Energy & Petroleum Regulatory Authority

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2020

OUR MISSION STATEMENT

Enhancing lives by ensuring there is sustainable, cost efficient and quality energy and petroleum

OUR VISION

A leading regulator driving sustainable and clean energy and petroleum for all

OUR RALLYING CALL

Quality energy, quality life

OUR CORE VALUES

Professionalism
Integrity
Responsiveness
Mutual Respect
Teamwork

INSIDE THIS REPORT

ACRONYMS AND ABBREVIATIONS

AGPO	Access to Government Procurement Opportunities
AGO	Diesel
BOPD	Barrels of Oil Per Day
CAIDI	Customer Average Interruption Duration Index
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CBK	Central Bank of Kenya
CBR	Central Bank Rate
COSSOP	Cost of Services for the Supply of Petroleum Products
CI	Commercial & Industrial
DPK	Kerosene
EMCA	Environment Management and Coordination Act
ESIA	Environmental and Social Impact Assessment
EPRA	Energy and Petroleum Regulatory Authority
EPZ	Export Processing Zones
FERFA	Foreign Exchange Rates Fluctuation Adjustment
FCC	Fuel Cost Charge
FiT	Feed in Tariff
GDC	Geothermal Development Company
GDP	Gross Domestic Product
GPOBA	Global Partnership on Output Based Aid
GWh	Gigawatt hours
HHI	Herfindhal Hirschman Index
HVDC	High Voltage Direct Current
HV	High Voltage
INEP	Integrated National Energy Plan
INFL	Inflation Adjustments
IVR	Interactive Voice Response
IPPs	Independent Power Producers
IPSAS	International Public Sector Accounting Standards
IRMPF	Institutional Risk Management Policy Framework
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power and Lighting Company
Kms	Kilometer
KNBS	Kenya National Bureau of Statistics
KPC	Kenya Pipeline Company
kV	Kilo volt
kVA	Kilovolt-Ampere
KWh	Kilowatt-hour
LCPDP	Least Cost Power Development Plan
LLCOP	Lokichar-Lamu Crude Oil Pipeline

LPG	Liquefied Petroleum Gas
LV	Low voltage
MEPS	Minimum Energy Performance Standards
MOE	Ministry of Energy
MOPM	Ministry of Petroleum and Mining
MPC	Monetary Policy Committee
MW	Megawatt
MV	Medium Voltage
MVA	Mega volt ampere
NEMA	National Environmental Management Authority
NOCK	National Oil Corporation of Kenya
NSCs	Network Service Contracts
NuPEA	Nuclear Power and Energy Agency
OMCs	Oil Marketing Companies
OTS	Open Tender Systems
PMS	Super Petrol
PWDs	Persons with Disabilities
PPAD	Public Procurement and Asset Disposal
PPA	Power Purchase Agreements
PSC	Public Service Commission
QMS	Quality Management System
REREC	Rural Electrification and Renewable Energy Corporation
REP	Rural Electrification Programme
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SEZ	Special Economic Zones
SC	Small Commercial
SCAC	State Corporation Advisory Committee
SMS	Short Service Message
SPV	Solar Photovoltaic
TANESCO	Tanzania Electric Supply Company Limited
TJ	Terra Joules
USSD	Unstructured Supplementary Service Data
WRMA	Water Resource Management Authority

DEFINITION OF TERMS

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.

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, usually 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 expressed in Kshs. /Litre.

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 sources that can be replenished within a short time.

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, 2019 with the responsibility for economic and technical regulation of electric power, renewable energy, petroleum and coal subsectors.

Board Members

The Board Members who served during the year hitherto are:

Name	Designation	Appointment/ Reappointment	Term Expiry
Dr. Eng. Joseph Njoroge	Principal Secretary, Ministry of Energy		
Mr. Andrew Kamau	Principal Secretary, State Department of Petroleum and Mining		
Hon. Rtd. Justice (Prof) Jackton B. Ojwang	Board Chairman	Appointed on 12th May 2020	11th May 2024
Mr. Joshua Oigara	Board Chairman	Appointed on 18th March 2016	17th March 2020
Mr. Pavel R. Oimeke	Director General	Appointed on 1st August 2017	
Mr. Moses Gitari	Alternate to the Principal Secretary State Department of Energy	Appointed on 29th April 2019	
Mr. Daniel Kiptoo	Alternate to the Principal Secretary, State Department of Petroleum and Mining	Appointed on 12th June 2019	
Ms. Jacqueline Mogeni	Council of Governors Representative	Appointed on 27th May 2019	
Lucy Mugwe	Representative of the National Treasury (Audit and Risk Committee)	Appointment on 18th July 2019	
Dr. Sellah Kebenei	Board Member	Re-Appointed on 8th February 2019	7th February 2022
Eng. Samuel Maugo	Board Member	Re-Appointed on 6th June 2018	7th June 2021
Ms. Lilian Mahiri Zaja	Board Member	Appointed on 8th June 2018	7th June 2021
Prof. George Achoki	Board Member	Appointed on 8th February 2019	7th February 2022
Mr. Wanjuki Muchemi	Board Member	Appointed on 6th November 2019	5th November 2022

Management

Name	Designation
Mr. Pavel R. Oimeke	Director General
Ms. Mueni Mutung'a	Corporation Secretary & Director Legal Services
Mr. Edward Kinyua	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	Director Enforcement and Consumer Protection
Ms. Esther Njenga	Ag. Manager Corporate Strategy and Performance

Authority Headquarters

Eagle Africa Centre
Longonot Road, Upperhill
P.O. Box 42681 - 00100
NAIROBI

Authority's Contacts

Telephone No. (+254) 20 2847200
Email: info@epra.go.ke
Website: www.epra.go.ke

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

Auditors

Auditor General
Anniversary Towers
P.O. Box 30034 – 00100 NAIROBI

Principal Legal Advisor

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

CHAIRMAN'S STATEMENT

I take great honor to present to you the Authority's annual report and financial statements for the year ended 30th June 2020. The report highlights the efforts made by the Authority towards the achievement of the Big Four Agenda and Vision 2030 through regulating and steering the energy sector towards sustainable affordable and adequate energy services.

The country's macroeconomics saw the GDP expand by 5.4% in 2019/20, compared to 6.3% in 2018/19. The energy sectors' role in the growth of the GDP cannot be gainsaid. The Government's desire to achieve universal access to power has seen accelerated domestic connections through the last mile initiative, the street lighting programme and the Global Partnership on Output Based Aid (GPOBA). This has resulted in an estimated access rate of 77% as at June 2020.

The Energy Act 2019 provides a framework for the development of a 5-year National Energy Policy and a 3-year Integrated National Energy Plan (INEP). The aim is to ensure coherence and coordination in meeting energy needs of the country. Renewable energy resource utilization has been given prominence with increased share of the energy mix in our national grid. The Petroleum Act 2019 provides for the development of the National Petroleum Policy, a framework that guides the petroleum sub-sector, owing to the discovery of oil in Turkana. The Authority's activities in the regulation of upstream petroleum and capacity building initiatives are bound to ensure successful regulation and promotion of the sector.

The Authority continues to spearhead the smooth functioning of the sector through various regulatory mechanisms such as: licensing, Power Purchase Agreement (PPAs) approvals, regulation development and enforcement, monitoring performance of sector utilities, energy pricing and complaints resolutions. The Authority continued to monitor the implementation of Time of Use (TOU) tariff for large commercial and industrial consumers. Additionally, the Authority developed special tariffs for Special Economic Zones (SEZ) and Export Processing Zones (EPZ) metered at 220kV, all this with the aim of supporting the manufacturing pillar of the Big Four Agenda.

There has been a growing interest in development of Liquefied Petroleum Gas (LPG) infrastructure in the country. This may be attributed to growth in LPG consumption due to upward social mobility. On this account, the Authority is facilitating the shift to LPG through regulatory incentives.

The Authority's regional presence was boosted following the establishment of a new regional office in Lodwar. The office will serve to enhance enforcement, compliance and consumer protection efforts in Lodwar and the environs.

Further, the Authority completed the coordination of the transitional Least Cost Power Development Plan (LCPDP) 2019 -2039, which will be an input into the Integrated National Energy Plan (INEP). The LCPDP provides a framework for the electricity sector's development through demand forecasts and supply projections

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

Hon. Rtd. Justice (Prof) Jackton B. Ojwang
Board Chairman

DIRECTOR GENERAL'S STATEMENT

I take this opportunity to appreciate the efforts made by all sector stakeholders in providing services to consumers during the Financial Year 2019/2020.

Prior to the enactment of the Energy Act 2019, the Authority, previously the Energy Regulatory Commission (ERC), coordinated energy planning on behalf of the Ministry of Energy. The Energy Act now requires the Cabinet Secretary, in coordination with other stakeholders, to develop an Integrated National Energy Plan (INEP) that will provide a blueprint for delivery of reliable energy services at least cost. During the year, the Authority coordinated the development of the LCPDP 2019-2039 which will be an input to the INEP.

The energy sector performed well during the first half of the year with a recorded peak demand of 1,926MW in February 2020. In the power subsector, the level of electricity access increased from 75.2% in the previous year to 77.74% with 7,576,145 customers connected as at May 2020. Due to the global pandemic COVID-19, the sector under performed during the fourth quarter with electricity sales reducing by 0.9% from 8,825 GWh in the Financial Year 2018/19 to 8,746GWh.

The interconnected system in Kenya had a total installed generation capacity of 2,763MW as at June 2020 comprising 826.23 MW of hydroelectric power generators, 828.44MW of geothermal, 720.32MW of thermal, 335.50 MW of wind, 50.25MW of solar and 2MW from Biomass power generators. In addition, isolated mini-grids contributed 28.46MW resulting to a total installed capacity of 2,791MW. KenGen's 158MW Olkaria V geothermal plant was commissioned while the 56MW Iberafrica thermal plant was decommissioned, significantly reducing thermal generation.

There has been notable growth in wind and solar energy investments. It is expected that approximately 270MW of solar and wind power will be installed by 2021. With the introduction of these new plants, the total installed capacity of both wind and solar is expected to increase to 595.25MW.

The Authority has sustained its commitment to reviewing PPAs within 60 days of receipt in accordance with the Energy Act 2019. During the financial year, the Authority reviewed and determined PPA applications which provided an additional contracted capacity of 515MW.

The size of the country's transmission and distribution network expanded by 3% from 236,134km in 2019 to 243,207km as at June 2020. The infrastructure comprises 2,116.4km (400kv lines), 1,686km (220kv lines), 3,372km (132kv lines), 1,187km (66kv lines), 35,703 (33kv lines), 40,616km (11kv lines) and 158,527km (415/240v lines). The Authority continued monitoring the construction and completion of Mariakani, Suswa and Isinya 400/220kV substations that will enhance power system reliability across the country.

The petroleum sub-sector remained vibrant with the consumption of Kerosene (DPK), Super Petrol (PMS) and Diesel (AGO) at 162,218.74 M^3, 1,866,203.45 M^3 and 2,450,608.01 M^3 respectively. By June 2020, the Authority had issued a total of 14,976 Petroleum Business Licenses.

In addition, the Authority continues to set maximum retail and wholesale prices for the three products. The key pricing determinants include importation costs on international oil prices as per Platts, average bank exchange rates, taxes and levies, premiums, storage costs, pipeline tariff costs and transportation costs. This exercise has been efficiently and prudently executed on a monthly basis and with stakeholder participation in the entire process.

In the year under review, the Authority collected KSh. 1.05 billion from the petroleum levy compared to KSh. 1.06 billion in the previous year, a decrease of 0.9%. On the other hand, the electricity levy reduced by 24.2% from KSh. 347 million in 2018/2019 to KSh. 263 million in 2019/2020. The decrease in the levies collected is attributed to the reduced economic activities as a result of Covid-19 containment measures. There were no Government transfers during the period. In total, non-exchange revenue went down by 9% from KSh.1.44 billion in 2018/19 to KSh. 1.31 billion in 2019/20. The total recurrent expenditure increased by 18.3% from KSh. 1.09 billion in 2018/19 to KSh.1.29 billion in 2019/2020.

The Authority's total asset base decreased by 42.5% from KSh. 769.1 million in the previous period to KSh.443 million in 2019/20. Non-current assets increased by 77.1% to KSh. 233 million from KSh. 131.6 million. Current assets went down by 67.1% to KSh. 209.6 million from KSh.637.5 million this is attributed to a cash payment of KSh. 460 million to the National Treasury. Current liabilities decreased by 41.1% to KSh. 291.3 million down from KSh. 494.5 million in the 2018/19 financial year. Further, total equity decreased by 44.8% from KSh. 274.5 million to KSh. 151.4 million in 2019/2020.

Mr. Daniel Kiptoo Bargoria
Director General

Who Governs Us

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

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, he 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. 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 and 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, he has advised on various petroleum upstream, mid/downstream ventures in countries 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, he was awarded the Deal Maker of the Year by Global Pacific Partners.

Eng. Dr. 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 Master of 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 University of Nairobi Alumni Association.

Eng. Joseph Njoroge
Principal Secretary,
Ministry of Energy

Mr. Joshua Oigara
Chairperson

Joshua Oigara was appointed Chairman of the Energy Regulatory Commission on 18th March 2016, bringing to the Commission 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 Order of the Burning Spear, CBS 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.

Integrated Annual Report & Financial Statements For the year ended 30th June 2020

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 has also worked at Finlays Kenya Ltd. and KTDA in research and development of renewable energy and energy efficiency solutions for the manufacturing and tea sectors in Kenya.

Mr. Oimeke holds a Bachelor's degree in Chemical and Process Engineering from Moi University, Kenya; 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.

Mr. Pavel Robert Oimeke
Director General

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.

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

He has vast experience in the Energy and Petroleum sectors with a bias in Policy Formulation, Regulation and Project & Structured Finance. He has previously served as a Legal Advisor at the Ministry of Energy and State Department of Petroleum and Chairman of the Government's First Oil Committee charged with delivery of First Oil for Kenya. He was also instrumental in the drafting of the Energy Act, 2019 and Petroleum Act, 2019.

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

Ms. Jacqueline Mogeni is the Chief Executive Officer of the Council of Governors. She is an advocate of the High Court of Kenya and a Human Rights Specialist. Jacqueline has previously worked at the Transition Authority as the Chairperson of the Legal and Intergovernmental Committee. She also worked as the Gender and Advocacy Development Advisor with SNV-Netherlands Development Organization.

She holds a Master of Arts Degree in International Studies and a Bachelor of Laws both from the University of Nairobi. Jacqueline is passionate about promoting women and children's rights. She is the Chairperson of the East African Women Lawyers Association and also sits on the Board of Senior Women Citizens for Change as a member. She has championed for the rights of women through various published works including, *Women's silent cries: Cases of Violence against women in the Printed Media (1988-2001) and A look at Child Abuse, its perpetrators and the Law (Publication of the SNV- Street Children Program).*

Ms. Mogeni is an active member of the International Commission of Jurists (Chapter one) and the Law Society of Kenya. She has been honoured with a Moran of the Order of the Burning Spear (MBS) by H.E Uhuru Kenyatta, for her exceptional work in fostering devolution in Kenya.

Ms. Jackline Mogeni
Board Member
(Council of County Governors Representative)

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 Doctor of Philosophy Degree in Chemistry (PhD) from the same university (2009).

From 2006 to 2015, she served as Head of Environmental and Life Science Department at the same 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 launch of a Nursing and Clinical Medicine Degree program.

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 commissioner at EPRA since April 2015.

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 was 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).

Ms. Lilian Zaja
Board Member

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.

Mr. Muchemi is a senior legal practitioner with a wealth of experience in International Commercial Law, Arbitration, alternative Dispute Resolution, Multilateral and Bilateral Finance negotiations. He is currently serving as a non- Executive Director in the Boards of several listed and private companies.

Previously, Mr. Muchemi served as the Solicitor General of the Republic of Kenya and the Principal assistant to the attorney General. During his tenure, he was awarded the Chief of the Order of the Burning Spear (CBS) (First Class) by His Excellency, President Mwai Kibaki, for his dedicated service. In addition, he previously served as a Director in several State Corporations as well as at the Centre for Corporate Governance for 10 years.

He holds a Master of Business administration (MBA) degree in Strategic Management and a Bachelor of Laws (LL.B. Hons.) degree from University of Nairobi. He is an Advocate of the High Court of Kenya, Fellow of The Chartered Institute of arbitrators, London, U.K. (FCI arb.), Member of The Institute of Certified Public Secretaries of Kenya (CPS (K)), and The Law Society of Kenya.

Mr. Wanjuki Muchemi
Board Member

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.

Ms. Mueni Mutung'a
Corporation Secretary
& 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.

Prior to 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 has also worked at Finlays Kenya Ltd. and KTDA in research and development of renewable energy and energy efficiency solutions for the manufacturing and tea sectors in Kenya.

Mr. Oimeke holds a Bachelor's degree in Chemical and Process Engineering from Moi University, Kenya; 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.

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).*

Ms. Loise Thuge
Supply Chain Manager

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. 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).

Eng. Joseph Oketch
Director Electricity & Renewable Energy Directorate

James Kilonzo
Acting 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 and Corporate Communications, Human Resources and 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, and a Bachelor of Commerce (Accounting) from the University of Nairobi.

Everlyne Orenge 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.

Evelyne 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 Accountant of Kenya(ICPAK) and the Institute of Internal Auditors (IIA).

Evelyne Orenge
Manager Internal Audit and Risk Assurance

Cyprian M. Nyakundi
Director Enforcement & Consumer Protection

Cyprian has eleven (11) years of experience in Energy Regulation and Policy Making. 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).

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.

Esther Njenga
Acting Manager Corporate Strategy & Performance

CORPORATE GOVERNANCE STATEMENT

1. Introduction

The Board of Directors acknowledge the need to conduct the business and operations of the Authority with integrity and in compliance 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 (Energy Act) and the Petroleum Act No. 2 of 2019 (Petroleum Act). The Board members adhere to good corporate governance by embracing the following principles which are anchored in the Board Charter:

- Observation of high standards of ethical and moral behavior;
- Acting in the best interests of the Authority;
- Ensuring fair staff remuneration and promotion;
- Promotion of legitimate interests of all stakeholders;
- 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.

2. Board of Directors

2.1 Board Composition, Appointment and Size

The Board of Directors, as provided under section 12 of the Energy Act, consists 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 is a non-executive member of the Board and is appointed by the President. The other five members, not being public officers, are appointed by the Cabinet Secretary.

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. The Board members are appointed at different times so that the respective expiry dates of their terms of office vary.

The Board, subject to the approval of the Cabinet Secretary and through a 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 Board Secretary is appointed by the Authority to handle the Authority's secretarial duties.

The appointments and composition of the Authority's Board of Directors takes into account and reflect the gender balance and diversity of the people of Kenya.

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 appointment of the Board members can be terminated in accordance with the provisions of the Second Schedule of the Energy Act or through voluntary resignation.

2.2 Independence and Separation of Roles and Responsibilities

The Board's key role is to ensure the optimal performance of the Authority by collectively directing its affairs, while meeting the respective interests of all stakeholders. The Board guides the development and the implementation of the Strategic Plan and evaluates performance.

The Chairperson is primarily responsible for the activities of the Board and its committees. The Chairperson in consultation with the Director General sets the agenda for Board meetings, chairs the meetings and ensures effective communication to stakeholders. The Chairperson is the spokesperson of the Board and the Authority.

The Director General, who is the Chief Executive Officer, is responsible for the day to day management of the Authority.

2.3 Board Responsibilities

The Board is responsible for the long term success of the organization. The Board provides leadership, strategic direction and exercises effective control of EPRA. The Board assumes collective responsibility through duties which are also discharged through Board Committees.
The Board's responsibilities include:

- Determination of EPRA's mission, vision, purpose and core values;
- Development of long term plans;
- Ensuring preparation of the annual budget and financial forecasts;
- Ensuring that the procurement process is cost effective and delivers value for money;
- Ensuring effective and accurate information flow to stakeholders;
- Ensuring that effective processes and systems of risk management and internal controls are in place;
- Determining the overall organizational and remuneration structure and succession plans;
- Protection of the rights of stakeholders and optimization of stakeholders' value; and
- Ensuring compliance with the Constitution and all applicable laws, regulations and standards.

2.4 Board and Committee Meetings

The First Schedule of the Energy Act stipulates that the Board meetings should be held at least four times every financial year. The provision provides that not more than four months should lapse between the date of one meeting and the next meeting. A schedule of dates for the meetings is agreed upon by Board Members and set out in the Board Work Plan. Notices of the location and the timing of meetings are issued seven days prior to the meetings. The Work Plan is adjusted by the Board when it is deemed necessary.

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 for adoption.

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. The Committees are designed to ensure the Board runs efficiently, effectively and in a manner that incorporates the principles of good 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.

Finance and Administration Committee

The Finance and Administration Committee is chaired by a non-Executive Board member and meets at least once on a quarterly basis. The Committee is tasked with ensuring sound financial reporting, establishing internal system controls, overseeing business plans and budgets, procurement, ICT, public relations, administration and staff affairs. As at June 2020, the committee members were; Eng. Samuel Maugo (Chairman), Ms. Lilian Mahiri Zaja, Ms. Jacqueline Mogeni Dr. Sellah Kebenei, Mr. Wanjuki Muchemi and Mr. Pavel R. Oimeke.

Technical Committee

The Technical Committee is chaired by a non-Executive director and meets at least once on a quarterly basis. As at June 2020, the committee members were; Dr. Sellah Kebenei (Chair), Eng. Samuel Maugo, Prof George Achoki, Ms. Jacqueline Mogeni, Mr. Daniel Kiptoo, Mr. Moses Gitari, and Mr. Pavel R. Oimeke. The Committee is tasked with providing strategic technical direction of the Authority and to approve technical plans, activities, and reports.

Audit and Risk Committee

The Audit Committee is chaired by a non-executive Director and the members are non-Executive Directors. As at June 2020, the committee members were; Prof. George Achoki (Chair), Mr. Moses Gitari, Mr. Daniel Kiptoo and Mrs. Lucy Mugwe. The Committee is tasked with providing reasonable assurance on the adequacy and effectiveness of risk management within the Authority, deliberate on solutions for any material findings in any audit report and review the quality and effectiveness of the Risk Assurance reports.

The Board committee membership is summarized as follows:

Finance and Administration Committee	Technical Committee	Audit and Risk Committee
Eng. Samuel Maugo (Chair)	Dr. Sellah Kebenei (Chair)	Prof. George Achoki (Chair)
Ms. Lilian Mahiri Zaja	Eng. Samuel Maugo	Mr. Moses Gitari
Ms. Jacqueline Mogeni	Prof. George Achoki	Mr. Daniel Kiptoo
Dr. Sellah Kebenei	Ms. Jacqueline Mogeni	Mrs. Lucy Mugwe
Mr. Wanjuki Muchemi	Mr. Daniel Kiptoo	
Mr. Pavel R. Oimeke	Mr. Moses Gitari	
	Mr. Pavel R. Oimeke	

The attendance of meetings held during the year is as summarized below.

Board of Directors	Designation	Board Meetings Total No. of Meetings (13)	Finance & Administration Committee Total No. of Meetings (13)	Technical Committee - Total No. of Meetings (9)	Audit & Risk Committee - Total No. of Meetings (8)	Pension Board Meetings (1)
Mr. Joshua Oigara	Board Chairman	7/13				
Mr. Robert Pavel Oimeke	Member	10/13	9/13	7/9		1/1
Mr. Moses Gitari	Alternate to the Principal Secretary State Department of Energy	7/13	4/13	3/9	3/8	
Mrs. Lucy Mugwe	Alternate to the Principal Secretary, National Treasury				4/8	
Mr. Daniel Kiptoo	Alternate to the Principal Secretary, State Department of Petroleum and Mining	4/13		4/9	5/8	
Eng. Samuel Maugo	Member	11/13	11/13	8/9		
Mr. Wanjuki Muchemi	Member	4/13	2/13			
Dr. Sellah Kebenei	Member	11/13	6/13	9/9		1/1
Prof. George Achoki	Member	11/13	1/13	9/9	8/8	
Ms. Lilian Mahiri Zaja	Member	7/13	10/13			1/1
Ms. Jacqueline Mogeni	Member	8/13	6/13	4/9		

2.5 Board Charter and Work Plan

The Authority has a Board Charter which defines the role and responsibilities of the Board members in executing their strategic oversight function of the organization. The Board's activities are guided by an Annual Work Plan which is prepared at the beginning of each year.

2.6 Directors Induction and Skills Development

New Board Members undertake a comprehensive induction program that ensures that they understand their responsibilities and are familiarized with the general principles of corporate governance. The members are also appraised on EPRA's mandate and the structure of the entire energy sector.

2.7 Board Effectiveness and Evaluation

The Mwongozo Code of Governance requires Boards of State Corporations to undergo performance evaluation. It is in this regard that the Board, under the guidance of a 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

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

2.8 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, Cap 446. The members are paid taxable sitting allowances. The Chairperson is paid a monthly fee and honoraria and the other members are paid a monthly fee. The Board members are entitled to daily subsistence allowances while attending to official duties. Any transport expenses incurred are reimbursed at the prevailing AA rates.

2.9 Ethical Leadership and Corporate Citizenship

The Board is expected to act honestly and in good faith and to cultivate a culture founded on the 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. All Board members sign a declaration of interest form indicating that they will disclose any matters of potential conflict of interest. At the start of every meeting, Board members are required to declare any conflict of interest.

The Board members declare their wealth status as per the Public Service Commission (PSC) requirements. The Authority also maintains a Register of Gifts as per the requirements of the Public Officer Ethics Act, 2003.

2.10 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 complies with the following applicable laws; the Constitution, the Energy Act, the Petroleum Act, Leadership and Integrity Act, 2012, Public Officers Ethics Act, 2003, Public Procurement and Assets Disposals Act, 2015, Public Finance Management Act, 2012, Employment Act 2007, Statutory Instruments Act, 2013 among other legislation. The Board complies with the requirements of Mwongozo Code of Governance and the Board Charter which is based on the Mwongozo principles of good governance.

2.11 Risk Management and Internal Control

The Board acknowledges the importance of ensuring that the Authority has adequate systems and processes of accountability, risk management and internal controls. The Board through the Audit and Risk Committee ensures that appropriate risk management strategies and internal controls are in place. The Authority has developed and is implementing an Institutional Risk Management Policy Framework (IRMPF).

CHAPTER 1: STATUS OF THE INDUSTRY

1.1 National Economy

A number of sectors posted impressive performances but the overall growth was curtailed mostly by a slowdown in agriculture, manufacturing and transportation subsectors. Kenya's Gross Domestic Product (GDP) growth rate is estimated to have contracted to 5.4 per cent in 2019 compared to a growth of 6.3 per cent in 2018 according to the Kenya National Bureau of Statistics (KNBS) Economic Survey Report.

Agriculture, Forestry and Fishing sector accounted for a sizeable proportion of the slowdown having shrunk from 6.0 per cent growth in 2018 to 3.6 per cent in 2019. The manufacturing sector recorded a slow growth of 3.2 per cent compared to a 4.3 per cent growth in 2018. Despite most sectors recording decelerated growths, the economy was supported by accelerated growths in Financial and Insurance (6.6 per cent) and Real Estate activities (5.3 per cent).

The country's Nominal GDP increased from KSh. 8,892.1 billion in 2018 to KSh.9,740.4 billion in 2019. Agriculture remained the dominant sector, accounting for slightly over a third of the total value of the economy. Total aggregate demand that entails total consumption in the economy combined with investments and net exports increased by 9.5 per cent from KSh. 9,213.5 billion in 2018 to KSh. 10,092.2 billion in 2019.

The Central Bank of Kenya (CBK) Monetary Policy Committee (MPC) reviewed the Central Bank Rate (CBR) downwards from 9.00 per cent in July 2018 to 8.50 per cent in November 2019 signaling an easing of monetary policy with the aim of boosting economic growth. Similarly, the capping of bank interest rates previously enshrined in section 33B of the 2016 Banking Act, was repealed in November through enactment of the Finance Act, 2019. Generally, nominal and real interest rates reduced in 2019 with the 91-Day Treasury bill decreasing to 7.17 per cent from 7.34 per cent as at December 2018. Similarly, the interbank, savings and lending rates declined by 2.12, 1.11 and 0.27 points respectively, over the same period. However, the interest rate spread increased to 5.14 per cent as at December 2019 from 5.09 per cent as at December 2018. Annual average inflation rate rose to 5.20 per cent in 2019 compared to 4.69 per cent recorded in 2018 but remained within the CBK medium-term target of 5.0 per cent, with a range of plus or minus 2.5 per cent.

The Balance of Payments position improved from a surplus of KSh.103.4 billion in 2018 to a surplus of KSh.106.4 billion in 2019 on account of a build-up in official reserves. The current account balance worsened to a deficit of KSh.567.0 billion in 2019 from a deficit of KSh.511.3 billion in 2018. The financial account net inflows declined by 3.9 per cent from a surplus of KSh.662.0 billion in 2018 to a surplus of KSh.636.3 billion in 2019. This was mainly occasioned by declines in net inflows of direct investment and other investment liabilities.

Performance of Kenya's economy in the second half of the year, like most economies globally, was disrupted by the emergence of the Covid-19 pandemic. The first case of Covid-19 in the country was reported on 12th March 2020. This led to a slowdown in economic activities resulting from containment measures including the nationwide curfew and stoppage of international passenger travel.

1.2 Energy Market

The country's energy market consists of electricity, petroleum and renewable energy subsectors. This section looks at the performance of the energy sector during the review period.

1.2.1 The Electricity Subsector

Kenya's electricity subsector has advanced in generation, transmission, distribution and access arising from implementation of various reforms. The Energy Act has introduced significant changes to the operations of the sector.

1.2.1.1 Organization of the Electricity Sub-sector

During the period under review, operationalization of the Energy Act 2019 resulted in reorganization of the sector and expanded mandate among sector utilities. The resulting institutional structure is presented in figure 1.1.

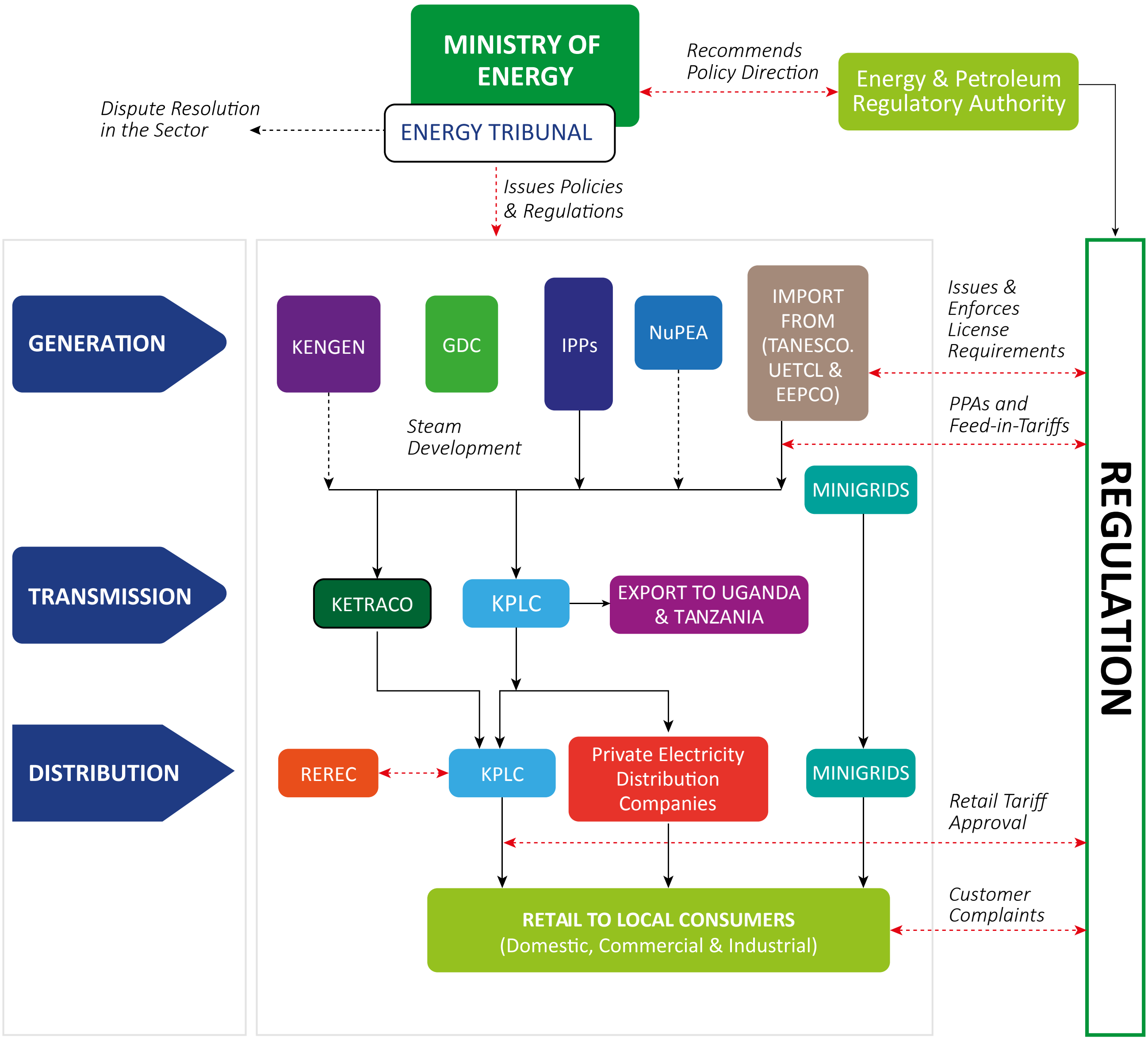


Figure 1.1: The institutional Structure of Electricity subsector

1) **The Ministry of Energy (MOE)** is responsible for policy formulation and monitoring of policy implementation to enable an environment conducive for efficient operation and growth of the sector. It sets the strategic direction for the growth of the sector and provides a long term vision for all sector players.
2) **The Energy and Petroleum Regulatory Authority (EPRA)** is responsible for the economic and technical regulation of the electricity, renewable energy, coal and petroleum sectors.
3) **Energy & Petroleum Tribunal** is a quasi-judicial entity whose function entails hearing and determining disputes and appeals in the energy sector.
4) **Rural Electrification and Renewable Energy Corporation (REREC)** is the lead agency for development of renewable energy resources other than geothermal and large hydropower, in addition to its previous mandate of rural electrification.

5) **The Kenya Electricity Generating Company (KenGen)** is a partly- government owned electric power generating company.

6) **Kenya Electricity Transmission Company (KETRACO)** has the mandate to plan, design, construct, own, operate and maintain high voltage (132kV and above) electricity transmission lines that form the backbone of the National Grid & regional inter-connections.

7) **Nuclear Power and Energy Agency (NuPEA)** is the institution responsible for promoting the development of nuclear electricity generation in Kenya and carrying out research, development and dissemination activities of energy related research findings. It is also expected to facilitate and coordinate capacity building activities in the energy sector.

8) **The Kenya Power and Lighting Company (KPLC)** is the system operator and the main off-taker in the power market, buying bulk power from all power generators on the basis of negotiated Power Purchase Agreements (PPAs) for onward supply to consumers. It also owns and operates part of the existing transmission infrastructure and the entire interconnected distribution network

9) **Geothermal Development Company (GDC)** is a fully owned Government Special Purpose Vehicle (SPV) undertaking surface exploration of geothermal fields, exploratory, appraisal and production drilling and managing proven steam fields. It also enters into steam sales agreements with investors in the power sector.

10) **Independent Power Producers (IPPs)** are private investors in the power sector involved in power generation. They sell energy either on a large scale or through the Feed-in -Tariff policy arrangement.

11) **Mini-grids** are a set of electricity generators and energy storage systems interconnected to a distribution network that supplies electricity to a localized group of customers not covered by the national power grid. The minigrids are licensed by EPRA.

12) **Off-grid home system companies** supply the solar/wind/biogas home systems for households far away from the grid and will play a significant role in ensuring universal access to electrification.

1.2.1.2 Performance of the Electricity Subsector

The onset of COVID-19 pandemic in the second half of the year and subsequent government containment measures created economic shocks, adversely affecting the energy sector. Despite the negative shocks arising from the pandemic, the electricity subsector recorded growth in the financial year compared to the previous year.

1.2.1.3 Electricity supply

The total installed capacity grew from 2,741MW as at June 2019 to 2,840MW as at June 2020. Significant investment in geothermal, hydro, wind and solar generation has made Kenya one of the leading countries in renewable energy power generation. The year under review saw renewable energy account for 73.59% of the total installed capacity as illustrated in figure 1.2.

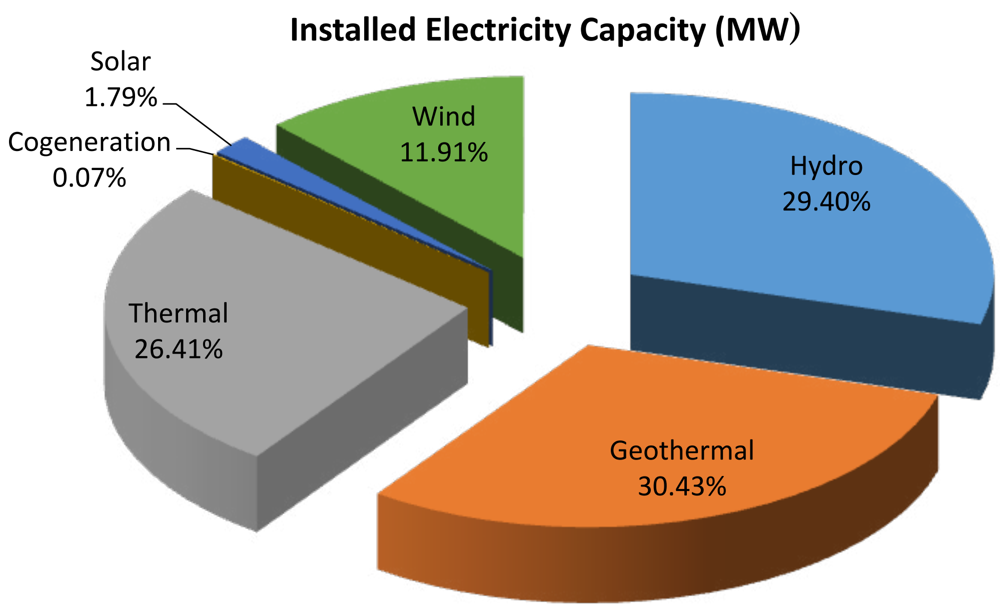


Figure 1.2: Installed Electricity Capacity as at June 2021

KenGen currently accounts for 62.97% of the industry's effective generation capacity. The IPPs accounted for 35.95% while government-owned offgrid stations under the Rural Electrification Programme (REP), implemented by REREC, accounted for about 1.07%.

In the period under review, the power generation mix comprised of 46.69% of geothermal, 32.22% hydro, 7.69% of fossil fuels, 11.20% wind and 0.8% from solar as illustrated in figure 1.3.

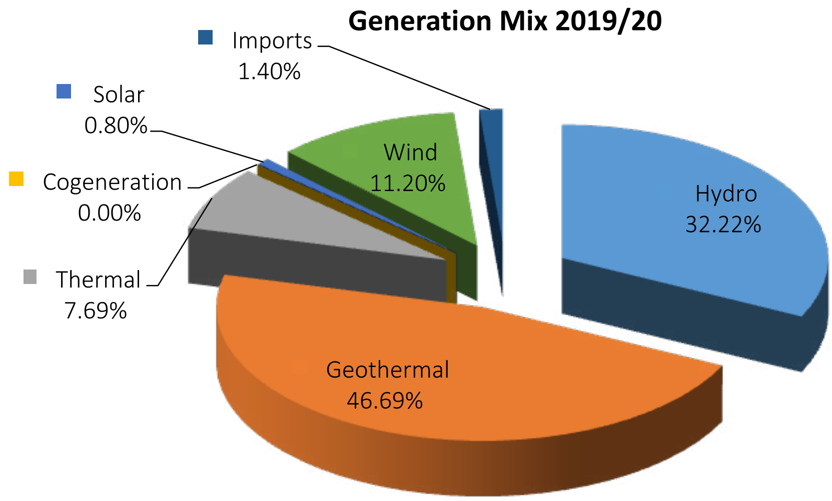


Figure 1.3: Generation Mix as at 2019/2020

The Feed in Tariff (FiT) policy adoption by IPPs and deliberate government policy to advance renewable energy generation has led to continuous decline in energy purchased from thermal generation. Renewable energy sources; geothermal, hydro, solar and wind, dominated the electricity subsector contributing about 87% of the total energy purchased

Geothermal resource is the leading contributor in the renewable energy mix having displaced hydropower as the government increases initiatives for exploration and development of geothermal. Explorations for geothermal energy in the high potential areas of the Rift Valley are ongoing. The country has the potential to produce 10,000MW of geothermal-powered electricity.

As at June 2020, geothermal generation contributed an average of 44.2% of the energy mix. Hydro came close in the energy mix at 36.5%, while Wind improved significantly from the previous year to record 11.2% as at June 2020. This is illustrated in figure 1.4.

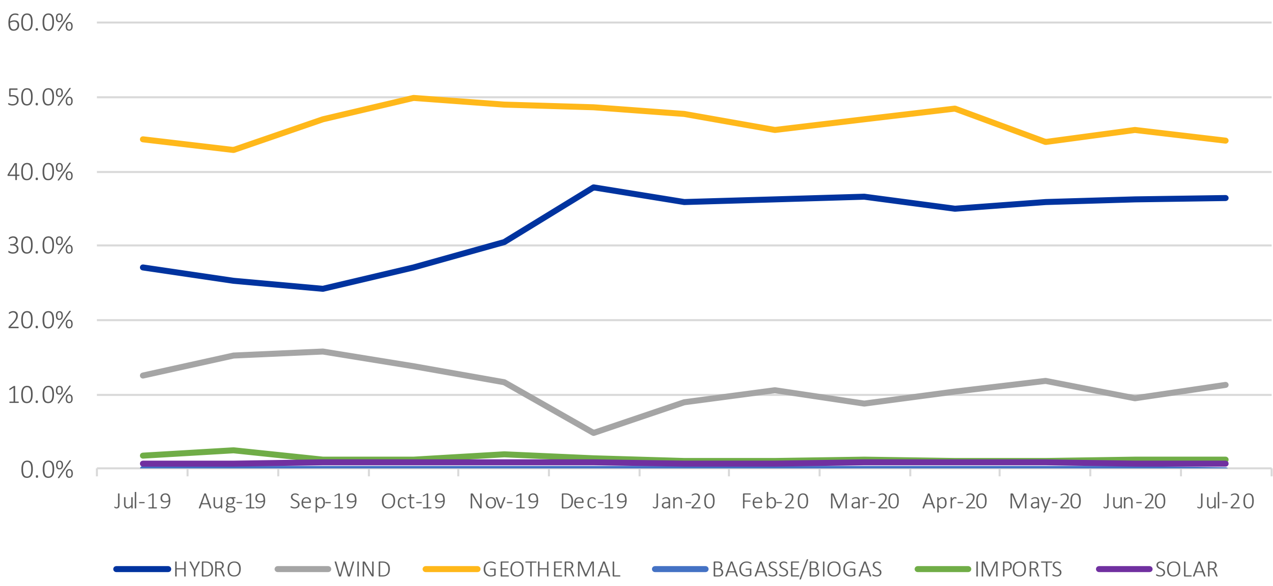


Figure 1.4: Trends in the Renewable Energy Mix

Energy purchased from thermals reduced from 1,298GWh in the Financial Year 2018/19 to 882 GWh while energy purchased from wind and solar increased to 1,284GWh and 91GWh respectively as shown in Table 1.1.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Hydro	3,310	3,787	3,341	3,224	3,741	3,693
Geothermal	4,060	4,609	4,451	5,053	5,033	5,352
Thermal	1,715	1,246	2,164	2,202	1,298	882
Cogeneration	14	0	1	4	0	0
Solar	1	1	1	0	60	91
Wind	38	57	63	47	1,192	1,284
Imports	79	67	184	171	170	161
Total	9,217	9,767	10,204	10,702	11,493	11,462

Table 1.1: A comparison of Energy purchased as at June 2020

1.2.1.4 Electricity Demand and Consumption

The country has seen an upward trend in demand for electricity over the past decade. The peak demand increased from 1,512MW in the Financial Year 2014/15 to 1,926MW in Financial Year 2019/20. A new peak of 1,976MW was realized in December 2020. The trend in peak demand for the period 2014/15-2019/20 is shown in figure 1.5.

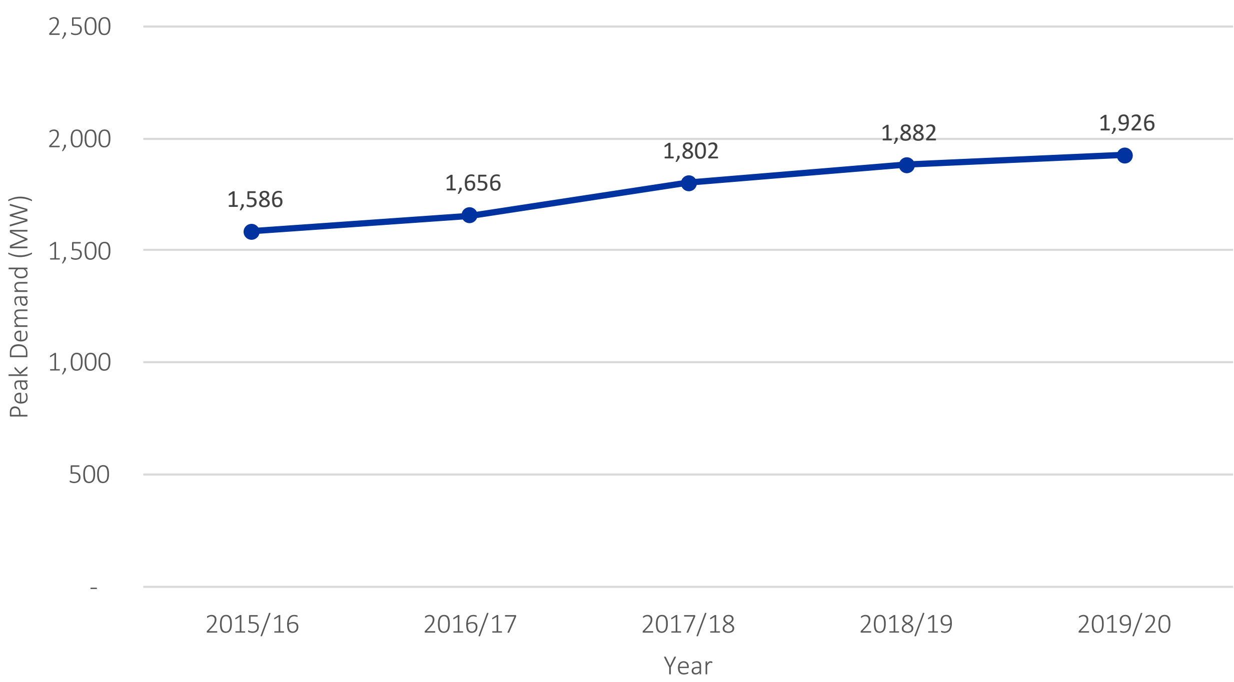


Figure 1.5: Trends in the system peak demand

The rise in system peak demand is associated with the increased number of consumers connected over the years. The number of customers connected to the national grid increased to 7,674,534 customers from 6,942,553 in the Financial Year 2018/19. This represents a 9.4% increase in customer connections and an estimated 75% electricity access. Figure 1.6 presents the growth of customer connections leading to the period ending June 2020.

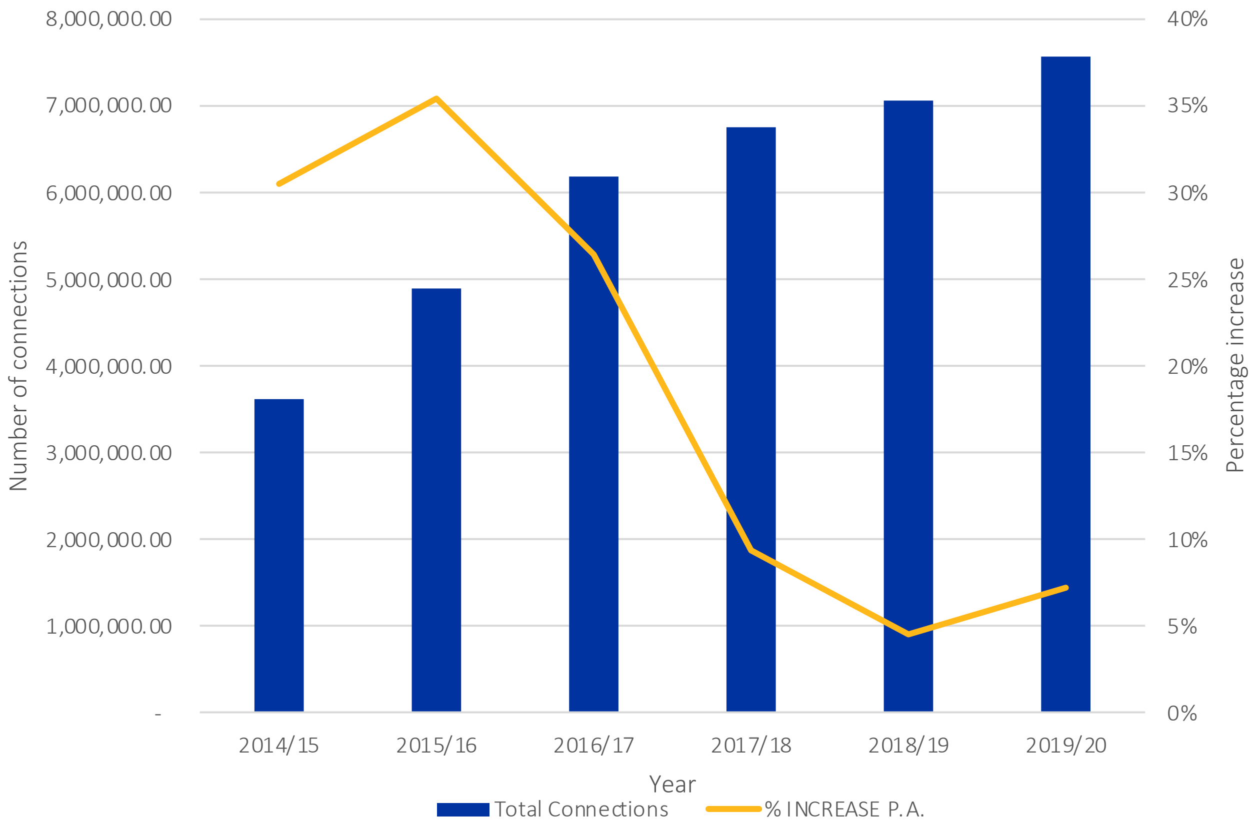


Figure 1.6: Trends in cumulative customer connections

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

Electricity consumption has been on an upward trend over the last 5 years. While the electricity sold was 7,655 GWh in the Financial Year 2014/15, sales increased to 8,773 GWh in the year under review. A summary of trends in consumption among various customer categories is presented in table 1.2.

Tariff	**Customer Category**	**Sales (GWh)**					
		2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
DC	Domestic	1,866	2,007	2,138	2,335	2366	2,508
SC	Small Commercial	1,143	1,153	1,201	1,222	1250	1,262
CI	Commercial and Industrial	4,030	4,104	4,266	4,225	4462	4,308
IT	Off-peak	15	26	41	33	N/A	N/A
SL	Street lighting	35	40	55	66	68	76
	REP System (DC (*((DC, SC, SL)	525	537	549	554	595	602
	Export to Uganda	38	43	20	22	27	18
	Export to TANESCO	2	2	2	1	0.01	0
	TOTAL	7,655	7,912	8,272	8,459	8,769	8,773
	% INCREASE P.A.	5.70%	3.40%	4.50%	2.30%	3.70%	0.0%

Table 1.2: Electricity sales based on customer categories

Electricity consumption is expected to increase driven by factors such as population growth, urbanization, intensive electrification programme and continued recovery in the manufacturing, agricultural and other sectors.

1.2.1.5 Electricity Transmission and Distribution

The total length of the transmission and distribution network was 243,207 kilometers for all voltage levels in the Financial Year 2019/20 an increase from 59,322 kilometers in the Financial Year 2014/15. The growth in transmission infrastructure has been greatly influenced by Kenya Electricity Transmission Company (KETRACO) who have accelerated the development of transmission lines consisting of 132kV, 220kV and 400kV and substations. KPLC has supported the growth of distribution infrastructure through initiatives towards universal connectivity. Table 1.3 presents the network growth over the years.

VOLTAGE	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
400 kV			96.8	1,244.4	2,116.4	2,116.4
220 kV	1,352	1,452	1,555	1,686	1,686	1,686
132 kV	2,824	3,087	3,208	3,322	3,372	3,372
66 kV	952	977	1,000	1,168	1,187	1,187
33 kV	21,370	27,497	30,846	34,508	35,177	35,703
11 kV	32,823	35,383	37,234	38,968	39,797	40,616
Total HV and MV	59,322	68,396	73,940	80,897	83,335	84,681
415/240V or 433/250V		110,778	139,642	143,331	152,799	158,527
TOTAL	**59,322**	**179,174**	**213,582**	**224,228**	**236,134**	**243,207**
% INCREASE P.A.		**15.3%**	**19.2%**	**5%**	**5%**	**3%**

Table 1.3: Transmission & Distribution lines as at June 2020

The total transmission network (400kV, 220kV, 132kV) stood at 7,174.35 kms by June 2020. The entire national interconnected electricity distribution network is under KPLC and stood at 320,714 kms in 2019/20. The distribution network consists of 66 kV feeder lines and 33kV and 11kV medium-voltage lines and 415/240V 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 by 2022. Various projects and programs are being implemented to reduce system losses and improve system reliability.

There was a significant expansion of generation substations from 3,025MVA in 2015 to 3,878MVA in 2020. During the same period, transmission substation capacity expanded from 3,144MVA to 4,942MVA while distribution substations grew from 3,572MVA in 2014/15 to 4,563MVA. Distribution transformer capacity increased during the same period from 6,384MVA to 8,174MVA. Table 1.4 presents the transmission and distribution substations capacities for the period under review.

	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Generation Substations Total	3025	3145	3205	3370	3720	3878
Transmission Substations Total	3144	3704	4376	4866	4942	4942
Distribution Substations Total	3572	3848	4056	4372	4480	4563
11/0.415 kV & 33/0.415 kV Distribution Transformers	6,384	7,088	7,276	7,606	7,844	8174

Table 1. 4: Transmission and Distribution Substations as at June 2020

1.2.2 National 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 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.

In the review period, 98.3% of all electricity supplied was generated locally. Further, 88.5 per cent of the domestically produced electricity in 2019 was renewable. The total electricity demanded locally was 31,387.41 TJ while transmission and distribution losses accounted for 9,901.80 TJ.

During the review period, 23,930.78 TJ of petroleum fuels were supplied to the country mainly from imports. Over the same period, 21,999.79 TJ of petroleum fuels were consumed, with 63.0 per cent being used by road transport. Data from the KNBS shows that air transport and households accounted for 13.5 per cent and 7.4 per cent respectively.

Overall energy consumption data indicates that households utilized 59.8 per cent of all energy used, mainly in form of firewood. The use of 8.2 per cent of energy remained unallocated.

1.2.3 Competition Analysis

The Authority uses the Herfindahl Hirschman Index (HHI) as the metric for determining 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, firms have no market power.

In the electricity subsector, only the generation and retail functions exhibit characteristics of a competitive market. The transmission and distribution functions are natural monopolies. During the Financial Year 2019/2020, the HHI for the generation function stood at 0.482. The HHI trends in the generation function indicate that this market is still highly concentrated. It therefore requires enhanced regulatory and policy interventions to attract more entrants.

1.2.4 The Petroleum Subsector

1.2.4.1 Organization of the Petroleum Sub-sector

Kenya's petroleum subsector comprises upstream, midstream and downstream operations as shown in figure 1.7.

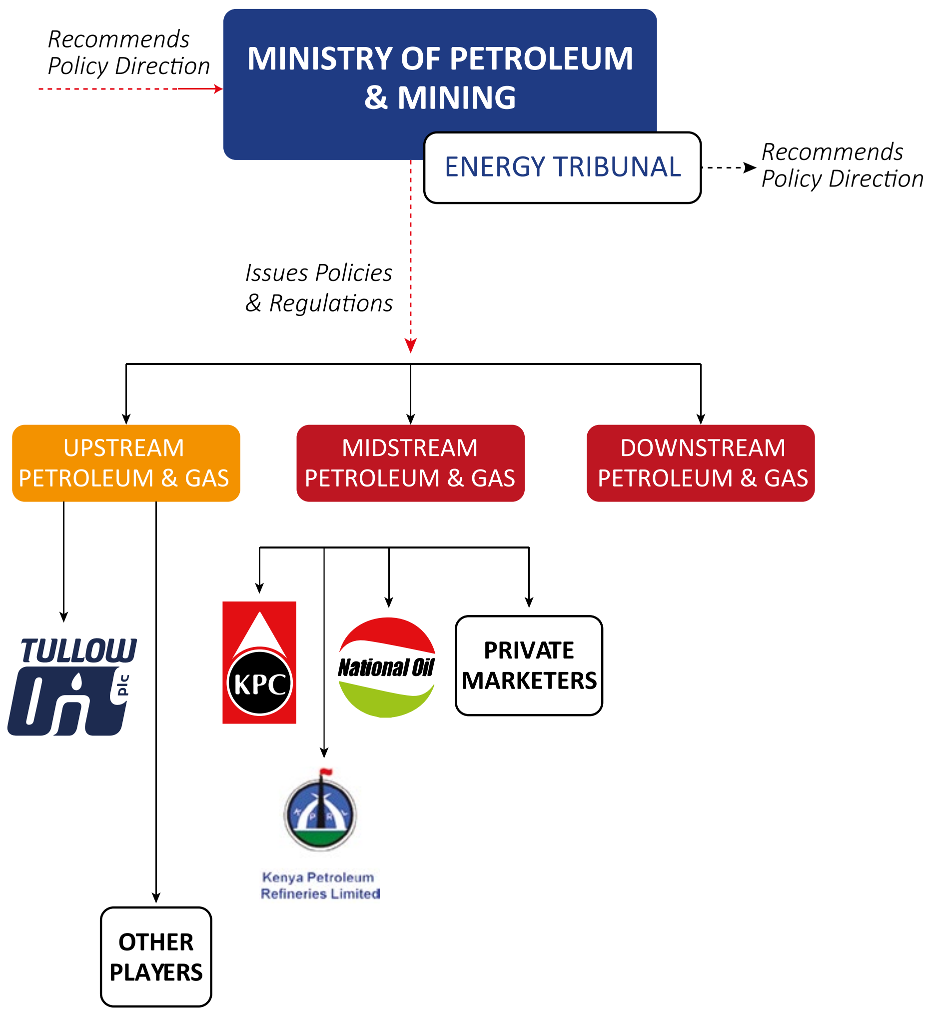


Figure 1.7: Structure of Petroleum subsector in Kenya

Upstream

The assenting into law of the Energy Act and the Petroleum Act gave EPRA additional functions of regulating the Upstream Petroleum Sector. In this regard EPRA is required to issue various permits and approvals for the upstream activities including non-exclusive exploration permits, drilling permits, plugging and abandonment permits.

Mid-stream

The Authority regulates the construction and operations of crude-oil pipelines and refineries. In 2019, the Authority submitted its comments on the Environmental and Social Impact Assessment (ESIA) of the proposed Lokichar-Lamu Crude Oil Pipeline (LLCOP) to NEMA. The LLCOP project is being conceptualised to transport crude oil from the oil fields in the South Lokichar Basin in Turkana County to a storage and loading-out facility at the new port in Lamu County via a 20-inch diameter and 824-kilometre-long pipeline. This pipeline is expected to have an effective capacity of 120,000 barrels of oil per day (bopd).

Key players in both the upstream and midstream sectors include:

National Oil Corporation of Kenya (NOCK) is a Government Corporation that is responsible for carrying the interest of the country in active participation of the Upstream activities such as exploration, appraisal, development and production. This is aimed at building the capacity of Kenyans to participate in the Oil and Gas industry.

International Oil Companies (IOCs) are companies participating in the Oil and Gas industry in Kenya in the licensed blocks and are actively carrying out exploration, appraisal, development and production of Oil and Gas as per the terms of the Production Sharing Contracts.

Downstream

The Petroleum downstream sector is defined by existence of a vibrant storage, retail stations, refined oil pipelines, road and rail transportation and trade in refined petroleum products. The downstream sector has the following key participants:

Kenya Pipeline Company is licensed to build and operate bulk petroleum storage, pipelines, jetties and common user loading facilities in Kenya.

National Oil Corporation of Kenya (NOCK) has a downstream department that enables the Government to promote competition in the petroleum industry in Kenya and to facilitate access to refined petroleum products in Kenya.

Oil Marketing Companies (OMCs) are licensees who deal in refined petroleum products by importing petroleum through the Open Tender System (OTS) and own and operate the retail stations all over the country

Policy and legislation

The Ministry of Petroleum and Mining (MOPM) is responsible for policy formulation and monitoring of policy implementation to enable an environment conducive for efficient operation and growth of the sector. It sets the strategic direction for the growth of the sector and provides a long-term vision for all sector players.

The Energy and Petroleum Regulatory Authority (EPRA) is responsible for economic and technical regulation of the coal and petroleum sectors. In this regard, EPRA regulates the down-, mid- and up-stream sub-sectors.

Energy Tribunal is a quasi-judicial entity whose function is hearing and determining disputes and appeals in the energy sector. Energy Tribunal handles disputes in the down-mid- and up-stream subsectors.

1.2.4.2 Performance of the Petroleum Subsector

The demand for oil across the world fell rapidly as lockdown was instituted to minimize the spread of the COVID-19 pandemic. The initial outlook and uncertainty surrounding the trajectory and intensity of the pandemic led to lack of general agreement on oil production levels between two of the largest oil producers, namely, Russia and Saudi Arabia in early March of 2020. In addition, the US delay in cutting back on oil production, resulted in an oversupply of oil which led to an unprecedented collapse in oil prices. Consequently, the annual average Murban crude oil prices per barrel dropped from USD 64.92 in 2019 to USD 41.45 in 2020.

Petroleum Supply, Demand and Consumption

The total volume of petroleum products imported into the country dropped by 10.9 per cent to 5.7 million tonnes in 2020. During the same period, total exports of petroleum products rose by 7.1 per cent to 832.1 thousand tonnes. The total import bill of petroleum products decreased to KSh. 209.1 billion in 2020 from KSh. 316.6 billion in 2019.

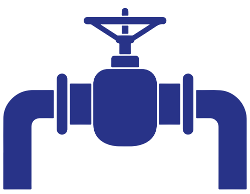
Demand	**2015**	**2016**	**2017**	**2018**	**2019**
Liquefied Petroleum Gas	151.7	189.3	222.3	312.1	326.2
Motor Spirit (Premium and Regular)	1,227.2	1,267.4	1359.0	1,434.3	1,395.3
Aviation Spirit	4.8	3.8	18.8	10.2	1.9
Jet/Turbo Fuel	619.2	649.7	674.4	699.4	394.8
Illuminating Kerosene	371.7	448.0	339.4	168.3	127.0
Light Diesel Oil	2,318.3	2,086.2	2173.1	2,198.7	2,157.6
Heavy Diesel Oil	0.5	1.2	0.2	1.3	1.8
Fuel Oil	350.9	525.0	402.0	382.8	273.9
Total	5,044.2	5,170.6	5189.2	5,207.1	4,678.5
Refinery Usage	-	-	-		
Total Domestic Demand	5,044.2	5,170.6	5189.2	5,207.1	4,678.5
Export of Petroleum Fuels	12.5	6.4	8.4	7.0	2.3
Total Demand	**5,046.9**	**5,177.0**	**5197.6**	**5,214.1**	**5,214.1**
Supply					
Crude oil	-	-	-	-	
Total Imports	**4,915.7**	**5,524.2**	**5396.3**	**5,682.2**	**5,682.2**
Adjustment	(141.1)	347.2	198.6	468.1	239.5
Total Supply	**5,056.8**	**5,177.0**	**5197.6**	**5,214.1**	**4,680.8**

Table 1.5: Petroleum Supply and Demand in thousand tonnes from 2015

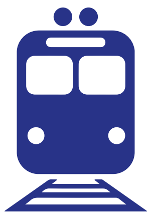
At macro level, the total import bill of petroleum products contracted to KSh.209.1 billion in 2020 from KSh.316.6 billion in 2019. This was mainly due to a reduction in mobility brought about by containment measures to curb the spread of COVID-19 coupled with the sharp fall in global oil prices in 2020. The value of total exports of petroleum products declined by 2.1 per cent to KSh.42.6 billion. The value of domestic exports of petroleum products increased by 44.4 per cent to KSh. 5.2 billion in 2020. The value of net balance decreased from KSh.273.1 billion in 2019 to KSh.166.6 billion in 2020.

Petroleum Transportation and Distribution

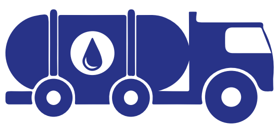
Transportation and distribution of petroleum products in Kenya is done through the following modes:



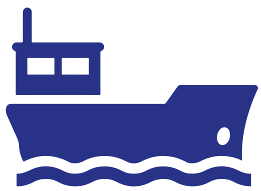
Pipelines (via KPC pipeline systems)



Railway systems (via the Kenya Railways metre-gauge system)



Road



Water (via Barges and wagon-ferries)

Competition Assessment in the Petroleum Subsector

There were ninety-five (95) registered Oil-Marketing Companies (OMCs) in Kenya as of June 2020. These companies market petroleum products; diesel, kerosene, gasoline (petrol), lubricants, and LPG.

Importation of petroleum products is done through the Open Tender System (OTS) that allows all the OMCs to access petroleum products at the same price and therefore ensures competition in the petroleum market.

The HHI for the FY 2019/2020 was 0.101. This implies that competition in the petroleum subsector has improved over the year which can be attributed to effective and fair regulation. A few small-sized firms have grown to secure a substantial portion of the market share hence improving product accessibility which is an essential element in attaining security of supply.

Petroleum Retail Stations Density

The Authority regulates the construction and operations of retail stations to ensure that they conform with safety, health, operational and environmental standards. The prices of retail petroleum products are also regulated to guarantee fairness to both investors and consumers. As at 2019, there were 3,553 retail stations in Kenya as displayed in figure 1.8.

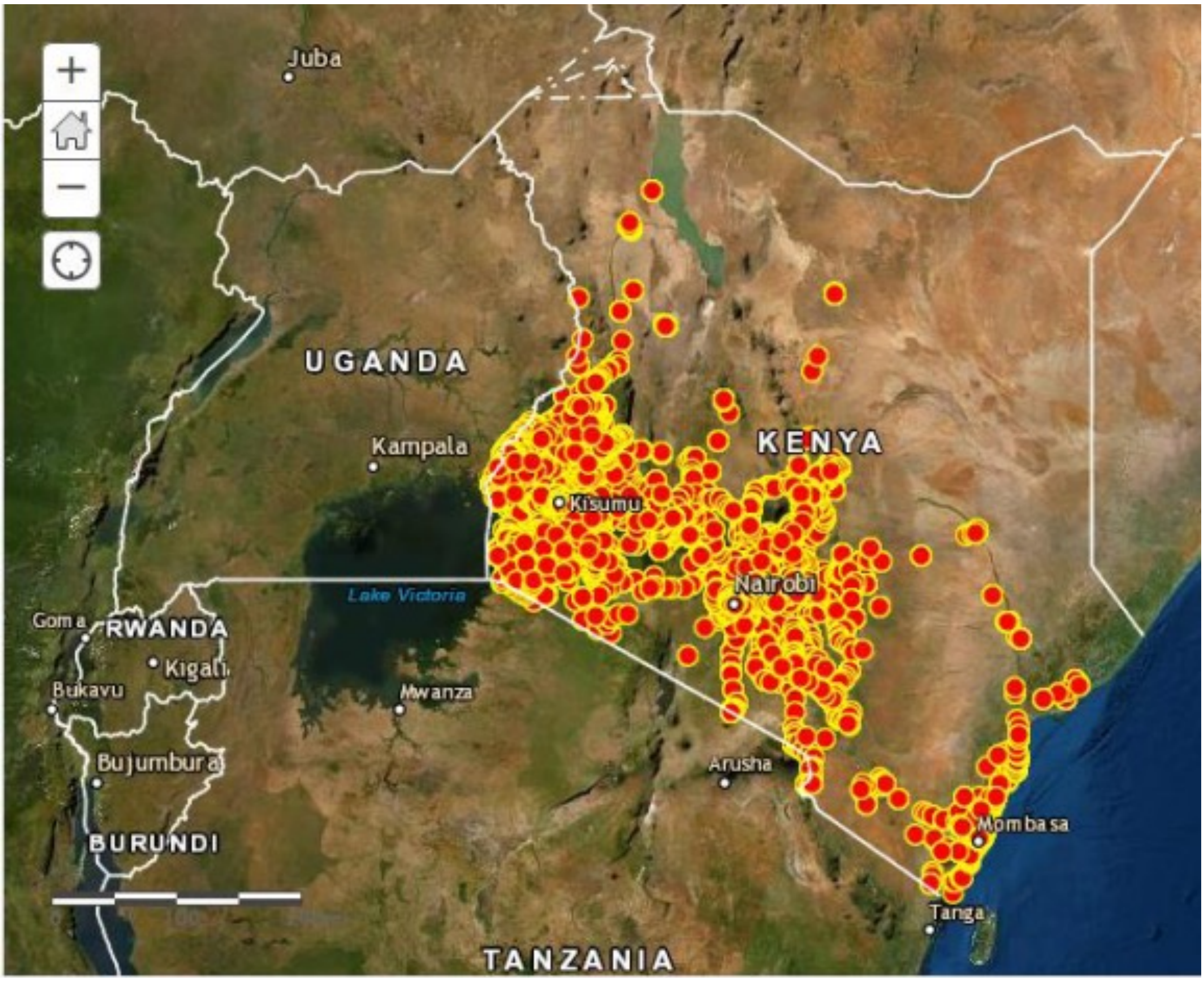


Figure 1.8: A GIS map showing the distribution of retail stations in Kenya

CHAPTER 2: LEGAL, POLICY & REGULATORY FRAMEWORK

The Authority, in carrying out its mandate, is guided by the constitutional provisions and all other applicable laws, regulations, rules and standards.

The following are some of the key legislations 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 states 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.

The 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 and the Petroleum Act. The Energy Act consolidated the laws relating to energy. It provides for:

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

The Petroleum Act expounded on legal requirements in relation to upstream, mid and downstream petroleum. It provides the legal framework for;

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

The Petroleum Act has also brought clarity to the regulation of the petroleum sector by singling out offences and penalties related to illegal petroleum facilities, illegal refilling of LPG cylinders and adulteration of petroleum products among other malpractices. Pursuant to the new laws, EPRA will be required to establish an institutional framework that will handle matters related to Upstream petroleum.

2.3 Policy

The policy framework 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 energy sources.

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 (Operation of Common User Petroleum Logistics Facilities) Regulations, 2013.

ix) Energy (Lubricants Facility Construction and Business Licensing) Regulations, 2013.

x) Energy (Licensing of Petroleum Refining Businesses and Facility Construction) Regulations, 2013.

xi) Energy (Licensing of Petroleum Business and Petroleum Facility Construction) Regulations, 2013.

xii) Energy (Licensing of Petroleum Logistics Business and Facility Construction) Regulations, 2013 (L.N. 9/2014).

xiii) Energy (Energy Regulatory Commission Petroleum Levy) Order, 2018 (L.N. 162/2018).

xiv) Energy (Licensing of Petroleum Road Transportation Business) (Amendment) Regulations, 2019 (L.N. 99/2019).

xv) Energy (Liquefied Petroleum Gas) Regulations, 2019 (L.N. 100/2019).

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) (Amendment) Regulations, 2018 (LN. 242/2018).

The Energy Act and Petroleum Act necessitated enactment and review of several regulations. In this regard, the Authority commissioned the process of reviewing and developing a set of 11 regulations for the petroleum sector. Further, a task force was established by the Energy Cabinet Secretary to, among others, spearhead the development and review of 29 sets of regulations, under the Energy Act.

2.5 Standards/Codes

The Authority applies standards/codes from time to time in fulfilling its regulatory mandate. During the review period, the Authority participated in the development of industry standards. They include:

- The harmonized East African Standards for the transportation of Petroleum Products in tankers which aim at facilitating trade in the EAC region.
- Revised Minimum Energy Performance standards for household refrigerators and split system air conditioners.

CHAPTER 3: LICENSING

3.1 Introduction

The Energy Act mandates the Authority to license players in the electricity, petroleum, renewable energy and coal bed-methane subsectors. The licensing function aims at protecting consumers, investors and other stakeholders by guaranteeing access to quality and safe products.

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

3.2 Licensing

3.2.1 Petroleum Licensing

The Authority is mandated, under section 74 of the Petroleum Act, to license activities falling within the petroleum value chain from refining, importation, export, bulk storage or transportation of petroleum crude or products. Accordingly, the Authority issues licenses to all players in the petroleum and gas value chain who include importers, bulk distributers, retailers and bulk storage facilities.

The licenses issued during the year are indicated in the table 3.1.

Type of license	No. of Licenses issued	No of days taken to process
Retail of LPG in Cylinders	6,059	11.01
Driver Certification	5,755	10.27
Export and Wholesale of Petroleum Products (Except LPG)	901	10.00
Transport of petroleum products (Except LPG)	892	9.96
Transport of LPG in Cylinders	357	11.07
Retail of Petroleum Products (except LPG)	270	8.98
Storage & Wholesale of LPG in cylinders	232	11.18
Transport of LPG in bulk	104	8.63
Import, Export and Wholesale of Petroleum Products (Except LPG)	97	7.35
Storage & Filling of LPG in Cylinders	77	8.45
Import, Export and Wholesale of LPG in bulk	69	10.76
Export and Wholesale of LPG in bulk	43	8.59
Storage of petroleum products (Except LPG)	32	7.12
Transport of Jet-A1	31	8.20
Export & wholesale of Jet-A1	25	6.48
Import, Export and Wholesale of Bitumen	12	10.48
Storage & Filling of LPG in Bulk	9	7.19
Bunkering of Petroleum Products (Except LPG)	8	12.02
Import, Export and Wholesale of Fuel Oil	5	13.72
Storage of LPG in Bulk	2	11.00
Import of Lubricants	1	9.00
Transport by Railway of Petroleum Products (Except LPG)	1	5.00
Total	**14,982**	**10.48**

Table 3.1: Licenses issued in the Petroleum sector for the Financial Year 2019/2020

There was a notable spike in the number of licences issued to drivers and LPG retailers following the operationalisation of LPG and petroleum road transport regulations.

3.2.2 Renewable Energy Sub Sector

The licensing framework for the Solar Photovoltaic (SPV) industry was developed to address challenges occasioned by substandard works and products. The licensing regime works under provisions of the Energy (Solar Photovoltaic Systems) Regulations 2012. The regulations provide for licensing of solar PV technicians, contractors, importers, vendors and manufacturers. Technician licenses are categorized in classes T1, T2 and T3. Importers and manufacturers of the solar PV equipment are issued with the class V2 license. Class C1 license is issued to contractors while V1 is issued to vendors. Figure 3.1 presents a comparison of solar PV licenses issued in the financial year 2019/2020 and 2018/2019.

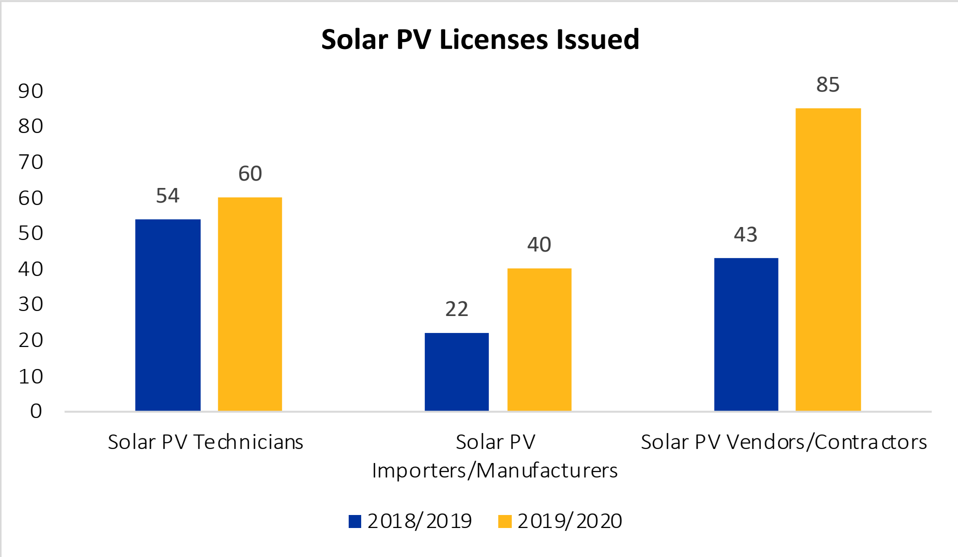


Figure 3.1: A Comparison of Solar PV Licenses issued in 2018/2019 and 2019/2020

The number of licenses issued to Solar PV Technician increased by 11% during the year. Licenses issues to importers and manufacturers increased by 45% while those issued to vendors and contractors increased by 49%.

3.2.3 Energy Efficiency

Energy efficiency is an essential component in meeting Kenya's Nationally Determined Contributions (NDCs). 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 promote 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 2019/2020, compared to the ones issued the previous year.

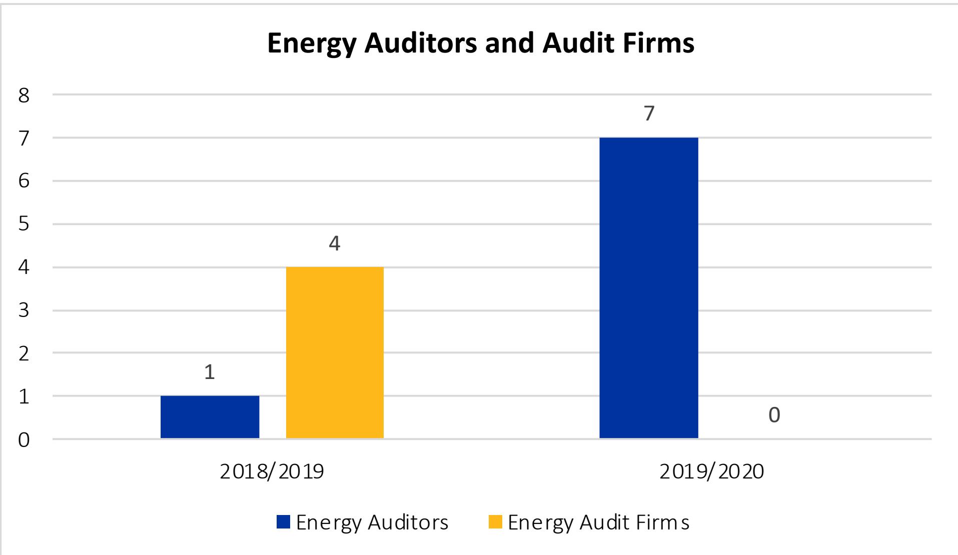
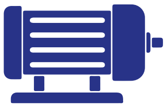


Figure 3.2: A comparison of Energy Auditors and Audit Firms Licenses issued in 2018/19 and 2019/2020

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 act as a consumer guide on the energy efficiency of a product. 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.

The Authority issues registration certificates to energy appliances that meet the Minimum Energy Performance Standards (MEPS). Figure 3.3 presents the registration certificates issued in the year under review, compared to the ones issued in 2018/2019.

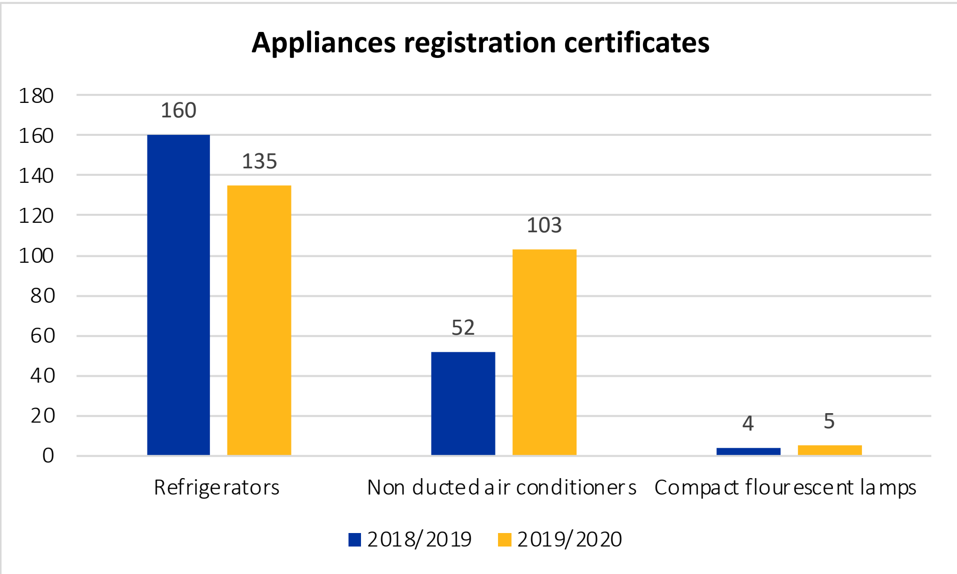


Figure 3.3: A Comparison of Appliances Registration Certificates issued between the Financial Year 2018/2019 and 2019/2020

The number of refrigerator models registered during the year reduced by 15 % whereas the models for air conditioners increased by 50 %. The reduction means that most of the refrigeration appliances in the market have been registered and fewer new models are being imported. For air conditioners, the standard was reviewed to align it with changes in manufacturing technology.

3.4 Electricity Licensing

The Authority is mandated to license activities falling within the electricity value chain from generation, transmission, distribution, and retailing. Accordingly, the Authority issues licenses to electrical contractors, electricians and electrical power undertakings.

3.4.1 Licensing of Electric Power Undertakings

The Authority is required by Section 119 and 121 of the Energy Act, 2019 to process all materially complete applications for electric power undertaking licence or permit within sixty days. The licensing process is guided by the Act and the Energy (Electricity Licensing) Regulations, 2012.

During the period under review, four (4) applications for electric power undertaking licences were received and processed within an average of 21.5 days as presented in table 3.2.

No.	Applicant	Date of Approval	Capacity	Processing Days
1.	Marco Borero Company Limited	27th May 2020	1.5MWp	16
2.	Nithi Hydro Power Ltd	27th May 2020	5.6MW	22
3.	DWA Estate Ltd	25th March 2020	1.44MW	28
4	Kudura Power East Africa Limited	25th March 2020	10 sites with capacities ranging from 18KW to 60kW	20

Table 3.2: Electric power undertaking licenses issued in the Financial Year 2019/2020

3.4.2 Licensing of Electrical Contractors

Section 150 of the Energy Act requires the Authority to process all applications for electrical contractor licences within 30 days from the date of application and grant the licenses, either without conditions or subject to such conditions, as it may deem fit or refuse to grant the licenses, giving reasons thereof.

During the period under review, a total of 257 applications for electrical contractor licenses were received and processed in accordance with the requirements of the Act. Consequently, 202 licences were issued bringing the total number of issued electrical contractor licences to 2,065 by end of the Financial Year 2019/2020.

Table 3.3 presents a summary of electrical contractor licenses issued in 2018/2019 and 2019/2020 by license class.

License Class	Issued Electrical Contractor Licenses	
	2018/2019	**2019/2020**
C2	192	50
C1	81	68
B	18	32
A1	51	46
A2	4	6
Total	**346**	**202**

Table 3.3: A comparison of Electrical Contractor licenses issued in 2018/2019 and 2019/2020

3.4.3 Licensing of Electrical Workers

Section 149 of the Energy Act requires the Authority to process all applications for electrical worker certificates within 60 days from the date of application.

During the period under review, a total of 756 applications for electrical worker certificates were received and processed in accordance with the requirements of the Act. Accordingly, 273 electrical worker certificates were issued during the year. This puts the total number of issued certificates at 4,916.

There are five classes of electrical worker certificates namely: Class C2, C1, B, A1 and A2. The classifications are based on the scope of work, qualification and work experience. Table 3.4 presents a summary of electrical worker certificates issued in 2018/2019 and 2019/2020 under these classifications.

Certificate Class	Issued Electrical Worker Certificates	
	2018/2019	**2019/2020**
C2	175	108
C1	114	116
B	27	22
A1	33	24
A2	6	3
Total	**355**	**273**

Table 3.4: Electrical worker certificates issued in 2018 and 2019/2020 by license class

As summarized in Table 3.4, there was a 23.1% decline in the number of total licenses issued. This is attributed to the cessation of movement which affected licensing activities such as administration of assessment tests.

Only persons who meet competency standards set by the Authority qualify for licensing. The competency standards provide guidelines on work practices, tools, equipment and safety of installations. Written and oral competency assessment tests were administered to 880 and 552 applicants respectively. Table 3.5 presents attendance and performance summary for the competency assessment tests.

	Number of Candidates	
	Written Interview	**Oral Interview**
Pass	316	246
Fail	353	199
Did Not Attend	211	107
Total Invited Candidates	880	552

Table 3.5: Competency assessment tests attendance and performance summary

3.4.4 Review of Electricity ESIA Reports

The Sustainable Development Goal (SDG) number 15 calls for protection, restoration, conservation and sustainable use of terrestrial and other ecosystems. To achieve this objective, the Authority assists NEMA in reviewing environmental requirements for electricity projects.

During the period under review, six (6) ESIA reports were submitted for review and were processed within an average of 10 days. Table 3.6 provides a summary of electricity projects whose ESIA reports were reviewed by the Authority.

S. No	Project	Proponent	County	Nature of Project	Capacity (Mva)	Processing Days
1	Nyaru 33/11 kV Substation	KPLC	Elgeyo Marakwet	Step down power substation	7.5	8
2	Turbo 33/11kV Substation	KPLC	Uasin Gishu	Step down power substation	7.5	12
3	Nyangusu 33/11kV Substation	KPLC	Narok	Step down power substation	7.5	10
4	KAIRAA-KIRINGO 5kw Small hydro power plant	Icon Point Technologies	Meru	Small Hydro power plant	5MW	11
5	220/33KV Substation	KETRACO	Kirinyaga	Step down power substation	23MVA	13
6	132kV transmission line in Makindu, Makueni County	EMC consultants Ltd	Makueni	Power evacuation project (transmission)	80MVA	7

Table 3.6: ESIA reports reviewed in the Financial Year 2019/2020

CHAPTER 4: CONSUMER PROTECTION, COMPLIANCE AND ENFORCEMENT

4.1 Introduction

The Constitution of Kenya, 2010 protects the rights of citizens. Under the constitution, consumers are entitled to access to information, quality goods and services. The Authority is mandated under the Energy Act and the Petroleum Act to protect the interests of energy consumers, investors and other stakeholders. This is achieved through compliance inspections, technical audits, complaints and dispute handling, investigation of accidents and incidents, consumer awareness and enforcement.

4.2 Compliance Audits

The Authority carries out periodic technical and safety compliance audits on the licensees' activities. This is to ascertain that they are operating in compliance with the Energy Act, Petroleum Act, other applicable laws and standards. In addition to the audits, the Authority conducts regular monitoring of ongoing energy projects to ensure that they are progressing as planned and that safety and environmental standards are being observed.

4.2.1 Fuel Marking and Monitoring Program

The Authority monitors the quality of fuel designated 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. The diversion of petroleum products meant for export is perpetuated to avoid paying taxes due for such products.

During the period under review, the total volume of petroleum products marked by KE-220 (export marker) was 2,402,222,573 litres while that of KE-210 (local kerosene marker) was 144,585,866 litres as shown in figure 4.1:

Figure 4.1: Graphical representation of the volume marked with Export & Kerosene Markers during the period under review

A total of 19,911 sample tests were carried out in 4,164 petroleum outlets across the country. From the tests, 99.66% of the stations were found to be compliant. However, fourteen (14) sites were found with either export bound or adulterated products.

From the results, it was noted that the compliance level increased from 97.75% in the previous financial year to 99.66%. This was attributed to the enhanced fuel marking and monitoring program technologies, introduction of the anti-adulteration levy and the enactment of Petroleum Act which introduced stringent penalties on those found with adulterated products or petroleum products meant for export.

4.2.2 LPG Compliance Inspections

The Authority conducts regular compliance inspections on LPG facilities to determine operational safety, plant and equipment maintenance, emergency preparedness and risk management. During the financial year, the Authority undertook the following LPG inspections:

792

Inspections on Retail / Wholesale Sites which had an overall compliance score of 60.94%

40

LPG Filling Plants which had an overall compliance score of 72.65%

2

LPG Revalidation Plants which had an overall compliance score of 80.65%

165

LPG Road Tankers/ Wagons which had an overall compliance score of 85.08%

4.2.3 Technical Audits of Petroleum and Gas Facilities

During the Financial Year 2019/2020, a total of 158 petroleum retail stations, 20 bulk petroleum storage and 20 LPG storage facilities and one multiproduct pipeline (KPC Limited's Line 5) were audited.

The classification of the audited facilities by integrity is as shown in the table 4.1.

Classification	2018/2019	2019/2020
High Integrity (>81%)	10	5
Medium Integrity (61-80%)	52	44
Risky (51-60%)	19	31
High Risk (0-50%)	19	20

Table 4.1: Bulk Facility Audit Performance in the Financial Year 2018/2019 and 2019/2020

4.2.4 Renewable Energy and Energy Efficiency Inspections

The Energy (Energy Management) Regulations 2012 requires facilities that consume more than 180,000 KWh annually to carry out energy audits every three years. The audits aim at identifying opportunities for energy conservation that will reduce energy costs without compromising on quality. During the year, the Authority undertook 27 compliance inspections in various facilities and issued recommendations for improvement.

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.

The Authority conducts inspections of licensed renewable energy technicians to substantiate whether they comply with the licensing conditions and regulations. Monitoring inspections were performed on 20 SPV systems that were installed by licensed technicians. All the installations were found to have been compliant with the installation standards.

4.2.5 Audits and inspections of electrical power projects

The Authority is charged with ensuring that power undertakings, once licensed, continue to operate safely and reliably. Periodic technical and safety audits on the activities of licensed electrical power undertakings are performed to ascertain that they are operating safely and in compliance with the Energy Act 2019, applicable standards and license conditions.

Pursuant to Sections 130 of the Energy Act 2019, technical audits were carried on the undertakings of the following licensees:

i) James Finlays (K) Limited;
ii) Unilever Tea Kenya Limited;
iii) Sotik Tea Company Ltd and Sotik Highlands Tea Estate Ltd;
iv) Kengen, 60MW Kipevu I power plant;
v) Tsavo Power Company Limited, 74.5 MW Power Plant
vi) Kengen, 120 MW Kipevu III power plant;
vii) Biojoule's 2.6 MW Biogas power plant;
viii) Pwani Oil, 1.5MW power plant;
ix) Rabai Power, 90MW power plant; and
x) KPLC Mt Kenya Region

Further, a total of 486 new electricity connections were audited to establish the quality of electrical installation works. The Authority exceeded the target to audit at least 466 connections during the period.

Ongoing energy projects are also monitored to ensure that they are progressing as planned and that safety and environmental requirements are observed. Monitoring inspections were carried out on the following electricity generation and transmission projects:

i) Chania Green Generation Limited, 50 MW wind power generating plant;
ii) Olkaria I Unit VI, 86.8MW geothermal power generating unit;
iii) 40 MW Solar PV project being implemented by Cedate Limited;

iv) 40 MW Solar PV project being implemented by Selenkei Limited;
v) Nairobi Ring Transmission Line Project being implemented by KETRACO;
vi) Kenya Tanzania interconnector project being implemented by KETRACO;
vii) Ethiopia-Kenya HVDC interconnector being implemented by KETRACO; and
viii) Olkaria-Lessos-Kisumu transmission line.

Audit and inspections reports were prepared and shared with the respective licensees to institute appropriate corrective actions where nonconformities or anomalies were noted.

4.3 Investigation of Accidents and Incidents

The Energy Act requires every licensee to notify the Authority of any electrical incidents and 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.

4.3.1 Investigation of electrical accidents

During the period under review, a total of 133 electrical accidents/incidents were reported. Of the reported accidents, 97 were fatal while 36 were non-fatal. The accidents were investigated and reports shared with licensees for follow-up and remedial action.

Investigations revealed that accidents /incidents resulted from poor state of repair of the distribution network (25.6%), substandard electrical installation works at consumer premises (14.3%), illegal extension of electricity supply (12.0%) and low awareness on electrical safety (10.5%). Table 4.4 provides the number of reported accidents by root causes.

	Root Cause of Accident	Number of Accidents	Percentage (%)
1	Poor state of repair of the electricity distribution network.	34	25.6
2	Consumer Installation	19	14.3
3	Illegal extension	16	12.0
4	Low awareness on electrical safety	14	10.5
5	Work-related (licensee's staff).	11	8.3
6	Tree cutting	11	8.3
7	Proximity of buildings to line	5	3.8
8	Breach of safety clearance	5	3.8
9	Encroachment of wayleave	5	3.8
10	Improper use of electricity	4	3.0
11	Vandalism	3	2.3
12	Force Majeure	2	1.5
13	Unauthorized operation	1	0.8
14	Use of untrained manpower	1	0.8
15	Violation of construction standards	1	0.8
16	Work related (third party)	1	0.8
	Total	**133**	**100**

Table 4.3: A summary of reported electrical accidents/incidents and the root causes

4.3.2 Petroleum related accidents

During the period under review, the authority investigated a total of 40 petroleum and LPG related accidents that were reported. Majority of the accidents involved petroleum tankers and they ranged from collisions leading to fire breakouts, tanker rollovers leading to loss of products amongst others. The accidents were mainly attributed to driver fatigue due to inadequacy in journey planning.

	Accident Classification	Number of accidents
1	LPG tanker incidents	4
2	Petroleum tanker incidents	20
3	Retail station incidents	1
4	Domestic incidents	9
5	Pipeline incidents	3
6	Others	3
	Total	40

Table 4.4: A summary of reported petroleum accidents

4.4 Economic Compliance

4.4.1 Monitoring Reliability, Quality and Efficiency of Electricity Supply

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. They include the electricity generation adequacy, the condition of power system infrastructure, weather, utility financial and operational performance and government regulations.

During the period, the electricity supply reliability and efficiency indices highlighted in table 4.5 and defined between (a)-(d) below were reported by KPLC.

a) 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,

b) System Average Interruption Duration Index (SAIDI) is the total duration of an interruption for the average customer during a given period of time, and

c) 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.

d) System Losses is the difference between total net electricity generation and electricity sales on the system expressed as a percentage of net electricity generation.

Month	**PERFORMANCE INDICATOR**			
	CAIDI (Hours)	**SAIDI (Hours)**	**SAIFI (No)**	**System Losses = (Transmission + Distribution Losses) (%)**
Jul-19	2.84	4.47	1.57	23.15
Aug-19	3.28	5.71	1.74	23.11
Sept-19	3.07	4.85	1.58	23.36
Oct-19	4.42	10.76	2.44	23.37
Nov-19	4,25	7.64	1.80	23.41
Dec-19	5.92	13.33	2.25	23.51
Jan-20	5.22	11.60	2.22	23.66
Feb-20	4.92	9.06	1.84	23.66
Mar-20	5.55	15.40	2.77	22.07
Apr-20	4.77	13.61	2.86	23.92
May-20	4.93	12,05	2.44	25.75
Jun-20	3.47	7.25	2.09	22.38
Monthly Average		**9.43**	**2.13**	
Annual	**4.05**	**103.68**	**25.6**	**22.38**
System losses' column gives monthly moving average results, not monthly actuals.				

Table 4. 5: Electricity supply reliability and efficiency indices reported by KPLC

4.4.2 Analysis of Financial Performance of Electricity and Petroleum Utilities

The Authority is mandated to monitor and ensure economic and financial viability of subsector utilities. In this regard, the Authority monitored and analyzed the financial performance of 10 utilities as summarized in table 4.6.

Licensee	Gulf	IberAfrica	Rabai	Tsavo	Kipeto Energy	KPC	Total Kenya	Triumph	KenGen	Benchmark
Return on Asset (ROA)	1.64%	7.43%	6.46%	33.54%	N/A	2.00%	6.75%	-3.50%	1.96	4%
Return on Equity (ROE)	12.07%	13.44%	15.34%	39.94%	N/A	3.00%	10.39%	-60.30%	4.04%	12.50%
Current Ratio (CR)	2.5	0.84	1.35	5.09	N/A	2.31	2.15	0.22	1.31	1.2
Fixed Assets Turnover	0.29	0.67	0.43	3.57	N/A	0.3	0.18	0.21	0.9	0.8
Total Asset Turnover	0.24	0.47	0.34	1.42	N/A	0.23	0.07	0.18	0.07	1.2
Profit before Tax (Kshs millions)	80	797	1,194	1,371	10	4,207	3,881	2.65	11,654	N/A
Profit after Tax (kshs. Millions)	152	565	845	872	16	2,729	2,534	-5.42	7,884	N/A

Table 4. 6: Analysis of Financial Performance of 10 utilities

The financial performance analysis indicated that all the utilities had a good financial health as they had all exceeded the performance benchmark.

CHAPTER 5: ENERGY PLANNING AND RESEARCH

5.1 Energy Planning

Energy planning is central to the attainment of energy security. The planning function involves demand forecasting, load forecasting, generation planning, identification of target transmission network and undertaking relevant simulations to come up with the optimal future network and estimation of costs and analysis of tariffs derived from the planned generation and transmission network. The Authority, in conjunction with key stakeholders, has developed the following key energy plans:

5.1.1 Least Cost Power Development Plan (LCPDP)

The LCPDP is an electricity plan intended to guide the development and expansion of generation, transmission, distribution and related infrastructure at optimal cost. It is composed of short-term, medium- term and long-term plans.

The Authority prepared the long-term plan 2019-2039 during the year. This was an update of the medium term plan 2018-2023 and long-term Plan 2017-2037. The updated long term plan incorporates the load forecast, committed and candidate projects, the allied transmission system expansion and the evolution of the generation tariffs for the medium term period 2018 to 2023.

The annual forecasted electricity demand and peak load are expected to grow for all scenarios over the planning period. Energy demand and peak load are forecasted to grow at an average of 5.81% in the reference scenario to reach 6,008MW in 2039, 8.86% in the vision scenario to reach 10,577MW in 2039 and 4.84% in the low scenario to reach 4,983MW in 2039. The vision scenario increases at a higher rate due to an assumed higher GDP growth and early impact of flagship projects.

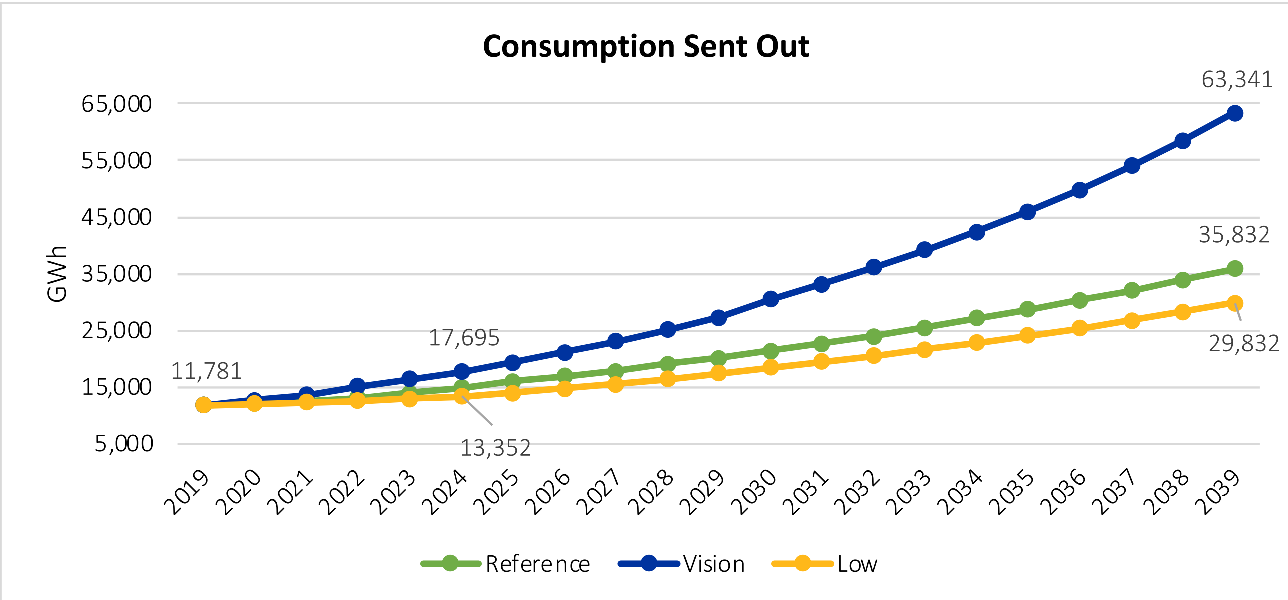


Figure 5.1: An outlook of consumption over long-term 2019/2039

Consumption is expected to rise over the planning period in all scenarios as presented in figure 5.1. Consumption sent out in the reference scenario grows at an average of 5.72% to reach 14,858GWh in 2024 and to 35,832GWh by the end of the planning period. Under the vision scenario, consumption increases at an average of 8.78% to 17,695GWh by 2024 from 11,781GWh in the base year. Consumption is forecasted to reach 63,341GWh by 2039 under this scenario. The low scenario expands moderately at an average of 4.76% to reach 29,832GWh by the end of the planning period.

5.1.2 Petroleum Development Plan

The Petroleum Development Plan (PDP) is an indicative plan for the petroleum subsector whose overall objective is to ensure the availability and affordability of petroleum products through integrated planning. The Authority, in conjunction with sector stakeholders, developed the indicative Medium Term Petroleum Development Plan 2018-2023. In addition, the Authority initiated the design of a petroleum demand forecasting tool. The tool, which features 20-year consumption projections, will be available in the upcoming financial year.

5.1.3 Research and Policy

The Authority undertakes research that enhances decision making for policy makers, investors and customers. During the year, the Authority undertook research on the Impact of marginal costs and its implications on electricity tariffs in Kenya and the Impact of the Renewable Energy Feed in Tariffs (RE-FiT) Policy on System Stability, Generation Tariffs and the Generation Mix in Kenya's Power System.

From the two studies, it was observed that the use of marginal cost-based pricing practices creates efficient price signals consistent with the performance of the economy. It was observed that marginal cost is higher in fossil power generation than in renewable technologies. In a bid to reduce marginal cost in electricity prices, the paper recommended dealing with the intermittent nature of renewable energy sources by fast-tracking operationalization of the hydro risk mitigation fund, rescheduling of proposed power plants to avoid excess capacity and procurement of ancillary services for system stability.

The Authority also published the second edition of the Energy and Petroleum Statistic Report which highlights the sectors' performance during the year.

CHAPTER 6: ENERGY PRICING

6.1 Energy Pricing

The Authority is mandated to set electricity tariffs in a fair, transparent and predictable manner consistent with government policy and sensitive to stakeholder interests. Pursuant to Section 101 of the Petroleum Act and Legal Notice No. 96 of 2010, the Authority is also mandated to determine the retail and wholesale prices of petroleum and petroleum products.

6.2 Power Purchase Agreements (PPAs) and Network Service Contracts

During the year under review, the Authority approved 10 PPAs with a cumulative contracted capacity of 515MW. The PPAs were between KPLC and:

i) KenGen for 80MW Olkaria 1 Unit 6 Plant
ii) Prunus Energy Systems for 50MW Wind plant
iii) Bahari Wind Limited for 90MW Wind plant
iv) Aperture Green Limited for 50MW Wind plant
v) Kibwezi One Energy Limited for 40MW Solar plant
vi) Isiolo Energy Limited for 40MW Solar plant
vii) Buchangu Hydropower for 4.7MW hydro plant.
viii) Kaptis Hydropower for 14.7MW hydro plant.
ix) Nithi Hydro for 5.6 MW hydro plant.
x) AGIL for 140MW geothermal plant.

6.3 Retail Electricity Tariffs

The Authority continued overseeing the implementation of the base tariff that was approved in 2018. The retail electricity tariffs are as set out in table 6.1.

Customer Category	Energy Limit (kWh/ Month)	Charge Rate (KES/kWh)	Demand Charge (KES/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	-

Table 6.1: Retail electricity tariff effective 1st November 2018

The Fuel Cost Charge (FCC) was the key driver of the pass-through costs with the Foreign Exchange Rates Fluctuation Adjustment (FERFA), Water Resource Management Authority (WRMA) levy and Inflation Adjustments (INFL) maintaining stable magnitudes with minimal impacts. The FCC averaged KSh.2.88/kWh in the year, closing in at KSh.2.4/kWh in June 2020. Inflation adjustment had minimal impact on end user tariffs averaging just Ksh. 0.27/kWh for the year closing at Ksh 0.28/kWh. The WRMA levy remained relatively stable averaging Ksh.0.0025/kWh for the year ending June 2020. The pass-through elements are presented in Table 6.2. Figure 6.1 depicts the monthly evolution of the retail electricity tariffs for three consumer groups; Domestic, Small Commercial and Large Commercial/Industrial. The graph illustrates that the tariffs have remained stable.

Pass-through Costs	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20
FCC (KShs/kWh)	3.6700	3.6000	3.4500	3.3000	3.0000	2.6500	2.5000	2.5000	2.5000	2.5000	2.4000	2.4000
FOREX ADJ. (Sh/kWh)	0.0452	0.2186	0.2136	0.1746	0.1417	0.0367	0.0082	-0.0089	-0.1149	0.2356	0.1428	0.3184
INFLATION ADJ. (KSh/kWh)	0.2500	0.2500	0.2500	0.2500	0.2500	0.2500	0.2800	0.2800	0.2800	0.2800	0.2800	0.2800
WARMA LEVY	0.0169	0.0159	0.0149	0.0142	0.0159	0.0179	0.022	0.0211	0.0213	0.0216	0.0206	0.0211
Total	**3.9821**	**4.0845**	**3.9285**	**3.7388**	**3.4076**	**2.9546**	**2.8102**	**2.7922**	**2.6864**	**3.0372**	**2.8434**	**3.0195**

Table 6.2: Pass-through costs (KSh/kWh) in the retail Electricity Tariff for Financial Year 2019/2020

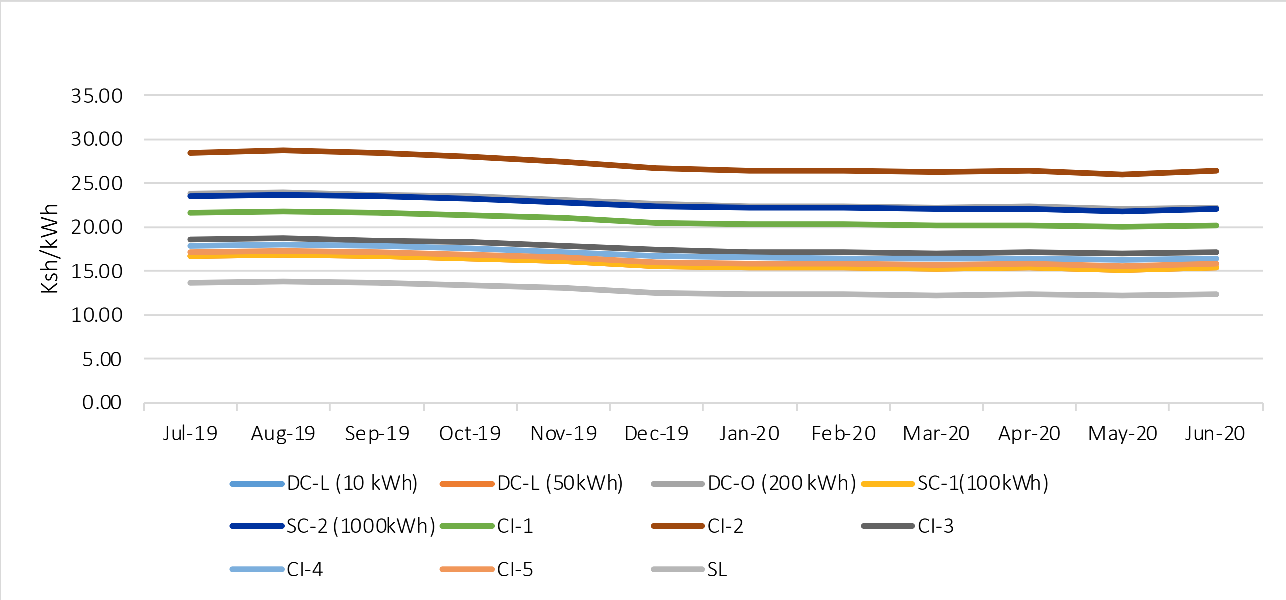


Figure 6. 1: Evolution of Retail Electricity Tariffs in Kenya between July 2019 and June 2020

6.5 Petroleum Pump Prices

The average price of Murban crude in the FY 2019/20 was US$ 52.27/barrel, a steep decline from 70.64 US$/barrel in FY 2018/19. The average landed costs for Super Petrol (PMS), Diesel (AGO) and Kerosene (DPK) for the period were 43.45KSh./litre, 45.93KSh./litre, and 43.15KSh./ litre respectively.

The price of Super Petrol in July 2019 was 115.39KSh./litre, averaging 106.41KSh/litre to close the year at 89.10KSh/ litre in June 2020. Kerosene on the other hand averaged 94.64KSh./litre from 101.97KSh/litre in July 2019 to close the year at 62.46KSh./litre in June 2020. The price of Diesel at the beginning of the year was 103.88 KSh/Litre and declined to 74.57KSh./litre at the end of the year June 2020 averaging 97.91Kshs./litre. This trend was recorded in the rest of the towns across the country.

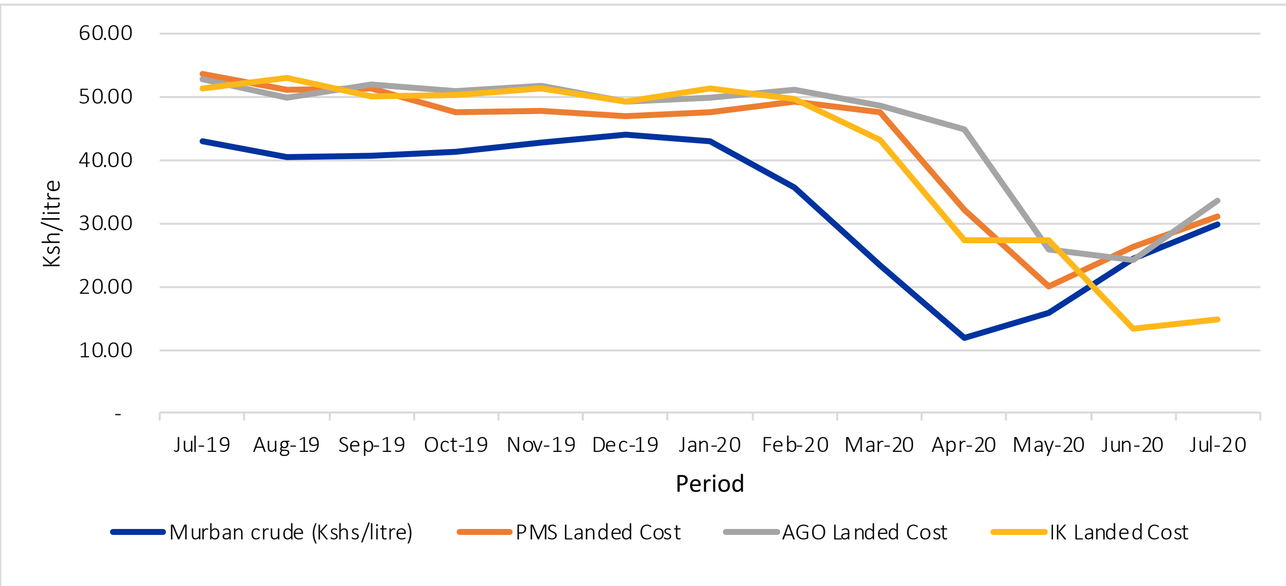


Figure 6.2: Trends in the price of crude oil and landed costs

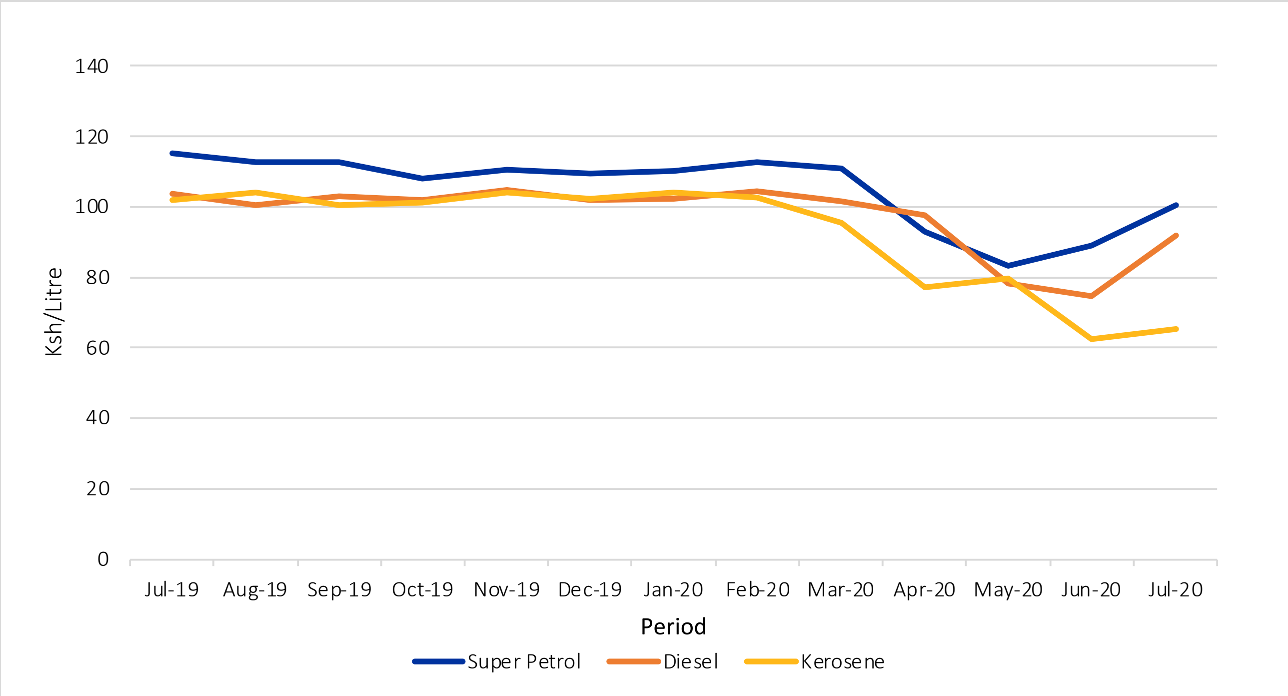


Figure 6.3: Trends in Petroleum Pump Prices for Nairobi

6.6 Projects under the Feed in Tariff (FiT) Policy

The Government of Kenya recognizes that renewable energy has the potential to generate income and employment, over and above contributing to the electricity supply and diversification of generation sources. To this effect, the FiT Policy was instituted to promote generation of electricity from renewable sources; Wind, Solar, Small Hydros, Biogas, Biomass, Municipal Waste and Geothermal.

The FiT Policy aims at encouraging investments in renewable energy by:

a) Facilitating resource mobilization by providing investment security and market stability for investors; and

b) Reducing transaction and administrative costs and delays associated with the conventional procurement processes.

The policy requires investors interested in developing eligible renewable energy projects to submit an Expression of Interest (EOI) to the Ministry of Energy. The FiT Committee then reviews and approves the EOIs. The projects listed in table 6.3 have an estimated total capacity of 6,338MW. Only seven (7) projects of the listed projects are operational while the remaining are in various stages of approval. Solar PV and Small Hydro projects are the most common with the Solar PV projects accounting for nearly 70% of the capacity.

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	5	1	0	0	0	7
Projects with signed PPAs	5	1	2	1	10	10	0	0	0	29
Projects with initialled PPAs	1	0	0	0	4	1	0	0	0	6
Projects with finalized PPA negotiations -Awaiting Board approval	0	0	0	0	0	2	0	0	0	2
Projects with PPAs under negotiations	0	5	1	1	3	15	0	0	0	25
Approved projects with PPA negotiations yet to start	4	1	1	1	26	24	0	1	0	58
Projects with feasibility studies approved and sent to EPRA-LCPDP	4	3	1	0	22	15	1	0	0	46
Projects in feasibility study stage	8	4	1	0	35	103	0	0	1	152
Total number of projects	22	14	7	3	105	171	1	1	1	325
Capacity (MW)	916	207	62	38	482	4,523	70	0.1	40	6,338

Table 6. 3: A Status of FiT projects as at June 2020

CHAPTER 7: CORPORATE SERVICES

7.1 Corporate Strategy

For the past three years, the Authority has been implementing the Strategic Plan 2017/18-2021/22 which is anchored on the following objectives:

- Creating an enabling environment for the energy sector to thrive;
- Providing efficient service delivery to stakeholders;
- Stakeholder engagement;
- Strengthening the institutional capability.

During the year the Strategic Plan was reviewed to incorporate the Medium Term Plan (MTP) III and the Big Four Agenda.

7.2 Human Capital

People are at the heart of the successful execution of the corporate strategy. Cognizant of this, the Authority has invested in capacity building programs that address skills gaps and seeks to close the gaps through competency development trainings.

The Learning and Career Development Policy, Knowledge Management Framework and the Human Resources Manual were revised and disseminated to staff. A Rewards Policy and Sanctions Policy was also developed and it is expected to inspire good performance and to manage underperformance.

7.3 Information, Communication & Technology

The Authority implemented the following ICT initiatives to increase operational efficiency and enhance service delivery:

1) Deployment of an Interactive Voice Response (IVR) system;
2) Automation of the electrical installation works certificates; and
3) Deployment of an Unstructured Supplementary Service Data (USSD) and Short Service Message (SMS) systems (USSD *363# and SMS – short code 40850).

7.4. Employee Wellness

The wellness program focuses on the mental and physical well-being of staff. The year was characterized by increased cases of the Covid-19 pandemic. The Authority sensitized staff about the pandemic, provided them with Personal Protective Equipment (PPEs) and instituted safety measures in compliance with the Ministry of Health guidelines on Covid-19 management.

7.5 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 that will prepare trainees for the job market. During the period 2019/2020 the Authority provided internship and attachments opportunities to fifty-one (51) trainees.

7.6 Occupational Health & Safety

The Authority is committed to providing a safe work environment for its staff and visitors. Towards this, measures have been put in place to prevent work-related injuries, accidents and occupational diseases. All staff have been trained on safety & security in the workplace. Staff exposed to workplace hazards have also been equipped with PPEs.

7.7 Regional presence

In a bid to enhance its regional presence, the Authority established a new regional office in Nakuru and Lodwar bringing the total number of regional offices to five (5). The offices are expected to boost surveillance and enforcement efforts in South Rift and North Rift regions.

7.8 Quality Management

In the year under review, the Authority monitored the efficiency and performance of the Quality Management System (QMS) through internal and external audits. Staff were also sensitized on the QMS requirement. Consequently, the Authority achieved the Kenya Bureau of Standards (KEBS) recertification which signifies our commitments to exceptional service delivery.

7.9 Procurement of goods and services

The Authority complied with the Government's directive to empower and promote youth, women and Persons with Disabilities (PWDs) under the Access to Government Procurement Opportunities (AGPO) programme. The Authority hosted a sensitization forum for the special groups where they received training on procurement requirements and processes.

7.10 Corporate Social Responsibility (CSR)

During the period, the Authority revised the Corporate Social Responsibility (CSR) Policy to align it with the dynamic environment and the growing stakeholder base. The policy identifies corporate governance and ethical business Practices, Environmental Rehabilitation, Responsibility to Communities, Promoting Energy Efficiency, Support for Education causes, Responsibility for Consumers and Staff as the key pillars of EPRA's CSR programs.

During the Financial Year 2019/20, the Authority undertook the following CSR activities:

7.10.1 Health

The Covid-19 pandemic that started as a health crisis escalated into an economic crisis placing a financial burden on governments. The Kenyan government set up an Emergency Response Fund and appealed to both individuals and corporates in the country to assist in the fight against the virus through donations. The Authority responded to the appeal by donating Kshs. 10 million. The Authority also sponsored the activities of the Nyeri Hospice which offers homebased and outpatient palliative care services.

7.10.2 Environmental conservation

The Authority is keen on undertaking activities that promote environmental stewardship. The Authority contributed towards efforts in realizing the 10% forest cover target by planting and maintaining 10,000 trees at Menengai forest, Nakuru County.

7.10.3 Service to Communities

The heavy rainfall experienced in December 2019 caused landslide and floods in West Pokot County which claimed more than 50 lives and left over 400 people displaced. To alleviate the suffering of the flood victims, the Authority contributed Kshs. 1,000,000 towards a disaster relief drive organized by the energy sector.

7.10.4 Education

The Authority appreciates the important role education plays towards bridging students to their future and achieving the goals set out in Vision 2030. Consequently, the Authority funded the construction of a classroom in St. Mary's Girls Secondary School in Nakuru County. This project aimed at supporting learning and promoting the quality of education in the school.

CHAPTER 8: FINANCIAL STATEMENTS

Board of Directors Report

The Board of directors submit their report together with the audited financial statements for the year ended 30th June 2020 which shows the state of the Authority's affairs.

Board Members

The members of the Board of Directors who served during the year are shown on page 5. 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 had a minor surplus of KSh. 16,417,244 and intends to remit KSh. 14,776,519 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 Reports and Financial Statements set out on pages 63-83 which have been prepared on the going concern basis, were approved by the Board on 9th November 2021 and were signed on its behalf by:

By Order of the Board

Ms. Mueni Mutunga
Commission Secretary

Statement of Directors' Responsibilities

Section 81 of the Public Finance Management (PFM) 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 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. Other responsibilities include:

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 presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
iv) Safeguarding the assets of the Authority;
v) Selecting and applying appropriate accounting policies; and
vi) 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 on pages 63-83, which have been prepared on the going concern basis, were approved by the directors on 9th November 2021 and were signed on its behalf by:

Mr. Daniel Kiptoo Bargoria
Ag. Director General

Hon. (Prof) Jackton Boma Ojwang
Chairman

REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ENERGY AND PETROLEUM REGULATORY AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 38 to 69, which comprise the statement of financial position as at 30 June, 2020, 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 Energy and Petroleum Regulatory Authority as at 30 June, 2020, 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 audit 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 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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

1. Compliance with Executive Order on Procurement

Executive Order No.2 of 2018 requires all public entities to publish all tenders processed by the respective entities through the Public Procurement Regulatory Authority website, and the Public Procurement Regulatory platforms. Further, Executive Order No.6 of 2016 requires all public entities to migrate their procurement processes to E-Procurement. However, the Authority did not publish tenders processed during the year under review in the Public Procurement Information Portal. In addition, the Authority is yet to migrate its procurement processes to the E-procurement platform and all procurements were processed manually during the year under review. This is contrary to the provisions of the Executive Orders issued by the Government on public procurement.

2. Withholding of Rental Income Tax

The Authority paid gross rent to its landlord without withholding tax at the rate of 10% of gross rent paid, as provided for under Section 35(3)(a) of the Income Tax Act. Further, the deductible taxes were not remitted to the Kenya Revenue Authority (KRA) by the twentieth day of the month following the month in which the deduction was made as provided for under Section 35(5) of the Income Tax Act. During the year under review, the taxes not withheld for remission to KRA, in relation to two (2) payments, amounted to Kshs.1,068,160.

Consequently, the Authority was in breach of the law.

3. Overpayment on Account of Rent Review

The Authority paid an amount of Kshs.2,159,522 to a valuer appointed to review the current rent being paid by the Authority to its landlord, by making reference to the Fourth Schedule to the Lease Agreement between the Authority and its Landlord. According to the apportionment set out in the agreement, the Authority was to pay Kshs.1,079,761 and the landlord was to pay an equivalent amount, to the valuer. However, the Authority paid the total valuation fees of Kshs.2,159,522, contrary to provisions of Section1.10 of the Fourth Schedule to the Lease Agreement which provided that the fees of the valuer should be shared equally between the landlord and the tenant.

In the circumstances, the propriety of the expenditure amounting to Kshs.2,159,522 could not be ascertained.

4. Budgeting for UNEP Donor Funds

The Authority received donor funds from United Nations Environmental Proramme (UNEP) amounting to Kshs.3,695,798, for Development of Electric Mobility Policies in Kenya. However, these funds were not included in the final approved budget of the Authority, and there was no evidence that the Cabinet Secretary, The National Treasury was informed of such budgetary changes. In the absence of inclusion of the above funds in the Authority's final approved budget, it was not possible to confirm that the funds were utilized for approved and authorized purposes. This is contrary to Section 47(1) of the Public Finance Management Regulations, 2015, which requires the Accounting Officer of a state entity to immediately inform the responsible Cabinet Secretary of any circumstances which may materially affect budgetary results of the entity, either through revenue and expenditure or other receipts and payments of the entity.

In the circumstances, the Authority was in breach of the Regulations.

5. Provision of Liquefied Petroleum Gas Compliance Inspection Services

The Authority signed a contract with a service provider on 28 March, 2019 for provision of Liquefied Petroleum Gas Compliance inspection services, at a contract price of Kshs.35,809,200 inclusive of taxes, for a contract period of 2 years. During the year under review, the service provider was paid an amount of Kshs.43,165,903, resulting in an overpayment of Kshs.7,356,703 above the contract price. The overpayment is expected to rise considering the nine (9) months remaining to the end of the two-year contract period.

Consequently, the Authority did not abide to the contract as per the terms set therein.

6. Human Resources – Unapproved Recruitment

During the year under review, the Authority recruited four (4) Petroleum Gas Officers, Senior Petroleum Officer, Security Officer, two (2) Renewable Energy Officers, Hotline Operator, two (2) Digital Communication Assistants and a Senior Finance Officer, without seeking and obtaining the requisite approval. This was contrary to Cabinet Memo OP/CAB.39/4A of 28 July 2017, in relation to control of expenditure, through which the Government imposed a freeze on new recruitment, unless approval was sought and obtained from The National Treasury.

Consequently, the Authority was in breach of Government directive.

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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Secondment of Staff

An employee of The Kenya Power and Lighting Company PLC (KPLC) whose designation was Debt Controller (III), was seconded to the Authority. According to Management, the employee was seconded to the Authority to eliminate possibility of conflict of interest at KPLC. However, according to Section 10 of the Energy Act, 2019, the Authority's mandate is Economic and Technical Regulation of the electric power. Therefore, there was conflict of interest for the seconded employee as the Authority is the Regulator of KPLC.

Further, the employee's duties at KPLC were different from duties assigned at the Authority. In addition, the employee was to be retained in the payroll of KPLC during the period of secondment, and the Authority was to refund to KPLC the remuneration made to the employee, on a quarterly basis. However, the Authority did not make any refunds to KPLC and there was no provision for the same making it difficult to confirm how the amount was being accounted for.

In the circumstances, there was no clear justification for the above employee secondment to the Authority.

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 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 overall 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 to going concern and using the going concern basis of accounting unless the Management is aware of 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.

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

01 November, 2021

Statement of Financial Performance

Figures in Kenyan Shilling	Note(s)	2020	2019
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Transfers from government	6		34,874,087
Electricity levy	7	263,003,453	347,272,642
Petroleum levy	8	1,046,308,204	1,060,760,528
Total revenue from non-exchange transactions		**1,309,311,657**	**1,442,907,257**
Revenue from exchange transactions			
Other income	9	65,241,029	5,461,777
Interest received - investment	10	10,206,607	17,141,892
Total revenue from exchange transactions		**75,447,636**	**22,603,669**
		75,447,636	22,603,669
		1,309,311,657	1,442,907,257
Total revenue		**1,384,759,293**	**1,465,510,926**
Expenses			
Board Expenses	11	(19,373,137)	(23,096,598)
Employee costs	12	(639,718,242)	(550,047,228)
Transport & Travel	13	(85,923,390)	(81,249,671)
Public relation and consumer services	14	(145,104,590)	(92,167,732)
Utilities	15	(8,553,063)	(6,549,730)
Information and communication technology	16	(15,425,550)	(18,790,299)
Office Rent & Other Services	17	(66,761,424)	(54,909,757)
Consultancy and other professional services	18	(148,910,758)	(137,055,166)
HIV/AIDS Prevention	19	(4,671,810)	(1,774,117)
Depreciation and amortisation expense	20	(46,440,383)	(45,782,686)
KEEP	21	(2,000,000)	(2,000,000)
Office Supplies and Other Expenses	22	(20,785,847)	(17,463,022)
Transfer to Staff Mortgage and Car Loan Scheme	23	(90,000,000)	(61,139,060)
Total expenses		**1,293,668,194**	**1,092,025,066**
Other gains (losses)			
Gain on disposal of assets and liabilities	24	-	750,509
Surplus before taxation		91,091,099	374,236,369
Taxation		-	-
Surplus for the year from continuing operations		**91,091,099**	**374,236,369**
Remission to National Treasury	25	-	(260,550,327)
Surplus for the year		**91,091,099**	**113,686,042**

Statement of Financial Position

Figures in Kenyan Shilling	Note(s)	2020	2019
Assets			
Current Assets			
Cash and cash equivalents	26	65,639,846	496,564,772
Receivables from exchange transactions	27	34,105,136	13,275,698
Receivables from non-exchange transactions	28	106,448,154	124,146,135
Inventories	29	3,425,225	3,463,715
		209,618,361	**637,450,320**
Non-Current Assets			
Property, plant and equipment	30	215,507,859	116,985,057
Intangible assets	31	17,500,828	14,596,925
		233,008,687	**131,581,982**
Non-Current Assets		233,008,687	131,581,982
Current Assets		209,618,361	637,450,320
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**442,627,048**	**769,032,302**
Liabilities			
Current Liabilities			
Payables under exchange transactions	32	207,721,026	190,424,115
Provisions	33	15,599,599	273,465,764
Employee benefits	34	51,239,152	30,647,459
		274,559,777	**494,537,338**
Non-Current Liabilities		-	-
Current Liabilities		274,559,777	494,537,338
Liabilities of disposal groups		-	-
Total Liabilities		**274,559,777**	**494,537,338**
Assets		442,627,048	769,032,302
Liabilities		(274,559,777)	(494,537,338)
Reserves			
Capital replacement reserve		55,000,000	55,000,000
Accumulated surplus		113,067,271	219,494,964
Total Net Assets/Equity		**168,067,271**	**274,494,964**
Total Net Assets and Liabilities		**442,627,048**	**769,032,302**

The annual report and financial statements and the notes on page 63 to 83 were approved by the Board on the 9th November 2021 and were signed on its behalf by:

Mr. Daniel Kiptoo Bargoria
Ag. Director General

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

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Changes in Net Assets

Figures in Kenyan Shilling	Capital replacement reserve	Accumulated surplus	Total net assets/equity
Balance at 1st July 2018	**55,000,000**	**281,631,518**	**336,631,518**
Changes in net assets/equity			
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 st July 2019	**55,000,000**	**219,494,964**	**274,494,964**
Changes in net assets/equity			
Surplus for the year	-	91,091,099	91,091,099
Reduction In Reserves	-	(199,449,674)	(199,449,674)
90% Transfer To National Treasury	-	-	-
Prior Year Adjustments	-	1,930,882	1,930,882
Total changes	-	(106,427,693)	(106,427,693)
Balance at 30th June 2020	**55,000,000**	**113,067,271**	**168,067,271**

Cash Flow Statement for The Year Ended 30th June 2020

Figures in Kenyan Shilling	Note(s)	2020	2019
Cash flows from operating activities			
Receipts			
Levy		1,206,966,285	1,292,019,221
Transfer from government entities		-	34,874,087
License fees		63,822,771	5,461,778
Interest Income & Miscellaneous		12,518,933	17,141,892
		1,283,307,989	**1,349,496,978**
Payments			
Board expenses		(19,136,887)	(19,146,637)
Employee Costs		(515,869,386)	(423,951,699)
Training and other personnel costs		(110,910,972)	(115,741,013)
Transport and Travel		(70,922,470)	(56,289,675)
Public Relations and Consumer Services		(112,190,113)	(84,291,040)
Utilities		(8,548,163)	(6,549,729)
Information and communication technology expenses		(10,425,550)	(11,416,097)
Office rent and office services		(65,453,124)	(54,909,757)
Consultancy and other professional services		(106,231,443)	(63,475,677)
HIV/AIDS prevention related expenses		(4,671,810)	(1,774,117)
KEEP		(2,000,000)	-
Office Supplies and Other Expenses		(21,682,979)	(17,463,022)
Reduction In Reserves		(199,449,674)	-
90% Transfer To National Treasury		(260,550,327)	(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		(90,000,000)	(60,000,000)
		1,598,042,898	**1,217,884,250**
Total receipts		1,283,307,989	1,349,496,978
Total payments		1,598,042,898	1,217,884,250
Net cash flows from operating activities	**35**	**(314,734,909)**	**131,612,728**
Cash flows from investing activities			
Purchase of Fixed Assets & WIP	30	(101,685,397)	(70,768,943)
Proceeds from sale of Fixed Assets	30	-	1,432,000
Purchase of other intangible assets	31	(14,250,250)	(3,427,931)
Net cash flows from investing activities		**(115,935,647)**	**(72,764,874)**
Net increase/(decrease) in cash and cash equivalents		**(430,924,926)**	**58,847,852**
Cash and cash equivalents at the beginning of the year		496,564,772	437,716,920
Cash and cash equivalents at the end of the year	**26**	**65,639,846**	**496,564,772**

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						
Transfers from government	40,000,000	(40,000,000)	**-**	-	**-**	
Transfer revenue						
Electricity levy	364,974,611	(38,129,801)	**326,844,810**	263,003,453	**(63,841,357)**	a
Petroleum levy	1,547,230,700	(122,323,276)	**1,424,907,424**	1,046,308,204	**(378,599,220)**	b
Total revenue from non-exchange transactions	**1,952,205,311**	**(200,453,077)**	**1,751,752,234**	**1,309,311,657**	**(442,440,577)**	
Revenue from exchange transactions						
Other income	5,000,000	55,000,000	**60,000,000**	65,241,029	**5,241,029**	c
Interest received	24,850,000	(10,850,000)	**14,000,000**	10,206,607	**(3,793,393)**	d
Total revenue from exchange transactions	**29,850,000**	**44,150,000**	**74,000,000**	**75,447,636**	**1,447,636**	
Total revenue from exchange transactions	29,850,000	44,150,000	**74,000,000**	75,447,636	**1,447,636**	
Total revenue from non-exchange transactions	1,952,205,311	(200,453,077)	**1,751,752,234**	1,309,311,657	**(442,440,577)**	
Total revenue	**1,982,055,311**	**(156,303,077)**	**1,825,752,234**	**1,384,759,293**	**(440,992,941)**	
Expenditure						
Board Expenses	(34,774,000)	5,000,000	**(29,774,000)**	(19,373,137)	**10,400,863**	e
Employee costs	(849,168,193)	69,890,920	**(779,277,273)**	(639,718,242)	**139,559,031**	f
Transport and travel	(89,474,000)	(33,967,300)	**(123,441,300)**	(85,923,390)	**37,517,910**	g
Public relation and consumer services	(91,400,000)	(113,500,000)	**(204,900,000)**	(145,104,590)	**59,795,410**	h
Information & communication Technology	(19,200,000)	-	**(19,200,000)**	(15,425,550)	**3,774,450**	i
Consultancy and other professional services	(169,690,700)	(29,956,000)	**(199,646,700)**	(148,910,758)	**50,735,942**	j
Depreciation and amortisation expense	(72,050,249)	(29,956,000)	**(63,050,249)**	(46,440,383)	**16,609,866**	k
Transfer to Mortgage and Car Loan Scheme	(70,200,000)	(20,000,000)	**(90,000,000)**	(90,000,000)	**-**	l
Office Supplies	(24,800,994)	(3,510,000)	**(28,310,994)**	(20,785,847)	**7,525,147**	m
Office rent and services	(70,000,000)	(5,000,000)	**(75,200,000)**	(66,761,424)	**8,438,576**	n
HIV/AIDS Prevention	(7,400,000)	(30,415,732)	**(37,815,732)**	(4,671,810)	**33,143,922**	o
Utilities	(15,915,120)	-	**(15,915,120)**	(8,553,063)	**7,362,057**	p
Contingency and other costs	(2,000,000)	-	**(2,000,000)**	(2,000,000)	**-**	
Total expenditure	**1,516,073,256)**	**(152,458,112)**	**(1,668,531,368)**	**(1,293,668,194)**	**374,863,174**	
	465,982,055	(308,761,189)	**157,220,866**	91,091,099	(66,129,767)	

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**
Surplus (Deficit) before Taxation	**465,982,055**	**(308,761,189)**	**157,220,866**	**91,091,099**	**(66,129,767)**	
Taxation	-	-	-	-	-	
Surplus (Deficit) before Taxation	465,982,055	(308,761,189)	157,220,866	91,091,099	(66,129,767)	
Taxation	-	-	-	-	-	-
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**465,982,055**	**(308,761,189)**	**157,220,866**	**91,091,099**	**(66,129,767)**	

Statement of Comparison of Budget and Actual Amounts

Budget difference

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 reallocations, 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 was below budget by Ksh. 63,841,357, representing an under collection of 19.5%. This was attributed to low remittance of electricity levy resulting from lower sales of electricity due to possible slowdown of economic activities especially towards the last quarter of the financial year.

b) Petroleum levy received was below budget by Ksh. 378,599,220 representing an under collection of 26.6%. This is as a result of a combination of several economic factors that impacted on the fuel prices and supply chain hence depressing consumption of petroleum products. These factors include an imposition of 8% VAT on petroleum products, high international crude oil prices for the better part of the year and the covid-19 pandemic which resulted in near shut down of economic activities.

c) Other income was within budget.

d) Interest received was below budget by Ksh. 3,793,393 representing under receipt of 27.1% due to retirement of all investments in T-bills and remittance of the proceeds and surplus funds to National treasury following a government directive.

e) Expenditure on board activities is below the budget by Kshs. 10,400,863 representing an under expenditure of 34.9%. This resulted from savings that emanated from suspension of physical meetings, local travel, international travel and trainings and subsequent adoption of online meetings, trainings and webinars following the Covid-19 pandemic.

f) Expenditure on employees is below the budget by Kshs. 139,559,031 representing an under expenditure of 17.9%. This is attributed to suspension of physical staff trainings and adoption of online training.

g) Expenditure on Public Relations and Consumer Services is within the budget.

h) Expenditure on Transport and Travel is below the budget by Ksh. 37,517,910 representing an under expenditure of 30.4%. This is attributed to suspension of local and international travel and downscaling of surveillance activities at the peak of the Covid-19 pandemic.

i) Consultancy and other professional services is below budget by Ksh. 50,735,942 representing an under expenditure of 22.8%. This was due to significant savings in legal fees and staff recruitment costs. The impact of Covid-19 pandemic also resulted in underutilization of funds allocated for LPG inspection, ISO, Strategy and performance contracting activities some of which had to be suspended.

j) Expenditure on Depreciation is below the budget by Ksh.16,609,867 representing an under expenditure of 26.3%. This is attributed to delay in completion of the partitioning and fit out works in the regional offices and delay in delivery of some ICT equipment that suppliers source from abroad.

k) Transfer to mortgage and car loan funds is within the budget.

l) Expenditure on office supplies is below the budget by Ksh. 7,525,148 representing an under expenditure of 26.6%. This resulted from savings on cost of hosting office meetings and savings realized on purchase of stationery.

m) Expenditure on office rent and services was below the budget by Ksh. 8,438,576 representing an under expenditure of 11.2%. This is attributed to non-responsiveness of some tenders leading to delay in the procurement process and delayed occupancy of the premises.

n) Expenditure on Transport and Travel is below the budget by Ksh. 37,517,910 representing under expenditure of 30.3%. This is attributed to suspension of local and international travel and downscaling of surveillance activities at the peak of the Covid-19 pandemic.

o) HIV/AIDS Prevention was below budget by Ksh. 33,143,922 representing an underutilization of 87.6%. This was majorly attributed to suspension of outdoor activities.

p) Expenditure on utilities is below the budget by Ksh. 7,366,957 representing an under expenditure of 46.2%. This resulted from savings on telephone expenditure.

q) Expenditure on contingency was within budget.

r) Expenditure on Information & Communication Technology is below budget by Ksh. 3,774,450 representing an under expenditure of 19.7%. This is attributed to savings on internet services and disaster recovery.

Notes to the Annual Report and Financial Statements

1. General information

The Energy Regulatory Commission (ERC) was established under the Energy Act, 2006. In March 2019, the Energy Act 2019 and the Petroleum Act 2019 were enacted. The Energy Act 2019 provides for the establishment of the Energy and Petroleum Regulatory Authority (EPRA) as the successor to ERC. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority is responsible for regulation of all forms of energy except nuclear power.

2. Statement of compliance and basis of preparation

The Authority 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 gazettement 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 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

3.1 Relevant new standards and amendments to published standards effective for the year ended 30th June 2020.

Standard/ Interpretation	Effective date	Expected impact
IPSAS 40 – Public Sector Combinations	1st January 2019	The Authority will not be impacted by this standard

3.2 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 2020 or later periods:

Standard/ Interpretation	Effective date	Expected impact
IPSAS 41– Financial Instruments	1st January 2022	The impact to the Authority will not be material
IPSAS 42 – Social benefits	1st January 2022	The impact to the Authority will not be material
Amendments to other IPSAS resulting from IPSAS 42, financial instruments	1st January 2021	The Authority will not be impacted by this Standard
Other improvements to IPSAS	1st January 2021	The Authority will not be impacted by this Standard

4. Summary of significant accounting policies

a) Revenue recognition

ii) 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.

ii) 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 for each period.

b) Budget information

The original budget for FY 2019/2020 was approved by the National Treasury through Ministry of Energy on 29th July 2020. Subsequent revision or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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.

c) Taxation/Transfer to treasury

No provision has been made for 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.

d) 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%

e) Leases

Operating leases refer to 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.

f) 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.

g) 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; and
- 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.

h) 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 issued by the Government of Kenya. Government securities are classified as held to maturity and are stated at a mortised cost.

Short term deposits
Short term deposits are classified as held to maturity and are stated at amortized cost.

Trade receivables
Trade receivables are carried at anticipated realized 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.

i) Provisions

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.

j) 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.

k) 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.

l) 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: -

a) To safeguard the Authority's ability to continue, as a going concern, to provide energy regulatory services to the nation.

b) To match the profile of its assets and liability, taking account of the risks inherent in the business operation.

c) 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.

m) 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.

n) 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.

o) 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.

p) 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 management are regarded as related parties and comprise Board Members and senior managers (see further disclosures of related parties in note 29).

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.

q) Cash and cash equivalents

Cash and cash equivalents comprise cash in Mpesa 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.

r) Comparative figures

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

s) Inventories

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

5. 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 32. 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 2020.

Figures in Kenyan Shilling	2020	2019
6. Transfers from Government		
Exchequer support	-	31,288,845
Capacity Building-World Bank	-	3,585,242
	-	**34,874,087**
7. Electricity levy		
Electricity levy	263,003,453	347,272,642
Legal Notice No. 148 of 1999		
8. Petroleum levy		
Petroleum levy	1,046,308,204	1,060,760,528
Legal Notice No. 162 of 2018		
9. Other income		
License Fees	63,822,770	5,275,770
Miscellaneous	1,418,259	186,007
	65,241,029	**5,461,777**
10. Interest received		
Interest	10,206,607	17,141,892
11. Board Expenses		
Monthly Fees and Honorarium	5,715,359	4,517,143
Sitting Allowance	5,346,000	4,660,000
Meeting, Entertainment and Others	1,521,073	1,087,000
Seminars, Travel and accommodation	6,454,642	12,393,814
Medical and GPA	336,063	438,641
	19,373,137	**23,096,598**
12. Employee costs		
Salaries	327,022,073	266,887,146
Pension and Gratuity	68,637,880	57,178,216
Special duty and Acting allowances	11,270,659	7,679,189
Car and Commuter allowance	27,560,801	25,636,202
House allowance	80,673,802	62,179,701
Fringe benefits	1,915,536	1,299,122
Leave and Other allowances	8,697,218	10,935,404
Medical	32,795,840	34,743,344
Subscriptions-Clubs and Professional associations	1,533,023	1,288,406
Life and Accident Insurance	3,452,756	4,825,036
Staff Uniforms	1,317,912	844,998
Training and Capacity Building-EPRA Funded	73,023,006	75,237,259
Staff Welfare and Laundry	1,817,736	1,313,205
	639,718,242	**550,047,228**
13. Transport & travel		
Travel-Local and Surveillance Audits	55,678,989	51,242,007
Travel-International	18,701,467	22,302,570

Figures in Kenyan Shilling	2020	2019
Fuel	4,999,917	3,278,611
Vehicle repair and service	4,867,765	2,197,669
Vehicle insurance and licenses	1,675,252	2,228,814
	85,923,390	**81,249,671**
14. Public relation and consumer services		
Corporate Subscriptions	5,062,891	5,129,880
Corporate Social Responsibility	18,800,229	7,103,972
Advertising and Public Relations	61,614,055	30,738,347
Media Announcements	13,885,200	14,994,666
Public Seminars & Workshops	25,710,009	25,354,022
PR Agency	11,495,600	6,380,000
Branding / Printing	7,443,736	871,550
Events	210,950	809,500
Gazette Notices	881,920	785,795
	145,104,590	**92,167,732**
15. Utilities		
ISDN Line and Disaster Recovery	1,779,135	1,025,974
Telephone and Fax	6,773,928	5,523,756
	8,553,063	**6,549,730**
16. Information and communication technology		
Bandwidth	2,134,415	4,865,042
Software Licenses	13,291,135	13,925,257
Figures in Kenya Shillings	15,425,550	18,790,299
17. Office rent & Other services		
Rent and Parking	58,043,704	48,108,697
Security	3,048,005	1,495,200
Office cleaning	3,704,961	3,401,987
Repair and services-Office equipment	766,213	616,463
Insurance and Other costs	1,198,541	1,287,410
	66,761,424	**54,909,757**
18. Consultancy and other professional services		
Consultancy -EPRA Funded	120,796,225	114,146,733
Bank charges	1,108,473	979,396
Audit fees and expenses	348,000	348,000
Other Professional Services	26,658,060	21,581,037
	148,910,758	**137,055,166**
19. HIV/AIDS Prevention & others		
Gender	184,620	278,120
Drugs and substance abuse	212,019	716,950
Safety, disability, HIV/AIDS and others	4,275,171	779,047
	4,671,810	**1,774,117**

Figures in Kenyan Shilling	2020	2019
20. Depreciation and amortisation expense		
Property, plant and equipment	35,094,036	38,058,321
Intangible assets	11,346,347	7,724,365
	46,440,383	**45,782,686**
21. Contingency and other costs		
Kenya Energy and Environmental Programme [KEEP]	2,000,000	2,000,000
22. Office supplies		
Stationary, postage and supplies	7,250,526	6,393,195
Meetings, office tea and miscellaneous	3,383,024	2,253,332
Newspapers, books and periodicals	10,152,297	8,816,495
	20,785,847	**17,463,022**
23. Transfer to Staff Mortgage & Car Loan		
Transfer to Staff Mortgage & Car Loan	90,000,000	61,139,060
24. Gain on sale of assets		
Property, plant and equipment	-	750,509
25. Remission to National Treasury		
Surplus for the year	91,091,099	374,236,369
Purchase of assets	(148,004,046)	(84,736,007)
Realised surplus	**(56,912,947)**	**289,500,362**
90% of released profit	**(51,221,652)**	**260,550,326**
26. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Mpesa	1,777,220	2,491,154
Bank balances	31,497,466	31,518,643
KCB - Fixed Deposits	-	300,000,000
CBK - Treasury Bills	-	162,554,975
KCB-Senior Management Gratuity Current Account	4,359,770	-
KCB- Senior Management Gratuity Investment	28,005,390	-
	65,639,846	**496,564,772**

In the month of October 2018 all Senior management staff were put on a five-year renewable contract. KCB Senior Management Gratuity Account is held for Senior Management gratuity obligation. This is cash payable at the end of each employees' contract.

27. Receivables from exchange transactions		
Prepayments	18,168,383	-
Deposits	15,936,753	13,275,698
	34,105,136	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, fuels and rent deposit	-	-	-	15,837,753
Telephone-deposits	-	-	99,000	99,000
Prepayments	18,168,383	-	-	18,168,383
	18,168,383	**-**	**15,936,753**	**34,105,136**

Prepayments amounting to Ksh. 18,168,383 are for rent and insurance and rent deposit of Ksh. 12,115,352.82 relates to deposit for 3 months for the 4 floors that the Authority occupies at Eagle Africa Building in Nairobi and in the regional offices. Hospital deposits of Ksh. 650,000.00 are held with Gertrude's, Aga Khan and Nairobi Hospitals to facilitate staff who seek outpatient treatment as per the medical policy. Other deposits are held with Kenya Airways Ksh. 2,000,000, Ksh. 192,399.94 at Aquamist dispenser, Ksh. 99,000 in telephone deposits, Ksh. 20,000 legal fees, Ksh. 200,000 at Toyota Kenya and Ksh. 660,000 for fuel.

28. Receivables from non-exchange transactions

Board Imprest	315,257	2,335,768
Staff Imprest	(1,763,163)	(163,790)
Revenue Debtors	102,360,793	120,454,027
Receivables from MOE	4,223,843	727,062
Staff salaries & Medical advances	1,311,424	793,068
	106,448,154	**124,146,135**

29. Inventories

Inventories	3,425,225	3,463,715

30. Property, plant and equipment

Company			**2020**			**2019**
	Cost/ Valuation	**Accumulated depreciation and accumulated impairment**	**Carrying Value**	**Cost/ Valuation**	**Accumulated depreciation and accumulated impairment**	**Carrying Value**
Furniture and fixtures	137,383,526	(115,272,250)	22,111,276	134,609,543	(110,569,416)	24,040,127
Motor vehicles	109,839,216	(81,436,936)	28,402,280	109,839,216	(66,946,328)	42,892,888
Office equipment	29,814,471	(15,174,751)	14,639,720	24,358,761	(13,262,621)	11,096,140
IT equipment	123,912,626	(52,625,063)	71,287,563	72,399,038	(38,499,627)	33,899,411
Work in Progress	79,067,020	-	79,067,020	5,056,490	-	5,056,490
Total	**480,016,859**	**(264,509,000)**	**215,507,859**	**346,263,048**	**(229,277,992)**	**116,985,056**

Reconciliation of property, plant and equipment

Cost	**Furniture and fixtures**	**Motor vehicles**	**Office equipment**	**IT equipment**	**Work in Progress**	**Total**
At 1st July 2018	**135,130,003**	**65,780,325**	**22,104,487**	**45,817,056**	**-**	**268,831,871**
Additions	(520,460)	48,717,600	3,911,807	26,581,982	5,056,490	83,747,419
Disposals and scrapings	-	(4,658,709)	(1,657,533)	-	-	(6,316,242)
	-	-	-	-	-	-
At 30 June 2019	**134,609,543**	**109,839,216**	**24,358,761**	**72,399,038**	**5,056,490**	**346,263,048**

Company			2020			2019
	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value	Cost/ Valuation	Accumulated depreciation and accumulated impairment	Carrying Value
	Furniture and fixtures	Motor vehicles	Office equipment	IT equipment	Work in Progress	Total
Additions	2,773,983	-	5,455,710	51,513,588	-	59,743,281
WIP	-	-	-	-	74,010,530	74,010,530
At 30th June 2020	**137,383,526**	**109,839,216**	**29,814,471**	**123,912,626**	**79,067,020**	**480,016,859**
Depreciation and impairment						
At 1st July 2018	**(93,060,984)**	**(56,814,568)**	**(12,125,574)**	**(32,759,023)**	**-**	**(194,760,149)**
Disposals and scrapings-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 30th June 2019	**(110,569,417)**	**(66,946,327)**	**(13,182,693)**	**(38,579,555)**	**-**	**(229,277,992)**
Depreciation	(4,702,834)	(14,353,635)	(1,912,130)	(14,125,437)	-	(35,094,036)
Depreciation Donated Vehicle	-	(136,973)	-	-	-	(136,973)
At 30th June 2020	**115,272,250**	**(81,436,936)**	**(15,094,823)**	**(52,704,992)**	**-**	**(264,509,000)**
Net book values						
Cost	137,383,526	109,839,216	29,814,471	123,912,626	79,067,020	480,016,859
Accumulated depreciation and impairment	(115,272,250)	(81,436,936)	(15,094,823)	(52,704,992)	-	(264,509,001)
At 30th June 2020	**22,111,276**	**28,402,280**	**14,719,648**	**71,207,634**	**79,067,020**	**215,507,858**

As at 30th June 2020, property and equipment with cost amounting to Ksh. 199,257,336.5 were fully depreciated and intangible assets with cost amounting to Ksh. 27,490,917.39 were fully amortized. Depreciation of Ksh. 136,973 relates to a donated Motor vehicle which has been offset against differed income and not on the Statement of Financial Performance.

31. Intangible assets

Computer software, other	113,996,854	(96,496,026)	17,500,828	99,746,604	(85,149,679)	14,596,925
Reconciliation of intangible assets						
Cost						
Opening balance					99,746,604	93,701,526
Additions					14,250,250	6,045,078
Closing balance					**113,996,854**	**99,746,604**
Amortisation and impairment						
Opening balance					(84,946,354)	(77,425,314)
Amortisation					(11,549,672)	(7,724,365)
Closing balance					**(96,496,026)**	**(85,149,679)**

Made up as follows:		
Cost	113,996,854	99,746,604
Amortisation and impairment	(96,496,026)	(85,149,679)
Net book value	**17,500,828**	**14,596,925**

32. Payables under exchange transactions

Suppliers	66,598,302	144,068,524
Rural Electrification Authority	-	10,196,695
Energy Act advances and others	47,313,246	1,161,653
Accruals	93,809,478	34,860,270
Deferred income	-	136,973
	207,721,026	**190,424,115**

Description	**1-6 Months**	**6-12 Months**	**Over 1 Year**	**Total**
Suppliers	42,600,473	3,025,346	20,972,483	66,598,302
Energy Act advances & Others	47,313,246	-	-	47,313,246
Accruals	93,809,478	-	-	93,809,478
	183,723,197	**3,025,346**	**20,972,483**	**207,721,026**

33. Provisions

Reconciliation of provisions - 2020				
	Opening Balance	**Additions**	**Utilised during the year**	**Total**
Audit fees	348,000	348,000	-	696,000
Withheld taxes & other statutory deductions	12,567,437	2,336,162	-	14,903,599
Amounts due to consolidated funds	260,550,327	-	(260,550,327)	-
	273,465,764	**2,684,162**	**(260,550,327)**	**15,599,599**
Reconciliation of provisions - 2019				
Audit fees	348,000	-	-	348,000
Withheld taxes & other statutory deductions	7,957,289	4,844,422	-	12,567,437
Amounts due to consolidated funds	125,914,100	260,550,327	(125,914,100)	260,550,327
	134,219,389	**265,394,749**	**(125,914,100)**	**273,465,764**

34. Employee benefit obligations

Other payroll benefits	13,958,918	13,222,898
Gratuity	37,280,234	17,424,561
	51,239,152	**30,647,459**

35. Cash (used in) generated from operations

Surplus	91,091,099	113,686,043
Adjustments for:		
Depreciation and amortisation expense	46,440,383	45,782,686
Gain on sale of assets	-	(750,509)
Increase in Employee Benefit Provision	20,591,693	20,560,381
90% Transfer To National Treasury	(260,550,327)	125,331,875
Reduction In Reserves	(199,449,674)	-
Depreciation for donated motor vehicle	136,973	2,094,273
Adjustment	(27,199,000)	59,692,218
Transfer to EPRA fund	-	(236,961,657)

Changes in working capital:		
Inventories	38,490	(849,564)
Receivables from exchange transactions	(20,829,438)	-
Other receivables from non-exchange transactions	17,697,981	(78,115,703)
Payables under exchange transactions	17,296,911	81,142,685
Cash (used in) generated from operations	(314,734,909)	131,612,728

36. 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 2020	Fully performing	Past due	Impairment	Total
Receivables from non-exchange transactions	106,448,154	-	-	106,448,154
Bank Balances	65,639,846	-	-	65,639,846
	172,088,000	**-**	**-**	**172,088,000**
As at June 2019	**Fully performing**	**Past due**	**Impairment**	**Total**
	Ksh	Ksh	Ksh	
Receivables from non-exchange transactions	124,146,135	-	-	124,146,135
Bank Balances	496,564,772	-	-	496,564,772
	620,710,907	**-**	**-**	**620,710,907**

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

Liquidity risk is one that may cripple the Authority's ability to meet 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:

	1- 6 Months	6 - 12 Months	Over 1 Year	Total
Trade & other payables from exchange transactions	42,600,473	3,025,436	20,972,483	66,598,302
Employee benefits Obligation	-	51,239,152	-	51,239,152
Audit fees payable	696,000	-	-	696,000
Withheld tax and other statutory deductions	14,903,599	-	-	14,903,599
Accruals	145,805,275	-	-	145,805,275
Energy Act Advances and Others	47,313,246	-	-	47,313,246
	251,318,593	**54,264,588**	**20,972,483**	**326,555,574**

37. Operating Lease Commitments

Operating lease commitments represent rentals payable by the Authority for rented office space.

Not later than 1 year	42,024,201
Later than 1 year and not later than 5 years	210,121,003
	252,145,204

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.

38. Dividends/surplus 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 each financial year. EPRA made a surplus in the previous financial year and hence remitted Ksh. 260,550,327 as 90% of the surplus and remitted an additional Ksh. 199,449,673 upon request by the National Treasury. In this Financial Year the Authority has reported a surplus of Ksh. 16,417,244 and will consequently remit Ksh. 14,776,519.

39. Events after the reporting date

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

40. Ultimate and Holding Entity

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

41. Related parties

Transactions with related parties
Key management compensation

Compensation to Senior Management	71,141,685	62,982,760
Compensation to the Director General	9,390,872	74,011,059
	80,532,557	**136,993,819**
Grants from Government State Department of petroleum	-	34,793,087
Ministry of energy	-	81,000
	-	-
	-	**34,874,087**

Figures in Kenyan Shilling			2020	2019

41. Related parties (continued)

Board Members Remuneration 2020

Name	Monthly Fee and Honoraria	Sitting Allowance	Lunch	Total
Hon.Justice(Prof) Jackton B. Ojwang	130,000	186,000	10,000	326,000
Mr Joshua Oigara	1,035,359	200,000	14,000	1,249,359
Dr. Sellah J. Kebenei	600,000	900,000	640,000	2,140,000
Veronica Kamau	-	400,000	20,000	420,000
Eng. Samuel N. Maugo	600,000	920,000	66,000	1,586,000
Lilian Mahiri Zaja	600,000	520,000	4,000	1,124,000
Dr. Macharia Irungu	100,000	60,000	4,000	164,000
Prof. George Achoki	600,000	960,000	66,000	1,626,000
National Treasury	1,700,000	-	-	1,700,000
Ms. Jacqueline Mogeni	-	620,000	32,000	652,000
Christopher Ombega	-	40,000	4,000	44,000
Lucy Waithira Mugwe	-	100,000	8,000	108,000
Isaac Omondi Odek	-	20,000	2,000	22,000
Daniel Kiptoo Bargoria	-	260,000	18,000	278,000
Wanjuki Muchemi	350,000	160,000	12,000	522,000
	5,715,359	**5,346,000**	**900,000**	**11,961,359**

Board Members Remuneration 2020

Name	Monthly Fee and Honoraria	Sitting Allowance	Lunch	Total
Joshua Oigara	1,565,000	320,000	14,000	1,899,000
Titus Gitahi	-	160,000	-	160,000
Veronica Kamau	-	320,000	16,000	336,000
Eng. Samuel Maugo	600,000	640,000	30,000	1,270,000
Eng. Erick Nyamuga	473,333	640,000	26,000	1,139,333
Dr. Sellah Kebenei	487,143	960,000	24,000	1,471,143
Peter Njenga Mwangi	600,000	840,000	36,000	1,476,000
Nixon Lenaiyara	150,000	700,000	18,000	868,000
Lilian Mahiri Zaja	41,667	80,000	4,000	125,667
National	600,000	-	-	600,000
	4,517,143	**4,660,000**	**168,000**	**9,345,143**

Appendix I: Progress on Follow up of Auditor Recommendations

There were no audit issues raised in the preceding financial year.

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