

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019





OUR MISSION STATEMENT

To facilitate access to sustainable energy for ALL through leading regulatory practices



OUR VISION

To be a world class energy regulator



OUR RALLYING CALL

Together we succeed



OUR CORE VALUES

Accountability
Innovation
Passion
Respect
Teamwork
Transparency



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ACRONYMS AND ABBREVIATIONS

AEPEA	Association of Energy Professionals Eastern Africa (AEPEA).
AGO	Automotive Gas Oil
AGOL	African Gas and Oil
BBL	Barrel
BAU	Business As Usual
CAIDI	Customer Average Interruption Duration Index
COG	Council of Governors
CSR	Corporate Social Responsibility
DG	Director General
DPK	Dual Purpose Kerosene
EBK	Engineers Board of Kenya
EHS	Environmental Health and Safety
EIA	Environmental Impact Assessment
EMCA	Environmental Management and Coordination Act
ERC	Energy Regulatory Commission
ERM	Enterprise Risk Management
EOI	Expression of Interest
EOPS	Early Oil Pilot Scheme
EPRA	Energy and Petroleum Regulatory Authority
FEC	Fuel Energy Charge
FERFA	Foreign Exchange Rates Fluctuation Adjustment
FiT	Feed in Tariff
GDP	Gross Domestic Product
GPOBA	Global Partnership on Output-Based Aid
GWh	Gigawatt hours
HHI	Herfindhal Hirschman Index
HV	High Voltage
HVDC	High Voltage Direct Current
IAEE	Institute of Electrical and Electronics Engineers
ICPAK	Institute of Certified Public Accountants of Kenya
IEBC	Independent Electoral and Boundaries Commission
IEK	Institute of Engineers of Kenya
IK	Illuminating Kerosene
ILM	Institute of Leadership and Management
INEP	Integrated National Energy Plan
INFLA	Inflation Adjustments
IPPs	Independent Power Producers
KEPTAP	Kenya Petroleum Technical Assistance Project/Programme
KETRACO	Kenya Electricity Transmission Company Limited
KIM	Kenya Institute of Management
KISM	Kenya Institute of Supplies Management
KM	Kilometer



KPLC	Kenya Power & Lighting Company Limited
KTDA	Kenya Tea Development Authority
kV	Kilovolt
kVA	Kilo Volt Ampere
kWh	Kilowatt Hour
LEC	Levelised Electricity Cost
LCPDP	Least Cost Power Development Plan
LPG	Liquefied Petroleum Gas
LTWP	Lake Turkana Wind Power
LV	Low Voltage
MIEK	Member of the Institution of Engineers of Kenya
MVA	Megavolt-Ampere
MV	Medium Voltage
MW	Megawatt
NEMA	National Environment Management Authority
OPEC	Organization of Petroleum Exporting Countries
OSHA	Occupational Safety & Health Act
OMC	Oil Marketing Company
OTS	Open Tender System
PA	Per Annum
PDP	Petroleum Development Plan
PMS	Premium Motor Spirit
PPAD	Public Procurement and Asset Disposal Act
QMS	Quality Management System
REREC	Rural Electrification and Renewable Energy Corporation (REREC)
REP	Rural Electrification Program
RMIS	Regulatory Management Information Systems
SCAC	State Corporations Advisory Committee
SDG	Sustainable Development Goal
SGR	Standard Gauge Railway
SGS	Standards for Global Service
SL	Street Lighting
SPV	Solar Photovoltaic
STEM	Science Technology Engineering and Mathematics
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
TEU	Twenty-foot equivalent unit
ToU	Time of Use tariffs
TJ	Tera Joules
USD	US Dollars
WRMA	Water Resources Management Authority



DEFINITION OF TERMS

Demurrage: The amount of money paid to oil vessels for failure to offload the vessel within the scheduled (agreed) time.

Distribution Network: This is a power grid of interconnected electrical lines, transformers, equipment and other installations which supply electricity through low, medium and high voltage.

Effective Capacity: This is the amount of electricity generated by a country's power plants under given sets of constraints. It is the installed capacity multiplied by the capacity factor.

Electricity Access: This refers to the percentage of people in the country that have relatively simple and stable access to electricity. (As far as electricity infrastructure is concerned)

Electricity Generation: This is the process of converting primary energy (e.g. thermal and renewable sources) into electricity.

End User Tariff: The electricity tariff paid by customers.

Energy Efficiency: Using of less energy to produce the same quality and quantity of goods and services.

Energy Market: Commodity markets that deal specifically with trade and supply of energy.

Expression of interest: This is a formal initial offer made by a power project developer to the Ministry of Energy on development of a power plant.

Feedstock: This is any organic material that can be used directly as fuel, or converted to another form of fuel or energy product.

Generation capacity: This is the amount of electricity that a generation plant is able to produce over a given period of time. It is usually measured in Kilowatt hours, Megawatt hours or Giga watt hours.

Geothermal power: Power generated from steam derived from the underground.

Grid: This is a network of transmission systems, distribution systems and connection points for movement and supply of electrical energy from generating stations to consumers.

Hydro power: Power generated from turbines energized by force of flow of water.

Import bill: This is the total value in KShs. of petroleum imports in the country over a given time period, usual one year.

Installed capacity: Maximum power generation capacity that the country's power plants can achieve

Landed cost: This is the total price of imported petroleum products once they get to the Kenyan port. Normally it is in KShs./Ltr.

Low case scenario: The Scenario represents a low growth trajectory where most of the government plans are not implemented as planned. It is assumed that in this scenario economic development will be at the existing rate with no expected increase during the planning period.

Load: Amount of electricity being used or demanded at one time by a circuit system.

Murban crude oil: This is a light grade crude oil mostly exported from Fujairah and Abu Dhabi.

Network service Contract: This is a legal agreement between the system operator and electricity transmission as well as distribution companies to transmit and distribute electricity.

Nominal capacity: Same as installed capacity.

Optimistic scenario: This scenario is based on the development patterns highly driven by Vision 2030 growth projections and implementation of flagship projects alongside growth in macroeconomic fundamentals.

Pass through elements: These are parameters denoting the additional costs incurred by electricity generating plants and are transferred to the consumers.



Peak demand: This is the highest level of electricity power demand recorded in the country over a specific time period.

Pessimistic scenario: Scenario that represents a low growth trajectory where most of the government plans are not implemented as planned and weak performance from macroeconomic indicators.

Prospective demand: This is the highest expected (forecasted) power demand over a given time period.

Renewable energy sources: These are energy uses that can be replenished within a short time.

Reserve stock: This refers to petroleum inventories held by oil marketing companies to safeguard the economy and help maintain national security during an energy crisis.

Security of Supply: This is the assurance of an uninterrupted availability of energy supply at affordable prices.

Solar photovoltaic power: Power generated through the effect of conversion of a light photon into electric energy through a semi-conductor.

Tariff: The regulated price at which various consumer categories are charged for the supply of electrical energy.

Tariff evolution: This is how electricity tariffs vary over time.

Time of use tariff: This is a tariff based on the estimated cost of electricity during a particular time block, for example off peak hours.

Wind power: Power generated through the force of energy of moving wind over a turbine blade.

Vision Scenario: This scenario is based on the development patterns highly driven by Vision 2030 growth projections and implementation of flagship projects.



CORPORATE INFORMATION

Incorporation

The Energy and Petroleum Regulatory Authority (EPRA) is established under the Energy Act No. 1 of 2019.

EPRA is the successor to the Energy Regulatory Commission (ERC) which hitherto existed as the energy regulatory agency under the Energy Act, 2006.

Principal Mandate

The principal mandate of EPRA is to regulate the energy sector. This is through the economic, legal and technical regulation of electric power, petroleum, renewable energy and coal sub sectors. The Authority's functions include tariff setting and review, licensing, enforcement, dispute settlement and approval of power purchase and network services contracts.

Board Members

The Board Members who served during the year hitherto are:

Name	Designation	Appointment/ Reappointment Date	Term Expiry
Dr. Eng. Joseph Njoroge	Principal Secretary, Ministry of Energy		
Mr. Andrew Kamau	Principal Secretary, State Department of Petroleum		
Mr. Joshua Oigara	Chairperson	Appointed on 18/03/2016	
Mr. Pavel Robert Oimeke	Director General	Appointed on 01/08/2017	
Eng. Samuel Mugo	Board Member	Re-Appointed on 06/06/2018	
Dr. Sellah Kebenei	Board Member	Re-Appointed on 08/02/2019	
Mr. Njenga Mwangi	Board Member	Appointed on 02/10/2015	Retired on 01/10/2018
Mr. Nixon Lenaiyara	Board Member	Appointed on 02/10/2015	Retired on 01/10/2018
Ms. Lilian Mahiri Zaja	Board Member	Appointed on 06/06/2018	
Dr. Macharia Irungu	Board Member	Appointed on 08/02/2019	
Prof. George Achoki	Board Member	Appointed on 08/02/2019	
Mrs. Veronica Kamau	Alternate to the PS, MOE	Appointed on 30/11/2017	Retired on 28/03/2019
Mr. Daniel Kiptoo	Alternate to the PS Petroleum	Appointed on 12/06/2019	
Mr. Moses Gitari	Alternate to the PS Energy	Appointed on 28/03/2019	



Management

Name	Designation
Mr. Pavel R. Oimeke	Director General
Ms. Mueni Mutung'a	Corporation Secretary & Director Legal Services
Mr. Edward Kinyua	Ag. Director Petroleum & Gas
Eng. Joseph Oketch	Director Electricity & Renewable Energy
Dr. Frederick Nyang	Director Economic Regulation
Mr. James Kilonzo	Ag. Director Corporate Services
Ms. Loise Thuge	Supply Chain Manager
Ms. Everlyne Orenge	Manager, Internal Audit and Risk Assurance Department
Mr. Cyprian Nyakundi	Ag. Director Enforcement and Consumer Protection
Ms. Esther Njenga	Ag. Manager Corporate Strategy and Performance

Authority Headquarters

Eagle Africa Centre
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NAIROBI

Auditors

Auditor General
Anniversary Towers
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NAIROBI

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Principal Legal Advisor

Attorney General
State Law Office
P.O. Box 40112 – 00100 GPO
NAIROBI

Authority Bankers

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 48400 – 00100
NAIROBI

National Bank of Kenya
Harambee Avenue
P.O. Box 41862 – 00100
NAIROBI

Commercial Bank of Africa
Upperhill Branch
P.O. Box 30437 - 00100
NAIROBI





CHAIRPERSON'S STATEMENT

“ It is once again a great honor to present to you the Authority’s annual report and financial statements for the year ended 30th June 2019. The report is a reflection of the efforts made by the Authority towards achievement of the Big Four Agenda and subsequently the country’s Vision 2030 in regulating and steering the energy sector towards sustainable, affordable and adequate energy services. This is attributed to the fact that energy is considered a major infrastructural enabler of the Big Four Agenda.”

During the financial year, the Energy Act No. 1 of 2019 and the Petroleum Act No.2 of 2019 were enacted and assented to by His Excellency the President thus transforming the Energy Regulatory Commission (ERC) into the Energy and Petroleum Regulatory Authority (EPRA) with an expanded mandate in the regulation of upstream petroleum. This new statute, reflects the governments’ effort to align its policy and regulatory frameworks and provide an efficient framework for the expected growth of the energy sector.

The new Energy Act, 2019 provides a framework for the energy sector development and coordination through the proposed 5-year National Energy Policy and the envisaged 3 year Integrated National Energy Plan (INEP). The aim is to support provision of affordable, adequate and reliable electricity services necessary to steer the country towards achieving its Vision 2030 objectives. A special focus on Renewable Energy resource utilization has been given prominence with investment in geothermal power production which offers comparatively lower generation tariffs being given priority.

Additionally, the Petroleum Act, 2019 provides for the development of the National Petroleum Policy, a framework that guides the petroleum sub-sector owing to the successful discovery of crude oil in Turkana. The Authority’s mandate in regulation of upstream petroleum and capacity building initiatives are bound to ensure successful regulation and promotion of the sector that is deemed crucial for achievement of the Big Four Agenda.

Kenya’s Gross Domestic Product (GDP) is estimated to have expanded by 5.4 per cent in 2019 compared to a growth of 6.3 per cent in 2018 with the energy sector playing pivotal role. The period under review saw the country’s installed capacity increase from 2,711.7 MW in 2018 to 2,741MW in 2019. The Government’s overall objective of universal access to power has seen accelerated customer connections through the last mile initiative, the street lighting programme and connection of urban slums. The period under review has seen total connections in the country expand by 4.5% to 7,067,861 from 6,761,090 in 2018 with



electricity access estimated at 75%.

The country has also made progress in the Early Oil Piloting Scheme (EOPS), and managed to extract 2000 barrels per day in Turkana. Kenya was able to sell her very first batch of 200,000 barrels of crude oil to the international market transforming the country into an oil exporting nation with revenues crucial to achieving economic progress.

The Authority continues to spearhead the smooth functioning of the sector through the use of various regulatory instruments including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, monitoring performance of sector utilities, energy sector pricing as well as complaints resolutions. Each of these processes are being improved by ensuring that less time is taken to process any legal instrument issued by the Authority.

Among critical activities this year, the Authority continued to monitor the implementation of Time of Use (TOU) tariff for large commercial and industrial consumers. As at June 2019, a total of 1,202 industrial customers benefited from the initiative increasing electricity consumption by 15.2 GWh and capacity demand by 40MW. The utilization of the TOU Tariffs not only supports industrial growth but also increases the country's competitive edge in the ease of doing business analysis. It also fully utilizes cheap base load capacity that is otherwise lost during off-peak periods. It is observed that the country's peak load is high but is only experienced for a very short period, largely in the evenings.

The Authority wishes to shift part of this consumption to off-peak periods preferably at night when geothermal capacity is available leading to system optimization and hence lowering end user tariffs. The country has in the recent past experienced increased interest by developers in the development of Liquefied Petroleum Gas (LPG) infrastructure. This has been buoyed by a growth in LPG consumption as more Kenyans enter the middle class and abandon traditional biomass cooking fuels. On this account, the Authority is facilitating the shift to LPG through fiscal and regulatory incentives.

That aside, the Authority continues to intensify the quality of petroleum fuels used in the country through a national marking and monitoring program and a revamped Enforcement, Compliance and Consumer Protection team with offices across the country. This will ensure that consumers are protected from adulterated fuels, malpractices in electricity consumption as well as quality control of petroleum dispensing facilities. The efforts also protect the country's tax revenue

by preventing dumping of tax exempt export bound petroleum products into the local market.

With regard to the Energy Sector Plans, the Authority completed the coordination of the Medium Term Plan for the electricity sub-sector for the 2018-2023 period as well as the Petroleum Development Plan (PDP) covering the same period. These plans provide a framework for the sectors development in terms of forecasted demand based on major demand drivers and projected supply in terms of committed projects in both the electricity and petroleum subsectors. The energy sector is a key enabler of economic growth through its multidimensional linkages with all the other sectors of the economy.

Accordingly, strategies that guide investments and growth in the sector are of utmost importance to the Authority and the entire nation.

Finally, the Authority appreciates the support it has received from both the national and county governments, the energy sector players and all Kenyans in general. I also take this opportunity to commend the Authority's staff, Management and my fellow Directors of the Board for the conclusion of yet another successful year and for executing our mandate with vigor, passion and distinction in our quest to meet or exceed our stakeholders' expectations.

Hon. Justice (Prof) Jackton B. Ojwang
CHAIRMAN



DIRECTOR GENERAL'S STATEMENT



As we conclude the 2018/19 financial year, I wish to appreciate the concerted efforts made in improving delivery of services to the public from all stakeholders in the sector. The multiagency approach to planning and enforcement of regulations and guidelines within the sector has seen the Authority continue to achieve high levels of compliance to statutory requirements among regulated entities.

During the year, the Authority has overseen the development and finalization of the Medium Term Plan and the Petroleum Development Plan of the 2018-2023 period. With the enactment of the Energy Act 2019, this coordination function has been designated to the Ministry of Energy.

At sector performance level, it is safe to say that despite the many challenges encountered during the year, all players in the energy industry played exemplary roles in achieving set targets. In the power subsector, the level of electricity access in the country increased from 74% in the financial year 2017/2018 to 75.2% in the 2018/2019 period with a total number of 7,067,861 customers connected. The increase in access as well as the industry utilization of the TOU tariffs has seen the total electricity sales increase from 8,459 GWh in the 2017/18 financial year to 8,769 GWh in financial year 2018/19 an increase of 3.7%. The peak demand increased from 1,802MW to 1,882MW during the review period.

On electricity supply, installed capacity stood at 2,741MW as at June 2019. During the year under review, the Authority facilitated the commissioning of the 310MW Lake Turkana Wind Power plant in September 2018. Additionally, 50MW Garissa Solar Power Plant by the Rural Electrification and Renewable Energy Corporation (Formerly REA) was commissioned. It is expected that the installed capacity will further

At sector performance level, it is safe to say that despite the many challenges encountered during the year, all players in the energy industry played exemplary roles in achieving set targets

rise considerably after commissioning of KenGen's 158MW Olkaria V geothermal plant by September 2019. These additional plants have not only increased the country's national installed capacity, but have also reduced reliance on thermal plants during periods of low hydrology. This has had a positive impact on the cost of electricity due to a reduced fuel cost charge and low generation tariffs associated with the use of renewable energy in generation. According to the finalized Medium Term Plan, the installed capacity is projected to increase to 4,150MW by 2023, as a result of committed generation projects dominated by geothermal, wind and solar power plants.

On power evacuation, the size of transmission network (400kV, 220kV and 132kV) continued to be expanded and was approximately 7,174.35km which includes 3,372 kms of 132kV lines, 1,686km of 220kV lines and 2,116.4km of 400kV. At retail and distribution level, the Authority ensured that all prudently incurred costs along the power supply chain were met through a largely cost reflective tariff. The key highlight with regard to the transmission and distribution network is the commissioning of the 435.6KM Loyangalani-Suswa 400kV line that enabled evacuation of electricity from the Lake Turkana Wind Power Plant (LTWP) to the load centers. Kenya Power and RREC have also greatly expanded the electricity distribution network.



The Authority is committed to reviewing Power Purchase Agreements (PPA's) within 60 days of receipt of materially complete applications, in accordance with the Energy Act 2019, a significant reduction from the statutory 90 days stipulated in the Energy Act 2006. During the financial year, a total of 4 such applications were received, reviewed and determined.

In the Petroleum subsector, the Authority continues to set maximum retail prices for three critical products namely Diesel, Premier Motor Spirit and Illuminating Kerosene. The key determinants of pricing include, importation costs and international oil prices as determined by Platts, average bank exchange rates, taxes and levies, premiums, storage costs, pipeline tariff costs and transportation costs. This exercise has been executed on the 14th day of every month without fail and with stakeholder participation in the entire pricing process.

During the year under review, the Authority maintained data on the prices of crude oil and the individual product prices for each month. The average price of Murban crude was US\$70.64/barrel in the FY 2017/18 rising from US\$64.32/barrel in FY 2017/18. The average landed costs for PMS, AGO and DPK for the period were KShs.51.62/Ltr, KShs.55.04/Ltr, and KShs.54.96/Ltr respectively.

The price of PMS stood at KShs.112.20/Ltr at the beginning of the year, averaging KShs.111.96/Ltr to close the year at KShs.115.1/Ltr in June 2019. Kerosene on the other hand averaged KShs.102.16/Ltr on a steady increase to close the year at KShs.104.28/Ltr in June 2019. The price of diesel at the beginning of the year was KShs.103.25/Ltr and rose to KShs.104.76/Ltr at the end of the year June 2019. This trend was recorded in the rest of the towns across the country.

In Financial performance, the year under review saw the Authority collect KShs.1.06 billion from the Petroleum Regulatory Levy. This is as a result of the review of the petroleum levy. On the other hand, the Electricity Levy reduced by 14.6% from KShs.406.2 million in 2017/18 to KShs.347 million in 2018/19. Government transfers increased by 176.9% to KShs.34.9 million in 2018/19 as compared to KShs.12.6 million in the previous year. In total, non-exchange revenue went up by 55.9 % from KShs.926.8 million in 2017/18 to KShs.1.44 billion in 2018/19. The total recurrent expenditure increased by 49.9% from KShs.726.7 million in 2017/18 to KShs.1.09 billion in 2018/19.

KShs. 1.06B

Amount collected by the Authority from the Petroleum Regulatory Levy

The Authority's total asset base increased by 30.49% from KShs.589.9 million in the previous period to KShs. 769.1 million in 2018/19. Non-current assets increased by 45.7% to KShs.131.6 million from KShs.90.3 million. Current assets went up by 27.6% to KShs.637.5 million from KShs.499.6 million. Current liabilities increased by 95% to KShs.494.5 million up from KShs.253.3 million in the 2017/18 financial year. Further, total equity decreased by 18.6% from KShs.336.6 million to KShs.274.5 million in 2018/19.

In the quest to promote best practice in corporate governance, EPRA continues to adopt ethically driven business structures, procedures and processes aimed at improving the Authority's corporate reputation in regulating the electricity and petroleum subsectors. We shall continue to inculcate a positive performance culture that will improve our business process and enhance efficiency and effectiveness of service delivery.

Daniel Kiptoo Bargarua
Ag. DIRECTOR GENERAL



CORPORATE GOVERNANCE

Who Governs Us



Mr. Joshua Oigara
Chairperson

Joshua Oigara was appointed as Chairman on 18th March 2016, bringing to the Authority valuable experience in business and management, having held senior positions at various organizations across Africa.

He is the Group Chief Executive Officer and Managing Director at KCB Group Plc and KCB Bank Kenya. He is the current Chairman of Kenya Bankers Association Governing Council; a position he has served for two terms.

He is a Director of the Vision 2030 Delivery Board and was awarded the Chief of the Order of the Burning Spear, C.B.S. by H.E. President Uhuru Kenyatta for exemplary service to the people and Nation of Kenya.

In September 2015, Mr. Oigara was named among the top 100 youngest and most Influential Economic Leaders in Africa by the Paris-based Institut Choiseul, an independent French research center.

Mr. Oigara was appointed by the Minister of Sports to join the World Rally Championship Steering Committee in December 2017.



Mr. Pavel Robert Oimeke
Director General

Robert Pavel Oimeke is the Director General of EPRA, a position he has held since his appointment on 1st August 2017. He is a renewable energy and energy efficiency specialist with close to two decades of experience. He was the Director, Renewable Energy at the Authority prior to his appointment as Director General.

Before joining the Authority, Mr. Oimeke was heavily involved in research and development of renewable energy solutions for the manufacturing and tea sectors in Kenya. He served as a consultant for the World Bank funded multi-agency programme, the Lake Victoria Environment Management Programme II (LVE-MPII), implemented in Kenya, Uganda and Tanzania. He has also consulted in Renewable Energy and Energy Efficiency in Uganda and Malawi.

Mr. Oimeke holds a Bachelor's degree in Chemical and Process Engineering from Moi University; a Diploma in Energy Planning and Use from Life Academy, Sweden, a Certificate in Corporate Governance and is currently in the final stages of completing a Master's degree in Sustainable Energy Engineering from Kenyatta University.

He is registered with the Institute of Engineers of Kenya (IEK), the Association of Energy Professionals East Africa (AEPEA), and Engineers Board of Kenya (EBK) and is a member of the Institute of Leadership and Management (ILM), UK.



Mr. Andrew Nganga Kamau, CBS, is the Principal Secretary State Department of Petroleum, Ministry of Petroleum and Mining.

Since his appointment as Principal Secretary in December 2015, Mr. Kamau has been instrumental in the development and implementation of landmark oil and gas projects which include the Kenya Petroleum Technical Assistance Project (KEPTAP), a World Bank funded project for capacity building in the petroleum sector in the country. He is also steering two key flagship projects: The Early Oil Pilot Scheme and the Crude Oil Pipeline.



Mr. Andrew N. Kamau C.B.S
Principal Secretary, State
Department of Petroleum

Mr. Kamau has vast experience in the mining, oil and gas sectors spanning over twenty five (25) years. He previously held senior positions in Saillies Ltd. the oldest Johannesburg Stock Exchange listed mining company and Drillex Ltd, a mineral exploration drilling company with drilling rigs in South Africa, Mozambique and Zambia. In addition, he has been a Director of Gulf of Guinea Petroleum Company in the Republic of Congo.

In his oil trading career, Andrew has advised on various petroleum upstream, mid/downstream ventures in the region. He successfully negotiated USD 60 Million revolving line of credit for the Democratic Republic of Congo for the purchase of refined petroleum products. Other achievements include helping in the development of the tender and supply contract for gasoline on behalf of the Government of Sudan, export of 200,000 MT of gasoline from the refinery in Khartoum and supplied over USD 200 million worth of refined petroleum products to Tema Oil Refinery in Ghana.

In 2005, Andrew was awarded the Deal Maker of the Year by Global Pacific Partners.



Dr. Eng. Joseph Njoroge
Principal Secretary, Ministry
of Energy

Dr. Eng. Joseph K. Njoroge has wide experience in power engineering and management. He joined KPLC in 1980 and rose through the ranks to become Managing Director in June 2007. Eng. Njoroge holds a Bachelor of Science degree in electrical engineering and a Master's degree in Business Administration with a major in Strategic Management and a PhD in Business Administration. He is a Chartered Electrical Engineer, a member of the Institution of Engineering and Technology, UK, a Registered Consulting Engineer, and is also a Fellow of the Institution of Engineers of Kenya. He is also Chairman of the MBA Chapter of the University of Nairobi Alumni Association.





Dr. Kebenei J. Sellah
Board Member

Dr. Kebenei, a senior lecturer at Kabarak University, has conducted extensive research in the field of Organic and Environmental Chemistry.

She began her academic career at the University of Nairobi in 1981 where she graduated with a Bachelor of Science Degree (BSc), with a Major in Chemistry. She subsequently did a Master of Philosophy (M.Phil.) Degree in Chemistry at the Moi University, Eldoret and graduated in 2003. She holds a PhD in Chemistry from the same university (2009).

From 2006 to 2015, she served as Head of Environmental and Life Science Department at Moi University. Since 2016 to date, she has served as Head of Physical and Biological Sciences Department. She served as acting Dean for the School of Science, Engineering and Technology (2014) and as Director of the Institute of Post-Graduate Studies and Research (2016).

She was coordinator for the development of the School of Medicine and Health Science from 2009 to 2014, which resulted in the launching of Nursing and Clinical Medicine Degree program.



Mr. Peter Njenga Mwangi
Board Member

Mr. Mwangi is an advocate of the High Court of Kenya with over 30 years in legal practice. He holds a Bachelor of Law Degree (LLB Hons) from the University of Nairobi and a Diploma in Legal Studies from the Kenya School of Law. He is currently undertaking a Master's Degree in International Studies at the Institute of Diplomacy and International Studies (IDIS), at the University of Nairobi.

Mr. Mwangi specializes in Corporate and Commercial Law and has a keen interest in Public Interest Litigation and Human Rights defense and promotion of the youth agenda. Mr. Mwangi has undertaken training in Corporate Governance, Public Private Partnerships (PPAs), drafting of Power Purchase Agreements (PPAs) and Public Utilities Regulation.



Mrs. Veronica Kamau
Board Member (Alternate
to the Principal Secretary,
Ministry of Energy)

Mrs. Veronica Kamau holds a Master's degree in Business Administration and a Bachelor of Commerce (Accounting Option) Degree. Mrs. Kamau is a member of ICPAK and is a Certified Public Accountant of Kenya (CPA-K). She previously worked at the Ministry of Lands, Housing & Urban Development (2014-2016), before joining the Ministry of Energy and Petroleum.

Mrs. Kamau is a trained ISO Auditor and has 25 years' work experience having worked with the Government of Kenya as an Accountant at various levels including; District Accountant, Nyandarua District Treasury, Head of Accounting unit at the Ministry of Nairobi Metropolitan, Ministry of Lands and Housing and Urban Development as well as the Ministry of Energy. Veronica is a member of Sukari Housing Cooperative Sacco Management Board.





Eng. Samuel N. Maugo
Board Member

Eng. Maugo holds a Master's degree in Structural Engineering from Concordia University, Montreal Canada as well as a Bachelor of Science degree in civil engineering from the University of Nairobi. He is a registered consulting engineer with Engineers Board of Kenya (EBK) and a member of the Institution of Engineers of Kenya (MIEK). He was a lecturer at the Civil Engineering Department of the University of Nairobi for 18 years, a principal partner at Samez Consultants, a firm of consulting engineers and a commissioner at Electoral Commission of Kenya (2007-2008). Eng. Maugo has been the Managing Director of Multiscope Consulting Engineers Ltd from 2007 to date and has served as a Board Member at EPRA since April 2015.



Ms. Lilian Zaja
Board Member

Ms. Lilian B. Mahiri-Zaja holds a Master of Laws Degree from the University of Reading, United Kingdom (2002); a post-graduate Diploma in Legal Education from the Kenya School of Law (1989); and an LL.B. (Hons.) Degree from the University of Nairobi, Kenya (1988).

She was the Vice Chairperson of the Independent Electoral and Boundaries Commission (IEBC) of Kenya. She also served as a member of the Technical Working Group that developed a mechanism for women representation to ensure implementation of the two-third gender principle.

Ms. Mahiri-Zaja is an Advocate of the High Court of Kenya and has served in various national and international institutions; including the Committee of Experts on Constitutional Review in 2009-2010, Presidential National Committees, Task Forces, various Commissions and the African Union Commission on International Law (AUCIL).



Mr. Nixon L. Lenaiyara
Board Member

Mr. Lenaiyara is a Technology Consulting Expert with over ten years' experience in ICT Systems Implementation in Banking and Insurance sectors. He has a Master of Science Degree in Telecommunications Engineering, Czech Technical University (Prague), from where he graduated in 2010. Prior to that, Eng. Lenaiyara was awarded a Bachelor of Science Degree in Electrical Engineering and Informatics at the same university.





Prof. George O. Achoki, PhD
Board Member

Professor George O. Achoki has experience in Management, Academia and Board directorship spanning over twenty years. Professor Achoki's career life started in 1997 at Manpower Services (K) Limited where he worked as a Management Consultant. He had a one-year stint as a senior lecturer at Kenyatta University where he taught finance and accounting. He is currently an associate Professor of Accounting and Finance at United States International University (USIU) where he has taught for over 20 years.

Professor Achoki holds a Bachelor's degree in Commerce, a Master of Commerce in Accounting and Statistics and a Doctor of Philosophy in Human Resource Accounting, all from Sukhadia University, India.

He has published in the International Journal of Economics and Finance, the American Journal of Finance, and the Journal of Business and Management among others. Between 2016-2018, he served as a Council Member at the Export Promotion Council where he chaired the Strategy, Product Development and Promotion and the Finance and Resource Mobilization Committees.



Dr. Macharia Irungu
Board Member

Dr. Irungu has 23 years of experience at Senior Management level in Lubrication, Retail, and Supply Trading in the petroleum sector in Kenya and Africa. He is the current Group CEO of Gulf Africa Petroleum Corporation.

He holds a Bachelor of Science Degree in Chemistry from the University of Nairobi, a Master of Business Management Degree from the National University – USA and a PhD in Strategic Management from the University of Nairobi.

Dr. Irungu is a member of the America Chamber of Commerce, Kenya Hospital Association, British Business Association, Institute of Directors and the Kenya Institute of Management.



CPA. Moses Gitari
Board Member (Alternate
to the Principal Secretary,
Ministry of Energy)

CPA. Moses Gitari is currently the Head of Accounting Unit, State Department of Energy and an Alternate to the Energy Principal Secretary on the EPRA Board. He holds a Master of Business Administration Degree in Strategic Management from the University of Nairobi and a Bachelor's in Business Administration, Accounting & Finance from the Kenya Methodist University (KEMU).

Mr Gitari is a practicing Accountant and a member of Institute of Certified Public Accountant of Kenya (ICPAK). He has vast experience in accounting systems implementation and business process re-engineering.

He has previously worked in the Ministry of Health as an Accountant and at the National Treasury IFMIS Department as the Head of Business Process Re-engineering.





Mr. Daniel Kiptoo Bargoria
Board Member (Alternate
the the Principal Secretary,
State Department of
Petroleum)

Mr. Bargoria is the Legal Advisor in the State Department of Petroleum.

Mr. Bargoria has vast experience in the Energy and Petroleum sectors with keen interest on policy formulation, regulation and in project & structured finance. He played a central role in the drafting of the Energy Act (2019) and Petroleum Act (2019). He is currently the Chairman of the Government's First Oil Committee charged with delivery of First Oil for Kenya.

Mr. Bargoria is a Certified Public Secretary in Kenya (CPS), Chartered Secretary of the Institute of Chartered Secretaries and Administrators UK (ICSA) and a member of the Association of International Petroleum Negotiators (AIPN). He holds a master's degree in Petroleum Law and Policy from University of Dundee-Scotland.

Mr. Bargoria has previously worked with various organisations in both the public and private sector including Energy and Petroleum Regulatory Authority (EPRA) and the Africa Centric Oil & Gas Risk Consultancy.



Ms. Mueni Mutung'a
Corporation Secretary &
Director Legal Services

Mueni holds a Master's in Business Administration and a Bachelor of Laws degree both from the University of Nairobi, and a Diploma in Legal Practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Chartered Institute of Arbitrators and a fellow of the Institute of Certified Secretaries of Kenya. She has also trained extensively in Good Corporate Governance and is a Public Private Partnerships specialist.

Mueni started her career as an advocate and worked as an associate with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Corporation Secretary and Director Legal Services.



Who Leads Us



Mr. Pavel Robert Oimeke
Director General

Robert Pavel Oimeke is the Director General of EPRA, a position he has held since his appointment on 1st August 2017. He is a renewable energy and energy efficiency specialist with close to two decades of experience. He was the Director, Renewable Energy at the Authority prior to his appointment as Director General.

Before joining the Authority, Mr. Oimeke was heavily involved in research and development of renewable energy solutions for the manufacturing and tea sectors in Kenya. He served as a consultant for the World Bank funded multi-agency programme, the Lake Victoria Environment Management Programme II (LVEMPII), implemented in Kenya, Uganda and Tanzania. He has also consulted in Renewable Energy and Energy Efficiency in Uganda and Malawi.

Mr. Oimeke holds a Bachelor's degree in Chemical and Process Engineering from Moi University; a Diploma in Energy Planning and Use from Life Academy, Sweden, a Certificate in Corporate Governance and is currently in the final stages of completing a Master's degree in Sustainable Energy Engineering from Kenyatta University.

He is registered with the Institute of Engineers of Kenya (IEK), the Association of Energy Professionals East Africa (AEPEA), and Engineers Board of Kenya (EBK) and is a member of the Institute of Leadership and Management (ILM), UK.



Ms. Mueni Mutung'a
Corporation Secretary &
Director Legal Services

Mueni holds a Master's in Business Administration and a Bachelor of Laws degree both from the University of Nairobi, and a Diploma in Legal Practice from the Kenya School of Law. She is an advocate of the High Court of Kenya, a member of the Institute of Directors, the Chartered Institute of Arbitrators and a fellow of the Institute of Certified Secretaries of Kenya. She has also trained extensively in Good Corporate Governance and is a Public Private Partnerships specialist.

Mueni started her career as an advocate and worked as an associate with the law firm of Robson Harris & Co advocates. She later moved to Total Kenya Ltd where she worked as a legal officer. Thereafter she worked as the Corporation Secretary and Head of Legal services at Kenya Wildlife Service prior to taking up her current appointment as the Corporation Secretary and Director Legal Services.





Dr. Frederick Nyang
Director Economic Regulation

Dr. Frederick Nyang holds a PhD in Energy and Environmental Economics from the University of Amsterdam (1999) and is a Certified Regulation Specialist – Loughborough University (2010). He is responsible for the Authority's economic regulation functions including energy pricing, planning and policy analysis.

Frederick has more than eighteen (18) years of experience in Energy Regulation and Policy. He has played a lead role in the development of regulatory instruments and made significant contributions to the development of Kenya's premier white paper on energy policy: Sessional Paper No. 4 of 2004 on Energy and Kenya's Feed-in-Tariffs Policy-2008; He was also instrumental in setting up and managing the power sector's multi-disciplinary team which prepares updates to the Least Cost Power Development Plan (LCPDP).

Dr. Nyang taught economics at the University of Nairobi and at Moi University at various times between 1991-2000. He has also served in Kenya's civil service as an Engineer (1984-1987) and as an Economist (1990-1991). He is a member of the International Association for Energy Economics.



Ms. Loise Thuge
Supply Chain Manager

Loise Thuge is the Procurement Manager responsible for development and implementation of the Authority's supply chain management policies, strategies and procedures.

She holds a Master of Science in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT), a Bachelor of Arts from the University of Nairobi, and a Diploma in Purchasing and Supplies Management from the Chartered Institute of Supplies Management.

Prior to joining EPRA, Loise worked for various institutions including the Kenya Revenue Authority (KRA), University of Nairobi and the Institute of Certified Public Accountants of Kenya (ICPAK).

Loise is a member of the Kenya Institute of Supplies Management (KISM) and the Chartered Institute of Purchasing and Supplies Management or Chartered Institute of Procurement & Supply (CIPS).



Mr. Edward Kinyua
Ag. Director Petroleum and Gas

Edward Kinyua is currently the Acting Director, Petroleum and Gas Directorate. He is responsible for the development and implementation of strategies to ensure effective regulation of the mid and downstream petroleum sub-sectors in Kenya.

Edward holds a Master of Science in Energy Management from the University of Nairobi and a Bachelor of Technology in Mechanical and Production Engineering from Moi University.

He has a wealth of experience in the energy sector spanning over 12 years in various organizations including Total Kenya Limited. He is a member of the Institution of Engineers of Kenya (IEK) and the Association of Energy Professionals Eastern Africa (AEPEA).





Eng. Joseph Oketch
Director Electricity
& Renewable Energy
Directorate

Eng. Oketch is the Director Electricity & Renewable Energy department, responsible for overseeing formulation, review, and monitoring of regulations, standards and codes for the electrical and renewable Energy subsectors in Kenya.

He has over 25 years of experience in the energy sector. Prior to joining EPRA 8 years ago, he had served in senior positions at Kenya Power and the Rural Electrification Authority (REA).

Eng. Oketch holds a Bachelor of Science (Electrical Engineering) from the University of Nairobi, Master of Business Administration (Strategic Management) from Kenyatta University and a Post Graduate Diploma (Project Planning and Management) from the University of Nairobi. He is a Member of the Institute of Engineers of Kenya (IEK), the Kenya Institute of Management (KIM) and is a Registered Professional Engineer with the Engineers Board of Kenya (EBK).



Mr. James Kilonzo
Ag. Director Corporate
Services

James Kilonzo is the Acting Director Corporate Services, responsible for formulation and execution of policies, plans and strategies in functional areas such as Finance & Accounts, Corporate Communications, Human Resources & Administration and ICT. He has over 15 years of experience working in the finance and ICT sector.

James started his career as an accountant at the African Retail Traders (K) Ltd. He later moved to Dyer and Blair Investment Bank Ltd where he worked as a Financial Controller. Prior to joining EPRA, he was the Head of Finance at the Kenya Tourism Board.

James is a Certified Public Accountant and holds Master of Business Administration (Strategic Planning) from Moi University, a Bachelor of Commerce (Accounting) from the University of Nairobi.

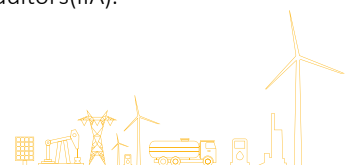


Ms. Evelyn Orege
Manager Internal Audit and
Risk Assurance

Everlyne Orege is the Manager Internal Audit and Risk Assurance department and is responsible for providing independent and objective assurance to the adequacy and effectiveness of the internal control systems.

She has a wealth of experience in Finance and Audit spanning over 15 years in the private and public sector. She started her career as an Accountant at the Kenya Tea Development Agency (KTDA). She later moved to Ernst & Young and the Kenya Rural Roads Authority (KeRRA) where she worked as a Senior Auditor and Regional Accountant respectively. Prior to joining the Authority in 2018, she was the Chief Internal Auditor at the Judiciary.

Evelyn holds a Master of Business Administration (Finance) from the University of Nairobi and a Bachelor of Commerce (Finance) from the same University. She is a Certified Public Accountant, a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IIA).





Mr. Cyprian M. Nyakundi
Ag. Director Enforcement & Consumer Protection

Cyprian has eleven (11) years of experience in Energy Regulation and Policy Formulation. Cyprian has played a lead role in the development of Petroleum Pricing Regulations, 2010; Draft Electricity Tariffs Regulations, 2017; and Draft Regulatory Accounts Regulations, 2017. He is the Chairperson of the Petroleum Pump Pricing Committee, a member of the Power Purchase Agreements Review Committee and Secretary to the Electricity Tariffs Review Committee.

He holds a Bachelor of Commerce (Finance) degree from the University of Nairobi and a Master of Business Administration (MBA) in Strategic Management from the same University. He is currently undertaking a PhD (Finance) at the University of Nairobi. Cyprian is a Certified Public Accountant Kenya, CPA (K) – Strathmore University, 2003 and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also Kenya's Liaison officer for the Energy Regulators Association of East Africa (EREA).



Ms. Esther Njenga
Ag. Manager Corporate Strategy & Performance

Esther Njenga is the Acting Manager for Corporate Strategy & Performance. She has over 10 years of management experience in monitoring and evaluation, performance contracting, project management and risk management.

She joined EPRA in 2007 and has served in a number of roles. At her current position, Esther provides leadership in strategic planning and policy development, which are critical in resource planning and mobilization to advance EPRA's mandate and strategic objectives.

She is also responsible for supporting Directorates/Departments in maintaining effective partnerships, coordinating research and knowledge management, business development, processes re-engineering, resource mobilization and performance monitoring and evaluation.

Prior to joining EPRA, she worked at the Kenya Wildlife Service where she held various roles spanning risks and change management and introducing innovative approaches to human resources management.

Esther holds a Master of Business Administration degree in Strategic Management from the University of Nairobi and Master of Science in Human Resources Management from Jomo Kenyatta University of Agriculture and Technology. She also holds a Bachelor of Education (Arts) degree from the University of Nairobi and a Postgraduate Diploma in Human Resource Management from the Technical University of Kenya.



Corporate Governance Statement

Introduction

The Board of Directors acknowledges the need to conduct the business and operations of Authority with integrity and in accordance with generally accepted corporate practices and internationally developed principles of corporate governance. The Board recognizes corporate governance as an essential element towards achieving the Authority's regulatory mandate provided in both the Energy Act No. 1 of 2019 and Petroleum Act No. 2 of 2019.

The Board members adhere to good corporate governance by embracing the following principles:

- i) Observation of high standards of ethical and moral behavior;
- ii) Acting in the best interests of the Authority;
- iii) Ensuring fair staff remuneration and promotion;
- iv) Promotion of legitimate interests of all stakeholders;
- v) Ensuring that the organization acts as a good corporate citizen.

The Board members commit themselves to maintaining the highest standards of corporate governance and business ethics in the Authority's operations.

Board of Directors

Board Composition, Appointment and Size

The Board of Directors of the Authority as provided under section 12 of the Energy Act, 2019 consist of the Chairperson, the Principal Secretary in the Ministry of Energy or his representative, the Principal Secretary in the Ministry of Petroleum and Mining or his representative, the Principal Secretary in the National Treasury or his representative, one County Executive Committee member or his representative nominated by the Council of County Governors, the Director General and five other members. The Chairperson and the five members from the private sector are appointed by the President and the Cabinet Secretary respectively. The Chairperson is a non-executive member of the Board.

The Chairperson's term is four years and that of the other Board members is three years and the respective terms are renewable once for the same duration.

Under the Energy Act, 2006 which was repealed by the Energy Act No. 1 of 2019, the Board of Directors was then referred as the Commission, whose members were known as Commissioners.

The Board, subject to the approval of the Cabinet Secretary and through competitive selection process, appoints a Director General who is the Chief Executive Officer (CEO) of the Authority. The Director General's term limit is three years, renewable once. The Director General is an ex officio member of the Board with no voting rights at the Board meetings.

The Corporation Secretary is appointed by the Authority to handle the Board's secretarial duties and to advise the Board on matters pertaining Corporate Governance.

The Board's composition has diversity in skills, knowledge of business and administrative experience acquired from both private and public sectors. The diversity is essential in the effective management of EPRA.

The appointments and composition of the Authority's Board of Directors shall take into account and reflect the gender balance as well as regional and ethnic diversity of the people of Kenya.

The appointment of the Board members can be terminated in accordance with the provisions of the Second Schedule of the Energy Act No. 1 of 2019 or through voluntary resignation.

Independence and Separation of Roles and Responsibilities

The Board members exercise independent judgment in discharging their duties. The Board sets the strategic plan of the organization, oversees implementation of policies, evaluates the performance and reports to the stakeholders.

The Chairperson of the Board is primarily responsible for the activities of the Board and its committees. The Chairperson determines the agenda for Board meetings, chairs the meetings and ensures effective communication to stakeholders. The Chairperson acts as the spokesperson for the Board and is the principal contact for the Director General.



The Director General, who is the Chief Executive of the Board, is responsible for the day-to-day management of the Authority subject to the Board's direction.

Board Responsibilities

The Board's responsibility is to promote the longterm success of the organization. The Board provides leadership, strategic direction and exercises effective control of EPRA. The Board assumes collective responsibilities though their duties are discharged through the Authority or its Committees.

The Board is charged with the following responsibilities, among others:

- i) Determination of EPRA's mission, vision, purpose and core values;
- ii) Review and approval of the organization's long term plans;
- iii) Review and approval of the annual budget and financial forecasts;
- iv) Ensuring that the procurement process is cost effective and delivers value for money;
- v) Ensuring effective and accurate information flow to stakeholders;
- vi) Ensuring that effective processes and systems of risk management and internal controls are in place;
- vii) Review and approval of the overall organizational structure and succession plans;
- viii) Review, evaluate and approve the remuneration structure of the organization;
- ix) Protection of the rights of shareholders and optimization of shareholders' value;
- x) Monitoring compliance with the Constitution and all applicable laws, regulations and standards.

Board and Committee Meetings

The Energy Act 2019 provides that the Board meetings be held at least four times a year. As per this provision, not more than four months should lapse between the date of one meeting and the next meeting. A schedule of dates of the meetings is approved by the Board. Notifications about the location and the timing of meetings are issued seven days prior to the meetings.

The Committees conduct their business within the rules and procedures set by the Board. The matters deliberated by the Committees are consequently presented to the Board by the respective chairman during the subsequent Board meeting for adoption.

The Committees are designed to ensure the Board runs efficiently and effectively and in a manner that embraces corporate governance. The Committees enable the Board to effectively discharge its responsibility by delving into issues that require greater attention than would be possible during regular Board meetings. The Board has three Committees; Technical, Finance & Administration and Audit & Risk. Some Board members are Trustees of the EPRA Pension Scheme representing the Sponsor. The Chairman of the Board is not a member of any Committee.

Finance and Administration Committee

The Authority's Finance and Administration Committee is chaired by a non-executive Board member and meets at least on quarterly basis. The members are Eng. Samuel Maugo (Chair), Mr. Moses Gitari, Ms. Lilian Mahiri Zaja and Mr. Pavel R. Oimeke. The Committee's responsibilities are ensuring sound financial reporting, internal system controls, business plans and budgets, procurement, ICT, Public Relations, Administration and staff matters.

Technical Committee

The Technical Committee is chaired by a non-executive Director and meets at least on quarterly basis. The members are Dr. Sellah Kebenei (Chair), Eng. Samuel Maugo, Prof George Achoki, Dr. Macharia Irungu and Mr. Pavel R. Oimeke. The Committee's responsibilities are to provide strategic technical direction of EPRA and to approve technical plans, activities, reports and budgets.

Audit and Risk Committee

The Audit Committee is chaired by a non-executive Director and the members are non-Executive Directors. The members are Prof. George Achoki (Chair) and Dr. Macharia Irungu. The responsibilities of the committee are to review the financial information of the Authority, monitoring the effectiveness of management information and internal control systems, deliberate on significant findings arising from both internal and external audits, and review the overall risks facing the Authority.



Number of Scheduled Meetings and Attendance

The attendance of meetings during the year is as summarized below:

Board of Directors	Designation	Board Meetings Total No. of Meetings (7)	Finance & administration Committee Total No. of Meetings (7)	Technical Committee - Total No. of Meetings (9)	Audit & Risk Committee - Total No. of Meetings (6)	Pension Board Meetings (2)
Mr. Joshua Oigara	Board Chairman	6/7				
Mr. Njenga Mwangi	Member	2/7	2/7			1/2
Eng. Samuel Maugo	Member	7/7	7/7	7/9		
Mrs. Veronica Kamau	Member	3/7	3/7	4/9		
Dr. Macharia Irungu	Member	2/7		2/9	2/6	
Eng. Nixon Lenaiyara	Member	2/7			4/6	
Dr. Sellah Kebenei	Member	4/7	1/7	4/9		
Prof, George Achoki	Member	2/7		2/9	2/6	
Ms. Lilian Mahiri Zaja	Member	7/7	2/7	7/9	4/6	1/2
Mr. Robert Pavel Oimeke	Member	7/7	7/7	8/9		2/2

Board Charter and Work Plan

The Board has formulated a Board Charter, which defines the role, and responsibilities of the Board members in executing their strategic oversight function of the organization. The Board also prepares an Annual Work Plan which sets out the specific activities to be undertaken by the Board towards fulfilling its mandate.

representative of the State Corporation Advisory Committee (SCAC) conducts Board Performance Evaluation.

The Evaluation is undertaken at three levels:

- Peer Review
- Self-Evaluation
- Board Evaluation

Directors Induction and Skills Development

The Authority provides new directors with an effective induction programme in order to familiarize them with their responsibilities as Board members and with general principles of corporate governance. The programme also provides the members with an orientation of the organization, Strategic Plan, financial status and policies, risk management, compliance programmes and the Code of Conduct and Ethics. The Authority ensures that a competence needs assessment is carried out periodically and an Annual Development Plan prepared to address identified gaps. The Authority ensures that its Board members are up-to-date with continuous professional development in their respective professional bodies.

The results are analyzed and a mean score rate for each of the levels determined. Through this exercise, the Board identifies areas of strength and weaknesses and is committed to addressing any challenges that are identified.

Remuneration of the Board of Directors

The remuneration of the Chairperson and the other Board members is determined by SCAC as provided in the State Corporations Act. The members are paid taxable sitting allowance. The Chairperson is paid a monthly fee and honoraria and the other members are paid monthly fee. The Board members are entitled to daily subsistence allowances while attending official duties. The members are reimbursed their transport expenses at the prevailing AA rates. The Board members are also provided with inpatient/outpatient medical and personal accident covers.

Board Effectiveness and Evaluation

The Board, its composition and performance evaluation is central to corporate governance. Further, Paragraph 1.12 of Mwongozo Code of Governance requires Boards to undertake performance evaluation. It is in this regard that the Board under the guidance of a rep-



Ethical Leadership and Corporate Citizenship

The Board members are required to act in the best interest of the Authority and uphold their fiduciary responsibilities and duty of care. This involves not disclosing confidential information, avoiding real and perceived conflicts of interest, and putting ahead interests of the Authority over other interests. The directors are upon appointment sensitized on the requirements of the Mwongozo Code of Governance and have expressly committed to adhere to it.

The Board members and employees of the Authority are expected to act honestly and in good faith to create a culture built on principles of integrity, accountability and transparency. The Authority has developed a Code of Conduct and Ethics to guide the Board and the employees when undertaking their duties. The Board members declare their interest at every Board or Committee meeting. Additionally, Board members and employees declare their wealth status as per the Public Service Commission (PSC) requirements. The organization maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003 and this register is continuously updated.

Succession Plan

Succession planning is an ongoing process of systematically identifying, assessing and developing talent and capacity to ensure continuity in specific positions within the organization. The Authority has a Succession Plan that is designed to identify and prepare candidates for positions that become vacant due to retirement, resignation or death. Additionally, the Energy Act requires that the Board members are appointed at different times so that the respective expiry dates of their terms of office vary.

Compliance with the Law

The Board conducts its business affairs in compliance with all applicable laws, regulations, policies and accepted national and international standards. The Authority is in compliance of applicable law; the Constitution, the Energy Act No. 1 of 2019, the Petroleum Act No. 2 of 2019, Leadership and Integrity Act, 2012; Public Officers Ethics Act, 2003, Public Procurement and Assets Disposals Act, 2015, Public Finance Management Act, 2012, Employment Act, Regulatory Instruments Act 2014 among other legislation. The Board complies with the requirements of Mwongozo Code of Governance and the Board Charter is based on the Mwongozo principles of good governance.

The following are significant cases in which the Authority is a party during the reporting period:

1. The High Court of Kenya Petition No. 279 of 2017:

Council of County Governors –vs- Energy Regulatory Commission and 7 Others. This matter was instituted by the Petitioners challenging the constitutionality of the functions and mandate of ERC as was provided for by the Energy Act 2006. The Petitioners sought to have some of the mandate vested on the Authority transferred to Counties. The other parties enjoined in the matter include; Rural Electrification Authority, National Transport and Safety Authority, Kenya Urban Roads Authority, Kenya Rural Roads Authority, Kenya Ferry Services and Kenya Roads Board. The CCG alleges that the statutory laws establishing these government entities are unconstitutional. The matter is pending in court.

2. The Nairobi High Court Petition No. 59 of 2018: Apollo Mboya & Electricity Consumers Society of Kenya Vs Cabinet Secretary of the National Treasury, Ministry of Energy, Central Bank of Kenya, Kenya Power & Lighting Company, Energy Regulatory Commission & Attorney General. This matter is based on alleged erroneous consumer billing and alleged irregular payments to Independent Power Producers. The matter is pending in court.

Risk Management

The Authority upholds management of both internal and external risks as a key component of good corporate governance and is committed to embedding risk management into daily operations. The Board, through the Audit and Risk Committee, has a responsibility of overseeing risk management within the Authority by ensuring that appropriate risk management strategies and policies are in place, and that processes established are adequate and effective. The Board defines the Authority's overall level of risk tolerance and ensures that there are adequate tools and resources for managing risks. The Board has assigned the responsibility of risk management to the Director General. Here, the management of the Authority ensures that sound risk management processes are implemented and functioning effectively. The costs and resources employed in risk management are proportional to obtainable benefits.





STATUS OF THE INDUSTRY



CHAPTER 1: STATUS OF THE INDUSTRY

1.1 National Economy

Kenya's economy is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. The growth was primarily attributed to improved agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and consequently favorable to growth during the period under review.

The growth realized was anchored on a relatively stable macroeconomic environment with the various macroeconomic fundamentals remaining supportive of growth for the better part of the year. Inflation remained low at 4.7% in 2018 compared to 8% in 2017 majorly as a result of considerable decline in food prices. The current account deficit narrowed to stand at KShs.441.8 billion in 2018 compared to KShs.503.4 billion in 2017. The Nairobi Securities Exchange (NSE) 20-Share index dropped to 2,834 points in December 2018 from 3,712 points in December 2017. The performance was also manifested in the increased uptake of credit facilities across most sectors of the economy during the year under review.

Activities of Agriculture, Forestry and Fishing sectors were vibrant in 2018 mainly on account of favorable weather conditions that characterized the year. The sector's growth accelerated from a revised growth of 1.9 per cent in 2017 to 6.4 per cent in 2018. The growth was mainly driven by marked improvement in crop and animal production that benefited significantly from the sufficient rains experienced during the year. The manufacturing sector grew by 4.2% compared to the revised growth of just 0.5% in 2017. The sector's performance was largely supported by agroprocessing activities and production of beverages that recovered from considerable declines in 2017 to grow remarkably in the period under review.

Growth of the construction sector decelerated to 6.6 per cent in 2018 compared to 8.5 per cent in 2017. Notwithstanding the slowed growth, increased construction activities were evident in 2018 especially the ongoing construction of phase two of the Standard Gauge Railway (SGR) and other public investments in transportation infrastructure. The transport and storage sector expanded by 8.8 per cent compared to 7.2 per cent in 2017. The growth realized in the sector was

bolstered by improvements in the railway and the water transport subsectors.

During the review period, total throughput handled at the Mombasa Port increased by 2.2 per cent from 30.3 million tonnes in 2017 to 30.9 million tonnes in 2018. The volume of container traffic handled increased by 9.6 per cent from 1.2 million Twenty-foot Equivalent Units (TEUs) in 2017 to 1.3 million TEUs in 2018. In addition, vibrancy in the sector was reflected in the volume of light diesel and jet fuel transported for domestic consumption that grew by 9.6 and 2.6 per cent, respectively, in 2018. In the same breath, air transport sub-sector growth accelerated from 5.4 per cent in 2017 to 7.8 per cent in 2018.

Real Gross Domestic Product (GDP) in absolute terms increased from KShs.4,509.8 billion in 2017 to KShs. 4,794.8 billion in 2018, representing a growth rate of 6.3% compared to 4.9% in 2017. The growth was attributable to significant improvements in key sectors of the economy. Agriculture, forestry and fishing sectors recorded 6.4% growth each, the manufacturing industry experienced a 4.2% growth, transportation and storage 8.8% and electricity supply 10.5% growth.

1.2 Energy Market

The country's energy market consists of the demand and supply sides of electricity, petroleum and renewable energy sources. This section presents the performance of the energy sector during the financial year under review.

1.2.1 The Electricity Subsector

The total installed electricity capacity increased from 2,712 MW in 2017 to 2,741 MW as at June 2019. Total electricity generated, including imports, expanded by 7 per cent to 11,493 GWh as at June 2019. Hydro generation registered a significant increase at 3,740.72 GWh in 2019. Generation of electricity from wind sources recorded a significant increase from 47GWh in 2018 to 1,191.66 GWh in June 2019. This increase is attributed to the injection of 310 MW from Lake Turkana Wind Power (LTWP) into the grid. Similarly, solar power generated 59.91 GWh in the review period after the injection of 50 MW from Garissa Solar Power Plant into the grid. Electricity sales increased from 8,759GWh in 2018 to 8,769 GWh in June 2019. Table 1.1 presents the trend in installed and effective electricity capacity since 2013.



Table 1.1 Trend in installed and effective capacity since 2013

	Installed Capacity (MW)				Effective Installed Capacity (MW)											
Year	Hydro	Thermal	Oil	Geo -thermal	Wind	Co -generation	Solar	Total	Hydro	Thermal	Oil	Geo -thermal	Wind	Co -generation	Solar	Total
2013	812.3	714.4	241.8		26.3	26		1820.8	766.6	693.2		236.5	5.3	21.5		1,723.10
2014	818.3	751.3	573.4		26.3	26	-	2195.3	797.5	712.6		558	5.3	21.5		2,094.90
2015	820.4	833.6	627		26.1	26	0.6	2333.7	799.5	799.2		619	26.1	21.5	0.2	2,263.30
2016	818.7	801.6	652		26.1	28	0.6	2327	797.5	762.9		644	26	23.5	0.2	2,254.10
2017	826.2	806.9	652		26.1	28	0.7	2339.9	805	765.8		644	25.5	23.5	0.6	2,264.40
2018	826.2	807.7	663		336.1	28	50.7	2711.7	805	768.2		655	335.5	23.5	50.6	2,637.80
2019	834	808	684		336	28	50.94	2741	805	768		655	326	23.5	50.87	2,628

Source: KPLC



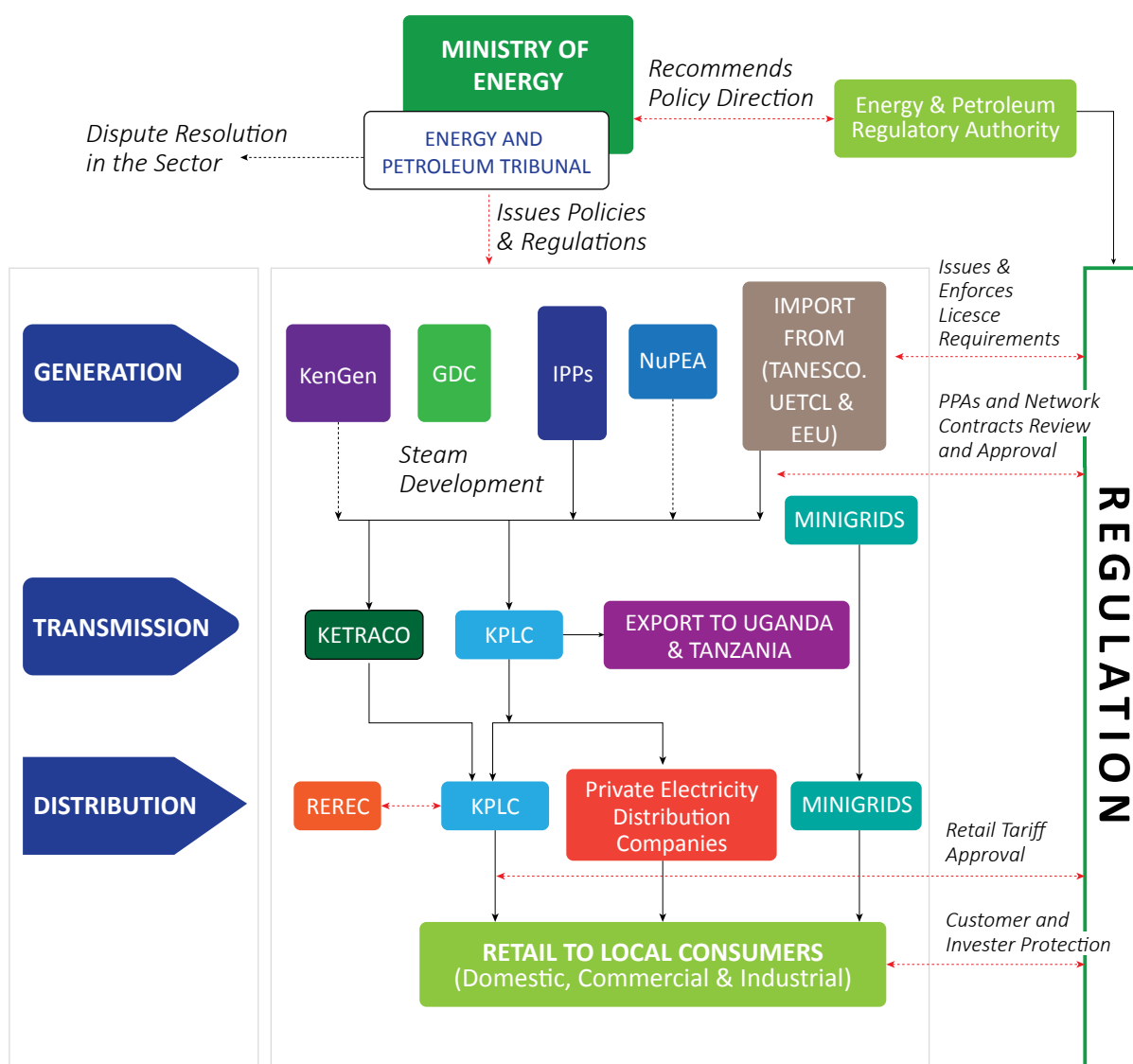
KenGen, currently the largest power generator in the country, accounted for 62.97% of the industry's effective generation capacity for the period ending June 2019. Independent Power Producers (IPPs) accounted for 35.95% during the same period. Isolated grid generators which are operated under REREC's Rural Electrification Programme (REP) accounted for less than 1.07%.

1.2.1.1 Organization of the Electricity Subsector

The Electricity Supply Industry in Kenya is organized on the single buyer model. In this structure, electricity is generated by electric power producers under the

terms and conditions of respective licenses and permits issued by the Authority. The net electrical energy from the power plants is bought by KPLC through respective PPAs as approved by the Authority. The bulk of the energy is then conveyed over KPLC and KETRACO transmission systems. The two organizations are licensed by the Authority to provide transmission services. KPLC carries out distribution and retail supply of the electrical energy to end users in accordance with licenses and permits issued to it by the Authority, and at the approved retail tariffs. The organization of the electricity subsector is graphically depicted in Figure 1.1.

Figure 1.1: Organization of the Electricity Subsector in Kenya



1.2.1.2 Electricity Subsector Infrastructure

The total length of the transmission and distribution network was 236,134 kilometers for all voltage levels in 2018/2019, an improvement from 59,322 kilometers in 2014/15. This represented an average annual growth of 9.92%. This growth has been influenced by Kenya Electricity Transmission Company (KETRACO), who have accelerated the development of transmission infrastructure within their mandate, consisting of 132kV, 220kV and 400kV lines. The total transmission network stood at 7,174.35 kms by June 2019.

The entire grid connected electricity distribution network is under KPLC and stood at 228,960KM. The distribution network consists of 66 kV feeder lines and 33kV and 11kV medium voltage (MV) lines and 415/240V Low Voltage (LV) lines distributed across the country. There are plans to construct additional distribution lines and establish new substations to extend power supply in rural areas. The end goal is to attain universal access to electricity by 2030. Numerous projects and programs have been set up to reduce system losses and improve system reliability. Table 1.2 illustrates the network growth over the years.

Table 1.2: Transmission and Distribution Lines, Circuit Length in Kilometers

VOLTAGE	2014/15	2015/16	2016/17	2017/18	2018/19
400 kV			96.8	1244.4	2116.4
220 kV	1,352	1,452	1,555	1,686	1,686
132 kV	2,824	3,087	3,208	3,322	3,372
66 kV	952	977	1,000	1,168	1,187
33 kV	21,370	27,497	30,846	34,508	35,177
11 kV	32,823	35,383	37,234	38,968	39,797
Total HV and MV	59,322	68,396	73,940	80,897	83,335
415/240V or 433/250V		110,778	139,642	143,331	152,799
TOTAL	59,322	179,174	213,582	224,228	236,134
% INCREASE P.A.	4.8%	15.3%	19.2%	5%	5%

Source: KPLC

There was a significant expansion in the total installed capacity for generation substations from a capacity of 3,370MVA in June 2018 to 3,720MVA in June 2019. Over the same period, installed capacity for transmission substation expanded from 4,866MVA

to 4,942MVA while installed capacity for distribution sub-stations increased from 4,372MVA in 2017/18 to 4,480MVA in 2018/19 FY. Distribution transformer capacity significantly increased during the same period from 7,606MVA to 7,844MVA.

Table 1.3: Trend in Transformers in Service, Total Installed Capacity in MVA for the period ending June 2019

	2014/15	2015/16	2016/17	2017/18	2018/19
Generation Substations TOTAL	3025	3145	3205	3370	3720
Transmission Substations TOTAL	3144	3704	4376	4866	4942
Distribution Substations Total	3572	3848	4056	4372	4480
11/0.415 kV & 33/0.415 kV Distribution Transformers	6,384	7,088	7,276	7,606	7,844



1.2.1.3 Demand for Power

There has been an upward trend in the demand for electricity in last 5 years. The demand has increased from 7,655 GWh in the 2014/15 financial year to 8,769 GWh in the 2018/19 financial year. This represents an average annual percentage increase of 3.9%, with the highest growth recorded in 2014/15 (5.7%). Overall,

there has been a positive growth among all consumer categories. This is largely attributed to the increased efforts in attaining universal access to electricity by 2030. A summary of trends in consumption among various customer categories, and consumption by region during the last 5 years is presented in Table 1.4 and Table 1.5 respectively.

Table 1.4 Consumption in GWh among customer categories

Tariff	Types of customers covered by this tariff	Sales in GWh				
		2014/15	2015/16	2016/17	2017/18	2018/19
DC	Domestic	1,866	2,007	2,138	2,335	2366
SC	Small Commercial	1,143	1,153	1,201	1,222	1250
CI	Commercial and Industrial	4,030	4,104	4,266	4,225	4462
IT	Off-peak	15	26	41	33	N/A
SL	Street lighting	35	40	55	66	68
	REP System (DC*(DC,SC,SL)	525	537	549	554	595
	Export to Uganda	38	43	20	22	27
	Export to Tanesco	2	2	2	1	0.01
	TOTAL	7,655	7,912	8,272	8,459	8,769
	% INCREASE P.A.	5.70%	3.40%	4.50%	2.30%	3.70%

Table 1.5 Consumption in GWh in regions of the country

REGION	2014/15	2015/16	2016/17	2017/18	2018/19
Nairobi North	1,032	1,187	1,301	1,204	1,219
Nairobi South	1,667	1,696	1,759	1,728	1,719
Nairobi West	1,059	808	853	898	958
Coast	1,312	1,338	1,389	1,435	1,477
Central Rift	456	569	596	650	689
North Rift	269	280	269	303	288
South Nyanza	0	48	86	88	104
West Kenya	525	320	313	361	376
Mt Kenya	309	413	431	437	456
North Eastern	461	671	704	776	862
KPLC Sales	7,090	7,330	7,701	7,881	8,147
R.E.P. Schemes	525	537	549	554	595
Export Sales	40	45	22	23	27
TOTAL	7,655	7,912	8,272	8,459	8,769
% INCREASE P.A.	5.7%	3.4%	4.5%	2.3%	3.7%

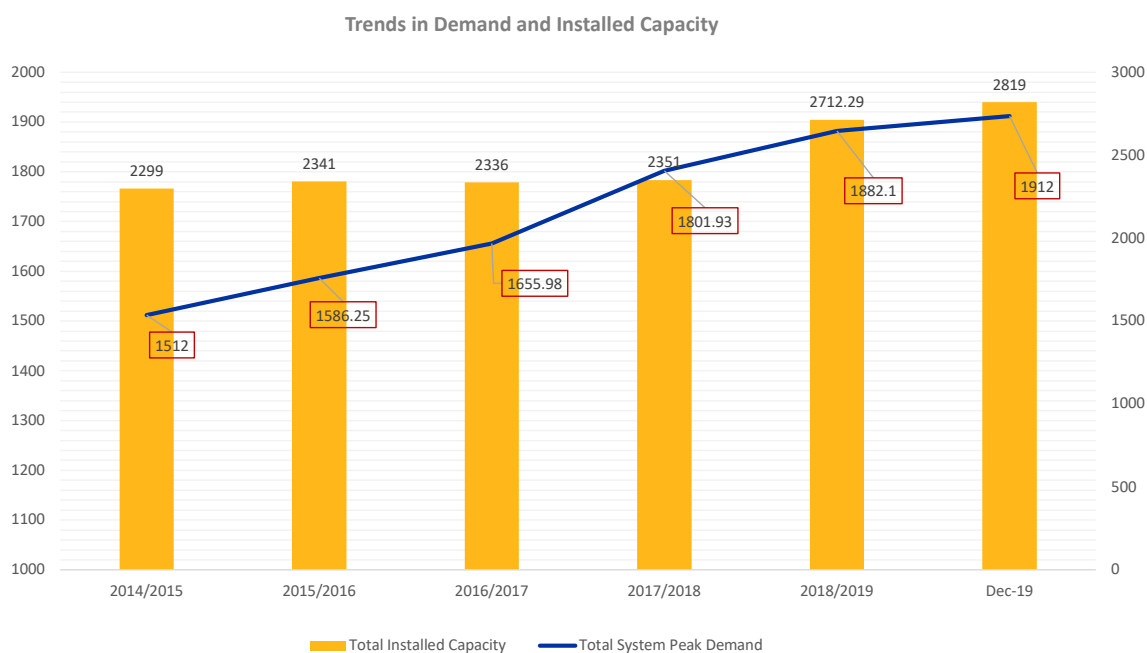


Over the past five years, the electricity subsector has seen growth in both purchases and sales. As at June 2019 the electricity access was about 75% which reveals significant growth since March 2013 estimated at 23%. The government has so far undertaken 4 major projects towards universal access by 2022. They include the World Bank – led Global Partnership on Output-Based Aid (GPOBA) Project through which about 722,800 consumers were connected to the national grid and the Last Mile Initiative which has connected 109,880 customers. The Street Lighting Project which introduced a lower tariff for street lighting enabled the

utilization of the accelerated power generation. The aim of this program is to facilitate a 24-hour security through enhanced security. The Rural Electrification Program has increased connectivity in rural areas by boosting the rural economic development.

All these factors have led to increased demand for electricity. Consequently, the nation has seen an upward trend in demand for electricity over the past half a decade. The peak demand increased from 1,512MW in FY 2014/15 to 1,882MW in FY 2018/19. Trends in peak demand in the country is illustrated in figure 1.2.

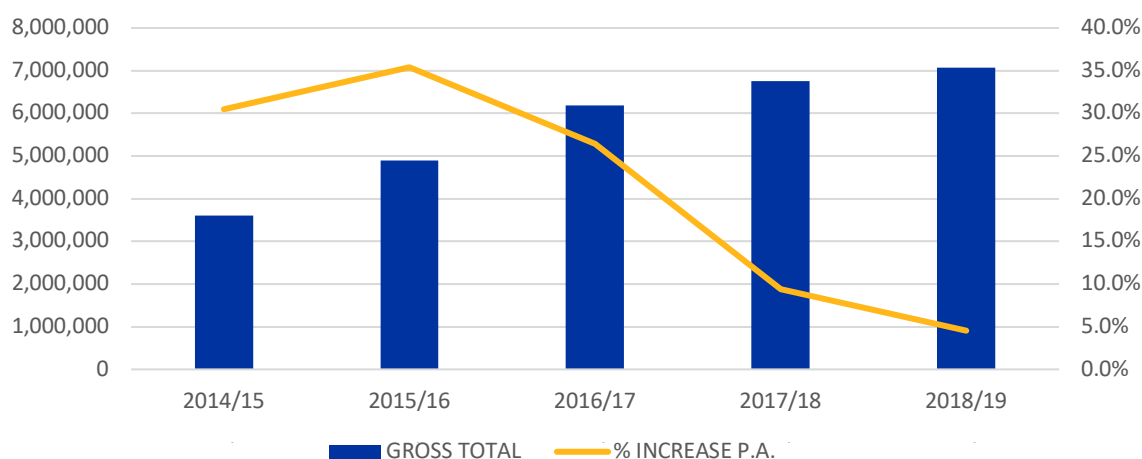
Figure 1.2 Demand vs installed Capacity (MW)



1.2.1.4 Electricity Connectivity

In the period under review, the number of customers connected to the national grid increased by 306,771 to a record 7,067,861 customers as at June 2019, compared to 6,761,090 total connections in 2017/18. This represented a 4.5% annual increase in customer connections and an estimated 75% electricity access as illustrated in figure 1.3

Figure 1.3 Cumulative customer connections



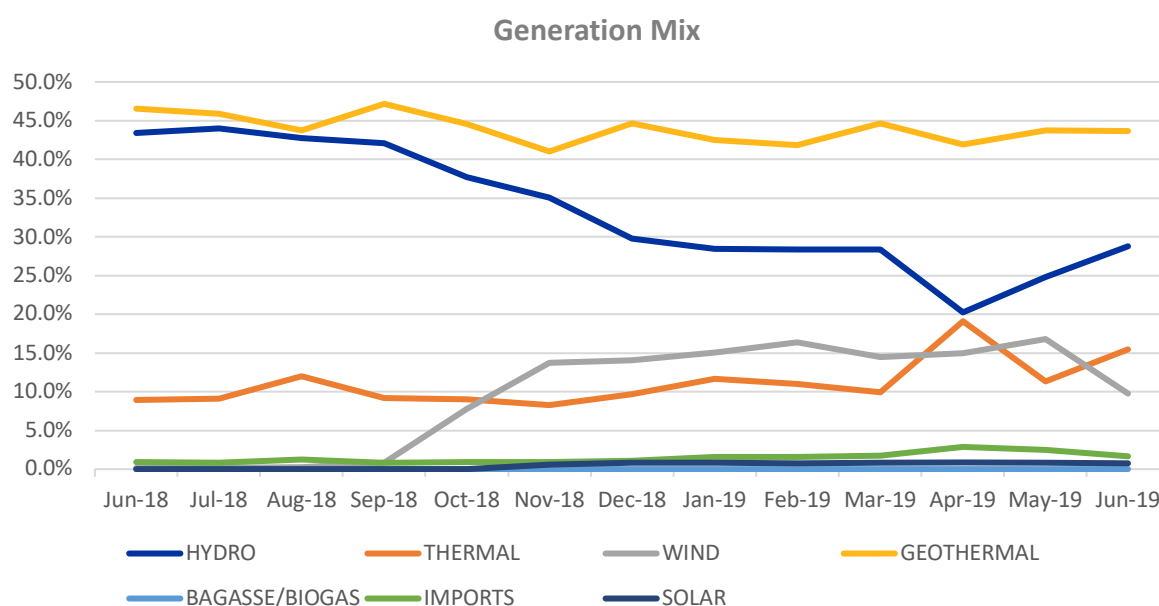
The annual rate of growth in grid connections has been reducing over the last five years. This is primarily attributed to government's aggressive push to achieve universal access, that has seen the number of customers without access to electricity significantly reduce over the years.

1.2.1.5 Generation Mix

Kenya's energy mix is largely dominated by renewable energy sources, namely geothermal, hydro, solar and wind. They contribute about 87% of the total energy purchased. Geothermal resource is the leading contrib-

utor in the energy mix. It has displaced hydropower after the government increased initiatives for exploration and development of geothermal steam. Explorations for geothermal energy in the high potential areas of the Rift Valley are now ongoing. The country has the potential to produce 10,000MW of geothermal-powered electricity. As at June 2019, geothermal generation contributed 43.6% of the total energy mix. Hydro came second at 27.1%, while Wind improved significantly from the previous year to record 9.8%. Figure 1.4 illustrates trends in the energy mix in the year under review.

Figure 1.4 Trends in the Generated Energy Mix



As depicted in figure 1.4, energy supplied from the hydro-power stations has been declining, whereas the sources from the wind turbines have increased. Energy from the geothermal stations has remained fairly constant. There also appears to be a divergent relationship between wind generation and use of thermal plants; where wind energy generation reduces, thermal energy generation increases and vice-versa.

The midstream subsector consists of the infrastructure involved in the transportation of refined petroleum from Mombasa to the hinterland.

The downstream petroleum subsector is composed of licensed local traders (importers, exporters, wholesalers and retailers) as well as logistics owners (petroleum jetties, storage facilities, pipelines, retail stations and transporters).

1.2.2 The Petroleum Subsector

1.2.2.1 Structure of the Petroleum Sub-sector in Kenya

Globally, the petroleum sector is divided into upstream, midstream and downstream. Upstream activities in Kenya includes exploration and well appraisals. There are several activities leading to full field development that are currently being undertaken such as the Early Oil Pilot Scheme (EOPS) and the Environmental and Social Impact Studies (EISA).



1.2.2.2 Performance of the Petroleum Sector

In the first half of 2018, continued geopolitical tension globally saw oil supply cuts by Organization of Petroleum Exporting Countries (OPEC), Russia and USA coupled with decline in oil production in Venezuela and the U.S. sanctions on Iran resulted. This resulted in international Murban crude oil prices increasing from USD 54.9 in 2017 to USD 71.48 in 2018. In the domestic scene, extraction of crude oil began in Turkana with the Early Oil Pilot Scheme (EOPS) producing 2,000 Barrels per day in 2018.

The quantity of petroleum products imported increased by 5.3 per cent to 6.4 million tonnes in 2019. The volume of petroleum exports increased from 739.8

thousand tonnes in 2018 to 776.6 thousand tonnes in 2019. The share of re-exports to total exports rose from 96.3 per cent in 2018 to 97.0 per cent in 2019. Total import bill of petroleum products contracted to KShs.316.6 billion in 2019 from KShs.327.8 billion in 2018 following a significant decrease in international oil prices. The value of total exports rose by 12.1 per cent to KShs.43.6 billion in 2019 on account of a growth in the value of re-exports. The value of domestic exports of petroleum products decreased by 15.8 per cent to KShs.3.6 billion in 2019. The value of petroleum products net balance decreased from KShs.288.9 billion in 2018 to KShs.273.1 billion in 2019. The supply and demand of petroleum products is presented in Table 1.6.

Table 1.6: Petroleum Products Supply and Demand in thousand tonnes/ '000 tonnes from 2015-2019

Demand	2015	2016	2017	2018	2019
Liquefied Petroleum Gas (LPG)	148.6	151.7	189.3	222.3	312.1
Motor Spirit(Premium and Regular)	1,107.0	1,227.2	1,267.4	1,359.0	1,434.3
Aviation Spirit	18.7	4.8	3.8	18.8	10.2
Jet/Turbo Fuel	635.3	619.2	649.7	674.4	699.4
Illuminating Kerosene	390.1	371.7	448.0	339.4	168.3
Light Diesel Oil	2,080.9	2,318.3	2,086.2	2,173.1	2,198.7
Heavy Diesel Oil	0.1	0.5	1.2	0.2	1.3
Fuel Oil	357.8	350.9	525.0	402.0	382.8
Total	4,738.5	5,044.2	5,170.6	5,189.2	5,207.1
Refinery Usage	-	-	-	-	-
Total Domestic Demand	4,738.5	5,044.2	5,170.6	5,189.2	5,207.1
Export of Petroleum Fuels	4.8	12.5	6.4	8.4	7.0
Total Demand	4,739.8	5,046.9	5,177.0	5,197.6	5,214.1
Supply					
Crude oil	-	-	-	-	-
Petroleum Fuels	4,535.7	4,915.7	5,524.2	5,396.3	5,682.2
Total Imports	4,535.7	4,915.7	5,524.2	5,396.3	5,682.2
Adjustment	(207.6)	(141.1)	347.2	198.6	468.1
Total Supply	4,743.2	5,056.8	5,177.0	5,197.6	5,214.1

Source: KNBS Economic Survey 2020

As depicted in table 1.6, the total domestic demand for petroleum products increased marginally to 5.2 million tonnes in 2019. Consumption of LPG maintained an upward trend to record a 40.4% increase to 312.1 thousand tonnes over the review period. This is partly attributed to a significant increase in the price of illuminating kerosene, which is mainly used for cooking, following the introduction of the adulteration levy in 2018. Net imports of petroleum fuel increased by 5.3 per cent to 5,682.2 thousand tonnes in 2019.



LEGAL, POLICY & REGULATORY FRAMEWORK



CHAPTER 2: LEGAL, POLICY & REGULATORY FRAMEWORK

The Authority, in undertaking its functions, is guided by the constitutional provisions and all others applicable laws, regulations, rules and standards.

The following are some of the key legislation that guide the Authority in regulating the energy sector:

2.1 The Constitution

The Constitution provides for sustainable exploitation, utilisation, management and conservation of the environment and natural resources and equitable sharing of the accruing benefits. Additionally, The Constitution requires that natural resources should be utilized for the benefit of the people of Kenya.

Under the Constitution every person has a duty to cooperate with State organs and other persons to protect and conserve the environment and ensure ecologically sustainable development and use of natural resources.

Parliament is required to ratify transactions and agreements which involve grant of a right or concession to a person for the exploitation of any natural resource of Kenya.

2.2 Statute

The Authority's mandate and functions are provided under the Energy Act No. 1 of 2019 and the Petroleum Act No. 2 of 2019. The Energy Act 2019 repealed the Energy Act 2006, which was hitherto in existence.

The Energy Act 2019 consolidated the laws relating to energy. It provides for;

- i) The establishment, powers and functions of the energy sector entities;
- ii) Promotion of renewable energy and energy efficiency;
- iii) Exploration, recovery and commercial utilization of geothermal energy;
- iv) Regulation of coal activities;
- v) Regulation, production, supply and use of electricity and other energy forms;
- vi) Sets out National and County Government functions in relation to energy.
- vii) Inclusion of Local content requirements in energy projects

The Petroleum Act 2019 expounded on legal requirements in relation to upstream, mid and downstream petroleum. The Petroleum Act 2019, repealed the Petroleum (Exploration and Production) Act, Cap 308.

The Petroleum Act, 2019 provides the legal framework for;

- i) The contracting, exploration, development and production of petroleum;
- ii) Regulation of midstream and downstream petroleum operations;
- iii) Cessation of upstream petroleum operations;
- iv) Stipulates relevant articles of the Constitution in so far as they apply to
- v) upstream petroleum operations.
- vi) Inclusion of local content requirements in petroleum projects

Pursuant to the new laws, EPRA will be required to form a Directorate to deal with matters related to Upstream petroleum. The Petroleum Act has also brought clarity to the regulation of petroleum sector by singling out offences and penalties related to illegal petroleum facilities, illegal refilling of LPG cylinders and adulteration of petroleum products.

In addition to the applicable law several policies and regulations exist and are instrumental in the regulation of the energy sector.

2.3 Policy

The policy framework under the energy sector is anchored on the following documents;

a) National Energy Policy, Sessional Paper No. 4 of 2004

The Sessional Paper highlights the policy framework upon which cost-effective, affordable and adequate quality energy services will be made available to the domestic economy on a sustainable basis.

In line with the statutory law changes governing the energy sector, there is a draft National Energy Policy 2018 which is set to replace the Sessional Paper No. 4.



b) Feed in Tariff (FiT) Policy - 2012

The FiT Policy was issued in 2008 and lastly reviewed in the year 2012. The Policy was enacted to supplement the Sessional Paper No. 4 towards accelerated investment in power generation from renewable sources.

The FiT Policy is under review to reflect the emergence of new technologies which have led to lowering of investment costs which could result in lower energy prices globally.

2.4 Regulations

There are several regulations which exist to supplement both the Energy Act and Petroleum Act. These regulations relate to petroleum, electricity, energy efficiency and renewable energy. They are listed here under:

a) Petroleum

- i) Energy (Petroleum Strategic Stock) Regulations, 2008 (L.N. 43/2008).
- ii) Energy (Minimum Operational Stock) Regulations, 2008 (L.N. 44/2008).
- iii) Energy (Blending of Power Alcohol with Motor Gasoline) Regulations, 2010 (L.N. 69/2010).
- iv) Energy (Importation of Petroleum Products) (Quota Allocation) Regulations, 2010 (L.N. 96/2010).
- v) Energy (Petroleum Pricing) Regulations, 2010 (L.N. 196/2010).
- vi) Energy (Petroleum Information and Statistics) Regulations, 2013 (L.N. 6/2014).
- vii) Energy (Retail Facility Construction and Licensing) Regulations, 2013 (L.N. 7/2014).
- viii) Energy (Licensing of Petroleum Road Transportation Business) Regulations, 2013 (L.N. 8/2014).
- ix) Energy (Operation of Common User Petroleum Logistics Facilities) Regulations, 2013.
- x) Energy (Lubricants Facility Construction and Business Licensing) Regulations, 2013.
- xi) Energy (Licensing of Petroleum Refining Businesses and Facility Construction) Regulations, 2013.
- xii) Energy (Licensing of Petroleum Business and Petroleum Facility Construction) Regulations, 2013.
- xiii) Energy (Licensing of Petroleum Logistics Business and Facility Construction) Regulations, 2013 (L.N. 9/2014).
- xiv) Energy (Energy Regulatory Commission Petroleum Levy) Order, 2018 (L.N. 162/2018).

During the financial year 2018/19, the Cabinet Secretary responsible for Petroleum gazetted the Energy (Liquefied Petroleum Gas) Regulations, 2019 (L.N. 100/2019). This effectively repealed the Energy (Liquefied Petroleum Gas) Regulations, 2009 (L.N. 121/2009). The new LPG regulations introduced a raft of changes, namely:

- i) Alignment to the provisions of the Petroleum Act in relation to offences and penalties
- ii) Abolishment of the mandatory cylinder exchange pool and replacing it with the mutual and voluntary cylinder exchange pool
- iii) Provided for the licensing requirements for retail of LPG in cylinders
- iv) Provided for the licensing requirements for the LPG reticulation in residential buildings
- v) Provided for transitional clauses in relation to debts incurred under the defunct LPG Cylinder Exchange Pool.

b) Electricity

- i) Electric Power (Electrical Installation Work) Rules, 2006 (L.N. 115/2006).
- ii) Energy (Rural Electrification Programme Fund) Order, 2008 (L.N. 92/2008).
- iii) Energy (Electricity Licensing) Regulations, 2012 (L.N. 44/2012).
- iv) Energy (Complaints and Disputes Resolution) Regulations, 2012 (L.N. 42/2012).

c) Renewable Energy

- i) Energy (Solar Photovoltaic Systems) Regulations, 2012 (L.N. 103/2012).

d) Energy Efficiency

- i) Energy (Energy Management) Regulations, 2012 (L.N. 102/2012).
- ii) Energy (Appliances' Energy Performance and Labelling) Regulations, 2016 (L.N. 125/2016).

The Energy Act 2019 and Petroleum Act 2019 necessitated enactment of several regulations. Some of the regulations are in existence and will need to be repealed while others will be formulated.

2.5 Rules/Standards/Codes

In addition to the laws and regulations governing its regulatory role, the Authority applies other standards/codes from time to time.



LICENSING

APPROVED



CHAPTER 3: LICENSING

3.1 Introduction

The Energy Act 2019, mandates the Authority to licence players in the electricity, petroleum, renewable energy and coal bed-methane subsectors.

During the year under review, the Authority issued respective licenses, certificates and/or permits to companies and technicians who had fulfilled the licensing conditions to undertake the following:

Design and installation of solar photovoltaic systems	Power generation, transmission and distribution
Energy auditing in designated industrial facilities	Operation of Petroleum Facilities
Importation, manufacturing and distribution of designated consumer appliances	Construction of petroleum facilities
Electrical installation works	Operation of petroleum businesses
	Transportation and storage of petroleum products

The essence of the licensing is to protect consumers, investors and other stakeholders in the energy and petroleum sectors by guaranteeing access to quality and safe products and services.

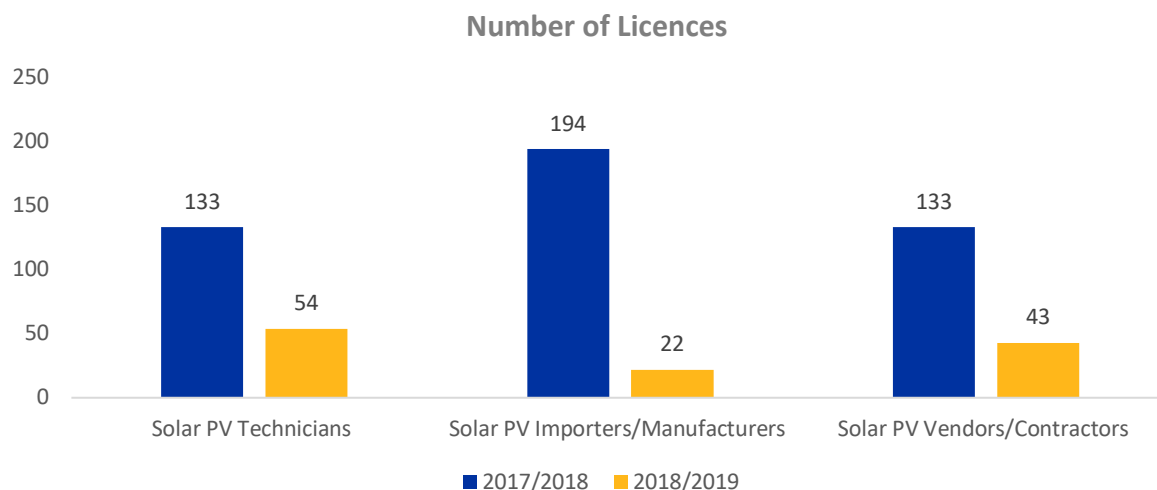
To bridge this gap, the Energy (Solar Photovoltaic Systems) Regulations 2012 were developed and published. They provide for licensing of solar PV technicians, contractors, importers, vendors and manufacturers. Technician licenses are categorized in classes T1, T2 and T3. The importers and manufacturers of the solar PV equipment are issued with the class V2 licence. Class C1 licence is issued to contractors while V1 is issued to vendors. Figure 3.1 presents the number of solar PV licences issued in the year 2018/2019, compared to year 2017/2018.

3.2 Licensing

3.2.1 Renewable Energy Sub Sector

The Authority issues licenses to players in the solar photovoltaic (SPV) industry. Before the licensing regime came into place, the industry grappled with challenges associated with entry of low quality solar products into the Kenyan market and poor installation works. These challenges were attributed to lack of a regulatory framework.

Figure 3.1: Comparison of Solar PV Licenses issued in 2018/19 and 2017/18



The number of issued Solar PV Technician licenses decreased by 59.4 %, importers and manufacturers by 88.6 % and contractors by 67.7 % in the year under review. This may be attributed to improvements in the interviewing process which now focuses on practice oriented design problems. This ensures that only the best candidates, equipped with a hybrid of practical and theoretical knowledge of the solar PV industry, are licenced. In the same year, 20 technical audits on solar PV systems that were installed by the licensed technicians were conducted. All the installations were found to have been compliant with the installation standards.

3.2.2 Energy Efficiency

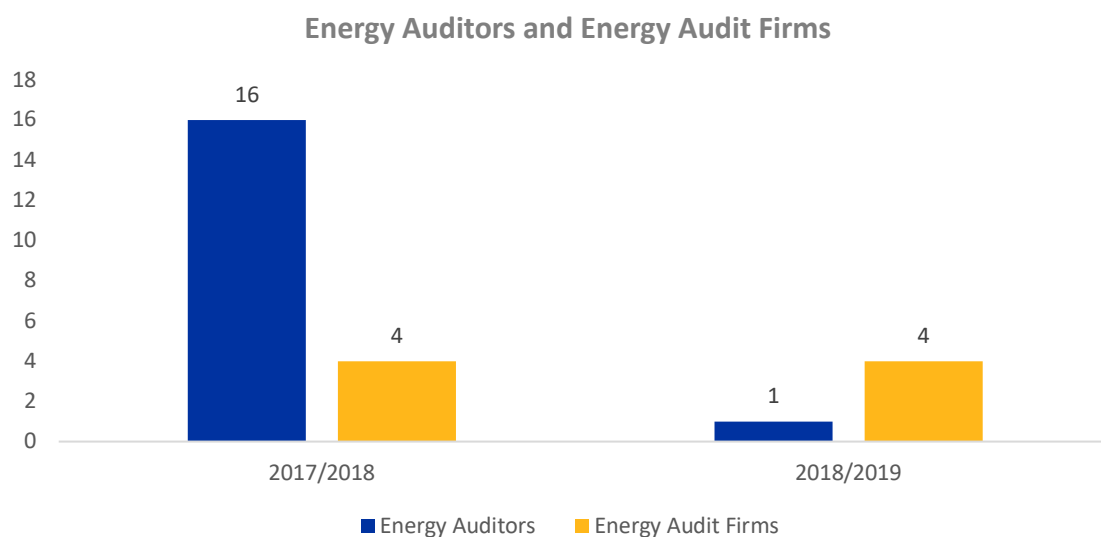
The Authority is mandated to champion efficient industrial and domestic energy consumption. The Energy

(Energy Management) Regulations 2012 and the Energy (Appliances Energy Performance and Labelling) Regulations 2016 encourage effective utilization of energy by both consumer categories.

Designated energy consuming facilities are required to conduct energy audits once every three years as per the 2012 regulations. To facilitate these audits, the Authority licenses energy auditors and energy audit firms.

Figure 3.2 presents the number of energy auditors and energy audit firms that were licensed in the year 2018/2019, compared to the ones issued the previous year.

Figure 3.2: Energy Auditors and Audit Firm Licenses issued in 2017/18 and 2018/2019



The number of energy auditors licenced in the year under review decreased significantly. This is attributed to advancement of the energy audit discipline which necessitated a change in the interviewing approach which now focuses on accessing candidates' practical and theoretical knowledge.

To ensure energy efficiency in domestic and small-scale commercial premises, the Authority issues registration certificates for energy appliances that meet the Minimum Energy Performance Standards (MEPS). Currently, the Authority regulates the importation, manufacture, distribution and vending of the following appliances:



Domestic refrigerators



Three phase induction motors



Double capped lamps



Non-ducted air conditioners



Compact fluorescent lamps

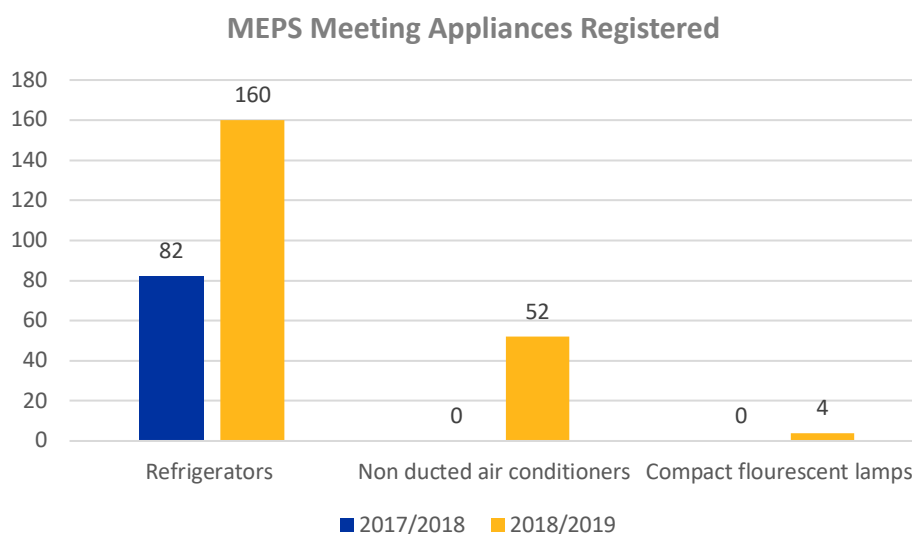


Ballasts for fluorescent lamps



These appliances bear energy efficiency labels which enable consumers to make informed purchasing decisions by differentiating high-efficiency products from average and low-efficiency choices. The energy efficiency of an appliance is denoted by the number of stars on the label. The higher the stars, five stars, the more the efficiency and consequently more savings. Appliances energy efficiency labels were introduced in the 2017/18 financial year.

Figure 3.3: Models issued with Labels in 2017/2018 and 2018/2019



The number of refrigeration models issued with labels increased by almost 50% in the year 2018/2019. This indicates an improvement in the compliance to the standards resulting from augmented sensitization efforts and an increase in number of accreditation laboratories.

Issuance of labels for air conditioners and compact florescent lamps commenced in 2018/2019. The delay in issuance is attributed to the long testing hours for florescent lamps, which run almost for six continuous months thus creating a backlog.

The standards for non-ducted air conditioners had technical challenges in implementation thus they had to be revised before commencement of testing.

3.2.3 Electricity

The Authority is mandated to license activities falling within the electric power value chain from generation, transmission, distribution, and retailing. In order to facilitate this process, the Authority issues licenses to electrical contractors, electricians and electrical power undertakings.

3.2.4. Licensing of Electric Power Undertakings

Section 117 of the Energy Act, 2019 requires a person who wishes to carry out generation, exportation, importation, transmission, distribution and or retail sup-

ply of electricity to apply for an appropriate license as the case may be to the Authority. The licensing process is guided by the Act and the Energy (Electricity Licensing) Regulations, 2012.

The licensing process serves the following purposes:

- i) Ensures that licensees or potential licensees have adequate financial resources and technical ability to carry out the licensed activity,
- ii) Ensures that there are economic and financial benefits to the country or area of supply or operation of the undertaking,
- iii) Enables the Authority to monitor and enforce compliance with laws, regulations, codes and standards regarding quality, reliability, health, environment and safety,
- iv) Enables the Authority to meet its objectives of protecting investors and consumers from improper business practices, and
- v) Enables the Authority to assess the impact of the undertaking on the social, cultural or recreational life of the community.

During the financial year 2018/19, the Authority issued six (6) electric power undertaking licenses. The licenses were processed in an average of 56.5 days. Table 3.1 presents power undertakings licenses issued in the financial year 2018/19.



Table 3.1: Power Undertaking Licenses issued in the Financial Years 2018/19

SN	Name of Plant	Type of Licence	Location (County)	Energy Source	Supply to	Licensed Capacity (MW)
1	Tatu City Power Company Limited	Distribution and Supply	Kiambu	Grid	Import of grid power	135
2	Local Authorities Pension Trust (LAPTRUST)	Distribution and Supply	Nairobi	Grid	Import of grid power	1.62
3	Hannan Arya Energy (K) Limited	Generation	Kajiado	Solar	Grid	10
4	Kopere Solar Park Limited	Generation	Nandi	Solar	Grid	40
5	Oserian Development Co.Ltd	Generation	Nakuru	Solar	Captive	1
6	Kapa Oil	Generation	Machakos	Solar	Captive	1.5

3.2.5 Licensing of Electrical Workers and Electrical Contractors

The Energy Act, 2019 and the Electric Power (Electrical Installation Work) Rules, 2006 require all electrical installation works to be carried out by electrical contractors or electrical workers who have been duly authorized by the Authority. Such works include new wiring and alterations of existing wiring which have to be tested before electricity is supplied.

Sections 148 and 149 of the Act provide for licensing of

electrical contractors and electrical workers. Only persons who meet competency standards set by the Authority qualify for licensing. The competency standards provide guidelines on, among others, work practices, tools, equipment and safety of installations. There are five (5) classes of electrical worker certificates namely: Class C2, C1, B, A1 and A2. Similarly, there are five (5) classes of electrical contractor licences. The classifications are based on the scope of work, qualification and work experience. Figures 3.4 and 3.5 present summaries of licenses issued in 2017/2018 and 2018/2019 under these categories.

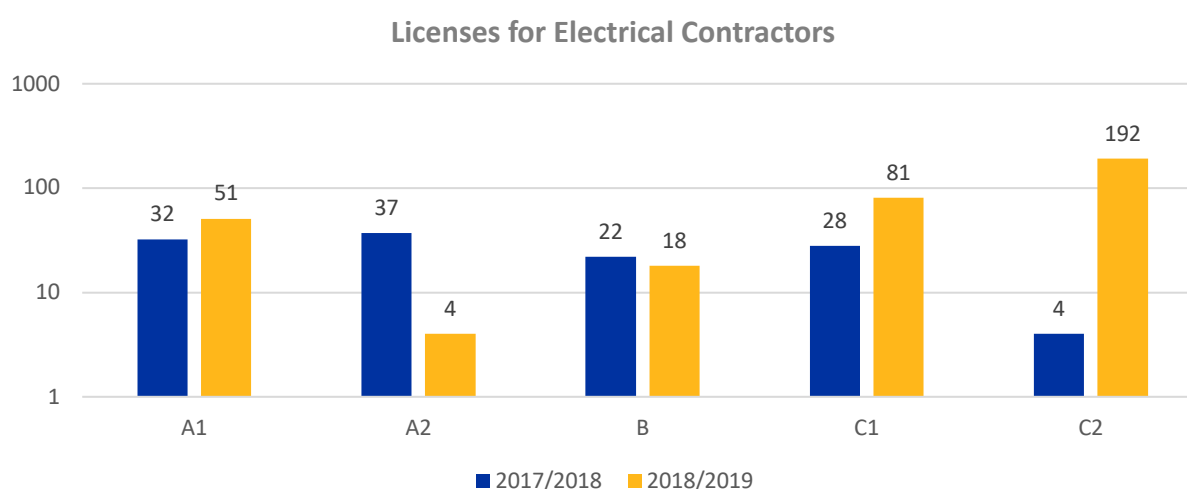
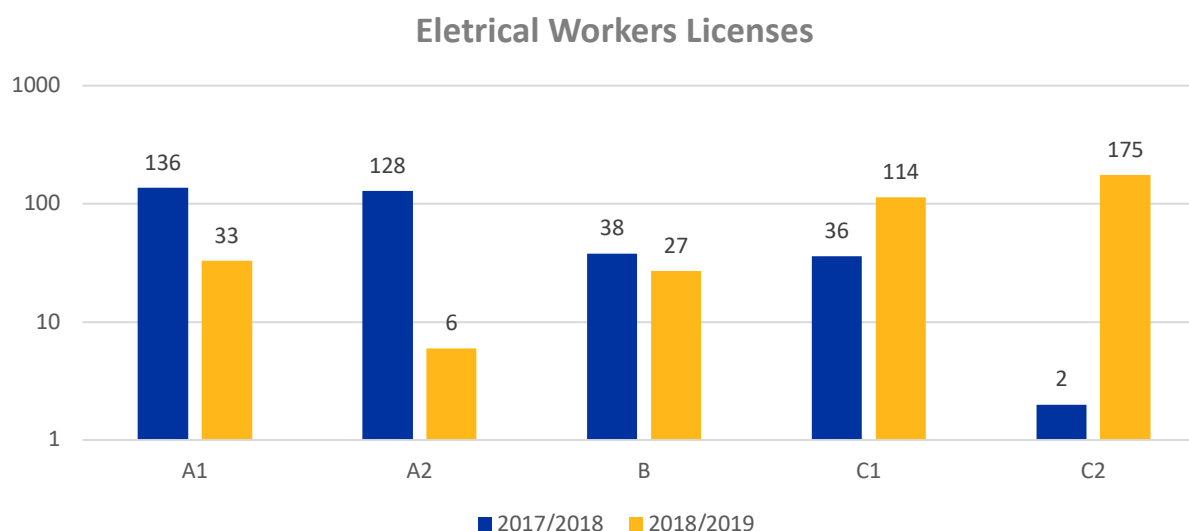
Figure 3.4: Licenses issued to Electrical Contractors in the year 2017/2018 and 2018/2019

Figure 3.5: Licenses issued to Electrical workers in the year 2017/2018 and 2018/2019

3.2.6 Monitoring Reliability, Quality and Efficiency of Electricity Supply

Reliability and quality of electricity supply and service has significant impact on the ease of doing business in a country. Businesses and individuals heavily rely on electricity to carry out daily operations and thus it is essential to maintain the quality and reliability of the electricity supply. A broad range of factors affect the reliability and quality of electricity supply and service. These include the electricity generation adequacy,

the condition of power system infrastructure, adverse weather, utility financial and operational performance and government regulations.

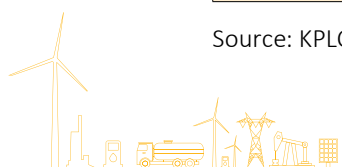
During the financial year 2018/19, the Authority monitored and analyzed the frequency and duration of outages in the electricity supply system and prepared biannual reports. Table 3.2 presents the various power system reliability and efficiency indicators which were monitored during the financial year.

Table 3.2 Power System Reliability and Efficiency Indicators during the Financial Year 2018/19

Month	Performance Indicator			
	CAIDI (Hours)	SAIDI (Hours)	SAIFI (No)	*Transmission and Distribution Losses (%)
Jul-18	3.84	7.19	1.87	21.09
Aug-18	3.59	8.29	2.31	21.61
Sept-18	3.02	6.95	2.30	21.73
Oct-18	3.90	7.98	2.05	21.82
Nov-18	4.12	7.64	1.85	21.99
Dec-18	4.08	7.51	1.84	22.13
Jan-19	3.42	4.56	1.33	22.12
Feb-19	4.88	8.11	1.66	22.32
Mar-19	4.24	7.96	1.88	22.84
Apr-19	5.57	9.81	1.76	22.80
May-19	4.57	8.15	1.78	22.99
Jun-19	3.39	5.28	1.56	23.21
Monthly Average		7.45	1.85	
Annual	4.03	89.43	22.19	23.21

**Monthly moving average results, not monthly actuals.*

Source: KPLC



SAIFI, SAIDI and CAIDI are globally recognized indices used to measure distribution system reliability. The IEEE 1366 standard defines the indices as follows:

- i) System Average Interruption Frequency Index (SAIFI) is the average number of times a customer experiences an outage during the year or a time period under review,
- ii) System Average Interruption Duration Index (SAIDI) is the total duration of an interruption for the average customer during a given period of time, and
- iii) Customer Average Interruption Duration Index (CAIDI) is the average outage duration that any given customer would experience, also referred to as the average restoration time.

SAIFI improved from 30.73 outages/year in the year 2017/18 to 22.19 outages/year in the year 2018/19. Similarly, SAIDI improved from 169.09 hours/year in the year 2017/18 to 89.43 hours/year in the year 2018/19. CAIDI is a derivative from the SAIFI and SAIDI and it measures the average time needed to restore service to the average customer per sustained power outage. CAIDI improved from 5.50 hours in the year 2017/18 to 4.03 hours in the year 2018/19. The improvement was as a result of good power system maintenance practices, system reinforcement and quicker response to customer complaints.

3.2.7 Electricity Technical and Safety Audits

Electric power licensees have the primary responsibility for safety, quality and reliability in relation to their undertakings. The Authority is charged with ensuring that power undertakings, once licensed, continue to operate safely and reliably. In exercising this mandate, the Authority ensures the development and operation of safe, reliable, and secure infrastructure while ensuring that impacts are mitigated to acceptable levels.

The Authority conducts periodic technical audits and safety inspections on the activities of licensed electric power businesses to ascertain that they are operating safely and in compliance with the Energy Act 2019, ap-

plicable standards and license conditions. During the financial year 2018/19, the Authority identified and inspected 16 electric power businesses which were all found to be non-compliant and consequently closed.

3.2.8 Electrical Accident Investigation

The Energy Act requires every licensee to notify the Authority of any electrical incidents or accidents that occur within their areas of operation. The licensee is obligated to conduct the necessary investigations to establish the cause of the accident. In some instances, the Authority conducts independent investigation of such incidents or accidents and recommends appropriate corrective action(s). The main purpose of this exercise is to protect electric power users and the general public from dangers associated with the supply and usage of electricity.

Majority of the accidents reported were occasioned by defective electrical installations at consumer premises, illegal electricity connections to consumer premises, inadequate safety clearances and poorly maintained power distribution system.

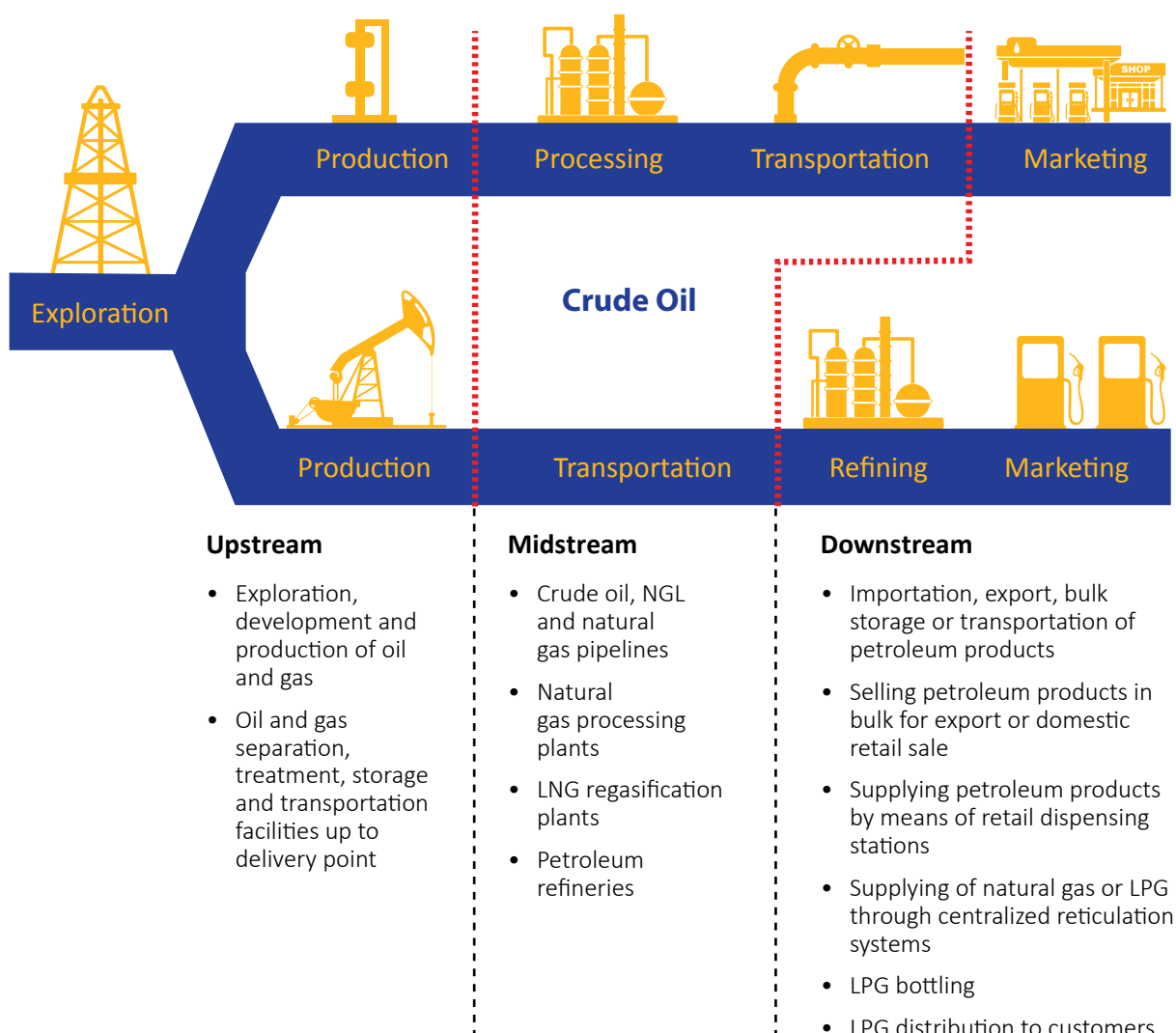
3.2.9 Petroleum and Gas

The Petroleum and Gas sector in Kenya is mainly composed of the Up-stream, Mid-stream and Downstream sub-sectors as shown on figure 3.6. The midstream subsector consists of the infrastructure involved in the transportation of refined petroleum from Mombasa to the hinterland.

The downstream subsector is composed of the importation, storage and transportation of refined products by pipeline, truck and rail. The downstream subsector also includes the internal markets where the distribution and sale of imported refined oil products to end users takes place. Kenya has a vibrant petroleum end-use markets with wide-spread use of petroleum products in manufacturing, commercial enterprises, transportation, and agriculture. Government policies seek to encourage much wider use of LPG to replace the use of wood and charcoal in domestic cooking – both to improve public health and to reduce deforestation.



Figure 3.6: Classification of Petroleum Sectors



Note: Classification of Petroleum Market Sectors per Petroleum Act 2019

The Authority is mandated to issue licences and permits as well as develop petroleum and gas regulations for the petroleum sector.

3.2.9.1 Issuance of Construction Permits

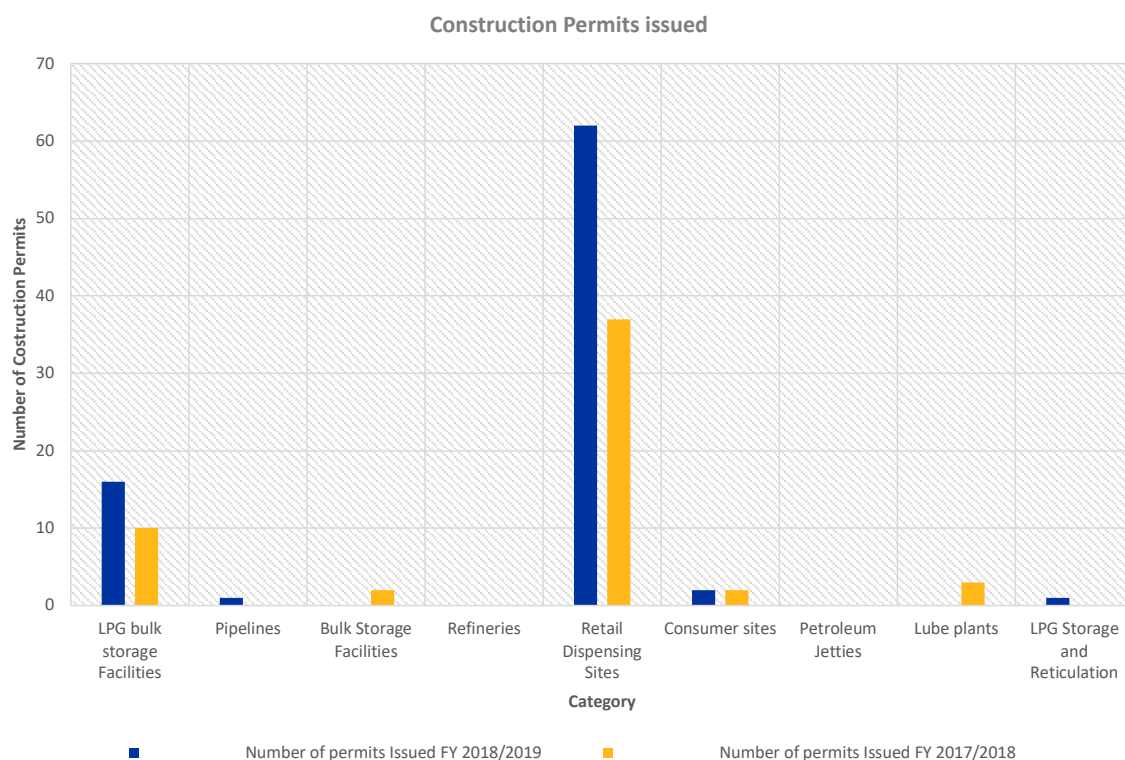
The licensees who undertake petroleum business are required to adhere to existing construction standards while establishing logistical infrastructure to handle petroleum products. The Petroleum Act, 2019 mandates the Authority to issue construction permits under the following categories:

- i) LPG facilities
- ii) Pipelines
- iii) Bulk petroleum storage facilities
- iv) Refineries
- v) Retail dispensing sites
- vi) Petroleum jetties
- vii) End user petroleum installation
- viii) Lubricant blending and refilling plants

During the 2018/19 financial year, a total of 211 applications for construction permits were received and processed within an average of sixteen (16) days. Out of these, eighty-two (82) were approved and construction permits issued. One hundred and twenty-nine (129) applications did not meet the licensing requirements and were therefore declined.

The total number of construction permit issued in the financial year 2018/19 increased to eighty-two (82) from fifty-four (54) construction permits issued in the year 2017/18.



Figure 3.7 A Comparison of Construction Permits issued in the Financial Year 2018/19 and 2017/18

The number of LPG facilities constructed during the financial year 2018/19 increased by 160% from the previous year. This is attributed to the push to switch from traditional sources of cooking fuels such as charcoal to LPG.

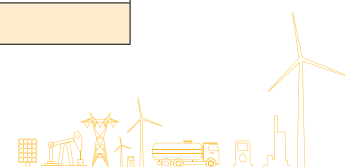
The number of Retail Dispensing Sites also increased by 62 compared to 37 constructed in the previous year. The growth is attributed to improved and clarified margins for the retail sector as recommended in the Cost of Service for the Supply of Petroleum Products in Kenya (COSSOP) study which was implemented from December 2018. The implementation of COSSOP study, coupled with the growth in demand of petroleum products made the retail petroleum sector profitable.

3.2.9.2 Licensing of Petroleum and Gas Undertakings

In the financial year 2018/2019, the Authority undertook unbundling of licensing in the Petroleum and LPG supply chain to differentiate operations based on the different players in the sector.

The Authority is required to issue licences for the importation, exportation, wholesale, storage, retail and transportation of petroleum products pursuant to the provisions of Section 80 of the Energy Act. The Authority issues licenses for the following petroleum operations:

i) Import, Export and Wholesale of Petroleum Products (Except LPG)	ii) Import, Export and Wholesale of Fuel Oil (Except LPG)
iii) Import, Export and Wholesale of Bitumen (Except LPG)	iv) Import, export, wholesale of LPG in bulk
v) Export and Wholesale of petroleum products (except LPG)	vi) Retail of Petroleum Products (except LPG)
vii) Export and Wholesale of Jet A-1	viii) Export and Wholesale of LPG Bulk
ix) Transport of petroleum products (except LPG)	x) Transport of LPG in Bulk
xi) Transport of Jet A-1	xii) Storage of Petroleum Products
xiii) Storage & Filling of LPG in Cylinders	xiv) Bunkering of Petroleum Products (Except LPG)
xv) Storage & Filling of LPG in Bulk	xvi) Storage of Crude Oil
xvii) Transport by Railway of Petroleum Products (Except LPG)	xviii) Transport of LPG in Cylinders
xix) Wholesale of LPG in Cylinders	xx) Export and Wholesale of Crude Oil
xxi) Retail of LPG in Cylinders	xxii) Driver Certification



During the 2018/19 financial year, the Authority received 3,196 applications for licensing of petroleum and gas undertakings out of which 1,863 were approved. The remaining 1,333 were rejected because they didn't meet the licensing requirements.

Figure 3.14: A Comparison of Licences issued in 2017/2018 vs 2018/201

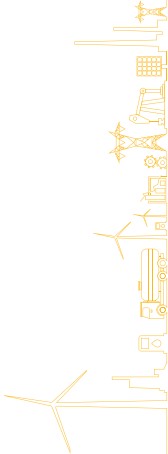
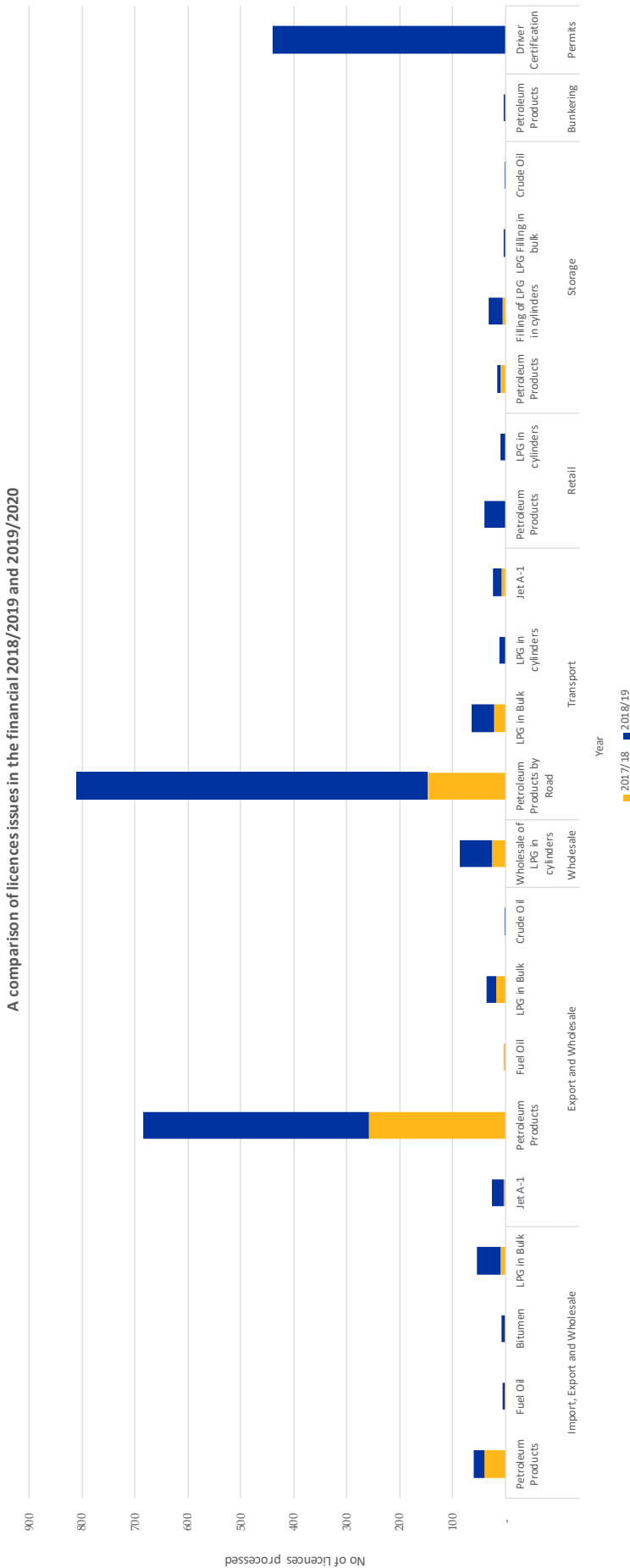


Table 3.3: A comparison of licences issued per category

Category	Product	2017/18	2018/19
Import, Export and Wholesale	Petroleum Products	39	21
	Fuel Oil	2	4
	Bitumen	1	7
	LPG in Bulk	9	46
Export and Wholesale	Jet A-1	3	22
	Petroleum Products	259	426
	Fuel Oil	3	0
	LPG in Bulk	18	18
	Crude Oil	0	1
Wholesale	LPG in cylinders	26	60
Transport	Petroleum Products by Road	147	663
	LPG in Bulk	21	43
	LPG in cylinders	0	11
	Jet A-1	7	16
Retail	Petroleum Products	0	39
	LPG in cylinders	0	9
Storage	Petroleum Products	10	5
	Filling of LPG in cylinders	6	25
	LPG Filling in bulk	0	3
	Crude Oil	0	1
Bunkering	Petroleum Products	0	4
Permits	Driver Certification	0	439

With the enactment of the Energy Act, 2019 and Petroleum Act, 2019, EPRA has been mandated to regulate the upstream sector. This necessitated the introduction of new licensing categories namely Export and Wholesale of Crude Oil and Storage of Crude Oil.

3.2.9.3 Petroleum Accident Investigation

During the year under review, 38 accidents were reported to the Authority which were mainly caused by LPG cylinders explosions and petroleum tankers rollovers. One of the reported accidents was a leakage on KPC's line 1 while another resulted from a fire breakout in a retail station. The summary of the accidents that were reported is shown on table 3.4.

Table 3.4: Accidents Reported in the Financial Year 2018/2019

No.	Accident	Year 2018/2019
1	LPG Cylinder Explosions	10
2	Petroleum Tanker Accidents	24
3	KPC Oil Spillages	3
4	Retail Station Accidents	1
	TOTAL	38

The Authority investigated all the 38 accidents and shared recommendations with the relevant parties for action.



ENFORCEMENT, COMPLIANCE AND CONSUMER PROTECTION



CHAPTER 4: ENFORCEMENT, COMPLIANCE AND CONSUMER PROTECTION

4.1 Introduction

The Authority is mandated under both the Energy Act, 2019 and the Petroleum Act, 2019 to protect the interests of consumers, investors and other stakeholders. This chapter presents Enforcement, Compliance and Consumer Protection activities the Authority carried out in the year 2018/2019.

4.2 Technical Compliance

4.2.1 Fuel Marking and Monitoring Program

The Authority monitors the quality of fuel both for local consumption and export bound through a process known as Fuel Marking. The process involves the introduction of trace quantities of a unique identifier (the marker), typically a bio-chemical liquid, into fuel products to detect the presence of fuel adulterants or export-bound fuels.

Fuel adulteration is a malpractice perpetuated to gain economic advantage of the price differential between kerosene and motor fuels. Diversion of oil meant for exports is done in efforts to avoid paying taxes due for such products.

During the period of July 2018 – June 2019, a total of 17,196 sample tests were carried out in 3,544 petroleum retail stations and consumer sites. From the tests, 97.75% of the stations were found to be compliant.

However, a total of eighty-two (82) sites turned out to be non-compliant and legal action taken against them. Overall, it was noted that the compliance level increased from 96.4% in the fiscal year 2017-18 to 97.75%.

4.2.2 LPG Compliance Inspections

The Authority conducts regular LPG compliance inspections. These inspections are conducted on unauthorized refilling, defacing, hoarding, rebranding and poor handling of the cylinders. The inspections have enabled the Authority to identify non-compliant facilities, installations and deviations from legal requirements in the operation of any licensed facility.

During the financial year 2018/2019, the Authority undertook 1,021 countrywide inspections at retail/wholesale sites which had an overall compliance score of 57%.

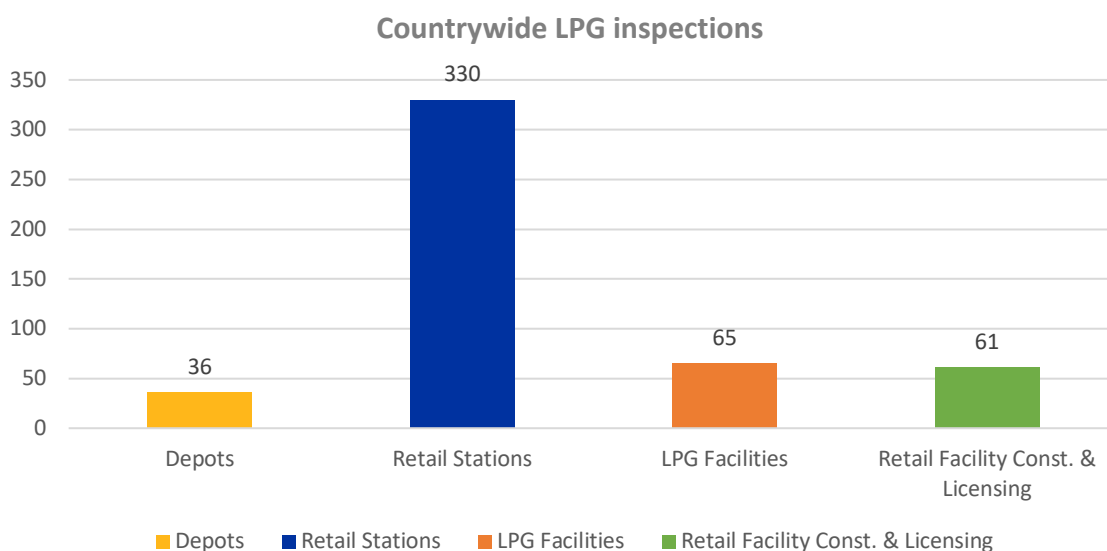
4.2.3 Compliance Audits

The Authority issues licenses with conditions within which the licensees should operate. Compliance inspections are undertaken to ensure that licensees operate within these conditions. In the financial year 2018/19, the Authority carried out audits, inspections and monitoring in the following areas:

a) Petroleum & Gas Inspections

Planned and impromptu inspections were carried out in petroleum facilities as shown on table 4.1

Table 4.1: Petroleum & Gas Inspections Carried Out in the Financial Year 2018/19



b) Renewable Energy

During the Financial year 2018/2019, the Authority undertook the following compliance inspections under the Renewable energy sub-sector:

- i) 20 compliance inspections Energy (Energy Management) Regulations, 2012.
- ii) 14 compliance inspections were carried out to check compliance with the Energy (Solar Photovoltaic Systems) Regulations 2012; and
- iii) 45 compliance inspections were carried out to monitor compliance with Energy (Appliances Energy Performance and labelling) Regulations 2016.

c) Electricity

During the Financial year 2018/2019, the Authority undertook a total of 260 countrywide compliance inspections under the Electricity sub-sector. The inspections focused on approved meters and verification of completion certificates for Electrical works.

4.3 Economic Compliance

4.3.1 Analysis of Financial Performance for Selected Electricity and Petroleum Utilities

The Authority is mandated to monitor and ensure economic and financial viability of sub-sector utilities. In this regard the Authority monitored and analyzed the financial performance of 10 utilities. The reports indicated that the sector utilities performed satisfactorily during the Financial Year. Nonetheless, reports with recommendations for improvement were shared with each of the facilities.

Competition Analysis

During the review period, the Authority used the Herfindhal Hirschman Index (HHI) as the metric for competition and market power. Market power is the ability of a firm to profitably raise the market price of a good

or service over marginal cost. In perfectly competitive markets, participants have no market power. The Authority has a responsibility to ensure a fair and conducive environment to both large and small firms in the energy sector in order to attract investors and encourage expansion of the existing system.

a) Competition Assessment in the Petroleum Subsector

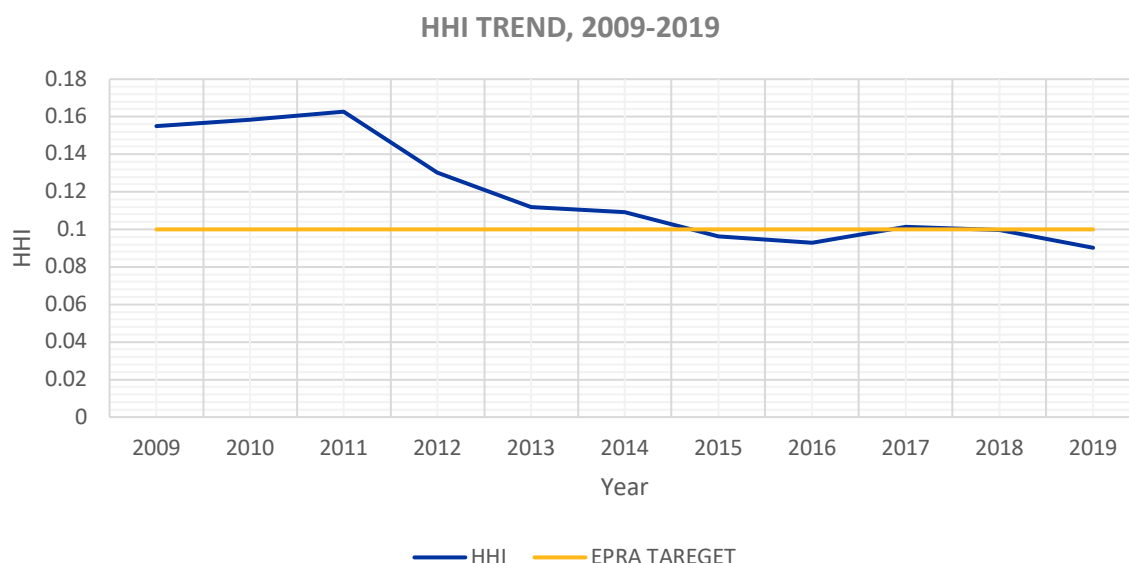
There were over 71 registered Oil Marketing Companies (OMCs) in Kenya as at 2019. These are companies which market and distribute oil products such as diesel, kerosene, gasoline (petrol), lubricants, and LPG. Importation of petroleum products through the Open Tender System (OTS) which allows all the OMCs to access petroleum products at the same price and therefore ensures competition in the petroleum market. The market remained competitive during the year under review. However, competition was inclined amongst a few OMCs namely; Vivo, Total, Kenol Kobil, OLA and Gulf Energy who had a combined market share of 50%. Table 4.2 shows the market share of companies in the reporting period.

Table 4.2: Summary of OMC Market Share in the Financial Year 2018/19

Oil Marketing Company	Market share
KENOL KOBIL	14.1%
TOTAL	12.6%
VIVO ENERGY	12.5%
OLA ENERGY	6.0%
GULF ENERGY	4.6%
NOCK	2.8%
BE ENERGY	2.7%
PETRO	2.5%
GALANA	2.5%
ROYAL	2.3%
OTHERS	37.4%
TOTAL	100.0%

The HHI for the petroleum industry stood at 0.0902 during the review period. The HHI fell within the Authority's expected threshold of 0.1. It is therefore reasonable to conclude that the downstream petroleum subsector is improving its competitiveness, attributable to a robust licensing regime and the entry of small players into the market.



Figure 4.1 Trend Analysis of The HHI Index in the Petroleum Subsector from 2009 to 2019**Note**

HHI below 0.1 indicates an unconcentrated Market

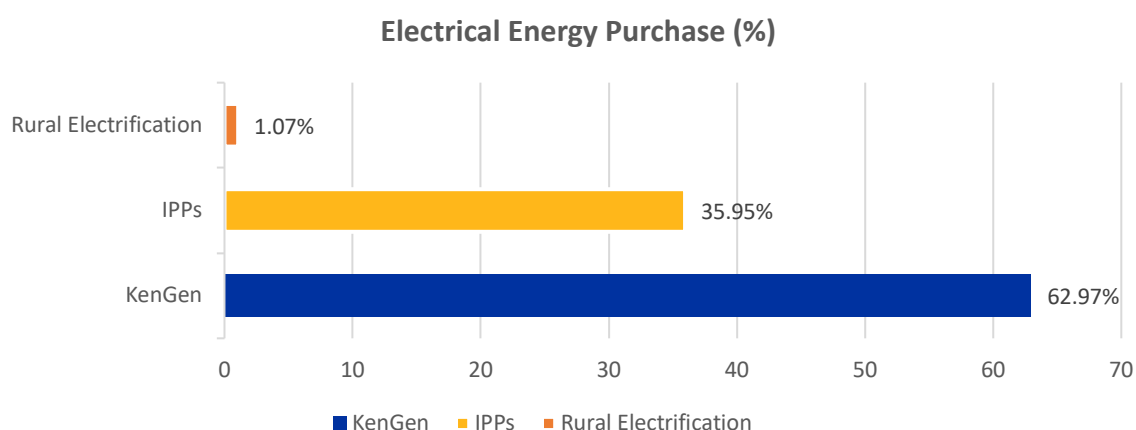
HHI between 0.1 and 0.18 indicates moderately concentrated Market

HHI above 0.18 indicates highly concentrated Market

b) Competition in the Electricity Power Generation

In the electrical power subsector, only the generation and retail functions exhibit characteristics of a competitive market, unlike the transmission and distribution functions which are natural monopolies.

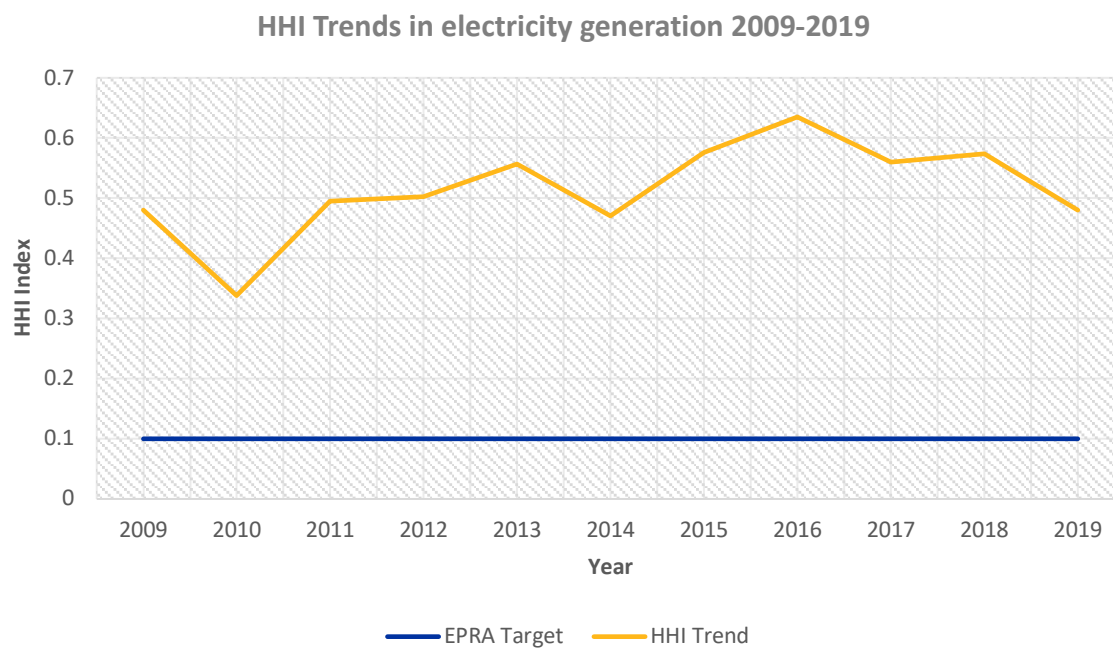
The structure and share of power generation in 2018/19 remained in favor of KenGen with a 62.97% share compared to the share of IPPs at 35.95%. However, IPPs percentage contribution increased compared to the 24% recorded in the previous year. This is attributable to the commissioning of the Lake Turkana Wind Power Plant (LTWPP).

Figure 4.2: Electrical energy purchased by different sources during Financial Year 2018/19

Over the same period, the HHI for the electricity generation function stood at 0.48. The HHI trends in generation is an indicator that the market is still highly concentrated. It therefore integral to undertake vigilance, surveillance and significant improvements in the regulatory and policy environment in order to attract new entrants into the market. The LTWP has increased competition in the power sector as the generation segment had previously been dominated by KenGen despite the high number of IPPs participating in power generation.



Figure 4.3 HHI Trends in the Electricity Generation Function in Kenya: 2009-2019



ENERGY PLANNING, RESEARCH, STUDIES AND SURVEYS



CHAPTER 5: ENERGY PLANNING, RESEARCH, STUDIES AND SURVEYS

5.1 Indicative Energy Planning

The Authority in conjunction with key stakeholders updates the energy plans for the power and petroleum sub-sectors periodically and prepares outlook documents for the subsectors in the medium to long term. This is done cognizant of the sector's central role as an enabler of other economic sectors and the attainment of the Sustainable Development Goal (SDG) No. 7 and other economic development blueprints.

Term Least Cost Power Development Plan (LCPDP) for the period 2018 - 2023. This was an update of the 2017-2037 Electricity Generation and Transmission Long-term Plan which was prepared by the technical team in the previous financial year. The report contained revisions on the load forecast, committed and candidate projects; the transmission system expansion and the evolution of the generation tariffs in the medium term.

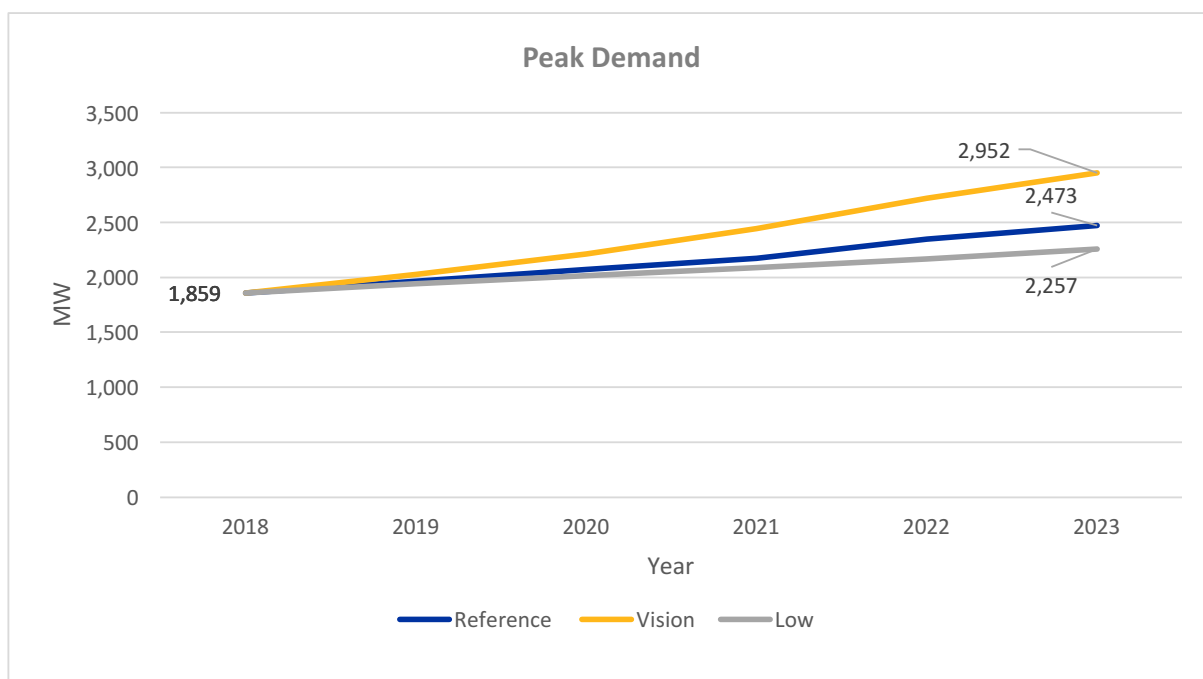
5.2 Research Studies

5.2.1 Least Cost Power Development Plan (LCPDP) Medium Term Plan 2018-2023

During the financial year 2018/2019, the Authority co-ordinated and finalized the preparation of the Medium

The report concluded that demand growth will peak at 2,473MW in 2023 under reference scenario, 2,952MW in the Vision scenario and 2,257MW in the Low Case scenario. As illustrated in figure 5.1

Figure 5.1. Projected Peak Demand Between 2018 - 2023



From the generation simulations, results indicate that if projects are implemented as proposed, the system would experience excess capacity in the low and reference demand scenarios. Excess energy is expected to significantly increase from 2019 through 2021 due to commissioning of the 158MW Olkaria V, 400MW import from Ethiopia, 83 MW Olkaria I unit 6 and

102.5MW Menengai I stage 1. The trend will further be aggravated by the bulk commissioning of Solar PV and Wind power plants until 2021, after which the number of commissioned projects and capacity reduces. The low demand scenario realizes the highest excess energy compared to the other two demand scenarios due to low power uptake.

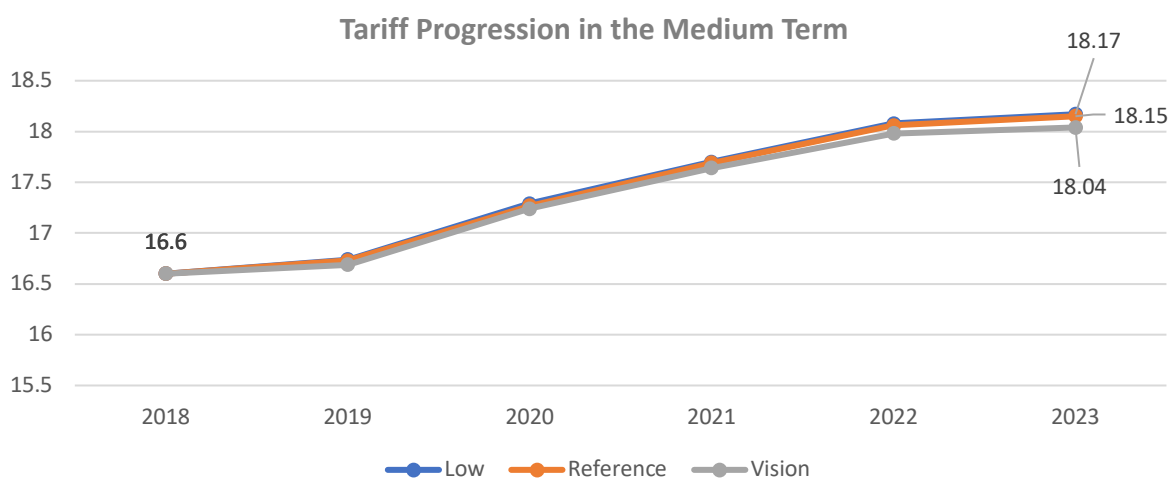


Technology analysis for the period reveals that geothermal capacity will increase from 25% to 33% compared to hydro capacity that would decrease from 33% to 21%, an inverse change from geothermal. Wind and Solar Capacity will increase from 13% to 15% and 2% to 9%, respectively. On energy generated, geothermal will increase from 48% to 53% as Olkaria V is commissioned. Geothermal generation drastically reduces to 40% as Ethiopia import is commissioned due to substitutability between the two sources and the nature of the Ethiopia PPA which is “take or pay”.

The medium term planning period forecasts that the Levelised Electricity Cost (LEC) in the reference case will

increase from US Cents 8.07/kWh in 2018 to US Cents 11.13/kWh in 2023. In the Low Demand case the LEC increases from US Cents 8.07/kWh to US Cents 12.03/kWh in 2023. The vision scenario projects the LEC to increase to US cents 9.30/kWh. The average base retail tariff will need to be adjusted from the current KShs/kWh 16.60 (2018) to KShs.18.15/kWh (2023) in the reference scenario, while projections for the Low Scenario indicate the average retail tariff will be adjusted from KShs.16.60/kWh in 2018 to KShs.18.17/kWh (2023). The Vision scenario will see average retail tariff adjusted from KShs.16.60/kWh (2018) to KShs.18.04/kWh (2023), as illustrated in figure 5.2

Figure 5.2



5.2.2 Petroleum Development Plan

During the Financial Year 2018/19, the Authority prepared a medium term Petroleum Development Plan (PDP) covering the period 2018-2023. The objective of the Plan is to identify appropriate measures necessary for adequate supply of competitively priced petroleum products. Demand projections for all scenarios by product to the year 2023 show that Diesel will continue to be the most consumed product followed by Super Petrol and Jet fuel. Diesel consumption will rise to 2,691,000 tonnes in the Business As Usual (BAU) scenario, 3,029,000 tonnes and 2,219,000 tonnes in optimistic and pessimistic scenarios respectively. Super Petrol consumption will peak at 1,785,000 tonnes by 2023 in BAU scenario, while the Optimistic and Pessimistic scenarios will see Super Petrol consumption go up to 2,090,000 tonnes and 1,383,000 tonnes respectively.

Consumption of LPG increases in the three scenarios with the implementation of the new tax policies and strategies to enhance LPG access take effect. The policy shift sees LPG consumption forecasted to rise to 229,000 tonnes by 2023 in the BAU scenario. In the Optimistic scenario, LPG consumption rises to 283,000 tonnes by 2023, and Pessimistic scenario will see LPG consumption top 169,000 tonnes in 2023. The government's deliberate efforts to increase LPG access among the urban poor and rural areas, has yielded increased uptake in recent years, with actual consumption topping 222,000 tonnes in 2018 from 92,900 tonnes from 2013.

Overall, growth in the consumption of petroleum products is recorded in all scenarios. Total demand for petroleum products is forecasted to rise to 7,507,000 tonnes by 2023 in the BAU scenario, while Optimistic and Pessimistic scenarios will see demand for petroleum products rise to 8,264,000 tonnes and 6,230,000 tonnes respectively.



5.2.3 Energy Balance

The Energy Balance is an accounting framework for the compilation and understanding of data on all energy products entering, exiting and being used in a country. It is the most complete statistical accounting of energy products and their flow in the economy. Among other things, the energy balance provides comprehensive information on the energy supply and demand in order to understand the energy security situation, the effective functioning of energy markets, as well as to facilitate the formulation of energy policies. It is the basis for calculating various indicators of each energy product's role in the country's economy. Such indicators include energy efficiency, share of renewable energy, energy savings, and consumption of energy by sector.

Total supply of non-renewable feedstock was 192.9 thousand Tera Joules (TJ) in 2018. In the same year, households demanded 88.3 per cent of non-renewable forest stocks. In the review period, the government put a ban on logging of government forests. During the period, 99.1 per cent of all electricity supplied was produced locally, out of which 86.0 per cent, was renewable. Total electricity demanded locally was 31.3 thousand TJ and 8.8 thousand TJ were transmission and distribution losses. The total supply of 22.5 thousand TJ petroleum fuels was from imports. The domestic export and re-export were 116.3 thousand TJ and 279.3 thousand TJ respectively. Road transport sectors accounted for 67.5 per cent of the demand followed by air transport sector and households at 13.1 and 9.7 per cent, respectively.

The study report revealed that the cogeneration potential in Kenya which is estimated to be about 300MW will be derived from the Sugar Belt Areas in Western Kenya. The Medium Term Plan 2018-2023 reveals that the committed Cogeneration projects estimated at 138MW will be commissioned during that planning period. The contribution of cogeneration in the current generation mix, currently at less than 0.5%, is least amongst renewable technologies. The study concluded that associated low electricity generation costs associated with cogeneration will help reduce overall end user costs.

During the same period, EPRA published the first edition of the Energy Statistics report. The report aimed at consolidating all sectoral statistics and informing energy sector stakeholders. During the year, the Authority also published the Research and Innovation Policy which seeks to guide research and innovation activities within the Authority and to provide guidelines on engagement with external stakeholders.

5.3 Research and Policy Analysis

In collaboration with sector stakeholders, the Authority continues to influence policy by undertaking studies on the energy sector.

During the Financial Year under review, the Authority undertook research on the factors affecting generation of electric power among sugar production companies and its implication on generation tariffs, the energy mix and the Big Four Agenda. The study targeted sugar production industries, sugarcane farmers, KPLC, EPRA, KETRACO and IPP's to ascertain the effect of cogeneration in these different players of the energy sector and their role in the whole process of cogeneration.



ENERGY PRICING



CHAPTER 6: ENERGY PRICING

6.1 Introduction

The Authority is mandated by the Energy Act, 2019 to approve electric power purchase and network service contracts; to set, review and adjust electric power tariffs and tariff structures; and investigate tariff charges. It also collaborates with the Ministry of Energy in the implementation of the Feed-in-Tariffs Policy.

Further, pursuant to Section 102 of the Act and Legal Notice No.96 of 2010, the Authority is empowered to determine the retail prices of petroleum and petroleum products.

with cumulative contracted capacity of 244MW were reviewed. The PPAs reviewed and approved by the board during the financial year included;

- i) PPA between KPLC and KenGen for 158MW Olkaria V Plant
- ii) PPA between KPLC and KenGen for 56MW Muhoroni GT plant
- iii) PPA between KPLC and rAREH Icon for 30MW Solar PV plant
- iv) Energy Exchange Agreement between KPLC and UETCL

The average approval time was 74 days.

6.2 Power Purchase Agreements (PPAs) and Network Service Contract Approvals

The Authority is committed to processing PPAs expeditiously and under the shorter timelines than those provided under the Energy Act. During the year, PPAs

6.3 Retail Electricity Tariffs

During the 2018/19 financial year, the Authority gazette a new electricity retail tariff schedule which took effect in November 2018. The new retail electricity tariffs are as set out in table 6.1

Table 6.1 Retail Electricity Tariff Effective 1st November 2018

Customer Category	Energy Limit (kWh/Month)	Charge Rate (KShs/kWh)	Demand Charge (KShs/kVA)
DC- Lifeline	0-100	10.00	-
DC-Ordinary	>100-1500	15.80	-
Small Commercial SC-1	0-100	10.00	-
Small Commercial SC-2	>100-15000	15.60	-
Commercial and Industrial CI 1	No limit	12.00	800
Commercial and Industrial CI 2	No limit	10.90	520
Commercial and Industrial CI 3	No limit	10.50	270
Commercial and Industrial CI 4	No limit	10.30	220
Commercial and Industrial CI 5	No limit	10.10	220
Street Lighting	No Limit	7.50	-



6.4 Pass-through Costs in the Retail Electricity Tariff

The pass through elements in the retail electricity tariffs are instruments used to cushion regulated operators against fluctuations in the concerned parameters which are beyond their control but which are part and parcel of the approved retail electricity tariffs. These include the Fuel Cost Charge, (FCC), Foreign Exchange Rates Fluctuation Adjustment (FERFA), Water Resource Management Authority (WRMA) levy and Inflation Adjustments (INFL).

The FCC was the key driver of the pass-through costs while the FERFA, INFL and WRMA remained stable. The FCC averaged KShs.2.93/kWh in the year, closing in at KShs.3.7/kWh in June 2019. Inflation adjustment had minimal impact on end user tariffs averaging just KShs.0.20/kWh for the year closing at KShs.0.25/kWh in June 2019. The WRMA levy reduced from 0.0259 KShs./kWh to KShs.0.0146/kWh during the financial year. These elements feed into the monthly retail electricity tariff computations thus leading to its dynamic nature.

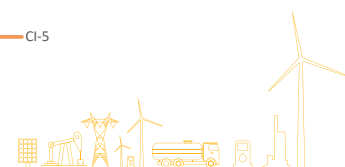
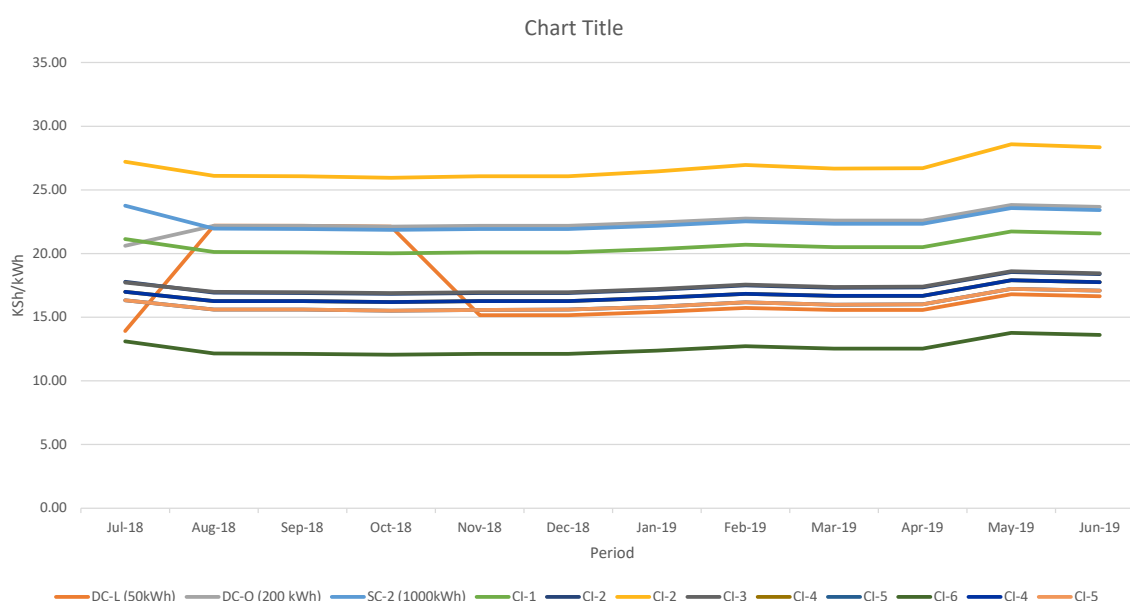
Table 6.2: Pass-through Costs (KShs/kWh) in the Retail Electricity Tariffs for the FY 2018/19

KShs/kWh	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18
Fuel Cost Charge	4.6	2.5	2.5	2.5	2.5	2.5
FOREX Adjustment	1.22	0.05	-0.0131	-0.0768	-0.0149	-0.0062
INFLATION Adjustment	0.52	0.05	0.1	0.1	0.1	0.1
WARMA LEVY	0.0259	0.0259	0.0252	0.0248	0.0222	0.0207
Total	6.3659	2.6259	2.6121	2.548	2.6073	2.6145

KShs/kWh	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
Fuel Cost Charge	2.45	2.74	2.75	2.75	3.75	3.7
FOREX Adjustment	0.1104	0.1087	-0.0579	-0.045	0.0119	-0.0714
INFLATION Adjustment	0.25	0.25	0.25	0.25	0.25	0.25
WARMA LEVY	0.0176	0.0167	0.0167	0.0167	0.0119	0.0146
Total	2.828	3.1154	2.9588	2.9717	4.0238	3.8932

The evolution of the retail tariffs have remained stable over the period under review as depicted in figure 6.1

Figure 6.1: Evolution of Retail Electricity Tariffs in Kenya July 2018 – June 2019



6.5 Petroleum Pump Prices

The Authority maintains data on the monthly prices of crude oil and the individual product prices. The average price of Murban crude was US\$ 70.64 /Barrel in the FY 2018/19 rising from US\$64.32/Barrel in FY 2017/18. The average landed costs for Super Petrol, Diesel and Kerosene for the period were KShs.51.62/Ltr, KShs.55.04/Ltr, and KShs.54.96/Ltr respectively.

The price of Super Petrol stood at KShs.112.20/Ltr at the beginning of the year under review, averaging KShs.111.96/Ltr to close the year at KShs.115.1/Ltr in June 2019. Kerosene on the other hand averaged KShs.102.16/Ltr on a steady increase to close the year at KShs.104.28/Ltr in June 2019. The price of Diesel at the start of the review period was KShs.103.25/Ltr and rose to KShs.104.76/Ltr at the end of the year June 2019. This trend was recorded in the rest of the towns across the country.

Figure 6.2: Trends of Crude Oil and Landed Cost Prices during the period July 2018 – June 2019

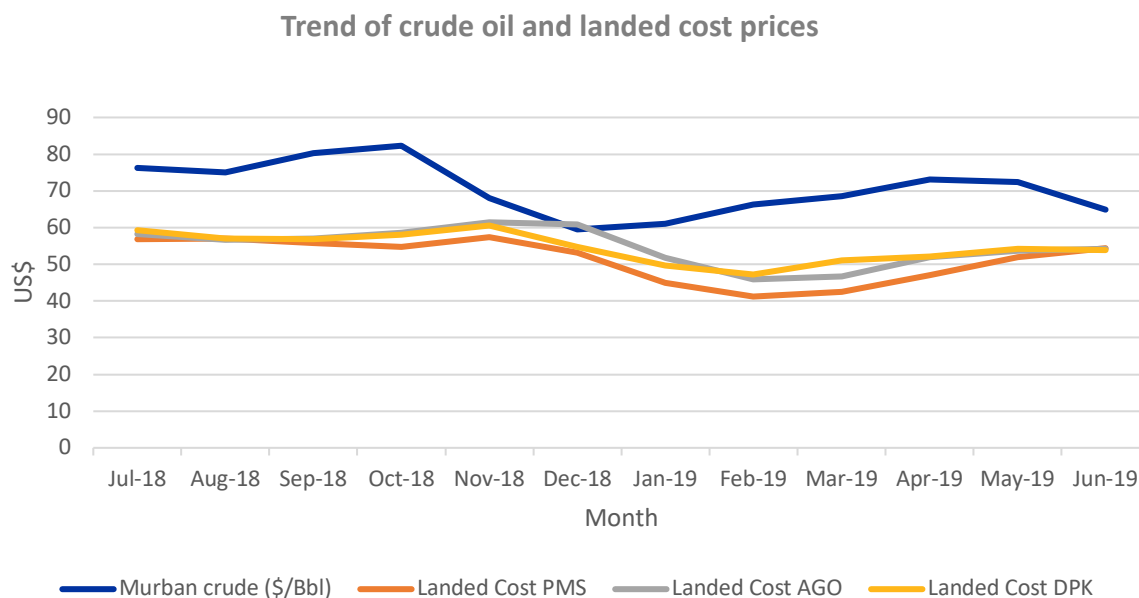
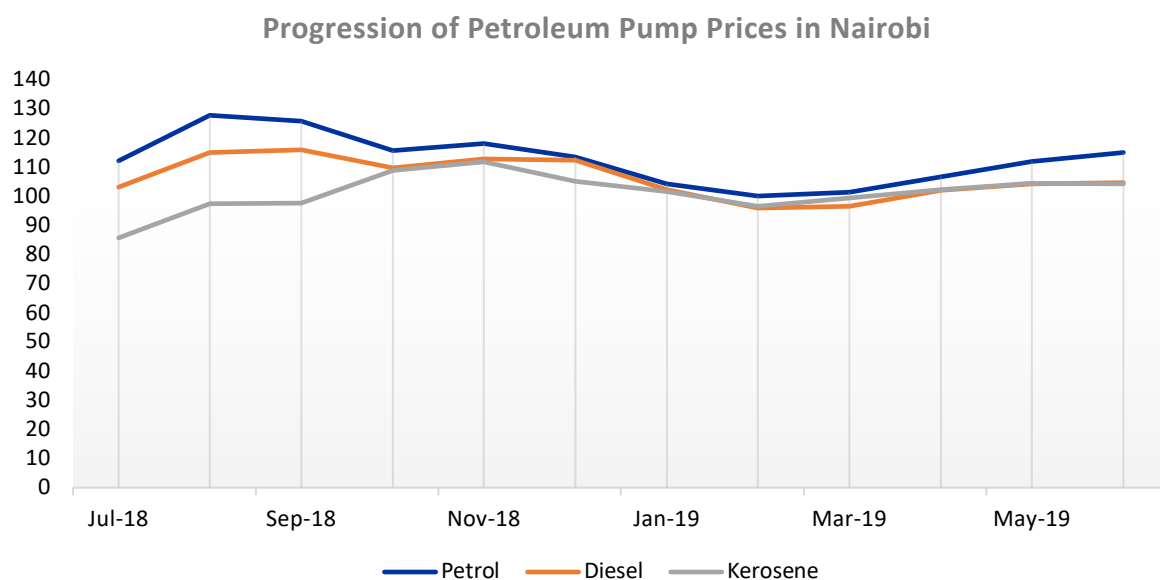


Figure 6.3: Trends in Petroleum Pump Prices in Nairobi during the period July 2018 – May 2019



6.6 Projects under the Renewable Energy (RE) Feed in Tariffs (FiTs) Policy

The Ministry of Energy through the RE-FiT Committee manages the RE-FiT Policy in collaboration with the Authority. Under the Policy, investors interested in developing eligible renewable energy projects submit an Expression of Interest (EOI) to the Ministry of Energy and the FiT Committee reviews for consideration and approval. Eligible projects include wind, solar-PV, biomass, biogas and small hydro. An estimated total capacity of 5,999MW were in the pipeline as at June 2019. Only 6 projects are operational out of 308 listed projects. Solar PV and Small Hydro projects were the most common; with the Solar PV projects accounting for nearly 70% of the capacity.



Table 6.3 Status of approval of the Feed-in-Tariffs Projects as at June 2019

PROJECTS	Wind	Biomass	Biogas	Co-gen	Small hydro	Solar PV	Geo-Thermal	Offgrid Renewable	Tidal Wave	Total (no.)
Plants in Operation	0	0	1	0	4	1	0	0	0	6
Projects with Signed PPA's	3	1	2	1	11	9	0	0	0	27
Projects with Initialled PPA's	1	0	0	0	1	0	0	0	0	2
Projects with Finalized PPA Negotiations Awaiting Board Approval	2	0	0	0	3	4	0	0	0	9
Projects with PPA's under Negotiations	0	4	1	1	2	14	0	0	0	22
Approved Projects with PPA Negotiations Yet to Start	3	2	1	1	8	13	0	1	0	29
Projects with Feasibility Studies approved and sent to EPRA-LCPDP	4	3	1	0	36	12	0	0	0	56
Projects in Feasibility Study Stage	9	4	1	0	37	104	1	1	1	157
Total no. of Approved Projects	22	14	7	3	102	157	1	1	1	308
Capacity (MW)	906	208	62	38	477	4,199	70	0.1	40	5,999



CORPORATE SERVICES



CHAPTER 7: CORPORATE SERVICES

7.1 Corporate Strategy

The Authority is guided by a Corporate Strategic Plan which sets the organization's goals and objectives for purposes of achieving its mandate. During the year under review, the 2017/18-2021/22 Strategic Plan was reviewed in order to incorporate the Medium Term Plan (MTP) III and the Big Four Agenda.

The Authority's strategic focus is to create an enabling environment for the energy sector to thrive. This is achieved through energy planning, licensing, development and enforcement of regulations and codes, stakeholder engagements and automation of key services.

7.2 Supporting The Big Four Agenda

The Authority provides an enabling environment for the Big Four Agenda through leading energy and petroleum regulatory practices that ensure access to adequate, reliable and affordable energy.

Some of the strategic initiatives undertaken towards achievement of this objective include design, review and approval of a tariffs for Kedong Special Economic Zones and Rivatex. To facilitate universal access to energy, the Authority reviewed and approved tariffs and licence applications by minigrid developers in offgrid areas.

Additionally, the Authority formulated and enacted regulations that supports reticulation of LPG in households which will contribute towards the shift towards adoption of clean sources of energy for domestic heating and cooking.

7.3 Human Capital

The Authority has continued to build its human resources capacity as its success is highly dependent on the quality of its human resource. This involves ensuring optimal staffing, retention of a qualified and motivated workforce, workload analysis, training and capacity assessment and employee satisfaction surveys.

7.4 Organization Learning

The Authority developed the Human Resource Policies and Procedures Manual to guide Organisational learning and to ensure that there are requisite skills for operations as required in the strategic focus. A competency development programme has been implemented too.

Through this program, members of staff were sponsored to attend different skills upgrading courses. The Authority ensured that employees remained in good standing by undertaking Continuous Professional Development (CPD) Programmes offered by their respective professional bodies.

The Board members also attended various training and development programmes in order to equip them with knowledge on Energy sector management.

7.5 Employee Wellness

The Authority's staff welfare and wellness programmes also kept pace with the changing corporate environment and employees' dynamics. Various projects were undertaken to improve employee's wellness including a sensitization on mental and physical wellness.

7.6 Youth Internship/ Industrial Attachment/ Apprenticeship

The Authority ensured there is progressive involvement of the youth in internship and apprenticeship for the purpose of transferring and acquiring skills in order to prepare them for careers that they wish to pursue. During the period 2018/2019 the Authority provided internship and attachments opportunities to sixty-four (64) graduates.

7.7 Occupational Health & Safety

The Authority established mechanisms addressing the safety and security of personnel, documents, information, equipment and assets to mitigate against technological hazards, terrorism, fire and natural disasters.

7.8 Code of Conduct and Ethics

The Authority has a code of conduct relating to lawful and ethical conduct of operations which is supported by its core values; Accountability, Innovation, Passion, Respect, Teamwork, and Transparency.



The code of conduct provides fundamental principles and guidelines that govern the ethical and legal obligations of all employees at all levels. All employees are bound by the provisions of the Chapter 6 of the Constitution, Public Officers Ethics Act 2003, Leadership & Integrity Act, the EPRA Code of Conduct and all other applicable laws. The Board, Management and employees are required to observe the code and maintain high standards of integrity. These standards are applied in all transactions with customers, suppliers, and all other stakeholders.

7.9 Establishment of the Directorate of Enforcement & Consumer Protection and regional offices

In an endeavour to enhance enforcement and consumer protection efforts, the Authority established a fully-fledged Directorate of Enforcement and Consumer Protection. The Authority also set up regional offices in Eldoret, Nyeri, Kisumu and Mombasa. The regional presence is expected to boost surveillance efforts and enhance stakeholder engagement.

7.10 Enterprise Risk Management

The Authority operates in a vibrant environment and is committed to ensuring delivery of service through a proactive approach to risk management.

During FY2018/19 period, the Authority reviewed the Risk Management Framework, undertook various activities to mitigate the risks at all levels and institutionalized a risk management culture aimed at supporting strategic and operational objectives.

7.11 Quality Management

The Authority is committed to providing quality regulatory services for the energy and petroleum sectors in Kenya in compliance to international standards, legal requirements, statutory requirements, policy requirements and the needs and expectations of its stakeholders. The commitments are achieved through tools such as the Quality Management System (QMS) set out in the ISO 9001:2015.

In the year under review, the Authority monitored the efficiency and performance of its QMS, sensitized and trained employees, conducted internal and external audits. Consequently, the Authority was recertified by the Kenya Bureau of Standards (KEBS).

7.12 Procurement of goods and services

The acquisition of goods, services and works by the Authority is guided by Article 227 of the Constitution of Kenya and the Public Procurement and Asset Disposal Act 2015 (PPAD Act).

During the 2018/2019 financial year, the Authority prepared an Annual Procurement Plan worth KShs.1.1 Billion with calculated effort to engage the youth, women and Persons Living with Disabilities (PWDs) in its tendering processes. This was implemented by reserving specific tenders that were expressly undertaken by these groups. During the period, the Authority awarded tenders worth KShs.56.2 million to the special categories of suppliers which were distributed as shown on Table 7.1.

Table 7.1: Special Categories Budget Under Procurement

NO	CATEGORY	AMOUNT (KShs)
1	Youth	23,472,093.00
2	Women	30,267,292.00
3	PWDs	2,438,834.00
Total		56,178,219.00



The Authority is committed to promoting these special groups by allocating tenders for them as part of affirmative action. Other tenders are processed competitively using applicable procurement methods as provided for in the Public Procurement laws and regulations.

7.13 Public awareness and Stakeholder Consultations

The Authority understands and appreciates the important role stakeholders play in achieving regulatory excellence. The Authority maintains constant dialogue with its diverse stakeholder groups as their opinions shapes strategic priorities and initiatives.

During the year under review the Authority held numerous stakeholder engagement forums, key among them, countrywide forums on the proposed KPLC retail tariff for the 2018/19 tariff control period.

The Authority recognises the significant role the media plays as a bridge between the Authority and external stakeholders. During the year, the Authority held media training workshops in Machakos and Kajiado counties. The workshops aimed at equipping journalists with skills and knowledge to effectively report on energy related matters. The Authority has in the past held similar workshops in other counties. Plans are underway to conduct similar workshops across the country.

7.14 Corporate Social Responsibility (CSR)

As a good corporate citizen, the Authority carried out a number of Corporate Social Responsibility (CSR) activities in line with its CSR policy. During the Financial Year 2018/19, the Authority undertook the following CSR activities in education, environment and health sectors with the aim of improving the well-being of the society.

Education

The place of education in societal development cannot be understated. Education features prominently in national and international development agendas. The Authority has been a key player in support of educational initiatives to improve the educational standards. The Authority awarded school fees worth KShs.1,000,000

to the top ten (10) students who participated in the 2018 Essay Writing Competition. The Competition aimed at increasing students' interest in Science, Technology, Engineering and Mathematics (STEM) subjects through creative writing.

Health

The Authority is keen on alleviating the suffering of the sick and unfortunate members of the society. During the year under review, the Authority sponsored the Nyeri Hospice Golf tournament which sought to raise funds to enable provision of palliative care to patients with life limiting diseases such as Cancer. Services offered under the hospice's palliative care program include pain alleviation, psycho-social and spiritual support.

Corporate Sponsorships and events

The Authority participated in the Hands for the Future Skills Show that took place from 8th to 10th February 2019 at the Kenyatta International Convention Center (KICC). The event was organized by the Ministry of Education with the aim of exposing Kenyan youth to opportunities available at government parastatals such as internships and procurement opportunities. The three-day event attracted over 3,500 youth.

Additionally, the Authority sponsored the Engineering Students Association (ESA) annual dinner. The dinner provided the young engineers with a chance to meet and learn from leaders in the energy sector and network with future employers.

The Authority was a key sponsor of the Energy Management Awards (EMA) 2019. The annual awards, which are organized by the Kenya Association of Manufacturers (KAM), aim at feting companies which have portrayed excellence in Energy Management with a view to conserve the environment and save on energy costs.



FINANCIAL STATEMENTS



CHAPTER 8: FINANCIAL STATEMENTS

Annual Report and Financial Statements for the year ended 30th June 2019 Report of the Board of Directors

The Board of Directors submit their report together with the audited financial statements for the year ended 30th June 2019, which show the state of the Authority's affairs.

Principal activities

The principal activities of the Authority are: -

a) To regulate: -

- Importation, exportation, generation, transmission, distribution, supply and use of electrical energy;
- Importation, exportation, transportation, refining, storage and sale of petroleum and petroleum products;
- Production, distribution, supply and use of renewable and other forms of energy;

b) Protect the interests of consumers, investors and other stakeholders in the energy sector.

Board Members

The members of the Board of Directors who served during the year are shown on page 14-19. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

Dividends/Surplus remission

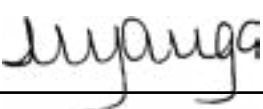
In accordance with section 219(2) of the Public Financial Management Act regulations, regulatory entities shall remit into the consolidated fund, ninety per centum of its surplus funds reported in the audited financial statement after the end of each financial year. The Authority made some surplus funds during the year and intends to remit KShs. 260.6 million to the National Treasury.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

The Annual Report and Financial Statements set on page 71 which have been prepared on the going concern basis, were approved by the Board on 25th September 2019 and were signed on its behalf by:

By Order of the Board



Ms. Mueni Mutung'a
COMMISSION SECRETARY



Statement of Directors Responsibilities

Section 81 of the Public Finance Management (PF M) Act, 2012, section 8 (3) of the Second Schedule of the Energy Act 2019 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30th June 2019. This responsibility includes:

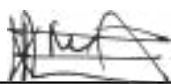
- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

- ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair
- iv) Presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- v) Safeguarding the assets of the Authority;
- vi) Selecting and applying appropriate accounting policies; and
- vii) Making accounting estimates that are reasonable in the circumstances.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of financial statements

The Annual Report and Financial Statements set out from page 71, which have been prepared on the going basis, were approved by the directors on and were signed on its behalf by:



Mr. Pavel R. Oimeke
Director General



Hon. Justice (Rtd) Jackton Ojwang
Chairman



REPUBLIC OF KENYA

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 NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 29 to 60, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Energy and Petroleum Regulatory Authority as at 30 June, 2019, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Energy Act, 2019 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Energy and Petroleum Regulatory Authority Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters which, in my professional judgment, were of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the period under review.

Report of the Auditor-General on Energy and Petroleum Regulatory Authority for the year ended 30 June, 2019



REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance on whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities which govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance, were not effective.

Basis for Conclusion

The audit was conducted in accordance to ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance on whether effective processes and systems of internal control, risk management and overall governance, were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis), and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements which are free from material misstatement, whether due to fraud or error and for assessment of the effectiveness of the internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue as a going concern, disclosing as applicable, matters related

Report of the Auditor-General on Energy and Petroleum Regulatory Authority for the year ended 30 June, 2019



to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of management's systems for monitoring compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit 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 which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion on whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution, and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in



which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Authority's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

Report of the Auditor General on Energy and Petroleum Regulatory Authority for the year ended 30 June, 2019



I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control which are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters which may reasonably be thought to bear on my independence, and where applicable, related safeguards.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 February, 2021



Statement of Financial Performance

For The Year Ended 30th June 2019

Figures in Kenyan Shilling	Note(s)	2019	2018
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Transfers from government	6	34,874,087	12,602,427
Electricity levy		347,272,642	406,186,541
Petroleum levy	8	1,060,760,528	508,029,918
Total revenue from non-exchange transactions		1,442,907,257	926,818,886
Revenue from exchange transactions			
Other income	9	5,461,778	8,731,257
Interest received - investment	10	17,141,892	4,546,582
Total revenue from exchange transactions		22,603,670	13,277,839
		22,603,670	13,277,839
		1,442,907,257	926,818,886
Total revenue		1,465,510,927	940,096,725
Expenses			
Board Expenses	11	(23,096,598)	(24,037,453)
Employee costs	12	(550,047,228)	(376,516,094)
Transport & Travel	14	(81,249,671)	(48,915,844)
Public relation and consumer services	15	(92,167,732)	(57,826,408)
Utilities	16	(6,549,730)	(6,265,822)
Information and communication technology	17	(18,790,299)	(13,970,053)
Office Rent & Other Services	18	(54,909,757)	(54,048,232)
Consultancy and other professional services	19	(137,055,166)	(89,456,656)
HIV/AIDS Prevention	20	(1,774,117)	(2,961,810)
Depreciation and amortisation expense	21	(45,782,686)	(35,217,368)
KEEP	22	(2,000,000)	(2,000,000)
Office supplies	23	(17,463,022)	(15,437,810)
Transfer to Staff Mortgage and Car Loan Scheme	24	(61,139,060)	
Total expenses		(1,092,025,066)	(1,726,653,550)
Other gains (losses)			
Gain on disposal of assets and liabilities	25	750,509	-
Surplus before taxation		374,236,370	213,443,175
Taxation		-	-
Surplus for the year from continuing operations		374,236,370	213,443,175
Remission to National Treasury	26	(260,550,327)	(125,914,100)
Surplus for the year		113,686,043	87,529,075

The accounting policies and the notes on pages 84 to 100 form an integral part of the annual report and financial statements.



Statement of Financial Position

As at 30th June 2019

Figures in Kenyan Shilling	Note(s)	2019	2018
Assets			
Current Assets			
Cash and cash equivalents	27	496,564,772	437,716,921
Receivables from exchange transactions	28	13,275,698	13,275,698
Receivables from non-exchange transaction	29	124,146,135	46,030,431
Inventories	30	3,463,716	2,614,156
		637,450,321	499,637,206
Non-Current Assets			
Property, plant and equipment	31	116,985,056	74,071,724
Intangible assets	32	14,596,925	16,276,212
		131,581,981	90,347,936
Non-Current Assets		131,581,981	90,347,936
Current Assets		637,450,321	499,637,206
Total Assets		769,032,302	589,985,142
Liabilities			
Current Liabilities			
Payables under exchange transactions	33	190,424,115	109,281,430
Provisions	34	273,465,764	133,985,115
Employee benefits	35	30,647,459	10,087,078
		494,537,338	253,353,623
Non-Current Liabilities			
Current Liabilities		494,537,338	253,353,623
Total Liabilities		494,537,338	253,353,623
Assets		769,032,302	589,985,142
Liabilities		(494,537,338)	(253,353,623)
Reserves			
Sinking Fund Resreve		55,000,000	55,000,000
Accumulated surplus		219,494,964	281,631,519
Total Net Assets/Equity		274,494,964	336,631,519
Total Net Assets and liabilities		769,032,302	589,985,142

The Annual Report and Financial Statements and the notes on pages 71-100 were approved by the Directors on 25th September 2019 and were signed on its behalf by:

Mr. Pavel Robert Oimeke
Director General

Ms. Muznah Sisiwa
Ag. Manager, Finance & Accounts ICPAK No. 21186

Hon. (Prof.) Jackton OJwang
Chairman



Statement of Changes in Net Assets

For The Year Ended 30th June 2019

Figures in Kenyan Shilling	Sinking Fund	Accumulated surplus	Total net assets/equity
Balance at 1 st July 2017	55,000,000	194,102,443	249,102,443
Changes in net assets/equity Surplus for the year	-	87,529,075	87,529,075
Total changes	-	87,529,075	87,529,075
Balance at 1st July 2018			
Changes in net assets/equity	55,000,000	281,631,518	336,631,518
Transfer to EPRA Fund	-	(175,822,597)	(175,822,597)
Net income (losses) recognised directly in net assets	-	(175,822,597)	(175,822,597)
Surplus for the year	-	113,686,043	113,686,043
Total recognised income and expenses for the year	-	(62,136,554)	(62,136,554)
Total changes	-	(62,136,554)	(62,136,554)
Balance at 30th June 2019	55,000,000	219,494,964	274,494,964



Cash Flow Statement

For the year Ended 30th June 2019

Figures in Kenyan Shilling	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Levy	1,292,019,221	872,894,336	
Transfer from government entities	34,874,087	12,602,427	
Other Miscellaneous & Licence fees	5,461,778	537,956	
Interest Income	17,141,892	2,347,323	
	1,349,496,978	888,382,042	
Payments			
Board expenses	(19,146,637)	(22,363,130)	
Employee Costs	(423,951,699)	(310,327,034)	
Training and other personnel costs	(115,741,013)	(45,172,971)	
Office supplies and expenses	(17,463,022)	(13,448,323)	
Transport and travel	(56,289,675)	(51,456,051)	
Public relations and consumer services	(84,291,040)	(57,283,252)	
Utilities	(6,549,729)	(6,265,822)	
Information and communication technology expenses	(11,416,097)	(11,069,020)	
Office rent and office services	(54,909,757)	(45,400,918)	
Consultancy and other professional services	(63,475,678)	(71,766,941)	
HIV/AIDS prevention related expenses	(1,774,117)	(2,641,411)	
Provisions		22,455,437	
90% Transfer to consolidated fund	(125,914,100)		
Revolving fund transferred to Mortgage & Car Loan	(175,822,597)		
Interest Transferred to Mortgage and Car Loan	(1,139,090)		
Transfer to Mortgage and Car Loan	(60,000,000)		
	(1,217,884,251)	(614,739,436)	
Total receipts	1,349,496,978	888,382,042	
Total payments	(1,217,884,251)	(614,739,436)	
Net cash flows from operating activities	36	131,612,727	273,642,606
Cash flows from investing activities			
Purchase of Fixed Assets	31	(70,768,943)	(15,683,966)
Proceeds from sale of Fixed Assets	31	1,432,000	
Purchase of other intangible assets	32	(3,427,931)	(5,395,586)
Net cash flows from investing activities		(72,764,874)	(21,079,552)
Net increase/(decrease) in cash and cash equivalents		58,847,852	252,563,049
Cash and cash equivalents at the beginning of the year		437,716,920	185,153,871
Cash and cash equivalents at the end of the year	27	496,564,772	437,716,920



Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis						
Figures in Kenyan Shilling	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and actual	Reference
Revenue						
Revenue from non-exchange transactions						
Electricity levy	284,850,037	73,172,677	358,022,714	347,272,642	(10,750,072)	a
Petroleum levy	1,535,105,320	(89,095,320)	1,446,010,000	1,060,760,528	(385,249,472)	b
Transfers from government	75,000,000	(10,000,000)	65,000,000	34,874,087	(30,125,913)	
Total revenue from non-exchange transactions	1,894,955,357	(25,922,643)	1,869,032,714	1,442,907,257	(426,125,457)	
Revenue from exchange transactions						
Other income	700,000		700,000	5,461,778	4,761,778	d
Interest received	17,850,000	3,000,000	20,850,000	17,141,892	(3,708,108)	e
Total revenue from exchange transactions	18,550,000	3,000,000	21,550,000	22,603,670	1,053,670	
'Total revenue from exchange transactions'	18,550,000	3,000,000	21,550,000	22,603,670	1,053,670	
'Total revenue from non-exchange transactions'	1,894,955,357	(25,922,643)	1,869,032,714	1,442,907,257	(426,125,457)	
Total revenue	1,913,505,357	(22,922,643)	1,890,582,714	1,465,510,927	(425,071,787)	
Expenditure						
Board Expenses	(34,774,000)	3,806,000	(30,968,000)	(23,096,598)	7,871,402	f
Employee costs	(661,345,506)	16,900,000	(644,445,506)	(550,047,228)	94,398,278	g
Office Supplies	(19,531,840)	2,000,000	(17,531,840)	(17,463,022)	68,818	h
Transport and travel	(56,938,200)	(28,200,000)	(85,138,200)	(81,249,671)	3,888,529	i
Public relation and consumer services	(75,550,000)	(16,500,000)	(92,050,000)	(92,167,732)	(117,732)	j
Utilities	(7,092,000)	59,717,128	(52,625,128)	(6,549,730)	46,075,398	k
Information & communication Technology	(26,113,009)	6,531,968	(19,581,041)	(18,790,299)	790,742	l
Office rent and services	(68,178,184)	9,500,000	(58,678,184)	(54,909,757)	3,768,427	
Consultancy and other professional services	(205,085,900)	50,459,500	(154,626,400)	(137,055,166)	17,571,234	n
HIV/AIDS Prevention	(6,300,000)	3,150,000	(3,150,000)	(1,774,117)	1,375,883	o
Depreciation and amortisation expense	(48,314,844)	1,172,929	(47,141,915)	(45,782,686)	1,359,229	p



Budget on Accrual Basis						
Figures in Kenyan Shilling	Approved budget	Adjustments	Final Budget	Actual Amounts on comparable basis	Difference between final budget and actual	Reference
Contingency and other costs	(2,000,000)		(2,000,000)	(2,000,000)		q
Transfer to Mortgage and Car Loan Scheme	-	(60,000,000)	(60,000,000)	(61,139,060)	(1,139,060)	r
Total expenditure	(1,211,223,483)	48,537,525	(1,267,936,214)	(1,092,025,066)	175,911,148	
	1,913,505,357	(22,922,643)	1,890,582,714	1,465,510,927	(425,071,787)	
	(1,211,223,483)	48,537,525	(1,162,685, 958)	(1,092,025,066)	70,660,892	
Operating surplus	702,281,874	25,614,882	727,896,756	373,485,861	(354,410,895)	
Gain on disposal of assets and liabilities			-	750,509	750,509	s
	702,281,874	25,614,882	727,896,756	373,485,861	(354,410,895)	
			-	750,509	750,509	
Surplus (Deficit) before taxation	702,281,874	25,614,882	727,896,756	374,236,370	(353,660,386)	
Taxation	-	-	-	-	-	
Surplus (Deficit) after taxation	702,281,874	25,614,882	727,896,756	374,236,370	(353,660,386)	
Remission to National Treasury			-	(260,550,327)	(260,550,327)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	702,281,874	25,614,882	727,896,756	113,686,043	(614,210,713)	



Notes to the Annual Report And Financial Statements

The budget and financial statements of EPRA are reported following the accrual basis, hence there are no differences arising from the treatment. The differences between the approved and final budget are due to re-allocations, which were submitted to the National Treasury through the Ministry of Energy for approval.

The explanation on differences between the actual and budget is below:

- a) Electricity levy is below budget by 3%.
- b) Petroleum levy received was below budget by KShs.385,249,472. This is as a result of levy being approved one month late and introduction of VAT which resulted in lower consumption.
- c) Transfer from government was below budget by KShs.30,125,913. This is as a result of World Bank training budget not materializing, and delays in procurement of the SCADA system by the Ministry of Energy, despite receiving a NO Objection from the World Bank.
- d) Other income was above budget by KShs.4,761,778 due to enactment of the Energy Act in March 2019 which mandated the Authority to collect License fees as part of A-in-A.
- e) Interest received was below budget by KShs. 3,708,109 due to change in investment policy. The rates given by the Central Bank of Kenya are lower than the rates negotiated with the Commercial Bank.
- f) Expenditure on Board Expenses is below the budget by KShs. 7,871,401. This is as a result of late appointment of board members after expiry of the term of three (3) members.
- g) Expenditure on Employees Expenses is below the budget by KShs. 94,398,278. This is as a result of delays in obtaining approval required before recruitment.
- h) Expenditure on Office Supplies is within the budget
- i) Expenditure on Transport and Travel is within the budget.
- j) Expenditure on Public Relations and Consumer Services is within the budget.
- k) Expenditure on Utilities is within the budget.
- l) Expenditure on ICT is within the budget.
- m) Expenditure on Office rent and services is within the budget.
- n) Consultancy and other professional services is below budget by KShs. 17,571,234. There was delay in procurement of fuel marking consultancy due to a pending litigation resulting in underutilization of the fuel marking allocation. Some savings resulted from cost management in provision of other professional services including Human Resource consultancy, ISO certification costs, Petroleum planning, LCPDP and ICT Consultancies.
- o) HIV/AIDS Prevention was below budget by KShs. 1,375,883. This is as a result of cost saving measures adopted by the Authority.
- p) Expenditure on Depreciation is within the budget.

1. General information

The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority (EPRA) as the successor to the Energy Regulatory Commission (ERC). EPRA is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activities are the regulation of all forms of energy except nuclear power.

2. Statement of compliance and basis of preparation

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The Authority adopted IPSAS in the year 2014 following the gazettment of the Public Sector Accounting Standards Board (PSASB), which was established by the Public Financial Management Act (PFM) No. 18 of 24th July 2012. PSASB issued financial reporting standards and guidelines to be adopted by all state organs and public sector entities, which the Authority complies with.



The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

The accounts are presented in Kenya Shillings (KShs.) which is the functional and reporting currency of the Authority and all values are rounded to the nearest shilling.

3. Adoption of new and revised standards

Standards and interpretations issued, but not yet effective.

The entity has not applied the following standards and interpretations, which have been published and are mandatory for the entity's accounting periods beginning on or after 1st July 2019 or later periods:

Standard/ Interpretation:	Effective date; Years beginning on or after	Expected impact
IPSAS 41 (revised) - Financial Instruments	1 st January 2022	The impact to the Authority will not be material
IPSAS 42 - Social Benefits	1 st January 2022	The impact to the Authority will not be material
IPSAS 40 — Public Sector Combinations	1 st January 2019	The Authority will not be impacted by this Standard

4. Summary of significant accounting policies at Revenue recognition

a) Revenue from non-exchange transactions

Electricity and Petroleum Levies

The Authority recognizes revenues from Electricity and Petroleum levies when the event occurs and the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Authority and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

b) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

c) Budget information

The original budget for the FY 2018/2019 was approved by the National Treasury through the Ministry of Energy on 19th October 2019. Subsequent revision or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations were added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Authority recorded reduced appropriations of KShs. 47.4M on the 2018/2019 budget following the approval.



The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Authority. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or commission differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts

d) **Taxation/Transfer to treasury**

No provision has been made for low Income Tax. The Authority does not operate for gain. Its income is therefore not subject to tax. However, a provision is made for transfer of surplus funds to Treasury in line with Public Financial Management Act No. 18 of 2012 Regulation 219 (2) that states that a regulatory authority established by an Act of Parliament and referred to under regulation 211 (4) shall remit into Consolidated Fund, ninety percent of its surplus funds reported in the audited financial statements after the end of each financial year.

Regulation 219 (3) further states that “a regulatory authority to which this section applies shall be exempt from the income tax”.

The surplus funds are net of capital investments acquired in the year and any contributions to EPRA established funds within the year.

e) **Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Authority recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated on the cost of the fixed assets on straight line basis, at annual rate estimated to write off the cost of these assets over the expected useful life. The depreciation rates used are as follows:

- Motor Vehicles 25%
- Furniture and Fittings 12.5%
- Computer Equipment 30%
- Other Equipment 12.5%

f) **Leases**

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) **Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The amortization rates used are as follows;

- Intangible Assets 30%

The useful life of the intangible assets is assessed as either finite or indefinite.



h) Research and development costs

The Authority expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Authority can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

i) Financial instruments

Financial assets and financial liabilities are recognised on the Authority's statement of financial position when the Authority has become party to the contractual provisions of the instrument. Specific accounting policies adopted by the Authority for its financial instruments outstanding at year end are set out as follows:

- *Government securities*
Government securities comprise treasury bonds which are debt securities that are issued by the Government of Kenya. Government securities are classified as held to maturity and are stated at amortised cost.
- *Short term deposits*
Short term deposits are classified as held to maturity and are stated at amortised cost.
- *Trade receivables*
Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.
- *Trade payables*
Trade payables are not interest bearing and are stated at their fair value.
- *Impairment of financial assets*
The authority has a number of deposits but which are part of debtors, and are not considered to be impaired.

j) Provision

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential 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 recognized as a separate asset 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.

k) Contingent liabilities

The Authority does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. There are no contingent liabilities at the moment.



l) Contingent assets

The Authority does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

m) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements.

Accumulated Surplus

The Authority's capitals consist of the Accumulated reserves. The objectives when managing capital include: -

- To safeguard the Authority's ability to continue as a going concern so that it can continue to provide energy regulatory services to the nation.
- To match the profile of its assets and liability, taking account of the risks inherent in the business operation.
- To comply with the statutory requirements on provision for the renewal of depreciating assets.

Sinking Fund Reserves

The sinking fund reserve is money that the Authority has set aside for replacement of fixed assets.

n) Changes in accounting policies and estimates

The Authority recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

o) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Authority pays fixed contributions into a separate fund, and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

p) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

q) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. Members of key management are regarded as related parties and comprise Board Members and senior managers.

The Government (represented by Ministry of Energy and Ministry of Petroleum and Mining) is also regarded as a related party. The Permanent Secretaries in the two Ministries or their representative are members of the Board. The Authority also receives some funding from the Government.



r) Cash and cash equivalents

Cash and cash equivalent cuts comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

t) Inventories

Inventory is measured at cost upon initial recognition. Inventories are expensed when deployed for consumption.

u) Significant judgements and sources of estimation uncertainty

The preparation of the Authority's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions:

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Authority based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Authority. Such changes are reflected in the assumptions when they occur.

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Authority.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset.

Provisions:

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 34. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Subsequent events:

There have been no events subsequent to the financial year-end with a significant impact on the financial statements for the year ended 30th June 2019.



Figures in Kenyan Shilling	2019	2018
5. Transfers from government		
Exchequer support	31,288,845	4,187,500
Capacity Building-World Bank	3,585,242	8,414,927
	34,874,087	12,602,427
6. Electricity levy		
Electricity levy	347,272,642	406,186,541
<i>Legal Notice No. 148 of 1999.</i>		
7. Petroleum levy	1,060,760,528	508,029,918
<i>Legal Notice No. 162 of 2018</i>		
8. Other income		
Licence Fees	5,275,771	
Other income	186,007	8,731,256
	5,461,778	8,731,256
10. Interest received		
Interest	17,141,892	4,546,582
11. Board Expenses		
Monthly Fees and Honorarium	4,517,143	4,990,000
Sitting Allowance	4,660,000	5,060,000
Meeting, Entertainment and Others	1,087,000	565,382
Seminars, Travel and accommodation	12,393,814	12,963,050
Medical and GPA	438,641	459,021
	23,096,598	24,037,453
12. Employee costs		
Salaries	266,887,146	208,601,784
Pension and Gratuity	57,178,216	40,544,844
Special duty and Acting allowances	7,679,189	1,773,647
Car and Commuter Allowances	25,636,202	17,401,889
House allowance	62,179,701	47,553,314
Fringe benefits	1,299,122	1,060,889
Leave and Other allowances	10,935,404	5,087,617
Medical	34,743,344	22,227,500
Subscriptions-Clubs and Professional associations	1,288,406	2,373,522
Life and Accident Insurance	4,825,036	4,211,166
Staff Uniforms	844,998	465,501
Training and Capacity Building-EPRA Funded	75,237,259	16,854,687
Training and Capacity Building -World Bank Funded		6,944,114
Staff Welfare and Laundry	1,313,205	1,415,620
	550,047,228	376,516,094



Figures in Kenyan Shilling	2019	2018
13. Office Supplies		
Stationary, postage and supplies	8,360,776	6,113,390
Meeting, office tea and miscellaneous	6,754,586	7,185,804
Newspapers, books and periodicals	2,347,660	2,138,616
	17,463,022	15,437,810
14. Transport & travel		
Travel-Local and Surveillance Audits	51,242,007	30,561,277
Travel-International	22,302,570	11,307,474
Fuel	3,278,611	2,570,907
Vehicle repair and service	2,197,669	3,016,631
Vehicle insurance and licences	2,228,814	1,459,555
	81,249,671	48,915,844
15. Public relation and consumer services		
Corporate Subscriptions	5,129,880	4,974,850
Corporate Social Responsibility	7,103,972	3,077,435
Advertising and Public Relations	46,518,808	25,413,766
Public Seminars & Workshops	26,163,522	16,640,987
PR Agency	6,380,000	5,220,000
Branding/ Printing	871,550	2,499,370
	92,167,732	57,826,408
16. Utilities		
ISDN Line and Disaster recovery	1,025,974	1,489,394
Telephone and Fax	5,523,756	4,776,428
	6,549,730	6,265,822
17. Information and communication technology		
Bandwidth	4,865,042	2,792,741
Software Licences	13,925,257	11,177,312
	18,790,299	13,970,053
18. Office rent & Other services		
Rent and Parking	48,108,697	47,846,302
Security	1,495,200	1,529,550
Office cleaning	3,401,987	2,967,900
Repair and services-Office equipment	616,463	960,538
Insurance and Other costs	1,287,410	743,942
	54,909,757	54,048,232



Figures in Kenyan Shilling	2019	2018
19. Consultancy and other professional services		
Consultancy -EPRA Funded	114,146,733	73,125,4S8
Consultancy-World Bank GoK Funded		2,356,888
Bank charges	979,396	803,265
Audit fees and expenses	348,000	348,000
Other Professional Services	21,581,037	12,823,065
	137,055,166	89,456,656
20. HIV/ AIDS Prevention & others		
Gender	278,120	155,275
Drugs and substance abuse	716,950	366,395
Safety, disability, HIV/ AIDS and others	779,047	2,440,140
	1,774,117	2,961,810
21. Depreciation and amortisation expense		
Property, plant and equipment	38,058,321	29,268,261
Intangible assets	7,724,365	5,949,107
	45,782,686	35,217,368
22. Contingency and other costs		
Kenya energy and environmental programme[KEEP]	2,000,000	2,000,000
23. Office supplies		
Stationary, postage and supplies	8,360,776	6,113,390
Meeting, office tea and miscellaneous	6,754,586	7,185,804
Newspapers, books and periodicals	2,347,660	2,138,616
	17,463,022	15,437,810
24. Transfer to Staff Mortgage & Car Loan		
Transfer to Staff Mortgage & Car Loan	61,139,060	
25. Gain on sale of assets		
Property, plant and equipment	750,509	
26. Remission to National Treasury		
Surplus for the year	374,236,370	213,443,175
Purchase of assets	(84,736,007)	(21,079,553)
Transfer to staff mortgage account		(47,918,470)
Transfer to staff car loan account	-	(4,540,598)
Realised surplus	289,500,363	139,904,554
90% of released profit	260,550,327	125,914,099



Figures in Kenyan Shilling		2019	2018	
27. Cash and cash equivalents				
Cash and cash equivalents consist of:				
Cash on hand & Mpesa		2,491,154	100,000	
Bank balances		31,518,643	191,794,324	
KCB - Fixed Deposits		300,000,000	70,000,000	
CBK - Treasury Bills		162,554,975		
Other cash and cash equivalents			175,822,597	
		496,564,772	437,716,921	
28. Receivables from exchange transactions				
		13,275,698	13,275,698	
Trade and other receivables past due but not impaired				
Trade and other receivables are not considered to be impaired				
The ageing of amounts past due but not impaired is as follows:				
Description	1-6 Months (KShs)	6-12 Months (KShs)	Over 1 Year (KShs)	Total (KShs)
Hospital, fuel and rent deposits			13,176,698	13,176,698
Telephone deposits			99,000	99,000
	-	-	13,275,698	13,275,698
Rent deposit of KShs.9,954,297.79 relates to deposit for 3 months for the 4 floors that EPRA occupies at Eagle Africa Building. Hospital deposits of KShs.650,000.00 are held with Gertrude’s, Aga Khan and Nairobi Hospitals to facilitate staff who seek outpatient treatment as per the EPRA medical policy. KShs.2,000,000 is KQ Deposits, KShs.192,399.94 Aquamist dispenser. Deposit KShs.99,000 is telephone deposit. KShs.20,000 legal fees deposit. KShs.200,000 Toyota Kenya and KShs.160,000 for fuel.				
29. Receivables from non-exchange transaction				
Board Imprest		2,335,768		254,158
Staff Imprest		(163,790)		2,154,245
Revenue Debtors		120,454,027		42,800,042
Receivables from MOE		727,062		
Staff salaries & Medical advances		793,068		821,987
		124,146,135		46,030,432
30. Inventories				
Inventories		3,463,716		2,614,151



31. Property, plant and equipment						
Company	2019			2018		
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	134,609,543	(110,569,416)	24,040,127	135,130,003	(93,060,984)	42,069,019
Motor vehicles	109,839,216	(64,852,054)	44,987,162	65,780,325	(56,814,568)	8,965,757
Office equipment	24,140,761	(13,182,693)	10,958,068	21,886,488	(12,125,574)	9,760,914
IT equipment	72,617,038	(38,579,555)	34,037,483	46,035,056	(32,759,023)	13,276,033
Work in Progress	5,056,490	—	5,056,490			
Total	346,263,048	(227,183,718)	119,079,330	268,831,872	(194,760,149)	74,072,723

Reconciliation of property, plant and equipment						
	furniture and fixtures	Motor vehicles	Office equipment	IT equipment	work in Progress	Total
Cost As at 1st July 2017	132,191,928	65,780,325	18,987,542	36,188,111		253,147,906
Additions	2,938,075		2,898,946	9,846,945		15,683,966
At 30 th June 2018	135,130,003	65,780,325	21,886,488	46,035,056	-	268,831,872
Additions	(520,460)	48,717,600	3,911,807	26,581,982		78,690,929
WIP					5,056,490	5,056,490
Disposals		(4,658,709)	(1,657,533)	-	-	(6,316,242)
At 30 th June 2019	134,609,543	109,839,216	24,140,761	72,617,038	5,056,490	346,263,049
Depreciation and impairment						
At 1 st July 2017	(76,649,945)	(47,504,325)	(9,988,913)	(29,085,037)		(163,228,220)
Depreciation	(16,411,039)	(9,310,243)	(2,136,661)	(3,673,986)		(31,531,929)
At 30 th June 2018	(93,060,984)	(56,814,568)	(12,125,574)	(32,759,023)	-	(194,760,149)
Disposals and scrappings - accumulated depreciation and impairment		4,658,709	976,042			5,634,751
Depreciation	(17,508,433)	(12,696,195)	(2,033,161)	(5,820,532)		(38,058,321)
Depreciation Donated Vehicle		2,094,273				2,094,273
At 30 th June 2019	110,569,416	66,946,328	13,182,693	38,579,555	-	(225,089,445)
Net book values						
Cost	134,609,543	109,839,216	24,140,761	72,617,038	5,056,490	346,263,048
Accumulated	(110,569,416)	(66,946,328)	(13,182,693)	(38,579,555)		(229,277,992)
Depreciation and impairment						
At 30 th June 2019	24,040,127	42,892,888	10,958,068	34,037,483	5,056,490	116,985,056

As at 30th June 2019, property and equipment with cost amounting to KShs.185,460,658.06 were fully depreciated and intangible assets with cost amounting to KShs.23,767,628.63 were fully amortized. Depreciation of KShs. 2,094,273 relates to a donated Motor vehicle which has been offset against Deferred Income and not on the Statement of Financial Performance.



Figures in Kenyan Shilling						
32. Intangible assets						
Company	2019		2018			
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	99,746,604	(85,149,679)	14,596,925	93,701,526	(77,425,314)	16,276,242
Reconciliation of intangible assets						
Cost						
Opening balance					93,701,526	88,305,940
Additions					6,045,078	5,395,586
Closing balance					99,746,604	93,701,526
Amortisation and impairment						
Opening balance					(77,425,314)	(71,476,207)
Amortisation					(7,724,365)	(5,949,107)
Closing balance					(85,149,679)	(77,425,314)
Made up as Follows:						
Cost					99,746,604	93,701,526
Amortisation and impairment					(85,149,679)	(77,425,314)
Net book value					14,596,925	16,276,222
33. Payables under exchange transactions						
Suppliers					144,068,524	86,499,653
Rural Electrification Authority					10,196,695	12,201,039
Energy Act advances and others					1,161,653	8,349,492
Accruals					34,860,270	-
Deferred income					136,973	2,231,246
					190,424,115	109,281,430

Description	1-6 Months	6-12 Months	Over 1 Year	Total
	KShs	KShs	KShs	
Suppliers	91,856,977	6,989,778	45,221,769	144,068,524
REA	10,196,695	-	-	10,196,695
Energy Act advances & Others	1,161,653	-	-	1,161,653
Accruals	34,860,270	-	-	34,860,270
Deferred income	136,973	-	-	136,973
	138,212,568	6,989,778	45,221,769	190,424,115



34. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Utilised during the year	Total
Audit fees	348,000	-	-	348,000
Withheld taxes & other statutory deductions	7,723,015	4,844,422	-	12,567,437
Amounts due to consolidated funds	125,914,100	260,550,327	(125,914,100)	260,550,327
	133,985,115	265,394,749	(125,914,100)	273,465,764
Reconciliation of provisions - 2018				
Audit fees	348,000	348,000	(348,000)	348,000
Withheld taxes & other statutory deductions	7,957,289	-	(234,274)	7,723,015
Amounts due to consolidated funds	-	125,914,100	-	125,914,100
	8,305,289	126,262,100	(582,274)	133,985,115

35. Employee benefit obligations

Other payroll benefits	13,222,898	9,584,653
Gratuity	17,424,561	502,425
	30,647,459	10,087,078

36. Cash generated from operations

Surplus	113,686,043	87,529,075
Adjustments for:		
Depreciation and amortisation expense	45,782,686	35,217,368
Gain on sale of assets	(750,509)	-
Increase in Employee Benefit Provision	20,560,381	(4,752,502)
Movements in provisions	125,331,876	125,679,825
Depreciation for donated motor vehicle	2,094,273	2,263,668
Adjustment	59,692,218	-
Transfer to EPRA fund	(236,961,657)	-
Changes in working capital:		
Inventories	(849,565)	(258,517)
Receivables from exchange transactions		2,183,427
Other receivables from non-exchange transactions	(78,115,703)	38,744,037
Payables under exchange transactions	81,142,685	(12,963,775)
Cash generated from operations	131,612,727	273,642,606



37. Risk management

Financial Risk management

Risk management is carried out by the management under the supervision of the Board of Directors. The Directors provide policies for overall risk management, as well as policies covering specific areas such as, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The activities of the Authority expose it to a variety of financial risk: credit risk, liquidity risk and market risk. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Authority regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. Credit risk arises from bank balances, trade receivables and amounts due from related parties. The Authority's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors.

Cash flow forecasts are prepared and adequate utilized borrowing facilities are monitored.

The table below represents the Authority's maximum exposure to credit risk at the balance sheet date is as follows:.

As at June 2019	Fully (KShs)	Past due (KShs)	Impairment (KShs)	Total (KShs)
Receivables from non exchange transactions	123,582,863	-	-	123,582,863
Bank Balances	496,564,772			496,564,772
	620,147,635	-	-	620,147,635
As at June 2018	Fully (KShs)	Past due (KShs)	Impairment (KShs)	Total (KShs)
Receivables from non exchange transactions	46,030,431	-	-	46,030,431
Bank Balances	437,716,921			437,716,921
	483,747,352	-	-	483,747,352

All the Authority's receivables are fully performing and are expected to be repaid.

The Government securities are from the Government of Kenya that has no history of default. Bank balance includes cash in hand and deposits held with banks.

Liquidity risk management

Liquid risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging reputation.

The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the Board of Directors.



The table below provides a contractual maturity analysis of the Authority's financial liabilities:

Figures in Kenyan Shilling				
	1- 6 Months	6 - 12 Months	Over 1 Year	Total
Trade & other payables from exchange Transactions	170,114,308	11,667,453		81,781,761
Employee benefits Obligation			30,647,459	30,647,459
Audit fees payable	348,000	-	-	348,000
Withheld tax and other statutory debt sanctions	12,567,438	-		12,567,438
	183,029,746	11,667,453	30,647,459	225,344,658
38. Operating Lease Commitments				
Operating lease commitments represent rentals payable by the Authority for rented office space.				
Not later than 1 year			-	47,247,902
Later than 1 year and not later than 5 years				188,991,608
			-	236,239,510

The Authority is of the view that future net revenues and funding will be sufficient to cover these commitments. The Authority has leased office premises under an operating lease. The lease typically runs for 5 years with an option for renewal. Lease payments are increased accordingly to reflect market rentals. The Authority does not have an option to purchase the leased asset at the expiry of the lease period. There are no contingent rents recognized in the Statement of Financial Performance

39. Dividends/surplus us remission

In accordance with Section 219 (2) of the Public Management Act regulation, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of cash financial year. EPRA made a surplus during the year (FY 2017/2018) and hence remitted KShs. 125,914,100 to the Consolidated Fund and intends to remit KShs. 260.6M to the National Treasury.

40. Events after the reporting date

There were no material adjusting and non-adjusting events after the reporting period.

41. Ultimate and Holding Entity

EPRA is a state corporation under the Ministry of Energy. Its ultimate parent is the Government of Kenya.

Figures in Kenyan Shilling	2019	2018
42. Related parties		
Transactions with related parties		
Key management compensation		
Compensation to Senior Management	62,982,760	9,381,580
Compensation to the Director General	74,011,059	9,390,000
	136,993,819	18,771,580
Grants from Government State Department of petroleum	34,793,087	4,187,500
Ministry of energy	81,000	8,414,927
	34,874,087	12,602,427



Figures in Kenyan Shilling				
Board Members Remuneration				
2019				
	Monthly Fee and Honoraria	Sitting Allowance	Lunch	Total
Joshua Oigara	1,560,000	180,000	18,000	1,758,000
Dr. Sellah J. Kebenei	385,714	680,000	24,000	1,089,714
Veronica Kamau	-	200,000	20,000	220,000
Eng. Samuel N. Maugo	600,000	820,000	54,000	1,474,000
Lilian Mahiri Zaja	600,000	960,000	44,000	1,604,000
Dr. Macharia Irungu	235,714	280,000	12,000	527,714
Prof. George Achoki	235,714	520,000	14,000	769,714
National Treasury	600,000			600,000
Christine Minyasi	-	20,000	2,000	22,000
Christopher Ombega	-	20,000	2,000	22,000
Eng. Nixon L. Lenaiyara	150,000	460,000	18,000	628,000
Isaac Omondi Odek	-	20,000	2,000	22,000
Florence Wahome	-	20,000	2,000	22,000
Peter Njenga Mwangi	150,000	480,000	14,000	644,000
	4,517,142	4,660,000	226,000	9,403,142
2018				
	Monthly Fee and Honoraria	Sitting Allowance	Lunch	Total
Joshua Oigara	1,560,000	320,000	14,000	1,894,000
Titus Gitahi	-	160,000		160,000
Veronica Kamau	-	320,000	16,000	336,000
Eng. Samuel Maugo	515,000	640,000	30,000	1,185,000
Eng. Erick Nyamuga	473,333	640,000	26,000	1,139,333
Dr. Sellah Kebenei	600,000	960,000	40,000	1,600,000
Peter Njenga Mwangi	600,000	840,000	36,000	1,476,000
Nixon Lenaiyara	600,000	1,100,000	42,000	1,742,000
Lilian Mahiri Zaja	41,667	80,000	4,000	125,667
National Treasury	600,000			600,000
	4,990,000	5,060,000	208,000	10,258,000



Appendix I: Progress on Follow up of Auditor Recommendations

Reference No. of the external Audit report	Issue/ Observations from Auditor	Focal Point person to resolve the issue (Name and designation)	Status	Timeframe (Put a date when you expect the issue to be resolved)
4.1	Inaccuracy of Financial Statements	Muznah Sisiwa, Ag. Manager, Finance & Accounts	Resolved	20 th December 2018
4.2	Inappropriate Financial Statements Presentation	Muznah Sisiwa, Ag. Manager, Finance & Accounts	Resolved	20 th December 2018
4.3(a)	Overstating Cash & Cash Equivalents	Muznah Sisiwa, Ag. Manager, Finance & Accounts	Resolved	30 th June 2019
4.3(b)	Investments in Fixed Deposits	Muznah Sisiwa, Ag. Manager, Finance & Accounts	Resolved	1 st March 2019

Appendix II: Inter-entity Transfers

1. Breakdown of Transfers from the State Department of Ministry of Energy and State Department of Petroleum.

Financial Year 2018/2019	Bank Statement Date	Amount	Financial Year
State Department of petroleum	4 th July 2018	1,793,087	2018/2019
State Department of petroleum	18 th March 2019	33,000,000	2018/2019
Ministry of energy	6 th June 2019	81,000	2018/2019
		34,874,087	

The above amounts have been communicated to reconcile with the parent ministry



Ag. Manager Finance & Accounts EPRA

Date:.....

Head of Accounting Unit MOEP

Date:.....



INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2019

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