



# ENERGY REBATE GUIDELINE





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# **ENERGY REBATE GUIDELINE FOR CONSTRUCTION OF ELECTRICITY DISTRIBUTION INFRASTRUCTURE**

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**JULY 2017**

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## APPROVAL OF THE GUIDELINE

The Energy Rebate Guideline 2017 was approved by the Authority at its **281<sup>st</sup>** meeting held on **the 5<sup>th</sup> day of July, 2017.**



## 1. Purpose

The purpose of this guideline is to provide a framework for management of Energy Rebates in the Electricity Supply Industry.

The guideline elaborates on a number of principles regarding key controls as part of the Energy Rebates administration.

## 2. Objective

The objective of this guideline is to guide the licensees of the Electricity Regulatory Authority (ERA) and electricity consumers on the steps and processes to be followed in the application for processing and disbursement of Energy Rebates to eligible consumers who design, finance and construct electricity distribution infrastructure.

## 3. Definitions

**Authority:** Means the Electricity Regulatory Authority.

**Energy Rebate:** The reimbursement (in terms of energy consumed) to an eligible person/firm who will design, finance and construct electricity distribution infrastructure.

**Eligible person/firm:** A person/firm that will be approved by the Authority to design, finance and construct electricity distribution infrastructure.

**Licensee:** A firm/person licensed by ERA to operate a service territory and distribute and supply electricity.

**Service territory:** A demarcated territory as per the Rural Electrification Strategy and Plan (RESP) II for power distribution and supply in Uganda.

**Reasonable cost:** The cost approved by ERA of the equipment, construction and commissioning of infrastructure.

**Supporting documents:** Copies of receipts, invoices, contracts, completion reports, among others, arising from the process of acquisition of equipment, undertaking construction, energizing and commissioning of installed infrastructure and wayleaves acquisition documents.

**Distribution Utility (same as Licensee):** A firm/person licensed by ERA to operate a service territory to distribute and supply electricity.

**Net Outstanding Cost to be Recovered:** An amount of funds not yet recovered by the customer out of the total customer's initial approved investment to be compensated in line with this guideline.

**Monthly Rebate Amount:** A proportion of a customer's monthly bill to be off-set through an Energy Rebate as approved by the Authority in line with this guideline.

## 4. What is an Energy Rebate?

An Energy Rebate is a framework where a consumer is compensated for approved investments in line extensions undertaken as part of customer connection installations. The compensation is undertaken by a Distribution Utility over time through offsets of monthly energy billed to the customer, subject to the following conditions:

## 5. Conditions for qualification for Energy Rebate

The following are the conditions for a person/firm to qualify for consideration for the Energy Rebate:

- (i) The Rebate applies for line constructions and extensions by industrial consumers including Medium Industrial (Low voltage 415V, with maximum demand up to 500kVA at 415 kV and above), Large Industrial (High Voltage 11,000V or 33,000V, with maximum demand exceeding 500kVA) and Extra-Large Industrial (High Voltage 11,000V or 33,000V, with maximum demand exceeding 1,500kVA and dealing in Manufacturing) consumers.
- (ii) The extension/construction shall be in industrial parks. Any other location authorized for industrial use outside an industrial park may be approved by the Authority upon the applicant presenting confirmatory documents from the Government Office responsible for investments/ industrial locations.
- (iii) A person/firm obtains ERA approval to design, finance and build a low voltage network in a designated service territory of a licensee.
- (iv) The applicant must receive a letter of no-objection from the appropriate distribution utility.
- (v) A person/firm constructs, energizes and commissions the network in line with the terms and conditions of the approval.
- (vi) The minimum length of the network should be at least 500 meters.
- (vii) The network constructed should be in an area with the potential to connect at least 10 new customers within one year of commissioning.
- (viii) Notwithstanding prior approval of costs, any customer who; upon commissioning of the installed infrastructure does not qualify for categorization under Medium Industrial, Large Industrial or Extra-Large Industrial customer class shall not be eligible to benefit under the

Rebate framework.

- (ix) The Authority reserves the right to waive any of the qualification conditions listed above.

## **6. Operationalization of the Energy Rebate**

To be eligible to benefit from the Energy Rebate, a potential person/firm will submit an application to ERA through the relevant utility company licensed by ERA to distribute and supply electricity. The application shall specify the nature of the works to be undertaken with a detail of the costing of the works.

- (i) Once the distribution utility gives a no-objection to the application, it will be submitted to the Authority for approval.
- (ii) The distribution utility may request the applicant to modify the application as may be technically necessary.
- (iii) As opposed to the utility undertaking the construction works on the terms agreeable to the customer/applicant, the applicant may contract a holder of an ERA Installation Permit to install the approved infrastructure and shall require the distribution utility to confirm and commission the infrastructure upon completion.
- (iv) Once approved by the Authority, any variation in the actual costs above the approved amounts shall not be allowed to qualify for re-imbursement/compensation under the Energy Rebate.
- (v) The costs approved by the Authority may include costs of materials, labor and transport but shall exclude any costs of financing incurred in respect of the investment.
- (vi) Upon commissioning of the line, the applicant/customer

shall execute transfer documents transferring ownership of the infrastructure to the utility.

- (vii) The utility shall keep a separate register of assets constructed under this Rebate framework.
- (viii) The Monthly Rebate Amount shall be 40% of the actual active energy (kWh) units consumed by the customer, as metered and billed by the distribution utility. For avoidance of doubt, the Monthly Rebate Amount shall not include Value Added Tax on energy billed or any other taxes due from the consumer.
- (ix) Every month, after the energy consumed by the customer is metered, the customer shall pay the proportion of the bill that remains after deducting the 'Monthly Rebate Amount'.
- (x) The customer's monthly bill shall indicate among others; the total cost of kWh units, how much should be paid by the customer and the 'Monthly Rebate Amount'.
- (xi) Every month, the distribution utility shall keep a list of customers qualifying for a Rebate, indicating the initial investment cost approved for Rebate, the cumulative Energy Rebates to date, the 'Monthly Rebate Amount' and the 'Net Outstanding Cost to be Recovered'.
- (xii) Before the beginning of a Tariff Year, a distribution utility shall indicate to the Authority a projection of the costs to be incurred in respect of Energy Rebates under this guideline. The regulator shall consider and approve a reasonable amount for Energy Rebate purposes.
- (xiii) The distribution utility shall report quarterly by submitting to the Authority a list of all customers, indicating the initial investment cost approved for Rebate, the cumulative Energy Rebates, the Monthly Rebates and the 'Net Outstanding Cost to be Recovered'.
- (xiv) On the basis of the quarterly reports, the distribution

utility shall make an annual declaration to the Authority of the surplus/deficit of the actual revenue amount of energy for reconciliation purposes.

- (xv) As part of the application for the Energy Rebate, applicant (person/firm) shall submit a duly signed form transferring their rights of ownership of the distribution infrastructure including wayleaves to the licensee.

## 7. The Application Process

The process will involve the following steps:

- (i) An Eligible person/firm duly filling-out the application form available at the licensee's offices, ERA website and ERA offices.
- (ii) An Eligible person/firm submitting the application including all Supporting Documents to the distribution licensee.
- (iii) The licensee submitting the application form including all verified Supporting Documents to the Authority for consideration and approval.
- (iv) The applicant (person/firm) (through the licensee) will be notified of receipt of the application and any additional information required to support the application will be requested by the Authority.

## 8. Processing the Application

- (i) Once the (Energy Rebate) application and all supporting documents have been received by the Authority, the application will be processed and the applicant (person/firm) (through the licensee) notified of the outcome.
- (ii) As part of the (Energy Rebate) approval, the Authority will

also give a no-objection to the transfer of the distribution infrastructure asset including wayleaves to the Licensee and the approval will be communicated to the licensee and applicant (person/firm) for implementation.

- (iii) An estimate of the likely value/cost of the Energy Rebate in any given Tariff Year  $y_{t+1}$  will be determined and included as part of the revenue requirement for the licensee for that Tariff Year.
- (iv) In the subsequent year, the Energy Rebate value/cost for that year will include a reconciled amount for the previous year and any under/over recovery by the licensee in respect to the Energy Rebate for the previous year will be considered as part of the revenue requirement.

## 9. Exclusions

- (i) The approved cost for compensation under the Energy Rebate shall not include cost of way-leaves and associated costs of land and right of passage. The cost of way-leaves remains a responsibility of the consumer.
- (ii) No Energy Rebate compensation shall be allowed unless the investment is approved before it is undertaken. Retrospective approvals in this regard are prohibited.

## 10. Effecting payment of the Energy Rebate

- (i) The total Energy Rebate reimbursable by the licensee to the eligible applicant (person/firm) over a given period will be equal to the reasonable costs approved by the Authority.
- (ii) On a monthly basis and for the given month  $m$ , the licensee will reimburse a portion of the approved Energy Rebate to cover the total energy bill of the eligible

applicant (person/firm) for the month m.

- (iii) To manage the Energy Rebate reimbursement process, the licensee will open and maintain a separate account of all the transactions pertaining the eligible person/firm's Energy Rebate.
- (iv) The reimbursement by the licensee of the approved Energy Rebate against the monthly energy bill of the eligible person/firm will continue until the whole approved cost is recovered subject to (11)(i) below).

## **11. Closure of Energy Rebate Account**

- (i) An Energy Rebate account under this guideline shall remain operational for a period not exceeding 36 (thirty six) months from the first month the customer is billed for energy use. After 36 months, the rebate account will be closed and the customer shall be liable to pay 100% of the energy billed from then onwards. Any investment amounts not recovered within the 36 months shall be forfeited and shall not be recoverable by the consumer.
- (ii) The reimbursement of the cost shall cease on the earlier of:
  - a. Recovery of the Authority's approved installed infrastructure cost, or;
  - b. 36 months from the commencement of the reimbursement.
- (iii) Once the licensee has completed settling the approved Energy Rebate for a particular eligible person/firm, the licensee will issue a Certificate of Completion of Reimbursement and the eligible person/firm will issue an acknowledgement receipt or acknowledge end of



contractual obligations with respect to reimbursement of the Energy Rebate. Thereafter, the licensee will close the account of the person/firm that received the Energy Rebate.

- (iv) Not later than 35 working days before the end of a Tariff Year, the licensee will submit to the Authority a Reconciliation Report of the Energy Rebate transactions for the first 10 months of the Tariff Year for the Authority's consideration of any over/under recovery in the subsequent year.

## **12. Compliance**

The Authority reserves the right to conduct an audit on the Energy Rebate determination and payments.



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