

**In the Matter of**  
**TANZANIA ELECTRIC SUPPLY COMPANY LTD**  
For Automatic Tariff Adjustment

- Background
1. On 10<sup>th</sup> December, 2013, EWURA approved TANESCO's existing tariffs which became effective from 1<sup>st</sup> January 2014. The approval included a requirement by EWURA to adjust TANESCO's tariffs on quarterly basis in order to reflect changes in fuel costs and foreign currency exchange rate fluctuation. Furthermore, EWURA is required to adjust TANESCO's tariff every six months taking into account the effect of inflation. This is consistent with Rule 7(2) of the Electricity (Tariff Setting) Rules which was approved by EWURA in January 2013. This is also consistent with sub-section 23(3) of the Electricity Act, Cap 131, which directs the Authority to adjust tariffs periodically to reflect changes in fuel costs, exchange rate and inflation. The adjustments are meant to reflect changes in costs that are beyond the utility's control.
- Tariff Review  
Justification
2. Periodic tariff adjustments are intended to relieve TANESCO from changes in fuel costs resulting from variations in generation mix due to, among others, hydrological conditions, which are uncontrollable by TANESCO, and changes in fuels prices in the local and international markets. Likewise, periodic tariff adjustments are intended to relieve TANESCO from foreign exchange fluctuations and inflation by restoring the utility's financial stance should there be a significant change in the same.
- Stakeholders'  
Consultation
3. Pursuant to section 19(2)(b) of the Energy and Water Utilities Regulatory Authority Act, Cap. 414, EWURA conducted an Inquiry before approving the Electricity (Tariff Setting) Rules, 2013 which are applicable in the automatic adjustment of TANESCO's existing tariff in which key stakeholders, including the government were in agreement.
- Analysis and  
Adjustment
4. As a result of the evaluation process, EWURA concluded that, the overall net impact on tariff adjustment is a reduction of planned revenue requirement for 2014 from TZS 1,322.30 billion to TZS 1,270.32 billion. This is a net reduction of TZS 51.98 billion equivalent to 3.93% of the revenue requirement for the year 2014 due to reduced fuel costs as a result of decreased generation in the thermal plants, increase in cost due to foreign exchange fluctuation and increase in operational costs due to

inflation.

5. It was also noted that TANESCO's financial position had further deteriorated by a 33.9% rise in outstanding credits which increased from TZS 456.8 million as reported on 22<sup>nd</sup> November 2013 to TZS 611.4 million at 26<sup>th</sup> September 2014.

6. Based on the foregoing, period quarterly tariff adjustments for the year 2014 is deferred until April 2015.

7. The Board of Directors of EWURA having met on 10<sup>th</sup> October, 2014 to consider this matter decided as per the Order below:

Decision

THE ELECTRICITY ACT

(CAP. 131)

**ORDER No. 028**

*(Made under section 23(3))*

**THE TANZANIA ELECTRIC SUPPLY COMPANY ("TANESCO") (TARIFF ADJUSTMENT) (AMENDMENT) ORDER, 2014**

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| Citation   | 1. This Order shall be cited as the Tanzania Electric Supply Company Limited ("TANESCO") (Tariff Adjustment) (Amendment) Order, 2014.  |
| GN No.... of 2014                                  | 2. This order shall be read as one with the Tanzania Electric Supply Company Limited ("TANESCO") Multi-Year Tariff Adjustment Order, 2014. ("the Principal Order").  |
| Commencement Date                                  | 3. This Order shall come into force on 15 <sup>th</sup> October, 2014.   |
| Tariff and Charges                                 | 4. The existing approved tariffs and charges ("the Principal Order") shall remain in force until 30 <sup>th</sup> April 2015.  |
| Fuel Cost, Inflation and Exchange Rates Adjustment | 5. The Authority shall, pursuant to Sections 23(2)(d) and 23(3) of the Electricity Act, adjust tariffs to reflect changes in the cost of fuel, inflation and currency fluctuation. The adjustments shall be done as prescribed in Rule 7 of Electricity (Tariff Setting), Rules, 2013. The Authority shall evaluate quarterly impacts of pass-through costs, communicating the findings to TANESCO and other stakeholders and effecting these impacts after 30 <sup>th</sup> April 2015. |
| Conditions   | 6. The Principal Order shall be amended to include the following conditions, that:<br><br>(a) On or before 15 <sup>th</sup> November, 2014, TANESCO shall prepare and implement a program to clear its outstanding debts until 30 <sup>th</sup> April 2015.<br>(b) On or before 15 <sup>th</sup> November, 2014, TANESCO shall submit the program to EWURA, Ministry of Energy and Minerals, and the Ministry of   |


Finance for monitoring and evaluation of the program..

Amendment

5. The Tanzania Electricity Supply Company Limited ("TANESCO") Multi-Year Tariff Adjustment Order No. 13-007 of January 2014 is hereby amended.

*Dar es Salaam*

*10<sup>th</sup> October 2014*



FELIX NGAMLGOSI  
*Director General*