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UGANDA ELECTRICITY TRANSMISSION COMPANY LTD

Our Ref: JNM/GR/License Modification/11/20

9th November 2020

The Chief Executive Officer
Electricity Regulatory Authority
P.O. Box 10332,
Kampala.



APPLICATION FOR THE MODIFICATION OF LICENCE FOR BULK POWER SUPPLY NO. ERA/LIC/BPS/020/193 FOR THE PERIOD 2020 TO 2022.

We refer to your letter dated 12th November 2019 in respect to our Multi-Year tariff review application for the period 2020 – 2022 and License No. ERA/LIC/BPS/020/193 (the License) issued to us for Bulk Power Supply.

Pursuant to the provisions of Section 44 of the Electricity Act, 1999 (Chapter 145 laws of Uganda), which states that “Where in the opinion of a licensee, a condition has become unduly onerous and is impacting on the ability to fulfil its obligations under the license, it may apply in writing to the Authority requiring that the licensee be modified”.

We have studied the licence terms and after taking into consideration the operating environment and future outlook in terms of the increasing grid expansion, the required organization structure to deliver on the mandate, UETCL has noticed that there are unduly onerous conditions that require to be modified.

In this regard, we hereby apply for the modification of Uganda Electricity Transmission Company Limited’s License No.ERA/LIC/BPS/020/193 for the period 2020-2022 as follows;

a) Provisions of the Licence that require modification

1) Definition of “Tariff Year”

The Tariff Year under definitions page 5 of the License be amended to read “Tariff Year is a period not exceeding twelve (12) months ending June 30th in respect of which the audited financial statements are furnished”.

Reason for Modification

In 2017, following Government directive, UETCL changed its financial year end from December to June. This was in line with the Public Finance and Accountability Act 2015 as amended. However, ERA has maintained its tariff year end as Calendar Year, which creates misalignment when it comes to budgeting and budget execution. Therefore, there's need for the Electricity Regulatory Authority to comply and align UETCL's license obligations and tariff provisions to the Government's fiscal year (July to June) in compliance with the Public Finance Management Act, 2015 as amended.

2) Schedule 1: Operating and Maintenance Costs-TOC (Millions).

UETCL proposes that Schedule 1 of the License be modified and replaced with the following Transmission Operating and Maintenance Cost-TOC for the three-year period 2020-2022.

Particulars	2019/20		2020/21		2021/22	
	ERA Approval	License Modification	ERA Approval	License Modification	ERA Approval	License Modification
	Ushs'Mn					
Staff Costs	30,539	39,139	31,538	42,130	31,569	42,511
Other Staff costs	6,333	8,299	5,978	8,313	6,004	7,839
Transport Costs	2,751	2,751	2,667	2,667	2,932	2,932
Administrative Costs	10,334	17,604	10,400	18,865	9,470	16,741
Grid Repairs & Maintenance	8,797	14,511	9,373	14,496	9,836	14,346
ERA Licenses Fees		1,711		1,659		1,659
Bank Guarantee Charges	1,041	1,041	1,190	1,190	1,783	1,783
General Insurance	1,828	2,550	2,930	3,333	3,994	4,503
Communication levy	139	139	151	151	164	164
Rental Tax		188		190		190
Stamp Duty		5,525		8,539		
Spares	977	977				
Capital Expenditure	60,434	62,703	20,000	20,000	29,000	29,000
Total	123,173	157,137	84,227	121,533	94,752	121,668
Less: Other Income	(17,412)	(15,619)	(18,491)	(16,427)	(19,603)	(17,255)
Net Total Transmission Costs	105,761	141,518	65,736	105,106	75,149	104,413
Exchange rate of the Ush. against the USD	3,704	3,704	3,704	3,704	3,704	3,704
Net Total Transmission costs in USD	28.55	38.20	17.75	28.37	20.29	28.19

The Reason for and Evidence in support of Modification.

We hereby attach a detailed justification and evidence for the proposed modification for each cost category for your review and further consideration.

Looking forward to hearing from you on our proposed License Amendments.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'George Rwabajungu', written over a diagonal line that serves as a signature guide.

George Rwabajungu
MANAGING DIRECTOR/CEO