EPRA
Energy & Petroleum Regulatory Authority

INTEGRATED ANNUAL REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2021

OUR MISSION STATEMENT

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

OUR RALLYING CALL

Quality energy, quality life

OUR VISION

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

OUR CORE VALUES

- Professionalism
- Integrity
- Responsiveness
- Mutual Respect
- Teamwork

INSIDE THIS REPORT

ACRONYMS AND ABBREVIATIONS

AGPO	Access to Government Procurement Opportunities
AGO	Automotive Gas Oil
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	Dual Purpose 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 (IPSAS)
IRMPF	Institutional Risk Management Policy Framework
KenGen	Kenya Electricity Generating Company
KETRACO	Kenya Electricity Transmission Company
KPLC	Kenya Power and Lighting Company
Kms	Kilometre
KNBS	Kenya National Bureau of Standards
KPC	Kenya Pipeline Company
kV	Kilovolt

kVA	Kilovolt ampere
KWh	Kilowatt hours
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	Megavolt 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	Petroleum Motor Spirit
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

1. **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.
2. **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.
3. **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)
4. **Electricity Generation:** This is the process of converting primary energy (e.g., thermal and renewable sources) into electricity.
5. **End User Tariff:** The electricity tariff paid by customers.
6. **Energy Efficiency:** Using less energy to produce the same quality and quantity of goods and services.
7. **Energy Market:** Commodity markets that deal specifically with trade and supply of energy.
8. **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.
9. **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 Gigawatt hours.
10. **Geothermal power:** Power generated from steam derived from the underground.
11. **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.
12. **Hydro power:** Power generated from turbines energized by force of flow of water.
13. **Import bill:** This is the total value in Kshs. of petroleum imports in the country over a given time period, usually one year.
14. **Installed capacity:** Maximum power generation capacity that the country's power plants can achieve
15. **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.
16. **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.
17. **Load:** Amount of electricity being used or demanded at one time by a circuit system.
18. **Murban crude oil:** This is a light grade crude oil mostly exported from Fujairah and Abu Dhabi.
19. **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.
20. **Nominal capacity:** Same as installed capacity.
21. **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.
22. **Pass through elements:** These are parameters denoting the additional costs incurred by electricity generating plants and are transferred to the consumers.
23. **Peak demand:** This is the highest level of electricity power demand recorded in the country over a specific time period.
24. **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.
25. **Prospective demand:** This is the highest expected (forecasted) power demand over a given time period.
26. **Renewable energy sources:** These are energy uses that can be replenished within a short time.
27. **Security of Supply:** This is the assurance of an uninterrupted availability of energy supply at affordable prices.
28. **Solar photovoltaic power:** Power generated through the effect of conversion of a light photon into electric energy through a semi-conductor.
29. **Tariff:** The regulated price at which various consumer categories are charged for the supply of electrical energy.
30. **Tariff evolution:** This is how electricity tariffs vary over time.
31. **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.
32. **Wind power:** Power generated through the force of energy of moving wind over a turbine blade.
33. **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. Pavel R. Oimeke	Director General	Appointed on 1st August 2017	16th February 2021
Mr. Daniel Kiptoo	Director General	Appointed as Acting Director General effective 14th December 2020 Confirmed on 30th June 2021	
Mr. Moses Gitari	Alternate to the Principal Secretary State Department of Energy	Appointed on 29th April 2019	23rd August 2021
Mr. Daniel Kiptoo	Alternate to the Principal Secretary, State Department of Petroleum and Mining	Appointed on 12th June 2019	14th December 2020
Ms. Jacqueline Mogeni	Council of Governors Representative	Appointed on 27th May 2019	3rd June 2021
Mr. Albert Mwenda	Representative of the National Treasury	Appointed on 10th August 2020	
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 • Resigned on 16th February 2021
Mr. Daniel Kiptoo	• Appointed as Acting Director General effective 14th December 2020 • Confirmed on 30th June 2021
Ms. Mueni Mutung'a	Corporation Secretary & Director Legal Services
Eng. Edward Kinyua	Director Petroleum & Gas
Eng. Joseph Oketch	Director Electricity & Renewable Energy
Dr. John Mutua	Ag. 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 am honored to present to you the Authority's annual report and financial statements for the year ended 30th June 2021.The report reflects the efforts made by the Authority towards achievement of the Government's Third Medium Term Plan 2017-2022 of the Vision 2030 that aims to transform Kenya into an industrialized middle-income country offering a high quality of life to all our citizens. The Authority has continued to support aspirations of the Big Four Agenda and subsequently the country's Vision 2030 in regulating and steering the energy sector towards sustainable, affordable and adequate energy services. This is attributed to the fact that energy is considered a major infrastructural enabler of the country's development agenda.

The Country's economic performance for the year experienced mixed performance, with the World Bank projecting a growth rate in the Gross Domestic product (GDP) by 4.5%. The expansion is attributed to partial easing of COVID-19 containment measures that consequently led to gradual resumption of a number of economic activities.

Successes

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

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

The Authority continues to spearhead the smooth functioning of the sector through the use of various regulatory instruments including licensing, Power Purchase Agreement (PPA) approvals, regulation development and enforcement, monitoring performance of sector utilities, Energy sector pricing as well as complaints resolutions. Each of these processes are being improved by ensuring that less time is taken to process any legal instrument issued by the Authority. Among critical activities this year, the Authority continued to monitor the implementation of Time of Use (TOU) tariff for large commercial and industrial consumers. In addition, the Authority continued with implementation of special tariffs for Special Economic Zones (SEZ) as well as introduced an Industrial and Commercial Tariff for customers to be metered at 220kV. The aim is to support Agro-processing and the manufacturing sectors as envisioned in the Big Four Agenda.

The Country has in the recent past experienced increased interest by developers in the development of Liquefied Petroleum Gas (LPG) infrastructure. This has been buoyed by a growth in LPG consumption as more Kenyans enter the middle class and abandon traditional biomass cooking fuels. This energy transition initiative has seen consumption of LPG increase from 2.3 Kilos per Capita in 2012 to 7.5 Kilos per capita in 2021. On this account, the Authority is encouraging the shift to LPG through fiscal and regulatory incentives. That aside, the Authority continues to intensify the quality of petroleum fuels used in the country through a national marking and monitoring program and a revamped enforcement, compliance and consumer protection team with offices across the country. This will ensure that consumers are protected from adulterated fuels, malpractices in electrical energy service provision as well as quality control of petroleum dispensing facilities. The efforts also protect the Country's tax revenue by preventing dumping of tax-exempt export bound petroleum products into the local market.

With regard to the Energy Sector Plans, the Authority completed the coordination of the transitional Least Cost Power Development Plan 2020-2040, that will be an input into the Integrated National Energy Plan (INEP). The plan provides a framework for the sectors' development in terms of forecasted demand based on major demand drivers and projected supply in terms of committed projects in the electricity subsectors.

Challenges

The Authority continues to experience some challenges as it endeavours to discharge her mandate. There have been limitations associated with the Covid-19 pandemic that posed challenges to the regulatory mandate of the Authority. In order to mitigate this challenge, we have utilized technology for collaborations. We have continued to ensure prudent management of resources during this period.

The second challenge that the Authority faced during the year was that of inadequate manpower and physical resources to effectively carry out its mandate. The Authority has continued to seek appropriate approval to recruit.

Finalizing of the new regulation to ensure implementation of the Energy Act 2019 and Petroleum 2019 has been the other major challenge facing the sector. There are many regulations that need to be developed or updated to conform to the new statues. The Authority will continue to work with the Ministry of Energy and that of Petroleum and Mining to ensure these regulations are developed and implemented.

Lastly but not the least is the challenge of dealing with high cost of energy and petroleum services and products. This has occasionally created dissatisfaction with stakeholders who wish to pay lower costs on these services. There has been an upsurge in international oil prices that have affected the end user tariffs and prices. The Authority has been engaging with the government to ensure we manage the negative impacts such as increase in inflation.

Way Forward

Going forward, we will ensure continued collaborations with our stakeholders. We will continue to enhance our regulatory mandate by adopting best practices and improve the environment of doing business in the country.

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

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

DIRECTOR GENERAL'S STATEMENT

As we conclude the 2020/21 financial year, I take this opportunity to appreciate the concerted efforts made in improving delivery of services to the public from all relevant stakeholders in the energy sector. The multi-agency approach to planning and enforcement of regulations and guidelines within the sector has seen the Authority continue to achieve unprecedented levels of compliance to statutory requirements among regulated entities.

In accordance with Part 2 section 4-8 of the Energy Act of 2019, the Cabinet Secretary, in coordination with other stakeholders is mandated to develop an Integrated National Energy Plan (INEP) in respect of coal, renewable energy and electricity so as to ensure delivery of reliable energy services at least cost. During the year 2020/21, the Authority coordinated preparation of the transitional Least Cost Power Development Plan 2021-2040, which will be an input to the Integrated National Energy Plan.

At sector performance level, the electricity sub-sector performance continued to slowly recover from the adverse effects of the global pandemic, COVID-19, with peak demand for the year recorded to rise to 1,994MW in June 2021. The resurgence in the subsector also saw the energy peak rise to 36,338MWh for the one-year period ending June 2021. Electricity access in the country during the FY 2020/21 remained relatively stable at 77.4%, with 8,216,253 customers connected as of May 2021. On electricity generation, the interconnected system in Kenya has a total installed capacity of 2,949.3MW as at June 2021, comprising of 838.1MW hydroelectric power generators, 863.1MW of Geothermal, 660.3MW of Thermal, 435.5MW of Wind, 90.3MW of Solar and 2MW form Biomass. In addition, there is also 34.4MW from isolated mini-grids bringing the total installed capacity to 2,984MW.

The Authority has continued its commitment to reviewing Power Purchase Agreements (PPA's) within 60 days of receipt of materially complete applications, in accordance with the Energy Act 2019, a significant reduction from the statutory 90 days stipulated in the Energy Act 2006. During the financial year, the Authority reviewed and approved amendment to the PPA between KPLC and Orpower4 for 139MW Olkaria III project within the stipulated timelines. The timely review ensures significantly reducing reliance on thermal generation as a move towards embracing renewable energy. Additionally, the country has heavily invested in wind and solar technologies. The financial year saw two new Independent Power Producers come on board to the grid, namely 100MW Kipeto Wind Power and 40MW Selenkei Solar Plant.

On Power evacuation, the transmission network had a total length of 7,676 kilometres as of June 2021 compared to 7,174 kilometres in the previous year, representing an estimated 7.4% increment. This is attributed to completion of the Olkaria – Lessos -Kisumu transmission and substations at Olkaria, Kibos and Mambo leo. The line is critical in evacuating geothermal power to the western region thereby boosting power quality and reliability of supply in the region.

In the Petroleum sub-sector, the consumption for Illuminating Kerosene, Premium Motor Spirit, and Automotive Gas Oil was 151,657.71 M3, 2,088,661.65 M3 and 2,705,158.44 M3 respectively. By June 2021, the Authority had issued a total of 12,358 Petroleum Business Licenses. Additionally, the Authority continues to set maximum retail prices for Diesel, Super Petrol and Illuminating Kerosene. The Authority also sets wholesale prices for the main supply depots in Kenya as stipulated in Energy Act 2019. The key determinants of pricing 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 the 14th day of every month and with stakeholder participation throughout the process.

In the year under review, the Authority collected Ksh. 1.2 billion from the petroleum levy compared to Ksh. 1.1 billion in the previous year, an increase of 16.5%. On the other hand, the electricity levy reduced by 10% from Ksh. 263 million in 2019/2020 to Ksh. 236 million in 2020/2021. We did not receive any Government support during the period. In total, non-exchange revenue went up by 11.2% from Ksh.1.31 billion in 2019/20 to Ksh. 1.46 billion in 2020/21. The total recurrent expenditure increased by 6.26% from Ksh. 1.29 billion in 2019/20 to Ksh. 1.35 billion in 2020/2021.

The Authority's total asset base increased by 32.2% from Ksh. 442.6 million in the previous period to Ksh. 588.9 million in 2020/21. Non-current assets decreased by 8% to Ksh. 220 million from Ksh. 233 million. Current assets went up by 76% to Ksh. 368.3 million from Ksh.209.6 million. This is attributed to increased cash position as a result of increase in petroleum levies collected. Current liabilities reduced by 10.9% to Ksh. 244.9 million down from Ksh.274.6 million in the 2019/20 financial year. Further, total equity increased by 81.7% from Ksh. 168.1 million in 2019/2020 to Ksh. 344.1 million.

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

In his oil trading career, 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

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

He holds Bachelor's and Master's degrees in Law from the University of Nairobi and a PhD in Comparative Constitutional Law from Downing College, Cambridge. In 2015, he earned a Doctor of Laws degree (LLD) from the University of Nairobi making him the first sitting judge to receive the Degree. He is an accomplished scholar and has authored numerous academic papers and other scholarly works. He has also taught at reputable universities around the world including the University of Nairobi where he served for 27 years. He has also been a visiting Associate Professor of Law at the J. Reuben Clark Brigham Young University Law School in the United States.

Prof. Ojwang' was awarded the University of Nairobi's Staff Merit Award in recognition of his outstanding contribution towards the University's mission. He was also bestowed the coveted East African Law Society Senior Lawyer of Year Award in 2013 for his remarkable legal and judicial career.

Daniel Kiptoo Bargoria was appointed as Director General on 30th June 2021. Prior to his appointment, he held the same position in an acting capacity since 14th December 2020.

Daniel 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.

He 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
Director General

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 James Nganga is currently the Principal Superintending Geologist and Acting Secretary in the Directorate of Petroleum at the State Department of Petroleum and Mining. His directorate is responsible for overseeing the exploration of Oil and Gas fields, determination of their commerciality, licensing and ensuring compliance with environmental protection policies.

He has extensive experience, spanning over 25 years, and has been involved in the exploration of geothermal, coal, oil and gas in Kenya.

Mr. Nganga holds a Bachelor of Science Degree in Geology from the University of Nairobi and a Master of Science Degree in Structural Geology from the University of Leeds, UK. He also holds a Postgraduate Diploma in Geothermal Technology from Auckland University, New Zealand and a Certificate in Geothermal Energy and Environmental Sciences from Kyushu University, Japan.

He is a member of the Geological Society of Kenya (GSK) and the Geologist Registration Board (GRB)

Mr. James M. Nganga
Alternate to the Principal Secretary, Ministry of Petroleum

Ms. Jackline Mogeni
Board Member
(County Government Representative)

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 at 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, her exceptional work in fostering devolution in Kenya.

Mr. Albert Mwenda
National Treasury Representative

Mr. Albert Mwenda was appointed to the position of Director General, Budget, Fiscal and Economic Affairs on an acting capacity in November 2018.

Prior to his current appointment he served as the Director of the Intergovernmental Fiscal Relations Department of the National Treasury which he helped to establish. He has made significant contributions in the recent development of Kenya's policy and legislative framework for public finance management, including the management of fiscal relations between the two levels of government.

He holds a Master's Degree in Public and Economic Policy from the London School of Economics and Political Science (LSE), UK as well as a Master's of Business Administration (Finance) from the University of Nairobi (UON). He also holds a Bachelor of Arts degree in Economics from the University of Nairobi (UON).

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. 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.

Eng. Samuel N. Maugo
Board Member

Ms. Lilian Zaja
Board Member

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

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

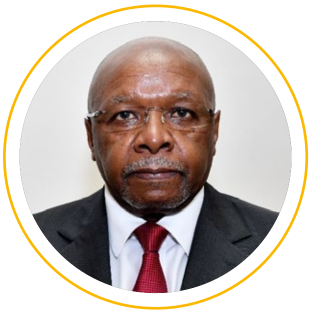
Ms. Mahiri-Zaja is an Advocate of the High Court of Kenya and has served in various national and international institutions; including the Committee of Experts on Constitutional Review in 2009-2010, Presidential National Committees, Task Forces, various Commissions and the African Union Commission on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

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.

Prof. George O. Achoki, PhD.
Board Member



Mr. Wanjuki Muchemi
Board Member

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.

Ms. Mutunga 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.

Ms. 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. Daniel Kiptoo Bargoria
Director General

Daniel Kiptoo Bargoria was appointed as Director General on 30th June 2021. Prior to his appointment, he held the same position in an acting capacity since 14th December 2020.

Daniel 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.

He 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.

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. John M. Mutua
Acting Director Economic Regulation

Dr. Mutua has extensive experience, spanning over 17 years in Energy Planning, Pricing, Competition, Research and Policy Analysis. Prior to his appointment in his current role, he served as the Deputy Director Regulatory Research and Policy Analysis at the Authority.

Before joining EPRA, he was a Policy Analyst at the Kenya Institute for Public Policy Research and Analysis (KIPPRA). He is a Certified Regulation and Utility Management Specialist by the Institute for Public Private Partnerships (IP3), Washington D.C.

Dr. Mutua has authored papers in journals such as the Energy Policy, Journal of Energy and Development, Journal of African Development, Resources for the Future (RFF) Discussion Papers, KIPPRA Discussion and Working Papers as well as the African Economic Research Consortium publications. He is an alumni of the Collaborative Masters Programme (CMAP) in Economics, which is supported and hosted by the African Economic Research Consortium, and is a Research Associate at the Environment for Development (EfD) Initiative-Kenya. He is also a member of the International Association for Energy Economics (IAEE) and the Economist Society of Kenya (ESK).

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

Eng. Edward Kinyua
Director Petroleum and Gas

Eng. Edward Kinyua is responsible for the development and implementation of strategies to ensure effective regulation of the mid and downstream petroleum sub-sectors in Kenya.

Eng. Kinyua 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 a Master of Business Administration (Strategic Planning) from Moi University, 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 then moved to Ernst & Young where she served as a Senior Auditor and later to the Kenya Rural Roads Authority (KeRRA) where she served as the Regional Accountant. 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 several 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 Authority embraces the principles of good governance that are entrenched in Article 10 of the Constitution of Kenya, the State Corporations Act Cap 446 and the Mwongozo Code of Governance for State Corporations. These principles ensure efficiency, effectiveness, transparency, disclosure, accountability, risk management, internal controls, ethical leadership and good corporate citizenship in execution of the Authority's mandate.

The Board of Directors (the Board) recognizes corporate governance as an essential element for achieving the Authority's regulatory mandate provided in the Energy Act No. 1 of 2019 (Energy Act) and the Petroleum Act No. 2 of 2019 (Petroleum Act). The Board adheres to good corporate governance by complying with the following principles which are anchored in the Board Charter:

- Observation of high standards of ethical and moral behaviour;
- Identification and mitigation of risks while acting in the best interests of the Authority;
- Promotion of legitimate interests of all stakeholders;
- Ensuring that the organization acts as a good corporate citizen; and
- Ensuring fair staff remuneration and promotion.

The Board commits to upholding its fiduciary duties by maintaining the highest standards of corporate governance.

2. Strategic Plan

The period under review marks the 1st year of the implementation of the Strategic Plan 2020/21 – 2022/23 (the Strategic Plan), this being the 5th Cycle of Strategic Planning since the inception of the Authority. The Strategic Plan is in line with the Government's Big Four Agenda; enhancing manufacturing, food security and nutrition, universal health coverage and affordable housing.

The strategic focus for the Authority during the period was to promote sector growth and development, strengthen research, data and information management and enhance public education and compliance.

3. Enterprise Risk Management

The Authority is committed to the delivery of its service through a proactive approach that identifies and mitigates risks. The ultimate objective of risk management is to strengthen the Authority's role in regulation of the energy and petroleum sector. The Authority ensures that systems and processes of accountability, risk management and internal controls are adequate.

The corporate, functional and emerging risks were assessed, evaluated and closely monitored by the Board and Management. An implementation matrix was developed and adequate resources allocated for implementation of the proposed actions.

During the period, the Authority:

- Implemented a Risk Management strategy in line with the Mwongozo Code and ISO 31000:2018;
- Embedded risk management in the Authority's systems and processes;
- Updated the risk management framework and monitored the risk mitigation strategies; and
- Created employees' awareness on risk management with an aim of achieving support of strategic and operational objectives.

4. Assurance and Audit Approach

The Authority has in place an oversight and risk management framework. This model adopts a three-pronged approach comprising of a review by management, internal and external auditors.

5. Board Composition

5.1 Board Charter

The Authority has a Board Charter which defines the role and responsibilities of the Board and structures that support execution of its strategic oversight function.

5.2 Board Appointment

The Board Directors are appointed pursuant to section 12 of the Energy Act. The Board consists of the Chairperson, the Principal Secretary responsible for Energy or his representative, the Principal Secretary responsible for Petroleum or his representative, the Principal Secretary in the National Treasury, or his representative, one County Executive Committee member responsible for energy and petroleum 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 serves a four-year term while Board members are appointed for a three-year term. The respective terms are renewable once for the same duration. The Board members are appointed at different times to ensure that the respective expiry dates of their terms of office vary for purposes of business continuity.

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

The termination of appointment of the Board members should be in accordance with the provisions of the Second Schedule of the Energy Act or through voluntary resignation.

5.3 Corporation Secretary

The Corporation Secretary is appointed by the Board. The Corporation Secretary is expected to guide the Board on governance and statutory matters during Board and Committee meetings. The Corporation Secretary must be qualified as a member of the Institute of Certified Secretaries.

5.4 Board Diversity

The Board comprises of members with diverse skills ranging from law, finance, audit, engineering among others which are central in the effective conduct of Board business. The appointments and composition of the Board takes into account and reflect the gender balance and diversity of the people of Kenya.

6. Board Effectiveness

6.1 Independence and Separation of Roles and Responsibilities

The Board's main role is to ensure the optimal performance of the Authority by providing strategic direction and oversight. The Board also guides the development and the implementation of the Strategic Plan and evaluates the Authority's performance.

The Chairperson is primarily responsible for the activities of the Board and its committees. He approves 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 DG is responsible for the day to day management of the Authority and serves as the link between the Board and Management.

6.2 Role of the Board

The Board is guided by the principles of Public Service as provided in Chapter Thirteen of the Constitution of Kenya in the performance of its functions. The Board assumes collective responsibility in discharging its mandate.

The Board's role includes:

- Determination of the Authority'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.

6.3 Responsibilities of Individual Directors

The Board Charter enumerates the responsibilities of the Directors. Each Director is required to act within the confines of the Board Charter while observing the principles of good corporate governance. The Directors undertake to:

- Exercise the highest degree of care, skill and diligence in discharging their duties;
- Act in the best interest of the Authority and not for any other purpose;
- Act honestly at all times and avoid conflict of interest;
- Exercise independent judgment;
- Devote sufficient time to carry out their responsibilities, continuously update their knowledge and enhance their skills;
- Promote and protect the image of the Authority;
- Owe their duty to the Authority and not to the nominating or appointing authority; and
- Owe the Authority the duty to hold in confidence all information available to them by virtue of their position as Directors.

6.4 Board and Committee Meetings

The First Schedule of the Energy Act stipulates that the Board shall meet as often as necessary for the transaction of business but shall meet not less than four times every financial year and not more than four months shall elapse between the date of one meeting and the next.

A schedule of dates of the meetings is agreed upon by Board Members and set out in the Board Work Plan. Adequate notices of the venue and the timing of meetings are issued seven (7) days prior to the meetings. The Work Plan is reviewed by the Board when necessary.

6.5 Board Committees

The Board works through Committees which are established with terms of reference. The Board Committees ensure that the Board runs effectively and facilitate efficient decision making. The Board has three (3) Committees as follows:

- Finance and Administration Committee;
- Technical Committee; and
- Audit & Risk Committee.

Additionally, the Authority has a Pension Scheme with representatives from the Board serving as Trustees representing the Sponsor.

The matters deliberated by the Committees are consequently presented to the Board by the respective Chairman of the Committee during the subsequent Board meeting for adoption.

Committee membership is on a rotational basis among the Board members. Members serve in a particular committee for at least one year. The Chairman of the Board is not a member of any Committee.

a) Finance and Administration Committee

The Finance and Administration Committee is chaired by an independent director and meets at least on a quarterly basis or as often as necessary for the transaction of business.

The Committee is tasked with ensuring sound financial reporting, discussing and recommending the annual budget and the corporate strategic plan to the Board for approval, ensuring adequate management development, succession planning and overseeing staff affairs.

Members of the Committee were as shown in the table below.

Members of the Committee as at August 2020	
Chair	Prof. George Achoki
Member	Mr. Wanjuki Muchemi
Member	Mrs. Jacqueline Mogeni
Member	Mr. Daniel Kiptoo
Member	Mr. Pavel R. Oimeke

Members of the Committee as at June 2021	
Chair	Prof. George Achoki (Chair)
Member	Mr. Wanjuki Muchemi
Member	Mr. James Mbugua
Member	Mr. Daniel Kiptoo, Acting DG

The Finance and Administration Committee held fourteen meetings in the year.

b) Technical Committee

The Technical Committee is chaired by an independent director and meets at least on a quarterly basis or as often as necessary for the transaction of business. The Committee is tasked with providing strategic technical direction to the Board by reviewing and advising on effective regulatory frameworks, reviewing and recommending to the Board for approval of tariffs, licensing procedures and Energy and Petroleum Development Plans.

Members of the Committee as at June 2020	
Member	Eng. Samuel Maugo
Member	Dr. Sellah Kebenei

Members of the Committee as at August 2020	
Chair	Ms. Lilian Mahiri-Zaja
Member	Mr. Wanjuki Muchemi
Member	Mrs. Jacqueline Mogeni
Member	Mr. Daniel Kiptoo
Member	Mr. Albert Mwenda
Member	Mr. Pavel R. Oimeke

Members of the Committee as at June 2021	
Chair	Mr. Wanjuki Muchemi
Member	Mr. James Mbugua
Member	Mr. Albert Mwenda
Member	Mr. Daniel Kiptoo, Acting DG

The Technical Committee held eight (8) meetings in the year.

c) Audit and Risk Committee

The Audit and Risk Committee is chaired by an independent director. The Committee meets at least on a quarterly basis or as often as necessary for the transaction of business. The Committee is tasked with reviewing the financial information and effectiveness of the Authority's processes of Corporate Governance to ensure that acceptable policies and procedures are followed. The Committee also monitors the effectiveness of internal control systems, deliberates on significant findings arising from both internal and external audits, and reviews the overall risk management in the Authority.

Members of the Committee as at August 2020	
Chair	Dr. Sellah Kebenei
Member	Mr. Moses Gitari
Member	Mr. Albert Mwenda
Member	Mr. Samuel Maugo
Member	Ms. Lilian Mahiri-Zaja

Members of the Committee as at June 2021	
Chair	Dr. Sellah Kebenei
Member	Mr. Moses Gitari
Member	Mr. Albert Mwenda

The Audit and Risk Committee held three (3) meetings in the year.

6.6 Number of Scheduled Meetings and Attendance

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

Board of Directors	Designation	Board Meetings Total No. of Meetings (20)	Finance & administration Committee Total No. of Meetings (14)	Technical Committee - Total No. of Meetings (8)	Audit & Risk Committee - Total No. of Meetings (3)	Pension Board Meetings (2)
Hon. Justice Jackton Ojwang'	Chairman	20/20	-	-	-	-
Mr. Daniel Kiptoo	Member	14/20	10/14	7/8	-	1/2
Eng. Samuel Maugo	Member	12/20	1/14	2/8	3/3	1/2
Dr. Sellah Kebenei	Member	17/20	1/14	2/8	3/3	1/2
Prof. George Achoki	Member	20/20	12/14	2/8	-	1/2
Ms. Lilian Mahiri Zaja	Member	13/20	1/14	5/8	3/3	2/2
Mr. Wanjuki Muchemi	Member	20/20	13/14	6/8	-	1/2
Mr. Moses Gitari	Member	19/20	-	2/8	3/3	1/2
Mr. Albert Mwenda	Member	12/20	-	1/8	2/3	1/2
Ms. Jacqueline Mogeni	Member	13/17	12/14	6/8	-	1/2
Mr. James Mbugua Nganga	Member	4/4	2/2	2/2	-	

7. Board Performance and Code of Conduct

7.1 Directors Induction and Skills Development

Directors undergo a comprehensive induction program that ensures they understand their responsibilities and are familiarized with the general principles of corporate governance. The directors are also appraised on the Authority's mandate and the structure of the entire energy sector.

The directors undertake continuous development programmes to enhance their knowledge of the public sector, energy and petroleum sectors, emerging trends and corporate related matters.

7.2 Board Evaluation

In compliance with Mwongozo, the Board conducts a Performance Evaluation annually, through the facilitation of a representative of the State Corporation Advisory Committee (SCAC). The Evaluation is undertaken at three levels:

- Peer Review
- Self-Evaluation
- Board Evaluation

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

7.3 Remuneration of the Board of Directors

The remuneration of the Board is determined by the Salaries and Remuneration Commission (SRC), an independent Constitutional Commission established under Article 230 of the Constitution and the Salaries and Remuneration Commission Act, 2011. The remuneration comprises of sitting allowance payable to members when attending to the business of the Authority and an allowance paid monthly in arrears. Where transport is not provided, a Board Member is paid mileage at prevailing AA rates. When Board Members are working outside the Authority's headquarters, they are entitled to Daily Subsistence Allowance (DSA) at applicable rates as determined by SRC.

7.4 Ethical Leadership and Corporate Citizenship

The Mwongozo requires Boards of State Corporations to ensure that a Code of Conduct and Ethics is developed in their organisations. The Board is also required to promote ethical conduct and sanction misconduct. The Authority has a Code of Conduct and Ethics that guides the Board and employees when undertaking their duties.

7.5 Conflict of Interest and Declaration of Interest

The Board has a statutory duty not to have interests that conflict with those of the Authority. 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, the Board is required to declare any conflict of interest. The Corporation Secretary keeps a record of conflicts of interest declared for accountability purposes.

Further, 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.

CHAPTER 1: STATUS OF THE INDUSTRY

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

1.1 The Electricity Subsector

Kenya's electricity subsector has advanced in generation, transmission, distribution and access. The Electricity sub sector is structured as presented in figure 1.1.

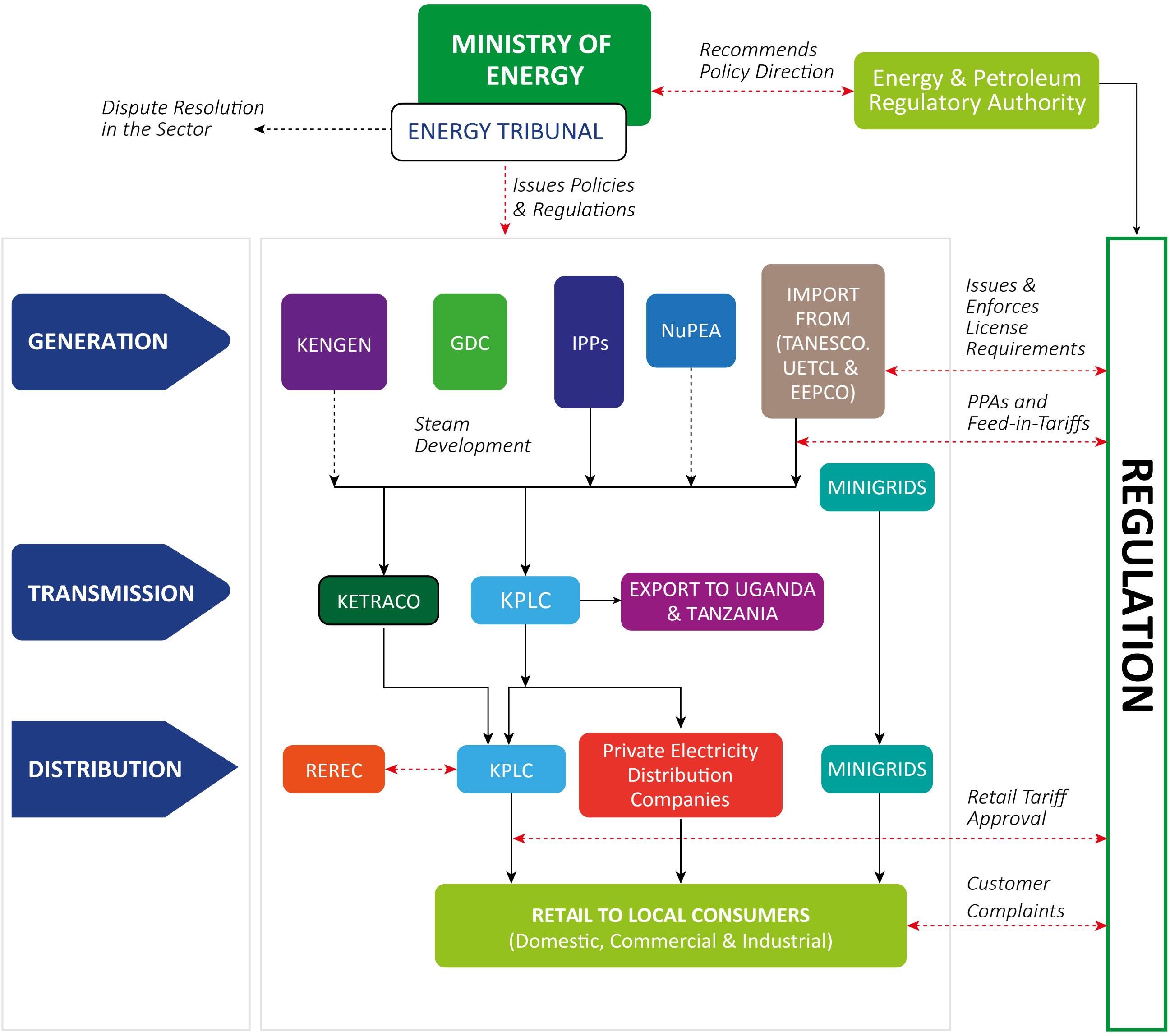


Figure 1.1: The Institutional Structure of the Electricity Subsector

a) **The Ministry of Energy (MOE)** is responsible for policy formulation and monitoring of policy implementation to facilitate an environment conducive for efficient operation and growth of the sector.

b) **The Energy and Petroleum Regulatory Authority (EPRA)** is responsible for the economic and technical regulation of the electricity, renewable, coal and petroleum sectors.

c) **Energy & Petroleum Tribunal** is a quasi-judicial entity whose function entails hearing and determining disputes and appeals in the energy sector.

d) **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.

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

f) **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.

g) **Nuclear Power and Energy Agency (NuPEA)** is the institution responsible for promoting the development of nuclear electricity generation in Kenya.

h) **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.

i) **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. GDC also enters into steam sales agreements with investors in the power sector.

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

k) **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 mini-grids are licensed by EPRA.

l) **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 electricity.

1.2 Performance of the Electricity Subsector

The onset of Covid-19 pandemic in the second half of the previous year and subsequent government containment measures adversely affected the performance of the energy sector in the first half of the year under review. Despite the negative shocks arising from the pandemic, the electricity subsector recorded significant growth compared to the previous year.

1.2.1 Electricity supply

Significant investment in geothermal, hydro, wind and solar generation has made Kenya one of the leading countries in renewable energy power generation. The installed capacity grew from 2,789MW as at June 2020 to 2,984 MW as at June 2021 with renewable energy accounting for 77.23% as illustrated in figure 1.2.

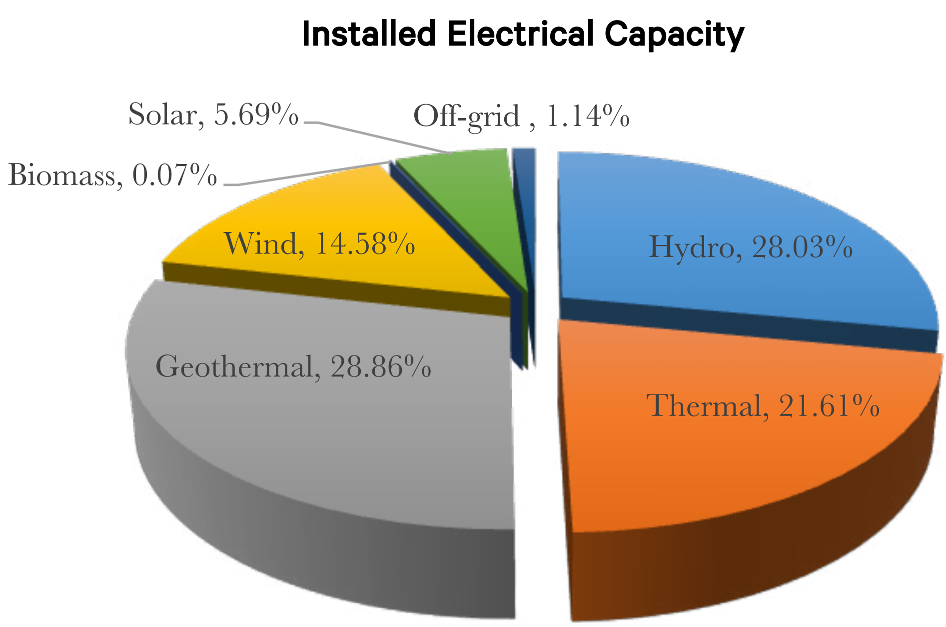


Figure 1.2: Installed Electricity Capacity for the financial year 2020/2021

1.2.2 Power Generation Mix

In the period under review, the power generation mix comprised 41.62% of geothermal, 34.23% hydro, 7.78% fossil fuels, 14.02% wind and 0.73% from solar as illustrated in figure 1.3.

Renewable energy sources dominated the electricity subsector, contributing about 90% of the generation mix. This can be attributed to the adoption of the Feed in Tariff (FiT) policy by IPPs and deliberate government policies to advance renewable energy generation. This has led to a decline in energy purchased from thermal generation.

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.

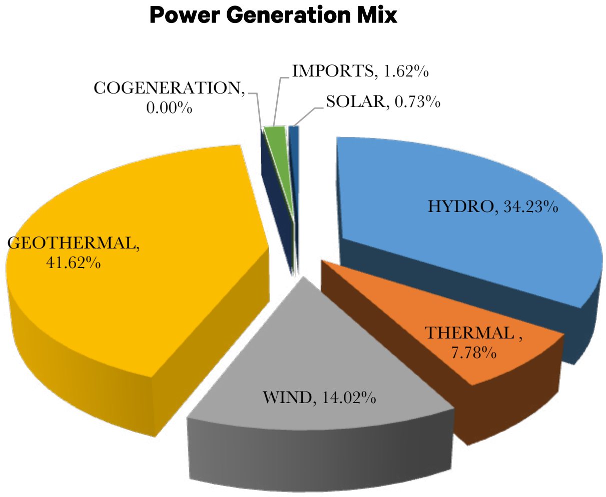


Figure 1.3: Generation Mix for the Financial Year 2020/2021

As at June 2021, geothermal generation contributed an average of 39.8% of the energy mix. Hydro came second at 31.0%, while Wind improved significantly from the previous year to record 18.0% as at June 2021. This is illustrated in figure 1.4.

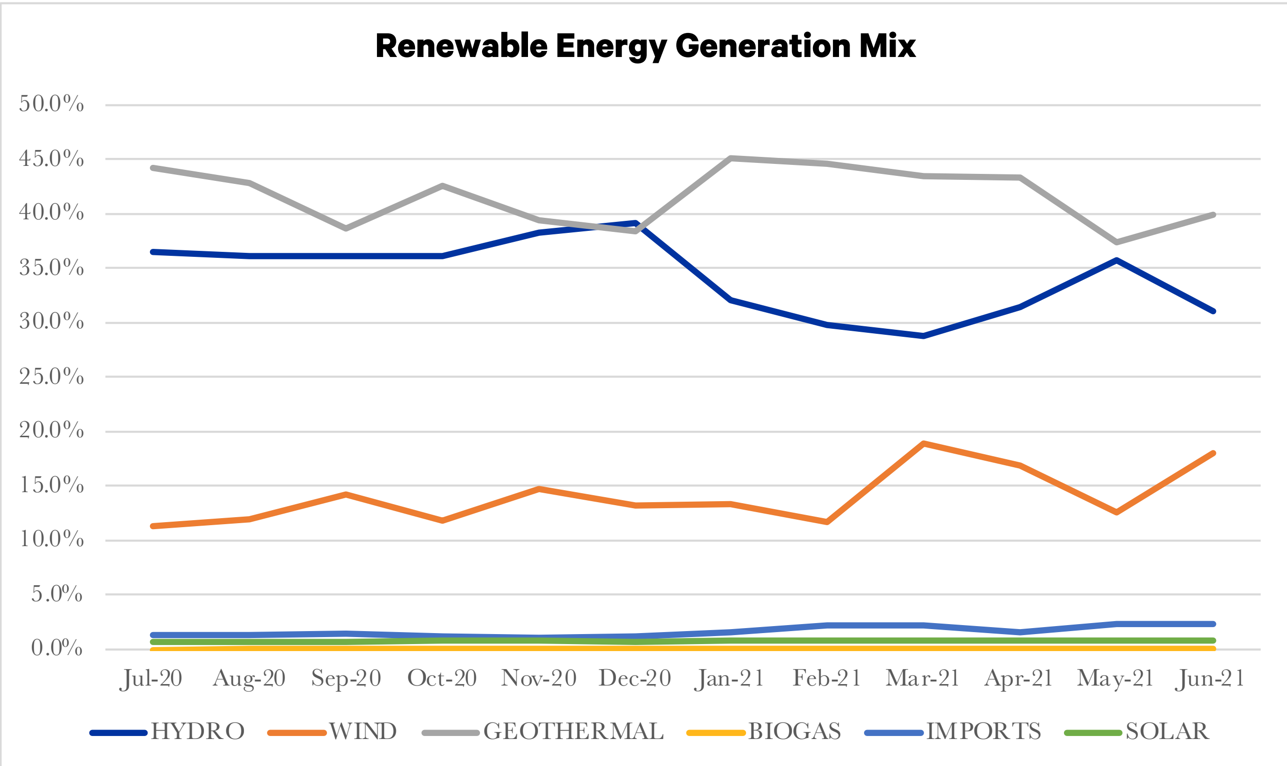


Figure 1.4: Trends in the Renewable Energy Mix

Energy purchased from thermals increased from 882GWh in the previous year to 1,001 GWh, energy purchased from wind increased to 1,788GWh while solar energy purchases decreased to 87GWh respectively as shown in Table 1.

EnergyPurchased GWh	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
Hydro	3,310	3,787	3,341	3,224	3,741	3,693	4,142
Geothermal	4,060	4,609	4,451	5,053	5,033	5,352	5,455
Thermal	1,715	1,246	2,164	2,202	1,298	882	1,001
Cogeneration	14	0	1	4	0	0	0
Solar	1	1	1	0	60	91	87
Wind	38	57	63	47	1,192	1,284	1,788
Imports	79	67	184	171	170	161	196
Total	**9,217**	**9,767**	**10,204**	**10,702**	**11,493**	**11,462**	**12,101**

Table 1.1: A Summary of Energy Purchased as at June 2021

1.2.3 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 1,994MW in Financial Year 2020/21. The trend in peak demand for the period 2014/15-2019/20 is shown in figure 1.5.

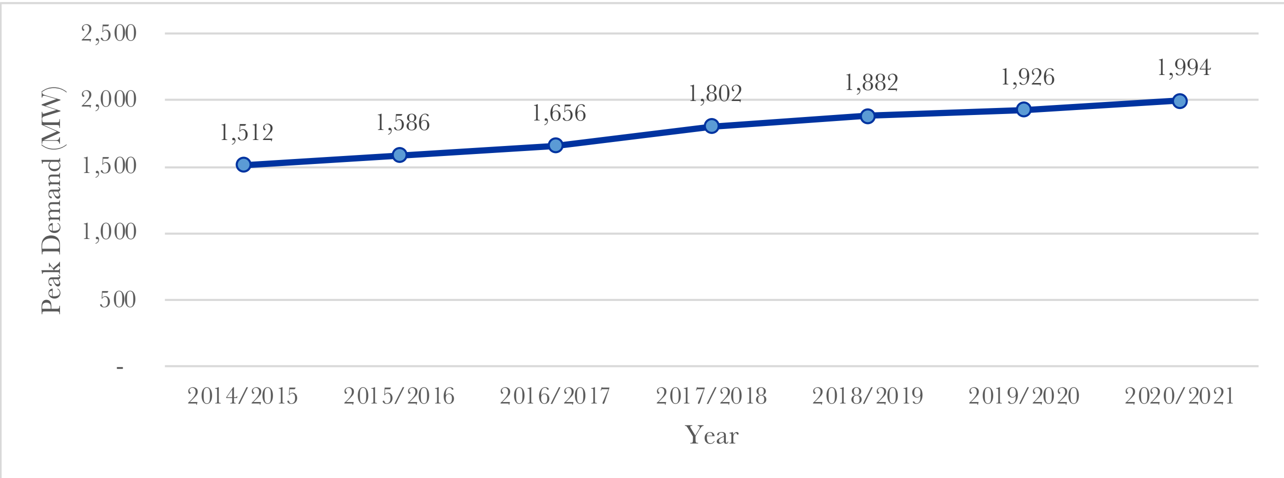


Figure 1.5: Trends in the system peak demand

The consistent increase in peak demand is linked to the increased number of consumer connections over the years. The number of customers connected to the national grid increased to 8,337,951 from the 7,576,145 recorded in the previous year. This represents a 10.06% 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 2021.

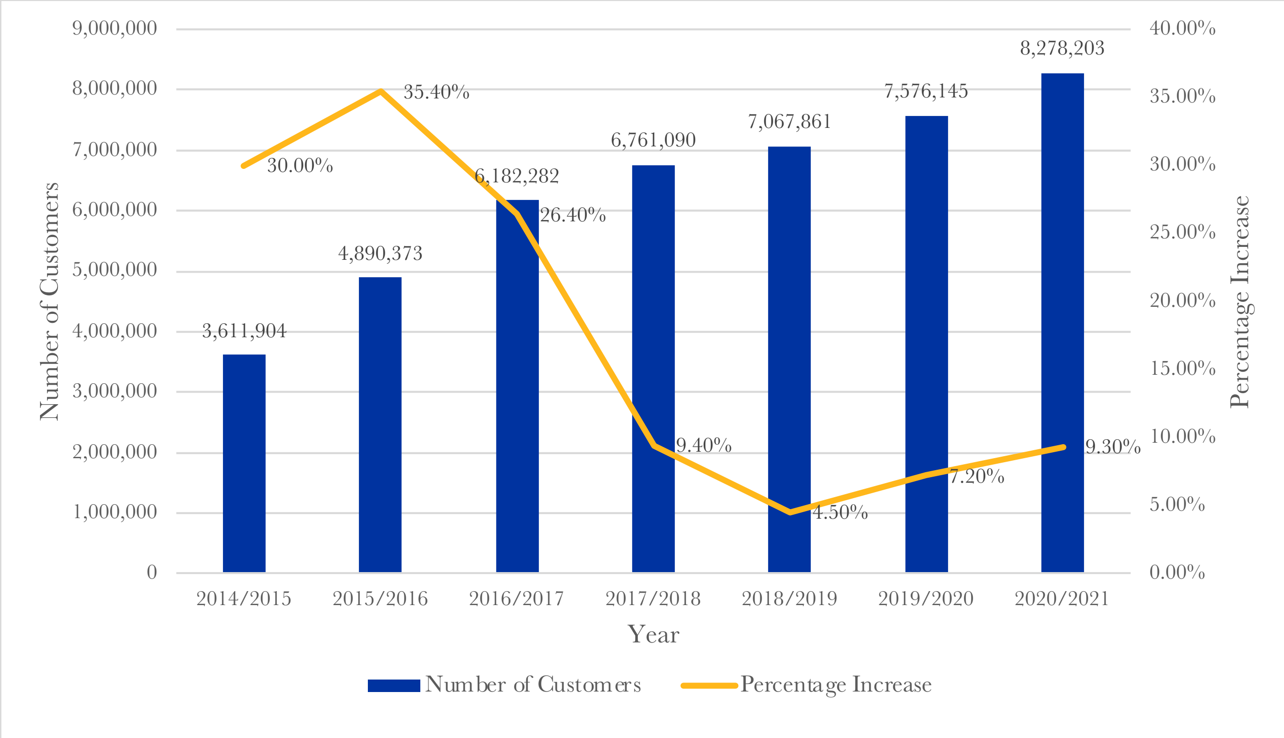


Figure 1.6: Trends in cumulative customer connections

The annual rate of growth in grid connections has reduced substantially 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 9,203 GWh in the year under review. A summary of trends in consumption among various customer categories is presented in table 1.2.

Tarif	**Customer Category**	**Sales (GWh)**						
		2014/2015	**2015/2016**	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
DC	Domestic	1,866	2,007	2,138	2,335	2366	2,508	2,630
SC	Small Commercial	1,143	1,153	1,201	1,222	1250	1,262	1,326
CI	Commercial and Industrial	4,030	4,104	4,266	4,225	4462	4,308	4,514
IT	Off-peak	15	26	41	33	N/A	N/A	N/A
SL	Street lighting	35	40	55	66	68	76	84
	REP System (DC (*((DC, SC, SL)	525	537	549	554	595	602	632
	Export to Uganda	38	43	20	22	27	18	17
	Export to TANESCO	2	2	2	1	0.01	0	0
	TOTAL	**7,655**	**7,912**	**8,272**	**8,459**	**8,769**	**8,773**	**9,203**
	% Increase P.a.	**5.70%**	**3.40%**	**4.50%**	**2.30%**	**3.70%**	**0.0%**	**4.90%**

Table 1.2: Electricity sales based on customer categories

The upward trend in electricity consumption is expected to persist driven by factors such as population growth, urbanization, intensive electrification programmes by the government and post-covid recovery of the manufacturing, agricultural and other sectors.

1.2.4 Electricity Transmission and Distribution

The total length of the transmission and distribution network increased from 213,582 kilometres to 255,581 kilometres between the Financial Year 2016/2017 and 2020/2021. The 400kV, 220kV, and 132kV systems make up the transmission network. The transmission network had a total length of 7,676 kilometres as of June 2021. The distribution network comprises 415/240V LV lines, 33kV and 11kV medium-voltage lines and 66 kV feeder lines that are dispersed across the country. The total length of the distribution network 247,905 kilometres as at June 2021.

Transmission Circuit Lengths					
Voltage	**2016/2017**	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
400kV	96.8	1,244.4	2,116.4	2,116.4	2,116
220kV	1,555	1,686	1,686	1,686	2,116
132kV	3,208	3,322	3,372	3,372	3,444
Total Transmission Circuit	4,859.8	6,252.4	7,174.4	7,174.4	7,676
Distribution Length					
66kV	1,000	1,168	1,187	1,187	1,187
33kV	30,846	34,508	35,177	35,703	36,570
11kV	37,234	38,968	39,797	40,616	41,553
Total Distribution Circuit	69,080	74,644	76,161	77,506	79,310
415/240V or 433/250V	139,642	143,331	152,799	158,527	168,595
Total	213,582	224,227	236,134	243,207	255,581
% Increase P. A	-	5.0%	5.3%	3.0%	5.1%

Table 1.3: Transmission and Distribution as at June 2020

There was a significant expansion of generation substations from 3,205MVA in 2016/17 to 3,878MVA in 2020/21 while transmission substations capacity rose from 4,361MVA to 5,455MVA and distribution substations capacity from 4,056MVA to 4,603MVA. 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.

	2016/2017	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Generation Substations Total	3,205	3,370	3,720	3,878	3,878
Transmission Substations Total	4,376	4,866	4,942	4,942	5,455
Distribution Substations Total	4,056	4,372	4,480	4,563	4,603
11/0.415 kV & 33/0.415 kV Distribution Transformers	7,276	7,606	7,844	8,174	8,778

Table 1.4: Transmission and Distribution Substations Capacity as at June 2021

1.2.5 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. The HHI for the generation function at the end of the Financial Year 2020/21 was 0.546. This is an indicator that the market is still highly concentrated with KenGen the largest generator. During the period under review, KenGen's share of the electricity generation increased from 62.98% as at June 2020 to 65.8% while IPPs' share slightly decreased from 35.95% to 33.57% as at June 2021. REREC's share decreased to 0.63% as at June 2021. There is need for robust and enhanced regulatory and policy interventions to attract more entrants in the electricity generation sub-sector.

1.3 The Petroleum Subsector

1.3.1 Organization of the Petroleum Sub-sector

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

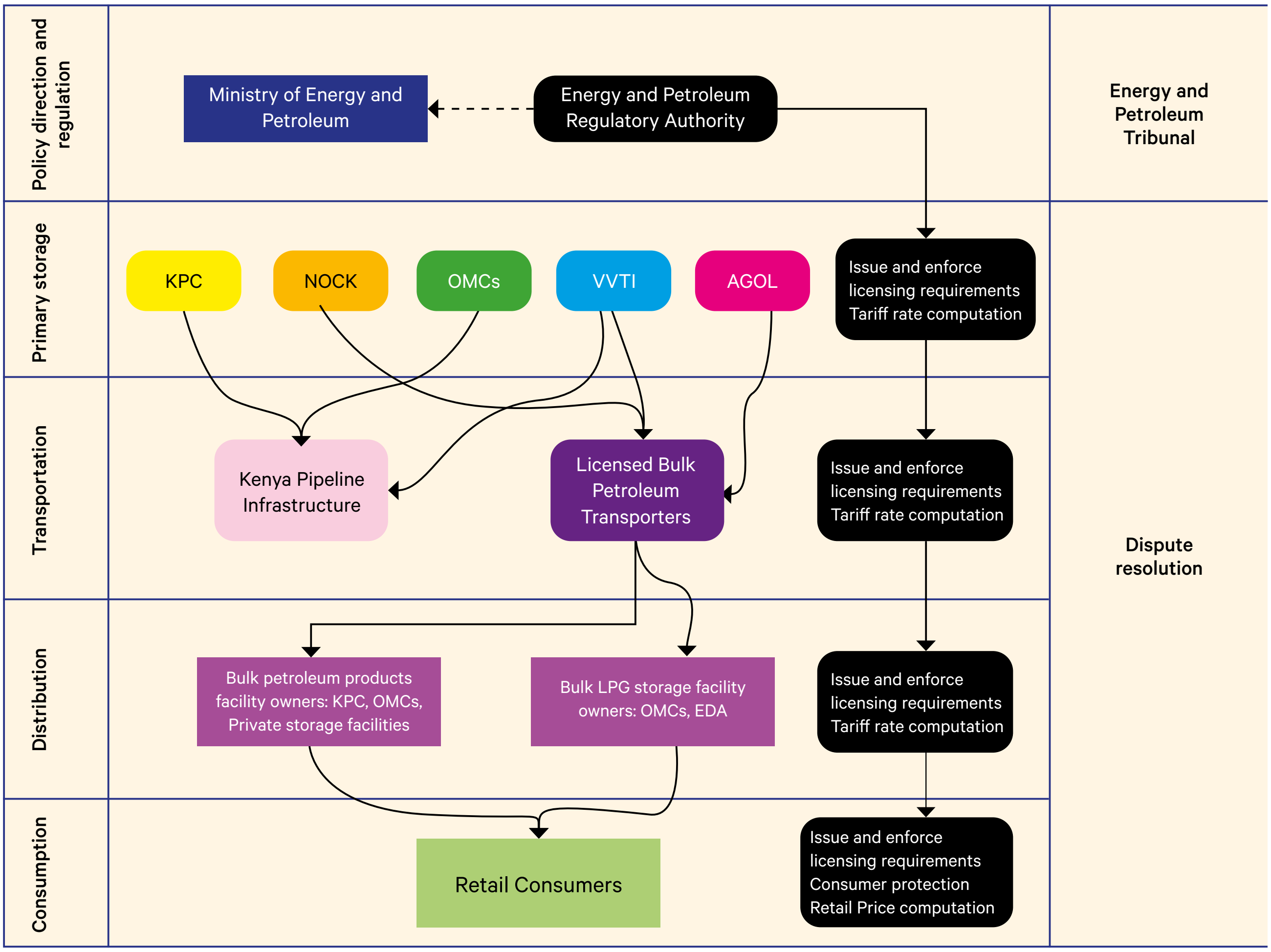


Figure 1.7: Structure of Petroleum subsector in Kenya

1.3.1.1 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.

In 2021, there were 13 Hydrocarbon discoveries with oil discoveries having been made in the Tertiary Rift Basin. Gas discoveries were made in offshore Lamu Basin, Anza Basin and Mbawa 1 well while the Sunbird 1 well had both oil & gas discoveries. Three (3) blocks in Offshore Lamu Basin and Anza Basin have since been surrendered back to the Government.

Plans are underway to have an integrated Field Development Plan (FDP). The proposed development will cover 10 fields within Blocks 10BB and 13T. The field development will be undertaken in two phases with phase 1 targeting mature resources with a plateau of 120,000 barrels per day while Phase 2 targets the remaining six fields with an aim of extending the production plateau by 5 years.

The total land requirement for the upstream development area and the 84km water pipeline is approximately 22,000 acres and 614 acres respectively. The field development plan for the South Lokichar Basin is currently being reviewed.

1.3.1.2 Mid-stream

The Authority regulates the construction and operations of crude-oil pipelines and refineries which are the primary midstream infrastructure. The Lokichar-Lamu crude oil pipeline project which was initiated in 2019 is currently at the project development stage (PreFID). The Front End Engineering Design (FEED) is complete and the Environmental and Social Impact Assessment (ESIA) report has been submitted to NEMA for approval.

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's 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 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.

1.3.1.3 Downstream

The Petroleum downstream sector is defined by the existence of storage infrastructure, 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 (KPC) 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.

1.3.2 Policy and legislation

The Ministry of Petroleum and Mining (MOPM) is responsible for policy formulation and monitoring of policy implementation to facilitate 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.

Energy Tribunal is a quasi-judicial entity whose function is to hear and determine disputes and appeals in the energy sector.

1.3.3 Performance of the Petroleum Subsector.

Global oil demand, still reeling from the effects of the pandemic, is unlikely to catch up with its pre-covid trajectory. In 2020, the start of our forecast period, oil demand was nearly 9 mb/d below the level seen in 2019, and it is not expected to return to that level before 2023. There was a notable increase in demand for oil products in 2021 leading to a steady rise in the average Murban crude oil prices, from USD 41.45 per barrel in 2020 to USD 69.72 per barrel in 2021.

1.3.4 Petroleum Supply, Demand and Consumption

In Kenya, the total volume of petroleum products imported into the country rose by 12.0 per cent to 6.4 million tonnes in 2021. During the same period, total exports of petroleum products dropped by 26.6 per cent to 610.8 thousand tonnes.

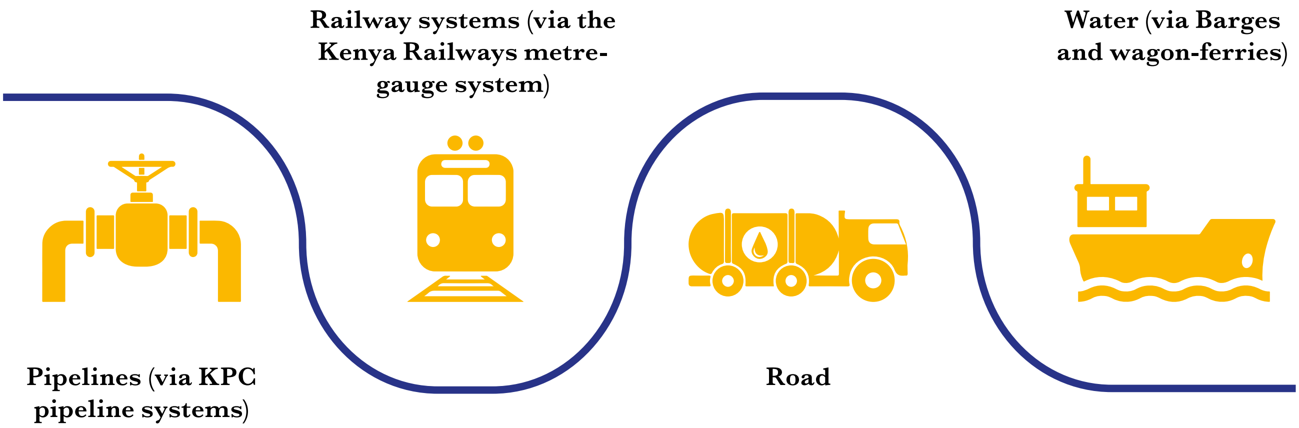
Demand	2017	2018	2019	2020	2021
Liquefied Petroleum Gas	189.3	222.3	312.1	326.2	371.4
Motor Spirit (Premium and Regular)	1,267.4	1359.0	1,434.3	1,395.3	1,554.4
Aviation Spirit	3.8	18.8	10.2	1.9	1.4
Jet/Turbo Fuel	649.7	674.4	699.4	394.8	506.8
Illuminating Kerosene	448.0	339.4	168.3	127.0	111.3
Light Diesel Oil	2,086.2	2173.1	2,198.7	2,157.6	2,305.7
Heavy Diesel Oil	1.2	0.2	1.3	1.8	0.8
Fuel Oil	525.0	402.0	382.8	273.9	340.3
Total	5,170.6	5189.2	5,207.1	4,678.5	5,192.1
Refinery Usage	-	-	-	-	-
Total Domestic Demand	5,170.6	5189.2	5,207.1	4,678.5	5,192.1
Export of Petroleum Fuels	6.4	8.4	7.0	2.3	0.4
Total Demand	5,177.0	5197.6	5,214.1	4,680.8	5,192.5
Supply					
Crude oil	-	-	-		
Total Imports	5,524.2	5396.3	5,682.2	5,682.2	5,827.6
Adjustment	347.2	198.6	468.1	239.5	635.1
Total Supply ('000 tonnes)	**5,177.0**	**5197.6**	**5,214.1**	**4,680.8**	**5,192.5**

Table 1.5: A summary of Petroleum Supply and Demand from 2017 to 2021

At the macro level, the total import bill of petroleum products rose to KSh. 348.3 billion in 2021 from KSh. 209.1 billion in 2020. This was mainly attributed to the recovery of the road transport and aviation sectors following the easing of COVID-19 containment measures which pushed up demand for petroleum products. In contrast, the value of total exports of petroleum products declined by 30.6 % to KSh. 29.5 billion in 2021.

1.3.5 Petroleum Transportation and Distribution

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



1.3.6 Competition Assessment in the Petroleum Subsector

There were one hundred and five (105) registered Oil-Marketing Companies (OMCs) in Kenya as of June 2021. 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 2020/2021 was 0.1105. This implies that competition in the petroleum subsector has improved 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.

1.3.7 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 June 2021, there were roughly 4,270 retail stations in Kenya as displayed in figure 1.8.

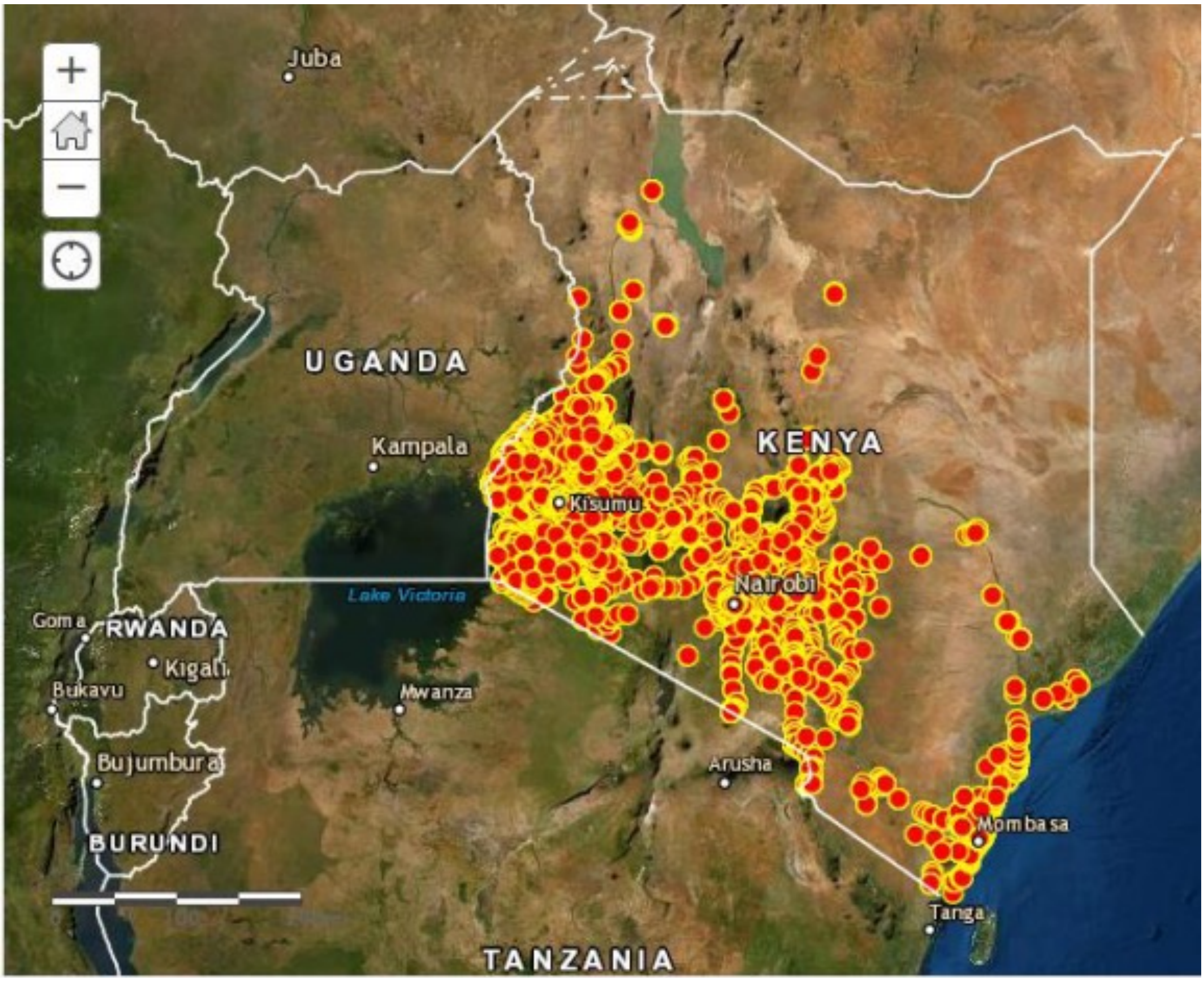


Figure 1.8: A GIS map showing the distribution of retail stations in Kenya

1.4 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, 97.8% of all electricity supplied was produced domestically. Renewable energy generated accounted for 89.6 per cent of domestically produced electricity. Total electricity demanded locally was 34,435.6 TJ while electricity transmission and distribution losses amounted to 10,191.7 TJ.

During the review period, 20,044.4 TJ of petroleum fuels were supplied to the country mainly from imports. The petroleum demand amounted to 21,938.4 TJ, with 63.4% being consumed on road transportation. Air transport accounted for 9.6%, rail transport accounted for 0.5% and household consumption accounted for 6.9% of the demand.

Overall energy consumption data indicates that households utilized 86.6% of all energy used, mainly in form of firewood.

CHAPTER 2: LEGAL, POLICY & REGULATORY FRAMEWORK

The Authority complies with all applicable laws, regulations, policies in addition to national and international standards in executing its mandate.

The Authority adheres to 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 Authority also complies with ISO 9001:2015 in Quality Management System.

The following are some of the key legislations that guide the Authority in regulating the energy and petroleum sectors:

2.1 The Constitution

The Constitution is the supreme law of Kenya and binds all persons and all State organs at both levels of government. 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. 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 Statutes

The Authority's mandate and functions are provided under the Energy Act and the Petroleum Act. The Energy Act *inter alia* provides for:

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

The Petroleum Act provides the legal requirements that govern upstream, mid and downstream petroleum sectors. It gives effect to relevant articles of the Constitution in so far as they apply to upstream petroleum operations, regulation of midstream and downstream petroleum operations. It provides for the regulation of the petroleum sector by providing for a variety of licences and permits. Non-compliance with the provisions of the Petroleum Act attracts heavy penalties, including fines and jail terms for those found culpable.

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

2.3 Policy

The policy framework for the energy sector is anchored on the following documents.

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

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

   In line with the statutory law changes, there is a draft National Energy Policy presently under formulation 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 2012. The Policy was enacted to supplement the Sessional Paper No. 4 towards accelerated investment in power generation from renewable energy sources. The FiT Policy on Renewable Energy Resource Generated Electricity (Small-Hydro, Biomass and Biogas) and the Renewable Energy Auctions Policy are being formulated and are intended to replace the 2012 Policy.

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. Some of the key regulations are listed below:

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) Regulations, 2013;
xv) The Energy (Licensing of Petroleum Road Transportation Business) (Amendment) Regulations 2019 (L.N. 99/2019); and
xvi) Petroleum (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); and
iv) Electricity Regulatory Board Order, 1999.

c) Renewable Energy

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

d) Energy Efficiency

ii) Energy (Energy Management) Regulations, 2012 (L.N. 102/2012).
iii) Energy (Appliances' Energy Performance and Labelling) (Amendment) Regulations, 2018 (LN. 242/2018).

e) Cross Cutting Regulations

i) Energy (Complaints and Disputes Resolution) Regulations, 2012 (L.N. 42/2012); and
ii) The Energy Tribunal Rules, 2008 (Gazette Notice No. 9163).

The Energy Act and Petroleum Act necessitated enactment and review of several regulations. In this regard, the Authority commenced 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 new 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 applied the following standards among others:

1) KS EAS 924-3:2020 Kenya Standard — Handling, Storage, and Distribution of Liquefied Petroleum Gas (LPG) in Domestic, Commercial, and Industrial Installations — Code of Practice — Part 3: Liquefied Petroleum Gas Installations involving Storage Vessels of Individual Water Capacity exceeding 9000 L, First Edition;
2) KS EAS 924-4:2020 Kenya Standard — Handling, Storage, and Distribution of Liquefied Petroleum Gas (LPG) in Domestic, Commercial, and Industrial Installations — Code of Practice — Part 4: Road, Rail and Maritime Transportation of LPG in Bulk, First Edition;
3) KS EAS 938:2020 Kenya Standard — Transportable Refillable Steel and Aluminium Liquefied Petroleum Gas (LPG) Cylinders — Procedures for Gas Freeing and Disposal, First Edition;
4) KS EAS 939:2020 Kenya Standard — Grill for Domestic Liquefied Petroleum Gas (LPG) Cylinders — Specification, First Edition;
5) KS EAS 940:2020 Kenya Standard — Mountable Burner for use with Liquefied Petroleum Gas (LPG) — Specification, First Edition;
6) KS EAS 976:2020 Kenya Standard — The Petroleum Industry- The Petroleum Industry — Storage and Distribution of Petroleum Products in Above-Ground Bulk Installations, First Edition;
7) KS EAS 977:2020 Kenya Standard — Petroleum Industry — Installation of Underground Storage Tanks, Pumps/ Dispensers and Pipe Work at Service Stations and Consumer Installations — Code of Practice, First Edition;
8) KS EAS 978:2020 Kenya Standard — Storage and Handling of Liquid Fuel — Large Consumer Installations — Code of Practice, First Edition;
9) KS EAS 979:2020 Kenya Standard — Road Tankers for Petroleum-Based Flammable Liquids — Specification, First Edition;
10) KS EAS 980:2020 Kenya Standard — Petroleum Facilities — Retail and Consumer Outlets — Classification, First Edition;
11) KS EAS 158:2019 Kenya Standard — Automotive Gasoline (Premium Motor Spirit) — Specification, Third Edition;
12) KS EAS 177:2019 Kenya Standard — Automotive Gas Oil (Automotive Diesel) — Specification, Third Edition; and
13) KS 2464-2:2020: Kenya Standard — Performance of Household Electrical Appliances — Refrigerating Appliances — Part 2: Minimum Energy Performance Standard Requirements, Second Edition.

CHAPTER 3: LICENSING

3.1 Introduction

The Energy Act mandates the Authority to license utilities, companies and technicians operating in the sector. The licensing function aims at protecting consumers, investors and other stakeholders by guaranteeing access to quality and safe products.

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

Electricity and Renewable Energy functions	Petroleum functions
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 Licensing of Solar PV technicians, contractors, manufacturers, importers and vendors

The Energy (Solar Photovoltaic Systems) Regulations 2012 provide rules and standards for the installation of solar photovoltaic (PV) systems in Kenya. The regulations require the Authority to licence Solar PV technicians, contractors, manufacturers, importers and vendors. The licensing process aims at protecting consumers from financial and health risks associated with poor quality installations. Technician licenses are categorized in classes T1, T2 and T3. Importers and manufactures' licences are categorized under V2, contractors under C1 and vendors' under V1. A description of each category is presented in Table 3.1.

License Type	Works Licensed
Class T3	Entitles the holder to carry out advanced solar PV system installation works for advanced, including grid connected and hybrid systems.
Class T2	Entitles the holder to carry out solar PV system installation work for medium systems or multiple batteries which may include an inverter.
Class T1	Entitles the holder to carry out solar PV system installation work for small systems or single battery DC system of up to 100 Wp.
Class V1	Entitles the holder to design, distribute, promote, sell or install solar PV systems.
Class V2	Entitles the holder to manufacture or import solar PV systems or components.
Class C1	Entitles the holder to carry out design and installation work for solar PV systems.

Table 3.1 Description of License Type

Figure 3.1 presents the number of solar PV licenses issued in the year 2020/2021, compared to those issued in the previous year.

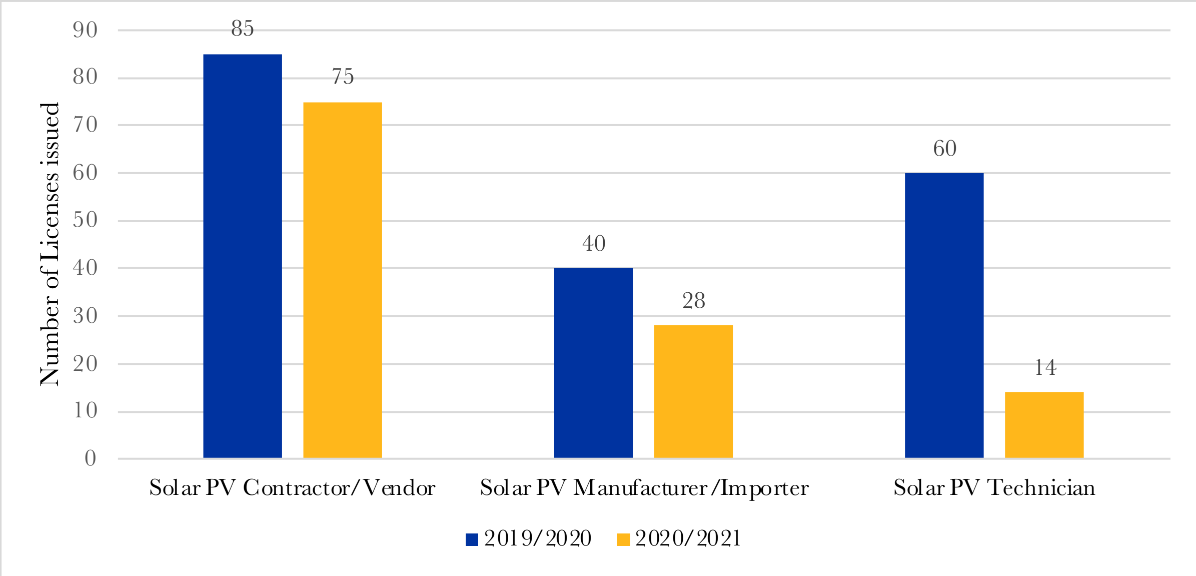


Figure 3.1: A comparison of Solar PV Licenses issued in the 2019/2020 and 2020/2021

There was a decrease in the number of licenses issued in the year under review. This is attributed to the COVID-19 pandemic containment measures that restricted travel and public gatherings. As a result, the Authority could not conduct the sit-down interviews for technicians.

3.2.2 Licensing of Energy Auditors

Energy efficiency facilitates energy security, manufacturing competitiveness and environmental sustainability. The Authority is vested with the responsibility of promoting energy efficiency in the country.

The Energy (Energy Management) Regulations 2012 provides for designation of energy consuming facilities. In 2013, the Authority published this designation and set the threshold at the consumption of 180,000 kwh of energy per year. The designated energy consuming facilities are required to conduct energy audits once every three years. To facilitate these audits, the Authority licenses energy auditors and energy audit firms.

In the year under review, there were no license applications from energy audit firms. Four (4) energy auditors were licensed bringing the total number of licensed technicians to 89.

3.2.3 Issuance of energy performance registration certificates and labels

Under the provisions of the Energy (Appliances Energy Performance and Labelling) Regulations 2016, the Authority regulates the importation, manufacture, distribution and retail 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 have energy efficiency labels, introduced in the 2017/18 financial year, which guide the consumer on the energy performance. The energy efficiency of an appliance is denoted by the number of stars on the label. The higher the stars, the more the efficiency and more energy savings. The highest performing appliance has five stars.

The Authority issues registration certificates to energy appliances that meet the Minimum Energy Performance Standards (MEPS). Figure xx presents the registration certificates issued in the year under review, compared to the ones issued in 2019/2020.

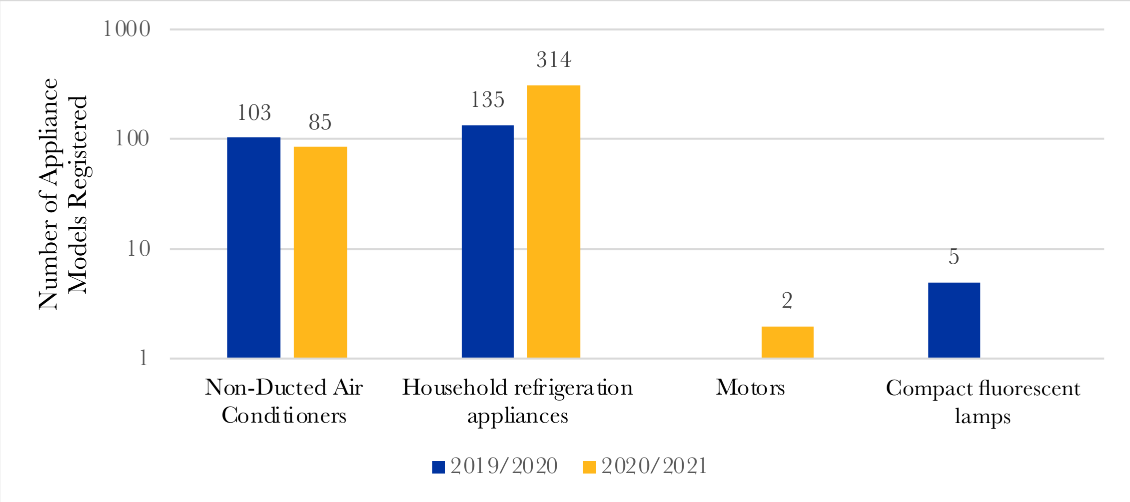


Figure 3.2 A comparison of Appliances Registration Certificates issued between the Financial Year 2019/2020 and 2020/2021

The number of refrigerator models registered during the year increased by 132% whereas the numbers of registered air conditioner models reduced by 21%. There were no applications for registration of compact florescent lamps. There is need to boost efforts in registration of motors and compact fluorescent lamps through revision of the registration framework.

3.2.4 Electricity Licensing

The Authority is responsible for issuance of licences to eligible persons who apply to carry out business undertakings and works in the electricity subsector. The essence of licensing is to facilitate economic, reliable, efficient and safe delivery and use of electricity and promotion of good industry practice.

3.2.5 Licensing of Electric Power Undertakings

The Authority processes all materially complete applications for electric power undertaking licence within 60 days. The licensing process is guided by the Energy Act and the Energy (Electricity Licensing) Regulations, 2012.

During the period under review, the Authority issued (16) power undertaking licences as presented in table 3.2.

No	Name of Applicant	Energy Source	Capacity	Supply to:	County	Date of Grant
1	Rumuruti Solar Generation Limited	Solar	40 MW	Grid	Laikipia	27/01/2021
2	National Cement Company Limited	Waste Heat Recovery	13.5 MW	Self	Kajiado	08/03/2021
3	Cross boundary Energy	Solar	139.2 kW	CI	Nakuru	08/03/2021
4	Cross boundary Energy	Solar	93.9 kW	CI	Nakuru	08/03/2021
5	Cross boundary Energy	Solar	49.6 kW	CI	Nakuru	08/03/2021
6	Cross boundary Energy	Solar	141.5 kW	CI	Nakuru	08/03/2021
7	Ecoligo Ltd	Solar	150 kW	CI	Mombasa	08/03/2021
8	Ariya Finergy Holdings Limited	Solar	390 kW	CI	Nyeri	08/03/2021

No	Name of Applicant	Energy Source	Capacity	Supply to:	County	Date of Grant
9	Aperture Green Power Co. Ltd	Wind	50 MW	Grid	Kiambu	31/03/2021
10	Isiolo Project Limited	Solar	40MW	Grid	Meru	31/03/2021
11	Kibos Sugar And Allied Industries Limited	Bagasse	18 MW	Self	Kisumu	31/03/2021
12	United Aryan (Epz)	Solar	1.8 MW	Self	Nairobi	31/03/2021
13	Transmara Sugar Company Limited	Bagasse	8.5 MW	Self	Narok	31/03/2021
14	Renewvia Energy Kenya Limited - Kalobeyei Site	Solar	80kW	Minigrid	Turkana	31/03/2021
15	Ses Micro-Grid Kenya	Solar	20kW	Minigrid	Marsabit	31/03/2021
16	Nal Off-Grid Limited	Solar	72kW	Minigrid	Turkana	31/03/2021

Table 3.2 Power undertaking licenses issues in Financial Year 2020/2021

3.2.6 Licensing of Electrical Contractors and Electricals Workers

The Energy Act and the Electrical Installation Work Rules, 2006 provide a framework for licensing of electrical practitioners and regulating the quality of electrical installation works. The Rules, in conjunction with applicable Kenyan standards, provide requirements for design, selection, installation, inspection and testing of electrical installation works.

3.2.7 Licensing of Electrical Workers

The Energy Act requires the Authority to process all applications for electrical worker certificates within 60 days from the date of application. The electrical worker certificates are categorized in classes C2, C1, B, A1 and A2. This categorization is based on the scope of work, qualification and experience of the candidate. The licence categories are presented in Table 3.3.

License Class	License Scope
C-2	Entitles the holder to carry out electrical installation work for connection to a single phase supply at low voltage, restricted to up to two storey residential and commercial buildings not used as factories or places of public entertainment.
C-1	Entitles the holder to carry out electrical installation work as in Class C-2, and for connection to a three phase supply at low voltage, restricted to up to four storey buildings not used as factories or places of public entertainment.
B	Entitle the holder to carry out electrical installation work as in Class C-1, but without limitation as to number of storeys in the buildings and whether used as factories or places of public entertainment or otherwise, and for connection to supply metered at voltages not exceeding medium.
A1	Entitles the holder to carry out all kinds of electrical installation work.
A2	Entitles the holder to carry out specialized electrical installation work.

Table 3.3 Categories of electrical worker licenses

Figure 3.3 presents a comparison of electrical worker certificates issued in the financial year 2020/2021 and 2019/2020 by license class.

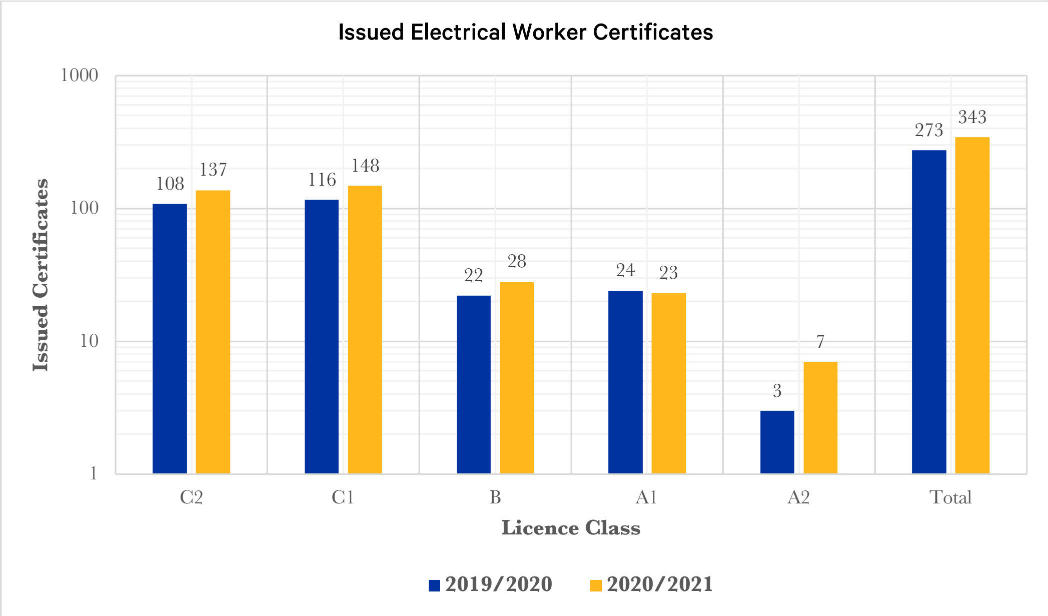


Figure 3.3 A comparison of Electrical Worker Certificates issued in 2019/2020 and 2020/2021

Despite the restrictions brought about by the Covid-19 pandemic, there was an increase in the number of licenses issued in the financial year 2020/2021 as compared to the financial year 2019/2020. The increase can be attributed to automation of the process for generating work completion certificates. Previously, the process was manual and prone to abuse by both licensed and unlicensed electrical practitioners. The automated process has prevented unlicensed electrical practitioners from issuing work completion certificates compelling them to apply for licenses.

3.2.8 Licensing of Electrical Contractors

The Energy Act requires the Authority to process all applications for electrical contractor licences within 30 days from the date of application. To be licensed as an electrical contractor, a person or firm must be a certified electrical worker or have in his employment a certified electrical worker. During the period under review, 146 materially complete applications for electrical contractor licences were received and processed.

Electrical contractor licences are categorized in classes C2, C1, B, A1 and A2. The scope of the classes of licence are similar to those for electrical workers. Figure 3.4 presents a comparison of electrical contractor licences issued in the financial year 2020/2021 and 2019/2020 by licence class.

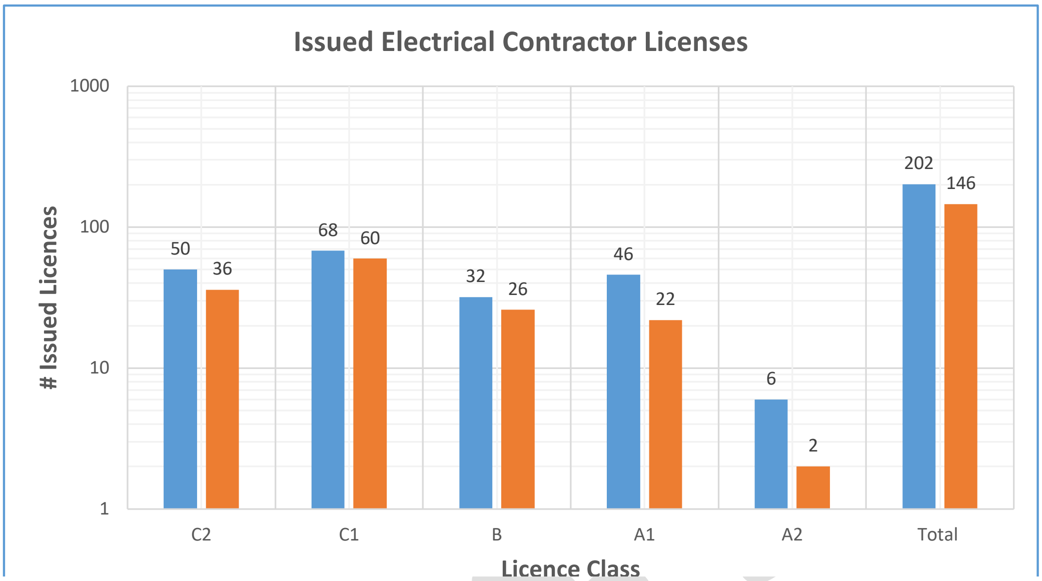


Figure 3.4: A comparison of Electrical Contractor Licenses issued in the Financial Year 2019/2020 and 2020/2021

The number of electrical contractor licences issued during the review period reduced by 27.7% due to COVID-19 containment measures imposed by the government.

3.2.9 Petroleum Licensing

The Authority is mandated to license activities within the petroleum value chain. These include refining, importation, export, bulk storage or transportation of petroleum crude or products. The licenses issued during the year are indicated in the table 3.4.

Type of license	**No. of Licenses issued**
Driver Certification	7,256
Retail of LPG in Cylinders	1,801
Transport of petroleum products (Except LPG) by Road	955
Export and Wholesale of Petroleum Products (Except LPG)	1,129
Retail of Petroleum Products (except LPG)	243
Transport of LPG in Cylinders	266
Storage & Wholesale of LPG in cylinders	156
Import, Export and Wholesale of Petroleum Products (Except LPG)	113
Storage & Filling of LPG in Cylinders	91
Transport of LPG in bulk by Road	101
Import, Export and Wholesale of LPG in bulk	56
Transport of Jet-A1	40
Storage of petroleum products (Except LPG)	31
Export and Wholesale of LPG in bulk	31
Export & wholesale of Jet-A1	42
Import, Export and Wholesale of Fuel Oil	13
Import, Export and Wholesale of Bitumen	13
Bunkering of Petroleum Products (Except LPG)	8
Storage & Filling of LPG in Bulk	5
Import of Lubricants	3
Storage of LPG in Bulk	5
Total	**12,358**

Table 3.4: Petroleum licenses issued in the Financial Year 2020/2021

There was a reduction in the number of licences issued in the financial year 2020/2021 compared to the previous year. This is in part attributed to the reduction in the number of licences issued to retailers of LPG in cylinders. The number of licences issued for this category of licence decreased from 6,059 in the financial year 2019/2020 to 1,801.

CHAPTER 4: CONSUMER PROTECTION

4.1 Introduction

The Constitution of Kenya, 2010 accords consumers the right to goods and services of reasonable quality; information necessary for them to gain full benefit from goods and services; protection of their health, safety and economic interests; and compensation for loss or injury arising from defects in goods or services.

The Authority undertakes the consumer protection role through technical audits and projects monitoring, surveillance inspections, enforcement, complaints and dispute handling and investigation of accidents and incidents.

4.2 Technical Audits and Project Monitoring in the electricity sub sector

The Authority is mandated to enforce laws, regulations, rules and codes relating to generation, transmission, distribution, supply and use of electricity in Kenya. In exercising this mandate, the Authority ensures the development and operation of safe, reliable and secure infrastructure. On the other hand, entities and persons carrying out electrical installations are required to guarantee safety, quality and reliability of installations.

The Authority carries out periodic technical and safety audits on the activities of licensed power undertakings and practitioners to ascertain that they are operating in compliance with the Energy Act, applicable standards and licence conditions. 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 requirements are being observed.

Technical audits were carried on the following undertakings during the period under review:

i) KPLC's Lessos Control Centre;
ii) KPLC's power distribution network in Nakuru County;
iii) KPLC's power distribution network in Bomet County;
iv) KPLC's off grid power station in Marsabit Town;
v) KPLC's off grid power station in Laisamis Town;
vi) KPLC's Off grid Power Station in Lodwar Town;
vii) South Nyanza Sugar Company electric power generation station and reticulation system;
viii) Ibera Africa 52.5MW power plant;
ix) KUDURA, 30kWp solar power plant;
x) Sondu Miriu, 60MW hydro plant; and
xi) Tatu City Power Company Ltd, power reticulation network

Over the same period, 525 new electricity connections were audited to establish the quality of electrical installation works.

Audit reports highlighting nonconformities, areas of improvement and appropriate recommendations were prepared and shared with the respective licensees for corrective action.

Additionally, the progress of the following electricity generation and transmission projects were monitored:

i) Mwingi –Kitui –Wote 132kV double circuit transmission line
ii) Isinya – Namanga 132kV transmission line and associated substations
iii) Isiolo – Nanyuki 132kV transmission line associated substations
iv) Sondu – Miriu –Homabay-Ndiwa 132kV transmission line
v) Turkwel – Ortum-Kitale 220kV transmission line and associated substation.
vi) Kipeto Energy PLC, 100 MW Wind Power Generation Project
vii) Kleen Energy Ltd, 6MW Hydro Power Generation Project
viii) Kopere Solar Park Ltd, 40MW Solar Power Generation Project
ix) Malindi Solar Group Ltd, 40MW Solar Power Generation Project
x) Marco Borero Company Ltd, 1.5MW Solar Power Generation Project
xi) Menengai Ltd, 105 Geothermal Generation Project

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

4.3 Review of Electricity ESIA Reports

The Authority reviews ESIA reports of proposed electrical projects to identify potential significant positive and adverse environmental and social impacts and proposed measures to avoid or mitigate negative impacts.

Table 4.1 provides a summary of the electricity projects whose ESIA reports were reviewed during the year.

Project	Project type	Proponent
Proposed powerhouse for 1,000 kVA transformer meter room and 500 kVA backup generator	Transformation and generation	Diamond Fazal Velji
Proposed 66 kV transmission line from West Kenya Sugar Factory to Rai Paper Mills	Transmission	West Kenya Sugar Company
Proposed 17.5 KM transmission line from Aperture Green wind farm to Limuru substation	Transmission	Aperture Green Power Limited
Site inspection report for the proposed 601 kw solar farm on Plot No. Mweiga Block 1/Kamatongu/31 and 54, Nyeri County	Generation	AllFlex Limited
Construction of a 1.8 MW small hydropower project on River Maragua at Gakoigo Village in Maragua, Murang'a County	Generation	Gakoigo Hydropower Company Ltd.
Proposed 2.4 MW small hydro power project	Generation	Kirinyaga Power Company Limited
Proposed 120 MW Meru County Energy Park project at Athwana Ward, Tigania West Sub County, Meru County	Generation	Hybrid RE 1 SPV Limited
Proposed 3MW solar power plant at JKUAT	Generation	Compass Power Limited
Proposed Hydrobox Kenya Limited 500 kW small hydro Project in Muranga County	Generation	Hydrobox Kenya Limited
Proposed 3MW small hydro power station in Lihanda Sub Location, East Gem Location, Siaya County	Generation	Africa Resource Consultancy Limited

Table 4.1: A summary of the electricity projects whose ESIA reports were reviewed during the year

4.4 Monitoring Reliability, Quality and Efficiency of Electricity Supply

The Authority monitors electricity reliability, quality of supply and service as they play a key part in promoting investments and economic growth. The reliability and quality of electricity supply and service is influenced by several factors. They include the electricity generation adequacy, the condition of power system infrastructure, adverse weather, utility financial and operational performance and government regulations.

During the period, the electricity supply reliability and efficiency indices highlighted in table 4.2 and defined between (a)-(d) 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.
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 (%)
Jul-20	3.78	6.22	1.65	25.59
Aug-20	5.03	9.57	1.9	25.80
Sept-20	4.89	10.54	2.15	23.71
Oct-20	4.64	9.91	2.13	24.70
Nov-20	4.17	8.9	2.14	24.69
Dec-20	4.14	7.15	1.73	26.77
Jan-21	4.2	6.82	1.62	23.15
Feb-21	4.02	10.14	2.53	21.80
Mar-21	3.41	12.26	3.6	24.50
Apr-21	3.86	13.66	3.54	20.60
May-21	3.82	14.03	3.67	23.69
Jun-21	3.31	8.74	2.64	22.25
Monthly Average	**4.03**	**9.83**	**2.44**	
Annual	**4.03**	**117.94**	**29.30**	**22.25**
System losses' column gives monthly moving average results, not monthly actuals.				

Table 4.2: Electricity supply reliability and efficiency indices reported by KPLC

Table 4.3 presents a comparison of performance indicators in the financial year 2019/2020 and 2020/2021.

Performance Indicator	Monthly Average		Annual	
	2019/2020	2020/2021	2019/2020	2020/2021
CAIDI (Hrs)	4.05	4.03	4.05	4.03
SAIDI (Hrs)	9.43	9.83	103.68	117.94
SAIFI (No)	2.13	2.44	25.60	29.30
System Losses (%)			22.38	22.25

Table 4.3: Performance indicators in the financial year 2019/2020 and 2020/2021

CAIDI improved marginally in the financial year 2020/2021 as compared to the financial year 2019/2020. There was a notable decline in both SAIDI and SAIFI. The decline can be attributed to increased number of connections and expansion of electricity distribution network. To improve SAIDI and SAIFI, KPLC is expected to adopt good distribution network designs, operation and maintenance best practices and efficient outage data collection mechanisms.

System losses reduced marginally in the financial year 2020/2021 as compared to the financial year 2019/2020. However, the system losses remained high compared to the 19.9% benchmark allowed by the Authority. This can be attributed to rapid growth in the distribution network without commensurate growth in electricity demand resulting in underutilized grid assets leading to increased technical losses as well as increased electricity pilferages. KPLC is expected to continue implementing measures that will further drive down losses to the allowable level. Reduced system losses would have positive impact on KPLC sales, revenue and business sustainability.

4.5 Technical Audits of Petroleum and Gas Facilities

A total of 169 petroleum retail stations were inspected as part of a baseline study on retail stations' compliance to the Technical and EHS standards. In addition, 471 retail stations were inspected as part of the regular program.

Further, 24 bulk petroleum storage and 25 LPG storage facilities and one multi-product pipeline were audited. The list of facilities audited is shown in the table 4.4.

Financial Year	Bulk Facility Audits				RetailSites
	LPG	Petroleum	Pipeline	Total	
2019/20	25	24	1	50	640

Table 4.4 Technical Audit Performance in the financial year 2020/2021

The classification of the audited facilities by integrity is as shown in the table 4.5.

Classification	2019/2020	2020/2021
High Integrity (>81%)	5	14
Medium Integrity (61-80%)	44	42
Risky (51-60%)	31	22
High Risk (0-50%)	20	22

Table 4.5: A comparison of Bulk Facility Audit Risk Rating in the Financial Year 2019/2020 and 2020/2021

4.6 Compliance and Surveillance Inspections

The Authority carries out periodic inspections within the energy and petroleum sectors. These inspections aim at ascertaining that utilities are operating in compliance with the Energy Act, Petroleum Act and other applicable laws and standards.

4.6.1 Fuel Marking and Monitoring

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

During the year, the Authority marked 2,994,448,542 litres of Export/Duty free motor fuels and 145,954,159 litres of Domestic Kerosene. There was an increase in volumes marked for Export and Local kerosene by 19.7% and 0.9% respectively. The significant increase in volumes of export product marked may be attributed to the decrease in export tariff for the Kenya Pipeline Company and the opening up of the economy after the effects of the Covid-19 pandemic.

The Authority further conducted 22,460 tests at 4,926 petroleum sites across the country. From the tests, 4,880 (99.04%) sites were found compliant. The non-compliant sites were penalized.

4.6.2 LPG Monitoring

The Authority conducts LPG compliance inspections regularly to check on regulatory compliance, operational safety, plant and equipment maintenance, emergency preparedness and risk management. These inspections are carried out in LPG storage and filling facilities, retail and wholesale sites and LPG road tankers.

During the period under review, the Authority undertook 1,742 inspections on wholesale and retail sites which recorded a compliance level of 48%, 26 inspections on storage and filling facilities with a compliance level of 62% and 157 road tanker inspections with a compliance level of 86%.

4.7 Surveillance Inspections

The Authority undertakes surveillance inspections in a bid to enhance regulatory compliance and safety in the energy and petroleum sectors as well as to create awareness and enhance collaboration with stakeholders across the country.

The inspections entail monitoring adherence to set retail and wholesale pump prices, regulations and licencing conditions. During the period under review, the Authority conducted the following surveillance inspections:

i) Twenty-seven (27) random inspections in petroleum depots;
ii) Two thousand and sixty (2,060) inspections on the petroleum retail stations;
iii) One hundred and nine (109) inspections on LPG storage and filling facilities;
iv) Two hundred and fifty-five (255) inspections on construction of petroleum and LPG facilities;
v) Sixty-one (61) inspections of installed or ongoing solar PV projects to assess compliance with applicable standards

and Energy (Solar Photovoltaic Systems) Regulations, 2012;

vi) One hundred and twenty-seven (127) inspections to assess compliance with the Energy (Energy Management) Regulations 2012;

vii) One thousand and thirty-six (1,036) inspections on consumer premises to verify the authenticity of completion certificates for electrical works;

viii) Sixty-three (63) inspections of electricity generation, transmission and distribution projects to evaluate compliance with the Kenya Grid Code, applicable standards and regulations.

4.8 Enforcing compliance

The Authority applies sanctions to facilities or persons found violating regulatory and licensing requirements. During the year under review, the Authority decommissioned three (3) illegally operating Petroleum and LPG facilities, issued show-cause notices to seventeen (17) LPG plants found in breach of regulations, subjected 47 retail stations to payment of fines and litigated 34 civil cases and 41 criminal cases. The Authority also published a list of retail stations found with adulterated or export bound fuel.

4.9 Investigation of Accidents and Incidents

4.9.1 Investigation of Electrical Accidents and Incidents

The Energy Act requires a 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 actions. The main purpose of this exercise is to protect electric power users and the public from dangers associated with the supply and usage of electricity.

During the period under review, 120 electrical accidents and incidents were reported to the Authority. Figure 4.2 presents the instances of reported accidents and the resultant damage.

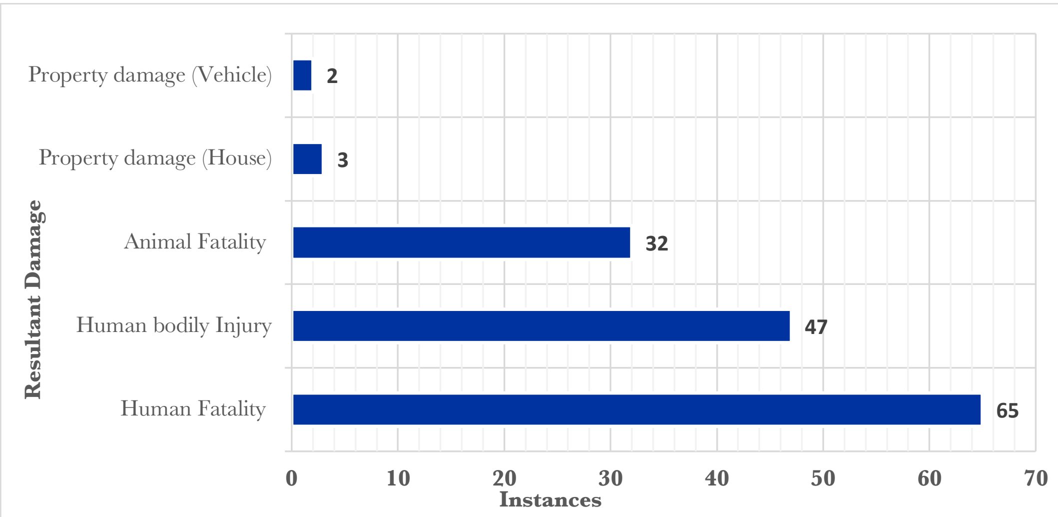


Figure 4.1: Instances of reported accidents and the resultant damage

Most of the accidents were investigated and reports shared with concerned licensees for remedial actions. Table 4.6 provides a breakdown of reported accidents/incidents and the root cause.

Root cause of accident/incident		Number of Accidents	
		Number of Accidents	Percentage (%)
1.	Poorly maintained power distribution infrastructure	23	19
2.	Defects in consumer installations	14	12
3.	Unsafe work practices	13	11
4.	Proximity of power lines to buildings	12	10
5.	Fire (cause not determined)	8	7
6.	Illegal extension	8	7
7.	Tree cutting	6	5
8.	Breach of safety clearance	5	4
9.	Improper use of electricity	4	3
10.	Vandalism	4	3
11.	Ignorance	3	3
12.	Work-related	3	3
13.	Unauthorized operation	3	3
14.	Consumer installation (county government)	2	2
15.	Negligence	3	3
16.	Non-adherence to construction standards	2	2
17.	Downed power line	1	1
18.	Encroachment of wayleave	1	1
19.	Poor quality of electricity supply	1	1
20.	Other causes	4	4
	Total	**120**	**100**

Table 4.6: Root causes of reported electrical accidents

Over 50% of the accidents were caused by the following four factors:

i) Poorly maintained power distribution infrastructure (19%).

ii) Defects in consumer installations resulting from poor electrical installation works (12%).

iii) Unsafe work practices either by utility employees or contractors or third parties working near power lines (11%).

iv) Proximity of power lines to buildings (10%)

4.9.2 Investigation of Petroleum and Gas Accidents and Incidents

During the period under review, the authority investigated a total of 42 petroleum and LPG related accidents. A majority of the accidents investigated were petroleum tanker related incidents which ranged from collisions leading to fire breakouts, tanker rollovers leading to loss of containment amongst others. This was followed by domestic LPG cylinder incidents. Arguably, there is increased penetration of LPG use in homes hence need to carry out more sensitization on safe use of LPG.

S/No.	Accident Classification	Number
1	LPG tanker incidents	7
2	Petroleum Tanker Incidents	15
3	Retail station Incidents	3
4	Domestic Incidents	14
5	Pipeline Incidents	3
	Total	**42**

4.10 Analysis of Financial Performance of Electricity and Petroleum Utilities

The Authority is mandated to monitor and ensure economic and financial viability of subsector utilities. During the financial year, the Authority monitored and analysed the financial performance of utilities summarized in table 4.7.

Licensee	Gulf	IberAfrica	Rabai	Kipeto Energy	KPC	Total Kenya	Triumph	KenGen	Standard Benchmark
Return on Asset (ROA)	5.45%	3.28%	4.43%	-2.01%	0.45%	5.82%	0.37%	0.3%	4%
Return on Equity (ROE)	40.10%	6.86%	8.69%	32.61%	2.61%	9.57%	16.84%	0.6%	12.50%
Current Ratio (CR)	1.24	1.37	1.31	1.87	0.43	2.02	1.11	2.15	1.2
Fixed Assets Turnover	0.4	0.50	0.68	-0.02	0.51	5.21	0.23	0.09	0.8
Total Asset Turnover	0.3	0.33	0.50	-0.02	0.43	1.59	0.19	0.08	1.2
Profit before Tax (Kshs millions)	636.77	561.18	979.45	-384,115	8,197.66	3,993	604.17	14,762	N/A
Profit after Tax (kshs. Millions)	496.12	254.57	623.98	-841,057	1,489.69	2,739	56.57	1,188	N/A

Table 4.7: An analysis of financial performance of utilities

The financial performance analysis indicates subsector utilities sampled had good financial health except for Kipeto Energy, which was in its first year of power generation. Private utilities outperformed public utilities during the period of analysis. This is evident in the high return on assets and return on equity posted.

The Return on Assets of majority of the private utilities surpassed or performed close to the 4% benchmark demonstrating the best possible use of their assets for generating income. KenGen and KPC underperformed, with their ROA falling below the benchmark. The lower asset base that private utilities have compared to public utilities may be the cause of their higher ROA.

Compared to public utilities, private utilities had a higher return on equity, which measures how effectively a utility manages its total investment to generate a return to shareholders. Gulf had the highest ROE, at 40.10%, demonstrating a high capacity to maximize shareholder returns. The high ROE could be attributed to the effective and efficient use of shareholder capital, which maximizes potential profit generation. KenGen reported the lowest ROE of 0.6%, which may be related to a decline in net profits over the course of the review period.

CHAPTER 5: ENERGY PLANNING AND RESEARCH

5.1 Energy Planning

Energy planning entails short and long term demand and supply forecasting, generation planning and estimation of investment costs. Energy planning is central to the realization of affordable and reliable energy supply. The Authority, in conjunction with key stakeholders, has developed the Least Cost Power Development Plan (LCPDP) and the Petroleum Development Plan (PDP) for the petroleum and electricity subsectors. The Authority has also undertaken research that will be critical in informing long range energy policies.

5.1.1 Least Cost Power Development Plan

During the Financial year, the Least Cost Power Development Plan (LCPDP) 2020-2040 was prepared. This was an update of the long-term plan 2019-2039 that was prepared in the previous year. The updated plan considers the adverse economic effects of the global pandemic, COVID-19. The annual forecasted electricity demand and peak load are expected to grow for all scenarios over the planning period. Peak demand is forecasted to grow at an average rate of 5.28% from 1,972MW in the base year to 5,526MW at the end of the planning period under the reference scenario. Similarly, under the vision scenario peak demand increases to 9,635MW in 2040 growing at an average rate of 8.35%. The low scenario peak demand increases to 5,028MW in 2040 at an average rate of 4.89, as illustrated in figure 5.1. The vision scenario increases at a higher rate due to an assumed higher GDP growth and early impact of flagship projects.

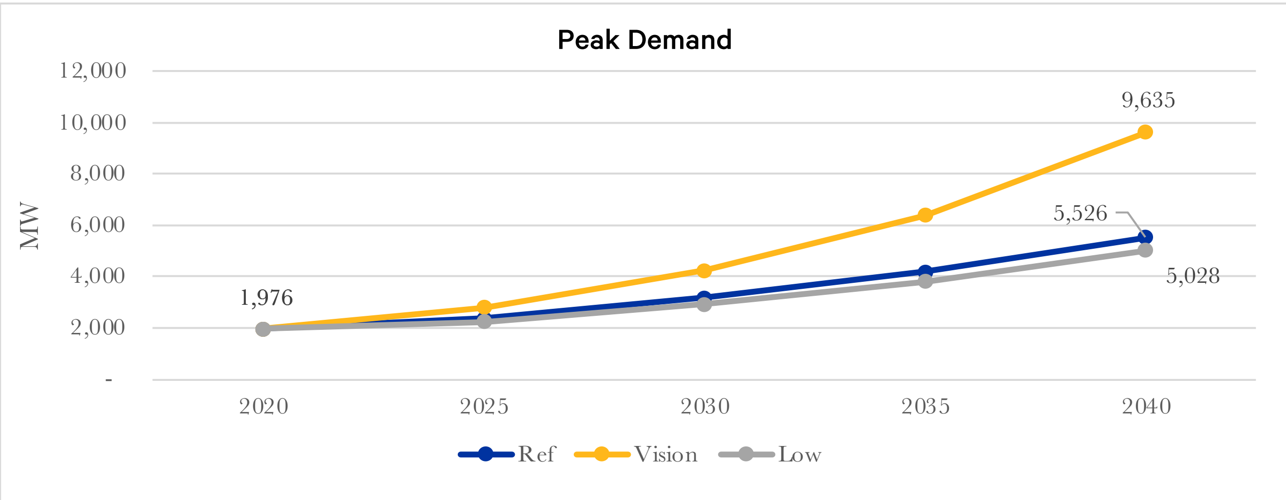


Figure 5.1: Vision scenario peak demand

Electricity consumption is expected to increase over the planning period in all scenarios as presented in figure 5.2.

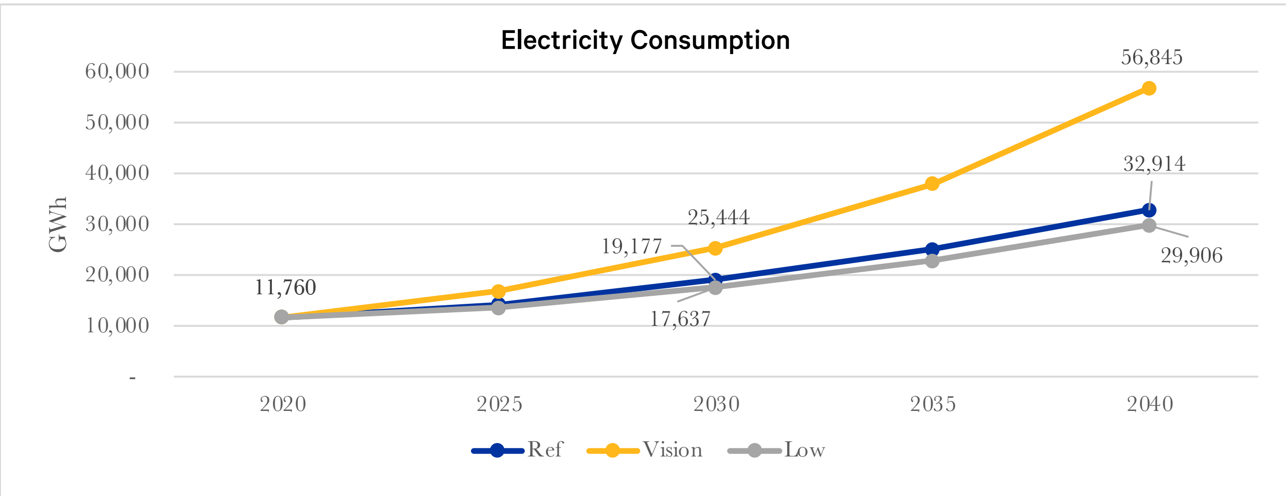


Figure 5.2: An outlook of consumption over long-term 2020/2040

Consumption in the reference scenario grows at an average of 5.28% to reach 19,177GWh in 2030 and to 32,914GWh by the end of the planning period. Under the vision scenario, consumption increases at an average of 8.20% to 25,444GWh by 2030 from 11,760GWh in the base year. Consumption is forecasted to reach 56,845GWh by 2040 under this scenario. The low scenario expands moderately at an average of 4.78% to reach 29,906GWh by the end of the planning period.

5.1.2 Petroleum Development Plan (PDP)

The Authority initiated the design of a petroleum demand-forecast tool and coordinated a multi-agency PDP technical team in undertaking demand forecasting for selected petroleum products for the period 2022-2041. A summary of the forecast is presented in table 5.1.

	2022	2023	2024	2025	2026	2031	2036	2041
PMS (million litres)	2,226	2,369	2,523	2,689	2,866	3,962	5,516	7,763
AGO (million litres)	3,040	3,212	3,390	3,575	3,765	4,810	5,994	7,240
DPK (million litres)	258	245	232	219	206	139	81	55
LPG (tonnes)	309	328	349	370	393	529	711	958
Fuel Oil (tonnes)	375	393	403	408	411	416	402	302

Table 5.1 Demand forecast for select petroleum products-reference scenario

The projections indicate that demand for PMS and AGO will increase steadily over the period while demand for DPK decreases. This is mainly due to anti-adulteration measures that have been implemented and advocacy for use of clean cooking sources such as LPG. There are expectations that e-mobility will crowd out petroleum-fuelled vehicles in the future. However, at the time of undertaking the forecast, the data available did not point to an immediate impact thus the expected rise in demand for PMS and AGO.

5.1.3 Research and Policy

One of the key strategic priorities of the Authority is to strengthen research, data management and information dissemination within the energy and petroleum subsectors. During the year, the Authority carried out the following research-centred activities: developed a framework for energy and petroleum sector research; initiated the development of a data hub and facilitated the annual research and innovation programme.

The Authority also published the Energy and Petroleum Statistic Report 2021, which highlights the sectors' performance during the year. The report is available on www.epra.go.ke.

CHAPTER 6: ENERGY PRICING

6.1 Energy Pricing

The Energy Act 2019 empowers the Authority to approve electric power purchase and network service contracts and to set, review or adjust electricity. Further, pursuant to 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 reviewed and approved the following PPAs applications with a cumulative contracted capacity of 195MW. The PPAs were between KPLC and:

i) Or Power 4 for 139MW Olkaria III (Amendment) Unit Geothermal plant and

ii) KenGen for 56MW Muhoroni Gas Turbine 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 (Ksh/kWh)	Demand Charge (Ksh/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 Energy Charge (FEC) was the key driver of the pass-through costs with the Foreign Exchange Rates Fluctuation Adjustment (FERFA), Water Resources Management Authority (WRMA) levy and Inflation Adjustments (INFL) maintaining stable magnitudes with minimal impacts. The pass-through elements are presented in Table 6.2.

Pass-through Costs	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21
FCC (KShs/kWh)	2.4	2.4	2.43	2.56	2.56	2.56	2.58	2.61	3.54	3.14	2.92	3.63
FOREX ADJ. (Sh/kWh)	0.3964	0.4769	0.578	1.0731	0.5466	0.6977	1.3166	0.6649	0.7781	0.8167	0.6694	0.7672
INFLATION ADJ. (KSh/kWh)	0.3	0.32	0.32	0.32	0.32	0.32	0.32	0.37	0.37	0.37	0.37	0.37
WRMA LEVY	0.0212	0.0241	0.0225	0.0225	0.0225	0.0239	0.0244	0.02	0.0185	0.018	0.0196	0.0223
Total	3.118	3.221	3.351	3.976	3.449	3.602	4.241	3.665	4.707	4.345	3.979	4.790

Table 6.2: Pass through costs (Ksh/kWh) in the retail Electricity Tariff for Financial Year 2020/2021

The FEC averaged KSh.2.78/kWh in the year, closing in at KSh.3.63/kWh in June 2021. Inflation adjustment had minimal impact on end user tariffs averaging just Ksh. 0.34/kWh for the year closing at Ksh 0.37/kWh. The WRMA levy remained relatively stable averaging Ksh.0.021/kWh for the year ending June 2021.

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.

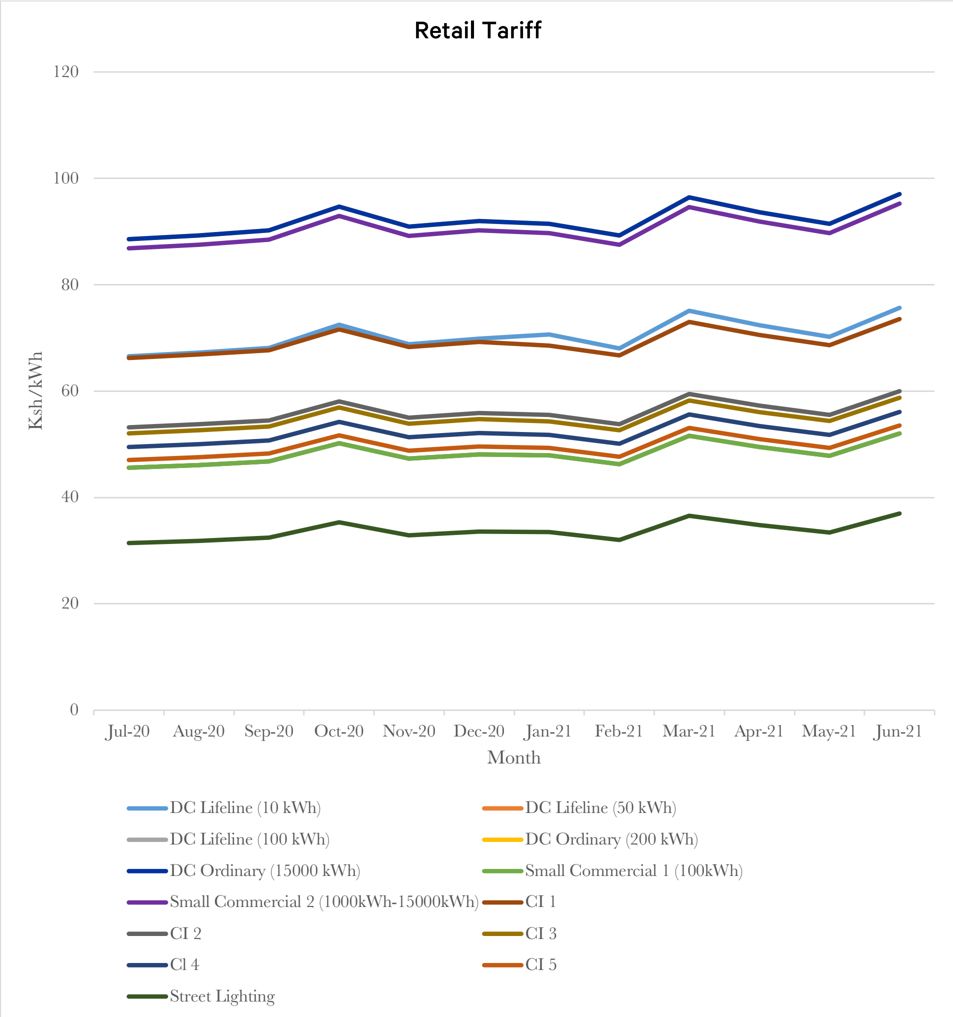


Figure 6.1 Evolution of Retail Electricity Tariffs in Kenya between July 2020 and June 2021

6.4 Petroleum Pump Prices

The Authority is mandated to regulate the maximum wholesale and retail prices for Super Petrol (PMS), Diesel (AGO) and Kerosene (DPK). The Authority publishes the maximum pump prices for all major towns on the 14th day of every month.

The average price of Murban crude in the FY 2020/21 was US$ 51.26/barrel, a slight decrease from 52.27 US$/barrel in FY 2019/20. This was as a result of the global economic slowdown caused by the spread of Covid-19 during the first half of the year. Demand for petroleum and petroleum products plummeted. The drop in demand, combined with an unexpected increase in supply, resulted in a collapse in crude oil prices. The trend in landed costs is illustrated in figure 6.2.

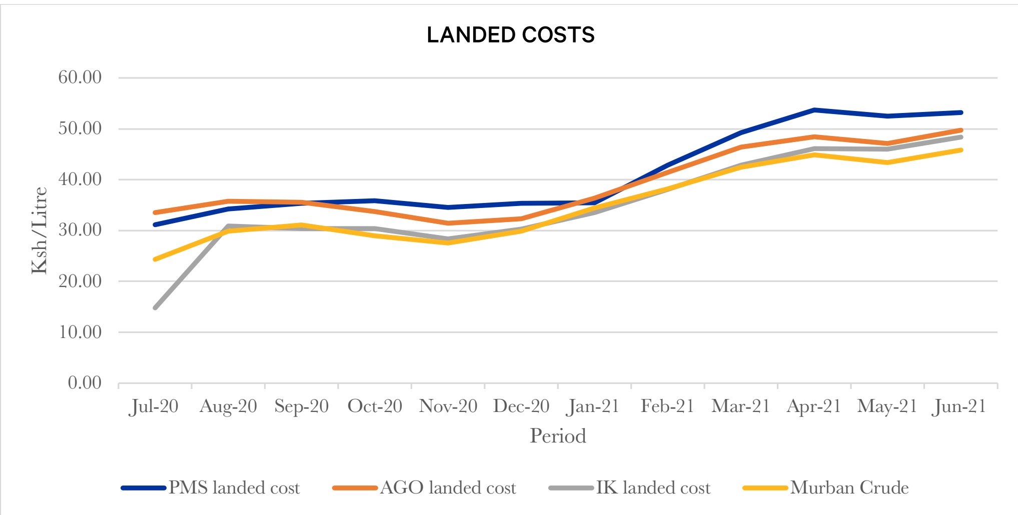


Figure 6.2: Trends in the price of crude oil and landed costs

However, easement of covid-19 containment measures and global economic recovery increased demand in the second half of the year, resulting to an increase in the landed cost. The trend for monthly retail pump prices is illustrated in figure 6.3.

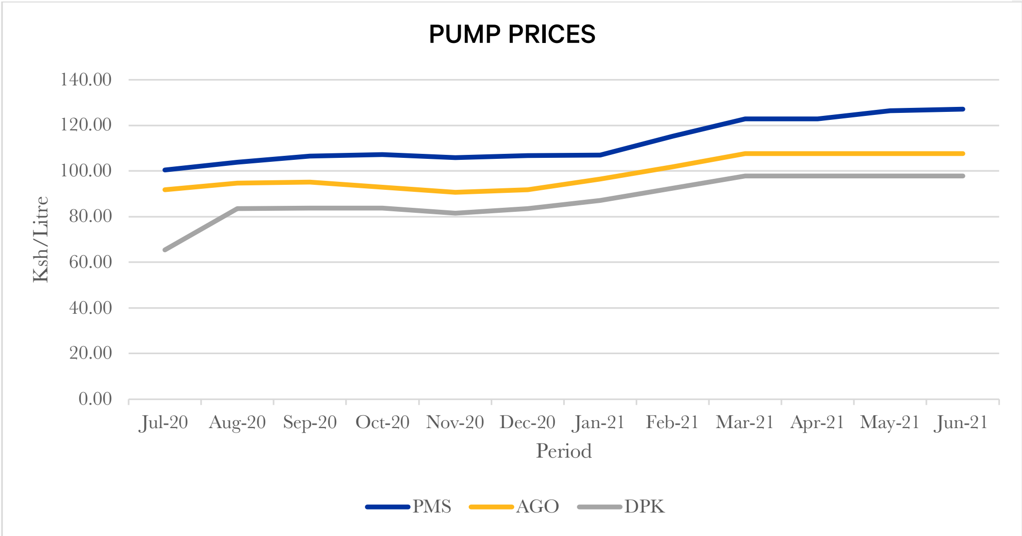


Figure 6.3: Trends in Petroleum Pump Prices for Nairobi

The retail price of super petrol in July 2020 was 100.48 Ksh. /litre, averaging 112.68 Ksh. /litre to close the year at 127.14 Ksh. /litre in June 2021. Kerosene on the other hand averaged 87.73 Ksh. /litre from 65.45 Ksh. /litre in July 2020 to close the year at 97.85 Kshs/litre. The price of Diesel at the beginning of the year was 91.87 Ksh. /litre and increased to 107.66 Ksh. /litre at the end of the year June 2021 averaging 98.83 Ksh. /litre. This trend was recorded in the rest of the towns across the country.

6.5 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 Hydro's, 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 6,297MW. Solar and small hydro projects are the most common with the solar projects accounting for nearly 70% of the capacity.

PROJECTS	Wind	Biomass	Biogas	Co-gen	Small hydro	Solar PV	Geo-Thermal	Off-grid Renewable	Tidal Wave	Total (no.)
Plants in Operation	1	0	1	0	6	2	0	0	0	10
Projects with Signed PPA's	4	1	2	1	9	9	0	0	0	26
Projects awaiting PPP Unit Approval	1	0	0	0	3	1	0	0	0	5
Projects awaiting EPRA Approval	0	0	0	0	1	0	0	0	0	1
Projects with Finalized PPA Negotiations Awaiting KPLC Board Approval	0	0	0	0	0	0	0	0	0	0
Projects with PPA's under Negotiations	0	5	1	1	3	17	0	0	0	27
Approved Projects with PPA Negotiations Yet to Start	4	1	1	1	26	23	0	1	0	57
Projects awaiting to be Issued with COD's	4	3	1	0	22	15	1	0	0	46
Projects in Feasibility Study Stage	8	4	1	0	34	104	0	0	1	152
Total no. of Approved Projects	22	14	7	3	104	171	1	1	1	324
Total Capacity (MW)	875	207	62	38	482	4,523	70	0.1	40	6,297

Table 6.3: Status of Fit Projects as At June 2021

CHAPTER 7: CORPORATE SERVICES

7.1 Performance Management

The Authority has a performance management system that monitors corporate and individual performance. Performance contracts are signed with the GOK and cascaded downwards to Head of Directorates/Departments for onward cascading to all employees to set annual targets. Monitoring and evaluation of these targets is undertaken bi-annually.

Figure 7.1 Authority Annual Work plan

The evaluation of 2020-2021 Performance Contract was done on 21st October 2021 by the Public Service Performance Management and Monitoring Unit (PSPMU). The Authority was rated Very Good with a composite score of 2.9075.

7.2 Human Resource Instruments

The Authority's human resource matters are guided by policies which provide procedures for all human resource affairs. This ensures compliance with the Constitution of Kenya, Labour Laws and other related laws. During the period the Authority reviewed the Human Resources Instruments presented in figure 7.2.

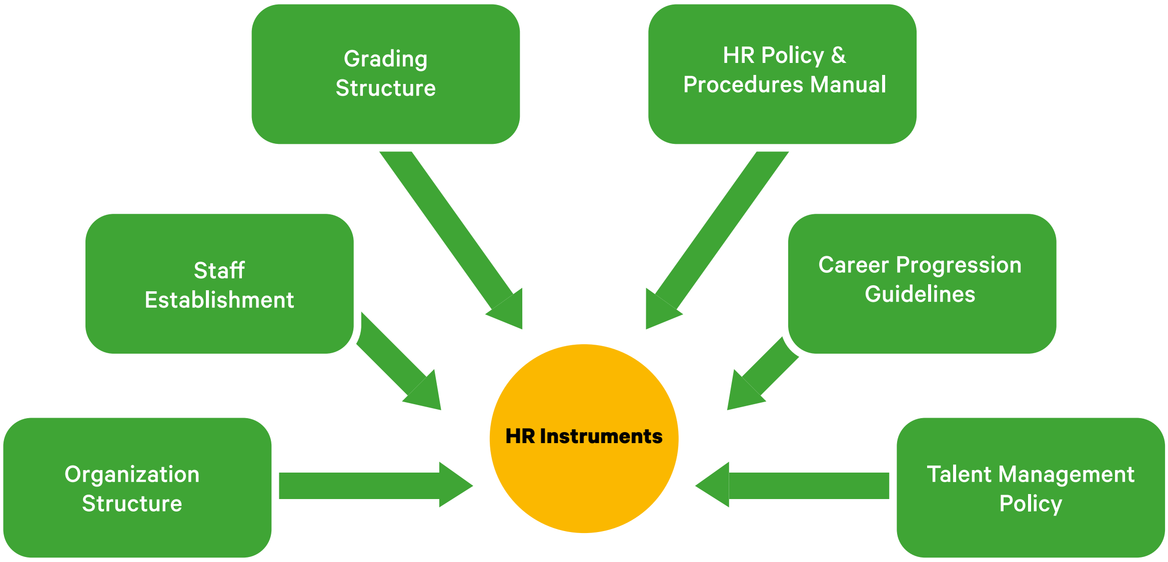


Figure 7.2: Human Resource Policies Reviewed in The Financial Year 2020/2021

7.3 Employee Capacity building

The Authority has mechanisms in place to ensure that there are requisite skills for our operations as required in the Strategic focus. Employees undertook online courses based on skills gap analysis and training needs analysis. Eighty-one (81) employees also undertook supervisory, management and leadership courses.

7.4 Knowledge Management

Knowledge management improves the Authority's capacity to solve problems, adapt and evolve to meet changing business requirements and survive disruptive changes. The creation and diffusion of knowledge is an important factor in competitiveness of the Authority.

The ability to manage that knowledge is critical and embedded in the tacit knowledge of highly mobile employees. The Authority has in place framework and system to enhance knowledge identification, storage and sharing. During the year, 13 knowledge management champions were sensitized on their roles in knowledge mapping and 14 champions were trained on knowledge management implementation initiatives.

7.5 Youth Internship / Industrial Attachment / Apprenticeship

The Public Service Internship program, a government initiative, is designed to offer opportunities for graduates to acquire and develop valuable technical and professional skills as well as work experience in the Public Service.

In support of this initiative, the Authority provided opportunities to twenty-six (26) youths who were engaged in the internship, attachment and apprenticeship programme.

7.6 Employee Wellness & Safety

Employee wellness encompasses:

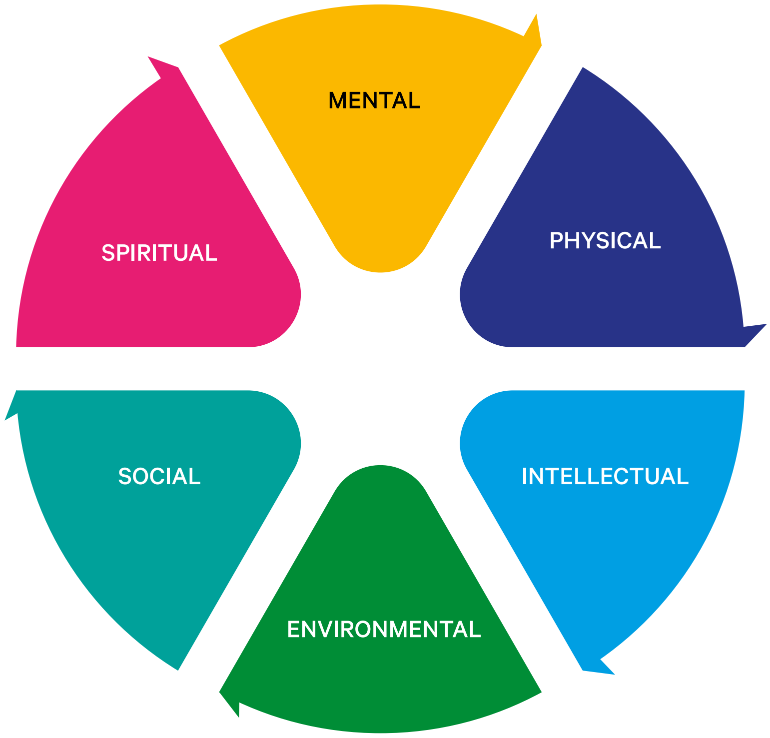


Figure 7.3 Employee Wellness

During the year, employees were sensitized on the need to seek professional counselling services to deal with the emerging mental health and psychosocial issues. A sensitization campaign was undertaken on Universal Health Coverage (UHC) and alcohol and drug substance abuse.

The Authority complied with COVID-19 protocols, through installing hand sanitizer dispensers at all entry points, application of the Rota System to minimize exposure, employees' sensitization on COVID-19 prevention measures, psycho-social and medical support, office fumigation and deep cleaning as well as provision of face masks and hand sanitizers to employees.

Employees were also encouraged to undertake voluntary COVID-19 testing. The Authority's medical scheme was enhanced to cover associated testing and treatment costs.

7.7 Quality Management System

Implementation of ISO management systems is a strategic decision to enhance commitment to providing quality regulatory services for the energy and petroleum sectors in Kenya. This is complying to international standards, legal, statutory and policy requirements, the needs and expectations of its stakeholders as well as requirements for Quality Management Systems as set out in ISO 9001:2015.

During the year, a surveillance audit was carried out in Nairobi, Kisumu and Nyeri offices with 34 employees were trained on various QMS courses.

7.8. Procurement

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

The Authority prepared an Annual Procurement Plan budget of Ksh. 817,480,000.00. Tenders worth Ksh. 24,555,777 were awarded to youth, women and Persons with Disabilities (PWD) in compliance with the government's directive to empower this special category of suppliers.

The Authority also promoted local content through implementation of the Buy Kenya Build Kenya initiative.

7.9 Public and Stakeholder Engagement

In line with the requirements of the Statutory Instruments Act No. 23 of 2013, the Authority undertook public consultations workshops on the draft petroleum regulations with a view to receiving comments on the proposed regulations. The workshops were held in Nanyuki, Eldoret, Kisumu, Mombasa, Nairobi and Nakuru.

Further, the Authority engaged stakeholders on a wide variety of issues including the Regulatory Impact Assessment on Solar Photovoltaic (PV) Regulations and the Draft Energy (Energy Management) Regulations 2021.

To promote empowerment of the special groups through the Access to Government Procurement Opportunities (AGPO), the Authority hosted a sensitization workshop on available procurement opportunities, bidding requirements and procedures.

The Authority's social media platforms were also regularly updated to keep the public and stakeholders updated on the Authority's activities.

7.10 Service to communities

The Authority, in collaboration with the Kenya Forestry Service (KFS) and the Menengai Community, planted 20,000 seedlings in Menengai Forest. The tree planting activity aimed at supporting Kenya's target of achieving a 10% forest cover. Further, the Authority donated 2,000 safety jackets and 1,000 masks towards Phase II of the Government's Kazi Mtaani Initiative. The project ensured that youth based in various communities around the country benefited economically amidst the COVID-19 pandemic by engaging in clean-up activities.

7.11 Consumer Education

The Authority carried out two major brand information campaigns during the year. The first one was the Story ya Gas campaign that aimed to promote safe use of Liquefied Petroleum Gas (LPG) in the country. The campaign was aired on television and radio stations and culminated in the scooping of the best Public Sector Campaign award in the Public Relations Society of Kenya (PRSK) awards.

In addition, the Authority educated consumers on electrical safety and other sectoral matters through social media platforms.

CHAPTER 8: FINANCIAL STATEMENTS

Report of The Board of Directors

The Board of Directors submit their report together with the audited financial statements for the year ended 30th June 2021, which show the state of the Authority's affairs.

1. Principal activities

The principal activities of the Authority are: -

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

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

2. Results

The results of the Authority for the year ended 30th June 2021 are set out from page 65.

3. Board Members

The members of the Board of Directors who served during the year are shown on page 11. The Directors are appointed in line with the 2nd Schedule of the Energy Act 2019.

4. 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 recorded a surplus of KES 2,171,545 during the financial year.

5. Auditors

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

The annual report and financial statements set out on pages 72 - 93 which have been prepared on the going concern basis, were approved by the board on and were signed on its behalf by:

By Order of the Board

Mnyanga

Ms. Mueni Mutunga
Board Secretary

6. 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 in respect of the Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the Authority for that year/period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on 30th June 2021. This responsibility includes:

i) Maintaining adequate financial management arrangements and ensuring that they 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 72-93 which have been prepared on the going concern basis, were approved by the directors on 29th September 2021 and were signed on its behalf by:

Mr. Daniel Kiptoo Bargoria **Director General**	**Hon. (Prof) Jackton Boma Ojwang** **Chairman**

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

HEADQUARTERS
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, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Energy and Petroleum Regulatory Authority set out on pages 55 to 86, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Energy and Petroleum Regulatory Authority as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Energy Act, 2019.

Basis for Qualified Opinion

1.0 Inaccuracies in Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment amount of Kshs.211,238,288 as disclosed in note 23 to the financial statements .Included in the balance is an amount of Kshs.79,067,020 in respect of partitions works in four (4) regional offices whose contract value totalled to Kshs.69,343,570 resulting to unreconciled variance of Kshs.9,723, 450.

Further, the final accounts by the supervising consultant in respect of the works above indicated the work done to be valued at Kshs.58,130,808 resulting in an unexplained and unaccounted for variance of Kshs.11,212,762 compared to the contract sum of Kshs.69,343,570.

In addition, examination of the final certificate of completion indicates that the works were certified as complete on 27 August, 2021, but the partitions were capitalized in the year under review. Management has not explained the reasons for capitalizing the works yet the final certificate of completion had not been issued.

In the circumstances, the accuracy, completeness and regularity of the property, plant and equipment balance of Kshs.211,238,288 could not be confirmed.

2.0 Inaccuracies in Employee Costs

The statement of financial performance reflects employee costs of Kshs.630,822,709 as disclosed in Note 12 to the financial statements. However, review of the payroll details indicated total employee costs of Kshs.516,536,406 resulting to a variance of Kshs.114,286,303.

In the circumstances, the accuracy and completeness of employee costs of Kshs.630,822,709 could not be confirmed.

3.0 Unsupported Expenditure on Consultancy

The statement of financial performance reflects contracted services balance of Kshs.120,872,750 as disclosed in Note 16 to the financial statements. Included in this balance is an amount of Kshs.10,245,718 incurred on Consultancy for Development of Environmental Health Safety (EHS) guidelines for Petroleum Upstream Sector. The contract was awarded to a company on 11 June, 2019 at a contract sum of Kshs.17,076,196. However, Management did not provide documents to support payment of Kshs.10,245,718 for audit.

In the circumstances, the accuracy, completeness and regularity of the consultancy expenditure of Kshs.10,245,718 could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects budgeted total revenue of Kshs.1,887,092,149 and actual revenue of Kshs.1,510,183,486 resulting to under receipts by Kshs.376,908,663 or 20% of the budget. Similarly, the Authority projected to spend Kshs.1,388,936,050 but incurred Kshs.1,354,664,883 resulting to under expenditure of Kshs.34,271,167 or 2% of the budget.

The underfunding affected the planned activities and may have impacted negatively on service deliver to the public.

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

1.0 Irregular Expenditure on Contract for Monitoring of Domestic Kerosine

The statement of financial performance reflects contracted services balance of Kshs.120,872,750. Included in this balance is an amount of Kshs.77,812,262 incurred on provision of petroleum fuels marking and monitoring services. An amount of Kshs.56,041,963 was paid in the financial year 2019/2020 resulting in total payments of Kshs.133,854,225. According to the tender documents, the contract was awarded to a company on 28 March, 2019 at a contract sum of Kshs.68,512,520 in the two years resulting to an unexplained over expenditure of Kshs. 65,341,705.

Further, according to Part I section 8 of the contract agreement, the Authority had committed to bear the cost of services offered to independent and unbranded retail stations. The Authority was exposed to the risks of additional costs in respect to independent and unbranded stations.

In the circumstances, value for money for the contract could not be confirmed.

2.0 Irregular Extension of Inspection of Liquefied Petroleum Gas Storage and Cylinder Contract

The statement of financial performance reflects contracted services balance of Kshs.120,872,750. Included in this balance is an amount of Kshs.45,529,384 incurred on inspection of Liquefied Petroleum Gas (LPG) storage facilities and LPG cylinders. According to the tender documents, the contract was awarded to a company on 28 March, 2019 at a contract sum of Kshs.35,809,200. The contract duration was for two (2) years commencing 28 March, 2019 to 28 March, 2021. The contract was extended for a period of one (1) year on 25 March, 2021 for a contract sum of Kshs.35,809,200. This was contrary to Section 139, 2 (a) of the Public Procurement and Asset Disposal Act, 2015 which provides that an accounting officer of a procuring entity, on the recommendation of an evaluation committee, may approve the request for the following, which request shall be accompanied by a certificate from the tenderer making a justifications for such cost.

Review of the financial records revealed the firm has been paid a total of Kshs.85,515,453 since inception of the contract resulting in an unexplained overpayment of Kshs.13,897,053.

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

3.0 Unutilized Office Space

The Authority entered into a lease agreement with a landlord for office rent fifth (5th) floor at an amount of Kshs.2,785,050 per month payable quarterly in advance. However, a physical verification of the premises confirmed that the Authority had not occupied the office as from 1 July, 2020 until the time of the audit in March, 2022 despite paying rent of Kshs.6,684,120. According to the Management, the non-occupancy was as a result of long period of partitioning, fittings and remodelling of the office to conform to the Authority's needs and brand.

In the circumstances, the Authority did not obtain value for money on the expenditure.

4.0 Failure to Remit Surplus Funds to Kenya Revenue Authority

Examination of expenditure records revealed that the Kenya Revenue Authority through a notice dated 25 August, 2020 demanded remittance of surplus funds amounting to Kshs.240,041,236. The Authority failed to remit the funds contrary to Sec 219(2) of Public Finance Management Act, 2012 on dividend policy and surplus funds. Further, in a letter dated 6 November, 2020 Kenya Revenue Authority (KRA) required the Authority to pay tax owed of Kshs. 276,731,953. The Management has explained they had communicated with The National Treasury indicating that they cleared the issue. However, no official communication from KRA confirming the clearance of the issue was provided for audit.

In the circumstances, Management was in breach of law.

5.0 Irregular Appointment of the Director General

Review of human resource records and minutes of the Board of Directors meetings revealed irregularities in the appointment of the Director General of the Authority. The details are provided below:

i. The Board held 79^{th} special Board meeting on the 14 of December, 2020 and confirmed the interdiction of the former Director General. Upon further deliberations, the members unanimously resolved that a recommendation be made to the Cabinet Secretary in Charge of the Ministry of Energy, for appointment of one of their own who was representing the Cabinet Secretary in the Board as the Acting Director General. The appointment was to take effect as from 9 December, 2020. It was however noted that the Board Members did not declare a conflict of interest in the matter since the person to be appointed Acting Director General was a member of the Board and was in the meeting. This was contrary to Section 1.16(1b) of the Code of Governance for State Corporations (Mwongozo) which requires that a Board Member disclose all real or perceived conflict of interest and manage these within an agreed framework.

ii. Further review indicated that the special Board meeting held on 14 December, 2020 ended at 8p.m, while the letter from the Board seeking approval for appointment of Acting Director General was done and sent to the Cabinet Secretary on the same day. The Board issued an appointment letter on 14 December, 2020 to one of their own to act as Managing Director on 14 December, 2020 before the approval was granted. The Acting Managing Director who was a member of the Board and was present in the meeting accepted the appointment the same day. However, the letter from the Ministry on the appointment was issued on the 15 of December, 2020. This implies that the Board appointed him before getting the Ministry's approval. This was contrary, to Part 13(1) of the Energy Act 2019, that stipulates that the Board shall subject to the approval of the Cabinet Secretary, appoint a Director General who shall be the Chief Executive Officer of the Authority.

iii. The position of the Director General was declared vacant by the Board during its 109th regular meeting held on 31 March, 2021 and subsequently the position was advertised on 27 April, 2021. The 83rd special meeting of the Board held on 20 May, 2021 delegated the task of shortlisting the applicants to the Finance and Administration Committee (FAC) which in turn formed a team consisting of Management to open and compile the applications. The team prepared the report dated 28 May, 2021 which indicated there were 23 applicants.

iv. The Board sought approval of the Cabinet Secretary on 28 June, 2021 to appoint the Director General. However, the Cabinet Secretary appointed the Director General on 28 June, 2021 whose terms of offer were accepted and signed by the nominee on the same day instead of the Board of Directors as required by Section 13 (1) of the Energy Act, 2019.

v. According to Section 13 (3)(c) (d) of the Energy Act, a person shall be qualified for appointment as a Director-General if such person has at least seven (7) years management experience at a senior level and at least two (2) years of experience in petroleum and energy. However, review of the applicant's documents confirmed that the person lacked the requisite management experience at senior level for appointment as a Director General.

In view of the foregoing, the regularity and suitability in the appointment of the Director General could not be confirmed and Management was in breach of law.

6.0 Irregular Payment of Retention Money

Review of financial records confirmed that the works for partitioning the regional offices in Nyeri, Mombasa, Kisumu and Eldoret had accrued bills amounting to Kshs.21,207,345 out of which an amount of Kshs.5,077,257 was paid to the contractor as retention monies leaving a closing balance of Kshs.16,130,088. However, payment of retention monies was done before issuance of the final certificate of completion contrary to Section 151, (2),(h) of the Public Procurement and Asset Disposal Act, 2015.

In the circumstances, Management was in breach of law.

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 about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, 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 Board of Directors

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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

The Board of Directors is responsible for overseeing the Authority's financial reporting process, reviewing the effectiveness of how Management monitors 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 that 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 audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls that 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 that 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 controls 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 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 that 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 controls.

- 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 aplicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue to sustain its services. 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 to sustain its services.
- 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 that 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 controls that are identified during the audit.

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 September, 2022

Statement of Financial Performance for the year ended 30th June 2021

Figures in Kenyan Shilling	Note(s	2020 - 2021	2019 - 2020 Restated
Revenue			
Revenue from non-exchange transactions			
Transfer revenue			
Electricity levy	7	236,696,328	263,003,453
Petroleum levy	8	1,219,365,768	1,046,308,204
Total revenue from non-exchange transactions		**1,456,062,096**	**1,309,311,657**
Revenue from exchange transactions			
Other income	9	50,731,803	65,241,029
Interest received - investment	10	3,389,587	10,206,607
Total revenue from exchange transactions		**54,121,390**	**75,447,636**
		54,121,390	75,447,636
		1,456,062,096	1,309,311,657
Total revenue		**1,510,183,486**	**1,384,759,293**
Expenses			
Use of goods and services	11	(512,301,015)	(582,231,585)
Employee costs	12	(630,822,709)	(565,479,923)
Board Expenses	13	(16,939,646)	(19,373,137)
Depreciation and amortisation expense	14	(64,841,656)	(46,440,383)
Repair & Maintenance	15	(8,887,107)	(5,633,978)
Contracted Services	16	(120,872,750)	(74,509,188)
Total expenses		**1,354,664,883)**	**(1,293,668,194)**
Other gains (losses)			
Gain on disposal of assets and liabilities	17	3,738,122	-
Surplus (deficit) before taxation		159,256,725	91,091,099
Taxation		-	-
Surplus for the year from continuing operations		**159,256,725**	**91,091,099**
Remission to National Treasury	18	(2,171,545)	-
Surplus/Deficit for the year		**157,085,180**	**91,091,099**

The notes set out on pages 78 to 91 form an integral part of these Financial Statements.

The Financial Statements set out on pages 72 - 77 were signed on behalf of the Board of Directors by:

Mr. Daniel Kiptoo Bargoria
Director General

Ms. Muznah Sisiwa
Ag. Deputy Director Finance &
Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Financial Position As At 30th June 2021

Figures in Kenyan Shilling	Note(s	2020 - 2021	2019 - 2020 Restated
Assets			
Current Assets			
Cash and cash equivalents	19	220,041,194	65,639,846
Receivables from exchange transactions	20	17,130,343	34,105,136
Receivables from non-exchange transaction	21	126,057,990	106,448,154
Inventories	22	4,269,954	3,425,225
		367,499,481	**209,618,361**
Non-Current Assets			
Property, plant and equipment	23	211,238,288	215,507,859
Intangible assets	24	9,411,968	17,500,828
		220,650,256	**233,008,687**
Non-Current Assets		220,650,256	233,008,687
Current Assets		367,499,481	209,618,361
Non-current assets held for sale (and) (assets of disposal groups)		-	-
Total Assets		**588,149,737**	**442,627,048**
Liabilities			
Current Liabilities			
Payables under exchange transactions	25	183,766,001	223,320,625
Employee benefits Obligations	26	60,545,893	51,239,152
		244,311,894	**274,559,777**
Non-Current Liabilities		-	-
Current Liabilities		244,311,894	274,559,777
Liabilities of disposal groups		-	-
Total Liabilities		**244,311,894**	**274,559,777**
Assets		588,149,737	442,627,048
Liabilities		244,311,894	274,559,777
Reserves			-
Capital replacement reserve		55,000,000	55,000,000
Accumulated surplus		288,837,843	113,067,271
Total Net Assets/Equity		**343,837,843**	**168,067,271**
Total Net Assets and Liabilities		**588,149,737**	**442,627,048**

The financial statements set out on pages 72 - 77 were signed on behalf of the Board of Directors by:

Muznah S.

Mr. Daniel Kiptoo Bargoria
Director General

Ms. Muznah Sisiwa
Ag. Deputy Director Finance & Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Changes in Net Assets

Capital	Capital Replacement Reserve	Accumulated Suplurs	TotalNetEquity/ Assets
Balance at 1st 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)
Prior Year Adjustments	-	1,930,882	1,930,882
Total changes	-	(106,427,693)	(106,427,693)
Restated* Balance at 1st July 2020	**55,000,000**	**113,067,271**	**168,067,271**
Changes in net assets/equity			
Surplus for the year	-	159,256,725	159,256,725
90% Remittance to National Treasury	-	(2,171,545)	(2,171,545)
Prior Year Adjustments	-	18,685,392	18,685,392
Total changes	-	175,770,572	175,770,572
Balance at 30th June 2021	**55,000,000**	**288,837,843**	**343,837,843**

Prior Year adjustment of Ksh. 18,685,392 is as a result of accruals which did not materialise hence adjusted from retained earnings.

Statement of Cash Flows For The Year Ended 30th June 2021

Figures in Kenyan Shilling	Note(s)	2020 - 2021	2019 - 2020 Restated
Cash flows from operating activities			
Receipts			
Levy		1,443,486,156	1,206,966,285
Licence fees		47,899,592	63,822,771
Interest Income & Miscellaneous		6,222,798	12,518,933
		1,497,608,546	1,283,307,989
Payments			
Board expenses		(16,717,146)	(19,136,887)
Employee Costs		(591,780,362)	(505,479,921)
Use of goods and services		(492,247,849)	(445,200,166)
Repair & Maintenance		(4,887,106)	(6,655,917)
Contracted Services		(117,873,250)	(71,580,192)
Reduction In Reserves		-	(199,449,674)
90% Transfer to National Treasury		-	(260,550,327)
		(1,223,505,713)	(1,597,949,267)
Total receipts	**27**	1,497,608,546	1,283,307,989
Total payments		(1,223,505,713)	1,597,949,267)
Net cash flows from operating activities		**274,102,833**	**(314,641,278)**
Cash flows from investing activities			
Purchase of Fixed Assets & WIP	23	(123,506,884)	(101,685,397)
Proceeds from sale of Fixed Assets	23	3,805,400	3,738,122
Purchase of other intangible assets	24	-	(14,250,250)
Net cash flows from investing activities		**(119,701,484)**	**(112,197,525)**
Net increase/(decrease) in cash and cash equivalents		**154,401349**	**(426,838,803)**
Cash and cash equivalents at the beginning of the year		65,639,846	496,564,772
Cash and cash equivalents at the end of the year	**19**	**220,041,195**	**65,639,846**

The Financial Statements set out on pages 72 - 77 were signed on behalf of the Board of Directors by:

Muznah S.

Mr. Daniel Kiptoo Bargoria
Director General

Ms. Muznah Sisiwa
Ag. Deputy Director Finance &
Accounts ICPAK No. 21186

Hon. (Prof) Jackton Boma Ojwang
Chairman

Statement of Comparison of Budget and Actual Amounts For The Year Ended 30th June 2021

Budget on Accrual Basis

Figures in Kenyan Shilling	Approved Budget	Adjustments	Final Budget	Actual Amounts on Comparable Basis	Performance Difference	% Utilization
Revenue **Revenue from non-exchange transactions** **Transfer revenue**						
Electricity Levy	346,455,498	(51,468,325)	**294,987,173**	236,696,328	(58,290,845)	80%
Petroleum levy	1,595,896,315	(71,300,434)	**1,524,595,881**	1,219,365,768	(305,230,113)	80%
Total revenue from non- exchange transactions	**1,942,351,813**	**(122,768,759)**	**1,819,583,054**	**1,456,062,096**	**(363,520,958)**	
Revenue from exchange transactions						
Other income	64,917,662	(1,146,681)	**63,770,981**	50,731,803	(13,039,178)	79%
Interest received	5,000,000	(1,261,886)	**3,738,114**	3,389,587	(348,527)	91%
Total revenue from exchange transactions	**69,917,662**	**(2,408,567)**	**67,509,095**	**54,121,390**	**(13,387,705)**	
'Total revenue from exchange transactions'	69,917,662	(2,408,567)	**67,509,095**	54,121,390	(13,387,705)	80%
'Total revenue from non-exchange transactions'	1,942,351,813	(122,768,759)	**1,819,583,054**	1,456,062,096	(363,520,958)	80%
Total revenue	**2,012,269,475**	**(125,177,326)**	**1,887,092,149**	**1,510,183,486**	**(376,908,663)**	**80%**
Expenditure						
Use of Goods and Services	(497,445,447)	35,953,752	**(461,491,695)**	(512,301,015)	(50,809,320)	110%
Employee costs	(803,166,324)	95,008,495	**(708,157,829)**	(630,822,709)	77,335,120	89%
Board Expenses	(20,000,000)	-	**(20,000,000)**	(16,939,646)	3,060,354	85%
Repair & Maintenance	(19,196,680)	410,402	**(18,786,278)**	(8,887,107)	9,899,171	48%
Contracted Service	-	-	**-**	-	-	
Depreciation and amortisation expense	(103,654,061)	35,603,813	**(68,050,248)**	(64,841,656)	3,208,592	95%
Contracted Services	(112,450,000)	-	**(112,450,000)**	(120,872,750)	(8,422,750)	107%
Total expenditure	**1,555,912,512)**	**166,976,462**	**(1,388,936,050)**	**(1,354,664,883)**	**34,271,167**	
	2,012,269,475	(125,177,326)	**1,887,092,149**	1,510,183,486	(376,908,663)	80%
	(1,555,912,512)	166,976,462	**(1,388,936,050)**	(1,354,664,883)	34,271,167	97.5%
Operating surplus	**456,356,963**	**41,799,136**	**498,156,099**	**155,518,603**	**(342,637,476)**	
Gain on disposal of assets and liabilities	-	-	-	3,738,122	**3,738,122**	
Surplus (Deficit) Before Taxation	**456,356,963**	**41,799,136**	**498,156,099**	**159,256,725**	**(338,899,374)**	
Taxation	-	-	-	-	**-**	

Statement of Comparison of Budget and Actual Amounts For The Year Ended 30th June 2021

Budget on Accrual Basis						
Figures in Kenyan Shilling	**Approved Budget**	**Adjustments**	**Final Budget**	**Actual Amounts on Comparable Casis**	**Performance Difference**	**% Utilization**
Surplus (Deficit) Before Taxation	456,356,963	41,799,136	498,156,099	159,256,725	**(338,899,374)**	
Remission to National Treasury	-	-	-	(2,171,545)		
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	**456,356,963**	**41,799,136**	**498,156,099**	**157,085,180**	**(341,070,919)**	

The budget and financial statements of EPRA are reported on accrual basis, hence differences arising from accounting treatment are not expected. The variance 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 variance between the actual and budget are as enumerated and explained hereunder;

a) There was unfavorable variance of 19.8% in electricity revenue collection translating to Ksh. 58,290,845. This adverse variance in collection was occasioned by a slowdown in economic activities as a result of Covid- 19 pandemic.

b) Petroleum levy received was below budget by Ksh. 305,230,113 representing an under collection of 20%. This is as a result of a combination of many economic factors that impacted the fuel prices and supply chain hence depressed consumption of petroleum products. These factors include 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 due to restriction of movement.

c) Other income was within budget.

d) Interest received was within budget.

e) Use of goods and services was within the budget.

f) Expenditure on employees was within budget.

g) Expenditure on board activities was below the budget by Ksh. 3,060,354 representing an under expenditure of 15.3%. 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.

h) Expenditure on Depreciation was within the budget.

i) Expenditure on Repair & Maintenance was below the budget by Ksh. 8,887,107 representing under expenditure of 52.6%. This is due restricted travels which reduced mileage covered by motor vehicles.

Notes to the Financial Statements

1. General information

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

2. Statement of compliance and basis of preparation

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

The Authority adopted IPSAS in the year 2014 following the 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 (KES) 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

- IPSAS 40 – Public Sector Combinations 1st January 2019

3.2 New and amended standards and interpretations in issue, but not yet effective in the year ended 30th June 2021

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 01 July 2021 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact
IPSAS 41 Financial Instruments	1st January 2023	
IPSAS 42. Social Benefits	1st January 2023	
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	1st January 2023	
Other Improvements to IPSAS	1st January 2021	

3.3 Early adoption of standards

The entity did not adopt new or amend standards during the financial year.

4. Summary of significant accounting policies

a) Revenue recognition

i) 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.

i) Revenue from exchange transactions

Miscellaneous Revenue

Miscellaneous revenue from exchange transactions comprise of sale of stores, tenders and surplus goods. Interest income Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for the Financial Year 2020/2021 was approved by the National Treasury through the Ministry of Energy on 29th July 2020. Subsequent revisions 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 as cost less accumulated depreciation. Depreciation is calculated on the cost of the fixed asset 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 are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight line basis over the lease term.

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

Government securities

Government securities comprise treasury bonds which are debt securities that are issued by the Government of Kenya. Government securities are classified as held to maturity and are stated at amortised cost.

Short term deposits

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

Trade Receivables

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

Trade payables

Trade payables are not interest bearing and are stated at their fair value
Impairment of financial assets
The Authority has a number of deposits but which are part of debtors, and are not considered to be impaired.

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. Further details on contingent liabilities are given in Note 30.

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: -

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

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

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 key management are regarded as related parties and comprise Board Members and senior managers (see further disclosures of related parties in note 41).

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

Comparative figures for the previous financial year have been restated 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 33. 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 2021.

6. Transfers from government

7. Electricity levy

Figures in Kenyan Shilling	2020 - 2021	2019 - 2020 Restated
Electricity levy	236,696,328	263,003,453

Legal Notice No. 148 of 1999.

8. Petroleum levy

Electricity levy	1,219,365,768	1,046,308,204

9. Other income

Licence Fees	47,898,591	63,822,770
Miscellaneous	2,833,212	1,418,259
	50,731,803	**65,241,029**

10. Interest received

Interest	3,389,587	10,206,607

11. Use of Goods and Services

Figures in Kenyan Shilling	2020 - 2021	2019 - 2020 Restated
Training Seminars and Workshops	55,977,009	71,847,859
Professional Subscription	1,802,116	1,533,023
Staff Welfare	4,823,234	1,068,387
General Office	15,642,459	20,785,847
Fuel	7,974,163	4,999,917
Insurance, licenses & MV subscriptions	3,029,595	2,873,793
Travel, Inspections, Surveillance & Audit	98,077,155	74,380,456
Corporate Subscriptions	5,930,132	5,062,891
Seminar Workshops, Public hearings and CSR	17,125,870	44,510,238
Advertising and gazette notices	96,426,322	87,876,775
Branding / Printing	13,628,604	7,443,736
Telephone and Internet	8,350,220	9,186,413
Software licenses, support, and disaster recovery	3,955,779	14,792,200
Rent & Services Charge	61,735,442	53,788,646
Security-Office	4,321,940	3,048,005
Electricity	5,614,818	4,255,058
Office Cleaning	4,318,456	3,704,961
Consultancies	48,523,497	73,293,097
HIV, Safety, Culture change and Related	11,838,443	4,671,810
Kenya Energy-Sector Environment and Social Responsibility Program Fund	2,000,000	2,000,000
Transfer to Mortgage and Car Loan	40,000,000	90,000,000
Bank Charges	1,205,761	1,108,473
	512,301,015	**582,231,585**

12. Employee costs

Basic Salary	364,998,664	327,022,073
Employee Compensation - Court	2,000,000	-
Pension and Gratuity	80,957,303	68,637,880
Special duty and Acting allowances	6,782,914	11,270,659
Car and Commuter allowance	29,195,652	27,560,801
House allowance	89,190,006	80,673,802
Fringe benefits	2,657,538	1,915,536
Leave and Other allowances	5,545,494	8,697,218
Medical	42,762,449	32,795,840
Life and Accident Insurance	4,057,352	3,452,756
Staff Uniforms	1,702,837	1,317,912
Training and Capacity Building-EPRA Funded	-	1,386,097
Meal Allowance	972,500	749,349
	630,822,709	**565,479,923**

13. Board Expenses

Figures in Kenyan Shilling	2020 - 2021	2019 - 2020 Restated
Monthly fees and honorarium	6,659,833	5,715,359
Sitting allowance	7,178,000	5,346,000
Meeting, entertainment and others	872,499	1,521,073
Seminars, travel and accommodation	1,757,179	6,454,642
Medical and GPA	472,135	336,063
	16,939,646	**19,373,137**

14. Depreciation and amortisation expense

Property, plant and equipment	55,537,521	35,094,036
Intangible assets	9,304,135	11,346,347
	64,841,656	**46,440,383**

15. Repairs and Maintenance

Repair & Service Motor Vehicle	7,921,136	4,867,765
Repair & Maintenance-Office Equipment	965,971	766,213
	8,887,107	**5,633,978**

16. Contracted Services

Fuel Marking	78,343,366	52,636,361
LPG Inspection	42,529,384	21,872,827
	120,872,750	**74,509,188**

17. Gain on sale of assets

Property, plant and equipment	3,738,122	-

18. Remission to National Treasury

Surplus for the year	159,256,725	91,091,099
Purchase of assets	(136,556,254)	(148,004,046)
Capital Commitments	(20,287,643)	-
Realised surplus	**2,412,828**	**(56,912,947)**
90% of realized profit	**2,171,545**	

19. Cash and cash equivalents

Cash and cash equivalents consist of:		
Mpesa	8,995,984	1,777,220
Bank balances	160,953,748	31,497,466
KCB-Snr Mgt Gratuity Current Account	15,495,712	4,359,770
KCB-Snr Mgt Gratuity Investment	34,595,750	28,005,390
	220,041,194	**65,639,846**

In the month of October 2018 all Senior management staff were placed 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.

20. Receivables from exchange transactions

Figures in Kenyan Shilling	2020 - 2021	2019 - 2020 Restated
Prepayments	96,177	18,168,383
Deposits	17,034,166	15,936,753
	17,130,343	**34,105,136**

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 Ksh	6-12 Months Ksh	Over 1 Year	Total Ksh
Hospital, fuels and rent deposit	-	-	17,034,166	17,034,166
Prepayments	96,177	-	-	96,177
	96,177	**-**	**17,034,166**	**17,130,343**

Deposits and prepayments amounting to Ksh. 17,130,343 are for Rent, KQ, Fuel and Insurance. Rent deposits and prepayments of Ksh. 14,283,062 relates to deposit for 3 months for the 4 floors that EPRA occupies at Eagle Africa Building and regional offices. Ksh. 2,000,000 in KQ deposits and Ksh. 847,281 for fuel.

21. Receivables from non-exchange transaction

Board Imprest	393,224	315,257
Staff Imprest	3,311,889	(1,763,163)
Revenue Debtors	119,789,127	102,360,793
Staff salaries & Medical advances	2,563,750	1,311,424
Other receivables from non-exchange revenue 2	-	4,223,843
	126,057,990	**106,448,154**

22. Inventories

Inventories	4,269,954	3,425,225

23. Property, plant and equipment

Company	2021			2020		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Furniture and fixtures	219,319,162	(127,207,536)	92,111,626	137,383,526	(115,272,250)	22,111,276
Motor vehicles	135,739,527	(84,452,165)	51,287,362	109,839,216	(81,436,936)	28,402,280
Office equipment	32,970,231	(16,936,081)	16,034,150	29,814,471	(15,174,751)	14,639,720
IT equipment	125,533,504	(73,728,354)	51,805,150	123,912,626	(52,625,063)	71,287,563
Work in Progress	-	-	-	79,067,020	-	79,067,020
Total	513,562,424	(302,324,136)	211,238,288	480,016,859	(264,509,000)	215,507,859

23. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment

Figures in Kenyan Shilling	Furniture and fixtures	Motor vehicles	Office equipment	IT Equipment	Work in Progress	Total
Cost						
At 1st July 2019	134,609,543	109,839,216	24,140,761	72,617,038	5,056,490	346,263,048
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**	**29,596,471**	**124,130,626**	**79,067,020**	**480,016,859**
Additions	2,868,616	40,312,758	3,692,604	5,676,526	-	52,550,504
WIP	-	-	-	-	-	-
Disposals	-	(14,412,447)	(365,344)	(2,808,548)	-	(17,586,339)
Adjustments	79,067,020	-	46,500	(1,465,100)	(79,067,020)	(1,418,600)
At 30th June 2021	**219,319,162**	**135,739,527**	**32,970,231**	**125,533,504**	**-**	**513,562,424**
Depreciation and impairment						
At 1st July 2019	(110,569,416)	(66,946,328)	(13,182,693)	(38,579,555)	-	(229,277,992)
Disposals and scrapings - accumulated depreciation and impairment	-	-	-	-	-	-
Depreciation	(4,702,834)	(14,490,608)	(1,912,130)	(14,125,437)	-	(35,231,009)
At 30th June 2020	**(115,272,250)**	**(81,436,936)**	**(15,094,823)**	**(52,704,992)**	**-**	**(264,509,001)**
Adjustments	-	-	(6,665)	209,990	-	203,325
Disposals and scrapings - accumulated depreciation and impairment	-	14,412,447	365,344	2,741,270	-	17,519,061
Depreciation	(11,935,286)	(17,427,676)	(2,199,938)	(23,974,621)	-	(55,537,521)
At 30th June 2021	**(127,207,536)**	**(84,452,165)**	**(16,936,081)**	**(73,728,354)**	**-**	**(302,324,135)**
Net book values						
Cost	219,319,162	135,739,527	32,970,231	125,533,504	-	513,562,424
Accumulated depreciation and impairment	(127,207,536)	(84,452,165)	(16,936,081)	(73,728,354)	-	(302,324,136)
At 30 June 2021	**92,111,626**	**51,287,362**	**16,034,150**	**51,805,150**	**-**	**211,238,288**

As at 30th June 2021, property and equipment with cost amounting to Ksh. 190,567,992.34 were fully depreciated and intangible assets with cost amounting to Ksh. 92,432,638.19 were fully amortized.

24. Intangible assets

Figures in Kenyan Shilling						
Company	**2021**			**2020**		
	Cost / Valuation	**Accumulated amortisation and accumulated impairment**	**Carrying value**	**Cost / Valuation**	**Accumulated amortisation and accumulated impairment**	**Carrying value**
Computer software, others	115,415,454	(106,003,486)	9,411,968	113,996,854	(96,496,026)	17,500,828

Reconciliation of intangible assets

	2020 - 2021	**2019 - 2020 Restated**
Cost		
Opening balance	113,996,854	99,746,604
Additions	-	14,250,250
Adjustment	1,418,600	-
Closing balance	115,415,454	113,996,854
Amortisation and impairment		
Opening balance	(96,496,026)	(84,946,354)
Amortisation	(9,304,135)	(11,549,672)
Closing balance	**(105,800,161)**	**(96,496,026)**
Made up as follows:		
Cost	115,415,454	113,996,854
Amortisation and impairment	(106,003,486)	(96,496,026)
Net book value	**9,411,968**	**17,500,828**

25. Intangible assets

Suppliers	130,836,837	66,598,302
Energy Act advances and others	5,295,612	47,313,246
Accruals	25,173,648	94,505,478
Taxes	12,517,963	14,903,599
Other Employee payables	7,770,396	-
Provision- 90% Remission to National Treasury	2,171,545	-
	183,766,001	**223,320,625**

Description	**1-6 Months Ksh**	**6-12 Months Ksh**	**Over 1 Year**	**Total Ksh**
Suppliers	93,365,860	3,586,901	33,884,076	130,836,837
Taxes	12,517,963	-	-	12,517,963
Energy Act advances & Others	5,295,612	-	-	5,295,612
Accruals	25,173,648	-	-	25,173,648
Other Employee Payables	7,770,396	-	-	7,770,396
Provision- 90% Remission to National Tresury	2,171,545	-	-	2,171,545
	146,295,024	**3,586,901**	**33,884,076**	**183,766,001**

26. Employee benefit obligations

Figures in Kenyan Shilling	2020 - 2021	2019 - 2020 Restated
Other payroll benefits	4,877,641	5,756,331
Snr Mgt Gratuity Payable	51,236,103	37,280,234
Contract Staff Gratuity Payable	3,195,850	-
Salary Payable	1,236,299	8,202,587
	60,545,893	**51,239,152**

27. Cash generated from (used in) operations

Surplus	159,256,725	91,091,099
Adjustments for:		
Depreciation and amortisation expense	64,841,656	46,440,383
Gain on sale of assets	(3,805,400)	-
Increase in Employee Benefit Provision	9,306,740	20,591,693
90% Transfer to National Treasury	-	(260,550,327)
Reduction In Reserves	-	(199,449,674)
Depreciation for donated motor vehicle	-	136,973
Adjustment	**87,323,416**	**(27,453,370)**
Changes in working capital:		
Inventories	(844,729)	38,491
Receivables from exchange transactions	16,974,793	(20,829,438)
Other receivables from non-exchange transactions	(19,609,836)	17,697,981
Payables under exchange transactions	(39,340,532)	17,644,911
Cash generated from (used in) operations	**274,102,833**	**(314,641,278)**

28. 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 utilised borrowing facilities are monitored.

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

Figures in Kenyan Shilling				
As at June 2021	**Fully performing Ksh.**	**Past due Ksh**	**Impairment Ksh**	**Total Ksh**
Receivables from non exchange transactions	126,057,990	-	-	126,057,990
Bank Balances	220,041,194	-	-	220,041,194
	346,099,184	**-**	**-**	**346,099,184**
As at June 2020				
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**

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

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

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

28. Risk management (continued)

Description	**1-6 Months Ksh**	**6-12 Months Ksh**	**Over 1 Year**	**Total Ksh**
Trade & other payables from exchange transactions	93,365,860	3,586,901	33,884,076	130,836,837
Employee benefits Obligation	60,545,893	-	-	60,545,893
Audit fees payable	1,044,000	-	-	1,044,000
Withheld tax and other statutory deductions	12,310,450	-	-	12,310,450
Accruals	25,173,648	-	-	25,173,648
Energy Act Advances and Others	5,353,112	-	-	5,353,112
Other Employee Payables	7,770,396	-	-	7,770,396
Provision- 90% Remission to National Treasury	2,869,774	-	-	2,869,774
	208,433,133	**3,586,901**	**33,884,076**	**245,904,110**

29. Operating Lease Commitments

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

	2020 - 2021	**2019 - 2020 Restated**
Not later than 1 Year	49,350,260	42,024,201
Later than 1 Year	246,751,300	210,121,003
	296,101,560	**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.

30. Contingent Liabilities

EPRA is a party to a number of court cases whose determination is yet to be made. In view that damages or court awards are known upon conclusion of a matter, EPRA has made provision for contingency liabilities towards the same amounting to 55.95M. The following is summary of Key matters whose contingent liability is high:

i) Petition No. 8 of 2018. Eng. John Ng'ang'a v ERC.
ii) Civil Case No. MCCC/E5986 of 2020. John Muthomi Mathiu v EPRA & 3 Others.
iii) Prof Moni Wekesa vs. Kenya Power and Energy and Petroleum Regulatory Authority
iv) Excellent Logistics v. Topline Traders Limited & Energy and Petroleum Regulatory Authority
v) Excellent Logistics Ltd v. Oxx Energy Ltd and Energy and Petroleum Regulatory Authority
vi) Moregas Limited v. Energy and Petroleum Regulatory Authority,

31. Capital Commitments

Authorised and contracted for, commitments amounting to Ksh. 20,287,643 relates to Furniture and ICT Equipment.

32. 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 had a deficit during the financial year 2019/2020. This financial year the Authority had a surplus of Ksh. 2,412,828 and shall remit Ksh. 2,171,545.

33. Events after the reporting date

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

34. Related parties

Figures in Kenyan Shilling		
	2020 - 2021	**2019 - 2020 Restated**
Key management compensation		
Compensation to Senior Managers	87,444,840	71,141,685
Compensation to Director General	9,420,000	9,390,872
	96,864,840	**80,532,557**
Grants from Government	-	-
	-	-

34. Related parties (continued)

Board Members Remuneration

Figures in Kenyan Shilling				
2021	**Monthly Fees and Honoraria**	**Sitting Allowance**	**Lunch**	**Total**
Name				
Hon. Justice(Prof) Jackton B. Ojwang	1,560,000	420,000	6,000	1,986,000
Dr. Sellah J. Kebenei	600,000	880,000	6,000	1,486,000
Mr. Albert Mwenda	-	438,000	4,000	442,000
Mr. James Mbugua	-	120,000	2,000	122,000
Eng. Samuel N. Maugo	558,333	480,000	6,000	1,044,333
Lilian Mahiri Zaja	558,333	740,000	4,000	1,302,333
Mr. Moses Gitari	-	520,000	6,000	526,000
Prof. George Achoki	600,000	940,000	6,000	1,546,000
National Treasury	2,183,167	-	-	2,183,167
Ms. Jacqueline Mogeni	-	640,000	2,000	642,000
Mr. Christopher Ombega	-	40,000	-	40,000
Ms. Lucy Waithira Mugwe	-	40,000	-	40,000
Mr. Isaac Omondi Odek	-	520,000	4,000	524,000
Mr. Daniel Kiptoo Bargoria	-	400,000	2,000	402,000
Mr. Wanjuki Muchemi	600,000	980,000	6,000	1,586,000
Mr. Andrew Kamau	-	20,000	-	20,000
	6,659,833	**7,178,000**	**54,000**	**13,891,833**
2020				
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
Ms.Veronica Kamau	-	400,000	20,000	420,000
Eng. Samuel N. Maugo	600,000	920,000	66,000	1,586,000
Ms. 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
Mr. Christopher Ombega	-	40,000	4,000	44,000
Ms. Lucy Waithira Mugwe	-	100,000	8,000	108,000
Mr. Isaac Omondi Odek	-	20,000	2,000	22,000
Mr. Daniel Kiptoo Bargoria	-	260,000	18,000	278,000
Mr. Wanjuki Muchemi	350,000	160,000	12,000	522,000
	5,715,359	**5,346,000**	**900,000**	**11,961,359**

Appendix I: Progress on Follow Up of Auditor Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved
1	Compliance with Executive Order on Procurement	Full Automation of procurement process to be done	Loise Thuge, Deputy Director, Supply Chain Management	Not Resolved
2	Withholding of All subsequent Rental Income	Tax rental income have been withheld and submitted to KRA to date.	Muznah Sisiwa. Ag. Deputy Director, Finance & Accounts	Resolved
3	Overpayment on Account of Rent Review	The Authority will recover the overpaid amount from the landlord in the next invoice Authority shall going forward list any donor funds explicitly in the budget and engage the Auditor General further in reporting of the same.	Muznah Sisiwa. Ag. Deputy Director, Finance & Accounts	Resolved
4	Budgeting for UNEP Donor Funds	Authority shall going forward list any donor funds explicitly in the budget and engage the Auditor General further in reporting of the same.	Muznah Sisiwa. Ag. Deputy Director, Finance & Accounts	Resolved
5	Provision of Liquified Petroleum Gas Compliance Inspection Services	Going forward the Authority will ensure consistency in all its contract documentation prior to making payments for all services	Loise Thuge, Deputy Director, Supply Chain Management	Resolved
6	Human Resources- Unapproved Recruitment	The Staff Recruitment was done at entry level and approval was provided.	Beth Mburai. Deputy Director, Human Resource & Administration.	Resolved
7	Report of Internal Controls, Risk Management and Governance on secondment of staff and no refunds made	The Authority is in the process of releasing the employee to KPLC. There was delay on the part of KPLC in submitting the invoice but it has since been paid.	Beth Mburai. Deputy Director, Human Resource & Administration.	Resolved

Mr. Daniel Kiptoo Bargoria
Director General

27/07/2022
Date

Hon. (Prof) Jackton Boma Ojwang
Chairman

27/07/2022
Date

Projects Implemented by the Entity

The Authority did not implement any projects during the financial year.

Appendix II: Inter-Entity Transfers

The Authority did not receive any transfers from any Government Entity except for the levies collected on its behalf by Kenya Power and Kenya Revenue Authority.

Muznah S.

Ms. Muznah Sisiwa
Ag. Deputy Director Finance & Accounts ICPAK No. 21186

Head of Accounting Unit - MOE

Recording of Transfers from Other Government Entities

The Authority did not receive any transfers from any Government Entity except for the levies collected on its behalf by Kenya Power and Kenya Revenue Authority.

Energy & Petroleum Regulatory Authority
Eagle Africa Centre, Longonot Rd., Upperhill
P. 0. Box 42681-00100 GPO NAIROBI
Telephone 2847000/200/212
Hotline 0709 336 000 | Email: info@epra.go.ke

www.epra.go.ke EPRA Kenya @EPRA Ke