



In the matter of an Application by the
TANZANIA ELECTRIC SUPPLY COMPANY LIMITED ("TANESCO")
For a Tariff Adjustment, dated 27th August 2007
(TR-E-07-012)

ORDER No. 07-012

On 27th August 2007 the TANZANIA ELECTRIC SUPPLY COMPANY LIMITED ("TANESCO") submitted an application for an increase in its tariff for electricity services and for an increase in connection charges to new customers. In the application, TANESCO requested a tariff increase of 40% and an increase in connection charges ranging between 66% and 281%. The Applicant had requested tariff increases for electricity services to be applicable for 2 years. According to the Applicant, the tariff increase will enable TANESCO to recover its operational expenses and minor capital expenses, but excluding depreciation and provision for doubtful debts and would result into a zero profit position. The applicant proposed tariff and connection charges adjustments to take effect from 01 January 2008.

EWURA is empowered by the Energy and Water Utilities Regulatory Authority Act, Cap 414 ("EWURA Act") to regulate tariff and charges adjustments in the electricity sector.

EWURA conducted an Inquiry into the reasonableness of the proposed increase in electricity tariff and connection charges to new customers. This Inquiry included an economic and a technical evaluation of the Application and Public Meetings in five regional centers of Arusha, Mwanza, Mbeya, Dodoma and Dar es Salaam which were held between 19 and 23 November 2007 to hear views of stakeholders. Views of EWURA's Consumer Consultative Council, Government Consultative Council and the public were also sought. The public inquiry raised several issues that led to further

discussions with TANESCO and provision by the Applicant of supplementary materials in clarification and support of the tariff application.

As a result of the Inquiry, EWURA concluded that, the proposed tariff increase and connection charges were justifiable, save for the errors in the information submitted, the unjustifiable increases of some cost items, and an unexplainable low level of the energy charge for State Fuel and Power Corporation of Zanzibar, which issues have been dealt with accordingly. The approved tariff increase and connection charges will enable TANESCO to cover its operation and maintenance costs of electricity services, except depreciation and provision for doubtful debts, and will fully cover costs for new connections.

The Board of Directors of EWURA having met on 24th December 2007 to consider this matter decided as follows:

- 1.0 TANESCO's electricity tariff shall increase by an average of 21.7% over the existing tariff. Connection charges shall increase to rates ranging between 66% and 215%. The increases in tariff and connection charges shall take effect from 1st January 2008. The schedules of approved tariff increase by customer category and connection charges are as shown in the following tables:

(i) Electricity Tariff

Customer category		Component	Current Tariff (TZS)	Proposed Tariff (TZS)	Approved Tariff (TZS)
D 1	Domestic Low	Basic charge/month	0	0	0
	Usage	Energy charge	40	56	49
	High Cost Units: Penalty – High Usage	Energy charge: Start at 50 kWh	128	179	156
T 1	General Use	Basic charge/month	1,892	2,649	2,303
		Energy charge	106	148	129
T 2	Low Voltage Supply	Basic charge/month	7,012	9,817	8,534
		Energy charge	70	98	85
		Demand (kVA)	7,680	10,752	9,347
T 3	High Voltage Supply	Basic charge/month	7,012	9,817	8,534
		Energy charge	65	91	79
		Demand (kVA)	7,123	9,972	8,669
T5	State Fuel and Power Corporation of Zanzibar	Basic charge/month	7,012	9,817	8,534
		Energy charge	28	39	75
		Demand (kVA)	3,907	5,470	4,755

(ii) Connection Charges

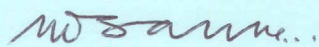
Type of Charge	Current Charges (TZS)	Proposed Charges (TZS)	Approved Charges (TZS)
All New Applications	5,000	5,000	5,000
Overhead service lines - Single Phase			
D1 with Conventional Meter	140,000	414,569	342,619
D1 with LUKU Meter	200,000	469,393	385,682
T1 with Conventional Meter	140,000	414,569	342,619
T1 with LUKU Meter	200,000	469,393	385,682
Overhead service lines - Three Phase:			
T1 with Conventional Meter, (16mm2 cable)	280,000	1,065,735	880,772
T1 with LUKU Meter, (16mm2 cable)	450,000	938,522	772,893
T1 with Conventional Meter, (36mm2 cable)	350,000	1,028,850	1,028,850
T1 with LUKU Meter, (36mm2 cable)	550,000	913,202	913,202
Single Phase 70m Route			
Single Phase 70m Route Length - Including 1Pole (LUKU)	-	1,388,972	1,145,664
Single Phase 70m Route Length - Including 1Pole (Elect-mech & Prog. meters)	-	1,334,147	1,102,601
Three Phase 70m Route			
Three Phase 70m Route Length - Including 1Pole (LUKU)	-	2,180,188	1,799,062
Three Phase 70m Route Length - Including 1Pole (Elect-mech & Prog. meters)	-	2,307,395	1,906,938
Single Phase 120m Route			
Single Phase 120m Route Length - Including 2Poles (LUKU)	-	2,054,999	1,696,120
Single Phase 120m Route Length - Including 2Poles (Elect-mech & Prog. meters)	-	2,000,175	1,653,037
Three Phase 120m Route			
Three Phase 120m Route Length - Including 2Poles (LUKU)	-	3,154,635	2,604,391
Three Phase 120m Route Length - Including 2Poles (Elect-mech & Prog. meters)	-	3,281,847	2,712,271

Type of Charge	Current Charges (TZS)	Proposed Charges (TZS)	Approved Charges (TZS)
Temporary Supplies			
Application Fee	5,000	5,000	5,000
Connection Fee	Actual Costs+10%	Actual Costs+10%	Actual Costs+10%
T2 and T3	Actual Costs+10%	Actual Costs+10%	Actual Costs+10%
Energy Deposit			-
Normal Supplies:	-	-	-
LUKU			-
D1	30,000	30,000	30,000
T1 Single Phase	30,000	30,000	30,000
T1 Three Phase	150,000	150,000	150,000
T2	200,000	200,000	200,000
T3	500,000	500,000	500,000
Temporary Supplies			-
Single Phase	150,000	150,000	150,000
Three Phase	200,000	200,000	200,000


- 2.0 TANESCO shall conduct a detailed study to determine the level of technical and non-technical losses on its systems. The study shall include a strategy to reduce the identified losses to acceptable standards. The study shall be presented to EWURA within 12 months of this tariff decision entering into force.
- 3.0 Within six months of this tariff decision entering into force TANESCO shall review its decision on decommissioned thermal plants and deferred maintenance and/or repair of useful equipment lying idle in various TANESCO premises, and submit a report to EWURA.
- 4.0 By 30 September 2008 TANESCO shall have completed a comprehensive Cost of Service Study fully identifying the components of its cost of delivery. This study, should encompass at least identification of the following cost components:

- 4.1. Separated into three main cost categories – generation, transmission and distribution; and
- 4.2. Allowing for cost assignation to particular customer categories and intra-category revenues related to demand, capacity and basic charges (which are currently used in TANESCO's tariff structure).
- 5.0 With effect from 1st January 2008, TANESCO shall submit quarterly reports to EWURA comprising monthly electricity purchases, own generation and optimization of hydro-thermal mix.
- 6.0 TANESCO shall submit to EWURA an implementation plan with budgeted activities for the repair and maintenance before 1st March, 2008.
- 7.0 Not later than 31st March 2008, TANESCO shall submit to EWURA evidence that installation of meter cabinets equipped with the appropriate security equipment, protecting from customers' tampering with meters is being implemented.
- 8.0 On or before 30th June 2008, TANESCO shall submit to EWURA (for its approval before implementation) a draft standardized agreement between TANESCO and prospective customers willing to contribute to expansion of the distribution infrastructure. Such arrangements may encompass repayments being made through reduced monthly bills or other arrangements, as deemed appropriate.
- 9.0 On or before 31 March 2008, TANESCO shall provide evidence to EWURA that it has designed and is implementing a pro-active program of customer outreach as well as customer charter. A status report on the implementation of the programs will be included with all future applications for tariff adjustment and considered by EWURA in evaluating the reasonableness thereof.
- 10.0 TANESCO shall provide EWURA with periodic information about its financial and operating condition as will be required from time to time.
- 11.0 Not later than 31 March 2008, TANESCO shall submit to EWURA a report/action plan showing how it will implement each task stated in this

Order. This report will include the initial status of TANESCO's evaluation of each task and a time line for their completion, including a schedule of periodic briefings to EWURA on the progress thereof. This report and all subsequent reports and briefings related to this Order will be considered by EWURA in its evaluation of TANESCO pertinent to subsequent applications.



Simon F. Sayore
Chairman of the Board of Directors
EWURA



Haruna Masebu
Director General
EWURA

Dar Es Salaam, 24th December 2007

