



8<sup>TH</sup> ANNUAL REPORT **2014**

THE UNITED REPUBLIC OF TANZANIA



# **8<sup>TH</sup> ANNUAL REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2014**

**NOVEMBER, 2014**

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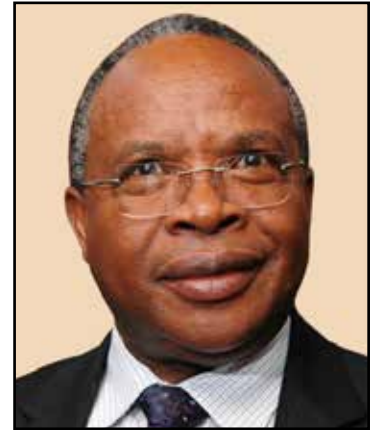
**Website: [www.ewura.go.tz](http://www.ewura.go.tz)**

## ABBREVIATIONS

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

## LETTER OF TRANSMITTAL

Hon. Prof. Jumanne Maghembe (MP),  
Minister for Water,  
Ministry of Water,  
426 Morogoro Road,  
14473 Dar es Salaam.



Honourable Minister,

In accordance with section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap 414, I have the honour to submit to you the Annual Report and Audited Accounts of the Energy and Water Utilities Regulatory Authority (EWURA) for the financial year ended 30<sup>th</sup> June, 2014.

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

I submit.



Simon F. Sayore

**Chairman, EWURA Board of Directors**

**November, 2014**

## VISION, MISSION AND CORE VALUES

**VISION:** To be a world class regulator of energy and water services.

**MISSION:** To regulate the energy and water services in a transparent, effective and efficient manner that promotes investments and enhances the socio-economic welfare of the Tanzanian society.

### CORE VALUES:

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

- a) transparency;
- b) integrity;
- c) courtesy;
- d) accountability;
- e) professionalism; and
- f) equity.

## TABLE OF CONTENTS

<b>LETTER OF TRANSMITTAL.....</b>	<b>iii</b>
<b>INTRODUCTION .....</b>	<b>1</b>
<b>ORGANISATION STRUCTURE.....</b>	<b>3</b>
<b>CHAIRMAN'S STATEMENT .....</b>	<b>5</b>
<b>DIRECTOR GENERAL'S STATEMENT .....</b>	<b>8</b>
<b>1.0 CORPORATE GOVERNANCE .....</b>	<b>9</b>
1.1 Board of Directors.....	9
1.2 Board Committees.....	9
1.3 Director General.....	9
1.4 Internal Monitoring System.....	9
<b>2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW .....</b>	<b>12</b>
2.1 Staffing and Institutional Capacity Building.....	12
2.2 Information and Communication Technology (ICT) .....	13
2.3 Financial Performance Review.....	14
2.4 Key Achievements and Challenges.....	15
<b>3.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION .....</b>	<b>17</b>
3.1 Overview .....	17
3.2 Performance Monitoring .....	18
3.3 Licensing.....	21
3.4 Determination of Rates and Charges.....	22
3.5 Legislative Matters.....	23
3.6 Complaints and Dispute Resolutions .....	23
3.7 Litigation .....	23
3.8 Health, Safety and Environmental Matters .....	23
3.9 Key Achievements and Challenges.....	24

<b>4.0</b>	<b>PETROLEUM SECTOR PERFORMANCE AND REGULATION .....</b>	<b>25</b>
4.1	Overview .....	25
4.2	Performance Monitoring .....	25
4.3	Fiscal Impact of Regulatory Interventions .....	32
4.4	Petroleum Quality Monitoring Activities.....	34
4.5	Licensing Enforcement .....	35
4.6	Complaints and Disputes .....	36
4.7	Environmental Impact Assessment and Audit Studies Review .....	37
4.8	Regulatory Tools.....	37
4.9	Petroleum Products Standards.....	37
4.10	Key Achievements and Challenges .....	38
<b>5.0</b>	<b>NATURAL GAS SECTOR PERFORMANCE AND REGULATION.....</b>	<b>39</b>
5.1	Overview .....	39
5.2	Natural Gas Supply and Consumption .....	42
5.3	Natural Gas Quality and Standard of Services .....	43
5.4	Sector Policy and Legislation.....	44
5.5	Level of Investment in Gas Infrastructure Development .....	44
5.6	Trends of Cost of Service.....	45
5.7	The Impact of Natural Gas Import Substitution on the Economy .....	46
5.8	Licensing.....	46
5.9	Determination of Rates and Charges.....	46
5.10	Third Party Access.....	47
5.11	Disputes and Complaints .....	47
5.12	Litigation.....	47
5.13	Health, Safety and Environmental Matters.....	47
5.14	Key Achievements and Challenges .....	48
<b>6.0</b>	<b>WATER SUPPLY AND SANITATION SERVICES REGULATION.....</b>	<b>49</b>
6.1	Overview .....	49
6.2	Performance Monitoring .....	49

6.3	Business Plans.....	52
6.4	Water Utilities Performance Review Report.....	52
6.5	Licensing.....	52
6.6	Determination of Rates and Charges.....	53
6.7	Complaints Handling and Dispute Resolution .....	55
6.8	Litigation .....	55
6.9	Health, Safety and Environmental Matters .....	55
6.10	Capacity Building.....	55
6.11	Other Interventions in the Water Sector.....	58
6.12	Key Achievements and Challenges.....	59
<b>7.0</b>	<b>COMMUNICATIONS AND PUBLIC AWARENESS PROGRAMME .....</b>	<b>61</b>
7.1	Overview .....	61
7.2	Public Awareness Campaign .....	61
7.3	Press Conferences and Media Coverage .....	61
7.4	Publicity Materials.....	62
7.5	Exhibitions .....	62
7.6	Impact of Public Awareness Campaigns .....	62
7.7	Corporate Social Responsibility .....	62
7.8	Key Achievement and Challenges .....	63
<b>8.0</b>	<b>STAKEHOLDERS CONSULTATIONS .....</b>	<b>64</b>
<b>9.0</b>	<b>DECLARATION OF CONFLICT OF INTEREST.....</b>	<b>64</b>
<b>10.0</b>	<b>CONCLUSION AND FUTURE OUTLOOK.....</b>	<b>65</b>
	<b>FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2014.....</b>	<b>66</b>





## INTRODUCTION

The Energy and Water Utilities Regulatory (EWURA) has been in operation for eight years and this is the 8<sup>th</sup> Annual Report that presents the performance of the Authority for the financial year ended 30<sup>th</sup> June, 2014. The report covers summaries of executed activities, challenges encountered and achievements attained during the period under review.

The Authority was established under the EWURA Act, Cap. 414 of the Laws of Tanzania, and started its operation in June 2006. EWURA is a multi-sector regulatory authority charged with the responsibility for regulating the energy (electricity, petroleum, natural gas) and water sectors. The Authority is responsible for carrying out economic and technical regulation in the relevant sectors, in a manner that will enhance the socio-economic welfare of the Tanzanian society. The functions of the Authority as spelt out in the Act are:

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

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

- (a) promote effective competition and economic efficiency;
- (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) take into account the need to protect and preserve the environment.

## **Objectives**

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

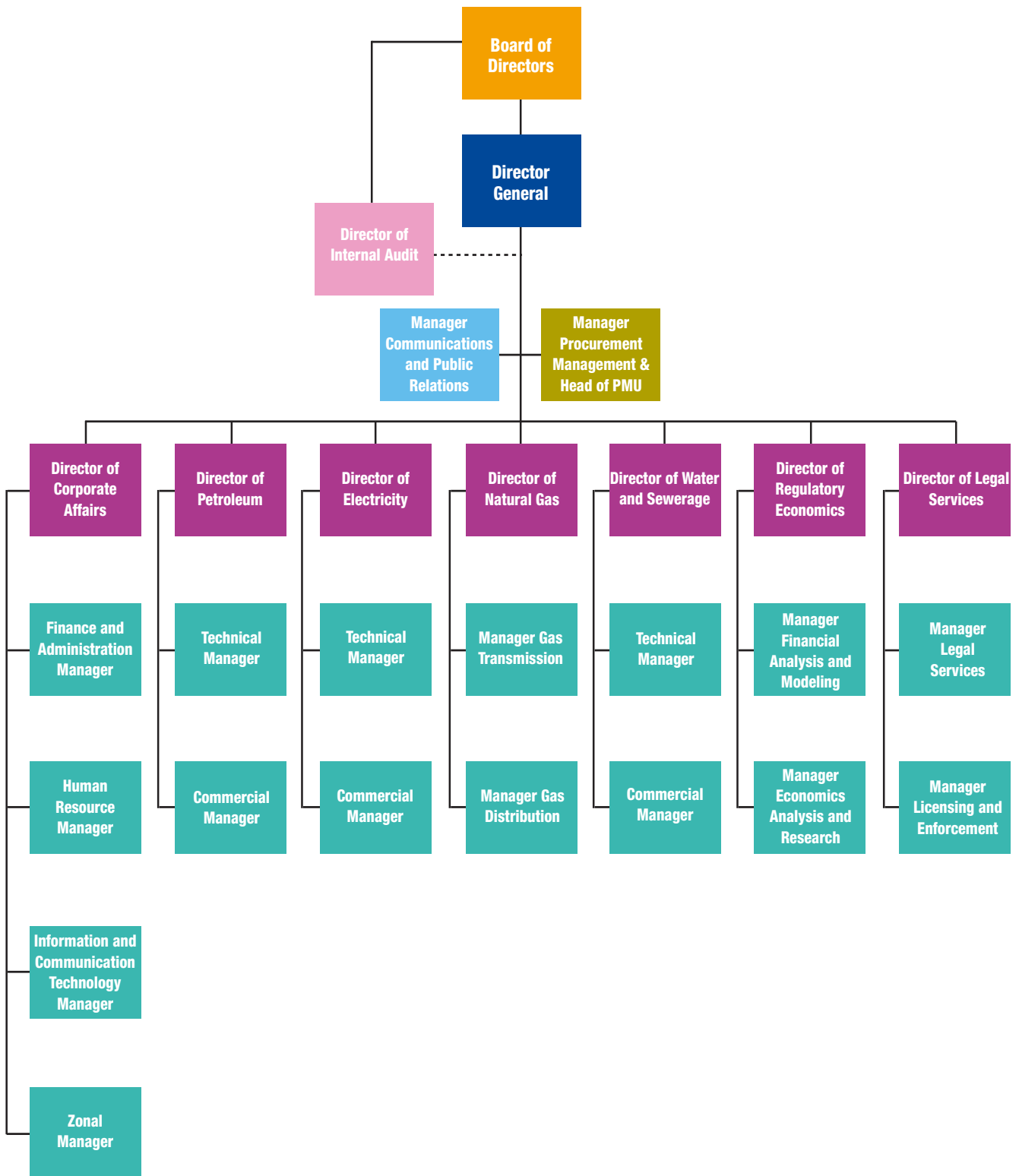
- (a) least cost investments in the regulated sectors promoted;
- (b) quality and access of regulated services improved;
- (c) public knowledge, awareness and understanding of regulatory functions in the regulated sectors enhanced;
- (d) EWURA functions effectively and efficiently managed; and
- (e) interventions against HIV/AIDS enhanced.

During the year under review, the Authority operated under the approved Strategic Plan (2012/13 - 2016/17) that guides the Authority's operations for five years.

## **Organisation Structure**

The Authority has a cost-effective organisation structure that facilitates efficient regulation of the energy (electricity, petroleum, natural gas) and water sectors, good corporate governance and cross-cutting services. The structure has the Board of Directors as the top decision-making 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 independent departments who report directly to the Director General, namely, Manager Procurement Management and Manager, Communications and Public Relations. Summary of the organisation structure is shown below.

## ORGANISATION STRUCTURE



## BOARD AND MANAGEMENT STRUCTURE



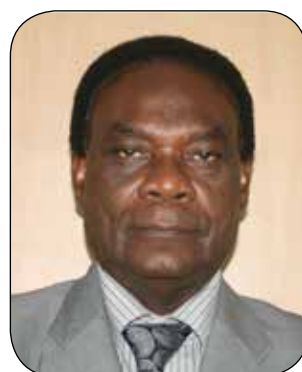
**Mr. Simon Sayore**  
CHAIRMAN



**Mr. Felix Ngamlagosi**  
MEMBER



**Ms Lucy Sondo**  
MEMBER UP TO MAY 2014  
MEMBER



**Mr. Omar Shane Bendera**  
MEMBER



**Ms. Juliana Mwalongo**  
MEMBER



**Mr. Nicholas Mbwangi**  
MEMBER

## CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is my pleasure to present the eighth Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June, 2014.

Over the last eight years we have seen purpose-driven regulatory interventions in the energy and water sectors, spearheaded by the Energy and Water Utilities Regulatory Authority (EWURA) which by and large have resulted into improved service delivery by regulated sectors.

The year 2013/2014 was another year of progress and the Board of Directors remains confident that the Authority's strategy will continue to generate sustainable regulation interventions for the benefit of all stakeholders. Although the regulatory regime dispensation in Tanzania remains challenging, the Authority continued to maintain its position to carry out regulatory best practices to champion the delivery of quality energy and water services.

The report on Fiscal Impact of EWURA's Regulatory Interventions in the Petroleum Downstream Sub-Sector, whose study was carried out by the University of Dar es Salaam, has confirmed that the Authority continued to be an effective regulator committed to enhancing the welfare of the Tanzanian society and positively contributing to the national economy.

In the year ended 30<sup>th</sup> June, 2014, the Board of Directors continued to oversee the regulatory functions carried out by the Authority in order to make the Authority continue to strive to be a world class regulatory institution.

Regulatory interventions have been significantly strong and well ahead of the Authority's own determination with most of the regulated service providers winning confidence of the Authority despite the tough environment. EWURA has thus continued to enjoy support from various stakeholders such as the Government and its institutions, development partners, regulated suppliers, investors, consumers and the general public. Now that we have successfully sailed through financial year 2013/14, I wish to extend my sincere appreciation to the Minister for Water, the Minister for Energy and Minerals, the Minister for Finance and Economic Affairs and all other stakeholders for their close co-operation and continued support over the past eight years of the Authority operation.

Finally, EWURA's achievements could not have been made possible without the unwavering commitment, dedication and hard work of the Board of Directors, Management and the entire EWURA staff and I would like to record my great appreciation for their immense contribution to the Authority's success in discharging its responsibilities.



Simon F. Sayore

**Chairman**

**November, 2014**

## **BOARD & MANAGEMENT STRUCTURE**

### **Board of Directors**

EWURA is governed by a Board of Directors which is the highest decision-making organ of the Authority established under section 8 of the EWURA Act. The Board consists of the non-executive Chairman appointed by the President of the United Republic of Tanzania, five (5) non-executive members and the Director General who are appointed by the Minister responsible for EWURA after consultation with the minister for Energy and Minerals.

In order to fulfil its oversight responsibilities, the Board has five (5) Committees based on sectoral regulation and cross-cutting issues. These are Audit, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum, and Water, Committees.

### **Director General**

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

### **Divisional Directors**

The Director General is assisted by eight (8) Divisional Directors, namely Director of Electricity, Director of Petroleum, Director of Natural Gas, Director of Water and Sanitation, Director of Regulatory Economics, Director of Legal Services, Director of Corporate Affairs and Director of Internal Audit. Communications and Public Relations, and Procurement Management are functions headed by managers under the Director General's Office.

### **Office of the Authority**

The office of the Authority is currently located at 6<sup>th</sup> Floor, Harbour View Towers, Samora Avenue in Dar es Salaam.

## MANAGEMENT



**Mr. Felix Ngamlagosi**  
DIRECTOR GENERAL



**Ms. Naiungishu S Mollel**  
DIRECTOR OF CORPORATE  
AFFAIRS



**Ms. Miriam G. Mahanyu**  
DIRECTOR OF  
LEGAL SERVICES



**Eng. Godwin Samwel**  
DIRECTOR OF PETROLEUM



**Eng. Anastas Mbawala**  
DIRECTOR OF ELECTRICITY



**Eng. Charles Omujuni**  
DIRECTOR OF NATURAL GAS



**Eng. Mutaekulwa Mutegeki**  
DIRECTOR OF WATER AND  
SANITATION



**Mr. Leonce Anthony**  
DIRECTOR  
OF INTERNAL AUDIT



**Mr. George Kabelwa**  
AG. DIRECTOR  
OF REGULATORY  
ECONOMICS



**Mr. Deogratius Kumalija**  
MANAGER PROCUREMENT  
MANAGEMENT



**Mr. Titus Kaguo**  
MANAGER COMMS  
& PR



## DIRECTOR GENERAL'S STATEMENT



I wish to thank all the Authority Stakeholders and the general Public for the support you have continued to extend to the Authority, without which it would have been difficult to fulfil its obligations. As a new Director General, Indeed, I am obliged to thank you for the support you rendered to my predecessor, Mr. Haruna Masebu, who pioneered regulatory regime dispensation in the energy and water sectors to enhance the social economic development of the country.

While I acknowledge and honour every effort made by the previous leadership that worked tirelessly to put in place a strong, firm foundation which the Authority enjoys today, it is my focus to continue working on the same, to ensure that the Authority remains committed to deliver its services to stakeholders.

I would like to assure members of the Government, general public and all interested stakeholders of the Authority's continued commitment and adherence to the international regulatory best practices and the rule of law.

To ensure that regulatory services are conveniently delivered to the wider section of the population, we intend to establish zone offices across the country. The Authority expects to open four offices in four zones of Lake, Northern, Central and Southern Highlands.

The Authority will also increase its efforts to promote an investor friendly environment, particularly in the energy sector in order to increase electrification rates and promote use of alternative generation sources, specifically, in the renewable energy sub-sector in the country. We will also maintain an active role in the development of the country's regulatory frame work for natural gas to ensure that the sub-sector is adequately regulated for the benefit of all Tanzanians.

I humbly plead with all our stakeholders and the public in general, to kindly continue supporting the Authority, as you have done in the past, for the social and economic welfare of our society.



**Felix Ngamlagosi**  
**Director General**

**November, 2014**

## 1.0 CORPORATE GOVERNANCE

### 1.1 Board of Directors

According to Section 8 of the EWURA Act, Cap 414, the Authority is governed by a Board of Directors which is the highest decision-making organ. The Board consists of six (6) non-executive members including the Chairman and one(1) 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 (5) non-executive members and the Director General are appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers.

### 1.2 Board Committees

In accordance with Section 21 of the EWURA Act, Cap 414 and in order to fulfil its oversight responsibilities, the Board has five (5) Committees based on sectoral regulation and cross-cutting issues. These are, Audit, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum, and Water and Sanitation Committees. During the period under review, a total of twenty five (25) meetings were conducted by these Committees as shown in Table 1.

**Table 1: Board Committees Meetings**

S/n	Board Committee	Number of Meetings
1	Audit	7
2	Legal and Corporate Affairs	7
3	Electricity and Natural Gas	5
4	Petroleum	3
5	Water and Sanitation	3
	<b>Total</b>	<b>25</b>

### 1.3 Director General

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

### 1.4 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 is achieved through, among other things, financial controls, the Code of Conduct and Internal Audit functions.

### **1.4.1 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 (2012/13 – 2016/17) of the Authority.

The Annual Plan and Budget is approved by the Board of Directors, and submitted to the Minister responsible for the Authority in line with the provisions of section 49 of the EWURA Act. Resources used to implement the Annual Plan are derived from regulatory levies and fees collected from consumers of regulated services. The outcome of the implementation of annual plans is presented to the Minister responsible for the Authority through an Annual Report and Accounts in line with the provisions of section 48 of the EWURA Act.

### **1.4.2 Procurement Management**

The Authority has a Tender Board and a 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 attend various training courses being conducted by the Public Procurement Regulatory Authority (PPRA).

Members of the Board of Directors and the Tender Board members, attended the dissemination workshop on the new Public Procurement Act, 2011 and Regulations, 2013 organized by the Public Procurement Regulatory Authority (PPRA) for improved understanding of the Law, and better positioning themselves to discharge their responsibilities as required by the new Public Procurement Act, Cap 410.

### **1.4.3 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 on fraud and corruption. All incidents of fraud and corruption are reported to appropriate Authorities. During the year under review, the Authority did not encounter any incident of fraud or corruption.

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

The Internal Audit 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 internal audit best practices.

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.

## 2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW

### 2.1 Staffing and Institutional Capacity Building

#### 2.1.1 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 in order to ensure that the functions and duties of the Authority are performed efficiently and effectively.

During the period under review, the Authority's workforce was further strengthened. A total of 14 staff was recruited thus bringing the number of staff to 97 out of 109 in the approved establishment. Out of the 14 staff, five (5) were at the managerial level and nine (9) were at the level of officers. A new Director General was also appointed during this period following the retirement of the founding Director General having successfully completed the maximum two terms. The number of staff is expected to grow further as the Authority has embarked on the establishment of zonal offices. Staff gender structure is as indicated below:

**Table 2: Staff as at 30th June 2014**

Item	Male	Female	Total
Staff Compliment	67	30	97
Percentage	69	31	100

#### 2.1.2 Capacity Building

The Authority encourages distance learning, development and growth of its staff. The learning and development programmes support the retention initiatives of the Authority that aims at ensuring that the Authority has adequate professional and skilled staff.

During the year under review, the Authority enhanced knowledge of its staff in relevant regulatory, managerial and operational competencies. The new senior staff attended general courses on Public Utility Regulation and Strategy. Several staff also attended local training on general management courses, professional courses, secretarial practices and advanced drivers and office attendants courses in order to improve their performance. Additionally the Authority in collaboration with Public Service College and Tanzania Fire and Rescue Force Unit conducted awareness training on HIV/ AIDS and working life skills, and fire- fighting and protection respectively to all the Authority staff.

### **2.1.3 Regional Co-operation and Collaboration**

The Authority subscribed and participated in 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), Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) and 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. Furthermore, the Authority has participated in various meetings convened to establish the regional power pool regulatory body, the Eastern Africa Power Pool Regulatory Body (EAPP-IRB).

## **2.2 Information and Communication Technology (ICT)**

### **2.2.1 Regulatory and Management Information Systems**

The Authority's Information Communication and Technology (ICT) System continued to support regulatory functions. 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.

Pursuant to the Petroleum Act, 2008, the Authority continued with testing and training on the National Petroleum Information System (NPIS). The system consist of an integrated and centralized information system using modern data processing technology and covering all petroleum supply operations and installations, the principal market activities and statistics of the country as well as international reference data. In ensuring that the system works well and meets the expectations of all users, the Authority conducted training to Oil Marketing Companies (OMC) on the use of NPIS.

The Authority continued to monitor the performance of Water Supply and Sanitation Authorities (WSSA) by using the Water Utilities Information System (Majls). Majls serves to improve accessibility to data and information for monitoring, planning and decision-making.

Likewise, the Authority maintained the Electricity Regulatory Information System (ERIS) and Asset Register (AR). The system is used to collect information from electricity service providers. During the period under review, only TANESCO continued to submit information to the Authority.

Finance and accounting activities of the Authority are managed through EPICOR and Pastel systems accounting software which provide accurate data and timely reporting. A remote data recovery centre has been improved to strengthen the security of the Authority's data in the event of a disaster to ensure business continuity.

### **2.2.2 Public Register**

Public Register is maintained by the Authority for public inspection at all times during business hours at the Head Quarters in Dar es Salaam. Some of the information from the public access registry can be obtained from the Authority's website. It provides access to the Code of Conduct adopted by the Authority, regulatory information and all regulatory decisions made by the Authority and published in the Government Gazette such as rules, tariff Orders, awards and licences. The public has the right to get correct and accurate information from the Authority relating to the regulated entities. The main objective of the Public Registry is to ensure more transparency and provide timely information to all stakeholders on the Authority's regulatory activities.

## **2.3 Financial Performance Review**

The Authority's operations are financed mainly through collection of levies from regulated service providers in the energy, (electricity, petroleum, natural gas) and water and sanitation sectors. Other sources of financing include licence fees, application fees, penalties and interest income from fixed deposits.

Total operating revenue in 2013/14 amounted to TZS 33.4 billion indicating an increase of 14% when compared to the previous year as shown in Table 3.

**Table 3: Summary of Financial Performance**

Item	Amount for the Year Ended 30 <sup>th</sup> June, 2014	Amount for the Year Ended 30 <sup>th</sup> June, 2013	%Increase Over Previous Year
	TZS'000	TZS'000	%
<b>Income from Levy and Licences</b>	33,363,939	27,263,652	22
<b>Other Income</b>	<u>3,076,257</u>	<u>1,932,448</u>	59
<b>Total Income</b>	<b><u>33,440,196</u></b>	<b><u>29,196,100</u></b>	14
<b>Re-current Expenditure</b>	25,365,583	<b>20,468,570</b>	24
<b>Capital Expenditure</b>	<u>612,443</u>	<u>624,439</u>	(2)
<b>Total Expenditure</b>	<b><u>25,978,026</u></b>	<b><u>21,093,009</u></b>	23

## 2.4 Key Achievements and Challenges

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

### 2.4.1 Key Achievements

- The Authority continued to sustain financial self-sufficiency to run its operations without depending on grants from the Government or Development Partners.
- The Authority continued with petroleum products marking system which has significantly reduced adulteration and dumping of transit petroleum products. This has improved the quality of petroleum products and competition in the sector. In addition the system has reduced tax evasion on transit petroleum products.
- The Authority 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, for editors and journalists of Dar es Salaam based media houses.



- d) The Authority developed regulatory tools which include rules (17), guidelines and licence templates.
- e) The standard of retail outlets in the country has significantly improved because of compliance monitoring, enforcement and measures taken by the Authority.
- f) Petroleum products pricing has been successful. Retailers are selling petroleum products within the monthly published prices by the Authority.
- g) A significant number of water utilities have been able to plan their operations using comprehensive business planning guidelines.
- h) Web based reporting system improved water utilities reports.
- i) The Authority has opened a Zonal Office in Mwanza for the Lake Zone.
- j) The Authority participated in the preparation of the Electricity Supply Industry Reform Strategy and Roadmap.
- k) The Authority conducted a Fiscal Impact Study on EWURA's Regulatory Interventions in the Petroleum Downstream Sub-Sector, which confirmed that the Authority's regulation of the petroleum sector has a major contribution to the national economy.
- l) The Authority participated in the preparation of Gas Policy.

#### **2.4.2 Key Challenges**

- a) Absence of Natural Gas Act. This affects gas regulatory environment and consequently investment in the sector. The Authority will continue to support the Ministry of Energy and Minerals in the Gas Bill enactment process.
- b) The Authority is faced with office accommodation challenges which include frequent increases in rent and insufficient space.
- c) Insufficient knowledge by the general public and key stakeholders in understanding the concept of regulation. This causes some of the key stakeholders to misunderstand the Authority's decision making process. The Authority shall continue to implement its Public Awareness Programme to address this challenge.

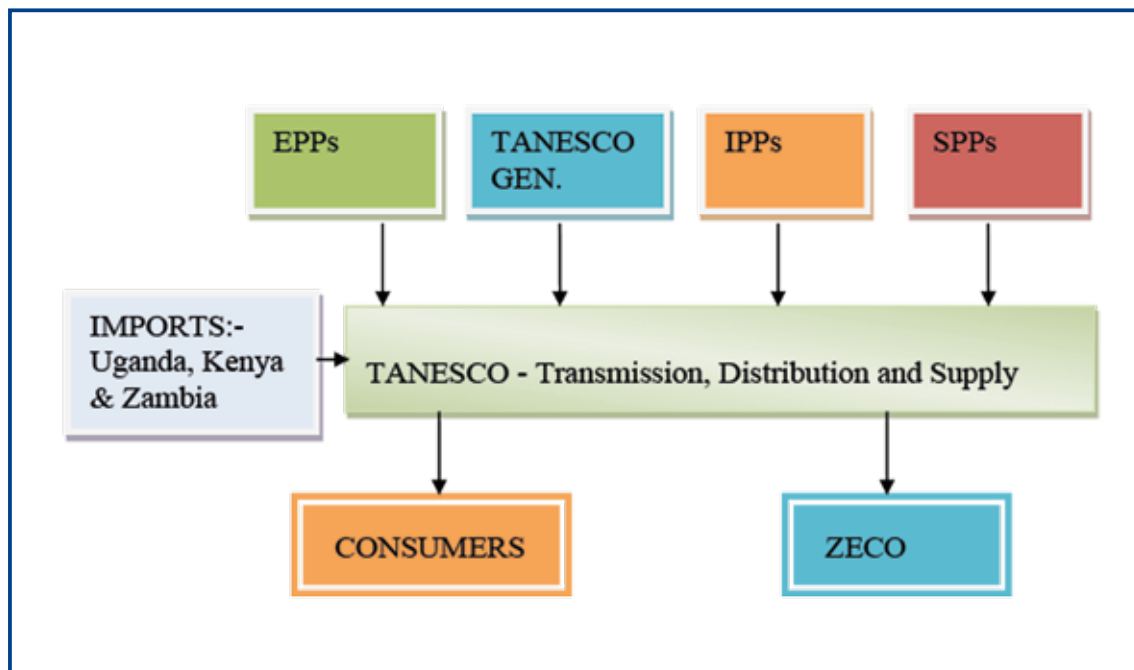
### 3.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION

#### 3.1 Overview

Regulatory activities performed by the Authority in regulating the electricity supply industry includes, among other things, issuing licences, tariff setting, and compliance monitoring to ensure quality and reliability of services. The regulated infrastructures include power generating plants, power transmission and distribution substations and lines, which are operated by private and public entities.

The electricity supply industry in Tanzania is currently dominated by Tanzania Electric Supply Company Limited (TANESCO) which is a vertically integrated state owned company. TANESCO owns and carries out generation, transmission and distribution of electricity up to the final consumers, and sells electricity in bulk to Zanzibar Electric Company (ZECO) through submarine cables to Zanzibar and Pemba Islands. On the generation side there are other players which include Independent Power Producers (IPPs), Small Power Producers (SPPs) and Emergency Power Producers (EPPs) as shown in figure 3.

**Figure 3: Current Electricity Supply Industry Structure**



Eight service providers are actively carrying out power generation activities. These are TANESCO, Songas Tanzania Limited, Independent Power Tanzania Limited (IPTL), Symbion Power Tanzania Limited, Aggreko, Mwenga Hydropower Limited, Tanzania Wattle Company (TANWAT) and Tanganyika Planting Company Limited (TPC). Service providers actively carrying out distribution and supply are TANESCO and Mwenga Hydropower. The transmission services are still a TANESCO monopoly.

## **3.2 Performance Monitoring**

### **3.2.1 Reporting System**

Pursuant to Section 15(4) of the Electricity Act, 2008, every electricity service provider licensee is required to submit to the Authority, all data and information relating to wperformance of its functions.

During the period under review the Authority continued to capture, and maintain data submitted by licensed power utilities and suppliers through ERIS and AR. Through ERIS, the Authority was able to monitor TANESCO's operation performance by recording the number of system disturbances including outages.

### **3.2.2 Monitoring and Inspection**

During the period under review the Authority conducted routine inspections on Low Voltage (LV) and Medium Voltage (MV) distribution networks. Twenty one (21) inspections were conducted which revealed that some distribution lines and poles needed immediate replacement while some distribution transformers were not well mounted, which could lead to falling of transformers or causing danger to the public. The Authority shared with TANESCO field inspection reports for their immediate action and improvements.

### **3.2.3 Quality and Standard of Services**

The Authority continued to monitor quality of service through the set standards with a focus on system disturbances such as low frequency, high frequency, low voltage, power outages and load shedding. Further, the Authority monitored compliance of key performance indicators. It was revealed that the system experienced fluctuations of voltages and frequencies. In this regard, the Authority has allowed funds through the Multi-Year Tariff Order for capital investment projects to address these problems.

### 3.2.4 Generation and Distribution Capacity

For the period under review, a total of 6,085.92 GWh were generated from TANESCO owned plants, independent power producers and imports from neighbouring countries. About 5,447.22 GWh were supplied to customers through distribution lines as shown in Tables 4 and 5. The Maximum Demand attained was 898.72 MW, recorded on 11<sup>th</sup> November 2013. The installed capacity in the isolated grid has not changed during the period under review, it remained at 81 MW, while installed capacity in the main grid has changed to 1,525 MW.

**Table 4: Tanzania Energy Production 2013-2014**

Utility	Energy Produced 2013-14 [MWh]	Percentage of Energy Production
TANESCO	3,414,765	56.11%
Songas	1,291,930	21.23%
Symbion	430,811	7.08%
Aggreko	429,363	7.06%
IPTL	423,289	6.96%
Imports	61,181	1.01%
SPP	34,590	0.57%
<b>Total</b>	<b>6,085,929</b>	<b>100%</b>

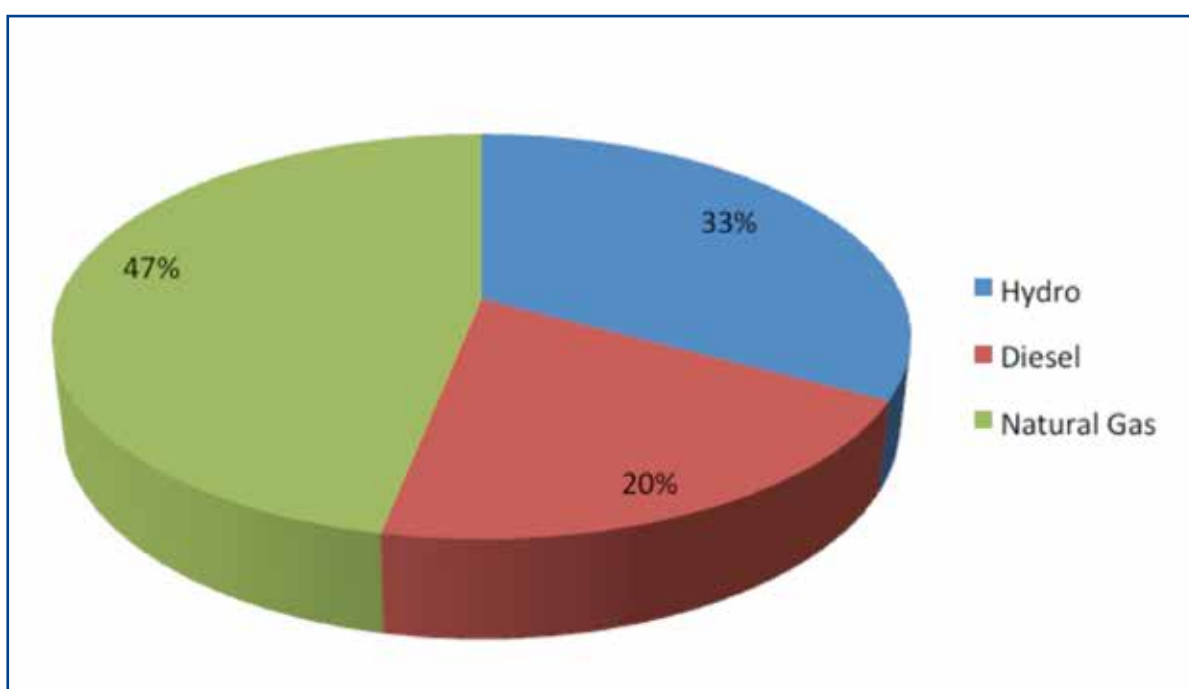
**Table 5: Tanzania Energy Supply 2013-2014 (MWh)**

Month	Main Grid	Isolated Grid	Cross Border Imports	SPPs Imports	Total Distribution
July	437,791.81	15,136.81	6,214.44	3,129.69	462,272.75
August	415,864.04	15,576.96	6,464.72	3,059.21	440,964.93
Sept.	438,369.09	15,637.39	4,477.92	2,704.68	461,189.08
Oct.	462,090.06	16,483.30	4,355.12	2,791.50	485,719.99
Nov.	433,997.07	16,343.78	3,901.02	2,390.45	456,632.32
Dec.	466,542.97	15,581.88	4,993.70	2,853.37	489,971.91
Jan.	462,047.39	15,441.29	5,413.48	3,972.21	486,874.37
Feb.	410,968.15	12,731.52	4,915.65	3,037.86	431,653.19
Mar.	432,770.49	13,507.61	6,305.37	3,001.21	455,584.67
Apr.	388,758.86	14,887.71	4,519.60	2,297.06	410,463.23
May	401,433.64	15,546.35	4,773.89	2,523.73	424,277.61
June	418,207.33	15,728.61	4,845.93	2,829.37	441,611.23
<b>Total</b>	<b>5,168,840.90</b>	<b>182,603.21</b>	<b>61,180.84</b>	<b>34,590.33</b>	<b>5,447,215.28</b>

### 3.2.5 Generation Mix

During the reporting period, the electricity generation mix consisted of; hydropower 33%, natural gas 47% and diesel 20% as shown in Figure 5. In comparison to the previous years there is a decline of hydropower contribution in the generation mix. This decline was mainly caused by shortage of rainfall in the catchment areas. In 2013/14 thermal power plants including the emergency ones had to be dispatched more to bridge the generation gap.

**Figure 4: Tanzania Generation Mix 2013-14**



### 3.2.6 Customer Base

During the year under review, the Authority recorded a number of connected customers for TANESCO and Mwenga Hydro distribution systems as 1,297,562 and 904, respectively. The rate of connecting new customers appears to be high aiming at meeting the Government target of 30% access by end of 2015. New strategies are required to increase the rate of connecting new customers in line with the anticipated increase in generation.

### 3.3 Licensing

#### 3.3.1 Power Supply Licensing

During the period under review the Authority approved six generation licences (4 provisional and 2 operational) as shown in Table 6 below. There were no transmission and distribution licences issued during the period under review.

**Table 6: New Electricity Generation Licences**

No.	Licensee	Project Area	Capacity (MW)	Duration	Date Issued
1	Kitonga Electric Power Co. Ltd	Kitonga	150	30 months	27/7/2013
2	Shanta Mine	Chunya	6	5 years	16/9/2013
3	Mufindi Paper Mills Co. Ltd	Mufindi	10.4	5 years	18/11/2013
4	Tanzania Portland Cement Co.Ltd	Wazo Hill	5	30 months	24/2/2014
5	Bwelui Co. Ltd	Ileje	4.7	30 months	3/1/2014
6	Ulaya Hydro and Windmill Techn Ltd	Sumbawanga	2.9	24 months	23/5/2014

#### 3.3.2 Electrical Contractors and Wiremen

During the year under review, a total of 233 licence applications were received. On reviewing 32 applicants were found incomplete and 198 licences were issued to successful applicants as shown in Table 7 below, while three(3) applications were rejected.

**Table 7: Electrical Contractors and Wiremen**

Board Approval Date	Licence Classes							Total Per Board Approval
	A	B	C	D	Wire-men	E	F	
<b>28 Feb. 2014</b>	6	9	19	29	29	0	0	<b>92</b>
<b>18 Sept. 2013</b>	10	17	25	32	22	0	0	<b>106</b>
	<u>16</u>	<u>26</u>	<u>44</u>	<u>61</u>	<u>51</u>	<u>0</u>	<u>0</u>	<b><u>198</u></b>

The Authority conducted two licence award ceremonies during the reporting period, on 22<sup>nd</sup> July 2013 and 24<sup>th</sup> October 2013. These ceremonies aimed at raising awareness to the electrical installation personnel and to encourage new applicants.

### 3.4 Determination of Rates and Charges

#### 3.4.1 TANESCO Tariff

During the period under review, the Authority conducted a review of the Multi-Year Tariff application from TANESCO. The Authority approved an average tariff increase of 39.19% applicable from 1st January, 2014.

#### 3.4.2 Standardized Power Purchase Tariff (SPPT)

During the reporting period, the Authority carried out a preliminary computation of SPPT for projects connected to the main and mini grids. The summary of the proposed SPPT for both main grid and mini-grids is shown in Table 8 below.

**Table 8: Proposed Standardized Tariff for Small Power Projects for 2014**

Description		Prevailing 2013 Tariff	2014 Proposed Tariff	Percentage Increase
		(TZS/kWh)	(TZS/kWh)	%
<b>Main Grid Connection Tariff</b>				
Standardized SPP Tariff		174.89	197.31	12.82
Seasonally Adjusted SPPT Payable in	Dry Season (August to November)	209.87	236.78	12.82
	Wet Season (January to July and December)	157.40	177.58	12.82
<b>Mini Grid Connection Tariff</b>				
Standardized SPP Tariff		490.13	482.64	-1.60

#### 3.4.3 Mwenga Hydro Company Limited

The Authority received and reviewed an application from Mwenga Hydro Company Limited for an increase of tariffs for the provision of electricity distribution services. As at 30<sup>th</sup> June, 2014, decision on the Mwenga Hydro application was yet to be made.

### **3.5 Legislative Matters**

During the period under review, the Authority developed the Electricity (Initiation of Procurement of Power Projects) Rules, 2014, Electricity (Development of Small Power Projects) Rules, 2014, Electricity (Supply Operations) Rules, 2014. These rules were approved by the Board, published in the Gazette and brought to use. Also during the same time the Authority worked on the draft Electricity (Approval of Power Purchase Agreements) Rules, 2014. The preparation of these rules was delayed to pave way for the finalization on working on the model power purchase agreements.

### **3.6 Complaints and Dispute Resolutions**

A total of 217 complaints were received from electricity consumers, out of which 64 were registered in year 2013/14. 60% of the total complaints received were resolved to the satisfaction of both parties. The nature of complaints in the electricity sub-sector related to delayed/denied connections (40%), billing (30%), compensation (15%), and others (meter tempering, customer category and trespassing) registered 15%. 25 complaints were escalated to the hearing stage and 11 awards were issued.

### **3.7 Litigation**

During the period under review, the Authority was involved as a party in four appeals in the electricity sub-sector all of which were pending at the Fair Competition Tribunal. The said appeals are between Tanzania Electric Supply Company Ltd versus Nyaronyo Mwita Kicheere and the Energy and Water Utilities Regulatory, Appeal No 5-2012 between Sifaline Juma Mfinanga versus Tanzania Electric Supply Co. Ltd and Energy And Water Utilities Regulatory Authority , Appeal Case between TANESCO against Elizabeth Kiunsi and EWURA and Appeal Case between Ayoub Seif against TANESCO and EWURA. By June 30th 2014 these were yet to be determined.

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

The Authority has continued to sensitize electricity service providers on the need to keep their power supply facilities and workplaces at highest level of safety. Furthermore, the service providers were reminded to disseminate information to the public on the dangers of electricity, and safe ways of using electricity, and have their workers maintain a high level of safety when working in the field. The Authority carried out inspection of the power supply facilities, including power stations, substations, and distribution lines and service line entries, in order to check safety and environmental issues. Several challenges were noted, including



old equipment, low hanging distribution lines, unprotected transformers, and unsatisfactory dangerous clearance of electricity conductors from building structures thus posing risk of electrocutions. The findings of the Authority during inspections were forwarded to the service providers for rectification.

### **3.9 Key Achievements and Challenges**

#### **3.9.1 Achievements**

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

- a) the Authority participated in the preparation of the Electricity Supply Industry (ESI) Reform Strategy and Roadmap, that aims at restructuring the ESI in four gradual phases that will result in a fully competitive electricity market structure by 2025; and
- b) the Authority continued to strengthen the relationships with development partners, whereby technical assistance of the World Bank and SIDA Trust Fund supported development of rules on initiation of procurement of power projects; the United States Agency for International Development (USAID) continued to support the study on Renewable Feed-inTariffs (REFITs) for Small Power Projects; and the German International Cooperation (GiZ) supported placement of an energy advisor for the Authority.

#### **3.9.2 Challenges**

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

- a) Unreliable electricity supply, mainly due to overloads of transmission infrastructure, long radial transmission network and dilapidated electricity infrastructures in the distribution network. The Authority is preparing regulatory instruments, including among other things, development of investment framework to attract public and private investments in the sector as well as strengthening monitoring of compliance with service standards.
- b) The challenge to support the Government ambitious goal to increase electricity access to 30% by 2015. The rural population is the most affected with a very small number of people with electricity. The Authority, in collaboration with REA and the Government, is working on strategies developed under the Big Results Now initiatives to enable increased electrification and increased involvement of the private sector.

## **4.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION**

### **4.1 Overview**

During the period under review, the Authority continued discharging its regulatory roles in the downstream petroleum sub sector by ensuring that there is stable supply of petroleum products, of the right quality and within the acceptable prices. Furthermore, the Authority continued with its efforts in regulating standards of petroleum supply and distribution infrastructure to ensure that there is sustainable and continued improvement in these facilities, in consideration of the health, safety and environment requirements.

### **4.2 Performance Monitoring**

#### **4.2.1 Petroleum Products Supply and Stock Monitoring**

The Authority monitored and compiled petroleum products stocks on weekly basis. All Oil Marketing Companies (OMCs) submitted their stocks data to the Authority towards the end of every week for the Authority to ensure that there are at all times adequate supplies of petroleum products in the country. The Authority prepared weekly stock reports which were shared with the Ministry of Energy and Minerals, Petroleum Importation Coordinator Limited (PICL) and other stakeholders. Likewise, the Authority monitored and maintained data of all petroleum products imports, both for the local market and for transit to neighbouring countries.

During the year under review, a total of 4,714,866,825 litres of petroleum products were imported into the country through Dar es Salaam port and Sirari border. Out of these, 2,970,941,509 litres were for the local market and 1,743,925,316 litres were transited to neighbouring countries. This is an increase of 7% when compared to 4,418,672,474 litres which were imported in the previous financial year 2012/13.

In the financial year 2013/14, a total of 69,257 MT of Liquefied Petroleum Gas (LPG) were imported into the country. This quantity was equivalent to 56% increase as compared to 44,364 imported in the year 2012/13. LPG imports for the Tanzania market continued to constitute 85% butane and 15% propane. Table 9 shows petroleum products imports for the local market for 2013/14

**Table 9: Petroleum Products Imports for the Local Market: ( Litres)for the year ended 30<sup>th</sup> June 2014**

Month	AGO	PMS	Jet-A1	HFO	Total
<b>Jul-13</b>	157,271,869	67,196,373	10,386,393	-	<b>234,854,635</b>
<b>Aug-13</b>	174,726,429	62,014,213	17,918,874	27,852,391	<b>282,511,907</b>
<b>Sep-13</b>	172,867,359	76,669,537	22,903,918	-	<b>272,440,814</b>
<b>Oct-13</b>	109,175,704	86,148,717	21,856,468	6,880,852	<b>224,061,741</b>
<b>Nov-13</b>	215,582,940	74,106,961	15,212,517	22,277,463	<b>327,179,880</b>
<b>Dec-13</b>	161,027,700	48,057,085	-	29,296,185	<b>238,380,969</b>
<b>Jan-14</b>	131,320,864	69,837,718	21,453,993	-	<b>222,612,575</b>
<b>Feb-14</b>	110,099,071	33,593,238	21,299,887	32,538,831	<b>197,531,026</b>
<b>Mar-14</b>	126,897,095	13,250,796	16,956,091	11,025,292	<b>168,129,274</b>
<b>Apr-14</b>	128,859,409	35,483,747	24,240,620	-	<b>188,583,776</b>
<b>May-14</b>	117,375,529	47,928,280	24,996,537	17,491,335	<b>207,791,681</b>
<b>Jun-14</b>	115,786,418	59,922,337	6,914,434	-	<b>182,623,188</b>
<b>Localized (Jul-13 to Mar-14)</b>	133,630,433	90,001,996	607,613	-	<b>224,240,042</b>
<b>Total Im- ports</b>	<b>1,854,620,819</b>	<b>764,210,998</b>	<b>204,747,343</b>	<b>147,362,349</b>	<b>2,970,941,509</b>

#### 4.2.2 Transit Petroleum Imports

The port of Dar es Salaam remained the main entry point for petroleum products which accounted for 99% of all transit imports, and the remaining 1% were through Sirari border. Table 10 shows volume of petroleum products imported for transiting to neighbouring countries for the year under review.

**Table 10: Transit Petroleum Products Imports (Litres)**

Month	AGO	PMS	Jet-A1	HFO	Total
<b>Jul-13</b>	80,363,567	46,878,521	8,659,089	-	<b>135,901,177</b>
<b>Aug-13</b>	128,935,756	31,083,792	7,075,698	1,031,527	<b>168,126,773</b>
<b>Sep-13</b>	188,320,233	74,870,709	9,398,715	-	<b>272,589,657</b>
<b>Oct-13</b>	68,528,628	61,771,879	6,265,293	-	<b>136,565,800</b>
<b>Nov-13</b>	138,674,932	48,678,020	6,308,961		<b>193,661,914</b>
<b>Dec-13</b>	110,641,883	42,045,626	-	509,715	<b>153,197,225</b>
<b>Jan-14</b>	123,606,095	46,666,801	14,213,382	-	<b>184,486,278</b>
<b>Feb-14</b>	113,793,671	27,966,516	5,958,420	-	<b>147,718,608</b>
<b>Mar-14</b>	117,977,186	12,442,607	6,288,596		<b>136,708,389</b>
<b>Apr-14</b>	84,251,033	52,561,438	5,387,009	-	<b>142,199,480</b>
<b>May-14</b>	93,783,775	52,013,658	4,031,236	-	<b>149,828,669</b>
<b>Jun-14</b>	76,378,017	64,527,953	6,275,418		<b>147,181,389</b>
<b>Less Local-ized Volume</b>	-133,630,433	-90,001,996	-607,613		<b>-224,240,042</b>
<b>Total Imports</b>	<b>1,191,624,344</b>	<b>471,505,524</b>	<b>79,254,206</b>	<b>1,541,242</b>	<b>1,743,925,316</b>

From tables 9 and 10 it is evident that local market for petroleum products imports accounted for 63% of the total imported petroleum products whereas the remaining 37% were transited to neighbouring countries of Zambia, Democratic Republic of Congo, Rwanda, Malawi and Burundi.

#### 4.2.3 Petroleum Products Consumption

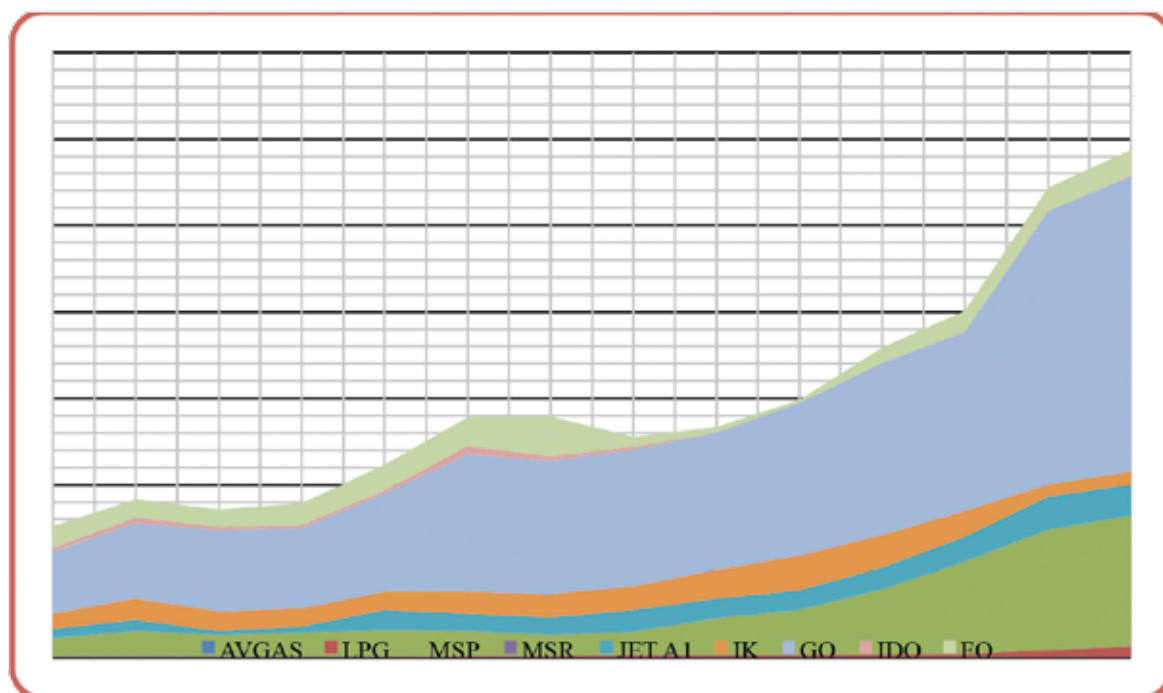
Over the last few years, the Authority noted a steady rise of sold volumes of various petroleum products, particularly after year 2009. The trend is shown in Figure 6 below. The rise in consumption is partly due to the country's economic growth and to some extent correct declaration of volumes as a result of stern measures being taken by the Authority to curb adulteration malpractices, dumping of transit petroleum products in the local market and the fuel marking programme.

During the year 2013/14, sales of various petroleum products in the local market amounted to 2,938,896,540 litres, equivalent to an increase of 10% when compared to the previous year's sale of 2,672,389,280 litres. The downstream petroleum market continued to experience a tight competition. The leading market share was 11.67%, by Puma Energy which also has

contracts to supply petroleum products to major customers. Similarly Oryx Energy with 10.29% market shares, has contracts to supply fuel to some mining companies. The rest of the major oil companies had market share ranging between 4.46% and 8.21%. These include Camel Oil, Total, Oilcom, Gapco, Mogas, Lake Oil and Engen. Other oil companies had market shares below 4.46%.

Diesel continued to be the main product consumed in the local market, followed by petrol, Jet A1, Heavy Furnace Oil and Kerosene. Annual sales of the three main products were at the following proportions of the total fuel market: Diesel (59 %), Petrol (28%), Jet A1 (6%), Fuel Oil (5%) and Kerosene (2%). The retail network segment was the main supply point for most of the OMCs accounting for about 43% of the total volume that was sold in the country, followed by major consumers (38%), Mining Companies (7%), Power Generation (6%), and Aviation(6%).

**Figure 6: Petroleum Products Consumption Trend (Cubic Meters - CM)**



#### 4.2.4 Petroleum Prices

##### 4.2.4.1 World Market Prices

Over the past four years, crude oil prices in the world market have remained generally within a band of USD 100 -120 per barrel. According to 2013 report of the Energy Intelligence, two of the world's leading benchmark crudes -North Sea Brent and West Texas Intermediate (WTI),

in 2013 traded in their narrowest range since 2006. The report showed that Brent traded in a USD 22 range from USD 96.75 to USD 119.17/bbl, while WTI moved within a USD 27 range, both narrowest bands for seven years. During year 2013/2014, average price for Brent crude oil was at USD 109.16, with the lowest price at USD 102.86 in July 2013, and the highest at USD 115.98/bbl in September 2013.

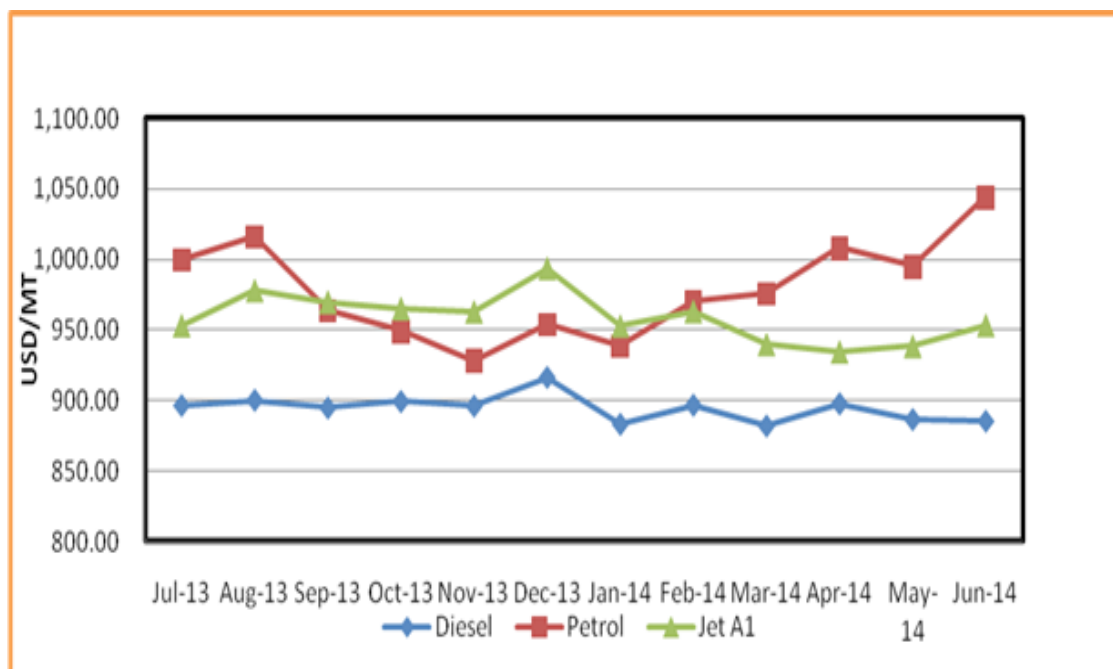
During the reporting period, prices of refined petroleum products in the world market were stable, with just moderate fluctuations. Annual average FOB prices for the three major products were as follows: Petrol USD 978/MT, Diesel USD 895/MT and Kerosene USD 959/MT with the highest prices recorded in August 2013 and June 2014. Monthly average World Market FOB prices are shown in Table 11 and Figure 7.

The Authority continued to record exchange rates that were applicable specifically for payment of imported petroleum products. Applicable monthly average rates ranged between TZS 1,609 /USD and TZS 1,654/USD. Fluctuations in the exchange rates of the USD to the Tanzania Shilling have a direct influence on the petroleum products local market prices.

**Table 11: World Market Refined Petroleum Products Prices (July 2013- June 2014)**

World Market Prices-FOB in USD/MT			
Month	Petrol	Diesel	Jet A1
Jul-13	1,000.26	896.50	953.14
Aug-13	1,016.26	900.24	977.86
Sep-13	963.80	894.82	969.76
Oct-13	949.46	899.26	965.20
Nov-13	928.27	896.03	962.78
Dec-13	953.94	916.61	993.56
Jan-14	938.99	883.07	952.84
Feb-14	970.15	896.67	963.22
Mar-14	976.02	881.82	939.76
Apr-14	1,008.13	897.69	934.54
May-14	995.24	886.45	938.54
Jun-14	1,044.50	885.20	953.36
Average	978.75	894.53	958.71

**Figure 7: Refined Petroleum Products World Market Prices: July 2013 – June 2014**



#### 4.2.4.2 Local Market Prices

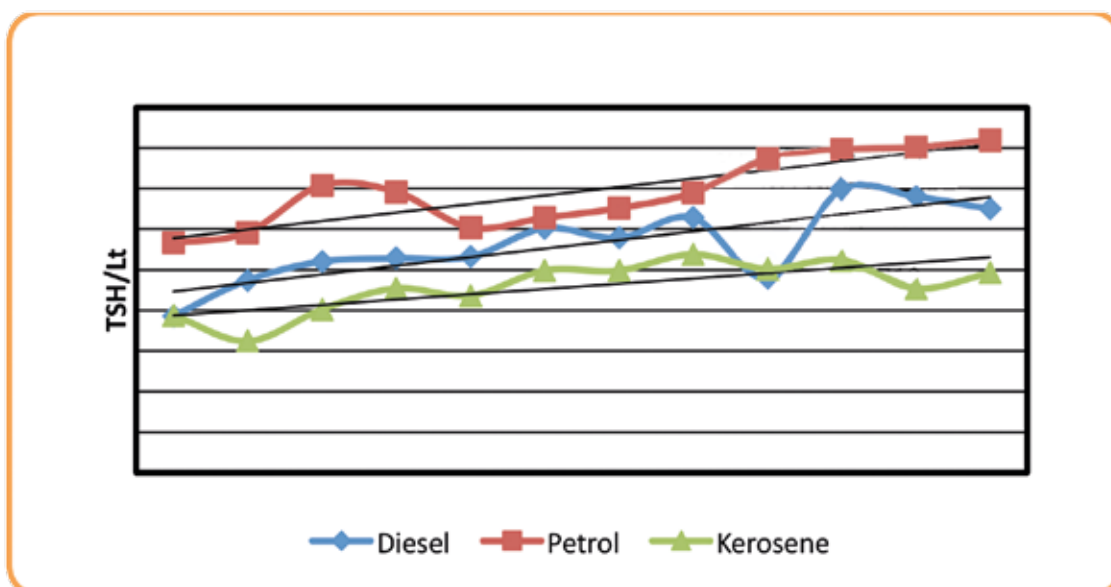
During the year 2013/2014, the Authority continued to publish monthly retail cap prices for the three main petroleum products (petrol, diesel, kerosene) that cover all districts and major towns in Tanzania mainland. Similarly, the Authority continued to publish Cap Wholesale prices that are applicable to OMC selling products in Dar es Salaam.

The average annual pump prices in Dar es Salaam for the period under review were: TZS 2,147/Lt, for petrol, TZS 2,082/Lt for diesel and TZS 2,030/Lt for kerosene. Table 12 shows the Dar es Salaam Cap Prices for the period under review. As it can be seen in Table 12 and Figure 8, during the year under review there were moderate fluctuations of the local prices which were mostly caused by changes in the world market prices as well as fluctuations of the Tanzania Shilling as compared to the United States Dollar.

**Table 12: Average Dar es Salaam Retail Pump Prices from July 2013 to June 2014**

Month	Petrol (TZS/Lt)	Diesel (TZS/Lt)	IK (TZS/Lt)
Jul-13	2,083	1,993	1,994
Aug-13	2,096	2,037	1,962
Sep-13	2,154	2,060	2,001
Oct-13	2,146	2,064	2,027
Nov-13	2,102	2,066	2,018
Dec-13	2,114	2,101	2,049
Jan-14	2,126	2,089	2,049
Feb-14	2,145	2,114	2,069
Mar-14	2,187	2,040	2,051
Apr-14	2,198	2,149	2,062
May-14	2,201	2,140	2,027
Jun-14	2,210	2,125	2,046
<b>Average</b>	<b>2,147</b>	<b>2,082</b>	<b>2,030</b>

**Figure 8: Dar es Salaam Pump Prices Trend From July 2013 – June 2014**

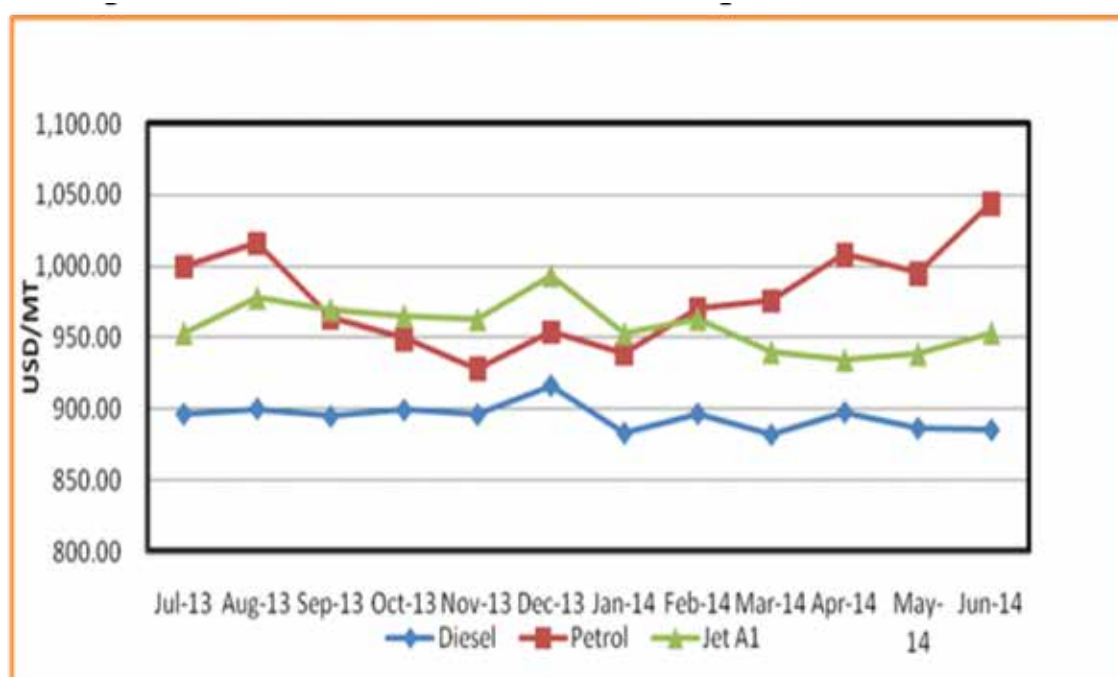




#### 4.2.5 Petroleum Bulk Procurement System (BPS)

The country continued to import its petroleum products requirements through the BPS that is coordinated by Petroleum Importation Coordinator Limited (PICL), in accordance with the BPS regulations. During the period under review, a total of 30 oil traders were prequalified by PICL to participate in the BPS tenders. Under the same period, a total of twelve tenders were opened and awarded to successful bidders through International Competitive Bidding (ICB) to supply petroleum products into the country. Figure 9 below shows a summary of weighted average premiums which were quoted by the winning companies. It can be noted that, there is a general falling trend of the premiums. This improvement is probably a result of increased competition in the BPS tenders.

**Figure 9: BPS Tender Premium Trend During 2013/2014**



#### 4.3 Fiscal Impact of Regulatory Interventions

During year the 2013/2014, the Authority engaged the University of Dar es Salaam, Department of Economics, to carry out an assessment of the fiscal impact to the country's economy of the regulatory measures being taken by the Authority in the downstream petroleum sub sector. The findings of the study were as follows:

- (a) the Fuel marking program as an anti-adulteration measure had led to an increase in tax revenue of TZS 33.53 billion between 2010 and 2011;

- (b) the Fuel marking as an anti-dumping measure led to an increase in tax revenue of TZS 146.5 billion, TZS 129.8 billion, and TZS 192.2 billion in 2010/11, 2011/12 and 2012/13, respectively;
- (c) the BPS had a combined welfare gain of TZS 121.57 billion on the economy over the two years between 2012 and 2013 through the following :
  - i. reduction of demurrage cost: BPS has reduced the number of days from 45 to 3 equivalent to a welfare gain of TZS 25.7 billion. BPS has enhanced importation efficiency of petroleum products by consolidating the process, promoting competition and improving use of berth;
  - ii. minimization and rationalization of price build up that eliminates ocean losses: BPS has resulted in a welfare gain of TZS 14.0 billion. Since June 2013, import terms and condition were revised to rationalize the price build up mechanism. Through this revision a Delivery at Port (DAP) approach was adopted to replace the Cost, Insurance and Freight (CIF) system that resulted in the elimination of ocean loss from the price build up mechanism; and
  - iii. decrease in premium: BPS average premiums for all tenders reached a weighted average of US\$54.3 per MT implying a welfare gain of US\$ 26.4 million (approximately TZS 40.9 billion) annually. This implies a welfare gain of TZS 81.9 billion over the two years.
- (d) regulation of petroleum products pricing has led to lower average prices between July 2009 and June 2010 that led to increased tax revenue whereby the lower average prices of petroleum products resulted in an increase of tax revenue of TZS 49 billion via increased consumption tax receipts;
- (e) the pricing system has increased welfare by reducing average prices of petroleum products and increasing disposable incomes in the economy in 2009/10 by TZS 445.5 billion; and
- (f) fuel marking has led to increased conformity of retail outlets to petroleum quality standards by almost five times rise between 2007 and 2013. Furthermore, reduction in fuel adulteration has improved the environment by reducing automotive exhaust pollution.

## **4.4 Petroleum Quality Monitoring Activities**

### **4.4.1 Sampling for Quality and Marker Testing**

During the year under review, the Authority continued to undertake monitoring programs to ensure compliance with the applicable laws and standards along the petroleum supply chain. The result of this review includes the following:

- a) A total of 217 petrol stations did not comply with the licence conditions, out of which 21 were not operational. Punitive measures were taken against the defaulters.
- b) The Authority identified 204 petrol stations operating without the Authority's licenses. These petrol stations were ordered to stop operating until they met the relevant licensing requirements and be licensed accordingly. Out of these, 45 petrol stations fully met the licensing requirements and were licensed. Also, 42 petroleum facilities mostly petrol stations were found being constructed without obtaining approval from the Authority as required under Section 13(1) of the Petroleum Act. Punitive measures were taken against defaulters.
- c) The Authority continued to monitor the quality of petroleum products to ensure conformity to standards. Punitive measures were taken against operators of the facilities that were found with products that failed the quality test in accordance with the Petroleum (Sampling and Testing) Rules, 2010.

During the period under review, the Authority organized and conducted a first national workshop on the benefits of using low sulphur fuels in Tanzania, to sensitize stakeholders on the benefits of using low sulphur versus high sulphur fuels and updated stakeholders on the actions taken by the Government and plans to reduce the level of sulphur in fuels used in the country. The project is supported by United Nations Environment Programme (UNEP) through a Small Scale Funding Agreement (SSFA) signed with the Authority. Similar workshops will be conducted in other parts of the country in the next financial year.

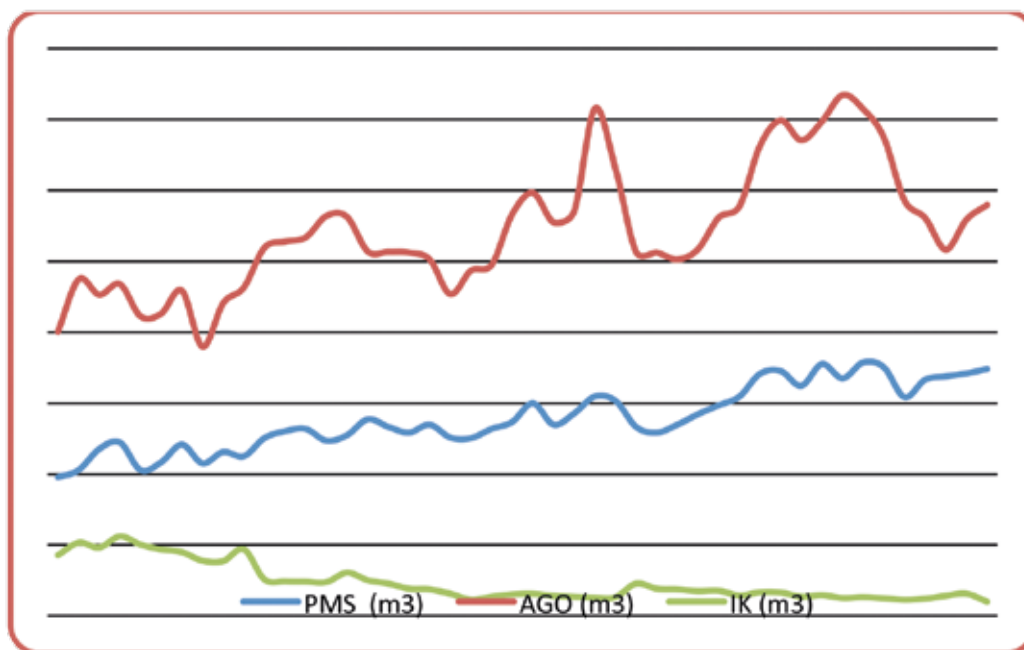
### **4.4.2 Fuel Marking**

The Authority continued to implement the fuel marking program which is done by the Consultant M/S Global Fluids International (GFI) with the objectives of curbing fuel adulteration malpractices and dumping of untaxed petroleum products into the local market to ensure

level playing field among the licensees. From July 2013 through June 2014 petroleum products samples were collected and tested for marker presence from 110 petroleum facilities and one road tanker, out of which 29 facilities, equivalent to 26% failed the marker test. Punitive measures were taken against the operators whose facilities failed the marker test in accordance with the Petroleum (Marking and Quality Control) Rules, 2010.

A total of 2,412,330,060 litres of petroleum products (diesel, petrol and kerosene) were marked as compared to 2,159,528,520 litres marked in last financial year. Marked MSP and AGO increased by 17% and 10%, respectively, as compared to the quantity marked last year whereas the marked IK quantity decreased by 9%. A decrease of the marked IK reflects the fact that unscrupulous traders do not import kerosene for use as an adulterant as it was before commencement of the fuel marking program and also as a result of increasing tax on kerosene. Figure 10 presents quantities of petroleum products marked between September, 2010 and May 2014.

**Figure10: Marked Petroleum Products from September, 2010 to May, 2014**



## 4.5 Licensing Enforcement

### 4.5.1 Petroleum Products Licences

During the period under review, 122 petroleum facilities were issued with operating licences. Of these, 14 were for the wholesalers business, 107 for retailers and one for LPG filling plant. It is worth noting that, licences are granted to petroleum facilities that meet all the licensing requirements as set by the Authority.

#### **4.5.2 Petrol Stations**

A number of operators started renovating their licensed petrol stations to fulfil licence conditions as a result of compliance monitoring and enforcement done by the Authority. In the same period the Authority required all new petrol stations being constructed to ensure that they meet fully the licensing requirements before being considered for grant of licences.

#### **4.5.3 Compliance with HSE requirements**

All operators of petroleum products installations are required to operate in a manner that their operations do not pose serious threat to public health, safety and the environment. During the period under review, six petroleum facilities including three petrol stations, two small road tankers operating as mobile refuelling units in Tunduma area and one LPG filling plant were found operating in a manner that jeopardized HSE requirements. Punitive measures were taken against these defaulters including ordering them to stop operating until the Authority was satisfied that all anomalies were rectified and that their operations are carried out in accordance with good petroleum industry practices.

#### **4.5.4 Review of Petroleum Pricing Formula**

During the period under review, the Authority engaged a consultant, Ernst & Young, to carry out a study for the establishment of wholesalers and retailers margins. The consultant carried out the study and produced a Final Report on 8th November 2013. The study established that the wholesalers and retailers margins shall be TZS 106 per litre and TZS 92 per litre, respectively. This was a decrease from TZS 124 per litre for wholesalers' margins and an increase from TZS 64 per litre for retailers' margins.

Following a new contract award on petroleum marketing granted to GFI, there was a price change in marketing fuel from USD 3.89/m<sup>3</sup> to USD 5.782/m<sup>3</sup> and changes in wholesalers' and retailers' margins. The Authority approved the amendments of the Petroleum Pricing Formula to reflect the recommended wholesalers and retailers margins as well as revised fuel marketing costs where TZS 18 was added to the formula to accommodate charges payable to other Local Authorities and Executive Agencies.

#### **4.6 Complaints and Disputes**

Since commencement of receiving complaints and hearing disputes, the Authority registered a total of 141 complaints from petroleum consumers, out of which 6 were registered in the year 2013/14. Overall 91% of the total complaints received, were resolved. The nature of the

complaints in the petroleum sub sector were ranging from adulteration and selling products which did not meet quality standards (67%), selling above cap prices (20%) and supplied with less volume (13%). Only one complaint was escalated to hearing stage.

#### **4.7 Environmental Impact Assessment and Audit Studies Review**

The Authority in collaboration with the National Environmental Management Council (NEMC) and other stakeholders, continued to participate in site verifications and reviewing of the Environmental Impact Assessment (EIA) and Environmental Audit (EA) studies submitted by NEMC for proposed, new and existing petroleum facilities, respectively, as per the Environmental Management Act, 2004 requirements. The Authority actively participated in 20 site verifications and Technical Advisory Committee (TAC) meetings organized by NEMC to review the EIA and EA studies prepared by various environmental experts on behalf of the project proponents.

#### **4.8 Regulatory Tools**

Regulatory tools are important instruments to improve governance and regulation of the downstream petroleum sub sector in the country. During the year under review the Authority prepared six regulatory tools as hereunder shown:

- a) the Petroleum (Wholesale Operations) Rules, 2014;
- b) the Petroleum (Retail Operations) Rules, 2014;
- c) the Petroleum (Consumer Installation Operations) Rules, 2014;
- d) the Petroleum (Retail Operations in Townships and Villages) Rules, 2014;
- e) the Petroleum (Pipeline Operations) Rules, 2014; and
- f) Petroleum Pipeline Transportation Licence Template.

#### **4.9 Petroleum Products Standards**

During the year under review the Authority in collaboration with Tanzania Bureau of Standards (TBS) and other stakeholders participated in the preparation of the East African Standards for Automotive Gasoline (Premium Motor Spirit) specification TZS 672:2012-EAS 158: 2012 and Automotive Gas Oil (Automotive Diesel) specification TZS 674:2012 – EAS 177:2012.

These standards were published on 6<sup>th</sup> July 2012. Adoption of these standards has eased administration of petroleum products through Tanzania in that all transit products have the same specifications as products supplied into the local market.

## **4.10 Key Achievements and Challenges**

### **4.10.1 Achievements**

The Authority has recorded a number of achievements in the downstream petroleum sub-sector as outlined hereunder:

- a) the level of petroleum adulteration has decreased tremendously hence assuring local consumers of having quality petroleum products;
- b) petroleum products pricing has been successful and stable;
- c) petroleum products supply in the country has been stable as there were no shortages recorded in the period under review;
- d) regulatory measures that are being taken by the Authority have resulted in increased revenue to the Government in terms of taxes;
- e) various regulatory tools are now in place and others are under preparation; and
- f) the standard of retail outlets in the country has significantly improved because of compliance monitoring and enforcement measures being undertaken.

### **4.10.2 Challenges**

The Authority has strived to meet its regulatory functions in the downstream petroleum sub-sector in Tanzania. However, the following challenges have been recorded while discharging the relevant regulatory roles:

- a) many retail outlets were constructed immediately after liberalization of the petroleum sub-sector in 1999. These were constructed without adhering to the required standards and most of them are yet to meet the required standards;
- b) some of the petrol stations located in rural areas have failed to fully meet the licensing conditions due to high investment costs compared to their counterpart urban petrol stations;
- c) some operators lack knowledge and expertise in petroleum downstream operations;
- d) the exercise of curbing sale of adulterated, and untaxed petroleum products alongside clean and fully tax paid products is bearing good results. However, this malpractice is not completely wiped out.

## 5.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION

### 5.1 Overview

The Authority is responsible for regulating midstream and downstream natural gas activities, that include processing, transportation, storage and distribution of natural gas in Mainland Tanzania. The regulated infrastructures include processing plants, transmission and distribution pipelines, and storage facilities.

Four service providers are actively carrying out midstream and downstream natural gas activities. These are The Tanzania Petroleum Development Corporation (TPDC), Songas Limited, Pan African Energy Tanzania Limited (PAT), and Maurel & Prom (M&P). Other service providers that are still exploring in offshore and onshore are Ophir Energy plc, BG Group plc (BG), Statoil, ExxonMobil, and Aminex.

As of 30th June 2014, the Ministry of Energy and Minerals confirmed that the discovered natural gas reserves amount to 50.5 trillion standard cubic feet (TCF).

#### 5.1.1 Performance Monitoring

During the period under review, the Authority continued with monitoring the performance of the regulated activities in the midstream and downstream natural gas sub-sector pursuant to Section 7(1)(c) of Cap 414 with main focus on the assessment of:

- a) the availability, quality and standard of regulated natural gas services;
- b) the levels of investment in natural gas infrastructure development;
- c) efficiency of natural gas production and distribution services;
- d) the cost of services; and
- e) settlement of disputes if brought to the attention of the Authority.

The Authority carried out four field inspections to the infrastructures to verify the information, which the Authority receives periodically from the regulated service providers.

Inspection covered Songo Songo processing facilities, Songo Songo-Dar es Salaam pipeline, Mnazi Bay processing facilities, Mnazi Bay-Mtwara transmission pipeline, the construction of Mtwara-Dar es Salaam transmission pipeline project; and Dar es Salaam low-pressure distribution network.



It has been observed that operations of natural gas infrastructure complied with the best industry practices.

### 5.1.2 Natural Gas Extraction

During the period under review, natural gas was extracted from Songo Songo and Mnazi Bay gas fields. Four gas wells at Songo Songo Island numbered SS-4, SS-7, SS-10 and SS-11 were operational. Three gas wells numbered SS-3, SS-5 and SS-9 were suspended on technical reasons. At Mnazi Bay, two wells numbered MB-1 and MB-3 are operational. Additional two gas wells numbered MB-2 and MS-X1 are yet to be operational.

The natural gas extracted from Songo Songo gasfield for 2013/14 was 34,055 million standard cubic feet (MMscf) compared to 35,663.03 MMscf extracted during the year 2012/13, which indicates a decrease of about 4.5%. In addition, the natural gas extracted from Mnazi Bay gas field for 2013/14 was 708.99 MMscf compared to 659.19 MMscf extracted during 2012/13, which indicates an increase of 7.6%.

### 5.1.3 Natural Gas Processing Facilities

Natural gas is processed after gathering and treating to remove, or strip of, heavier, rich and valuable hydrocarbons such as ethane, butane, propane etc., from the raw gas stream prior to introduction into the natural gas transmission pipeline.

The natural gas processing plant at Songo Songo Island with a capacity of 70 million standard cubic feet per day (MMscfd) was re-rated in year 2008 to process up to 105 MMscfd. At Mnazi Bay, the natural gas processing facility has a capacity of 10 MMscfd. On average, the total processing capacity from both plants ranges at 91±9% MMscfd. The current demand for natural gas is about 131.23 MMscfd, hence leaving the demand gap of about 31.23 MMscfd.

Both plants achieved no Lost Time Injuries (LTI). There was no “Near Miss Accident” or “Major Accident” registered by operators. At both gas fields the handling of produced water from the processing facilities complied to Health Safety and Environment (HSE) standards and the World Health Organization (WHO) standards.

The allowable potential hydrogen (pH) standard is between 6 and 8, while allowable oil in water content should not exceed 29 ppm (parts per million). Throughout the year under review, the Authority observed a trend of water pH ranging from 6.53 to 7.6, and oil in water content ranging from 1 to 7 ppm, which are within the acceptable range.

At Songo Songo Island, the condensate tanks levels were maintained at low levels by offloading the condensate from the tanks once after every four months. The service of power and potable water to the neighbouring community met the project agreement (that is 30,000 litres of water per day and supply of electricity to meet the current demand of 2,800 kilowatt-hours per day).

The natural gas processing at Songo Songo Island and Mnazi Bay has been done in accordance with accepted oil and gas industry best practices.

#### **5.1.4 Processing Facilities Under Construction**

The Songo Songo-Dar es Salaam natural gas transmission pipeline (12 inches of 25 kilometres marine portion, and 16 inches of 207 kilometres terrestrial portion) with five main valves, and the Mnazi Bay-Mtwara gas transmission pipeline, (8 inches of 2 kilometres marine portion, and 8 inches of 27 kilometres terrestrial portion), were regularly inspected by the Authority. Apart from the Mnazi Bay-Mtwara natural gas pipeline, which is underutilised, the Songo Songo-Dar es Salaam pipeline is constrained, hence transmitting inadequate capacity of natural gas.

#### **5.1.5 Low-Pressure Piped and Compressed Natural Gas**

The low pressure distribution network in Dar es Salaam is about 53 km. The network comprises of the distribution pipeline to industries and compressed natural gas system which distributes gas to vehicles and virtual pipes to TPDC's staff houses. The Authority carried out field inspections which mainly focused, among other things, on the clearance of right of way, encroachment of the high-density polyethylene pipes, soil erosion along or across the distribution pipeline and third party damages along the network.

During the period under review, the number of industrial customers remained 40, and five (5) power plants. Some industries at Mikocheni, TPDC's residential houses and hotels are served by the Compressed Natural Gas (CNG) transported by vehicles and connected through the virtual pipes. During the year under review, the CNG consumption decreased from 129.56MMscf in 2012/13 to 123.56MMscf in 2013/14. The main cause of decrease being lack of steady power to run the main compressor at Ubungu CNG dispensing station.

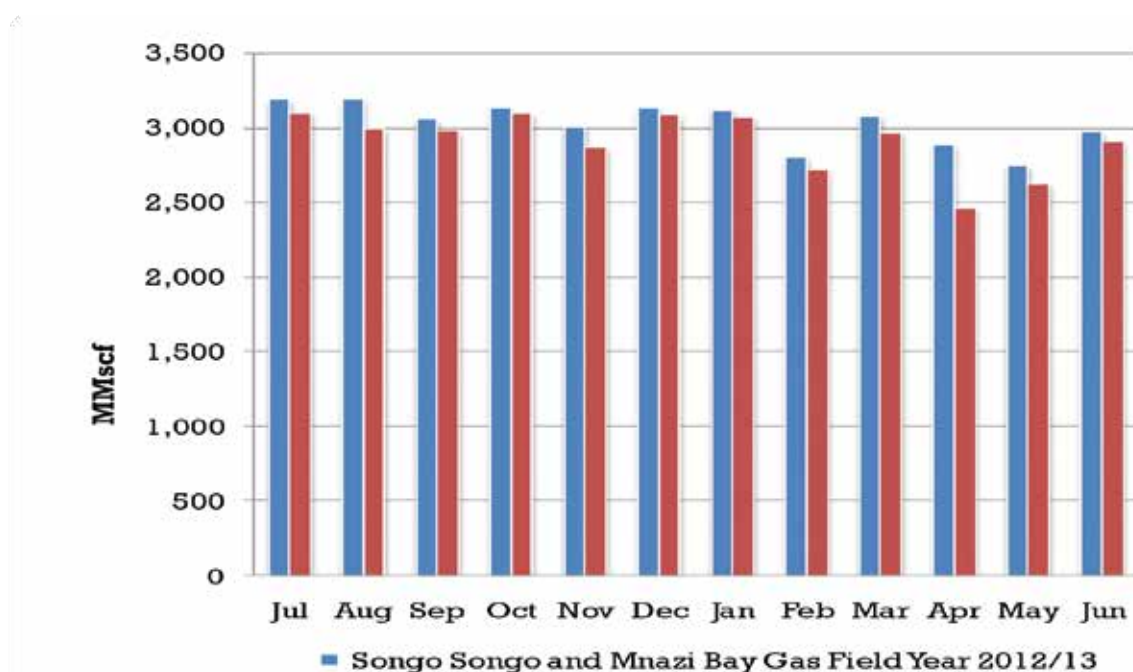
## 5.2 Natural Gas Supply and Consumption

The natural gas supply is much related to the capacity of natural gas processing facilities and the transmission infrastructure. The maximum demand of 100.01 MMscfd and minimum demand of 52.31 MMscfd were reached on 3rd September 2013 and 19th April 2014, respectively. During the year under review, the natural gas production from both gas fields (Songo Songo and Mnazi Bay) decreased from 36,322.22 MMscf in the 2012/13 to 34,754.27 MMscf in the 2013/14

The Songo Songo and Mnazi Bay reservoirs contain the dry gas with small amount of heavy hydrocarbons or condensate and no existence of Hydrogen Sulphide. The volumes of Carbon Dioxide were also insignificant. The analysis revealed that there was no significant change in gas composition since commissioning of the gas fields.

The total protected gas dedicated for power and industry for the year 2013/14 was 13,460.23 MMscf compared to 14,312.09 MMscf consumed in 2012/13. This is a decrease of about 6% caused by reduced consumption at Wazo Hill. The additional gas sales to electric power generation plants decreased from 10,048.90 MMscf during 2012/13 to 8,957.06 MMscf during 2013/14. The actual natural gas sales for industries were 4,447.09 MMscf compared to 4,389.50 MMscf of similar period in 2012/13.

**Figure 11: Gas Production from Songo Songo and Mnazi Bay**



The analysis of the unaccounted for natural gas is based on monthly Songo Songo gas production and sales of natural gas volumes in Dar es Salaam. Unaccounted for gas for the period under review ranges between -1.5% and -9.0% registered in May 2014. Pursuant to Section 6.7(a) and (b) of the Gas Agreement between Songas, TPDC and the Government, the acceptable unaccounted for gas in percentage is  $\pm 1\%$ . In case of non-compliance Songas is supposed to pay TPDC the loss resulting from this unaccounted for gas at double the current gas price if this occurs for three consecutive months.

### 5.3 Natural Gas Quality and Standard of Services

The Authority continued to monitor the quality and standard of the natural gas services provided by the regulated service providers. Monitoring the natural gas quality specification of regulated services involved monitoring the quality of the commodity (natural gas) and adherence by the service providers and their customers, to the specified standard. 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. Typical raw gas compositions are shown in Table 13.

**Table 13: Typical Songo Songo Gas Composition (in % Mole)**

Gas Component	Standard Natural Gas Well (Dry)	Tanzania Natural Gas Well (Dry)
Carbon Dioxide	Trace	0.49
Nitrogen	1.25	0.70
Hydrogen Sulphide	Trace	Nil
Methane	91.01	97.23
Ethane	4.88	0.98
Propane	1.69	0.28
Iso-Butane	0.14	0.06
n-Butane	0.52	0.08
iso-Pentane	0.09	0.03
n-Pentane	0.18	0.02
Hexanes	0.13	0.13
Heptanes plus	0.11	Nil
Moisture (ppm)	Trace	4.00
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

The natural gas produced from Songo Songo and Mnazi Bay reservoirs has the best quality, which was 97.23% Methane. It is dry gas with no existence of Hydrogen Sulphide or a

significant volume of Carbon Dioxide or substantial volumes of condensate. No significant changes in gas composition were observed and reported during the period under review, for both gas fields. Most parameters were still within the best pipeline practices.

#### 5.4 Sector Policy and Legislation

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 sub-sector, and making rules by the Authority. During the period under review, the Authority participated in the review process of the Natural Gas Draft Local Content Strategy, 2014; Draft Gas Bill, 2014; and the Draft Natural Gas Utilization Master Plan, 2014.

#### 5.5 Level of Investment in Gas Infrastructure Development

To meet the growing demand of natural gas for power generation and industrial uses, the Government through TPDC continued with the construction of the Mtwara to Dar es Salaam pipeline and has started installing additional two processing plants, at Madimba in Mtwara and Songo Songo Island in Lindi.

The implementation of the 36 inches Mtwara - Dar es Salaam pipeline project includes construction of a 24 inches transportation pipeline from Songo Songo Island to Somanga Fungu and staff accommodation houses for both plants.

The capacity of the processing plants at Madimba in Mtwara will be 210 MMscfd, while at Songo Songo will be 140 MMscfd.

**Figure 12: Construction of Natural Gas Transportation Pipeline**

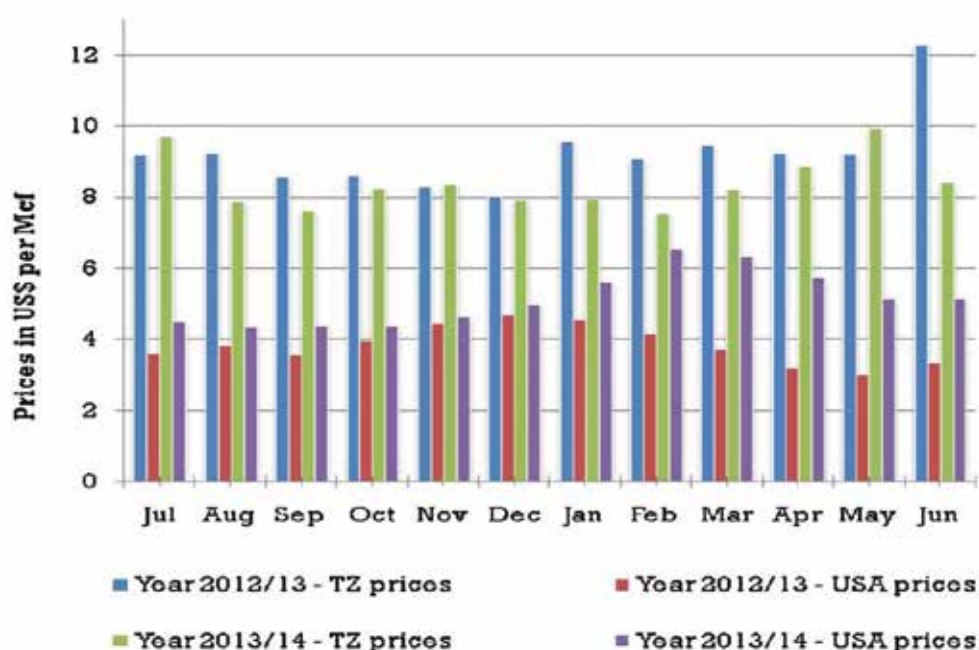


However, the low-pressure distribution network, which was extended by TPDC from the Ubungu Pressure Reduction Station (PRS) to Mikocheni Light Industrial Area is yet to be commissioned and this compels industries along Mikocheni Area to continue to rely on CNG virtual station located at Mikocheni TPDCs Real Estate.

## 5.6 Trends of Cost of Service

The natural gas industrial prices set by PAT for the 2013/14 were benchmarked to USA natural gas industrial prices. During the period under review, the average monthly gas prices for the additional gas used by power generators, were lower than the US prices by 33.3% with monthly average of USD 3.54 per Mcf for Tanzania and USD 5.31 for USA. Industrial prices in Tanzania were higher than USA industrial prices, the US monthly average gas price was USD 5.145/Mcf while in Tanzania the monthly average price was USD 8.39 /Mcf which is higher by 63% as shown in Figure 13.

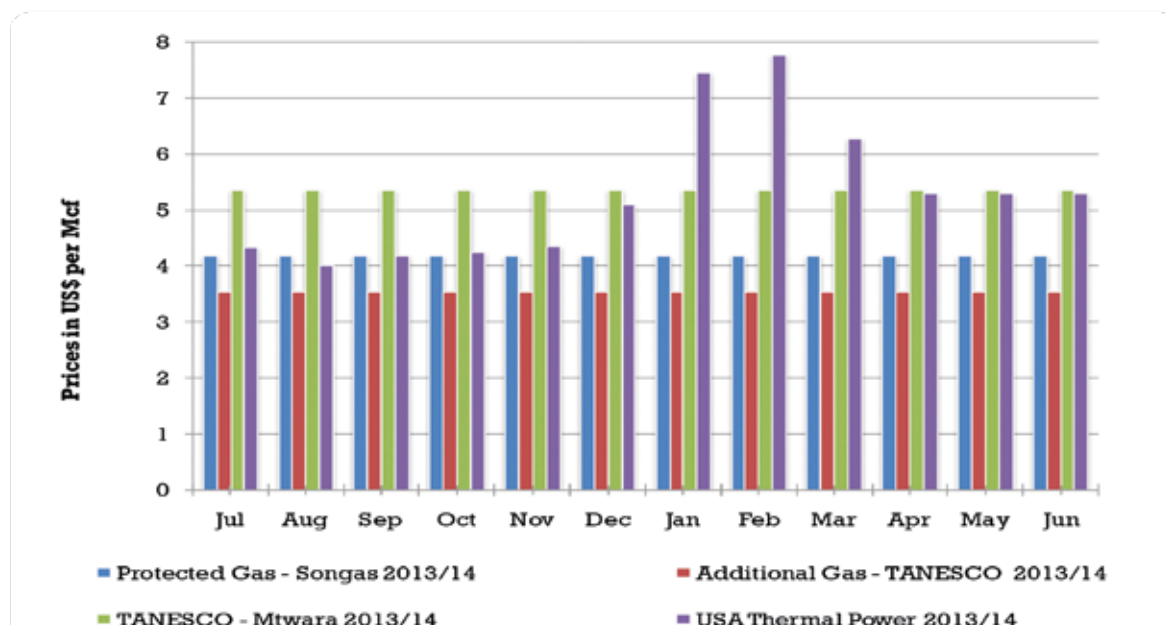
**Figure 13: Pricing Trends of Natural Gas for Industries**



The prices for natural gas for power generation payable by TANESCO for both Songo Songo Island and Mtwara gas fields remained steady, but higher compared to USA gas price for power generation as shown in Figure 14.



**Figure 14: Pricing Trends for Thermal Power in Tanzania**



## 5.7 The Impact of Natural Gas Import Substitution on the Economy

During the period under review, 29,031 MMscf of natural gas was consumed by the gas-based thermal power generation plants, which is equivalent to 903.648 million litres of oil, mainly Jet A-1 and 6,414.97 MMscf for industrial production, which is equivalent to 153.14 million litres of oil, mainly Heavy Fuel Oil. This reflects savings of about USD 865,171,593 as a result of decreased reliance on foreign fuel consumption for thermal power generation and industrial uses.

## 5.8 Licensing

In the absence of gas law, no licence was issued or renewed by the Authority in the midstream and downstream natural gas sub-sector. The service providers operate under development licences issued to TPDC by the Ministry of Energy and Minerals.

## 5.9 Determination of Rates and Charges

During the period under review, the Authority did not receive any tariff application related to natural gas. The natural gas processing and transportation service continued to be rendered at USD 0.59/MCF, while natural gas distribution service continued to be rendered at USD 0.52/MCF.

### **5.10 Third Party Access**

The common natural gas facilities are the processing facilities, the transmission pipelines, and the distribution pipeline networks. The facilities are currently fully utilised and there is no extra capacity for third parties.

### **5.11 Disputes and Complaints**

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

### **5.12 Litigation**

During the period under review there was no litigation involving the Authority, the service providers, or other stakeholders.

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

The Authority carried out the technical, 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 critical pipeline valves on both Songas and M&P pipelines, corrosion, leakage survey, damage prevention, compaction and restoration of degraded land falls.;
- b) construction works along Mtwara-Dar es Salaam pipeline project;
- c) the integrity of gas pipelines and way leave between the landfall areas to the market with great emphasis on security of facilities along the pipelines;
- d) the physical appearance of gas processing plants and gas wells; and
- e) the status of the Dar es Salaam ring main serving about 40 industries and the way leave operated by PAT.

On both Songo Songo and Mnazi Bay gas fields, no near miss or major accident or any environmental disaster was registered. PAT and M&P had achieved a no Lost Time Injuries (LTI) all over the downstream facilities.



However, two gas leakages were reported and attended to by PAT along the Dar es Salaam distribution network. The leakages were caused by third party construction activities along the common right of way. There was no fatal incident on both occasions.

## **5.14 Key Achievements and Challenges**

### **5.14.1 Achievements**

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

- a) through quarterly inspections, the Authority ensured the natural gas supply infrastructures were well operated and maintained by the service providers;
- b) the Authority provided well researched advices on Natural Gas Policy, 2013 and Draft Gas Bill, 2014 to the Ministry of Energy and Minerals; and
- c) the Authority nourished the relationships with the key stakeholders.

### **5.14.2 Challenges**

The following are the key challenges encountered so far, and the way forward being pursued by the Authority and other stakeholders-

- a) despite the approval of the National Natural Gas Policy 2013, the Authority and other stakeholders still await the enactment of the gas law and the Natural Gas Utilisation Master Plan;
- b) security of supply is a challenge due to inadequate natural gas infrastructure to support installed power generation plants and the growing industrial demand; and
- c) conversion of urban vehicles to run on dual-fuel systems (petrol/Compressed Natural Gas or diesel/ Compressed Natural Gas) This challenge can be mitigated through development of institutional framework, capacity building and incentivised schemes.

## 6.0 WATER SUPPLY AND SANITATION SERVICES REGULATION

### 6.1 Overview

The Authority regulates 130 autonomous Water Supply and Sanitation Authorities (WSSAs) which include the Dar es Salaam Water and Sewerage Authority (DAWASA), Dar es Salaam Water Supply Corporation (DAWASCO), Regional, District and Small Towns Water Supply and Sanitation Authorities (DSTWSSAs) and National Projects Water Supply and Sanitation Authorities (NPWSSAs). The types and number of regulated water utilities are shown in Table 14 below.

**Table 14 Types of Regulated Utilities in the Water Sector**

No.	Type of Utilities	No. of Utilities
1	Dar es Salaam Water and Sewerage Authority (DAWASA)	1
2	Dar es Salaam Water and Sewerage Corporation (DAWASCO)	1
3	Regional Water Supply and Sanitation Authorities	23
4	District and Small Towns Water Supply and Sanitation Authorities	72
5	National Projects Water Supply and sanitation Authorities	8
6	Small Towns Water Supply and Sanitation Authorities	25
	<b>Total</b>	<b>130</b>

DAWASA and DAWASCO are responsible for the provision of water supply services in Dar es Salaam city and neighbouring areas of Kibaha and Bagamoyo. DAWASA is the asset owner while DAWASCO is the operator for water supply services. Regional and District WSSAs are responsible for provision of water services in the Regional and District Headquarters, respectively, while Small Towns WSSAs serve the designated Small Towns. On the other hand, National Projects Water Supply and Sanitation Authorities are the big water schemes that cover more than one Local Government Authorities and serve both urban and rural settlements.

### 6.2 Performance Monitoring

#### 6.2.1 Performance Data Reporting

Water Supply and Sanitation Authorities (WSSAs) are obliged to submit to the Authority their performance data through the Water Utilities Information System, known as Majlis. Majlis is a web based software through which WSSAs submit electronically their monthly and annual performance data. Monthly data through Majlis are required to be submitted latest by 15<sup>th</sup> day of the following month.

During the reporting period, 12 out of 23 Regional WSSAs (Babati, Bukoba, Dodoma, Mbeya, Morogoro, Moshi, Musoma, Mwanza, Singida, Songea, Sumbawanga and Tabora) managed to submit their monthly data on time. The remaining 11 Regional WSSAs (Arusha, Bariadi, Geita, Iringa, Kigoma, Lindi, Mpanda, Mtwara, Njombe, Shinyanga and Tanga), DAWASA and DAWASCO failed to submit some of their monthly data due to various reasons.

The Authority continued to provide capacity building to District, Small Towns and National Projects WSSAs on the use of the web based Majlis system. However, the use of Majlis in these utilities was affected by transfer of staff, lack of computers and inadequate training.

The Authority, in collaboration with the Association of Tanzania Water Suppliers (ATAWAS) and German International Cooperation (GIZ) conducted training on the web based Majlis during the year under review to staff working at District and Small Towns WSSAs and National Projects WSSAs under the Capacity Development Programme so as to improve monthly data submission from WSSAs. A total of 96 District, Small Town WSSAs and National Projects WSSAs attended, whereby, a total of 268 staff were trained on the use of the web based Majlis.

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

### **a) Regional WSSAs, DAWASA and DAWASCO**

During the reporting period, the Authority conducted site inspections to all the 23 Regional WSSAs as well as DAWASA and DAWASCO. The activities conducted during the site inspections included carrying out water quality tests, follow up on implementation of WSSAs Business Plans, follow up on compliance to licensing requirements and verification of data for review of tariff applications. The water quality tests were carried out by Regional Water Laboratories under the supervision of the Authority.

Special performance monitoring inspections to the low-ranked water utilities as per Water Utilities Performance Review Report of 2012/13 was also conducted. The major aim of such inspections was to establish the reasons behind poor performance of those utilities and to give directives that will improve their performance. Such inspections were conducted in Mtwara and Lindi WSSAs in the Coastal Zone, Mbeya and Sumbawanga WSSAs in the Southern zone and in the Lake Zone, Musoma and Bukoba WSSAs. Reports on observations found from the inspection with comments and directives were presented to the respective WSSAs.

Verification of data during the tariff review application process was done for Songea and Sumbawanga WSSAs which applied for tariff reviews.

**b) District, Small Towns and National Projects WSSAs**

During the 2013/14, inspections were carried out to unlicensed District/Small Towns WSSAs in order to know their status in establishing Boards of Directors and Managements, and also updating the baseline data that was collected during the Rapid Assessment in 2009/10.

Performance Monitoring inspections were also carried out in Kasumulu, Kilosa, Dakawa, Mangaka, Utete, Mkuranga, Kisarawe, Kilindoni, Kibondo and Kasulu and the National Projects of Masasi- Nachingwea and Makonde. Spot water quality tests were carried out to the National Project WSSAs of Makonde.

**c) Findings**

The field visits revealed lower performance as compared to their planned activities. Most of the investment projects earmarked in WSSAs' Business Plans were not implemented due to failure to realize the projected revenue collection. WSSAs undertook to include the un-implemented projects in their revised Business Plans.

It was also found that, the basis for some of the reported data (such as water demand, proportion of population directly served with water and proportion of population living in areas with water network) was not clearly elaborated to the Authority.

The water quality testing exercise revealed a notable decrease in the drinking water quality compliance as compared to the results of 2012/13. For the case of wastewater there was slight improvement in compliance as compared to last year. The details of the findings are explained under section 6.9 of this chapter.

There are still some challenges which include water sources depletion, limited potential for expansion of distribution networks due to constrained financial resources and lack of adequate sanitation facilities.

### **6.3 Business Plans**

In compliance with section 24(4) and 29(2)(b) of the Water Supply and Sanitation Act, 2009, the Authority revised Business Plans submitted by the WSSAs of Mbeya, Mtwara, Singida, Songea, Sumbawanga, Tabora, Tanga, Kisarawe, Mafinga and Namtumbo. The Business Plans were reviewed to see, among other things, compliance with the EWURA Business Planning Guidelines, 2011. Comments to the submitted business plans were sent to the respective WSSAs who were required to consider and incorporate them in their final business plans prior to approval by their respective Boards.

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

In compliance with section 28(1) of the Water Supply and Sanitation Act, 2009, during 2013/14, the Authority prepared and published the Water Utilities Performance Report for the financial year 2012/2013. The report analyses the performance of WSSAs during the year 2012/13 in comparison to the previous two years. The reports were prepared in two volumes, one for regional WSSAs and DAWASCO and the second for District, Small Towns and National Projects WSSAs, and were launched on 30<sup>th</sup> December, 2013.

### **6.5 Licensing**

During the period under review the activities that were performed on Licensing to Regional Centres WSSAs was to verify the conditions set out for upgrading to Class II for WSSAs with licences and pre-licensing inspection for Districts, Small Towns and National Project Water Utilities for utilities that had not applied for licences.

Most of the regional utilities managed to comply with implementation of pending issues except those related to land disputes on the areas with water infrastructures which led to failure to obtain title deeds and requirement for operating ratio of less than 1.

The pre-licensing inspection for Districts, Small Towns and National Project Water Utilities were carried out for utilities that were dormant during the year 2012/13. The inspections were conducted on 18 utilities of Iselemagazi, Didia, Tinde, Malampaka, Lalago, Maganzo, Sangamwalugesha, Turiani, Mikumi, Chala, Laela, Usa River, Longido, Loliondo, Gallapo, Bashnet and Dareda WSSAs.

Among the Districts, Small Towns and National Project Water Utilities that were visited, four WSSAs of Turiani, Usa River, Loliondo and Gallapo managed to submit their licence applications in the year 2013/14.

## 6.6 Determination of Rates and Charges

During the year under review, the Authority reviewed 41 tariff applications out of which 28 were approved. Of the 28 approved tariffs, 25 were for automatic tariff adjustments due to changes in electricity tariff, two were multi-year tariff applications (Kahama and Sumbawanga WSSAs), whereas one was a normal year tariff application (Kilwa Masoko WSSAs) as shown in Table 15.

The table shows that there has been an increasing trend in the submission of automatic tariff applications as many water utilities have been negatively affected by the increase in TANESCO electricity tariff by 39.19% since 1st January, 2014.

**Table 15: Water Supply Tariff Approvals**

Applicant WSSA	Date Received	Existing Average Metered Tariff (TZS/m <sup>3</sup> )	Approved Average Metered Tariff (TZS/m <sup>3</sup> )			Date of Approval	Order No.	Effective Date
			2013/14	2014/15	2015/16			
<b>Kilwa Masoko</b>	03-05-13	446.8	619.2			18-12-13	13-009	01-01-14
<b>Sum-bawanga</b>	09-05-13	557.0	604.0	635.0	823.0	18-11-13	13-007	01-01-14
<b>Kahama</b>	02-07-13	784.6	1160.2	1160.2	1200.0	18-12-13	13-008	01-01-14
<b>Dodoma</b>	08-01-14	822.3	908.8			17-03-14	14-005	01-04-14
<b>Iringa</b>	20-01-14	837.0	965.9			17-03-14	14-006	01-04-14
<b>Singida</b>	28-01-14	795.9	853.2			17-03-14	14-016	01-04-14
<b>Songea</b>	28-01-14	607.3	617.3			17-03-14	14-017	01-04-14
<b>Tabora</b>	28-01-14	765.8	824.8			17-03-14	14-018	01-04-14
<b>Mwanza</b>	05-02-14	809.8	865.1			17-03-14	14-014	01-04-14
<b>Mtwara</b>	07-02-14	690.8	725.6			17-03-14	14-013	01-04-14

Applicant WSSA	Date Received	Existing Average Metered Tariff (TZS/m <sup>3</sup> )	Approved Average Metered Tariff (TZS/m <sup>3</sup> )			Date of Approval	Order No.	Effective Date
<b>Mbeya</b>	07-02-14	701.3	732.3	804.2		17-03-14	14-010	01-04-14
<b>Tanga</b>	07-02-14	796.5	831			17-03-14	14-019	01-04-14
<b>Arusha</b>	10-02-14	734.8	758.8	831.3		17-03-14	14-001	01-04-14
<b>Kigoma</b>	10-02-14	776.4	849.4			17-03-14	14-008	01-04-14
<b>Moro-goro</b>	10-02-14	770.1	822.8			17-03-14	14-011	01-04-14
<b>Shinyanga</b>	10-02-14	923.3	974.5			17-03-14	14-015	01-04-14
<b>Bukoba</b>	10-02-14	702.0	758.3			23-05-14	14-024	01-06-14
<b>DAWASA</b>	11-02-14	1076.8	1097.5			17-03-14	14-004	01-04-14
<b>Lindi</b>	11-02-14	1095.6	1117.2			17-03-14	04-009	01-04-14
<b>Bariadi</b>	12-02-14	646.7	730			17-03-14	14-003	01-04-14
<b>Mpanda</b>	12-02-14	697.2	721.1			17-03-14	14-012	01-04-14
<b>KASH-WASA</b>	19-02-14	458.1	502.6			17-03-14	14-007	01-04-14
<b>Kilwa Masoko</b>	28-02-14	619.2	630.8			29-04-14	14-021	01-05-14
<b>Babati</b>	12-02-14	866.6	897.6	986.5		17-03-14	14-002	01-04-14
<b>Musoma</b>	20-03-14	980.1	1081.9	1081.9		29-04-14	14-022	01-05-14
<b>Geita</b>	28-03-14	388.6	504.8			29-04-14	14-020	01-05-14
<b>Pangani</b>	01-04-14	504.0	609.0			29-04-14	14-023	01-05-14
<b>Mafinga</b>	03-04-14	794.18	945.15			23-05-14	14-025	01-06-14

## **6.7 Complaints Handling and Dispute Resolution**

During the year under review, 17 complaints were registered from consumers of water and sanitation services, out of which 13 were settled. A total of 50 complaints were carried forward from the previous year, out of which four were resolved. The composition of the complaints received for the water sector include complaints on billing (35%), denied connection (12%) and others (sewer, tariff and poor customer service) constituted 29%. Seven water complaints proceeded to the hearing stage among which six awards were made.

## **6.8 Litigation**

During the year 2013/14, the Authority was involved in a carried forward case between EWURA and the CEO of DAWASCO. The case is at hearing stage pending delivery of judgement.

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

In order to ensure that WSSAs comply with health, safety and environmental standards, the Authority carried out spot tests to verify the physical, bacteriological and chemical water and wastewater quality parameters reported by the WSSAs. Wastewater quality tests included tests for Biological Oxidation Demand ( $BOD_5$ ) and Chemical Oxidation Demand (COD) of the wastewater effluent from Regional WSSAs and DAWASCO.

### **6.9.1 Water Quality**

During 2013/14, water quality test results reported by regional WSSAs through the Majlis system showed that compliance to E-Coli standards was 84% while compliance to residual chlorine requirements was 86%. For DAWASCO, compliance to E-Coli requirements was 73% while compliance to residual chlorine requirements was 82%.

### **6.9.2 Wastewater Quality**

A total of 10 out of the 23 regional WSSAs have sewerage systems. Data reported by these regional WSSAs revealed that compliance to Biochemical Oxygen Demand ( $BOD_5$ ) and Chemical Oxygen Demand (COD) requirements was 72% and 71%, respectively. Wastewater effluent from the infrastructure operated by DAWASCO did not comply with  $BOD_5$  and COD standards. DAWASCO's non-compliance is mainly due to poor condition and inadequate capacity of the wastewater treatment plants. Table 16 summarizes the compliance to water and wastewater quality according to the data reported through the Majlis systems.



**Table 16: Water and Wastewater Quality Majls Results**

No.	Utility	% Compliance					
		pH	Residual Chlorine	Turbidity	E-Coli	BOD	COD
1	Arusha	100	91	100	97	54	43
2	Babati	100	100	100	99	na	Na
3	Bariadi	nc	nc	nc	nc	na	Na
4	Bukoba	83	63	100	59	na	Na
5	Dodoma	100	100	100	100	85	100
6	Geita	nc	nc	nc	nc	na	Na
7	Iringa	92	88	92	50	50	50
8	Kigoma	100	100	100	100	na	Na
9	Lindi	nc	nc	nc	nc	na	Na
10	MAKONDE NP	nc	nc	nc	nc	na	Na
11	Mbeya	100	95	100	100	100	100
12	Morogoro	42	42	35	42	57	48
13	Moshi	100	100	100	100	100	100
14	Mpanda	nc	nc	nc	nc	na	Na
15	Mtwara	67	9	6	9	na	Na
16	Musoma	64	80	83	80	na	Na
17	Mwanza	50	100	100	100	100	100
18	Njombe	99	93	96	100	na	Na
19	Shinyanga	100	100	100	100	na	Na
20	Singida	100	100	100	100	na	Na
21	Songea	100	100	100	100	100	100
22	Sumbawanga	100	86	85	92	na	Na
23	Tabora	83	96	83	73	na	Na
24	Tanga	100	99	100	100	0	0
<b>Overall Compliance</b>		<b>88</b>	<b>86</b>	<b>88</b>	<b>84</b>	<b>72</b>	<b>71</b>
1	DAWASCO	74	82	81	73	0	0
na = not applicable							
nc = not conducted							

### 6.9.3 Quality Monitoring and Inspection

As part of quality monitoring activities, the Authority carried out spot drinking water and effluent quality tests in 23 regional WSSAs, one National Project (Makonde) WSSAs and DAWASCO. Water quality parameters that were tested include: pH, turbidity (NTU), residual chlorine (mg/l), and faecal coliforms (nos/100ml). The results of the spot water quality tests showed that compliance with E-Coli standards was 78% while compliance with residual chlorine requirements was 33%. Compliance to pH and Turbidity requirements was 89% and 94%, respectively. With regard to wastewater, compliance with BOD5 standards was 75% while compliance with COD standards was 63%.

On the other hand, DAWASCO's water quality test results have shown that 100% tested samples complied with Residual Chlorine and 85% complied with E-coli requirement. The quality of waste water effluent from oxidation ponds did not attain compliance with both the BOD5 and COD standards. The results are shown in Table 17.

**Table 17: Water and Wastewater Quality Inspection Results**

No.	Utility	% Compliance					
		pH	Residual Chlorine	Turbidity	E-Coli	BOD	COD
1	Arusha	83	29	90	80	0	0
2	Babati	100	33	100	75	na	Na
3	Bariadi	100	0	100	75	na	Na
4	Bukoba	70	60	100	90	na	Na
5	Dodoma	100	0	100	100	100	100
6	Geita	80	0	80	100	na	Na
7	Iringa	100	0	100	100	0	0
8	Kigoma	100	70	100	80	na	Na
9	Lindi	100	0	100	20	na	Na
10	MAKONDE NP	100	0	100	33	na	Na
11	Mbeya	100	57	100	100	100	100
12	Morogoro	100	20	20	0	100	100
13	Moshi	13	0	100	88	100	0
14	Mpanda	100	0	100	64	na	Na
15	Mtwara	100	0	100	17	na	Na
16	Musoma	80	80	100	100	na	Na
17	Mwanza	100	70	100	100	100	100

No.	Utility	% Compliance					
		pH	Residual Chlorine	Turbidity	E-Coli	BOD	COD
18	Njombe	0	80	100	80	na	Na
19	Shinyanga	100	30	90	100	na	Na
20	Singida	100	75	100	100	na	Na
21	Songea	100	83	100	100	100	100
22	Sumbawanga	100	0	100	70	na	Na
23	Tabora	100	86	75	100	na	Na
24	Tanga	100	30	100	100	na	Na
<b>Overall Compliance</b>		<b>89</b>	<b>33</b>	<b>94</b>	<b>78</b>	<b>75</b>	<b>63</b>
1	DAWASCO	85	100	100	85	0	0
<b>na = not applicable</b>							

## 6.10 Capacity Building

The Authority participated in the capacity building to WSSAs that were organized by the Hamburg Wasser Consultants in association with Association of Tanzania Water Suppliers (ATAWAS) on technical, commercial and managerial skills for the DSNP WSSAs. The training was funded by GIZ, whereby, the training imparted to the participants general knowledge with emphasis on Business Plans preparation, report writing and submission and web based Majlis reporting.

## 6.11 Other Interventions in the Water Sector

### a) Water Sector Development Program

During the reporting period, the Authority continued to collaborate with the Ministry of Water and other stakeholders to improve service delivery in WSSAs. This included participation in the Water Sector Development Program (WSDP) thematic working group 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. In the thematic group, the Authority provides inputs on the performance of WSSAs. Also, during the reporting period, the Authority was involved in the review of implementation of Phase I of WSDP which spans from year 2007 to 2014 and in the preparation of Phase II of the WSDP which spans from year 2014 up to 2019.

b) **Business model option for the provision of water supply and sewerage services in DAWASA designated area**

During the Annual General Meeting of Water Supply and Sanitation Authorities which took place in the City of Arusha in November, 2013, the Ministry of Water directed EWURA to review the current business model of DAWASA and DAWASCO and recommend improvements or new business model which can enhance water supply and sewerage services in the DAWASA designated area.

In fulfilling the directive, EWURA commissioned PricewaterhouseCoopers (PWC) to carry out the assignment. PWC commenced the assignment on 17th March 2014, and submitted the final report to EWURA on 3rd June 2014.

EWURA reviewed the Consultant's report and submitted the recommended Business Model to the Minister for Water on 3rd July 2014. In the recommended Business model the roles of DAWASA and DAWASCO shall be as follows:

- i) DAWASA's role is limited to water production, water transmission and investments in water production and water transmission infrastructures; and
- ii) DAWASCO's role is limited to water distribution and sales, waste water collection and treatment, and investments in water distribution and sales and waste water collection and treatment.

## **6.12 Key Achievements and Challenges**

### **6.12.1 Achievements**

The achievements made by the Authority during the reporting period include the following:

- a) through routine inspections the Authority has managed to follow up on all regional WSSAs so as to ensure compliance with water quality standards;
- b) the Authority has managed to improve the performance of the web based Majlis reporting system after clearance of system bugs and therefore improving availability of performance data from WSSAs;
- c) the Authority has provided guidance to WSSAs on planned strategies for reduction of Non-Revenue Water (NRW) and extension of water distribution systems while reviewing their Business Plans and Tariff Applications. Also, WSSAs have continuously improved in terms of understanding and compliance with Business Planning Guidelines that were issued by the Authority; and

- d) the Authority managed to approve tariff adjustments for all WSSAs who applied for automatic tariff adjustment due to the electricity tariff increase that became effective from January, 2014.

### 6.12.2 Challenges

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

- a) Overall compliance to various regulatory directives from District and Small Towns WSSAs is still a challenge to EWURA. This is due to lack of skills and manpower in WSSAs. To address this challenge, the Authority is collaborating with MoW to conduct capacity building workshops to the DNSPs Board Members and skills on technical, commercial and managerial matters to WSSAs staff.
- b) District and Small Towns water utilities have not fully started electronic reporting through the Web based Majls, despite receiving training on the use of Majls. This is due to lack of skilled staff and working equipment. The Authority in collaboration with GIZ and ATAWAS will continue to build capacities to impart knowledge on the importance and use of web based Majls reporting
- c) It has been noted that the current water demand in the WSSAs' service areas are higher than available water production capacities and in some cases are due to underutilization of available capacities. Insufficient water distribution network coverage has been a salient feature of most utilities that are underutilizing their present water production capacities. WSSAs need to conduct studies for estimation of the current and future water demand and develop additional water sources to meet the current and future water demand.
- d) Most of the utilities have not managed to achieve the recommended best practice of 20% or less for NRW. Water utilities should review NRW reduction strategies indicated in their business plans. Regional WSSAs and DAWASCO should implement NRW reduction strategies that will address particular NRW causes in their utilities. Additionally, WSSA and DAWASCO should design and implement their own tailor-made short-term and long-term strategies to curb NRW using their internal capabilities.
- e) Promotion of investment in the water sector remains a challenge to the Authority. This is because, investment funds earmarked for WSSAs under the WSDP for various expansion and rehabilitation projects have not been sufficient to meet increasing demand. To address the challenge, the Authority has prepared comprehensive business plan guidelines for water utilities to use in preparation of plans towards attaining cost recovery tariffs and use the business plans to access funds.

## 7.0 COMMUNICATIONS AND PUBLIC AWARENESS PROGRAMME

### 7.1 Overview

The Authority conducted public awareness activities to comply with the EWURA Act (Cap 414) that directs the Authority, among other things, to enhance public knowledge, awareness and understanding of the regulated sectors.

Activities performed during the period continued to enlighten stakeholders on the rights and obligations; the ways in which complaints and disputes may be initiated and resolved and instilling the correct public perception towards the Regulator.

The following are some of the activities that were conducted during the year under review.

### 7.2 Public Awareness Campaign

The Authority continued to conduct public awareness campaigns through various media of communication. During the period under review, the Authority conducted press conferences as well as radio and television interviews. The interviews carried out were live broadcasted and recorded at ITV (Malumbano ya Hoja), Tanzania Broadcasting Corporation TBC 1 (Tuambie), Channel Ten (Baragumu) and Star TV (Morning Programme-Tuongee). For radio stations, there were several interviews with Radio One, TBC Taifa, Radio Wapo FM, Radio Uhuru, Radio Tumaini, Clouds FM and Radio Times FM.

In order to increase awareness creation, the Authority introduced a new televised weekly special programme under the brand name **EWURA NA UCHUMI** that was aired at ITV and Channel Ten for six months.

During the period under review, the Authority also made two presentations to the University of Dar es Salaam School of Journalism and Mass Communications as part of public awareness creation and continued to strengthen relationship with media which made it easier to disseminate information to the public as and when required.

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

### 7.3 Press Conferences and Media Coverage

During the period under review, eight press conferences were held on matters related to

automatic tariff adjustments for Regional and Districts Water Authorities, electricity contractors' licensing, usage of fuel with low Sulphur, monthly petroleum cap prices, TANESCO tariff adjustment and fiscal impact on EWURA's Regulatory interventions.

#### **7.4 Publicity Materials**

The Authority printed newsletters, annual reports, water sector annual performance report, diaries and calendars. For the first time, the Authority published a report on fiscal impact on EWURA's regulatory interventions on petroleum downstream sub-sector, whose study was carried out by the University of Dar es Salaam. These materials are good tools for the promotion of the Authority's image and regulatory activities.

#### **7.5 Exhibitions**

During the period under review, the Authority participated at the Nane Nane exhibition, in Dodoma. The information disseminated at the exhibition dwelt on the duties and functions of the Authority, rights and obligations of various stakeholders, complaint resolution and the Authority's achievement and challenges faced.

#### **7.6 Impact of Public Awareness Campaigns**

There was a general trend of increased recognition of the Authority's activities by the public and regulated suppliers. Through public awareness campaigns regulated suppliers are becoming compliant with the licensing conditions as is evidenced by decrease of number of complaints during the year under review.

The Authority has also witnessed the increased number of inquiries and consultations on issues related to regulations, from both consumers as well as potential investors.

#### **7.7 Corporate Social Responsibility**

In recognition of its Corporate Social Responsibility, the Authority sponsored international conference on Oil and Gas, Young Earth Scientist (YES), Tanzania Editors Forum and Institute of Engineers. The Authority also supported Same District water programmes, Women & Youth Organization and Hope Children Foundation. It also supported field attachments for students from various higher learning institutions.

## 7.8 Key Achievement and Challenges

### 7.8.1 Key Achievements

- a) The Authority has prepared a comprehensive Communication Policy and Strategy to facilitate implementation of public awareness programme as stipulated in the EWURA Act, Cap 414.
- b) Various programmes targeting to increase public awareness have been implemented as scheduled, thereby increasing the masses' knowledge and understanding of the regulated sectors.
- c) The Authority has successfully managed to cultivate and maintain good rapport with its stakeholders, including its peers, Government officials, politicians, regulated entities, the media and the general public.
- d) The Authority has established and maintained good communication channels with its stakeholders that have helped to improve and smoothen communication.

### 7.8.2 Key Challenges

- a) The high cost of newspapers, radio and television media of communication makes public awareness a costly activity to run, therefore limiting the Authority from effectively extending its plans on public awareness campaigns. The Authority, however, will continue to give more priority during the budgeting processes by allocating enough funds for public awareness campaigns.
- b) The geographical size of the country, coupled with poor infrastructure that makes logistical issues difficult, have a negative impact in that television and radio coverage becomes limited. In order to contain the problem, the Authority has introduced a special programme, EWURA NA UCHUMI so that a large part of the population can get access to information disseminated by the Authority.
- c) Diversification of communication channels resulting from technological development such as that of social media has further disintegrated the audience, thus making it difficult for the Authority to rely on main media stream alone. The Authority is working on how it can fully participate in social media channels.



## **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 and the public at large.

During the period under review, the Authority developed 17 regulatory tools of which stakeholders were fully involved through consultations. The Authority also conducted 10 public inquiry meetings of which six related to water, three to electricity, and one to petroleum operations.

## **9.0 DECLARATION OF CONFLICT OF INTEREST**

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

## 10.0 CONCLUSION AND FUTURE OUTLOOK

The regulatory decisions made by the Authority 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) To continue to implement the Strategic Plan 2012/13-2016/17 that guides the Authority's operations for the remaining two years.
- b) 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.
- c) 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.
- d) To ensure that there is the highest level of compliance by all regulated operators.
- e) 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;
- f) To strengthen working relationships with Government institutions and other stakeholders.
- g) To continue supporting the Government in putting in place a conducive regulatory framework for the natural gas sub-sector including the enactment of natural gas law.
- h) To continue strengthening efforts to implement a public awareness and outreach programme for the benefit of consumers, regulated operators, Government officials and the public at large.
- i) To construct an office building for the Authority and open more zonal offices after opening the Lake Zone Office in Mwanza.
- j) To continue participating fully in the electricity sector reforms by creating a suitable environment to investors, both local and foreign.



**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 FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE, 2014**

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**December, 2014**

**AR/EWURA/2014**

## **REPORT OF THE DIRECTORS**

### **1.0. INTRODUCTION**

The Directors hereby submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2014 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

### **2.0. ESTABLISHMENT**

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

### **3.0. VISION**

To be a world class Regulator of Energy and Water services.

### **4.0. MISSION**

To regulate the energy and water services in a transparent, effective and efficient manner that promotes investments and enhances the socio economic welfare of the Tanzanian society.

### **5.0. PRINCIPAL ACTIVITIES**

EWURA is a regulatory Authority responsible for the technical and economic regulation of the 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 with regard to quality, safety, health and environmental issues of the regulated suppliers.

### **6.0. 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 are as follows:

Name	Position	Age	Qualification	Nationality	Date of Appointment
Mr. Simon F. Sayore	Chairman	66	MSc(Fin), FCCA	Tanzanian	Re- appointed 27 <sup>th</sup> June, 2011
*Dr. Geoffrey Mariki	Deputy Chairman	65	PhD (Electrical Eng.)	Tanzanian	Appointed 1 <sup>st</sup> August, 2009 up to 31 <sup>st</sup> December, 2013
Mr. Omar S. Bendera	Member	65	M.A. (Dev. Economics)	Tanzanian	Re-appointed 1 <sup>st</sup> March, 2014
*Ms. Lucy H. Sondo	Member	55	LLB, LLM	Tanzanian	Re-appointed 1 <sup>st</sup> June, 2010 up to 31 <sup>st</sup> May 2014
Mr. Nicholas Mbwangi	Member	65	B.Sc (Physics & Maths) M.A.(Human Resource Management)	Tanzanian	Appointed 1 <sup>st</sup> March, 2011
Ms. Juliana Mwalongo	Member	57	LLM,MA (Development Studies)	Tanzanian	Appointed 1 <sup>st</sup> March, 2011
Mr. Felix Ngam-lagosi	Director General	48	MSc.(Economics)	Tanzanian	Appointed 1 <sup>st</sup> - February, 2014
* Mr. Haruna Masebu	Ex-Director General	59	MSc (Urban Economics)	Tanzanian	Re-appointed 1 <sup>st</sup> January, 2010 up to 31 <sup>st</sup> December, 2013

\* Directors who served the Authority in the financial year 2013/14 and their tenure expired on the dates indicated above.

## 7.0. 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.

The Board is required to meet at least once a month and as 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.

## 8.0. BOARD COMMITTEES

In streamlining the business transactions the Board has constituted sector specific and cross-cutting issues Board Committees. During the year under review, the Audit 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. During the period under review a total of 25 meetings were conducted by these committees as shown below.

### Board Committee Meetings

S/No.	Board Committee	Number of Meetings
1.	Audit	7
2.	Legal and Corporate Affairs	7
3.	Electricity and Natural Gas	3
4.	Petroleum	5
5.	Water	3
	<b>Total</b>	<b><u>25</u></b>

Constitution of Board Committees is as follows:

### Board's Audit Committee

- |    |                     |                 |
|----|---------------------|-----------------|
| 1. | Mr. Omar Bendera    | Chairman        |
| 2. | Dr. Geoffrey Mariki | Member          |
| 3. | Juliana Mwalongo    | Member          |
| 4. | Mr. Peter Machunde  | Co-opted Member |

### **Board's Legal and Corporate Affairs Committee**

- |    |                      |             |
|----|----------------------|-------------|
| 1. | Ms. Lucy Sondo       | Chairperson |
| 2. | Mr. Nicholas Mbwanji | Member      |
| 3. | Mr. Simon Sayore     | Member      |
| 4. | Mr. Felix Ngamlagosi | Member      |

### **Board's Electricity and Natural Gas Committee**

- |    |                      |          |
|----|----------------------|----------|
| 1. | Mr. Nicholas Mbwanji | Chairman |
| 2. | Ms. Lucy Sondo       | Member   |
| 3. | Mr. Simon Sayore     | Member   |
| 4. | Mr. Felix Ngamlagosi | Member   |

### **Board's Petroleum Committee**

- |    |                      |          |
|----|----------------------|----------|
| 1. | Dr. Geoffrey Mariki  | Chairman |
| 2. | Mr. Omar Bendera     | Member   |
| 3. | Mr. Simon Sayore     | Member   |
| 4. | Mr. Felix Ngamlagosi | Member   |

### **Board's Water Committee**

- |    |                      |             |
|----|----------------------|-------------|
| 1. | Ms. Juliana Mwalongo | Chairperson |
| 2. | Dr. Geoffrey Mariki  | Member      |
| 3. | Mr. Simon Sayore     | Member      |
| 4. | Mr. Felix Ngamlagosi | Member      |

## **9.0. RELATED PARTY TRANSACTIONS**

The related party transactions during the year are disclosed in Note 17 of these financial statements.

## 10.0. MANAGEMENT

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

- i. Directorate of Corporate Affairs;
- ii. Directorate of Natural Gas;
- iii. Directorate of Water and Sewerage;
- iv. Directorate of Legal Services;
- v. Directorate of Internal Audit;
- vi. Directorate of Petroleum;
- vii. Directorate of Electricity;
- viii. Directorate of Regulatory Economics
- ix. Communication and Public Relations Unit; and
- x. Procurement Management Unit.

## 11.0. OPERATIONAL AND FINANCIAL PERFORMANCE

During the year under review, EWURA focused on the implementation of its strategic objectives which guide the Authority in achieving its vision and mission, championing good governance and facilitating the attainment of vibrant and thriving energy and water sectors in Tanzania.

The Strategic Objectives are as follows:

- (a) to have a least- cost Investments framework for electricity, natural gas, water and petroleum regulated sectors;
- (b) to ensure EWURA's functions are efficiently and effectively managed;
- (c) to have public knowledge, awareness and understanding of the regulatory functions and the regulated sectors enhanced;
- (d) to have quality service standards and codes of regulated sectors of electricity, water and petroleum enforced; and
- (e) to have an effective intervention strategy against HIV/AIDS for enhanced productivity.

During the year under review, the Authority continued implementing its Strategic Plan for year 2012/13 – 2016/17 that guides the Authority's operations in five years period.



## 11.1 Achievements

During the year under review, the Authority witnessed significant achievements in mobilization of financial and non-financial resources, reviewed and developed Rules, Information Monitoring Systems, service standards and codes governing the regulation of the regulated sectors; implemented the Bulk Procurement System of petroleum products and facilitated its operations; ensured a fair competition in the petroleum sub-sector; continued executing periodic and unscheduled inspections; provided public knowledge, awareness and understanding of the regulatory functions in the regulated sectors; and reviewed the Human Resource Policy and Strategy to be in alignment with labour laws.

## 11.2 Financing

The Authority's operations are financed mainly through collection of levies from regulated service providers in the electricity, petroleum, natural gas and water and sanitation sectors. Other sources of financing include licence fees, application fees, penalties and interest income from fixed deposits.

During the year under review total revenue amounting to TZS 33.2 billion was collected indicating an increase of 14% compared to the previous year as shown below.

Description	30.06.2014 TZS'000	30.06.2013 TZS'000	Increase/ (De- crease) %
Income from Regulatory Levy and Licenses	30,077,847	27,263,652	10
Other Income	<u>3,076,258</u>	<u>1,932,448</u>	<u>59</u>
<b>Total Revenue</b>	<b><u>33,154,105</u></b>	<b><u>29,196,100</u></b>	<b><u>14</u></b>

## 11.3 Legal Framework

The EWURA Act, Cap 414 together with sector legislation, the FCT Act Cap 285, govern the conduct of the activities of the Authority. The sector legislation includes the Electricity Act, Cap 131, Petroleum Act, Cap 392, Water and Sanitation Act, Cap 272 and DAWASA Act, Cap 273. The Authority continued to play a key role in supporting the Government in the development of the Natural Gas Supply Bill.

## 11.4 Licensing

During the year under review, the Authority prepared and issued licenses to some 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 under review, three hundred thirty (330) applicants were issued with new licenses as follows; petroleum 122 licenses (whole sale 14, Retail 107 and LPG 1), Electricity 208 licenses (Generation 8, Distribution 2 and wiremen contractors 198).

Licences under the natural gas sector are still issued by the Ministry of Energy and Minerals under the Petroleum (Exploration and Production) Act, Cap 328.

## 11.5 Development of Regulatory Tools

The Authority continued with the task of finalizing 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 under review, the following Regulatory tools were completed:

- a) The Electricity (Development of Small Power Projects) Rules 2013;
- b) The Electricity (Initiation of Power Procurement) Rules 2013;
- c) The Electricity (Supply Services) Rules, 2013;
- d) The Electricity (Tariff Setting) Rules, 2013.
- e) The Petroleum (Pipeline Operations), Rules, 2014;
- f) The Petroleum (Lubricants Sampling & Testing) Rules, 2014;
- g) The Petroleum (Lubricants Operations) Rules, 2014;
- h) Petroleum (Retail Operations in Townships & Villages), Rules, 2014.
- i) The Petroleum (Retail Operations), Rules, 2014;
- j) The Electricity (Licensing Fees) Rules 2013;
- k) Petroleum (Licensing Fees) Rules, 2013;
- l) The Licence Template for LPG Storage;
- m) The Licence Template for LPG Wholesale;

- n) The Licence template for LPG Distribution;
- o) Tanzania Grid Code, 2014

## 11.6 Standards and Codes

The Authority continued with the process of developing new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. This process involves the Tanzania Bureau of Standards (TBS), service providers, academic institutions and other stakeholders. In order to ensure safety and quality of services, the Authority developed and approved the Tanzania Grid Code, 2014. Development of the Distribution Codes is being planned for the next financial year 2014/15.

EWURA in collaboration with the Ministry of Water (MoW) has set the minimum quality of service standards which are included in the Memorandum of Understanding (MoU) that is signed between the Ministry of Water and the WSSAs. EWURA has ensured that the quality of service standards are included in Water Sanitation and Sewerage Authorities (WSSAs) Business Plans, and follow up is always made to ensure their implementation.

## 11.7 Tariff Review

The Authority carried out Public Inquiries and Public Hearings meetings to determine several tariff review matters filed by regulated suppliers. Summary of Public Inquiries and Tariff Reviews conducted during the year is shown below:

Regulated Sectors	Applications Brought Forward	Applications Received During the Period	Total Applications Reviewed	Approved	Referred Back	Withdrawn	Under Review at the End of the Period
Electricity	1	4	5	2	2	-	1
Natural Gas	-	-	-	-	-	-	-
Petroleum	-	-	-	-	-	-	-
Water & Sewerage	1	38	39	27	8	1	3
<b>TOTAL</b>	<b>2</b>	<b>42</b>	<b>44</b>	<b>29</b>	<b>10</b>	<b>1</b>	<b>4</b>

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

Regulated Sector	No. of Public Hearings	No. of Matters	Concluded Before 30.06.2014
Electricity	3	-	2
Natural Gas	-	-	-
Petroleum	-	-	-
Water & Sewerage	28	-	27
<b>Total</b>	<b>31</b>	<b>-</b>	<b>29</b>

## 11.8 Sector Monitoring

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

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

The Authority continued executing periodic and unscheduled inspections to the petroleum facilities to ensure that there is continuous compliance to Standards that are in place. Facilities that were found with major deficiencies that are detrimental to Health were closed down.

The Authority also continued to ensure that petroleum products of the right quality were offered for sale to consumers by carrying out frequent and random sampling for quality and marker tests. Punitive measures were taken against operators of the facilities that were found with products that failed the quality and marker tests in accordance with the Petroleum (Sampling and Testing ) Rules, 2010 and the petroleum (Marking and Quality Control) Rules, 2010.

The Authority continued to ensure sustainability of quality improvement by monitoring the Key Performance Indicators (KPIs) that were set in December 2010 during TANESCO Tariff adjustment. Furthermore, the Authority continued to observe Electricity Reliability Indices

which were set in 2003 by the East African Community (EAC).

Inspections for monitoring and verifying data and information reported by WSSAs was conducted in Kigoma, Kahama, Kilwa Masoko, Iringa, Mbeya, Sumbawanga WSSAs and DAWASCO.

The Authority prepared the Water Utilities Performance Review Report for the year 2012/13 which included, among other things, the analysis of the attainment of KPIs by 130 WSSAs. During the launching of the report best performing WSSAs were recognized by awarding them with certificates and trophies.

The Authority has ensured that the KPI targets are included in the WSSAs' Business Plans, and follow up is regularly made to ensure their implementation. Implementation of KPIs is being monitored monthly through the Water Utilities Information System (MaJIs) and Quarterly Performance Reports from Water Utilities.

The Authority carried out quarterly field visits to the natural gas infrastructures, High Pressure Transmission Pipeline and Dar es Salaam Natural Gas Distribution Network to ascertain the infrastructure integrity and its safety. During the field visits, the Authority got opportunity to verify the information received from the regulated service providers based on daily, weekly and monthly reports which form part of the basis of monitoring the performance. However, in the absence of sector Regulations and Rules the Authority could only advise the service providers to take safety precautionary measures to ensure the public are not at any risk associated with natural gas activities.

## **11.9 Public Awareness**

During the period under review, a notable weekly special programme under the brand name "EWURA NA UCHUMI" was aired 35 times at the Independent Television (ITV) and Channel Ten TV stations. The feedback from a few public individuals through emails and telephone calls indicates the need to continue educating the public by widening the scope to radio broadcasts.

The Authority participated in live and recorded interviews on TV programme (Malumbano ya Hoja), Tanzania Broadcasting Corporation TBC 1(Tuambie), Channel Ten (Baragumu) and Star TV (Morning Programme). For radio broadcasts, there were several programmes on Radio One, TBC Taifa, Radio Wapo FM, Radio Uhuru, Radio Tumaini, Clouds FM and Radio Times FM.

### 11.10 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 below.

Regulated Sector	Complaints Received	Complaints Settled	Complaints Settlement %
Petroleum	6	4	67
Electricity	69	31	45
Natural Gas	-	-	-
Water Supply and Sewerage	15	9	60
<b>Total</b>	<b>90</b>	<b>44</b>	<b>49</b>

At the end of the financial year a number of unresolved complaints were at various stages of mediation.

### 11.11 Regional Cooperation Meetings

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

Furthermore, EWURA has participated in various meetings convened to establish the regional power pool, the Eastern Africa Power Pool Regulatory Body (EAPP-IRB). EAPP-IRB members include Libya, Egypt, Sudan, Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Burundi and the Democratic Republic of Congo.

## 12.0. RECRUITMENT

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

In the year under review, the Authority recruited 12 employees thus bringing the total number of staff to 97 out of 109 that were required during the year. Staff gender structure is as indicated below:

Item	Male	Female	Total
Staff Complement	65	32	97
Percentage	67	33	100

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

### 13.0. RISK MANAGEMENT AND CONTROL

The Board accepts final responsibility for the risk management and internal control system of the Authority. It is the task of the Management 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;
- reliability of accounting records;
- business suitability under normal as well as adverse conditions; and
- responsible behaviours towards stakeholders.

### 14.0. STAFF WELFARE

#### 14.1 Staff Relations

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

#### 14.2 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 under review, new senior staff attended general courses on Public Utility Regulation and Strategy. Several Staff also attended international and local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance.

### **14.3 Medical Services**

The Authority provides free medical care to all staff, spouses and up to four legal children not exceeding 18 years of age. The Authority commits sufficient funds to cater for evacuation of staff and overseas treatment, where necessary. During the year under review, there were two cases which required overseas treatment and therefore, the Authority incurred medical costs for both local and overseas treatment.

### **14.4 HIV/AIDS Intervention**

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

### **15.0 EMPLOYEE BENEFIT PLAN**

The Authority pays contributions to publicly administered pension funds on a mandatory basis.

### **16.0 GENDER PARITY**

The Authority had 97 employees, out of whom 65 were male and 32 were female. The Authority is an equal opportunity employer.

### **17.0 POLITICAL DONATIONS**

The Authority did not make any donations during the year under review.

### **18.0. CORPORATE SOCIAL RESPONSIBILITY**

In recognition of its corporate social responsibility, the Authority sponsored conferences for young scientist, Tanzania Editors Forum and Institute of Engineers. It also supported water programme in Same District and field attachments for students from various higher learning institutions. The Authority also supported non-governmental organizations such as CBBL Women & Youth organization and Hope Children Foundation.

The involvement of the Authority in corporate social responsibilities enhances its value and improves its image to the public.



## **19.0. 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 licence or construction approval, the authority takes into account the need to protect and preserve the environment as required by the Environmental Management Act, 2004.

## **20.0. PERSONS WITH DISABILITIES**

The Authority gives equal opportunities to persons with disabilities.

## **21.0. 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;

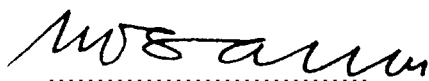
- a) The Authority is faced with limitations in terms of human and financial resources to conduct inspection visits particularly in Districts and Small Towns. However, the Authority will continue to utilize its available resources to conduct inspections and monitoring.
- b) The absence of Natural Gas Act limits the scope of operation of the Natural Gas regulatory activities. The Authority will continue to lobby the Government to enact the Gas Act.
- c) The Authority is also faced with office accommodation challenges which include increase in rent cost and insufficient space. The Authority plans to construct its own office building on the plot provided by the Ministry of Water at Ubungu, Dar-es-Salaam. The Authority continues with efforts of securing a title deed from the Ministry of Lands and Human Settlement Development to enable the construction start as soon as possible.
- d) Insufficient public knowledge in the understanding of rights and obligations of consumers and the regulated suppliers. The Authority shall continue to implement its Public Awareness Programme to address this challenge.

## **22.0. SOLVENCY**

Since its establishment, the Authority has managed to finance its operations through sources specified under the EWURA Act. The Directors consider the Authority to be solvent on the strength of its financial position as at 30<sup>th</sup> June, 2014 as set out in page 14 of these financial statements.

### 23.0. AUDIT MANDATE

By virtue of the provision of Article 143 of the Constitution of the United Republic of Tanzania, and as amplified in Sect. 10 of the Public Audit Act, No. 11 of 2008, the Controller and Auditor General (CAG) has appointed BDO East Africa to carry out the audit of EWURA financial statements on his behalf for three years commencing from the financial year 2013/14.



**SIMON F. SAYORE**

**CHAIRMAN**

Date: 28<sup>th</sup> November 2014



**FELIX NGAMLAGOSI**

**DIRECTOR GENERAL**

Date: 28<sup>th</sup> November 2014

## 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.

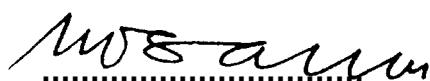
The Directors of EWURA are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority, and which enable them to ensure that the financial statements comply with the EWURA Act. They are also responsible for safeguarding 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, 2014. The Directors also confirm that International Financial Reporting Standards have been followed and that the financial statements have been prepared on the going concern basis.

To the best of the Directors knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30th June, 2014.

Directors accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with International Financial Reporting Standards. Nothing has come to the attention of the Directors to indicate that EWURA will not remain a going concern for at least the next twelve months from the date of the Statement.

Approved by the Board of Directors on 28<sup>th</sup> November, 2014 and signed on its behalf by:



**SIMON F. SAYORE**  
**CHAIRMAN**



**FELIX NGAMLAGOSI**  
**DIRECTOR GENERAL**

Date: 28<sup>th</sup> November 2014

Date: 28<sup>th</sup> November 2014

## **AUDIT REPORT ON FINANCIAL STATEMENTS**

**To: Chairman of the Board,**  
**Energy and Water Utilities Regulatory Authority,**  
**P.O. Box 72175,**  
**DAR ES SALAAM.**

**RE: REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL**  
**STATEMENTS OF EWURA FOR THE YEAR ENDED 30TH JUNE, 2014**

### **Introduction**

I have audited the financial statements of Energy and Water Utilities Regulatory Authority for the financial year ended 30th June, 2014, which comprise Statement of Financial Position as at 30th June 2014, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 24 to 42 of this report.

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

The Board of Directors of the Energy and Water Utilities Regulatory Authority is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

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

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

### **Unqualified opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Water Utilities Regulatory Authority (EWURA) as at 30th June, 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Energy and Water Utilities Regulatory Authority Act, Cap. 414.

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

#### **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 the 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.



Francis Mwakapalila

**Ag. CONTROLLER AND AUDITOR GENERAL**

National Audit Office

Dar es Salaam

Tanzania

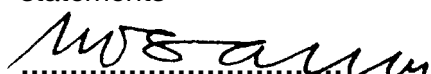


**Date: 17<sup>th</sup> December 2014**

## STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE, 2014

	NOTES	30.06.2014 TZS'000	30.06.2013 TZS'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	9	2,934,246	3,142,675
Intangible Assets	10	<u>91,525</u>	<u>240,324</u>
<b>Total Non-Current Assets</b>		<b><u>3,025,771</u></b>	<b><u>3,382,999</u></b>
<b>Current Assets</b>			
Stocks and Consumables		102,220	78,966
Trade and Other Receivables	11	6,082,535	6,146,448
Financial Assets	12	16,035,302	7,499,899
Cash and Bank Balances	13	<u>4,175,382</u>	<u>3,600,238</u>
<b>Total Current Assets</b>		<b><u>26,395,439</u></b>	<b><u>17,325,551</u></b>
<b>TOTAL ASSETS</b>		<b><u>29,421,210</u></b>	<b><u>20,708,550</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained Surplus		10,810,367	10,804,116
Building Fund		15,850,000	8,050,000
Government Grant from PPSPD Credit	14	=	<u>24,982</u>
<b>Total Capital and Reserves</b>		<b><u>26,660,367</u></b>	<b><u>18,879,098</u></b>
<b>Non Current Liabilities</b>			
Gratuity Payable	15	1,641,590	1,241,670
<b>Current Liabilities</b>			
Trade and Other Payables	16	<u>1,119,253</u>	<u>587,782</u>
<b>Total Liabilities</b>		<b><u>2,760,843</u></b>	<b><u>1,829,452</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>29,421,210</u></b>	<b><u>20,708,550</u></b>

The accounting policies and the notes on pages 90 to 111 form an integral part of these financial statements



**SIMON F. SAYORE**  
**CHAIRMAN**



**FELIX NGAMLAGOSI**  
**DIRECTOR GENERAL**

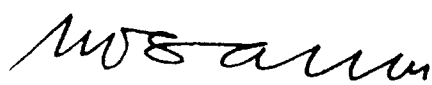
**Date: 28<sup>th</sup> November 2014**

**Date: 28<sup>th</sup> November 2014**

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2014

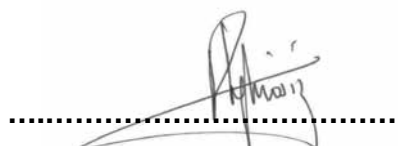
	NOTES	30.06.2014 TZS'000	30.06.2013 TZS'000
<b>Revenue</b>			
Operating Revenue	1	30,077,848	27,263,652
Other Income	2	1,345,503	1,384,791
Finance Income	3	<u>1,730,754</u>	<u>547,657</u>
<b>Total Revenue</b>		<b><u>33,154,105</u></b>	<b><u>29,196,100</u></b>
<b>Expenditure</b>			
Staff Costs	4	8,313,571	7,242,156
Operating Expenditure	5	14,129,936	10,407,316
Administration Costs	6	2,180,807	1,846,033
Other Charges	7	181,400	270,255
Depreciation on Property and Equipment	9	393,342	528,672
Amortisation of Intangible Assets	10	<u>148,798</u>	<u>174,138</u>
<b>Total Expenditure</b>		<b><u>25,347,854</u></b>	<b><u>20,468,570</u></b>
Net Operating (Deficit)/Surplus for the Year		7,806,251	8,727,530
<b>Add: Retained Surplus Brought Forward</b>		<u>10,804,116</u>	<u>4,076,586</u>
<b>Total Surplus Before Appropriation</b>		<b>18,610,367</b>	<b>12,804,116</b>
<b>Appropriation:</b>			
Transfer to Building Fund		<u>(7,800,000)</u>	<u>(2,000,000)</u>
<b>Retained Surplus Carried Forward</b>		<b><u>10,810,367</u></b>	<b><u>10,804,116</u></b>

The accounting policies and the notes on pages 90 to 111 form an integral part of these financial statements



**SIMON F. SAYORE**  
**CHAIRMAN**

**Date: 28<sup>th</sup> November 2014**



**FELIX NGAMLAGOSI**  
**DIRECTOR GENERAL**

**Date: 28<sup>th</sup> November 2014**



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2014

	<b>Capital Fund</b>	<b>Building Fund</b>	<b>Retained Surplus</b>	<b>Total</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Opening Balance at 1st July, 2013	24,982	8,050,000	10,804,116	18,879,098
Net Operating surplus for the Year			7,806,251	7,806,251
Transfer to Building Fund		7,800,000	(7,800,000)	-
Grant Amortisation	(24,982)	-	-	(24,982)
<b>Balance at 30th June, 2014</b>	<b>-</b>	<b>15,850,000</b>	<b>10,810,367</b>	<b>26,660,367</b>

### Year Ended 30th June, 2013

Item	<b>Capital Fund</b>	<b>Building Fund</b>	<b>Retained Surplus</b>	<b>Total</b>
	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>	<b>TZS'000</b>
Balance at 1 July, 2012	50,248	6,050,000	4,076,586	10,176,835
Net Operating Surplus for the Year	-		8,727,530	8,727,530
Transfer to Building Fund	-	2,000,000	(2,000,000)	-
Grant Amortisation	(25,266)	-	-	(25,266)
			-	
<b>Balance as at 30 June, 2013</b>	<b>24,982</b>	<b>8,050,000</b>	<b>10,804,116</b>	<b>18,879,098</b>

### Note:

The building fund balance of TZS 15.9 billion as at 30th June, 2014, represents the amount appropriated to the Building Fund as a special fund established by the Authority to be used for construction of office building for its own use.

The accounting policies and the notes on pages 90 to 111 form an integral part of these financial statements

## STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30TH JUNE, 2014

	NOTES	30.06.2014	30.06. 2013
		<b>TZS'000</b>	<b>TZS'000</b>
<b>Cash Generated From (Used in) Operations</b>			
<b>Net Operating Surplus for the Year</b>		7,806,251	8,727,530
<b>Adjustments for:</b>			
<b>Depreciation on Property and Equipment</b>	9	393,342	528,672
<b>Amortization of Intangible Assets</b>	10	148,798	174,138
<b>Gain on Insurance Claim</b>		(21,329)	-
<b>Net Foreign Exchange (gain)/loss</b>		(8,901)	(3,218)
<b>Grant Amortization</b>	14	(24,982)	(25,266)
<b>Operating Surplus Before Working Capital Changes</b>		<b><u>8,293,179</u></b>	<b><u>9,401,856</u></b>
<b>Changes in Working Capital Items:</b>			
<b>(Increase)/ Decrease in Stocks and Consumables</b>		(23,254)	(23,689)
<b>(Increase)/ Decrease in Trade and Other Receivables</b>		63,913	(615,090)
<b>Increase/ (Decrease) in Trade and Other Payables</b>		<u>531,471</u>	<u>(2,782,020)</u>
<b>Net Cash Generated from Operations (A)</b>		<b><u>8,865,309</u></b>	<b><u>5,981,056</u></b>
<b>Investing Activities</b>			
<b>Purchase of Property and equipment</b>	9	(184,912)	(504,331)
<b>Purchase of Intangible Assets</b>	10	-	(274,531)
<b>Purchase of Financial Assets - Maturity after 91 days</b>		(5,000,000)	(4,705,180)
<b>Proceed from Financial Assets - Maturity after 91 days</b>		<u>5,430,150</u>	<u>5,064,719</u>
<b>Net Cash Used in Investing Activities (B)</b>		<b><u>245,238</u></b>	<b><u>(419,233)</u></b>
<b>Financing Activities</b>			
<b>Net Cash Generated from Financing Activities (C)</b>		-	-
<b>Increase in Cash and Cash Equivalents (A+B+C)</b>		<b><u>9,110,547</u></b>	<b><u>5,561,823</u></b>
<b>Movement in Cash and Cash Equivalent</b>			
<b>At Start of Year</b>		<u>11,100,138</u>	<u>5,538,315</u>
<b>At end of the year</b>		<b><u>20,210,685</u></b>	<b><u>11,100,138</u></b>

The accounting policies and the notes on pages 90 to 111 form an integral part of these financial statements

## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

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

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

### 2. PRINCIPAL ACCOUNTING POLICIES

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

#### a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. The financial statements have been prepared on a going concern basis which assumes that the Authority will continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its 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.

(i) **Standards, amendments and interpretations to the Authority's operations**

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

**IAS 7 on 'Cash Flow Statement'** requires that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities. It is not expected to have a material impact on the Authority's financial statements.

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

(ii) **The following standards, amendments and interpretations of existing published standards are also relevant to the Authority's operations.**

In November 2009, the IASB issued amendments to IAS 24 "Related Party Disclosures". This standard provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party.

In May 2010, the IASB issued amendments to IFRS resulting from the IASB's annual improvement project. These amendments have been effective since January 1, 2011. The amendments primarily comprise clarification to presentation, disclosure and measurement provisions related to several IFRS standards.

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

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

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

**Property and Equipment**

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

**c) Revenue Recognition**

**The Annual Levy Policy**

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

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

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

**Donor and Government Funds**

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

the disclosure requirements of International Accounting Standard (IAS) 20.

(i) **Operating Grant**

This is normally in the form of cash and is recognized as income in the year it is received.

(ii) **Grant Related to Assets**

Government grants related to assets, including non-monetary grants (such as land or other resources) are recorded at fair value. The grant is recognized in the Statement of Comprehensive Income over the useful life of a depreciable asset.

d) **Property and Equipment**

All property and equipment is recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be reliably measured. The carrying amount of the replaced part is derecognized.

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

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

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

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

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

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

e) **Intangible Assets**

Computer software licences are 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.

f) **Financial Instruments**

**Classification**

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

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at 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 profit or loss, transaction costs are included in the initial measurement of the instrument.

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

### **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.

### **Derecognition**

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

### **Impairment of Financial Assets**

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

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered to be indicators of impairment. Impairment losses are recognized in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was 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 profit or loss except for equity investments classified as available-for-sale.

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

### **Loans to Staff**

These financial assets are classified as loans and receivables.

### **Trade and Other Receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss 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 profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

### **Trade and Other Payables**

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

### **Cash and Cash Equivalents**

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

### **Held to Maturity**

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

At subsequent reporting dates these are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was 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.

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

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

#### **h) Employee Entitlements**

Employee entitlements to gratuity and long-term service awards are 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.

i) **Retirement Benefit Obligation**

(i) **Approved Pension Scheme**

The Authority contributes to statutory defined pension contribution plans for its employees at the rate of 15% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF) or Government Employees Provident Fund (GEPF) or Public Service Pensions Fund (PSPF) or Local Authorities Pensions Fund (LAPF).

(ii) **Gratuity**

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

j) **Accounting for Leases**

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

k) **Comparatives**

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

## 1. OPERATING REVENUE

	30.06.2014	30.06.2013
	TZS'000	TZS'000
<b>Regulatory Levy</b>		
Electricity	11,245,801	9,197,867
Petroleum	15,783,619	15,107,654
Natural Gas	1,672,236	1,361,064
Water and Sewerage	893,902	726,782
<b>Total Regulatory Levy Revenue</b>	<b><u>29,595,558</u></b>	<b><u>26,393,367</u></b>
<b>Licence Fees</b>		
Electricity	60,216	607,578
Electricity Contractors and Wiremen	40,252	38,123
Petroleum	296,935	175,094
<b>Total License Fees Revenue</b>	<b><u>397,403</u></b>	<b><u>820,794</u></b>
<b>Application Fees</b>		
Electricity	19,288	3,131
Petroleum	65,599	46,359
<b>Total Application fees revenue</b>	<b><u>84,887</u></b>	<b><u>49,490</u></b>
<b>Total Operating Revenue</b>	<b><u>30,077,848</u></b>	<b><u>27,263,652</u></b>

## 2. OTHER INCOME

Sale of Tender Documents	-	1,300
Grant Amortization	24,982	25,266
Penalties from Petroleum Adulteration	1,299,192	1,358,225
Gain on Insurance Claim	21,329	-
<b>Total Other Income</b>	<b><u>1,345,503</u></b>	<b><u>1,384,791</u></b>

## 3. FINANCE INCOME/(COSTS)

Interest Income on Fixed Deposits	1,702,239	520,909
Foreign Exchange Gain	8,901	6,568
Interest Received on Current Account	19,614	20,180
<b>Total Finance Income/(Cost)</b>	<b><u>1,730,754</u></b>	<b><u>547,657</u></b>

#### 4. STAFF COSTS

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Salaries	4,945,592	4,555,679
Gratuity Expenses	868,738	820,329
Pension Employer's Contribution	684,952	624,963
Skills and Development Levy	227,800	249,698
Medical Expenses	341,807	185,596
Other Staff Costs (Schedule 1)	<u>1,244,682</u>	<u>805,892</u>
<b>TOTAL</b>	<b><u>8,313,571</u></b>	<b><u>7,242,156</u></b>

## 5. OPERATING EXPENSES

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Capacity Building (Schedule 2)	1,552,140	1,005,661
Regulatory Tools Development Expenses	322,505	313,741
Field and Inspection Expenses	2,556,825	3,152,653
Public Inquiries	189,528	218,085
Complaints and Dispute Resolution	141,711	-
Government Consultative Council Expenses	210,298	132,192
Bulk Procurement Technical Committee	-	4,866
Consumer Consultative Council Expenses	1,416,369	1,003,834
Fair Competition Tribunal Subvention	381,003	419,000
Fair Competition Commission Subvention	601,725	599,768
Treasury Contribution	2,000,000	2,000,000
Release of overprovision	-	(2,597,982)
Public Awareness Programme	493,221	798,937
Advertisement Expenses	373,862	156,968
Consultancy Expenses	694,493	216,963
Membership Contribution, Books and Periodicals	155,280	126,518
Library General Expenses	750	-
International Conference Expenses	1,289,957	1,060,737
AFUR Conference and AGM Expenses	-	192,275
Regional Cooperation Meetings	574,646	576,483
Local Travel and Conference Expenses	142,248	190,125
Stakeholders Consultative Meetings	93,683	9,720
Motor Vehicle Fuel Expenses	96,789	85,539
Motor Vehicle Repairs and Maintenance	201,293	134,203
Car Hiring Expenses	19,075	2,420
Maintenance of Computer Hardware	17,443	28,906
Maintenance of Computer Software	27,883	69,209
Maintenance of Other Office Equipment	6,189	5,704
Wiremen Licensing Activities	33,925	16,764
Directors Fees	26,059	27,333
Board Expenses	511,036	456,693
<b>TOTAL OPERATING EXPENSES</b>	<b><u>14,129,936</u></b>	<b><u>10,407,316</u></b>

## 6. ADMINISTRATION COSTS

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Office Rent	1,347,117	1,206,888
Telephone, Fax and Internet	223,029	156,501
Stamps and Postages	2,043	3,354
Printing and Stationery	306,354	186,496
Maintenance of Leasehold Property	26,244	7,537
Office General Expenses	69,969	79,715
Entertainment Expenses	25,823	17,721
Corporate Social Responsibilities	43,970	33,440
Audit Fees	58,017	68,480
Tender Board Expenses	58,160	71,866
Editorial Board Expenses	20,081	14,035
<b>TOTAL</b>	<b><u>2,180,807</u></b>	<b><u>1,846,033</u></b>

## 7. OTHER CHARGES

Insurance Charges	25,931	45,177
Legal Fees	-	82,938
Data Storage Charges	137,462	123,070
Bank Charges	18,007	15,719
Foreign Exchange Loss	-	3,351
<b>TOTAL</b>	<b><u>181,400</u></b>	<b><u>270,255</u></b>

## 8. SURPLUS FUNDS

In case of any surplus funds during the year, the surplus fund shall be deposited to a Special Account as per requirement of Section 44 (1) of EWURA Act. In accordance with the Act, funds in the Special Account shall be used only for one or more of the following purposes: consumer education or information projects, special non-recurring projects, budgeted capital expenditure, or major rate regulating inquiries.

## 9. PROPERTY AND EQUIPMENT

### Year Ended 30th June, 2014

	WIP EWU- RA House	WIP Lab- oratory Building	WIP Techni- cal Equip- ment	Leasehold Improve- ment	Technical Equipment	Motor Vehi- cles	Furni- ture and Fittings	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 July, 2013	407,896	22,451	1,865,248	513,716	6,190	1,315,241	98,453	433,983	635,315	5,298,493
Additions	-	-	-	28,274	-	-	33,732	11,010	111,896	184,912
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At 30 June, 2014</b>	<b>407,896</b>	<b>22,451</b>	<b>1,865,248</b>	<b>541,990</b>	<b>6,190</b>	<b>1,315,241</b>	<b>132,185</b>	<b>444,994</b>	<b>747,211</b>	<b>5,483,406</b>
Depreciation										
At 1 July, 2013	-	-	-	463,771	4,749	857,962	45,635	207,330	576,372	2,155,818
Charges for the Year				41,007	774	211,474	16,523	55,624	67,939	393,342
<b>At 30 June, 2014</b>				<b>504,778</b>	<b>5,523</b>	<b>1,069,436</b>	<b>62,158</b>	<b>262,954</b>	<b>644,311</b>	<b>2,549,160</b>
<b>Net Book Value 30 June 2014</b>	<b>407,896</b>	<b>22,451</b>	<b>1,865,248</b>	<b>37,212</b>	<b>668</b>	<b>245,806</b>	<b>70,026</b>	<b>182,040</b>	<b>102,900</b>	<b>2,934,246</b>



## 9. PROPERTY AND EQUIPMENT (Continued)

Year Ended 30th June, 2013

	WIP EWURA House	WIP Lab Equip- ment	WIP Technical Equip- ment	Leasehold Improve- ment	Technical Equip- ment	Motor Vehicles	Furni- ture and Fittings	Office Equip- ment	Comput- ers	Total
Cost	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
At 1st July, 2012	389,724	-	1,596,972	513,716	6,190	1,208,517	249,338	472,853	567,604	5,004,915
Additions	18,172	22,451	268,276	-	-	106,724	-	3,801	84,907	504,331
Adjustments	=	=	=	=	=	=	(150,591)	(42,824)	(17,196)	(210,611)
<b>At 30th June, 2013</b>	<b>407,896</b>	<b>22,451</b>	<b>1,865,248</b>	<b>513,716</b>	<b>6,190</b>	<b>1,315,241</b>	<b>98,453</b>	<b>433,983</b>	<b>635,315</b>	<b>5,298,493</b>
Depreciation										
At 1st July, 2013	-	-	-	413,524	3,975	667,776	110,529	177,421	464,674	1,837,899
Charge for the Year	-	-	-	50,247	774	211,474	12,307	54,248	128,894	457,943
Adjustments	=	=	=	=	=	(21,289)	(77,164)	(24,339)	(17,196)	(140,024)
<b>At 30th June, 2013</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>463,771</b>	<b>4,749</b>	<b>857,962</b>	<b>45,635</b>	<b>207,330</b>	<b>576,372</b>	<b>2,155,818</b>
<b>Net Book Value</b>										
<b>30th June, 2013</b>	<b>407,896</b>	<b>22,451</b>	<b>1,865,248</b>	<b>49,945</b>	<b>1,441</b>	<b>457,280</b>	<b>52,818</b>	<b>226,653</b>	<b>58,943</b>	<b>3,142,675</b>

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

#### 10. INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2014	30.06.2013
<b>Cost</b>	<b>TZS'000</b>	<b>TZS'000</b>
At Start of Year	600,946	326,415
Additions	-	274,531
<b>At End of Year</b>	<b>600,946</b>	<b>600,946</b>
<b>Amortization</b>		
At Start of Year	360,622	186,484
Charge for the Year	148,798	174,138
At End of Year	509,421	360,622
<b>Net Book Value</b>	<b>91,525</b>	<b>240,323</b>

#### 11. TRADE AND OTHER RECEIVABLES

	30.06.2014	30.06.2013
	<b>TZS'000</b>	<b>TZS'000</b>
Trade Receivables	2,990,773	4,064,394
Prepayments (Note 11.1)	1,298,063	1,287,903
Other Receivables	121,724	106,724
Interest Receivable	1,062,256	289,057
Staff Loans and Advances (Note 17 B)	609,719	398,370
<b>TOTAL</b>	<b>6,082,535</b>	<b>6,146,448</b>

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

The carrying amounts of the Authority's Trade and Other Receivables are denominated in the following currencies.

Carrying Amount of Trade and Receivables		
Tanzania Shillings	6,082,535	6,039,724
US Dollars	-	106,724
<b>TOTAL</b>	<b>6,082,535</b>	<b>6,146,448</b>

The trade and other receivables do not contain impaired assets.

## 11.1 PREPAYMENTS

Prepayments		
Prepaid Office Rent	784,496	754,087
Prepaid Insurance	13,860	34,114
Prepayments – Others	<u>499,707</u>	<u>499,702</u>
<b>TOTAL PREPAYMENTS</b>	<b><u>1,298,063</u></b>	<b><u>1,287,903</u></b>

Prepayments for other expenses comprise of advance payments in respect of Motor Vehicle, Platts, World Scale Association and AFUR subscription.

## 12. FINANCIAL ASSETS

Financial assets comprise the following:

### Fixed deposits

	30.06.2014	30.06.2013
	TZS'000	TZS'000
At Start of Year	7,499,899	4,414,688
Additions	12,740,583	5,332,002
Deposits Redeemed at Maturity	<u>(4,205,180)</u>	<u>(2,246,791)</u>
<b>At End of Year</b>	<b><u>16,035,302</u></b>	<b><u>7,499,899</u></b>
<b>Analysis of Held-to-Maturity Investments follows:</b>		
Maturing within 91 days	7,054,803	2,794,719
Maturing after 91 days	<u>8,980,500</u>	<u>4,705,180</u>
	<b><u>16,035,303</u></b>	<b><u>7,499,899</u></b>

## 13 CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Cash and Bank Balances	4,175,382	3,600,238
maturing within 91 days (Note 12)	<u>7,054,803</u>	<u>1,961,585</u>
<b>TOTAL</b>	<b><u>11,230,185</u></b>	<b><u>5,561,823</u></b>

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

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

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Tanzania Shillings	3,824,841	3,328,179
US Dollars	350,541	272,059
<b>TOTAL</b>	<b><u>4,175,382</u></b>	<b><u>3,600,238</u></b>

#### 14. GOVERNMENT GRANT

Government Grant stated at nil balance at the statement of financial position date, represents the fully amortised grant in the form of assets received from Privatization and Private Sector Development Project (PPSDP), IDA Credit.

	30.06.2014	30.06.2013
	TZS'000	TZS'000
At Start of Year	24,983	50,249
Grant Amortization	(24,983)	(25,266)
<b>At End of Year</b>	<b><u>-</u></b>	<b><u>24,983</u></b>

#### 15. GRATUITY PAYABLE

Non-current liabilities at the statement of financial position date amounted to TZS 1,641,589,831. This is part of gratuity provision amounting to TZS 2,033,500,406 as analyzed below.

	30.06.2014	30.06.2013
	TZS'000	TZS'000
At Start of the Year	1,661,262	1,417,746
Charge for the Year	868,738	820,329
Released During the Year	(496,500)	(576,814)
<b>At End of Year</b>	<b><u>2,033,500</u></b>	<b><u>1,661,262</u></b>
Categorized As:		
Current Liabilities (Note 16)	391,910	419,591
Non-Current Liabilities	<u>1,641,590</u>	<u>1,241,670</u>
<b>TOTAL</b>	<b><u>2,033,500</u></b>	<b><u>1,661,262</u></b>

## 16. TRADE AND OTHER PAYABLES

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Trade Payables	74,788	74,550
Gratuity Payable (Note 15) within the year	391,910	419,591
Audit Fees	58,036	57,240
Other Payables	<u>594,519</u>	<u>36,490</u>
<b>TOTAL</b>	<b><u>1,119,253</u></b>	<b><u>587,782</u></b>

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

## 17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

<b>A. Key Management Compensation</b>	30.06.2014	30.06.2013
	TZS'000	TZS'000
Salaries and other emoluments	1,535,846	1,521,930
Directors Fees	26,059	27,333
Employees Post-employment Benefits:		
- Pension - Employer's Contribution	684,951	624,963
- Gratuity (Note 15) paid during the year	<u>496,500</u>	<u>576,814</u>
	<b><u>2,743,356</u></b>	<b><u>2,751,040</u></b>

### Directors Fees

Directors Fees are paid to the Members of the Board of Directors as approved by the Minister that is TZS 4,500,000 for Chairman and TZS 4,000,000 each for other six (6) Members per annum.

### Employees Post-employment Benefits

The Authority contributes to the approved pension contribution plans for its employees at 15% of basic salary to Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF), Government Employees Provident Fund (GEPPF) or Local Authorities Pensions Fund (LAPF) and National Social Security Fund (NSSF) at 10%. The Authority's contribution during the year ended 30th June, 2014 amounted to TZS 684,950,717. 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, 2014 TZS 496,499,764 were released to staff whose contract came to an end.

<b>B. Staff Loans and Advances (Note 11)</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Staff Revolving Loans	426,483	39,096
Salary Advances	148,505	203,656
Imprest	34,731	<u>155,618</u>
<b>TOTAL</b>	<b>609,719</b>	<b><u>398,370</u></b>

The Authority set up the Staff Revolving Loans Fund for the purpose of extending loans to staff for the purchase of motor vehicles and other amenities. These loans are interest free, 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, 2014 loans amounting to TZS 426,483,000 were outstanding.

## 18. COMMITMENTS

### Capital commitments

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

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Property and Equipment		50,000
Subtotal		50,000

### Other commitments

Consultancy Services	<u>132,720</u>	<u>238,960</u>
<b>Total commitments</b>	<b><u>132,720</u></b>	<b><u>288,960</u></b>

Commitment relates to the contracts entered into but goods or services had not been delivered. In some other cases contracts have not been entered into but respective tenders were in progress in accordance with the requirement of the Public Procurement Act No. 7 of 2011.

## **19. FINANCIAL RISK MANAGEMENT**

### **a) Interest Rate Risk**

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

### **b) Credit Risk**

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

### **c) Liquidity Risk**

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

### **d) Foreign Exchange Risk**

The Authority 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 are negotiated and fixed in the local currency whenever possible.

## **20. CONTINGENT LIABILITIES**

There are pending Court cases to which EWURA is a party at various registries of the High Court, FCT and Resident Magistrate Courts. In the opinion of the directors, the outcome of these cases shall not give rise to any significant loss and therefore, no provisions have been made in these financial statements.

## SCHEDULE OF OTHER EXPENDITURE

### 1. OTHER STAFF COSTS

	30.06.2014	30.06.2013
	TZS'000	TZS'000
Staff Insurance – GPA	136,626	125,815
Transport Allowances	502,565	487,008
Annual Leave Package	135,697	74,455
Acting Allowance	86,500	20,594
Outfit Allowance	30,887	28,434
Funeral Expenses	36,794	6,524
Recruitment Costs	137,014	20,829
Compensation Allowance	158,269	40,394
Staff Relocation Costs	14,052	-
Staff Welfare Expenses	6,194	1,840
<b>TOTAL</b>	<b><u>1,244,682</u></b>	<b><u>805,892</u></b>

### 2. CAPACITY BUILDING

Technical Exposure	353,523	448,070
Overseas Training	887,657	416,202
Local Training	310,960	141,390
<b>TOTAL</b>	<b><u>1,552,140</u></b>	<b><u>1,005,662</u></b>



