TRADES UNION CONGRESS (GHANA)

PROPOSALS FOR TARIFF REVIEW

SUBMITTED TO PURC

NOVEMBER, 2018

INTRODUCTION

We recall that, earlier this year, the PURC announced the reduction of electricity tariffs as shown in the table below:

Customer Category	PURC Approved Average Percentage Reduction
Residential Customers	17.5%
Non-Residential Customers	30%
Special Load Tariff Customers	25%
Mines	10%

According to the PURC, the main factors that informed the reduction in electricity tariffs included:

- Consumer Interest;
- Investor Interest;
- Economic Development;
- Revenue Requirement;
- Natural Gas prices;
- Re-negotiation of Power Purchase Agreements(PPAs);
- Prudent and efficient costs of the operations of the utility companies; and
- The impending Private Sector Participation (PSP)/Concession within the electricity distribution Sector.

We believe that the reduction in tariffs played a significant role in the growth of the economy. It is against this backdrop that we make the following proposals for the consideration of PURC in the review of tariffs for 2019.

PROPOSALS FOR TARIFF REVIEW

1. ***Efficiency***
   We would like to highlight the need to attach more weight to the *"prudent and efficient costs of the operations of the utility companies"*. In our view, there are still inefficiencies in the utility sector that are being passed on to consumers.

We expect PURC to provide consumers with its regulatory benchmarks for efficiency to convince us that the operational costs of utility companies are in line with the standards of best practice.

2. ***Excess Capacity of the IPPs***

In our previous submission, we raised issues about the excess capacity of the Independent Power Producers (IPPs). This is still valid. The consumer should not be burdened with the payment for excess capacity. It is very unfair to pass on the cost of excess capacity to consumers, especially working people, whose wages and salaries do not match the rate of increase of electricity tariffs.

Government has promised to review the Power Purchase Agreements (PPAs). But we are not aware of any practical steps toward the review of the PPAs most of which were signed under emergency conditions that can hardly pass the transparency and 'value for money' tests.

Consumers, especially working people, should not be forced to pay for the cost of electricity that results from bad policies in the power sector.

3. ***Lifeline and Cross Subsidies***

We are aware of the Tariff Study conducted by Fitchner Management Consulting which was funded by the Millennium Challenge Cooperation and Millennium Development Authority. The main recommendation of the study is that the four consumption blocks of the residential customers should be reduced to two consumption blocks of 0-50kWh and 51kWh+.

A review of the tariff structure to levels that can be considered "**cost reflective**", as recommended by the Fitchner Report, can lead to over 400 percent increase in tariffs for small residential customers from GH¢0.39 /kWh to GH¢1.97 /kWh, as a result of the removal of cross-subsidies.

We would like to advise PURC to ignore this recommendation because if tariffs are increased to such levels it could lead to social unrest.

4. ***ECG Concession***

The Government of Ghana, Power Distribution Services of Ghana Limited and ECG have signed transaction agreements which have been ratified by Parliament. The status of ECG as an electricity distribution company would, therefore, change to asset owner and a bulk energy trader from 1st February, 2019. Consumers are yet to be informed of the effects of such major policy change in the electricity distribution on electricity tariff.

We urge PURC to ensure that this arrangement will not lead to higher tariffs.

5. ***Befesa Desalination Plant***

The Befesa Desalination plant which was commissioned in 2015 on the basis of a Build, Own, Operate, Transfer (BOOT) Water Purchase Agreement between the Ghana Water Company Limited and Befesa Desalination Development Ghana Limited has become a big financial drain on Ghana Water Company Limited. It is an albatross which is draining the GWCL of $ 1.42 million every month in capacity charge alone.

The cost of operating the Befesa Desalination Plant must not be passed on to consumers.

CONCLUSION

In 2019, it is expected that the price of fuel and natural gas will reduce. Inflation is also expected to decline to a single digit and the value of the Ghana Cedi is expected to be stable.

Therefore, we propose a further reduction of electricity tariff by 15 percent and a reduction in water tariffs by 12 percent.

We strongly believe that a further reduction in tariffs will stimulate economic growth that could lead to increased job creation.