

THE UNITED REPUBLIC OF TANZANIA



# ANNUAL REPORT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016

December, 2016

**Energy and Water Utilities Regulatory Authority (EWURA)**  
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## ABBREVIATIONS AND ACRONYMS

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

<b>PAA</b>	:	Public Audit Act 2008
<b>PICL</b>	:	Petroleum Importation Coordinator Ltd
<b>PPF</b>	:	Parastatal Pensions Fund
<b>PPSDP</b>	:	Privatization and Private Sector Development Project
<b>PSPF</b>	:	Public Service Pensions Fund
<b>RERA</b>	:	Regional Electricity Regulators Association
<b>RWSSA</b>	:	Regional Water Supply and Sanitation Authority
<b>SPP</b>	:	Small Power Producer
<b>TANESCO</b>	:	Tanzania Electric Supply Company
<b>TBS</b>	:	Tanzania Bureau of Standards
<b>TZS</b>	:	Tanzania Shillings
<b>URT</b>	:	United Republic of Tanzania
<b>WSSA</b>	:	Water Supply and Sanitation Authority
<b>ZECO</b>	:	Zanzibar Electric Company
<b>ZESCO</b>	:	Zambia Electricity Corporation

## LETTER OF TRANSMITTAL

Hon. Eng. Gerson Lwenge (MP),  
Minister for Water and Irrigation,  
Ministry of Water and Irrigation,  
426 Morogoro Road,  
**14473 DAR ES SALAAM.**



Honourable Minister,

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, 2016 as per Section 48 of the EWURA Act, Cap. 414 of the Laws of Tanzania.

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



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

**December, 2016**

## 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:

**a) Transparency**

EWURA operates in a fully transparent manner. All regulatory decisions are conducted without prejudice, with respect for the interests of all stakeholders and in a fair and completely transparent manner. Information on regulatory decisions is openly communicated to all stakeholders using various media.

**b) Integrity**

EWURA Board members and staff are not allowed to offer, solicit or accept gifts, favours, inducements, financial or otherwise, in the course of discharging their duties.

**c) Courtesy**

EWURA Board members and staff treat their clients and colleagues with courtesy and regard themselves as servants of the people; and will be particularly considerate when dealing with vulnerable members of the public such as the elderly, the poor, the sick and people with disabilities and disadvantaged groups in society.

**d) Accountability**

EWURA Board members and staff discharge duties including making decisions with which they are bound and answerable. Their conduct is in a manner that shows readiness to take full liability and responsibility for the outcome of their decisions.

**e) Professionalism**

EWURA Board members and staff attend to their duties with the highest degree of professionalism.

**f) Equity**

EWURA Board members and staff treat all stakeholders with impartiality and fairness. The duty of EWURA as a regulator is to set a level playing field and balance interests of all stakeholders. The conduct of all staff and the individual decisions as well as those of the Authority at all times should reflect this value.

### Strategic 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 in its Strategic Plan (2012/13 - 2016/17) 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.

## TABLE OF CONTENTS

<b>ABBREVIATIONS AND ACRONYMS.....</b>	<b>ii</b>
<b>LETTER OF TRANSMITTAL.....</b>	<b>iv</b>
<b>VISION, MISSION AND CORE VALUES .....</b>	<b>v</b>
<b>INTRODUCTION .....</b>	<b>viii</b>
Objectives of the Report.....	viii
<b>CHAIRMAN'S STATEMENT .....</b>	<b>1</b>
Board Management Structure .....	2
Board of Directors .....	7
Board Committees.....	7
Internal Monitoring System.....	7
Litigation .....	7
Finance and Budget Administration .....	7
Procurement Management.....	8
Code of Conduct .....	8
Internal Audit and Risk Management .....	8
<b>1.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW .....</b>	<b>9</b>
<b>During the period under review, the Authority performed various activities related to regulatory matters as summarised below:.....</b>	<b>9</b>
1.1 Staffing and Institutional Capacity Building .....	9
1.2 Regional Co-operation and Collaboration .....	9
1.3 Information and Communication Technology (ICT) .....	10
1.4 Public Register .....	10
1.5 Financial Performance Review .....	11
1.6 Key Achievements and Challenges .....	11
<b>2.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION .....</b>	<b>13</b>
2.1 Overview .....	13
2.2 Licensing .....	14
2.3 Performance Monitoring .....	15
2.4 Tariff Review and Approval of Power Projects.....	17
2.5 Regulatory Tools.....	18
2.6 Complaints and Dispute Resolutions.....	18
2.7 Health, Safety and Environmental Matters.....	18
2.8 Key Achievements and Challenges .....	18
<b>3.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION.....</b>	<b>20</b>
3.1 Overview .....	20
3.2 Petroleum Products Supply and Stock Monitoring .....	20
3.3 Petroleum Products Prices.....	26
3.4 Compliance Monitoring .....	32
3.5 Monitoring adherence to Health, Safety and Environmental (HSE) requirements .....	35
3.6 Licensing Activities .....	38

3.7	Legislative Regulatory Tools.....	39
3.8	Awareness Campaign .....	39
3.9	Key Achievements and Challenges .....	40
<b>4.0</b>	<b>NATURAL GAS SECTOR PERFORMANCE AND REGULATION .....</b>	<b>41</b>
4.1	Overview .....	41
4.2	Performance Monitoring .....	41
4.3	Level of Investment in Gas Infrastructure Development.....	44
4.4	Health, Safety and Environment .....	44
4.5	Local Content .....	45
4.6	Licensing. ....	45
4.7	Determination of Rates and Charges .....	45
4.8	Legislative Matters.....	45
4.9	Disputes and Complaints .....	45
4.10	Litigation.....	45
4.11	Key Achievements and Challenges .....	46
<b>5.0</b>	<b>WATER SUPPLY AND SANITATION SERVICES REGULATION.....</b>	<b>47</b>
5.1	Overview .....	47
5.2	Performance Monitoring .....	47
5.3	Review of WSSAs' Business Plans .....	48
5.4	Water Utilities Performance Review Report.....	48
5.5	Licensing .....	49
5.6	Determination of rates and charges .....	49
5.7	Complaints Handling and Dispute Resolution .....	50
5.8	Litigation.....	50
5.9	Health, Safety and Environmental Matters.....	50
5.10	Capacity Building .....	51
5.11	Other Interventions in the Water Sector.....	51
5.12	Key Achievements and Challenges .....	53
<b>6.0</b>	<b>COMMUNICATIONS AND PUBLIC AWARENESS PROGRAMME .....</b>	<b>54</b>
6.1	Overview .....	54
6.2	Public Awareness Programmes.....	54
6.3	Press Conferences and Media Coverage .....	54
6.4	Advertisements.....	54
6.5	Exhibitions .....	54
6.6	Publicity Materials .....	55
6.7	Donations and contributions.....	55
6.8	Impact of Public Awareness Campaigns .....	55
6.9	Key Achievement and Challenges .....	55
<b>7.0</b>	<b>STAKEHOLDERS CONSULTATIONS .....</b>	<b>56</b>
<b>8.0</b>	<b>DECLARATION OF CONFLICT OF INTEREST .....</b>	<b>56</b>
<b>9.0</b>	<b>CONCLUSION AND FUTURE OUTLOOK .....</b>	<b>56</b>
<b>10.0</b>	<b>REPORT FROM THE CONTROLLER AND AUDITOR GENERAL .....</b>	<b>59</b>

## INTRODUCTION

This is the 10<sup>th</sup> Annual report that presents the performance of the Energy and Water Utilities Regulatory Authority (EWURA) for the year that ended on 30<sup>th</sup> June, 2016. The report summarizes the 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 operations in June 2006 as a multi-sector regulatory authority. The Authority carries out economic and technical regulation of the energy (electricity, petroleum, and natural gas) and water sectors. The functions of the Authority as spelt out in the Act are to:

- (a) Perform all functions conferred on it by EWURA Act and sector legislation;
- (b) issue, renew and cancel licences;
- (c) establish standards for goods and services;
- (d) establish standards for terms and conditions of supply of goods and services;
- (e) regulate rates and charges;
- (f) make rules;
- (g) 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) facilitate resolution of complaints and disputes; and
- (i) Disseminate information about matters relevant to its functions.

Further, Section 6 of the EWURA Act 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) protect and preserve the environment.

### Objectives of the Report

This annual report for 2015/16 fulfils the following objectives:

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



## CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of the Energy and Water Utilities Regulatory Authority (EWURA), I am pleased to give a brief overview of EWURA's performance for the Financial Year ending June 30<sup>th</sup> 2016. Over the last 10 years we have seen a steady growth in energy and water sectors in terms of quality of service was enhanced by EWURA's regulatory interventions. Although the regulatory regime faces many challenges, the Authority continued to implement regulatory best practices to champion the delivery of quality energy and water services.

This being the first Annual Report under my Chairmanship of the Board of Directors of the Authority, I am pleased to be part of a reputable institution that stands firm in implementing regulatory principles and values. The Board of Directors continued to oversee the regulatory functions in various aspects in order to make the Authority maintain its vision of becoming a world class regulator.

I would like to express my sincere thanks to the Government of the United Republic of Tanzania and other stakeholders for creating a conducive environment which enabled the Authority to conduct its functions effectively and efficiently. I wish to extend my special appreciation to the Minister for Water and Irrigation, Hon. Eng. Gerson Lwenge (MP) and the Minister for Energy and Minerals, Hon. Prof. Sospeter Muhongo (MP) for supporting the Authority in achieving its intended goals.

Finally, let me take this opportunity to congratulate the Board members, Management and Staff for their undivided commitment, dedication and hardworking during the year under review.



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

## BOARD AND MANAGEMENT STRUCTURE

The Authority maintains a cost-effective organisation structure that facilitates efficient regulation of the energy (electricity, petroleum, natural gas) and water and sanitation sectors; good corporate governance; and efficient provision of cross-cutting services. The structure has the Board of Directors as the top decision-making and oversight body, the Director General as the overall overseer of the day to day activities of the Authority and eight Divisions headed by Directors. There are also heads of units who report directly to the Director General namely: Manager Procurement Management and Manager Communications and Public Relations. The organisation structure is as shown in Figure 1.

### 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.

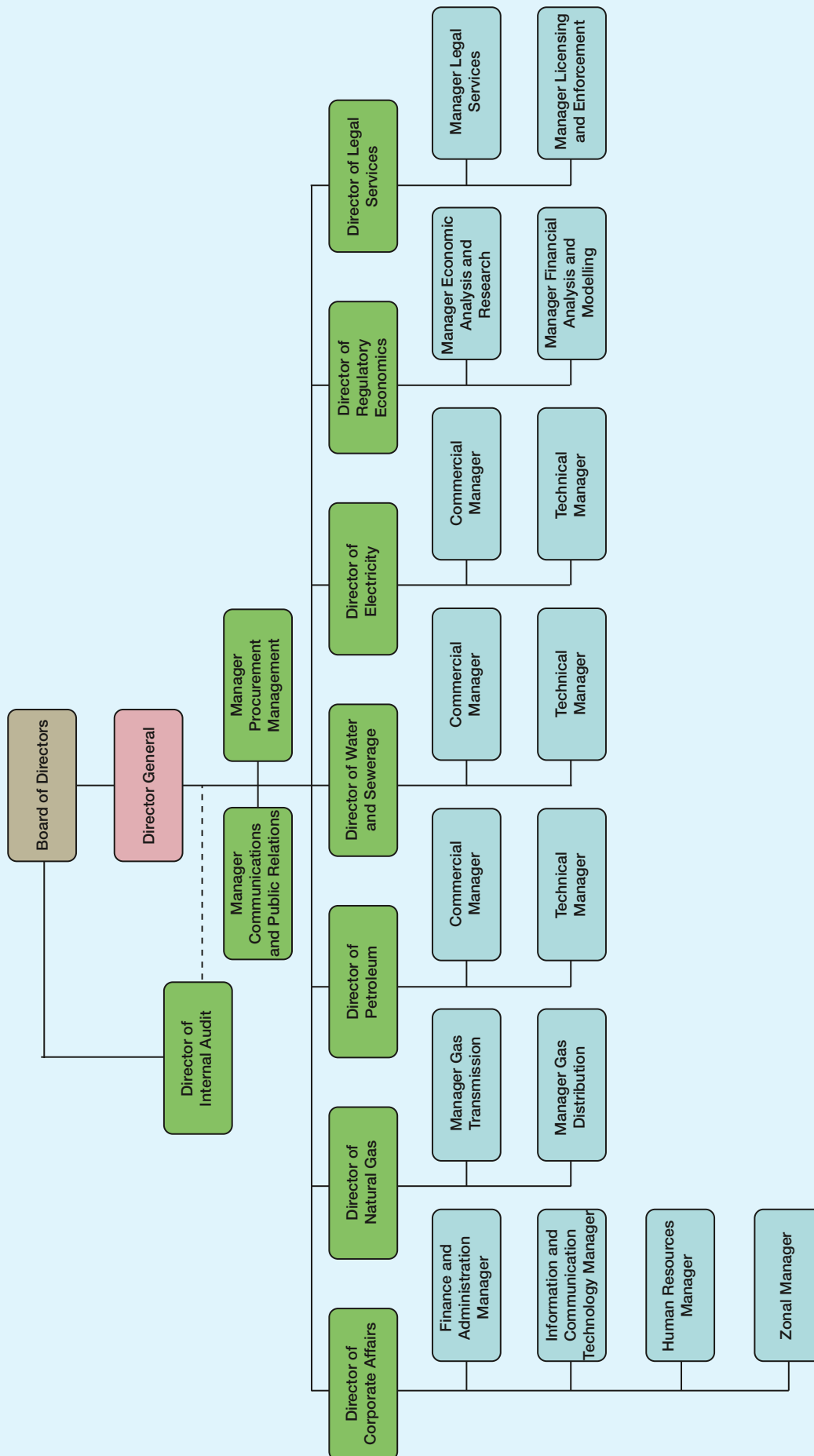
In order to fulfil its oversight responsibilities, the Board has established five (5) Board Committees based on sectoral and cross-cutting issues. These are Audit, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum, and Water Board Committees.

### Management

The Director General is in charge of management and is assisted by divisional directors and heads of units reporting to the director general. The Director General is appointed under section 14 of the EWURA Act and is responsible for the day-to-day operations of the Authority, subject to the directions of the Board.

The Divisional Directors are namely Director of Electricity, Director of Petroleum, Director of Natural Gas, Director of Water and Sanitation, Director of Regulatory Economics, Director of Legal Services and Director of Corporate Affairs. The Director of Internal Audit reports to the Board's Audit Committee on audit functions and to the Director General on administrative matters. Communications and Public Relations, and Procurement Management functions are headed by managers under the Director General's Office.

Figure 1: Organization Structure



## BOARD OF DIRECTORS



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



Mr. Nicholas H. Mbwanji  
**Member up to March, 2016**



Mr. Omar S. Bendera  
**Deputy Chairman**



Mr. Ahmed S.K. Kilima  
**Member**



Mr. Richard M. Kayombo  
**Member**



Mr. Oswald R. Mutaitina  
**Member**

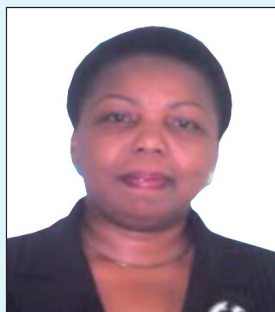


Mr. Felix M. Ngamlagosi  
**Member/Director General**

## MANAGEMENT



Mr. Felix M. Ngamlagosi  
**Director General**



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



Eng. Anastas Mbawala  
**Director of Electricity**



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



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



Eng. Godwin Samwel  
**Director of Petroleum**



Mr. Nzinyangwa Mchany  
**Director of Regulatory Economics**



Mr. Joctan Matogo  
**Ag. Director of Corporate Affairs**



Mr. Giniva Sanga  
**Ag. Director of Internal Audit**



Mr. Deogratius Kumalija  
**Manager Procurement Management**



Mr. Titus Kaguo  
**Manager Communications and Public Relations**

## DIRECTOR GENERAL'S STATEMENT

It is my pleasure to present the 10th Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the period covering 1st July 2015 to 30th June 2016. This is the 10th year since the Authority became operational in 2006 with the role of overseeing economic and technical regulation of Energy (Electricity, Petroleum and Natural Gas) and Water sectors.

During the year under review, the Authority recorded various achievements including acquiring certification for the International Organisation for Standardisation; namely ISO 9001:2008. The certification means a lot to the Authority as its operational procedures for implementing roles and functions are now internationally recognised and therefore, complimenting with EWURA's vision of becoming a world class regulator. The Authority also developed a Client Service Charter which is used to guide on the level of quality of service delivery to our customers.

The Authority reviewed various regulatory tools and developed new ones. Most of the tools were developed to meet the requirements of the Electricity Supply Industry Reform Strategy and Roadmap (ESIRSR) and the new Petroleum Act, 2015.

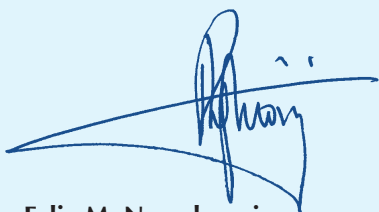
The Authority continued to monitor importation of petroleum products through the Bulk Procurement System, and during the period under review, the Authority approved importation of petroleum products through Tanga Port.

In the water sector, the Authority conducted trainings on the preparation of business plans to 42 District towns and National projects Water Supply and Sanitation Authorities (WSSAs). A significant number of water utilities have been able to prepare their plans using comprehensive business planning guidelines. This enabled the utilities to streamline their operations, among other things, assist in determining appropriate tariff, setting appropriate performance targets and attracting sustainable investment in the water sector.

One of the Authority's key functions is to make sure that there is sufficient supply of regulated goods and services. During the period under review, the Authority continued to conduct monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure.

The Authority continued to cooperate with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA) and Police Force, on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest.

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



**Felix M. Ngamlagosi**  
Director General



## CORPORATE GOVERNANCE

### Board of Directors

The Board of Directors of EWURA as the highest decision making organ, is established under Section 8 of the EWURA Act, Cap. 414. The Board consists of six non-executive members including the Chairman and one executive member who is also the Director General. The Chairman is appointed by the President of the United Republic of Tanzania while the remaining five non-executive members and the Director General are appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers. During the year under review a total of 28 Board Meetings were conducted, out of which 12 were ordinary and 16 were extraordinary.

### Board Committees

The committees of the Board of Directors are established in accordance with Section 21 of the EWURA Act, Cap. 414 to fulfil its oversight responsibilities. The Board has five Committees based on sectoral and cross-cutting issues. These are Audit, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum, and Water Committees. During the period under review, 27 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	5
2	Legal and Corporate Affairs	6
3	Electricity and Natural Gas	7
4	Petroleum	5
5	Water	4
	<b>Total</b>	<b>27</b>

### 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, and the Code of Conduct and Internal Audit functions.

### Litigation

During the year under review, the Authority was a party to 15 cases which are pending at various registries of the High Court of Tanzania, the Fair Competition Tribunal and Resident Magistrate Courts. The Authority was also a party to two labour cases at the Commission of Mediation and Arbitration (CMA).

### Finance and Budget Administration

The financial matters of the Authority are governed by the Public Finance Act, 2002 and international financial best practices. The Authority's Annual Plan and Budget are prepared in accordance with the Five Years Strategic Plan (FYSP) of 2012/13 – 2016/17 of the Authority and is based on Medium Term Expenditure Framework (MTEF). Pursuant to Section 21 of the Budget Act, 2015, the Authority is required to prepare budget estimates and submit to the Permanent Secretary of the Ministry of Finance and Planning for scrutiny and approval. After being approved the budget is submitted to the Minister responsible for EWURA in line with the provisions of section 49 of the EWURA Act. Resources used to implement the Annual Budget are derived from regulatory levies and fees collected from regulated utilities and consumers. The outcome of the implementation of annual budget 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.

### **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 and user departments attended various training courses being conducted by the Public Procurement Regulatory Authority (PPRA).

During the procurement compliance audit conducted by the Public Procurement Regulatory Authority in May 2016, the Authority was assessed to have performed well with a compliance level of 81.5%.

### **Code of Conduct**

The Authority's Code of Conduct binds both Members of the Board of Directors and Staff. The Code of Conduct explicitly underlines that the Authority has zero tolerance to fraud and corruption. 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 related to conduct of its Board Members or employees. The Integrity Management Committee was formed in May 2016 whose functions is to deal with matters related to corruption and conduct within the Authority.

### **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 Standards for Professional Practices of Internal Auditing.

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



## 1.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW

During the period under review, the Authority performed various activities related to regulatory matters as summarised below:

### 1.1 Staffing and Institutional Capacity Building

#### 1.1.1 Recruitment

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

During the period under review a total of 20 staff were recruited compared to 11 staff in the year 2014/15 thus bringing the number of staff to 123 out of 134 in the approved establishment. The increase was driven by operationalisation of zone offices and improvement of service delivery. However, during the period under review the recruitment of some of the positions were deferred by the Government directive on staff data clearance. Staff gender structure is as indicated in **Table 2** below:

**Table 2: Staff as at 30<sup>th</sup> June 2016**

Item	Male	Female	Total
Staff Complement	85	38	123
Proportion	69%	31%	100%

#### 1.1.2 Capacity Building

EWURA strives in having qualified, competent and motivated staff by encouraging distance learning, professional development and career 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. Several staff 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 conducted awareness training on HIV/ AIDS and working life skills, customer care and record management to all the Authority staff. All staff were oriented on ISO 9001:2008 and EWURA Customer Services Charter to improve quality services delivery to our customers.

### 1.2 Regional Co-operation and Collaboration

The Authority subscribed and participated in the activities of five Regional Associations namely, the Regional Electricity Regulators Association (RERA), the African Forum for Utility Regulators (AFUR), the Energy Regulators Association of East Africa (EREA), the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) and the African Refiners Association (ARA). The main objective is to exchange regulatory experiences within the International and Regional setting, and allow the Authority to have access to information necessary for regulation and performance benchmarking. Furthermore, the Authority has participated in various meetings convened to establish the regional power pool regulatory body, the Eastern Africa Power Pool Independent Regulatory Body (EAPP-IRB).

### 1.3 Information and Communication Technology (ICT)

#### 1.3.1 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.

The Authority has developed a system that enable general public to get access of petroleum price at any point in Tanzania through mobile phone. Monthly fuel prices are updated in this system for public consumption. Information can be accessed by dial \*152\*00# and follow other instructions.

The Authority maintained 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.

Furthermore, the Authority was finalising the Licensing and Order Information System (LOIS) under the support of GIZ. LOIS has been designed to facilitate online application, issuing, revocation and transfer of licences and tariff for regulated sectors. Testing of LOIS by its developer, M/s Exact Software is in final stages.

Finance and accounting activities of the Authority are managed through EPICOR accounting software which provides 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.

#### 1.3.2 Relocation ICT Infrastructure

EWURA relocated its office from HarbourView Tower to Kijitonyama LAPF Millennium Tower in January, 2016. Office relocation exercise was a response to a long time need for improvement of working environment and space needed for EWURA operations. Office relocation necessitated also relocation of ICT infrastructure from old office to new office. Computer, telephone network and record centre were relocated together with servers and all associated services. The exercise was well planned as there were minimal service interruptions and there was no loss or leakage of information. Special care was taken to ensure that all ICT items are under full control of the Authority during the relocation exercise.

### 1.4 Public Register

Provision of the Public Access Register is now accessible in a well-furnished and equipped room following the office relocation at Head Quarters in Dar es salaam. During the year the registry was used by the public for research and information. The registry is open all time during office hours from 0800 to 1700. The register 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 transparency of the Authority activities.

## 1.5 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 2015/16 amounted to TZS 45.3 billion indicating an increase of 17.1% 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, 2016	Amount for the Year Ended 30 <sup>th</sup> June, 2015	%Increase/ (Decrease)
	TZS'000	TZS'000	%
<b>Income from Levy and Licences</b>	40,476,750	34,823,343	16.2
<b>Other Income</b>	4,825,960	4,866,718	(0.84)
<b>Total Income</b>	<b>45,302,710</b>	<b>38,690,061</b>	17.1
<b>Re-current Expenditure</b>	36,793,197	27,490,594	33.8
<b>Capital Expenditure</b>	788,826	1,243,174	(36.5)
<b>Total Expenditure</b>	<b>37,582,023</b>	<b>28,733,768</b>	30.8

Revenue growth was attributed to increase in consumption of regulated supplies especially in petroleum, natural gas and electricity subsectors. Recurrent expenditure increased due to increased monitoring and inspection activities and review staff emoluments which were affected during the year under review.

## 1.6 Key Achievements and Challenges

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

### 1.6.1 Key Achievements

During the year under review, the key achievements of the Authority included:

- Receipt of an ISO (International Organisation of Standardisation) certificate ISO 9001:2008.
- Continued conducting monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure.
- Conducted detailed trainings on preparation of business plans to 42 district towns and national projects Water Supply and Sanitation Authorities (WSSAs) at four centers of Babati, Bukoba, Kisarawe and Mbeya. A significant number of water utilities have been able to plan using comprehensive business planning guidelines.
- Continued with licensing activities on its regulated sectors where 21 construction approvals were issued, 201 new licenses were issued, 124 licenses were renewed, 16 licenses were transferred, and six (6) licenses were revoked. This was across all the regulated sectors. Additionally a total of 227 licences were issued to electrical installation personnel.
- During the year, 16 complaints in the petroleum sub-sector, 95 in the electricity sub-sector and 96 in the water and sanitation sector were resolved. At the end of the year 95 complaints were at various stages of mediation and hearing.
- The Authority developed and put into use the EWURA Client Service Charter.

- (g) The Authority reviewed 32 tariff review applications from Water Supply and Sanitation Authorities, two (2) applications from the electricity sub-sector specifically from TANESCO and Armstone Co. Ltd, reviewed the Small Power Projects Tariff (SPPT) for 2016; and had four (4) meetings regarding review of petroleum pricing formula.
- (h) The Authority made improvements in importation of petroleum products in the country by including Tanga port as an addition point of entry.
- (i) The Authority established the use of mobile phone SMS application that enables customers and general public to access petroleum products prices.
- (j) The Authority obtained the Title Deed in respect of its Plot No.1/4 Block L located at Ubungo Area, Dar es salaam.

### 1.6.2 Key Challenges

The key challenges and their respective mitigation measures are as outlined below:

- (a) There is an increasing demand of the professionals in the petroleum and natural gas which the local market cannot support right now. The Authority shall continue to endeavour in monitoring the local content compliance to investors in the relevant sectors and to train its staff in foreign countries in short term courses, conferences and attachments. These courses are expensive hence very few staff get this opportunity.
- (b) Hidden inefficiencies in the electricity sector due to the vertically integrated structure of the Electricity Supply Industry in Tanzania. However, the Government in June 2014 announced Electricity Sector Industry (ESI) reforms whereby the unbundling process of TANESCO into two separate companies of generation, transmission and distribution will be carried out until 2025 in alignment with Tanzania Development Vision, 2025.
- (c) There are 130 WSSAs in the country. Generally, WSSAs at district and small town level have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building activities, inspections and monitoring. The Authority will also continue proposing the clustering of the WSSAs.
- (d) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines. The Authority will continue with capacity building activities to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets.
- (e) Low investments in Water Supply and Sanitation which results into a slow pace towards moving to 100% service coverage (currently, it is around 86% in urban areas). EWURA has prepared Business Planning guidelines which assist WSSAs to plan towards cost recovery tariffs. EWURA approves a three year tariff corresponding to the Business Plan. In addition, EWURA has been collaborating with the MoWI and DPs to put in place incentives for WSSAs to involve PPP's and to acquire loans for investments.
- (f) Slow decision making by other institutions which EWURA collaborate with in the course of carrying out its regulatory functions. One of the areas affected is the licensing of competitive projects in the regulated sectors, where other institutions such as NEMC are involved in the approval process. Frequent negotiations with these institutions has proved to mitigate this challenge.

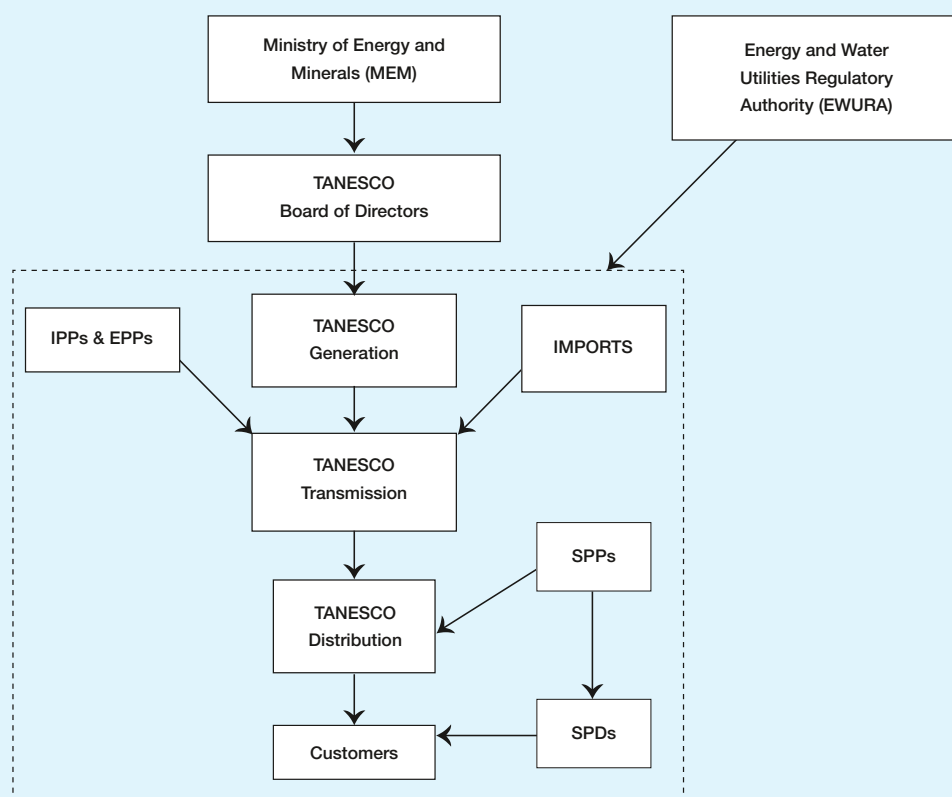
## 2.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION

### 2.1 Overview

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

The electricity supply industry in Tanzania is currently dominated by the 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<sup>1</sup> 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 2.

**Figure 2: Current Electricity Supply Industry Structure**



Source: EWURA Analysis

Eleven service providers are actively carrying out power generation activities. These are TANESCO, Songas Tanzania Limited, Independent Power Tanzania Limited (IPTL), Mwenga Hydropower Limited (MHL), Tanzania Wattle Company (TANWAT), Tanganyika Planting Company Limited (TPC), Ngombeni Power Limited, Andoya Hydro Electric Power Company Limited, Tulila Hydroelectric Power

<sup>1</sup> Two 132 kV cables to Zanzibar and one 33kV to Pemba

Company Limited, Yovi Hydropower Company Limited and Darakuta Hydropower Development Company Limited. Service providers actively carrying out distribution and supply activities are TANESCO and Mwenga Hydropower Limited. The power transmission services are still under TANESCO monopoly. Towards the end of the period under review, Aggreko's PPA with TANESCO expired and was not renewed hence stopped generation of power since 21<sup>st</sup> March 2016. In addition, Symbion Power (T) Limited 112 MW stopped generation on 24<sup>th</sup> May 2016 pending discussions on implementation of the PPA. Some PPAs came to an end due to additional sources of power such as Natural Gas.

## 2.2 Licensing

### 2.2.1 Power Supply Licensing

During the period under review the Authority approved nine generation licences (two permanent generation licence, one generation for own use, and six provisional generation licences), with a potential generation capacity of 627 MW, compared with six licences issued last year with 164 MW potential generation capacity only. However, 352 MW out of 627 MW was based on the extension of two licences. There was one provisional distribution licence issued to Fondazione ACRA- CCS and no transmission licence issued during the period under review. There were no pending application at the end of the financial year.

#### Power Supply Registration

Service providers of electricity services conducting generation, distribution and supply with capacity below 1 MW are not required by law to be licensed, however, have to be registered by the Authority. During the period under review the Authority registered one service provider namely Jumeme Rural Power Supply Ltd that is conducting generation and distribution activities with installed capacity of 90 kW in Bwisya, Ukara Islands in Ukerewe district located in Lake Victoria.

### 2.2.2 Electrical Installation Licences

During the year under review, the Authority received a total of 262 licence applications for wiremen and electrical contractors as compare to 209 licence applications received in the last financial year which show an increase of 25%. For the wiremen and electrical installation licences, 227 licences were issued to successful applicants while 35 licences applications were not approved due to different reasons such as incomplete application, insufficient qualifications, and forgery of certificates. Details of different classes of licence issued are shown in Table 4 below. EWURA in collaboration with TANESCO continued to require electrical installation personnel to be licensed and refrain from doing work in breach of the law.

**Table 4: Electrical Contractors and Wiremen license applied and issued**

S/No	Licence Class	Licences Issued
1	A	12
2	B	27
3	C	58
4	D	64
5	W	64
6	S	1
7	E	1
<b>TOTAL LICENCES ISSUED</b>		<b>227</b>

Source: EWURA



## 2.3 Performance Monitoring

### 2.3.1 Reporting System

Pursuant to Section 15(4) of the Electricity Act, 2008, every electricity service provider is required to submit to the Authority, data and information relating to performance of its functions. During the period under review, the Authority continued to receive and maintain periodic data submitted by licensed power utilities and suppliers directly and through the daily system reports submitted by TANESCO through email distribution list. Capturing of data through ERIS and Asset Register (AR) has been very low due to outages of the system and other challenges faced. The Consultant (CRISIL of India) did resolve technical issues related to system availability, while EWURA worked on issues related to system to ensure the system is always reliable.

### 2.3.2 Monitoring and Inspection

During the period under review the Authority conducted routine inspection on Low Voltage (LV) and Medium Voltage (MV) distribution networks. The inspections were conducted for Electricity Distribution infrastructure's in 11 regions namely Singida, Mtwara, Shinyanga, Kilimanjaro, Geita, Tanga, Mbeya, Katavi, Rukwa, Kagera and Iringa. Among the defects found during inspection were leaning and rotten poles, defective switchgears, leaning insulators, transformer oil leakages and unrated fuse wires. Also some areas were observed to have low voltage caused by lines extended beyond the standard limit and overloaded transformers. The Authority instructed TANESCO to rectify the anomalies as detailed in the inspection reports given to them.

Apart from above inspections, the Authority also conducted meeting with TANESCO Zonal Managers to discuss the inspection finding and emphasize on implementation of EWURA recommendations towards rectification of the defects and anomalies observed during inspections.

The Authority conducted eleven pre-licensing inspections for Kilombero Sugar Company Limited; Yovi Hydropower Company Limited; Darakuta Hydropower Development Company Limited; Kagera Sugar Limited; Mtibwa Sugar Estate Limited; Tanga Cement PLC; Maweni Limestone Limited; Geita Gold Mining Limited; Fondazione ACRA- CCS; Ludewa Clean Energy Limited; and East Coast Oils and Fats Limited. Among the tasks performed during pre- licensing inspection include verification of documents submitted and conducting licensing awareness to entities owning generation facility above 1 MW for their own use.

#### 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. It was revealed that the system experienced frequent voltages and frequencies fluctuations because of aged equipment and lack of adequate maintenance. Furthermore, the Authority monitored activities conducted by utilities which included generation capacity, generation mix, customers connected with electricity and outages in order to advise licensed Utilities on areas which require improvements.

### 2.3.3 Generation Capacity

The installed capacity in the Isolated Grid was 84 MW, while installed capacity in the Main Grid was 1,358 MW. The Maximum Demand attained was 1026 MW, recorded on 15<sup>th</sup> March 2016. During the period under review, a total of 6,449 GWh were available for sale as shown in Table 6, which implies a 2.9% increase as compared to 6,262 GWh reported during the previous year. These units were received from TANESCO plants, IPPs, SPPs and imports from neighbouring countries.

**Table 5: Electricity Generation and Imports**

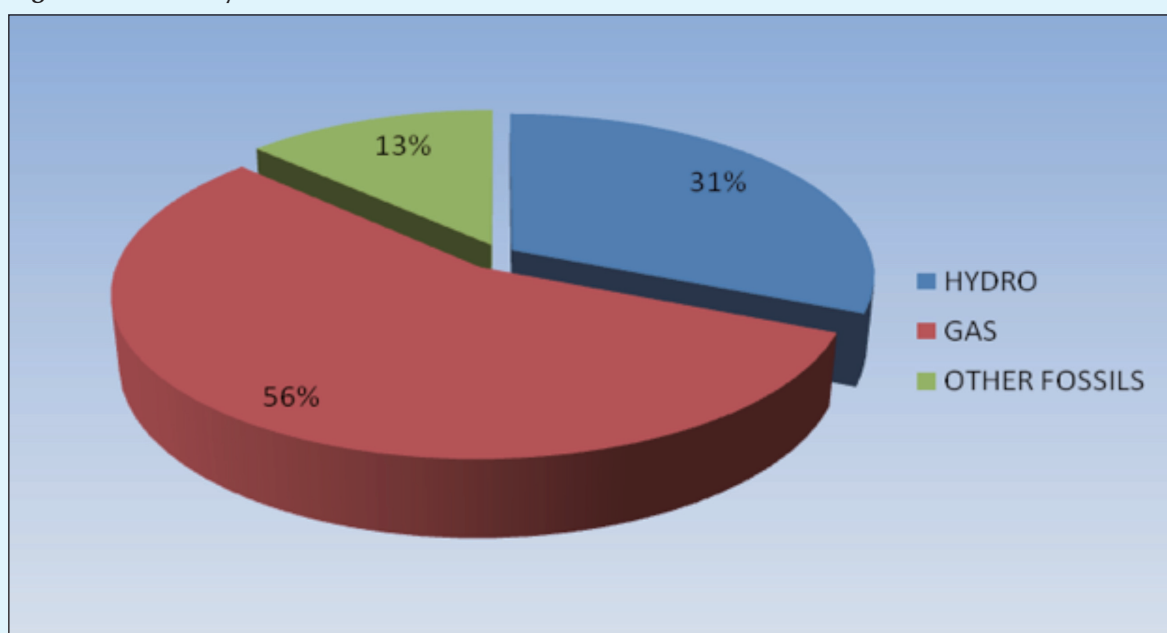
No.	Utility	Electricity Generation and Imports [GWh]	Percentage of Contribution [%]
1	TANESCO	3,915.54	60.72%
2	Songas	1,316.84	20.42%
3	IPTL	404.82	6.28%
4	Aggreko	231.97	3.60%
5	SPPs	54.41	0.84%
6	Symbion	439.02	6.81%
7	Cross Border Imports	85.77	1.33%
<b>Total</b>		<b>6,448.37</b>	<b>100%</b>

Source: EWURA

**2.3.4 Generation Mix**

During the reporting period, the electricity generation mix consisted of hydropower 31%, natural gas 56% and liquid fuel 13% as shown in **Figure 4**. This increase was mainly caused by availability of the gas after completion of the gas pipeline from Mtwara to Dar es Salaam which enabled commissioning of Kinyerezi I Gas Fired Power Plant and smooth operation of TANESCO gas power plants at Ubungu. The hydro contribution has also gone down because of low water levels in the hydro generation dams during the months of October, November and December 2015. During the review period, the Authority ensured that, the utility operates the available generation resources while adhering to least-cost merit order in order to minimize the cost of energy generation.

In 2015/16 thermal power plants including the emergency ones had dispatched less due to increased installed capacity from gas powered generation. The emergency plants of 70 MW of Aggreko's Ubungu and Tegeta plants were decommissioned. Furthermore, there has been an increase of power generation from natural gas from 41% to 56%. After decommissioning of the emergency power plants, the remaining generating plants were able to fulfil demand requirements during the review period.

**Figure 3: Electricity Generation Mix 2015-16**

Source: EWURA



### 2.3.5 Customer Base

During the year under review, the number of connected TANESCO customers was 1,743,820 customers compared to the previous year, which was 1,502,474. The growth in customer connection was on record high due to an extensive grid extension of the distribution network funded by the Rural Energy Fund. As at 30<sup>th</sup> June 2016, Mwenga Hydro Limited of Mufindi District which has generation and distribution licences had connected 1826 customers as compared to 1312 customers in the previous year. The increase of 514 customers is due to normal planned growth of its distribution network.

## 2.4 Tariff Review and Approval of Power Projects

### 2.4.1 Tariff Review

Section 23 of the Electricity Act, Cap. 131 mandates the Authority to approve and enforce tariff and charges. EWURA conducted tariff adjustment review for TANESCO during the Third Quarter of the financial year 2015/16. The Authority on 29<sup>th</sup> March, 2016 approved a decrease in tariff within the range of 1.5% to 2.4% effective from 1<sup>st</sup> April, 2016.

### 2.4.2 Small Power Projects Tariff

The Authority approved Standardised Small Power Purchase Tariff effective from 1<sup>st</sup> April 2016, for SPPs that will continue to use year 2008 avoided cost tariff setting methodology will be as shown in the Table 6 and 7.

**Table 6: Main Grid Connection using Avoided Cost Tariff**

Description		2015 Tariff (TZS/kWh)	2016 Approved Tariff (TZS/kWh)	Percentage Change
Standardized Small Power Purchase Tariff		190.94	<b>190.46</b>	-0.25%
Seasonally adjusted Standardized SPPT Payable in	Dry season	229.13	<b>228.58</b>	-0.25%
	Wet season	171.85	<b>171.42</b>	-0.25%

**Table 7: Mini Grid Connection using Avoided Cost Tariff**

Description	2015 Tariff (TZS/kWh)	2016 Approved Tariff (TZS/kWh)	Percentage Change
Standardized SPP Tariff	490.39	<b>477.16</b>	-3.40%

The Authority also determined tariffs that will be applicable to Solar and wind projects with a capacity of up to 1MW as depicted in Table 8 below.

**Table 8: Solar and Wind Connection Tariff**

Description	Approved Tariff (US\$/kWh)
Standardized Small Power Purchase Tariff for Solar and Wind projects of up to 1MW connected to the Main Grid	<b>0.165</b>
Standardized Small Power Purchase Tariff for Solar and Wind projects of up to 1MW connected to the Mini Grid	<b>0.181</b>

#### 2.4.3 Approval for Initiation of Procurement of Power Projects and Power Purchase Agreements

During the year under review, the Authority approved initiation of procurement of two power projects, namely 300 MW Kinyerezi III Gas Fired Power Project by Shangtan Power Limited; and 72 MW Masigira Hydropower Project by Tanzania Masigira Power Limited. Furthermore, the Authority reviewed and approved the PPA between Symbion Power Tanzania Limited (112 MW) and TANESCO.

Additionally, the Authority participated in the preparation of the competitive bidding documents (RFQs and RFPs) for power projects for solar, wind, hydro, coal and natural gas technologies Small Power Projects above 1 MW.

#### 2.5 Regulatory Tools

During the period under review, the Authority developed the following tools:

- (a) Electricity (Electrical Installation Services) Rules, 2015, - GN No. 404 of 2015.
- (b) Regulatory tools to facilitate designation of Independent System Operator(ISO) and Independent Market Operator (IMO) which are Electricity System Operations Corporation (Establishment) Order, 2016; Electricity (System Operations Services) Rules, 2016; Electricity (Market Operations Services) Rules, 2016; Electricity (Tariff Setting) Rules, 2016; System Operator Licence Template; and Market Operator Licence Template;
- (c) The Electricity (Development of Small Power Projects) Rules-2016, Small Power Purchase Tariff Orders and Small Power Purchase Agreement.

#### 2.6 Complaints and Dispute Resolutions

During the period under review, a total of 25 complaints were attended by the Authority on various matters raised by customers from the public. Out of these, ten complaints have been closed, two complaints were dismissed, one complaint was settled amicably by the parties and hearing of 12 remaining complaints were on going.

#### 2.7 Health, Safety and Environmental Matters

The Authority continued to sensitize electricity service providers on the need to keep their power supply facilities and workplaces at highest level of safety. The service providers were reminded to disseminate information to the public on the safe use of electricity and abide with HSE when conducting their operations. To ensure compliance to HSE the Authority carried out inspection of power supply facilities, including power stations, substations, and distribution lines and service line entries. 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.

#### 2.8 Key Achievements and Challenges

##### 2.8.1 Achievements

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

- (a) reviewed Second Generation SPP Framework which included technology based Renewable Feed-in Tariffs (REFITs) for Small Power Projects meant to attract investments in renewable energy. Solar and wind projects will be procured through competitive bidding process. The Authority managed to complete the competitive bidding documents;
- (b) increased level of awareness to electrical installation licences;

- (c) issued 227 electrical installation licences and eight operational licences;
- (d) established key regulatory tools for better improvements of EWURA regulatory activities; and
- (e) inspected utility's distribution infrastructure and submitted the findings to TANESCO for corrective actions.

#### **2.8.2 Challenges and way forward**

The following are some of the major challenges the Authority faced during the year under review:

- (a) unreliable electricity supply due to infrastructure related problems and lack of generation reserves. The Authority is carrying out regular inspections and has continued to instruct TANESCO to take corrective measures to improve the network; and
- (b) despite the fact that the Authority has developed regulatory tools to attract private investments in electricity sub sector the pace of investment is not sufficient to meet the rapid growing demand. The Authority, in collaboration with the Government and other stakeholders is working on strategies to increase electrification.

### 3.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION

#### 3.1 Overview

The Authority continued to regulate the downstream petroleum sub-sector in Mainland Tanzania, covering technical and commercial aspects. The regulated service providers include Oil Marketing Companies, Retail Outlets, Lubricants and Liquefied Petroleum Gas (LPG) Wholesalers.

EWURA is committed to continuously improve standards of petroleum products and facilities. Furthermore, the Authority continued with its efforts to ensure that there were adequate and stable supplies of petroleum products in the country at all times, and that these products are not sold above the monthly published cap prices.

#### 3.2 Petroleum Products Supply and Stock Monitoring

##### 3.2.1 Petroleum Products Supply

###### (a) Bulk Procurement System (BPS)

During this period the Authority continued to monitor the implementation of BPS. The country continued to import petroleum products through BPS that is coordinated by Petroleum Bulk Procurement Agency (PBPA) in accordance with the BPS Regulations. A total of 27 oil traders were prequalified by PBPA for participation in the BPS tenders. The prequalification was done under International Competitive Bidding (ICB) procedures and was open to both local and international oil companies and traders. **Table 9** summarizes a list of companies and oil traders that were pre-qualified to participate to supply petroleum products in Mainland Tanzania for the financial year 2015/16.

**Table 9: List of BPS Pre- Qualified Suppliers for the year 2015/16.**

S/N	COMPANY NAME
1	Reliance Industries Ltd
2	Gapco Kenya Ltd
3	Mercuria Energy Trading Sa
4	Totsa Total Oil Trading Sa
5	Addax Energy Sa
6	Oryx Oil Company Limited
7	Hashi Energy Limited
8	Dalbit International Ltd
9	Oman Trading International Ltd
10	Gulf Bulk Petroleum (T) Co. Ltd
11	Mogas International Ltd
12	Galana Oil Kenya Limited
13	Enoc Africa Limited
14	Puma Energy Tanzania Ltd
15	Augusta Energy Sa
16	Sahara Energy Resources Dmcc

S/N	COMPANY NAME
17	Noble Clean Fuels Limited
18	Trafigura Pte Limited
19	Nimex Petroleum Limited
20	Glencore Energy Uk Ltd
21	Swiss Singapore Overseas Enterprises Pte Ltd
22	Vitol Bahrein E.C
23	Augusta Energy Tanzania Ltd
24	Gapco Tanzania Ltd
25	Soccar Trading Middle East DMCC
26	Bb Energy (Gulf) DMCC
27	Litasco Middle East DMCC

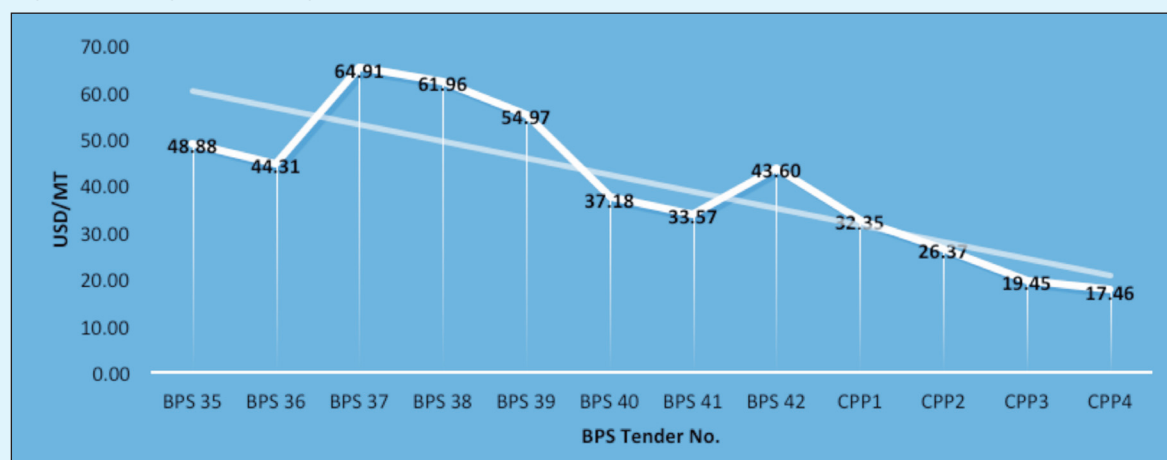
Source: PBPA

Under the same period, a total of 12 tenders were awarded to successful bidders to supply petroleum products out of which three tenders were awarded without ICB and these were; BPS tender no. 37, 38 and 39. During year 2015/16, Sahara Energy DMCC won five tenders, Addax Energy SA won three tenders, Augusta Energy SA won three tenders, whereas ENOC Africa Limited won one. **Figure 4** and **Table No 10** below provide a summary of weighted average premiums for the period under review.

During the period under review, the highest weighted average premium quoted was USD 64.91/MT in the month of September 2015, while the lowest weighted average premium was USD 17.46/MT quoted in the month of June 2015 (**Figure 4**). The average premium was USD 40.42/MT which is equivalent to a decrease of 7% compared to average premium of the previous financial of USD 43.23/MT.

**Table10: Weighted Average Premiums**

Month	BPS No.	Supplier	Weighted Premium (USD/MT)
Jul-15	BPS 35	Addax Energy SA	48.88
Aug-15	BPS 36	Augusta Energy SA	44.31
Sep-15	BPS 37	Augusta Energy SA	64.91
Oct-15	BPS 38	Sahara Energy DMCC	61.96
Nov-15	BPS 39	Addax Energy SA	54.97
Dec-15	BPS 40	Sahara Energy DMCC	37.18
Jan-16	BPS 41	Augusta Energy SA	33.57
Feb-16	BPS 42	Sahara Energy DMCC	43.60
Mar-16	CPP1	Addax Energy SA	32.35
Apr-16	CPP2	Enoc Africa	26.37
May-16	CPP3	Sahara Energy DMCC	19.45
Jun-16	CPP4	Sahara Energy DMCC	17.46
<b>Average FY 2015/16 (USD/MT)</b>			<b>40.42</b>
<b>Average FY 2014/15(USD/MT)</b>			<b>43.23</b>
<b>% Change</b>			<b>-7%</b>

**Figure 4: Weighted Average Premiums trends FY 2015/16.**

During the period under review, there was a maximum of five bidders who participated in the BPS tenders and in some instances only two bidders participated. It is suspected that this small number of participation of bidders in the BPS tenders might have reduced the level of competition hence leading to un-competitive premium offered in the supply of petroleum products.

The Authority therefore decided to initiate a process of re-assessing tender system in the BPS with the view to increase the number of bidders in the fiscal year 2016/17.

**(b) Local and Transit Import of Key Petroleum Products.**

The Authority continued to oversee the entire supply chain of key petroleum products (Diesel, Petrol, Jet-A1 and Kerosene). Most of transit petroleum products for land locked countries especially Zambia, DRC, Rwanda, Burundi, Malawi and Uganda were also imported through BPS arrangement.

During the period, there were no major shortages of petroleum products in the country, except for a few sporadic incidents that occurred during the month of June 2016, where kerosene appeared to be scarce in the market in some areas in the country.

These incidents were attributed by the receipt of contaminated stock of JetA1/Kerosene from vessel MT. *UACC IBN ALTHEER* in May 2016 under the supplier *SAHARA ENERGY SA*. The evacuation of the contaminated product took longer than expected to the extent that it was impossible to receive fresh product because of shortage of storage facilities, as a result the country experienced the shortage of kerosene.

However, EWURA in collaboration with other stakeholders took appropriate actions to minimize the adverse impact. These actions included; requiring some OMCs to downgrade some JET A-1 stocks into kerosene and also localizing some transit kerosene, subject to consents obtained from destination countries.

Dar es Salaam port accounted for 99% of all petroleum products imports, whereas the remaining 1% were imported through Tanga port and Sirari border. The local market petroleum products imports accounted for 63% of the total imported petroleum products whereas the remaining 37% were transited to neighbouring countries, including Zambia, Democratic Republic of Congo, Rwanda, Malawi and Burundi. **Table 11** and **Table 12** show the volumes of petroleum products imported for the local market and transit to neighbouring countries respectively.

**Table 11: Petroleum Products Imports for the Local Market (Litres)**

Month	AGO	PMS	IK	Jet-A1	HFO	TOTAL
Jul-15	133,562,750	87,079,652	1,535,081	13,864,140	33,943,684	269,985,308
Aug-15	175,851,190	85,488,471	1,655,409	22,757,751		285,752,821
Sep-15	93,831,315	74,739,733	6,613,533	21,595,454	8,613,766	205,393,802
Oct-15	170,240,029	46,058,716	1,569,429	23,122,882	30,159,945	271,151,001
Nov-15	61,264,680	48,815,748	3,469,433	17,759,215	-	131,309,076
Dec-15	119,302,711	50,240,591	2,869,938	17,645,795	42,161,885	232,220,919
Jan-16	105,336,241	60,515,354	6,292,312	16,877,185	-	189,021,092
Feb-16	87,697,766	81,163,808	1,636,110	16,244,411	28,158,123	214,900,218
Mar-16	96,476,461	75,549,917	2,961,968	14,380,617	-	189,368,963
Apr-16	130,673,480	50,001,708	2,194,639	9,038,675	6,387,954	198,296,456
May-16	96,296,058	47,122,748	2,421,885	16,714,905	-	162,555,595
Jun-16	112,786,112	94,034,811	3,493,360	27,032,536	-	237,346,819
Add-Localized Jul-15 to Jun-16	531,593,500	320,424,879	9,336,718		18,155,921	879,511,608
Total	1,914,912,293	1,121,236,136	46,049,814	217,033,566	167,581,269	3,466,813,077
FYI 2014/15	1,586,143,949	931,868,231	40,807,644	207,664,220	226,280,459	2,992,764,503
%Change	21%	20%	13%	5%	-33%	16%

**Table 12: Transit petroleum products imports ( Litres)**

Month	AGO	PMS	Jet-A1	HFO	TOTAL
Jul-15	139,753,416	105,924,462	3,660,642		249,338,520
Aug-15	222,219,969	98,619,911	4,869,189		325,709,069
Sep-15	118,212,622	129,300,001	8,296,454	7,139,326	262,948,402
Oct-15	229,010,888	113,317,158	4,388,861	2,543,076	349,259,984
Nov-15	47,405,867	74,725,382	5,594,501	-	127,725,750
Dec-15	139,271,504	52,666,240	5,759,835	-	197,697,579
Jan-16	147,517,857	94,393,936	7,596,851		249,508,644
Feb-16	107,042,885	97,232,729	8,050,105	8,473,509	220,799,228
Mar-16	88,941,121	67,812,999	10,618,572	-	167,372,692
Apr-16	184,641,250	76,064,298	6,451,135	-	267,156,683
May-16	146,073,438	80,780,157	4,430,701	-	231,284,296
Jun-16	155,187,960	128,893,903	11,009,947	-	295,091,810
Less-Localized Jul-15 to Jun-16	531,593,500	320,424,879	9,336,718	18,155,911	879,511,008
Total	1,193,685,277	799,306,298	71,390,074	0	2,064,381,649
FYI 2014/15	963,550,154	596,165,278	51,955,337	(3,779,600)	1,607,891,169
%Change	24%	34%	37%	100%	28%

From July 2015 to June 2016, a total of 5,531,194,726 litres of petroleum products were imported into the country through Dar es Salaam port, Tanga Port and Sirari border. The total imported volume in the financial year 2015/16 is equivalent to 20% increase when compared to 4,600,655,672 litres which were imported in the previous financial year 2014/15.



On the other hand, the total imported volume for local consumption was 3,480,324,018 litres equivalent to an increase of 16% when compared to 2,992,764,503 litres imported in the previous financial year 2014/15.

Likewise, the total imported volume for transit purpose was 2,050,870,708 litres equivalent to an increase of 28% when compared to 1,607,891,169 litres imported in the previous financial year 2014/15. Such significant increase in transit imports can be explained by the fact that, apart from improved level of economic activities which consume petroleum products, transparent and cost effective BPS tendering process, improvement in port's efficiency especially SBM performance and the closure of Zambia Refinery, were some of the key driving factors for the increase.

### 3.2.2 Liquefied Petroleum Gas (LPG) Imports

During the financial year 2015/16, LPG continued to be imported out of BPS arrangement through independent companies and therefore local LPG prices continued to be set by the importing companies (wholesalers). Major companies involved in LPG business in the country during the period were; Oryx Gas, Mihan Gas, Camel Gas, Lake Gas, Oilcom, Manjis Gas and Orange Gas. A total of 71,311 Metric Tonnes (MT) of LPG were imported into the country. This quantity was equivalent to 3% increase when compared to 69,148MT which was imported in the previous financial year of 2014/15. **Table 13** gives a comparison of the imported LPG for the two financial years.

**Table 13: LPG Imports for the FY 2015/16 and 2014/15**

Month	MT
Jul-15	6,055
Aug-15	6,045
Sep-15	6,175
Oct-15	7,161
Nov-15	6,438
Dec-15	3,696
Jan-16	5,373
Feb-16	7,797
Mar-16	6,078
Apr-16	4,183
May-16	7,396
Jun-16	4,914
<b>Imports FY 2015/16</b>	<b>71,311</b>
<b>Imports FY 2014/15</b>	<b>69,148</b>
<b>% Change</b>	<b>3%</b>

It is noted that, apart from a relatively small LPG quantity (71,311 MT) imported (consumed) in Tanzania, there was only a 3% increase of LPG imported in 2015/16 compared to 2014/15. This indicates that the country still lags behind as compared to Kenya and Uganda in LPG importation and consumption. Kenya for example consumes about three times what Tanzania consumes in LPG. Recognizing this challenge, in the coming financial year 2016/17, the Authority has planned to intensify regulation of LPG business to ensure that there is a conducive environment for investors in LPG facilities, supply of LPG becomes more efficient through inclusion into BPS arrangement, the public is effectively educated on the benefits of using LPG and that the safety aspect in regard to LPG operations is controlled appropriately.



During the period under review, a total storage capacity of about 5,000 metric tons was available for LPG product, which is a slight increase when compared to 2014/15. It is further expected that an addition of about 3,000 metric tons of storage capacity will be developed in the 2016/17 financial year. The growth in LPG storage capacity may make it easier for the LPG consumption in the country to grow quickly due to improved supply chain's efficiency (economy of scales utilization) which will make the product more affordable and available to many consumers. There are plans under way to import LPG under Bulk Procurement System; this plan when implemented will reduce the retail price of the product and help to convert many people from using firewood, charcoal and kerosene to using LPG which is a clean energy source.

### 3.2.3 OMCs Sales Performance and Market Shares

During the financial year 2015/16 the industry recorded total sales of 3,297,934,192 litres of petroleum products, an increase of 7% when compared to the previous financial year which was 3,071,693,194 litres (**Table 14**). The petroleum market in the country is very competitive and fairly distributed among different oil marketing companies. There are only four companies with respective market shares of above 10%, namely PUMA Energy (12.10%), GBP Tanzania Limited(11.98), Oryx Energies(10.23%) and Camel Oil (10.22%), the rest had market shares below 10% (**Table.14 and Table 15**).

During the period under review, PUMA Energy and Oryx Energies had supply contracts with major mining companies in the country hence higher sales volume of products while GBP and Camel Oil had increased their retail networks in the recent past years apart from offering reasonable discounts on pump prices. These OMCs as well had acquired some big clients especially in the power generation where Heavy Furnace Oil (HFO) is significantly consumed.

Diesel remained to be the main product consumed in the local market followed by Petrol, Jet A1, HFO and Kerosene. Annual sales of the three main products were at the following proportions: Diesel (53 %), Petrol (34%), Jet A1 (6%), HFO (5%) and Kerosene (1%).

From **Table 14**, the overall fuel consumption for petroleum products rose up by 7% during the period under review in comparison with the previous financial year. Consumption of all petroleum products (except HFO and Jet A1) increased in the reported period with IDO having significant increase due to special project performed by IPTL. The increase is in line with country economic growth which stood at about 7% in 2015.

**Table No.14: Consumption in Litres Comparison between FY 2014/15 and 2015/16**

PRODUCTS	AGO	PMS	IK	HFO	JET A1	IDO	TOTAL
<b>TOTAL FY 2015/16</b>	1,769,662,575	1,102,639,470	43,459,807	171,424,018	206,273,822	4,474,500	3,297,934,192
<b>TOTAL FY 2014/15</b>	1,647,855,687	962,704,028	36,904,304	213,305,390	210,292,285	631,500	3,071,693,194
<b>%CHANGE</b>	7%	15%	18%	-20%	-2%	609%	7%

**Table 15: OMCs Market Shares (MS) Trend July 2015 - June 2016**

S/No.	Company Name	2015/16 MS	2014/15 MS	%Change
1	Puma Energy	12.0%	12.0%	0%
2	GBP Tanzania	12.0%	6.0%	100%
3	Oryx Energies	10.0%	12.0%	-17%
4	Camel Oil	10.0%	9.0%	11%
5	Total Tanzania	8.6%	9.0%	-4%
6	Lake Oil	7.0%	5.0%	40%
7	Star Oil	6.0%	8.0%	-25%
8	Gapco Tanzania	5.4%	5.0%	8%
9	MOIL	5.0%	5.0%	0%
10	Oilcom	4.6%	8.0%	-43%
11	Mt.Meru	3.0%	< 1.0%	
12	Mogas	2.3%	4.0%	-43%
13	Acer	2.0%	< 1.0%	
14	Petrolfuel	1.5%	2.0%	-25%
15	Engen	1.4%	< 1.0%	
16	Hass Petroleum	1.4%	< 1.0%	
17	Petrol Africa	1.0%	1.0%	0%
18	Others	6.6%	13.0%	-52%
	<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	

During the period under review, the Authority conducted various special Audits at TIPER petroleum products storage facility, GBP Tanga depot and TRA border stations to establish the movement of petroleum products in accordance with the law. Following these audits, the Authority uncovered several anti-competitive practices upon which a control frame work was put in place to address those practices in future.

### 3.3 Petroleum Products Prices

#### 3.3.1 Crude Oil Market Prices

During the period under review, in the first half of the financial year, crude oil price in the world market experienced a falling trend. The average monthly prices fell from USD 56/bbl in July 2015 to USD 31/bbl in January 2016, while in the second half, it went up to USD 48/bbl in June 2016. Unlike the previous financial year of 2014/15, where a drastic drop of crude oil price was observed, the drop was a bit smooth but still significant in the period under review.

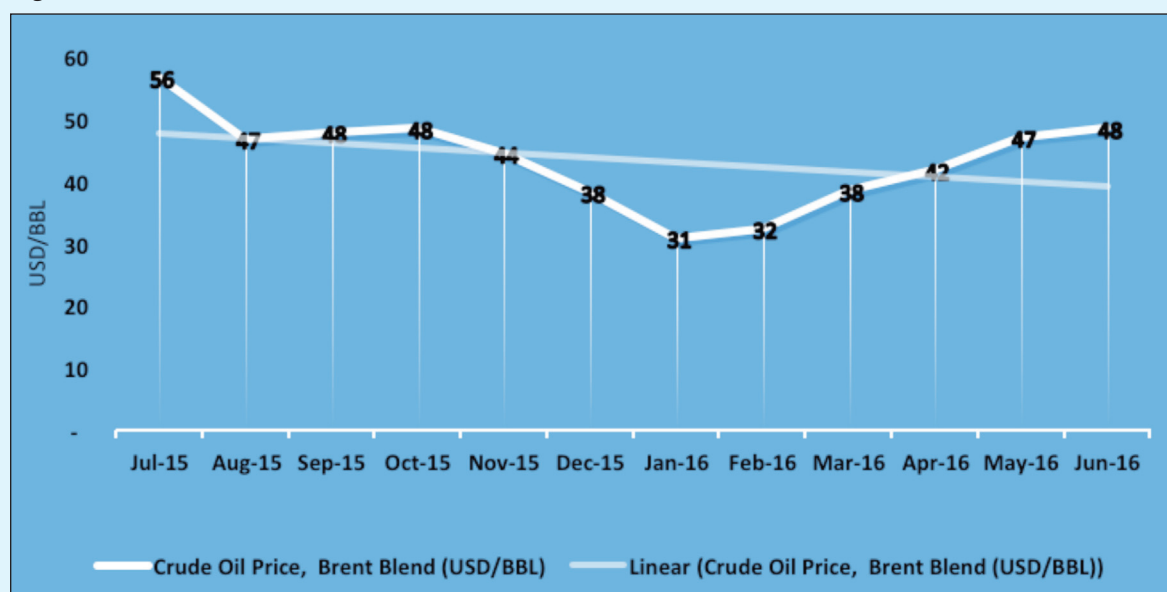
Compared to the previous financial year, a drop of 42% of average crude oil price was noted, whereas the average crude oil price for the financial year 2014/15 was USD 75/bbl, for financial year 2015/16, was USD 43/bbl as indicated in **Table.16**.

Due to this rise and fall trends of oil prices in world market, the local market prices during the period under review, were also affected accordingly considering the fact that the country imports all refined products. The trends of crude oil price are as indicated in **Figure 5**.

**Table 16: Monthly Average Crude Price Trends From Jul-15 to Jun-16.**

Month	Crude Oil Price, Brent Blend (USD/bbl)
Jul-15	56
Aug-15	47
Sep-15	48
Oct-15	48
Nov-15	44
Dec-15	38
Jan-16	31
Feb-16	32
Mar-16	38
Apr-16	42
May-16	47
Jun-16	48
<b>Average FY2015/16</b>	<b>43</b>
<b>Average FY2014/15</b>	<b>75</b>
<b>% Change</b>	<b>-42%</b>

**Figure 5: Crude Price trends from Jul-15 to Jun-16.**



### 3.3.2 Refined Petroleum Products Prices in the World Market.

The Authority continued to monitor the movement of refined petroleum products prices both in the world market and in the local market during the period under review. Similar to crude oil prices, refined petroleum products' prices also experienced a falling trend in the first half of the financial year 2015/16 and started to go up gradually from March 2016. The highest price average Free On Board (FOB) for the three major products were noted in July 2015 as follows; Petrol 643 USD/MT, Diesel 461 USD/MT and IK 498 USD/MT. The lowest prices for Petrol recorded was in February 2016 at 359 USD/MT, while for Diesel was 257 USD /MT and Kerosene was 286 USD/MT recorded in January 2016. Overall there was falling trends of FOB prices of all products during the period under review. Compared to the previous financial year, the average world oil products prices fell by 47%, 53% and 54% for Petrol, Diesel and Kerosene respectively.

The drop of world market oil prices was mainly contributed by huge surplus of oil as a result of buoyant supply and weaker demand as well as geopolitical tension between USA and Russia which forced USA to increase its production of oil from oil shale. Monthly World Market FOB prices are shown in **Table 17**.

**Table 17: Refined Petroleum Products World Market Prices from July 2015- June 2016.**

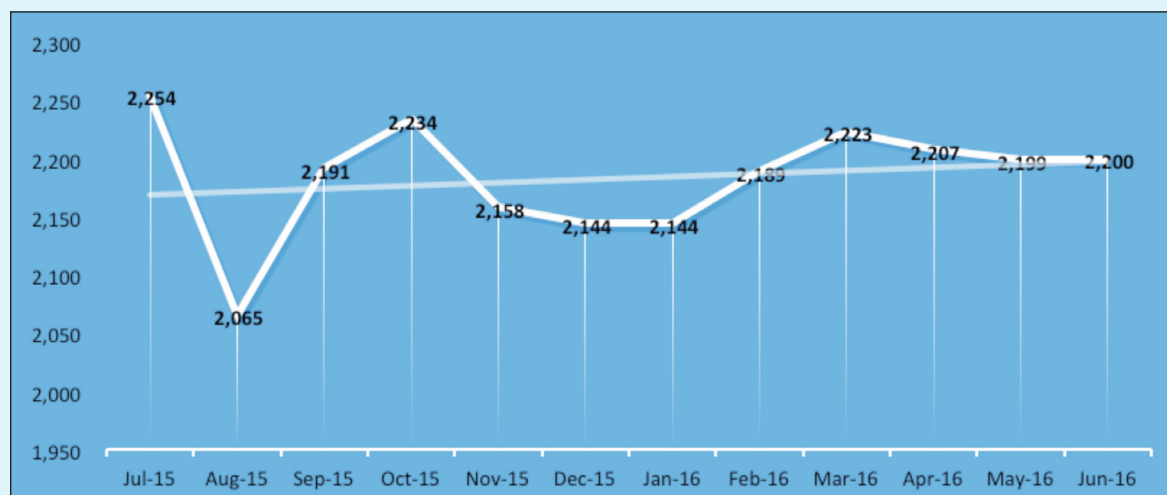
Month	Petrol (USD/MT)	Diesel (USD/MT)	Kerosene (USD/MT)
Jul-15	643	461	498
Aug-15	539	430	422
Sep-15	503	432	453
Oct-15	485	431	459
Nov-15	469	416	444
Dec-15	437	335	363
Jan-16	400	257	286
Feb-16	359	279	314
Mar-16	431	331	364
Apr-16	467	350	383
May-16	497	400	428
Jun-16	496	426	454
<b>Average FY 2015/16</b>	<b>477</b>	<b>379</b>	<b>406</b>
<b>Average FY 2014/15</b>	<b>907</b>	<b>813</b>	<b>875</b>
<b>% Change</b>	<b>-47%</b>	<b>-53%</b>	<b>-54%</b>

### 3.3.3 Exchange Rates

Fluctuations in the exchange rates of the USD to Tanzania Shilling have a direct influence on the petroleum products' local market prices. The Authority continued to compare the exchange rates submitted by OMCs with those published by Bank of Tanzania (BOT) that are applicable specifically for purchase of imported petroleum products.

**Table 17** above and **Figure 6** below indicate movements of the applicable exchange rates that were used in each month for pricing of petroleum products in the local market. The fluctuations of the exchange rates are normally influenced by the demand and supply of USD in the financial market. The average exchange rate in the financial year 2015/16 was TZS 2,184 compared to the average exchange rate for the previous financial year of TZS 1,789 which is equivalent to an increase of 22%.

**Figure 6: Monthly Average Exchange Rates used for pricing July 2015-June 2016.**



### 3.3.4 Petroleum Products Local Market Prices

The Authority continued to set cap price for petroleum products for Mainland Tanzania, consistent with the Petroleum Products Price Setting Rules. During the period under review, these Rules were amended twice to take into consideration imports that were made through Tanga port to take into consideration the inflation adjustment on the marketing margins.

The revised Petroleum Products Pricing Setting Rules were published in the Government Gazette Notice No.70 in February 2016. The Authority published monthly retail cap prices for the three main petroleum products (petrol, diesel, kerosene) that cover all districts and major towns in Tanzania mainland. In the same period, the Authority continued to publish Cap Wholesale prices that were applicable to OMCs selling products in Dar es Salaam and Tanga. The cap prices publication for Tanga started in the financial year under review for both wholesale and retail prices. The compliance in adhering to the cap price set during the period under review was 99%. Most of the operators inspected were found to comply with this requirement of the law.

The annual average pump prices in Dar es Salaam for the period under review were; TZS 1,970/Lt, TZS 1,751/Lt and 1,709/Lt for petrol, diesel and kerosene respectively, which is lower in comparison to the previous financial year by 3%, 8% and 7% respectively. **Table 18** shows the Dar es Salaam Cap Prices for the period under review.

**Table 18: Average Dar es Salaam Retail Pump Prices from July 2015 to June 2016.**

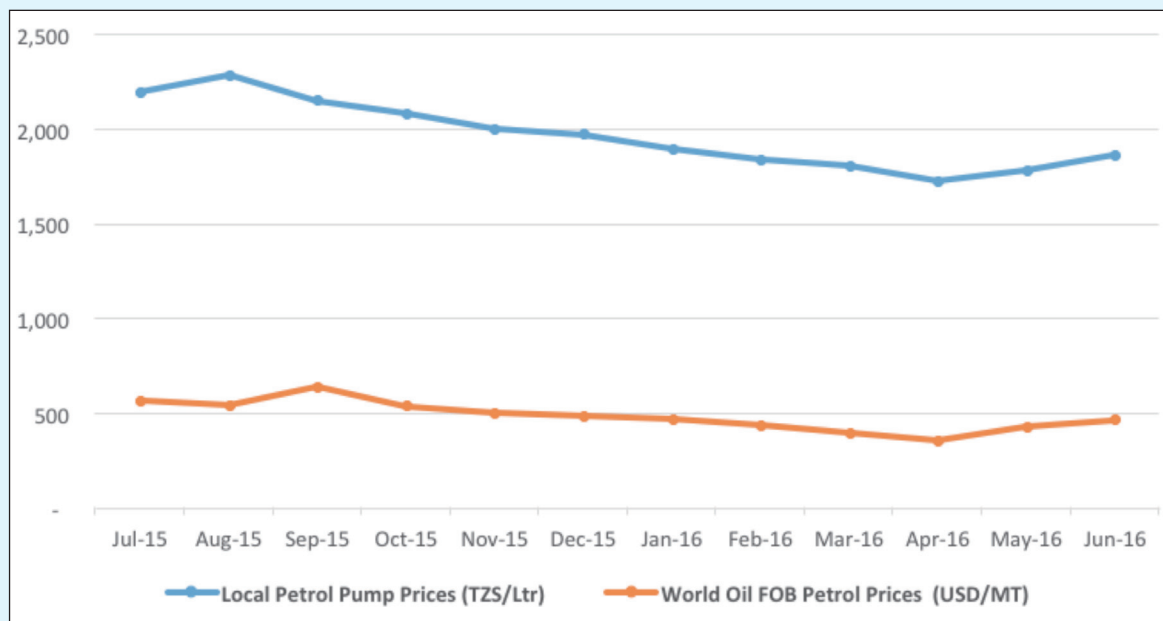
Month	Petrol (TZS/Ltr)	Diesel (TZS/Ltr)	Kerosene (TZS/Ltr)
Jul-15	2,198	2,043	1,993
Aug-15	2,290	2,026	1,964
Sep-15	2,153	1,832	1,770
Oct-15	2,086	1,828	1,733
Nov-15	2,004	1,879	1,733
Dec-15	1,977	1,823	1,765
Jan-16	1,898	1,747	1,699
Feb-16	1,842	1,600	1,699
Mar-16	1,811	1,486	1,465
Apr-16	1,728	1,516	1,501
May-16	1,785	1,602	1,578
Jun-16	1,865	1,633	1,607
<b>Average FY 2015/16</b>	<b>1,970</b>	<b>1,751</b>	<b>1,709</b>
<b>Average FY 2014/15</b>	<b>2,025</b>	<b>1,895</b>	<b>1,843</b>
<b>% Change</b>	<b>-3%</b>	<b>-8%</b>	<b>-7%</b>

The petroleum cap price computation for the local market was also affected by the world oil market prices (especially refined products) due to the fact that, the country imports all requirement of refined petroleum products. Fluctuations of the Tanzania Shilling against the United States Dollar was another factor that led to fall or rise of local prices.

As shown in **Figure 7**, petroleum products prices in the local market fell in the first half of the financial year due to fall of oil prices in the world market. On the other hand, in the second half of the financial year, the prices started picking up gradually. The magnitude of fall of local prices would have been much significant had it not been the depreciation of the Shilling against the United States Dollar.

The relationship of the trends of the world market and local pump prices of key petroleum products of petrol, diesel and kerosene is shown in the figures below. It should be noted however, that, the vertical axes in the respective Figures below represent the scale of the Unit Cost of the product either in Tanzania Shillings per Litre – Tsh/L (when referring to local pump prices) or United States Dollars per Metric Ton – USD/MT (when referring to World Oil Prices) depending on which price you are looking at. The vertical scale differences between the two graphs in each Figure do not indicate the magnitude of the prices at World and local level but rather, indicates the relationship in trend only.

**Figure 7: World Prices Trend Vs Local Pump Prices Trend of Petrol Product.**



From Figure 7 above, it is demonstrated that for the year 2015/16, the Authority ensured that the trend of local petrol pump prices reflected the trend of petrol prices in the world market irrespective of the local costs effect on imported petrol.

**Figure 8: World Prices Trend Vs Local Pump Prices Trend of Diesel Product.**

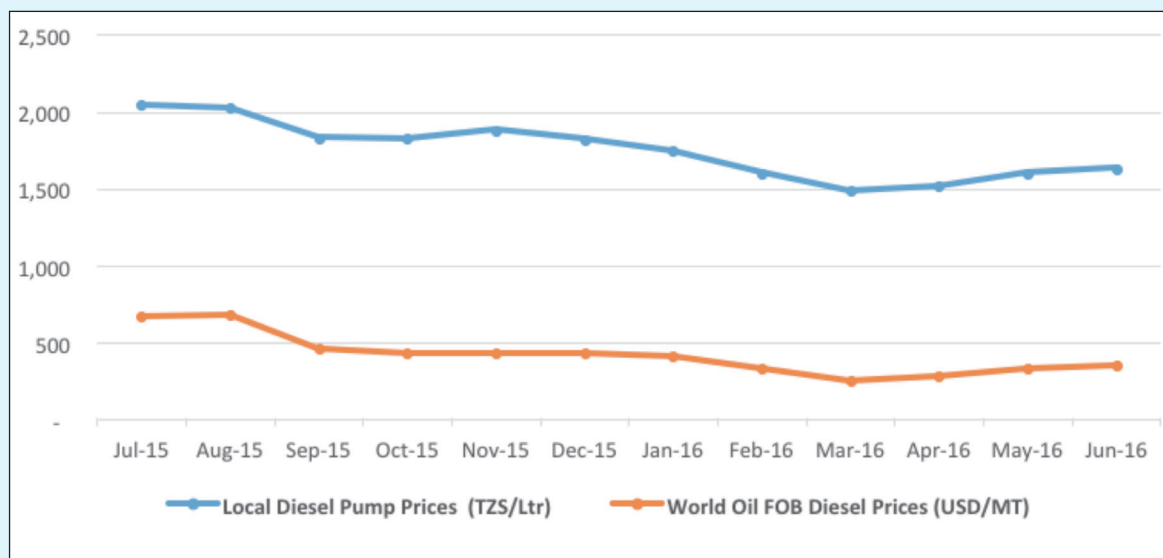
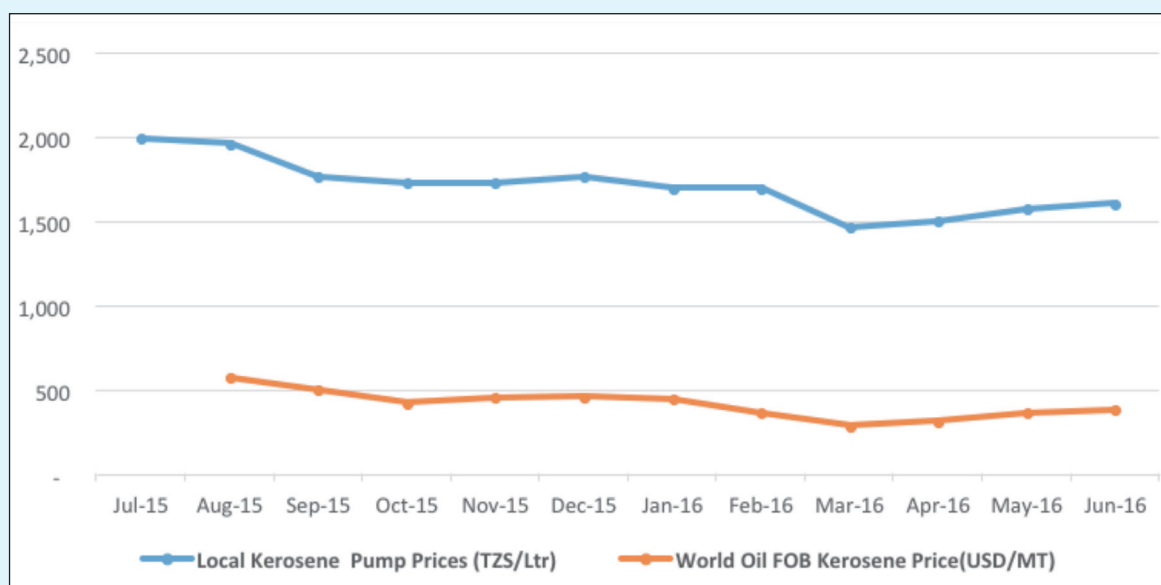


Figure 8 above demonstrates that for the year 2015/16, the Authority ensured that the trend of local pump prices for diesel reflected the trend of diesel prices in the world market irrespective of the local cost effect on imported diesel.

**Figure 9: World Prices Trend Vs Local Pump Prices Trend of Kerosene Product.**

From Figure 9 above, demonstrates that for the year 2015/16, the Authority ensured that the trend of local kerosene pump prices reflected the trend of kerosene prices in the world market irrespective of the local costs effect on the imported kerosene.

### 3.4 Compliance Monitoring

During the year under review, the Authority continued to undertake monitoring programs to ensure compliance to the applicable laws and standards in the downstream petroleum subsector. The following sections cover highlights of the compliance monitoring activities which were carried out in the Financial Year 2015/16.

#### 3.4.1 License Conditions Monitoring

In between July 2015 and June 2016, the Authority continued with regular inspections in order to ensure that all licensed retail outlets comply with the license conditions. A total of 601 petrol stations were inspected to monitor compliance to the license conditions compared with 532 petrol stations for the financial year 2014/15. Out of these, 387 petrol stations equivalent to 64% were found fully meeting the licensing conditions compared with 250 petrol stations equivalent to 47% for the financial year 2014/15. A significant increase in the level of license conditions monitoring was contributed by enforcement of the Petroleum Retail Operations Rules. Punitive measures were taken against operators of petrol stations that violated the license conditions.

The Authority will continue executing periodic and surprise inspections to retail outlets to ensure that the petrol stations are upgraded accordingly to fully meet the licensing conditions.

#### 3.4.2 Petroleum Facilities constructed without construction approvals

In accordance with Section 126 (1) of the Petroleum Act, 2015 any person intending to construct a petroleum installation is required to apply and obtain a construction approval from the Authority prior to starting construction of the facility. During the period under review, the Authority continued with regular inspections to ensure that all new petroleum installations had relevant construction approvals. A total of eighty-three (83) petroleum facilities, mostly petrol stations were found to have been constructed without construction approvals from the Authority compared with seventy-one (71)



petroleum facilities for the financial year 2014/2015, an increase of 17%. Punitive measures were taken against defaulters.

#### **3.4.3 Petroleum Products Quality Monitoring**

From July 2015 to June 2016 the Authority continued with its role of monitoring quality of petroleum products so as to ensure that required quality petroleum products were offered for sale to consumers. Sampling of petroleum products was carried out from various facilities including petrol stations, road tankers, storage depots and Kurasini Oil Jetty.

A total of 321 samples of petroleum products were collected from the above mentioned facilities for laboratory testing against quality specifications approved by the Tanzania Bureau of Standards (TBS) compared with 371 samples for the financial year 2014/2015. Out of 321, only 31 samples (equivalent to 9.7%) did not conform to TBS specifications compared with 28 samples (equivalent to 8%) for the financial year 2014/2015. The 31 samples include 16 samples of Jet A1 which was contaminated with MSP during discharge from the Vessel MT UACC IBM ALTHEER in May, 2016. Punitive measures were taken against operators of the facilities who were found with products that failed to conform.

There is a continued improvement on compliance by service providers by selling petroleum products which conform to TBS specifications. This trend is a clear indication that the Authority has controls in place that ensure petroleum products offered for sale are of the right quality.

During the same period, samples of lubricants were collected and tested to check the quality of lubricants offered for sale in the market and to identify substandard products. A total of 28 samples were collected for laboratory analysis compared with 64 samples in financial year 2014/2015. The laboratory test results indicate that all lubricants samples collected in 2015/16 met the TBS specifications while 18.75% were found to be out of TBS specifications during the financial year 2014/2015. The standards used included TZS 647:2001 ICS 75.100 "Tanzania Standard for Engine Oils - Minimum Performance – Specification and TZS 675:2001 ICS 75.100 "Tanzania Standard for Multipurpose Automotive Gear Lubricant (EP) - Specification.

#### **3.4.4 Monitoring compliance to the price Setting Rules**

During the year under review, the Authority continued to monitor compliance to the price setting Rules. A total of 1,061 petrol stations were inspected compared with 817 petrol stations for the financial year 2014/2015. Out of these, only seven (7) petrol stations equivalent to 0.66% were found selling petroleum products above cap price compared with three (3) petrol stations equivalent to 0.37% for the financial year 2014/2015. Punitive measures were taken against the defaulters.

#### **3.4.5 Fuel Marking Program**

In the period under review the Authority continued to implement the fuel marking program which is done by the Contractor, M/S Global Fluids International Tanzania Limited (GFI). The objectives of the program are to curb dumping of untaxed petroleum products into the local market and fuel adulteration malpractices but also create a level playing field amongst operators.

#### **3.4.6 Quantity of petroleum products marked**

A total of 2,766,042,059 litres of petroleum products (diesel, petrol and kerosene) were marked in the period from July 2015 to June 2016 as compared to 2,459,244,678 litres marked in the financial year 2014/2015. When compared with the products volume marked in the last financial year, there was an increment of 15% for MSP, 10% for AGO and 36% for IK.

**Table 19** presents quantities of petroleum products marked in the period under review. From commencement of the fuel marking program in September 2010 to June 2016, a total of 13,273,923,091 litres of petroleum products have been marked. The percentage distribution of the marked products is 61% AGO, 35% MSP and 4% IK.

**Table 19: Marked Volume of Petroleum Products from July 2015 - June 2016**

Month	Petrol (Ltrs)	Diesel (Ltrs)	Kerosene (Ltrs)	TOTAL
Jul-15	94,611,999	143,925,428	4,368,526	242,905,953
Aug-15	89,975,139	145,276,611	3,804,750	239,056,500
Sep-15	92,061,677	145,430,468	3,548,325	241,040,470
Oct-15	90,967,629	149,093,982	4,092,000	244,153,611
Nov-15	86,024,441	140,492,864	3,990,970	230,508,275
Dec-15	98,918,395	147,818,620	4,188,300	250,925,315
Jan-16	85,611,270	123,600,900	3,594,451	212,806,621
Feb-16	86,496,346	115,439,203	4,250,540	206,186,089
Mar-16	97,074,292	125,914,186	4,556,650	227,545,128
Apr-16	91,033,008	117,767,830	5,458,184	214,259,022
May-16	95,589,848	129,126,953	5,043,100	229,759,901
Jun-16	94,275,426	129,667,116	2,952,632	226,895,174
<b>TOTAL FY 2015/16</b>	<b>1,102,639,470</b>	<b>1,613,554,161</b>	<b>49,848,428</b>	<b>2,766,042,059</b>
<b>TOTAL FY 2014/15</b>	<b>961,148,518</b>	<b>1,460,531,703</b>	<b>36,568,104</b>	<b>2,459,244,678</b>
<b>% CHANGE</b>	<b>15%</b>	<b>10%</b>	<b>36%</b>	<b>12%</b>

#### 3.4.7 Number of Facilities Tested on Petroleum Products Marker Concentration

From July 2015 to June 2016 samples of petroleum products from 716 petroleum facilities including retail outlets, depots and road trucks, were collected and tested for level of marker concentration compared with 622 petroleum facilities in the financial year 2014/2015. Out of these, 34 facilities which is equivalent to 5% failed the marker tests compared with 80 facilities which is equivalent to 13% in 2015/14. A noted decrease in the number facilities found with non-conforming petroleum products has been contributed by enforcement of the Petroleum (Marking and Quality Control) Rules, 2010. Punitive measures were taken against the operators whose facilities were found with petroleum products that failed the marker tests.

#### 3.4.8 Benefits of fuel marking programme

The fuel marking program continued to be implemented by the Authority since September 2010 and has resulted into a number of benefits to the public which include:

- quality petroleum products through reduction of adulteration malpractices which was a key challenge prior to introduction of the program.
- reduction in dumping of transit products into the local market hence assuring increase of Government revenue collection.
- reduction in smuggling of petroleum products malpractices.
- creation of level playing field amongst petroleum operators and thus promoting fair competition in the petroleum downstream sub sector.
- increase in transit cargo through Tanzania due to improved efficiency in quality monitoring.

### 3.4.9 Joint Cross Border Testing of Petroleum Products

During the period under review, EWURA in collaboration with the Energy Regulatory Commission (ERC) of Kenya planned for joint cross border testing of the petroleum products in the areas around Kenya/Tanzania border. The exercise was a result of the resolution attained at a meeting of Energy Regulators of East Africa (EREA) convened in Naivasha Kenya in May 2015. The exercise started on 28th September 2015. The main objective of the exercise was to find a common method for tracking kerosene to prevent adulteration of motor fuels in East Africa. Because of a big difference in taxes imposed on kerosene in Tanzania and Kenya, smuggling of kerosene from Kenya is rampant in the areas near Holili border, Sirari and around Lake Victoria.

The joint team collected and tested samples from thirty-nine facilities and eight facilities in Tanzania and Kenya territories respectively. Six facilities failed the marker detection test. While in the Kenya territory only one petrol station, was found with an adulteration case whereby the local kerosene marker was found in the gasoline sold or offered for sale at that particular petrol station.

**Figure 10: One of the many smugglers carrying about 300 litres of kerosene.**



Source: Team of EWURA and ERC

## 3.5 Monitoring adherence to Health, Safety and Environmental (HSE) requirements

### 3.5.1 Facilities closed due to contravening HSE requirements

All operators of petroleum products installations are required to operate in a manner that their operations do not pose serious threat to the public health, safety and the environment (HSE). During the period under review, eight petroleum facilities were found operating in a manner that could pose risk to the public health, safety and environment. Operators of these facilities were:

- (a) Makhas Company Limited located at Tabata Sanene area in Dar es Salaam region that was found storing LPG filled cylinders of different brands (Mihan, Oryx and Lake Gas) in a residential compound amidst other residential houses at Sanene area, Tabata in Dar es Salaam region;
- (b) Petro Monitor Tanzania Limited located at Kibwabwa area in Iringa Municipality had constructed two above ground storage tanks and a dispensing pump inside a yard;



- (c) Kaduma Enterprises located at Mbezi Msakuzi in Dar es Salaam region was found storing LPG empty and filled cylinders within a residential compound without having firefighting equipment;
- (d) Kariakoo Gas Supplies Limited located at Kariakoo area in Dar es Salaam region was found handling and storing LPG empty and filled cylinders;
- (e) Mr. Ali Abdallah Mgothamweru who is located at Kisaki Station area in Morogoro region;
- (f) Mr. Sadiki Mohamed Mkassi who is located at Kisaki Gomero area in Morogoro region;
- (g) Mr. Salum Abdallah Kulinyangwa who is located at Kisaki Gomero area in Morogoro region; and
- (h) Mr. Ushindani Salum who is located at Kisaki Station area in Morogoro region.

Operators (d) to (g) above, were found selling petroleum products contained in prohibited containers such as plastic bottles, plastic drums and sim tanks contrary to the good petroleum industry practices. Punitive measures were taken against these defaulters including ordering them to close their facilities.

**Figure 11: LPG cylinders found illegally stored at a residential compound.**



The above indicated cylinders which are brands for Mihan, Oryx and Lake Gas were found at Tabata Sanene area (Dar es Salaam) in site operated by Makhas Company Limited

**Figure 12: Plastic containers used to illegally store petroleum products.**



This was discovered storing petrol and diesel by one operator at Kisaki area, Morogoro region.

### 3.5.2 Incident Investigation

In response to incidents occurring in the petroleum downstream sector operations, the Authority continued with its obligation of investigating incidents to underscore their causes, establish and recommend corrective actions so as to prevent recurrence of similar incidents in future. During the period under review four (4) incidents were investigated. **Table 20** summarizes incidents that were investigated during the period under review.

**Table 20: Summary of incidents that were investigated from July 2015- June 2016**

No.	Incident Type and Place of occurrence	Description of incident	Root Cause	Incident Impact	Corrective Actions
1	Fire at South Mark Filling Station located at Bungu area, Rufiji District in Coast region.	The truck with registration no. T715 AGF caught fire while offloading 10,000 litres of diesel and was burnt.	The truck was not electrically bonded while offloading.	Loss of Product and burnt truck.	<ul style="list-style-type: none"> <li>✓ Ensure bonding cable is repaired, in good working condition and is used at all times during offloading of petroleum products;</li> <li>✓ Ensure that the battery master switch is in the OFF position during offloading process</li> <li>✓ The operator to develop and use the Standard Operating Procedure (SOPs) during offloading operations for safe operations</li> </ul>
2	Water contamination in diesel at Mbarak Bawazir- Camel Oil Mafinga Petrol Station located at Kinyanabo A in Iringa region.	Vehicles with registration numbers T630 BFJ Toyota Land cruiser and T233 AEH/T651 AMZ Truck and Trailer malfunctioned after refuelling at the petrol station.	Poor infrastructure leading to water seepage into the USTs.	Damaged vehicles	<ul style="list-style-type: none"> <li>✓ Checking presence of water before commencement of any operations at the petrol station;</li> <li>✓ Ensure tank manholes are water tight;</li> <li>✓ Pressure testing of the USTs for leak detection.</li> </ul>
3	Fire at Kasulo – Benaco area, Ngara district in Kagera region.	Two transit road tankers caught fire while trying to transfer MSP product from one tanker to another.	Spark formation after the generator used for product transfer got an electric fault.	The road tankers were seriously burnt; product loss (38,600 litres of MSP); 4 people seriously injured; 1 person died; & Generator & water pump completely damaged.	<ul style="list-style-type: none"> <li>✓ Public awareness on HSE matters</li> <li>✓ Need for Fire Brigade in Ngara and well-designed truck parking premises &amp; service bays.</li> </ul>

No.	Incident Type and Place of occurrence	Description of incident	Root Cause	Incident Impact	Corrective Actions
4	Jet A1/Kerosene Contamination	During discharging petroleum products, the vessel MT UACC IBM ALTHEER that supplied the products in May 2016, contaminated Jet A1/ Kerosene with MSP.	Non observance of the good petroleum industry practices.	Jet A1/ Kerosene stock out in the local market.	✓ Back loading of the contaminated products and send to refinery for correction.

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

During the period under review, a total of 64 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, were reviewed, compared with 99 studies that were handled in the financial year 2014/15. Of these, 43 were for EIA whereas 21 were for EA, compared with 85 for EIA and 14 for EA, in the financial year 2014/15.

These EIA and EA reports were for construction and operating petrol stations, LPG Storage and Filling plants. The Authority actively participated in site verifications and Technical Advisory Committee (TAC) meetings coordinated by NEMC to review the EIA and EA studies prepared by various environmental experts on behalf of the project proponents.

### 3.6 Licensing Activities

In between July 2015 and June 2016, three hundred and two (302) petroleum facilities were issued with operating licences in the mainland Tanzania compared with one hundred seventy (170) facilities in the financial year 2014/15. Of these licenses, 14 were for the Wholesalers business, 280 for Retailers, 2 for LPG Wholesale business, 5 for Lubricants Wholesale business and 1 for consumer installation compared with 12 for Wholesalers business, 149 for Retailers, 2 for LPG Wholesale business, 5 for consumer installations, 1 for Bunkering business and 1 for Lubricants Wholesale business.

During the same period under review, 20 construction approvals were issued to proponents of various downstream petroleum construction projects compared with 16 construction approvals issued in the financial year 2014/15. **Table 21** summarizes Licenses and Construction Approvals issued by the Authority during the period under review.

**Table 21: Petroleum Products Licences/Approvals issued by the Authority from July 2015 – June 2016**

Type	Licences/construction approval issued		
	New	Renewal	Total
Wholesale	11	3	14
Retail	123	157	280
LPG Wholesale	2	0	2
Lubricant Wholesale	4	1	5
Bunkering	0	0	0
Consumer Installation	1	0	1
Construction Approval	20	0	20
<b>Total</b>	<b>161</b>	<b>161</b>	<b>322</b>

### 3.7 Legislative Regulatory Tools

Legislative tools are important instruments to improve on governance and regulations of the downstream petroleum sub sector in the country. During the year under review the Authority participated in the preparation and amendment of 10 sets of legislative tools as hereunder shown:

- The Petroleum (Wholesale Operations) Rules 2015, Government Notice No. 452 published on 16<sup>th</sup> October 2015;
- The Petroleum (Retail Operations) Rules, Government Notice No. 168 published in 2015;
- The Petroleum (Retail Operations in Townships and Villages) Rules, Government Notice No. 174 published on 13<sup>th</sup> May 2016;
- The Petroleum (Consumer Installation Operations) Rules 2015, Government Notice No. 451 published on 16<sup>th</sup> October 2015;
- The Petroleum (Pipeline Operations) Rules 2015, Government Notice No. 477 published on 23<sup>rd</sup> October 2015;
- Petroleum Pipeline Transportation Licence Template;
- The Petroleum (Bitumen and Petcoke Operations) Rules, Government Notice No. 99 published on 18<sup>th</sup> March 2016. Two licence templates for Bitumen and Petcoke respectively have been approved;
- The Petroleum (Marine Loading & Offloading Operations) Rules, 2016 Government Notice No. 98 published on 18<sup>th</sup> March 2016. Licence template has been approved;
- The Petroleum Importation Coordinator licence template has been amended and a licence has been granted to the Petroleum Bulk Procurement Agency; and
- Petroleum (Licensing Fees) Rules, 2016.

### 3.8 Awareness campaign

It is the duty of the Authority in carrying out its functions to strive to enhance the welfare of Tanzania society by, among other, enhancing public knowledge, awareness and understanding of the regulated sectors. In the period under review, the Authority conducted awareness campaigns in 12 regions of Mainland Tanzania, namely Arusha, Dodoma, Geita, Kigoma, Lindi, Mara, Mwanza, Mtwara, Njombe, Ruvuma, Shinyanga and Tabora. The campaigns focused on:

- the duties, functions and activities of the Authority;
- the rights and obligations of consumers and regulated suppliers;
- procedures for handling complaints and disputes; and
- other matters of interest to the public in the downstream petroleum sub-sector.



The Authority will continue to conduct awareness campaigns in the other regions to ensure that it executes the duties entrusted to it diligently.

### 3.9 Key Achievements and Challenges

#### 3.9.1 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 from 77% in to about 5% in hence assuring local consumers of the quality petroleum products;
- (b) Petroleum products pricing has been successful and stable;
- (c) Petroleum products supply in the country has been stable without and major shortage or stock out recorded in the period under review;
- (d) Regulatory measures that are being taken by the Authority have resulted in the decrease of dumping of transit and tax-exempted petroleum products in the local market. Consequently, consumers enjoyed buying quality petroleum products and the Government continued collecting lawful taxes on petroleum products;
- (e) Various regulatory tools that were absent are now in place, others under preparation or have been revised and Standards of retail outlets in the country have significantly improved because of compliance monitoring enforcement and the measures taken by the Authority.

#### 3.9.2 Challenges

Despite the above achievements, there are some challenges that have been encountered by the Authority while discharging its regulatory roles in the downstream petroleum sub-sector in Tanzania. These challenges are shown below:

- (a) **Technical Know How and Expertise:** Some operators still lack technical know-how and expertise in petroleum downstream operations. The Authority is continuing disseminating awareness and education to the petroleum operators in the country to deal with this challenge;
- (b) **Adulteration and Smuggling of Petroleum Products:** The exercise of curbing sale of adulterated and also untaxed petroleum products alongside clean and fully tax paid products is bearing good results. However, this malpractice is not yet wiped out completely. EWURA is continuing to implement measures that are aimed at dealing with this menace. Also, joint efforts with other relevant authorities including TRA and the Police force will be continued; and
- (c) **Sale of sub-standard lubricants:** Sale of sub-standard lubricants in the country is still rampant. EWURA has intensified inspection to deal with these anomalies, but also educating lubricant stakeholders on the requirement to operate in compliance with the law.
- (d) **Low Consumption of LPG:** Consumption of LPG is still very low. EWURA in collaboration with other stakeholders will continue educating consumers and stakeholders on the benefits of using this clean energy source. Also, for the purpose of ensuring that LPG is sold at fair prices, the Authority will start regulating LPG local prices once PBPA commence importation of the product in bulk.

## 4.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION

### 4.1 Overview

The Authority is responsible for regulating mid and downstream natural gas activities involving processing, transportation, storage and distribution of natural gas in the Mainland Tanzania. The regulated infrastructures comprises of processing plants, transportation, distribution and storage facilities. The mid and downstream natural gas activities are dominated by four companies namely Tanzania Petroleum Development Corporation (TPDC); Songas Limited (Songas); Pan African Energy Tanzania Limited (PAET); and Maurel & Prom (M&P). As of 20<sup>th</sup> February 2016 the Ministry of Energy and Minerals confirmed the quantity of discovered gas (Gas in place) amounting to 57.25 Trillion Standard Cubic Feet (Tcf) which is an increase of 4% compared to the previous year.

### 4.2 Performance Monitoring

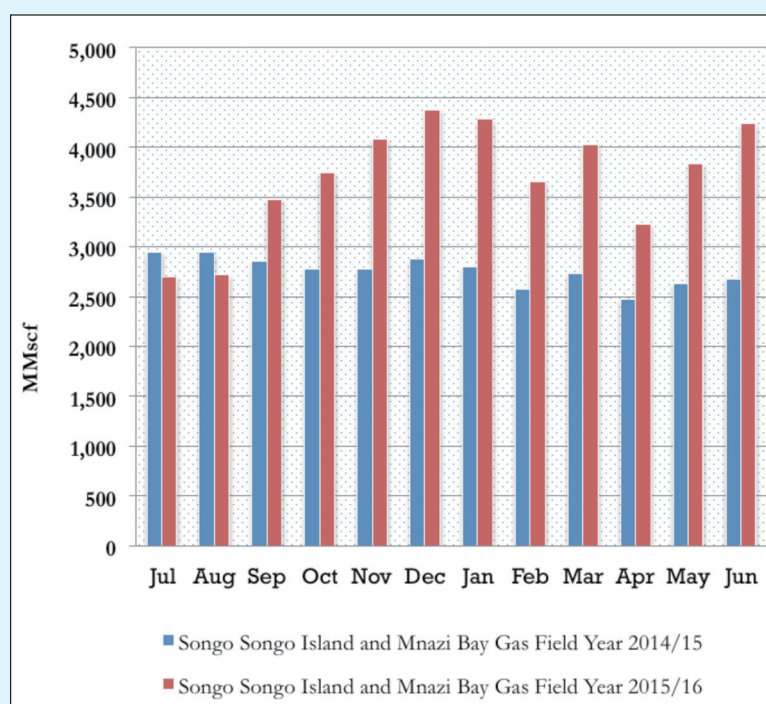
During the period under review the Authority carried out four field monitoring inspections of natural gas infrastructures at Songas gas facilities in Lindi, Maurel & Prom gas facilities in Mtwara, the construction of TPDC Mtwara to Dar es Salaam gas pipeline project as well as low pressure gas distribution network operated by PAET and TPDC in Dar es Salaam.

#### 4.2.1 Natural Gas Production

During the period under review, the overall gas production from both gas fields Songo Songo Island (SSI) and Mnazi Bay was 44,363 MMscf compared with gas production of 33,069 MMscf in the previous year. This indicates a significant increase of 34.15% in gas production as shown in Figure 13 below. The increment was attributed by the commissioning of TPDC gas processing facility in September 2015 with monthly average production of 1,343 MMscf and 47.26 MMscfd. Over the period under review, the quantity of natural gas produced at Songo Songo gas plant was 30,066 MMscf compared to 32,260 MMscf produced during 2014/15 which shows a decrease of about 6.8%. The decrease in production of natural gas at SSI was attributed by limited downstream demand and failure of some wells.

During the period under review, Mnazi Bay gas plant, which supplies gas for generation of electricity for Mtwara and Lindi, increased production from 809.99 MMscf recorded in the previous year to 820.48 MMscf. This is an increase of 1.34% which indicates a slight growing demand of electricity in Mtwara and Lindi regions. Given the fact that there is no storage facility, the gas produced is subsequently consumed.

**Figure 13: Periodic Monthly Natural Gas Production of SSI and Mnazi Bay gas fields ►**



Source: TPDC, M&P and PAET

#### 4.2.2 The Demand – Supply Balance of Natural Gas

During the period under review, the natural gas processing capacities at Mnazi Bay and Songo Songo gas fields increased by 350 MMscfd of which 210 MMscfd commissioned in September 2015 and ongoing commissioning of 140 MMscfd gas processing facilities owned and operated by TPDC. The total average production was 131.91 MMscfd out of a total of 465 MMscfd installed capacity which is 28.37%.

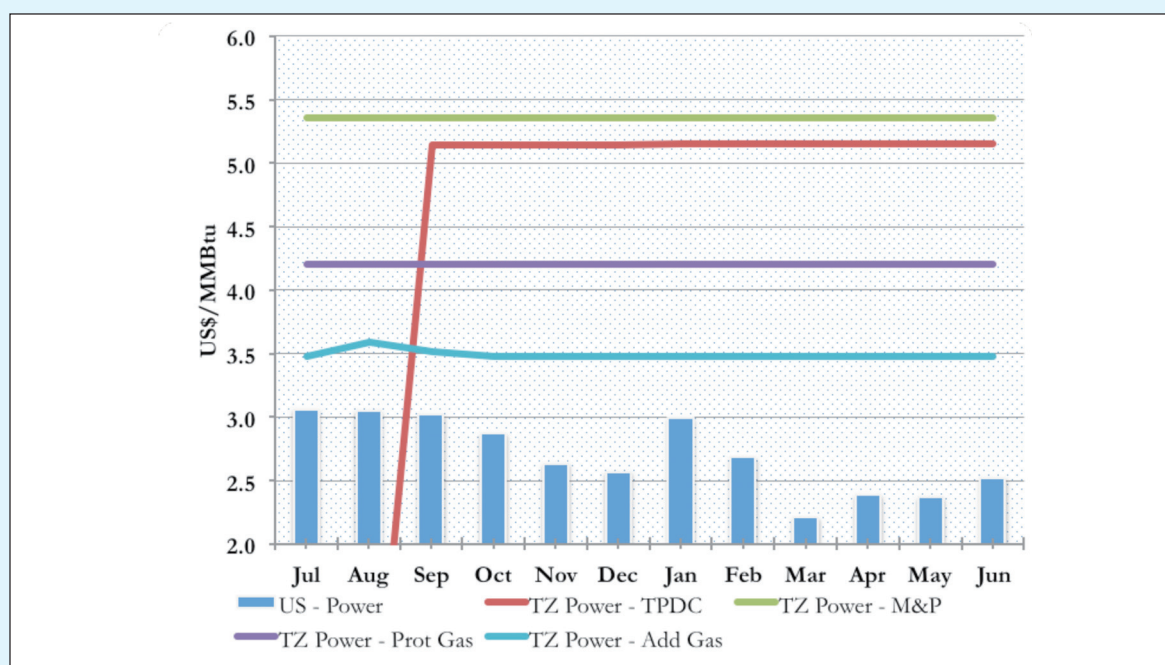
The power generation sector consumed an average of 114.89 MMscfd to generate about 575 MW of electricity and the remained 17.09 MMscfd was consumed by industries located in Dar es Salaam. The analysis shows that, the processing plants and pipelines installed capacity in the country is sufficient to meet the current natural gas demand for power generation and industrial usage.

#### 4.2.3 Trend of Cost of Services

During the period under review, the Authority monitored the natural gas price trend for power generation and industrial usage. The Authority benchmarked the natural gas prices for thermal power generation and industrial usage in Tanzanian market to US market as shown in Figure 12 below. The average USA prices for power generation and Industrial usage was USD 2.8/MMBtu and 3.40US\$/GJ respectively, which were benchmarked to USD 4.2 /MMBtu for protected gas supplied by TPDC, USD 3.45/MMBtu for addition gas supplied by PAET, USD 5.4/MMBtu for gas supplied by M&P, USD 5.14/MMBtu gas supplied by TPDC and USD 7.35/GJ for industries supplied by PAET.

The industrial average gas price slightly decreased from USD 7.39/GJ in previous year to USD 7.35/GJ. The USA market prices for both power and industrial users are lower than Tanzanian market due to the maturity of USA market, economies of scales (size of the market) and the fact that most of capital used has been recovered.

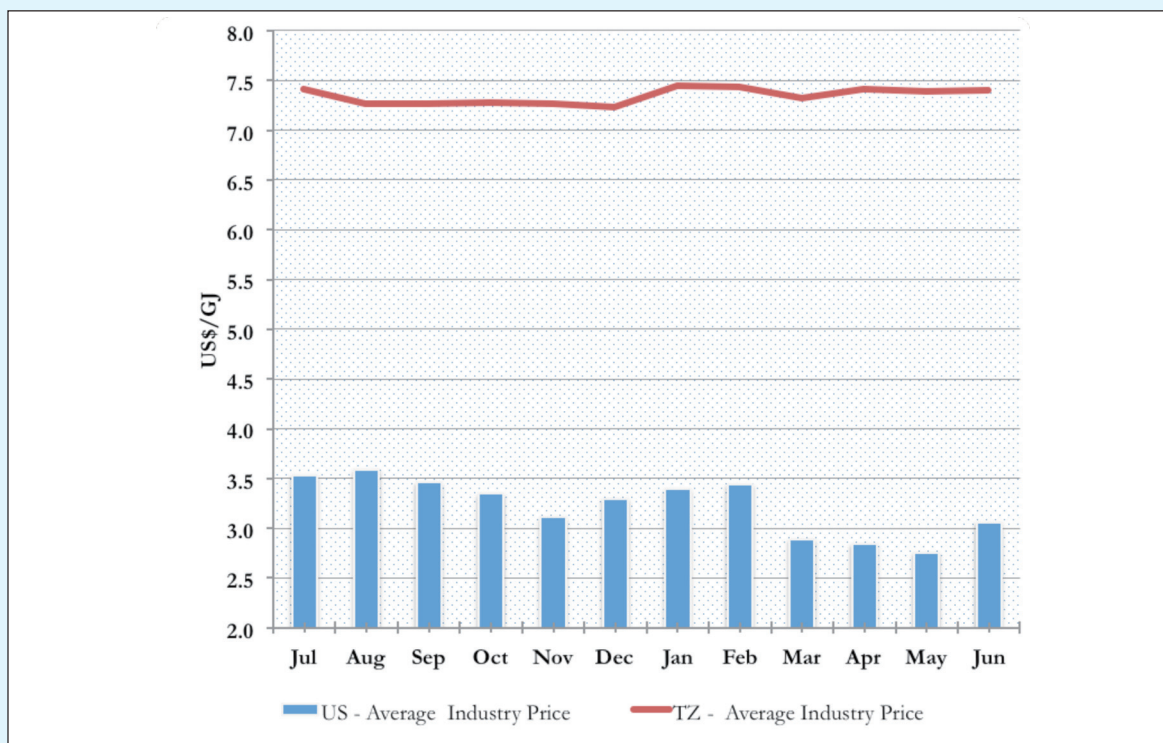
**Figure 14: Natural Gas Price Trends for Power Generation for FY 2015/16**



Source: TPDC and PAET

The Authority observed that there is a huge price difference between small and large gas consumers in industries which may contribute to factors among others hindering small industry growth in the country despite availability of local energy resource. Following the observation above, the Authority participated in developing gas price mechanism which was still underway at the time of reporting.

**Figure 15: Natural gas price trends for industrial for FY 2015/16**



Source: PAET and US EIA

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

During the review period, the Authority continued to monitor and ensure the operations of natural gas activities is smooth, efficient and reliable to end users. Power and industrial gas users replaced their equivalent energy quantity with consumption of 38,128.23 MMscf of natural gas which was consumed by the gas-based thermal power generation plant equivalent to 1,186.96 million litres of oil equivalent, mainly Jet A-1 and 6,207.47 MMscf of natural gas for industries equivalent to 148.19 million litres of oil equivalent, mainly Heavy Fuel Oil (HFO). This reflects to a total savings (cost avoided) estimated to be USD 788.45 million during the period under review by not using Jet A1 and HFO.

#### 4.2.5 Natural Gas Quality and Standard of Services

The Authority continued carrying out monitoring of quality and standard of the regulated services rendered by the service providers. The natural gas extracted at Songo Songo and Mnazi Bay gas reservoirs is of high quality as it is dry with no existence of hydrogen sulphide or significant volumes of carbon dioxide or substantial volumes of condensate and other associated elements. Monitoring of the natural gas quality specification of regulated services involves monitoring the content of hydrocarbons and associated elements of the 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 Natural Gas compositions from Songo Songo and Mnazi Bay gas fields are shown in **Table 22** below.



**Table 22: Typical Songo Songo and Mnazi Bay Gas Composition (in % Mole)**

Natural Gas Component	Reference Quality of Natural Gas	Quality of Natural Gas	
		Songo Songo	Mnazi Bay
Methane (CH <sub>4</sub> )	87.0 to 99.0	97.36	98.50
Ethane (C <sub>2</sub> H <sub>6</sub> )	0.50 to 7.00	0.88	0.97
Propane (C <sub>3</sub> H <sub>8</sub> )	0.10 to 1.50	0.29	0.13
iso-Butane (C <sub>4</sub> H <sub>10</sub> )	0.01 to 0.30	0.06	0.02
n-Butane (C <sub>4</sub> H <sub>10</sub> )	0.01 to 0.30	0.08	0.02
iso-Pentane (C <sub>5</sub> H <sub>12</sub> )	trace to 0.04	0.03	0.00
n-Pentane (C <sub>5</sub> H <sub>12</sub> )	trace to 0.04	0.03	0.00
Hexanes (C <sub>6</sub> H <sub>14</sub> )	trace to 0.06	0.02	0.01
Moisture (ppm)	trace to 5.00	4.00	4.00
Carbon Dioxide (CO <sub>2</sub> )	0.10 to 1.00	0.45	0.19
Nitrogen (N <sub>2</sub> )	1.30 to 5.60	0.71	0.15
Hydrogen Sulphide (H <sub>2</sub> S)	trace to 0.02	Nil	Nil
Total	100.00	100.00	100.00
Specific Gravity	0.57 to 0.62	0.585	0.56
Gross Heating Value (MJ/m <sup>3</sup> )	36.0 to 40.2	38.10	40.12

Source: [www.uniongas.com](http://www.uniongas.com), PAET and M&P

The natural gas produced from Songo Songo and Mnazi Bay reservoirs has the best quality, with 97.36% and 98.50% Methane respectively. No significant changes in gas composition were observed and reported during the period under review, for both gas fields. Most parameters monitored by the Authority were observed to be within the best industry standards.

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

During the period under review, the Authority continued to monitor and track the investment in natural gas infrastructures in both mid and downstream. The reported level of investment in natural gas infrastructure for the newly constructed natural gas processing plants owned by TPDC was about US\$1.25 billion. The off-shore and onshore gas pipeline of a 25 km, 24 inches natural gas pipeline from Songo Songo to Somanga Fungu and a 532 km, 36 inches pipeline from Mtwara to Dar es Salaam was commissioned at the reporting period. The gas processing installed capacity has increased by the combined capacity of two processing plants of 350 MMscfd to make it 465 MMscfd.

#### 4.4 Health, Safety and Environment

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

- the critical pipeline valves on Songas, TPDC and M&P pipelines, corrosion, leakage survey, damage prevention, compaction and restoration of degraded land falls;
- ongoing commissioning of 140 MMscfd Songo Songo gas plant as part of Mtwara-Dar es Salaam pipeline project;
- 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;
- the physical appearance of gas processing plants and gas wells;

- (e) compressed natural gas dispensing facility for converted vehicles;
- (f) the gas mains, line valves pressure reduction stations at Ubungo and Namera;
- (g) the Compressed natural gas mother station at Ubungo and the virtual pipe comprised with compressed natural gas daughter station at city centre; and
- (h) the status of the Dar es Salaam ring main serving about 40 industries and about 52km way leave operated by PAET and 6km by TPDC.

During the period under review, processing plants operated by Songas, TPDC and M&P achieved no Lost Time Injuries (LTI). There was no "Near Miss Accident" or Major Accident to be reported. The Authority observed a trend of potential hydrogen (pH) ranging between 6.8 to 7.2 and oil in water content ranging from 1 to 7 ppm, which were within acceptable range. The allowable pH standard is between 6 to 8 while allowable oil in water content range is 0 to 29 ppm (parts per million). In conclusion, handling of produced water to all plants complied with Health, Safety and Environment (HSE) standards and the World Health Organization (WHO) standards.

#### **4.5 Local Content**

During the period under review the Authority conducted local content awareness activities to natural gas regulated service providers in the midstream and downstream so as to encourage local participation in all natural gas mid and downstream activities. Furthermore, the Authority participated in development of Petroleum (Local Content) Regulations, 2016 and the same was submitted to the Minister for Energy and Minerals for further actions.

#### **4.6 Licensing**

The Authority is still finalizing the development of regulatory tools to enable commencement of licensing natural gas operations that will allow the Authority to start licencing the operations of regulated activities in the natural gas sub-sector starting in year 2016/17. Therefore, there was no license issued.

#### **4.7 Determination of Rates and Charges**

During the period under review, there was no Tariff issued. However, TPDC requested and extension of Interim Tariff to 31<sup>st</sup> December, 2015 due to delay in completion of Mtwara – Dar gas infrastructure project.

#### **4.8 Legislative Matters**

Following the enactment of the Petroleum Act, the Authority continued to develop inputs for regulatory tools which include draft of Petroleum (Local Content) Regulations, 2016 and Petroleum (Corporate Integrity Pledge) Regulations, 2016 were submitted to the Minister for approval process. This would enable development of rules and other related appropriate tools required by the Authority to enforce the Petroleum Act, 2015.

#### **4.9 Disputes and Complaints**

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

#### **4.10 Litigation**

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

## **4.11 Key Achievements and Challenges**

### **4.11.1 Achievement**

As a matter of policy, the Authority provided inputs to the Ministry and participated in drafting the Petroleum (Local Content) Regulations, 2016; Petroleum (Corporate Integrity Pledge) Regulations, 2016 and Petroleum (Natural Gas Pricing) Regulations, 2016. The Regulations await the Minister approval.

### **4.11.2 Challenges**

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

- (a) encroachment of gas way leave operated by TPDC and PAET, to address this challenge the Authority will intensify compliance to HSE requirements as well as conduct public awareness programme;
- (b) absence of regulatory tools for regulating prices of natural gas in the sector results into large variations of gas prices between large and small industrial gas consumers. To address this matter the Authority has prepared the draft Petroleum (Natural Gas Pricing) Regulations, 2016 and submitted the same to Ministry of Energy and Minerals for appropriate action. If the regulations comes into force, will be useful in computation and setting prices for natural gas consumers; and
- (c) following the enactment of Petroleum Act, 2015 and limitation of expertise especially in oil and gas, there is an increasing demand of the professionals which the local market cannot support right now. The Authority will continue to train its staff in short term course, conferences and attachments on oil and gas sector. These courses are expensive hence few staff will get this opportunity.



## 5.0 WATER SUPPLY AND SANITATION SERVICES REGULATION

### 5.1 Overview

The Authority is responsible for regulating water utilities established under Section 9 of the Water Supply and Sanitation Act, Cap. 272 and DAWASA Act, Cap. 273. As of 30<sup>th</sup> June 2016, there were 131 regulated water utilities. These included the Dar es Salaam Water and Sewerage Authority (DAWASA), Dar es Salaam Water Supply Corporation (DAWASCO), 23 Regional Water Supply and Sanitation Authorities (RWSSAs), 98 District and Township Water Supply and Sanitation Authorities (DTWSSAs) and eight National Projects Water Supply and Sanitation Authorities (NPWSSAs).

Water Supply and Sanitation Authorities were established under the Water Supply and Sanitation Act, Cap. 272 and are responsible for provision of Water and Sanitation Services in their designated areas and pursuant to the terms and conditions of licences issued by EWURA. Also, DAWASA was established by the DAWASA Act, Cap. 273 and DAWASCO was established under the Public Corporation Act, Cap. 257. DAWASA is the owner of the assets for water supply and sewerage services in Dar es Salaam Region and part of Kibaha and Bagamoyo districts. It is responsible for planning, procurement and implementation of strategic capital works. DAWASCO is responsible for providing water supply and sewerage services in the DAWASA designated area through a lease contract.

### 5.2 Performance Monitoring

#### 5.2.1 Data Reporting

The Authority maintains a web based software for reporting namely Water Utilities Information System (Majls). Through Majls, WSSAs are obliged to submit electronically their monthly and annual performance data. During the period under review, DAWASA, DAWASCO, the 23 regional WSSAs, eight National Project WSSAs, and 60 districts and township WSSAs continued reporting through Majls.

#### 5.2.2 Site Inspections and Data Verification

The Authority conducts four types of inspections, namely, Routine Inspection, done regularly to monitor utilities performance; Inspection for Tariff Review, done during the tariff reviews process; Special Inspection, done to establish the cause of utilities poor performance and Pre-licensing Inspections, done during the course of utilities licensing.

During the reported period, the Authority conducted inspection to a total of 88 WSSAs. Routine inspections were conducted to 15 RWSSAs (Lindi, Mtwara, Kigoma, Bukoba, Bariadi, Musoma, Geita, Bukoba, Songea, Sumbawanga, Mpanda, Babati, Moshi, Dodoma, Tabora), DAWASA and DAWASCO; 3 National Project WSSAs (Makonde, Mugango-Kiabakari and Maswa); and 49 DTWSSAs (Kilindoni, Utete, Liwale, Mkuranga, Ruangwa, Mangaka, Kilwa-masoko, Ushirombo, Isaka, Mwanhuzi, Kishapu, Magu, Bunda, Biharamulo, Ngara, Namtumbo, Tunduru, Ludewa, Makete, Rujewa, Namanyere, Vwawa, Tukuyu, Kyela, Kilolo, Mafinga, Katesh, Gallapo, Magugu, Mwanga, Muheza, Lushoto, Handeni, Songe, Kibaya, Chamwino, Dakawa, Gairo, Ifakara, Kondo, Sikonge, Manyoni, Kiomboi, Mbalizi, Tunduma, Mlowo, Kasumulu, Mombo and Turiani).

Inspections during tariff reviews were conducted to 10 RWSSAs (Iringa, Njombe, Moshi, Babati, Arusha, Morogoro, DAWASA, DAWASCO, Mwanza and Bukoba), 2 National Project WSSAs (Chalinze and Masasi-Nachingwea) and 7 DTWSSAs (Kisarawe, Kilwa-Masoko, Mbinga, Ifakara, Kongwa, Mpwapwa and Ngudu).

Major activities conducted during routine inspections and inspections during tariff review were follow ups on implementation of WSSAs' Business Plans, follow up on compliance to licensing requirements, inspection on performance of infrastructures and verification of data for review of tariff applications. Regarding implementation of Business Plans, it was observed that some of the planned investment projects were not implemented mainly due to failure by WSSAs in achieving targeted revenue collections.

Special performance monitoring inspections were carried out to 3 WSSAs of Chala, Wanging'ombe and Kibaigwa. The Pre-licence Inspections were conducted for the purpose of verifying and clarifying on all areas that lacked some details on the submitted licence application documents. During the visit, guidance on preparation of Business Plans were provided, which included aspects on Asset Management Plan (AMP). Other aspects of sites inspection included inspecting infrastructures for water sources, water tanks, kiosks and pipeline networks.

Follow-up inspections were conducted to DAWASA, DAWASCO, and 22 WSSAs of Morogoro, Mugango-Kiabakari, Maswa, Kilindoni, Utete, Liwale, Kisarawe, Mkuranga, Karagwe, Tarime, Vwawa, Namanyere, Itumba-Isongole, Chunya, Loliondo, Same, Monduli, Mahenge, Mikumi, Chamwino, Ilula and Mlowo. These inspections were done during data verification for the purpose of preparation of District and Township WSSAs Annual Performance Report prepared and published in November, 2015 as well as Regional and National Projects WSSAs Annual Performance Report prepared and published in December, 2015.

### 5.3 Review of WSSAs' Business Plans

WSSAs are required to prepare their business plans according to EWURA Business Planning Guidelines for Water Supply and Sanitation Authorities, 2011 and submit them to EWURA for review. Among other things, WSSAs' business plans serve as essential tools for operational management and budgeting and securing finance for investments. Also, the business plans are among the key documents used by EWURA to set WSSAs' tariffs and are the bases for EWURA to measure and monitor the performance of the WSSAs in achieving their desired objectives and targets.

During the year under review, the Authority revised business plans from 32 WSSAs namely Iringa, Njombe, Shinyanga, Ngudu, Ifakara, KASHWASA, Mpanda, Kongwa, Mpwapwa, Dodoma, Morogoro, Mpanda, Mbinga, Handeni Trunk Main, Pangani, Korogwe, Lushoto, Muheza, Songe, Katesh, Kibaya, Mwanga, Magugu, Galapo, Chalinze, Masasi-Nachingwea, Utete, Kilwa Masoko, Liwale and Ruangwa. As a result, final Business Plans were submitted from 21 WSSAs namely Iringa, Njombe, Shinyanga, Ngudu, Ifakara, KASHWASA, Mpanda, Kongwa, Mpwapwa, Pangani, Korogwe, Mwanga, Mpwapwa, Kongwa, Igunga, Morogoro, Dodoma, Chalinze, Masasi-Nachingwea, Kilwa Masoko and Ruangwa.

Generally, it was noted that WSSAs have continued to improve the level of compliance to the EWURA Business Planning Guidelines for Water Supply and Sanitation Authorities, 2011 in terms of structure and contents. The revised business plans were used to set tariffs for the WSSAs which applied for tariffs.

### 5.4 Water Utilities Performance Review Report

Pursuant to Section 28(1) of the Water Supply and Sanitation Act, Cap. 272, the Authority prepared the Water Utilities Performance Report for the financial year 2014/15. The report was prepared in two volumes, the first for DTWSSAs and the second for RWSSAs, DAWASCO and NPWSSAs. The first volume was launched on 24<sup>th</sup> May, 2016 while the second volume was launched on 17<sup>th</sup> June, 2016. During launching of the reports, best performing utilities for year 2014/15 were awarded certificates and/or trophies. Among others, it was agreed, during launching of the reports, that WSSAs should use

the launched reports to improve their performances. Also it was agreed that WSSAs should review their respective Client Service Charters to incorporate service levels and penalties stipulated in the Quality of Service Rules, GN No 337 of 2016.

## 5.5 Licensing

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

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

The Authority reviewed licence applications and issued Class III licences to two WSSAs of Kibaigwa and Wanging'ombe. Also, the Authority continued to monitor and verify fulfilment of conditions set out for upgrading WSSAs. One regional water utility, Tanga WSSA qualified and was issued Class I licence after fulfilment of all conditions set out for upgrading. Other water utilities maintained Class III licence.

## 5.6 Determination of rates and charges

During the period under review, the Authority reviewed 32 tariff applications from the WSSAs out of which 22 tariff applications were approved. The approved tariff applications were from WSSAs of Ngudu, DAWASA, Moshi, Kiomboi, Iringa, Njombe, Mpwapwa, Bukoba, Mwanza, Arusha, KASHWASA, Shinyanga, Babati, Ifakara, Kahama, Mpanda, Kongwa, Mbinga, Chalinze, Morogoro, Dodoma, and Singida.

In the reviewed tariff applications, there were two automatic tariff applications from Dodoma and Singida WSSA following an introduction in the Value Added Tax (VAT) in the electricity bill. In addition, Morogoro WSSA submitted two applications one a multiyear tariff increase and the other one on water bowser tariff. The tariff applications whose reviews were ongoing at the end of the reported period are from Masasi-Nachingwea, Kisarawe, Morogoro (Water Bowser Tariff Application), Igunga, Kilwa Masoko, Pangani, Korogwe, Ruangwa, and Mwanga. The tariff application from Liwale was referred back due to submission of incomplete information. **Table 23** below presents, the tariff applications that were approved during financial year 2015/16.

**Table 23: Water Supply Tariff Approvals**

S.N	Regulated Entity	Application Date	Existing Average Metered Tariff (TZS/m <sup>3</sup> )	Approved Average Metered Tariff (TZS/m <sup>3</sup> )			Date of Approval	Status/ Effective date
				2015/16	2016/17	2017/18		
1	Ngudu WSSA	23-03-15	734.94	1,149.14	1,222.58	1,282.19	05-08-15	01-09-15
2	DAWASA	17-04-15	1,098	1,663			26-10-15	01-11-15
3	Moshi WSSA	24-04-15	561.36	704.35	728.18	790.89	03-08-15	01-09-15
4	Kiomboi WSSA	28-04-15	969.4	1,007.5	1,052.9		03-08-15	01-09-15
	Iringa WSSA	26-05-15	970	1,216	1,518	1,897	26-10-15	01-11-15

S.N	Regulated Entity	Application Date	Existing Average Metered Tariff (TZS/m <sup>3</sup> )	Approved Average Metered Tariff (TZS/m <sup>3</sup> )			Date of Approval	Status/ Effective date
	Njombe WSSA	03-06-15	414.41	1059.54	1106.78	1156.09	26-10-15	01-11-15
	Mpwapwa WSSA	3-Jun-15	665	894.85	988.08	1,054.43	29-01-16	01- 02-16
	Bukoba WSSA	4-Jun-15	798	1,015	1,258	1,380	29-01-16	01- 02-16
	Mwanza WSSA	29 -Jun -15	842	1,005	1,025		29-01-16	01- 02-16
	Arusha WSSA	5-Jun-15	796	1032	1,115	1,240	29-01-16	01- 02-16
	KASHWASA	15-05-15	306	576	576	576	05-08-15	01-09-15
	Shinyanga WSSA	25-03-15	969.77	1,213	1,395	1,465	05-08-15	01- 09-15
	Babati WSSA	26-05- 15	960	1,281	1,287	1,287	28-08-15	01 -11-15
	Ifakara WSSA	26-05-15	650.36	975.6	1,066.61	1,133.43	28-08-15	01 -11-15
	Kahama WSSA	30 June-15	1,257.5	1,367.3			26-10-15	01-11-15
	Mpanda WSSA	02-Jul-15	758.31		846.67	1,036.13	29-01-16	01-02-16
	Kongwa WSSA	20-08-15	631.4	971.55	971.55	971.55	29-02-16	01-04-16
	Mbinga WSSA	20-08-15	618.47	628.44	675.63	714.40	29-02-16	01-04-16
	Chalinze WSSA	14-09-16	1,507	1,894.85	1,900.35	1,923.31	29-02-16	01-04-16
	Morogoro WSSA	15-12-15	822.77		1,079.66	1,242.60	25-04-16	01-06-16
	Dodoma WSSA	15-Feb-15	1,149.54	1,231	1,255		29-04-16	01-05-16
	Singida WSSA	16-Feb-15	1,067	1,127	1,277		29-04-16	01-05-16

Source: EWURA Tariff Application Database

## 5.7 Complaints Handling and Dispute Resolution

During the year under review, 100 complaints were registered from consumers of water and sanitation services, out of which, 51 were carried forward from the previous financial year and 49 were new complaints. Out of 100 complaints, 88 were resolved and 12 are in progress.

## 5.8 Litigation

During the year under review, the Authority was not involved in any Litigation matter with regulated entities in water sector.

## 5.9 Health, Safety and Environmental Matters

### 5.9.1 Water and Wastewater Quality Tests

During the year under review the Authority conducted spot water and waste water quality checks in the service areas for 61 WSSAs at Regional, NP, District and Township. This was done as part of EWURA's responsibility to ensure quality of water supplied by WSSAs is of acceptable standard. The water and wastewater quality testing was done using Water Quality Services Laboratories which are under the Ministry of Water and Irrigation (MoWI). Tests were conducted to DAWASCO, 23 RWSSAs (Lindi, Mtwara, Bukoba, Mwanza, Musoma, Shinyanga, Kigoma, Bariadi, Geita, Iringa, Mbeya, Songea, Njombe, Sumbawanga, Mpanda, Tanga, Moshi, Arusha, Babati, Tabora, Dodoma, Singida and Morogoro), eight National Project WSSAs (Makonde, Chalinze, Masasi-Nachingwea, KASHWASA, Maswa, Mugango-Kiabakari, Wanging'ombe and HTM), 26 DTWSSAs (Kilindoni, Utete, Liwale, Kisarawe, Kilwa Masoko, Mangaka, Mkuranga, Sengerema, Kahama, Muleba, Mafinga, Tunduru, Makete, Chunya, Rujewa,

Vwawa, Usa River, Magugu, Songe, Handeni, Ifakara, Mpwapwa, Kongwa, Kondoa, Nzega, Igunga, Makambako, Mbalizi and Gairo.

The spot tests were conducted to verify the physical, bacteriological and chemical water and wastewater quality data reported by the utilities. Also, the tests were carried out to check whether water supplied and effluent from waste water systems comply with standards issued by TBS. Quality Parameters tested are pH, turbidity, residual chlorine and faecal coliforms (E-Coli) for drinking water and BOD<sub>5</sub> and COD for waste water. Generally, results of the tests showed good compliance to pH and turbidity standards. However, compliance to E-Coli requirements in some of the utilities was found not satisfactory mainly due to failure to maintain the required amount of residual chlorine in their distribution systems. With regard to wastewater, compliance to BOD<sub>5</sub> and COD standards was not attained by some of the utilities. As a result of the findings of the water and wastewater quality tests, each utility was given directives for remedial measures whose implementation will be followed up as part of the Authority's regular monitoring of the performance of water utilities.

#### **5.9.2 Inspection Manual for Water Utilities, 2015**

During the year under review, the Authority issued Inspection Manual for Water Utilities, 2015. The rationale for the preparation of the manual is to have documented and streamlined procedures for inspection of water utilities. The Manual shall serve as a point of reference for EWURA in carrying out inspection and shall provide guidance on all inspections that will be carried out to Water Utilities. The Manual is a result of recognition of the need to effectively and transparently monitor the provision of water supply and sanitation services.

#### **5.10 Capacity Building**

In a bid to enhance improvement of performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities. During the year under review, the Authority conducted training on preparation of Business Plans to 36 DTWSSAs and NPWSSAs namely, Korogwe, Mombo, Handeni, Lushoto, Songe, Pangani, HTM, Magugu, Mbulu, Katesh, Bashnet, Gallapo, Dareda, Kibaya, Kisarawe, Mkuranga, Kilindoni, Utete, Kilwa Masoko, Igunga, Nzega, Urambo, Sikonge, Muleba, Karagwe, Biharamulo, Ngara, Mugumu, Chunya, Kyela, Tukuyu, Vwawa, Mbalizi, Makambako, Kasumulu, and Wanging'ombe.

The training sessions were hands on and have enabled the WSSAs to prepare their Business Plans and submit to EWURA for review. Also, the Authority participated in training sessions for 94 DTWSSAs and NPWSSAs that were supported by GIZ. The training sessions were aimed at imparting technical, commercial and managerial skills for the DTWSSAs and NPWSSAs. EWURA's input in the training was on Business Planning and MAJIS. Regarding Majis, the Authority conducted training to six WSSAs which are Songea, Ruangwa, Kilindoni and Mkuranga, Biharamulo and Ngara so as to enhance the knowledge to some staff that were selected to use the system by respective WSSAs.

#### **5.11 Other Interventions in the Water Sector**

##### **(a) Water Sector Development Programme**

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



WSSAs. During the reporting period, the Authority participated in the Joint Supervision Mission for WSDP Project in Tanga Region and 29<sup>th</sup> WSDP Regional Centres Quarterly Meeting at Songea Municipal. During the meetings, the Authority provided inputs to MoWI on performance achievement by Regional WSSAs and DAWASCO.

**(b) Collaboration with Regional Regulatory Associations**

EWURA participated in the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) meeting including conducting Peer Review which resulted in benchmarking of big water supply and sanitation utilities in the member countries which were Lusaka Water and Sewerage Company (Zambia), Nairobi City Water and Sewerage Company (Kenya), Dar es Salaam Water and Sewerage Corporation (Tanzania), Aguas da Regiao de Maputo (Mozambique), Water and Sewerage Corporation (Lesotho) and Water and Sanitation Corporation (Rwanda).

The benchmarking report showed performance disparity by the utilities in terms of quality of service, economic efficiency and operational sustainability. It further showed areas of common challenge through KPIs on service coverage, hours of supply and non-revenue water.

**Table 24: Benchmarking of large water utilities for financial year 2013/14.**

Table 2-1: Benchmarking large water utilities for financial year 2018/19						
		Quality of service				
KPI	Water Supply Coverage			Sewerage Coverage	Water quality	Hours of supply
NCW&SC	79.6%			45.9%	89.2%	18
LWSC	86.2%			20.1%	98.3%	18
DAWASCO	57.0%			7.8%	72.0%	8
AdeM	64.0%				90.4%	16
WASCO	60.0%			5.5%	92.0%	18
WASAC	80.2%				94.4%	12
Acceptable Minimum Benchmark	75.0%			40.0%	90.0%	16
	Operational sustainability			Economic efficiency		
KPI	NRW	Staff/1000 connections	Metering ratio	O&M cost coverage	Collection efficiency	staff cost vs OM cost
NCW&SC	38.9%	5.00	94.3%	1.07	0.89	50.5%
LWSC	42.2%	6.86	71.8%	0.98	1.02	56.7%
DAWASCO	55.5%	5.62	98.0%	0.77	0.95	16.5%
AdeM	45.8%	3.72	74.0%	1.13	0.94	32.2%
WASCO	28.8%	6.12	100.0%	0.99	0.88	46.7%
WASAC	41.0%	5.58	100.0%	1.23	0.77	29.6%
Acceptable Min. Benchmark	35.0%	8.00	85.0%	1.00	0.85	35.0%

Source: ESAWAS Report (Oct, 2015).

## **5.12 Key Achievements and Challenges**

### **5.12.1 Achievements**

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

- (a) The Authority reviewed the EWURA Business Planning Guidelines, 2011. The revised edition shall assist WSSAs to improve the preparation and review of their Business Plans and Tariff Applications;
- (b) The Authority issued Inspection Manual for Water Utilities, 2015. The Manual shall serve as a point of reference for EWURA in doing inspection and shall provide guidance on all inspections that will be carried out to Water Utilities.
- (c) The Authority reviewed 32 tariff applications submitted by WSSAs out of which 22 were approved; and
- (d) The Authority conducted detailed trainings on preparation on Business Plans to 42 DTWSSAs and NPWSSAs at four centres of Babati, Bukoba, Kisarawe and Mbeya.

### **5.12.2 Challenges**

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

- (a) low compliance to regulatory directives by District and Township WSSAs due to inadequate of skills, financial resources and manpower. To address this challenge, the Authority shall continue to conduct capacity building workshops to enhance the skills of the DTWSSAs and NPWSSAs on technical, commercial and managerial matters.
- (b) low investment in the water supply and sanitation sector which results into a slow pace towards moving to 100% service coverage (currently the coverage is about 86% in urban areas). To address this challenge, EWURA has prepared a Business Planning Guidelines to assists WSSAs to plan towards cost recovery tariffs. EWURA approves a three-year tariff corresponding to the Business plans.
- (c) WSSAs are many and diverse in size, capacity and spread out throughout the country. To address this challenge, the Authority shall support the clustering of WSSAs.



## 6.0 COMMUNICATIONS AND PUBLIC RELATIONS

### 6.1 Overview

Implementation of public awareness programmes and management of public relations is an integral part of the Authority's functions in order to enhance public knowledge, awareness and understanding of the regulated sectors.

Public awareness activities performed during the year under review targeted to increase stakeholders' knowledge on their rights and obligations and complaints handling procedures.

During the period under review, various means of communication channels were used to reach a diversified stakeholders including electronic media, face to face meetings, print media, public hearings and consultations.

### 6.2 Public Awareness Programmes

During the period under review, the Authority aired 53 and 66 weekly Television and Radio programmes, respectively. In contrast with the previous financial year, there has been a notable increase in radio programmes. A diverse of local TV stations were used to air the famous **EWURA NA UCHUMI TV Programme**, while Radio stations were used to air live interviews and jingles. The Authority also coordinated 24 printed feature articles in various newspapers.

In the same period, the Authority also conducted stakeholders' seminars in the electricity and petroleum sectors. The seminars for electricity were conducted in Dar es Salam and Arusha regions, targeting Electrical contractors and wiremen. The seminars were aimed at creating awareness to stakeholders on the possible avoidance or reduction of fire accidents that the Authority has witnessed during the period under review.

For petroleum sector, stakeholders' public awareness campaign were conducted in Lindi, Mtwara, Songea, Mafinga, Mbeya, Sumbawanga, Njombe, Iringa, Mwanza, Mara, Geita, Shinyanga and Kigoma.

### 6.3 Press Conferences and Media Coverage

During the period under review, the Authority conducted a total of five press conferences held at EWURA offices for the purpose of communicating to the public on issues related to tariffs, regulated services supply and licensing.

### 6.4 Advertisements

During the period under review, the Authority published 54 batches of various advertisements. The advertisements were mainly on petroleum cap price and public notices on Licence and tariff applications. Print media was the most used media of advertisement since it is the relatively economical mode of communication.

### 6.5 Exhibitions

The Authority participated in the Dar es Salaam International Trade Fair (DITF) namely Sabasaba. During the fair, the Authority conducted public awareness, information and education activities where various publications such as brochures, Newsletter and EWURA reports were issued to the public. At the end of seven days exhibitions, the Authority served more than 200 registered visitors at EWURA booth.

## 6.6 Publicity Materials

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

The Authority also facilitated the printing of promotional materials such as Wall Calendars, Executive Diaries, Notebooks, branded pens and EWURA T-shirts.

During the year under review, the Authority also facilitated the publication and distribution of EWURA Annual report, Water sector reports Volume I and II, Petroleum subsector report, Customer Service Charter and EWURA Newsletters.

## 6.7 Donations and contributions

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

During the period under review, the Authority supported various institutions that included Heart Foundation of Tanzania, Mvuti Secondary School, Tanzania Women Judges, Mwanza Regional Office, Dar es Salaam Regional Office, National Committee for UNESCO, Presidents Office Public Service Management, Ikwiriri Children Homes, and Institute for Internal Auditors. The Authority also supports higher learning education initiatives in the country whereby it offered field attachment to 49 students of various disciplines.

## 6.8 Impact of Public Awareness Campaigns

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

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

## 6.9 Key Achievement and Challenges

### 6.9.1 Key Achievements

- (a) The Authority continued to maintain good rapport with its stakeholders, including its peers, Government institutions, politicians, regulated entities, the media and the general public.
- (b) Various programmes targeting increased public awareness have been implemented as scheduled, thereby increasing the public knowledge and understanding the regulated sectors.

### 6.9.2 Key Challenges

- (a) The high cost of newspapers, radio and television media of communication makes public awareness a costly activity, therefore limiting the Authority from effectively extending its plans

on public awareness campaigns. THE Authority will endeavour to allocate enough resources to undertake the public awareness activities.

- (b) Insufficient public knowledge in understanding of rights and obligations of consumers and regulated suppliers. The Authority shall continue to strengthen the implementation of public awareness programme to address this challenge.
- (c) The geographical size of the country, coupled with poor communication infrastructure continued to have negative impact on television and radio coverage. In order to contain this challenge, the Authority is exploring ways of reaching the rural public using local government network and EWURA zonal offices.

## 7.0 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 general public.

During the period under review, the Authority developed 18 regulatory tools of which stakeholders were fully involved through consultations. The Authority also conducted 12 public inquiry meetings of which six related to water, one to electricity, four to petroleum and one to Natural Gas operations.

## 8.0 DECLARATION OF CONFLICT OF INTEREST

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

## 9.0 THE WAY FORWARD

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 implementing the Strategic Plan 2012/13-2016/17 that guides the Authority's operations for the remaining period of the plan and prepare a new one that will guide future operations and enhancing service delivery to the public.
- (b) To make sure the Authority continues to be the best centre for attracting investments in the regulated sectors by creating an enabling environment to all investors.
- (c) To ensure that there is the highest level of compliance by all regulated operators.
- (d) To continue with the capacity building activities for the Authority's staff in technical, managerial as well as regulatory skills, in order to execute regulatory duties effectively and efficiently;
- (e) Continue improving service delivery to the public by implementing the EWURA Client Service Charter, quality standards under ISO certification and the Open Performance Review and Appraisal System (OPRAS).
- (f) To promote investment in the energy and water sectors through development of investor friendly regulatory tools.
- (g) Continue enhancing public knowledge, awareness and understanding of regulatory functions in

the regulated sectors for the benefit of consumers, regulated operators, Government officials and the public at large

- (h) To strengthen working relationships and collaborating with other government institutions and the private sector in order to improve the business environment.
- (i) Intensifying inspections in order to improve the quality of the infrastructure, products and services in the regulated sectors.
- (j) Expanding EWURA operations by establishing and strengthening zonal offices. In the next financial year zonal offices of Southern Highlands (Mbeya); Northern (Arusha); and Central (Dodoma) are planned to be established.
- (k) Promoting investment in LPG infrastructure so that the market expands to other regions in the current.
- (l) Computerizing various processes in order to expedite issuing of license, tariff review, revenue collection and submission of reports by the regulated providers. Currently, EWURA has been able to develop various information systems including Licencing and Order Information System (LOIS), Water Sector Information System(Majis), National Petroleum Information System (NPIS), and Electricity Regulatory Information System (ERIS).
- (m) Acquiring own office space in order to minimize costs.
- (n) 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.



## 10.0 REPORT FROM THE CONTROLLER AND AUDITOR GENERAL

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 30TH JUNE, 2016

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## TABLE OF CONTENTS

Office of the Contoller and Auditor General .....	61
Abbreviations and Acronyms .....	62
1.0. INTRODUCTION .....	63
2.0. ESTABLISHMENT .....	63
3.0. VISION.....	63
4.0. MISSION .....	63
5.0. PRINCIPAL ACTIVITIES.....	63
6.0. COMPOSITION OF THE BOARD OF DIRECTORS .....	63
7.0. CORPORATE GOVERNANCE.....	64
8.0. BOARD COMMITTEES .....	64
9.0. RELATED PARTY TRANSACTIONS .....	65
10.0. MANAGEMENT.....	65
11.0. KEY STRENGTH AND RESOURCES.....	66
12.0. OPERATIONAL AND FINANCIAL PERFORMANCE.....	67
13.0. RECRUITMENT .....	74
14.0. RISK MANAGEMENT AND CONTROL .....	74
15.0. STAFF WELFARE .....	75
16.0. EMPLOYEE BENEFIT PLAN .....	75
17.0. GENDER PARITY .....	75
18.0. POLITICAL DONATIONS .....	75
19.0. CORPORATE SOCIAL RESPONSIBILITIES .....	76
20.0. RELATED PARTY.....	76
21.0. ENVIRONMENTAL CONTROL PROGRAMME.....	76
22.0. PERSONS WITH DISABILITIES .....	76
23.0. KEY CHALLENGES AND THE WAY FORWARD.....	76
24.0. EVENTS AFTER THE REPORTING PERIOD .....	77
25.0. SOLVENCY .....	78
26.0. AUDIT MANDATE.....	78
27.0. STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	79
28.0. NOTES TO THE FINANCIAL STATEMENTS .....	88



## Office of the Controller and Auditor General

### National Audit Office

### The United Republic of Tanzania

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

The statutory duties and responsibilities of the controller and Auditor General are enshrined under Article 143 of the Constitution of the URT of 1977 and further amplified under Sect. 10 of the Public Audit Act No. 11 of 2008.

#### Vision

To be a Centre of excellence in public sector auditing.

#### Mission

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

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

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

We do this by: -

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

© **This audit report is intended for use by the EWURA Management. However, upon adoption of the report by the EWURA this report becomes a matter of public record and its distribution may not be limited.**

## Abbreviations and Acronyms

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

## 1.0. INTRODUCTION

The Directors hereby submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June, 2016 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

The Authority is responsible for the technical and economic regulation of the energy (electricity, downstream petroleum, natural gas) and water and sanitation sectors in Tanzania. The functions of the Authority include, among others, licensing, tariff review, monitoring performance and standards 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 ended 30<sup>th</sup> June, 2016 are as follows:

No.	Name	Position	Qualification	Nationality	Date of Appointment/Retired	Age
1.	Eng. Prof. Jamidu H.Y. Katima	Chairman	PhD (Chemical & Processing Engineering)	Tanzanian	24 <sup>th</sup> August, 2015	61
2.	Mr. Omar S. Bendera	Deputy Chairman	M.A. (Dev. Economics)	Tanzanian	Re-appointed 1st March, 2014	67
3.	*Mr. Nicholas H. Mbwanji	Member	B.Sc (Physics & Maths) M.A.(Human Resource Management)	Tanzanian	Appointed 1st March, 2011 and retired on 31st March, 2016	67
4.	Mr. Felix M. Ngamlagosi	Director General & Member	MSc.(Economics)	Tanzanian	Appointed 1st February, 2014	50
5.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian	Appointed 20th October 2014	47
6.	Mr. Ahmed S.K. Kilima	Member	MBA (Marketing)	Tanzanian	Appointed 20th October 2014	63
7.	Mr. Oswald R. Mutaitina	Member	MSc. (Finance)	Tanzanian	Appointed 1st April 2015	51

\* Directors who served the Authority in the financial year 2015/16 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 for ordinary meetings and extra meetings when there is business to transact. The Board delegates the day to day management of the Authority to the Director General assisted by Senior Management members. The Authority is committed to the principles of effective corporate governance namely integrity, transparency and accountability. During the year ended 30<sup>th</sup> June, 2016, 12 Ordinary Meetings and 16 Extra Ordinary Board Meetings were held.

## 8.0. BOARD COMMITTEES

In streamlining the business transactions the Board has constituted sector specific and cross-cutting issues Board Committees. During the year ended 30<sup>th</sup> June, 2016, 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 Cap.414 During the period under review a total of 27 meetings were conducted by these committees as shown below.

### Board Committee Meetings

S/No.	Board Committee	Number of Meetings
1.	Audit	5
2.	Legal and Corporate Affairs	6
3.	Electricity and Natural Gas	7
4.	Petroleum	5
5.	Water	4
	<b>Total</b>	<b>27</b>

Constitution of Board Committees is as follows:

### Board's Audit Committee

S/No.	Name	Position	Qualification	Nationality
1.	Mr. Oswald R. Mutaitina	Chairman	MSc. (Finance)	Tanzanian
2.	Mr. Omar S. Bendera	Member	M.A. (Dev. Economics)	Tanzanian
3.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian

### Board's Legal and Corporate Affairs Committee

S/No.	Name	Position	Qualification	Nationality
1.	Mr. Richard M. Kayombo	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD ( Chemical and Processing Engineering)	Tanzanian
3.	Mr. Nicholas H. Mbwanji	Member	B.Sc (Physics & Maths) M.A. (Human Resource Management)	Tanzanian
4.	Mr. Felix M. Ngamlagosi	Director General & Member	MSc.(Economics)	Tanzanian

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

S/No.	Name	Position	Qualification	Nationality
1.	Mr. Oswald R. Mutaitina	Ag.Chairman	MSc. (Finance)	Tanzanian
2.	* Mr. Nicholas H. Mbwanji	Chairman	B.Sc (Physics & Maths) M.A.(Human Resource Management)	Tanzanian
3.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD ( Chemical and Processing Engineering)	Tanzanian
4.	Mr. Felix M. Ngamlagosi	Director General & Member	MSc.(Economics)	Tanzanian

#### Board's Petroleum Committee

S/No.	Name	Position	Qualification	Nationality
1.	Mr. Omar S. Bendera	Chairman	M.A. (Dev. Economics)	Tanzanian
2.	Mr. Felix M. Ngamlagosi	Director General & Member	MSc.(Economics)	Tanzanian
3.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD ( Chemical and Processing Engineering)	Tanzanian
4.	Mr. Ahmed S.K.Kilima	Member	MBA (Marketing)	Tanzanian

#### Board's Water Committee

S/No.	Name	Position	Qualification	Nationality
1.	Mr. Ahmed S.K.Kilima	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Processing Engineering)	Tanzanian
3.	Mr. Omar S. Bendera	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Felix M. Ngamlagosi	Director General and Member	MSc.(Economics)	Tanzanian

*\*Directors who served the Authority in the financial year 2015/16 and their tenure have expired.*

#### 9.0. RELATED PARTY TRANSACTIONS

The related party transactions during the year are disclosed in Note 16 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;

- (a) Directorate of Corporate Affairs;
- (b) Directorate of Natural Gas;
- (c) Directorate of Water and Sanitation;
- (d) Directorate of Legal Services;
- (e) Directorate of Internal Audit;
- (f) Directorate of Petroleum;
- (g) Directorate of Electricity;

- (h) Directorate of Regulatory Economics
- (i) Communication and Public Relations Unit; and
- (j) Procurement Management Unit.

## **11.0. KEY STRENGTH AND RESOURCES**

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

### **11.1 Human Resources and Customer Care**

Customer satisfaction is mostly anchored on people and hence employees continue to be the most important assets. Their zeal, hardworking and commitments have made the Authority to perform professionally well. The Authority has skilled, motivated and experienced employees who are considered as key resources in pursuing its objectives. The Authority encourages and supports capacity building programmes to impart the required knowledge to employees to give them an edge in performing their activities. During the year under review 81 staff were sponsored by the Authority to attend to different trainings within and outside the country. The Authority also encourages employee participation in decision making processes and encourages open and honest communications.

### **11.2 Cooperation and Support from various Stakeholders**

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

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

### **11.3 Legal Framework**

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

### **11.4 Financial Performance and Sustainability**

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

- (a) fees collected by the Authority including, fees payable for the grant and renewal of licences;
- (b) levies collected from regulated suppliers;
- (c) all other payments or property due to the Authority in respect of any matter incidental to its functions; and
- (d) any grants, donations, bequest or other contributions made to the Authority

The Authority has been earning and administering its revenues prudently. During the year the Authority earned a total revenue of TZS 45.3bn (2015: 38.7bn) an increment of 17%. The Authority spent a total of TZS 36.8bn (2015: 27.5bn) on recurrent expenditure out of the revenue. The level of revenue and the instituted internal controls has enabled the Authority to discharge its regulatory functions and meet its customers and stakeholders expectations.

## 12.0. OPERATIONAL AND FINANCIAL PERFORMANCE

During the year, 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 which are also its **Key Performance Indicators** 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, the Authority continued implementing its Strategic Plan for the year 2012/13 – 2016/17 that guided the Authority's operations in five years period.

### 12.1 Achievements

During the year, the Authority witnessed significant achievements in mobilization of financial and non-financial resources as follows;

- (a) The Authority received an ISO (International Organisation of Standardisation) certificate ISO 9001:2008 through Certificate Identity Number TZ15/90332.
- (b) The Authority continued to review various regulatory tools and develop new ones. Most of the tools were developed to meet the requirements of the Electricity Supply Industry (ESI) Reform Strategy and Roadmap with technical assistance from EU and the new Petroleum Act, 2015.
- (c) The Authority continued to implement the Bulk Procurement System of petroleum products and facilitated its operations.
- (d) The Authority continued to conduct monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure.
- (e) The Authority continued to cooperate with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA) and Police Force, on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest.
- (f) The Authority conducted detailed trainings on preparation of business plans to 42 district towns and national projects Water Supply and Sanitation Authorities (WSSAs) at four centers of Babati, Bukoba, Kisarawe and Mbeya. A significant number of water utilities have been able to plan using comprehensive business planning guidelines.
- (g) The Authority continued with licensing activities on its regulated sectors where 21 construction approvals were issued, 201 new licenses were issued, 124 licenses were renewed, 16 licenses



- were transferred, and six (6) licenses were revoked. This was across all the regulated sectors.
- (h) The Authority attended to complaints against suppliers of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services. During the year, 16 complaints in the petroleum sub-sector, 95 in the electricity sub-sector and 96 in the water and sanitation sector were resolved. At the end of the year 95 complaints were at various stages of mediation and hearing.
  - (i) 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.
  - (j) The Authority developed a Client Service Charter which is used to guide on the measure of the level of customer satisfaction.
  - (k) The Authority reviewed 32 tariff applications from Water Supply and Sewerage Authorities, two (2) applications from the electricity sub-sector specifically from TANESCO and Armstone Co. Ltd, reviewed the Small Power Projects Tariff (SPPT) for 2016; and had four (4) matters regarding review of petroleum pricing formula.
  - (l) The Authority approved the importation of petroleum products through Tanga port and reviewed the petroleum products pricing rules accordingly.
  - (m) The Authority facilitated the establishment of mobile phone SMS application that enables customers and general public to access petroleum products prices published through mobile phones;
  - (n) The Authority established the Licensing and Ordering Information System (LOIS) for the purpose of electronic management of the licences, compliance orders, complaints and tariff reviews;
  - (o) The Authority managed to get a Title Deed for its plot No.1/4 Block L Ubungo.
  - (p) The Authority successfully made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), and the Treasury.
  - (q) The Authority successfully relocated its Head Office from the City Center to LAPF Towers at Kijitonyama in Dar es Salaam and thereafter paid all expenditures to facilitate conducive working environment at the new Office.
  - (r) The Authority recruited twenty (20) new staff to fill various positions for its Head Office and Zonal office in Mwanza.
  - (s) The Authority paid annual subscriptions to various bodies including Platts/McGraw Hill, African Refineries Association (ARA), Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), Regional Electricity Regulators Association (RERA), Independent Regulatory Board - East African Power Pool (IRB-EAPP), African Forum of Utility Regulators (AFUR), Institute of Internal Auditors, Tanganyika Law Society, National Board of Auditors and Accountants (NBAA) and Tanganyika Library Association. A total of TZS 229 million was spent on this activity.
  - (t) The Authority strengthened its Lake Zonal Office in Mwanza through recruitment and procurement of working tools and set aside funds to open up three new zonal offices in Mbeya, Arusha and Dodoma during the financial year, 2016/17.

## 12.2 Financing

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

During the year under review total revenue amounting to TZS 45.3 billion was earned indicating an increase of 17% compared to the previous year as shown in Table 1 below.

**Table 1: Revenue Performance**

Description	30.06.2016 TZS'000	30.06.2015 TZS'000	Increase/ (Decrease) %
Income from Regulatory Levy and Licenses	40,476,750	34,823,343	16
Other Income	4,825,960	4,866,718	(0.84)
<b>Total Revenue</b>	<b>45,302,710</b>	<b>38,690,061</b>	<b>17</b>

### 12.3 Licensing

During the year, the Authority prepared and issued licenses to various regulated suppliers operating in the regulated sectors. EWURA also continued to license personnel that are qualified to carry out electrical installation works as required by the Electricity Act, Cap. 131. During the year under review, 314 applicants were issued with new licenses as follows; petroleum 304 licenses (whole sale 30, Retail 273 and LPG 1), Electricity 208 licenses (Generation 8, Distribution 2 and wiremen contractors 198). In the water and Sanitation sector, 3 licences were issued. Two Licences were for Water supply and Sanitation Licence class III and one was for water class I. Licences under the natural gas sector are still issued by the Ministry of Energy and Minerals under the Petroleum Act. 2015.

### 12.4 Development of Regulatory Tools

The Authority finalised the preparation and issuing of the regulatory tools initiated during the previous year and developing new ones. The process of developing regulatory tools is governed by principles of good governance which require the collection of comments from interested stakeholders and holding hearings and workshops. The process of developing regulatory tools and procedures is an ongoing one. During the year, the following Regulatory tools were developed:

- The Electricity (Approval of PPA) Rules, 2016;
- The Electricity (Competitive Bidding Documents for Solar and Wind Projects of 1-10 Megawatts) Rules, 2016;
- The Petroleum (Wholesale Operations) Rules, 2016;
- The Petroleum (Bitumen & Petcoke Operations) Rules, 2016;
- Petroleum (Retail Operations), Rules, 2016;
- Petroleum (Retail Operations in Townships & Villages), Rules, 2015;
- (Draft) Petroleum (Licencing Fees) Rules, 2016;
- Daft Petroleum (Aviation Fuel Operations), Rules, 2016;
- Petroleum Importation Coordination Licence Template;
- Petroleum Marine Loading and Offloading Template;
- The petroleum Petcoke Wholesale Licence Template;
- The petroleum Bitumen Wholesale Template;
- Electricity (System Operations), Rules, 2016;
- Electricity (Market Operations), Rules, 2016;
- Water Supply and Sanitation (Quality of Service ) Rules, 2016; and
- Water Supply and Sanitation (Licencing Fees) Rules, 2016.

### 12.5 Standards and Codes

The Authority developed new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. This process involves the consultations with Tanzania Bureau of Standards (TBS), service providers, Sector Ministries academic institutions and other stakeholders.

The Authority also continued with the process of developing Tanzania Electricity Distribution code in collaboration with other sector stakeholders.

EWURA, in collaboration with the Ministry of Water and Irrigation 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 Supply Sanitation Authorities (WSSAs) Business Plans, and follow up is always made to ensure their implementation.

The Authority also in collaboration with Tanzania Bureau of Standards (TBS) facilitated the development and updating several standards including Water Meters Standards, Standards for Automatic Transmission Fluids (ATF) based on road Vehicles- Specification (TZS 1691:2014), Automotive Service Greases- Specification (TZS 798:2004), Engine Oils- Minimum Performance- Specification (TZS:647:2014), Motor Vehicle Brake Fluid – Specification (TZS 667:2014) and Multipurpose Automotive Gear Lubricant (EP)- Specification (TZS 675:2014).

## 12.6 Tariff and Pricing Formula Review

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

**Table 2: Tariff and Pricing Formula Reviews**

Regulated Sectors	Matters Carried Forward	Matters Received	Total Matters Reviewed	Approved	Referred Back	With-drawn	Under Review as at 30th June, 2016
Electricity	0	2	2	1	1	0	0
Natural Gas	0	0	0	0	0	0	0
Petroleum	2	2	4	3	0	0	1
Water Supply & Sanitation	15	17	32	22	1	0	9
<b>Total</b>	<b>17</b>	<b>21</b>	<b>38</b>	<b>26</b>	<b>2</b>	<b>0</b>	<b>10</b>

In all cases, the legal requirement (EWURA Act, Cap 414, Sect. 19(2)(b)) of taking the views of stakeholders into account was respected when determining the new rates and formulas. Except for the automatic tariff application from Singida and Dodoma WSSAs and the annual review of the petroleum operators' margins, the Authority conducted public hearings to all other tariff and pricing matters as summarized below. Note that, during the year, there were no tariff matters to be reviewed from the natural gas sub-sector.

**Table 3: Public Hearings for Tariff and Pricing Formula Reviews**

Regulated Sectors	Number of Public Inquiry Meetings	No. of Matters
Electricity	1	1
Natural Gas	0	0
Petroleum	1	1
Water Supply and Sanitation	18	19
<b>Total</b>	<b>20</b>	<b>21</b>

## 12.7 Sector Monitoring and Inspection

During the year, the Authority conducted performance monitoring in the activities of regulated service providers among the regulated sectors. Key objectives for sector monitoring include the following:

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

### 12.7.1 Sector Monitoring and Inspection - Petroleum sub sector

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. During the period under review the following petroleum facilities and installations were inspected:-

- (a) Conducted pre-licencing inspection to 274 petroleum facilities. Out of these, 139 facilities met licencing requirements and hence recommended issuance of licence.
- (b) Inspected 601 petrol stations to monitor compliance to the license conditions. 387 petrol station 64.4% were found dully meeting the licence conditions. Defaulters were penalized and closures of petrol stations until licence conditions were met.
- (c) Inspected 1,061 petrol stations to monitor compliance to the Price Setting Rules. Only seven (7) petrol stations (0.66%) were found defaulting the Rules and appropriate legal actions were taken.

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 tests. In accordance with the Petroleum (Sampling and Testing) Rules, 2010 and the petroleum (Marking and Quality Control) Rules, 2010, the following activities were carried out:

- (a) Conducted fuel marker detection to 716 facilities in order to curb dumping of untaxed petroleum products into local market and adulteration. 34 facilities (4.75%) were found with non-conforming products. Appropriate legal actions were taken against the defaulters. These actions included being served with compliance orders, charged penalties and revocation of licences until licence conditions are met.
- (b) A total of 321 samples of petroleum products were taken from petroleum facilities in order to monitor compliance to the TBS specification. Thirty one (31) samples (or 9.66%) were found not conforming to TBS specifications. Appropriate legal actions were taken against the defaulters.

### 12.7.2 Sector Monitoring and Inspection - Electricity sub sector

During the year the Authority conducted inspections on Electricity Utility's Distribution infrastructure in 12 Regions namely; Singida, Mtwara, Shinyanga, Kilimanjaro, Geita, Tanga, Mbeya, Kigoma, Katavi, Rukwa, Kagera and Iringa. Among the defects found during inspection were leaning and rotten poles, defective switchgears, leaning insulators, transformer oil leakages, use of unrated fuse wires, vegetation/trees touching feeder lines, improperly done connections, poor housekeeping in primary substations, missing fire extinguishers in substations, broken drainage systems, and excessive sag on power distribution lines. Also, some areas were observed to have Low voltages caused by lines extended beyond the standard limit and overloaded transformers. The Authority instructed TANESCO to rectify the anomalies as detailed in the inspection reports submitted to them. The Authority conducted effective

inspections on Utilities Electricity Distribution Infrastructure in the year 2014, and up to June, 2016, seventeen inspections have been conducted in seventeen regions.

During the year, EWURA conducted a meeting with TANESCO Zonal Managers to discuss the inspection findings and emphasize on implementation of EWURA recommendations towards rectification of the defects and anomalies observed during inspections. TANESCO submitted a report of status of implementation of the findings. The report indicated that 50% of the inspection findings which did not require additional budget have been rectified by TANESCO.

### 12.7.3 Sector Monitoring and Inspection - Water Supply and Sanitation

During the year the Authority embarked on various activities including Inspections for monitoring and verification of data and information reported by WSSAs. The data for the following WSSAs were conducted; Kigoma, Kahama, Kilwa Masoko, Iringa, Mbeya, Sumbawanga WSSAs and DAWASCO.

The Authority also, prepared two Water Utilities Performance Review Reports for 2014/15 for Regional Water Utilities, National Water Projects and DAWASCO and District and small Towns Water Supply and Sanitation Authorities respectively. The reports covered among other things the technical, commercial and financial performance of the water utilities. During the launching of the report best performing utilities were recognized by awarding them with certificates and trophies.

During the year, the Authority revised business plans from 32 WSSAs namely Iringa, Njombe, Shinyanga, Ngudu, Ifakara, Kahama-Shinyanga (KASHWASA), Mpanda, Kongwa, Mpwapwa, Dodoma, Morogoro and Iringa. Others were Mpanda, Njombe, Mbinga, Handeni Trunk Main, Pangani, Korogwe, Lushoto, Muheza, Songe, Katesh, Kibaya, Mwanga, Magugu and Galapo. The list also included Chalinze, Masasi-Nachingwea, Utete, Kilwa Masoko, Liwale and Ruangwa. As a result, final Business Plans have been submitted from 21 WSSAs namely Iringa, Njombe, Shinyanga, Ngudu, Ifakara, KASHWASA, Mpanda, Kongwa, Mpwapwa, Pangani, Korogwe and Mwanga. Others were Mpwapwa, Kongwa, Igunga, Morogoro, Dodoma, Chalinze, Masasi-Nachingwea, Kilwa Masoko and Ruangwa.

The Authority has ensured that the Key Performance Indicators 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

Generally, it was noted WSSAs have continued to improve the level of compliance to the EWURA Business Planning Guidelines for Water Supply and Sanitation Authorities, 2011 in terms of structure and contents. The revised business plans were used to set tariffs for the WSSAs which applied for tariffs.

In a bid to improve performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities. During the year under review, the Authority conducted training on preparation of Business Plans to 36 District, Township and National project WSSAs namely, (Korogwe, Mombo, Handeni, Lushoto, Songe, Pangani, HTM, Magugu, Mbulu, Katesh, Bashnet, Gallapo, Dareda, Kibaya, Kisarawe, Mkuranga, Kilindoni, Utete, Kilwa Masoko, Igunga, Nzega, Urambo, Sikonge, Muleba, Karagwe, Biharamulo, Ngara, Mugumu, Chunya, Kyela, Tukuyu, Vwawa, Mbalizi, Makambako, Kasumulu, and Wanging'ombe National Project).

The training sessions were hands on and have enabled the WSSAs to prepare their Business Plans and submit to EWURA for review.



Also, the Authority participated in training sessions for 94 DTWSSAs and NPWSSAs that were organized by GIZ. The training sessions were aimed at imparting technical, commercial and managerial skills for the DTWSSAs and NPWSSAs.

EWURA's input in the training was on Business Planning and MajiLS. Regarding MajiLS, the Authority conducted training to 8 WSSAs (Songea, Ruangwa, Kilindoni and Mkuranga, Biharamulo and Ngora) so as to enhance the knowledge to some staff that were selected to use the system by respective WSSAs. Water quality monitoring was conducted to 88 water utilities including DAWASCO and DAWASA. The Authority carried out water and waste water quality monitoring in order to establish whether water supplied and effluent from waste water systems comply with TBS Standards.

#### **12.7.4 Sector Monitoring and Inspection - Natural Gas Subsector**

The Authority carried out quarterly field inspections to the natural gas infrastructures operated by Songas, Ndovu Resources, PanAfrican Energy, TPDC, Maurel et Prom for High Pressure Transmission Pipeline and Dar es Salaam Natural Gas Distribution Network to ascertain the infrastructure integrity and its safety. During the field inspections, the Authority had an 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 not carry out enforcement activities but advised the service providers to take safety precautionary measures to ensure the public are not at any risk associated with natural gas activities.

#### **12.8 Public Awareness**

During the financial year 2015/16, the Authority continued to undertake Communications and Public Relations activities as planned, focusing on attaining EWURA's strategic objective of among other things; to enhance public knowledge, awareness and understanding of the regulated sectors pursuant to Section 6(e) of EWURA Act, Cap.414.

During the period 2015/2016, the Authority carried out the following major activities:

- (a) Participated at the Dar es Salaam International Trade Fair exhibitions
- (b) Coordinated the production and airing of 53 EWURA NA UCHUMI TV programmes on TBC1, ITV, Star TV, Clouds TV, TV1, Azam TV and Channel Ten.
- (c) Coordinated airing of 66 radio programmes on the following Radio stations: TBC Taifa, Radio Free Africa, Radio One, EFM Radio, Clouds FM Radio, Mambo Jambo Radio, Storm FM, Dream FM, Magic FM, ABM FM, Ebony FM and Wapo FM.
- (d) Participated in awareness campaigns for stakeholders in Petroleum and Electricity sub sectors countrywide.
- (e) Coordinated publishing and distribution of 2014/2015 EWURA Annual Report, Clients Service Charter, Downstream Petroleum Subsector Performance Review Report and the Water Sector Performance Review Reports.
- (f) Coordinated impromptu media interviews (live and Recorded), prepared and disseminated press releases and prepared various press conferences;
- (g) Published monthly petroleum products cap prices as per legal requirement;
- (h) Coordinated the publications of various features into various media houses; and
- (i) Sensitized the public on the use of code number \*152\*00# to download petroleum products cap prices.



## 12.9 Complaints and Disputes

The Authority attended to complaints against suppliers of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services. A summary of complaints received and settled in each sector is shown in Table 4 below.

**Table 4: Complaints and Disputes Attended**

Regulated Sector	Previous Complaints	Complaints Received During the Year	Complaints Resolved	Complaints in Progress
Petroleum	10	25	16	19
Electricity	103	55	95	63
Water Supply and Sanitation	60	48	96	12
Natural Gas	0	1	0	1
<b>Total</b>	<b>173</b>	<b>129</b>	<b>207</b>	<b>95</b>

At the end of the year a total of 95 complaints were at various stages of mediation and hearing.

## 12.10 Regional Cooperation Meetings

The main objective of regional cooperation 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. The Authority participated 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), African Refiners Association (ARA) and the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS).

Furthermore, EWURA has participated in various meetings convened to establish 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.

## 13.0. RECRUITMENT

During the year, the Authority recruited 20 employees thus bringing the total number of staff to 123. The number of staff planned during the year was 134. Staff gender structure was as indicated in Table 5 below:

**Table 5: Staff Complement**

Item	Male	Female	Total
Staff Complement	85	38	<b>123</b>
Percentage	69	31	<b>100</b>

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

## 14.0. RISK MANAGEMENT AND CONTROL

The Board assumes final responsibility for the risk management and internal control system of the Authority. It is the task of the Board to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to provide reasonable assurance regarding:

- (a) the effectiveness and efficiency of operations;
- (b) the safeguarding of the Authority's assets;
- (c) compliance with the applicable laws and regulations;
- (d) reliability of accounting records;
- (e) business suitability under normal as well as adverse conditions; and
- (f) responsible behaviors towards stakeholders.

## **15.0. STAFF WELFARE**

### **15.1 Staff Relations**

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

### **15.2 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.

### **15.3 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 for overseas treatment, where necessary.

### **15.4 Health and Safety**

The Authority takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe and comfortable working environment is maintained for all employees by providing adequate and proper protective gears (during field work), training and supervision as necessary. The Authority observes the Safety and Health Administration (OSHA) guidelines and ensures full compliance.

### **15.5 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.

## **16.0. EMPLOYEE BENEFIT PLAN**

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

## **17.0. GENDER PARITY**

During the year, the Authority had 123 employees, out of whom 85 were male and 38 were female. The Authority is an equal opportunity employer.

## **18.0. POLITICAL DONATIONS**

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

## 19.0. CORPORATE SOCIAL RESPONSIBILITIES

The Authority makes contributions to different institutions to support activities of national interest. During the period under review, EWURA instituted new guidelines for Donations and Contributions, with a view to improving its service to stakeholders and the society at large.

Institutions supported by the Authority during the year included the Institute for Internal Auditors, Heart Foundation of Tanzania, Mvuti Secondary School, Tanzania Women Judges Association and Mwanza Region Office. Others were Dar es Salaam Region Office, President Office (Establishment) and Ikwiriri Orphanage Fund, of which in total, the Authority spent TZS 51 million.

Also as part and parcel of supporting higher learning education in the country, the Authority offered field attachment to 31 students and spent a total of TZS 20m.

The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public.

## 20.0. RELATED PARTY

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

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

## 22.0. PERSONS WITH DISABILITIES

The Authority believes and provides equal opportunities to persons with disabilities. People with disabilities are encouraged and are given full and fair consideration to job applications.

## 23.0. 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 faces a challenge of the growing demand of its services given the vast nature of the country. The Authority plans to open three more zonal offices in addition to the one in Lake zone in Mwanza.
- (b) Given the enactment of the Petroleum Act, 2015 and a limitation of expertise especially in oil and gas as there is an increasing demand of the professionals which the local market cannot support right now. The Authority trains its staff in foreign countries in short term courses, conferences and attachments. These courses are expensive hence very few staff get this opportunity.
- (c) Hidden inefficiencies in the electricity sector due to the vertically integrated structure of the Electricity Supply Industry in Tanzania. However, the Government in June 2014 announced

Electricity Sector Industry (ESI) reforms whereby the unbundling process of TANESCO into generation, transmission and distribution will be carried out until 2025 in alignment with Tanzania Development Vision, 2025.

- (d) WSSAs are many and diverse in size, capability and capacity. There are 130 WSSAs in the country. Generally, WSSAs at district and small town level have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building activities, inspections and monitoring. The Authority will also support the clustering of the WSSAs.
- (e) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines continue to be a challenge. The Authority has considered continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets.
- (f) Low investments in Water Supply and Sanitation which results into a slow pace towards moving to 100% service coverage (currently, it is around 86% in urban areas). EWURA has prepared Business Planning guidelines which assist WSSAs to plan towards cost recovery tariffs. EWURA approves a three year tariff corresponding to the Business Plan. In addition, EWURA has been collaborating with the MoWI and DPs to put in place incentives for WSSAs to involve PPP's and to acquire loans for investments.
- (g) Insufficient public knowledge in the understanding of rights and obligations of consumers and the regulated suppliers. The Authority shall continue to strengthen the implementation of Public Awareness Programme to address this challenge.
- (h) Slow decision making by other institutions which EWURA collaborate with in the course of carrying out its regulatory functions. One of the areas affected is the licensing of competitive projects in the regulated sectors, where other institutions such as NEMC are involved in the approval process. Frequent negotiations with these institutions has proved to mitigate this challenge.
- (i) Delays by TANESCO to pay for the power which is purchased from small power producers has led to numerous operational difficulties to these producers. These delays may also be a hindering factor to small power investment in the sector. For example, investors may get difficult financing conditions in order to invest in the country. The government has prepared strategies to ensure that TANESCO pays power projects in time as per their agreements.
- (j) Poor power distribution infrastructure coupled with inadequate conserved areas for power generation is still a problem to power distributors and generators, respectively. In order to address this challenge, the current plan is to have Key Performance Indicators which will be agreed between generators and distributors of electricity. Periodic assessments will be done by EWURA to make the service providers accountable and thereby ensure that this challenge is fully addressed.
- (k) Increased smuggling of kerosene from Kenya and Uganda especially in the Northern and Lake Zones and selling of transit and tax exempted products is still a problem. EWURA plans to increase the level and frequency of marker detection exercises, especially in areas bordering Kenya. EWURA will also continue cooperating with TRA in conducting joint inspections.

#### **24.0. EVENTS AFTER THE REPORTING PERIOD**

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

**25.0. 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, 2016 as set out in pages 30 to 34 of these financial statements and the Notes thereon.

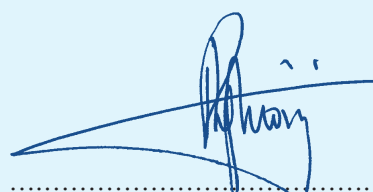
**26.0. AUDIT MANDATE**

The Controller and Auditor General is the Statutory Auditor of Energy and Water Regulatory Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania (URT) and as amplified in Section 10 of the Public Audit Act No. 11 of 2008. However, in accordance with Section 33 (1) of the same Act, M/s BDO East Africa were authorized to carry out audit of the Commission on behalf of the Controller and Auditor General for the financial statements of the year ended 30<sup>th</sup> June, 2016.



ENG. PROF. JAMIDU KATIMA  
CHAIRMAN

Date 19<sup>th</sup> December 2016



FELIX NGAMLAGOSI  
DIRECTOR GENERAL

Date 19<sup>th</sup> December 2016

## 27.0. 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 30<sup>th</sup> June, 2016. The Directors also confirm that International Public Sector Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

To the best of the Directors knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30<sup>th</sup> June, 2016.

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

Approved by the Board of Directors 19<sup>th</sup> December, 2016 and signed on its behalf by:



.....  
**ENG. PROF. JAMIDU KATIMA**  
**CHAIRMAN**

Date 19<sup>th</sup> December 2016



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

Date 19<sup>th</sup> December 2016



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

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

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

I, Joctan Matogo, being the head of finance (Acting Director of Corporate Affairs) of Energy and Water Utilities Regulatory Authority hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30<sup>th</sup> June 2016 have been prepared in compliance with applicable accounting standards and statutory requirements.

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

Signed by:.....

Position: **Ag. Director of Corporate Affairs**.....

NBAA Membership No.: FCPA 959

Date: **19<sup>th</sup> December 2016**.....

## 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 ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

### Introduction

I have audited the financial statements of Energy and Water Utilities Regulatory Authority for the financial year ended 30<sup>th</sup> June, 2016, which comprises Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from page 88 to 106 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 Public Sector Accounting 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 Standard of Supreme Audit Institutions (ISSAIs) and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

In addition, Sect. 10 (2) of the PAA 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. 48(3) of the Public Procurement Act No. 7 of 2011 and Reg. No. 269 (1) of the Public Procurement Regulations of 2013 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 30<sup>th</sup> June, 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards and the Energy and Water Utilities Regulatory Authority Act, Cap 414.

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

##### **Compliance with Public Procurement Act**

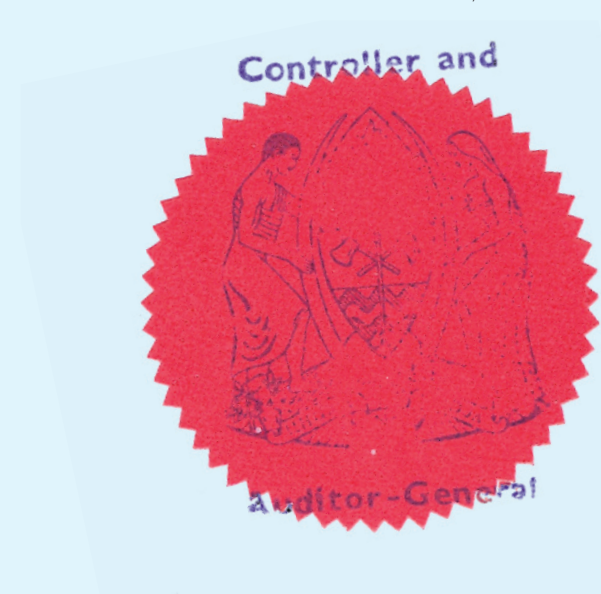
In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I have reviewed as part of this audit, I state that Energy and Water Utilities Regulatory Authority procurement has generally complied with the requirements of the Public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



Prof. Mussa Juma Assad  
**CONTROLLER AND AUDITOR GENERAL**

National Audit Office  
**DAR ES SALAAM**

Date: **21<sup>st</sup> December 2016**



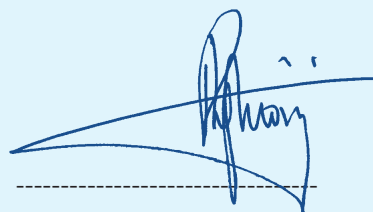
## STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE, 2016

	NOTES	30.06.2016 TZS'000	30.06.2015 TZS'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	8	2,028,642	3,301,352
Intangible Assets	9	<u>31,091</u>	<u>32,602</u>
<b>Total Non-Current Assets</b>		<b><u>2,059,733</u></b>	<b><u>3,333,954</u></b>
<b>Current Assets</b>			
Stocks and Consumables		126,361	122,021
Trade and Other Receivables	10	11,424,613	9,263,481
Financial Assets	12	22,778,778	26,435,645
Cash and Bank Balances	13	<u>3,575,277</u>	<u>2,217,113</u>
<b>Total Current Assets</b>		<b><u>37,905,029</u></b>	<b><u>38,038,260</u></b>
<b>TOTAL ASSETS</b>		<b><u>39,964,762</u></b>	<b><u>41,372,214</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained Surplus		7,045,707	16,009,834
Building Fund		-	21,850,000
<b>Total Capital and Reserves</b>		<b><u>7,045,707</u></b>	<b><u>37,859,834</u></b>
<b>Non-Current Liabilities</b>			
Gratuity Payable	14	1,397,063	1,739,370
<b>Current Liabilities</b>			
Trade and Other Payables	15	<u>31,521,992</u>	<u>1,773,010</u>
<b>Total Liabilities</b>		<b><u>32,919,055</u></b>	<b><u>3,512,380</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>39,964,762</u></b>	<b><u>41,372,214</u></b>

The financial statements on pages 83 to 106 were approved for issue by the Board of Directors on 19<sup>th</sup> December, 2016 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA  
CHAIRMAN



FELIX NGAMLAGOSI  
DIRECTOR GENERAL

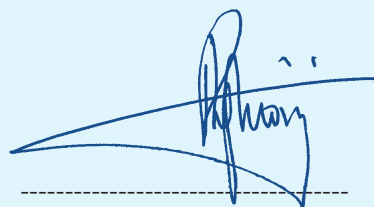
## STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE, 2016

	NOTES	30.06.2016 TZS'000	30.06.2015 TZS'000
<b>Revenue</b>			
Revenue from Non Exchange Transactions	1	41,661,823	34,823,343
Other Income	2	2,600	1,369,450
Finance Income	2	<u>3,638,287</u>	<u>2,497,268</u>
<b>Total Revenue</b>		<b><u>45,302,710</u></b>	<b><u>38,690,061</u></b>
<b>Expenditure</b>			
Staff Costs	3	12,420,836	9,423,966
Operating Expenditure	4	7,954,450	9,728,758
Contribution to Other Government Entities	4	9,859,831	5,086,043
Administration Costs	5	4,121,751	2,386,774
Other Charges	6	1,995,031	195,303
Depreciation on Property and Equipment	8	436,836	575,281
Amortisation of Intangible Assets	9	<u>4,462</u>	<u>94,469</u>
<b>Total Expenditure</b>		<b><u>36,793,197</u></b>	<b><u>27,490,594</u></b>
Net Operating (Deficit)/Surplus for the Year		8,509,513	11,199,467
<b>Add: Retained Surplus Brought Forward</b>		<b><u>16,009,834</u></b>	<b><u>10,810,367</u></b>
<b>Total Surplus Before Appropriation</b>		<b><u>24,519,347</u></b>	<b><u>22,009,834</u></b>
<b>Appropriation:</b>			
Transfer to Special Dividend		(17,473,640)	-
Transfer to Building Fund		<u>0</u>	<u>(6,000,000)</u>
<b>Retained Surplus Carried Forward</b>		<b><u>7,045,707</u></b>	<b><u>16,009,834</u></b>

The financial statements on pages 83 to 106 were approved for issue by the Board of Directors on 19<sup>th</sup> December, 2016 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA  
CHAIRMAN



FELIX NGAMLAGOSI  
DIRECTOR GENERAL

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE, 2016

	Capital Fund	Building Fund	Retained Surplus	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Opening Balance at 1st July, 2015	-	21,850,000	16,009,834	37,859,834
Net Operating surplus for the Year			8,509,513	8,462,808
Redemption of Excess Capital		(21,850,000)	(17,473,640)	(39,323,640)
Transfer to Building Fund		-	-	-
Grant Amortisation				
<b>Balance at 30th June, 2016</b>	<b>-</b>	<b>-</b>	<b>7,045,707</b>	<b>6,999,002</b>

### Year Ended 30th June, 2015

Item	Capital Fund	Building Fund	Retained Surplus	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Balance at 1 <sup>st</sup> July, 2014	-	15,850,000	10,810,367	26,660,367
Net Operating Surplus for the Year	-		11,199,467	11,199,467
Transfer to Building Fund	-	6,000,000	(6,000,000)	-
Grant Amortisation	-	-	-	-
<b>Balance as at 30 June, 2015</b>	<b>-</b>	<b>21,850,000</b>	<b>16,009,834</b>	<b>37,859,834</b>

### Note:

During the year the Government vide Treasury Registrar letters with Ref.No.CEA.170/344/01 of 13<sup>th</sup> June, 2016 and TYC/T/200/822/226 of 13<sup>th</sup> July, 2016 decided to redeem its capital from the Authority amounting to TZS 39,323,639,995 in instalments. The Authority had paid a total of TZS 10,353,606,347 as at 30<sup>th</sup> June, 2016 leaving the amount payable of TZS 28,970,033,648. According to the directives, the whole amount had to be paid by 31<sup>st</sup> December, 2016. The Government also suspended construction of office buildings for public entities whose core functions were not construction of houses. The directive together with instructions to remit all funds earmarked for office construction were communicated vide Treasury letter with Ref.No.CEA.170/344/01 of 14<sup>th</sup> June, 2016. The implementation of the Government directives resulted in reduction of Building funds by TZS 21.85 bn and Retained Surplus by TZS16.01 bn.

The accounting policies and the notes on pages 88 to 106 form an integral part of these financial statements.



STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016

	Notes	2015/2016 TZS '000	2014/2015 TZS '000
<b>Operating activities</b>			
<b><u>Receipts:</u></b>			
Regulator Levy		36,897,625	31,091,957
Licence Fees		798,970	555,773
Application Fees		260,637	122,163
Penalties		1,165,375	1,697,100
Interest Received		2,956,638	2,169,785
Other Income		2,600	1,355
<b><u>Payments:</u></b>			
Staff Expenses		(12,325,264)	(8,862,398)
Operating Expenses		(6,597,468)	(9,797,049)
Contribution to Government Entities		(9,859,831)	(5,086,043)
Administration Expenses		(4,090,706)	(2,522,536)
Other Expenses		(364,847)	(49,784)
<b>Net cash generated from operating activities</b>		<b>8,843,728</b>	<b>9,320,323</b>
<b>Investing activities</b>			
Purchase of Property and equipment	8	(788,826)	(1,207,628)
Purchase of Intangible Assets	9	-	(35,546)
Proceeds/Adjustments from Disposal of Property and Equipment		-	265,990
Purchase of Financial Assets - Maturity after 91 days		(2,325,740)	(19,281,908)
Proceed from Financial Assets - Maturity after 91 days		5,982,607	8,980,500
<b>Net cash used in investing activities</b>		<b>2,868,041</b>	<b>(11,278,592)</b>
<b>Financing activities</b>			
Redemption of Excess Capital (Special Dividends to the Government)		10,353,606	-
<b>Net cash generated from financing activities</b>		<b>(10,353,606)</b>	<b>-</b>
<b>Decrease (Increase) in cash and cash equivalents</b>		<b>1,358,163</b>	<b>(1,958,269)</b>
Cash and cash equivalents at the beginning of the year		2,217,113	4,175,382
<b>At the end of the year</b>		<b>3,575,277</b>	<b>2,217,113</b>

The accounting policies and the notes on pages 88 to 106 form an integral part of these financial statements.

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

### FOR THE YEAR ENDED 30TH JUNE, 2016

	Original Budget	Mid-Year Review (Adjustments)	Final Budget	Actual on Comparable Basis	Performance Difference
	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000
<b>Revenue</b>					
<b>Revenue from Non-exchange Transactions:</b>					
Regulatory Levy	38,834,895	551,833	39,386,728	39,417,143	30,415
Licence Fees	1,647,980	329,596	1,977,576	798,970	(1,178,606)
Application Fees	270,087	54,017	324,104	260,638	(63,466)
Penalties	1,838,400	-	1,838,400	1,185,073	(653,327)
Finance Income	717,141	-	717,141	3,638,287	2,921,146
<b>Revenue from Exchange Transactions:</b>					
Sales of Tender Documents	2,000	-	2,000	2,600	600
Other income	57,179	-	57,179	0	(57,179)
<b>Total Revenue</b>	<b>43,367,682</b>	<b>935,446</b>	<b>44,303,128</b>	<b>45,302,711</b>	<b>999,583</b>
<b>Expenses</b>					
Staff Costs	14,294,304	120,913	14,415,217	12,420,836	1,994,381
Operating Expenditure	13,904,314	(1,416,206)	12,488,108	7,954,450	4,533,658
Contribution to other Government Entities	7,415,082	2,586,274	10,001,356	9,859,831	141,525
Administration Costs	4,027,403	217,053	4,244,456	4,121,751	122,705
Financial and Other Charges	208,095	109,396	317,491	1,995,031	(1,677,540)
Depreciation of property, plant and equipment	353,945	-	353,945	436,836	(82,891)
Amortization of intangible assets	291,136	-	291,136	4,462	286,674
<b>Total Expenses</b>	<b>40,494,279</b>	<b>1,617,430</b>	<b>42,111,709</b>	<b>36,793,197</b>	<b>5,318,512</b>
<b>Surplus/(Deficit) for the year</b>	<b>2,873,403</b>	<b>(681,984)</b>	<b>2,191,419</b>	<b>8,509,514</b>	<b>(6,318,095)</b>
Attributable to:					
Surplus attributable to owners	<b>2,873,403</b>	<b>(681,984)</b>	<b>2,191,419</b>	<b>8,509,514</b>	<b>(6,318,095)</b>

The accounting policies and the notes on pages 88 to 106 form an integral part of these financial statements.

## 28.0. NOTES TO THE FINANCIAL STATEMENTS

### 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:

7 Floor LAPF Pensions Fund Towers,  
 Opposite Makumbusho Village, Kijitonyama,  
 P O Box 72175,  
 Dar es Salaam, Tanzania.

### 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 Public Sector Accounting Standards (IPSAS). 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 IPSAS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgment in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in accounting policy (b).

#### (b) Standards, amendments and interpretations to the Authority's operations

The Authority has adopted the following new International Public Sector Accounting Standards (IPSASs) as of 1 July 2015. The standard has no impact in the financial statements of the Authority.

- ❖ The IPSASB issued IPSAS 32 in October 2011 to address a lack of guidance on how public sector entities should account for service concession arrangements from a grantor's perspective. The standard applies the principles in IFRIC 12 Service Concession Arrangements for determining whether the grantor or the operator should recognize the asset used in a service concession arrangement. This standard is effective for annual periods beginning on or after 1 January 2014, with earlier application permitted. The standard has no impact in the financial statements of the Authority.

#### (c) Revenue Recognition

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

The amount of revenue is not considered to be reliably measured until all contingencies relating to the levy have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of regulated supplier, type of transaction and specifics of each arrangement.

#### **Revenue from Non-Exchange Transactions**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be reliably measured

#### **Revenue from Levies**

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

#### **Donor and Government Funds**

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

##### **(i) Operating Grant**

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

##### **(ii) Grant Related to Assets**

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

#### **Revenue from Exchange Transactions**

##### **Interest income:**

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

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

##### **(d) Property and Equipment**

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

Subsequent expenditures are capitalized only when they increase the current economic benefits and meet the recognition criteria. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognized. All other expenditure items, which do not meet recognition criteria, are recognized in the Statement of Financial Performance as expenses as they are incurred.

Depreciation on assets is calculated on the straight line basis to write down the cost of each asset, to its residual value over their estimated useful lives. 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.

#### **Intangible Assets**

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

#### **(e) 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.

### **De-recognition**

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

### **Impairment of Financial Assets**

At each reporting date the Authority assesses all financial assets, other than those at fair value through 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.

**(f) Loans to Staff**

These financial assets are classified as loans and receivables.

**(g) 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.

**(h) 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.

**(i) 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.

**(j) 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.

**(k) Inventories**

There were no Inventories held for sale.

Inventories for consumption (Stocks and Consumables), i.e. stationeries, are measured at cost upon initial recognition. After initial recognition inventory is measured at the lower of cost and current replacement cost.

Cost is determined by the First-In-First-Out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date.

**(l) Provision**

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

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

**(m) 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.

**(n) Functional and presentation currency**

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

**(o) Employee Entitlements**

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

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

**Retirement Benefit Obligation****a. 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).

**b. 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.

**(p) 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.

**(q) Comparatives**

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

## 1. REVENUE FROM NON EXCHANGE TRANSACTIONS

	30.06.2016 TZS'000	30.06.2015 TZS'000
<b>Regulatory Levy</b>		
Electricity	13,856,638	12,774,108
Petroleum	21,439,702	18,042,799
Natural Gas	1,812,341	1,590,125
Water and Sewerage	<u>2,308,462</u>	<u>1,738,376</u>
<b>Total Regulatory Levy Revenue</b>	<b><u>39,417,143</u></b>	<b><u>34,145,408</u></b>
<b>Licence Fees</b>		
Electricity	102,360	96,975
Electricity Contractors and Wiremen	52,342	36,803
Petroleum	<u>644,269</u>	<u>421,995</u>
<b>Total License Fees Revenue</b>	<b><u>798,970</u></b>	<b><u>555,773</u></b>
<b>Application Fees</b>		
Electricity	56,526	28,591
Petroleum	<u>204,111</u>	<u>93,572</u>
<b>Total Application fees revenue</b>	<b><u>260,637</u></b>	<b><u>122,162</u></b>
<b>Penalties from Petroleum Adulterations</b>	<b><u>1,185,073</u></b>	<b><u>1,367,100</u></b>
<b>Total Revenue from Non Exchange Transactions</b>	<b><u>41,661,823</u></b>	<b><u>36,190,443</u></b>

## 2. REVENUE FROM EXCHANGE TRANSACTIONS

<b>OTHER INCOME</b>		
Sale of Tender Documents	2,600	1,600
Profit on Disposal of Property and Equipment	-	750
<b>Total Other Income</b>	<b><u>2,600</u></b>	<b><u>2,350</u></b>
<b>FINANCE INCOME/ (COSTS)</b>		
Interest Income on Fixed Deposits	3,003,186	2,420,233
Interest Income on Treasury Bills	591,361	-
Foreign Exchange Gain	660	1,155
Interest Received on Current Account	<u>43,080</u>	<u>75,881</u>
<b>Total Finance Income/(Cost)</b>	<b><u>3,638,287</u></b>	<b><u>2,497,268</u></b>

**3. STAFF COSTS**

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Salaries	6,723,555	5,813,115
Gratuity Expenses	973,336	984,887
Pension Employer's Contribution	936,239	803,494
Skills and Development Levy	307,291	267,446
Medical Expenses	297,197	182,177
Other Staff Costs (Schedule 1)	<u>3,183,218</u>	<u>1,372,847</u>
<b>TOTAL</b>	<b><u>12,420,836</u></b>	<b><u>9,423,966</u></b>

**4. OPERATING EXPENSES**

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>TZS'000</b>	<b>TZS'000</b>
<b>(a) Office Operating Expenses</b>		
Capacity Building (Schedule 2)	872,213	1,220,785
Regulatory Tools Development Expenses	894,241	787,647
Field and Inspection Expenses	1,940,979	1,268,704
Public Inquiries	231,493	320,778
Complaints, Mediation and Dispute Resolution	245,490	420,885
Government Delegation Participation costs	37,631	405,263
Public Awareness Programmes	730,979	988,884
Advertisement Expenses	494,378	345,651
Consultancy Expenses	113,052	209,503
Membership Contribution, Books and Periodicals	228,986	185,793
Library General Expenses	22,068	-
International Conference Expenses	496,147	1,351,880
Regional Cooperation Meetings	258,371	857,370
Local Travel and Conference Expenses	236,230	183,985
Stakeholders Consultative Meetings	106,895	87,222
Motor Vehicle Fuel Expenses	61,707	82,198
Motor Vehicle Repairs and Maintenance	304,361	194,324
Car Hiring Expenses	28,125	10,105
Maintenance of Computer Hardware	140,507	37,685
Maintenance of Computer Software	74,814	57,959
Maintenance of Other Office Equipment	11,257	6,416
Wiremen Licensing Activities	58,388	32,672
Directors Fees	30,555	24,167
Public Awareness Programme- Staff Relations	18,305	83,011
Board Expenses	<u>317,278</u>	<u>566,874</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>7,954,450</u></b>	<b><u>9,728,758</u></b>

#### b) Contribution to Government Entities

Government Consultative Council Expenses	159,488	194,355
Consumer Consultative Council Expenses	1,880,666	1,511,874
Fair Competition Tribunal Subvention	373,908	358,196
Fair Competition Commission Subvention	976,005	771,617
Treasury Contribution	<u>6,469,764</u>	<u>2,250,000</u>
<b>TOTAL CONTRIBUTIONS</b>	<b><u>9,859,831</u></b>	<b><u>5,086,043</u></b>

#### 5. ADMINISTRATION COSTS

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Office Rent	1,974,681	1,399,993
Telephone, Fax and Internet	306,578	264,907
Stamps and Postages	22,058	4,536
Printing and Stationery	263,196	310,519
Maintenance of Leasehold Property	869,393	29,680
Office General Expenses	393,888	128,209
Entertainment Expenses	8,797	12,890
Corporate Social Responsibilities	76,140	70,370
Audit Fees	111,000	84,200
Tender Board Expenses	84,340	68,197
Editorial Board Expenses	<u>11,680</u>	<u>13,272</u>
<b>TOTAL</b>	<b><u>4,121,751</u></b>	<b><u>2,386,774</u></b>

#### 6. OTHER CHARGES

Insurance Charges	44,721	14,709
Loss on Disposal of Non-Current Assets	1,624,699	-
Data Storage Charges	271,907	140,474
Bank Charges	48,220	40,121
Foreign Exchange Loss	<u>5,484</u>	-
<b>TOTAL</b>	<b><u>1,995,031</u></b>	<b><u>195,303</u></b>

#### 7. 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.



8. PROPERTY AND EQUIPMENT Year Ended 30<sup>th</sup> June, 2016

	WIP EWURA House	WIP Laboratory Building	WIP Technical Equipment	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture 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, 2015	447,915	22,451	1,602,248	574,497	6,190	2,285,719	165,569	514,074	752,890	6,371,553
Additions	198,638	-	-	-	-	-	299,722	235,662	54,803	788,826
Disposals/ Adjustments	=	(22,451)	(1,602,248)	=	=	(321,996)	=	=	=	(1,946,695)
<b>At 30 June, 2015</b>	<b>646,554</b>	<b>0</b>	<b>0</b>	<b>574,497</b>	<b>6,190</b>	<b>1,963,723</b>	<b>465,291</b>	<b>749,736</b>	<b>807,693</b>	<b>5,213,685</b>
Depreciation:										
At 1 July, 2015	-	-	-	531,527	6,190	1,457,004	78,634	314,744	682,100	3,070,201
Charges for the Year				12,156	=	215,440	55,864	84,698	68,677	436,836
Disposal	=	=	=	=	=	(321,995)	=	=	=	=
<b>At 30 June, 2015</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>543,683</b>	<b>6,190</b>	<b>1,350,449</b>	<b>134,498</b>	<b>399,443</b>	<b>750,777</b>	<b>3,185,040</b>
<b>Net Book Value</b>										
<b>30 June 2016</b>	<b>646,554</b>	<b>0</b>	<b>0</b>	<b>30,814</b>	<b>0</b>	<b>613,274</b>	<b>330,793</b>	<b>350,293</b>	<b>56,915</b>	<b>2,028,642</b>

**PROPERTY AND EQUIPMENT (Continued) Year Ended 30<sup>th</sup> June, 2016**

	WIP EWURA House	WIP Lab Equipment	WIP Technical Equipment	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
<b>Cost:</b>										
At 1st July, 2014	407,896	22,451	1,865,248	541,990	6,190	1,315,241	132,185	444,994	747,211	5,483,406
Additions	40,020	-	-	32,507	-	970,477	38,304	76,097	50,223	1,207,628
Adjustments	=	=	(262,999)	=	=	=	(4,920)	(7,016)	(44,545)	(319,480)
<b>At 30th June, 2015</b>	<b>447,915</b>	<b>22,451</b>	<b>1,602,248</b>	<b>574,497</b>	<b>6,190</b>	<b>2,285,719</b>	<b>165,569</b>	<b>514,074</b>	<b>752,890</b>	<b>6,371,553</b>
<b>Depreciation:</b>										
At 1st July, 2014	-	-	-	504,778	5,523	1,069,436	62,158	262,954	644,311	2,549,160
Charge for the Year	-	-	-	26,749	668	387,569	20,511	57,450	82,334	575,281
Adjustments	=	=	=	=	=	=	(4,035)	(5,660)	(44,545)	(54,240)
<b>At 30th June, 2015</b>	<b>=</b>	<b>=</b>	<b>=</b>	<b>531,527</b>	<b>6,190</b>	<b>1,457,004</b>	<b>78,634</b>	<b>314,744</b>	<b>682,100</b>	<b>3,070,201</b>
<b>Net Book Value 30th June, 2014</b>	<b>447,915</b>	<b>22,451</b>	<b>1,602,248</b>	<b>42,970</b>	<b>=</b>	<b>828,714</b>	<b>86,934</b>	<b>199,330</b>	<b>70,789</b>	<b>3,301,352</b>

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

**9. INTANGIBLE ASSETS – SOFTWARE COSTS**

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>TZS'000</b>	<b>TZS'000</b>
<b>Cost</b>		
At Start of Year	636,492	600,946
Additions/adjustment	<u>2,950</u>	<u>35,546</u>
<b>At End of Year</b>	<b><u>639,442</u></b>	<b><u>636,492</u></b>
<b>Amortization</b>		
At Start of Year	603,890	509,421
Charge for the Year	4,461	94,469
At End of Year	<u>608,351</u>	<u>603,890</u>
<b>Net Book Value</b>	<b><u>31,091</u></b>	<b><u>32,602</u></b>

**10. TRADE AND OTHER RECEIVABLES**

	<b>30.06.2016</b>	<b>30.06.2015</b>
	<b>TZS'000</b>	<b>TZS'000</b>
Trade Receivables	8,594,996	6,044,224
Prepayments (Note 11)	568,577	1,028,971
ESCB Account	(54,503)	(54,096)
Other Receivables	106,724	106,653
Interest Receivable	1,506,796	1,388,585
Staff Loans and Advances (Note 16 B)	<u>702,023</u>	<u>749,144</u>
<b>TOTAL</b>	<b><u>11,424,613</u></b>	<b><u>9,263,481</u></b>

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

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

Carrying Amount of Trade and Receivables		
Tanzania Shillings	11,430,589	9,263,481
US Dollars	=	=
<b>TOTAL</b>	<b><u>11,430,589</u></b>	<b><u>9,263,481</u></b>

The trade and other receivables do not contain impaired assets.

	30.06.2016	30.06.2015
<b>11. PREPAYMENTS</b>		
Prepaid Office Rent	58,455	917,646
Prepaid Insurance	11,030	11,631
Prepayments – Others	<u>499,092</u>	<u>99,694</u>
<b>Total Prepayments</b>	<b><u>568,577</u></b>	<b><u>1,028,971</u></b>

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

## 12. FINANCIAL ASSETS

Financial assets comprise the following:

### Fixed deposits

	30.06.2016 TZS'000	30.06.2015 TZS'000
At Start of Year	26,435,645	16,134,237
Additions	2,325,740	19,281,908
Deposits Redeemed at Maturity	<u>(5,982,607)</u>	<u>(8,980,500)</u>
<b>At End of Year</b>	<b><u>22,778,778</u></b>	<b><u>26,435,645</u></b>
<b>Analysis of Held-to-Maturity Investments follows:</b>		
Maturing within 91 days	17,022,062	5,692,412
Maturing after 91 days	<u>5,756,716</u>	<u>20,743,233</u>
	<b><u>22,778,778</u></b>	<b><u>26,435,645</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:

	30.06.2016 TZS'000	30.06.2015 TZS'000
Cash and Bank Balances	3,575,276	2,217,113
maturing within 91 days (Note 12)	<u>17,022,062</u>	<u>5,692,412</u>
<b>TOTAL</b>	<b><u>20,597,338</u></b>	<b><u>7,909,525</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:

	30.06.2016	30.06.2015
	TZS'000	TZS'000
NBC Account	8,609	10,891
CRDB Main Account	588,960	134,010
CRDB Revolving Fund Account	837,235	85,446
CRDB Surplus Account	15,208	10,368
Bank ABC Gratuity Account	24,682	783,622
Bank ABC Building Fund	7,351	618,775
Bank ABC Sinking Fund	8,146	270,629
BOT-Energy Sector Capacity Building Project	54,503	54,503
Revenue and Collection Account-USD	722,579	-
Revenue and Collection Account - TZS	1,286,417	-
CRDB USD	<u>21,586</u>	<u>248,869</u>
<b>TOTAL</b>	<b><u>3,575,277</u></b>	<b><u>2,217,113</u></b>

#### 14. GRATUITY PAYABLE

Non-current liabilities portion at the statement of financial position date amounted to TZS 1,397,063,335. This is part of gratuity provision amounting to TZS 2,631,734,123 as analyzed below:

	30.06.2016	30.06.2015
	TZS'000	TZS'000
At start of the year	2,667,360	2,033,500
Charge for the Year	973,336	984,887
Released During the Year	<u>(1,008,962)</u>	<u>(351,027)</u>
<b>At End of Year</b>	<b><u>2,631,734</u></b>	<b><u>2,667,360</u></b>
Categorized As:		
Current Liabilities (Note 15)	1,234,671	927,989
Non-Current Liabilities	<u>1,397,063</u>	<u>1,739,371</u>
<b>TOTAL</b>	<b><u>2,631,734</u></b>	<b><u>2,667,360</u></b>

#### 15. TRADE AND OTHER PAYABLES

	30.06.2016	30.06.2015
	TZS'000	TZS'000
Trade Payables	3,065	3,886
Special Dividends Payable	28,969,884	-
Gratuity Payable (Note 14) within the year	1,234,671	927,989
Audit Fees	79,956	58,036
Annual Leave Payable	90,275	25,489
Withholding Tax	11,700	(19,949)
GPA Sinking Fund	382,089	269,955
Pensions Payable	12,374	-
EREA Fund	162,841	30,263
Other Payables and Accruals	<u>575,137</u>	<u>477,342</u>
<b>TOTAL</b>	<b><u>31,521,992</u></b>	<b><u>1,773,011</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

EWURA is answerable to the Ministry of Water and Irrigation and works closely with the ministry on all issues related to Water and Sanitation. The Authority also works hand in hand with the Ministry of Energy and Minerals on issues related to energy. Other related parties are members of the Board of Directors, Head of Divisions and Units who have significant influence over the Authority Affairs.

### Related Party Transactions

The following transactions were carried out with related parties:

#### A. Key Management Compensation

	30.06.2016	30.06.2015
	TZS'000	TZS'000
Salaries and other emoluments	2,332,545	1,738,649
Directors Fees	30,555	24,167
<b>Total Key Management Compensation</b>	<b><u>2,363,100</u></b>	<b><u>1,762,816</u></b>
Employees Post-employment Benefits:		
- Pension - Employer's Contribution	936,239	803,494
- Gratuity (Note 14) paid during the year	1,008,962	351,027
<b>Total Employee Post – employment Benefits</b>	<b><u>1,945,201</u></b>	<b><u>1,154,521</u></b>

### Directors Fees

During the year the Treasury Registrar reviewed the rates of Directors Fees which were consolidated to accommodate the suspended Sitting Allowances to Board Members. Directors Fees paid during the financial year under review included the difference between the old rates to the Members of the Board of Directors that is TZS 4,500,000 for Chairman and TZS 4,000,000 each for the other six (6) Members per annum and the new rates. The revised Directors fees came into effect on 1<sup>st</sup> June, 2016 when the old rates were already paid. The revised Directors Fees per annum are as follows; Chairman TZS 13,000,000 and other members of the Board TZS 12,000,000.

### Management Composition

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

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



### Employees Post-employment Benefits

The Authority contributes to the approved pension contribution plans for its employees to different Pension Funds including Parastatal Pension Fund (PPF), Public Service Pension Fund (PSPF), Government Employees Provident Fund (GEPF) or Local Authorities Pensions Fund (LAPF) and National Social Security Fund (NSSF). The Authority's contribution during the year ended 30<sup>th</sup> June, 2015 amounted to TZS 803,493,758. The Authority also contributed a total of TZS 44,925,483 to the Workers Compensation Fund. Contributions to these funds are recognized as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of 15% of employee's last basic monthly salary on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30<sup>th</sup> June, 2016 TZS 1.0 billion were released to staff whose contract came to an end.

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

	30.06.2016	30.06.2015
	TZS'000	TZS'000
Staff Revolving Loans	307,046	373,703
Salary Advances	312,087	232,428
Imprest	82,890	143,013
<b>TOTAL</b>	<b>702,023</b>	<b>749,144</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 30<sup>th</sup> June, 2016 loans amounting to TZS 307 million were outstanding.

## 18. COMMITMENTS

### Capital commitments

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

	30.06.2016	30.06.2015
	TZS'000	TZS'000
Property and Equipment	-	-
Software Development	580,800	-
Subtotal	580,800	-
<b>Other commitments</b>		
Consultancy Services	-	81,600
<b>Total commitments</b>	<b>580,800</b>	<b>81,600</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. The above amount represent value of work committed but not yet paid.

## 19. FINANCIAL RISK MANAGEMENT

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

**(a) Interest Rate Risk**

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

**(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. OPERATING LEASE COMMITMENTS

The Authority had Operating Leases for offices in which it carries out its operations. These leases were with LAPF (for EWURA Head Office and Central Zonal Office in Dodoma), NSSF for EWURA Zonal office in Mwanza, National Housing Corporation for Southern Highlands zonal office in Mbeya and PPF for Northern Zonal Office in Arusha. Expected future payments for the existing lease agreements were as follows;

Not later than one year	TZS 2,715,386,000
Later than one year	TZS <u>3,199,254,227</u>
<b>Total</b>	<b>TZS <u>5,914,640,227</u></b>

## 21. CONTROLLING ENTITY

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

## 22. FUNCTIONAL AND PRESENTATION CURRENCY

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

## 23. CONTINGENT LIABILITIES

There are pending Court cases to which EWURA is a party at various registries of the High Court, Fair Competition Tribunal, Commission for Mediation and Arbitration 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

	30.06.2016 TZS'000	30.06.2015 TZS'000
Staff Insurance – GPA	157,060	148,629
Transport Allowances	607,611	554,059
Annual Leave Package	185,847	110,400
Acting Allowance	129,912	107,914
Outfit Allowance	11,291	30,313
Funeral Expenses	4,200	16,256
Recruitment Costs	204,637	84,136
Compensation Allowance	211,215	260,777
Staff Relocation Costs	11,299	46,252
Staff Welfare Expenses	3,535	14,111
Housing Allowance	976,843	-
Utility Allowance	649,478	-
Security Allowance	<u>30,290</u>	-
<b>TOTAL</b>	<b><u>3,183,218</u></b>	<b><u>1,372,847</u></b>

### 2. CAPACITY BUILDING

Overseas Training	391,124	826,676
Local Training	<u>481,089</u>	<u>394,108</u>
<b>TOTAL</b>	<b><u>872,213</u></b>	<b><u>1,220,784</u></b>