging conductors, a common source of accidents. The Authority directed the respective utilities to rectify anomalies that were found during the inspections. The same were rectified, and feedback given to the Authority after completion.

### 3.9 Challenges and Way Forward

The following are some of the major challenges that EWURA is facing in the electricity sector and proposed mitigation measures.

- a) The plan for restructuring the electricity market as stipulated in the Electricity Act, 2008 has not been completed, hence making it difficult for the Authority to develop the necessary regulatory tools that are envisaged in the legislation.
- b) Unreliable electricity supply, mainly due to delayed implementation of generation projects, overloads of transmission infrastructure, long radial transmission network and dilapidated electricity infrastructures in the distribution network. The Authority is preparing regulatory instruments, including among other things, development of investment framework to attract public and private investments in the sector as well as strengthening monitoring of compliance with service standards.
- c) Low customer base and the challenge to increase electricity access from 14% in 2011 to 30% by 2015. The rural population is the most affected with a very small number of people with electricity. The Authority, in collaboration with REA and the Government, needs to develop a strategy on enabling increased electrification including involvement of the private sector.
- d) Lack of technology specific Feed-in-Tariff contributes to slow down efforts to develop Small Power Projects and renewable energy, as the current SPP tariff applied for on grid projects does not consider different cost structures in technologies such as solar and wind. The Authority is currently working with stakeholders to come up with Feed-in-Tariff some technologies.
- e) Inadequate qualified local experts for handling fire related accidents and disputes. Efforts are underway to train EWURA staff on fire accidents investigations, and particularly those caused by electrical fault. Joint capacity building programmes are foreseen in the near future.

## 4.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION

This section of the report presents highlights of regulatory activities related to the downstream petroleum sub sector in Mainland Tanzania, which were carried out by the Authority during the year under review. It covers both technical and commercial aspects, achievements made and challenges faced in discharging regulatory roles and functions related to the downstream petroleum operations.

### 4.1 Overview

Since EWURA came into operation in year 2006 a range of positive developments are being registered including, improved standards of petroleum facilities, improved quality of the sold petroleum products, fair petroleum products prices and improved petroleum products supply arrangements. Regulatory measures which are being implemented by EWURA in the downstream petroleum sub sector have made substantial monetary savings in the economy of the country.

During the financial year 2011/12 the Authority's regulatory functions in the downstream petroleum subsector covered the following main areas:

- a) petroleum products supply and distribution;
- b) petroleum products prices assessments, monitoring and enforcement;
- c) petroleum products and petroleum infrastructure quality monitoring and regulation;
- d) licensing of petroleum infrastructure;



- e) petroleum operations complaints and conflicts handling; and
- f) challenges faced in the implementation of the above listed activities.

## 4.2 Performance Monitoring

### 4.2.1 Petroleum Products Supply and Stock Monitoring

During the period under review, Dar es Salaam port continued being a major gateway of petroleum products imports for both the local market, and neighbouring countries that transit their products through Tanzania. 98% of the imports were made through the Dar es Salaam port. Tanga and Sirari entry points accounted for 1% each. A total of 3,485,926,471 litres of various petroleum products were imported through Tanzania, out of which 2,299,994,017 litres were for the local market and 1,185,932,454 litres for transit to neighbouring countries. Local market imports were higher by 11% compared to the year 2010/11, similarly transit products have increased by 11% as compared to the financial year 2010/11. Tables 9 and 10 show the breakdown of imported petroleum products.

**Table 9: Local Imported Petroleum Products (in Lts) – July 2011 to June 2012**

Month	Gasoil	Mogas	Jet-A1	HFO	Monthly Imports
Jul-11	95,285,513	39,470,919	28,828,885	6,181,188	169,766,505
Aug-11	67,666,713	36,043,184	36,740,998	0	140,450,895
Sep-11	67,187,076	72,392,656	2,816,751	35,696,998	178,093,481
Oct-11	79,591,949	15,453,781	13,414,493	0	108,460,223
Nov-11	132,223,059	21,458,280	32,790,646	25,622,145	212,094,130
Dec-11	78,852,709	68,209,221	13,697,850	0	160,759,780
Jan-12	123,566,477	15,801,166	22,397,644	6,424,269	168,189,556
Feb-12	135,801,883	74,997,957	9,834,537	23,594,171	244,228,548
Mar-12	94,277,393	59,788,042	24,582,077	0	178,647,512
Apr-12	90,659,215	58,998,825	0	12,158,975	161,817,015
May-12	83,609,465	31,773,706	0	0	115,383,171
Jun-12	107,771,528	34,768,130	13,240,469	6,295,772	162,075,899
	<b>1,156,492,980</b>	<b>529,155,867</b>	<b>198,344,350</b>	<b>115,973,518</b>	<b>1,999,966,715</b>
Localized Volume	<b>198,610,038</b>	<b>74,612,489</b>	<b>14,217,915</b>	<b>2,133,250</b>	<b>289,573,692</b>
Total Local Volume	<b>1,355,103,018</b>	<b>603,768,356</b>	<b>212,562,265</b>	<b>118,106,768</b>	<b>2,289,540,407</b>

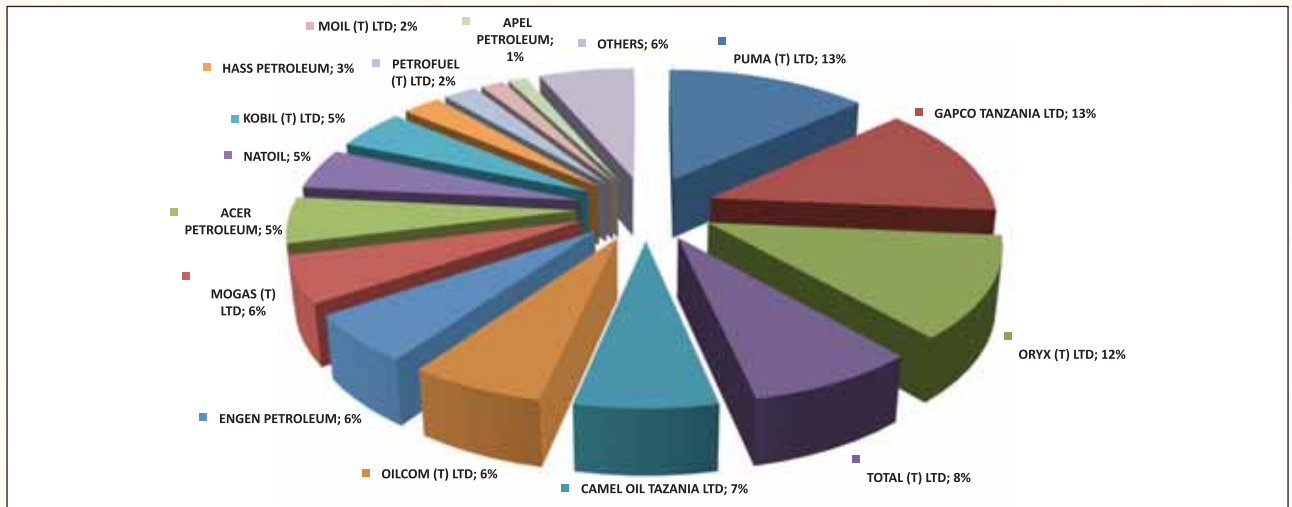
**Table 10: Transit Petroleum Products (in Lts) – July 2011 to June 2012**

Month	Gasoil	Mogas	Jet-A1	HFO	Total
Jul-11	105,598,401	24,474,419	5,536,851	0	135,609,401
Aug-11	101,366,729	37,838,198	8,033,391	0	147,238,318
Sep-11	30,184,913	56,737,876	808,164	1,422,792	89,153,745
Oct-11	41,427,741	9,388,381	2,784,113	0	53,600,235
Nov-11	48,099,532	14,831,052	6,311,497	0	69,242,081
Dec-11	61,379,459	33,806,087	0	0	95,185,546
Jan-12	44,066,481	8,001,148	3,127,014	0	55,194,643
Feb-12	72,502,865	40,711,561	1,788,432	357,558	115,360,416
Mar-12	58,649,233	28,044,655	10,696,485	0	97,390,373
Apr-12	78,131,369	31,739,935	0	0	109,871,304
May-12	38,308,159	32,438,358	0	0	70,746,517
Jun-12	94,197,121	41,185,877	11,956,877	0	147,339,875
Total	<b>773,912,003</b>	<b>359,197,547</b>	<b>51,042,824</b>	<b>1,780,350</b>	<b>1,185,932,454</b>

#### 4.2.2 Petroleum Products Sales

During the period under review, consumption of petroleum products in the Tanzania local market was 2,247,042,052 litres. There was a growth of about 9% compared to 2,063,556,291 litres consumed in the last financial year. The market was dominated by nine major companies with market shares of more than 5%. These are, PUMA, GAPCO, ORYX, TOTAL, CAMEL OIL, OILCOM, ENGEN, MOGAS and Acer Petroleum. Most of these companies have retail outlets located in all regions. Market share figures show that the market is not concentrated and is fairly distributed among players as shown in Figure 6.

**Figure 6: Market Shares from July 2011 to June 2012**



In the months of August and September, 2011, four (4) oil marketing companies engaged in actions which could cause artificial shortage of petroleum products in the country. These companies were served with Compliance Orders directing them to immediately resume business. Similarly, thirteen (13) petrol stations were found refusing to sell petroleum products, punitive measure were also taken against them. In spite of these happenings, there was a general stable supply of petroleum products to all areas of the country.

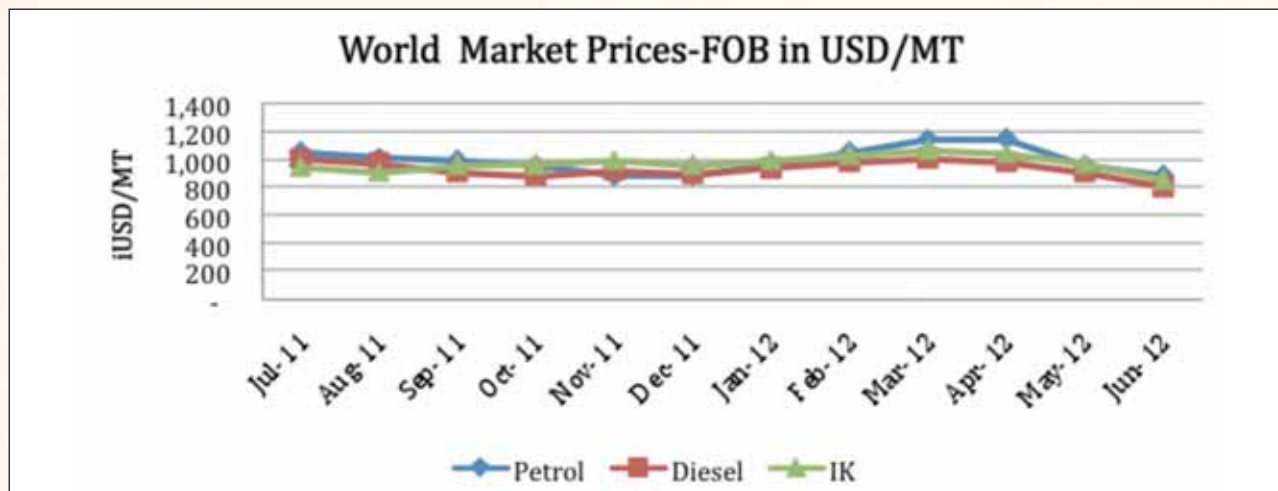
#### 4.2.3 World Market Petroleum Products Prices

Petroleum products prices in the world market have remained high, with peak prices recorded in March and April, 2012. This has in turn affected the local market prices. The world market prices have increased to 152 \$/MT for Petrol, 149 \$/MT for Diesel and 147 \$/MT for Jet A1 which is equivalent to 17.85%, 18.91% and 17.65% increase, respectively, as compared to a similar period during year 2010/11. Monthly average FOB prices in the world market are as shown in Table 11 and depicted in Figure 7.

**Table 11: FOB Price Trend July 2011 to June 2012**

Month	Petrol (\$/MT)	Diesel(\$/MT)	IK(\$/MT)
Jul-11	1,058	1,009	953
Aug-11	1,017	977	911
Sep-11	995	910	968
Oct-11	960	895	969
Nov-11	891	926	995
Dec-11	903	905	965
Jan-12	972	943	996
Feb-12	1,058	983	1,041
Mar-12	1,148	1,009	1,071
Apr-12	1,150	982	1,045
May-12	1004	908	970
Jun-12	892	811	863

**Figure 7: FOB Prices in USD/MT July 2011 to June 2012**



#### 4.2.4 Local Market Prices for Petroleum Products

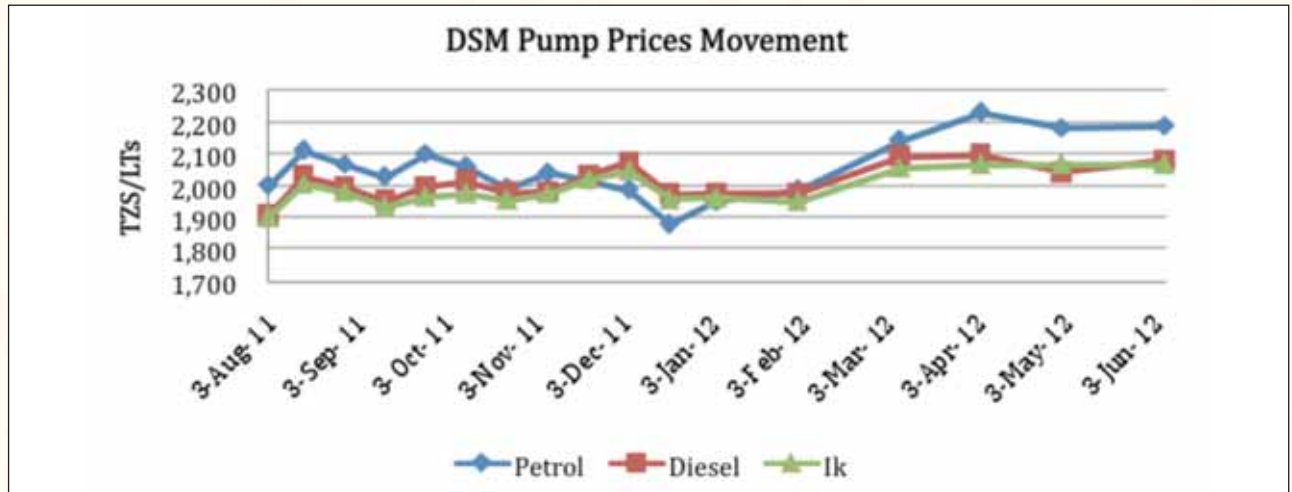
During the year under review, the Authority continued with petroleum products cap prices setting and compliance monitoring. Non-compliant operators were penalized in accordance with GN No. 5 of January, 2009; revised 23<sup>rd</sup> December, 2011. In between July, 2011 through June, 2012, a total of forty five petrol stations were fined for contravening the pricing Rules, thirty (30) of which were found selling petroleum products above cap prices.

Average pump prices between petroleum products which were recorded during the period under review are shown in Tables 12 to 13 and depicted in Figures 8 to 10. Generally, prices in the local market increased by 0.09% for petrol, 1.11% for kerosene and decreased by 0.14% for diesel. Fluctuations in the local petroleum products prices were to a large extent a result of changes in the world market prices as well as fluctuations in the exchange rate for the Tanzania Shilling against the USD Dollar.

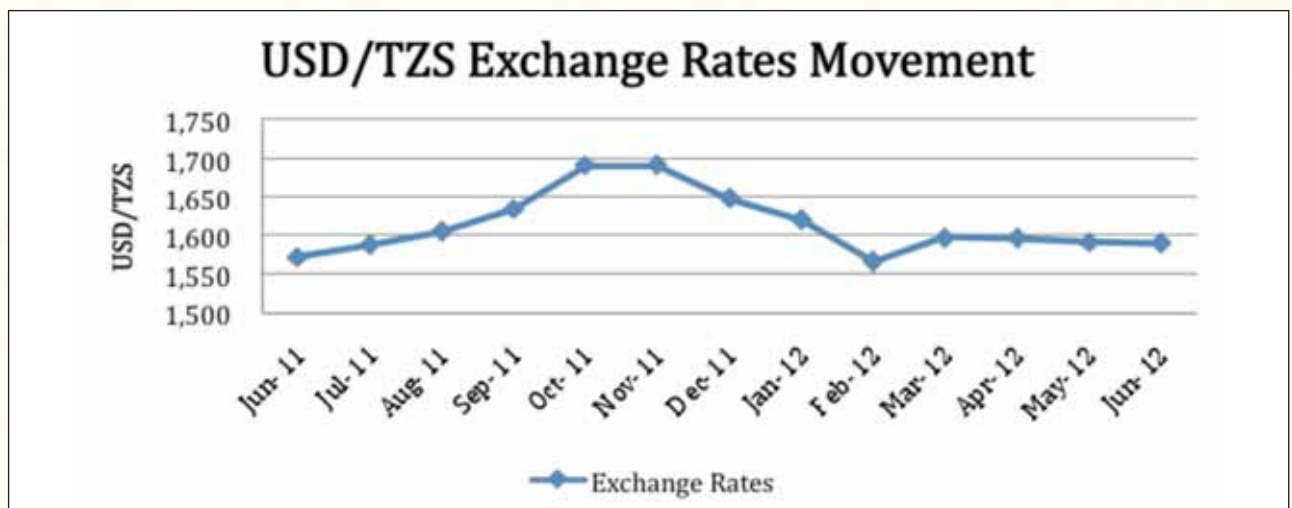
**Table 12: Pump Price for Dar es Salaam from July 2011 to June 2012**

Month	Petrol (TZS/Lt)	Diesel (TZS/Lt)	Kerosine (TZS/Lt)
3-Aug-11	2,004	1,911	1,905
15-Aug-11	2,114	2,031	2,005
29-Aug-11	2,070	1,999	1,980
12-Sep-11	2,032	1,954	1,934
26-Sep-11	2,102	1,999	1,967
10-Oct-11	2,063	2,016	1,976
24-Oct-11	1,994	1,980	1,956
7-Nov-11	2,043	1,983	1,975
21-Nov-11	2,020	2,034	2,021
5-Dec-11	1,990	2,075	2,049
19-Dec-11	1,882	1,976	1,958
4-Jan-12	1,956	1,977	1,963
1-Feb-12	1,991	1,977	1,951
7-Mar-12	2,144	2,095	2,056
4-Apr-12	2,231	2,098	2,068
2-May-12	2,183	2,044	2,068
6-Jun-12	2,189	2,081	2,068

**Figure 8: Pump Prices in Dar es Salaam July 2011 - June 2012**



**Figure 9: Monthly Average Exchange Rates USD/TZS Used for Pricing July 2011 - June 2012**

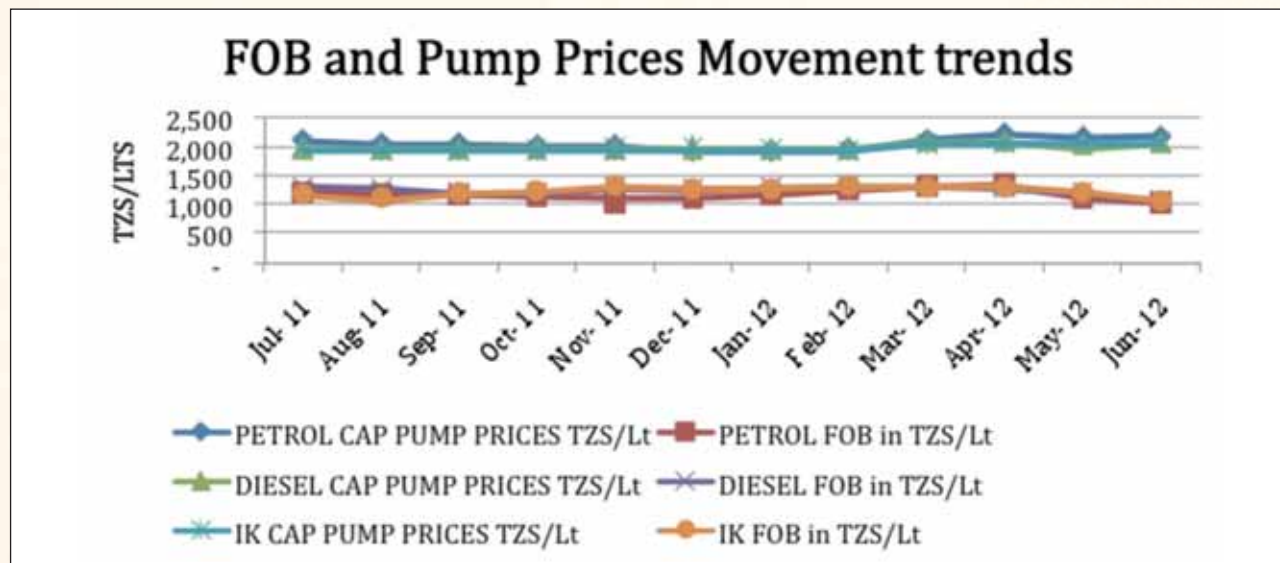


**Table 13: Pump prices and FOB Prices in TZS/Lts**

Month	PETROL CAP PUMP PRICES	PETROL FOB	DIESEL CAP PUMP PRICES	DIESEL FOB	IK CAP PUMP PRICES	IK FOB
	TZS/Lt	TZS/Lt	TZS/Lt	TZS/Lt	TZS/Lt	TZS/Lt
Jul-11	2,129	1,224	2,012	1,321	2,013	1,177
Aug-11	2,063	1,188	1,980	1,292	1,963	1,137
Sep-11	2,067	1,175	1,977	1,216	1,951	1,221
Oct-11	2,029	1,155	1,988	1,218	1,966	1,245
Nov-11	2,032	1,109	2,009	1,304	1,998	1,322
Dec-11	1,936	1,124	2,026	1,275	2,004	1,282
Jan-12	1,956	1,183	1,977	1,297	1,963	1,289
Feb-12	1,991	1,262	1,977	1,326	1,951	1,323
Mar-12	2,144	1,323	2,095	1,318	2,056	1,318
Apr-12	2,231	1,352	2,098	1,306	2,068	1,312
May-12	2,183	1,127	2,044	1,213	2,068	1,222
Jun-12	2,189	1,045	2,081	1,075	2,068	1,079



**Figure 10: FOB and Pump prices movement trends**



#### 4.2.5 Petroleum Pricing Formula Review

In June and November, 2011, EWURA launched inquiries for review of the Petroleum Products Pricing Formula. The first inquiry was aimed at a review of charges and fees levied on petroleum products, for OMCs and various institutions. Whereas, the second review was to accommodate changes which were necessitated by the introduction of the Bulk Procurement System. The first review of the Petroleum Pricing Formula was published in the Government Gazette No. 216 of 29<sup>th</sup> July, 2011 and came into force effective from 3<sup>rd</sup> August, 2011. The second revision was published in the Government Gazette No. 454 of 23<sup>rd</sup> December, 2011 and became applicable effective from 4<sup>th</sup> January, 2012.

#### 4.2.6 Bulk Procurement System (BPS)

The Petroleum Bulk Procurement System (BPS) for petroleum products commenced in January, 2012. The main objective of the BPS was to establish a petroleum supply system through which all players will be assured of security of petroleum products supplies at the most competitive prices. Further, the BPS provides for a mechanism which ensures that petroleum products purchases are made from a pool of imports obtained from suppliers selected through an International Competitive Bidding procedures to take advantage of economies of scale. In spite of the short time which has elapsed since this system started, some of the envisaged benefits have started being realized, these include:

**a) Decrease in Ocean Loss**

Supply vessel ocean losses are now computed in a more transparent way by using actual data submitted by the marine surveyor who is acceptable to all parties. Through this approach, the amount of ocean losses which are being recovered through the pricing template have decreased.

**b) Correct Information on Imports Data**

The country and stakeholders are now being informed on the correct data of imported petroleum products. This in turn enables good planning for the country's development and improve taxes collection from petroleum products.

**c) Decreased Premium & Freight Cost**

It can be noted that as competition in the BPS tenders is improving, premiums and freight costs are also improving. This in turn, results in low prices to consumers.

**d) FOB Cost**

Assessment of imported products cost (FOB) is now being correctly done. This results in improved fairness in the computation of pump price.

**e) Control of Quality of Products**

The BPS has eased monitoring and control of the quality of imported petroleum products.

Between January and June, 2012, three supply tenders were awarded for the supply of petroleum products for the months of January to June, 2012. These tenders were won by Augusta Energy SA at premiums shown in Table 14.

**Table 14. BPSTender Results**

Item	Number of Bidders	Supply Period	Winning Supplier	Wt. Average Premium USD/Mt
Tender 1	5	Jan-Feb-12	Augusta Energy SA	59.27
Tender 2	8	Mar-April-12	Augusta Energy SA	67.58
Tender 3	7	May-Jun-12	Augusta Energy SA	48.89

#### 4.2.7 National Petroleum Information System (NPIS)

During the period under review, the Authority continued to work with a consultant, M/S GSBC Consultants Limited in the preparation of the NPIS. Uploading of the raw data into the system is going on. When completed, implementation of the NPIS is expected to be in the financial year, 2012/2013.

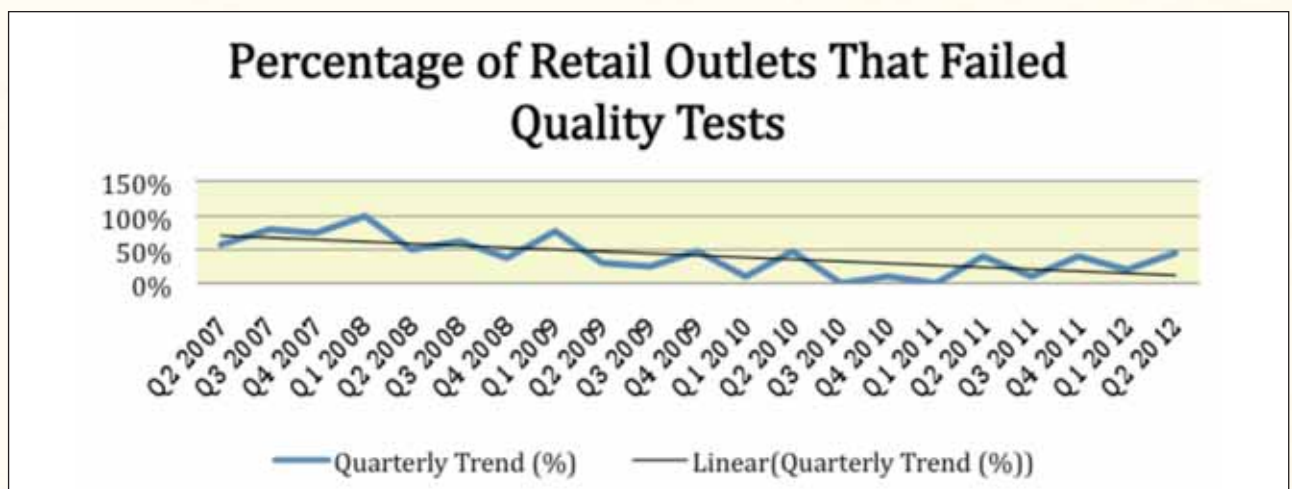
#### 4.2.8 Petroleum Products Quality Monitoring Activities

##### a) Petroleum Product Sampling and Testing

During the period under review, the Authority continued to carry out frequent and random sampling of petroleum products from retail outlets, depots and tankers in order to check if products of the right quality are offered for sale to consumers. From July 2011 to June 2012, a total of 51 petrol stations across the country were sampled, whereby 11 failed the test. This was equivalent to 22% of the sample taken. During the same period, 14 petroleum products storage depots in Arusha, Dar-es-Salaam and Tabora were sampled, all passed the quality test. Also 37 road tankers carrying petroleum products were sampled and all passed the quality tests.

Punitive measures were taken against operators found with off specification products. Generally, there is an improved quality compliance trend as it can be evidenced by Figure 12. This trend proves that, the Authority is performing well in this aspect, thus achieving its task of ensuring that petroleum products offered for sale to consumers are of the right quality.

**Figure 11: Trend of Samples Analysis from Quarter 2 of 2007 to Quarter 2 of 2012**



##### b) Fuel Marking Programme

EWURA continued to implement the fuel marking programme with the objective of curbing dumping of untaxed petroleum products into the local market, and also to eliminate the practice of fuel adulteration. Data of imported and marked taxable petroleum products for the local market



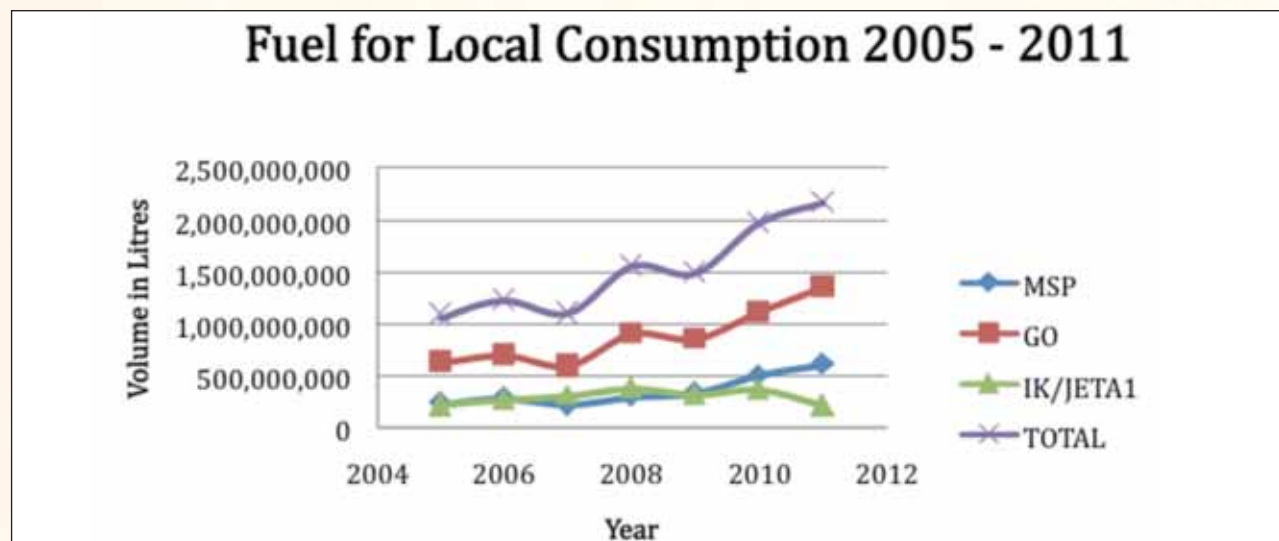
before introducing fuel marking in September, 2010, and after starting the marking programme is shown in Table 15.

**Table 15: Comparison of Imported Volume of Petroleum Products Before and After the Marking Program**

Product	Before Marking (million litres)	After Marking (million litres)	% Change	Remarks
Petrol	34.59	44.34	28.20	Increase
Diesel	69.22	87.73	26.70	Increase
Kerosene	30.06	18.63	37.40	Decrease

The implementation of both fuel marking and an increase of import tax on kerosene resulted into increased petrol and diesel imported volumes for the local market. When comparing average monthly local consumptions of petroleum products between 1<sup>st</sup> September, 2010 to 30<sup>th</sup> June, 2011 (after introduction of fuel marking) with the monthly local consumption of 1<sup>st</sup> September, 2009 to 30<sup>th</sup> June, 2010 (before introduction of fuel marking) it is observed that, while there had been significant increases in petrol (28%) and gasoil (27%), local consumption for kerosene decreased by 37% within the same period. This implies that more than one third of the imported kerosene before introduction of fuel marking was used for fuel adulteration purposes. The trend is shown in Figure 13.

**Figure 12: Trend of Local Fuel Consumption From 2005 to 2011**



During the period under review, petrol and diesel imports meant for local market increased to an average of 51.81 million and 107.4 million litres per month, respectively. These correspond to an increase of 49.8%, and 55.1%, respectively. Kerosene imports dropped to 10.27 million litres, a decrease of 19.76 million litres per month, which is equivalent to 65.8 %.

The increase in volumes of petrol and diesel shown above reflect also an increase of government revenue, while decrease of imported kerosene, which is the main adulterant, has significantly reduced the adulteration malpractice.

During the period under review, a total of 179 petrol stations were sampled for fuel marker testing, out of which 49 petrol stations (equivalent to 27%) failed the test. Operators found with non-conforming petroleum products were fined and depending on dumping and the level of adulteration, were also referred to TRA for recovery of the Government statutory revenues. The fuel marking programme has improved the quality of petroleum products and overall collection of government statutory revenues.

**c) Petroleum Products Analytical Laboratory**

During the period under review, the Authority acquired a piece of land at the Dar es salaam Port area for construction of a petroleum products analytical laboratory. The construction of the laboratory will commence during the financial year 2012/13.

**d) Inspections and Construction Approvals for Petroleum Infrastructure Facilities**

The Authority has been conducting inspections on petroleum facilities in the country to ensure that all new petroleum installations have construction approvals from EWURA. It was observed that some petroleum infrastructure/installations were being constructed without approvals from the Authority. These installations included 12 petrol stations, one depot and one waste oil refining plant. These facilities were all temporarily closed, their owners penalised and were permitted to continue with the construction after fulfilling all the requirements.

**4.2.9 East African Petroleum Products Standards**

Development of the East African standards for petroleum products has been necessitated by the need for harmonizing requirements governing quality of products and services in East Africa. It is envisaged that through harmonized standardization, trade barriers which are encountered when goods and services are exchanged within the region will be removed.

In order to achieve this objective, the Partner States in the East African Community through their National Bureaux of Standards, have established an East African Standards Committee, which is composed of representatives of the respective Standards Bodies in Partner States, together with representatives from the private sectors and consumer organizations.

During the period under review, the Authority in collaboration with Tanzania Bureau of Standards participated in the development of the draft East African Standards for unleaded petrol and automotive diesel (DEAS 158:2007 and DEAS 177:2007), respectively.

**4.3 Third Party Access**

In Mainland Tanzania, all petroleum storage depots are fully owned by the Oil Marketing Companies (OMCs) with the exception of the Tanzania International Petroleum Reserve (TIPER) which is jointly owned by the Government of Tanzania through the Tanzania Petroleum Development Corporation (TPDC) and Addax/Oryx of Switzerland.

OMCs without operational depots are required to have hospitality agreements with OMCs having depots. This is one of the mandatory requirements for issuance of a Petroleum Products Wholesale Licence.

**4.4 Licensing**

During the period under review, a total of 206 petroleum licence applications were received and processed. The applications received included 25 for wholesale, one (1) Petroleum Importation Coordinator and 180 for retail business. EWURA issued a total of 89 licences, 22 wholesale licences out of which 14 were for new applications and 8 renewals of expired licences, one licence for Petroleum Importation Coordination and 66 retail licences.

In the same period, the Authority, suspended one wholesale licence issued to BP Tanzania Limited for causing artificial shortage, and also rejected one retail licence application from Mansoor Industries Ltd-Moil Bukombe Petrol Station for operating in a manner that is detrimental to public safety, health and the environments; 124 licence applications found to be incomplete due to lack of the necessary supporting documents. Applicants were informed of the deficiencies and further informed that their applications will be processed after submission of relevant documents. Licensing status is summarised in Table 16.

**Table 16: The Licensing Status as of June, 2012**

Licence Type	Number of Applications		Number of Licences		
	Received	Rejected	Issued	Renewed	Suspended
Wholesalers	25	0	14	8	1
Retailers	180	1	66	0	0
<b>PIC</b>	1	0	1	0	0
<b>Total</b>	<b>206</b>	<b>1</b>	<b>81</b>	<b>8</b>	<b>1</b>

#### 4.5 Legislative Matters

During the period under review, the Authority, in collaboration with other stakeholders performed the following:

- Participation in the review and preparation of the Petroleum (Bulk Procurement) Regulations, 2012 (which were intended to revoke GN No. 164 of 2011).
- The Petroleum (Wholesale Operations) Rules, 2012, were prepared and reviewed by the Board's Legal Committee and the Board. The draft Rules were thereafter sent to stakeholders for comments in March 2012.
- The draft Petroleum (Retail Operations) Rules, 2012, were prepared and reviewed by the Board's Legal Committee and the Board. The draft Rules were thereafter sent to stakeholders for comments in March 2012.
- The draft Petroleum (LPG Operations) Rules, 2012, were prepared and submitted to stakeholders for comments.

#### 4.6 Complaints and Conflict Resolution

During the period under review forty two (42) complaints were received in the petroleum sub-sector. Out of the forty two complaints received, forty complaints were resolved amicably by the parties and two complaints went for hearing. One award was issued. Most of the complaints were on adulteration of petroleum products and others were on poor customer service, pricing and volumes. Hearing of one complaint is pending.

#### 4.7 Litigation

During the period under review, EWURA has been subjected to a number of cases filed by or against it in the Petroleum sub-sector. The summary of cases is as follows:

- Two contempt cases filed by EWURA against the operators at the High Court. The matters were withdrawn and EWURA awarded the costs whose taxation is pending at the High Court.
- Three contempt cases filed by EWURA against operators pending at the High Court.
- One pending appeal case filed by the operator against Bills of Costs awarded by FCT to EWURA.
- One pending appeal case filed at FCT by BP (T) Limited and 13 other Oil Marketing Companies against Petroleum Pricing Formula issued by EWURA.

#### 4.8 Health, Safety and Environmental Matters

EWURA continued to make inspections for the purpose of ensuring that Health, Safety and Environmental (HSE) requirements are observed by all operators. EWURA continued its collaboration with the National Environmental Management Council (NEMC) in, among other things, reviewing the Environmental Impact Assessment (EIA) studies for construction of petroleum storage facilities (depots) and retail outlets, as required by the Environmental Management Act, 2004.

##### a) Environmental Impact Assessment and Environmental Audits for Petroleum Infrastructures

During the year under review, the Authority in collaboration with NEMC and other relevant stakeholders participated in site verification visits and reviews of 11 Environment Impact Assessment and Environmental Audit (EIA/EA) reports for both existing and new projects.



**b) Non Compliance with Health, Safety and Environment Requirements**

The Authority closed two (2) petrol stations in Dodoma and Arusha for failure to comply with HSE standards. The Authority further issued Compliance Orders to four (4) depots in Arusha and Mwanza regions and two backyards in Dar es Salaam and Coast regions for being found non compliant with HSE standards.

**c) Emergency Response Plan (ERP)**

Most of the OMCs with the exception of the multinational companies have no clear ERP policies that govern their operations. Due to the sensitive nature and the risks involved in the petroleum operations there is a need for OMCs to put in place ERPs, as part of HSE policies, that will protect the industry from potential risks.

The draft Emergency Response Plan that covers the Port area, Kurasini Oil Jet (KOJ) and Kigamboni petroleum products pipelines/terminals has been prepared and distributed to stakeholders for their comments. The ERP will be adopted by individual OMCs that have not put in place their own and, it will be a planning tool for joint emergency response plans so that OMCs can jointly respond to large emergencies and share resources more effectively. Members of the organizations/companies which participated in the preparation of the draft ERP are EWURA (Chair), MEM, NEMC, TPA, SUMATRA, TIPER and TAOMAC.

#### **4.9 Challenges and Way Forward**

Despite the fact that the petroleum downstream subsector was fully liberalized since year 2000, there are still areas that need regulatory interventions to further improve competition in the sub-sector. EWURA has made an impact on this front although much needs to be done. Some of the challenges and way forward include the following:

**a) Status of Petroleum Facilities**

A number of petroleum facilities are not yet up to the required HSE Standards, i.e, TZS 1115:2009 'Petroleum Products Retail Outlet Standards', TZS 1079:2009 'Installation of Underground Storage Tanks, Pumps/Dispensers and Pipe-work at Service Stations and Consumer Installations' and TZS 1113:2009 'Depots for the Storage of Petroleum Products'. However, some are located in areas where their closure will result into serious shortage of petroleum products. Reasonable decisions are made in such cases which at times may compromise the required safety standards.

**b) Petroleum Quality Regulation**

EWURA has made significant achievement in curbing the adulteration of petroleum products through employment of fuel marking system. The system has achieved not only the improvement in the quality of petroleum product but also curbed tax evasion through transit and exempted products.

However, tax evasion and selling of off specification products have not been wiped out completely hence need for enhancing monitoring of quality of petroleum products in the country.

In addition, sale of sub-standard lubricants in the country is still rampant. It is important that EWURA is able to monitor and closely regulate the sale of products such as lubricants and waste oil. The Authority is preparing to enhance regulatory oversight over lubricant products.

**c) World Market Prices**

Volatility of petroleum products prices in the world market makes long term planning for the development of the sector very difficult to attain. Petroleum products consumers in Tanzania are particularly vulnerable to the impact of high international prices and in-built marketing inefficiencies due to the oligopolistic structure of the oil industry.



**d) Inefficient Petroleum Receiving Facilities**

Despite achievements registered by the Bulk Procurement System, there is an urgent need to increase efficiency of the Dar es Salaam port fuel receiving facilities and completion of the Single Buoy Mooring (SBM) so as to achieve full benefits of the Bulk Procurement System.

Despite the above challenges, the sector is effectively competitive and vibrant.

## **5.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION**

This part of the report highlights the regulatory activities carried out, achievements made and challenges faced by EWURA in discharging its regulatory roles and functions during the financial year 2011/12 in the natural gas sub-sector. Unlike other sectors regulated by the Authority, the regulatory role under the natural gas sector has continued to be limited because of the absence of sector specific policy and legislation.

### **5.1 Overview**

Tanzania has been exploring oil and gas for the past 60 years. The first natural gas discovery was made in 1974 at Songo Songo Island (SSI) followed by Mnazi Bay in 1982. The Songo Songo natural gas was commercialised in 2004 and that of Mnazi Bay in 2006. In 2010 exploration activities in the deep sea encountered commercial reserves for natural gas. To date, Tanzania's confirmed natural gas reserves stand at 33 trillion cubic feet (tcf). The industry has a total of four companies actively carrying out downstream natural gas regulated activities namely, the Tanzania Petroleum Development Corporation (TPDC), Songas Limited (Songas), PanAfrican Energy Tanzania Limited (PAT), and Maurel et Prom (M&P).

The upstream activities which include hydrocarbon exploration, gas field development and production, continue to be regulated by the Ministry of Energy and Minerals. Currently, there is no sector specific legislation, apart from the Petroleum (Exploration and Production) Act, 1980, Cap. 328. However, the rights and obligations of the operators, in most cases, between the Government of Tanzania, TPDC and Oil Companies are enshrined in Production Sharing Agreements (PSA), with terms and conditions varying from one location to another. Between and among the parties to the PSA other rights and obligations are allocated in the Basic Project Agreements.

### **5.2 Performance Monitoring**

One of the Authority's duties is to monitor the performance standards of the regulated service providers in the downstream natural gas sub-sector pursuant to Section 7(1)(c) of Cap. 414.

During the year under review, the Authority carried out quarterly field inspections to the natural gas infrastructures at Songo Songo Island and Mnazi Bay gas fields, the high pressure transmission pipeline, and the Dar es Salaam natural gas distribution network to ascertain the infrastructure integrity and its safety. The Authority verified the information received from the regulated service providers based on daily, weekly and monthly reports which form part of the basis of monitoring the performance.

#### **5.2.1 Natural Gas Supply**

SSI gas plant continued to operate between 90 million standard cubic feet per day (MMscfd) and 110 MMscfd after re-rating. M&P gas processing facility has been operating at 2 MMscfd that ensured the security of natural gas supply to 18 MW of Mtwara Power Plant.

The processing plant re-rating from 90 to 110 MMscfd was maintained at an average daily production of about 95.18 MMscf throughout the year against 76.99 MMscf for the previous year 2010/11. During the same period the total highest daily gas production reached 103.83 MMscf as shown in Figure 13.

During the period under review, operators of both Songo Songo and Mnazi Bay gas fields increased the gas supply to meet demand in Dar es Salaam and Mtwara markets. The total Songo Songo gas production reached 34.765 Bcf as compared to 28.12 Bcf of similar period in the year 2010/11, which indicates a 23.6% increase in demand of natural gas mainly for power and industrial use in Dar es Salaam in the year 2011/12.

The total quantity of natural gas produced from Songo Songo and Mnazi Bay gas fields recorded for the year 2011/12 was 35.39 Bcf compared to 28.67 Bcf produced in the year 2010/11. This is approximately 23.4% increase of natural gas production at Songo Songo and Mnazi Bay gas fields. The increase is attributed largely to the fast growing demand of gas for power generation in the country caused by prevailing drought situation which forced TANESCO to rely on thermal generation of power instead of hydro power generation. However, this did not affect Mtwara and Lindi regions which already rely on thermal power.

Protected gas dedicated to power production at Ubungu and Wazo Hill for the year 2011/12 was 13.647 Bcf compared to 13.981 Bcf consumed for year 2010/11. The consumption decreased by 2.47% due to low gas consumption caused by planned and unplanned maintenance breakdown at Songas and Wazo Hill cement factory.

The gas consumption at Somanga Fungu Power Plant was 113.63 MMscf for the year 2011/12 and 77.95 MMscf in 2010/11, which reveals an increase of 45.7%. The average monthly gas consumption for Somanga Fungu Power Plant was 9.46 MMscf in the financial year 2011/12 and 6.49 MMscf in the financial year 2010/11.

The gas sales by volume from Mnazi Bay gasfield reached a total of 628.73 MMscf to Mtwara power plant compared to a total of 553.60 MMscf sold during the similar period in the previous year 2010/11. The consumption increased by 13.6% for power generation from quarter one to end of quarter two. However, the Uninterruptible Power System (UPS) technical problem caused frequent gas plant tripping during the period December, 2011 to January, 2012. The breakdown affected the normal gas consumption for power generation in Lindi and Mtwara Regions. This small growth was affected by low industrialization, few new domestic connections and UPS technical fault.

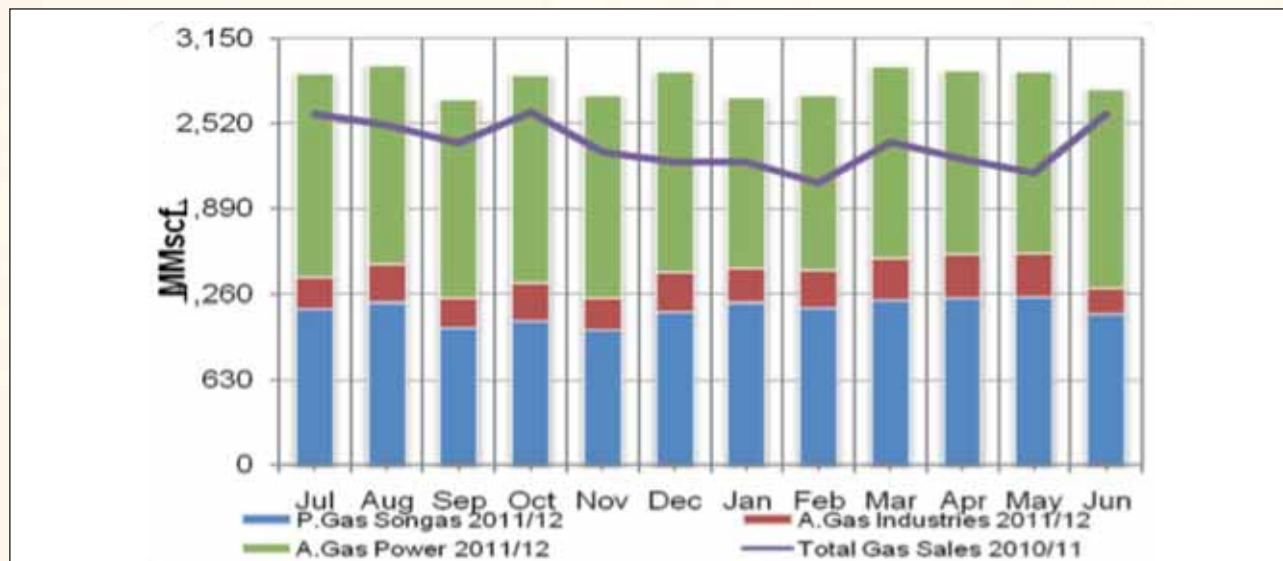
During the year 2011/12, the additional gas sales for electric power generation and Wazo Hill cement factory increased significantly by 41.2% of the consumption made in the previous year. The additional natural gas sales to thermal power plants and industries increased from 14.35 Bcf in Financial Year 2010/11 to 20.27 Bcf in 2011/12. The 41.2% increase was driven by scarcity or low level of water required for hydro power generation. The growth of natural gas demand for industries and power sectors poses a great challenge to maintain stable and continuous supply of gas to avoid power rationing. There are plans to expand processing facility at Songo Songo Island and construction of a second large transmission pipeline from Mtwara to Dar es Salaam spearheaded by the Government through TPDC which will increase the gas supply to the Dar es Salaam market.

Except for protected gas dedicated to Songas first five turbines, Tanzania Portland cement factory in Dar es Salaam, and 6 MW of Somanga Fungu Power Plant. The Protected gas consumption amounted to a total of 13.76 Bcf compared to 14.05 Bcf utilized in previous year, which indicates a decrease of about 2% due to close down for maintenance mainly at Tanzania Portland cement factory and Ubungu Power Complex.

About 36 vehicles were converted to run on natural gas. Over the period five (5) TPDC houses were connected and supplied with natural gas for domestic use. This makes a total of thirteen (13) TPDC houses, which are connected to use natural gas up to the end of financial year 2011/12. Figure 14 reveals the changes in gas sales between year 2010/11 and year 2011/12.



**Figure 13: Gas Sales of Songo Songo gas Field to Power and Industrial Sectors**



Source: PAT and TPDC

The quantity of total natural gas sales from Songo Songo gasfield was 34,037.23 MMscf and its respective production was 34,765.33 MMscf for the year 2011/12. The economy experienced a gas supply deficit of about 100 MMscfd as of 30<sup>th</sup> June 2012 for power generation. Such deficit calls for immediate gas infrastructure expansion to increase the throughput from 104 MMscfd to at least 204 MMscfd or more.

### 5.2.2 Quality and Standard of Services

During the period under review, the Authority continued to monitor the quality and standard of the regulated services. The quality monitoring of regulated services involved monitoring the quality of the commodity (natural gas) and adherence by service providers to commercial terms and conditions of existing agreements with their customers. The maximum and minimum higher heating values (HHV) were recorded at 1,022.26 BTU/scf and 921.18 BTU/scf, respectively. The average working pressure, temperature and water dew point were 81.26 bars, 47.14°C and -21.33°C respectively, which was within the required standards.

The Authority conducted regular analysis against gas production reports, planned and made emergency physical visit to Songo Songo and Mnazi Bay gasfields and Dar es Salaam natural gas distribution infrastructure so as to confirm the reported quality of service and products. No significant changes in gas composition were observed during the period under review for both gas fields. Most parameters are still within the best pipeline practices. The service providers in the natural gas chain (production, processing, transportation and distribution) adhered to the terms and conditions as per the governing agreements.

### 5.2.3 Levels of Investment in Gas Infrastructure Development

During the period under review, the low pressure distribution network was extended to about 6.3 km of service lines from Ubungu to Mikocheni through M/s BQ Contractors. Commissioning of the distribution pipeline is scheduled to be in Quarter 2 of the financial year 2012/13. This makes the overall distribution network in Dar es Salaam to be about 55 km long. It cost TPDC approximately TZS 4.625 billion to put up the network.

In addition to the 13 TPDC houses connected to virtual system, the new 53 TPDC houses at Mikocheni were connected and supplied with natural gas. Connection of households cost TPDC about TZS 319.5 million. The total investment cost to TPDC amounts to TZS 4.944 billion for both projects.

#### 5.2.4 Trends of Cost of Service

During the period under review, the prices of Additional Gas for industries when compared to those of USA were higher than the US industrial prices. Likewise, the average monthly prices for power in Tanzania were far lower than the US prices by 57.6% with monthly average of U\$2.60 per Mcf for Tanzania and U\$4.10 per Mcf for USA markets. Industrial gas prices in Tanzania were higher than USA industrial prices (see Figure 15). The US monthly average price was 4.38 U\$/Mcf while in Tanzania the monthly average price were 10.48 U\$/Mcf with an increase of almost 139.3%.

**Figure 14: Natural Gas Industrial Pricing Trends for Industrial Consumers**

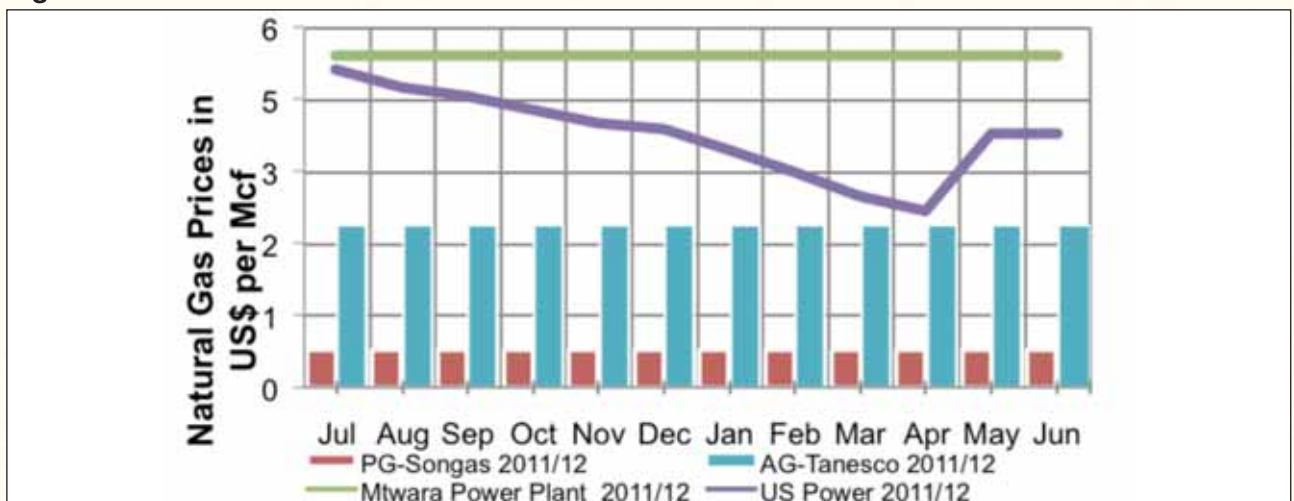


Source: Pan African Energy & USA-EIA

Prices for additional gas for electric power generation is still kept significantly low at US\$ 2.62/Mcf in order to compensate TANESCO for its commitment to pay for the initial investments in the gas infrastructure. The protected gas price payable by TANESCO through energy charges was set at US\$ 0.65/MMBtu.

In Mtwara, TANESCO purchases the gas at a price of US\$5.00/Mcf which was negotiated by the buyers and sellers of natural gas. In Tanzania, the natural gas prices for power generation remained stable over the period under review. The power sector price trends for the two gas fields in Tanzania against USA prices for power is shown in Figure 16.

**Figure 15: Periodic Natural Gas Price Trends for Thermal Power Generation**



Source: PAT, Wentworth and EIA



### **5.3 Licensing**

Licensing of regulated natural gas activities is currently conducted through the Development Licences issued to TPDC by the Minister for Energy and Minerals. EWURA does not play part in licensing natural gas infrastructure and associated activities.

### **5.4 Determination of Rates and Charges**

During the year under review, no applications for rates and charges were received or determined by EWURA. The processing and transportation tariff payable to Songas remained stable at US\$0.59/MSCF, while the distribution tariff payable to PAT remained at US\$0.57/MSCF.

### **5.5 The Impact of Natural Gas Import Substitution to the Economy**

During the period under review, 29,052.39 MMscf of natural gas which is equivalent to 5,005,728.50 barrels of crude oil was consumed by the gas-based thermal power generation plants and 4,984.84 MMscf which is equivalent to 858,887.93 barrels of crude oil was consumed by industries. This reflects savings of foreign money and decreased reliance on imported fuel (HFO) for thermal power generation and industrial production to the tune of US\$ 1,218.52 million.

### **5.6 Third Party Access**

EWURA continued to monitor the levels of efficiency with regard to natural gas production and distribution services. During the period under review, it was recorded that new entrants were being refused the use of existing gas infrastructure. The Government, therefore, has initiated a process for construction of a new gas processing plant and pipeline to address, among other things, these challenges.

### **5.7 Policy and Legal Matters**

During the period under review, no legislation was made to govern issues related to natural gas. However, the Authority contributed in the process of drafting the Gas Policy, Gas Development Master Plan, and the Gas Bill, which are under the coordination of the Ministry of Energy and Minerals.

### **5.8 Disputes and Complaints**

There were no disputes or complaints brought to the attention of EWURA during the period.

### **5.9 Litigation**

During the period under review, there was no litigation involving EWURA, the service providers or other stakeholders related to regulated natural gas matters.

### **5.10 Health, Safety and Environmental Matters**

On quarterly basis, the Authority carried out the health, safety and environmental monitoring of downstream activities in the gas sub-sector through the received reports and quarterly field inspections.

The Authority conducted field inspections to confirm the reliability of reported information on the following aspects:

- a) the integrity of gas pipelines and way leave between the landfall areas to the market with great emphasis on security of facilities along the pipelines;
- b) corrosion on critical pipeline gas wells, valves, leakage survey, damage prevention, compaction and restoration of degraded land falls;
- c) the physical appearance of gas processing plants and gas wellhead; and
- d) the Dar es Salaam natural gas distribution network, CNG dispensers, household customers and operations of the way leave by Pan African Energy.

The main objectives of field inspections are to ensure the pipeline security in order to render the necessary security of supply to the existing and future markets, to prevent unnecessary incidents that may adversely affect the lives and properties of the people working or living close to the gas infrastructure

and prevent massive costs of repair and maintenance for dilapidated infrastructure, natural disaster or vandalism that could have been avoided.

The inspections conducted in the Dar es Salaam natural gas distribution network, revealed that several steel markers were missing along or across road or railway lines due to vandalism. The rise in demand for scrap metals which are collected and used as major inputs for manufacturing of round bars and the like, resulted into vandalising the gas infrastructure.

It was also noted that certain portions of the underground gas distribution pipeline, with pressures of about 7 bars, had no safety warnings (such as markers). PanAfrican Energy (PAT) was required to consider phasing out the steel markers and replace them with appropriate markers such as concrete, which do not attract vandalism. PAT in this financial year 2011/12 has implemented this guidance by replacing more than 70% of the steel markers in the whole distribution network.

There were no Lost Time Injuries (LTI) registered, accidents or major incidents at both gas fields i.e. Songo Songo and Mnazi Bay, and the distribution network operated by PAT. Health, Safety and Environment issues at Ubungo and Namera pressure reduction stations, and compressed natural gas facilities were confirmed to comply with ISO standards.

#### **5.11 Challenges and Way Forward**

The key challenges encountered so far, and the way forward being pursued by EWURA and other stakeholders are as follows:

- a) encroachment and doing business within natural gas pipeline hazardous area poses danger to the petty traders. In the absence of sector Regulations and Rules, the Authority could only advise the service provider to take precautionary measures to ensure public safety without any enforceable disciplinary action; and
- b) most natural gas stakeholders are eager to see a sound gas regulatory environment established and key principles enshrined in the legislation to attract private investment. The natural gas infrastructure to link discovered resources to available markets calls for long-term investments in the gas processing, transportation, storage and distribution. Conversion of urban fleet to run on dual-fuel systems (petrol/CNG or diesel/CNG or petrol/LPG), calls for capacity building, institutional framework development and incentivised investment schemes.

## 6.0 WATER SUPPLY AND SANITATION SERVICES PERFORMANCE AND REGULATION

### 6.1 Overview

The Authority regulates 130 autonomous Water Supply and Sanitation Utilities (WSSAs) which include Regional, District and Small Towns Water Supply and Sanitation Authorities and National Water Projects located in regional, district and small towns capitals respectively.

#### 6.1.1 Regulated Utilities in the Water Sector

EWURA regulates 130 autonomous Water Supply and Sanitation Authorities which provide services in regional and district headquarters, small towns and National Projects Water Authorities, as shown in Table 17.

**Table 17: Regulated Utilities in the Water Sector**

No.	Type of Utilities	No. of Utilities
1	Dar es Salaam Water and Sewerage Authority (DAWASA)	1
2	Dar es Salaam Water and Sewerage Corporation (DAWASCO)	1
3	Regional Urban Water Supply and Sanitation Authorities	19
4	District Water Supply and Sanitation Authorities	77
5	National Projects Water Authorities	7
6	Small Town Water Supply and Sanitation Authorities	25
	<b>Total</b>	<b>130</b>

#### 6.1.2 List of Regulated Utilities in the Water Sector

- DAWASA and DAWASCO; DAWASA is an asset holder and DAWASCO is an operator for water supply and sanitation services in Dar es Salaam city and neighbouring areas of Kibaha and Bagamoyo.
- Regional Water Supply and Sanitation Authorities operate at regional headquarters which include Arusha, Babati, Bukoba, Dodoma, Iringa, Kigoma, Lindi, Mbeya, Morogoro, Moshi, Mtwara, Musoma, Mwanza, Shinyanga, Singida, Songea, Sumbawanga, Tabora and Tanga.
- District Water Supply and Sanitation Authorities operate at district headquarters which include Bariadi, Biharamulo, Bunda, Chamwino, Chunya, Dakawa, Gairo, Geita, Handeni, Ifakara, Igunga, Isikizya (Uyui), Itumba-Isongole, Kahama, Karagwe, Kasulu, Katesh, Kibaya, Kibondo, Kilindoni, Kilolo, Kilosa, Kilwa-Masoko, Kiomboi, Kisarawe, Kishapu, Kondoa, Kongwa, Korogwe, Kyeala, Liwale, Loliondo, Longido, Ludewa, Lushoto, Mafinga, Magu, Mahenge, Makete, Mangaka, Manyoni, Masasi, Mbinga, Mbulu, Misungwi, Mkuranga, Monduli, Mpanda, Mpwapwa, Mugumu, Muheza, Muleba, Mwanza, Mwanhuzi, Nachingwea, Namanyere, Namtumbo, Nansio-Ukerewe, Ngara, Ngudu, Njombe, Nzega, Orkesumet, Pangani, Ruangwa, Rujewa, Same, Sengerema, Sikonge, Songe, Tarime, Tukuyu, Tunduru, Urambo, Ushirombo, Utete and Vwawa.
- National Projects Water Supply and Sanitation Authorities operate in big water supply schemes designated by the Minister responsible for water as National Projects which include Chalinze, Handeni Trunk Main (HTM), Kahama-Shinyanga (KASHWASA), Makonde, Maswa, Mugango-Kyabakari and Wanging'ombe.
- Small Towns Water Supply and Sanitation Authorities operate at small township areas which include Bashnet, Bonga, Chala, Dareda, Didia, Galapo, Ilula, Isaka, Iselemagazi, Jomu (Tinde), Kasumulu, Laela, Lalago, Maganzo, Magugu, Makambako, Malampaka, Mbalizi, Mikumi, Mlowo, Mombo, Sangamwalugesha, Sanya, Tunduma and Turiani.



## **6.2 Performance Monitoring**

### **6.2.1 Performance Data Reporting**

Water Supply and Sanitation Authorities (WSSAs) report to EWURA electronically using the Water Utilities Information System (Majls) and in hard copies by submission of written reports in the agreed format. Regional WSSAs and DAWASCO submit monthly reports through Majls latest by 14th day of the following month. During the FY 2011/12, five (5) utilities (DAWASCO, Iringa, Kigoma, Singida, and Tabora) out of 20 Regional water utilities did not manage to submit their Majls data due to reported computer problems. District, Small Town WSSAs and National Projects have not yet started submitting the monthly reports through Majls. In order to improve monthly data submission from WSSAs, EWURA received support from Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) to upgrade Majls into a web based system. Some of the benefits of a web based Majls include stable information systems with minimum risks to virus attacks, multi-user functions at the same WSSA, more user friendly in both data entry and report generation and does not require installation at user computer's but to be provided with access code.

The web-based Majls has been developed to include all District, Small Towns, and National Water Projects WSSAs. Training on the web-based Majls has been conducted to staff working at all regional WSSAs and continue to other WSSAs. All regional WSSAs have applied and were issued with access codes to the web-based Majls and some few District and Small Towns WSSAs have applied and were also issued with access codes.

### **6.2.2 Site Inspection and Verification of Data**

#### **a) Regional WSSAs**

As part of the performance monitoring, site inspections were conducted to 12 Regional WSSAs and DAWASCO. During site inspections, EWURA verified data submitted in the reports including; water production and the status of bulk water meters, the status of water and sewerage infrastructures, water quality by conducting spot water quality tests, the process and records of complaints handling, the implementation of EWURA orders and the price of water charged at water kiosks. In addition, EWURA conducted verification inspections during the tariff review applications process. Regional authorities inspected include Arusha, Dar es Salaam, Iringa, Lindi, Mbeya, Morogoro, Musoma, Mwanza, Mtwara, Singida, Songea, Shinyanga and Tanga WSSAs.

#### **b) District, Small Towns and National Water Projects**

A total of 74 District, Small and National Projects (DSNP) WSSAs were inspected to verify their compliance with the licence conditions which include technical, financial and managerial capability of the utilities.

#### **c) Findings**

During site inspections, it was observed that most WSSAs did not properly keep their operation and maintenance data as well as complaints handling reports. In addition, most WSSAs do not make routine calibration of water bulk meters.

### **6.2.3 Business Plans**

The Authority prepared Business Plan Preparation Guidelines to be followed by all the WSSAs in preparing their own business plans and provided technical guidance on how to implement the guidelines. By 30<sup>th</sup> June, 2012, three water utilities namely; DAWASCO, Lindi, and Mbeya had adequately met the requirements of the guidelines and the remaining 17 WSSAs namely, Arusha, Babati, Bukoba, Dodoma, Iringa, Kigoma, Morogoro, Moshi, Mtwara, Musoma, Mwanza, Shinyanga, Singida, Songea, Sumbawanga, Tabora and Tanga were provided with technical support in developing their Business Plans and they are at various levels of progress.



### 6.3 Promotion and Monitoring of Investment

Since establishment of EWURA to 30<sup>th</sup> June, 2012, investment funds in the sector amounting to TZS 6.1 billion have been approved through the approved tariff for the new investments activities. These include new water sources, expansion of the water supply network, installations of water meters, expansion of customer base, computerization of the billing software, reduction of non revenue water etc. Meanwhile, a total of TZS 7.9 billion have been approved through the approved tariff for renewal and replacement of water utilities infrastructures. Details are shown in Table 18.

**Table 18: Approved New Investment and Rehabilitation Fund**

Financial Year	Approved New Investment	Approved Rehabilitation Fund (Ring Fenced Depreciation Fund)
	<b>TZS</b>	<b>TZS</b>
2007/2008	557,266,903	302,292,000
2008/2009	1,419,762,885	2,293,536,640
2009/2010	315,000,000	792,000,000
2010/2011	-	-
2011/2012	3,791,334,206	4,612,118,134
<b>Total</b>	<b>6,083,363,994</b>	<b>7,999,946,774</b>

Improvement in performance due to investment allowed in tariff was manifested in the following areas:

**a) Expansion of Water Supply Network**

One of the benefits the water utilities gained from the approved tariff is provision of fund for new investment including expansion of water network. During the period from 2007/08 to 2011/2012 the regulated regional water utilities using the investment fund provided for in the tariff increased the length of the water network by 907km.

**b) Non-Revenue Water (NRW)**

Since EWURA inception there has been irregular trend in NRW (%) reduction. Most of WSSA have shown positive trend which has been possible through provision of fund in the tariff and stringent conditions for investment in metering of water production and customer connections and rehabilitation of the dilapidated infrastructure. From 2007/08 to 2011/2012 the average NRW for regulated regional water utilities has been fluctuating between an average of 37% in 2007/08 and 36.3% in 2011/2012.

**c) Metering Ratio**

There has been a significant improvement in metering ratio from 2007/2008 to 2011/2012. The overall metering ratio has improved by 15.7% from 75.3% in 2007/2008 to 91% in 2011/2012. The number of regional utilities with 100% metering has increased from 4 utilities in 2007/2008 to 10 utilities in 2011/2012.

**d) Total Water Connection**

Since establishment of EWURA total water connections have been significantly improved. During that period a total of 81,535 connections were added to infrastructure from 2007/08 to 2011/2012 in regional utilities.

**e) Water Billing**

Water billing from water and sewerage sales for regional utilities have almost double from TZS 26.8 billion in 2007/08 to around TZS 49.2 billion in 2011/2012 this is great achievement.

**f) Water Production**

The annual water production for regional water utilities improved at a percentage increase of 15% from 104.86 million cubic meters in 2007/08 to 120.19 million cubic meters in 2011/2012.

**g) Proportion of Population living in the area with water network (%)**

The Proportion of Population Living in the area with water network (%) for the regulated water supply at regional utilities improved from an average of 75.8% in 2007/08 to an average of 83.7% in 2011/2012.

**h) Proportion of Population directly served with water (%)**

The Proportion of Population Directly Served with water (%) for the regulated water supply at regional utilities decreased from an average of 81.5% in 2007/08 to an average of 66.3% in 2011/2012. The decreasing trend in this indicator is attributed to an increase in population growth in urban areas and improvement in population access data.

#### **6.4 Water Utilities Performance Review Report**

In May, 2012, the Authority published the Water Utilities Performance Report for the financial year 2010/2011. This is the third report prepared by the Authority pursuant to Section 28(2) of the Water Supply and Sanitation Act, 2009.

The Water Utilities Performance Review Report was published in two volumes namely:

- a) Water Utilities Performance Review Report for Regional Water Utilities and DAWASCO;
- b) Water Utilities Performance Review Report for District, Small Towns and National Projects Water Utilities.

#### **6.5 Licensing**

The major licensing activity during the period under review was Pre-licensing Inspection for 74 DSNP Water Utilities. The change in legislation from the Waterworks Act to the Water Supply and Sanitation Act, 2009, which came into force on the 1<sup>st</sup> August, 2009, necessitated the Authority to start working on a licensing regime which corresponds to the new Act.

In this regard during the period under review the Authority finalized the publication of the Water Supply and Sanitation Rules, 2011 which, among other things, provide for the licensing procedures for the WSSAs. The Authority also finalized the preparation of the licence templates for WSSAs. All 19 Regional WSSAs have already been issued with ten (10) years permanent licences of Category III starting 29<sup>th</sup> September, 2011.

On 15<sup>th</sup> March, 2012, the Authority approved amendments to the lease contract between DAWASA and DAWASCO which is applicable till 2015.

#### **6.6 Determination of Rates and Charges**

During the year under review, the Authority reviewed 34 tariff applications from the WSSAs. By 30<sup>th</sup> June 2012, 18 tariff applications were approved of which 11 were Automatic Tariff Adjustment due to Impact of Electricity Tariff increase by 40.29% and the remaining seven (7) were normal tariff applications.

#### **6.7 Legislative Matters**

During the period under review, the Authority participated as a key stakeholder in the preparation of WSSAs Clustering Regulations and in the finalization of the Water Supply and Sanitation Regulations, 2011. Also the Authority finalized the preparation of the Water Supply and Sanitation Rules, 2011 which, among other things, provide for the licensing procedures for WSSAs.

## 6.8 Complaints Handling and Dispute Resolution

During the period under review the Authority received 33 complaints in the water sector. Natures of the complaints received were on billing leading with 62% followed by improper disconnection at 12%. Others were poor customer service (7%), unreliable supply (6%), sewer overflow (7%), compensation claims (2%), illegal connection (2%), meter by passing (2%) and meter location (2%). Out of 33 complaints received 17 were determined, 11 awards were issued and six (6) were resolved amicably between the parties. Hearings of sixteen (16) complaints against service providers are underway at the year end. Summary is shown in Table 19.

**Table 19: Complaints Determined by EWURA in the Water Sector**

S/n	Nature of Complaint	Settlement Mode	Status	Number of Complaints
1	Billing	Hearing	Award issued	4
			In progress	16
		Mediation	Award issued	7
2	Billing and disconnection	Amicable solution between parties	Resolved	6
	<b>Total</b>			<b>33</b>

## 6.9 Litigation

During the period under review, the Authority was involved in a Miscellaneous Civil Application No. 43/2011 between Geoffrey Mwandilima & Others against EWURA at the High Court of Tanzania, Mbeya Registry. This case was in the nature of an appeal against the tariff Order made by the Authority on the tariff review application by Mbeya UWSA. This appeal was withdrawn at the request of the appellants and the Authority was awarded the costs of such appeal.

## 6.10 Health, Safety and Environmental Matters

The Authority has continued to conduct field inspections on compliance to the Water Quality Standards in relation to bacteriological, physical and chemical parameters of both water and wastewater.

### 6.10.1 Water Quality

Reported Water Quality test results from Regional WSSAs showed that more than 91% of the tested samples had no E-Coli while more than 94% of the tested samples had recommended residual chlorine of about 0.2mg/l in their distribution systems. On the other hand, DAWASCO's water quality test results have shown that all (100%) tested samples complied with E-coli and Residual Chlorine requirement.

### 6.10.2 Wastewater Quality

Wastewater Quality data for regional WSSAs with sewerage systems showed that more than 63.8 % and 63.14% of the tested samples complied with the BOD<sub>5</sub> and COD standards, respectively. For DAWASCO, the quality of waste water effluent from oxidation ponds attained only 24% compliance to the BOD<sub>5</sub> standard and no data was available on COD compliance. It was also reported that the main cause for non-compliance to BOD<sub>5</sub> standard was due to inadequate digestion by the biomass, caused by ongoing rehabilitation works and poor quality of industrial effluence.

### 6.10.3 Quality Monitoring and Inspection

The Authority carried out on spot drinking water and effluent quality tests in 10 regional WSSAs and results are shown in table 20. Water quality parameters that were tested include: pH, turbidity (NTU), total dissolved solids (mg/l), electrical conductivity (µS/cm), residual chlorine (mg/l), fluorides (mg/l), iron (mg/l), nitrates (mg/l), manganese, faecal coliforms (nos/100ml), total coliforms (nos/100 ml) and conductivity.



Water Quality results showed that 94% of the tested samples had no E-Coli, but only 48% of the tested samples had recommended residual chlorine of about 0.2-0.5 mg/l in their distribution systems. Most of the utilities failed to maintain appropriate levels of residual chlorine in their distribution systems so as to safeguard their water supply from being contaminated. Further, with regard to pH and turbidity, 98% and 100% of the tested samples complied with TBS standards, respectively. Furthermore, only 50% of the tested samples complied with BoD5 standards while only 33% of the tested samples complied with COD standards.

**Table 20: Water and Wastewater Quality Inspection Results**

SN	Utility	pH	% Compliance				
			Water quality			Wastewater	
			Residual Chlorine	Turbidity	E-Coli	BOD	COD
1	Mwanza	100	50	100	100	0	0
2	Musoma	100	33	100	nm	na	na
3	Mtwara	83	83	100	83	na	na
4	Songea	100	67	100	100	100	100
5	Singida	100	nm	100	100	na	na
6	Shinyanga	100	100	100	100	na	na
7	Arusha	100	11	100	80	100	0
8	Tanga	100	10	100	100	na	na
9	Iringa	100	38	100	100	0	0
10	Mbeya	100	43	100	100	100	100
<b>Overall Average Compliance (%)</b>		<b>98</b>	<b>48</b>	<b>100</b>	<b>96</b>	<b>60</b>	<b>40</b>

**NB:** nm = not measured & na = not applicable

#### 6.11 Awareness Creation to WSSAs

The Authority participated in the capacity building which was organized by the Association of Tanzania Water Suppliers (ATAWAS) on technical, commercial and managerial skills for the DSNP water utilities. The training was funded by the Ministry of Water through the Water Sector Development Programme (WSDP) and GIZ. In this training, the Authority imparted to the participants general knowledge with emphasis on Business Plans preparation, report writing and submission and web-based Majlis reporting.

#### 6.12 Other Interventions in the Water Sector

The Authority collaborated with the Ministry of Water and other stakeholders to improve service delivery in WSSAs by taking part in the following sectoral task groups:

##### a) **Water Sector Development Programme (WSDP) thematic working group**

This group sets indicators for monitoring, carries out joint inspection and evaluation of the WSDP projects under implementation by WSSAs. The Authority provided performance inputs in the water sector status report which facilitates discussions by the water sector stakeholders on key sector issues and challenges facing the implementation of WSDP, share experiences between stakeholders and recommend options for improving future implementation of the programme.

##### b) **Commercial Loan Committee**

The Authority participated in the preparation of loan guidelines for WSSAs to access funds from financial institutions to enhance investment in the sector. The loan guidelines were published by the Ministry of Water in March, 2012. The Authority also participated in the review of loan applications from Singida and Tanga WSSAs in line with regulatory requirements including Business planning guidelines.



### c) Clustering of WSSAs

The Authority participated in the preparation of Draft Guidelines and Regulations for Clustering of WSSAs.

## 6.13 Challenges and Way Forward

The main challenges facing the Authority in regulating the water sector as well as the way forward are described below:

- a) Promotion of investment in the water sector remains a challenge to the Authority, since funds earmarked under WSDP for investment projects have not been sufficient to meet increasing demand. In addition, WSSAs have difficulties in accessing commercial loans, which make them dependent mainly on the government for investments. To address the challenge, the Authority has prepared comprehensive business plan guidelines for water utilities to use in preparation of plans towards attaining cost recovery tariffs and use the business plans to access funds.
- b) Regulating District and Small Towns WSSAs in respect of compliance to various regulatory directives is still a challenge to the Authority. This is due to lack of skilled manpower in WSSAs. To address this challenge, the Authority is collaborating with Ministry of Water to conduct capacity building workshops to the District, Small Towns and National Project WSSA (DSNP WSSA).
- c) It is costly to regulate district and small water utilities. The Authority is working closely with the Ministry of Water in order to establish clustered water utilities i.e. one regional WSSA and a group of district and small towns WSSAs to form one big utility. This will reduce the number of utilities to be regulated and eventually reduce cost of regulation.

## 7.0 CROSS CUTTING REGULATORY MATTERS

### 7.1 Tariff Application Review

The Authority carried out public inquiries to collect stakeholders' views for consideration in the determination of tariff review matters filed by regulated suppliers in the electricity, petroleum and water sectors. There was no tariff application review from the natural gas sector. A summary of tariff reviews conducted during the year under review is shown in Table 21:

**Table 21: Tariff Application Review**

Regulated Sectors	Applications Brought Forward	Applications Received	Total Applications Reviewed	Approved	Referred Back	With-drawn	Under Review
Electricity	2	3	5	3	0	2	1*
Petroleum	1	1	2	2	0	0	0
Water & Sewerage	5	22	27	18	4	0	5
<b>TOTAL</b>	<b>8</b>	<b>26</b>	<b>34</b>	<b>23</b>	<b>4</b>	<b>2</b>	<b>6</b>

\*TANESCO Emergency Tariff Application was provisionally approved in January 2012, but was still under review by 30<sup>th</sup> June, 2012.

The Authority conducted public hearings to collect views of stakeholders including consumers and service providers. A summary of the public hearings is shown in Table 22.

**Table 22: Public Hearings Conducted**

Regulated Sector	No of Public Hearings
Electricity	2
Natural Gas	0
Petroleum	3
Water & Sewerage	4
<b>Total</b>	<b>9</b>

## 7.2 Complaints and Dispute Resolutions

The complaints which are not settled amicably between the consumer and service provider are forwarded to the Division of the Authority for settlement by way of a hearing. The hearing procedure is in accordance with the EWURA (Consumer Complaints Handling Procedure) Rules, GN No. 30/2008. After the conclusion of the hearing, the award is issued.

During the year under review, a total of 138 complaints were recorded. Out of these complaints, EWURA managed to mediate 77 complaints while 26 complaints reached hearing stage and 35 are at different stages of resolution. The summary of complaints received and settled from each sector is indicated in Table 23.

**Table 23: Number of Complaints Received and Settled for Each Sector**

Regulated Sector	Number of Complaints			
	Brought Forward	Received	Settled	Pending
<b>Electricity</b>	20	63	39	44
<b>Petroleum</b>	4	42	41	5
<b>Natural Gas</b>	0	0	0	0
<b>Water &amp; Sewerage</b>	22	33	17	38
<b>Total</b>	<b>46</b>	<b>138</b>	<b>97</b>	<b>87</b>

## 8.0 PUBLIC AWARENESS AND OUTREACH PROGRAMME

### 8.1 Implementation of the Programme

Public Awareness activities for the year under review targeted, among other things, to inform the public on the Authority's regulatory duties and functions, its importance to the country's economy, complaints handling and dispute resolution. In addition awareness campaigns focused on regulatory challenges, rights and obligations of consumers and instilling the correct public perception towards the Regulator. The following achievements were made during the year under review.

#### a) Press Conferences and Media Coverage

The Authority conducted press conferences on various media channels, where several live TV and radio programmes were held. The public also viewed TV documentaries on EWURA's Five Year Anniversary and Fuel Marking Programme aired by several TV stations across the country. The Authority also received special media attention during the critical moments involving TANESCO tariff increase and implementation of the new petroleum pricing formula.

### b) Awareness Campaign

Awareness campaigns were also conducted during various public hearings on tariff matters, as well as on print and electronic media. The focus was on the rationale for regulations, duties and functions of the Authority, quality of services, health, safety and environment, complaints resolution, achievements and challenges faced by the Authority.

The Authority continued to cement its linkage with media houses through Editors Forum held during the year to give editors the opportunity to interact with the Authority's officials on regulatory matters.

In addition, the Authority's website, [www.ewura.go.tz](http://www.ewura.go.tz), has continued to be an informative tool for public education and through which stakeholders can access various information.

### c) Exhibitions

The Authority participated and conducted awareness campaigns during exhibitions to mark 50 years of Independence, Maji Week, Dar es Salaam International Trade Fair (Saba Saba) and Nane Nane Exhibitions.

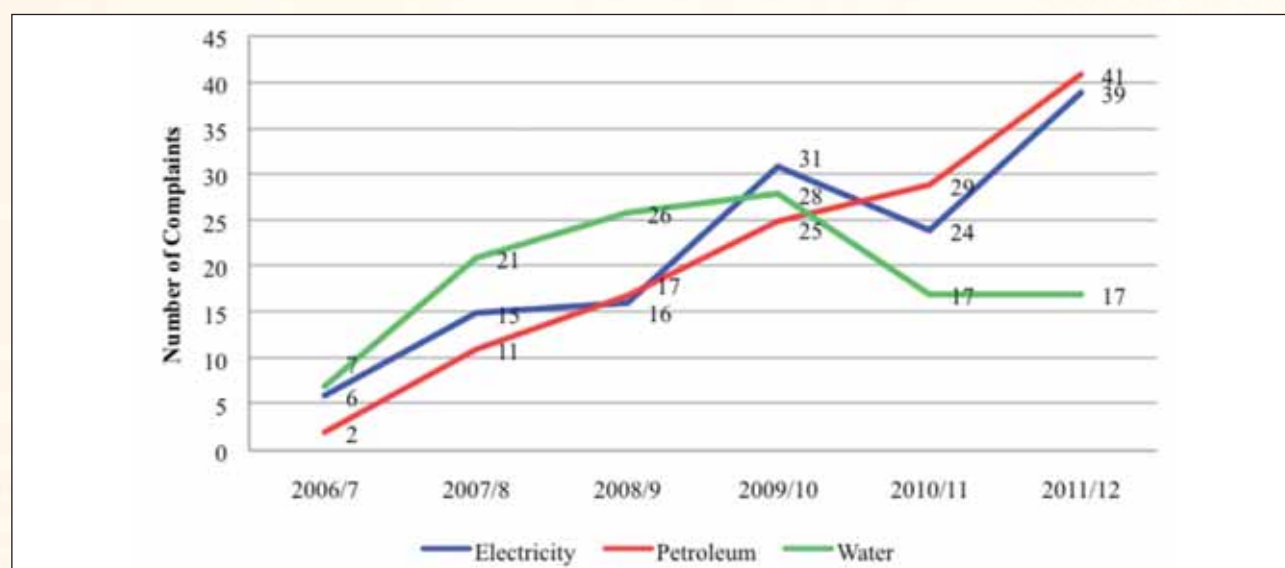
### d) Publicity Materials

Publicity materials for the purpose of promoting EWURA were printed accordingly. These included EWURA Newsletter, Annual Reports, Water Sector Annual Performance Report, brochures, wall and table calendars. The Authority also procured T-shirts, caps and pens. The objective of these materials is to promote the Authority's regulatory image and activities.

## 8.2 Impact of Public Awareness Campaigns

During the period under review, there was a general trend of increased complaints registered by the Authority. The increase is, to a large extent, attributed to public awareness campaigns that made customers to be aware of their rights and obligations. The trend of complaints received is shown in Figure 17.

**Figure 16: Trend of Complaints in Petroleum, Electricity and Water Sectors**



## 8.3 Corporate Social Responsibility

During the period under review, the Authority offered field/practical training to students from various higher learning institutions and hosted a visit by students of one secondary school. The objective is to offer opportunity to students to understand the basic principles of regulation and the sectors regulated



by the Authority. The Authority also supported initiatives in water well drilling and seminars aimed at promoting energy efficiency and environmental protection.

#### **8.4 Challenges and Way Forward**

The main challenge facing the Authority in the public awareness campaign is high advertisement costs which have limited the rolling out of public awareness campaigns targeting various categories of stakeholders. As a result, advertisements and some paid-for TV programmes had to be minimized to conform to the tight budgetary situations and engage in various national exhibitions to reach more people at a reasonable cost.

### **9.0 STAKEHOLDER CONSULTATIONS**

Stakeholders' consultation forms part of the Authority's regulatory decision-making process. The Authority's stakeholders include the Consumer Consultative Council (CCC), the Government Consultative Council (GCC), regulated entities, the media, and the general public. During the year under review, the Authority undertook several stakeholders' consultations where it received views and comments on the various regulatory decisions. During the year GCC held a total of 12 meetings. The comments received from these meetings formed part of the inputs that were taken into account in arriving at the Authority's regulatory decisions.

Activities in which stakeholders' consultations were sought included public inquiries on tariff adjustments, processing of licence applications and development of rules and regulations.

### **10.0 DECLARATION OF CONFLICT OF INTEREST**

During the year under review, one Board Member, Mr Nicholas Mbwanji declared conflict of interest during tariff review application for Arusha Water Supply Authority (AUWSA). At the time the member was providing consultancy services to AUWSA and hence the member did not participate in the tariff decision.

### **11.0 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 be taken to achieve the necessary impact include:

- a) objectives and targets under new Strategic Plan 2012/13 to 2016/17 that will guide the Authority's operations for the next five years will be implemented to address the prevailing challenges faced by the Authority;
- b) continuing speeding up the process of developing regulatory tools including making rules and standards (in collaboration with TBS) that all players in the regulated sectors must adhere to;
- c) ensuring that all regulated suppliers in the country are licensed and operate in observance of the required standards, rules and regulations governing their respective industries in the country;
- d) continuing with the 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;
- e) continuing to play a strong supporting role in the development of the gas policy, gas sector legislation and gas master plan which are tools for effective regulation;

- f) continuing to implement public awareness programmes in order to enhance public knowledge in the understanding of rights and obligations of consumers and regulated suppliers;
- g) construct office building for the Authority including opening zonal offices to address current office accommodation challenges which include increase in rent and insufficient space; and
- h) play a key role in attracting investments in the regulated sectors by creating an enabling environment for investors.

## 12.0 FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2012

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



### REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES AUTHORITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2012

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Website: [www.nao.go.tz](http://www.nao.go.tz)

**DAR ES SALAAM**

**March, 2012**

**AR/ EWURA /2011**



**Office of the Controller and Auditor General  
National Audit Office  
The United Republic of Tanzania**

*(Established under Article 143 of the Constitution of the URT)*

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and further elaborated under Sect. 10 (1) of the Public Audit Act No 11 of 2008.

**Vision**

To be a centre of excellence in public sector auditing.

**Mission**

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

**In providing quality services NAO is guided by the following Core Values:**

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law;
- ✓ **People focus:** We focus on stakeholders needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organisation; and
- ✓ **Best resource utilization:** We are an organisation that values and uses public resources entrusted to it in efficient, economic and effective manner.

**We do this by:-**

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with adequate working tools and facilities that promote independence.

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## REPORT OF THE DIRECTORS

### 1.0 INTRODUCTION

The Directors hereby submit their report together with the audited financial statements for the year ended 30 June, 2012 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 constituted.

### 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 environmental issues of the regulated suppliers.

### 4.0 BOARD MEMBERS

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

Name	Status	Date of Appointment
Mr. Simon F. Sayore	Chairman	Re- appointed 27 June, 2011
Dr. Geoffrey Mariki	Deputy Chairman	Appointed 1 August, 2009
Mr. Omar S. Bendera	Member	Appointed 1 March, 2010
Ms. Lucy H. Sondo	Member	Re-appointed 1 June, 2010
Mr. Nicholas Mbwani	Member	Appointed 1 March, 2011
Ms. Juliana Mwalongo	Member	Appointed 1 March, 2011
Mr. Haruna Masebu	Director General	Re-appointed 1 January, 2010

### 5.0 RELATED PARTY TRANSACTIONS

The related party transactions during the year are the amounts spent on the key management personnel of the entity.

The following transactions were carried out with related parties:

Key Management Compensation (Note 17 A)	30.06.2012		30.06.2011
	<b><u>TZS'000</u></b>		<b><u>TZS'000</u></b>
Directors Fees	21,500		18,500
Salaries	1,325,617		1,081,974
Pension - Employer's Contribution	570,663		455,486
Gratuity	1,157,594		39,047
	<b><u>3,075,374</u></b>		<b><u>1,595,007</u></b>
Staff Loans and Advances (Note 17 B)	30.06.2012		30.06.2011
	<b><u>TZS'000</u></b>		<b><u>TZS'000</u></b>
Loans and Advances	<b><u>215,151</u></b>		<b><u>459,882</u></b>

## 6.0 OPERATIONAL AND FINANCIAL PERFORMANCE

During the year under review, EWURA focused on the implementation of its Strategic Objectives which guide the Authority in achieving its vision and mission, championing good governance and facilitating 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, 2012.
- (b) To have a well developed regulatory information systems by June, 2012.
- (c) To have enhanced public knowledge, awareness and understanding of the regulatory functions and the regulated sectors by June, 2012.
- (d) To have improved availability and quality of regulated service to customers.
- (e) To have an effective intervention strategy against HIV/AIDS for enhanced productivity by June, 2012.

During the year under review, the Authority approved a new Strategic Plan 2012/13 – 2016/17 that will guide the Authority's operations for the next five years.

### 6.1 Achievements

During the year under review, the Authority witnessed significant achievements in mobilisation of financial and non-financial resources, preparation of conducive legal framework, licensing, development of rules, standards and codes, tariff review for regulated services, monitoring regulated services, public awareness, and institutional development in terms of working facilities and equipment, recruitment and capacity building of staff.

### 6.2 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 licence fees, penalties and interest income from fixed deposits.

During the year under review total revenue amounted to TZS 22.65 billion indicating an increase of 2% when compared to the previous year as shown in the table below.

Description	Increase/ (Decrease) %	Amount for the Period Ended 30.06.2012 TZS'000	Amount for the Period Ended 30.06.2011 TZS'000
Income from Regulatory Levy and Licences	1	21,463,644	21,241,921
Other Income	15	1,191,560	1,033,680
<b>Total Revenue</b>	<b>2</b>	<b>22,655,204</b>	<b>22,275,601</b>

### 6.3 Legal Framework

The EWURA Act governs the conduct of the activities of the Authority. Currently EWURA regulates the relevant sectors pursuant to the EWURA Act and sector legislation. The Authority continued to play a key role in supporting the Government in the development and enactment of the Gas Supply Bill. It is imperative that the sector legislation be enacted to enable the Authority to effectively execute its legal regulatory obligations in the gas sector.

### 6.4 Licensing

The Authority's long term objective is to licence all regulated activities under its jurisdiction. During the year under review, the Authority has prepared and issued licences to some regulated suppliers operating in the regulated sectors.



Notes:

- a) Over 60 petroleum products retail outlets have not applied for licences. Process is underway to close their business.
- b) Licences under the natural gas sector are still issued by the Ministry for Energy and Minerals under the Petroleum (Exploration and Production) Act, Cap 328.

## 6.5 Development of Regulatory Tools

The Authority continued with the task of finalising the preparation and issuing the regulatory tools initiated during the previous year and developing new ones.

The process of developing regulatory tools 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 regulatory tools and procedures is an ongoing one. In addition, EWURA's Code of Conduct of 2007 governs the behaviour of the members of the Board and the Authority's employees, both in the course of performing duties and with interaction with the general public.

During the year under review the preparation of the following tools was completed:

- a) The Petroleum (Consumer Installation Operations) Rules, 2011;
- b) The Water Supply and Sanitation Services Rules, 2011; and
- c) The Energy and Water Utilities Regulatory Authority (Petroleum Products Price Setting) (Amendment) Rules, 2011.

## 6.6 Standards and Codes

During the year under review, the Authority continued with 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:

Regulated Sectors	Applications Brought Forward	Applications Received During the Period	Total Applications Reviewed	Approved	Referred Back	With-drawn	Under Review at the End of the Period
Electricity	2	3	5	3	0	2	1*
Natural Gas	0	0	0	0	0	0	0
Petroleum	1	1	2	2	0	0	0
Water & Sewerage	5	22	27	18	4	0	5
<b>TOTAL</b>	<b>8</b>	<b>26</b>	<b>34</b>	<b>23</b>	<b>4</b>	<b>2</b>	<b>6</b>

\*TANESCO Emergency Tariff Application was provisionally approved in January 2012, but was still under review by 30<sup>th</sup> June, 2012.

In all cases, the legal requirement of taking the views of both consumers and service providers into account was respected when determining the new tariffs. In this regard, the Authority conducted public hearings as summarized below.

Regulated Sector	No of Public Hearings	No. of Matters	Concluded Before 30.06.2012
Electricity	2	2	2
Natural Gas	0	0	0
Petroleum	3	3	3
Water & Sewerage	4	4	4
<b>Total</b>	<b>9</b>	<b>9</b>	<b>9</b>

## 6.8 Sector Monitoring

During the year under review, 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 for sector monitoring include the following:

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

During the year under review, the Authority continued to ensure that petroleum products of the right quality were offered for sale to consumers by carrying out frequent and random sampling. During the period from July 2011 to June 2012, fifty one (51) petrol stations in Mainland Tanzania were sampled whereby eleven (11) petrol stations failed the test, equivalent to twenty two percent (22%). Fourteen (14) petroleum products depots in Arusha, Dar-es-Salaam and Tabora were sampled whereby none of the depots failed the test. Furthermore, thirty seven (37) petroleum products road tankers were sampled and they all passed the tests. Punitive measures were taken against operators of the facilities that were found with off specification products. Generally, the trend analysis of incidents of retail outlets found trading out-of-spec products from random inspection sampling done quarterly from May 2007 to June 2012 has shown that there has been improvement in the quality of petroleum products offered for sale to consumers.

## 6.9 Public Awareness

Public awareness activities that were conducted during the year included educating the public through various programmes on the services offered by regulated sectors. Awareness campaigns were also conducted during public hearings on tariff matters.

In addition, the Authority participated in the Dar es Salaam International Trade Fair (Saba Saba) and Nane Nane Exhibition in Dodoma. The platform was used to provide information and public education on regulatory issues to the general public. The media consistently covered EWURA's public activities whenever and wherever they were held. Media activities included advertisements, documentaries, press conferences, live television and Radio programmes and Editors Forum.

## 6.10 Complaints and Disputes

The Authority 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. A summary of complaints received and settled in each sector is shown below.

Regulated Sector	Total Number Received	Total Number Settled	Settlement %
<b>Petroleum</b>	123	121	99
<b>Electricity</b>	140	104	74
<b>Natural Gas</b>	0	0	
<b>Water Supply and Sewerage</b>	128	98	77
<b>Total</b>	<b>391</b>	<b>323</b>	<b>83</b>

## 7.0 RECRUITMENT

The Authority's recruitment policy is to provide equal opportunity for all. The Authority recruits the most appropriate candidates available in a competitive and transparent manner to ensure that the public receives quality service.

During the year under review, the Authority recruited 9 staff thus bringing the total number of staff to 91 out of 106 that were required during the year under review. Among the 9 staff that were recruited, 4 positions were for filling up vacancies that were created due to the end of contract of 2 staff, termination of one staff and death of one staff. Five positions were filled by staff within the Authority. Later on, one staff was terminated from employment, one staff resigned, and two senior staff were transferred to the Ministry of Energy and Minerals. Staff gender structure is as indicated below:

Item	Male	Female	Total
Staff Complement	63	28	91
Percentage	69%	31%	100%

The Authority has a staff complement of highly qualified and motivated professionals, thus bringing into the Authority a wide variety of experiences.

## 8.0 STAFF WELFARE

### 8.1 Staff Relations

Good relationship between employees and management of the Authority was observed during the year 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 year under review, new senior staff attended general courses on Public Utility Regulation and Strategy. Middle level and support staff did not attend regional training due to lack of sufficient funds.

Staff attended 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 four Regional Associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (ERAEA), and Southern Africa Water and Sanitation Regulators Association (ESAWAS).

The main objective is to exchange regulatory experiences within the International and regional setting, 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 sufficient funds to cater for evacuation of staff and overseas treatment, where necessary. During the year under review, there were no cases requiring overseas treatment and therefore, the Authority did not incur medical costs for overseas treatment.

### 8.4 HIV/AIDS Intervention

During the period under review, the Authority conducted a seminar to all staff on HIV/AIDS. This involved awareness on HIV/AIDS related issues, training on causes and prevention measures and testing.



## 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 28.10 million. Out of this amount, TZS 16.5 million was used to support a Trust Fund facilitating environment protection while TZS 11.5 million was used to support field attachments for students from various higher learning institutions. The involvement of the Authority in corporate social responsibilities enhances its value and improves its image to the public.

## 11.0 KEY CHALLENGES AND WAY FORWARD

The Authority encountered various challenges in the course of discharging its functions during the year under review. Key challenges encountered included the following:-

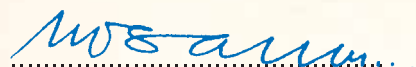
- a) Inadequate investment in the power sector, thus leading to mismatch between supply and demand of electricity. As a result the power system is operating without sufficient reserve margin. The Authority will continue to play its role in creating a conducive environment to attract investments into the sector.
- b) The absence of Natural Gas Policy and legislation. This affects gas regulatory environment and consequently investments in the sector. The Authority will continue to support the Ministry of Energy and Minerals in the formulation of Natural Gas Policy and enactment of gas legislation.
- c) The Authority is also faced with office accommodation challenges which include increase in rent and insufficient space. The Authority plans to construct its own office building on the plot provided by the Ministry of Water at Ubungu, Dar-Es-Salaam.
- d) Insufficient public knowledge in the understanding of rights and obligations of consumers and the regulated suppliers. The Authority shall continue to implement its Public Awareness Programme to address this challenge.

## 12.0 SOLVENCY

Since its establishment, the Authority has managed to finance its operations through sources specified under the EWURA Act. The Directors consider the Authority to be solvent on the basis of its working capital of TZS 6.65 billion as at 30<sup>th</sup> June, 2012.

## 13.0 AUDITORS

The Controller and Auditor General is the statutory auditor of the EWURA by virtue of the Article 143 of the Constitution of the United Republic of Tanzania, and as amplified in Sect. 32 (4) of the Public Finance Act No. 11 of 2008. However, in accordance with Sect. 33 of the same Act, M/S PKF Tanzania were authorized to carry out the audit of the financial statements of EWURA for the year ended 30<sup>th</sup> June, 2012.



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date..... 05 MAR 2013 .....

Date..... 05 MAR 2013 .....

## 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 provisions of section 46 of the EWURA Act and section 25(4) of the Public Finance Act Cap 348 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<sup>th</sup> June, 2012. 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 the Directors 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<sup>th</sup> June, 2012.

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

Nothing has come to the attention of the Directors to indicate that EWURA will not remain a going concern for at least the next twelve months from the date of the Statement.

Approved by the Board of Directors on 5<sup>th</sup> March 2013 and signed on its behalf by:



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date..... 05 MAR 2013 .....

Date..... 05 MAR 2013 .....

## **AUDIT REPORT ON FINANCIAL STATEMENTS**

To: **CHAIRMAN OF THE BOARD  
ENERGY AND WATER UTILITIES REGULATORY AUTHORITY  
P.O.BOX 72175  
DAR ES SALAAM.**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EWURA FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2012**

I have audited the financial statements of Energy and Water Utilities Regulatory Authority for the financial year ended 30<sup>th</sup> June, 2012, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 69 to 86 of this report.

#### **Director's Responsibilities for the Financial Statements**

The Board of Directors of the Energy and Water Utilities Regulatory Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control 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.

#### **Responsibilities of the Controller and Auditor General**

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA), International Standards of Supreme Audit Institutions (ISSAIs) and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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



In addition, Sect. 10 (2) of the Public Audit Act No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Further, Sect 44(2) of the Public Procurement Act, No.21 of 2004 and Regulation No. 31 of the Public Procurement (Goods, Works, Non-consultant services and Disposal of Public Assets by Tender) Regulations of 2005 require me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

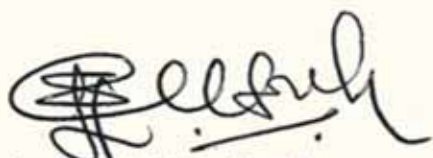
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Unqualified Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Water Utilities Regulatory Authority (EWURA) as at 30<sup>th</sup> June, 2012 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Energy and Water Utilities Regulatory Authority Act, CAP 414.

### **Report on Compliance with Procurement Legislation**

In view of my responsibility on the procurement legislation, I state that EWURA has generally complied with the requirements of the Public Procurement Act, No. 21 of 2004 and its underlying Regulations.



Ludovick S.L. Utouh  
**CONTROLLER AND AUDITOR GENERAL**

National Audit Office,  
Dar es Salaam, Tanzania


23<sup>rd</sup> February, 2013



## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2012

	NOTES	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	9	3,167,016	3,174,057
Intangible Assets	10	<u>139,931</u>	<u>61,240</u>
<b>Total Non-Current Assets</b>		<b><u>3,306,947</u></b>	<b><u>3,235,297</u></b>
<b>Current Assets</b>			
Stocks and Consumables		55,277	44,311
Trade and Other Receivables	11	5,531,358	3,644,148
Financial Assets	12	4,414,688	4,181,218
Cash and Bank Balances	13	<u>1,123,627</u>	<u>3,975,829</u>
<b>Total Current Assets</b>		<b><u>11,124,950</u></b>	<b><u>11,845,506</u></b>
<b>TOTAL ASSETS</b>		<b><u>14,431,897</u></b>	<b><u>15,080,803</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained Surplus		4,076,586	5,696,363
Building Fund		6,050,000	6,050,000
Government Grant from PPSDP Credit	14	<u>50,248</u>	<u>76,083</u>
<b>Total Capital and Reserves</b>		<b><u>10,176,834</u></b>	<b><u>11,822,446</u></b>
<b>Non Current Liabilities</b>			
Gratuity Payable	15	885,261	978,993
<b>Current Liabilities</b>			
Trade and Other Payables	16	<u>3,369,802</u>	<u>2,279,364</u>
<b>Total Liabilities</b>		<b><u>4,255,063</u></b>	<b><u>3,258,357</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>14,431,897</u></b>	<b><u>15,080,803</u></b>

The accounting policies on pages 69 to 75 and the notes on pages 76 to 86 form an integral part of these financial statements.



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date 05 MAR 2013

Date 05 MAR 2013

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2012

	NOTES	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>Revenue</b>			
Operating Revenue	1	21,463,644	21,241,921
Other Income	2	848,401	717,918
Finance Income	3	343,159	315,762
<b>Total Revenue</b>		<b><u>22,655,204</u></b>	<b><u>22,275,601</u></b>
<b>Expenditure</b>			
Staff Costs	4	6,709,040	5,402,681
Operating Expenditure	5	14,492,526	14,146,514
Administration Costs	6	1,899,906	1,591,292
Other Charges	7	620,837	188,241
Depreciation on Property and Equipment	9	459,454	536,739
Amortisation of Intangible Assets	10	93,218	35,916
<b>Total Expenditure</b>		<b><u>24,274,981</u></b>	<b><u>21,901,383</u></b>
<b>Net Operating (Deficit)/Surplus for the Year</b>		<b>(1,619,777)</b>	<b>374,218</b>
<b>Add: Retained Surplus Brought Forward</b>		<b><u>5,696,363</u></b>	<b><u>5,322,145</u></b>
<b>Retained Surplus Carried Forward</b>		<b><u>4,076,586</u></b>	<b><u>5,696,363</u></b>

The accounting policies on pages 69 to 75 and the notes on pages 76 to 86 form an integral part of these financial statements.



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date 05 MAR 2013

Date 05 MAR 2013



## STATEMENT OF CHANGES IN EQUITY YEAR ENDED 30TH JUNE, 2012

	Capital Fund TZS'000	Building Fund TZS'000	Retained Surplus TZS'000	Total TZS'000
Balance at 1 <sup>st</sup> July, 2011	76,083	6,050,000	5,696,363	11,822,446
Net Operating Deficit for the Year	-	-	(1,619,777)	(1,619,777)
Grant Amortisation	(25,834)	-	-	(25,834)
<b>Balance at 30<sup>th</sup> June, 2012</b>	<b>50,248</b>	<b>6,050,000</b>	<b>4,076,586</b>	<b>10,176,835</b>
<b>Year Ended 30<sup>th</sup> June, 2011</b>				

	Capital Fund TZS'000	Building Fund TZS'000	Retained Surplus TZS'000	Total TZS'000
Balance at 1 <sup>st</sup> July, 2010	215,823	6,050,000	5,322,145	11,587,968
			-	-
			374,218	
Net Operating Surplus for the Year	-	-	-	374,218
			-	-
Grant Amortisation	(139,740)	-	-	(139,740)
			-	-
<b>Balance at 30<sup>th</sup> June, 2011</b>	<b>76,083</b>	<b>6,050,000</b>	<b>5,696,363</b>	<b>11,822,446</b>

### Note:

The balance of TZS 6,050,000,000 as at 30<sup>th</sup> June, 2012, is the amount appropriated to the Building Fund as a special fund established by the Authority to be used for construction of office building for its own use.

The accounting policies on pages 69 to 75 and the notes on pages 76 to 86 form an integral part of these financial statements.



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date 05 MAR 2013

Date 05 MAR 2013

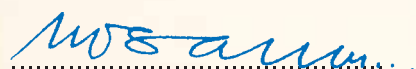
## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2012

	NOTES	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>Cash Generated From/(Used in) Operations</b>			
Net Operating Surplus for the Year		<b>(1,619,777)</b>	<b>374,218</b>
<b>Adjustments for:</b>			
Depreciation on Property and Equipment	9	459,454	536,739
Amortisation of Intangible Assets	10	93,218	35,916
Profit on Disposal of Property and Equipment		-	(464)
Gain/(Loss) on Insurance Claim		(467)	
Grant Amortization	14	(25,834)	(139,740)
Operating (Deficit)/Surplus Before Working Capital Changes		<b>(1,093,406)</b>	<b>806,669</b>
<b>Changes in Working Capital Items:</b>			
(Increase)/Decrease in Stocks and Consumables		(10,966)	(12,517)
(Increase) in Trade and Other Receivables		(1,887,173)	(1,753,231)
Increase/(Decrease) in Trade and Other Payables		1,090,438	1,637,478
<b>Net Cash Generated From Operations</b>		<b><u>(1,901,107)</u></b>	<b><u>678,399</u></b>
<b>Investing Activities</b>			
Purchase of Property and Equipment	9	(452,530)	(3,113,817)
Purchase of Intangible Assets	10	(171,909)	(75,974)
Proceeds from Disposal of Property and Equipment		-	11,236
Purchase of Financial Assets – Maturity After 91 Days		(2,246,791)	(2,126,641)
Proceeds from Financial Assets – Maturity After 91 Days		4,280,246	3,213,507
<b>Net Cash Used In Investing Activities</b>		<b><u>1,409,016</u></b>	<b><u>(2,091,689)</u></b>
<b>Financing Activities</b>			
Proceeds		-	-
<b>Net Cash Generated From Financing Activities</b>		<b><u>-</u></b>	<b><u>-</u></b>
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>		<b><u>(492,091)</u></b>	<b><u>(1,413,290)</u></b>

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2012 (CONTINUED)

NOTES	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>Movement in Cash and Cash Equivalents</b>		
At Start of Year	6,030,406	7,443,696
(Decrease)/Increase in Cash and Cash Equivalents	<u>(492,091)</u>	<u>(1,413,290)</u>
<b>At End of Year</b>	<b><u>5,538,315</u></b>	<b><u>6,030,406</u></b>

The accounting policies on pages 69 to 75 and the notes on pages 76 to 86 form an integral part of these financial statements.



Simon F. Sayore  
**Chairman of the Board of Directors**  
**EWURA**



Haruna Masebu  
**Director General**  
**EWURA**

Date 05 MAR 2013

Date 05 MAR 2013



## 1. GENERAL INFORMATION

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). 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. The address of its registered office is:

6 Floor Harbour View Towers,  
Samora Avenue /Mission Street,  
P O Box 72175,  
Dar es Salaam, Tanzania.

## 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

### a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements have been prepared on a going concern basis which assumes that the Authority will continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in accounting policy (b).

### (i) Standards, amendments and interpretations effective as of 1st January, 2010 and relevant to the Authority's operations

**IAS1 on 'Presentation of Financial Statements' (effective on or after 1 January 2010).** The amendment is part of the IASB's annual improvements project published in April 2009 and provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this amendment does not have any material impact on the financial statements.

**IAS 7 on 'Cash Flow Statement' (effective on or after 1<sup>st</sup> January, 2010).** The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. It is not expected to have a material impact on the Authority's financial statements.

**IAS 17 on 'Leases' (effective on or after 1<sup>st</sup> January, 2010).** Leasehold land can now be classified either as an operating or finance lease.

- (ii) **The following standards, amendments and interpretations of existing published standards are not yet effective but are relevant to the Authority's operations. The Authority is currently evaluating the impact of adopting these standards, amendments and interpretations, but is not expecting a significant impact, unless otherwise stated.**

In November 2009, the IASB issued amendments to IAS 24 "Related Party Disclosures". The amendments will be effective for reporting periods beginning on or after January 1, 2011. The amendment provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party.

In May 2010, the IASB issued amendments to IFRS resulting from the IASB's annual improvement project. These amendments will be effective for annual periods beginning on or after January 1, 2011. The amendments primarily comprise clarification to presentation, disclosure and measurement provisions related to several IFRS standards.

In November 2009, as part of the phased project to replace IAS 39 "Financial Instruments: Recognition and Measurement", the IASB issued IFRS 9 "Financial Instruments" which reconsiders the classification and measurement of financial assets. IFRS 9 will be effective for reporting periods beginning on or after January 1<sup>st</sup>, 2015 (revised), with earlier adoption permitted.

**b) Critical Accounting Estimates, Judgments and Assumptions**

In the process of applying the Authority's accounting policies, the Authority's management makes certain estimates, judgments and assumptions. These are based on the management's past experience and other determinants that under the circumstances are deemed to be reasonable. In practice, the estimated and assumed results would differ from the actual results.

- **Property and Equipment**

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy under property, plant and equipment.

**c) Revenue Recognition**

**The Annual Levy Policy**

Revenue comprises of inflows of economic benefits received and receivable by the reporting entity, which represents an increase in net assets/equity, other than increases relating to contributions from owners.

The Authority recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the levy have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of regulated supplier, type of transaction and specifics of each arrangement.

- (i) Revenue from Levies is recognised upon regulated supplier's acceptance of demand note.
- (ii) Interest income is accounted for in the period in which it is earned.
- (iii) Other sources of revenue are recognised and accounted for as income to the Authority on receipt basis.

### Donor and Government Funds

Funds from the World Bank and Government Funds are reported as Government Grants and recognised when there is reasonable assurance that the Authority will comply with the conditions attached to them and the grants will be received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

- i) Operating Grant  
This is normally in the form of cash and is recognized as income in the year it is received.
- ii) Grant Related to Assets  
Government grants related to assets, including non-monetary grants (such as land or other resources) are recorded at fair value. The grant is recognised in the Statement of Comprehensive Income over the useful life of a depreciable asset.

### d) Property and Equipment

All property and equipment is recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be reliably measured. The carrying amount of the replaced part is derecognised.

All other repairs and maintenance costs are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life. Full year depreciation is charged to the asset in the year of acquisition irrespective of the date of acquisition, while no depreciation is charged during the year of disposal. The following annual rates are applied:

Category of Assets	Rate (%)
Leasehold Improvement	20
Technical Equipment	12.5
Motor Vehicles	20
Furniture and Fittings	12.5
Office Equipment	12.5
Computers	33.33

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.



## **e) Intangible Assets**

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 3 years.

## **f) Financial Instruments**

### **Classification**

The Authority classifies financial assets and financial liabilities into the following categories:

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition.

### **Initial Recognition and Measurement**

Financial instruments are recognised initially when the Authority becomes a party to the contractual provisions of the instruments.

The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

### **Subsequent Measurement**

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

## **Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

## **Impairment of Financial Assets**

At each reporting date the Authority assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

## **Loans to Directors, Managers and Employees**

These financial assets are classified as loans and receivables.

## **Trade and Other Receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

## **Trade and Other Payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

## **Held to Maturity**

These financial assets are initially measured at fair value plus transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Authority has the positive intention and ability to hold to maturity are classified as held to maturity.

### **g) Translation of Foreign Currencies**

Transactions in foreign currencies during the year are converted into Tanzania Shillings (functional currency), at rates ruling at the transaction dates. Monetary assets and liabilities at the Statement of Financial Position date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in the Statement of Comprehensive Income in the period in which they arise.

### **h) Employee Entitlements**

Employee entitlements to gratuity and long-term service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as result of services rendered by employees up to the Statement of Financial Position date.

The estimated monetary liability for employees' accrued annual leave entitlement at the Statement of Financial Position date is recognised as an expense accrual.

### **i) Retirement Benefit Obligation**

#### **(i) Approved Pension Scheme**

The Authority contributes to statutory defined pension contribution plans for its employees



at the rate of 15% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF) or Government Employees Provident Fund (GEPF) or Public Service Pensions Fund (PSPF) or Local Authorities Pensions Fund (LAPF).

**(ii) Gratuity**

In addition to pension scheme, the Authority sets aside 15% of employee's last basic salary as gratuity payable at the end of the contract. The contract period is normally five (5) years. A provision is made for the estimated gratuity liability as a result of service rendered by the employees up to the Statement of Financial Position date.

**j) Accounting for Leases**

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

**k) Comparatives**

Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. OPERATING REVENUE

	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>Regulatory Levy</b>		
Electricity	4,664,518	3,819,587
Petroleum	13,927,403	16,041,891
Natural Gas	1,873,648	876,819
Water and Sewerage	<u>711,181</u>	<u>438,068</u>
<b>Total Regulatory Levy Income</b>	<b><u>21,176,750</u></b>	<b><u>21,176,365</u></b>
<b>Licence Fees</b>		
Electricity	177,152	-
Electricity Contractors and Wiremen	37,927	29,056
Petroleum	<u>42,900</u>	<u>20,800</u>
<b>Total Licence Fees Income</b>	<b><u>257,979</u></b>	<b><u>49,856</u></b>
<b>Application Fees</b>		
Electricity	1,711	900
Petroleum	<u>27,204</u>	<u>14,800</u>
<b>Total Application Fees Income</b>	<b><u>28,915</u></b>	<b><u>15,700</u></b>
<b>Total Operating Revenue</b>	<b><u>21,463,644</u></b>	<b><u>21,241,921</u></b>

### 2. OTHER INCOME

Sale of Tender Documents	2,100	6,100
Interveners Fees	0	50
Grant Amortisation	25,834	139,740
Penalties from Petroleum Adulteration	820,000	559,000
Gain on Insurance Claim	467	12,565
Profit on Disposal of Property and Equipment	<u>0</u>	<u>463</u>
<b>Total Other Income</b>	<b><u>848,401</u></b>	<b><u>717,918</u></b>

### 3. FINANCE INCOME/(COSTS)

Interest Income on Fixed Deposits	247,909	240,919
Foreign Exchange Gain	80,406	74,970
Interest Received on Current Account	14,844	-
Foreign Exchange Loss	<u>-</u>	<u>(127)</u>
<b>Total Finance Income/(Cost)</b>	<b><u>343,159</u></b>	<b><u>315,762</u></b>

### 4. STAFF COSTS

Salaries	4,159,404	3,039,199
Gratuity Expenses	709,231	764,861
Pension Employer's Contribution	570,663	421,515
Skills and Development Levy	227,361	168,724
Medical Expenses	140,525	265,899
Other Staff Costs (Schedule 1)	<u>901,856</u>	<u>742,483</u>
<b>TOTAL</b>	<b><u>6,709,040</u></b>	<b><u>5,402,681</u></b>

## 5. OPERATING EXPENSES

	30.06.2012 TZS'000	30.06.2011 TZS'000
Capacity Building (Schedule 2)	870,897	2,326,567
Technical Review Meetings Expenses	426,279	374,779
Field and Inspection Expenses	4,487,667	2,717,494
Public Inquiries	435,200	522,401
Government Consultative Council Expenses	118,988	167,760
Bulk Procurement Technical Committee	131,472	-
Consumer Consultative Council Expenses	1,171,117	1,011,360
Fair Competition Tribunal Subvention	320,000	383,490
Fair Competition Commission Subvention	400,000	760,040
Treasury Contribution	2,146,364	2,124,192
Review Panel Expenses	0	6,287
Public Awareness Programme	851,708	799,845
Advertisement Expenses	191,781	141,996
Consultancy Expenses	274,730	844,934
Membership Contribution, Books and Periodicals	94,525	36,991
Library General Expenses	2,500	1,960
International Conference Expenses	936,130	724,188
Regional Cooperation Meetings	405,866	367,812
Government Delegation Participation Costs	91,380	88,996
Regional Technical Meetings	71,124	-
Local Travel and Conference Expenses	226,211	163,687
Stakeholders Consultative Meetings	14,337	42,873
Motor Vehicle Fuel Expenses	94,279	73,361
Motor Vehicle Repairs and Maintenance	107,264	123,719
Car Hiring Expenses	23,782	12,650
Maintenance of Computer Hardware	18,628	6,081
Maintenance of Computer Software	23,196	10,497
Maintenance of Other Office Equipment	890	11,444
Wiremen Licensing Activities	6,375	30,266
Nomination Committee Expenses	0	10,700
Directors Fees	21,500	18,500
Board Expenses	528,336	241,644
<b>TOTAL</b>	<b><u>14,492,526</u></b>	<b><u>14,146,514</u></b>



## 6. ADMINISTRATION COSTS

	30.06.2012 TZS'000	30.06.2011 TZS'000
Office Rent	1,158,771	998,409
Telephone, Fax and Internet	158,316	140,209
Stamps and Postages	2,644	2,998
Printing and Stationery	273,624	189,651
Maintenance of Leasehold Property	22,560	4,498
Office General Expenses	110,343	72,452
Entertainment Expenses	14,156	19,563
Corporate Social Responsibilities	28,102	31,211
Audit Fees	49,550	47,400
Tender Board Expenses	62,360	68,307
Editorial Board Expenses	<u>19,480</u>	<u>16,594</u>
<b>TOTAL</b>	<b><u>1,899,906</u></b>	<b><u>1,591,292</u></b>

## 7. OTHER CHARGES

Insurance Charges	43,563	24,351
Legal Fees	524,675	131,067
Data Storage Charges	37,391	-
Bank Charges	<u>15,208</u>	<u>32,823</u>
<b>TOTAL</b>	<b><u>620,837</u></b>	<b><u>188,241</u></b>

## 8. SURPLUS FUNDS

In case of any surplus funds during the year, the surplus fund 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

Year Ended 30<sup>th</sup> June, 2012

	WIP EWURA House	WIP Lab Equipment	Leasehold Improvement	Technical Equipment	Motor Ve- hicles	Furniture and Fittings	Office Equip- ment	Computers	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost</b>									
At 1 <sup>st</sup> July, 2011	75,240	1,571,707	513,716	6,190	1,208,517	240,415	376,010	560,589	4,552,385
Additions	314,484	25,265	-	-	-	8,923	96,843	7,015	452,530
Disposals	-	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June, 2012</b>	<b>389,724</b>	<b>1,596,972</b>	<b>513,716</b>	<b>6,190</b>	<b>1,208,517</b>	<b>249,338</b>	<b>472,853</b>	<b>567,604</b>	<b>5,004,915</b>
<b>Depreciation</b>									
At 1 <sup>st</sup> July, 2011	-	-	363,276	3,201	456,358	79,362	118,314	357,933	1,378,445
Charge for the Year	-	-	50,247	774	211,418	31,167	59,107	106,741	459,454
Disposals	-	-	-	-	-	-	-	-	-
<b>At 30<sup>th</sup> June, 2012</b>	<b>-</b>	<b>-</b>	<b>413,523</b>	<b>3,975</b>	<b>667,776</b>	<b>110,529</b>	<b>177,421</b>	<b>464,674</b>	<b>1,837,899</b>
<b>Net Book Value 30<sup>th</sup> June, 2012</b>	<b>389,724</b>	<b>1,596,972</b>	<b>100,193</b>	<b>2,215</b>	<b>540,741</b>	<b>138,809</b>	<b>295,432</b>	<b>102,930</b>	<b>3,167,016</b>

In the opinion of the directors, there is no impairment in the value of property and equipment.

## 9. PROPERTY AND EQUIPMENT

### Year Ended 30<sup>th</sup> June, 2011

	WIP EWURA House	WIP Lab Equipment	Leasehold Improvement	Technical Equipment	Motor Ve- hicles	Furniture and Fittings	Office Equip- ment	Computers	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost</b>									
At 1 <sup>st</sup> July, 2010	-	-	440,750	6,190	348,843	182,745	243,509	274,476	1,496,513
Additions	75,240	1,571,824	72,967	-	908,856	57,670	132,501	294,759	3,113,817
Disposals	-	-	-	-	(49,182)	-	-	(8,646)	(57,828)
<b>At 30<sup>th</sup> June, 2011</b>	<b>75,240</b>	<b>1,571,824</b>	<b>513,717</b>	<b>6,190</b>	<b>1,208,517</b>	<b>240,415</b>	<b>376,010</b>	<b>560,589</b>	<b>4,552,502</b>
<b>Depreciation</b>									
At 1 <sup>st</sup> July, 2010	-	-	260,533	2,428	254,001	49,310	71,313	251,177	888,762
Charge for the Year	-	-	102,744	773	241,703	30,052	47,001	114,466	536,739
Disposals	-	-	-	-	(39,346)	-	-	(7,710)	(47,056)
<b>At 30<sup>th</sup> June, 2011</b>	<b>-</b>	<b>-</b>	<b>363,277</b>	<b>3,201</b>	<b>456,358</b>	<b>79,362</b>	<b>118,314</b>	<b>357,933</b>	<b>1,378,445</b>
<b>Net Book Value 30<sup>th</sup> June, 2011</b>	<b>75,240</b>	<b>1,571,824</b>	<b>150,440</b>	<b>2,989</b>	<b>752,159</b>	<b>161,053</b>	<b>257,696</b>	<b>202,656</b>	<b>3,174,057</b>

In the opinion of the directors, there is no impairment in the value of property and equipment.



## 10. INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2012 TZS'000	30.06.2011 TZS'000
<b>Cost</b>		
At Start of Year	154,506	78,532
Additions	<u>171,909</u>	<u>75,974</u>
<b>At End of Year</b>	<b><u>326,415</u></b>	<b><u>154,506</u></b>
<b>Amortisation</b>		
At Start of Year	93,266	57,350
Charge for the Year	<u>93,218</u>	<u>35,916</u>
<b>At End of Year</b>	<b><u>186,484</u></b>	<b><u>93,266</u></b>
<b>Net Book Value</b>	<b><u>139,931</u></b>	<b><u>61,240</u></b>

## 11. TRADE AND OTHER RECEIVABLES

Trade Receivables	4,168,357	1,748,503
Prepayments (Note 11.1)	978,915	1,291,632
Other Receivables	-	31,155
Interest Receivable	127,415	112,976
Staff Loans and Advances (Note 17 B)	<u>256,671</u>	<u>459,882</u>
<b>TOTAL</b>	<b><u>5,531,358</u></b>	<b><u>3,644,148</u></b>

In the opinion of the directors, the carrying amounts of Trade and Other Receivables approximate to their fair value. The carrying amounts of the Authority's Trade and Other Receivables are denominated in the following currencies.

	30.06.2012 TZS'000	30.06.2011 TZS'000
Tanzania Shillings	5,531,358	2,478,539
US Dollars	<u>-</u>	<u>1,165,609</u>
<b>TOTAL</b>	<b><u>5,531,358</u></b>	<b><u>3,644,148</u></b>

The trade and other receivables do not contain impaired assets.

## 11.1 PREPAYMENTS

	30.06.2012 TZS'000	30.06.2011 TZS'000
Prepaid Office Rent	675,828	598,448
Prepaid Insurance	32,271	-
Other Expenditure	<u>270,815</u>	<u>693,184</u>
<b>TOTAL</b>	<b><u>978,914</u></b>	<b><u>1,291,632</u></b>

Prepayments for other expenses comprise of advance payments in respect of office rent, acquisition of motor vehicles and Platts subscription.

## 12. FINANCIAL ASSETS

Financial assets comprise the following:

### Fixed deposits

	30.06.2012 TZS'000	30.06.2011 TZS'000
At Start of Year	4,181,218	4,240,433
Additions	2,246,791	4,181,218
Disposals Redeemed at Maturity	<u>(2,013,321)</u>	<u>(4,240,433)</u>
<b>At End of Year</b>	<b><u>4,414,688</u></b>	<b><u>4,181,218</u></b>
Analysis of Held-to-Maturity Investments follows:		
Maturing within 91 days	2,167,897	2,054,577
Maturing after 91 days	<u>2,246,791</u>	<u>2,126,641</u>
	<b><u>4,414,688</u></b>	<b><u>4,181,218</u></b>

## 13. CASH AND CASH EQUIVALENTS

Cash at Bank and in Hand	<b><u>1,123,627</u></b>	<b><u>3,975,829</u></b>
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For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	30.06.2012 TZS'000	30.06.2011 TZS'000
Cash and Bank Balances	1,123,627	3,975,829
Financial assets maturing within 91 days (Note 12)	<u>4,414,688</u>	<u>2,054,577</u>
<b>TOTAL</b>	<b><u>5,538,315</u></b>	<b><u>6,030,406</u></b>

The Authority is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the Authority's cash and cash equivalents are denominated in the following currencies:

	30.06.2012	30.06.2011
	TZS'000	TZS'000
Tanzania Shillings	1,107,704	3,750,065
US Dollars	<u>15,923</u>	<u>225,764</u>
<b>TOTAL</b>	<b><u>1,123,627</u></b>	<b><u>3,975,829</u></b>

#### 14. GOVERNMENT GRANT

Government Grant stated at TZS 50,248,451, at the statement of financial position date, represents the balance of grant in the form of assets received from Privatisation and Private Sector Development Project (PPSDP), IDA Credit.

	30.06.2012	30.06.2011
	TZS'000	TZS'000
At Start of Year	76,083	215,823
Grant Amortization	<u>(25,834)</u>	<u>(139,740)</u>
<b>At End of Year</b>	<b><u>50,249</u></b>	<b><u>76,083</u></b>

#### 15. GRATUITY PAYABLE

Non-current liabilities at the statement of financial position date amounted to TZS 885,261,109. This is part of gratuity provision amounting to TZS 1,417,746,400. As analyzed below.

	30.06.2012	30.06.2011
	TZS'000	TZS'000
At Start of the Year	1,866,109	1,140,295
Charge for the Year	709,231	764,861
Released During the Year	<u>(1,157,594)</u>	<u>(39,047)</u>
At End of Year	<b><u>1,417,746</u></b>	<b><u>1,866,109</u></b>
<b>Categorized As:</b>		
Current Liabilities (Note 16)	532,485	887,116
Non-Current Liabilities	<u>885,261</u>	<u>978,993</u>
<b>TOTAL</b>	<b><u>1,417,746</u></b>	<b><u>1,866,109</u></b>

#### 16. TRADE AND OTHER PAYABLES

	30.06.2012	30.06.2011
	TZS'000	TZS'000
Trade Payables	179,335	229,647
Gratuity Payable (Note 15) within the year	532,485	887,116
Audit Fees	46,000	42,450
Directors Fees	14,000	-
Treasury Contribution	2,597,982	951,617
PAYE	-	19,115
Other Payables	<u>-</u>	<u>149,419</u>
<b>TOTAL</b>	<b><u>3,369,802</u></b>	<b><u>2,279,364</u></b>



In the opinion of the directors, the carrying amounts of Trade and Other Payables approximate to their fair value.

## 17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

### A. Key Management Compensation

	30.06.2012	30.06.2011
	TZS'000	TZS'000
Salaries	1,325,617	1,081,974
Directors Fees	21,500	18,500
Employees Post-employment Benefits:	-	
- Pension - Employer's Contribution	570,662	455,486
- Gratuity (Note 15) paid during the year	<u>1,157,594</u>	<u>39,047</u>
	<b><u>3,075,373</u></b>	<b><u>1,595,007</u></b>

### Directors Fees

Directors Fees are paid to the Members of the Board of Directors as approved by the Minister, that is, TZS 3,500,000 for Chairman and TZS 3,000,000 each for other six (6) Members per annum.

### Employees Post-employment Benefits

The Authority contributes to the approved pension contribution plans for its employees at 15% of basic salary to Parastatal Pension Fund (PPF), National Social Security Fund (NSSF) or Public Service Pension Fund (PSPF) or Government Employees Provident Fund (GEPF) or Local Authorities Pensions Fund (LAPF). The Authority's contribution during the year ended 30<sup>th</sup> June, 2012 amounted to TZS 570,662,644.

The Authority also charges gratuity expense of 15% of employee's last basic salary per month on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30<sup>th</sup> June, 2012 TZS 1,157,593,765 were released to staff whose contract came to an end.

Contributions to these funds are recognised as an expense in the period the employees render services to the Authority.

### A. Staff Loans and Advances (Note 11)

	30.06.2012	30.06.2011
	TZS'000	TZS'000
Staff Revolving Loans	92,943	284,354
Salary Advances	122,208	74,322
Imprest	<u>41,521</u>	<u>101,206</u>
<b>TOTAL</b>	<b><u>256,672</u></b>	<b><u>459,882</u></b>

The Authority set up Staff Revolving Loans fund for the purpose of extending loans to staff for the purchase of motor vehicles and other amenities. These loans are interest free, repaid within a period of three years and are taxed in accordance with the requirements of the Income Tax Act of 2004. For the year ended 30<sup>th</sup> June, 2012 loans amounting TZS 92,942,555 were outstanding.

## 18. COMMITMENTS

### Capital commitments

Capital expenditure contracted for or tenders are in progress at the statement of financial position date is as follows:

	30.06.2012	30.06.2011
	TZS'000	TZS'000
Property and Equipment	232,990	341,106
Intangible Assets	<u>220,080</u>	<u>295,927</u>
	<b><u>453,070</u></b>	<b><u>637,033</u></b>
Other commitments		
Consultancy Services	<u>279,129</u>	<u>54,000</u>
<b>Total commitments</b>	<b><u>732,199</u></b>	<b><u>691,033</u></b>

Commitment relates to the contracts entered into but goods or services had not been delivered. In some other cases contracts have not been entered into but respective tenders were in progress in accordance with the requirement of the Public Procurement Act No. 21 of 2004.

## 19. FINANCIAL RISK MANAGEMENT

### a) Interest Rate Risk

The Authority's interest income and operating cash flows are affected by changes in market interest rates. The Authority mitigates the risks by investing in the less risky investments mainly risk-free fixed deposits maturing within a period of one year.

### b) Credit Risk

The Authority's regulatory levy which is the main source of its income is not tied to a single regulated supplier. This mitigates credit risk associated with its operations.

### c) Liquidity Risk

The Authority ensures sufficient liquidity is maintained to meet short-term maturing obligations and it also ensures that all excess cash is invested in less risky investments.

### d) Foreign Exchange Risk

The Authority minimises foreign exchange risk by maintaining foreign currency account. The Authority does not engage in foreign currency swaps or speculations. The risks are also managed by ensuring that the services value are negotiated and fixed in the local currency whenever possible.

## 20. CONTINGENT LIABILITIES

As at 30<sup>th</sup> June, 2012 the Authority is a defendant of the following cases:

- one ex-employee, Raymond Lyimo, claimed that he was wrongfully terminated from his employment. The case is pending at Commission for Mediation and Arbitration. The ex-employee is claiming for unfair termination benefits amounting to TZS 40 million.
- Engen and 11 Others Vs EWURA disputing the Petroleum Price Template issued by EWURA.

In the opinion of the directors, the outcome of such actions will not give rise to any significant loss and therefore no provisions have been made.

## SCHEDULE OF OTHER EXPENDITURE

### 1. OTHER STAFF COSTS

	30.06.2012 TZS'000	30.06.2011 TZS'000
Staff Insurance – GPA	109,238	45,887
Travelling Insurance	-	22,650
Transport Allowances	482,062	452,751
Annual Leave Package	81,213	63,584
Acting Allowance	18,034	31,133
Outfit Allowance	17,410	27,255
Funeral Expenses	28,940	11,200
Recruitment Costs	30,836	38,900
Compensation Allowance	104,769	26,254
Staff Welfare Expenses	<u>29,354</u>	<u>22,869</u>
<b>TOTAL</b>	<b><u>901,856</u></b>	<b><u>742,483</u></b>

### 2. CAPACITY BUILDING

Technical Exposure	-	637,503
Overseas Training	722,872	1,325,549
Local Training	148,025	69,688
Field Attachments	-	198,533
Water Sector Training	<u>-</u>	<u>95,294</u>
<b>TOTAL</b>	<b><u>870,897</u></b>	<b><u>2,326,567</u></b>

## ABBREVIATIONS

<b>AFUR</b>	: African Forum for Utility Regulators
<b>EWURA</b>	: Energy and Water Utilities Regulatory Authority
<b>FCT</b>	: Fair Competition Tribunal
<b>GEPF</b>	: Government Employees Provident Fund
<b>GPA</b>	: Group Personal Accident
<b>HIV/AIDS</b>	: Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
<b>IAS</b>	: International Accounting Standards
<b>IASB</b>	: International Accounting Standards Board
<b>IDA</b>	: International Development Association
<b>IFRS</b>	: International Financial Reporting Standards
<b>ISA</b>	: International Standards on Auditing
<b>ISSAIs</b>	: International Standards of Supreme Audit Institutions
<b>LAPF</b>	: Local Authorities Pensions Fund
<b>NSSF</b>	: National Social Security Fund
<b>OMCs</b>	: Oil Marketing Companies
<b>PAA</b>	: Public Audit Act 2008
<b>PPF</b>	: Parastatal Pension Fund
<b>PPSDP</b>	: Privatization and Private Sector Development Project
<b>PSPF</b>	: Public Service Pensions Fund
<b>RERA</b>	: Regional Electricity Regulators Association
<b>TBS</b>	: Tanzania Bureau of Standards
<b>TZS</b>	: Tanzania Shillings





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