



THE UNITED REPUBLIC OF TANZANIA

ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2018

December 2018

**Energy and Water Utilities Regulatory Authority,
4th Floor, LAPF House, Makole Road,
P.O. Box 2857, Dodoma,
TANZANIA**

ABBREVIATIONS AND ACRONYMS

ACL	: Armstone Company Limited
AFUR	: African Forum for Utility Regulators
BBL	: Barrel
BOD	: Biochemical Oxygen Demand
COD	: Chemical Oxygen Demand
DTWSSA	: District and Township Water Supply and Sanitation Authority
EPP	: Emergency Power Producer
ESI	: Electricity Sector Industry
EWURA	: Energy and Water Utilities Regulatory Authority
FCT	: Fair Competition Tribunal
FOB	: Free On Board
GEPF	: Government Employees Provident Fund
GIZ	: Deutsche Gesellschaft für Internationale Zusammenarbeit
GPA	: Group Personal Accident
GWh	: Giga Watt hour
HIV/AIDS	: Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HFO	: Heavy Fuel Oil
HTM	: Handeni Trunk Main
IAS	: International Accounting Standards
ICT	: Information and Communication Technology
IDA	: International Development Association
IFRIC	: International Financial Reporting Interpretation Committee
IPP	: Independent Power Producer
ISA	: International Standards on Auditing
ISO	: International Organisation for Standardization
KASHWASA	: Kahama Shinyanga Water Supply and Sanitation Authority
LAPF	: Local Authorities Pensions Fund
LOIS	: Licensing and Order Information System
MajIs	: Water Utilities Information System
ME	: Ministry of Energy
MT	: Metric Tonnes



MW	:	Mega Watt
NPWSSA	:	National Project Water Supply and Sanitation Authority
NARUC	:	National Association of Regulatory Utility Commissioners
NSSF	:	National Social Security Fund
PPF	:	Parastatal Pensions Fund
PSSSF	:	Public Service Social Security Fund
PSPF	:	Public Service Pensions Fund
RERA	:	Regional Electricity Regulators Association
RWSSA	:	Regional Water Supply and Sanitation Authority
SPP	:	Small Power Producer
TANESCO	:	Tanzania Electric Supply Company
TBS	:	Tanzania Bureau of Standards
TZS	:	Tanzania Shillings
URT	:	United Republic of Tanzania
WSSA	:	Water Supply and Sanitation Authority
ZECO	:	Zanzibar Electric Company



LETTER OF TRANSMITTAL



Hon. Prof. Makame Mnyaa Mbarawa (MP),
Minister for Water,
P. O BOX 456,
Kuu Road,
NBC Mazengo Branch
DODOMA

Honourable Minister,

I am honoured to submit to you the Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June 2018 that is prepared in accordance with the requirement of Section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap 414.

This Annual Report comprises the Audited Financial Statements that summarizes the Authority's activities that were carried out during the year under review, achievements and challenges.

I humbly submit.

Eng. Prof. Jamidu H.Y. Katima
Chairman, EWURA Board of Directors
December 2018



VISION, MISSION AND CORE VALUES

- Vision:** To be a World Class Regulator of Energy and Water Services.
- Mission:** To Regulate Utilities for Energy and Water Sectors in a Transparent, Effective and Efficient Manner that ensures their Quality, Availability and Affordability.
- Core Values:** The Authority's core values are abbreviated as **IMPACT** as per details below:-
- (a) Impartiality:** EWURA staff shall treat all stakeholders with fairness. The duty of EWURA as a regulator is to set a level playing field and balance interests of all stakeholders.
 - (b) Morality:** EWURA staff shall ensure they uphold standards of right and good conduct.
 - (c) Professionalism:** EWURA staff shall attend to their duties with the highest degree of competence and skills.
 - (d) Accountability:** EWURA staff shall conduct their duties in a manner that shows readiness to take full liability and responsibility for their actions.
 - (e) Courtesy:** EWURA staff shall treat their clients and colleagues with politeness. Staff shall regard themselves as servants of the people.
 - (f) Transparency:** EWURA staff shall operate in an open manner. All their decisions shall be conducted without prejudice, with respect for the interests of all stakeholders and in a fair and completely transparent manner.

Motto: Fair Regulation for Positive IMPACT.



Strategic Objectives

The Energy and Water Utilities Regulatory Authority (EWURA) is determined to increase its contribution to the national economic development and improve the welfare of the Tanzanian society through delivery of best-regulated services. It is within this drive that the Authority has set out five objectives in its Strategic Plan (2017/18 - 2021/22) with a view to enabling it to address imminent and medium-term regulatory challenges in all the sectors it regulates. These strategic objectives are:

- (a) Interventions against HIV/AIDS enhanced; and combating and preventing corruption malpractices.
- (b) Least cost investments in the regulated sectors promoted;
- (c) Quality and access of regulated services improved;
- (d) Public knowledge, awareness and understanding of regulatory functions in the regulated sectors enhanced; and
- (e) EWURA functions effectively and efficiently managed.



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INTRODUCTION

The Energy and Water Utilities Regulatory Authority (EWURA) presents the 12th Annual Report that highlights its performance for the year ended 30th June 2018. The report summarizes the executed activities, challenges encountered; and achievements attained during the period under review.

Established under the EWURA Act, Cap. 414 of the Laws of Tanzania, the Authority started its operations in September 2006 as a multi-sector regulatory Authority. The Authority carries out technical and economic regulation of the Energy (Electricity, mid and downstream Petroleum and Natural gas sub-sectors); and Water sector. The functions of the Authority as spelt out in the EWURA Act and sector legislation are to:-

- (a) Issue, renew and cancel licences;
- (b) Establish standards for goods and services;
- (c) Establish standards for terms and conditions of supply of goods and services;
- (d) Regulate rates and charges;
- (e) Make rules;
- (f) 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;
- (g) Facilitate resolution of complaints and disputes; and
- (h) Disseminate information about matters relevant to its functions.

In discharging its function above, Section 6 of the EWURA Act obliges the Authority to

- (a) promote effective competition and economic efficiency in the regulated sectors;
- (b) promote the interests of consumers;
- (c) protect the financial viability of efficient suppliers;
- (d) promote the availability of regulated services to all consumers, including low income, rural and disadvantaged consumers;
- (e) enhance 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; and
- (f) protect and preserve the environment.



OBJECTIVES OF THE REPORT

This Annual Report for 2017/18 fulfils the following objectives:

- (a) to comply to the requirements of Section 48 of EWURA Act, Cap. 414;
- (b) to inform stakeholders and the general public on the Authority's performance in regulation of energy and water sectors;
- (c) to educate stakeholders of regulated sectors and the general public on regulatory matters; and
- (d) to provide a source of reliable information on the regulated sectors.



CHAIRMAN'S STATEMENT

I, the Chairman of the Board of Directors of the Energy and Water Utilities Regulatory Authority (EWURA), have a pleasure to give an overview of EWURA's performance for the Financial Year ending 30th June 2018. This Report is the 12th since EWURA started its operations.

In these 12 years, EWURA has contributed to the country's economic development by ensuring quality and availability of services it regulates at value for money in the energy and water sectors through enhanced regulatory interventions.

During the period of 12 years and specifically for the Financial Year 2017/18, EWURA continued to implement its regulatory best practices to champion the delivery of quality services and cost reflective tariff for Energy (Electricity, Petroleum, Natural Gas); and Water sectors.

This being the third Annual Report under my Chairmanship of the Board of Directors of the Authority, I am pleased to be part of a reputable institution that stands firm in implementing regulatory principles and values that have made the Authority stand firm as a world class regulator.

During this period under review, the Board oversaw the implementation of transferring the Authority's Head Quarters to Dodoma from Dar es Salaam, being part of implementing the government's policy for all public offices to be reallocated to Dodoma

My sincere appreciation should go to the Government of the United Republic of Tanzania; and specifically, His Excellency, President, Dr. John Pombe Joseph Magufuli for creating a conducive environment, which enabled EWURA to conduct its functions effectively and efficiently. I also wish to extend my special appreciation to the Minister for Water and Irrigation, Hon. Professor Makame Mnyaa Mbarawa (MP) and Hon. Dr. Medard Kalemani (MP) the Minister for Energy and other stakeholders for supporting EWURA in achieving its intended goals.

I finally, take this opportunity to congratulate my colleagues, the Board members, the Management and all Staff for their undivided commitment, dedication and hardworking during the year under review.



Eng. Prof. Jamidu H. Y. Katima
Board Chairman



BOARD AND MANAGEMENT STRUCTURE

EWURA maintains an organisation structure that facilitates efficient regulation of the Energy (electricity, petroleum, natural gas) and Water sectors; good corporate governance; and efficient provision of crosscutting services. The structure has the Board of Directors as the top decision-making and oversight body, the Director General as the overall overseer of the day-to-day activities of the Authority and Eight Divisions headed by Directors. There are also heads of units who report directly to the Director General namely: Manager Communications and Public Relations, Manager Procurement Management, Information and Technology Communication Manager and Zonal Managers. The organisation structure is as shown in **Figure 1**.

Board of Directors

EWURA is governed by 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 all appointed by the Minister responsible for EWURA after consultation with Sector Ministers.

To fulfil its oversight responsibilities effectively, the Board has established five (5) Board Committees based on sectoral and crosscutting issues. These are Audit and Risk, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum and Water.

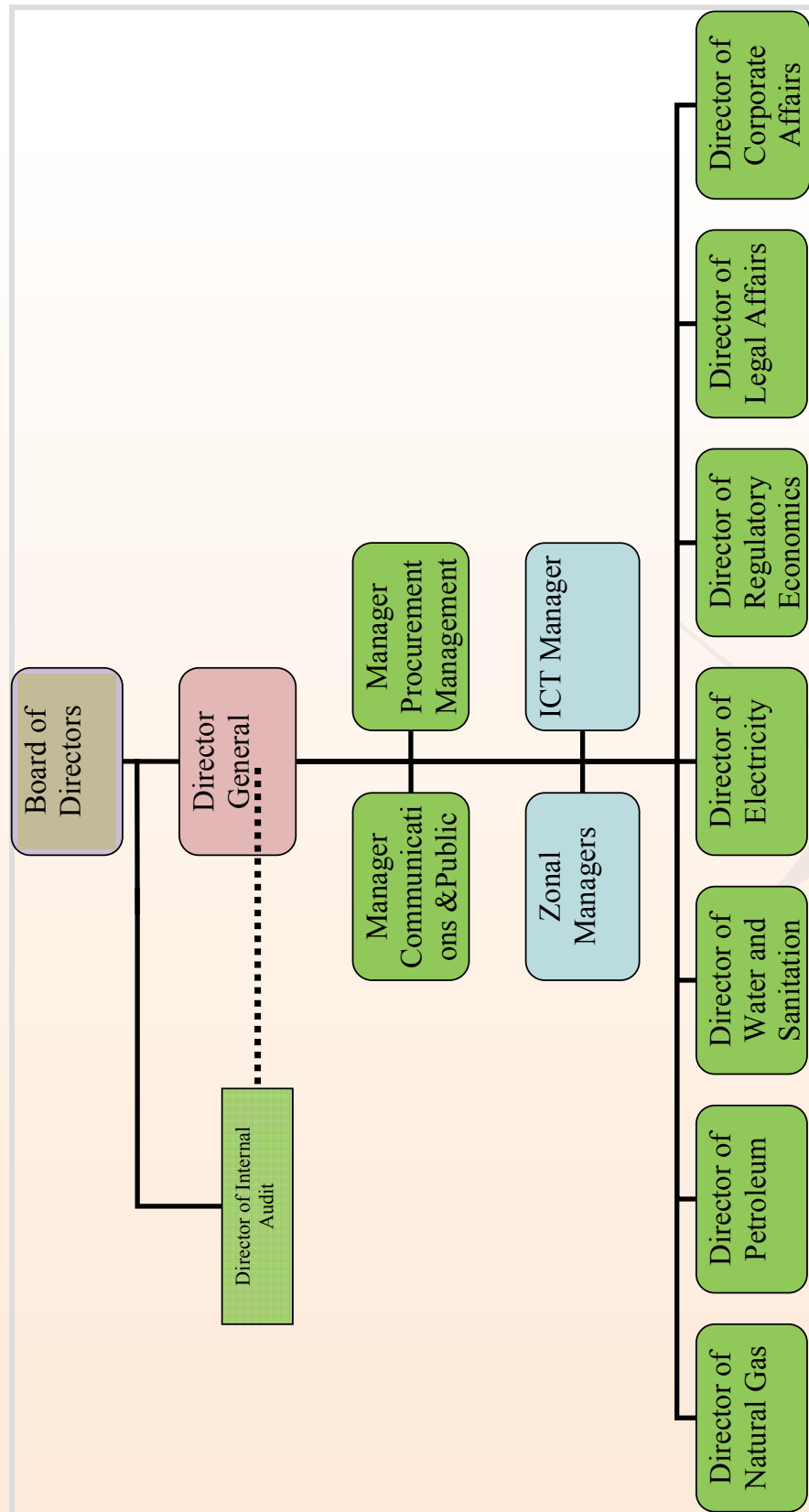
Management

The Director General is in charge of management who is assisted by divisional directors and heads of units reporting to the 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.

The Eight Divisional Directors are namely;- Electricity, Petroleum, Natural Gas, Water and Sanitation, Regulatory Economics, Legal Affairs, Corporate Affairs and Internal Audit. The Director of Internal Audit reports to the Board's Audit and Risk Committee on audit functions and to the Director General on administrative matters. Communications and Public Relations; Procurement Management, Information and Technology Communication and zonal functions are headed by managers who report directly to the Director General.



Figure 1: ORGANISATION STRUCTURE



BOARD OF DIRECTORS



Eng. Prof. Jamidu H.Y. Katima
Chairman



Mr. Omar S. Bendera
Member (up to March 2018)



Mr. Ahmad S.K. Kilima
Deputy Chairman



Mr. Richard Kayombo
Member



Mr. Oswald R. Mutaitina
Member



Mr. Fadhil Manogi
Member



Ms. Victoria Elangwa
Member



Mr. Nzinyangwa E. Mchany
Member / Ag. Director General



MANAGEMENT



Mr. Nzinyangwa E. Mchany
Ag. Director General



Mr. Stanley Mahembe
Director of Corporate Affairs



Ms. Kapwete John
Director of Legal Affairs



Mr. Nzinyangwa E. Mchany
Director of Regulatory Economics



Eng. Godfrey Chibulunje
Director of Electricity



Mr. Gerald Maganga
Director of Petroleum



Eng. Charles Omujuni
Director of Natural Gas



Eng. Exaud Fatael
Director of Water & Sanitation



Mr. Baptister Mgya
Director of Internal Audit



Mr. Titus Kagu
Manager Communications and
Public Relations



Ms. Stella Kimario
Ag. Manager Procurement



Mr. Mtumwa Simba
ICT Manager



DIRECTOR GENERAL'S STATEMENT

I have the honour and pleasure to present the 12th Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the period covering 1st July 2017 to 30th June 2018.

This is the 12th year since EWURA became operational in 2006 with the role of overseeing economic and technical regulation of Energy (Electricity, Petroleum and Natural Gas) and Water sectors.

During the year under review, EWURA initiated the migration of ISO 9001:2008 to ISO 9001:2015 with a view to ensuring that the Authority's operational procedures for implementing its roles and functions continue to comply with internationally recognised standards.

Also, in the same period, EWURA developed a new Strategic Plan that shall guide the Authority's operational objectives for the next five years to 2022.

Notably, the importation of petroleum products through the Bulk Procurement System (BPS) has continued to expand with the successful additional entry of petroleum products through Mtwara port. In this regard, EWURA continues to support efforts to include the Mtwara port as the third port for receiving petroleum products in the country after Dar es Salaam and Tanga.

During the period under review, EWURA recorded various achievements, for instance, in the electricity sub-sector, EWURA increased the level of awareness to the electrical installation contractors and issued 656 licences of various classes to electrical contractors.

Furthermore, EWURA continued with inspections to TANESCO's distribution infrastructure and submitted the findings to the utility for corrective actions and approved the Standardized Small Power Purchase Tariff, for Main grid and Mini grid.

In order to attract more investments in the electricity sub-sector, EWURA determined tariff for Hydro and Biomass sources as well as tariff applicable to solar and wind projects with a capacity of up to 1 MW. The Authority through Government Notice No. 245 published the indicative price for large power projects exceeding 10MW.

It is worthy to mention that, EWURA in collaboration with the Ministry of Energy and Minerals developed the Petroleum (Natural Gas Pricing) Regulations, 2016 which established a reasonable pricing principles, that equitably safeguard the interest of all parties in natural gas sub-sector. During the period, EWURA determined and approved natural gas prices for strategic industries for production of Cement and Fertilizer in Lindi and Mtwara regions.

In the water sector, the Authority reviewed and approved 16 tariff applications. Also, the Authority approved 10 customer service charters submitted from WSSA and continued to conduct trainings on the preparation of Business Plans to 26 District, Township and National projects.



Finally, I would like to thank the EWURA Board of Directors, Management, staff and all our stakeholders in general for the highest commitment and supporting the Authority in fostering the social and economic welfare of our society.



Mr. Nzinyangwa E. Mchany
Ag. Director General



CORPORATE GOVERNANCE

Board of Directors

The Board of Directors of EWURA as the highest decision-making organ, is established under Section 8 of the EWURA Act, Cap. 414. The Board consists of six non-executive members including the Chairman and one Executive Member who is also the Director General. The Chairman is appointed by the President of the United Republic of Tanzania while the remaining five non-executive members and the Director General are appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers. During the year under review, 15 Board meetings were conducted, out of which 10 were ordinary and five were extraordinary.

Board Committees

The committees of the Board of Directors are established in accordance with Section 21 of the EWURA Act, Cap. 414 to fulfil its oversight responsibilities. The Board has five Committees based on sectoral and cross-cutting issues. These are Audit and Risk, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum; and Water Committees. During the period under review, 30 committee meetings were conducted as shown in Table 1.

Table 1: Board Committees Meetings

S/n	Board Committee	Number of Meetings
1	Audit and Risk	7
2	Legal and Corporate Affairs	9
3	Electricity and Natural Gas	4
4	Petroleum	4
5	Water	6
	Total	30

Litigation

During the year under review, the Authority was a party to 20 legal suits of which five (5) cases were determined to finality and 15 cases were still pending at various registries of the High Court of Tanzania, the Fair Competition Tribunal and Resident Magistrate Courts. The Authority was also a party to one labour case at the Commission of Mediation and Arbitration (CMA) and one labour case at High Court (Labour Division) which was dismissed for want of prosecution.

Internal Monitoring System

The Authority has established an Internal Monitoring System in line with relevant public-sector legislation, regulations, rules and procedures. The internal administrative monitoring system was realised through, among other things, financial controls, and the Code of Conduct and Internal Audit functions.

Finance and Budget Administration

The financial matters of the Authority are governed by the Public Finance Act, 2002 and international financial best practices. The Authority's Annual Plan and Budget are prepared in accordance with the Five Years Strategic Plan (FYSP) of 2017/18 – 2021/22 of the Authority and is based on Medium Term Expenditure Framework (MTEF).

Procurement Management

The Authority has a Tender Board and Procurement Management Unit (PMU) established in accordance with the Public Procurement Act Cap 410. In order to comply with the requirements of the Public Procurement Act and its related Regulations, members of the Tender Board, Staff of the Procurement Management Unit and user departments attended various training courses conducted by the Public Procurement Regulatory Authority (PPRA).

During the year under review, the Authority managed all procurements and disposal by Tender in accordance with Public Procurement (as amended) Act, 2011 where by Authority implement 33 tenders from the Annual Procurement Plan compared to 29 tenders in 2016/17.

Code of Conduct

The Authority's Code of Conduct binds both Members of the Board of Directors and Staff. The Code of Conduct explicitly underlines that the Authority has zero tolerance to fraud and corruption. In order to observe the code of conduct, the Authority has the Integrity Management Committee whose functions is to deal with matters related to corruption and conduct within the Authority.

Internal Audit

The Internal Audit functions that entail giving assurance on risk management, control processes and governance processes, were carried out in accordance with the Internal Audit Charter, Annual Audit Plan and International Standards for Professional Practices of Internal Auditing.

During the period under review, the Authority witnessed a smooth running of various processes under the guidance of the oversight bodies, which include the Board of Directors and its committees. The Internal Audit activity continued to assist the Board and Management in ensuring that there is improvement in the effectiveness of risk management, control and governance processes.



Risk Management

During the year under review, the Authority strengthened a risk management functions under the Internal Audit Division after its establishment in the previous financial year. The establishment of Risk management function was in line with the Government's Guidelines for Developing and Implementing Institutional Risk Management Framework in Public Sector issued by the Minister for Finance and Planning; and Treasury Registrar Circular No.12 of 2012/13.

During the period under review, Risk Manager was appointed to lead the risk management functions with the assistance of Divisional, Units and Zones Risk Management Coordinators. During the same period, Risk Management Policy and Framework was developed and approved by the Board of Directors following the review of the Risk Management Framework ,which existed since 2011.

During the period under review, staff were exposed to awareness training on risk management and special training was conducted to Risk Management Coordinators to enable them be able to facilitate the process of identifying risks, assessing risks, developing and implementing risks mitigation actions in their respective Division, Units and Zones.

The Authority established a Risk Register, risks were identified and mitigation actions were developed and implemented to address significant risks. Mid-Year and Annual Risk Management Implementation Progress reports were prepared and submitted to the Board for review and guidance.



1.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW

During the period under review, the Authority performed all planned activities in line with annual action plans. The performed activities related to regulatory matters as summarised below:

1.1 Staffing and Institutional Capacity Building

1.1.1 Recruitment

The Authority maintained its recruitment policy by providing equal opportunity to all. In so doing, the Authority recruited the most appropriate candidates available in the market in a competitive and transparent manner to ensure that the functions and duties of the Authority are performed efficiently and effectively.

During the period under review, a total of 38 staff were recruited compared to 27 staff in the previous financial year 2017/18 thus bringing the number of staff to 159 out of 183 approved staff establishment. The increase was driven by operationalisation of zone offices and improvement of service delivery. Staff gender structure is as indicated in **Table 2**.

Table 2: Staff as at 30th June 2018

Item	Male	Female	Total
Staff Compliment	111	48	159
Proportion	70%	30%	100%

1.1.2 Capacity Building

The Authority enhanced knowledge of its staff in relation to regulatory, managerial and operational competencies of which 70 staff attended local training on general management courses, professional courses, secretarial practices and advanced drivers and office attendants' courses to improve their performance.

Additionally, the Authority in collaboration with the Tanzania Public Service College conducted awareness training on HIV/ AIDS and working life skills, good governance (corruption) and road safety to all the Authority staff.

1.2 Regional Co-operation and Collaboration

The Authority subscribed and participated in the activities of five Regional Associations namely, the Regional Electricity Regulators Association (RERA), the African Forum for Utility Regulators (AFUR), the Energy Regulators Association of East Africa (EREA), the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) and the African Refiners Association (ARA). The main objective is to exchange regulatory experiences within the International and Regional setting, and allow the Authority to have access to information necessary for regulation and performance benchmarking.



1.3 Regulatory and Management Information Systems

The Authority's Information Communication and Technology (ICT) System continued to support regulatory functions to improve services delivery. It is the Authority's policy to ensure that the public is provided with timely and accurate information. The Authority's website provides access to regulatory information including publications of all decisions made by the Board.

The Authority maintain a system that enable public to get access of petroleum price at any point in Tanzania through mobile phone. Monthly fuel prices are uploaded in the website for public consumption. The prices can also accessed by dialling number *152*00#.

Further, the Authority maintained Licence and Order Information System (LOIS) that enabled many applicants who are using it to submit licence and tariff applications. Applicants can now view the status of all existing and pending licenses and tariff applications; obtain e-mail alerts and notifications regarding necessary processing or compliance actions. LOIS has increased transparency by providing convenient access to applicants, licensees; and complainants.

Document Management System (DMS) has been operational and improved security; electronic management for storage, archival and disposal of documents; and speed up file movements within Authority, hence improved efficiency and services delivery.

Furthermore, the Authority designed and configured Video Conferencing System between Eastern Zone office (Dar es Salaam) and Dodoma Head Office to facilitate meetings and improve efficiency.

1.4 Public Register

The Authority has established a Public Register, which is accessed by the public during office hours. The registry provides information for researchers and the public. Some of the information from the public access registry can be obtained from the Authority's website.

1.5 Registry Operations

The registry collection continued to support the Authority's functions whereby both active and semi-active records maintained by the Authority. An Electronic Document Management System (DMS) is operational and has improved security; storage, archival and disposal of records; and speed up file movements within the Authority, hence improved efficiency and services delivery.

1.6 Financial Performance Review

The Authority's operations were financed through levy collected from regulated service providers. Other sources of financing included: licence fees, application fees and penalties. Total operating revenue in 2017/18 amounted to TZS 44.8 billion compared to TZS 43.2 billion in year 2016/17 indicating an increase of 3.8% as shown in **Table 3**.



Table 3: Summary of Financial Performance

Item	Amount for the Year Ended 30 th June, 2018	Amount for the Year Ended 30 th June, 2017	%Increase/ (Decrease)
	TZS'000	TZS'000	%
Income from Levy and Licences	43,837,137	40,892,189	7.2
Other Income	<u>953,116</u>	<u>2,260,128</u>	(57.8)
Total Income	<u>44,790,253</u>	<u>43,152,316</u>	3.8
Re-current Expenditure	43,735,374	40,307,614	8.5
Capital Expenditure	<u>3,811,611</u>	<u>1,513,133</u>	151.9
Total Expenditure	<u>47,546,985</u>	<u>41,820,747</u>	13.7

1.7 Key Achievements and Challenges

1.7.1 Key achievements attained during the year under review, the Authority:-

- continued to review various regulatory tools and developed new ones;
- continued to conduct monitoring of the Bulk Procurement System of petroleum products and facilitated its operations;
- conducted monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure.
- cooperated with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA), Tanzania Ports Authority (TPA), Weight and Measures Agency (WMA) and Police Force on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest;
- revised business plans from 28 WSSAs namely Songea, Mafinga, Tanga, Same, Morogoro, Manyoni, Nzega, Kondoa, Tabora, Makonde, Loliondo, Makonde, Singida, Makonde, Dodoma, Mwanza, Ngara, Mpwapwa, Arusha, Kilolo, Ilula, Itumba-Isongole, Makete, Iringa, DAWASA, Moshi, Babati and Chato;
- continued with licensing activities on the regulated sectors where 955 licences were issued to regulated suppliers in Petroleum (345 licences), Electricity (6 provisional licences and 1 generation licence), Water and Sanitation (3 class III licences) and Electrical Installation Personnel (600 licences).
- attended to complaints against suppliers of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services.



During the year, 10 complaints in the petroleum sub-sector, 22 in the electricity sub-sector and 8 in the water and sanitation sector were resolved. At the end of the year 52 complaints were at various stages of mediation and hearing;

- h) successfully continued to conduct 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.
- i) reviewed 28 (8 brought from previous year and 20 new) tariff applications from regulated suppliers of Water and Sanitation sector, Natural Gas and Electricity subsector. Out of those reviewed, 9 were approved, 8 were referred back, 1 was withdrawn and 9 were under review during the year end;
- j) approved the importation of petroleum products through Mtwara port and reviewed pricing rules accordingly;
- k) made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), Government Consultative Council (GCC) and the Treasury as required by the law;
- l) recruited 36 new staff to fill various positions for its Head Office and zonal office in Lake zone, Northern zone, Southern Highlands zone, Eastern zone and Central zone; and
- m) opened Eastern zone located in Dar es Salaam and relocated its Head Office to Dodoma, effectively April 9th 2018.

1.7.2 Key challenges and their respective mitigation measures were as follows:

- a) Unreliable distribution infrastructure coupled with high distribution losses are still major challenges to power distributors. To address this challenge, the government through TANESCO is upgrading the distribution infrastructure and the Authority will continue to intensify inspections and compliance monitoring.
- b) Delays by TANESCO (as an offtake) to pay for the power purchased from small power producers has led to numerous operational difficulties to these producers. These delays may also be a hindering factor to small power investment in the sector as they potentially raise the risk element of those investments. EWURA will engage TANESCO and stakeholders to devise ways in mitigating this issue.
- c) Licensee failure or delay to respond on issues addressed during inspections has been persisting. Proposed solution to this problem is to intensify awareness campaigns and compliance enforcement.
- d) Concerns from SPP Developers on delay to address challenges in the SPP Framework to allow further implementation of SPP projects. During the period under review, TANESCO has not signed any SPPA with SPP developers. The Ministry of Energy, EWURA and TANESCO are still working on the challenge.



- e) Continued smuggling of kerosene into Tanzania from neighbouring countries is still a problem. EWURA plans to increase the level and frequency of marker detection exercises, especially in border areas. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections. EWURA will also increase awareness campaigns on the matter.
- f) Natural gas infrastructure is not widely distributed in the country; the existing natural gas infrastructure is operating at 11%, which is underutilization of the infrastructure. The natural gas distribution networks are limited to Dar es Salaam. EWURA continues to discuss with the Ministry of Energy to put the gas subsector in order.
- g) Most district and township Water Supply and Sanitation Authorities (WSSAs) have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building to WSSAs, carry out inspections and monitoring. The Authority will also continue to advise the Government on ways of improving capacity of the weak WSSAs.
- h) Inadequate capacity of the WSSAs to prepare Business Plans, which are compliant to the EWURA Business Plan Guidelines, continue to be a challenge. The Authority has considered continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets.
- i) Low investments in Water Supply and Sanitation which result into a slow pace towards attaining service coverage targets set in the National Five-Year Development Plan (2016/17 – 2020/21). The current urban water supply coverage is around 78% in Regional water utilities, 74% in National Project water utilities and 58% in District headquarters and Township water utilities. In addition, EWURA has been collaborating with the MoWI and Development Partners (DPs) to put in place incentives for WSSAs to involve PPPs and to acquire loans for investments.
- j) Insufficient public knowledge regarding rights and obligations of consumers and those of the regulated suppliers. EWURA shall continue to strengthen the implementation of Public Awareness Programme to address this challenge.
- k) Although the efforts of curbing sale of adulterated and tax exempted petroleum including transit products in the local market are bearing good results, the malpractice is yet fully wiped out. The Authority will continue to conduct petroleum quality monitoring and take legal actions to the defaulters. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections and increase awareness campaigns on the matter.
- l) Some operators in the petroleum industry especially retailers, fail to comply with regulatory requirements due to lack of knowledge and expertise in the petroleum downstream operations. Therefore, EWURA will continue to conduct awareness and education campaigns to operators and public to mitigate this challenge.



m) Service delivery of petroleum products in remote areas remained to be a challenge since there are no reliable petrol stations in these areas. Petroleum products are stored and sold by vendors in a manner that is detrimental to Health, Safety and Environment (HSE). On the other hand, the volumes of sales in these areas are small to justify investment of standard petrol stations. EWURA is in the discussion with Bureau of Industrial Cooperation (BICO) of University of Dar es Salaam and Dar es Salaam Institute of Technology (DIT) for development low cost but HSE compliant petrol station model to address the challenge.



2.0 ENERGY SUB-SECTOR PERFORMANCE AND REGULATION

2.1 Overview

This section summarizes the executed activities, challenges encountered; and achievements while implementing economic and technical regulation of the energy sub-sector that comprises electricity, petroleum, and natural gas.

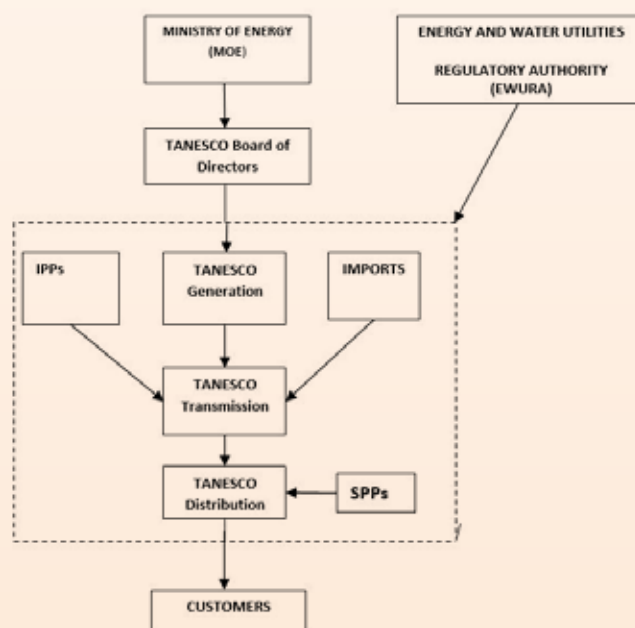
2.2 Electricity Sub-Sector

Regulatory activities performed by EWURA in the electricity supply industry included, among other things, issuing licences, approving initiation of procurement of power projects, approving Power Purchase Agreements (PPA), tariff setting and compliance monitoring of operations and infrastructure of regulated entities to ensure quality and reliability of services. The infrastructure of regulated entities includes power-generating plants, power transmission lines, distribution substations and lines.

The Tanzania Electric Supply Company Limited (TANESCO) currently dominates the electricity supply industry in Tanzania, which is a vertically integrated. TANESCO, which is State, owned Company and carries out generation, transmission and distribution of electricity up to the final consumers while selling electricity in bulk to Zanzibar Electric Company (ZECO) through submarine cables to Unguja and Pemba Islands.

Other players include Independent Power Producers (IPPs), Small Power Producers (SPPs) and Small Power Distributors (SPDs) as shown in figure 2.

Figure 2: Current Electricity Supply Industry Structure



Source: EWURA



Currently, there are ten (10) entities that are actively carrying out power generation activities, which, are TANESCO, Songas Tanzania Limited, Mwenga Hydropower Limited (MHL), Tanzania Wattle Company (TANWAT), Tanganyika Planting Company Limited (TPC), Andoya Hydro Electric Power Company Limited, Tulila Hydroelectric Power Company Limited, Yovi Hydropower Company Limited, Darakuta Hydropower Development Company Limited and Matembwe Village Company Limited. Service providers actively carrying out distribution and supply activities are TANESCO, Andoya Hydro Electric Power Company Limited, Mwenga Hydropower Limited and Solar Photovoltaic Mini Grids operators. The power transmission services are still undertaken by TANESCO.

2.3 Licensing

2.3.1 Power Supply Licensing

During the period under review, the Authority approved 7 generations licences of which two (2) were generation for own use and four (4) provisional generation licences with a potential generation capacity of 97.3 MW, compared with seven (7) licences issued in the last Financial year with 150 MW potential generation capacity. There was also one (1) exemption issued to Jinan Diesel Company Limited to generate 60MW for Dangote Cement Factory in Mtwara pending the commissioning of the latter's generation facility. The Authority did not issue distribution licence and transmission licence during the period under review. There was no complete application pending at the end of the financial year.

2.3.2 Power Supply Registration

Service providers of electricity services conducting generation, distribution and supply with capacity below 1 MW are not required by the law to get a license, but, they are required to be registered by the Authority. During the period under review, the Authority issued registrations to four (4) service providers namely E-On Off Grid Solution, Ruaha Energy Company Limited, Kiliflora Limited and; Watu na Umeme which conducts generation and distribution activities with a total installed capacity of 453.29kW at nine various villages. There were also two provisional registration done to Husk Power Systems Limited (48kW) and Sustainable Energy Services Company Limited (24kW) intending to install generation and distribution facilities in Kilosa and Chalinze, respectively.

2.3.3 Electrical Installation Licences

During the year under review, the Authority received 626 licence applications for electrical installations personnel as compared to 675 applications received in the last financial year which show a decrease of 8.5%. During the period under review, 600 licences for electrical installations personnel were issued to successful applicants while 26 were not approved due to various reasons including inadequate qualifications and experience for the Classes applied. Details of different classes of licence issued are shown in **Table 4**.



Table 4: Electrical Contractors and Wiremen license applied and issued

S/N	Licence Class	Licences Issued
1	A	12
2	B	52
3	C	225
4	D	255
5	W	56
6	S	0
7	L	0
TOTAL LICENCES ISSUED		600

Source: EWURA

2.4 Performance Monitoring

2.4.1 Reporting System

Pursuant to Section 15(4) of the Electricity Act (2008), every electricity service provider is required to submit to the Authority, data and information relating to performance of its functions. During the period under review, the Authority continued to receive and maintain periodic data submitted by licensed power utilities and suppliers directly and through the daily system reports submitted by TANESCO through email distribution list.

2.4.2 Monitoring and Inspection

During the period under review, the Authority conducted routine inspections on Low Voltage (LV) and Medium Voltage (MV) distribution networks. The inspections conducted in 22 regions of Simiyu, Songwe, Kilimanjaro, Tanga, Geita, Arusha, Dodoma, Katavi, Singida, Kagera, Rukwa, Ruvuma, Kigoma, Mbeya, Iringa, Njombe, Morogoro, Mtwara, Manyara, Mwanza, Mara and Tabora. Among the defects found during inspection were rotten poles, expired and missing fire extinguishers in primary substations, transformer oil leakages, missing surge arrestors, bare fuses, missing stay insulators, missing construction materials at district levels, and leaning insulators and unrated fuse wires. Also, in some areas low voltage was caused by lines extended beyond the standard limit and overloaded transformers. The Authority instructed TANESCO to rectify the anomalies as detailed in the inspection reports given to them.

The Authority continued to monitor quality of service through the set standards with focus to system disturbances such as low frequency, high frequency, low voltage, power outages and load shedding. It was revealed that the system experienced frequent voltages and frequencies fluctuations because of aged equipment and lack of adequate maintenance.



2.4.3 Generation Capacity

The Authority's monitoring activities revealed that the installed capacity in the Isolated Grid was 55 MW, while installed capacity in the Main Grid was 1,461 MW. The Maximum Demand attained was 1,045.70 MW, recorded on 27th June 2018. The installed capacity of isolated grid has been reduced to 55 MW from 91 MW of last financial year because power plants such as Mtwara, Somanga Fungu and Biharamulo have been connected to the Main Grid. During the period under review, 7,132 GWh were available for sale as shown in **Table 5**, which implies a 0.4% increase as compared to 7,100 GWh reported during the previous financial year. These units were received from TANESCO plants, IPPs, SPPs and imports from neighbouring countries.

Table 5: Electricity Generation and Imports

No.	Utility	Electricity Generation and Imports [GWh]	Percentage of Contribution [%]
1	TANESCO	5,510.76	77.27%
2	Songas	1,445.28	20.27%
3	Small Power Producers	61.72	0.87%
4	Cross Border Imports	113.71	1.59%
	Total	7,131.47	100%

Source: EWURA

2.4.4 Generation Mix

During the reporting period, the electricity generation mix consisted of hydropower 31.9%, natural gas 64.1%, liquid fuel 3.7% and biomass 0.2%.

The decrease in hydropower generation was due to outage for maintenance and increase of generation from natural gas after the completion and commissioning of the gas power plants of Kinyerezi I and Kinyerezi II. The liquid fuel contribution went down because of there was less utilization of Nyakato and Zuzu power plants after commissioning of Kinyerezi I and II gas power plants.

2.5 Regulatory Tools

During the period under review, EWURA reviewed and prepared the following Rules: -

- Electricity (Generation, Transmission & Distribution Activities) Rules, 2018, Government Notice No. 442 published on 17th August, 2018.
- The Electricity (Procurements of Power Projects and Approval of Power Purchase Agreements) Rules, Government Notice No. 245 published on 14th July 2017.
- The Electricity (Development of Small Power Projects) Rules, Government Notice No. 440 published on 27th October 2017.



- (d) The (Development of Small Power Projects) Rules, Government Notice No. 77 published on 2nd March 2018.
- (e) The Electricity (Net Metering) Rules, Government Notice No. 441 published on 27th October 2017.
- (f) The Electricity (Net Metering) Rules, Government Notice No. 76 published on 2nd March 2018.
- (g) The Electricity (Tariff Application and Rate Setting) Rules, Government Notice No. 452 published on 17th November 2017.
- (h) The Electricity (Grid and Distribution Codes) Rules, Government Notice No. 451 published on 17th November 2017.

2.6 Health, Safety and Environmental Matters

To ensure compliance to HSE, EWURA carried out inspection of power supply facilities, including power stations, substations, and distribution lines. Several challenges were noted, including old equipment, low hanging distribution lines, unprotected transformers, transformers mounted below the minimum standard height required of 2.5m from the ground level and inadequate clearance of electricity conductors from building structures thus posing risk of electrocution to the general public. The findings of EWURA during inspections were forwarded to the service providers with instructions to rectify the observed anomalies.



3.0 PETROLEUM SUB-SECTOR PERFORMANCE AND REGULATION

3.1 Overview

The Authority continued to undertake technical and economic regulatory roles in the mid and downstream petroleum sub-sector in mainland Tanzania. During the period under review, the Authority continued to oversee the supply of petroleum products for the Tanzania Local Market, through implementation of the Bulk Procurement System (BPS) and ensured availability of supply country wide at the price set by EWURA. Also, the Authority continued to ensure that petroleum handling infrastructures and petroleum operations are compliant to the applicable laws, approved standards and the best petroleum industry practices.

3.2 Petroleum Products Supply and Stock Monitoring

3.2.1 Petroleum Products Imports

The Oil Marketing Companies (OMCs) continued to import the main petroleum products (i.e. Petrol, Diesel, Kerosene and JetA1) through Bulk Procurement System (BPS). BPS is coordinated by the Government Agency namely Petroleum Bulk Procurement Agency (PBPA). The Authority has responsibility to oversee and ensure implementation of BPS.

During the period under review, 5,993,954,008 litres of petroleum products were imported into the country through Dar es Salaam and Tanga ports as compared to 5,199,814,483 litres imported in the previous financial year. The importation in the financial year under review has increased by 15% compared to the previous financial year. The volume imported for local market was 3,296,140,316 litres (equivalent to 55% of the total imports) while the volume imported and transited to neighbouring countries was 2,697,813,692 litres (equivalent to 45% of the total imports). **Table 6 and Table 7** provide the volumes imported in each month during the period under review.

Table 6: Petroleum Products Imports for the Local Market

MONTH	AGO (Lt)	PMS (Lt)	IK (Lt)	JET A1 (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-17	116,048,620	59,145,683	1,553,372	9,791,418		186,539,093
Aug-17	165,889,892	66,809,164	3,851,902	14,695,790		251,246,748
Sep-17	99,308,313	110,742,113	3,167,355	18,616,925	5,606,778	237,441,483
Oct-17	243,605,222	105,366,218	3,471,079	24,395,144		376,837,662
Nov-17	139,317,287	116,782,919	3,244,495	20,379,300		279,724,001
Dec-17	139,646,419	100,413,504	4,559,062	14,338,368	17,305,832	276,263,185
Jan-18	111,277,114	144,153,657	1,757,859	20,776,397		277,965,027
Feb-18	143,998,717	81,547,784			6,267,454	231,813,955
Mar-18	122,574,372	74,140,463	3,400,583	34,196,200		234,311,618
Apr-18	127,935,793	87,977,280	3,627,680	17,587,117		237,127,870



May-18	126,233,574	113,637,925	2,842,790	2,842,790		245,557,079
Jun-18	112,512,961	94,948,135	-	-	7,707,045	215,168,141
Add: Localized Jul- 17 to June-18	151,833,581	76,651,748	8,068,431	9,590,693		246,144,454
TOTAL	1,800,181,865	1,232,316,593	39,544,608	187,210,141	36,887,109	3,296,140,316
FY 2016/17	1,747,545,742	1,078,127,619	28,824,476	240,177,064	100,318,980	3,194,993,881
% CHANGE	3.0%	14.3%	37.2%	-22.1%	-63.2%	3.2%

Source: EWURA

Table 7: Transit Petroleum Products Imports

MONTH	AGO (Lt)	PMS (Lt)	JETA1/IK (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-17	75,349,067	49,307,094	15,604,913		140,261,074
Aug-17	199,210,277	103,460,773	15,401,415		318,072,465
Sep-17	168,136,720	118,725,056	11,479,615	2,038,828	300,380,219
Oct-17	219,488,667	63,332,311	12,583,913		295,404,891
Nov-17	131,700,500	93,947,644	14,406,707		240,054,851
Dec-17	119,240,155	66,296,769	12,228,457		197,765,381
Jan-18	168,577,723	95,728,580	18,546,925		282,853,228
Feb-18	129,290,775	73,105,753			202,396,528
Mar-18	103,545,314	80,402,160	30,276,946		214,224,420
Apr-18	128,569,889	89,406,459	17,937,196		235,913,544
May-18	176,501,733	115,071,445	-	-	291,573,178
Jun-18	127,681,892	90,940,279	-	6,436,196	225,058,367
Less: Localized Jul-17 to June-18	151,833,581	76,651,748	17,659,125		246,144,454
TOTAL	1,595,459,131	963,072,575	130,806,962	8,475,024	2,697,813,692
FY 2016/17	1,103,705,226	811,667,675	86,536,160	2,911,540	2,004,820,602
% CHANGE	45%	19%	51%	191%	35%

Source: EWURA

3.2.2 Petroleum Products Stock Monitoring

During the period under review, the Authority continued to monitor stock levels of petroleum products to ensure that at all times the country had adequate supply of petroleum products. There was no any stock out incident of petroleum products during the period under review.



3.2.3 Liquefied Petroleum Gas (LPG) Imports

The Authority continued to monitor imports of LPG in the country. During the period under review, LPG Marketing Companies (LMCs) imported 120, 961 MT of LPG. This is an increase of 13% if compared to 107, 083 MT imported in the last financial year 2016/17. This indicates that, the LPG market continued to grow. **Table 8** shows the quantity of LPG imported in the period under review.

During the period under review, the Authority engaged Bureau of Industrial Cooperation (BICO) of University of Dar es Salaam to evaluate the design specifications of the LPG handling facilities and appropriate ratio of **Propane** and **Butane** in the mixture for Tanzania Mainland. The aim of the study was to establish the type of LPG suitable for Tanzania weather conditions and the available LPG handling facilities. The findings of the study showed that, Butane rich LPG is suitable for Tanzania weather conditions and much safer than Propane rich. The study also showed that, the LPG handling facilities are within internationally accepted standards. The Authority shared the report to the stakeholders including ME, TBS and the LPG Wholesalers.

Table 8: LPG Imports and Consumption

MONTH	MT
Jul-17	8,156
Aug-17	6,959
Sep-17	10,218
Oct-17	7,389
Nov-17	8,030
Dec-17	13,984
Jan-18	6,234
Feb-18	10,588
Mar-18	10,788
Apr-18	11,745
May-18	15,054
Jun-18	11,817
FY2017/18	120,961
FY2016/17	107,083
% Change	13%

Source: EWURA

3.2.4 OMCs Performance (Sales and Market Shares)

The Authority continued to monitor sales performance of OMCs for all key petroleum products across the country by obtaining and compiling their sales volumes. The aim to establish the level of competition in the industry. During the period under review, petroleum products sales by the Oil Marketing Companies (OMCs) was 3,226,961,390 litres. The sales volume increased by 1% compared to 3,197,593 litres sold in the previous financial year. The figures show that, consumption of diesel, which is main fuel for economic



activities such transportation has increased by 7% compared to the figure in the previous financial year. The consumptions of Heavy Fuel Oil (HFO) and kerosene continue to decrease because the demand of HFO for power generation has decreased and due to the availability of alternative source of lighting, as kerosene is not much used even in areas where there is electricity. **Table 9** shows the petroleum products consumptions based on the OMCs sales performance.

Table 9: Petroleum Products Consumption in the FY 2016/17 and FY 2015/16

PRODUCT	AGO (LT)	PMS (LT)	IK (LT)	HFO (LT)	JET A1 (LT)	IDO (LT)	TOTAL (LT)
FY 2017/18	1,799,926,956	1,109,139,443	46,209,691	61,377,318	209,973,982	334,000	3,226,961,390
FY 2016/17	1,686,155,479	1,182,265,197	54,759,530	84,422,184	189,348,699	592,000	3,197,543,089
% CHANGE	7%	-6%	-16%	-27%	11%	-44%	1%

Source: EWURA

The petroleum market in the country remained competitive and distributed among different oil marketing companies. The market had oligopoly structure with six OMCs (Oryx (15.5%), Puma (14.4%), GBP (13.3%), Total (8.5%), Camel Oil (5.8%) and Moil (5.3%)) dominating 62.9% of the market. Although few firms dominate, there are many small firms, which operate in the market as well. **Table 10** shows the sales figures and market share of each OMCs.

Annual sales for diesel remained the highest (56%), followed by petrol (34%), Jet A1 (7%), HFO (2%) and kerosene (1%).

Table 10: Petroleum Sales Market Shares: July 2017- June 2018

NAME OF OMC	AGO (LT)	PMS (LT)	IK (LT)	HFO (LT)	JET A1 (LT)	IDO (LT)	TOTAL (LT)	MARKET SHARE
ORYX	338,742,343	162,990,159	8,403,711	13,700,835	-	264,000	524,101,048	15.5%
PUMA	246,723,530	92,860,917	1,453,700	2,275,000	144,914,086	-	488,227,233	14.4%
GBP	266,523,101	154,784,285	6,573,524	19,849,855	-	-	447,730,765	13.3%
CAMEL OIL	141,786,138	86,401,074	7,259,420	17,752,500	35,512,217	70,000	288,781,349	8.5%
TOTAL	104,165,750	85,045,110	-	7,799,128	-	-	197,009,988	5.8%
MOIL	93,994,389	84,006,040	-	-	-	-	178,000,429	5.3%
OILCOM	84,777,745	75,735,030	-	-	-	-	160,512,775	4.8%
STAR OIL	65,833,741	56,646,323	17,065,057	-	20,334,272	-	159,879,393	4.7%
MOGAS	60,216,997	64,005,692	3,248,820	-	9,213,407	-	136,684,916	4.0%
ACER	71,818,687	56,492,057	-	-	-	-	128,310,744	3.8%
MT.MERU	50,027,002	47,726,671	320,755	-	-	-	98,074,428	2.9%
HASS	50,268,039	34,550,260	1,438,068	-	-	-	86,256,367	2.6%



ENGEN	37,632,710	24,171,000	-	-	-	-	61,803,710	1.8%
PETRO FUEL	32,895,568	25,579,815	-	-	-	-	58,475,383	1.7%
DALBIT	35,179,773	15,795,395	257,500	-	-	-	51,232,668	1.5%
PETRO AFRICA	47,123,373	-	-	-	-	-	47,123,373	1.4%
DELTA	27,768,100	14,376,946	189,137	-	-	-	42,334,183	1.3%
PRIME REGIONAL	24,270,270	14,844,669	-	-	-	-	39,114,939	1.2%
OTHERS	20,179,700	13,128,000	-	-	-	-	33,307,700	1.0%
TOTAL	1,799,926,956	1,109,139,443	46,209,691	61,377,318	209,973,982	334,000	3,226,961,390	100.0%
% Contribution	56%	34%	1%	2%	7%	0%	100%	

Source: EWURA

3.3 Petroleum Products Prices

3.3.1 Crude Oil Prices

During the year under review, the Authority continued to monitor closely the world market prices for both crude oil and refined petroleum products as published by Platt's Oilgram. Mediterranean (MED) market continued to be a source for petrol world oil prices, whereas Arabian Gulf (AG) market was a source of diesel and Jet A1/Kerosene oil prices.

During the financial under review, prices of crude oil in the world market continued to fluctuate. The average crude oil price was USD 64 USD/BBL compared to USD 50 USD/BBL in the previous financial year reflecting an increase of 28%. **Table 11** shows the monthly average crude oil prices in the period under review. Due to the rise and fall of crude oil prices in the world market, local market prices in the country also affected because the country is a net importer of refined petroleum products.

Table 11: Monthly Average Crude Oil World Market Price Trends FY 2017/18.

PERIOD	CRUDE OIL PRICE, BRENT BLEND (USD/BBL)
Jul-17	48
Aug-17	52
Sep-17	56
Oct-17	57
Nov-17	63
Dec-17	64
Jan-18	69
Feb-18	65
Mar-18	66
Apr-18	72
May-18	77



PERIOD	CRUDE OIL PRICE, BRENT BLEND (USD/BBL)
Jun-18	76
FY2017/18	64
FY2016/17	50
% Change	28%

Source: EWURA

3.3.2 Refined Petroleum Products Prices in the World Market.

The Authority continued to monitor movement of refined petroleum products prices, both in the world and local markets. In the period under review, average Freight On Board (FOB) prices for refined petroleum products in the world market stood at 573 USD/MT for Petrol, 521 USD/MT for Diesel and 545 USD/MT for Jet-A1/IK. The FOB prices in the last financial year were 503 USD/MT for Petrol, 444 USD/MT for Diesel and 460 USD/MT for Jet-A1/IK. The average world market prices for Petrol, Diesel and Kerosene rose by 14%, 17% and 18%, respectively compared to last financial year, as can be shown in **Table 12**.

Table 12: Refined Petroleum Products World Market Prices in FY 2017/18.

Month	Petrol (USD/MT)	Diesel (USD/MT)	Kerosene (USD/MT)
Jul-17	521	455	474
Aug-17	501	432	443
Sep-17	503	454	464
Oct-17	537	478	485
Nov-17	569	499	524
Dec-17	564	514	529
Jan-18	574	530	570
Feb-18	600	549	587
Mar-18	599	581	587
Apr-18	646	607	624
May-18	615	573	624
Jun-18	632	580	633
Average FY 2017/18	573	521	545
Average FY 2016/17	503	444	460
% Change	14%	17%	18%

Source: EWURA

3.3.3 Petroleum Products Local Market Prices

During the period under review, the Authority, pursuant to the Petroleum (Price Setting) Rules, continued to set and publish on monthly basis cap prices for the three main petroleum products; petrol, diesel and kerosene. The prices published are Wholesale Cap Prices ex-Dar es Salaam and ex - Tanga and retail pump prices in all districts and major towns in Tanzania Mainland.



In the period under review, average pump prices in Dar es Salaam were as follows; 2,120 Tsh/Lt for Petrol, 2,004 Tsh/Lt for Diesel and 1,975 Tsh/Lt for Kerosene. The average pump prices for Petrol, Diesel and Kerosene rose by 9%, 11% and 12% respectively compared to last financial year, as can be shown in **Table 13**. Raise in world market prices significantly affect the domestic pump prices.

Table 13: Dar es Salaam Pump Prices Trend in FY 2017/18.

Month	Petrol (Tsh/Lt)	Diesel (Tsh/Lt)	Kerosene (Tsh/Lt)
Jul-17	1,978	1,830	1,830
Aug-17	1,867	1,719	1,719
Sep-17	1,989	1,887	1,811
Oct-17	1,993	1,897	1,810
Nov-17	2,014	1,999	1,938
Dec-17	2,160	1,984	1,942
Jan-18	2,167	2,018	2,031
Feb-18	2,226	2,065	2,055
Mar-18	2,227	2,134	2,059
Apr-18	2,315	2,205	2,154
May-18	2,227	2,145	2,154
Jun-18	2,282	2,164	2,192
Average FY 2017/18	2,120	2,004	1,975
Average FY 2016/17	1,938	1,805	1,759
% Change	9%	11%	12%

3.3.4 Exchange Rates

During the year under review, the Authority, through the Bank of Tanzania (BOT) continued to monitor USD exchange rates that are applicable specifically for purchase of imported petroleum products. The Bank of Tanzania (BoT) assisted the Authority by availing information of all OMCs that purchased Forex through commercial banks for importation of petroleum products. The strength of US Dollar against Tanzania Shilling has a direct influence on the petroleum products local market prices.

In the financial year under review, the average exchange rate in the 2,260 TZS/USD, a slight increase of 2% compared to 2,216 TZS/USD, which was an average exchange rate in the previous financial year. **Table 14** shows the exchange rate movements in the financial year 2017/18.

Table 14: Monthly Exchange Rates Trend for the FY 2017/18 and FY 2016/17.

FY 2016/17	Applicable Exchange rate (TSH/USD)	FY 2015/16	Applicable Exchange rate (TSH/USD)
Jul-17	2,249	Jul-16	2,198
Aug-17	2,244	Aug-16	2,192
Sep-17	2,244	Sep-16	2,186



Oct-17	2,254	Oct-16	2,179
Nov-17	2,256	Nov-16	2,185
Dec-17	2,245	Dec-16	2,183
Jan-18	2,242	Jan-17	2,178
Feb-18	2,251	Feb-17	2,255
Mar-18	2,268	Mar-17	2,294
Apr-18	2,273	Apr-17	2,258
May-18	2,286	May-17	2,236
Jun-18	2,304	Jun-17	2,245
Average Exch. Rate (TSH/USD)	2,260		2,216
% Change	2%		

3.3.5 Petroleum Bulk Procurement System (BPS)

The country continued to import its petroleum products requirements through BPS under the coordination of Bulk Procurement Agency (PBPA). The Authority continued to oversee the BPS process for compliance of its Regulations including, among other things, to ensure that, the volumes of petroleum products procured is sufficient to cater for the country requirements and there is transparency in all floated BPS tenders to foster competition.

In the period under review, 94 contracts were awarded as shown in the **Table 15** below.

Table 15: BPS Tenders Winners and Number of Tenders Won for the FY 2017/18.

S.No	BPS Tender Winner	No.Tender Won	%
1	SAHARA ENERGY (T) LTD	41	44%
2	ADDAX ENERGY SA	32	34%
3	TOTALSAL TOTAL OIL TRADING SA	2	2%
4	TRAFIGURA PTE LTD	12	13%
5	GBP	1	1%
6	VITOL BAHRAIN	2	2%
7	AUGUSTA ENERGY SA	4	4%
	TOTAL BPS Tender	94	100%

In the period under review, average premium were; 22.50 USD/MT for Diesel, 31.56 USD/MT for Petrol, 37.48 USD/MT for Jet-A1 and 38.05 USD/MT For Kerosene. The premiums for Diesel and Petrol rose by 2% and 24% respectively compared to the premiums of the same products last financial year. On the other hand, the premiums of JetA1 and Kerosene dropped by 5% and 3% respectively. **Table 16** shows the average premiums for the FY 2017/18.



Table 16: Average Premiums for the FY 2017/18

AVERAGE PREMIUM	AGO (USD/MT)	PMS (USD/MT)	JET A-1(USD/MT)	IK(USD/MT)
FY2017/18	22.50	31.56	37.48	38.05
FY2016/17	22.06	25.44	39.41	39.41
% Change	2%	24%	-5%	-3%

3.4 Compliance Monitoring

During the year under review, the Authority continued to undertake monitoring programmes to ensure compliance to the applicable laws and standards in the downstream petroleum subsector. The following sections highlight the compliance monitoring activities carried out in the period under review.

3.4.1 License and Compliance Monitoring Inspections

In the period under review, 658 petroleum facilities were inspected to check their compliance relevant license conditions, standards and Health, Safety and Environment (HSE) requirements. Out of the 658 facilities inspected, 516 equivalent to 78.42% complied with the requirements. The compliance level increased compared to the previous financial year, where, 585 facilities inspected and 370 facilities equivalent to 63.25% complied. Punitive measures were taken against all operators found not complying with licensing conditions.

3.4.2 Petroleum Facilities Constructed Without Approvals

Petroleum facilities numbered to 38, mostly petrol stations were found under construction without approvals from the Authority. However, the number of developers starting construction of petroleum facilities without EWURA approval is decreasing. Previous financial year, 92 petroleum facilities were found constructing without EWURA approvals.

3.4.3 Petroleum Products Quality Monitoring Inspections

During the year under review, 526 Petroleum products samples were collected from various facilities including petrol stations, storage depots and road tankers. Out of 526 samples, 20 samples equivalent to 3.80% did not conform to TBS specifications. In the previous financial year, 477 samples were collected and 25 samples equivalent to 5.2% were non-conforming.

Overall, there is a significant improvement in compliance to petroleum products quality specifications indicating that, petroleum products offered for sale to consumers are of the right quality and do conform to TBS specifications.

3.4.4 Fuel Marking Program

During the period under review, the Authority continued to implement the fuel marking programme, being undertaken by M/S Global Fuel International Tanzania Limited (GFI). The objectives of the programme,



which was introduced in September 2010, among other things, to curb dumping of untaxed petroleum products into the local market and fuel adulteration malpractices, but also to create a level playing field amongst operators.

A total of 2.99 billion litres of diesel, petrol and kerosene were marked during the period under review as compared to 2.83 billion litres marked in the previous financial year. The volume of the products marked increased by 5.62% compared to the volumes marked in the previous financial year as shown in **Table 17**.

Table 17: Marked Volume of Petroleum Products

Date	Petrol (Lt)	Diesel (Lt)	Kerosene (Lt)	Total (Lt)
Jul-17	103,847,973	143,394,697	4,504,000	251,746,670
Aug-17	107,326,632	151,199,842	5,367,900	263,894,374
Sep-17	103,111,674	144,701,437	4,143,100	251,956,211
Oct-17	107,858,529	151,597,121	3,902,200	263,357,850
Nov-17	103,557,349	155,648,373	4,536,383	263,742,105
Dec-17	108,211,223	149,260,786	3,917,500	261,389,509
Jan-18	99,142,451	150,363,238	4,307,600	253,813,289
Feb-18	88,367,375	130,962,013	3,490,028	222,819,416
Mar-18	102,722,184	141,789,649	4,453,660	248,965,493
Apr-18	89,768,973	120,274,096	4,185,122	214,228,191
May-18	95,328,600	137,399,182	4,820,511	237,548,293
Jun-18	104,024,679	149,954,574	4,159,300	258,138,553
Total (Lt) - FY 2017/18	1,213,267,642	1,726,545,008	51,787,304	2,991,599,954
Total (Lt) - FY 2016/17	1,182,265,197	1,595,516,731	54,759,530	2,832,541,458
% Change	2.62	8.21	(5.43)	5.62

3.4.5 Marker Detection Monitoring Inspection

The Authority continued to carry out inspection and collect samples from petroleum facilities to check whether products in the market have right level of marker concentration. During the period under review, samples of petroleum products from 639 facilities and 44 facilities equivalent to 6.89% were found with non-conforming products. The level of non-compliance has increase in the financial year under review compared to the previous one where samples from 664 petroleum facilities were tested and 32 facilities, equivalent to 4.8% were found with non-conforming products. Most of the non-conformity happened in Northern and Southern Zones.



3.4.6 Compliance to the Price Setting Rules

During the year under review, the Authority continued to monitor compliance to the Petroleum Products Price Setting Rules, 2014. During the period under review, 1,222 petrol stations were inspected and only two (2) petrol stations Kidegembye Filling Station in Lupembe, Njombe Region and Oilcom Ileje T/A Bitu Investment Company Limited in Ileje district in Songwe Region were found selling above cap prices.

3.5 Adherence to Health, Safety and Environmental (HSE) Requirements

3.5.1 Incidents Investigation

In response to incidents occurring in the petroleum downstream sector, the Authority continued with its obligation of carrying out investigation to underscore their causes, establish and recommend corrective actions so as to prevent further similar incidents in future. Eight (8) incidents were investigated during the period under review as summarized in **Table 18**.

Table 18: Summary of Incidents happened

S/No.	Incident and Location	Incident Description	Cause	Incident Impact(s)	Recommended Corrective Actions
1	Water seepage into the underground storage tanks during rainy season at UKOD oil – Sumbawanga Petrol Station located in Sumbawanga Municipality in Rukwa region.	Water seeped into the AGO underground storage tank during rainy season. About 1,000 litres of water seeped into the tank from which the fuel caused malfunctioning of the complainant's vehicle.	Poor design of the tank manhole chambers.	Malfunctioning of the complainant's vehicle.	The operator was advised by the Authority to: <ul style="list-style-type: none"> Redesign the tank manhole chambers of the respective tank to avoid underground water seepage into the chamber and tank; and Ensure the tank manhole covers are watertight.
2	Water seepage into the underground storage tanks during rainy season at State Oil (T) Ltd – Mwangaza Dodoma Petrol Station located at Kisasa area in Dodoma region.	Water seeped into the underground storage tanks during rainy season. About 1,000 litres of water seeped into the tanks from which the fuel caused malfunctioning of the complainant's vehicle.	Poor design of the tanks manhole chambers.	Malfunctioning of the complainant's vehicle.	The operator was advised by the Authority to: <ul style="list-style-type: none"> Redesign the tank manholes chambers by raising them above the ground level so as not to allow easy water seepage into the chambers and tanks; and Ensure the tank manhole covers are watertight and of light weight.



S/No.	Incident and Location	Incident Description	Cause	Incident Impact(s)	Recommended Corrective Actions
3	Oil leakages from a 28 inch crude oil pipeline at Tungi area, Kigamboni district in Dar es Salaam region.	Crude oil leaked from the 28 inch pipeline along the pipelines' way leave about 2.5 km from the Single Buoy Mooring (SBM) and this was plugged. Also, a 1 inch pipeline was observed to be connected to a 24 inch diesel pipeline transporting diesel product from SBM to the Oil Marketing Companies (OMCs). The 1 inch pipeline was leading to one of the residential houses in the area.	Sabotage.	Loss of products and environmental pollution.	<ul style="list-style-type: none"> Frequent surveillance of the pipelines right-of-way be conducted by TPA so as to maintain the integrity of the pipelines; and TPA to ensure that the affected area is restored to its original state and inform EWURA for re-inspection when ready.
4	Oil spillages due to overturning of the road fuel tanker with registration no. T812CLQ/T325BBH owned by Lake Oil Company Ltd which occurred at Bwawani area in Morogoro region.	The truck overturned while the driver was struggling to give way to another truck which was trying to overtake him and spilled the AGO product. Out of the 35,000 litres of AGO that were contained in the fuel tanker, 16,000 litres were recovered after the truck overturned and were transferred into another tanker with registration no. T477/T940BTZ, owned by Lake Oil Company Ltd.	Loss of control of a vehicle and road slippery.	Loss of 35,000 litres of AGO product and environmental pollution.	<ul style="list-style-type: none"> OMCs supervisors conduct debriefings to drivers and turnboys before commencement of the journey; Periodic inspection of the fuel road tankers to ensure road worthiness be conducted by road tanker owners/transporters; and Ensure that road tanker owners/transporters have Emergency Response Plan (ERP) in place.
5	Oil spillages due to overturning of the road fuel tanker with registration no. T711ACET/T198ACF owned by Tawaqal & Company Ltd which occurred at Fulwe area, Mikese in Morogoro region.	The truck overturned and spilled the MSP product which was loaded at GBP depot in Dar es Salaam. The product was destined to Tawaqal & Co Ltd - Singida Filling station. Out of 39,000 litres which were loaded at the depot, only 30,600 litres were recovered after the truck overturned and were transferred into another tanker with registration no. T807DFE/ T282BLV, owned by Tawaqal & Co. Ltd.	Loss of control of a vehicle.	Loss of 8,400 litres of MSP product, truck damage and environmental pollution.	<ul style="list-style-type: none"> OMCs supervisors conduct debriefings to drivers and turnboys before commencement of the journey; Periodic inspection of the fuel road tankers to ensure road worthiness be conducted by road tanker owners/transporters; and Ensure that road tanker owners/transporters have Emergency Response Plan (ERP) in place.



S/No.	Incident and Location	Incident Description	Cause	Incident Impact(s)	Recommended Corrective Actions
6	Water seepage into the underground storage tanks during rainy season at Oilcom TMJ Petrol Station located at Msasani, Kinondoni Municipality in Dar es Salaam region.	Water seeped into MSP and AGO underground storage tanks during rainy season resulting in products contamination and hence malfunctioning of the complainant's vehicles.	Poor design of the tank manhole chambers.	Malfunctioning of the complainant's vehicles and products contamination.	<p>The operator was advised by the Authority to:</p> <ul style="list-style-type: none"> • redesign the tank manhole chambers of the respective tanks to avoid underground water seepage into the chambers and tanks; • ensure the tank manhole covers are watertight; and • drain the water from the USTs and thoroughly clean the tanks; and • always check the presence of water in the tanks during dipping prior to commencement of the operation.
7	Water seepage into the underground storage tanks during rainy season at Oilcom Victoria Petrol Station located at Victoria area, Kinondoni Municipality in Dar es Salaam region.	Water seeped into MSP and AGO underground storage tanks during rainy season resulting in products contamination and hence malfunctioning of the complainant's vehicles.	Poor design of the tanks manhole chambers.	Malfunctioning of the complainant's vehicles and products contamination.	<p>The operator was advised by the Authority to:</p> <ul style="list-style-type: none"> • redesign the tank manhole chambers of the respective tanks to avoid underground water seepage into the chambers and tanks; • ensure the tank manhole covers are watertight; and • drain the water from the USTs and thoroughly clean the tanks; and • always check the presence of water in the tanks during dipping prior to commencement of the operation.
8	Fire break out at National Oil (T) Limited Depot at Kurasinia area in Dar es Salaam region	Fire broke out in the depot when petrol (60,000 litres) was being transferred from MSP Tank No. T101 to the truck leading to damage of the tank, loss of product and injuries to staff.	Probably, the sparks generated from use of non-intrinsically safe pump.	Loss of products, environmental pollution and injuries to staff.	<ul style="list-style-type: none"> • Order the operator to stop operation to allow for major rehabilitation of the product tank, No. T101 and the corroded water tank.

3.6 Licensing Activities

During the period under review, the Authority conducted pre-licensing inspections to 591 applicants and 344 applicants equivalent to 58.21% met requirements. The Authority issued 346 operating licences. **Table 19** shows the type of operating Licences issued. In the same period, the Authority granted 28 construction approvals to proponents intending to construct petroleum installations.



Table 19: Petroleum Products Licenses issued

License Type	Number of Licenses issued		
	New	Renewal	Total
Petroleum Wholesale	5	5	10
Petroleum Retail	97	212	309
Lubricants Wholesale	14	0	14
Consumer Installation	1	0	1
LPG Wholesale	2	0	2
LPG Distribution	3	0	3
Petroleum Storage Business	1	0	1
Lubricants Blending	1	0	1
Lubricants Distribution	1	0	1
Marine Surveyor	4	0	4
Total	129	217	346

3.7 Legislative Regulatory Tools

Legislative tools are important instruments to improve on governance and regulating the downstream petroleum sub sector in the country. During the year under review, the Authority amended six (6) set of legislative tools as shown hereunder:

- The Petroleum (Wholesale, Storage, Retail and Consumer Installation Operations) Rules;
- The Petroleum (Refinery Operations) Rules;
- The Petroleum (Lubricants Operations) Rules;
- The Petroleum (Liquefied Petroleum Gas Operations) Rules;
- The Petroleum (Products Price Setting) (Amendment) Rules; and
- The Petroleum (Marine Loading and Offloading) Rules.

3.7.1 Environmental Impact Assessment and Audit (EIA & EA) Studies Reviews

During the period under review, in fulfilment of the Environmental Management Act, 2004 the National Environment Management Council (NEMC) submitted to the Authority 25, Environmental Impact Assessment (EIA) and Environmental Audit (EA) studies for review, compared to 64 studies that were submitted last financial year. The smaller number of the studies submitted to the Authority by NEMC during the period under review is most probably due to fact that NEMC has adopted a decentralized system, whereby the proposed development projects are registered in the respective zones and the Technical Advisory Committee (TAC) meetings are held in the respective zones.



4.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION

4.1 Overview

Pursuant to Section 7(1) (c) of the Energy and Water Utility Regulatory Authority Act, Cap. 414, the Authority is required to monitor the performance of the regulated sectors in relation to levels of investment, availability, quantity and standard of services, the cost of services, the efficiency of production and distribution of services.

The Authority is charged to perform technical, economic and safety regulatory functions in respect of petroleum activities. Furthermore, Section 30(2) of Petroleum Act, 2015 outlines a number of functions and duties to be undertaken by the Authority.

As of 30th June 2018, the regulated infrastructure comprises of four processing plants, two at Songo Songo Island (SSI) in Lindi Region, two in Mtwara Region at Mnazi Bay and Madimba. The total length for gas transmission pipeline was 842 kilometres (km), and total length of distribution network for industrial customers in Dar es Salaam amount to 58 kilometres. The discovered natural gas reserves amount to 57.25 trillion standard cubic feet (TCF) according to the Ministry of Energy data of March 2016.

4.2 Performance Monitoring

During the period under review, the Authority carried out performance monitoring by analysing and verifying information received from regulated suppliers. The Authority carried out various field visits to natural gas facilities operated by Songas, Maurel & Prom (M&P), PanAfrican Energy (PAET) and Tanzania Petroleum Development Corporation (TPDC) to verify the received information on quarterly basis. The Authority confirmed that the operations of regulated natural gas infrastructure complied with the requirement of the Petroleum Act 2015 (the Act) and Best Petroleum Industrial Practices.

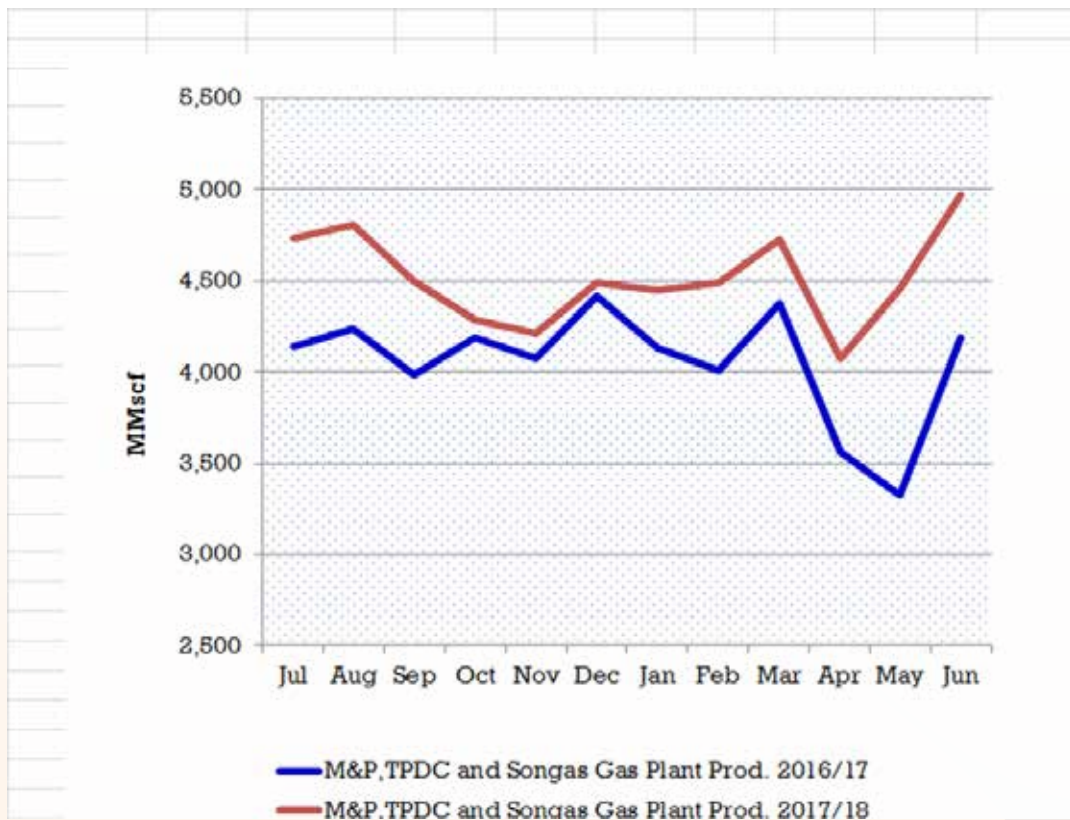
4.3 Natural Gas Production

During the period under review, the overall gas production from both gas fields Songo Songo Island (SSI) in Lindi and Mnazi Bay in Mtwara was 54,166.69MMscf compared to gas production of 48,633MMscf in the previous year. This increase in gas production was prompted by TANESCO's reliance on natural gas after commissioning of Kinyerezi II power plant.

Over the period, the quantity of natural gas produced at Songas gas plant was 27,811.70 MMscf compared to 30,066 MMscf produced during previous financial year which showed a decrease. Mnazi Bay gas field increased its production to 831.55 MMscf compared to 809.09 MMscf recorded in the previous year. The increase of natural gas consumption attributed by a growing demand of electricity in Mtwara and Lindi regions.



Figure 3: SONGAS, TPDC and M&P Gas Production 2017/18

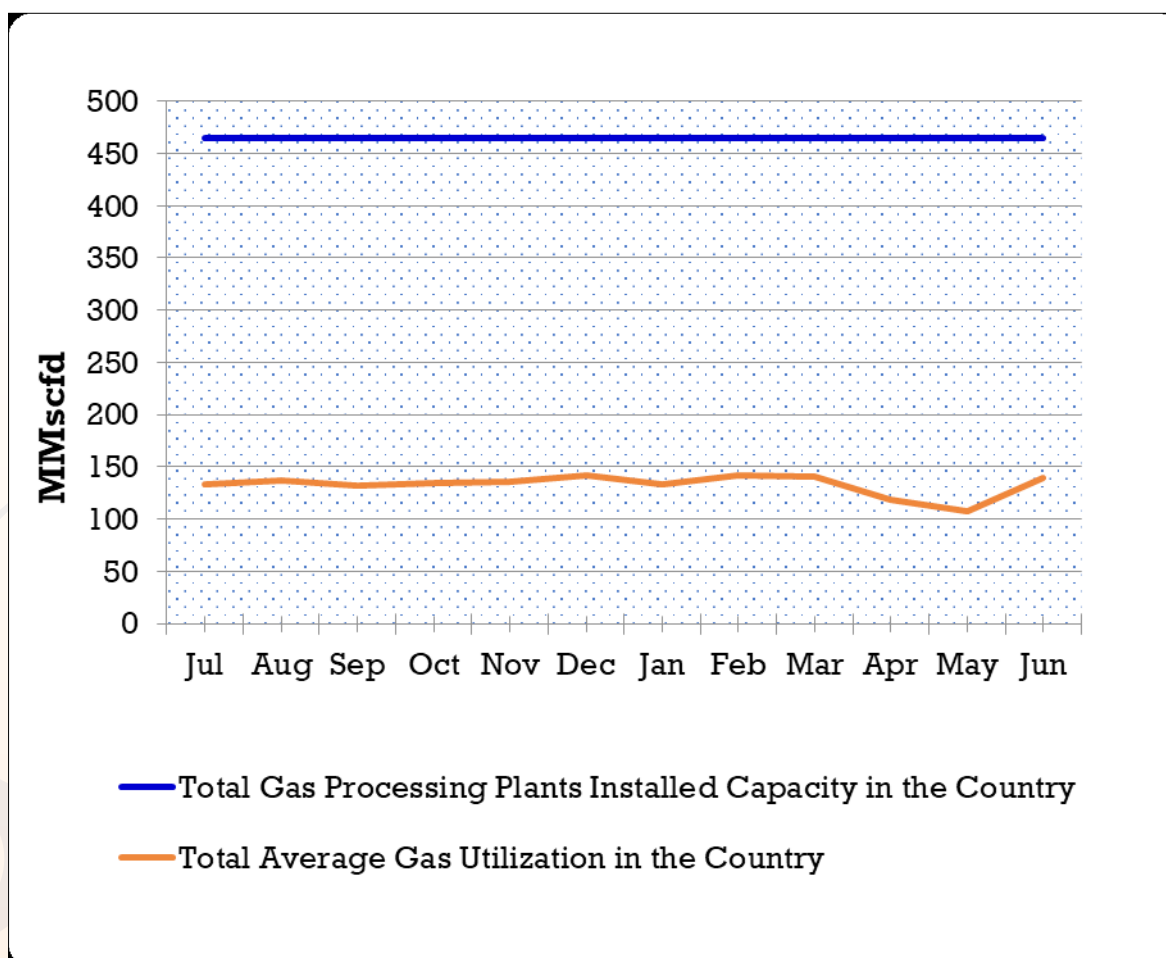


Source: TPDC, M&P and Songas

4.3.1 The Demand and Supply Balance of Natural Gas

During the period under review, the natural gas processing capacities at Mnazi Bay, Madimba and Songo Songo had the capacity that exceeded the demand of gas in the country. The installed processing capacities for all processing plants was 465 MMscfd, an amount that could generate more than 2,000 MW of electricity. However, Mnazi Bay reservoir has five producing wells amounting to 100 MMscfd capacity and Songo Songo and Kiliwani reservoirs have 7 producing wells amounting to 140 MMscfd. The installed natural gas power plants are 505 MW.

Figure 4: Total Plants Utilization Capacity Annual Report 2017/18



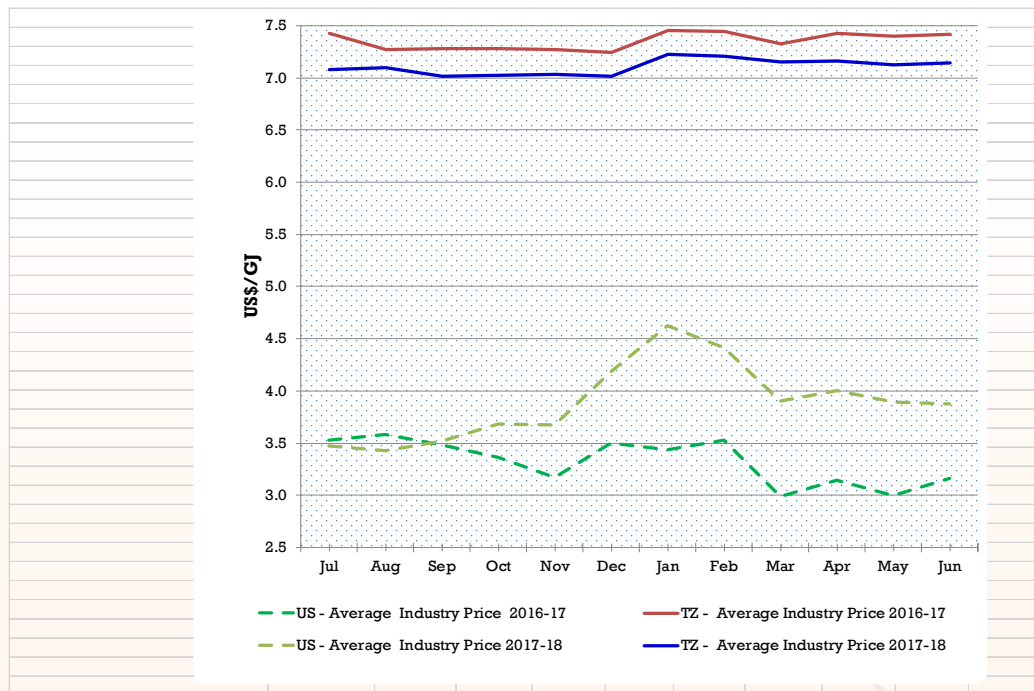
Source: TPDC, M&P and Songas

4.3.2 Trend of Cost of Services

During the period under review, the average natural gas price for thermal power plants supplied with protected gas was 4.2 USD/Mcf while the prices for thermal power plants supplied additional gas, remained at USD3.45/Mcf. The price for Mnazi Bay gas was USD5.36/MMBtu and average natural gas prices for industrial customers in the country was USD7.11/Mcf compared to USD 7.14/Mcf of the previous year, indicating a decreasing trend as compared to the similar period in financial year 2016/17 as shown in Figure 3. The Authority benchmarked the natural gas prices for thermal power generation in Tanzanian market to USA market as USA is the cheapest gas market, as compared to European Gas Market, Middle East Gas Market and Far-East Market in China and Japan. In USA, the average natural gas price for thermal power was US\$3.45/Mcf. and for industries was US\$4.105/Mcf. The thermo power customers' gas prices in the country benchmarked to USA's natural gas industrial price is as shown in figure 6 below.

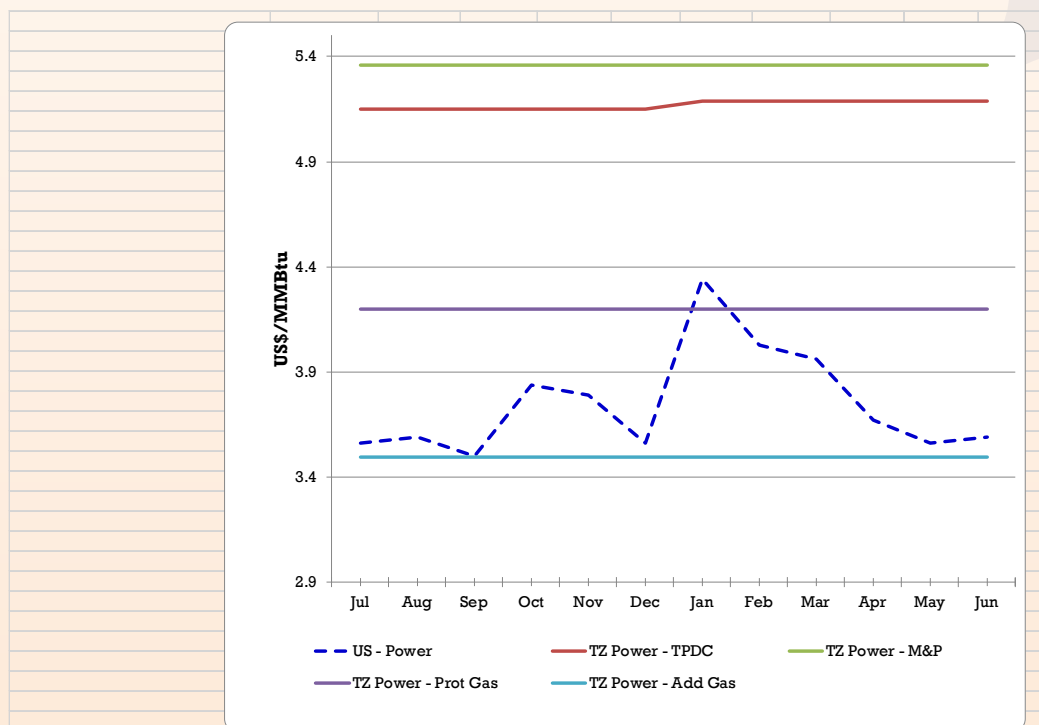


Figure 5: Natural Gas Price Trends for Industrial 2017/18



Source: TPDC and PAT

Figure 6: Natural Gas Price Trends for Thermal Power Generation 2017/18



Source: TPDC and PAT



4.3.3 The Impact of Natural Gas Import Substitution on the Economy

During the period under review, 45,047.22 MMscf of natural gas consumed by the gas-based thermal power generation plant which is equivalent to 1,402.368 million litres of oil equivalent, mainly Jet A-1 and 9,119.47 MMscf of natural gas for industries which is equivalent to 287.574 million litres of oil equivalent, mainly Heavy Fuel Oil (HFO). This reflects to a total savings of US\$ 693,462,721.75 during the period under review.

4.3.4 Natural Gas Quality and Standard of Services

The Authority continued carrying out the monitoring of quality and standard of the regulated services rendered by the service providers pursuant to section 250 of the Petroleum Act, 2015. The quality of regulated services involves monitoring the quality of the commodity (natural gas) and adherence by service providers to commercial terms; and conditions of existing agreements between the service providers and their customers. The natural gas properties monitored by the Authority, include: (a) water and hydrocarbon dew point; (b) Sulphur, Hydrogen Sulphide, Carbon Dioxide, liquids including condensate and solids content; (c) Gross or Net Heating Value of natural gas; (d) temperature and pressure at entry point into the system; and (e) Wobbe Index.

The natural gas extracted at Songo Songo and Mnazi Bay gas reservoirs is a dry gas with *no existence of hydrogen sulphide* or significant volumes of carbon dioxide or substantial volumes of condensate and other associated elements. The principal components of natural gas are methane and ethane with varying amounts of heavier hydrocarbons including propane, butane, pentane, hexane, heptane and octane as well as carbon dioxide, oxygen and water vapour. No significant changes in gas composition observed and reported during the period under review, for both gas fields. The parameters of natural gas monitored were within the range as per detailed information in **Table 20**.

Table.20: Typical Songo Songo and Mnazi Bay Gas Composition (in % Mole)

Natural Gas Component	Reference Quality of Natural Gas	Quality of Natural Gas	
		Songo Songo	Mnazi Bay
Methane (CH ₄)	87.0 to 99.0	97.2727	98.0594
Ethane (C ₂ H ₆)	1.50 to 7.00	0.9509	1.0527
Propane (C ₃ H ₈)	0.10 to 1.50	0.2892	0.2699
iso-Butane (C ₄ H ₁₀)	0.01 to 0.30	0.0633	0.0470
n-Butane (C ₄ H ₁₀)	0.01 to 0.30	0.0802	0.0526
iso-Pentane (C ₅ H ₁₂)	trace to 0.04	0.0281	0.0102
n-Pentane (C ₅ H ₁₂)	trace to 0.04	0.0247	0.0104
Hexanes (C ₆ H ₁₄)	trace to 0.06	0.0276	0.0164



Carbon Dioxide (CO₂)	0.10 to 1.00	0.4544	0.2921
Nitrogen (N₂)	1.30 to 5.60	0.7282	0.1835
Hydrogen Sulphide (H₂S)	trace to 0.02	Nil	Nil
Total	100.00	100.00	100.00
Moisture (ppm)	trace to 5.00	4.0000	4.0000
Specific Gravity	0.57 to 0.62	0.5799	0.5850
Gross Heating Value (MJ/m³)	36.0 to 40.2	38.0300	38.1000

Source: www.uniongas.com, PAET and M&P

4.4 Level of Investment in Gas Infrastructure Development

There are 482 km natural gas pipeline from Madimba to Dar es Salaam via Somanga Fungu, which has a diameter of 36 inches; and a 25 km marine pipeline from Songo Songo to Somanga Fungu, which has a diameter of 24 inches. The lateral natural gas pipeline from Kinyerezi to Tegeta with a length of 25 km has a diameter of 16 inches and 18 km length of 16inch diameter raw gas pipeline from Mnazi Bay to Madimba. The total distance covered by the entire TPDC pipeline is 532 km and the maximum capacity of the pipeline without compression is 784 MMscfd. With compression at later stage, the pipeline capacity will be increased to deliver 1,002 MMscfd. Songas has 25 km natural gas marine pipeline from Songo Songo Island to Somanga Fungu which has 12 inches; and 207 km pipeline from to Somanga Fungu to Dar es Salaam which has 16 inches with the maximum capacity of 105 MMscfd. Maurel and Prom (M&P) has 27 km 8-inch diameter pipeline from Mnazi Bay to Mtwara with the capacity of 10 MMscfd.

The TPDC has two gas processing plants at Madimba in Mtwara and Songo Songo Island. The combined capacity of two processing plants is 350MMscfd. Songas has a processing plant in SongoSongo Island of 105MMscfd processing capacity. M&P has a processing plant in Mnazi Bay with 10 MMscfd processing capacity. PanAfrican Energy has 49 kilometers of distribution polyethylene pipeline, which supply gas to 46 industries in Dar es Salaam, and Compressed Natural Gas (CNG) mother station at Ubungu and one daughter station at Dar es Salaam Serena Hotel. TPDC had commissioned 6 km low pressure gas distribution pipeline from Ubungu to Mikocheni light industrial area and TPDC staff accommodation which replace transportation of natural gas by trucks (virtual).

4.5 Health, Safety and Environment

The Authority carried out health, safety and environmental monitoring of transmission and distribution activities in the natural gas sub-sector on quarterly basis. The inspection involved technical inspection of natural gas infrastructure on the following: -

- (a) the valves on both Songas, TPDC and M&P pipelines;



- (b) corrosion, leakage survey, damage prevention, compaction and restoration of pipeline wayleave;
- (c) security of gas processing facilities along the pipelines;
- (d) integrity of gas processing plants, and pipelines; and
- (e) the status of the Dar es Salaam ring main for industries and the way leave operated by PAET and distribution network operated by TPDC.

All the processing plants at Songo Songo, Madimba and Mnazi Bay achieved no Lost Time Injuries (LTI). There was no “Near Miss Accident” or Major Accident reported. During the period under review, the Authority observed a trend of potential hydrogen (pH) ranging between 6.44 to 7.5 and oil in water content ranging from 1 to 6 ppm, which were within acceptable range. The allowable pH standard is between 6 to 8 while allowable oil in water content should not exceed 29 ppm (parts per million). In general, handling of produced water at all plants complied with Health, Safety and Environment (HSE) standards and the World Health Organization (WHO) standards.

4.6 Licensing

The Authority has finalised developing the licensing rules and licensing templates and gazetted. The Authority continued finalizing the development of regulatory tools to enable commencement of licensing natural gas operations.

4.7 Determination of Rates and Charges

Pursuant to Section 40 of the Petroleum (Natural Gas Pricing) Regulations 2016, within 12 months after the commencement of regulations any person engaged in natural gas activities shall be required to comply with pricing regulations. Therefore, there was no tariff determined by Authority.

4.8 Legislative Matters

Legislative matters include enactment or amendment of principal laws by the Parliament, making Natural Gas Policy and regulations by the Minister responsible for natural gas subsector; and making rules by the Authority. During the period under review, the Authority prepared and developed the Petroleum (transportation and distribution) rules, 2018 and published.

4.9 Collaboration with Regulatory Associations

EWURA has continued collaboration with National Association of Regulatory Utility Commissioners of United States of America (NARUC). During the review period, several activities were carried out including conducting Peer Review on Natural Gas Safety Regulations, internship of EWURA staff in USA to familiarise with Best Petroleum International Practises on Pipeline Regulations and exchange programmes on operations and regulations of pipeline transmission and distribution in USA for EWURA staff.



4.10 Achievements and Challenges

4.10.1 Achievements

The Authority directly and indirectly attained the following achievements-

- (a) through performance monitoring and quarterly inspections, the Authority ensured the natural gas supply infrastructures well operated and maintained by the service providers;
- (b) The Authority has prepared and developed the Petroleum (transportation and distribution) rules, 2018 and published;
- (c) The Authority has participated in providing inputs to the drafts Health and safety regulations being prepared by OSHA; and
- (d) The Authority issued four (4) and one (1) Construction Approvals to TPDC and PAET, respectively, as a requirement of the Petroleum Act, 2015

4.10.2 Challenges

The following are key challenges encountered so far, and the way forward.

- (a) limited infrastructures of Compressed Natural Gas (CNG) dispensing units have resulted into very low rate for vehicle conversion to natural gas usage among prospective car owners.
- (b) conversion of urban fleet to run on dual-fuel systems (petrol/CNG or diesel/CNG) call for investment of infrastructure, awareness to the society, capacity building for technical expertise, institutional framework development, and incentivised schemes.
- (c) the natural gas demand to the market (industries, households, commercial, and transport) is extremely high but yet to be served. The natural gas infrastructure ends in Dar es Salaam, but more investments are required to extend the pipelines to other regions. The first and fast measures call for establishment of “Virtual Pipeline” Project, where CNG could be transported consistently to pave the way for new markets.
- (d) Local Contents is still a hot debate among stakeholders of natural gas industry.
- (e) low utilization of natural infrastructure for processing and transportation. Only 10% capacity of the national natural gas transportation infrastructure between Madimba and Dar es Salaam was utilised. EWURA in collaboration with other stakeholders will continue creating awareness on the utilization of natural gas and the subject of Local Content.



5.0 WATER SECTOR REGULATION

EWURA, being multi sectoral regulator, apart from regulating Energy sub-sectors discussed at the previous chapters, is also responsible for regulating water sector in accordance to Section 27 of the Water Supply and Sanitation Act, Cap. 272 and Section 25 of the DAWASA Act, Cap. 273.

5.1 Overview

As of 30th June 2018, EWURA was regulating 131 water utilities that comprised the Dar es Salaam Water and Sewerage Authority (DAWASA), Dar es Salaam Water Supply Corporation (DAWASCO), 23 Regional Water Supply and Sanitation Authorities (RWSSAs), 98 District and Township Water Supply and Sanitation Authorities (DTWSSAs) and eight (8) National Projects Water Supply and Sanitation Authorities (NPWSSAs).

WSSAs are responsible for the provision of Water and Sanitation Services in their designated areas; and pursuant to the terms and conditions of licences issued by EWURA. The DAWASA Act, Cap 273 established DAWASA and DAWASCO was established under the Public Corporation Act, Cap. 257. DAWASA is the owner of the assets for water supply and sewerage services in Dar es Salaam Region and part of Kibaha and Bagamoyo districts. It is responsible for planning, procurement and implementation of strategic capital works. DAWASCO is responsible for providing water supply and sewerage services in the DAWASA designated area through a lease contract and a licence issued by EWURA.

5.2 Performance Monitoring

5.2.1 Data Reporting

Regulated water utilities are obliged to submit electronically their monthly and annual performance data through a web based software for reporting namely Water Utilities Information System (MajIs). During the period under review, DAWASA, DAWASCO, the 23 regional WSSAs, five National Project WSSAs, and 55 district and township WSSAs continued reporting through MajIs. Data submitted by the utilities were used by EWURA to monitor and evaluate the performance of the water utilities.

5.2.2 Site Inspections and Data Verification

EWURA conducts three main types of inspections, namely, Routine Inspection, done regularly to monitor utilities performance; Special Inspection, done to establish the cause of utilities poor performance and Pre-Licensing Inspections, done during the course of utilities licensing.

During the reporting period, EWURA conducted routine inspections to 87 WSSAs namely; Arusha, Babati, Bukoba, Bunda, Chalinze, Chamwino, Chato, Dakawa, DAWASA/DAWASCO, Dodoma, Gairo, Gallapo, Geita, Handeni, HTM, Ifakara, Igunga, Ilula, Isaka, Itumba-Isongole, Kahama, KASHWASA, Kasumulu, Katesh, Kibaigwa, Kibaya, Kibondo, Kilindoni, Kilolo, Kilosa, Kilwa, Kisarawe, Kishapu, Kondoa, Kongwa and Korogwe. Other inspected utilities are Kyela, Lindi, Liwale, Ludewa, Mafinga, Maganzo, Magu, Magugu, Mahenge, Makete, Makonde, MANAWASA, Mangaka, Manyoni, Masoko, Mbulu, Misungwi, Mkuranga,



Mkuranga, Vwawa-Mlowo, Mombo, Morogoro, Moshi, Mpwapwa, Mtwara, Mugumu, Muheza, Muleba, Mwanga, Namanyere, Nansio, Ngara, Ngudu, Orkesumet, Pangani, Ruangwa, Rujewa, Sengerema, Sikonge, Singida, Songe, Songea, Tanga, Tarime, Tukuyu, Tunduru, Urambo, Usa River, Ushirombo, Utete and Wanging'ombe.

Also, special inspections were conducted to Namanyere, Mpanda, Magu, and Mugango-Kiabakari WSSAs. Further pre-licensing inspections were conducted to Chato and Mikumi WSSAs.

5.3 Review of WSSAs' Business Plans

WSSAs are required to prepare their business plans according to EWURA Guidelines for Preparing a Business Plan for Regulated Water Utilities, 2016 and submit them to EWURA for review. A business plan serves as a planning document for a water utility, which includes strategies, performance targets and corresponding activities, as well as financial projections for achieving its mission. Also, the business plans are among the key documents used by EWURA to set WSSAs' tariffs and are the bases for EWURA to measure and monitor the performance of the WSSAs.

During the year, The Authority revised business plans from 28 WSSAs namely Songea, Mafinga, Tanga, Same, Morogoro, Manyoni, Nzega, Kondoa, Tabora, Makonde, Loliondo, Makonde, Singida, Makonde, Dodoma, Mwanza, Ngara, Mpwapwa, Arusha, Kilolo, Ilula, Itumba-Isongole, Makete, Iringa, DAWASA, Moshi, Babati and Chato.

During review of business plans, EWURA has continued to ensure that the Key Performance Indicators (KPIs) targets are included in the WSSAs' Business Plans and follow up is regularly made to ensure their implementation. The implementation of KPIs is being monitored monthly through the Water Utilities Information System (MajIs) and Annual Technical and Financial Performance Reports from Water Utilities.

5.4 Review and Approval of WSSAs' Customer Service Charters

Customer Service Charters from 38 WSSAs namely, Arusha, Babati, Biharamulo, Bukoba, DAWASCO, Dodoma, Gallapo, Ilula, Iringa, Itumba-Isongole, Karagwe, Kasumulu, Kibaya, Kigoma, Kilolo, Kisarawe, Kishapu, Korogwe, Loliondo, Magugu, Makete, MANAWASA, Mbeya, Mbulu, Mkuranga, Muleba, Mwanga, Mwanhuzi, Ngara, Orkesumet, Ruangwa, Shinyanga, Sumbawanga, Tabora, Tukuyu, Tunduru, Vwawa-Mlowo and Wanging'ombe were reviewed. 12 customer service charters were approved from Dodoma, Tabora, Iringa, Shinyanga, Kigoma, Babati, Magugu, Mwanga, Bukoba, Kibaya, Korogwe and Loliondo WSSAs. During review, EWURA ensured that the Charters incorporate commitment of the WSSAs in implementing the quality of service targets and compensation on failure to meet the targets as stipulated in Water Supply and Sanitation (Quality of Service) Rules, 2014.

5.5 Water Utilities Performance Review Report

In compliance to Section 29(2) of the Water Supply and Sanitation Act, Cap 272, EWURA prepared two Water Utilities Performance Review Reports for FY 2016/17, the first one for Regional Water Utilities, National Water Projects and DAWASCO and second for District and Township Water Utilities. The reports



covered, among other things, the technical, commercial and financial performance of the water utilities. During the launching of the report best performing utilities for financial year 2016/17 were recognized by awarding them with certificates and trophies.

5.6 Licensing

EWURA issues three classes of licence to WSSAs namely Class I, Class II, and Class III. The licence classes are issued based on fulfilment of managerial, technical and financial requirements as follows:

- Class I license applies for WSSA with financial, technical and managerial capability to operate a licensed facility and recover all costs of operation;
- Class II License applies for WSSA with technical and managerial capability to operate a licensed facility and recover all costs of operation except part of its investment costs; and
- Class III License applies for WSSA that still gets financial, managerial and technical support from the Government and partially recover its operational costs.

During the year under review, EWURA reviewed licence applications and issued Class III licences to the WSSAs of Chato and Mikumi.

5.7 Determination of rates and charges

During the period under review, EWURA reviewed and approved 7 tariff applications from the WSSAs. The approved tariff applications were from WSSAs of Nansio, Kishapu, Biharamulo, Maganzo, Nzega, Manyoni and Tabora. **Table 21** presents, the tariff applications that were approved during financial year 2017/18.

Table 21: Water Supply Tariff Approvals

S/N	Regulated Entity	Application Date	Approved Average Metered Tariff (TZS/m ³)			Date of Approval	Status/ Effective date
			2017/18	2018/19	2019/20		
1.	Nansio	22/12/2016	782.28	847.28	875.18	29/8/2017	1/10/2017
2.	Kishapu	9/1/2017	887.20	1,279.45	1,370.28	31/10/2017	1/12/2017
3.	Biharamulo	20/2/2017	947.29	959.99		28/11/2017	1/1/2018
4.	Maganzo	16/3/2017	NA	1,520		31/10/2017	1/12/2017
5.	Nzega	12/6/2017	1,188.2	1,250.4	1,266.3	31/10/2017	1/12/2017
6.	Manyoni	20/6/2017	783.4	941.6	1,145.6	30/1/2018	1/3/2018
7.	Tabora	11/7/2017	1,304.54	1,305.96	1,305.96	28/11/2017	1/1/2018



5.8 Health, Safety and Environmental Matters

5.8.1 Water and Wastewater Quality Tests

Water quality monitoring was conducted to 64 water utilities including DAWASCO and DAWASA. The Authority carried out water and waste water quality monitoring in order to establish whether water supplied and effluent from waste water systems comply with TBS Standards.

The monitoring was conducted to WSSAs of DAWASA/DAWASCO, HTM, Mtwara, Lindi, Liwale, Utete, Makonde, MANAWASA, Iringa, Njombe, Songea, Mbeya, Sumbawanga, Mpanda, Vwawa-Mlowo, Makambako, Ilula, Kyela, Tunduru, Chunya, Wanging'ombe, Makete, Chalinze, Morogoro, Ifakara, Mikumi, Dodoma, Kongwa, Kondo, Singida, Manyoni, Igunga, Tabora, Urambo, Arusha, Orkesumet, Kibaya, Babati, Moshi, Mbulu, Magugu, Usa River, Tanga, Songe, Mombo, Pangani Kahama, Shinyanga, KASHWASA, Kigoma, Kibondo, Kasulu, Mpwapwa, Bukoba, Geita, Mwanza, Musoma, Tarime, Bunda, Bariadi, Maswa and Mugango-Kiabakari,

Based on the findings of the water and wastewater quality tests, each utility was given directives for remedial measures whose implementation will be followed up as part of the Authority's regular monitoring of the performance of water utilities.

5.9 Capacity Building

In a bid to improve performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities. During the year under review, the Authority conducted training on preparation of Business Plans to 24 Districts, Townships and National project WSSAs namely; Babati, Magugu, Mbulu, Karatu, Handeni, Usa River, Bariadi, Kibondo, Isaka, Tarime, Chato, Chalinze, Kisarawe, Mikumi, Turiani, Kilindoni, Mpwapwa, Kiomboi, Urambo, Vwawa, Kasumulu, Kyela, Tukuyu and Makete

Regarding MajIs, the Authority conducted training to 12 WSSAs (Turiani, Kasumulu, Mpanda, Mbeya, Arusha, Karatu, Lushoto, Muheza, Pangani, Katesh, Kibaya and Usa River) so as to enhance the knowledge to some staff that were selected to use the system by respective WSSAs.

5.10 Other Interventions in the Water Sector

a) Water Sector Development Programme

During the year under review, the Authority continued to collaborate with the Ministry of Water and Irrigation (MoWI) and other stakeholders to improve service delivery in WSSAs. This included participation in the Water Sector Development Programme (WSDP) thematic working groups on urban water supply. The activities of the urban water supply thematic group include, setting indicators for monitoring, carrying out joint inspection and evaluation of WSDP projects implemented by WSSAs. During the meetings, the Authority provided inputs to MoWI on performance achievement by Regional WSSAs and DAWASCO.



b) Development of Water and Sewerage New Connection Guidelines and the Guidelines for Operation and Management of Water Kiosk

In view of improving affordability of new connection charges as well as quality and affordability of water services at kiosks, EWURA prepared Guidelines on New Water and Sewerage Connection Charges and the Guidelines for Operations and Management of Water Kiosks. Both Guidelines once implemented by regulated water utilities will contribute to enhancing access to water and sanitation services without jeopardizing financial stability of regulated water utilities. The task was implemented with assistance from GIZ.

c) Review of Performance Benchmarking Guidelines for WSSAs

During FY 2017/18, the Performance Benchmarking Guidelines for WSSAs that was issued by EWURA in the year 2014 and issued Performance Benchmarking for WSSAs (2018). The Guidelines were revised so as to improve clarity and enhance performance improvement in water supply and sanitation services. The review process involved soliciting of comments from stakeholders including Ministry of Water and Irrigation, President's Office – Regional and Local Government, WSSAs and other interested parties.

d) Collaboration with Regional Regulatory Associations

EWURA participated in the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) meeting including conducting Peer Review, which resulted in a benchmarking report of big water supply and sanitation utilities in the member countries. The utilities included Nairobi City Water and Sewerage Company (NCW&SC) of Kenya; Lusaka Water and Sewerage Company (LWSC) of Zambia; Dar Es Salaam Water and Sewerage Corporation (DAWASCO) of Tanzania; Águas da Região de Maputo (AdeM) of Mozambique; Water and Sewerage Company (WASCO) of Lesotho; Water and Sanitation Corporation Ltd (WASAC) of Rwanda; Régie de Production et de Distribution d'Eau et d'électricité (REGIDESO) of Burundi; Zanzibar Water Authority (ZAWA) of Zanzibar; and National Water and Sewerage Corporation (NWSC) of Uganda.

The benchmarking report (2016/17 report) showed performance disparity by the utilities in terms of quality of service, economic efficiency and operational sustainability. It further showed areas of common challenge through KPIs on absence of a regulatory framework to address the full value chain of onsite sanitation and reduction in water resources due to climate variability and anthropogenic activities. The report recommends the need for innovative and pragmatic approaches that take a holistic view of service delivery, with particular emphasis on increasing access to safely managed sanitation services and reducing NRW. The report provides an opportunity for utilities to benchmark with their peers. It also serves as a tool for policy makers, regulators and utility managers in making informed decisions.



5.11 Key Achievements and Challenges

5.11.1 Achievements

The achievements made by the Authority during the period under review included the following:

- a) In view of improving access and affordability of services in the water sector, EWURA developed Guidelines for Water and Sewerage New Connections and Guidelines for Operation and Management of Water Kiosks.
- b) EWURA reviewed Performance Benchmarking Guidelines for WSSAs (2014) and issued Performance Benchmarking for WSSAs (2018).
- c) EWURA conducted detailed trainings on preparation of Business Plans to 24 DTWSSAs and NPWSSAs.
- d) EWURA reviewed and approved 12 Customer Service Charters from WSSAs.
- e) EWURA published the Water Utilities Performance Review Reports for FY 2016/17

5.11.2 Challenges

The main challenges facing the Authority in regulating the water sector are described below:

- a) Most district and township Water Supply and Sanitation Authorities (WSSAs) have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building to WSSAs, carry out inspections and monitoring. The Authority will also continue to advise the Government on ways of improving capacity of the weak WSSAs;
- b) Inadequate capacity of the WSSAs to prepare Business Plans, which are compliant to the EWURA Business Plan Guidelines, continue to be a challenge. The Authority has considered continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets;
- c) Low investments in Water Supply and Sanitation which result into a slow pace towards attaining service coverage targets set in the National Five-Year Development Plan (2016/17 – 2020/21). The current urban water supply coverage is around 78% in Regional water utilities, 74% in National Project water utilities and 58% in District headquarters and Township water utilities. EWURA will continue to collaborate with the MoWI and Development Partners (DPs) to put in place incentives for WSSAs to involve PPPs and to acquire loans for investments.



6.0 COMPLAINTS AND DISPUTE RESOLUTIONS

During the period under review, the Authority received 134 complaints for Electricity of which 65 were resolved while for Water and Sanitation 31 complaints resolved out of 51 complaints received, during the year under review. In addition, the Authority received 21 complaints on petroleum subsector of which 20 complaints were resolved.

7.0 COMMUNICATIONS AND PUBLIC RELATIONS

7.1 Overview

7.2 Public Awareness

The Energy and Water Utilities Regulatory Act (Cap. 414), section 6 (e) stipulates that it is the duty of the Authority to enhance public knowledge, awareness and understanding of regulated sectors, including the rights and obligations and ways in which complaints and disputes may be initiated and resolved; and the duties and functions of EWURA.

In order to balance the public expectations and what is achieved by EWURA, a well strategised public outreach is inevitable. Implementation of public awareness programmes and management of communications and public relations is an integral part of the Authority's functions.

For the Financial Year 2017/18 the Authority executed various activities related to Communications and Public Relations functions some of which have been presented in this report. In implementing such activities, various communication channels were used to reach diversified stakeholders' interests that included electronic media, face to face meetings, print media, public hearings and consultations; and public awareness campaigns. Some of activities that were executed during the year have been highlighted here under:-

7.3 Public Awareness Programmes-EWURA NA UCHUMI

During the Financial Year 2017/18, EWURA designed and recorded 83 television programmes and 225 television jingles. Also during the period under review, the Authority aired 206 radio programmes; published 30 features in various newspapers; and was involved in 7 special interviews from various TV Stations.

During the period under review, EWURA was mentioned many times in news bulletins on various TV and Radion stations.

7.4 Advertisements

During the Financial Year 2017/2018, the Authority published **53 batches** of various advertisements compared to **67 batches** of advertisements published in the previous Financial Year. The advertisements were mainly on Petroleum Price, Public Notices. Job Vacancies Adverts, Pre-inspection monitoring and licensing notices; and Tenders.



7.5 Exhibitions

The Authority participated in the Dar es Salaam International Trade Fair (DITF), World Environment Week (Musoma), Nane Nane Exhibitions and Commerce, Industries and Agriculture Exhibitions in Mwanza. In all exhibitions, the Authority promoted public awareness and education; and various publicity materials such as brochures, Newsletter and EWURA reports distributed to the public, accordingly.

7.6 Publicity Materials

During the period under review, the Authority facilitated the distribution of EWURA's education and information materials to the Government and the public through various events like exhibitions, Public inquiry meetings and in stakeholders' meetings.

During the year, the Authority published various reports namely: EWURA Annual report, Water sector reports Volume I and II, Downstream Petroleum Subsector Performance Report and Electricity Performance Report; brochures, revised EWURA Client Service Charter and EWURA Newsletters.

7.7 Donations and contributions

The Authority makes donations and contributions to various institutions to support activities of national interest in line with its donation and contribution policy. The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public.

During the period under review, the Authority supported various programmes on education, Health, sports and casualties thus making the Authority spent TZS 159,700,000.

7.8 Impact of Public Awareness Programmes

There was a general trend of increased recognition of the Authority's activities by the public and the regulated suppliers. Through public awareness campaigns, regulated suppliers are becoming compliant with the licensing conditions. In other way there has been an increased complains from various consumers of the regulated services.

The outcome of such awareness programmes is an increased number of inquiries and consultations on issues related to regulations, from both consumers as well as potential investors, on one hand, and cemented relationship between the Authority and Service providers, on the other.



8.0 STAKEHOLDERS CONSULTATIONS

The Authority conducted various stakeholders' consultations during the year under review, as they are a crucial part in the decision-making process. Stakeholders involved during this financial year included the Consumer Consultative Council (CCC), Government Consultative Council (GCC), Ministries and Government Departments, regulated entities, media, service providers and the public.

During the period under review, the Authority developed 18 regulatory tools of which stakeholders were fully involved through consultations. The Authority also conducted 11 public inquiry meetings of which nine (9) related to water, one to electricity and one to petroleum.

9.0 DECLARATION OF CONFLICT OF INTEREST

The Authority did not register any conflict of interest from Board Members and staff while discharging their duties during the year under review.

10.0 THE WAY FORWARD

The Authority's regulatory decisions continued to support the Government's efforts to eradicate poverty and strive to attract investments in the regulated sectors; and enhance the socio-economic welfare of the Tanzanian society through delivery of quality services.

The Authority aims at taking measures to achieve the necessary impact as listed below:

- (a) Developed a Rolling Strategic Plan 2017/18-2021/2022 that guides the Authority's operations for the next coming five years (revised or developed).
- (b) To make sure the Authority continues to be the best centre for attracting investments in the regulated sectors by creating an enabling environment to all investors.
- (c) To ensure that there is the highest level of compliance by all regulated operators.
- (d) To continue with the capacity building activities for the Authority's staff in technical, managerial as well as regulatory skills, in order to execute regulatory duties effectively and efficiently;
- (e) Continue improving service delivery to the public by implementing the EWURA Client Service Charter, quality standards under ISO certification and the Open Performance Review and Appraisal System (OPRAS).
- (f) To promote investment in the energy and water sectors through development of investor friendly regulatory tools.
- (g) Continue enhancing public knowledge, awareness and understanding of regulatory functions in the regulated sectors for the benefit of consumers, regulated operators, Government



officials and the public at large

- (h) Intensifying inspections in order to improve the quality of the infrastructure, products and services in the regulated sectors.
- (i) Expanding EWURA operations by establishing and strengthening zonal offices. During the year under review, Eastern zone office (Dar es Salaam) was established.
- (j) Shifted its Headquarters from Dar es Salaam to Capital City of Dodoma being part of Presidential decree implementation.
- (k) Promoting investment in LPG infrastructure so that the market expands to other regions in the current.
- (l) Computerizing various processes in order to expedite issuing of license, tariff review, revenue collection and submission of reports by the regulated providers. Currently, EWURA has implemented various information systems including Licencing and Order Information System (LOIS).
- (m) To develop more regulatory tools as and when required in order for consumers and regulated suppliers to comply with issues of standards on the one hand and enhancing transparency and predictability to all stakeholders on the other hand.





THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

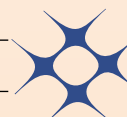
**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE
FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES REGULATORY
AUTHORITY (EWURA) FOR THE YEAR ENDED 30TH JUNE, 2018**

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AR/EWURA/2018



Abbreviations and Acronyms

AFUR	: African Forum for Utility Regulators
ARA	: African Refiners Association
ATAWAS	: Association of Tanzania Water Suppliers
CAG	: Controller and Auditor General
DPs	: Development Partners
DTWSSA	: District and Township Water Supply Sanitation Authority
EREA	: Energy Regulators Association of East Africa
ESAWAS	: Eastern and Southern Africa Water and Sanitation Regulators Association
ESI	: Electricity Supply Industry
EWURA	: Energy and Water Utilities Regulatory Authority
FCT	: Fair Competition Tribunal
GEPF	: Government Employees Provident Fund
GIZ	: Deutsche Gesellschaft für International Zusammenarbeit
GPA	: Group Personal Accident
HIV/AIDS	: Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IFRIC	: International Financial Reporting Interpretations Committee
ISA	: International Standards on Auditing
ISSAIs	: International Standards of Supreme Audit Institutions
LAPF	: Local Authorities Pensions Fund
LPG	: Liquefied Petroleum Gas
MoW	: Ministry of Water
NAO	: National Audit Office
NARUC	: National Association of Regulatory Utility Commissioners
NBAA	: National Board of Accountants and Auditors
NSSF	: National Social Security Fund
NPWSS	: National Project Water Supply and Sanitation
PAA	: Public Audit Act 2008
PPA	: Public Procurement Act, 2011
PPF	: Parastatal Pension Fund
PPP	: Public Private Partnership
PSPF	: Public Service Pensions Fund
RERA	: Regional Electricity Regulators Association
TBS	: Tanzania Bureau of Standards
TZS	: Tanzania Shillings
URT	: United Republic of Tanzania
WSSAs	: Water Supply and Sanitation Authorities
PPA	: Public Procurement Act, 2011 (Revised 2016)
PPR	: Public Procurement Regulations, 2013 (Revised 2016)

1.0 GENERAL INFORMATION

1.1 MANDATE

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 in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

1.2 VISION, MISSION AND CORE VALUES

Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

Core Values

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

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Team work Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

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 appropriate training, adequate working tools and facilities that promote their independence.

© **This report is intended to be used by Energy and Water Utilities Regulatory Authority(EWURA). However, upon adoption of this report by the Board, the report becomes a matter of public record and its distribution may not be limited.**

1.3 AUDIT OBJECTIVES

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

1.4 AUDIT SCOPE

The audit was carried out in accordance with the, the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the Energy and Water Utilities Regulatory Authority (EWURA).

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Energy and Water Utilities Regulatory Authority (EWURA).

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the Energy and Water Utilities Regulatory Authority (EWURA).

1.5 AUDIT METHODOLOGY

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations to ensure that proper action has been taken in respect of all matters raised.



2.0 REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE 2018

2.1 INTRODUCTION

The Directors hereby submit their report together with the financial statements for the year ended 30th June 2018 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

2.2 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 of 2001). 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.

2.3 VISION

To be a World Class Regulator of Energy and Water Services.

2.4 MISSION

To regulate utilities in energy and water sectors in a transparent, effective and efficient manner that ensures their quality, availability and affordability.

2.5 CORE VALUES

The EWURAs core values are: -

- a) Impartiality;
- b) Morality;
- c) Professionalism;
- d) Accountability;
- e) Courtesy; and
- f) Transparency.

10.1

10.2 Motto: Fair Regulation for Positive IMPACT

2.6 PRINCIPAL ACTIVITIES

The Authority is responsible for the technical and economic regulation of the energy (electricity, downstream petroleum, natural gas) and water and sanitation sectors in Tanzania. The functions of the Authority include, among others, licensing, tariff review, monitoring performance and standards regarding to quality, safety, health and environmental issues of the regulated suppliers.

2.7 COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors consists of seven members; six of them are non-executive Directors and one Executive Director who is the Director General.

The Board members, who served the Authority during the year ended 30th June 2018, are as follows: -

S/N	Name	Position	Qualification	Nationality	Date of Appointment	Age
1.	Eng. Prof. Jamidu H.Y. Katima	Chairman	PhD (Chemical and Process Engineering)	Tanzanian	24 th August 2015	63
2.	Mr. Nzinyangwa E. Mchany	Ag. Director General	MSc. (Economics)	Tanzanian	20 th January 2018	55
3.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian	20 th October 2014	49
4.	Mr. Ahmad S.K. Kilima	Member	MBA (Marketing)	Tanzanian	20 th October 2014	65
5.	Mr. Oswald R. Mutaitina	Member	MSc. (Finance)	Tanzanian	1 st April 2015	53
6.	Mr. Fadhil J. Manongi	Member	MA. (Dev. Economics)	Tanzanian	17 th May 2018	64
7.	Ms. Victoria M. Elangwa	Member	MBA. (Finance)	Tanzanian	17 th May 2018	41

Mr. Omar S. Bendera who was a Board member retired on 2nd March 2018.

Eng. Godwin Samwel served the Authority during the year as Acting Director General and retired on 19th January 2018.

2.8 CORPORATE GOVERNANCE

The overall responsibilities of the Board of Directors, among other things, include general oversight of the Authority's operations, identifying key risk areas, monitoring investment decisions and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that comprehensive system of internal control policies and procedures are operative and are in compliance with sound corporate governance principles.

According to EWURA Act of 2001 first schedule made under section 8 (5) read together with clause 11 of Board charter of 2018 requires the Board to meet where there is enough agenda to transact and at least once a month for ordinary meetings and may call for extra meetings when there is business to transact. The Board delegates the day to day management of the Authority to the Director General assisted by Senior



Management members.

The Authority is committed to the principles of effective corporate governance namely integrity, transparency and accountability. During the year ended 30th June 2018, 10 Ordinary Meetings (2017: 11) and 5 Extra Ordinary Board Meetings (2017: 13) were held.

2.9 BOARD COMMITTEES

In streamlining the business transactions, the Board has constituted sector specific and cross-cutting issues Board Committees. During the year ended 30th June 2018, the Audit and Risk Committee, Legal and Corporate Affairs Committee, Petroleum Committee, Electricity and Natural Gas Committee and Water and Sanitation Committee, met regularly pursuant to section 21 of the EWURA Act Cap.414. During the period under review a total of 30 meetings were conducted by these committees as shown below.

2.9.1 Board Committee Meetings

S/N	Board Committee	Number of Meetings
1.	Audit and Risk	7
2.	Legal and Corporate Affairs	9
3.	Electricity and Natural Gas	4
4.	Petroleum	4
5.	Water and Sanitation	6
	Total	30

Constitution of Board Committees is as follows: -

2.9.2 Board's Audit and Risk Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Oswald R. Mutaitina	Chairman	MSc. (Finance)	Tanzanian
2.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian
3.	Mr. Fadhil J. Manongi	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Peter L. Machunde	Co-opted member	CPA (T)	Tanzanian

2.9.3 Board's Legal and Corporate Affairs Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Richard M. Kayombo	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Ms. Victoria M. Elangwa	Member	MBA. (Finance)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc. (Economics)	Tanzanian

2.9.4 Board's Electricity and Natural Gas Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Fadhil J. Manongi	Chairman	M.A. (Dev. Economics)	Tanzanian
2.	Mr. Oswald R. Mutaitina	Member	MSc. (Finance)	Tanzanian
3.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc. (Economics)	Tanzanian

2.9.5 Board's Petroleum Committee

S/N	Name	Position	Qualification	Nationality
1.	Ms. Victoria M. Elangwa	Chairperson	MBA. (Finance)	Tanzanian
2.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc. (Economics)	Tanzanian
3.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
4.	Mr. Ahmad S. K. Kilima	Member	MBA (Marketing)	Tanzanian

2.9.6 Board's Water Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Ahmad S.K.Kilima	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Mr. Fadhil J. Manongi	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc.(Economics)	Tanzanian

2.10 RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 30th June 2018 is disclosed in Note 18 of these financial statements.

2.11 MANAGEMENT

The Management of the Authority is under the Director General and is structured in the following eight Directorates and two Units: -

- Directorate of Corporate Affairs;
- Directorate of Natural Gas;
- Directorate of Water and Sanitation;
- Directorate of Legal Affairs;
- Directorate of Internal Audit;
- Directorate of Petroleum;
- Directorate of Electricity;
- Directorate of Regulatory Economics;
- Communications and Public Relations Unit;
- Procurement Management Unit; and
- Information and Communication Technology Unit.

2.12 KEY STRENGTH AND RESOURCES

The Authority continues to give its top priority to key resources which are people, tangible and intangible resources such as state of the art technology which contribute in strengthening service delivery, productivity and financial sustainability. These strengths and resources are explained briefly in the following paragraphs.

(i) Human Resources and Customer Care

Customer satisfaction is mostly anchored on people and hence employees continue to be the most important assets. Their zeal, hardworking and commitments have made the Authority to perform professionally well. The Authority has skilled, motivated and experienced employees who are considered as key resources in pursuing its objectives. The Authority encourages and supports capacity building programmes to impart the required knowledge to employees to give them an edge in performing their activities.

During the year under review the Authority sponsored some of its staff to attend to different trainings within and outside the country. The Authority also encourages employee participation in decision making processes and encourages open and honest communications.

(ii) Co-operation and Support from various Stakeholders

The Authority has internal and external stakeholders and has been encouraging harmonious relationship with them. Their support and involvement in EWURA activities makes a significant impact and contribution to service delivery to the public. The Authority has continued receiving enormous support from the Ministry of Water and Irrigation, Ministry of Energy, EWURA Consumer Consultative Council (EWURA CCC), Government Consultative Council, Tanzania Oil Marketing Companies (TAOMAC), Association of Tanzania Water Suppliers (ATAWAS), Ministry of Finance and Planning, Treasury Registrar, Police and other Regulatory Authorities in the country.

The Authority has strong ties and working relationships with relevant International organizations such as AFUR, EREA, RERA, NARUC and GIZ.

(iii) Legal Framework

In discharging its duties and functions, the Authority is guided by its establishing Act and Subsidiary legislations in the Water and Sanitation, Electricity and Petroleum. The EWURA Act, Cap. 414 together with sector legislation govern the conduct of the activities of the Authority. The sector legislation includes the Electricity Act, Cap. 131, Water and Sanitation Act, Cap. 272, DAWASA Act, Cap. 273 and the Petroleum Act, 2015. These tools were key and useful during the financial year under review.

(iv) Financial Performance and Sustainability

The Authority's sources of revenue are provided under Section 43(1) of the establishing Act Cap 414. The funds and resources of the Authority consist of: -

- a) fees collected by the Authority including, fees payable for the grant and renewal of licenses;
- b) levies collected from regulated suppliers;

- c) all other payments or property due to the Authority in respect of any matter incidental to its functions; and
- d) any grants, donations, bequest or other contributions made to the Authority.

During the year the Authority earned total revenue of TZS. 44.8 billion (2017: TZS. 43.2bn). The Authority incurred a total of TZS. 43.8 billion (2017: TZS. 40.3bn), whereby TZS. 33.4 billion was on recurrent expenditure inclusive of depreciation and TZS. 10.4 billion was for subventions (contributions) made to the Treasury and other Government Institutions. The level of revenue and the instituted internal controls has enabled the Authority to discharge its regulatory functions and meet its customers, stakeholders and the public expectations.

2.13 OPERATIONAL AND FINANCIAL PERFORMANCE

During the year, EWURA focused on the implementation of its strategic objectives which guided 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 Authority started implementing its new five years Strategic Plan for 2017/18 – 2021 /22 which guides the Authority's operations in five years' period. The year 2017/18 was the first year of implementation of 2017/18 – 2021/22 Strategic Plan. The following were the Strategic Objectives: -

- A:** Quality, Availability and Affordability of Regulated Services Improved;
- B:** Public Knowledge, Awareness and Understanding of Regulatory Functions in the Regulated Sectors Enhanced;
- C:** EWURA Functions Effectively and Efficiently Managed; and
- D:** Interventions against HIV/AIDS, Corruption and Other Cross-Cutting Issues Enhanced

2.13.1 Achievements

During the year, the Authority witnessed significant achievements as follows: -

- n) The Authority continued to review various regulatory tools and developed new ones;
- o) The Authority continued to conduct monitoring of the Bulk Procurement System of petroleum products and facilitated its operations;
- p) The Authority continued to conduct monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure;
- q) The Authority continued to cooperate with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA), Tanzania Ports Authority (TPA), Weight and Measures Agency (WMA) and Police Force on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest;

- r) The Authority revised business plans from 26 WSSAs namely Songea, Mafinga, Tanga, Same, Morogoro, Manyoni, Nzega, Kondoa, Singida, Tabora, Makonde, Loliondo, Dodoma, Mwanza, Ngara, Mpwapa, Arusha, Kilolo, Ilula, Itumba-Isongole, Makete, Iringa, DAWASA, Moshi, Babati and Chato;
- s) The Authority continued with licensing activities on the regulated sectors where 955 licences were issued to regulated suppliers in Petroleum (345 licences), Electricity (6 provisional licences and 1 generation licence), Water and Sanitation (3 class III licences) and Electrical Installation Personnel (600 licences);
- t) The Authority attended to complaints against suppliers of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services. During the year, 10 complaints in the petroleum sub-sector, 22 in the electricity sub-sector and 8 in the water and sanitation sector were resolved. At the end of the year 52 complaints were at various stages of mediation and hearing;
- u) The Authority successfully continued to conduct 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;
- v) The Authority reviewed 28 (8 brought from previous year and 20 new) tariff applications from regulated suppliers of Water and Sanitation sector, Natural Gas and Electricity subsector. Out of those reviewed, 9 were approved, 8 were referred back, 1 was withdrawn and 9 were under review during the year end;
- w) The Authority approved the importation of petroleum products through Mtwara port and reviewed pricing rules accordingly;
- x) The Authority made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), Government Consultative Council (GCC) and the Treasury as required by the law;
- y) The Authority recruited 36 new staff to fill various positions for its Head Office and Zonal office in Lake Zone, Northern Zone, Southern highlands Zone, Eastern zone and Central Zone;
- z) The Authority paid annual subscriptions to various bodies including Platts/McGraw Hill, African Refineries Association (ARA), Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), Regional Electricity Regulators Association (RERA), Independent Regulatory Board - East African Power Pool (IRB-EAPP), African Forum of Utility Regulators (AFUR), Institute of Internal Auditors, Tanganyika Law Society, National Board of Auditors and Accountants (NBAA) and Tanganyika Library Association; and
- aa) The Authority opened Zonal Offices as follows, Northern zone located in Arusha; Southern highland zone located in Mbeya; and Eastern zone located in Dar es Salaam. Also, the Authority managed to relocate its HQ offices from Dar es Salaam to Dodoma Region.

2.13.2 Financing

The Authority's operations are financed mainly through levies collected from regulated service providers in the energy sector (electricity, petroleum, natural gas) and water and sanitation sector. Other sources of financing include license fees and application fees.

During the year total revenue amounting to TZS 44.8 billion was earned indicating an increase of 4% compared to the previous year as shown in Table 1. More details on revenue are given in note 10 and 11.

Table 1: Revenue Performance

Description	30.06.2018 TZS'000	30.06.2017 TZS'000	Increase/ (Decrease) %
Income from Regulatory Levy and Licenses	43,835,770	40,892,189	7
Penalties	950,948	1,071,219	(11)
Finance Income	801	1,188,109	(100)
Other Income	-	800	(100)
Total Revenue	44,787,519	43,152,317	4

2.13.3 Licensing

During the year, the Authority prepared and issued licenses to various regulated suppliers operating in the regulated sectors. EWURA also continued to license personnel that are qualified to carry out electrical installation works as required by the Electricity Act, Cap. 131. During the year, 955 (2016/17: 891) applicants were issued with licenses as follows;

- In Petroleum 345 licenses (Petroleum wholesale 9, Petroleum Retail 312 and LPG 5 licenses, Lubricant Licenses 16, Petroleum Consumer Installation 1, waste recycling 0 and Petroleum Storage License 2);
- In Electricity subsector a total of 7 licenses were issued (6 were Electricity Provisional Licenses, 1 was Electricity Generation licenses (Commercial)) and 600 electrical installation personnel licenses were issued; and
- In the water and Sanitation sector, 3 licenses were issued; all of them were class III.

2.13.4 Development of Regulatory Tools

The Authority finalized the preparation and issuing of 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 stakeholders and holding hearings and workshops. The process of developing regulatory tools and procedures is an ongoing one. During the year, the following Regulatory tools were developed: -

- (a) Electricity (Generation, Transmission and Distribution Activities) Rules, 2018;
- (b) Electricity (Development of Small Power Projects) Rules, 2018;
- (c) Petroleum (Natural Gas) (Licensing Fees) Rules, 2018;
- (d) Petroleum (Natural Gas) (Transmission and Distribution Activities) Rules, 2018;
- (e) Petroleum (Wholesale, Storage, Retail and Consumer Installations Operations) Rules, 2018;
- (f) Petroleum (LPG Operations) Rules, 2018;
- (g) Petroleum (Lubricants Operations) Rules, 2018;
- (h) Petroleum (Marine Loading and Offloading Operations) Rules, 2018;
- (i) Petroleum (Refinery Operations) Rules, 2018;
- (j) Natural Gas Transmission/Distribution Licence Templates;
- (k) Natural Gas Construction Approval Template;
- (l) The Electricity (Grid & Distribution Codes) Rules, 2017;
- (m) Performance Benchmarking Guidelines for Water Supply and Sanitation Authorities- revised version 2018;
- (n) Guidelines for Water and Sewerage connection; and
- (o) Guidelines for management and operation of water kiosk.

2.13.5 Standards and Codes

The Authority develops new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. In this regard the Authority developed Tanzania Electricity Distribution Code in collaboration with other sector stakeholders.

2.13.6 Tariff and Pricing Formula Reviews

The Authority carried out review of several tariff applications filed by regulated suppliers and matters particularly on petroleum pricing that were initiated by the Authority. Summary of the tariff and petroleum pricing formula reviews conducted during the period is shown in **Table 2**;

Table 2: Tariff and Pricing Formula Reviews

Regulated Sectors	Matters brought Forward from previous year	Matters Received during the year	Total Matters Reviewed	Approved	Referred Back	With-drawn	Under Review as at 30 th June 2018
Electricity	0	1	1	0	0	1	0
Natural Gas	0	1	1	0	1	0	0
Petroleum	1	1	2	2	0	0	0
Water Supply & Sanitation	7	17	24	7	7	0	10
Total	8	20	28	9	8	1	10

In all cases, the legal requirement (EWURA Act, Cap 414, Sect. 19(2)(b)) of taking the views of stakeholders into account were observed when determining the new rates and formulas. Except for the automatic tariff application from Singida and Dodoma WSSAs and the annual review of the petroleum operators' margins, the Authority conducted public hearings to all other tariff and pricing matters as summarized in **Table 3**.

Table 3: Public Hearings for Tariff and Pricing Formula Reviews

Regulated Sectors	Number of Public Inquiry Meetings	Number of Matters Determined
Petroleum	2	2
Water Supply and Sanitation	11	7
Total	13	9

2.13.7 Sector Monitoring and Inspection

During the year, the Authority conducted performance monitoring in the activities of regulated service providers among the regulated sectors. Key objectives for sector monitoring were to promote effective competition and economic efficiency, protect the interest of the consumers and financial viability of efficient service providers, promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers and protect and preserve the environment.

(a) Petroleum Sub Sector

The Authority continued to conduct pre-licensing and compliance inspections to the petroleum facilities to ensure that there is continuous compliance to the applicable laws, Standards and the petroleum industry best practices. During the period under review, the following were executed: -

- (a) Conducted pre-licensing inspection to 591 petroleum facilities. Out of these, 344 facilities (58.2%) met licensing requirements and hence were issued with licenses;
- (b) Inspections were conducted to 754 petrol stations to monitor compliance to the applicable laws, license conditions and the petroleum industry best practices. Out of the inspected petrol stations, 659 petrol stations were found operating, 57 were found not operational (i.e. abandoned or under rehabilitation) and 38 petrol stations were found under construction without having construction approval from EWURA. Out of the petrol stations that were found operating, 516 petrol stations equivalent to 78.3% were found compliant with the applicable laws, license conditions and the petroleum industry best practices. Legal actions were taken against petrol stations that failed to meet requirements and the ones found under construction without EWURA's construction approvals. Legal actions taken include closure and fines;
- (c) Inspections were conducted to 1,222 petrol stations to monitor compliance to the Price Setting Rules. Two petrol stations (0.16%) were found defaulting the Rules. The requisite legal actions were taken and the respective operators paid fines;
- (d) Fuel marker detection tests were conducted to 639 facilities in order to curb adulteration and dumping into local market transit, tax exempted and smuggled petroleum products. Out of the inspected facilities, 44 facilities equivalent 6.9% were found with non-conforming products. Legal actions were taken against the defaulters. Legal actions taken include closure of the facilities until the respective operators paid EWURA fines and TRA duties and penalties for dumping cases; and
- (e) A total of 526 samples of petroleum products were taken from petroleum facilities to monitor compliance to the TBS specifications. Out of the samples taken, 20 samples equivalent to 3.8% were found not conforming to TBS specifications. Appropriate legal actions were taken against the facilities found with products that are out of TBS specifications. Legal actions taken include closure and fines.

Generally, compliance levels continued to improve and the performance in the year under review is above the set annual targets. EWURA will continue striving to ensure 100% compliance levels are attained.

(b) Electricity Subsector

During the Financial Year 2017/18 the Authority conducted compliance Audit inspections on TANESCO's Distribution infrastructure in 21 regions namely; Simiyu, Songwe, Kilimanjaro, Tanga, Geita, Arusha, Dodoma, Katavi, Mara, Mwanza, Singida, Kagera and Njombe. Others were Rukwa, Ruvuma, Kigoma Morogoro, Tabora, Mtwara, Mbeya and Iringa. Inspections were also conducted to other Independent power producers such as Mwenga Power Services Ltd and Solar PV Mini Grids operators. The Compliance Audit inspection was aimed at ensuring that all licensees comply with existing legal and regulatory requirements.

Follow up inspections indicated that TANESCO had attended to the previous inspections findings by an average of 57%. However, it was observed that TANESCO's network still had non-compliance issues which included technical defects and deficiencies. Noncompliance issues observed included among other things; unrated fuses, rotten poles, leaning insulators, transformer oil leakages, trees touching feeder lines, improper connections; and missing and un-serviced fire extinguishers in substations.

Also other noncompliance issues included broken covers of cable trenches and drainage systems, a long list of pending customers' connections and missing data for the determination of reliability indices.

During the audit inspection of TANESCO's distribution infrastructure networks, the Authority's evaluation concentrated on Customer Service Charter (CSC) related issues of which performance compliance level was at an average of 75% from a target of 100%. The above achieved value shall be used as a reference to measure improvement on compliance to CSC during coming inspections.

The assessment conducted on CSC was based on performance targets such as service line connections, breakdowns handling; and response to customer queries, request and complaints.

At the end of all inspections, the Authority submitted detailed report on anomalies to TANESCO with instruction to rectify them and report back implementation status.

In addition to distribution infrastructure inspection, the Authority also conducted five pre-licensing inspections to the following projects; Mkonge Energy System sites of Mandera (9MW) Mini Hydro Power Plant and Ngombezi 2MW Mini Hydro Power Plant, 40MW Geita Gold Mine Ltd's Own Use Diesel Engine Power Plant, 230kW Kiliflora Mini Hydro Power Plant in Arusha Region; and 48kW Ensol Solar PV in Korogwe District.

During the year under review, the Authority also inspected 18 generation facilities namely; Hale Hydro Power Plant (21MW); New Pangani Falls Hydro Power Plant (68MW), Nyumba ya Mungu Hydro Power Plant (8 MW), TPC Biomass Co-generation plant (29MW), Ubungu1 Gas Power Plant (100 MW), Ubungu 2 (129MW); Kinyerezi I Gas Power Plant (150MW) and Kihansi Hydro Power Plant (180MW).

Others were Mwenga Hydro Power Plant (4MW), Darakuta Hydropower Plant (320kW), Jumeme Solar PV Power Plant- Mwanza (60KW), Solar PV Power Corner- Loliondo (16kW), Jinan Diesel Power Plant- Mtwara (60MW), –Mtwara Gas Power Plant(17.75MW) and Sumbawanga Diesel Power Plant (5MW). Also the Authority inspected Kigoma Diesel Power Plant (6.25MW), Kibondo Diesel Power Plant (2.5MW) and Kasulu Diesel Power Plant (2.5MW).

Generally, inspected generation power plants were found to be in good condition except for Mwenga, Ubungo 1&2, Mtwara Gas Power Plant, and all TANESCO diesels power plants that were found with few anomalies. The findings were reported to Mwenga and TANESCO, respectively, for the implementation.

(c) Water Supply and Sanitation

During the year under review, the Authority embarked on various activities including Inspections for monitoring and verification of data and information reported by WSSAs. Follow-up and routine inspection was conducted to 87 WSSAs namely; Arusha, Babati, Bukoba, Bunda, Chalinze, Chamwino, Chato, Dakawa, DAWASA/DAWASCO, Dodoma, Gairo, Gallapo, Geita, Handeni, HTM, Ifakara, Igunga, Ilula, Isaka, Itumba-Isongole, Kahama, KASHWASA, Kasumulu, Katesh, Kibaigwa, Kibaya, Kibondo, Kilindoni, Kilolo, Kilosa, Kilwa, Kisarawe, Kishapu and Kondoa.

Other inspections conducted to Kongwa, Korogwe, Kyela, Lindi, Liwale, Ludewa, Mafinga, Maganzo, Magu, Magugu, Mahenge, Makete, Makonde, MANAWASA, Mangaka, Manyoni, Masoko, Mbulu, Misungwi, Mkuranga, Mkurunga, Vwawa-Mlowo, Mombo, Morogoro, Moshi, Mpwapwa and Mtwara.

The Authority also inspected WSSAs of Mugumu, Muheza, Muleba, Mwanga, Namanyere, Nansio, Ngara, Ngudu, Orkesumet, Pangani, Ruangwa, Rujewa, Sengerema, Sikonge, Singida, Songe, Songea, Tanga, Tarime, Tukuyu, Tunduru, Urambo, Usa River, Ushirombo, Utete and Wangingómbe.

Also special inspections were conducted in Magu, Mugango–Kiabakari, Namanyere and Mpanda WSSAs. Further pre-licensing inspections were conducted in Mikumi and Chato.

The Authority also prepared two Water Utilities Performance Review Reports for Financial year 2016/17 for Regional and National Projects water utilities; and District and Township Water Supply and Sanitation Authorities respectively. The reports covered among other things, the technical and commercial performance. During the launching of the, the best performing utilities were recognized by awarding them with certificates and trophies.

During the year under review, the Authority revised business plans to 26 WSSAs of Songea, Mafinga, Tanga, Same, Morogoro, Manyoni, Nzega, Kondoa, Singida, Tabora, Makonde, Loliondo, Dodoma, Mwanza, Ngara, Mpwapwa, Arusha, Kilolo, Ilula, Itumba-Isongole, Makete, Iringa, DAWASA, Moshi, Babati and Chato.

The Authority has ensured that the Key Performance Indicators (KPIs) targets are included in the WSSAs' Business Plans and follow up is regularly made to ensure their implementation. The implementation of KPIs is monitored monthly through the Water Utilities Information System (MajIs) and Annual Technical and commercial Performance Reports.

The EWURA Business Planning Guidelines, 2016 was used to evaluate all submitted business plans. Generally, it was noted that WSSAs improved the level of compliance to the EWURA Business Planning Guidelines for regulated water utilities in terms of structure and contents as compared to the previous years.

In a bid to improve performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities of which 24 Districts, Townships and National project WSSAs were trained on business planning guidelines.

The 24 WSSAs that benefited from such training included Babati, Magugu, Mbulu, Karatu, Handeni, Usa River, Bariadi, Kibondo, Isaka, Tarime, Chato, Chalinze, Kisarawe, Mikumi, Turiani, Kilindoni, Mpwapwa, Kiomboi, Urambo, Vwawa, Kasumulu, Kyela, Tukuyu and Makete

Also during the year under review, 12 WSSAs were trained on MajIs, whivchi were Turiani, Kasumulu, Mpanda, Mbeya, Arusha, Karatu, Lushoto, Muheza, Pangani, Katesh, Kibaya and Usa River. The training was meant to enhance the knowledge to some staff that were selected to use the system by respective WSSAs.

Water and wastewater quality monitoring was also conducted to 61 water utilities. The Authority carried out water and waste water quality monitoring in order to establish whether water supplied and effluent from waste water systems complied with TBS Standards.

The WSSAs whose exercise of water and wastewater was conducted included Babati, Bariadi, Bukoba, Bunda, Chalinze, Chunya, Dodoma, Geita, Ifakara, Igunga, Ilula, Iringa, Kahama, KASHWASA, Kasulu, Kibaya, Kibondo, Kigoma, Kondoa, Kongwa, Kyela, Lindi, Liwale, Magugu, Makambako, Makonde, MANAWASA, Manyoni, Maswa, Mbeya, Mbulu, Mikumi, Mombo, Moshi, Mpanda, Mtwara, Musoma, Mwanza, Njombe, Orkesumet, Shinyanga, Singida, Songe, Songea, Sumbawanga, Tabora, Tanga, Tarime, Tunduru, Urambo, Usa River, Utete, Vwawa-Mlowo, Wanging'ombe, Arusha, HTM, Makete, Morogoro, Mpwapwa, Mugango-Kiabakari and Pangani.

During the year under reviews, the Authority also reviewed Customer Service Charters to 38 WSSAs of Arusha, Babati, Biharamulo, Bukoba, DAWASCO, Dodoma, Gallapo, Ilula, Iringa, Itumba-Isongole, Karagwe, Kasumulu, Kibaya, Kigoma, Kilolo, Kisarawe, Kishapu, Korogwe, Loliondo, Magugu, Makete, MANAWASA, Mbeya, Mbulu, Mkuranga, Muleba, Mwanga, Mwanhuzi, Ngara, Orkesumet, Ruangwa, Shinyanga, Sumbawanga, Tabora, Tukuyu, Tunduru, Vwawa-Mlowo and Wanging'ombe

During the exercise, 12 Customer Service Charters were approved and the WSSAs that passed included Dodoma, Tabora, Iringa, Shinyanga, Kigoma, Babati, Magugu, Mwanga, Bukoba, Kibaya, Korogwe and Loliondo.

(d) Natural Gas Subsector

The Authority carried out quarterly field inspections to the natural gas infrastructures operated by Songas, Ndovu Resources, PanAfrican Energy, TPDC, Maurel et Prom for high pressure transmission pipelines and Dar es Salaam natural gas distribution network to ascertain the infrastructure technical integrity and its safety. During the field inspections, the Authority had an opportunity to verify the information received earlier from the regulated service providers based on daily, weekly and monthly reports which form part of the basis of monitoring the performance.

There are only two available regulations one on natural gas pricing another on local content. In addition, there is only one set of rules guiding the natural gas transmission and distribution. In the absence of adequate regulations and rules for the sub-sector, the Authority carried out low-key enforcement activities leading the service providers to take safety precautionary measures ensuring the public is not exposed to risk that may be associated with natural gas activities. Several regulations were drafted and sent to the Ministry of Energy for consideration.

2.13.8 Public Awareness

The Energy and Water Utilities Regulatory Act (Cap. 414 of 2001), section 6 (e) stipulates that it is a duty of the Authority to enhance public knowledge, awareness and understanding of regulated sectors including the rights and obligations, ways in which complaints and disputes may be initiated and resolved; and the duties and functions of EWURA.

In order to balance the public expectations and what is achieved by EWURA, well thought public outreach is inevitable and implementation of public awareness programmes and management of public relations is an integral part of the Authority's functions in order to enhance public knowledge, awareness and understanding of the regulated sectors.

During the period the Authority executed several activities related to Communications and Public Relations functions. Also various means of communication channels were used to reach diversified stakeholders interests that included electronic media, face to face meetings, print media, public hearings and consultations. Some of activities that were executed during the year have been highlighted here under:-

2.13.8.1 Public Awareness Programmes-EWURA NA UCHUMI

During the Financial year 2017/18, TZS 1.6 billion (2017: TZS 1.3 billion) was spent on public awareness activities whereby the authority designed, recorded 83 and 225 television programmes and television *jingles*, respectively. Also during the period under review, the Authority aired 206 radio programmes; and published 30 features to various media houses. During the same period under review EWURA was mentioned many times in news bulletins on various TV stations.



2.13.8.2 Advertisements

During the year, the Authority spent TZS 643 million (2017: TZS 337 million) for publishing 53 batches of various advertisements compared to 67 batches of advertisements published in the previous Financial Year. The advertisements were mainly on Petroleum Price, Public Notices, Job Vacancies Adverts, Pre-inspection monitoring and licensing notices and Tenders.

2.13.8.3 Exhibitions

During the 2017/18 financial year, the Authority spent TZS 58 million (2017: TZS 41 million) on exhibition. The Authority participated in the Dar es Salaam International Trade Fair (DITF). During the fair, the Authority conducted public awareness, information and education activities where various publications such as brochures, Newsletter and EWURA reports were distributed to the public. At the end of 13 days' exhibitions, the Authority served more than 200 registered visitors at EWURA booth.

2.13.8.4 Publicity Materials

During the year, the Authority facilitated the distribution of EWURA's education and information materials to the Government and the general public through various events such as Saba Saba exhibitions, Public inquiry meetings and in stakeholders' meetings.

During the year, the Authority published various reports namely: EWURA Annual report, Water sector reports Volume I and II, Downstream Petroleum Subsector Performance Report and Electricity Performance Report for the year 2017; and brochures and EWURA Newsletters. The amount spent for publicity materials was TZS 183 million (2017: TZS 308 million).

2.13.8.5 Complaints and Disputes

The Authority attended to complaints against suppliers 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 in **Table 4**.

Table 4: Complaints and Disputes Attended

Regulated Sector	Pending Complaints Brought forward	Complaints Received During the Year	Complaints Resolved	Unresolved Complaints
Petroleum	9	5	10	4
Electricity	33	29	22	40
Water Supply and Sanitation	3	8	3	8
Natural Gas	0	0	0	0
Total	45	42	35	52

At the end of the year a total of 35 complaints were resolved while 52 were at various stages of mediation and hearing.

2.13.8.6 Regional Cooperation Meetings

The main objective of regional cooperation is to provide regulatory inputs Government delegation during regional and interational meetings. Furthermore, exchange regulatory experiences within the International and Regional settings, and allow EWURA to have access to information necessary for regulation and performance benchmarking. The Authority participated in two SADC Energy Ministers meetings, EAC Energy Sectoral Council meeting and the activities of five Regional Associations namely; Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (EREA), African Refiners Association (ARA) and the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS).

2.14 RECRUITMENT

During the year, the Authority recruited 36 employees thus bringing the total number of staff to 159 (2016/17: 123). The number of staff planned during the year was 183. Staff gender structure was as indicated in Table 5:

Table 5: Staff Complement

Item	Male	Female	Total
Staff Complement	111	48	159
Percentage	70	30	100

The Authority has a staff complement of highly qualified and motivated professionals who bring with them their diverse experience in their area of professionalism.

2.15 RISK MANAGEMENT AND CONTROL

The Board assumes final responsibility for the risk management and internal control system of the Authority. During the year EWURA Risk Management Framework was reviewed, Risk Register updated and training on Risk Management was conducted to members of staff and the Board of Directors. It is the role of the Board to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to provide reasonable assurance regarding: -

- the effectiveness and efficiency of operations;
- the safeguarding of the Authority's assets;
- compliance with the applicable laws and regulations;



- d) reliability of accounting records;
- e) business suitability under normal as well as adverse conditions; and
- f) responsible behaviors towards stakeholders.

2.16 STAFF WELFARE

2.16.1 Staff Relations

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

2.16.2 Capacity Building

The Authority's policy is to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the year, new senior staff attended general courses on Public Utility Regulation and Strategy. Also 101 staff attended training on general management, secretarial and management practices.

2.16.3 Medical Services

The Authority provides medical insurance cover through National Health Insurance Fund (NHIF) to all staff, spouses and up to four legally recognized children not exceeding 18 years of age. During the year TZS 533 million (2017: TZS 387 million) was incurred for medical services.

2.16.4 Health and Safety

The Authority takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe and comfortable working environment is maintained for all employees by providing adequate and proper protective gears (during field work), training and supervision as necessary. The Authority observes the Safety and Health Administration (OSHA) guidelines and ensures full compliance. During the year, there were no health safety and environmental incidences reported.

2.16.5 HIV/AIDS Intervention

During the year, 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.

2.17 EMPLOYEE BENEFIT PLAN

The Authority pays contributions to publicly administered Pension Funds as required by law.

2.18 GENDER PARITY

During the year, the Authority had 159 (2016/17: 123) employees, out of whom 111 (70%) were male and 48 (30%) were female. The Authority is an equal opportunity employer. During the same period 19 (12%) staff were under contract terms while 140 (88%) were under permanent and pensionable terms.

2.19 POLITICAL DONATIONS

The Authority does not make donations towards political activities during the year ended 30th .

2.20 CORPORATE SOCIAL RESPONSIBILITIES

The Authority makes donations and contributions to various institutions to support activities of national interest in line with its donation and contribution policy. The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public. During the year, the Authority supported various institutions with a total of TZS 159.7 mil.

2.21 RELATED PARTY

EWURA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. Related parties comprise of members of the Board of Directors, the Director General, Divisional Directors and Head of Units.

2.22 ENVIRONMENTAL CONTROL PROGRAMME

The Authority, in collaboration with the National Environmental Management Council (NEMC) and other stakeholders, continued to participate in compliance monitoring on matters related to protection of environment. In considering any application for a license or construction approval, the authority takes into account the need to protect and preserve the environment as required by the Environmental Management Act, 2004.

2.23 PERSONS WITH DISABILITIES

The Authority believes in and provides equal opportunities to persons with disabilities.

2.24 KEY CHALLENGES AND THE 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: -

- n) Low reliability of the distribution infrastructure coupled with high distribution losses are still major challenges to power distributors. To address this challenge, the current plan is to



intensify inspections and compliance monitoring;

- o) Delays by TANESCO (as an offtake) to pay for the power purchased from small power producers has led to numerous operational difficulties to these producers. These delays may also be a hindering factor to small power investment in the sector as they potentially raise the risk element of those investments. EWURA will engage TANESCO and stakeholders to devise ways in mitigating this issue;
- p) Licensee failure or delay to respond on issues addressed during inspections has been persisting. Proposed solution to this problem is to intensify awareness campaigns and compliance enforcement;
- q) Concerns from SPP Developers on delay to address challenges in the SPP Framework to allow further implementation of SPP projects. During the period under review TANESCO has not signed any SPPA with SPP developers. The Ministry of Energy, EWURA and TANESCO are still working on the challenge;
- r) Continued smuggling of kerosene into Tanzania from neighboring countries is still a problem. EWURA plans to increase the level and frequency of marker detection exercises, especially in border areas. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections. EWURA will also increase awareness campaigns on the matter;
- s) Natural gas infrastructure is not widely distributed in the country; the existing natural gas infrastructure is operating at 11% which is underutilization of the infrastructure. The natural gas distribution networks are limited to Dar es Salaam. EWURA continues to discuss with the Ministry of Energy to put the gas subsector in order;
- t) Most district and township Water Supply and Sanitation Authorities (WSSAs) have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building to WSSAs, carry out inspections and monitoring. The Authority will also continue to advise the Government on ways of improving capacity of the weak WSSAs;
- u) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines continue to be a challenge. The Authority has considered continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets;
- v) Low investments in Water Supply and Sanitation which result into a slow pace towards attaining service coverage targets set in the National Five-Year Development Plan (2016/17 – 2020/21). The current urban water supply coverage is around 78% in Regional water utilities, 74% in National Project water utilities and 58% in District headquarters and Township water utilities. In addition, EWURA has been collaborating with the Ministry of Water and Development Partners (DPs) to put in place incentives for WSSAs to involve PPPs and to acquire loans for investments;

- w) Insufficient public knowledge regarding rights and obligations of consumers and those of the regulated suppliers. EWURA shall continue to strengthen the implementation of Public Awareness Programme to address this challenge; and
- x) Although the efforts of curbing sale of adulterated and tax exempted petroleum including transit products in the local market are bearing good results, the malpractice is not yet fully wiped out. The Authority will continue to conduct petroleum quality monitoring and take legal actions to the defaulters. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections and increase awareness campaigns on the matter;
- y) Some operators in the petroleum industry especially retailers, fail to comply with regulatory requirements due to lack of knowledge and expertise in the petroleum downstream operations. Therefore, EWURA will continue to conduct awareness and education campaigns to operators and public to mitigate this challenge; and
- z) Service delivery of petroleum products in remote areas remained to be a challenge since there are no reliable petrol stations in these areas. Petroleum products are stored and sold by vendors in a manner that is detrimental to Health, Safety and Environment (HSE). On the other hand, the volumes of sales in these areas are small to justify investment of standard petrol stations. EWURA is in the discussion with Bureau of Industrial Cooperation (BICO) of University of Dar es Salaam and Dar es Salaam Institute of Technology (DIT) for development low cost but HSE compliant petrol station model to address the challenge.

The Authority is committed to continue addressing these challenges for improved performance in the years ahead.

2.25 EVENTS AFTER THE REPORTING PERIOD

There were no material events, adjusting or non-adjusting, which had occurred between the reporting date and the date when the Financial Statements are authorized for issue.

2.26 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 strength of its financial position as at 30th June 2018 as set out in pages 28 to 57 of these financial statements and the Notes thereon.

2.27 AUDIT MANDATE

The Controller and Auditor General is the Statutory Auditor of The Energy and Water Utilities Regulatory Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania (URT) and as amplified in Section 10 of the Public Audit Act No. 11 of 2008. However, in accordance with Section 33 (1)



of the same Act, M/s Reliable Consultants were authorized to carry out the audit of the Authority's financial statements for the year ended 30th June 2018 jointly with the Controller and Auditor General.



ENG. PROF. JAMIDU H. Y. KATIMA
CHAIRMAN



NZINYANGWA E. MCHANY
Ag. DIRECTOR GENERAL

Date: 24/12/2018

Date: 24/12/2018

2.28 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 2008.

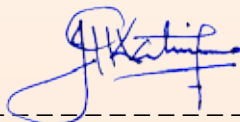
The Directors of EWURA are responsible for establishing and maintaining a system of effective internal control designed to give reasonable assurance that the transactions recorded in the financial statements are within the statutory requirement and that they contain the receipts and use of resources 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 judgment and estimates have been made in the preparation of the financial statements for the year ended 30th June 2018. The Directors also confirm that International Public Sector Accounting 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 30th June 2018.


Directors accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with International Public Sector Accounting 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 24th December 2018 and signed on its behalf by:



ENG. PROF. JAMIDU H. Y. KATIMA
CHAIRMAN

Date: 24/12/2019



NZINYANGWA E. MCHANY
Ag. DIRECTOR GENERAL

Date: 24/12/2019



DECLARATION OF HEAD OF FINANCE OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No.2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by the Head of Finance/ Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors/ Governing Body/ Management to discharge the responsibility of preparing financial Statements of an entity showing the true and fair view of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors/ Governing Body as under Directors Responsibility statement on an earlier page.

I, Stanley Paul Mahembe, being the Director of Corporate Affairs of the Energy and Water Utilities Regulatory Authority hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30th June 2018 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that the Financial Statements give a true and fair view position of Energy and Water Utilities Regulatory Authority as on that date and they have been prepared based on properly maintained financial records.


Signed by.....
Director of Corporate Affairs
NBAA Membership No.: FCPA1515

Date: 24/12/2018

3.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL

To: The Chairman of the Board,
Energy and Water Utilities Regulatory Authority,
P O Box 2857,
DODOMA.

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) FOR THE YEAR ENDED 30TH JUNE, 2018

Introduction

I have audited the financial statements of Energy and Water Utilities Regulatory Authority, which comprise the statement of financial position as at 30th June, 2018, and the Statement of Financial Performance, the Statement of Changes in Net Assets, the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies set out from page 28 to 57 of this report.

Opinion

In my opinion, the accompanying financial statements of Energy and Water Utilities Regulatory Authority (EWURA) are presented fairly in all material respects, the financial position of the authority as at 30th June, 2018, its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Energy and Water Utilities Regulatory Authority in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises of the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and our auditor's report thereon.



My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. We have nothing to report in this regard.

Key Audit Matters (KAM)

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

Report on Compliance with Procurement Legislation

Compliance with Public Procurement Act

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that Energy and Water Utilities Regulatory Authority procurement has generally complied with the requirements of the Public Procurement Act, 2011 and its related Regulations of 2013.



.....
Salhina M. Mkumba
**Ag. Controller and Auditor General
of the United Republic of Tanzania**

31st December, 2018

National Audit Office of Tanzania,
Audit House,
16 Samora Machel Avenue,
P.O. Box 9080,
11101 Dar es Salaam, Tanzania.
Tel: 255 (022) 2115157/8
Fax: 255 (022) 2117527
Email: ocag@nao.go.tz



FINANCIAL STATEMENTS

3.1 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

	NOTES	30.06.2018 TZS'000	30.06.2017 TZS'000
ASSETS			
Non-Current Assets			
Property and Equipment	3	5,193,933	2,353,187
Intangible Assets	4	114,217	174,632
Total Non-Current Assets		5,308,150	2,527,819
Current Assets			
Stocks and Consumables	6	195,216	243,688
Trade and Other Receivables	5	13,231,338	13,959,939
Cash and Bank Balances	7	1,076,319	3,313,444
Total Current Assets		14,502,874	17,517,070
TOTAL ASSETS		19,811,023	20,049,889
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		16,794,680	9,890,409
Total Capital and Reserves		16,794,680	9,890,409
Non-Current Liabilities			
Gratuity Payable	8	-	1,759,982
Current Liabilities			
Trade and Other Payables	9	3,016,343	8,399,497
Total Liabilities		3,016,343	10,159,480
TOTAL EQUITY AND LIABILITIES		19,811,023	20,049,889

The financial statements on pages 88 to 120 were approved for issue by the Board of Directors on 24/12/2018 and signed on its behalf by:



ENG. PROF. JAMIDU H. Y. KATIMA
CHAIRMAN

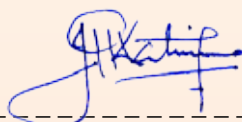


NZINYANGWA E. MCHANY
Ag. DIRECTOR GENERAL

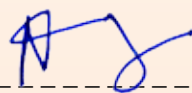
3.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018

	NOTES	2017/2018 TZS'000	2016/2017 TZS'000
Revenue			
Revenue from Non-Exchange Transactions	10.1	44,786,718	41,963,407
Revenue from Exchange Transactions:			
Other Income	10.2	-	800
Finance Income	11	801	1,188,109
Total Revenue		44,787,519	43,152,316
Expenditure			
Staff Costs	12	16,140,408	15,413,829
Operating Expenditure	13	11,354,223	9,732,184
Contribution to Other Government Entities	14	10,415,182	9,852,457
Administration Costs	15	4,419,537	3,841,793
Other Charges	16	405,264	890,312
Depreciation on Property and Equipment	3	970,935	542,035
Amortization of Intangible Assets	4	60,415	35,005
Total Expenditure		43,765,963	40,307,614
Surplus/(Deficit) for the Year		1,021,557	2,844,702
Surplus/(Deficit) for the Year		1,021,557	2,844,702

The financial statements on pages 88 to 120 were approved for issue by the Board of Directors on 24/12/2018 and signed on its behalf by:



ENG. PROF. JAMIDU H. Y. KATIMA
CHAIRMAN

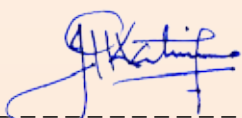


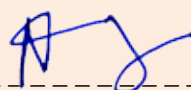
NZINYANGWA E. MCHANY
Ag. DIRECTOR GENERAL

3.3 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE 2018

	2017/2018 TZS.'000	2016/2017 TZS.'000
Operating Activities		
Receipts:		
Regulator Levy	42,908,918	35,751,130
Licence Fees	594,775	1,016,768
Application Fees	372,821	261,222
Penalties	950,948	1,017,219
Interest Received	-	1,188,108
Other Income	801	800
Payments:		
Staff Expenses	(16,134,183)	(15,413,829)
Operating Expenses	(11,111,783)	(7,699,173)
Contribution to Government Entities	(10,254,233)	(9,852,457)
Administration Expenses	(4,371,322)	(3,545,873)
Other Payments	(1,382,188)	(1,294,070)
Net cash flows from Operating Activities	1,574,556	1,429,845
Investing Activities		
Purchase of Property and equipment	(3,811,681)	(1,513,133)
Purchase of Intangible Assets	-	(178,546)
Proceed from Financial Assets - Maturity after 91 Days	-	23,482,574
Net Cash Used in Investing Activities	(3,811,681)	21,790,646
Financing Activities		
Special Dividends to the Government	-	(23,482,574)
Net Cash Generated from Financing Activities	(3,811,681)	(1,691,679)
Decrease (Increase) in Cash and Cash Equivalents	(2,237,125)	(261,833)
Cash and Cash Equivalents at the Beginning of the Year	3,313,443	3,575,276
At the End of the Year	1,076,319	3,313,443

The financial statements on pages 88 to 120 were approved for issue by the Board of Directors on 24/12/2018 and signed on its behalf by:



 ENG. PROF. JAMIDU H. Y. KATIMA
 CHAIRMAN


 NZINYANGWA E. MCHANY
 Ag. DIRECTOR GENERAL


3.4 STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2018

	Retained Surplus	Total Amount
	TZS.'000	TZS.'000
Opening Balance as at 1st July, 2017	9,890,409	9,890,409
Adjustment Note 9	5,881,327	5,881,327
Net Operating surplus for the Year	1,021,557	1,021,557
Balance at 30th June, 2018	16,793,293	16,793,293
Year Ended 30th June 2017		
Opening Balance as at 1 st July, 2016	7,045,707	7,045,707
Net Operating Surplus for the Year	2,844,702	2,844,702
Balance as at 30 June, 2017	9,890,409	9,890,409

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ENG. PROF. JAMIDU H. Y. KATIMA
 CHAIRMAN



NZINYANGWA E. MCHANY
 Ag. DIRECTOR GENERAL

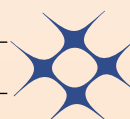
3.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

	Original Budget	Mid-Year Review	Final Budget	Actual on	Performance
	TZS '000	(Adjustments)	TZS '000	Comparable Basis	Difference
		TZS '000		TZS '000	TZS '000
Revenue					
Revenue from Non-exchange Transactions:					
Regulatory Levy	45,210,758	404,012	45,614,770	42,868,174	(2,746,595)
Licence Fees	742,329	(96,400)	645,929	594,775	(51,154)
Application Fees	112,965	160,686	273,651	372,821	99,170
Penalties	960,000	(216,024)	743,976	950,948	206,972
Finance Income	-	113	113	801	688
Sales of Tender Documents	2,000	-	2,000	-	(2,000)
Other income	-	-	-	-	-
Total Revenue	47,028,052	252,386	47,280,438	44,787,519	(2,492,919)
Expenses					
Staff Costs	19,726,641	(1,789,790)	17,936,851	16,140,408	1,796,444
Operating Expenditure	12,010,063	919,358	12,929,421	11,354,223	1,575,198
Contribution to other Government Entities	10,439,945	30,000	10,469,945	10,415,182	54,764
Administration Costs	4,695,002	24,966	4,719,968	4,419,537	300,432
Financial and Other Charges	-	-	283,228	405,264	(122,036)
Depreciation of property, plant and equipment	-	-	-	970,935	(970,935)
Amortization of intangible assets	-	-	-	60,415	(60,415)
Total Expenses	42,882,741	(815,466)	46,339,414	43,765,963	2,573,451
Surplus/(Deficit) for the year	4,145,311	1,067,852	941,025	1,021,557	80,532
Attributable to:					
Surplus attributable to owners	4,145,311	1,067,852	941,025	1,021,557	80,532

The financial statements on pages 88 to 120 were approved for issue by the Board of Directors on 24/12/2018 and signed on its behalf by:


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 Ag. DIRECTOR GENERAL



4.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

4.1 INFORMATION ON BUDGET PERFORMANCE

IPSAS 24 requires a public sector entity that is required or elect to make publicly available its approved budget to present budgetary information covering classification and basis adopted in the approved budget, budget period covered, explanation of changes between approved original and final budget because of reallocations within budget and material difference (variances) between the final budget amounts and actual amounts during the year for both revenue and expenditure.

4.1.1 Budgetary basis

The budget for financial year 2017/18 was prepared based on the requirements of the law, EWURA's Strategic Plan (2017/18-2021/22), operational policies and relevant Government Circulars. It was also prepared in line with the Medium-Term Expenditure Framework (MTEF) as one of the requirements of the Government Budget Guidelines for Preparation of 2017/18 budget.

4.1.2 Budget period covered

The budget for the financial year 2017/2018 covered a twelve (12) months period starting 1st July 2017 to 30th June 2018.

4.1.3 Changes between approved original and final budget

During the end of first six months' period of financial year 2017/2018 i.e. December 2017, the Authority revised its budget to take into account the projections for the remaining period of six months of the Financial Year 2017/18 that ended 30th June 2018. The projections for the remaining period included activities that were earlier not included in the budget for the FY 2017/18. The approved projections also considered the income and expenditure trends during the first six months.

Generally, during the first half of the FY 2017/18, there were variations in the estimated income and expenditure Vis a Vis the actual income and expenditure. The reason for the variations was the dynamics of the operating environment.

The changes that were made from the original budget were to increase in revenue by TZS 252.8 million and review downward recurrent expenditure at an aggregate (net) figure of TZS 815 million.

4.1.4 Explanation for Material Variances

During implementation of the approved budget for financial year 2017/2018, the Authority noted some material variances against its revenue and expenditure budget. Explanation on such variances is given below;

4.1.5 Regulatory Levy

During the year ended 30th June 2018 the Authority earned TZS 42.9 billion equivalent to 94% of TZS 45.6 billion regulatory levy budgeted during the period. The Authority did not meet its regulatory levy target as earlier estimated due to decrease in imports of petroleum products which resulted from drop in consumption in petroleum products.

4.1.6 Application and Licence Fees

During the year, the Authority earned TZS 967.0 million on application and licence fees equivalent to 105% of TZS 919.6 million budget set. This performance was due to a bigger number of license fees from electricity, natural gas, water and petroleum sub-sectors than it was anticipated. A big number of Application Fees were received from petroleum subsector.

4.1.7 Other income

During the financial year ended 30th June 2018 the Authority projected to earn TZS 2 million as sale of tender documents. At the year end, no collection on sale of Tender Documents was realised. The reason for this performance was that the Authority mostly used the services of Government Procurement Services Agency (GPSA) in its procurement transactions.

4.1.8 Staff Cost

Expenditure in Staff cost was TZS 16 billion equivalent to 90% of TZS 17.9 billion budget set during the year. This performance was a result of incomplete recruitment processes of a number of positions that were vacant. Meanwhile, some backlog recruitments for 2016/2017 were undertaken during the year following the government directives to complete the verification and staff list clean up exercise.

4.1.9 Operating Expenses

During the year the Authority incurred TZS 11.4 billion against the budgeted amount of TZS 12.9 billion on operating expenses. This performance was 88% of the budget set during the year as some activities were not concluded during the year due to procurement procedures. Also, the level of spending was commensurate to the revenue earned.

4.1.10 Other Charges

The Authority incurred (reported) an amount which was more than the budget as a result of a write off of TZS 106.7 million relating to one motor vehicle that was not delivered in the year 2010 by the Ministry of Infrastructure.

4.1.11 Depreciation and Amortisation Charges

Depreciation and Amortisation charges were above the budget set during the period. This was due to the depreciation charge on additional number of Non-current assets including office equipment, furniture and fittings and computer equipment for Head office and zonal offices.

NOTE 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, 2001). 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: -

4th Floor, LAPF House,
Makole Road,
P O Box 2857,
Dodoma, Tanzania.

NOTE 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) Statement of Compliance

The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Tanzania Shillings (TZS), which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (TZS '000'). 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.

b) Basis of Preparation

The preparation of financial statements which is in conformity with IPSAS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas

involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in accounting policy (c).

c) Standards, amendments and interpretations to the Authority's operations

The Authority has continued to adopt the newly published International Public Sector Accounting Standards (IPSASs) as of 1 July 2016. IPSAS 40 that was published in January 2017 provides the first international accounting requirements that specifically address the needs of the public sector when accounting for combinations of entities and operations.

The standard classifies public sector combinations as either amalgamations or acquisitions. For amalgamations, the standard requires use of the “modified pooling of interests” method of accounting, which is a variation of the pooling of interests method of accounting (also referred to as “merger accounting”), in which the amalgamation is recognized on the date it takes place.

For acquisitions, IPSAS 40 requires use of the “acquisition” method of accounting, applying the same approach as in IFRS 3, Business Combinations. This is supplemented with additional guidance for public sector specific situations. The standard has no impact in the financial statements of the Authority.

d) Revenue Recognition

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 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.

Revenue from Non-Exchange Transactions

The Authority recognizes revenues from levy, licenses and fines/penalties when the event occurs, the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Revenue from Levies

Revenue is recognized upon regulated supplier's acceptance of demand note.

Donor and Government Funds

Funds from the World Bank and Government Funds are reported as Deferred Revenue and recognized as revenue when there is reasonable assurance that the Authority will comply with the conditions attached to them and the grants will be received.

(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

Grants related to assets, including non-monetary grants (such as land or other resources) are recognized as deferred revenue at fair value and released to statement of financial performance over the useful life of a depreciable asset.

Revenue from Exchange Transactions

Interest income:

Is accounted for in the period in which it is earned. For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as other income in the Statement of Financial Performance.

Other sources of revenue are recognized and accounted for as income to the Authority in the period in which it is earned.

e) Property and Equipment

All property, plant and equipment are stated at cost less and thereafter stated at historical cost less accumulated depreciation, less any asset impairment. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent expenditures are capitalized only when they increase the current economic benefits or service potential and meet the recognition criteria. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognized. All other expenditure items, which do

not meet recognition criteria, are recognized in the Statement of Financial Performance as expenses as they are incurred.

Depreciation on assets is calculated on the straight line basis to write down the cost of each asset, to its residual value over their estimated useful lives. The authority is charging depreciation when the asset is available for use irrespective of the date of acquisition. The depreciation ceases when the asset is derecognized.

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 surplus or deficit.

Intangible Assets

Intangible assets consist of computer software licenses which are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives which are estimated to be 3 years. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. Generally, costs associated with developing computer software programmes are recognized as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally generated intangible assets are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred.

f) Financial Instruments

Classification

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

- (i) Held-to-maturity investment
- (ii) Loans and receivables
- (iii) Financial liabilities measured at amortized 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 recognized 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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognized in the statement of financial performance.

Subsequent Measurement

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

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

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

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

De-recognition

Financial assets are de-recognized 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 surplus or deficit, 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 to be indicators of impairment. Impairment losses are recognized in statement of financial performance.

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 recognized, 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 recognized.

Reversals of impairment losses are recognized in statement of financial performance 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 recognized in surplus or deficit 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.

g) Loans to Staff

These financial assets are classified as loans and receivables.

h) Trade and Other Receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances

for estimated irrecoverable amounts are recognized in surplus or deficit when there is objective evidence that the asset is impaired. The allowance recognized 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 recognized in statement of financial performance 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 surplus or deficit. Trade and other receivables are classified as loans and receivables.

i) Trade and Other Payables

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

j) 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.

k) Held to Maturity

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

At subsequent reporting dates these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in surplus or deficit 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 recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized. Financial assets that the Authority has the positive intention and ability to hold to maturity are classified as held to maturity.

l) Inventories

There were no Inventories held for sale. Inventories for consumption (Stocks and Consumables), i.e. stationeries, are measured at cost upon initial recognition. After initial recognition inventories are measured at the lower of cost and current replacement cost.

Cost is determined by the First-In-First-Out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. As at the reporting date, the Authority has reported inventory with a value of TZS 299 million (2016/17 TZS 243.6 million). Also, slow moving stock with a value of TZS 33.8 million were provided in the accounts during the year.

m) Provision

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

n) Foreign Currencies Translation

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 (TZS) 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 financial performance in the period in which they arise.

o) Functional and presentation currency

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the Authority operates ("the functional currency"). The financial statements are presented in Tanzanian Shillings, which is the Authority functional and presentation currency and all values are rounded to the nearest thousand (TZS'000) except where otherwise indicated.

p) Employee Entitlements

Employee entitlements to gratuity and long-term service awards are recognized 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 recognized as an expense accrual.

Retirement Benefit Obligation

i. Approved Pension Scheme

The Authority contributes to statutory defined benefits for its employees under the Permanent and Pensionable term of employment 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). At the year-end, the Government was in the final stages of merging those Pensions Funds except NSSF into one fund known as Public Service Social Security Fund (PSSSF) following the enactment of the Public Sector Social Security Act, 2018. EWURA being a Government entity will be contributing to PSSSF.

i. Gratuity

The Authority sets aside 25% of employee's last basic salary as gratuity payable at the end of the contract for all staff under Contract terms of Employment. The contract period is normally five (5) years renewable upon successful performance. A provision is made for the estimated gratuity liability because of service rendered by the employees up to the Statement of Financial Position date.

q) 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 financial performance on a straight-line basis over the period of the lease.

r) Comparatives

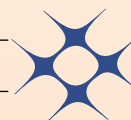
Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.

NOTE 3: PROPERTY AND EQUIPMENT

	WIP EWURA House	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total
	TZS.'000	TZS. '000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000
Cost:								
At 1 July, 2017	-	574,497	6,190	2,736,050	659,696	1,030,359	1,073,472	6,080,264
Additions	2,000,000	-	-	662,616	121,825	133,098	894,141	3,811,681
Additions/Adjustment (No. 4)							40,672	40,672
Disposals/Adjustments (Note 3.1)	-	-	-	-	(51,278)	(218,858)	(80,830)	(350,966)
At 30 June, 2018	2,000,000	574,497	6,190	3,398,666	730,243	944,599	1,927,455	9,581,651
Depreciation:								
At 1 July, 2017	-	555,840	6,190	1,595,924	205,952	508,470	854,701	3,727,077
Charges for the Year	-	12,156	-	436,910	88,106	108,210	325,553	970,935
Disposal	-	-	-	-	51,278)	(218,858)	(80,830)	(350,967)
Depreciation Adjustment (Ref. Note 4)	-	-	-	-	-	-	40,672	40,672
At 30 June, 2018	-	567,996	6,190	2,032,834	242,780	397,822	1,140,096	4,387,717
Net Book Value 30 June 2018	2,000,000	6,501	-	1,365,832	487,463	546,777	787,359	5,193,933

NOTE 3.1

During the financial year 2017/18, property and equipment with a cost of TZS 350.97 million were disposed due to wear and tear. These involved furniture and fittings, office equipment and computers with zero NBV and over five years' age from the date of use. All disposed assets were approved by the Ministry of finance for disposal through public auction.



NOTE 3: PROPERTY AND EQUIPMENT (Continued)

	WIP EWURA House	WIP Laboratory Building	WIP Technical Equipment	Leasehold Improvement	Technical Equipment	Motor Vehicles and Fittings	Furniture and Equipment	Office Equipment	Computers	Total
Cost:	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000
At 1 st July, 2016	646,554	-	-	574,497	6,190	1,963,723	465,291	749,737	807,693	5,213,684
Additions	-	-	-	-	-	772,327	194,405	280,622	265,779	1,513,133
Disposals/ Adjustments	(646,554)	-	-	-	-	-	-	-	-	(646,554)
At 30th June, 2017	-	-	-	574,497	6,190	2,736,050	659,695	1,030,359	1,073,472	6,080,263
Depreciation:										
At 1 st July, 2016	-	-	-	543,683	6,190	1,350,449	134,498	399,443	750,778	3,185,042
Charges for the Year	-	-	-	12,156	-	245,475	71,454	109,027	103,922	542,035
Disposal	-	-	-	-	-	-	-	-	-	-
At 30 June, 2017	-	-	-	555,840	6,190	1,595,924	205,952	508,470	854,701	3,727,077
Net Book Value 30th June 2017	-	-	-	18,657	-	1,140,126	453,744	521,888	218,772	2,353,187

NOTE 4: INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Cost		
At Start of Year	817,988	639,442
Additions/Adjustment-Transfer to PPE	(40,672)	178,546
At End of Year	777,316	817,988
Amortization		
At Start of Year	643,356	608,351
Charge for the Year	60,415	35,005
Adjustment-Transfer to PPE (Note 4.1)	(40,672)	-
At End of Year	663,099	643,356
Net Book Value as at 30th June, 2018	114,217	174,632

Note 4.1 Intangibles Transferred to PPE

During the year 2017/18 tangible asset with a value of TZS 40.7 million was reclassified from Intangible assets group to PPE under computers group. No intangible asset with zero value which were in use during the financial year 2017/18.

NOTE 5: TRADE AND OTHER RECEIVABLES

Trade Receivables	12,257,028	12,443,905
Provision for Impairment (Note 5A)	(1,361,425)	(1,537,024)
Prepayments (Note 5B)	679,099	1,438,722
Other Receivables	-	85,581
ESCB Account	(32,276)	(49,503)
Staff Loans and Advances (Note 18C)	1,688,912	1,607,088
TOTAL	13,231,338	13,988,769

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

NOTE 5A: Movement in Provision for Impairment

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Balance at the beginning of the Year	1,537,024	-
Charge for the Year	-	1,537,024
Recoveries (Released provision during the year)	(175,599)	-
TOTAL	1,361,425	1,537,024

NOTE 5B: Prepayments

Prepaid Office Rent	26,597	109,401
Prepaid Insurance	9,426	17,257
Prepayments – Others	643,075	1,312,064
Total Prepayments	679,099	1,438,722

Prepayments for other expenses comprise of advance payments in respect of Platt's, ARA Membership, International Energy Agency (IEA) and AFUR membership subscriptions.

NOTE 6: INVENTORIES

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Inventory balance	229,003	243,688
Provision for Slow moving Inventory (Note 6.1)	(33,787)	-
Inventories at the lower of cost and current replacement value	195,216	243,688
Inventories recognized as an expense during the year	355,381	638,388

NOTE 6.1 Provision of Slow Moving Item

The value of identified slow moving inventory was extracted from stock verification report for the financial year 2017/18.

NOTE 7: CASH AND CASH EQUIVALENTS

This statement is for the purpose of the cash flow statement, in this respect, the year-end cash and cash equivalents comprise of the following: -

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Cash and Bank Balances	1,076,319	3,313,443
TOTAL	1,076,319	3,313,443

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

At the end of the year the Authority had a total of TZS 0.91 billion (2017: TZS 1.8 billion) and USD 0.074 million (2017: USD 0.7 million) held in different bank accounts as indicated hereunder.

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

Financial assets maturing within 91 days

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
CRDB Main Account	166,951	61,843
CRDB Revolving Fund Account	414,875	35,289
CRDB Mwanza	18,349	2,528
NMB Arusha	422	-
NMB Mbeya	16,781	-
NMB Dodoma	41,544	-
BOT-Energy Sector Capacity Building Project-USD	27,420	75,215
BOT-Revenue and Collection Account- USD	140,038	1,441,791
BOT-Revenue and Collection Account – TZS	249,712	1,687,736
CRDB USD	227	9,042
TOTAL	1,076,319	3,313,444

NOTE 7.1: CASH FLOW RECONCILIATION – CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of Surplus for the year to cash generated from operations:

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Surplus/(Deficit) for the year	1,021,556	2,844,702
Adjustments for:		
Non-cash items including Depreciation and Amortization	1,031,350	937,220
Cash Generated from Operations Before Working Capital Changes	2,052,906	3,781,922
Changes in Working Capital:		
(Increase)/Decrease In Stocks And Consumables	82,259	(117,327)
(Increase)/Decrease in Trade and Other Receivables	696,325	(2,589,829)
Increase/(Decrease) in Trade and Other Payables	(1,256,934)	366,769
Net changes in Working Capital	(478,350)	(2,340,387)
Net Cash Generated from Operations	1,574,556	1,441,535

NOTE 8: GRATUITY PAYABLE

The Authority released TZS 3.0 billion provisions for gratuity during the year which includes TZS 394.0 million non-current liabilities related to staff whose contracts came to an end. This followed changes made in terms of employment from contract to permanent and pensionable terms that started in 1st November 2018. Due to these changes all staffs were paid their gratuity due up to 30th October 2018. The current gratuity provision made amounting to TZS 64.7 million relates to 20 staff who are still in contract terms. The analysis is given below: -

	30.06.2018 TZS'.000	30.06.2017 TZS'.000
At start of the year	2,452,561	2,631,734
Charge for the Year	648,448	1,238,142
Released During the Year	(3,036,289)	(1,417,317)
At End of Year	64,719	2,452,559
Less: Balance Reclassified as Current Liabilities (Note 9)	64,719	692,577
Non-Current Liabilities as at 30th June 2018	-	1,759,982

NOTE 9: TRADE AND OTHER PAYABLES

Trade Payables	1,145,798	310,577
Special Dividends Payable	-	5,487,310
Gratuity Payable (Note 8) within the year	64,719	692,577
Audit Fees	112,640	90,640
Withholding Tax	39,676	19,835
GPA Sinking Fund	382,089	382,089
PAYE	52,088	21,139
EREA Fund	75,550	170,527
Other Payables and Accruals	1,143,782	1,224,805
TOTAL	3,016,343	8,399,497

During the year an adjustment of TZS 5.88 billion was made relating to special dividend account pending final determination of EWURA submission to the office of the Treasury Registrar. In the opinion of the directors, the carrying amount of Trade and other Payables is approximate to their fair value.

NOTE 10.1: REVENUE FROM NON-EXCHANGE TRANSACTIONS

	2017/2018	2016/2017
	TZS.'000	TZS.'000
Regulatory Levy		
Electricity	14,345,480	14,449,040
Petroleum	21,761,147	20,499,522
Natural Gas	4,158,532	1,825,671
Water and Sewerage	2,603,016	2,839,965
Total Regulatory Levy Revenue	42,868,174	39,614,198
License Fees		
Electricity	10,359	180,545
Natural Gas	9,202	1,093
Water and Sanitation	800	100
Electricity Contractors and Wiremen	63,481	64,853
Petroleum	510,933	770,177
Total License Fees Revenue	594,775	1,016,768
Application Fees		
Electricity	24,246	26,563
Natural Gas	3,744	1,739
Petroleum	344,831	232,920
Total Application fees revenue	372,821	261,222
Penalties from Petroleum Adulterations	950,948	1,071,219
Total Revenue from Non-Exchange Transactions	44,786,718	41,963,407

NOTE 10.2 REVENUE FROM EXCHANGE TRANSACTIONS OTHER INCOME

Sale of Tender Documents	-	800
Total Other Income	-	800



NOTE 11: FINANCE INCOME

Interest Income on Fixed Deposits	-	214,334
Interest Income on Treasury Bills	-	851,728
Foreign Exchange Gain	801	119,819
Interest Received on Current Account	-	2,228
Total Finance Income/(Cost)	801	1,188,109
Total Revenue from Exchange Transactions	801	1,188,909

NOTE 12: STAFF COSTS

	2017/2018 TZS.'000	2016/2017 TZS.'000
Salaries	9,175,929	8,790,826
Gratuity Expenses	648,448	1,238,144
Pension Employer's Contribution	1,212,682	1,045,770
Skills and Development Levy	518,895	470,085
Medical Expenses	532,539	387,323
Other Staff Costs (Note 12.1)	4,051,916	3,481,682
TOTAL	16,140,408	15,413,829

NOTE 12.1: Other Staff Costs

Staff Insurance – GPA/WCF	55,993	46,764
Transport Allowances	705,340	643,611
Annual Leave Package	121,387	164,548
Acting Allowance	107,869	189,773
Outfit Allowance	10,310	8,237
Funeral Expenses	26,606	1,750
Recruitment Costs	154,152	110,522
Compensation Allowance	311,833	334,465
Staff Relocation Costs	433,024	182,993
Staff Welfare Expenses	32,286	2,325
Housing Allowance	1,240,952	1,060,993
Utility Allowance	824,663	705,309
Security Allowance	27,500	30,392
TOTAL	4,051,916	3,481,682

NOTE 13: OPERATING EXPENDITURE

	2017/2018 TZS.'000	2016/2017 TZS.'000
Capacity Building Expenses	1,072,304	753,641
Regulatory Tools Development Expenses	929,007	405,295
Field and Inspection Expenses	3,438,299	2,190,395
Public Inquiries	324,749	234,645
Complaints, Mediation and Dispute Resolution	457,441	269,172
Government Delegation Participation costs	40,046	7,732
Public Awareness Programmes	1,554,925	1,338,463
Advertisement Expenses	643,306	484,368
Consultancy Expenses	195,628	625,775
Membership Contribution, Books and Periodicals	342,234	336,631
Library General Expenses	24,931	7,690
Regional Cooperation Meetings	492,604	204,225
Local Travel and Conference Expenses	256,326	336,760
Stakeholders Consultative Meetings	127,134	54,679
Provision for slow moving Inventory	33,787	-
Bad Debt Provision	-	1,537,024
Motor Vehicle Fuel Expenses	68,341	109,665
Motor Vehicle Repairs and Maintenance	364,906	370,382
Car Hiring Expenses	26,933	21,304
Maintenance of Computer Hardware	86,134	37,339
Maintenance of Computer Software	487,835	182,910
Maintenance of Other Office Equipment	168,205	11,832
Wiremen Licensing Activities	109,172	71,145
Directors Fees	72,000	73,000
Public Awareness Programme- Staff Relations	-	23,129
Board Expenses	37,975	44,983
TOTAL OPERATING EXPENSES	11,354,223	9,732,184

NOTE 14: CONTRIBUTION TO GOVERNMENT ENTITIES

Ewura is legally required to finance some entities i.e. EWURA CCC, FCC, FCT and GCC. Also using its funds, EWURA is required to contribute on monthly basis 15% of its gross revenue to the Treasury Registrar (Consolidated fund). During the financial year 2017/18, the authority contributed TZS 10.4 billion (2017: TZS 9.9 billion) as shown below;

	2017/2018 TZS.'000	2016/2017 TZS.'000
Government Consultative Council Expenses	90,636	81,871
Consumer Consultative Council Expenses	2,218,680	2,023,610
Fair Competition Tribunal Subvention	407,589	320,806
Fair Competition Commission Subvention	644,069	644,069
Treasury Contribution	7,054,208	6,782,101
TOTAL CONTRIBUTIONS	10,415,182	9,852,457

NOTE 15: ADMINISTRATION COSTS

Office Rent	2,869,284	2,467,402
Telephone, Fax and Internet	428,585	297,371
Stamps and Postages	40,059	31,770
Printing and Stationery	412,127	252,070
Maintenance of Leasehold Property	23,396	210,180
Office General Expenses	192,720	232,614
Entertainment Expenses	15,741	9,708
Donations and Contributions	159,700	116,059
Audit Expenses	111,000	111,000
Tender Board Expenses	166,924	109,049
Editorial Board Expenses	-	4,570
TOTAL	4,419,537	3,841,793

NOTE 16: OTHER CHARGES

Insurance Charges	37,706	69,066
Write off of Non-Current Assets	130,479	646,554
Data Storage Charges	213,141	152,549
Bank Charges	23,938	22,143
TOTAL	405,264	890,312

NOTE 17: 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, 2001. 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.

NOTE 18: RELATED PARTY TRANSACTIONS

EWURA reports to the Ministry of Water and Irrigation and works closely with the ministry on all issues related to Water and Sanitation. The Authority also works hand in hand with the Ministry of Energy on issues related to energy. Other related parties are Seven members of the Board of Directors (six of them are non-executive Directors and one Executive Director) and eleven Head of Divisions and Units who have significant influence over the Authority Affairs.

Related Party Transactions

The following transactions were carried out with related parties:-

A. Key Management Compensation

	30.06.2018 TZS.'000	30.06.2017 TZS.'000
Salaries and Other Emoluments	2,127,436	2,096,283
Total Key Management Compensation	2,127,436	2,096,283
Employees Post-Employment Benefits:		
- Pension - Employer's Contribution	192,011	201,233
- Gratuity paid during the year	192,011	201,233
Total Employee Post – employment Benefits	384,022	402,466



B. Directors

The annual Directors Fees were paid to six members of the Board of Directors at the approved rates as follows; Chairman TZS. 13,000,000 and other members of the Board TZS. 12,000,000. The total amount of Directors' fees paid during the year under review is TZS. 72,000,000 compared with the amount of TZS. 73,000,000 for the previous year. Also TZS 38 million (2017: TZS 45 million) was incurred as Board expenses during the year.

Management Composition

The Management of EWURA is made up of the following members: -

- i. Director General;
- ii. Director of Natural Gas;
- iii. Director of Water and Sanitation;
- iv. Director of Legal Affairs;
- v. Director of Internal Audit;
- vi. Director of Petroleum;
- vii. Director of Electricity;
- viii. Director of Corporate Affairs;
- ix. Manager, Communications and Public Relations;
- x. Manager, Procurement Management Unit; and
- xi. Manager, Information and Communication Technology.

Employees Post-Employment Benefits

The Authority contributes to the defined benefit plans for its employees to different Pension Funds including Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF), Government Employees Provident Fund (GEPF) or Local Authorities Pensions Fund (LAPF) and National Social Security Fund (NSSF). The Authority's contribution during the year ended 30th June 2018 amounted to TZS 1.212 billion. The Authority also contributed a total of TZS 56 million to the Workers Compensation Fund. Contributions to these funds are recognized as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of 15% of employee's last basic monthly salary on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30th June 2018 TZS 1.345 billion were released to staff whose contract came to an end.

C. Staff Loans and Advances (Note 5)

	30.06.2018	30.06.2017
	TZS.'000	TZS.'000
Staff Revolving Loans	1,293,456	1,186,900
Salary Advances	274,297	276,651
Imprest	122,202	143,537
TOTAL	1,689,955	1,607,088

The Authority set up the Staff Revolving Loans Fund for extending loans to staff for the purchase of motor vehicles and other amenities. These loans are interest free, repayable 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 30th June 2018 loans amounting to TZS 1.293 billion (2016/17 TZS 1.186 billion) were outstanding.

NOTE 19: CAPITAL EXPENDITURE COMMITMENTS

Capital commitments

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

	30.06.2018	30.06.2017
	TZS.'000	TZS.'000
Property and Equipment	8,735,644	33,984
Software Development	150,000	79,567
Subtotal	8,885,644	113,551

Other Commitments

Consultancy Services	214,417	45,000
Local Purchase Orders	186,473	227,197
Total Commitments	400,890	385,748

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. 7 of

2011. The above amount represent value of work committed but not yet paid. The reported PPE commitment related to construction of EWURA offices in Dodoma region, Software development relates to upgrading of existing Epicor accounting package from version 9.0 to Version 10.0 and Local purchase orders for purchase of various goods and services.

NOTE 20: FINANCIAL RISK MANAGEMENT

The Authority's activities potentially expose it to a variety of financial risks. These risks include interest rate risks, credit risks, liquidity risks and foreign exchange risks. The authority has instituted a number of measures to minimize potential adverse effects on its financial performance as follows;

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 minimizes 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 is negotiated and fixed in the local currency whenever possible.

NOTE 21: OPERATING LEASE COMMITMENTS

The Authority had operating leases for offices in which it carries out its operations. The duration of lease agreements made are always not more than two years. These leases were with LAPF (for EWURA Eastern zone office and Head Office in Dodoma), PPF for EWURA Zonal office in Mwanza, National Housing Corporation for Southern Highlands zonal office

in Mbeya and PPF for Northern Zonal Office in Arusha. Expected future payments for the existing lease agreements were as follows: -

	30.06.2018	30.06.2017
	TZS.'000	TZS.'000
Within One Year	2,612,825	2,272,825
Later Than One Year	4,998,368	4,318,368
TOTAL	7,611,193	6,591,193

NOTE 22: CONTROLLING ENTITY

EWURA by virtue of its formation is controlled by the Government of the United Republic of Tanzania.

NOTE 23: FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of EWURA which is also the presentation currency is the Tanzanian Shilling (TZS). The values in this report have been rounded up to the nearest thousand.

NOTE 24: CONTINGENT LIABILITIES

As at the reporting date, the Authority had one (1) pending law suit on hearing stage with reference number CMA/DSM/ILA/R, 609/15 filled on 26th Nov, 2015 at the Resident Magistrate Courts which had contingent claims against the Authority as of the year end

	30.06.2018	30.06.2017
	TZS.'000	TZS.'000
1. Naingishu Soikan Mollel Vs. EWURA	660,630,913	660,630,913
2. Leonce Anthony Vs. EWURA	-	114,680,052
TOTAL	660,630,913	775,310,965

NOTE 25: COMPARATIVE FIGURES

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

NOTE 26: EVENTS AFTER REPORTING DATE

There were no material events, adjusting or non-adjusting, which had occurred between the reporting date and the date when the Financial Statements are authorized for issue.