

THE KENYA POWER & LIGHTING COMPANY PLC
ABRIDGED VERSION OF THE RETAIL TARIFF APPLICATION TO THE ENERGY AND PETROLEUM REGULATORY AUTHORITY

1.0 INTRODUCTION

Kenya Power as a buyer and retailer of electricity operates the national grid with an aim of becoming the energy solutions provider of choice. In order to achieve this broad mandate, there is need for an electricity retail tariff that is just and reasonable to allow KPLC maintain its financial integrity, attract capital, operate efficiently and compensate investors for risks assumed. A retail tariff review seeks to;

- Ensure efficient resource allocation within the Economy;
- Ensure short term and long term financial sustainability of sector utilities; and
- Re-allocate costs amongst Electricity consumers with an intention of safeguarding vulnerable consumer groups.

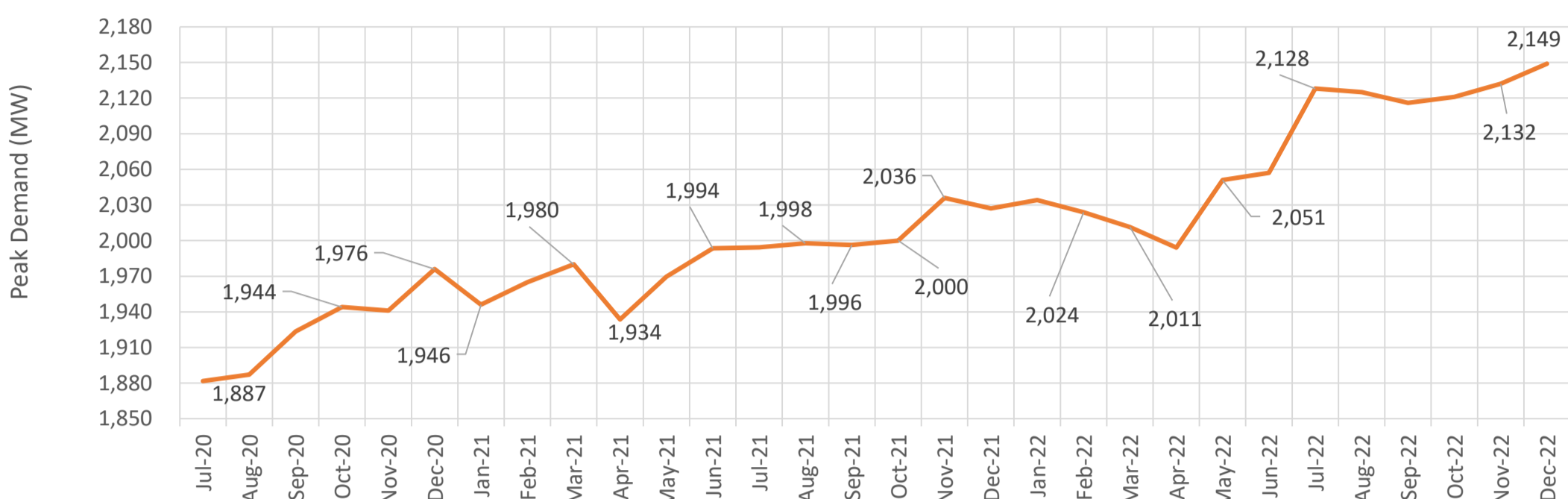
1.1 Retail Tariff Application background information and Rationale

The existing Retail Tariffs were approved for application on July 2018 to cover one year (1st July 2018-30th June 2019). They were revised in January 2022 to allow for a 15% reduction in the end user tariffs. The revised retail tariffs were applicable up to December 2022. The rationale of this Retail Tariff Review is to incorporate change in Electricity Sub-sector cost structure and update key assumption with an aim of providing adequate sector revenue requirements.

2.0 STATUS OF POWER SUPPLY SYSTEM & POWER DEMAND

The installed generation capacity stands at 3,078MW while the total effective interconnected capacity is 2,925MW as at June 2022. The system peak demand in 2021/22 Financial was 2,057MW recorded in June 2022. The average available capacity of 2,035MW within the 2021/22 financial year implying that more reliable generation capacity is required to bridge this seemingly growing gap between peak demand and average available capacity. The current national interconnected system recorded in December 2022 is 2,149MW.

Figure 1: Peak demand Trend (July 2020 – December 2022)



The total units purchased for the financial year 2021/22 was 12,652, GWh compared with 12,101 GWh in 2020/21 as shown in Table 1.

Table 1: Energy Purchased GWh

Technology	2018/19	2019/20	2020/21	2021/22
Hydro	3,741	3,693	4,141	3,348
Geothermal	5,033	5,352	5,034	4,953
Thermal	1,298	882	940	1,648
Cogeneration	0.27	0.29	0.33	0.38
Solar	60	91	88	313
Wind	1,192	1,284	1,700	2,052
Imports	170	161	197	338
Total	11,493	11,462	12,101	12,652

2.1 Electricity Access

The Government Policy objective of achieving universal electricity access has seen the number of total customers connected grow from 8,278,203 in 2020/21 to 8,919,440 customers as at July 2022.

3.0 SECTOR REVENUE REQUIREMENTS

The proposed revenue requirement aims to address the following objectives:

- Meet power purchase costs obligation for existing and committed additional power generation plants for KenGen and Independent Power Producers (IPPs) in the next three years;
- Enable continuous system expansion, refurbishment and improvement to provide quality and reliable power;
- Support Government objective on universal electricity access; and
- Meet increased transmission and distribution costs to operate and maintain the expanding electricity network owned by Kenya Power, Kenya Electricity Transmission Company (KETRACO) and Rural Electrification Schemes.

The total revenue requirement is as shown in Table 2.

Table 2: Base Revenue Requirement (Ksh/kWh) for the 4th Retail Tariff Control Period

Details	Unit of Measure	Current tariff yield	2022/23	2023/24	2024/25	2025/26
Power Purchase(Non- Fuel)	KSh / kWh	7.68	11.68	11.51	10.96	10.89
Power Purchase (Fuel)	KSh / kWh	0.61	1.50	1.43	1.20	0.98
Sub-Total	KSh / kWh	8.29	13.18	12.94	12.16	11.87
T & D Component						
KPLC Capital Related	KSh / kWh	2.42	2.02	1.93	1.88	1.83
KPLC O&M	KSh / kWh	2.91	3.97	3.95	3.92	3.90
Depreciation	KSh / kWh	1.34	1.74	1.65	1.56	1.48
KPLC O&M	KSh / kWh	1.57	2.23	2.30	2.36	2.42
REA O&M Costs	KSh / kWh	0.15	0.64	0.61	0.57	0.54
Ketraco O&M	KSh / kWh	0.29	0.74	0.87	0.82	0.78
Sub-Total	KSh / kWh	5.77	7.36	7.35	7.20	7.05
Adjustments	Ksh / kWh	3.5				
Non-Fuel Revenue Requirement	Ksh / kWh	16.95	19.04	18.86	18.16	17.94

4.0 TARIFF STRUCTURE AND DESIGN

4.1 Proposed Changes in the Tariff Structure

The 4th TCP RTA proposes introduction of new customer categories/tariffs to capture changes in the market as follows:

- Commercial/Industrial Customer CI-6 and CI-7 to cater for customers metered at 220kV and customers in Olkaria-Kedong Special Economic Zone in Naivasha respectively.
- Special E-mobility tariff to influence demand and growth of E-mobility.
- Bulk Supply tariff for Commercial and small commercial customers to improve distribution efficiency.

Further, there is a proposal to Revise the Life-Line consumption band for both Small Commercial and Domestic Customers from the current 100kWh/month to 30kWh/month. This will align the objectives of the lifeline/social tariff customer category with the correct social class normally defined by level of income

4.2 Proposed Retail Tariff Rates

The proposed electricity tariff adjustment for the 4th TCP is intended to be competitively priced, efficient and sustainable in provision of electricity generation, transmission, distribution and retail supply services by the electricity sub-sector. The new base retail tariffs (non-fuel) are being determined for the tariff categories as shown on **Table 3**.

Table 3: Proposed Retail Tariff Rates

Code	Customer Type (Code Name)	Energy Limit kWh/month	Charge Method	Unit	Nov 2018/19 to date	Jan-23	Jul-23	Jul-24	July-25
					Approved	Proposed Tariff	Proposed Tariff	Proposed Tariff	Proposed Tariff
DC	Domestic	0 - 100	Energy	KShs/kWh	10				
		0 - 30	Energy	KShs/kWh		14.00	14.00	14.00	14.00
		> 100	Energy	KShs/ kWh	15.8				
		> 30	Energy	KShs/ kWh		21.68	21.50	20.61	20.30
SC	Small Comm	0 - 100	Energy	KShs/kWh	10				
		0 - 30	Energy	KShs/kWh		14.00	14.00	14.00	14.00
		> 100	Energy	KShs/kWh	15.6				
		> 30	Energy	KShs/kWh		21.08	20.88	20.07	19.86
		>30	Energy	KShs/kWh		10.54	10.44	10.04	9.93
EM	E-mobility	200-15,000	Energy	KShs/kWh		17.00	17.00	17.00	17.00
C11	Comm./Industrial	>15,000	Energy	KShs/ kWh	12	16.48	16.26	15.52	15.29
	TOU	>15,000	Energy	KShs/ kWh		8.24	8.13	7.76	7.65
	Bulk Tariff	>15,000	Energy	KShs/ kWh		18.73	18.48	17.64	17.38
C12	Comm./Industrial	No Limit	Demand	KShs/ kVA	800	1,100	1,100	1,100	1,100
		No Limit	Energy	KShs/ kWh	10.9	15.02	14.84	14.21	14.02
		No Limit	Energy	KShs/ kWh		7.51	7.42	7.11	7.01
		No Limit	Energy	KShs/ kWh		17.07	16.86	16.15	15.93
C13	Comm./Industrial	No Limit	Demand	KShs/ kVA	520	700	700	700	700
		No Limit	Energy	KShs/ kWh	10.5	14.44	14.27	13.70	13.53
		No Limit	Energy	KShs/ kWh		7.22	7.14	6.85	6.77
		No Limit	Energy	KShs/ kWh		16.41	16.22	15.57	15.38
		No Limit	Energy	KShs/ kWh		16.41	16.22	15.57	15.38
C14	Comm./Industrial	No Limit	Demand	KShs/ kVA	270	370	370	370	370
		No Limit	Energy	KShs/ kWh	10.3	14.17	14.01	13.46	13.28
		No Limit	Energy	KShs/ kWh		7.09	7.01	6.73	6.64
		No Limit	Energy	KShs/ kWh		16.10	15.92	15.30	15.09
C15	Comm./Industrial	No Limit	Demand	KShs/ kVA	220	300	300	300	300
		No Limit	Energy	KShs/ kWh	10.1	13.90	13.73	13.18	13.01
		No Limit	Energy	KShs/ kWh		6.95	6.87	6.59	6.51
C16/C17	Comm./Industrial	No Limit	Energy	KShs/ kWh		15.80	15.60	14.98	14.78
		No Limit	Demand	KShs/kVA	220	300	300	300	300
SL	Street Lighting	No Limit	Energy	KShs/kWh	7.5	12.00	12.00	12.00	12.00
		No Limit	Demand	KShs/kVA		200	200	200	200

4.3 Effective Date

Pursuant to Section 165 of the Energy Act, 2019, that provides for variation of effective rates and tariffs charged to consumers for the supply and consumption of electricity, KPLC assumes the approval of a multi-year retail tariff application that would become effective on 1st April 2023