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Overview of Tariff setting and review process in selected Sub-Saharan African countries

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Agenda

1. Introduction
2. Objectives and methodology of the study
3. Results
4. Discussions
5. Conclusion

1. Introduction (1)

Regulators have many responsibilities:

1. Tariff determination
2. Set regulations on licenses and authorizations
3. Monitor the operations and performance of the market
4. Set regulations minimum quality of service , monitor consumer complaints and dispute resolution

Tariff determination plays a key role by giving an economic signal on the market , financial viability of

1. Introduction (2)

The recent energy crisis in the world implies an increase in the cost of energy supply and have affected the financial viability of most utilities in Africa.

Static tariff methodology will not appreciate the actual situation.

Tariff methodology and process must be dynamic and flexible to allow for period adjustment and cost recovery.

The basic questions are:

- How do the authorities set the tariffs and review them?
- How public are involved in the tariff review process?

2. Objectives and Methodology of the Study (1)

The objectives of this study are to:

- Identify the profiles of regulators in selected Sub-Saharan countries
- Identify the different stages involved in the process of tariff reviews of selected countries
- Understand how stake holder's consultations are organized by Regulators
- Understand the frequency and objectives of tariffs reviews, and
- How the results of reviews are treated by the Regulators

2. Objectives and methodology of the study (2)

1. Data collection through a questic with 12 questions



Questionnaire on Power Tariff Setting and Review Process in Sub-Saharan African Countries.

We would be grateful if you could fill out this questionnaire with information which is relevant to your organization/institution. The purpose of this questionnaire is to collect precise information about the process of tariff setting and review in some selected Sub-Saharan Countries.

Kindly contact helpdesk@erera.arrec.org or gration@erera.arrec.org for any questions. Thank you.

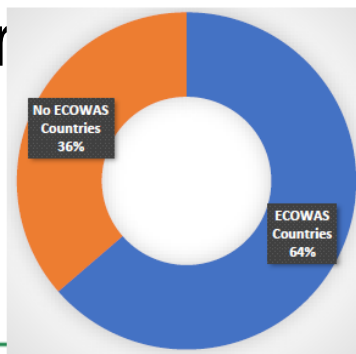
1. The following section includes general questions about your institutions and the staff responding. Please provide your information to the questions below:

Information about the respondent:	Answers:
What is your email address?	
What is the name of your organization/institution?	
When was your organization/institution established?	
Is your organization/institution responsible for a single sector (power) or multi-sectoral regulation?	
What is the name and position of the respondent?	

2. The following section includes questions on tariff setting and review. Please provide your answers, comments, or proposals as precise as possible.

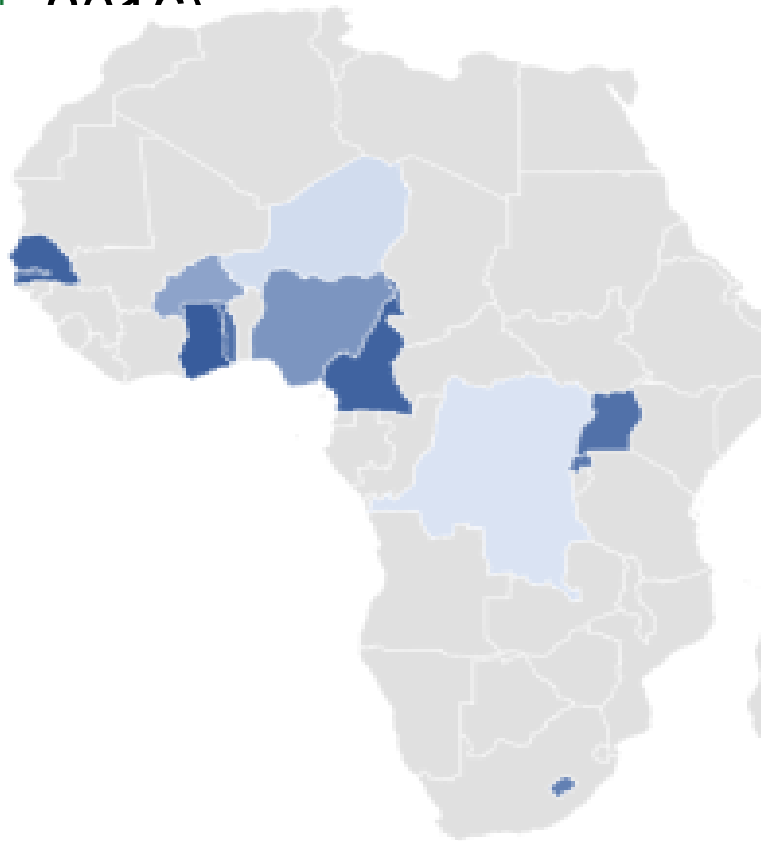
Questionnaire on tariff setting and review	
Question 1	When did your organization/institution start to do economic regulation and Set Tariffs?
Answer	
Question 2	When is the Last Time your organization/institution reviewed the electricity tariff?
Answer	
Question 3	Which was the Type of review carried out during the Last Review?
Answer	Major changes <input type="checkbox"/> Minor changes <input type="checkbox"/>
Question 4	What is the Frequency of both major and minor tariff review?
Answer	
Question 5	Which Method do you use for tariff setting?
Answer	Cost plus (Rate of Return) <input type="checkbox"/> Price cap <input type="checkbox"/> Revenue cap <input type="checkbox"/> Combination <input type="checkbox"/>
Question 6	Do you use benchmarking during tariff review?
Answer	Yes <input type="checkbox"/> No <input type="checkbox"/> If yes, list the variable(s) you benchmark.

2. Administration of the questionnaire to a sample of 27 regulator responded.



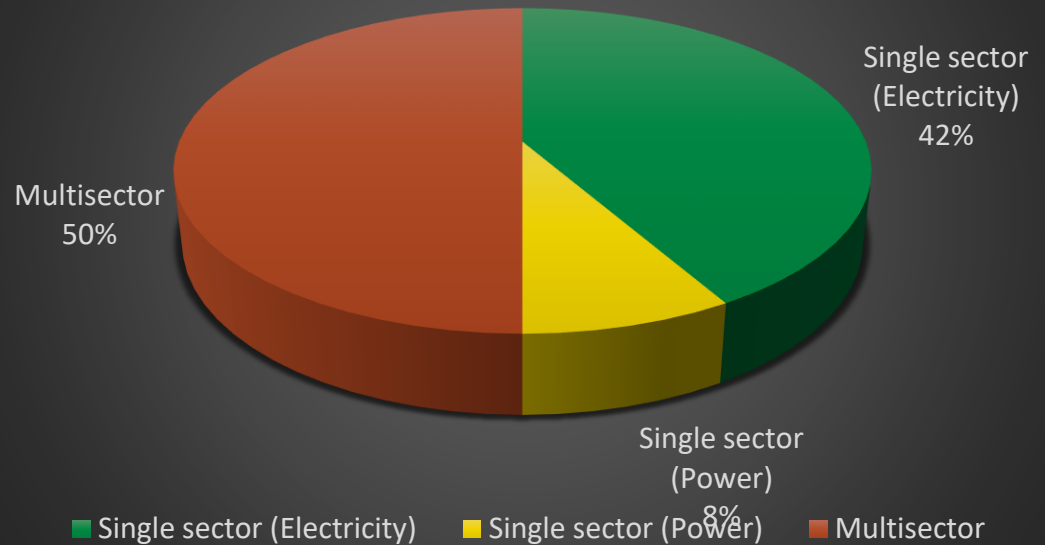
3. Results (1): Regulators profiles

Establishment (1996 to 2010)



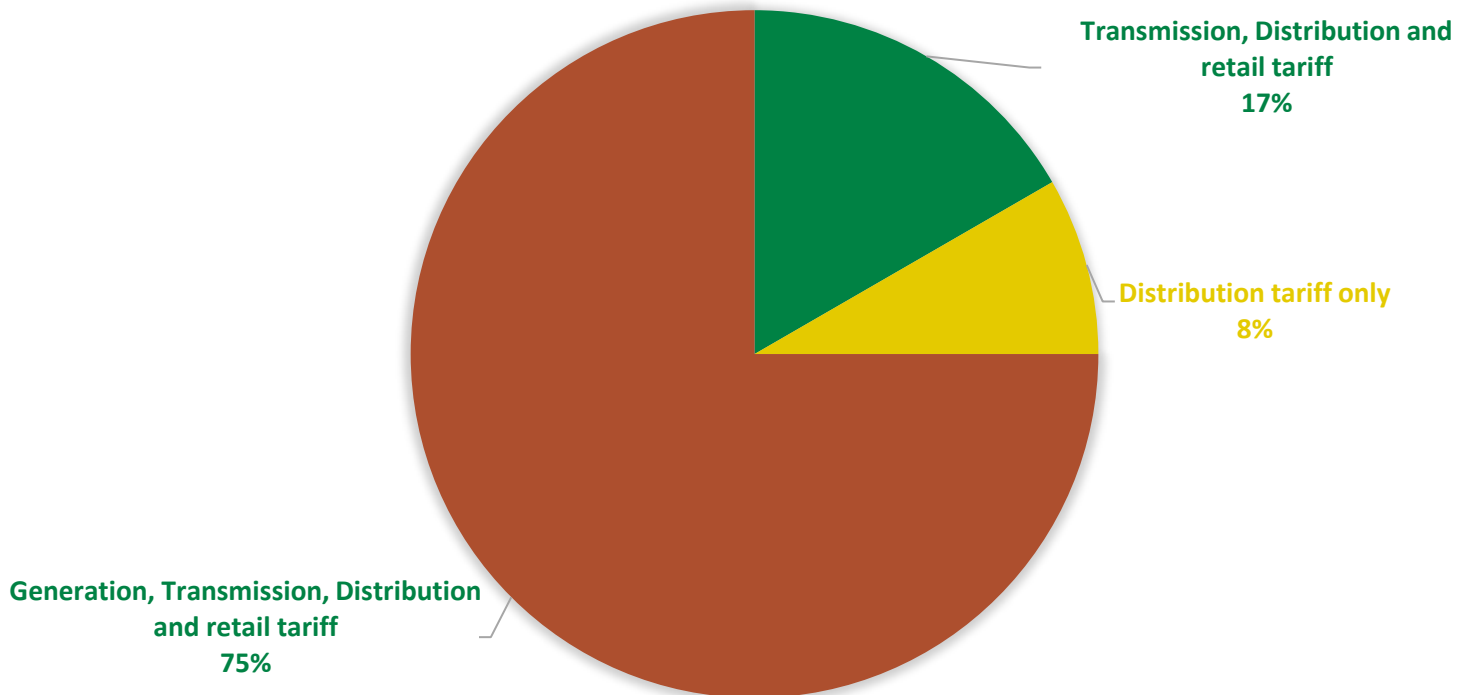
With various degree responsibilities

responsibility in regulations



3. Results (2): On Mandate of Regulators

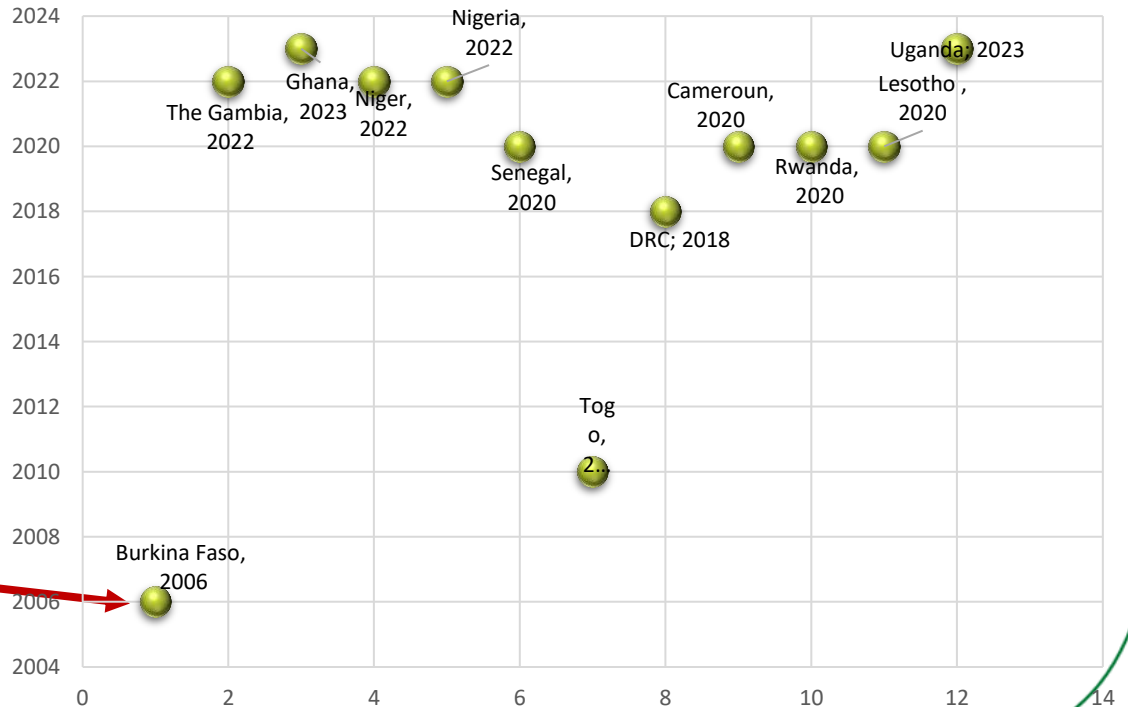
75% of Regulators are allowed to regulate tariffs from Generation to Retail , 17% Transmission , Distribution& Retail and 8% are responsible for Distribution/Retail tariffs.



3. Results (3): On History of tariff setting and review

Most of the surveyed countries have reviewed their Tariffs recently except for some countries where it was last done more than 15 years.

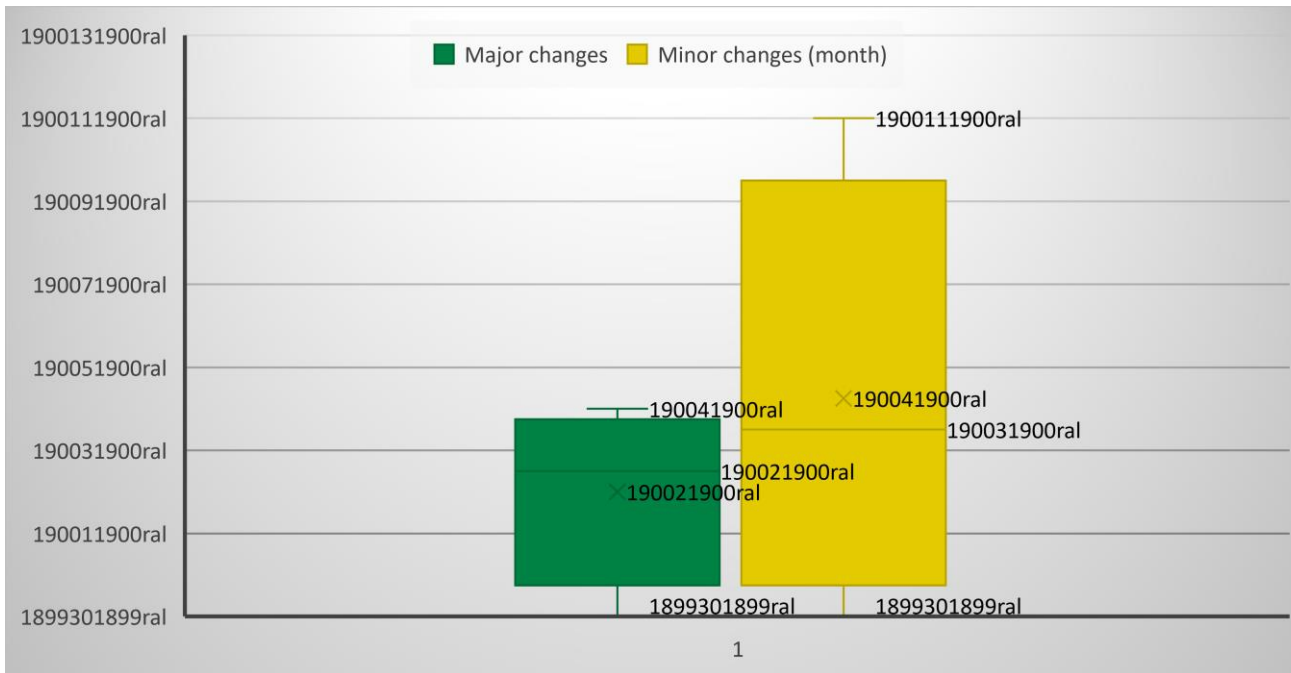
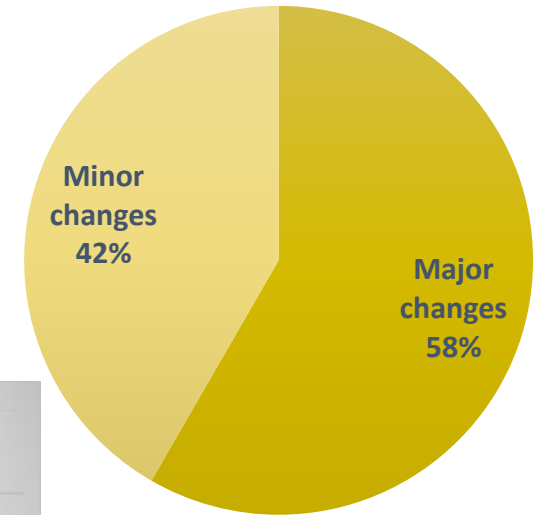
Last Time the institution reviewed the electricity tariff



Last tariff review date 17 years

3. Results (4): On tariff setting and review

The frequency of major and minor changes varies between 3 to 5 years and 3 to 12 months, respectively.

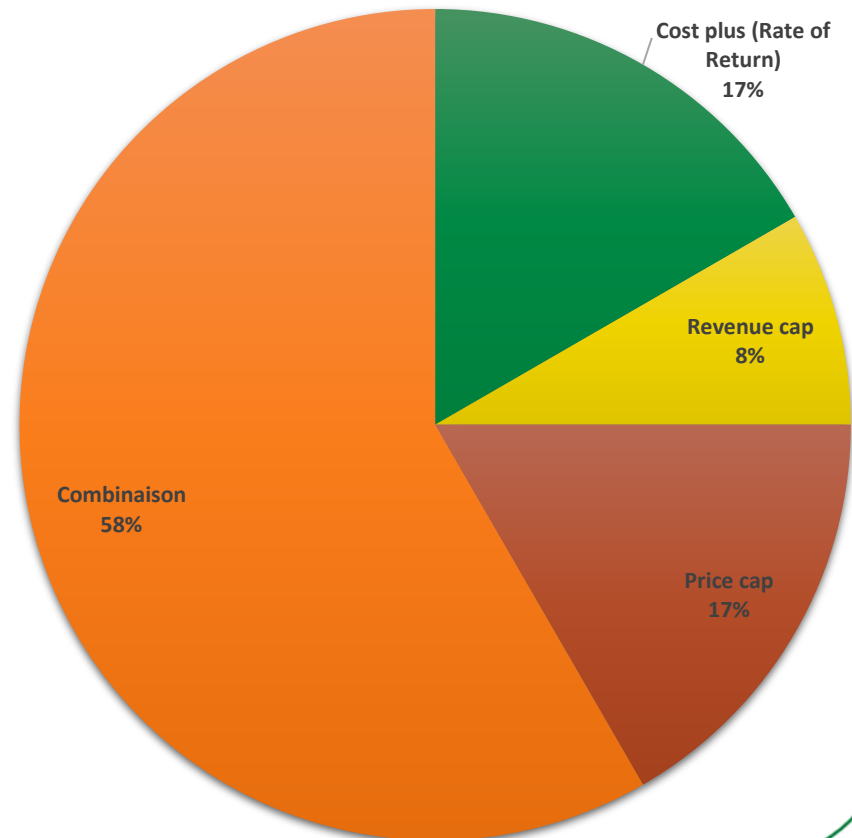


3. Results (5): On methodology of tariff setting and review

The Countries surveyed use four Methods for tariff setting:

- Cost plus (rate of return)
- Revenue cap
- Price cap
- Combinaison of the 3

Method used for tariff setting



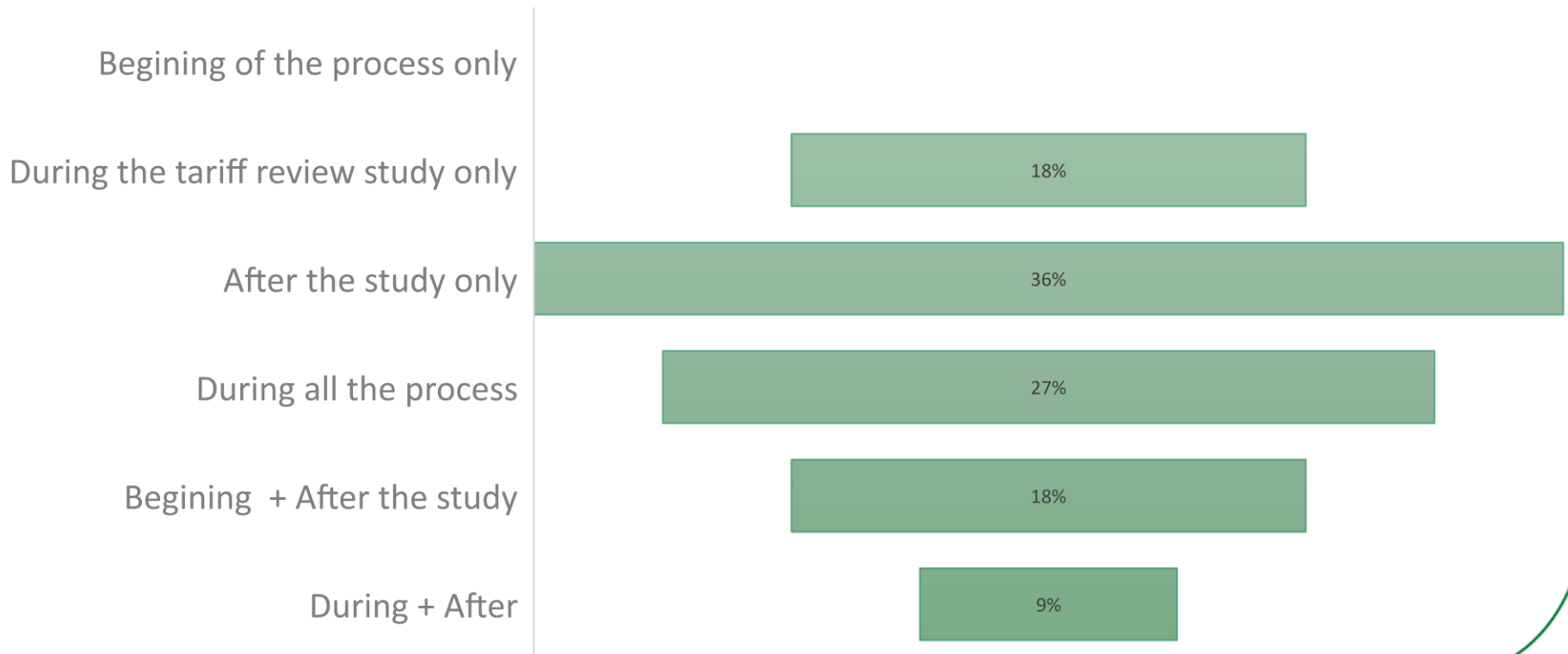
Bench marking in Tariff Review

Most of the countries benchmark (with neighbouring countries) in setting tariffs on the following variables:

- distribution losses,
- revenue collection rate,
- transmission losses,
- operating expenses,
- capital expenditure,
- retail Tariff

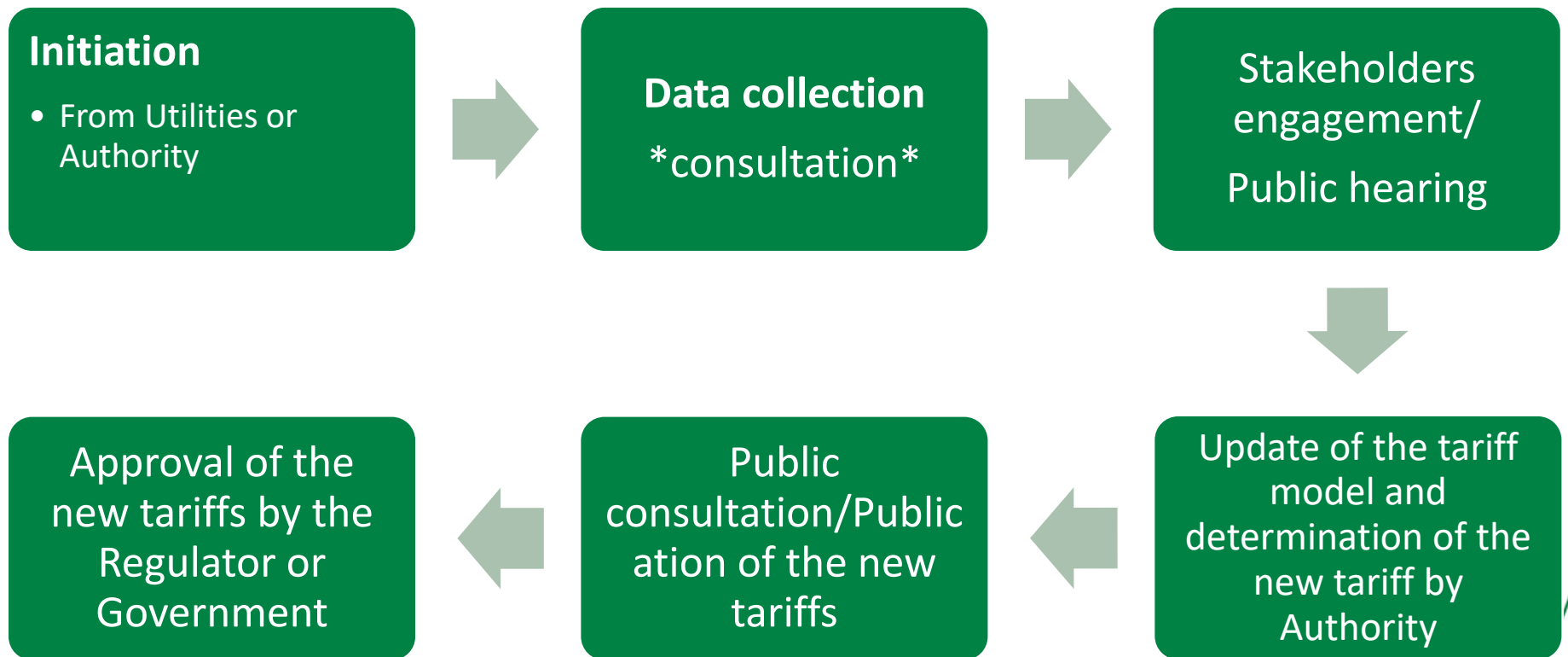
3. Results (6): On public consultation

Public/Stakeholders consultation is part of the process in all the countries. It takes place at different stages of the process.



3. Results (7): On public consultation

The review process is done generally around Six steps where consultation of public/stakeholder is part.



3. Results (8): On public consultation

Allocating the new tariff (Revenue) increase between different classes /types of consumers is mainly the responsibility of the Regulators after tariff determination.

No/rule under definition

8%

Decide by gov. after determination of tariff

45%

Based on cost of service/
Cost causative for others

27%

distributed proportionally between the different categories

27%



Summary

	Method of tariff setting	Last date of tariff review	Benchmarking	Frequency / change
Burkina Faso	Price cap	2006	No	no frequency
The Gambia	Cost plus (Rate of Return)	2022	No	3 years
Ghana	Combinaison	2023	yes	3 years/majors 3 months/minors
Niger	Price cap	2022	yes	5 years
Nigeria	Combinaison	2022	yes	5 years/Majors 6 months/minors
Senegal	Combinaison	2020	yes	3 years
Togo	Combinaison	2010	yes	4 years
DRC	Revenu cap	2018	No	4 years
Cameroun	Combinaison	2020	No	4 years
Rwanda	Cost plus (Rate of Return)	2020	No	3 years
Lesotho	Combinaison	2020	No	/
Uganda	Combinaison	2023	yes	3 years/Majors 3 months/minors

4. Discussions (1)

There are various methods and laws on tariffs determination in Sub Saharan Africa:

- Some are responsible for the determination of tariffs for only one segment of the market
- The majority are multi sectors regulators .
- Different methodologies are used in determining tariff
- In almost all the countries surveyed the tariff contains element of both implicit & explicit subsidies and cross subsidies

4. Discussions (2)

- Major tariff review is done regularly: between 3 to 5 years and 10 years (few countries) : All cost assumptions and efficiency factors are reviewed
- 3 to 12 months for minor review: Exchange rate, inflation , price of Gas are reviewed
- This regular reviews (minor) supposed to result to adjustment of tariffs immediately , but only in few countries
- The methodologies used a mostly hybrid : combination of various methods.

4. Discussions (3)

Stakeholders and public consultation is an essential part of the tariff review process. All the regulators surveyed plan this consultation at different stages of the review process

Origination
of the
process

Whether the origin came from the regulator or the public services, the stakeholders can be consulted/involved in the process (working group) to present the objective and the initiative and collect their proposal

Tariff
review
study

Stakeholders participate in Tariff review studies through a consultative committee or public consultation meetings to give their contribution and feedback on the scenarios/analysis

New Tariff
approval

Before the approval by the authority, public consultation can be held and the public comments on new tariff and give their feedback on specific adjustments (social tariff,)

4. Discussions (4)

- In some countries Regulators approve the revised tariff
- In other countries the Government approve the revised tariff based on the regulator's proposal
- In the majority countries , the Government define the allocation ratio of the increase in the new tariff between different classes or types of consumers: social, residential, industry, etc.

5. Conclusion

There is a diversity in tariff setting and review in Sub-Saharan Africa, but some key common features are :

- Rates are not regularly updated as demanded by the methodologies
- Consultation is part of tariff determination and review in all processes to ensure public participation
- The Regulator or Government gives the final approval of the new tariff after determining the best way to allocate the tariff increase among all types of consumers
- Government intervention reduces the power of regulators to adjust tariff as and when due in line with the methodology.



Thank you
Merci
Obrigado
