



Energy and Water Utilities Regulatory Authority

ISO 9001: 2015 Certified



Annual Report

for the year ended 30th June 2017

The United Republic of Tanzania



Annual Report for the year ended 30th June 2017

Energy and Water Utilities Regulatory Authority,
Opposite Makumbusho Village, Kijitonyama,
P.O. Box 72175, Dar es Salaam
TANZANIA

December 2017

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ABBREVIATIONS AND ACRONYMS

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

LETTER OF TRANSMITTAL

Hon. Eng. Isack Aloyce Kamwelwe (MP),
Minister for Water and Irrigation,
Ministry of Water and Irrigation,
P. O BOX 456,
NBC Mazengo Branch,
DODOMA



Honourable Minister,

I have the honour to submit to you the Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June 2017 prepared in accordance with the requirement of Section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap 414.

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

I submit.



Eng. Prof. Jamidu H.Y. Katima

Chairman, EWURA Board of Directors

December 2017

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am honoured to submit this annual report summarising EWURA's performance for the Financial Year ending June 30th, 2017 to the general public. This being the second Annual Report under my Chairmanship, I am pleased with the performance we have achieved together as an institution and our key stakeholders in the regulated sector. Once again EWURA has ensured that the regulatory principles and values have guided our activities and functions to the admiration of our peer regulators within Africa.

Over the past 11 years EWURA has contributed to the country's economic development by ensuring quality and availability of services at value for money in the energy and water sectors through enhanced regulatory interventions. The same contribution has been realised during the year under reviewed as demonstrated in different chapters of this report.

During this period under review, the Board oversaw the preparation of the New Five Year Strategic Plan (2017/18 - 2021/22) which, among other things, modified the EWURA's mission, vision and core values to reflect the new demand in regulatory dispensation. It is my sincere hope the implementation of this new strategic plan will elevate the performance of the Authority to new heights.

Our efforts alone could not have been successful without full support of the Government of the United Republic of Tanzania through its Sector Ministries, i.e. Ministry of Water and Irrigation and the then Ministry of Energy and Minerals. My special thanks goes to Hon. Eng. Isack Kamwelwe (MP) (Minister for Water and Irrigation) and Hon. Dr. Medard Kalemani (MP) (Minister of Energy) for their continuous support and guidance during the year under review. The Permanent Secretaries of the same ministries and all the staff were always available to assist to ensure the regulate sectors were not interrupted in anyway.

I finally, take this opportunity to commend the Board members, Management and Staff for their undivided commitment, dedication and hard work during the year under review.



Eng. Prof. Jamidu H. Y. Katima

Board Chairman

DIRECTOR GENERAL'S STATEMENT

I have the honour and pleasure to present the 11th Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the period covering 1st July 2016 to 30th June 2017. This is the 11th year since EWURA became operational in 2006 with the role of overseeing economic and technical regulation of Energy (Electricity, Petroleum and Natural Gas) and Water sectors. During the year under review, EWURA initiated the migration of ISO 9001:2008 to ISO 9001:2015 as such, the Authority's operational procedures for implementing roles and functions continue to be internationally recognised. Furthermore, EWURA developed a New Strategic Plan that guides the Authority's operational objectives for the next five years to 2022.

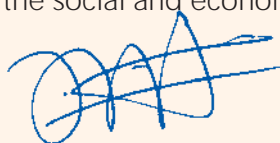
Notable activities in the petroleum sub-sector include the successful expansion of the Bulk Procurement System (BPS) whereby petroleum products are now imported through the Tanga port, which was recently issued with a petroleum products storage license, while EWURA continued to coordinate efforts for the Mtwara Port to become the third port for receiving petroleum products in the country.

Additionally, EWURA recorded various achievements, in the electricity sub-sector including increased level of awareness to the electrical installation contractors and development of several regulatory tools such as approval of Standardized Small Power Purchase Tariff, for the Main and Mini grids (effective 1st April 2017), guidelines for determination of tariffs for Hydro and Biomass sources as well as tariffs applicable to solar and wind projects with a capacity of up to 1 MW, publication of the indicative price for large power projects exceeding 10MW. Furthermore, EWURA continued carrying out inspections of electricity generators and TANESCO's distribution infrastructure to ensure that electric services are provided with as minimum interruption as practicable.

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

In the water sector, the Authority reviewed and approved tariff applications, customer service charters submitted from WSSAs and also conducted trainings on the preparation of business plans to District, Township and National projects.

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



Eng. Godwin Samwel

Ag. Director General

1.0. INTRODUCTION

This is the 11th Annual Report that presents the performance of the Energy and Water Utilities Regulatory Authority (EWURA) for the year that ended on 30th June 2017. 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 during 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.

VISION, MISSION AND CORE VALUES

Vision: To be a World Class Regulator of Energy and Water Services

Mission: To Regulate Energy and Water Services in a Transparent, Effective and Efficient Manner that Ensures their Availability, Quality and Affordability.

Core Values: The Authority's core values have been abbreviated as IMPACT as per details below;

- (a) **Impartiality:** EWURA staff shall treat all stakeholders with fairness. The duty of EWURA as a regulator is to set a level playing field and balance interests of all stakeholders.

- (b) **Morality:** EWURA staff shall ensure they uphold standards of right and good conduct.
- (c) **Professionalism:** EWURA staff shall attend to their duties with the highest degree of competence and skills.
- (d) **Accountability:** EWURA staff shall conduct their duties in a manner that shows readiness to take full liability and responsibility for their actions.
- (e) **Courtesy:** EWURA staff shall treat their clients and colleagues with politeness. Staff shall regard themselves as servants of the people.
- (f) **Transparency:** EWURA staff shall operate in an open manner. All their decisions shall be conducted without prejudice, with respect for the interests of all stakeholders and in a fair and completely transparent manner.

Motto: Fair Regulation for Positive IMPACT

STRATEGIC OBJECTIVES

The 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.

1.1. Objectives of the Report

This annual report for 2016/17 fulfils the following objectives:

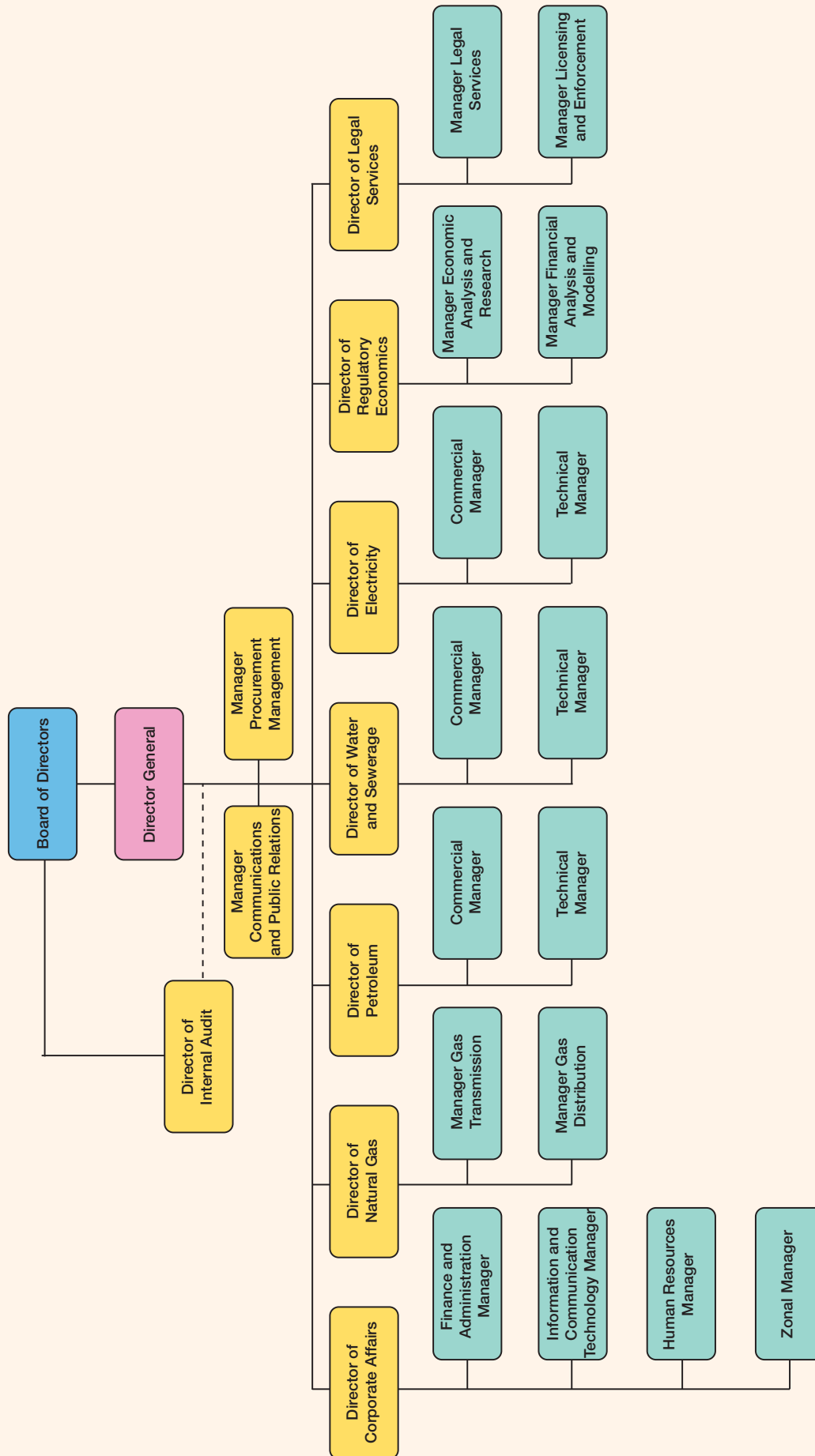
- (a) to comply with the requirements of Section 48 of EWURA Act, Cap. 414;
- (b) to inform the public on the Authority's performance in regulation of energy and water sectors;
- (c) to educate stakeholders of regulated sectors and the general public on regulatory matters; &
- (d) to provide a source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

1.2. Corporate Governance

EWURA 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 Communications and Public Relations; Manager Procurement Management; and Zonal Managers. The organisation structure is as shown in below.

1.3. Organisation Structure



1.3.1. 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.

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

BOARD OF DIRECTORS



Eng. Prof. Jamidu H. Y. Katima
Chairman



Mr. Omar S. Bendera
Deputy Chairman



Mr. Oswald R. Mutaitina
Member



Mr. Ahmad S.K. Kilima
Member



Mr. Richard M. Kayombo
Member



Mr. Felix M. Ngamlagosi
Member/ Director General

1.4. Management

The Director General is in charge of management and is assisted by divisional directors and heads of units. 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 Affairs and Director of Corporate Affairs. The Director of Internal Audit reports to the Board's Risk and Audit Committee on audit functions and to the Director General on administrative matters. Communications and Public Relations; Procurement Management and Zonal functions are headed by managers who report directly to the Director General.

MANAGEMENT



Mr. Felix M. Ngamlagosi
Director General



Eng. Charles Omujuni
Director of Natural Gas



Eng. Godwin Samwel
Director of Petroleum



Mr. Nzinyangwa Mchany
Director of Regulatory Economics



Mr. Baptista Mgaya
Director of Internal Audit



Eng. Godfrey Chibulunje
Director of Electricity



Eng. Exaud Fatael
Ag. Director of Water & Sanitations



Mr. Joctan Matogo
Ag. Director of Corporate Affairs



Mr. Edwin Kidiffu
Ag. Director of Legal Services



Mr. Deogratius Kumalija
Manager Procurement Management



Mr. Titus Kaguo
Manager Communications and Public Relations

1.5. General Performance Review

1.5.1. 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 29 Board Meetings were conducted, out of which 13 were ordinary and 16 were extraordinary.

1.5.2. 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 Risk and Audit, Legal and Corporate Affairs, Electricity and Natural Gas, Petroleum; and Water Committees. During the period under review, 22 meetings were conducted by these Committees as shown in Table 1.

Table 1: Board Committees Meetings

S/n	Board Committee	Number of Meetings
1	Risk and Audit	7
2	Legal and Corporate Affairs	6
3	Electricity and Natural Gas	3
4	Petroleum	3
5	Water	3
	Total	22

1.5.3. 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.

1.5.4. Litigation

During the year under review, the Authority was a party to 22 legal suits of which 12 cases were determined to finality and eight were still pending at various registries of the High Court of Tanzania, the Fair Competition Tribunal and Resident Magistrate Courts. The Authority was also a party to two labour cases at the Commission of Mediation and Arbitration (CMA).

1.5.5. Finance and Budget Administration

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

1.5.6. 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 (amendment) Act 2016 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 year under review, the Authority managed all procurements and disposal by Tender in accordance with Public Procurement (as amended) Act, 2011 where by Authority has planned to implement 29 tenders out of which 27 contracts were executed.

1.5.7. Code of Conduct

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

1.5.8. Internal Audit

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

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

1.5.9. Risk Management

During the year, EWURA initiated the process of establishing a risk management functions. The establishment was in line with the Government's Guidelines for Developing and Implementing Institutional Risk Management Framework in Public Sector issued by the Minister for Finance and Planning; and Treasury Registrar No.12 of 2012/13. During the period, the position of Risk Management Coordinator was created followed by developing Risk Management Policy and reviewing the 2011 Risk Management Framework.

2.0. GENERAL INSTITUTIONAL PERFORMANCE REVIEW

Over this period, the Authority performed various activities related to regulatory matters as summarised below:

2.1. Staffing and Institutional Capacity Building

2.1.1. Recruitment

The Authority maintained its recruitment policy by providing equal opportunity to all. In so doing, the Authority recruited the most appropriate candidates available in the market through a competitive and transparent process to ensure that the functions and duties of the Authority are performed efficiently and effectively. During the period under review, a total of 27 staff were recruited compared to 20 in the previous financial year 2016/17 thus bringing the number of staff to 123 out of 134 in the approved establishment. The increase was mostly driven by operationalisation of zone offices and improvement of service delivery. Staff gender structure is as indicated in **Table 2**.

Table 2: Staff as at 30th June 2017

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

2.1.2. Capacity Building

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 to improve their performance.

Additionally, the Authority in collaboration with the Public Service College and Tanzania conducted awareness training on HIV/ AIDS and working life skills, road safety to all the Authority staff. All staff, during the period under review fully participated in the migration to ISO 9001:2015 from the previous ISO 9001:2008.

2.2. 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.

2.3. Regulatory and Management Information Systems

The Authority's ICT System supports 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, publishes all decisions made by the Board of Directors.

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

A remote data backup has been improved to ensure the Authority's data and systems are secured in the event of disaster. The Authority continued to maintain an ICT infrastructure which ensures reliable services to staff and other stakeholders.

2.4. Public Register

Public Access Register is accessed by the public during office hours. The registry provides information for researchers and general public. Some of the information from the public access registry can be obtained from the Authority's website. It provides access to regulatory information and all regulatory decisions made by the Authority and published in the Government Gazette such as rules, tariff Orders, awards and licences.

2.5. Registry Operations

The registry collection continued to support the Authority's functions, active and semi-active records were maintained by the Authority. Document Management System has been installed to improve security; electronic management and storage, archival and disposal of documents within the Authority and speed up document flow within Authority hence improved services delivery to Authority's customers and other stakeholders.

2.6. Financial Performance Review

The Authority's operations are financed mostly 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 2016/17 amounted to TZS 43.2 billion indicating a decrease of 4.75% when compared to the previous financial year as shown in **Table 3**.

Table 3: Summary of Financial Performance

Item	Amount for the Year Ended 30 th June, 2017	Amount for the Year Ended 30 th June, 2016	%Increase/ (Decrease)
	TZS'000	TZS'000	%
Income from Levy and Licences	40,892,189	40,476,750	1.03
Other Income	2,260,128	4,825,960	(53.17)
Total Income	43,152,316	45,302,710	(4.75)
Re-current Expenditure	40,307,614	36,793,197	9.55
Capital Expenditure	1,513,133	788,826	91.82
Total Expenditure	41,820,747	37,582,023	11.28

2.7. Key Achievements and Challenges

Key achievements made; and challenges experienced by the Authority during the year under review are outlined in the following section.

2.7.1. Key Achievements

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

- Finalised migration process from ISO (International Organisation of Standardisation) certificate ISO 9001:2008 to ISO 9001:2015.
- The Authority established the risk management function by forming a Risk Coordinating Unit.
- The Authority established a free toll number and implemented the use of Licencing and Order Information System (LOIS) that has simplified communication with customers and general public.
- Resolution 115 complaints across all the regulated sectors which 62 were for petroleum, 20 for electricity and 33 for water.

2.7.2. Key Challenges

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

- Supply of petroleum products in rural areas is still a challenge whereby supply of petroleum products is done in manner that is not compliant to HSE because there are few petrol stations or the existing ones are substandard. The Authority has prepared the Petroleum (Retail Operations in Townships and Villages) Rules to enable construction of least cost petrol stations in remote areas that will be HSE compliant. Also, EWURA is evaluating other means through which petroleum products can safely be distributed in remote areas at reasonable costs.
- There are 131 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.
- EWURA has developed regulatory tools to attract private investments in electricity sub sector, however, the pace of investment is not sufficient to meet the rapid growing demand. EWURA, in collaboration with the Government and other stakeholders is working on strategies to increase electrification.

3.0. ENERGY SUB-SECTOR PERFORMANCE AND REGULATION

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

3.1. Electricity Sub-Sector

3.1.1. Overview

Regulatory activities performed by EWURA 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 infrastructure of regulated entities to ensure quality and reliability of services. The infrastructure of regulated entities include power generating plants, power transmission lines, distribution substations and lines.

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 cables¹ to Unguja and Pemba Islands. Other players include Independent Power Producers (IPPs), Small Power Producers (SPPs) and Small Power Distributors (SPDs) as shown in **Figure 1**.

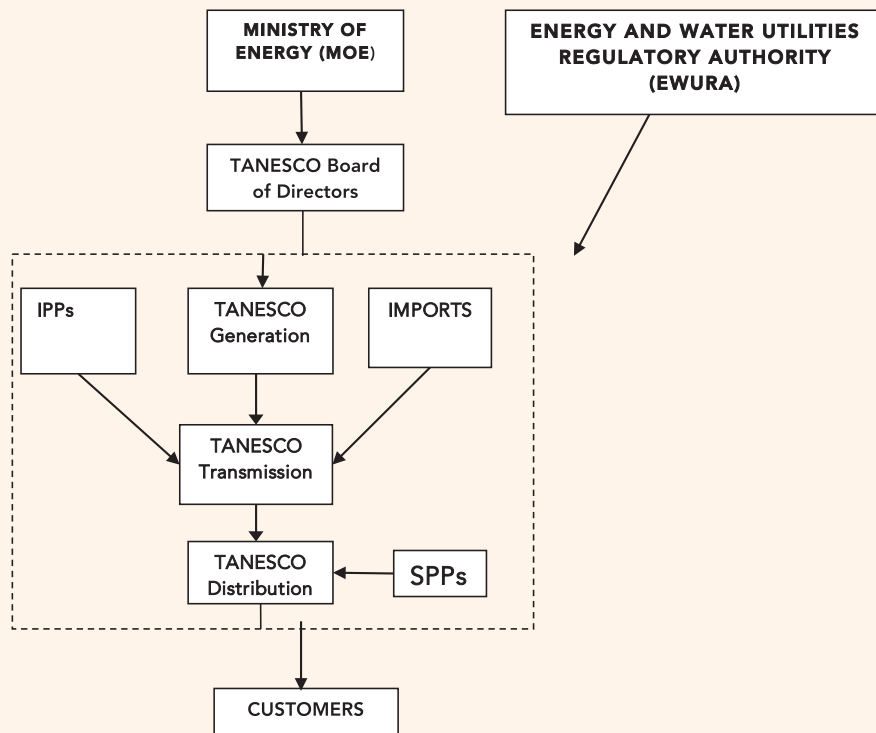


Figure 1: Electricity Supply Industry Structure

¹ Two 132 kV cables to Zanzibar and one 33kV to Pemba

During the reporting period, 12 providers were 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 Company Limited, Yovi Hydropower Company Limited, Darakuta Hydropower Development Company Limited and Matembwe Village Company Limited. Service providers actively carrying out distribution and supply activities are TANESCO and Mwenga Hydropower Limited. The power transmission services are still under TANESCO monopoly.

3.1.2. Licensing

3.1.2.1. Power Supply Licensing

During the period under review, the Authority approved 16 generation licences, four operational generation licences, three generation for own use, and nine provisional generation licences, with a potential generation capacity of 150 MW, compared with nine licences issued in the last Financial year with 627 MW potential generation capacity. There was one provisional generation licence transferred from Tangulf Express Ltd to Tangulf Nakatuta Energy. There was no pending application at the end of the financial year.

3.1.2.2. Power Supply Registration

Service providers of electricity services conducting generation, distribution and supply with capacity below 1 MW are not required by the law to be licensed, but, they are required to be registered by the Authority. During the period under review, the Authority registered two service providers namely Power Corner Tanzania Limited that is conducting generation and distribution activities with installed capacity of 15.6 kW at Orkejeloongishu Village in Kitumbeine Ward Longido District and Nasra Estates Co. Limited conducting generation activities with installed capacity of 800 kW in Dar es Salaam Region.

3.1.2.3. Electrical Installation Licences

During this period, the Authority received a total of 816 licence applications for electrical installations personnel as compared to 262 received in the last financial year, which show an increase of 211.45%. During this period, 656 licences for electrical installations personnel were issued to successful applicants while 160 were not approved due to various reasons including inadequate qualifications and experience for the Class applied. Details of different classes of licence issued are shown in **Table 4**.

Table 4: Electrical Contractors and Wiremen license applied and issued

S/No	Licence Class	Licences Issued
1	A	10
2	B	64
3	C	215
4	D	266
5	W	99
6	S	2
7	L	0
TOTAL LICENCES ISSUED		656

Source: EWURA

3.1.3. Performance Monitoring

3.1.3.1. 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.

3.1.3.2. Monitoring and Inspection

During the Financial Year under review, the Authority conducted routine inspections on Low Voltage (LV) and Medium Voltage (MV) distribution networks. The inspections were conducted in 19 regions of Mara, Lindi, Mwanza, Kigoma, Morogoro, Dodoma, Singida, Kagera, Arusha, Geita, Tabora, Mbeya, Kilimanjaro, Ruvuma, Tanga, Manyara, Shinyanga, Iringa, and Njombe. Among the defects found during inspection were rotten poles, leaning insulators, transformer oil leakages and unrated fuse wires. Also, in some areas low voltage was caused by lines extended beyond the standard limit and overloaded transformers. The Authority instructed TANESCO to rectify the anomalies as detailed in the inspection reports given to them. Over the period, the Authority conducted 11 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.

3.1.4. 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.

3.1.5. Generation Capacity

The Authority's monitoring activities revealed that the installed capacity in the Main Grid was 1,367 MW while for the Isolated Grid was 91 MW. The maximum demand attained was 1,051 MW, recorded on 14th February 2017. During the period under review, a total of 7,100 GWh were available for sale as shown in **Table 5**, which implies a 10% increase as compared to 6,449 GWh reported during the previous financial year. These units were received from TANESCO plants, IPPs, SPPs and imports from neighbouring countries.

Table 5: Electricity Generation and Imports

No.	Utility	Electricity Generation and Imports [GWh]	Percentage of Contribution [%]
1	TANESCO	5,351.12	75.36%
2	Songas	1,437.17	20.26%
3	IPTL	143.88	2.03%
5	Small Power Producers	65.35	0.92%
7	Cross Border Imports	101.77	1.43%
	Total	7,100.29	100%

Source: EWURA

3.1.6. Generation Mix

During the reporting period, the electricity generation mix consisted of hydropower 34%, natural gas 59%, liquid fuel 6% and biomass 0.3% as shown in **Figure 3**. The increase in hydropower generation was due to good hydrology at the catchment areas of the main dams. Completion of the gas pipeline from Mtwara to Dar es Salaam and capacity increase at Ubungo II increased electricity generation from natural gas. Capacity of Ubungo II was increased from 105 to 121 MW. The liquid fuel contribution went down due to less dispatch of electricity from IPTL.

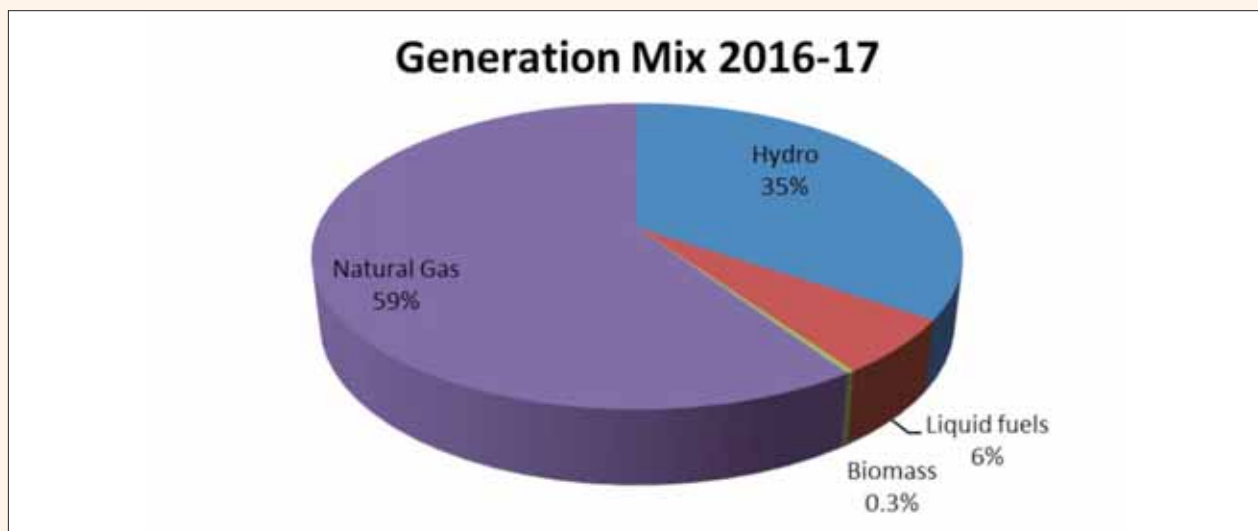


Figure 2: Electricity Generation Mix 2016-17

3.1.7. Tariff Review and Approval of Power Projects

3.1.7.1. Small Power Projects Tariff

The Authority approved Standardised Small Power Purchase Tariff effective from 1st April 2017, for SPPs as shown in the **Tables 6 and 7**.

Table 6: Main Grid Connection using Avoided Cost Tariff

Description		2016 Tariff (TZS/kWh)	2017 Approved Tariff (TZS/kWh)	Percentage Change
Standardized Small Power Purchase Tariff		190.46	203.11	6.64%
Seasonally adjusted Standardized SPPT Payable in	Dry season	228.58	243.73	6.64%
	Wet season	171.42	182.80	6.64%

Table 7: Mini Grid Connection using Avoided Cost Tariff

Description	2015 Tariff (TZS/kWh)	2016 Approved Tariff (TZS/kWh)	Percentage Change
Standardized SPP Tariff	477.16	499.25	4.84%

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

Table8: 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	0.165
Standardized Small Power Purchase Tariff for Solar and Wind projects of up to 1MW connected to the Mini Grid	0.181

3.1.7.2. Approval for Initiation of Procurement of Power Projects and Power Purchase Agreements

During this financial year, EWURA approved initiation of procurement of two power projects; Kikagati Power Company Limited (KPCL) for development of a 14 MW hydropower project located at the border townships of Kikagati (in Uganda) and Murongo (in Kyerwa District of Tanzania) and 200-350MW Combine Cycle Gas Power Project to be implemented by TANESCO at Somanga Fungu in Kilwa District. Furthermore, EWURA reviewed and approved the PPA between KPCL and TANESCO for the 14 MW hydropower project.

3.1.8. Regulatory Tools

During this period, EWURA reviewed and prepared 10 sets of legislative tools as shown hereunder:

- (a) The (Development of Small Power Projects) Rules, Government Notice No. 217
- (b) The Electricity (Licensing Fees) Rules, Government Notice No. 287
- (c) Electricity (System Operations Services) Rules, Government Notice No. 324
- (d) The Electricity (Market Operations Services) Rules, Government Notice No. 325
- (e) The Electricity (Supply Services) Rules, 2017, Government Notice No. 4
- (f) The Electricity (Procurements of Power Projects and Approval of Power Purchase Agreements) Rules, Government Notice No. 245
- (g) The Electricity (Development of Small Power Projects) Rules, Government Notice No 440
- (h) Electricity (Net Metering) Rules, 2017, Government Notice No 441
- (i) Electricity (Grid and Distribution Code) Rules, Government Notice 2017 No 451

3.1.9. Complaints and Dispute Resolutions

During the period under review, a total of 156 complaints were attended by the Authority on various matters related to electricity sub-sector that were raised by customers of which 62 were resolved.

3.1.10. Health, Safety and Environmental Matters

EWURA 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, EWURA carried out inspection of power supply facilities, including power stations, substations, and distribution lines.

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

3.2. Petroleum Sub-Sector Performance And Regulation

3.2.1. Overview

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

3.2.2. Petroleum Products Supply and Stock Monitoring

3.2.2.1. Petroleum Products Imports

The country continued to import petroleum products through Oil Marketing Companies (OMCs) using BPS as coordinated by the Petroleum Bulk Procurement Agency (PBPA), a Government Agency responsible for the implementation of BPS.

During the period under review, a total of 5,199,814,483 litres of petroleum products were imported into the country through Dar es Salaam and Tanga ports as compared to 5,531,194,726 litres (equivalent to a decrease of 6%) imported in the previous financial year. Out of imported volume 3,170,697,159 litres (equivalent to 61% of the total imports) were for the local market and 2,029,117,323 litres (equivalent to 39% of the total imports) were for transit.

Dar es Salaam continued to be the main port for receiving petroleum products and accounted for 99% of all imports while Tanga port accounted for 1%. The Authority initiated the process for Mtwara port to receive bulk petroleum products as a third alternative to Dar es Salaam and Tanga ports. This initiative is aimed at decongesting Dar es Salaam port and nurturing the Southern regions economic activities. Initial assessment of the port, storage facilities and products demand in the Southern regions were done involving all key stakeholders. On the other hand, the Authority stopped Oryx Energy Tanzania to import diesel from Kenya through Sirari border on behalf of North Mara Gold Mine, which was against BPS Regulations. **Table 9 & Table 10** present the volumes of local and transit imports respectively for the financial year 2016/17.

Table 9: Petroleum Products Imports for the Local Market

MONTH	AGO (Lt)	PMS (Lt)	IK (Lt)	JET A1 (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-16	185,815,604	83,317,363	4,049,495	26,521,401	-	299,703,864
Aug-16	142,609,987	73,134,020	6,048,021	22,422,654	7,093,950	251,308,632
Sep-16	151,177,275	99,953,048	3,311,084	19,034,310	7,093,950	280,569,667
Oct-16	133,581,636	82,201,814	200,000	22,822,636	-	238,806,086
Nov-16	53,659,436	66,930,988	4,282,955	23,201,948	15,655,450	163,730,778
Dec-16	109,485,481	48,916,169	2,687,464	19,158,123	32,612,170	212,859,406
Jan-17	123,866,676	39,192,399	2,272,969	12,999,188		178,331,232
Feb-17	112,648,188	75,344,036	794,877	18,859,311	-	207,646,411
Mar-17	93,370,625	82,451,785		12,135,008	22,188,529	210,145,948
Apr-17	92,420,003	53,812,639	1,128,246	15,394,035		162,754,924
May-17	75,443,928	54,823,939	978,551	16,936,649		148,183,067
Jun-17	105,529,141	78,930,449	1,001,413	15,907,399	-	201,368,403
Add Localized Jul-16 to June-17	367,937,762	239,118,969	2,069,400	14,784,402	15,674,931	639,585,464
TOTAL	1,747,545,742	1,078,127,619	28,824,476	240,177,064	100,318,980	3,194,993,881
FY 2015/16	1,914,912,293	1,121,236,136	46,049,814	217,033,566	181,092,210	3,480,324,018
% CHANGE	-8.7%	-3.8%	-37%	10.7%	-44.6%	-8.2%

Source: EWURA

Table 10: Transit Petroleum Products Imports

MONTH	AGO (Lt)	PMS (Lt)	JETA1/IK (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-16	204,070,886	104,027,401	6,700,694	-	314,798,981
Aug-16	140,605,938	94,679,871	10,550,627	-	245,836,436
Sep-16	130,205,350	114,340,141	4,081,120	-	248,626,611
Oct-16	146,503,811	90,102,806	13,951,506	-	250,558,123
Nov-16	96,549,226	120,428,738	10,011,176	7,323,370	234,312,509
Dec-16	138,658,604	52,126,244	6,463,963	-	197,248,811
Jan-17	146,195,172	60,061,434	5,656,000	-	211,912,607
Feb-17	109,586,649	94,968,844	6,012,897		210,568,390
Mar-17	97,048,367	110,500,219	7,480,297	11,263,101	226,291,984
Apr-17	82,944,292	66,254,251	8,105,290	-	157,303,833
May-17	99,190,465	86,458,565	10,910,208	-	196,559,238
Jun-17	80,084,228	56,838,131	13,466,185	-	150,388,544
Less Localized Jul-16 to June-17	367,937,762	239,118,969	16,853,802	15,674,931	639,585,464
TOTAL	1,103,705,226	811,667,675	86,536,160	2,911,540	2,004,820,602
FY 2015/16	1,193,685,277	799,306,298	71,390,074	(13,510,941)	2,050,870,708
% CHANGE	-8%	2%	21%	-122%	-2%

Source: EWURA

3.2.2.2. Petroleum Products Stock Monitoring

During this period, the Authority continued to monitor stock levels of petroleum products to ensure that the country had adequate supply of petroleum products at all times. There was no major stock out incident of petroleum products except for few minor incidents of shortage of petrol recorded in Mtwara, Ruvuma and Mbeya in July 2016. The shortage was caused by insufficient stock holding levels by some retail operators during a long public holiday which was followed by a weekend. To avoid recurrence of such similar incidents, EWURA took appropriate actions against the relevant operators.

3.2.2.3. Liquefied Petroleum Gas (LPG) Imports

During this period, the Authority continued to monitor imports of LPG in the country. A total of 107,083 MT of LPG was imported into the country by LPG Marketing Companies (LMCs) as compared to 71,311 MT imported in the last financial year 2015/16, an increase of 35,772 MT, equivalent to 50%. A significant increase of LPG imports during the period under review may be attributed to continued initiatives by the Authority through increased awareness campaigns on the use of LPG, as well as improved marketing strategies by LMC'S. During the period under review the Authority witnessed growth of LPG export to Kenya, which might have contributed to LPG increased imports in the country. The Authority continued conducting awareness campaigns across the country to advocate the benefits of using LPG. **Table 11** shows the quantity of LPG imported in the two periods. Also, during the period under review, the Authority conducted a meeting with key LPG stakeholders to deliberate on issues hindering the commencement of procurement

of LPG through Bulk Procurement System (BPS) as required under the BPS Regulations, priority issues that need to be worked on were outlined for action before including LPG into BPS.

Table 11: LPG Imports and Consumption

MONTH	MT
Jul-16	10,619
Aug-16	8,297
Sep-16	9,251
Oct-16	7,025
Nov-16	10,587
Dec-16	8,777
Jan-17	9,338
Feb-17	10,752
Mar-17	7,109
Apr-17	5,673
May-17	9,593
Jun-17	10,061
FY2016/17	107,083
FY2015/16	71,311
% Change	50%

Source: EWURA

3.2.2.4. OMCs Sales Performance and Market Shares

The Authority continued to monitor sales performance of OMCs for all key petroleum products across the country by obtaining and compiling their sales volumes. During this period, Oil Marketing Companies (OMCs) sold a total of 3,197,593 litres of petroleum products in the country which is a drop of 3% compared to 3,297,934,192 litres sold in the previous financial year. Consumption of Petrol and Kerosene increased while the consumption of Diesel, Heavy Fuel Oil (HFO), Jet A1 and IDO decreased. The increase in consumption of Petrol may be attributed to the increase in light motor vehicles and motor cycles usages whereas increase in Kerosene consumption may be attributed to the rising cost of charcoal and scarcity of firewood especially in cities and townships. Decrease in Diesel consumption is likely to be caused by the shrinkage in the usage of Diesel and HFO for electricity generation which have been replaced by natural gas. **Table 12** below shows the petroleum products consumptions based on the OMCs sales performance.

Table 12: Petroleum Products Consumption in the FY 2016/17 and FY 2015/16

PRODUCT	AGO (LT)	PMS (LT)	IK (LT)	HFO (LT)	JET A1 (LT)	IDO (LT)	TOTAL (LT)
FY 2016/17	1,686,155,479	1,182,265,197	54,759,530	84,422,184	189,348,699	592,000	3,197,543,089
FY 2015/16	1,769,662,575	1,102,639,470	43,459,807	171,424,018	206,273,822	4,474,500	3,297,934,192
% CHANGE	-5%	7%	26%	-51%	-8%	-87%	-3%

Source: EWURA

The petroleum market in the country remained competitive and fairly distributed among different oil marketing companies. During the review period, three (3) OMCs; Oryx Energies, GBP Tanzania Limited and PUMA Energy had their market shares equal to or more than 10%. Oryx Energies had the highest market share of 13.2% followed by PUMA Energy with a market share of 12.8% and GBP Tanzania Limited with a market share of 10%. Other OMCs had market shares below 10% as indicated in **Table 13** and **Figure 3**

Likewise, Camel Oil had a market share of 9.1% which is also high due to retail network expansion, pump prices discounts offered to customers as well as acquisition of some major clients especially in the power generation where Heavy Furnace Oil (HFO) is significantly consumed. Total Tanzania Limited and MOIL attained market shares of 8.3% and 5.6% respectively while the rest of the OMCs attained market shares below 5%. Annual sales for diesel remained the highest (53%), followed by petrol (37%), Jet A1 (6%), HFO (3%) and Kerosene (2%). **Table 13** and **Figure 3** shows the OMCs petroleum market shares in the period under review.

Table 13: Petroleum Sales Market Shares: July 2016- June 2017

NAME OF OMC	AGO (LT)	PMS (LT)	IK (LT)	HFO (LT)	JET A1 (LT)	IDO (LT)	TOTAL (LT)	MARKET SHARE
ORYX	257,001,870	124,994,629	10,852,168	29,553,346	-	200,000	422,602,013	13.2%
PUMA	177,185,419	83,118,590	656,485	1,786,000	145,686,290	-	408,432,784	12.8%
GBP	178,563,147	118,004,063	4,724,641	18,594,433	-	-	319,886,284	10.0%
CAMEL OIL	161,585,594	112,659,763	-	16,025,550	-	-	290,270,907	9.1%
TOTAL	135,093,189	84,900,990	3,807,750	18,462,855	23,120,455	392,000	265,777,239	8.3%
MOIL	92,427,681	80,481,107	7,505,463	-	-	-	180,414,251	5.6%
OILCOM	70,536,531	56,185,020	15,281,600	-	16,076,000	-	158,079,151	4.9%
STAR OIL	61,417,341	55,476,597	-	-	-	-	116,893,938	3.7%
MOGAS	55,571,525	54,766,785	1,130,270	-	-	-	111,468,579	3.5%
ACER	48,815,854	40,401,315	735,773	-	-	-	89,952,942	2.8%
MT.MERU	58,438,995	22,625,350	782,260	-	-	-	81,846,605	2.6%
HASS	49,547,349	18,120,149	119,000	-	-	-	67,786,498	2.1%
ENGEN	33,768,971	14,903,044	248,000	-	-	-	48,920,014	1.5%
PETRO FUEL	46,117,893	-	-	-	-	-	46,117,893	1.4%
DALBIT	18,692,600	12,949,662	1,434,589	-	-	-	33,076,851	1.0%
PETRO AFRICA	14,548,098	1,094,826	-	-	-	-	15,642,924	0.5%
DELTA	4,145,558	4,305,400	-	-	-	-	8,450,958	0.3%
PRIME REGIONAL	4,932,199	108,702	-	-	826,706	-	5,867,607	0.2%
OTHERS	217,765,664	297,169,206	7,481,531	-	3,639,248	-	526,055,650	16.5%
TOTAL	1,686,155,479	1,182,265,197	54,759,530	84,422,184	189,348,699	592,000	3,197,543,089	100.0%

Source: EWURA

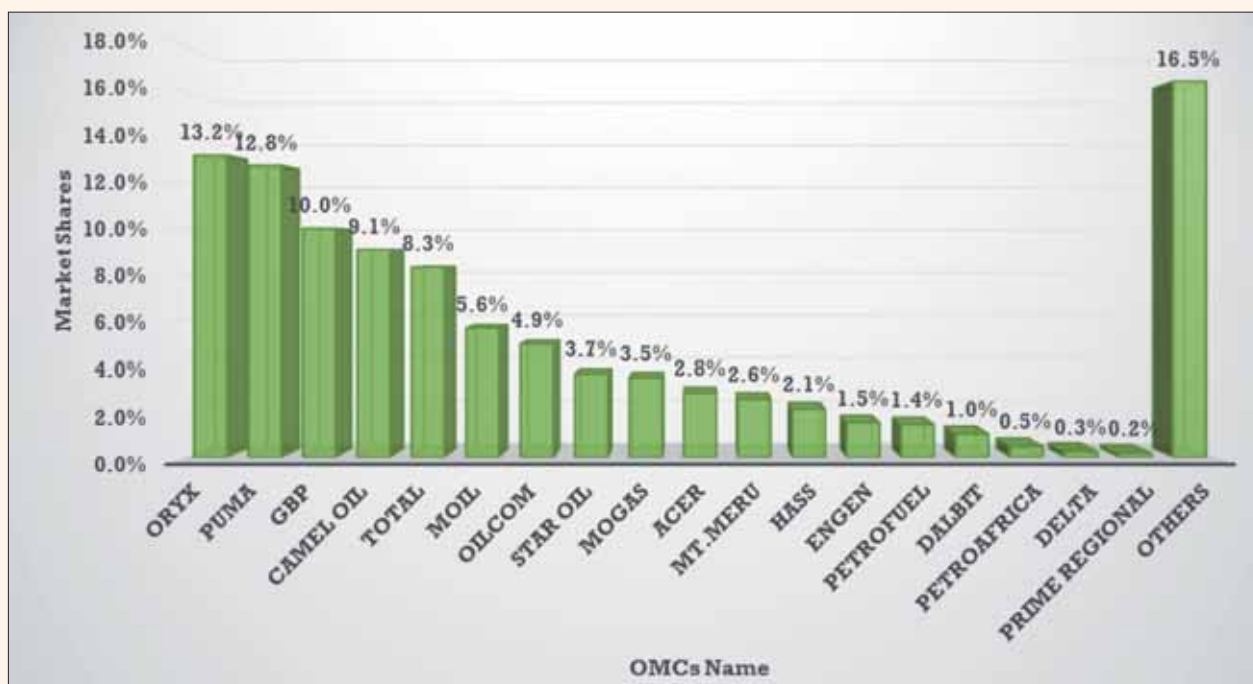


Figure 3: OMCs Market Shares in the Financial Year 2016/17

3.2.3. Petroleum Products Prices

3.2.3.1. Crude Oil Prices

During the year under review, the Authority continued to closely monitor the world market prices for both crude oil and refined petroleum products as published by Platt's Oilgram. Mediterranean (MED) market continued to be a source for petrol world oil prices whereas Arabian Gulf (AG) market was a source of diesel and Jet A1/Kerosene oil prices. During this period, prices of crude oil in the world market continued to fluctuate, annual average crude oil price was USD 50 USD/BBL compared to USD 43 USD/BBL in the financial year 2015/16 reflecting an increase of 15%.

Table 15 and **Figure 4** show the monthly average crude oil prices in the period under review. Due to the rise and fall of crude oil prices in the world market, local market prices in the country were also affected because the country is a net importer of refined petroleum products.

Table 14: Monthly Average Crude Oil World Market Price Trends FY 2016/17.

PERIOD	CRUDE OIL PRICE, BRENT BLEND (USD/BBL)
Jul-16	45
Aug-16	46
Sep-16	47
Oct-16	50
Nov-16	45
Dec-16	54
Jan-17	55
Feb-17	55
Mar-17	52

PERIOD	CRUDE OIL PRICE, BRENT BLEND (USD/BBL)
Apr-17	52
May-17	50
Jun-17	46
FY2016/17	50
FY2015/16	43
% Change	15%

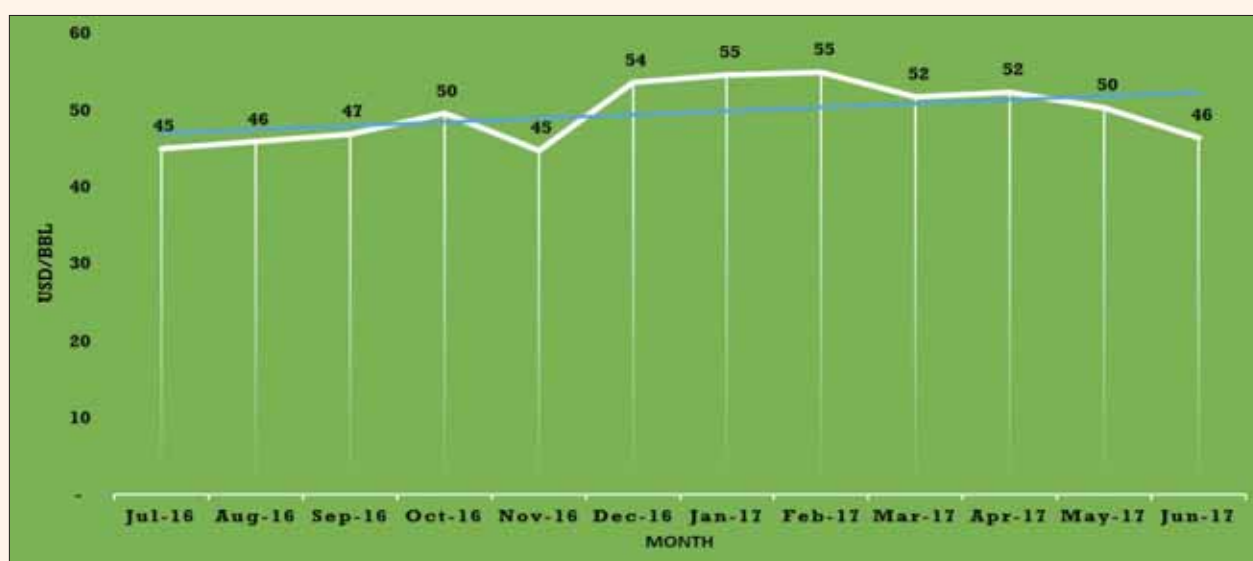


Figure 4: A Crude Oil Price Trends in the Financial Year 2016/17

3.2.3.2. Refined Petroleum Products Prices in the World Market

During this financial year, the Authority continued to monitor movement of refined petroleum products prices both in the world and local markets. Average Freight on Board (FOB) prices for refined petroleum products in the world market stood at 503 USD/MT, 444 USD/MT and 460 USD/MT as compared to the prices in the last financial year of 477 USD/MT, 379 USD/MT and 406 USD/MT for petrol, diesel and kerosene respectively. Average world market prices for Petrol, Diesel and Kerosene rose by 6%, 17% and 13% respectively compared to last financial year, as can be shown in **Table 15** and **Figure 4**

Table 15: Refined Petroleum Products World Market Prices in FY 2016/17.

Month	Petrol (USD/MT)	Diesel (USD/MT)	Kerosene (USD/MT)
Jul-16	486	406	425
Aug-16	487	433	451
Sep-16	457	409	414
Oct-16	456	394	410
Nov-16	474	405	427
Dec-16	495	452	469
Jan-17	497	421	442

Month	Petrol (USD/MT)	Diesel (USD/MT)	Kerosene (USD/MT)
Feb-17	502	468	499
Mar-17	542	485	504
Apr-17	557	505	510
May-17	531	470	476
Jun-17	555	480	497
Average FY 2016/17	503	444	460
Average FY 2015/16	477	379	406
% Change	6%	17%	13%

3.2.3.3. Petroleum Products Local Market Prices

During the period under review, the Authority continued to set cap prices for the three main petroleum products; petrol, diesel and kerosene. Cap prices were published on monthly basis in accordance with the Petroleum (Price Setting) Rules, 2016 to cover Wholesale Prices in Dar es Salaam and Tanga and retail pump prices in all districts and major towns in Tanzania Mainland.

In between July 2016 and June 2017, average pump prices in Dar es Salaam were as follows; 1,938 Tsh/Lt, 1,805 Tsh/Lt and 1,759 Tsh/Lt compared to 1,970 Tsh/Lt, 1,751 Tsh/Lt and 1,709 Tsh/Lt for petrol, diesel and kerosene respectively recorded in the last financial year. **Table 16** and **Figure 5** show the Dar es Salaam Petroleum Products Cap Prices trend for the period under review.

Table 16: Dar es Salaam Pump Prices Trend in FY 2016/17.

Month	Petrol (Tsh/Lt)	Diesel (Tsh/Lt)	Kerosene (Tsh/Lt)
Jul-16	1,888	1,720	1,687
Aug-16	1,905	1,811	1,759
Sep-16	1,840	1,747	1,673
Oct-16	1,827	1,699	1,658
Nov-16	1,860	1,720	1,669
Dec-16	1,890	1,798	1,737
Jan-17	1,890	1,732	1,700
Feb-17	1,959	1,861	1,852
Mar-17	2,060	1,913	1,852
Apr-17	2,057	1,925	1,858
May-17	2,027	1,844	1,842
Jun-17	2,052	1,888	1,825
FY 2016/17	1,938	1,805	1,759
FY 2015/16	1,970	1,751	1,709
% Change	-2%	3%	3%

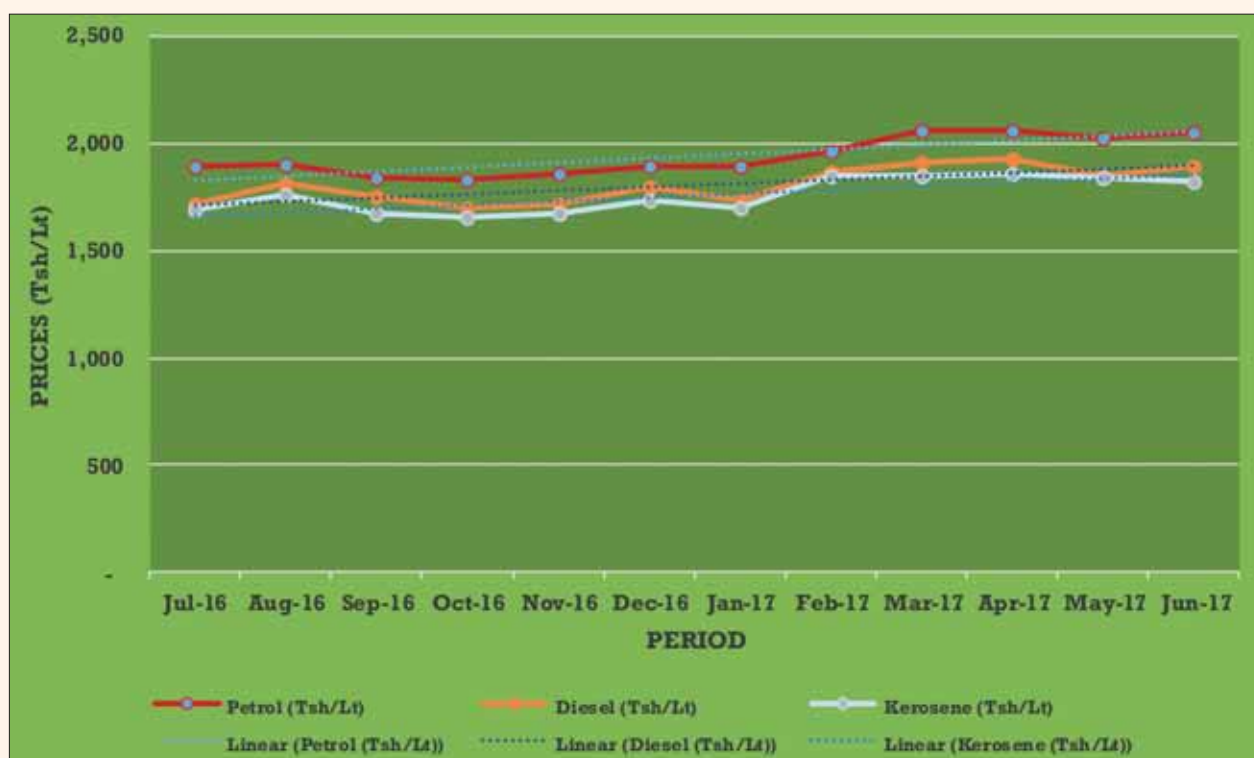


Figure 5: Dar es Salaam Pump Prices Trend in FY 2016/17.

3.2.3.4. Exchange Rates

During the year under review, the Authority, through the Bank of Tanzania (BOT) continued to monitor USD exchange rates that are applicable specifically for purchase of imported petroleum products. The Bank of Tanzania (BoT) assisted the Authority by availing information of all OMCs that purchased Forex through commercial banks.

As stated elsewhere in this report, the country is a net importer of petroleum products, and purchase of these products is via payments in foreign currency, the United States Dollar (USD) being the most used currency. Fluctuations in the exchange rates of the USD to a Tanzania Shilling has a direct influence on the petroleum products local market prices.

The average exchange rate in the year under review was 2,216 TZS/USD, a slight increase of 2% compared to 2,183 TZS/USD which was an exchange rate in the financial year 2015/16. **Table 17** and **Figure 6** show the exchange rate movements in the financial year 2016/17.

Table 17: Monthly Exchange Rates Trend for the FY 2016/17 and FY 2015/16.

FY 2016/17	Applicable Exchange rate (TSH/USD)	FY 2015/16	Applicable Exchange rate (TSH/USD)
Jul-16	2,198	Jul-15	2,254
Aug-16	2,192	Aug-15	2,065
Sep-16	2,186	Sep-15	2,191
Oct-16	2,179	Oct-15	2,234
Nov-16	2,185	Nov-15	2,158
Dec-16	2,183	Dec-15	2,144
Jan-17	2,178	Jan-16	2,144
Feb-17	2,255	Feb-16	2,189
Mar-17	2,294	Mar-16	2,223
Apr-17	2,258	Apr-16	2,207
May-17	2,236	May-16	2,199
Jun-17	2,245	Jun-16	2,200
Average Exch. Rate (TSH/USD)	2,216		2,183
% Change	2%		



Figure 6: Monthly Average Exchange Rates for FY 2016/17.

3.2.3.5. Petroleum Bulk Procurement System (BPS)

The country continued to import its petroleum products requirements through BPS the under the coordination of Bulk Procurement Agency (PBPA). The Authority continued to monitor the BPS process and ensure compliance of the same to the BPS Regulations.

During this financial year, the Authority and PBPA amended the BPS tender award criteria from weighted average premiums to cargo-by- cargo premium (multiple suppliers for the month's product requirement), this change is aimed at enabling many bidders to participate in the BPS tenders. In the period under review, 49 contracts were awarded to the winning suppliers as follows:

Company	Tenders won
Sahara energy (T) Ltd	13
Addax Energy SA	12
Oryx Oil (T) Ltd	11
Trafigura PTE Ltd	6
PUMA Tanzania Ltd	5
Augusta Energy SA	1
Enoc Africa Limited	1

The average premiums in the period under review for AGO, PMS, Jet A1/IK were 22.06 USD/MT, 25.44 USD/MT and 39.41 USD/MT compared to average premiums of 39.28 USD/MT, 40.89 USD/MT and 49.36 USD/MT, respectively, recorded in the last financial year as shown in **Figure 7**.

Table 18: List of BPS Suppliers for the FY 2016/17

S/N	Month	Tender No.	Tender Winner	AGO (USD/MT)	PMS (USD/MT)	JET A1 (USD/MT)	IK (USD/MT)
1	Jul-16	CPP5	AUGUSTA ENERGY SA	42.19	45.42	54.79	54.79
2	Aug-16	CPP6	ADDAX ENERGY SA	25.97	9.57	59.87	59.87
3	Sep-16	CPP7	ADDAX ENERGY SA	25.50	10.55	30.27	30.27
4	Oct-16	CPP8	TRAFIGURA ENERGY SA	22.70	10.55	30.27	30.27
5	Nov-16	CPP9	ADDAX ENERGY SA	18.99			
6	Nov-16	CPP9	ADDAX ENERGY SA	14.97			
7	Nov-16	CPP9	TRAFIGURA ENERGY SA		8.80		
8	Nov-16	CPP9	TRAFIGURA ENERGY SA		9.20		
9	Nov-16	CPP9	TRAFIGURA ENERGY SA		1.50		
10	Nov-16	CPP9	ADDAX ENERGY SA			21.12	21.12
11	Dec-16	CPP10	ADDAX ENERGY SA	13.80	18.30	36	36
12	Dec-16	CPP10	ADDAX ENERGY SA	15.06	18.30		
13	Dec-16	CPP10	ENOC AFRICA LTD		17.88		
14	Jan-17	CPP/AGO/C1-SPM	SAHARA ENERGY (T) LTD	22.93			
15	Jan-17	CPP/AGO/C1-SPM	SAHARA ENERGY (T) LTD	20.27			
16	Jan-17	CPP/JET A1& IK/KOJ1	SAHARA ENERGY (T) LTD			43.33	43.33
17	Jan-17	CPP/PMS/C1-KOJ1	ORYX OIL (T)LTD		28.00		
18	Jan-17	CPP/PMS/C2-KOJ1	ORYX OIL (T)LTD		28.00		

S/N	Month	Tender No.	Tender Winner	AGO (USD/ MT)	PMS (USD/ MT)	JET A1 (USD/ MT)	IK (USD/ MT)
19	Jan-17	CPP/PMS/C3-KOJ1	SAHARA ENERGY (T) LTD		29.99		
20	Feb-17	CPP/AGO/C1- SPM	ORYX OIL (T)LTD	23.25			
21	Feb-17	CPP/AGO/C2-SPM	SAHARA ENERGY (T) LTD	24.77			
22	Feb-17	CPP/JET A-1&IK/C-KOJ1	SAHARA ENERGY (T) LTD			46.967	46.967
23	Feb-17	CPP/PMS/C1-KOJ1	SAHARA ENERGY (T) LTD		33.71		
24	Feb-17	CPP/PMS/C2-KOJ1	ORYX OIL (T)LTD		28		
25	Feb-17	CPP/PMS/C3-KOJ1	ORYX OIL (T)LTD		28		
26	Feb-17	CPP/COMBIC1-TANGA	SAHARA ENERGY (T) LTD	41.29	47.193		
27	Mar-17	CPP/AGO/C1- SPM	PUMA ENERGY TANZANIA LIMITED	19.90			
28	Mar-17	CPP/AGO/C2-SPM	PUMA ENERGY TANZANIA LIMITED	22.10			
29	Mar-17	CPP/JET A-1&IK/C-KOJ1	ORYX OIL (T)LTD			42.60	42.60
30	Mar-17	CPP/PMS/C1-KOJ1	PUMA ENERGY TANZANIA LIMITED		37.25		
31	Mar-17	CPP/PMS/C2-KOJ1	PUMA ENERGY TANZANIA LIMITED		37.48		
32	Mar-17	CPP/PMS/C3-KOJ1	PUMA ENERGY TANZANIA LIMITED		35.85		
33	Apr-17	PBPA/ CPP/AGO/C1- SPM/04/2017	ORYX OIL COMPANY LTD	17.40			
34	Apr-17	CPP/AGO/C2-SPM	ORYX OIL COMPANY LTD	15.30			
35	Apr-17	CPP/JET A-1&IK/C-KOJ1	ORYX OIL COMPANY LTD			56.70	56.70
36	Apr-17	CPP/PMS/C1-KOJ1	ORYX OIL COMPANY LTD		45.60		
37	Apr-17	CPP/PMS/C2-KOJ1	SAHARA ENERGY (T) LTD		44.15		
38	Apr-17	CPP/COMBIC1-TANGA	ORYX OIL COMPANY LTD	29.50	32.00		
39	May-17	CPP/AGO/C1-SPM	TRAFIGURA PTE LTD	20.60			
40	May-17	CPP/AGO/C2-SPM	TRAFIGURA PTE LTD	20.00			
41	May-17	CPP/PMS/C1-KOJ1	SAHARA ENERGY (T) LTD		23.81		
42	May-17	CPP/PMS/C2-KOJ1	SAHARA ENERGY (T) LTD		22.63		
43	May-17	CPP/JET A-1&IK/C-KOJ1	SAHARA ENERGY (T) LTD			28.91	28.91
44	Jun-17	CPP/AGO/C1-SPM	ADDAX ENERGY SA	16.75			
45	Jun-17	CPP/AGO/C2-SPM	SAHARA ENERGY (T) LTD	16.23			
46	Jun-17	CPP/PMS/C1-KOJ1	ADDAX ENERGY SA		17.70		
47	Jun-17	CPP/PMS/C2-KOJ1	ADDAX ENERGY SA		17.80		
48	Jun-17	CPP/JET A-1& IK/C-KOJ1	ADDAX ENERGY SA			22.01	22.01
49	Jun-17	CPP/COMBIC1-TANGA	ADDAX ENERGY SA	17.80	25.00		
Average FY 2016/17				22.06	25.44	39.41	39.41
Average FY 2015/16				39.28	40.89	49.36	49.36
% Change				-44%	-38%	-20%	-20%

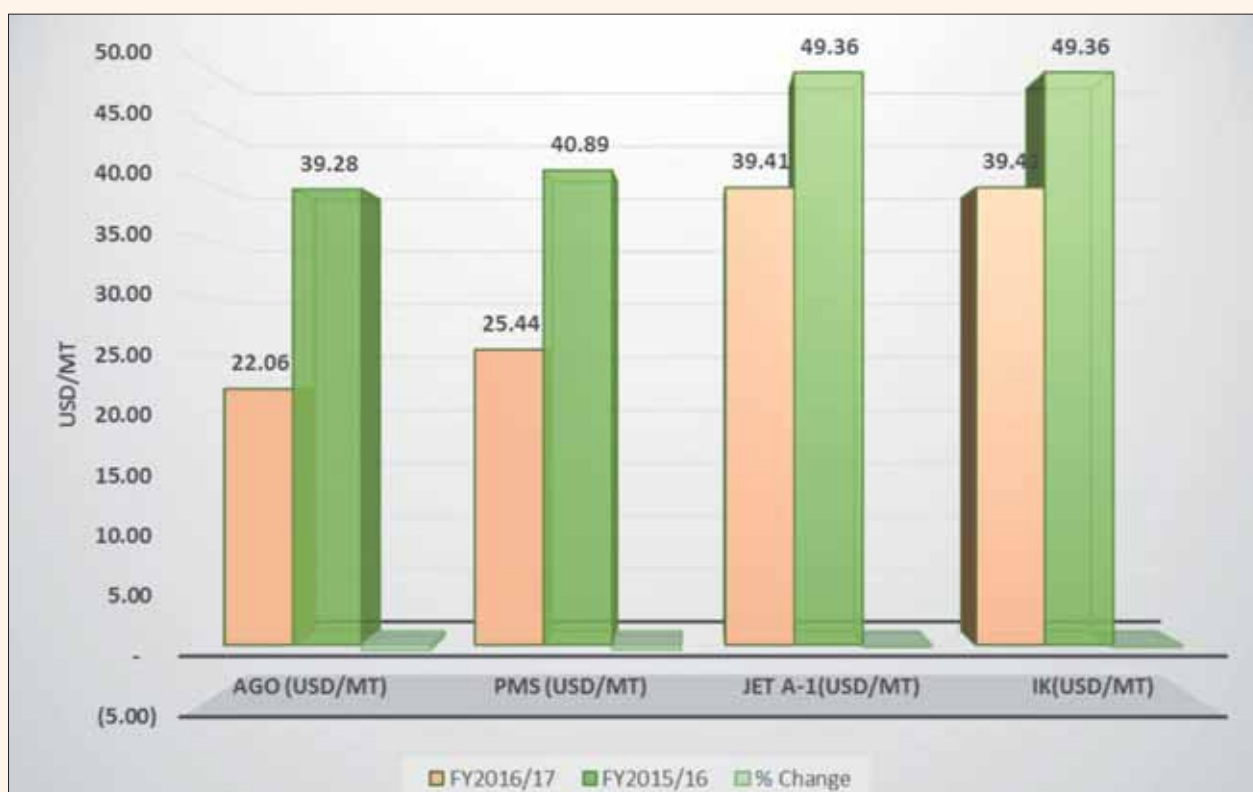


Figure 7: Comparison of Premiums for FY 2016/17 and FY 2015/16.

3.2.4. Compliance Monitoring

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

3.2.4.1. License Conditions Monitoring

The Authority continued with regular inspections in order to ensure that all licensed operators in the downstream petroleum sub sector comply with the relevant license conditions, standards and Health, Safety and Environment (HSE) requirements. A total of 664 petrol stations were inspected, out of which 585, were found operating whereas 79 petrol stations were not operating. Non-operating petrol stations were either abandoned or were being upgraded so as to meet the licensing requirements.

Out of the 585 petrol stations that were found operating, 370 equivalent to 63.2% met the licensing conditions. When compared with the previous financial year whereby 601 petrol stations were inspected and 387 equivalent to 64% met the licensing conditions. This indicates that compliance level has remained almost the same. Punitive measures were taken against operators of all petrol stations that did not meet the licensing conditions which included closure of the facilities if deemed necessary. Operators of the petrol stations which did not meet the licensing conditions, were required to rectify the observed anomalies.

The Authority will continue to intensify regular and surprise inspections to petrol stations and continue educating operators to ensure they upgrade their facilities to meet the licensing conditions.

3.2.4.2. Petroleum Facilities Constructed Without Approvals

A total of 92 petroleum facilities, mostly petrol stations were found to have been constructed without approvals from the Authority as compared to 83 petroleum facilities which were found in the previous financial year 2015/2016, an increase of 10.8%. Punitive measures were taken against defaulters including ordering them to stop constructions and paying appropriate fines in accordance with the legislation.

3.2.4.3. Petroleum Products Quality Monitoring

During this year, a total of 477 Petroleum products samples were collected in Arusha, Coast, Dodoma, Dar es Salaam, Geita, Iringa, Manyara, Morogoro, Mwanza, Mtwara, Ruvuma, Singida, Tabora and Tanga regions. Sampling of petroleum products was carried out from various facilities including petrol stations, storage depots and road tankers. Out of 477 collected samples only 25 which is equivalent to 5.2% did not conform to TBS specifications as compared to 31 samples which is equivalent to 9.7% out of 321 samples collected and tested in the previous financial year 2015/2016

During the same period, 10 samples of lubricants were collected and tested to check on the quality, compared with 28 samples collected and tested in the financial year 2014/15. The laboratory test results indicated that all lubricants sampled and tested (equivalent to 100%) were out of TBS specifications. 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.

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

3.2.4.4. Fuel Marking Program

During the period under review the Authority continued to implement the fuel marking program, being undertaken by M/S Global Fuel International Tanzania Limited (GFI). The objectives of the program, which was introduced in September 2010 is among other things, to curb dumping of untaxed petroleum products into the local market and fuel adulteration malpractices, but also to create a level playing field amongst operators.

A total of 2.83 billion litres of diesel, petrol and kerosene were marked as compared to 2.77 billion litres marked in the financial year 2015/16 which is an increase of 2.37%. In comparison with the products volume marked in the last financial year, there was an increment of 7.2% for MSP, 9.9% for AGO, 2.4% for IK and a decrease of 1.1% for AGO. Table 19 presents quantities of petroleum products marked during the period under review.

Table 19: Marked Volume of Petroleum Products from July 2016 – June 2017.

Date	Petrol (Lt)	Diesel (Lt)	Kerosene (Lt)	Total (Lt)
Jul-16	102,999,060	130,833,553	5,540,418	239,373,031
Aug-16	107,437,261	146,267,622	4,059,500	257,764,383
Sep-16	101,264,194	136,126,992	4,692,800	242,083,986
Oct-16	104,774,192	140,534,300	4,342,400	249,650,892
Nov-16	97,603,250	135,973,758	4,138,500	237,715,508
Dec-16	107,834,581	141,951,504	4,458,100	254,244,185
Jan-17	100,354,462	135,418,358	4,038,000	239,810,820
Feb-17	87,206,890	120,825,967	3,994,185	212,027,042
Mar-17	93,543,991	127,279,152	4,804,350	225,627,493
Apr-17	88,967,405	114,924,610	4,872,177	208,764,192
May-17	93,062,000	128,998,266	5,526,850	227,587,116
Jun-17	97,217,911	136,382,649	4,292,250	237,892,810
Total (Lt) - FY 2016/17	1,182,265,197	1,595,516,731	54,759,530	2,832,541,458
Total (Lt) - FY 2015/16	1,102,639,470	1,613,554,161	49,848,428	2,766,042,059
% Change	7.2	-1.1	9.9	2.4

3.2.4.5. Number of Tested Facilities

During the period under review, samples of petroleum products from 664 petroleum facilities including retail outlets, depots and road trucks, were collected and tested for level of marker concentration compared with 716 petroleum facilities in the last financial year. Out of 664 facilities, 32 which is equivalent to 4.8% were found with petroleum products that failed the marker tests compared with 34 facilities equivalent to 4.7% in the last financial year. The level of compliance almost remained the same. The Authority will continue to enforce the Petroleum (Marking and Quality Control) Rules 2010 to ensure 100% compliance. Operators whose facilities were found with non-conforming products were subjected to punitive measures in accordance with the Petroleum (Marking and Quality Control) Rules, 2010 including payment of fines and referring them to Tanzania Revenue Authority (TRA) to pay the evaded taxes.

3.2.4.6. Benefits of the Fuel Marking Program

The fuel marking program which is being implemented by the Authority since September 2010, has continued to bring notable benefits, including;

- Adulteration malpractices which was the order of the day prior to introduction of the programme has been tremendously reduced.
- Dumping of transit products into the local market has substantially decreased resulting to more Government revenue collection.
- Smuggling of petroleum products malpractices has been reduced hence creating a level playing field amongst petroleum operators.
- Promotion of fair competition in the petroleum downstream sub sector.

3.2.4.7. Joint Operations to Combat Kerosene Smuggling in Lake Zone Regions

Smuggling of petroleum products, mainly kerosene, from Kenya and Uganda through the Northern and Lake Zones and selling of transit exempted products is still a challenge. It has been noted that the main reason for smuggling products from Kenya and Uganda is a big difference in taxes imposed on kerosene in these countries as compared to Tanzania, hence making smuggled products cheaper than legally imported and sold in Tanzania.

During the period under review, EWURA in collaboration with Tanzania Revenue Authority (TRA) and the Police Force jointly conducted inspection operation in the Lake Zone area in September 2016. The operation covered four regions of Mara, Geita, Kagera and Mwanza. The exercise covered also three small islands located in Ukerewe District namely Ghana, Sizu and Izinga, in Lake Victoria. Demand for IK and MSP in the islands is very high because the islands are populated by fishermen whose major economic activity is fishing. A total of 53 petrol stations, 18 resellers and 2 trucks were inspected, out of which 11 (equivalent to 15%) failed the fuel marker detection test



Figure 8: Impounded Smuggled Kerosene at Utegi – Landa, Rorya District in Mara Region



Figure 9: Smuggled Kerosene in a Truck Found at Ongujo Filling Station, at Shirati Township in Mara region

3.2.4.8. Compliance with the Price Setting Rules

During the year under review, the Authority continued to monitor compliance to the Petroleum Products Price Setting Rules, 2014. A total of 743 petrol stations were inspected compared with 1,061 stations that were inspected in the last financial year. Out of these, only two (2) petrol stations in Kilombero District, Morogoro region were found selling petroleum products above the cap prices. This is equivalent to 0.27% compared to seven (7) petrol stations equivalent to 0.66% so found during the previous financial year 2015/16.

3.2.5. Adherence to Health, Safety and Environmental (HSE) Requirements

3.2.5.1. Facilities Closed for Contravening HSE Requirements

All operators of petroleum products installations are required to operate in a manner that their operations do not pose threat to the public health, safety, security, environment and quality (HSSEQ). Section 179 (1) of the Petroleum Act, 2015 stipulates that, a person shall not distribute petroleum products unless such petroleum products conform to quality, safety and environmental specifications.

During the period under review, the Authority continued with compliance monitoring to ensure that the petroleum supply operations are conducted in a manner that is compliant to health, safety, security, environment and quality requirements. During this financial year, 13 facilities were found operating in a manner that is not compliant to HSSEQ requirements. These facilities included six

that were found distributing petroleum products in unauthorized areas, five LPG operators found conducting illegal LPG operators and two petrol stations found using plastic tanks for storing petroleum products. Legal actions were taken against operators of these facilities which included stopping them to operate. **Figures 10** to 16 show some photographs of the relevant facilities.



Figure 10: A mobile Truck Selling Petroleum Products to Customers



Figure 11: KDS Mobile Truck Selling Petroleum Products to Customers



Figure 12: A Truck Trailer Used as a Storage facility



Figure 13: Illegal LPG Operations at Kinyerezi Kibaga area in Dar es Salaam



Figure 14: Illegal LPG decanting Operations at Kimara Stop Over in Dar es Salaam.



Figure 15: A Simtank used as Storage Tank at Manamba Lubricants Family Petrol Station, Lugarawa village, Ludewa District in Njombe Region.

3.2.5.2. Incidents Investigation

In response to incidents occurring in the petroleum downstream sector, the Authority continued with its obligation of carrying out investigation to underscore their causes, establish and recommend corrective actions so as to prevent further similar incidents in future. Three incidents were investigated during the period under review as summarized in **Table 20**.

Table 20: Summary of Incidents Investigated During the FY 2016/17.

No.	Incident Type and Place of occurrence	Description of incident	Root Cause	Incident Impact (s)	Recommended Corrective Actions
1.	Fire at Lake Oil Terminal located at Vijibweni area, Kigamboni District in Dar es Salaam region.	An isolator caught fire after a spark occurred at the generator house.	Overloading of an isolator.	Total damage of the isolator.	(a) Installation of electrical equipment to be conducted by qualified electrician/contractors; (b) Periodic inspections be carried out.
2.	Eviction of Petrofuels (T) Ltd from its former terminal premises at Chang'ombe, Ilala District in Dar es Salaam region.	M/S Education Books Publishers evicted Petrofuels (T) Ltd from its oil storage terminal premises leaving behind petroleum products in the storage tanks and trucks. The former had no knowledge in handling petroleum products hence posing HSE risks.	Plot ownership dispute.	Loss of control of petroleum products.	The Authority ordered Petrofuels (T) Ltd to evacuate the petroleum products contained in the storage tanks, flush and degas the system in order to remove flammable gases under the supervision of EWURA.
3	Fire incident at Natoil Tegeta Petrol Station in Dar es Salaam region.	While offloading gasoil and petrol, an attendant walked into a bare electric wire that was conducting electricity to the Price Display Board, short-circuited the bare wire and thus caused sparks that resulted into fire.	Sparks	Total damage of truck, damage to windows of the nearby NBC bank and one dispensing pump.	(a) Temporarily closed the facility. (b) Engaged a qualified electrician/contractor to inspect the installations and rectify the shortfalls. (c) Station allowed to re-open after compliance.



Figure 16: Remains of the burnt truck at Natoil Tegeta Petrol Station in Dar es Salaam.

3.2.5.3. Environmental Impact Assessment and Audit (EIA & A) Studies Reviews

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

3.2.6. Licensing Activities

During the period under review, the Authority issued 226 operating licences. **Table 21** shows the type of operating Licences that were issued. In the same period, the Authority granted 28 construction approvals to proponents intending to construct petroleum installations.

Table 21: Petroleum Products Licenses issued by the Authority in the FY 2015/16

License Type	Number of Licenses issued		
	New	Renewal	Total
Petroleum Wholesale	10	9	19
Petroleum Retail	96	79	175
Lubricants Wholesale	24	1	25
Consumer Installation	1	0	1
Waste Oils Recycling	1	0	1
LPG Wholesale	1	0	1
LPG Distribution	2	0	2
Petroleum Storage Business	2	0	2
Total	137	89	226

3.2.7. Legislative Regulatory Tools

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

- The Petroleum (Retail Operations in Townships and Villages) Rules 2017 GN No. 14/2017
- The Petroleum (Wholesale, Retail and Consumer Installation Operations) Rules 2017 (under review)
- The Petroleum (Refinery Operations) Rules, 2017 GN No. 218/2017
- The Petroleum (Liquefied Petroleum Gas Operations) Rules, 2017 (under review)
- The Petroleum (Waste Oil Recycling Operations) Rules, GN No. 220/2017

4.0. NATURAL GAS SECTOR PERFORMANCE AND REGULATION

4.1. Overview

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

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

As of 30th June 2017, the regulated infrastructure comprises of four processing plants, two at Songo Songo Island (SSI) in Lindi Region, two in Mtwara Region at Mnazi Bay and Madimba. The total length for gas transmission pipeline was 842 kilometres (km), and total length of distribution network for industrial customers in Dar es Salaam amount to 58 kilometres. The discovered natural gas reserves amount to 57.25 trillion standard cubic feet (TCF) according to the Ministry of Energy and Minerals data of March 2016.

4.2. Performance Monitoring

For the period under review the Authority carried out performance monitoring by analysing and verifying information received from regulated suppliers from time to time. The Authority carried out field monitoring to natural gas facilities operated by Songas, Maurel & Prom (M&P), PanAfrican Energy (PAET) and Tanzania Petroleum Development Corporation (TPDC) to verify the received information on quarterly basis. The Authority confirms that the operations of regulated natural gas infrastructure complied with requirement of Petroleum Act 2015 (the Act) and Best Petroleum Industrial Practices. The Authority has started preparing the necessary regulatory tools to guide the regulated entities to perform their duties as part of operationalization of the Act.

4.3. Natural Gas Production

During the period under review, the overall gas production from both gas fields Songo Songo Island (SSI) in Lindi and Mnazi Bay in Mtwara was 48,633MMscf compared with gas production of 44,363MMscf in the previous year. This increase in gas production was prompted by TANESCO reliance on natural gas in electricity generation.

Over the period, the quantity of natural gas produced at Songas gas plant was 30,066 MMscf compared to 30,005 MMscf produced during 2015/16 which shows very small increase. During the period under review, Mnazi Bay gas field increased its production to 809.99 MMscf compared to 708.99 MMscf recorded in the previous year. This increase of natural gas consumption indicates a growing demand of electricity in Mtwara and Lindi regions.

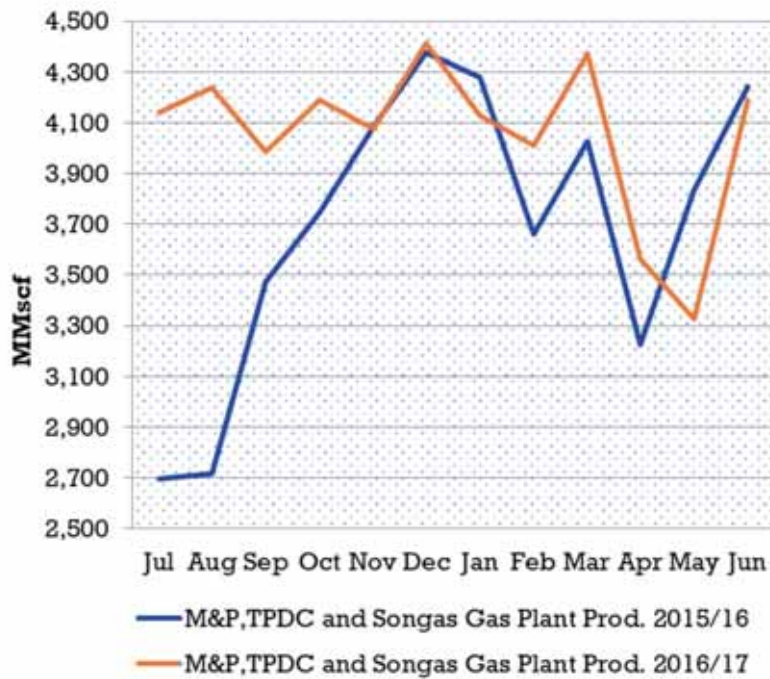


Figure 17: SONGAS, TPDC and M&P Gas Production 2016/17

4.3.1. The Demand –Supply Balance of Natural Gas

During the period under review, the natural gas processing capacities at Mnazi Bay, Madimba and Songo Songo had the capacity which exceeded the demand of gas in the country. The installed processing capacities for all processing plants is 465 MMscfd, while the current demand of natural gas stands at about 150 MMscfd.

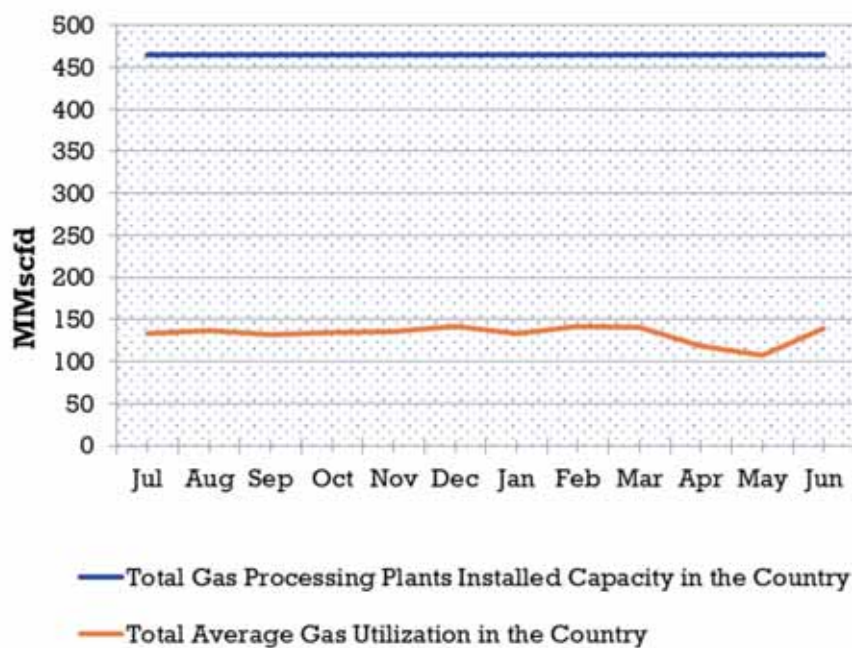


Figure 18: Total Gas Processing Plant Installed VS Utilization Capacity 2016/17

4.3.2. Trend of Cost of Services

During the period under review, the average natural gas price for thermal power plants that were supplied with protected gas was 4.2 USD/Mcf while prices for thermal power plants supplied additional gas, remained at USD3.45/Mcf. The price for Mnazi Bay gas was USD5.56/Mcf and average natural gas prices for industrial customers in the country was USD7.14/Mcf compared to USD 7.41/Mcf during the previous year.

The natural gas price for industrial customers during the year indicated a decreasing trend as compared to similar period in financial year 2015/16 as shown in Figure 3. The Authority benchmarked the natural gas prices for thermal power generation in Tanzanian market to USA market, being the cheapest gas market. In USA, the average natural gas price for thermal power was US\$3.49/Mcf. and for industries was US\$3.85/Mcf. The thermo power customers' gas prices in the country benchmarked to USA's natural gas industrial price is as shown in figure 20 & 21

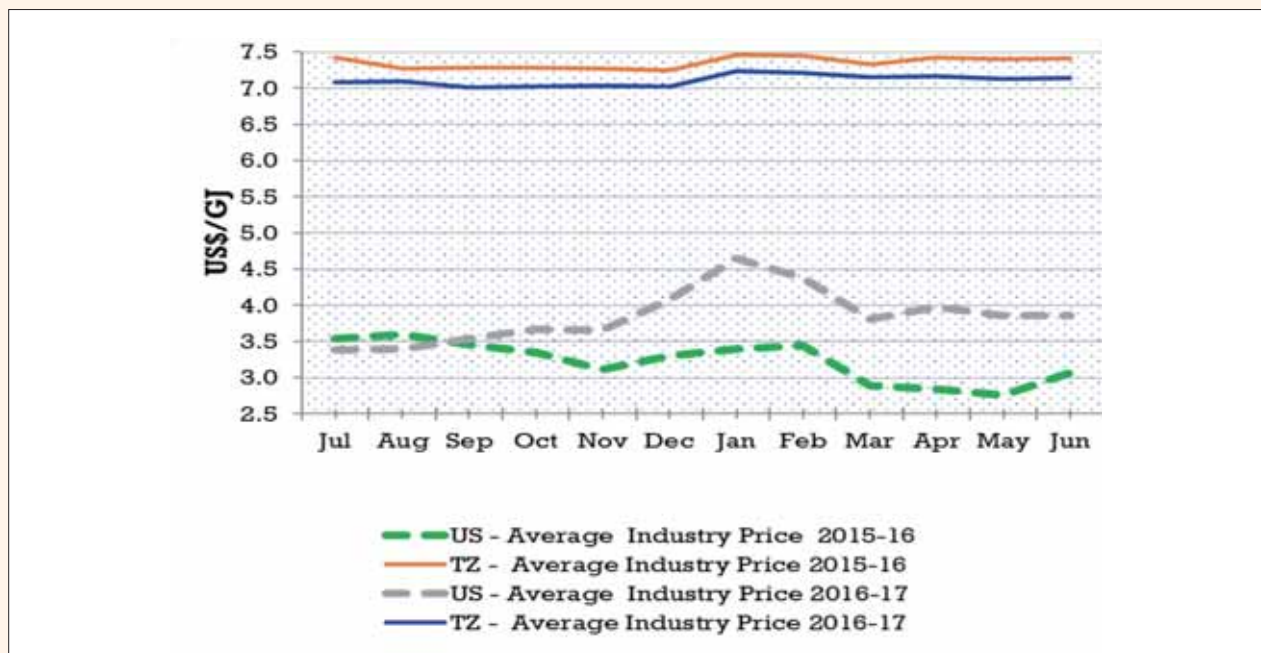


Figure 19: Natural Gas Price Trends for Industrial 2016/17

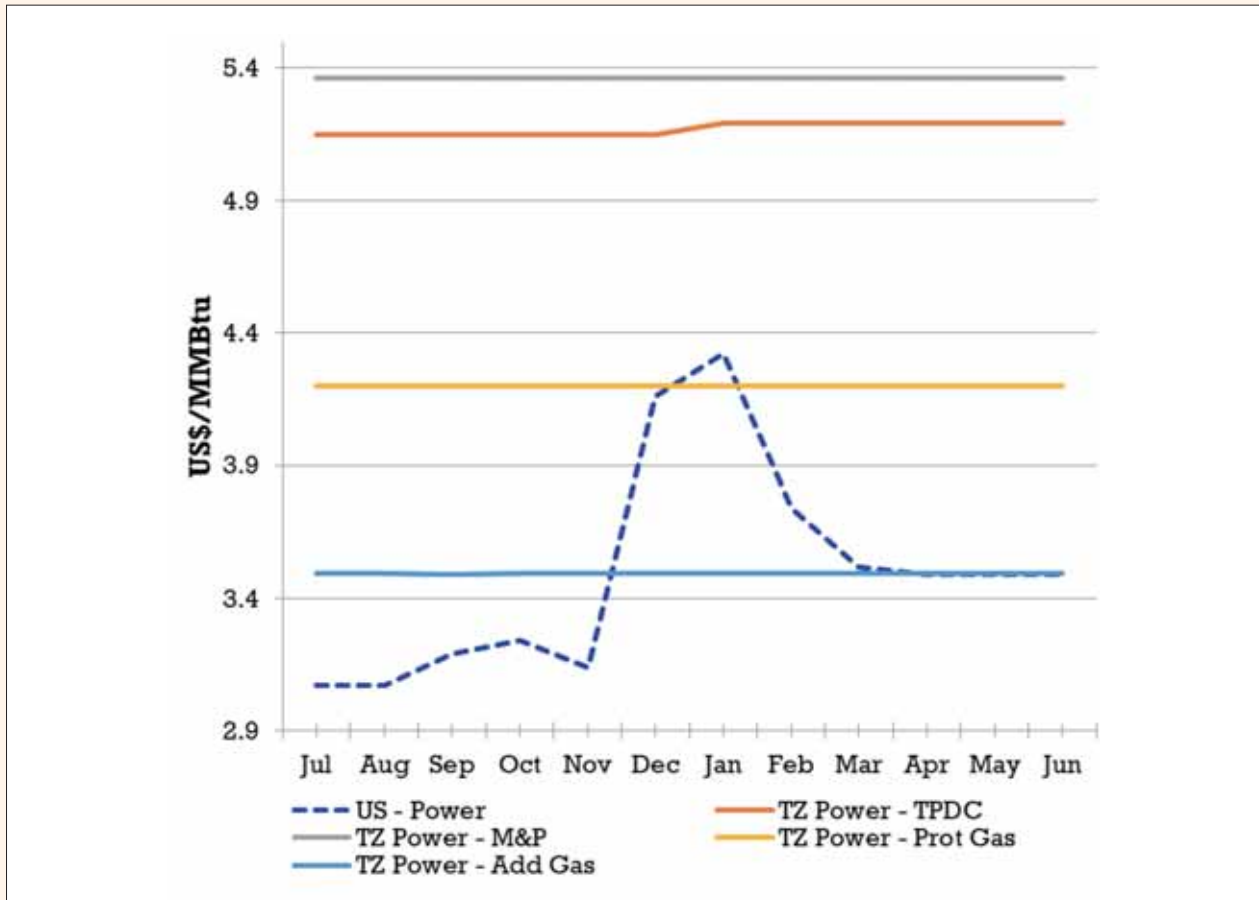


Figure 20: Natural Gas Price Trends for Thermal Power Generation 2016/17

4.3.3. Natural Gas Quality and Standard of Services

- a) The Authority continued monitoring the quality and standard of the regulated services pursuant to section 250 of the Petroleum Act, 2015. The quality of regulated services involved monitoring of natural gas quality and adherence by service providers to commercial terms and infrastructure standards. The natural gas properties monitored by the Authority, included (a) water and hydrocarbon dew point (b) Sulphur, Hydrogen Sulphide, Carbon Dioxide, liquids (including condensate and solids content) (c) Gross or Net Heating Value of natural gas (d) temperature and pressure at entry point into the system and (e) Wobbe Index.

The natural gas extracted at Songo Songo and Mnazi Bay gas reservoirs is dry with no presence of hydrogen sulphide or significant volumes of carbon dioxide or substantial volumes of condensate and other associated elements. The principal components of this natural gas are methane and ethane with varying amounts of heavier hydrocarbons including propane, butane, pentane, hexane, heptane and octane as well as carbon dioxide, oxygen and water vapour. No significant changes in gas composition were observed and reported during the period under review, for both gas fields. The parameters of natural gas monitored were found within the range as per detailed information in **Table 22**

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 ₄)	87.0 to 97.0	97.35	98.19
Ethane (C ₂ H ₆)	1.50 to 7.00	0.91	1.01
Propane (C ₃ H ₈)	0.10 to 1.50	0.27	0.21
iso-Butane (C ₄ H ₁₀)	0.01 to 0.30	0.06	0.05
n-Butane (C ₄ H ₁₀)	0.01 to 0.30	0.07	0.04
iso-Pentane (C ₅ H ₁₂)	trace to 0.04	0.02	0.01
n-Pentane (C ₅ H ₁₂)	trace to 0.04	0.02	0.01
Hexanes (C ₆ H ₁₄)	trace to 0.06	0.02	0.01
Moisture (ppm)	trace to 5.00	4.00	4.00
Carbon Dioxide (CO ₂)	0.10 to 1.00	0.49	0.26
Nitrogen (N ₂)	1.30 to 5.60	0.60	0.20
Hydrogen Sulphide (H ₂ S)	trace to 0.02	Nil	Nil
Total	100.00	100.00	100.00
Specific Gravity	0.57 to 0.62	0.585	0.576
Gross Heating Value (MJ/m ³)	36.0 to 40.2	37.4	38.08

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

4.4. Level of Investment in Gas Infrastructure Development

With exception of extension of distribution network by 1.6 m to supply natural gas to Goodwill Ceramic Factory in Mkurunga district, there was no other investment made in processing and transmission segments.

4.5. Health, Safety and Environment

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

- the valves on both Songas, TPDC and M&P pipelines;
- corrosion, leakage survey, damage prevention, compaction and restoration of pipeline wayleave;
- security of gas processing facilities along the pipelines;
- integrity of gas processing plants, and pipelines; and
- the status of the Dar es Salaam ring main for industries and the way leave operated by PAT and distribution network operated by TPDC.

Both processing plants at Songo Songo, Madimba and Mnazi Bay achieved no Lost Time Injuries (LTI). There was no "Near Miss Accident" or Major Accident reported. During the period under review, the Authority observed a trend of potential hydrogen (pH) ranging between 6.53 to 7.6 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 should not exceed 29 ppm (parts per million). In conclusion, handling of produced water at all plants complied with Health, Safety and Environment (HSE) standards and the World Health Organization (WHO) standards.

4.6. Licensing

The Authority drafted the licensing rules and licensing templates which were circulated to the key stakeholders for comments. The Authority finalized the development of regulatory tools to enable commencement of licensing natural gas operations.

4.7. Determination of Rates and Charges

Pursuant to Section 40 of the Petroleum (Natural Gas Pricing) Regulations 2016, within twelve months after the commencement of regulations any person engaged in natural gas activities required to comply with pricing regulations. Over the period EWURA determined and approved natural gas prices for strategic industries for production of Cement and Fertilizer in Lindi and Mtwara regions

4.8. Regulatory Tools

The Authority participated in the drafting process of developing the Petroleum (Natural Gas Pricing) Regulations, 2016 which were published as Government Notice No.285, on 7th October 2016. The Petroleum (Local Content) Regulations, 2017 which were published as Government Notice No.197 on 5th May 2017; and the Petroleum (Natural Gas) indicative prices for Special Strategic Investment which were published as Government Notice No.193 on 5th May 2017.

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. Collaboration with Regulatory Associations

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

4.12. Key Achievements and Challenges in the Energy Subsector

During the period under review, the Authority recorded various achievement in the three energy sub-sectors of Electricity, Petroleum and Natural Gas as listed below

4.12.1 Achievements

- (a) Increased level of awareness to electrical installation licensees resulting into increase in number of electrical installation licences issued from 227 in FY 2015/16 to 656 in FY 2016/17.
- (b) Prepared 10 sets of regulatory tools for better improvements of EWURA regulatory activities.
- (c) Quality of petroleum products and standards of petroleum infrastructure is comparably high because of compliance monitoring enforcement and the measures being taken by the Authority.
- (d) Petroleum products supply in the country has been stable without major shortages or stock out recorded in the period under review.
- (e) The Authority coordinated measures on using Mtwara port to receive BPS oil tankers. This is in line with the Authority's goal of ensuring security of supply of petroleum products in the country.
- (f) Proper petroleum prices monitoring facilitated local pump prices for petrol, diesel and kerosene be in line with the world market price trends of refined petroleum products. EWURA presence has facilitated a saving of about 30 per cent.
- (g) 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.
- (h) Licensing process using the electronic Licensing and Order Information System (LOIS) has been introduced to raise process and also shorten the time before a complied applicant is licensed.
- (i) Through performance monitoring and quarterly inspections, the Authority ensured the natural gas supply infrastructures were well operated and maintained by the service providers.
- (j) Provided inputs to the Ministry of Energy and Minerals and participated in developing Petroleum (Local Content) Regulations, 2017, and Petroleum (Natural Gas Pricing) Regulations, 2016 which were already published on the Government Gazette.
- (k) Prepared Natural Gas indicative prices for Special Strategic Investment which was published on the Government Gazette; and
- (l) Determined and approved natural gas prices for strategic industries for production of Cement and Fertilizer in Lindi and Mtwara regions.

4.12.2 Challenges and way forward

The following are some of the major challenges encounter in the energy sub sector in the year under review as detailed below

- (a) Unreliable electricity supply due to infrastructure related problems and lack of generation reserves. EWURA is carrying out regular inspections and has continued to instruct TANESCO to take corrective measures to improve their network, particularly on the distribution side.
- (b) Even though EWURA 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. EWURA, in collaboration with the Government and other stakeholders is working on strategies to increase electrification.

- (c) Supply of petroleum products in rural areas: still in most of rural areas, supply of petroleum products is done in manner that is not compliant to HSE because there are no formal petrol stations or the existing ones are substandard. The Authority has prepared the Petroleum (Retail Operations in Townships and Villages) Rules to enable construction of least cost petrol stations in remote areas that will be HSE compliant. Also, EWURA is evaluating other means through which petroleum products can safely be distributed in remote areas at reasonable costs.
- (d) Limited expertise, knowledge and experience: Most operators of petrol stations, have limited expertise, knowledge and experience in the best petroleum industry practices. The Authority will continue conducting awareness and education campaigns to these operators and the general public to address this challenge.
- (e) Un-harmonized standards in LPG operations: There are various standards related to LPG operations, both for the product and infrastructure, as a result effective regulation of LPG business is difficult to attain. The Authority is collaborating with TBS to ensure that the required standards are established so that appropriate regulation is implemented in the LPG industry.
- (f) The natural gas demand to the market (industries, households, commercial, and transport) is extremely high. The natural gas infrastructure ends in Dar es Salaam and therefore more investments are required to extend the pipelines to region. The first and fast measures call for establishment of "Virtual Pipeline" Project, where CNG could be transported consistently to pave the way for new markets.
- (g) Low utilization of natural gas infrastructure for processing and transportation. Only 8% capacity of the national natural gas transportation infrastructure between Madimba and Dar es Salaam was utilised. EWURA in collaboration with other stakeholders will continue creating awareness on the utilization.

5.0. WATER SECTOR REGULATION

EWURA, being multi sectoral regulator, apart from regulating Energy sub-sectors discussed at the previous chapters, is also responsible for regulating water sector in accordance to Section 9 of the Water Supply and Sanitation Act, Cap. 272 and DAWASA Act, Cap. 273.

5.1. Water Supply and Sanitation Services

5.1.1. Overview

As of 30th June 2017, EWURA was regulating 131 water utilities that comprised the Dar es Salaam Water and Sewerage Authority (DAWASA), Dar es Salaam Water Supply Corporation (DAWASCO), 23 Regional Water Supply and Sanitation Authorities (RWSSAs), 98 District and Township Water Supply and Sanitation Authorities (DTWSSAs) and eight (8) National Projects Water Supply and Sanitation Authorities (NPWSSAs).

WSSAs are responsible for the provision of Water and Sanitation Services in their designated areas; and pursuant to the terms and conditions of licences issued by EWURA. 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.

5.1.2. Performance Monitoring

5.1.2.1. Data Reporting

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

5.1.2.2. Site Inspections and Data Verification

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

During the reporting period, EWURA conducted routine inspections to a total of 58 utilities namely Sumbawanga, Makambako, Tunduru, Namtumbo, Songea, Mbinga, Ludewa, Makete, Njombe, Iringa, Kilolo, Chunya, Ilula, Rujewa, Itumba- Isongole, Kyela, Kasumulo, Namanyere

Mikumi, Dakawa, Kilosa, Mpwapwa, Kongwa, Chamwino, Kiomboi, Igunga, and Nzega. Others were Magu, Misungwi, Nansio, Tarime, Mugumu, Sengerema, Mbulu, Lushoto, Same, Songe, Utete, Kisarawe, Loliondo, Lindi, Mtwara, Makonde, Ruangwa, Mangaka, Chalinze, Kilwa Masoko, Kilindoni, Liwale, DAWASA and DAWASCO. Also, special inspections were conducted to Njombe, Mpanda, Bariadi, Geita and Lindi. Further pre-licensing inspections were conducted to Kisarawe and Turiani.

5.1.2.3. Review of WSSAs' Business Plans

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

During the reporting year, EWURA revised business plans from 42 WSSAs namely Morogoro, Mtwara, Lindi, Makonde, Kilindoni, Tanga, Magugu, Loliondo, Monduli, Gallapo, Same, Kibaya, Katesh, Lushoto, Mwanga, Kishapu, Muleba, Kasulu, Magu, Mwanhuzi, Biharamulo, Karagwe, Nansio, Maganzo, Misungwi, Sengerema and Kigoma. Others were, Geita, Maswa, Singida, Tukuyu, Ilula, Kilolo, Mafinga, Makete, Namtumbo, Tunduma, Makambako, Kondoa, Utete, Nzega and Manyoni. As a result, final Business Plans have been submitted from 16 WSSAs namely Mtwara, Lindi, Utete, Kibaya, Katesh, Nansio, Biharamulo, Kigoma, Kishapu, Maganzo, Makambako, Sumbawanga, Monduli, Magugu, Loliondo, and Mwanga. The revised business plans were used to set tariffs for the WSSAs which applied for tariffs.

During review of business plans, EWURA has continued to ensure that the Plans include Key Performance Indicators targets. Implementation of KPIs is being monitored monthly through the Water Utilities Information System (Majis).

5.2. Review and Approval of WSSAs' Customer Service Charters

Customer Service Charters from 23 WSSAs namely, Morogoro, Tabora, Dodoma, Kigoma, Lindi, Moshi, Tanga, Mtwara, Mwanza, Chalinze, Kilwa Masoko, Katesh, Muheza, Utete, Muleba, Bukoba, Shinyanga, Kahama, Kahama- Shinyanga, Mungango- Kiabakari, Arusha, Iringa and DAWASA were reviewed. Among other things, during the review EWURA ensured that the Charters incorporate commitment of the WSSAs in implementing the quality of service targets and compensation on failure to meet the targets as stipulated in Water Supply and Sanitation (Quality of Service) Rules, 2014. Having complied with the requirements, a total of 10 Customer Service Charters were approved, from Moshi, Tanga, Mtwara, Mwanza, Chalinze, Kilwa Masoko, Katesh, Muheza, Utete and Iringa.

5.3. Water Utilities Performance Review Report

The Authority also, prepared two Water Utilities Performance Review Reports for 2015/16, the first one for Regional Water Utilities, National Water Projects and DAWASCO and second for

District and small Towns Water Utilities. The reports covered, among other things, the technical, commercial and financial performance of the water utilities. During the launching of the report best performing utilities for year 2015/16 were recognized by awarding them with certificates and trophies.

5.4. Licensing

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

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

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

5.5. Determination of rates and charges

During the period under review, EWURA reviewed and approved 16 tariff applications from the WSSAs. The approved tariff applications were from WSSAs of Kisarawe, Kilwa Masoko, Masasi-Nachingwea, Igunga, Mwanga, Ruangwa, Liwale, Pangani, Korogwe Songe, Utete, Kibaya, Makambako and Tanga. Table 23 below presents, the tariff applications that were approved during financial year 2016/17.

Table 23: Water Supply Tariff Approvals

S/N	Regulated Entity	Application Date	Approved Average Metered Tariff (TZS/m ³)			Date of Approval	Status/ Effective date
			Year 1	Year 2	Year 3		
	Kisarawe	14/03/16	945	1,193		29/07/16	1/9/16
	Kilwa Masoko	15/03/16	698	918	1,050	29/07/16	1/9/16
	Masasi-Nachingwea	18/04/16	1,557.29	1,557.29	1,557.29	22/08/16	1/10/16
	Igunga	24/03/16	1,058	1,147	1,233	22/08/16	1/10/16
	Mwanga	29/06/16	1,159	1,184	1,184	22/08/16	1/10/16
	Ruangwa	20/7/16	1,151.45	1,389.33	1,389.33	15/11/16	1/12/16
	Liwale	5/8/16	775.81	820.03	831.50	18/10/16	1/11/16
	Pangani	31/05/16	1,167.00	1,211.00	1,211.00	4/10/16	1/11/16
	Korogwe	31/05/16	1,117.00	1,159.00	1,174.00	4/10/16	1/11/16
	Songe	30/07/16	1,441.55	1,561.26	1,690.92	7/12/16	1/1/17
	Utete	8/7/16	998.00	1,035.00	1,050.00	7/12/16	1/1/17

S/N	Regulated Entity	Application Date	Approved Average Metered Tariff (TZS/m ³)			Date of Approval	Status/ Effective date
			Year 1	Year 2	Year 3		
	Katesh	31/10/16	597.98	889.98	911.30		1/5/17
	Sumbawanga	21/11/16	975.46	1,057.20	1,149.14	29/06/17	1/8/17
	Kibaya	1/3/17		1,977	1,977	7/5/17	1/7/17
	Makambako	3/3/17	513.85	607.99	644.65	7/6/17	1/7/17
	Tanga	21/03/17	1,046.41	1,212.44	1,446.16	9/5/17	1/6/17

5.6. Complaints Handling and Dispute Resolution

During the year under review, 108 complaints were registered from consumers of water and sanitation services, out of which, 60 were carried forward from the previous financial year; and 48 were new complaints. Out of the 108 complaints, 96 were resolved and 12 were in progress.

5.7. Health, Safety and Environmental Matters

5.7.1. Water and Wastewater Quality Tests

Water quality monitoring was conducted to 52 water utilities including DAWASCO and DAWASA. The Authority carried out water and waste water quality monitoring in order to establish whether water supplied and effluent from waste water systems comply with TBS Standards. The monitoring was conducted to WSSAs of Morogoro, Mahenge, Turiani, Dodoma, Kibaigwa, Chamwino, Singida, Kiomboi, Tabora, Sikonge, Urambo, Kigoma, Same, Mwanza, Mushi, Arusha, Babati, Bashnet, Gallapo, Loliondo, Tanga, HTM, Korogwe, Muheza, Lushoto, Mwanza, Geita, Nansio, Ukerewe, Ngara and Biharamulo. Others were Lindi, Mtwara, Kilwa Masoko, Ruangwa, Makonde, Chalinze, Masasi- Nachingwea, Iringa, Njombe, Songea, Mbeya, Sumbawanga, Mpanda, Namanyere, Mbinga, Ludewa, Namtumbo, wangin'ombe, Mlowo, Vwawa and Itumba Isongole.

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

5.8. Capacity Building

During the year under review, EWURA conducted training on preparation of Business Plans to 26 District, Township and National project WSSAs namely, Tunduma, Mafinga, Makete, Namtumbo, Kilolo, Ilula, Mugumu, Mwanhuzi, Misungwi, Tarime, Magu, Sengerema, Same, Mwanza, Usariver, Monduli, Loliondo, Kiliwater, Geita, Chamwino, Kilosa, Gairo, Manyoni, Kibaigwa, Turiani and Makonde National Project. The training sessions were hands on and have enabled the WSSAs to prepare their Business Plans and submit to EWURA for review. Training sessions were organized in four centres namely Mushi, Morogoro, Iringa and Mwanza. Regarding the use of Majls, EWURA conducted training to 17 WSSAs (Mtwara, Makonde, Songea, Mpanda, Mpwapwa, Chamwino, Kilosa, Kiomboi, Kongwa, Nzega, Biharamulo, Ngara, Lushoto, Mbulu, Monduli, Mwanza and Same) so as to impart the knowledge to the staff earmarked by the WSSA

and hence improve report submission. In addition, EWURA participated in capacity building sessions organized by MoWI to new Board members of WSSAs. New board members from 23 water utilities of Njombe, Mbeya, Sumbawanga, Songea, Wangingombe, Mtwara, Lindi, Makonde, Tabora, Kigoma, Mpanda, Kashwasa, Kahama, Tanga, Moshi, Arusha, Babati, HTM, Singida, Morogoro, Dodoma, Iringa and Chalinze National Project were trained. During the sessions, EWURA imparted awareness on regulatory issues to new board members of WSSAs.

5.9. 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 meetings, the Authority provided inputs to MoWI on performance achievement by Regional WSSAs and DAWASCO.

b) Development of Public-Private Partnership (PPP) Operational Guidelines for Water Supply and Sanitation

In view of promoting investments in the water sector, during the year under review, EWURA prepared PPP Operational Guidelines for the Water Supply and Sanitation. The Guidelines, once adopted by the Ministry of Water and Irrigation, will provide clear guidance for water utilities in engaging into PPPs and for the private sector to invest in PPP projects in the water sector. The task was implemented with assistance from GIZ.

c) Collaboration with Regional Regulatory Associations

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

The benchmarking report (2014/15 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. The report provides an opportunity for utilities to benchmark with their peers. It also serves as a tool for policy makers, regulators and utility managers in making informed decisions.

Table 24: Benchmarking of Large Water Utilities

	Quality of service			
KPI	Water Supply Coverage	Sewerage Coverage	Water quality	Hours of supply
NCW&SC	81.1%	48.4%	89.6%	18
LWSC	82.9%	12.6%	98.2%	17
DAWASCO	64.6%	7.8%	75.7%	8
AdeM	63.5%		100%	13
WASCO	66.8%	6.5%	95.4%	18
WASAC	85.2%		98.9%	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	38.4%	5.66	97.3%	99.3%	92%	49.8%
LWSC	46.8%	7.08	72%	91.5%	96%	56.2%
DAWASCO	56.7%	5.61	86.5%	81%	97%	18.5%
AdeM	44.0%	3.33	86.2%	98.9%	97%	29.8%
WASCO	27.1%	5.83	100.0%	98.4%	88%	40.6%
WASAC	40.6%	5.06	100.0%	121.5%	92%	29.5%
Acceptable Min. Benchmark	35.0%	8.00	85.0%	100%	85%	35.0%

Source: ESAWAS Report (June 2015).

Further, EWURA organized and hosted the 10th ESAWAS conference and annual general meeting that was held in Dar es Salaam on during 1st to 4th November 2016. In addition, EWURA participated in the African Water Week that was held in Dar es Salaam in July 2016. The event was organized by the African Ministerial Council on Water (AMCOW).

5.10. Key Achievements and Challenges

5.10.1. Achievements

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

- The Authority reviewed and approved 16 tariff applications from Water Supply and Sanitation Authorities.
- EWURA conducted detailed trainings on preparation on Business Plans to 26 DTWSSAs and NPWSSAs at four centres of Moshi, Morogoro, Iringa and Mwanza.
- EWURA reviewed and approved 16 tariff applications submitted by WSSAs
- EWURA reviewed and approved 10 Customer Service Charters from 23 WSSAs
- In view of promoting investments in the water sector, EWURA prepared PPP Operational Guidelines for the Water Supply and Sanitation.

5.10.2. 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 assist WSSAs to plan towards cost recovery tariffs. EWURA approves a three-year tariff corresponding to the Business plans.

6.0. COMMUNICATIONS AND PUBLIC RELATIONS

6.1. Overview

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

In order to balance the public expectations and what is achieved by EWURA, well thought public outreach is inevitable and implementation of public awareness programmes and management of public relations is an integral part of the Authority's functions in order to enhance public knowledge, awareness and understanding of the regulated sectors. During the period under review, various means of communication channels were used to reach diversified stakeholders interests that included electronic media, face to face meetings, print media, public hearings, public awareness campaigns and consultations some of activities that were executed during the period under review have been highlighted here under as follows

6.1.2. Public Awareness Campaigns

During the period under review, the Authority aired 77 and 232 weekly Television and Radio programmes, respectively. In contrast with the previous financial year, there has been a notable increase in TV and radio programmes which were 53 and 66 television and radio Programmes, respectively. 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; and special recorded interview. The Authority also coordinated 49 printed feature articles in various newspapers against 24 features printed in the previous financial year.

In the same period, the Authority also conducted stakeholders' seminars in the electricity (introduction of new Rules (2015) for electrical contractors). The seminars were conducted in Tanga, Arusha, Kilimanjaro, Manyara, Mwanza and Mbeya regions. These 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. They also aimed at providing highlights to electrical installation licensees on the new electrical rules, 2015, which includes licensing of electrical installation, conducts and general obligations of licensees as well as to inforce building owners to inspect their electrical installations.

In the downstream petroleum sub-sector, stakeholders' public awareness campaign were conducted in the regions of Mwanza, Mara, Shinyanga, Geita, Kigoma, Manyara, Kilimanjaro, Tanga, Katavi and Rukwa.

6.1.3. Press Conferences and Media Coverage

During the period under review, the Authority conducted a total of 12 press conferences held at EWURA offices for communicating to the public on issues related to tariffs, prices, regulated services supply and licensing.

6.1.4. Advertisements

During the period under review, the Authority published 67 batches of various advertisements against 54 batches of advertisements published in the previous Financial Year. The advertisements were mainly on petroleum price notices, public notices, job vacancies, tenders and pre-inspection monitoring and licensing notices.

6.1.5. Exhibitions

The Authority participated in the Dar es Salaam International Trade Fair (DITF) and the World Environmental Day Exhibitions in Butiama Mara region. At the exhibitions the Authority conducted public awareness and disseminated various publications such as brochures, client service charter, Newsletter and reports.

6.1.6. 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, public awareness seminars and in stakeholders' meetings. The Authority also facilitated the printing of promotional materials such as Wall Calendars, desk calendars, Executive Diaries, branded pens, banners and branding materials.

During the year under review, the Authority also facilitated the publication and distribution of EWURA Annual report, Water sector reports Volume I and II, Downstream Petroleum sub-sector Performance Report for the year 2016, brochures, EWURA Newsletters, strategic plan, electricity booklets, Client service charter.

6.1.7. Donations and contributions

The Authority makes donations and contributions to various institutions to support activities of national interest in line with its donation and contribution policy. The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public. During the period under review, the Authority supported various programmes on education, Health, sports, casualties and Presidential live speech to mark one year of JPM in office. Also, during the period under review, the Authority spent TZS 17,010,000 as transport allowances to various field students from various high learning institutions as part of the Authority's donation and contribution scheme.

6.1.8. Impact of Public Awareness Programmes

There was a general trend of increased recognition of the Authority's activities by the public and the regulated suppliers. Through public awareness campaigns regulated suppliers are becoming compliant with the licensing conditions. In other way there has been an increased complains from various consumers of the regulated services. The outcome of such awareness programmes is an increased number of inquiries and consultations on issues related to regulations, from both consumers as well as potential investors, on one hand, and cemented relationship between the Authority and Service providers, on the other.

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.

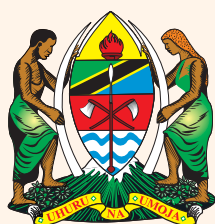
9.0. THE WAY FORWARD

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. Going forward the Authority will strive to: -

- (a) Be the best centre for attracting investments in the regulated sectors by creating an enabling environment to all investors.
- (b) Ensure that there is the highest level of compliance by all regulated operators.
- (c) 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;
- (d) 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).
- (e) Promote investment in the energy and water sectors through development of investor friendly regulatory tools.
- (f) 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
- (g) Intensifying inspections in order to improve the quality of the infrastructure, products and services in the regulated sectors.
- (h) Expanding EWURA operations by establishing and strengthening zonal offices.
- (i) Computerizing various processes in order to expedite issuance of licenses, tariff reviews and revenue collections.
- (j) Develop more regulatory tools as and when required in order for consumers and regulated suppliers to comply with issues of standards on the one hand and enhancing transparency and predictability to all stakeholders on the other hand.

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



MANAGEMENT LETTER OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) FOR THE YEAR ENDED 30TH JUNE, 2017

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November, 2017

ML/EWURA/2016/2017

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ABBREVIATIONS AND ACRONYMS

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

1.0 GENERAL INFORMATION

1.1. Mandate

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and in Sect. 10 (1) of the Public Audit Act No.11 of 2008.

1.2. Vision, Mission and Core Values

Vision

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

Mission

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

Core Values

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

Objectivity: We are an impartial public institution, offering audit services to our clients in unbiased manner.

Excellence: We are professionals providing high quality audit services based on standards and best practices.

Integrity: We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.

People focus: We value, respect and recognize interest of our stakeholders.

Innovation: We are a learning and creative public institution that promotes value added ideas within and outside the institution.

Results Oriented: We are an organization that focuses on achievement based on performance targets.

Team work Spirit: We work together as a team, interact professionally, share knowledge, ideas and experiences.

We do this by:-

- w Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- w Helping to improve the quality of public services by supporting innovation on the use of public resources;
- w Providing technical advice to our clients on operational gaps in their operating systems;

- w Systematically involve our clients in the audit process and audit cycles; and
 - w Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence.
- © **This audit report is intended to be used by Government Authorities. However, upon receipt of the report by the Speaker and once tabled in Parliament, it becomes a public record and its distribution may not be limited.**

1.3. Audit Objectives

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

1.4. Audit Scope

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

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me.

Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Energy and Water Utilities Regulatory Authority

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud.

The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the Energy and Water Utilities Regulatory Authority

1.5. Audit Methodology

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

- w Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- w Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.

- w Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- w Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.

2.0. REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30TH JUNE, 2017

2.1. INTRODUCTION

The Directors hereby submit their report together with the audited financial statements for the year ended 30th June, 2017 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

2.2. ESTABLISHMENT

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

2.3. VISION

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

2.4. MISSION

To Regulate Utilities for Energy and Water Sectors in a Transparent, Effective and Efficient Manner that Ensures their Quality, Availability and Affordability.

2.5. CORE VALUES

The EWURAs core values are:-

- w Impartiality;
- w Morality;
- w Professionalism;
- w Accountability;
- w Courtesy; and
- w Transparency.

Motto: Fair Regulation for Positive IMPACT.

2.6. PRINCIPAL ACTIVITIES

The Authority is responsible for the technical and economic regulation of the energy (electricity, downstream petroleum, natural gas) and water and sanitation sectors in Tanzania.

The functions of the Authority include, among others, licensing, tariff review, monitoring performance and standards with regard to quality, safety, health and environmental issues of the regulated suppliers.

2.7. COMPOSITION OF THE BOARD OF DIRECTORS

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

The Board members, who served the Authority during the year ended 30th June, 2017 are as follows:-

S/N	Name	Position	Qualification	Nationality	Date of Appointment/ Retired	Age
1.	Eng. Prof. Jamidu H.Y. Katima	Chairman	PhD (Chemical and Process Engineering)	Tanzanian	24 th August, 2015	62
2.	Mr. Omar S. Bendera	Deputy Chairman	M.A. (Dev. Economics)	Tanzanian	Re-appointed 1 st March, 2014	68
3.	Mr. Felix M. Ngamlagosi**	Director General and Member	MSc.(Economics)	Tanzanian	Appointed 1 st February, 2014	51
4.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian	Appointed 20 th October, 2014	48
5.	Mr. Ahmad S.K. Kilima	Member	MBA (Marketing)	Tanzanian	Appointed 20 th October, 2014	64
6.	Mr. Oswald R. Mutaitina	Member	MSc. (Finance)	Tanzanian	Appointed 1 st April, 2015	52

** Mr. Felix Ngamlagosi served the Authority during the year as the Director General and member of the Board of Directors up to 11th June, 2017 and the appointment of a new Acting Director General Eng. Godwin Samwel was effected on 4th July, 2017

At the end of the year, there was a vacant position for one member of the Board of Directors and the nomination processes to fill the position was not yet concluded.

2.8. CORPORATE GOVERNANCE

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

The Board is required to meet at least once a month for ordinary meetings and may call for extra meetings when there is business to transact. The Board delegates the day to day management of the Authority to the Director General assisted by Senior Management members.

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

2.9. BOARD COMMITTEES

In streamlining the business transactions, the Board has constituted sector specific and cross-cutting issues Board Committees. During the year ended 30th June, 2017, the Audit and Risk Committee, Legal and Corporate Affairs Committee, Petroleum Committee, Electricity and Natural Gas Committee and Water and Sanitation Committee, met regularly pursuant to section 21 of the EWURA Act Cap.414. During the period under review a total of 22 meetings were conducted by these committees as shown below.

Board Committee Meetings

S/N	Board Committee	Number of Meetings
1.	Audit and Risk	7
2.	Legal and Corporate Affairs	6
3.	Electricity and Natural Gas	3
4.	Petroleum	3
5.	Water	3
	Total	22

Constitution of Board Committees is as follows:-

Board's Audit and Risk Committee

S/N	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
4.	Mr. Peter L. Machunde	Co-opted member	CPA (T)	Tanzanian

Board's Legal and Corporate Affairs Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Richard M. Kayombo	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Mr. Felix M. Ngamlagosi	Director General and Member	MSc.(Economics)	Tanzanian

Board's Electricity and Natural Gas Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Oswald R. Mutaitina	Ag. Chairman	MSc. (Finance)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Mr. Felix M. Ngamlagosi	Director General and Member	MSc.(Economics)	Tanzanian

Board's Petroleum Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Omar S. Bendera	Chairman	M.A. (Dev. Economics)	Tanzanian
2.	Mr. Felix M. Ngamlagosi	Director General and Member	MSc.(Economics)	Tanzanian
3	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
4.	Mr. Ahmad S. K. Kilima	Member	MBA (Marketing)	Tanzanian

Board's Water Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Ahmad S.K. Kilima	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Mr. Omar S. Bendera	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Felix M. Ngamlagosi	Director General and Member	MSc.(Economics)	Tanzanian

2.10. RELATED PARTY TRANSACTIONS

The related party transactions during the year are disclosed in Note 19 of these financial statements.

2.11. MANAGEMENT

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

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

2.12. KEY STRENGTH AND RESOURCES

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

(i) Human Resources and Customer Care

Customer satisfaction is mostly anchored on people and hence employees continue to be the most important assets. Their zeal, hardworking and commitments have made the Authority to

perform professionally well. The Authority has skilled, motivated and experienced employees who are considered as key resources in pursuing its objectives.

The Authority encourages and supports capacity building programmes to impart the required knowledge to employees to give them an edge in performing their activities. During the year under review 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.

(ii) Co-operation and Support from various Stakeholders

The Authority has internal and external stakeholders and has been encouraging harmonious relationship with them. Their support and involvement in EWURA activities makes a significant impact and contribution to service delivery to the public.

The Authority has continued receiving enormous support from the Ministry of Water and Irrigation, Ministry of Energy 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 and Planning, Treasury Registrar, Police and other Regulatory Authorities in the country.

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

(iii) Legal Framework

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

(iv) Financial Performance and Sustainability

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

- a) fees collected by the Authority including, fees payable for the grant and renewal of 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 total revenue of TZS 43.2bn (2016: TZS 45.3bn). The Authority spent a total of TZS 40.3bn (2016: TZS 36.8bn) on recurrent expenditure out of the revenue earned. The level of revenue and the instituted internal controls has enabled the Authority to discharge its regulatory functions and meet its customers, stakeholders and the public expectations.

2.13. OPERATIONAL AND FINANCIAL PERFORMANCE

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

The Strategic Objectives which were also its **Key Performance Indicators** were 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. The year 2016/17 was the last year for the 2012/13-17 Strategic Plan and the Authority was embarking on the preparation of new Strategic Plan.

Achievements

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

- a) 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 European Union (EU) and the Petroleum Act, 2015. The Authority developed Guidelines for Private Public Partnership in the Water Sector as a way of promoting private investment in water projects.
- b) The Authority continued to conduct monitoring of the Bulk Procurement System of petroleum products and facilitated its operations.
- c) 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.
- d) 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.
- e) In a bid to improve performance of regulated water utilities, the Authority continued to facilitate and support capacity building measures to water utilities. The Authority conducted training on preparation of Business Plans to 26 District, Township and National project WSSAs namely, Tunduma, Mafinga, Makete, Namtumbo, Kilolo, Ilula, Mugumu, Mwanhuzi, Misungwi, Tarime, Magu, Sengerema, Same, Mwanga, Usa River, Monduli, Loliondo, Kiliwater, Geita, Chamwino, Kilosa, Gairo, Manyoni, Kibaigwa, Turiani and Makonde National Project. The training sessions were hands on and have enabled the WSSAs to prepare their Business Plans and submit to EWURA for review. A significant number of water utilities have been able to plan using comprehensive business planning guidelines.

- f) The Authority continued with licensing activities on the regulated sectors where 891 licences were issued to regulated suppliers in Petroleum (226 licences), Electricity (16 provisional licences), Water and Sanitation (3 licences) and Electrical Wiremen Contractors (646 licences).
- g) 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.
- h) 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.
- i) The Authority reviewed 28 tariff applications from regulated suppliers of Water and Sanitation sector, Natural Gas and Electricity subsector. Out of those reviewed, 19 were approved, four were referred back, one was withdrawn and four were under review during the year end.
- j) The Authority approved the importation of petroleum products through Tanga port and reviewed the petroleum products pricing rules accordingly.
- k) The Authority launched the Licensing and Ordering Information System (LOIS) for the purpose of electronic management of the licences, compliance orders, complaints and tariff reviews;
- l) The Authority made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), and the Treasury as required by the law.
- m) The Authority recruited twenty-seven (27) new staff to fill various positions for its Head Office and Zonal office in Lake Zone, Northern Zone, Southern highlands Zone and Central Zone.
- n) 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.
- o) The Authority operated three new zonal offices in Mbeya, Arusha and Dodoma during the financial year, 2016/17.
- p) The Authority developed a Gender Policy which is used to guide on Gender related mainstreaming matters.

(i) Financing

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

During the year total revenue amounting to TZS 43.2 billion was earned indicating a decrease of 4.75% compared to the previous year as shown in Table 1.

Table 1: Revenue Performance

Description	30.06.2017 TZS'000	30.06.2016 TZS'000	Increase/ (Decrease) %
Income from Regulatory Levy and Licenses	40,892,189	40,476,750	1.03
Other Income	<u>2,260,128</u>	<u>4,825,960</u>	<u>(53.18)</u>
Total Revenue	<u>43,152,317</u>	<u>45,302,710</u>	<u>(4.75)</u>

(ii) Licensing

During the year, the Authority prepared and issued licences 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, 891 applicants were issued with new licenses as follows; petroleum 226 licenses (Petroleum wholesale 20, Petroleum Retail 175 and LPG 3 licences, Lubricant Licences 20, Petroleum Consumer Installation 1, waste recycling 1 and Petroleum storage Licence 2), In Electricity subsector a total of 16 licenses were issued (9 were Electricity Provisional Licences, 4 were Electricity Generation licences (Commercial) 3 licence were for electricity generation (own use baseload & standby) and 646 licences were issued to wiremen contractors. In the water and Sanitation sector, 3 licences were issued. 2 Licenses were for Water supply and Sanitation Licence class III and 1 was for water class I.

(iii) Development of Regulatory Tools

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

During the year, the following Regulatory tools were developed:-

- The Electricity (Development of Small Power Projects) Rules, 2016;
- The Electricity (System Operations Services) Rules, 2016;
- The Electricity (Market Operations Services) Rules, 2016;
- The Electricity (Licensing Fees) Rules, 2016;
- The Electricity (Supply Services), Rules, 2017;
- The Electricity (Procurement of Power Projects and Approval of Power Purchase Agreements), Rules, 2017;
- The Petroleum (Retail Operations in Townships and Villages) Rules 2017.

(iv) Standards and Codes

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

(v) 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**:

Table 2: Tariff and Pricing Formula Reviews

Regulated Sectors	Matters brought Forward from previous year	Matters Received during the year	Total Matters Reviewed	Approved	Referred Back	Withdrawn	Under Review as at 30 th June, 2017
Electricity	0	2	2	0	1	1	0
Natural Gas	0	1	1	0	1	0	0
Petroleum	0	0	0	0	0	0	
Water Supply & Sanitation	8	17	25	19	2	0	4
Total	8	20	28	19	4	1	4

In all cases, the legal requirement (EWURA Act, Cap 414, Sect. 19(2)(b)) of taking the views of stakeholders into account were observed when determining the new rates and formulas. Except for the automatic tariff application from Singida and Dodoma WSSAs and the annual review of the petroleum operators' margins, the Authority conducted public hearings to all other tariff and pricing matters as summarized in table 3. 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	Number of Matters Resolved
Electricity	4	0
Natural Gas	1	1
Petroleum	1	1
Water Supply and Sanitation	13	18
Total	19	20

(vi) 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:-

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

2.13.1. 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 300 petroleum facilities. Out of these, 189 facilities (63%) met licensing requirements and hence were issued with licences.
- (b) Inspected 664 petrol stations to monitor compliance to the license conditions, applicable laws and Health, Safety and Environment (HSE) requirements. 585 petrol stations were found operating while 79 petrol stations were closed at the time of inspection. Out of the petrol stations that were found operational, 370 petrol stations equivalent to 63.25% were found compliant with the license conditions, applicable laws and Health, Safety and Environment (HSE) requirements. The non-compliant petrol stations were closed and the respective operators ordered to upgrade them to meet the requirements.
- (c) Inspected 1,184 petrol stations to monitor compliance to the Price Setting Rules. Two (2) petrol stations (0.17%) were found defaulting the Rules and therefore appropriate legal actions were taken.
- (d) 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:-
 - w Conducted fuel marker detection to 664 facilities in order to curb dumping of untaxed petroleum products into local market and adulteration. 32 facilities (4.82%) 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.
 - w A total of 487 samples of petroleum products were taken from petroleum facilities in order to monitor compliance to the TBS specification. Thirty-five (35) samples equivalent to 7.19% were found not conforming to TBS specifications. Appropriate legal actions were taken against the defaulters.

2.13.2. Sector Monitoring and Inspection - Electricity Subsector

During the Financial Year 2016/17 the Authority conducted inspections on Electricity Utility's Distribution infrastructure in 21 Regions namely; Singida, Shinyanga, Kilimanjaro, Geita, Tanga, Mbeya, Kigoma, Kagera, Dodoma, Morogoro, Mwanza, Manyara, Ruvuma, Njombe, Arusha, Tabora, Dar es Salaam, Mara, Lindi and Iringa.

These inspections were new and some were follow up inspections to evaluate implementation of the corrective actions recommended by EWURA during previous inspections and to verify the implementation report submitted by TANESCO.

The follow up inspection indicate that 53% of the inspection findings which did not require additional budget were rectified by TANESCO. Despite the above average implementation of the previous inspection findings, it was observed that TANESCO network still has many non-compliance issues including technical defects and deficiencies.

Among the defects found during inspection were unrated fuses, rotten poles, defective switchgears, leaning insulators, poles and transformer oil leakages, vegetation/trees touching feeder lines, improperly done connections, poor housekeeping in primary substations, missing and un-serviced fire extinguishers in substations, broken covers for cable trenches and drainage systems and excessive conductor sags on power distribution lines.

Also during inspections, non – compliance to customer service charter such as not meeting the durations of temporary breakdowns attendance as stipulated in CSC were observed. 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 and report back the implementation status for re-inspection to verify the same.

The Authority conducted effective inspection on Utilities Electricity Distribution Infrastructure in the year 2014, and up to June, 2017, 38 inspections have been conducted in 21 regions, some of which are follow-up inspections.

In addition to transmission and distribution infrastructure inspection, the EWURA conducted 9 pre-licensing inspections for Kagera Sugar limited, Luponde Hydro power plant (Ludewa HPP), Shanta Mine Co Ltd, Textpole Limited, CEFA Registered Trustees, Suma Hydro Limited, Andoya Hpp, Tulila HPP, Ngombeni Hydropower plant and African Benedicts Sisters of St. Agness, thereby facilitating them to be issued with licences and five generation facilities inspection for Kidatu Hydro power plant, Mtera, Tegeta Gas Power Plant and IPTL.

2.13.3. 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. Routine inspection for the 58 WSSAs were conducted namely; Sumbawanga, Makambako, Tunduru, Namtumbo, Songea, Mbinga, Ludewa, Makete, Njombe, Iringa, Kilolo, Chunya, Ilula, Rujewa, Itumba- Isongole, Kyela, Kasumulo, Namanyere Mikumi, Dakawa, Kilosa, Mpwapwa, Kongwa, Chamwino, Kiomboi, Igunga, and Nzega. Others were Magu, Misungwi, Nansio, Tarime, Mugumu, Sengerema, Mbulu, Lushoto, Same, Songe, Utete, Kisarawe, Loliondo, Lindi, Mtwara, Makonde, Ruangwa, Mangaka, Chalinze, Kilwa Masoko, Kilindoni, Liwale, DAWASA and DAWASCO. Also special inspections were conducted in Njombe, Mpanda, Bariadi, Geita and Lindi. Further pre-licensing inspections were conducted in Kisarawe and Turiani.

The Authority also, prepared two Water Utilities Performance Review Reports for 2015/16 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 reports best performing utilities were recognized by awarding them with certificates and trophies.

During the year, the Authority revised business plans from 42 WSSAs namely Morogoro, Mtwara, Lindi, Makonde, Kilindoni, Tanga, Magugu, Loliondo, Monduli, Gallapo, Same, Kibaya, Katesh, Lushoto, Mwanza, Kishapu, Muleba, Kasulu, Magu, Mwanhuzi, Biharamulo, Karagwe, Nansio, Maganzo, Misungwi, Sengerema and Kigoma. Others were, Geita, Maswa, Singida, Tukuyu, Ilula, Kilolo, Mafinga, Makete, Namtumbo, Tunduma, Makambako, Kondoa, Utete, Nzega and Manyoni. As a result, final Business Plans have been submitted from 16 WSSAs namely Mtwara, Lindi, Utete, Kibaya, Katesh, Nansio, Biharamulo, Kigoma, Kishapu, Maganzo, Makambako, Sumbawanga, Monduli, Magugu, Loliondo, and Mwanza.

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

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.

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 26 Districts, Townships and National project WSSAs namely; Tunduma, Mafinga, Makete, Namtumbo, Kilolo, Ilula, Mugumu, Mwanhuzi, Misungwi, Tarime, Magu, Sengerema, Same, Mwanza, Usariver, Monduli, Loliondo, Kiliwater, Geita, Chamwino, Kilosa, Gairo, Manyoni, Kibaigwa, Turiani and Makonde National Project. The training sessions were hands on and have enabled the WSSAs to prepare their Business Plans and submit to EWURA for review. Regarding Majls, the Authority conducted training to 17 WSSAs (Mtwara, Makonde, Songea, Mpanda, Mpwapwa, Chamwino, Kilosa, Kiomboi, Kongwa, Nzega, Biharamulo, Ngara, Lushoto, Mbulu, Monduli, Mwanza and Same) 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 52 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 to WSSAs of Morogoro, Mahenge, Turiani, Dodoma, Kibaigwa, Chamwino, Singida, Kiomboi, Tabora, Sikonge, Urambo, Kigoma, Same, Mwanza, Moshi, Arusha, Babati, Bashnet, Gallapo, Loliondo, Tanga, HTM, Korogwe, Muheza, Lushoto, Mwanza, Geita, Nansio, Ukerewe, Ngara and Biharamulo. Others were Lindi, Mtwara, Kilwa Masoko, Ruangwa, Makonde, Chalinze, Masasi- Nachingwea, Iringa, Njombe, Songea, Mbeya, Sumbawanga, Mpanda, Namanyere, Mbinga, Ludewa, Namtumbo, wanging'ombe, Mlowo, Vwawa and Itumba Isongole.

The Authority participated in capacity building to new Board members of WSSAs on regulatory issues organized by MoWI. New board members from 23 water utilities of Njombe, Mbeya, Sumbawanga, Songea, Wangingombe, Mtwara, Lindi, Makonde, Tabora, Kigoma, Mpanda, Kashwasa, Kahama, Tanga, Moshi, Arusha, Babati, HTM, Singida, Morogoro, Dodoma, Iringa and Chalinze National Project were Trained.

Customer Service Charters from 23 WSSAs namely, Morogoro, Tabora, Dodoma, Kigoma, Lindi, Moshi, Tanga, Mtwara, Mwanza, Chalinze, Kilwa Masoko, Katesh, Muheza, Utete, Muleba, Bukoba, Shinyanga, Kahama, Kahama- Shinyanga, Mungango- Kiabakari, Arusha, Iringa and DAWASA were reviewed. A total of 10 customer service charters were approved, from Moshi, Tanga, Mtwara, Mwanza, Chalinze, Kilwa Masoko, Katesh, Muheza, Utete and Iringa.

2.13.4. Sector Monitoring and Inspection –Natural Gas Subsector

The Authority carried out quarterly field inspections to the natural gas infrastructures operated by Songas, Ndovu Resources, Pan African Energy, TPDC, Maurel et Prom for high pressure transmission pipelines 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 earlier from the regulated service providers based on daily, weekly and monthly reports which form part of the basis of monitoring the performance.

In the absence of regulations and rules for the sub-sector, the Authority carried out low-key enforcement activities leading the service providers to take safety precautionary measures ensuring the public is not exposed to risk that may be associated with natural gas activities. However, two regulations, the Petroleum (Natural Gas Pricing) Regulations, 2016 and the Petroleum (Local Content) Regulations, 2017 were later issued.

Public Awareness

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

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

For the Financial Year 2016/17 the Authority executed several activities related to Communications and Public Relations functions of which some of them have been presented in this report.

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

The Authority aired 77 and 232 weekly Television and Radio programmes, respectively. With the previous financial year, there has been a notable increase in TV and radio programmes, which were 53 and 66 television and radio Programmes, respectively. A diverse of local TV stations were used to air the new famous “**EWURA NA UCHUMI TV Programme**”, while Radio stations were used to air live interviews and jingles as well as special recorded interview. The Authority also coordinated 49 printed feature articles in various newspapers against 24 features printed in the previous financial year.

In the same period, the Authority also conducted stakeholders' seminars in the electricity and petroleum sub-sectors. The seminars for electricity were conducted in Tanga, Arusha, Kilimanjaro, Manyara, Mwanza and Mbeya regions, focusing on the new Rules (2015) for electrical contractors. 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 was conducted in the regions of Mwanza, Mara, Shinyanga, Geita, Kigoma, Manyara, Kilimanjaro, Tanga, Katavi and Rukwa.

Press Conferences and Media Coverage

During the year, the Authority conducted a total of 12 press conferences held at EWURA offices for the purpose of communicating to the public on issues related to tariffs, regulated services supply and licensing.

Advertisements

During the year, the Authority published 67 batches of various advertisements compared to 54 batches of advertisements published in the previous Financial Year. The advertisements were mainly on Petroleum Price, Public Notices, Job Vacancies Adverts, Pre-inspection monitoring and licensing notices and Tenders.

Exhibitions

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

Publicity Materials

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

During the year, the Authority published various reports namely: EWURA Annual report, Water sector reports Volume I and II, Downstream Petroleum Subsector Performance Report for the year 2016, brochures and EWURA Newsletters.

Complaints and Disputes

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

Table 4: Complaints and Disputes Attended

Regulated Sector	Previous Complaints	Complaints Received During the Year	Complaints Resolved	Complaints in Progress
Petroleum	55	91	62	84
Electricity	2	27	20	9
Water Supply and Sanitation	41	38	33	46
Natural Gas	1	0	0	1
Total	99	156	115	140

At the end of the year a total of 140 complaints were at various stages of mediation and hearing.

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.

RECRUITMENT

During the year, the Authority recruited **27** employees thus bringing the total number of staff to **123**. The number of staff planned during the year was 133. Staff gender structure was as indicated in Table 5:

Table 5: Staff Complement

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

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

RISK MANAGEMENT AND CONTROL

The Board assumes final responsibility for the risk management and internal control system of the Authority. During the year EWURA Risk Management Framework was reviewed, Risk Register updated and training on Risk Management was conducted to members of staff and the Board of Directors.

It is the role of the Board to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to provide reasonable assurance regarding:-

- 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 behaviours towards stakeholders.

1. STAFF WELFARE

(i) Staff Relations

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

(ii) Capacity Building

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

(iii) Medical Services

The Authority provides medical insurance cover through National Health Insurance Fund (NHIF) to all staff, spouses and up to four legally recognized children not exceeding 18 years of age.

(iv) Health and Safety

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

(v) HIV/AIDS Intervention

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

2. EMPLOYEE BENEFIT PLAN

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

3. GENDER PARITY

During the year, the Authority had 123 employees, out of whom 85 (69%) were male and 38 (31%) were female. The Authority is an equal opportunity employer.

4. POLITICAL DONATIONS

The Authority do not make donations towards political activities.

5. CORPORATE SOCIAL RESPONSIBILITIES

The Authority makes donations and contributions to various institutions to support activities of national interest in line with its donation and contribution policy. The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public. During the year, the Authority supported various institutions with a total of TZS 161 mil.

6. RELATED PARTY

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

7. 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.

8. PERSONS WITH DISABILITIES

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

9. 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) 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 and will facilitate the clustering of the WSSAs.
- b) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines continue to be a challenge. The Authority has considered continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets.
- c) Low investments in Water Supply and Sanitation which result into a slow pace towards moving to 100% service coverage (currently, it is around 86% in urban areas. 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.
- (d) Insufficient public knowledge with regard to rights and obligations of consumers and those of the regulated suppliers. The Authority shall continue to strengthen the implementation of Public Awareness Programme to address this challenge

- e) Delays by TANESCO (as an off-taker) to pay for the power purchased from small power producers has led to numerous operational difficulties to these producers. These delays may also be a hindering factor to small power investment in the sector as they potentially raise the risk element of those investments. EWURA will engage TANESCO and stakeholders to devise ways in mitigating this issue.
- f) Poor power distribution infrastructure coupled with inadequate 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.
- g) Continued smuggling of kerosene into Tanzania from neighboring countries is still a problem. EWURA plans to increase the level and frequency of marker detection exercises, especially in border areas. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections. EWURA will also increase awareness campaigns on the matter.

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

10. 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.

11. SOLVENCY

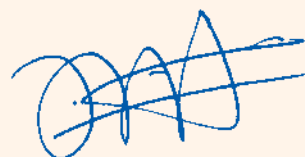
Since its establishment, the Authority has managed to finance its operations through sources specified under the EWURA Act. The Directors consider the Authority to be solvent on the strength of its financial position as at 30th June, 2017 as set out in pages 88 to 112 of these financial statements and the Notes thereon.

12. AUDIT MANDATE

The Controller and Auditor General is the Statutory Auditor of The Energy and Water Utilities Regulatory Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania (URT) and as amplified in Section 10 of the Public Audit Act No. 11 of 2008. However, in accordance with Section 33 (1) of the same Act, M/s Reliable Consultants were authorized to carry out the audit of the Authority's financial statements for the year ended 30th June, 2017 jointly with the Controller and Auditor General.



ENG. PROF. JAMIDU KATIMA
 CHAIRMAN



ENG. GODWIN SAMWEL
 Ag. DIRECTOR GENERAL

Date: 15/12/2017

Date: 15/12/2017

13. STATEMENT OF DIRECTORS' RESPONSIBILITIES

These financial statements have been prepared by the management of the Energy and Water Utilities Regulatory Authority in accordance with the provisions of section 46 of the EWURA Act and section 25(4) of the Public Finance Act, Cap 348 of 2008.

The Directors of EWURA are responsible for establishing and maintaining a system of effective internal control designed to give reasonable assurance that the transactions recorded in the financial statements are within the statutory requirement and that they contain the receipts and use of resources by the Authority.

The Directors of EWURA are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Authority, and which enable them to ensure that the financial statements comply with the EWURA Act. They are also responsible for safeguarding the assets of EWURA and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgment and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2017. The Directors also confirm that International Public Sector Accounting Standards have been followed and that the financial statements have been prepared on the going concern basis.

To the best of the Directors knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30th June, 2017.

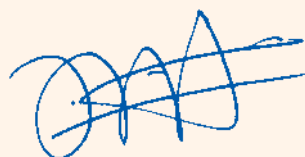
Directors accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with International Public Sector Accounting Standards. Nothing has come to the attention of the Directors to indicate that EWURA will not remain a going concern for at least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

Approved by the Board of Directors on 15th December 2017 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA
CHAIRMAN

Date: 15/12/2017



ENG. GODWIN SAMWEL
Ag. DIRECTOR GENERAL

Date: 15/12/2017

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

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

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

I, Stanley Paul Mahembe, being the Director of Corporate Affairs of the Energy and Water Utilities Regulatory Authority hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30th June 2017 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:.....*Stanley Paul Mahembe*.....

Positions:.....*DIRECTOR OF CORPORATE AFFAIRS*.....

NBAA Membership No.: FCPA1515.....

Date:*15-12-2017*.....

AUDIT REPORT ON THE FINANCIAL STATEMENTS

To: The 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 30TH JUNE, 2017

Basis of Opinion

I have conducted the audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the EWURA in accordance with International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Tanzania, and I have fulfilled other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Energy and Water Utilities Regulatory Authority (EWURA) as at 30th June, 2017 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.

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

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.

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.



Benjamin Mashauri

Ag. CONTROLLER AND AUDITOR GENERAL

National Audit Office
DAR ES SALAAM

19th December 2017



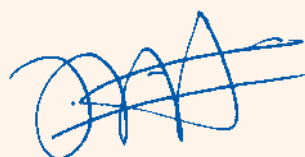
STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE, 2017

	NOTES	30.06.2017 TZS.'000	30.06.2016 TZS.'000
ASSETS			
Non-Current Assets			
Property and Equipment	3	2,353,187	2,028,642
Intangible Assets	4	174,632	31,091
Total Non-Current Assets		2,527,819	2,059,733
Current Assets			
Inventories		243,688	126,361
Trade and Other Receivables	5	13,959,939	11,424,613
Financial Assets	6	-	5,756,716
Cash and Cash Equivalents	7	3,313,443	20,597,338
Total Current Assets		17,517,070	37,905,028
TOTAL ASSETS		20,044,889	39,964,761
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		9,890,409	7,045,707
Total Capital and Reserves		9,890,409	7,045,707
Non-Current Liabilities			
Gratuity Payable	8	1,759,982	1,397,063
Current Liabilities			
Trade and Other Payables	9	8,394,498	31,521,991
Total Liabilities		10,154,480	32,919,055
TOTAL EQUITY AND LIABILITIES		20,044,889	39,964,761

The financial statements on pages 88 to 112 were approved for issue by the Board of Directors on 15th December 2017 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA
CHAIRMAN



ENG. GODWIN SAMWEL
Ag. DIRECTOR GENERAL

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE, 2017

	NOTES	2016/2017 TZS.'000	2015/2016 TZS.'000
Revenue	10		
Revenue from Non Exchange Transactions	10.1	41,963,407	41,661,823
Revenue from Exchange Transactions:			
Other Income	10.2	800	2,600
Finance Income	11	1,188,109	3,638,287
Total Revenue		43,152,316	45,302,710
Expenditure			
Staff Costs	12	15,413,829	12,420,836
Operating Expenditure	13	9,732,184	7,954,450
Contribution to Other Government Entities	14	9,852,457	9,859,831
Administration Costs	15	3,841,793	4,121,751
Other Charges	16	890,312	1,995,031
Depreciation on Property and Equipment	3	542,035	436,836
Amortization of Intangible Assets	4	35,005	4,462
Total Expenditure		40,307,614	36,793,197
Net Operating (Deficit)/Surplus for the Year		2,844,702	8,509,513
Add: Retained Surplus Brought Forward		7,045,707	16,009,834
Total Surplus Before Appropriation		9,890,409	24,519,347
Appropriation:			
Transfer to Special Dividend		-	(17,473,640)
Transfer to Building Fund		-	-
Retained Surplus Carried Forward		9,890,409	7,045,707

The financial statements on pages 88 to 112 were approved for issue by the Board of Directors on 15th December 2017 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA
CHAIRMAN



ENG. GODWIN SAMWEL
Ag. DIRECTOR GENERAL

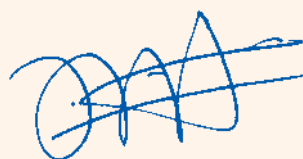
STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30th JUNE, 2017

	2016/2017 TZS.'000	2015/2016 TZS.'000
Operating Activities		
Receipts:		
Regulator Levy	35,751,130	36,897,625
Licence Fees	1,016,768	798,970
Application Fees	261,222	260,637
Penalties	1,017,219	1,165,375
Interest Received	1,188,108	2,956,638
Other Income	800	2,600
Payments:		
Staff Expenses	(15,413,829)	(12,325,264)
Operating Expenses	(7,699,173)	(6,597,468)
Contribution to Government Entities	(9,852,457)	(9,859,831)
Administration Expenses	(3,545,873)	(4,090,706)
Other Expenses	(1,294,070)	(364,847)
Net cash Generated from Operating Activities	1,429,845	8,843,728
Investing Activities		
Purchase of Property and equipment	(1,513,133)	(788,826)
Purchase of Intangible Assets	(178,546)	-
Proceeds/Adjustments from Disposal of Property and Equipment	-	-
Purchase of Financial Assets - Maturity after 91 Days	-	(2,325,740)
Proceed from Financial Assets - Maturity after 91 Days	23,482,574	23,004,668
Net Cash Used in Investing Activities	21,790,646	19,890,102
Financing Activities		
Special Dividends to the Government	(23,482,574)	10,353,606
Net Cash Generated from Financing Activities	(1,691,679)	(10,353,606)
Decrease (Increase) in Cash and Cash Equivalents	(261,833)	18,380,225
Cash and Cash Equivalents at the Beginning of the Year	3,575,276	2,217,113
At the End of the Year	3,313,443	20,597,338

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CHAIRMAN



ENG. GODWIN SAMWEL
Ag. DIRECTOR GENERAL

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30th JUNE, 2017

	Capital Fund TZS.'000	Building Fund TZS.'000	Retained Surplus TZS.'000	Total TZS.'000
Opening Balance at 1st July, 2016	-	-	7,045,707	7,045,707
Net Operating surplus for the Year	-	-	2,844,702	2,844,702
Balance at 30th June, 2017	-	-	9,890,409	9,890,409

Year Ended 30th June, 2016

Item	Capital Fund TZS.'000	Building Fund TZS.'000	Retained Surplus TZS.'000	Total TZS.'000
Balance at 1 st July, 2015	-	21,850,000	16,009,834	37,859,834
Net Operating Surplus for the Year	-	-	8,509,513	8,509,513
Special Dividends to the Government	-	(21,850,000)	(17,473,640)	(39,323,640)
Balance as at 30 June, 2016	-	-	7,045,707	7,045,707

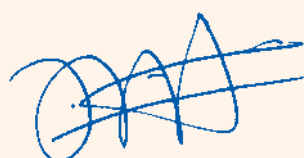
Note:

During the year the Authority wrote off TZS 646.6 million as sunk cost relating to the suspended building project of EWURA House at Ubungo. This follows the Government directive vide Treasury Registrar letters with Ref.No.CEA.170/344/01 of 14th June, 2016 in which the Government suspended construction of office buildings for public entities whose core functions were not construction of buildings.

The financial statements on pages 88 to 112 were approved for issue by the Board of Directors on 15th December 2017 and signed on its behalf by:



ENG. PROF. JAMIDU KATIMA
CHAIRMAN



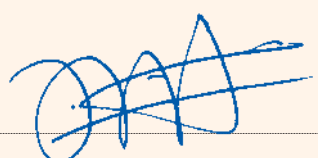
ENG. GODWIN SAMWEL
Ag. DIRECTOR GENERAL

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30th JUNE, 2017

	Original Budget	Mid-Year Review (Adjustments)	Final Budget	Actual on Comparable Basis	Performance Difference
	TZS.'000	TZS.'000	TZS.'000	TZS.'000	TZS.'000
Revenue					
Revenue from Non-Exchange Transactions:					
Regulatory Levy	41,437,533	205,372	41,642,905	39,614,198	(2,028,707)
Licence Fees	1,039,340	(197,111)	842,229	1,016,768	174,539
Application Fees	135,137	(27,686)	107,451	261,222	153,771
Penalties	1,200,000	(173,800)	1,026,200	1,071,219	45,019
Finance Income	1,400,000	27,508	1,427,508	1,188,109	(239,399)
Sales of Tender Documents	2,000	-	2,000	800	(1,200)
Other Income					
Total Revenue	45,214,010	165,717	45,048,293	43,152,316	(1,895,977)
Expenses					
Staff Costs	16,842,111	1,059,213	17,901,324	15,413,829	2,487,495
Operating Expenditure	15,077,570	(4,301,646)	10,775,924	9,732,184	1,043,740
Contribution to other Government Entities	9,846,644	-	9,846,644	9,852,457	(5,813)
Administration Costs	4,164,217	579,855	4,744,072	3,841,793	902,279
Financial and Other Charges	231,703	18,774	250,476	890,312	(639,835)
Depreciation of Property, Plant and Equipment	884,713	-	884,713	542,035	342,678
Amortization of Intangible Assets				35,005	(35,005)
Total Expenses	42,882,741	(2,643,804)	44,403,153	40,307,614	4,095,539
Surplus/(Deficit) for the Year	2,331,269	2,478,087	645,140	2,844,702	(5,991,516)
Attributable to:					
Surplus Attributable to Owners	2,331,269	2,478,087	645,140	2,844,702	(5,991,516)

The financial statements on pages 88 to 112 were approved for issue by the Board of Directors on 15th December 2017 and signed on its behalf by:


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 Ag. DIRECTOR GENERAL

15. EXPLANATION FOR MATERIAL VARIANCES

Regulatory Levy: During the year 2016/2017 the Authority did not meet its regulatory levy target as earlier estimated due to decrease in imports of petroleum products.

Application and Licence Fees: The Authority earned more licence and application fees as it received a higher number of license applications from electricity, natural gas, water and petroleum sub-sectors, than it was anticipated. More fees were received from Electrical contractors and wiremen than earlier anticipated. The improved performance was attributed to increased awareness campaigns conducted in different regions.

Finance Income: The Authority earned less finance income as a result decreasing financial assets following the Government directives to redeem special dividends from the Authority. These assets were previously invested in different commercial banks and Bank of Tanzania. In the preceding financial year 2015/16 the Authority earned TZS3.6 bn as compared to TZS 1.1 bn earned in 2016/17.

Other income: During the financial year 2016/17 the Authority had projected to earn TZS 2 million as sale of tender documents. The Authority earned TZS 0.8 million on sale of Tender Documents. The reason for this performance was that the Authority mostly used the services of Government Procurement Services Agency (GPSA) in its procurement transactions.

Staff Cost: Expenditure in Staff cost was below the budget as a result of delayed recruitment of a number of positions following the government directives to complete the verification and staff list clean up exercise.

Operating Expenses: During the year the Authority incurred TZS 9.7 billion against the budgeted amount of TZS 10.8 bn on operating expenses. A number of recurrent activities were not performed as planned which contributed to this low level of spending. Among the activities which were not executed for various reasons were in-house training on regulatory matters and TANESCO Cost of Service Study which was postponed to financial years 2017/2018.

Administrative Expenses: The budgeted amount was not fully spent mainly due to delay in operationalization zonal offices in Arusha, Dodoma and Mbeya.

Other Charges: The Authority incurred (reported) an amount which was more than budget as a result of a decision to write off TZS 646.6 million relating to the suspended building project of EWURA House in line with Government directive. This followed the government directive vide Treasury Registrar letters in which the Government suspended construction of office buildings for public entities whose core functions were not construction of buildings.

Depreciation and Amortisation Charges: Depreciation and Amortisation charges were below the estimated amount as a result of delays in delivery of a number of Non-current assets including four motor vehicles procured through GPSA.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

The Energy and Water Utilities Regulatory Authority (EWURA) was established under the Energy and Water Utilities Regulatory Authority Act Cap 414 of the Laws of Tanzania (EWURA Act). 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.

NOTE 2: PRINCIPAL ACCOUNTING POLICIES

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

a) 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 2016. The standard has no impact in the financial statements of the Authority.

- w 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 amortized over the useful economic life and assessed at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. Generally, costs associated with developing computer software programmes are recognized as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally generated intangible assets are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred.

e) Financial Instruments

Classification

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

- w Held-to-maturity investment
- w Loans and receivables
- w 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

i. Approved Pension Scheme

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

ii. Gratuity

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

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.

NOTE 3: PROPERTY AND EQUIPMENT AS AT 30TH JUNE, 2017

	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 st July, 2016	646,554	-	-	574,497	6,190	1,963,723	465,291	749,737	807,693	5,213,684
Additions	-	-	-	-	-	772,327	194,405	280,622	265,779	1,513,133
Disposals/ Adjustments	(646,554)	-	-	-	-	-	-	-	-	(646,554)
At 30th June, 2016	-	-	-	574,497	6,190	2,736,050	659,695	1,030,608	1,073,472	6,080,512
Depreciation:										
At 1 st July, 2016	-	-	-	543,683	6,190	1,350,449	134,498	399,443	750,778	3,185,042
Charges for the Year	-	-	-	12,156	-	245,475	71,454	109,027	103,922	542,035
Disposal	-	-	-	-	-	-	-	-	-	-
At 30 June, 2016	-	-	-	555,840	6,190	1,595,924	205,952	508,470	854,701	3,727,077
Net Book Value 30th June 2017	-	-	-	18,657	-	1,140,126	453,744	521,888	218,772	2,353,187

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

NOTE 3: PROPERTY AND EQUIPMENT AS AT 30TH JUNE, 2017 (CONTINUED)

	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
Cost:										
At 1 st 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)
At 30th June, 2016	646,554	-	-	574,497	6,190	1,963,723	465,291	749,736	807,693	5,213,685
Depreciation:										
At 1 st July, 2015	-	-	-	531,537	6,190	1,457,004	78,634	314,744	682,100	3,070,201
Charge for the Year	-	-	-	12,156	-	215,440	55,864	84,698	68,677	436,836
Adjustments	-	-	-	-	-	(321,995)	-	-	-	(321,995)
At 30th June, 2016	-	-	-	543,638	6,190	1,350,449	134,498	399,443	750,777	3,185,040
Net Book Value										
30th June, 2016	664,554	-	-	30,814	-	613,274	330,793	350,293	56,915	2,028,642

NOTE 4: INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
Cost		
At Start of Year	639,442	636,492
Additions/Adjustment	178,546	2,950
At End of Year	817,988	639,442
Amortization		
At Start of Year	608,351	603,890
Charge for the Year	35,005	4,461
At End of Year	643,356	608,351
Net Book Value as at 30th June, 2017	174,632	31,091

NOTE 5: TRADE AND OTHER RECEIVABLES

Trade Receivables	12,443,905	8,594,996
Provision for Impairment (Note 5A)	(1,537,024)	-
Prepayments (Note 5B)	1,438,722	568,577
Other Receivables	85,581	106,724
ESCB Account	(49,503)	(54,503)
Interest Receivable	-	1,506,796
Staff Loans and Advances (Note 18C)	1,607,088	702,023
TOTAL	13,959,939	11,424,613

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

NOTE 5A: Movement in Provision for Impairment

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
Balance at the beginning of the Year	-	-
Charge for the Year	1,537,024	-
Recoveries (Released provision during the year)	-	-
TOTAL	1,537,024	-

NOTE 5B: Prepayments

Prepaid Office Rent	109,401	58,455
Prepaid Insurance	17,257	11,030
Prepayments – Others	1,312,064	499,092
Total Prepayments	1,438,722	568,577

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.

NOTE 6: FINANCIAL ASSETS

Financial assets comprise the following:-

Fixed deposits

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
At Start of Year	-	9,413,583
Additions	-	2,325,740
Deposits Redeemed at Maturity	-	(5,982,607)
At End of Year	-	5,756,716
Analysis of Held-to-Maturity Investments follows:		
Maturing after 91 days	-	5,756,716
TOTAL (Balance as at 30.06.2017)	-	5,756,716

NOTE 7: CASH AND CASH EQUIVALENTS

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

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
Cash and Bank Balances	3,313,443	3,575,276
Maturing Within 91 days	-	17,022,062
TOTAL	3,313,443	20,597,338

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

At the end of the year the Authority had a total of TZS1.8bn (2016: TZS2.8bn) and USD0.7mil (2016: USD 0.4 mil) held in different bank accounts as indicated hereunder.

NOTE 7: CASH AND CASH EQUIVALENTS (CONT'D)

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

Financial assets maturing within 91 days

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
NBC Account	-	8,609
CRDB Main Account	61,843	588,960
CRDB Revolving Fund Account	35,289	837,235
CRDB Surplus Account	-	15,208

CRDB Mwanza	2,528	-
Bank ABC Gratuity Account	-	24,682
Bank ABC Building Fund	-	7,351
Bank ABC Sinking Fund	-	8,146
BOT-Energy Sector Capacity Building Project-USD	75,215	54,503
BOT-Revenue and Collection Account-USD	1,441,791	722,579
BOT-Revenue and Collection Account - TZS	1,687,736	1,286,417
CRDB USD	9,042	21,586
TOTAL	3,313,444	3,575,276

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

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

Surplus/(Deficit) for the year	2,844,702	8,509,513
Adjustments for:		
Non-cash items including Depreciation and Amortization	937,220	1,720,590
Cash Generated from Operations Before Working Capital Changes	3,781,922	10,230,103
Changes in Working Capital:		
(Increase)/Decrease In Stocks And Consumables	(117,327)	(4,340)
(Increase)/Decrease in Trade and Other Receivables	(2,589,829)	(2,161,132)
Increase/(Decrease) in Trade and Other Payables	366,769	779,097
Net changes in Working Capital	(2,340,387)	(1,386,275)
Net Cash Generated from Operations	1,441,535	8,843,728

NOTE 8: GRATUITY PAYABLE

Non-current liabilities portion at the statement of financial position date amounted to TZS 1.8 billion. This is part of gratuity provision amounting to TZS 2.5 billion as analysed below:-

	30.06.2017 TZS'000	30.06.2016 TZS'000
At start of the year	2,631,734	2,667,360
Charge for the Year	1,238,142	973,336
Released During the Year	(1,417,317)	(1,008,962)
At End of Year	2,452,559	2,631,734
Less: Balance Reclassified as Current Liabilities (Note 9)	692,577	1,234,671
Non-Current Liabilities as at 30th June, 2017	1,759,982	1,397,063

NOTE 9: TRADE AND OTHER PAYABLES

Trade Payables	310,577	3,065
Special Dividends Payable	5,487,310	28,969,884
Gratuity Payable (Note 8) within the year	692,577	1,234,671
Audit Fees	90,640	79,956
Annual Leave Payable	-	90,275
Withholding Tax	19,835	11,700
GPA Sinking Fund	382,089	382,089
PAYE	21,139	-
Pensions Payable	-	12,374
EREA Fund	170,5275	162,841
Other Payables and Accruals	1,224,805	575,136
TOTAL	8,394,498	31,521,991

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

NOTE 10.1: REVENUE FROM NON EXCHANGE TRANSACTIONS

	2016/2017 TZS.'000	2015/2016 TZS.'000
Regulatory Levy		
Electricity	14,449,040	13,856,638
Petroleum	20,499,522	21,439,702
Natural Gas	1,825,671	1,812,341
Water and Sewerage	2,839,965	2,308,462
Total Regulatory Levy Revenue	39,614,198	39,417,143
Licence Fees		
Electricity	180,545	102,360
Natural Gas	1,093	-
Water and Sanitation	100	-
Electricity Contractors and Wiremen	64,853	52,342
Petroleum	770,177	644,269
Total License Fees Revenue	1,016,768	798,970
Application Fees		
Electricity	26,563	56,526
Natural Gas	1,739	-
Petroleum	232,920	204,111
Total Application fees revenue	261,222	260,637
Penalties from Petroleum Adulterations	1,071,219	1,185,073
Total Revenue from Non Exchange Transactions	41,963,407	41,661,823

NOTE 10.2 REVENUE FROM EXCHANGE TRANSACTIONS OTHER INCOME

Sale of Tender Documents	800	2,600
Profit on Disposal of Property and Equipment	-	-
Total Other Income	800	2,600

NOTE 11: FINANCE INCOME

Interest Income on Fixed Deposits	214,334	3,003,186
Interest Income on Treasury Bills	851,728	591,361
Foreign Exchange Gain	119,819	660
Interest Received on Current Account	2,228	43,080
Total Finance Income/(Cost)	1,188,109	3,638,287
Total Revenue from Exchange Transactions	1,188,909	3,640,887

NOTE 12: STAFF COSTS

	2016/2017 TZS.'000	2015/2016 TZS.'000
Salaries	8,790,826	6,723,555
Gratuity Expenses	1,238,144	973,336
Pension Employer's Contribution	1,045,770	936,239
Skills and Development Levy	470,085	307,291
Medical Expenses	387,323	297,197
Other Staff Costs (Note 12.1)	3,481,682	3,183,218
TOTAL	15,413,829	12,420,836

NOTE 12.1: OTHER STAFF COSTS

Staff Insurance – GPA/WCF	46,764	157,060
Transport Allowances	643,611	607,611
Annual Leave Package	164,548,	185,847
Acting Allowance	189,773	129,912
Outfit Allowance	8,237	11,291
Funeral Expenses	1,750	4,200
Recruitment Costs	110,522	204,637
Compensation Allowance	334,465	211,215
Staff Relocation Costs	182,993	11,299
Staff Welfare Expenses	2,325	3,535
Housing Allowance	1,060,993	976,843
Utility Allowance	705,309	649,478
Security Allowance	30,392	30,290
TOTAL	3,481,682	3,183,218

NOTE 13: OPERATING EXPENDITURE

	2016/2017 TZS.'000	2015/2016 TZS.'000
Capacity Building Expenses	753,641	872,213
Regulatory Tools Development Expenses	405,295	894,241
Field and Inspection Expenses	2,190,395	1,940,979
Public Inquiries	234,645	231,493
Complaints, Mediation and Dispute Resolution	269,172	245,490
Government Delegation Participation costs	7,732	37,631
Public Awareness Programmes	1,338,463	730,979
Advertisement Expenses	484,368	494,378
Consultancy Expenses	625,775	113,052
Membership Contribution, Books and Periodicals	336,631	228,986
Library General Expenses	7,690	22,068
International Conference Expenses	-	496,147
Regional Cooperation Meetings	204,225	258,371
Local Travel and Conference Expenses	336,760	236,230
Stakeholders Consultative Meetings	54,679	106,895
Bad Debt Provision	1,537,024	-
Motor Vehicle Fuel Expenses	109,665	61,707
Motor Vehicle Repairs and Maintenance	370,382	304,361
Car Hiring Expenses	21,304	28,125
Maintenance of Computer Hardware	37,339	140,507
Maintenance of Computer Software	182,910	74,814
Maintenance of Other Office Equipment	11,832	11,257
Wiremen Licensing Activities	71,145	58,388
Directors Fees	73,000	30,555
Public Awareness Programme- Staff Relations	23,129	18,305
Board Expenses	44,983	317,278
TOTAL OPERATING EXPENSES	9,732,184	7,954,450

NOTE 14: CONTRIBUTION TO GOVERNMENT ENTITIES

	2016/2017 TZS.'000	2015/2016 TZS.'000
Government Consultative Council Expenses	81,871	159,488
Consumer Consultative Council Expenses	2,023,610	1,880,666
Fair Competition Tribunal Subvention	320,806	373,908
Fair Competition Commission Subvention	644,069	976,005
Treasury Contribution	6,782,101	6,469,764
TOTAL CONTRIBUTIONS	9,852,457	9,859,831

NOTE 15: ADMINISTRATION COSTS

Office Rent	2,467,402	1,974,681
Telephone, Fax and Internet	297,371	306,578
Stamps and Postages	31,770	22,058
Printing and Stationery	252,070	263,196
Maintenance of Leasehold Property	210,180	869,393
Office General Expenses	232,614	393,888
Entertainment Expenses	9,708	8,797
Donations and Contributions	116,059	76,140
Audit Expenses	111,000	111,000
Tender Board Expenses	109,049	84,340
Editorial Board Expenses	4,570	11,680
TOTAL	3,841,793	4,121,751

NOTE 16: OTHER CHARGES

Insurance Charges	69,066	44,721
Write off of Non-Current Assets	646,554	1,624,699
Data Storage Charges	152,549	271,907
Bank Charges	22,143	48,220
Foreign Exchange Loss	-	5,484
TOTAL	890,312	1,995,031

NOTE 17: SURPLUS FUNDS

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

NOTE 18: RELATED PARTY TRANSACTIONS

EWURA 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

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
Salaries and Other Emoluments	2,096,283	2,332,545
Total Key Management Compensation	2,096,283	2,332,545

Employees Post-employment Benefits:

- Pension - Employer's Contribution

- Gratuity paid during the year

Total Employee Post – employment Benefits

	201,233	209,416
	201,233	209,416
	402,466	418,832

B. Directors

The annual Directors Fees were paid to six members of the Board of Directors at the approved rates as follows; Chairman TZS. 13,000,000 and other members of the Board TZS. 12,000,000. The total amount of Directors' fees paid during the year under review is TZS. 73,000,000 compared with the amount of TZS. 30,555,000 for the previous year.

Management Composition

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

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

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 30th June, 2017 amounted to TZS 1,045,769,924. The Authority also contributed a total of TZS 46,764,410 to the Workers Compensation Fund. Contributions to these funds are recognized as an expense in the period the employees render services to the Authority. The Authority also charges gratuity expense of 15% of employee's last basic monthly salary on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30th June, 2017 TZS 1.417 billion were released to staff whose contract came to an end.

C. Staff Loans and Advances (Note 5)

Staff Revolving Loans

Salary Advances

Imprest

TOTAL

30.06.2017	30.06.2016
TZS.'000	TZS.'000
1,186,900	307,046
276,651	312,087
143,537	82,890
1,607,088	702,023

The Authority set up the Staff Revolving Loans Fund for the purpose of extending loans to staff for the purchase of motor vehicles and other amenities. These loans are interest free, repayable within a period of three years and are taxed in accordance with the requirements of the Income Tax Act of 2004. For the year ended 30th June, 2017 loans amounting to TZS 1.186 billion were outstanding.

NOTE 19: CAPITAL EXPENDITURE COMMITMENTS

Capital commitments

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

	30.06.2017 TZS.'000	30.06.2016 TZS.'000
Property and Equipment	33,984	-
Software Development	79,567	580,800
Subtotal	113,551	580,800
Other Commitments		
Consultancy Services	45,000	-
Local Purchase Orders	227,197	
Total Commitments	385,748	580,800

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.

NOTE 20: FINANCIAL RISK MANAGEMENT

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

a) Interest Rate Risk

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

b) Credit Risk

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

c) Liquidity Risk

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

d) Foreign Exchange Risk

The Authority minimizes foreign exchange risk by maintaining foreign currency account. The Authority does not engage in foreign currency swaps or speculations. The risks are also managed by ensuring that the services value are negotiated and fixed in the local currency whenever possible.

NOTE 21: OPERATING LEASE COMMITMENTS

The Authority had Operating Leases for offices in which it carries out its operations. 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:-

	TZS.
Within One Year	2,272,825,070
Later Than One Year	4,318,367,644
TOTAL	6,591,192,714

NOTE 22: CONTROLLING ENTITY

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

NOTE 23: FUNCTIONAL AND PRESENTATION CURRENCY

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

NOTE 24: CONTINGENT LIABILITIES

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 may not give rise to any significant loss and therefore, no provisions have been made in these financial statements. As at the reporting date, the Authority had ten (10) pending law suits out of which the following cases had contingent claims against the Authority as of the year end:-

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

NOTE 25: COMPARATIVE FIGURES

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

Energy and Water Utilities Regulatory Authority (EWURA)

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