

THE UNITED REPUBLIC OF TANZANIA

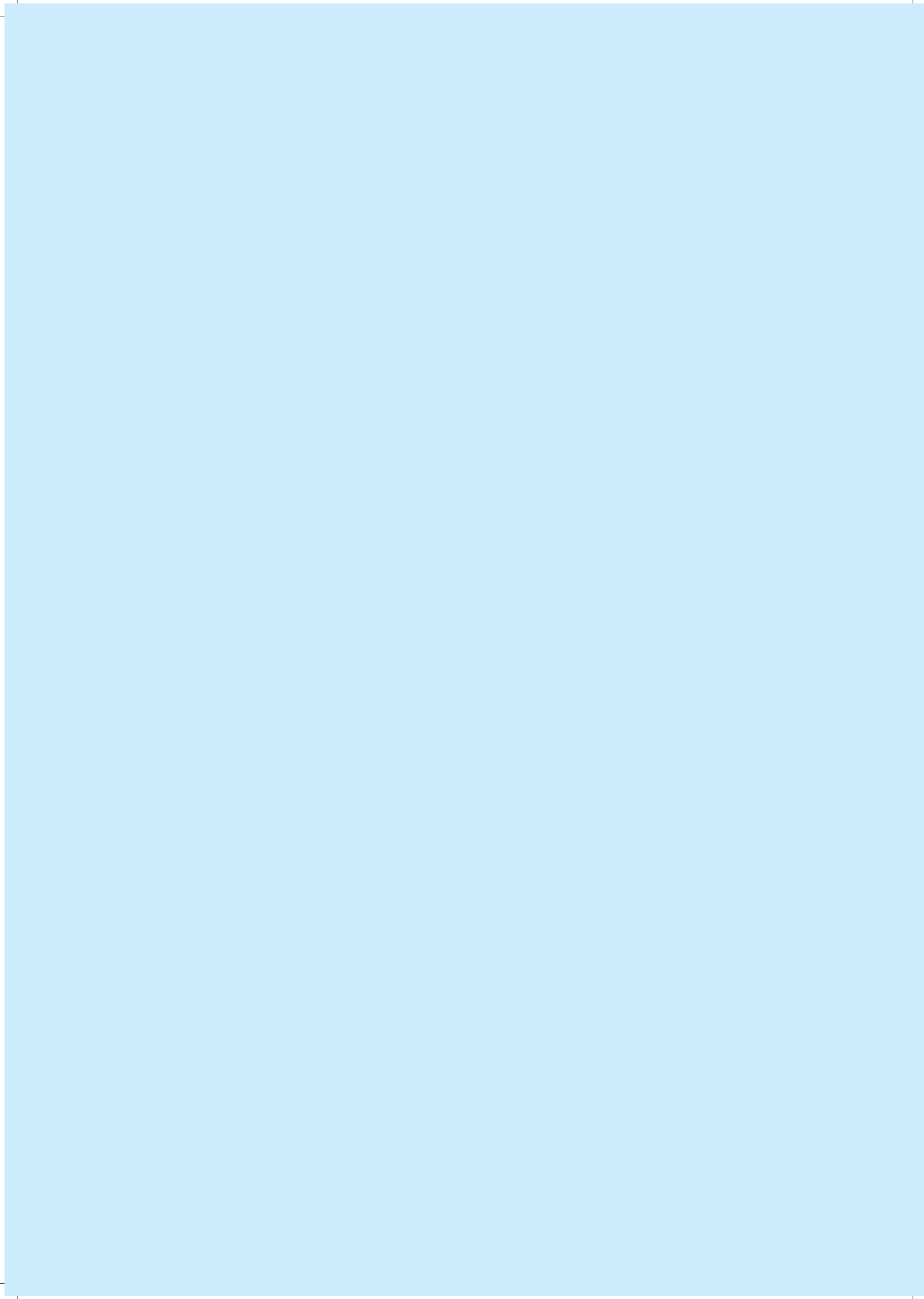


ANNUAL REPORT FOR THE YEAR ENDED 30TH JUNE 2009

DECEMBER 2009

Energy and Water Utilities Regulatory Authority

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LETTER OF TRANSMITTAL



Hon. Prof. Mark James Mwandosya (MP),
Minister for Water and Irrigation,
P.O. Box 9153,
Dar es Salaam.

Honourable Minister,

In accordance with section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap 414, I have the honour to submit to you the Annual Report and Audited Accounts of the Energy and Water Utilities Regulatory Authority (EWURA) for the financial year ended 30th June, 2009.

The report outlines the major activities and accomplishments of the Authority during the year under review.

I submit.



Simon F. Sayore
Chairman, Board of Directors
31st December, 2009

VISION, MISSION AND CORE VALUES

Vision:

Quality, affordable and sustainable energy and water services for all.

Mission:

To champion the delivery of energy and water services through world-class regulation for enhancement of the welfare of the Tanzanian society.

Core Values:

The Authority's core values that appear below are the guiding principles that all EWURA members and employees commit themselves to follow in pursuit of the above-mentioned shared and agreed Vision and Mission.

- a) Transparency
- b) Integrity
- c) Responsiveness
- d) Diligence
- e) Accountability
- f) Courtesy
- g) Honesty
- h) Excellence
- i) Equity and
- j) Professionalism.

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Introduction

The Energy and Water Utilities Regulatory Authority (EWURA) was established under the Energy and Water Utilities Regulatory Authority Act, Cap. 414 of the Laws of Tanzania (EWURA Act). EWURA is a multi-sector regulatory authority charged with the responsibility to regulate the electricity, petroleum, natural gas and water sectors. Its functions include, *inter alia*, tariff review, licensing, performance monitoring and enforcement of standards of regulated goods and services, taking into account service quality, safety, health and environmental conservation. This is the Authority's third year of operation since its establishment.

Objectives

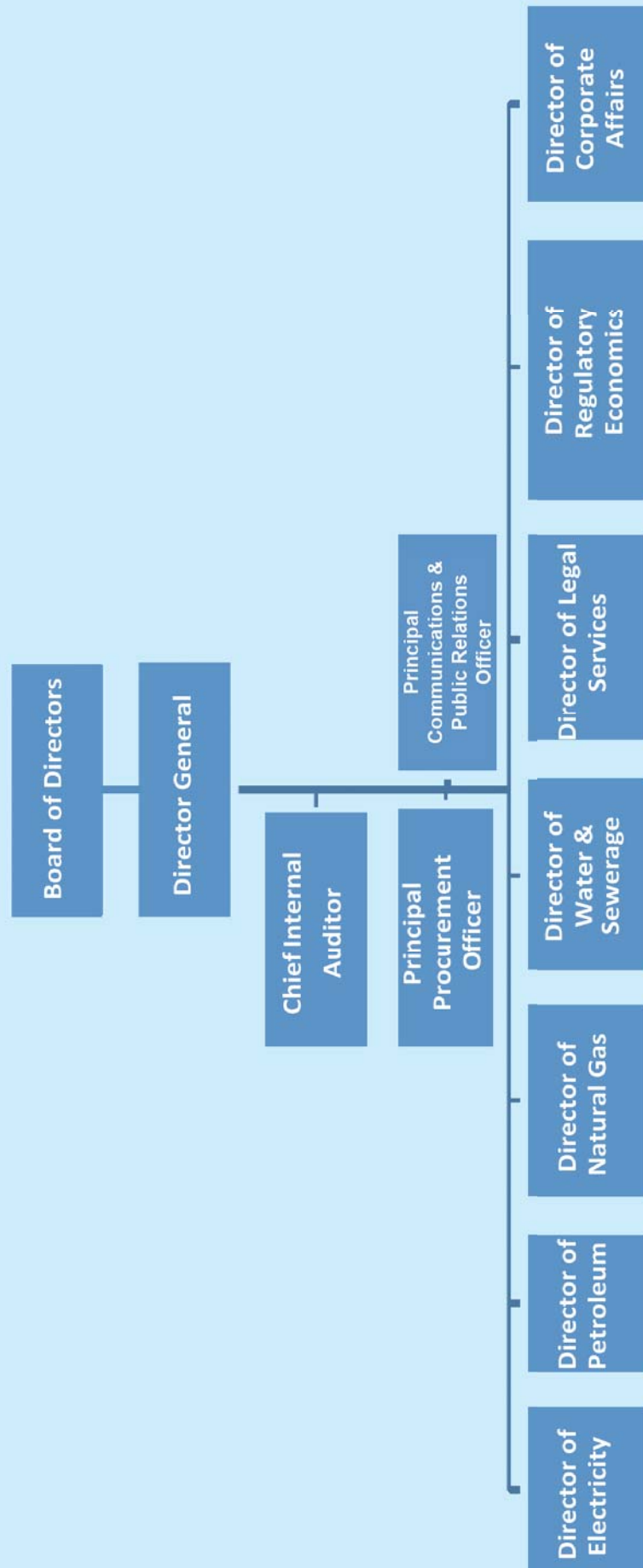
The Authority is determined to increase its contribution to national economic development and improve the welfare of the general public through quality delivery of regulatory functions. It is within this drive that the Authority has set out five objectives with a view to enabling it to address imminent and medium-term regulatory challenges in all sectors it regulates. These strategic objectives are to:

- a) have a well managed organisation by June, 2010;
- b) have a well developed Regulatory Information System by December, 2011;
- c) enhance public knowledge, awareness and understanding of the regulatory functions and regulated sectors by June, 2010;
- d) improve availability and quality of regulated services to customers by 2011; and
- e) have an effective intervention strategy against HIV/AIDS for enhanced productivity by June, 2010.

Organisation Structure

The Authority adopted cost-effective organisation structure that facilitates efficient regulation of the four sectors (that is, electricity, petroleum, natural gas and water), corporate governance and cross-cutting services. The structure has the Board of Directors as top decision-making body, Director General and seven divisional directors.

ORGANISATION CHART



BOARD OF DIRECTORS



Mr. Simon F. Sayore
Chairman



Eng. Robert M. Swere
Deputy Chairman



Ms Lucy H. Sondo
Member



Eng. Nerei Msimbira
Member



Mr. Haruna Masebu
Member



Eng. Vincent T. Gondwe
Member



Mr. George M.J. Nchwali
Member to 31st Dec, 2008

CHAIRMAN'S STATEMENT



This is the third Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June, 2009. EWURA is responsible for regulation of the electricity, petroleum, natural gas and water sectors in a manner that will improve the welfare of the Tanzanian society in respect of the regulated sectors.

During this third year of operations, EWURA continued to promote good governance in the regulated sectors by persistently observing the principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process. The Authority played a key role in the enactment and witnessed the coming into operation of various sector legislation, namely, the Petroleum Act, Cap. 392, the Electricity Act, Cap. 131, the Water Resources Management Act, 2009, and the Water Supply and Sanitation Act, 2009. The enactment of sector legislation is one of the major achievements in establishing the regulatory tools for the regulated sectors.

Furthermore, various rules and regulations were promulgated during the period under review which contributed to ensuring a level playing field to all stakeholders in the energy and water sectors. Also, during the year under review, the Internal Audit Unit was established with a view to strengthening EWURA Board's oversight role on internal control, risk management and governance processes.

During the period under review, EWURA continued to enjoy support from various stakeholders such as the Government and its institutions, development partners, regulated suppliers, investors, consumers and the general public, and this has helped the Authority to ensure that the interests of all stakeholder groups are effectively balanced. In particular, I wish to extend my sincere appreciation to the Minister for Water and Irrigation, the Minister for Energy and Minerals, the Minister for Finance and Economic Affairs and all other stakeholders for their close co-operation and continued support.

The third year has recorded some challenges and success that guide us in a quest to attain a world class status and further promote vibrant and thriving energy and water sectors in the country in the year ahead. I would like to conclude by thanking members of EWURA Board, Management and staff for their commitment, dedication and hard work during this third year of the Authority's operations.



Simon F. Sayore
Chairman
December, 2009

BOARD AND MANAGEMENT STRUCTURE

Board of Directors

EWURA is governed by a Board of Directors which is the highest decision-making organ for the Authority established under section 8 of the EWRA Act. The Board consists of the non-executive Chairman appointed by the President of the United Republic of Tanzania, five (5) non-executive members appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers and the Director General.

Director General

The Director General is appointed under section 14 of EWURA Act and is responsible for the day to day operations of the Authority, subject to the directions of the Board of Directors.

Divisional Directors

The Director General is assisted by seven (7) divisional directors, namely Director of Electricity, Director of Petroleum, Director of Natural Gas, Director of Water and Sewerage, Director of Regulatory Economics, Director of Legal Services and Director of Corporate Affairs. Internal Audit, Public Relations and Procurement are functions under the Director General's Office.

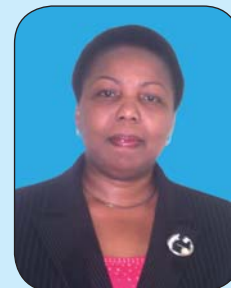
Office of the Authority

The principal office of the Authority is currently located in Harbour View Towers, Samora Avenue, Dar es Salaam.

MANAGEMENT



Mr. Haruna Masebu
Director General



Ms Muna Mahanyu
Director of Legal Services



Eng. Anastas Mbawala
Director of Electricity



Eng. Mutaekulwa Mutegeki
Director of Water and Sewerage



Eng. Charles Omujuni
Director of Natural Gas



Mr. Felix Ngamlagosi
Director of Regulatory Economics



Mr. Sirili Massay
Director of Petroleum



Mr. Paskali Massawe
Director of Corporate Affairs



Mr. Titus Kagu
**Principal Communications
& Public Relations Officer**



Mr. Fred Msemwa
Chief Internal Auditor



Mr. Deogratius Kumalija
Principal Procurement Officer

DIRECTOR GENERAL'S STATEMENT



It is my pleasure to present the third Annual Report of EWURA for the period covering 1st July, 2008 to 30th June, 2009. This report gives light on the performance of the Authority in implementing its regulatory functions. As part of our commitment to good governance, the Authority has continued to maintain sound management of public resources as indicated in the financial statements attached to this report.

During the third year of operation, EWURA made significant progress in achieving the planned regulatory and administrative targets as per its strategic plan. The third year commenced six months after the Authority had started implementing the intervention of pricing of petroleum products. Despite these challenges, the Authority was able to make excellent headways. In particular, I would like to mention the following achievements:

- regulatory decisions and interventions in the petroleum sector have brought discipline and price stability in the market;
- approved Customer Service Charter prepared by TANESCO to delineate the rights and responsibilities of TANESCO on one hand and customers on the other;
- through prudent financial management, the Authority has been able to attain financial sustainability. This development is the foundation for building a vibrant regulatory regime which aligns to the international best practices; and
- entering into performance agreements with water utilities and monitoring the achievements of agreed targets.

The Authority continued to gain more understanding in all the sectors that it regulates, and the regulated sectors continue to register good progress. During the period under review, the Authority continued to strengthen its administrative and governance systems. In this regard, additional staff were recruited to match with the Authority's established manning level. The financial management systems, information technology and procurement systems were strengthened with a view to attaining efficiency in the management of resources.

In conclusion, EWURA has made significant progress during the year under review and will continue to strengthen the achievements so attained in furtherance of its mission. At this juncture, I sincerely wish to thank the Government of Tanzania, the Board of Directors, Government Consultative Council, Consumer Consultative Council and regulated suppliers for their continued support and co-operation with the Authority, and management and staff for their unwavering diligence in the course of performance of their duties.



Haruna Masebu
Director General
December, 2009

1.0 CORPORATE GOVERNANCE

1.1 Board of Directors

According to the EWURA Act, Cap. 414, the Board is responsible for all regulatory decisions and strategic direction of the Authority. The EWURA Board is comprised of six Board Members out of them five are non-executive Directors and one member is also the Director General. The Board Chairman is appointed by the President of the United Republic of Tanzania whereas other Board Members are appointed by the Minister responsible for EWURA as provided under section 8 of the EWURA Act. The Board is responsible for all regulatory decisions, formulation of policies and code of conduct. The three-year term of one Board Member expired on 31st December, 2008.

During the year under review, the Authority's Board of Directors conducted eight (8) Ordinary Meetings and seventeen (17) Extra-Ordinary Meetings. In these meetings, a total of 315 regulatory decisions and administrative decisions were made.

1.2 Board Committees

In line with EWURA Multi-sector Regulatory Model, the Board has appointed sector-specific Board Committees. During the year under review, the following Committees were in place in line with the provisions of section 21 of the EWURA Act.

- a) Audit Committee;
- b) Legal Committee;
- c) Electricity Committee;
- d) Petroleum Committee;
- e) Natural Gas Committee; and
- f) Water and Sewerage Committee.

1.3 Director General

The Director General is responsible for the day to day running of the Authority and advises the Board on the staffing needs and other resources required in undertaking the Authority's functions.

1.4 Internal Monitoring Systems

The Authority's internal monitoring system is undertaken in line with public sector legislation, regulations, rules and procedures. The internal administrative monitoring system is achieved through financial control, Code of Conduct and Internal Audit Unit.

1.4.1 Finance and Budget Administration

EWURA is a public institution and, therefore, governed by the Public Finance Act, 2002. The Authority's annual operations originate from its Strategic Plan covering a three-year horizon. Annual Plan and Budget is approved by the EWURA Board and submitted to the Minister in line with the provisions of section 49 of the EWURA Act. Resources used to implement annual plans are derived from regulatory levies collected from consumers of regulated services. The outcome of implementation of annual plans is presented to the Minister responsible for EWURA through an Annual Report and Accounts in line with the provisions of section 48 of the EWURA Act.

1.4.2 Code of Conduct

All staff and members of the Board of Directors are bound by the EWURA Code of Conduct. To this effect, every member and employee signed the EWURA Code of Conduct which, among other things, promotes ethical behaviour by all employees and Board Members. In terms of fraud and corruption, the Code of Conduct underlines that the Authority has zero tolerance on fraud and corruption. During the year under review, there were no incidents of fraud or corruption that were reported.

1.4.3 Internal Audit Unit

The EWURA's Internal Audit Unit assists the Board and Management on the internal control, risk management and the governance processes. The functioning of the Unit is independent of the Management and is governed by the Board Audit Charter and Internal Audit Policy. The Unit reports administratively to the Director General and functionally to the Board.

2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW

During the year under review, the Authority performed various activities as summarised below:

2.1 Staffing and Institutional Capacity Building

2.1.1 Recruitment

The Authority provides equal opportunity for all. It employs the most appropriate candidates selected in a transparent manner to ensure that the public receives quality service. Consequently, EWURA has attracted highly qualified and motivated professionals from both the public and private sectors, thus bringing in a wide variety of experiences.

During the year under review, the Authority recruited 14 staff bringing the total number of staff to 67 out of 87 required under the current establishment. Out of the 14 staff recruited, two replacements were made for the positions of Principal Procurement Officer and Finance and Administration Manager. The staff gender structure is shown in Table 1:

Table 1: Staff as at 30th June, 2009

Item	Male	Female	Total
Staff Recruited	46	21	67
Percentage	69%	31%	100%

2.1.2 Capacity Building

It is the Authority's policy to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the period under review, the Authority continued to invest in human capital development particularly on the core functions of EWURA. The Board Members and senior management attended general courses on public utility regulation and strategy, specialised courses in regulating electricity, water, International Petroleum Management Certificate, contract management and training in Regulatory Impact Assessment. In addition, the Authority organised exposure programmes and field attachments on international regulatory best practices. Middle level and support staff attended regional and local training on general management courses, secretarial practices, advanced drivers and office attendants training courses in order to improve their performance.

2.1.3 Regional Co-operation and Collaboration

EWURA subscribed and participated mainly in the activities of three international associations namely, African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (ERAEEA) and Regional Electricity Regulators Association (RERA). EWURA hosted RERA Annual Conference and General Meeting in November 2008. The main objective for our participation is to exchange regulatory experiences within the region, and allow EWURA to have access to information necessary for regulation and performance benchmarking.

2.2 Information and Communication Technology (ICT)

The Authority's IT System supports regulatory functions. It is the Authority's policy to ensure that the public is provided with the correct and accurate information. The Authority's website provides access to regulatory information, publishes all decisions made regarding regulatory services and provides details about tariffs and licences.

The Authority is also maintaining the Water Management Information System (MajIS) which monitors the performance of Urban Water Supply and Sewerage Authorities (UWSAs). In addition, the MajIS system serves to improve accessibility of data and information for monitoring, planning and decision-making. It has also provided guidance to UWSAs on planning, development, operation and maintenance of water supply and sewerage services. Finance and accounting activities of the Authority are managed through accounting software which provides accurate data and timely reporting. This is achieved through a well maintained and reliable network which ensures reliable desk support services.

2.3 Financial Performance Review

During the year under review, the Authority collected a total of TZS 9.21 billion from regulatory levy and licences. This indicates an increase of 29% compared to the previous year. The Authority received a grant amounting to TZS 2.52 billion from the World Bank Privatisation and Private Sector Development Project (PPSDP). This project has been supporting the Authority since its establishment and this support come to an end in September 2009.

During the year under review, the Authority spent a total of TZS 10.22 billion for both recurrent and capital expenditure. The overall expenditure indicates an increase of 35% compared to the previous year due to increase in the number of the Authority's staff and growth of regulatory activities. A summary of financial performance is shown in Table 2.

Table 2: Summary of Financial Performance

Item	Increase %	Amount for the Year Ended 30 th June, 2009	Amount for the Year Ended 30 th June, 2008
		TZS'000	TZS'000
Income from Levy and Licences	29%	9,208,057	7,153,098
Operating Grant - PPSPDP	85%	2,517,690	1,361,466
Total Income	38%	11,725,747	8,514,564
Re-current Expenditure	36%	10,050,735	7,411,034
Capital Expenditure	21%	167,889	138,857
Total Expenditure	35%	10,218,624	7,549,891

3.0 ELECTRICITY SECTOR REGULATION

The period under review witnessed a transition from repealed sector legislation to the new Electricity Act, Cap. 131, that came into effect from 1st April, 2009. The Electricity Act together with the EWURA Act are the major legislation that regulates the Electricity Sector. The new legislation underscores the responsibilities and obligations of the Sector Ministry and the regulator, EWURA.

3.1 Overview of the Electricity Sector

The Tanzania Electric Supply Company Limited (TANESCO), a power utility wholly owned by the Government of Tanzania, owns and operates generation, transmission and distribution facilities in Tanzania Mainland. TANESCO supplies electricity to consumers connected to the national grid as well as to some consumers connected to the isolated mini-grids. Using a submarine cable it also exports power in bulk to the Zanzibar utility and the Zanzibar Electricity Company (ZECO). Furthermore, TANESCO buys bulk power from Independent Power Producers (IPPs), namely, Independent Power Tanzania Limited (IPTL), Songas Limited, Artumas Group and Partners (Power) Limited, and from smaller off-takers such as Tanganyika Wattle Company Limited (TANWAT) and Kilombero Sugar Company. TANESCO also imports power from Uganda and Zambia to supply the border regions of Kagera and Sumbawanga, respectively, which are otherwise isolated from the national grid.

The drought that lasted from 2003 to 2006 resulted in utilization of short-term emergency power plants from Aggreko International and Dowans in Dar es Salaam and APR Energy in Nyakato, Mwanza. On the same note, TANESCO fast tracked the construction and commissioning of the 100 MW gas-fired plant at Ubungu in Dar es Salaam, and another 45MW gas-fired plant at Tegeta in Dar es Salaam which was due for commissioning by November, 2009. Despite implementation of the new thermal generation projects, hydropower remains a dominant component of the nation's energy portfolio by providing least-cost energy supply. The hydro/thermal generation mix changed from 80:20 in 2002 to 62:38 in 2008. The other key player in the electricity industry is the Rural Energy Agency (REA), which is promoting rural electrification using the Rural Energy Fund. REA also supports capacity building of the potential investors in rural electrification.

3.2 Performance Monitoring

EWURA has continued to collect information on performance of the electricity sector on a regular basis in consultation with the service providers. Apart from the daily operation system reports submitted by TANESCO and quarterly reports submitted by Songas and Artumas, EWURA and the service providers have agreed on a new reporting format that will be used to submit reports on daily, monthly, quarterly and annual basis. The reporting format is being tested with three major players in the sector, namely TANESCO, Artumas, and Songas. Based on the successful test of the reporting format, EWURA will setup an e-reporting system that will capture data in a suitable format to enable production of reports that are utility or measurement specific.

3.2.1 Power Generation

a) Main Grid Installed Capacity

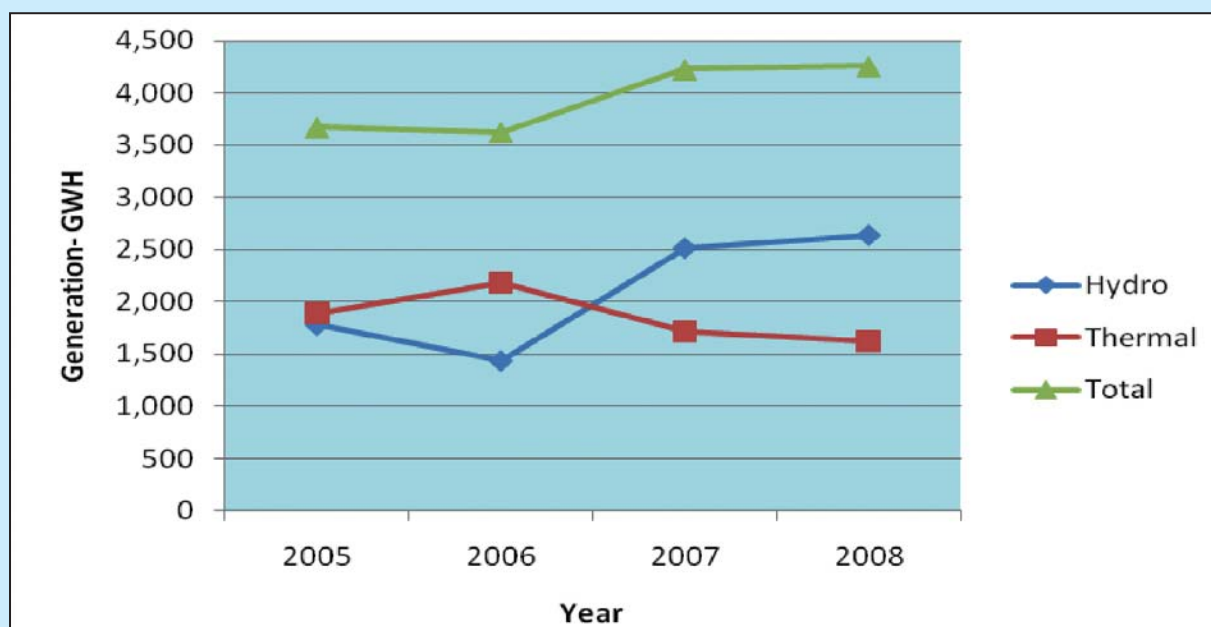
There was no major additional investment in generation between 2008 and mid-2009; therefore Grid installed capacity has remained unchanged during the reporting period from July, 2008 to June, 2009, as indicated in Table 3. Songas and the Ubungo Gas-fired Plant (TANESCO) continued to play a major role in electricity generation running as base-load to supplement hydro generation which was affected by insufficient rainfall from the end 2008 to mid-2009. IPTL continued to be out of service owing to an unresolved legal dispute.

Table 3: Grid Generation Capacity (MW) 2008/09

Plant	Owner	Type	Installed	
			2008	June, 2009
Kidatu	TANESCO	Hydro	204	204
Kihansi	TANESCO	Hydro	180	180
Mtera	TANESCO	Hydro	80	80
New Pangani Falls	TANESCO	Hydro	68	68
Hale	TANESCO	Hydro	21	21
Nyumba ya Mungu	TANESCO	Hydro	8	8
Sub-total Hydro Generation Capacity			561	561
Songas 1-6	Songas	Natural Gas	182	182
Ubungu Gas Plant	TANESCO	Natural Gas	102	102
Sub-total Gas Generation Capacity			284	284
IPTL	IPTL	Heavy Furnace Oil	100	100
Grid Diesels	TANESCO	Diesel	7	7
Sub-total HFO/Diesel Generation Capacity			107	107
Grand Total			952	952

b) Status of Energy Generation

During the reporting period, thermal generation continued to play a major role in the electricity generation, thus conserving water in the hydropower generation dams, particularly the Mtera dam. Power generation increased from 4158GWh in 2007 to 4,256GWh in 2008, an increase of just over 2.3%, as shown in Figure 1. This low growth of generation output is due to constraints in the transmission infrastructure capacity, which is overloaded.

Figure 1: Generation Trend 2005-2008


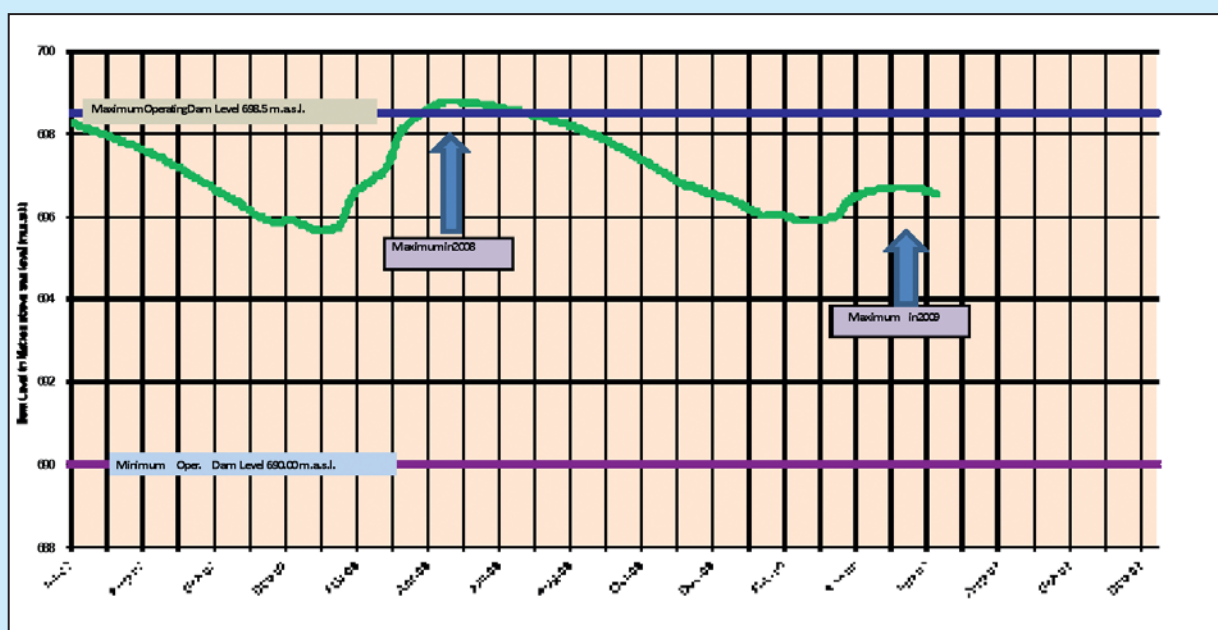
c) Generation Mix

As a result of good hydrology in 2008, water levels in all reservoirs remained high and the Mtera dam (the main water reservoir for power generation) reached its highest regulated level of 698.50 meters above sea level. In order to conserve water in the hydro dams especially Mtera, during the second half of 2008, TANESCO adopted the generation optimization regime that utilised more thermal generation, particularly gas, as base load for most of the time in order to save water in the Mtera dam as shown in Table 4 and Figure 2. This was particularly the case for year 2009, which saw below average rainfall. Optimisation of the hydro/thermal mix improved the performance of the electricity sector in 2008/09, hence no significant load shedding from lack of generation capacity was experienced, despite having not utilised the IPTL Power Plant.

Table 4: Energy Contribution by Energy Resources

Energy Source	Generation (GWh)		Contribution	
	2008	2007	2008	2007
Hydro	2,635	2,512	62%	60%
Thermal	1,621	1,646	38%	40%
Total	4,256	4,158		

Figure 3: Mtera Dam Levels 2007 - 2009



d) Other Sources of Energy

Beside hydropower and natural gas being the dominant sources for electricity generation, Tanzania is also blessed with other sources of energy such as coal, wind, biomass, geothermal, uranium, and photovoltaic (solar). The development of these resources has the potential to add a significant amount of power capacity to the national grid capacity, particularly in the area of renewable energy. In 2008/2009, the Authority received inquiries from several developers for electricity generation by using coal, wind, biomass and photovoltaic.

3.2.2 Transmission Network

TANESCO owns and operates the transmission system at 220kV, 132kV and 66 kV voltage levels. There has been no major investment in the transmission system for the past ten years. Thus, with increasing power demand, the current system is extremely overloaded and unreliable. The overloading of the transmission lines caused load shedding in the north-west grid. Transmission projects which have been commissioned in 2009 are Shinyanga to Buzwagi, 220 kV, 108 km transmission line, and Musoma to Nyamongo, 132 kV, 90 km transmission line. Urgent transmission network expansion needs to be undertaken to meet the increasing demand in electricity.

A programme is under preparation to strengthen the transmission system by upgrading transmission voltages from 132 kV and 220 kV to 400 kV. Such approach will increase grid system reliability and transmission lines power transfer capacity. Transmission network lengths as at 30th June, 2009 are shown in Table 5.

Table 5: Transmission Lines Lengths as at 30th June, 2009

Transmission Lines	Length (km)
HV 66 kV Lines	486
HV 132 kV Lines	1,442
HV 220 kV Lines	2,624

3.2.3 Distribution Network

Distribution network system voltages are operated at 33kV, 11kV and 0.4 kV. In order to enhance reliability of supply, several network upgrading projects are underway in tandem with the expansion of distribution networks to new district centers. In addition to TANESCO distribution expansion programmes using own financial resources, the World Bank, Japanese Government through JICA, and Millennium Challenge Corporation (MCC), are supporting various distribution projects in Tanzania. These projects cover networks in Dar es Salaam, Arusha, Kilimanjaro, financed by World Bank while JICA supports part of the Dar es Salaam network. MCC finances distribution network in Tanga, Morogoro, Dodoma, Mbeya, Iringa, Mwanza and Kigoma. The MCC project will also finance an 8 MW Mini-hydro Power Plant on the Malagarasi river.

New distribution projects commissioned in 2008/09 include electrification of Ukerewe, Simanjiro, Rudewa and Mbinga districts. Distribution Network expansion in 2007-2008 is shown in Table 6.

Table 6: Network Expansion

Network System	2007	2008	Increase
	<i>Kilometres</i>	<i>Kilometres</i>	<i>Kilometres</i>
Low voltage lines	23,157	24,256	1,099
Distribution 33kV and 11kV lines	16,671	17,378	707

Figure 4: A Distribution Substation Transformer



3.2.4 Mtwara and Lindi Mini-Grid

TANESCO operates a mini-grid in Mtwara and Lindi regions, while Artumas Group and Partners (Power) Company Limited, a subsidiary of Artumas Group Inc. (private company), generates power from its 12 MW gas fired power plant at Mtwara shown in Figure 5, and sells it to TANESCO in bulk. Artumas Group Inc. is a Canadian company involved in oil and gas exploration around Mnazi Bay in Mtwara, and its subsidiary, Artumas Group and Partners (Gas) Company Limited, in consortium with TPDC provide natural gas for power generation. Since the coming into operation of the 12 MW power plant operated by Artumas Group and Partners (Power), the power generating company, reliability in electricity supply in Mtwara and Lindi has improved significantly.

Figure 5: Mtwara Power House



Umoja Light Company Limited, another Artumas subsidiary company, has applied for distribution and supply licences, to operate in an exclusive franchise area in Mtwara and Lindi Regions. Mtwara and Lindi Municipalities are connected by a 33 kV line, which needs urgent “re-conductoring” to increase its capacity to transfer power from Mtwara to Lindi and subsequently to Masasi and other districts. Efforts are underway to connect other districts in Mtwara and Lindi Regions to the grid that is currently supplied with electricity from natural gas fired power plant.

3.2.5 Access to Electricity

Tanzania has a population of about 40 million. It is estimated that only about 10% of the total population has access to electricity, and in the rural area less than 2% of the population has access to electricity. From 2007, TANESCO is implementing a plan to connect 100,000 new customers annually for the next five years. Table 7 shows that the number of new service lines completed in 2008 has increased by about 75% from those provided in 2007.

Table 7: Service Lines and Customer Base Build-up

Item	2008	2007	Change (%)
Service lines completed during the year	56,383	32,180	+75.2
Energy sold during the year (kWh million)	3,366	3,187	+5.6
Total number of consumers by the end of the year	718,853	667,490	+8.5
Total number of company staff	5,527	4,695	+17.7
Consumer/staff ratio	130	142.2	-12.2

Source: TANESCO 2008 Annual report

However, EWURA considers this strategy of making 100,000 connections per year as inadequate to raise the current access to the targeted level of 25% access by 2012. According to census statistics, households are estimated to increase at the rate of more than 230,000 per year from 2009 onwards.

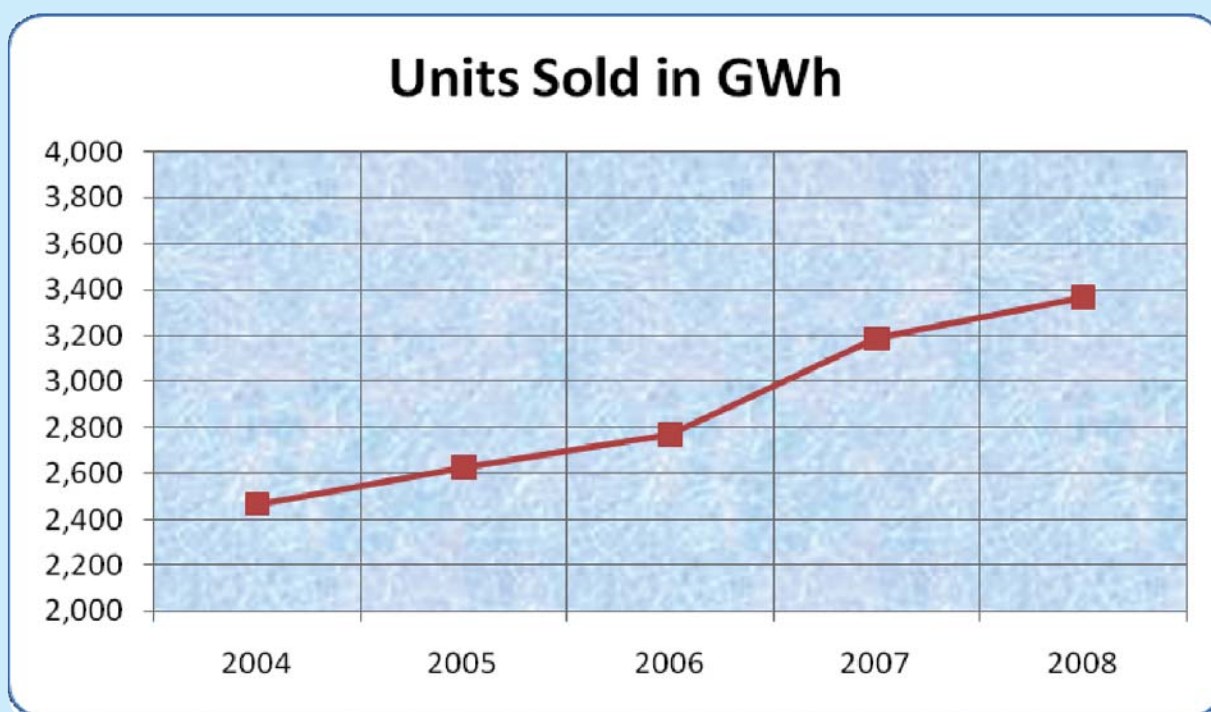
3.2.6 Sales of Electricity

The overall energy sales in year 2008 grew by 5.6% compared to 2007. The sales growth in the current reporting year depicts the same trend as in the previous years with the exception of 2007 as shown in Table 8. The high 2007 growth rate was simply attributed to a recovery of the power supply from a heavily constrained year of 2006 due to acute drought to good hydrology in 2007. The tariff increase of 21.7% in 2008 appears to have made less impact on the demand of electricity, a situation which can be interpreted as a non-significant price elasticity of the electricity demand in Tanzania.

Table 8: Sales by Customer Category

Customer Category	Tariff	Sales (GWh)	
		2008	2007
Domestic low usage	D1	425	444
General use	T1	990	923
Low voltage supply	T2	507	481
High voltage supply	T3	1,031	933
Zanzibar State Fuel & Power Corporation	T4	229	231
Resolute Gold Mine	T5	66	56
Bulyankhulu Gold Mine	T6	118	119
Total		3,366	3,187

Figure 6: Electricity Sold Trend by TANESCO from 2004 to 2008



3.2.7 Small Power Producers

Efforts are being made to increase the generation capacity by way of larger power plant, using conventional sources in hydropower and thermal. Tanzania has launched a programme for development of small power plants with exportable capacities from 100 kW to 10 MW by using renewable resources. To simplify implementation, the process has been simplified by putting in place the standardized Small Power Purchase Agreement (SPPA) and the associated standardized Small Power Purchase Tariffs (SPPT) for projects connected to the Main-grid and those connected to isolated Mini-grids.

Standardization will simplify the expected development process, and negotiation time when a developer wants to connect to the network. The process will be further streamlined such that minimum time will be required for obtaining the necessary consents.

3.2.8 Outages

In addition to load growth, power quality and reliability remains to be a big challenge. Transmission lines are experiencing capacity constraint in peak hours, specifically during morning and evening peaks. Load shedding for the North West Grid (Mwanza, Musoma and Tabora) and North East Grid (Arusha, Moshi) has been taking place since mid-2008 owing to overloading of the 220 kV line from Mtera to Singida. This problem was partially solved by installation of compensating equipment at appropriate locations in the transmission network. Other actions planned include constructing generation plant in the lake region (60 MW) and upgrading of the transmission system (medium-term). Table 10 indicates the number of outages in the grid systems in 2007 and 2008. While there was a reduction in the number of outages from 2007 to 2008, generally outages for the 220 kV system and Kihansi Power Plant have increased; Kihansi outages have increased nine-fold. The number of outages in the grid system is shown in Table 9.

Table 9: Number of Outages in the Grid System

Year	Grid	Transmission Lines			Power Stations			
		220 kV	132 kV	66 kV	Kidatu	Mtera	New Pangani Falls	Kihansi
2007	7	119	109	10	10	6	12	1
2008	4	135	62	10	7	3	7	10

Despite ongoing efforts to rehabilitate and upgrade the distribution system in the country, most of the distribution networks are overloaded. Consequently, the distribution system outage hours have almost doubled in 2008 compared to 2007 as shown in Table 10.

Table 10: Distribution Network Outages in Hours

Year	33 kV	11 kV
2007	18,906	12,951
2008	33,655	19,053

3.2.9 Losses

Rehabilitation and maintenance of generation, transmission and distribution networks continued to be carried out in order to improve quality and reliability of power. As a result, technical and commercial losses have gradually been reduced from 24% in 2006, 23% in 2007 to 22% in 2008. However, with the current load growth, additional measures such as upgrading transmission and distribution networks need to be taken in order to bring down system losses to the international levels, that is, of not more than 15%.

3.2.10 Power System Master Plan

Tanzania has many sources of energy, but only a small percent has been harnessed. The Government has developed a 25 year Power System Master Plan (PSMP), which was updated in 2009. The Plan has taken into consideration the need to meet the demand forecast based on information available on the least cost project and optimum generation mixes. Short, medium and long-term power projects are as indicated in Table 11.

Table 11: Power System Development Plan

S/n	Plant	Year	New Capacity	
			Source	MW
1	Tegeta GT	2009	Gas	45
2	Mwanza	2009	Diesel	60
3	Dar es Salaam	2010	Gas	100
4	Kinyerezi	2011	Gas	240
5	Kiwira 1	2011	Coal	200
6	Kiwira 2	2012	Coal	200
7	Wind turbines	2013	Wind	50
8	Ruhudji	2014	Hydro	358
9	Zambia, Tanzania, Kenya (ZTK)-interconnector	2014	Power from Zambia-Tanzania-Kenya	200
10	Rusumo falls	2015	Hydro	21
	Total			1,474

Other hydro projects which are earmarked by the PSMP for development within the medium to long terms, and that are in the pre-feasibility or feasibility stages include Mpanga (144 MW), Masigira (118 MW), Rumakali (222 MW), Mandera (21 MW), Stiegler's Gorge (1200 MW). The Plan also includes expansion and reinforcement of the transmission system to 400 kV and interconnections with network of neighbouring countries, that is, Kenya, Uganda, Rwanda, Burundi and Zambia.

3.2.11 Customer Service Charter

The Authority approved the TANESCO Customer Service Charter which outlines the rights and obligations of TANESCO and its customers on the level of quality of service delivery. The Charter will be on trial until February, 2010, after which its implementation will be monitored by EWURA.

3.3 Licensing

During the period under review EWURA received licence applications from Tanga Cement Company Limited, Kilombero Sugar Co. Ltd, Umoja Light Company Limited, and Artumas Group & Partners (Power) Limited. In addition, the Authority received a request from Songas Ltd to include generator unit No. 6.

However, during the period under review EWURA issued no licences in the electricity sub-sector save for electrical contractors and wiremen licences. Licensing of electrical contractors and wiremen was undertaken pursuant to Section 8 of the Electricity Act, Cap. 131. Discussions have been held with other stakeholders including the Contractors Registration Board and the Engineers Registration Board, on ways to avoid subjecting licensees to multiple licensing. The electrical installation licences applications received and issued are shown in Table 12.

Table 12: Electrical Contractors Licensing Activities for 2008/09

Year	Applications	Licences Issued	Deferred
2008	102+22 Interviewees	117	7

3.4 Determination of Rates and Charges

During the reporting period, EWURA received three (3) tariff applications in the Electricity sector. The application for SPP was filed by the Ministry of Energy and Minerals on behalf of Small Power Development Working Group. The other two (2) tariff applications were filed by Umoja Light Ltd and Artumas Group & Partners (Power) Limited. However, a review process on Umoja Light Ltd and Artumas Group & Partners (Power) Ltd applications was halted pending resolution of legal issues pertaining to licence eligibility for the two companies. At the end of the year under review, resolution had not been reached. A summary of tariff determination is shown in Table 13.

Table 13: Tariff Determinations in Electricity Sector

Applicant	Received	Requested Tariff/Methodology	Action	Effective Date
Artumas Group Power Ltd	22 June 2009	(a) Approve the Power Tariff Methodology (PTM) commencing from May, 2010 (b) Approve related regulatory matters for 2010 tariff	Pending	May, 2010
Umoja Light Ltd	3 rd April 2009	(a) Retail Tariff Methodology (RTM) over 20 year period (b) Approve related regulatory matters for 2010 tariff	Pending	May, 2010
SPPT	2008	(a) Dry and wet season (b) isolated mini-grid	Approved	1 st Jan, 2009

3.5 Legislative Matters

The Electricity Act, Cap. 131, came into operation on 1st April, 2009. The Act provides for the facilitation and regulation of generation, transmission, transformation, distribution, supply and use of electric energy in Tanzania.

The Ministry of Energy and Minerals has been preparing Electricity Regulations, 2008, and EWURA, as a key stakeholder, is participating in the process.

3.6 Health, Safety and Environmental Matters

During the period under review, routine inspections were made to the three regulated entities, namely TANESCO, Songas and AG&P Power. The inspections aimed at checking compliance with technical, environmental, health and safety standards. Also pre-licensing inspections were made to three licence applicants, namely Tanga Cement, AG&P Power and Umoja Light to evaluate eligibility and compliance with the law.

TANESCO has safety and environmental programmes for their operations, including oil discharges, noise levels in power plants, minimum controlled clearing of wayleaves and water discharges in hydropower plants. New projects are subjected to Environmental Impact Assessment and, for existing installations, Environmental Audits are undertaken, both with participation of internal environmental staff, and, when required, experts from the National Environmental Management Council (NEMC) are involved. However, it is generally noted that old power stations and substations need more effort to keep them in acceptable environmental standards.

TANESCO also has an elaborate health and safety programme including awareness and sensitization of staff and the general public. There is a monthly bulletin that gives statistics on health and safety. Furthermore, TANESCO regions compete on health and safety compliance, and those excelling are recognised. Regular training and audits are undertaken and problem areas pointed out for further action. Unfortunately, there is concern on accidents from electrocution especially from the public. Data on accidents on TANESCO employees and the public is as shown in Table 14.

Table 14: Accidents from TANESCO Business

Category	Accidents in 2008	Number	Fatal
TANESCO EMPLOYEES	Electrocution	1	1
	Electrical Shock	8	0
	Falling from Height	2	0
	Falling/Cutting Objects	2	0
	Motor Accidents	2	1
	Total	15	2
PUBLIC	Electrocution	23	23
	Electrical Shock	7	0
	Total	30	23

More efforts are required to increase public awareness, and TANESCO should be vigilant to ensure that the power infrastructure installations do not become the source of accidents. Generally, private operators have very high level of enforcement of health, safety and environmental standards, probably due to the scale of involvement and limited coverage; most have only power generating stations.

3.7 Challenges

EWURA faces the following challenges in performing its functions in the electricity sub-sector:

- Ensuring high quality of service from TANESCO which has a tariff structure that does not lead to cost recovery, and also has a very low customer base.
- Lack of timely investment in generation and network expansion to address load growth.

4.0 PETROLEUM SECTOR REGULATION

During the period under review, the issues that were prioritized by EWURA in the petroleum sector included: licensing of retail outlets, random inspections for petroleum products quality and price monitoring. In addition priority was also given to the preparation for the establishment of the inventory data monitoring to ensure the economies of scale, efficiency and security of supply of petroleum products through the bulk procurement system.

4.1 Overview of the Petroleum Sector

During the period under review, EWURA has been closely monitoring the availability of petroleum products by compiling data on imported product volumes and giving early warning signals to the industry in case of limited stocks of any product. There was no serious observed shortage during the period under review, although stocks were very low during the end December, 2008 and early January, 2009, when EWURA started setting petroleum products prices.

During the period under review, EWURA continued with efforts to protect the consumers by curbing illegal practices that are rampant in the industry such as: adulteration or possession of adulterated finished products, illegal trading in petroleum products (that is, without a licence), overpricing, and under-delivery (such as under filling of gas cylinders and use of un-calibrated pump meters). Offenders, including oil marketing companies, distributors, dealers, retailers, re-fillers of gas (LPG) and haulers, as the case may be, are held responsible for the quantity and quality of the products delivered to the public and if found in violation of law, are punished according to law.

4.1.1 Petroleum Products Supply

Petroleum imports for the Tanzania local market are mostly sourced in the Middle East and Asia. There are seven major importers who may resell to medium and smaller marketing companies that do not directly import. The major importers include BP, Engen, Gapco/Gapoil, Addax, Oilcom, Total and Oryx. The Dar es Salaam port handles about 96% of the country's petroleum products imports received at the Kurasini Oil Jetty (KOJ). The jetty has an installed capacity of handling vessels of up to 45,000 MT. However, because of segmented importation, ships call at the KOJ with a cargo load averaged at 16,000 MT, thereby not optimizing the offloading time and economies of scale.

Data collected from the Tanzania Revenue Authority indicates that, for the period July, 2008 – June, 2009, Tanzania imported a total of about 1.52 million cubic metres (1,520,197,386 litres) of various petroleum products as shown in Table 15. This total excludes lubricants, grease and bitumen. About 96% of these petroleum products passed through the port of Dar es Salaam. The balance was imported through Tanga and Lake Victoria ports and, by road tankers, through the Sirari border with Kenya.

Table 15: Imported Petroleum Products (July, 2008 – June, 2009)

Product	Dar es Salaam	Mwanza	Musoma	Sirari	Tanga	Total	%
	MT'000	MT'000	MT'000	MT'000	MT'000	MT'000	
MSP	316,330	1,983	3,643	2,282	-	324,238	21
AGO	801,460	2,376	4,959	43,688	16	852,499	56
HFO	28,092	-	-	-	-	28,092	2
JET A-1	125,447	-	-	-	-	125,447	8
IK	185,652	1,263	1,620	1,387	-	189,922	12
Total	1,456,981	5,622	10,222	47,357	16	1,520,198	100
Percentage	95.84	0.37	0.67	3.12	0.00	100.00	

Offloading for finished petroleum products is done at the KOJ while the spiked crude oil for Indeni Refinery in Zambia is offloaded through the Single Point Mooring (SPM) at Mjimwema, Dar es Salaam, as shown in Figure 7.

Figure 7: Petroleum Products Offloading Facilities

Oil Ship Offloading at the KOJ



Single Point Mooring



SPM is able to anchor large carriers of about 100,000 MT although it has out-lived its useful life and is an environmental hazard because the underwater and overland pipes have undergone serious corrosion and have caused periodic oil leakage. The Government has provided indemnity for the use of SPM while the Tanzania Ports Authority (TPA) is in the process of procuring a new SPM.

4.1.2 Bulk Procurement of Petroleum Products

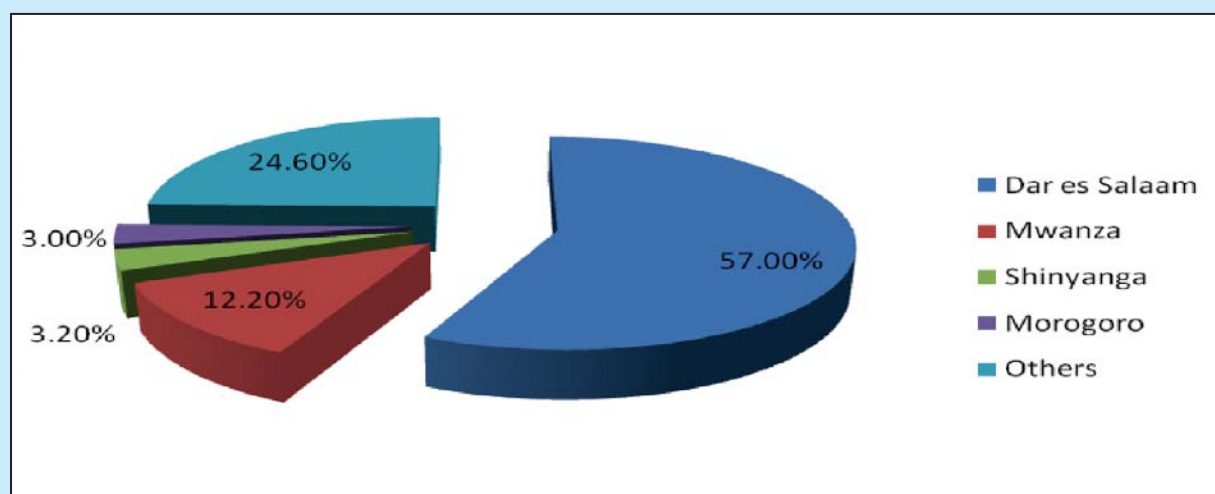
In February, 2009 EWURA Management embarked on implementing EWURA Order No. 07-010 of 8th October, 2007 on the economic regulation of the Petroleum sub-sector, which among other things, ordered the introduction of bulk importation of petroleum products in Tanzania. The Order aimed at eliminating inefficiencies now prevalent in the petroleum down-stream sub-sector in Tanzania. EWURA procured and signed a contract with a consultant, namely Petroleum Development Consultants Ltd (PDC) of UK. The consultant among other things, was tasked to advise on how to design and implement a petroleum bulk procurement system for the domestic consumption. On 13th March, 2009, 24th April, 2009 and 15th July, 2009, the Consultant submitted to EWURA an Inception, Interim Report and a Draft Final Report, respectively. These reports were shared with all stakeholders and stakeholders comments were considered during the finalization of the design for the bulk procurement system.

The proposed system is expected to revamp efficiency in the supply chain, hence lowering prices of petroleum products in the local market. This is expected to be attained through optimum imports and hence economies of scale, proper co-ordination of vessels arrival; and hence efficient use of KOJ, improved negotiation for petroleum products supply contracts and minimization of procurement costs. The design and establishment of the bulk procurement system has reached an advanced stage. The implementation of the system is expected in the third quarter of 2010.

4.1.3 Petroleum Product Sales

The statistics on sales volumes are collected from Oil Marketing Companies (OMC's). However, owing to incomplete information available to EWURA for the first half of the period under review, the data produced in this report is only for the second half of the period under review. Figure 8 shows that 57.00% of the imported petroleum products were consumed in Dar es Salaam with only 12.20%, 3.20% and 3.00% being consumed in Mwanza, Shinyanga and Morogoro, respectively. Other regions consumed about 24.60% of the imported petroleum products. High consumption in Mwanza and Shinyanga regions is attributed to the presence of mining activities in the area which depend on heavy fuel and diesel to run their equipment.

Figure 8: Petroleum Products Consumption by Region

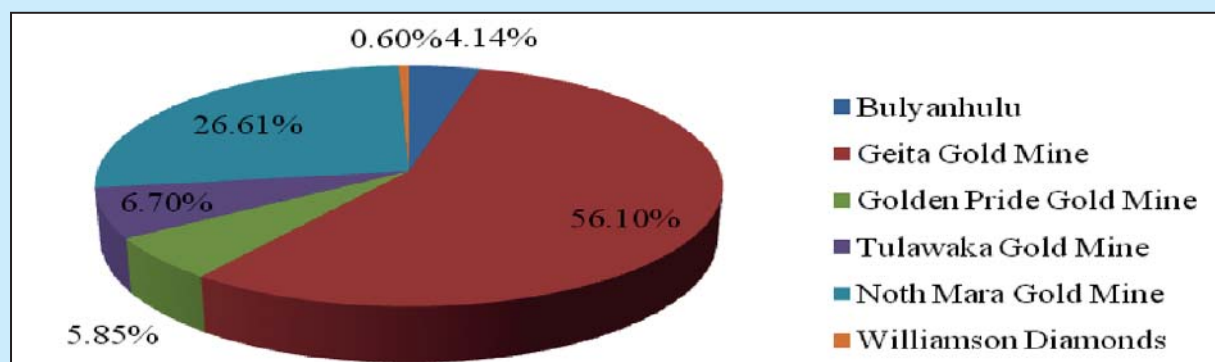


4.1.4 Petroleum Products Consumption Data in the Lake Victoria Regions

EWURA carried out a review to assess the infrastructure integrity and import statistics of petroleum products from Kenya. This included inspection of loading facilities at Kisumu and offloading in the Mwanza and Musoma ports, verification of petroleum products imports data into Tanzania through Kenya, collection of petroleum products consumption data by the mining sector, inspection of petroleum products storage facilities within the mining sites located in Mwanza, Mara, Shinyanga, Tabora and Kagera and the reconciliation of petroleum products imports through Kenya and receipts into Tanzania.

The collected data revealed that mining companies consumed 158,410 MT of various petroleum products in the year 2008; this is about 10.40% of the total country petroleum products consumption. Petroleum products consumption for each majore mining company that supplied consumption data are shown in Figure 9.

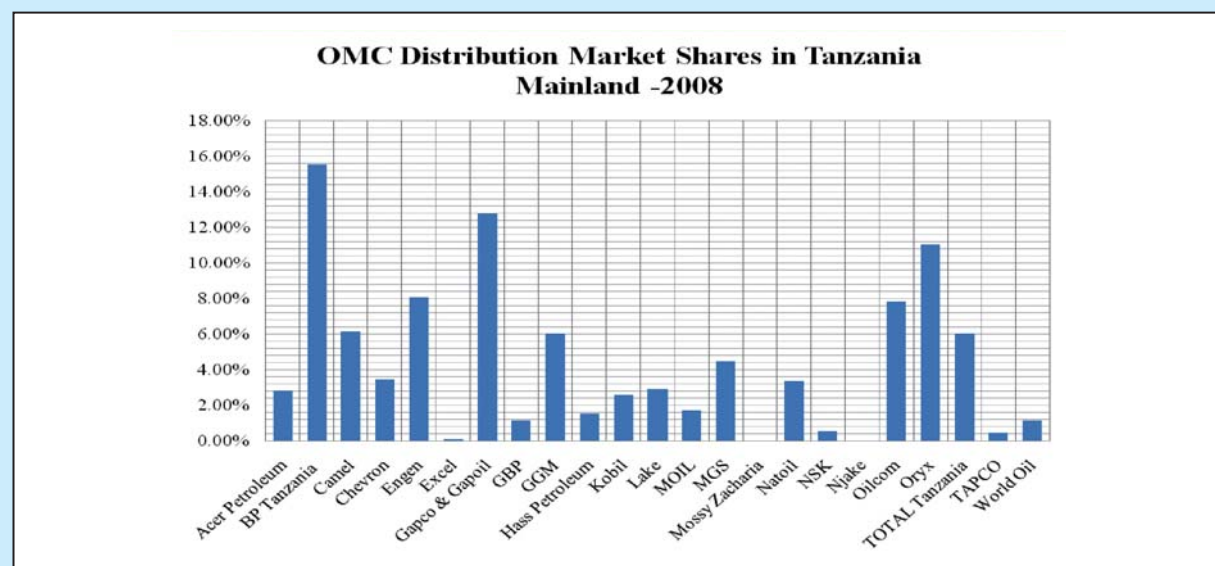
Figure 9: Petroleum Products Consumption for Major Mines



4.1.5 Petroleum Products Distribution Market Shares

Petroleum products distribution market shares in the local market are shown in Figure 10. It can be noted that the three market leaders in the distribution of petroleum products in Tanzania Mainland are BP (15.52%), Gapco group (12.76%) and Oryx (11.03%). The market is distributed to a resonable number of service providers for assurance of competition and availability of petroleum products to all areas of the country.

Figure 10: Petroleum Products Distribution Market Shares in Year 2008/09



4.1.6 Petroleum Products Price Setting Rules, 2009

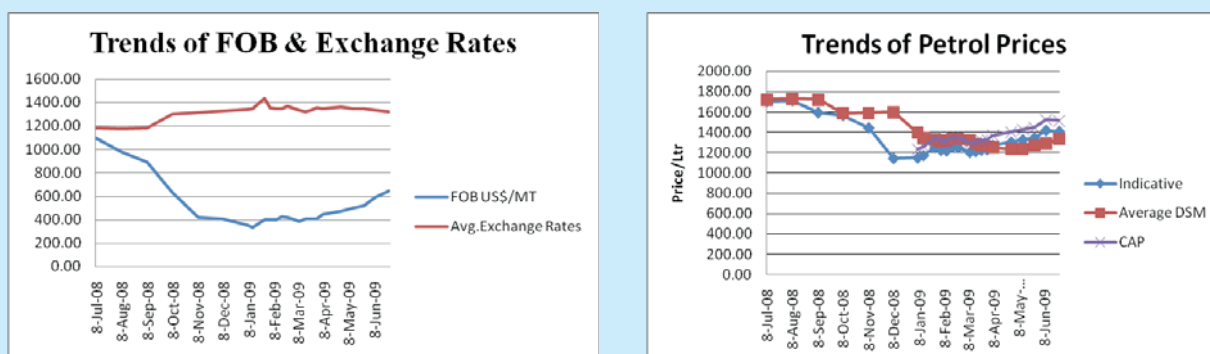
As a result of turbulence in the world economy in late 2008 to early 2009 and the consequent collapse of commodity prices, crude oil price and petroleum product prices were affected. Locally, however, the fall in product prices did not respond to match the rapid rate of international prices fall. This necessitated EWURA's intervention in the market to correct the failure of the local market to respond to price changes.

During the period under review, EWURA's Board approved the Petroleum Products Price Setting Rules, 2009. These Rules were gazetted in the Government Gazette on 9th January, 2009, and they empower the Authority to intervene in the market when there is a market failure. The Rules, among other things, establish the pricing formula and its parameters for petroleum products in Tanzania. Following the establishment of these Rules, the Authority computes and disseminates, on a bi-weekly basis, the petroleum products prices for each region to the district level. This has eliminated *ad hoc* price changes in the local market and has made prices to reflect global market trends and currency exchange rates against the US Dollar.

4.1.7 Price Monitoring

Prices for petroleum products in Tanzania are driven by Free on Board (FOB) costs and the exchange rate of Tanzanian Shilling to the US Dollar as shown in Figures 11, 12 and 13.

Figure 11: Petrol Price Responsiveness to FOB and Exchange Rates



Figures 11, 12 and 13 show that, prior to price regulation, pump prices across product categories were far above indicative prices. This was the period when EWURA had no mandate to intervene in price determination of petroleum products.

Figure 12: Diesel Price Responsiveness to FOB and Exchange Rate Changes

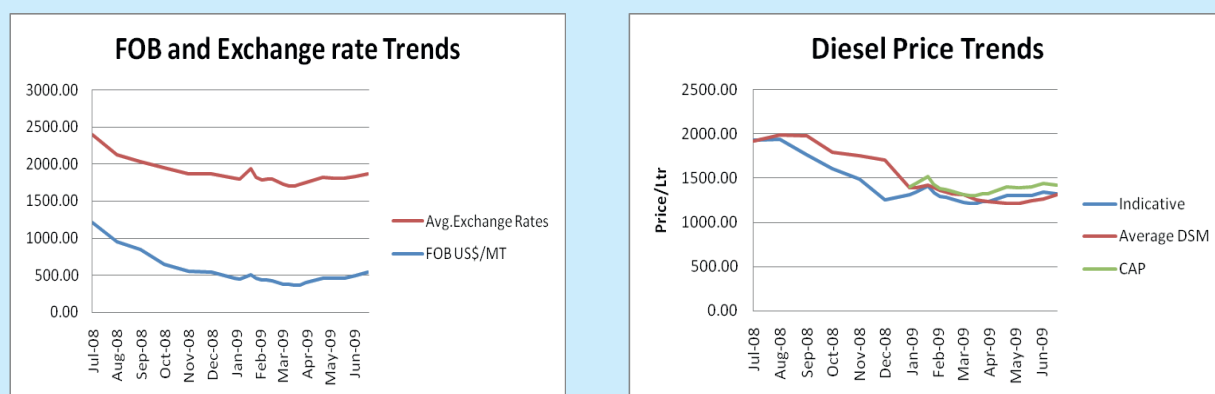
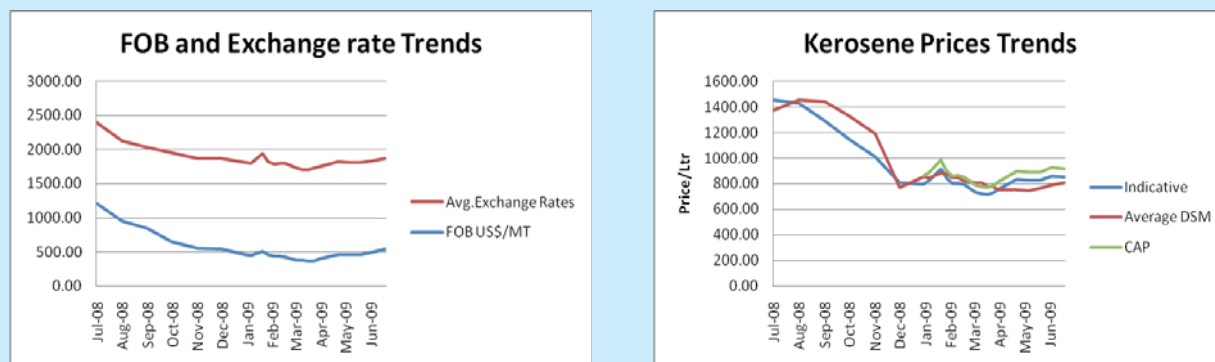


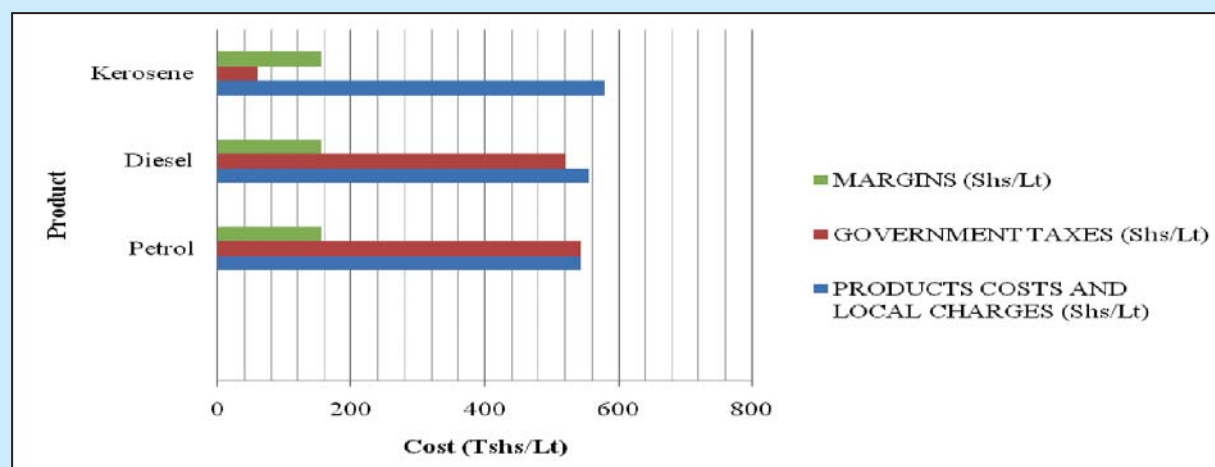
Figure 13: Kerosene Price Responsiveness to FOB and Exchange Rate changes



On the right hand side of Figures 11, 12 and 13 the retail market prices for petroleum products are average product prices which closely follow indicative prices, being on average below cap price.

The main elements that make up retail petroleum prices are CIF costs (FOB Platt's prices, insurance and freight and premium), Government taxes, local fees and charges, local transportation and companies' margins. Figure 14 shows a typical petroleum price composition.

Figure 14: Petroleum Price Composition

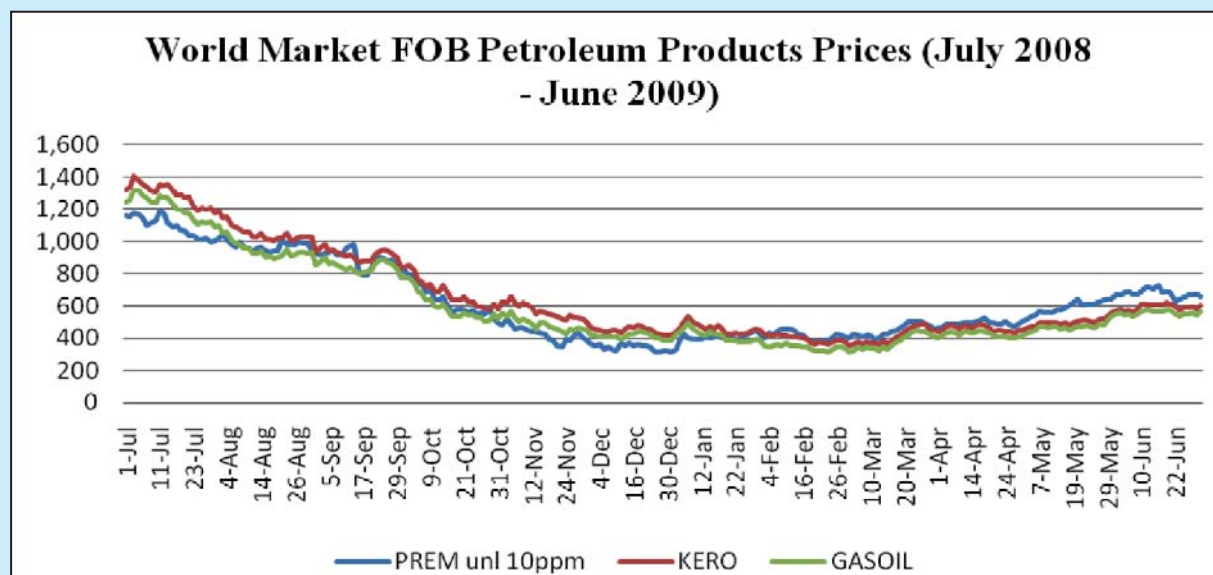


Currently, petroleum product prices are calculated on a two-week cycle for all districts in the Tanzania Mainland. Since products are sold in local currencies any currency exchange variations between the Shilling and US Dollar will cause changes in products prices as depicted in the figures below.

4.1.8 World Market Prices

During the period under review, petroleum products in the world market were at an average of MSP \$620.28/MT, IK \$653.27/MT and GO \$599.86/MT. Prices were highest in July, 2008 and lowest in February, 2009. Monthly average prices are shown in Figure 15.

Figure 15: World Market Prices (July 2008 and June 2009)



4.1.9 Petroleum Prices Publications

EWURA publishes petroleum products prices and information relevant to pricing in newspapers to educate consumers and the public at large. Outlets must display large signboards that clearly show prices to consumers and must issue receipts to consumers.

EWURA has continued to monitor petroleum products prices. The level of compliance has been satisfactory, only a few incidents of non-compliance have been recorded. Between January and June, 2009, a total of fourteen (14) petrol stations in Dar es Salaam were fined for non compliance.

4.1.10 Procurement of Marine Surveyor Services

During the period under review, the Authority procured Marine Surveyor services to facilitate collection of all imports data and preparation of reports to EWURA. The Surveyor is also responsible for establishment of database on all ships calling at the KOJ and maintains a time log for each vessel calling at the KOJ and other ports.

4.2 Health, Safety and Environmental Matters

4.2.1 Petroleum Quality Monitoring

EWURA has continued to monitor the quality of petroleum products that are sold by service providers. Samples were collected from petrol stations, oil storage depots and transportation trucks. Samples that failed the tests resulted in punitive measures being taken against the culprits. Generally, there was an improved compliance with quality standards when compared with the years 2007/2008 and 2008/2009, as shown in Table 16. The Authority will aggressively continue with the campaign and devise modern methods that will make the compliance monitoring both more effective and quick to administer.

Table 16: Quality of Petroleum Products Samples Tested

Item	Financial Year	
	2007/08	2008/09
<u>Petrol Stations</u>		
No. of petrol stations sampled	89	189
No. of petrol stations failed	66	77
Failure	74.2%	40.7%
No. of samples collected	196	395
No. of failed samples	118	104
Failure	60.2%	26.3%
<u>Depots</u>		
No. of depots sampled	6	18
No. of depots failed	6	7
Failure	100%	38.9%
No. of samples collected	15	44
No. of failed samples	12	7
Failure	80%	15.9%
<u>Trucks</u>		
No. of trucks sampled	5	8
No. of trucks failed	3	4
Failure	60%	50%
No. of samples collected	21	20
No. of failed samples	11	6
Failure	52.3%	30%

The regions with high a number of samples collected include Coast, Dodoma, Morogoro, Tanga, and Dar es Salaam. The regions with a high percentage of failures occurred in Mara, Kigoma, Arusha, Mbeya and Dar es Salaam in that respective order. The average rate of failure countrywide is about 28% which indicates an improvement in the quality of petroleum products sold to consumers as a result of EWURA's monitoring and compliance efforts.

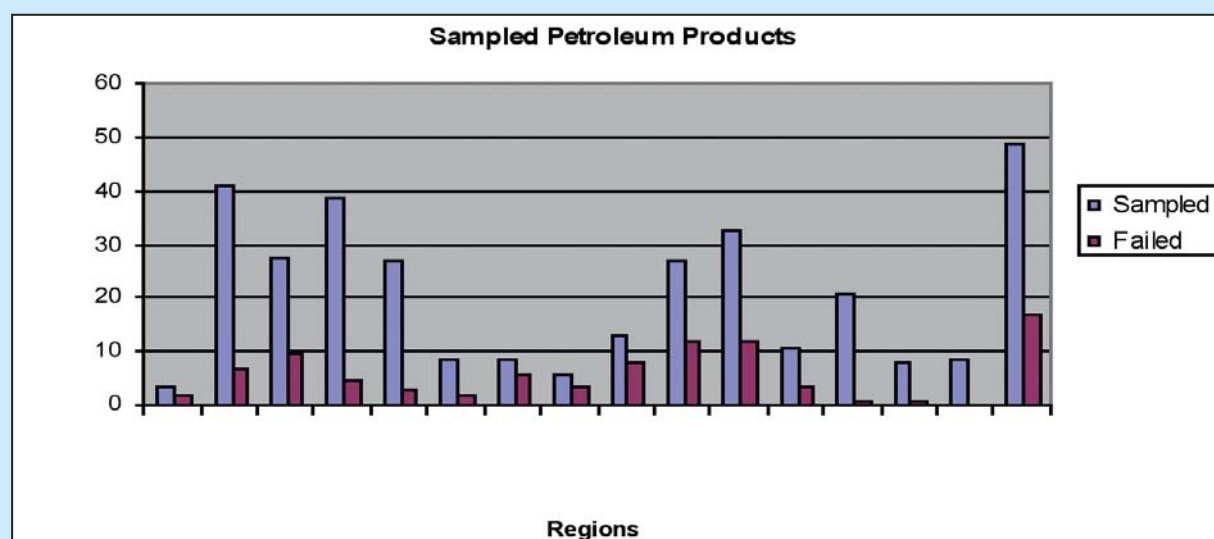
During the period under review, besides penalties paid by retailers found in possession of out-of-specification products, three retailers; namely Sadiq Gapco Service Station (Morogoro), African Motors Service Station (Gapco, Dodoma) and Madafu Petrol Station (Chalinze Coast) were closed for 12 months as a penalty for the second offence. The Authority plans to use modern testing techniques in curbing petroleum products adulteration. The Summary of petroleum products sampling results is shown in Table 17.

Table 17: Summary of Test Results of Petroleum Products Samples Collected from July, 2008 – June, 2009

Region	No. of Samples Collected	Passed Samples		Failed Samples	
		Number	%	Number	%
Tabora	9	9	100.0	0	00.0
Dar es Salaam	28	17	60.7	11	39.3
Coast	41	34	82.9	7	17.1
Dodoma	39	32	82.1	7	17.9
Tanga	32	22	68.8	10	31.2
Mbeya	27	15	55.6	12	44.4
Mara	11	3	27.3	8	72.7
Mwanza	11	7	63.6	4	36.4
Kagera	9	8	88.9	1	11.1
Shinyanga	10	9	90.0	1	10.0
Morogoro	34	22	64.7	12	35.3
Ruvuma	21	19	90.5	2	9.5
Iringa	27	22	81.5	5	18.5
Kilimanjaro	6	4	66.7	2	33.3
Kigoma	9	3	33.3	6	66.7
Arusha	4	2	50.0	2	50.0
Total	318	228		90	

The average samples passed were 71.70% while those failed were 28.30%. The same information is depicted in Figure 16.

Figure 16: Summary of Test Results of Petroleum Products Samples Tests (July, 2008 to June, 2009)



4.2.2 Standards

The process of establishment of standards for depots, petrol station and petroleum haulage trucks are in final stages of adoption. Fuel quality specification change for gasoil/diesel for sulphur content reduction from 5000ppm (0.5%) to 500ppm (0.05%) process is underway. This change will enhance providing motorist with cleaner fuels that have less emissions, hence less damage to the environment. Improvements are needed regarding standards of petroleum infrastructure facilities including those at KOJ, storage depots, petrol stations and petroleum transportation trucks. The basic problem is that improving standards is costly. Rural stations generally are less profitable than urban stations.

In consultation with the Tanzania Bureau of Standards (TBS), EWURA prepared templates for technical standards on the design, construction and operation of retail stations and depots. Standards for petroleum trucks are also being prepared. These will be made available for public comment before adoption. Standards for some of the petroleum products have been worked on including:

- a) CDC 17 (2064) P1/ISO 4925. 2005 road vehicles – specifications of non-petroleum based brake fluids for hydraulic systems;
- b) CDC15 (2026) P1- denatured fuel ethanol for blending with gasoline for use as automotive spark- ignition engine fuel;
- c) CDC15 (2026) P1- automotive bio-diesel fuel specifications; and
- d) CDC15 (2026) P1- fuel oil specification (TZS 673: 2001).

Horizontal storage tanks are acceptable as long as they meet technical specifications provided in TBS standards. Figure 17 shows one such facility in Dar es Salaam.

Figure 17: Horizontal Petroleum Storage Tanks



4.2.3 Inspections of Petrol Stations with Backyards

In its efforts to ensure that operators in the downstream petroleum chain comply and adhere to good petroleum industry practices, the Authority conducted surprise inspections to petrol stations in the Dar es Salaam and Coast regions, mainly those along the Morogoro Highway to identify petrol stations with backyards and those which conduct operations contrary to good petroleum industry practices. A total of sixteen (16) retail outlets were inspected. Eleven (11) petrol stations

were found with their operations being detrimental to the public health, safety and the surrounding environment. These were served with compliance orders which required them to stop operations that are contrary to good petroleum industry practices and demolish the backyard walls. They were ordered to demolish whole backyards or demolish the front walls and construct them in the manner that it is possible for all activities carried therein to be seen straight from the main road. Others were required to remove all underground and above ground storage tanks, drums, pipes and related equipment found at the backyards.

4.2.4 Responses to Fire Incidents

During the year under review, three fire accidents associated with petroleum products were reported and the Authority participated in establishing the causes of the incidents. The reported incidents were at:

- a) Sanda Hussein Sanda Petrol Station located at Visiga area;
- b) Mdaula Petrol Station located at Mdaula; and
- c) Bamaga Petrol Station located in Dar es Salaam.

The accident at Sanda Petrol Station was fatal and claimed two lives; there were no casualties at the other two locations.

Figure 18: Oil Terminal Blazing Out



4.3 Licensing

During the period under review, the Authority processed and granted 22 petroleum wholesale licences and 281 retail licences. The Authority is also processing 637 licence applications.

The licensing process involves inspection of facilities, consideration of environmental issues and submission of required information. There is a continued concern on the failure by most applicants to submit to the Authority title deeds or any other approval authorizing the development of their facilities. This has created a backlog of applications in the sector. The Authority suspended petroleum retail licences for two operators, namely Abdulatif Nahd and Mohamed Twalib in Morogoro. There was no licence cancelled by the Authority during the reporting period.

4.4 Legislative Matters

4.4.1 The Petroleum Act

The Petroleum Act, 2008, came into force on 1st April, 2009. The Act makes provisions for the import, export, transport, processing, and storage of both petroleum and petroleum products and provides for wholesale and retail distribution in a liberalized market. It repealed the Petroleum (Conservation) Act, which had been the relevant legislation up to the date the Act came into force on 1st April, 2009, but maintained the effectiveness and validity of all rules, regulations, and exemptions made or given under that law, until further regulations under the new Act are made to revoke them.

The Act requires all participants in “petroleum supply operations” (including industrial consumers who buy their products directly from wholesalers) to be licensed by EWURA. No person may perform any petroleum supply operation unless licensed, and unlicensed operators are subject to legal sanctions.

As well as being the licensing authority, EWURA is also responsible for monitoring quality and standards, conducting investigations into service to petroleum consumers, charging and collecting fees and levies, approving tariffs and prices, prescribing codes of conduct, publishing technical economic and safety standards, and monitoring environmental and safety impacts.

4.4.2 Rules

During the period under review, the Authority prepared and issued the EWURA (Petroleum Price Setting) Rules, 2009 (GN 5/2009) to regulate petroleum prices. Furthermore, the Authority prepared various sets of rules which are currently at different levels of being finalized. Such rules are:

- a) EWURA (Liquefied Petroleum Gas) Rules, 2009;
- b) EWURA (Petroleum Consumer Installation) Rules, 2009;
- c) EWURA (Petroleum Transportation) Rules, 2009; and
- d) EWURA (Petroleum Testing and Sampling) Rules, 2009.

4.5 Challenges

Key challenges which face the petroleum downstream sub-sector include the following:

- a) Safety is one of the areas that EWURA needs to focus its efforts. This includes construction, installation and equipment standards. Equally all operators must endeavour to meet good petroleum industry standards for installation and provision of services.
- b) Licensing of operators especially retailers is a big challenge since most of them do not meet minimum standards.
- c) The tax difference between kerosene and diesel poses a big challenge in the control of the adulteration of petroleum products. The government has been made aware of the challenge and the proposed way to sort out the problem.
- d) The downstream petroleum sector is a competitive sector. However, there exist practices which hinder competition in the sector. These include lack of standards of storage and transportation facilities, selling of poor quality of petroleum products, short-selling (un-calibrated meters, weighing scales etc). The Authority is working with TBS, WMA and other authorities to ensure availability of the required standards for petroleum facilities. In order to properly combat adulteration, the Authority is in the process of introducing petroleum product marking system and improvement of the inefficiencies in the downstream supply chain.

- e) Timely availability of petroleum data is still a challenge. The Authority is in the process of establishing a National Petroleum Information System that will be an authoritative source for all downstream petroleum data.
- f) Many service providers in the downstream petroleum sector are not aware of the good industry practices; this makes compliance with the requirements for the HSE difficult. EWURA is tackling this challenge by ensuring that all operators have appropriate procedures in place and are practised.

5.0 NATURAL GAS SECTOR REGULATION

This section gives an overview of the natural gas sector, regulatory activities performed by EWURA during the year under review and challenges facing the sector. Both regulatory approaches, by freely negotiated contracts and by an independent regulator, apply in the Tanzanian case. The Ministry of Energy and Minerals oversees the policy, legislative, and contractual matters, while EWURA focuses on regulatory matters. EWURA carries out technical, safety and economic regulation of the entire downstream gas sub-sector based on powers delegated to it by the Ministry of Energy and Minerals vide the letter Ref. CBA.88/560/01 dated 26th November 2007.

5.1 Overview of the Natural Gas Sector

Tanzania has made four discoveries of natural gas fields so far in the vicinities of Songo Songo Island (about 250 km South of Dar es Salaam in 1974), Mnazi Bay (about 450km South of Dar es Salaam in 1982), Mkuranga (about 60km South of Dar es Salaam in December 2007) and Kiliwani North (about 2.5km South East of Songo Songo Island in April, 2008), but only two, Songo Songo and Mnazi Bay, are producing. During the period under review, the proven and probable reserves in the Songo Songo gasfield were estimated at 810 billion standard cubic feet, while proven, probable and possible reserves stood at 1.1 trillion standard cubic feet. Mnazi Bay gas reserves are estimated at 2.2 trillion standard cubic feet.



Four entities are actively carrying out regulated activities, namely Tanzania Petroleum Development Corporation (TPDC), Songas Limited, PanAfrican Energy (Tanzania) Limited, and Artumas Group and Partners (Gas) Limited. So far, the Ministry of Energy and Minerals remains the sole licensing authority under the Petroleum (Exploration and Production) Act, Cap. 328. It further makes policies and initiated enactment of sector legislation.

5.2 Performance Monitoring

Monitoring performance of natural gas in Tanzania Mainland focused on tracking the level of investment attracted, availability of services, quality and standards of services, level of sales, gas price trend, import substitution savings, health, safety and environment issues. During the period under review, EWURA received daily gas production and weekly gas sales reports. It further conducted regular gas infrastructure systems inspections on a quarterly basis, altogether forming the basis of the analyses being discussed in this report.

5.2.1 Level of Investments

The world financial crisis affected the investment flow, particularly to Mtwara Energy Project which was put on hold. Investments in the gas processing facilities at Songo Songo Island were delayed further despite the Order issued by EWURA on 27th February 2009. Investment in gas distribution network expansion and Compressed Natural Gas (CNG) increased from US\$ 4.23 million in 2007/8

to US\$ 4.94 million in 2008/9, whereby 63 percent was spent on expansion of the Dar es Salaam distribution network from 28 kilometres in 2007/08 to 42 kilometres in 2008/09.

5.2.2 Annual Sales

Natural gas continued to be a major source of energy for thermal electric power generation in Tanzania. During the year under review, natural gas sales increased from 20.07 billion standard cubic feet in 2007/08 to 22.061 billion standard cubic feet. The daily maximum peak demand at the Dar es Salaam market reached 78.09 million standard cubic feet per day. The consumption of natural gas at the Mtwara market reached 870 thousand standard cubic feet per day. The summary of annual gas sales is shown in Table 18.

Table 18: Annual Gas Sales (in Standard Cubic Feet)

Application	2008/09	2007/08	Change
Thermal power generation	18,854,708,037	17,031, 634,519	+9.67%
Industrial thermal	3,206,448,800	3,039,464,790	+5.21%
Total	22,061,156,837	20,071,098,309	+9.02%

Source: PanAfrican Energy (Tanzania) Limited

5.2.3 Import Substitution Savings

About 18.85 billion standard cubic feet of natural gas used for power generation cost US\$ 25.79 million, displacing 591 litres of Jet-A1 fuel worth US\$ 584 million. About 3.21 billion standard cubic feet of natural gas, equivalent to 87.82 million litres of heavy fuel oil (HFO) worth US\$ 30.76 million was consumed by 27 industries in Dar es Salaam, as depicted in Table 19.

Table 19: Annual Savings from Import Substitution

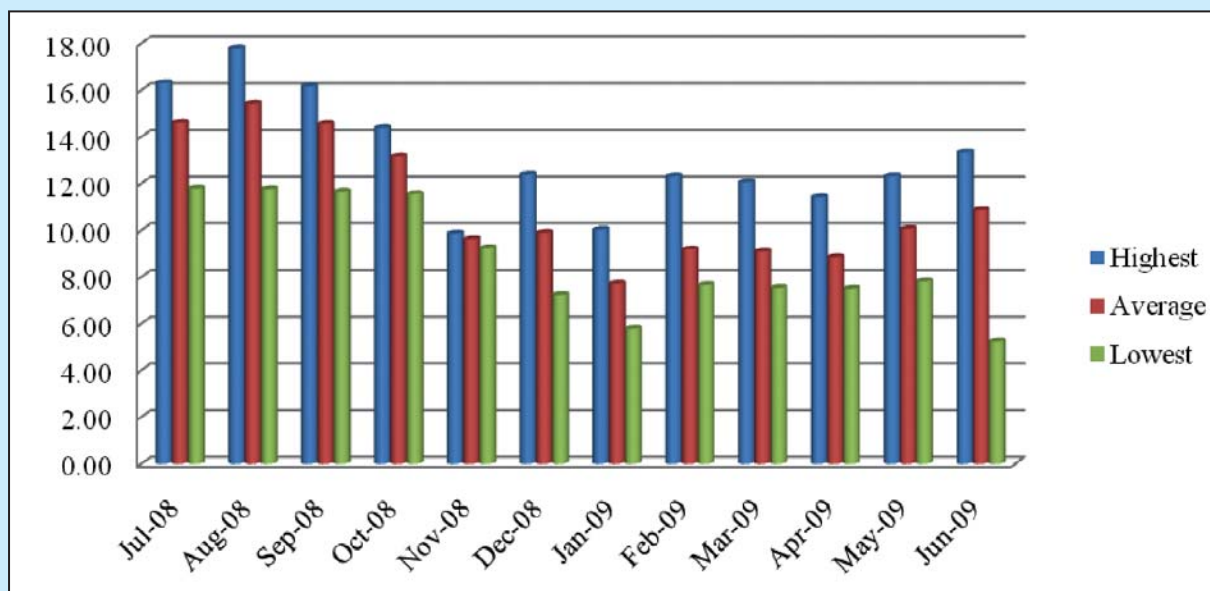
Uses of Natural Gas	Consumption (bcf)	Gas Value (Mill. US\$)	Equivalent (Mill. litres)	Oil Value (Mill. US\$)	Savings (US\$)
Power Generation	18.855	25.789	591.054	583.898	558.109
Thermal processes	3.206	20.759	87.821	51.513	30.754
Total	22.061	46.548	678.875	635.411	588.863

Source: Tanzania Petroleum Development Corporation

5.2.4 Natural Gas Prices Trend

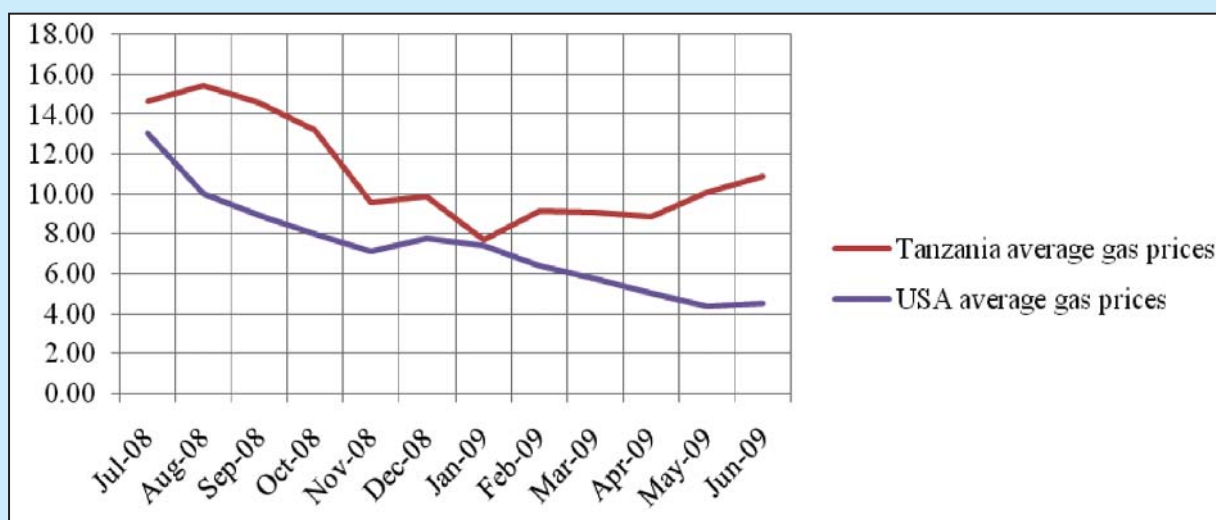
Natural gas prices for industries in Tanzania kept decreasing from US\$ 17.79 per thousand standard cubic feet in August, 2008 to US\$ 9.96 per thousand standard cubic feet in June 2008. During the same period, natural gas prices kept decreasing from US\$ 11.79 per thousand standard cubic feet in July, 2008 to US\$ 5.52 per thousand standard cubic feet in June, 2009. Figure 19 depicts natural gas price trend. The average price for the gas to the power sector was maintained at US\$ 2.93 per thousand cubic feet as compared to US\$ 2.24 per thousand cubic feet last year. In the case of Mnazi Bay, the price of natural gas for power generation was kept stable at US\$ 5.56 per million British Thermal Units.

Figure 19: Average Monthly Natural Gas Prices Trend



Source: PanAfrican Energy (Tanzania) Limited

Figure 20: Comparison of Gas Prices in Tanzania with Gas Prices in USA



Source: PanAfrican Energy (Tanzania) Limited and Energy Information Administration

Compared to the prices of natural gas sold to the industries in the United States of America, prices of natural gas in Tanzania remained significantly high as depicted in Figure 20. EWURA initiated the economic regulation process setting the distribution tariff, and processing and transportation tariff, as the first step. The second step was to urge PanAfrican Energy (Tanzania) Limited to unbundle the prices of natural gas to explicitly indicate the value of natural gas at various stages of the supply chain, which was achieved with effect from 1st April, 2009.

5.2.5 Quality of Services

The quality of natural gas produced complied with contractual arrangements between and amongst the parties. However, some buyers of gas continued to complain against the black powders (particles) in delivered gas. During the review period, the High Heating Value was recorded at 1,026.94 British

thermal units per standard cubic foot. Methane content varied from 97.18% to 97.41%. The average working pressure was about 82.91 bars, temperature was about 29.186°C and water dew point was -64.74°C.

5.3 Licences Granted, Amended or Withdrawn

No licence was granted, amended or withdrawn by the Authority during the year under review. In the absence of Gas Legislation, the two Development Licences issued to the Tanzania Petroleum Development Corporation under section 36 of the Petroleum (Exploration and Production) Act, Cap. 328 for the Songo Songo Reservoir in October, 2001 and Mnazi Bay Project in 2007 enable the service providers (Songas Limited, PanAfrican Energy (Tanzania) Limited, and Artumas Group & Partners (Gas) Limited) to carry out all activities in the natural gas sector.

5.4 Determination of Rates and Charges

The EWURA Act empowers the Authority to determine tariffs for the downstream natural gas subsector. As shown in Table 20, during the year under review, EWURA received one tariff application from Songas Ltd and two joint applications from PanAfrican Energy (Tanzania) Ltd (PAT) and Tanzania Petroleum Development Corporation (TPDC). Out of the three applications received, Songas tariff methodology and one of the applications from PanAfrican Energy (Tanzania) Limited and TPDC were approved with modifications. Moreover, Artumas Group & Partners (Gas) Limited and TPDC and Artumas Group & Partners (Power) Ltd have negotiated the natural gas prices.

Table 20: Tariff Determinations in Natural Gas Sector

Applicant	Received	Requested Tariff	Action	Effective Date
Songas Limited	28 Feb. '08	TR-G-08-010 • Multi-Year Tariff • WACC=16% • Cost=\$63.78m • O&M = \$0.8 mil	• Referred Back the Application • Certain Conditions	Order 08-009 05 Dec, 2008
			• Extension of the effective date of the revised tariff to 1 st Jan 2010	Order 08-013 05 Dec, 2008
PanAfrican Energy Tanzania, and TPDC	30 Jun. '08	TR-G-08-018 Distribution Tariff • DT21= \$0.139/GJ • DT2 = \$0.639/GJ • DT3 = \$0.402/GJ • WACC=11.075%	• Referred back DT1 and DT3 • Provisional Tariff, DT2 = \$0.52/GJ • Certain Conditions	Order 09-003 01 Mar., 2009
Songas Limited	23 Oct. '08	TR-G-08-025 • Multi-Year Tariff • WACC=16% • Cost=\$65.735mil. • O&M=\$4.132mil.	• Multi-Year Tariff • WACC=15% • Cost=\$54.509mil. • O&M=\$0.238 mil. • Certain Conditions	Order 09-004 01 Mar. 2009 (GNN 84 of 25 th Mar., '09)
PanAfrican Energy Tanzania, and TPDC	22 May '09	TR-G-09-006 Distribution Tariff • DT2 = \$1.035/GJ • WACC=12.41%	Under Review on 30 th June 2009	Under Review on 30 th June, 2009

Note: For more details refer to <http://www.ewura.go.tz/naturalgas/html>

5.5 Regulations Made and Directives Issued by the Minister(s)

The major regulatory tools for the natural gas sector continued to be: (i) the National Energy Policy, 2003; (ii) the Petroleum (Exploration and Production) Act, 1980; (iii) the Energy and Water Utilities Regulatory Authority Act, Cap. 414 and (iv) the Sector Specific Agreements. The Authority will continue to actively participate in the drafting of the Gas Supply Bill.

In the absence of sector specific legislation, no regulation was made by the Minister for Energy and Minerals with regard to regulation of the natural gas sector.

5.6 Disputes and Complaints

There was no registered complaint in the natural gas sector.

5.7 Third Party Access

Mnazi Bay gas infrastructure is owned by Artumas Group & Partners. The pipeline and gas processing plant are rated at 30 million cubic feet per day. There is no other service provider in the same vicinities who calls for a third party access, so far. Songo Songo gas infrastructure is owned by Songas Limited (the processing plant and transportation pipeline) and PanAfrican Energy (Tanzania) Limited (the Dar es Salaam distribution network). Songas Limited and PanAfrican Energy Tanzania Limited coexist within the same reservoir and share the services.

During the period under review, Songas and PanAfrican Energy (Tanzania) Limited agreed to re-rate the nameplate capacity of the gas processing plant from 2x35 million standard cubic feet per day to 2x45 million standard cubic feet per day. The increased capacity, however, has been only accessed by PanAfrican Energy (Tanzania) Limited. Unless the gas legislation clearly states that EWURA will oversee the implementation of third party access policy, if free and unutilised capacity is left to be negotiated, the cost of service to the new entrants may increase and competition may be hampered.

5.8 Legislative Matters

The Ministry of Energy and Minerals issued the draft Gas Bill revised version dated 13th May 2009, and the Authority as one of the main stakeholders is working on it.

5.8.1 Rules Made by EWURA

In the absence of the sector specific legislation regulating natural gas, no rule was made specifically to provide guidance to natural gas stakeholders.

5.8.2 Establishment or Amended Codes and Standards

In the absence of the sector legislation regulating natural gas, no code or standard was developed or amended. The service providers continued to be guided by the codes and standards listed in the agreements, as negotiated between the service providers and the Government, acting through the Ministry of Energy and Minerals.

5.9 Health, Safety and Environmental Matters

All regulated entities owning natural gas supply facilities were operated in the best industrial practice and the last date when Lost Time Injuries (LTI) were experienced was on 23rd August, 2007. Different types of on-job training in safety and health courses were conducted including fire drills,

material handling techniques and emergency preparedness. Site visits for physical inspection of all infrastructures were carried out to verify daily operations, safety, health and environmental reports as received during review period.

5.10 Challenges

Being a new industry at its infant stage of development, the natural gas sub-sector is facing a number of challenges. The major ones include:

- a) lack of sector specific legislation (the Gas Act) continues to create confusion on jurisdiction matters and difficulties in attracting foreign and local financial investments to develop the natural gas infrastructures;
- b) difficulties in regulating the service suppliers already being regulated by long-term agreements endorsed by the Government;
- c) difficulty in promotion of efficient competition and economic efficiency at strategic segments of natural gas supply chain; and
- d) establishment of reasonable and equitable natural gas pricing principles.

6.0 WATER AND SEWERAGE REGULATION

6.1 Overview of the Water Sector

EWURA regulates 123 autonomous Urban Water Supply and Sewerage Authorities (UWSAs) which include 19 Regional Urban Water Supply and Sewerage Authorities (Regional UWSAs) located in regional capitals, 97 District and Small Towns Water Supply and Sewerage Authorities (DWSAs) located in district capitals and small towns, six (6) National Projects, and the Dar es Salaam Water and Sewerage Corporation (DAWASCO), a service provider contracted by the Dar es Salaam Water and Sewerage Authority (DAWASA). In addition, EWURA regulates eight (8) National Water Projects.

Section 28(1) of the Water Supply and Sanitation Act, 2009 requires EWURA to submit an Annual Comparative Report of Water Supply and Sewerage Authorities which should be part of EWURA's Annual Report. This chapter gives an overview of the performance of Water Supply and Sewerage Authorities, licensing, tariff approvals and legislative matters. The detailed performance of individual UWSAs is given in a separate report.

6.2 Performance Monitoring

6.2.1 Performance Data Reporting

Urban Water Supply and Sewerage Authorities (UWSAs) reports to EWURA in two (2) ways: by using the Water Utilities Information System (MajIs) and received by EWURA and by submission of written reports in agreed format in hard copies. UWSA's are supposed to submit monthly reports through MajIs latest by the 14th day of the following month. By 14th July, 2009, all Regional UWSA's had submitted their 2008/09 monthly reports as required.

Monthly and annual reports provide data and information which assist EWURA to carry out performance monitoring and to evaluate UWSAs so as to ensure that quality of service and consumer satisfaction is improved. The submitted performance data was also used in the evaluation of tariff applications and in tracking the implementation of various Orders issued by EWURA.

As part of the performance monitoring, site inspections were conducted of 16 UWSAs and DAWASCO. The UWSA's inspected include Bukoba, Morogoro, Kigoma, Arusha, Musoma, Tabora, Tanga, Singida, Shinyanga, Sumbawanga, Lindi, Mpwapwa, Dodoma, Songea, Moshi, and Mtwara.

During the site inspection, it was generally observed that most UWSA's did not have a comprehensive preventive maintenance schedule for their infrastructure, and the few who had it did not strictly adhere to the schedule.

This contribute to high non-revenue water and ever increasing rehabilitation costs. EWURA is following up the implementation of defects identified during the inspection.

6.2.2 Performance Agreements

In order to enhance performance monitoring and evaluation, EWURA has signed Performance Agreements with the 19 Regional UWSAs for the period of three years starting from 2008/9 to 2010/2011. The Performance Agreements consist of Quality of Service Standards and Performance Targets to be achieved by UWSAs. Performance targets in the Performance Agreement also form the basis for a comparative performance evaluation of UWSAs.

The assessment of the achievement of the set targets for 2008/09 shows that 50% of the utilities attained targets which include targets in water quality, increase in sewerage connections and improvement in staff/connection ratio. Targets which were not attained by 50% of the water utilities included targets in water service coverage, metering, non-revenue water and collection efficiency.

The main reasons given for non-attainment of these targets include the overestimation of the targets and delays in receiving Water Sector Development Programme investment funds.

6.2.3 Performance of Regional UWSAs and DAWASCO

This section provides the overall key performance information of regional UWSA's and DAWASCO which has been compiled from reports submitted by the respective entities. EWURA sought for clarifications or made site verifications for the data that was inconsistent. Reference was also made to the performance data and indicators published by the Ministry of Water and Irrigation in the 2006/07 and 2007/08 reports.

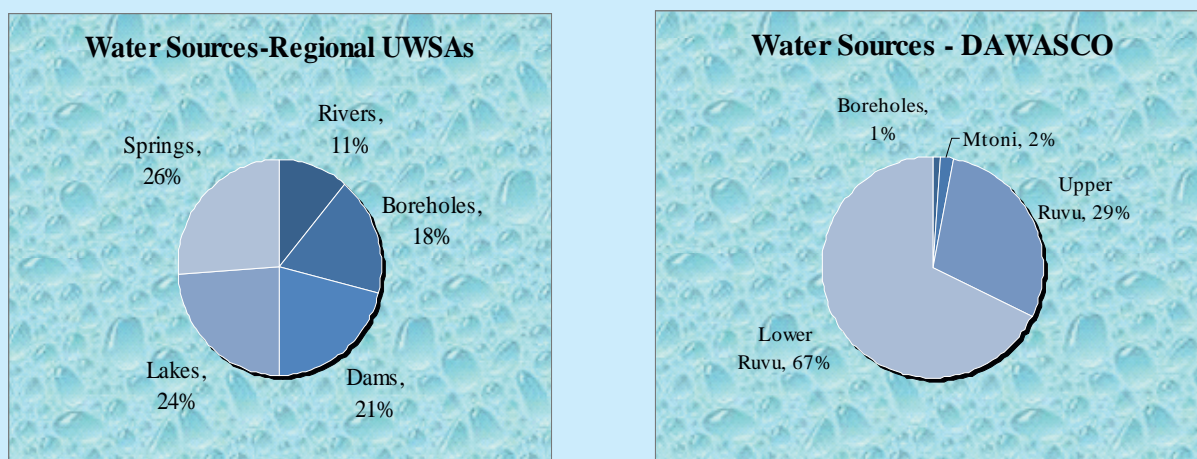
a) Water Sources

Water utilities abstract water from surface and ground water sources. The distribution of water sources is influenced by geographical location and climatic condition of the respective area.

The water sources for the 19 regional UWSAs are boreholes, springs, dams, lakes and rivers. Depending on the type of water source, the water supply schemes that exist within the 19 UWSAs are either gravity or pumping.

Most of the UWSAs have both gravity and pumping schemes. It can also be noted that most water was abstracted from springs which constitutes 26% of the total water abstraction in 2008/09, followed by abstraction from lakes and dams as shown in Figure 21.

Figure 21: Water Sources



The main water sources for Dar es Salaam are Ruvu and Mtoni rivers as well as 31 boreholes located at various locations in the DAWASCO operational area. At the Ruvu river water is abstracted at two intakes, namely Upper Ruvu and Lower Ruvu. About 67% of water is abstracted from Lower Ruvu as shown in Figure 21.

b) Water Production and Demand

The Regional water utilities are currently producing in total over 302,628 m³ of water per day while water produced by DAWASCO is 268,252 m³ per day. The ratio of total water production to total water demand for the 19 UWSAs and DAWASCO has remained almost the same for three years at an average of 71% and 59%, respectively. Utilisation of installed capacities is 64% and 93% for the Regional UWSA's and DAWASCO, respectively. In general, water production facilities appear to have spare capacity, providing an opportunity to increase water supply without affecting the level of service to existing customers. Immediate investment projects might, therefore, emphasize expansion of distribution systems for utilities with surplus production capacity and a demand from consumers. However, it can be noted that, even if water is produced at the installed capacity, water demand will be met by only 62.3% for DAWASCO. The water demand, installed capacity and actual water production are shown in Table 21.

Table 21: Water Production and Demand from 2006/07 to 2008/09

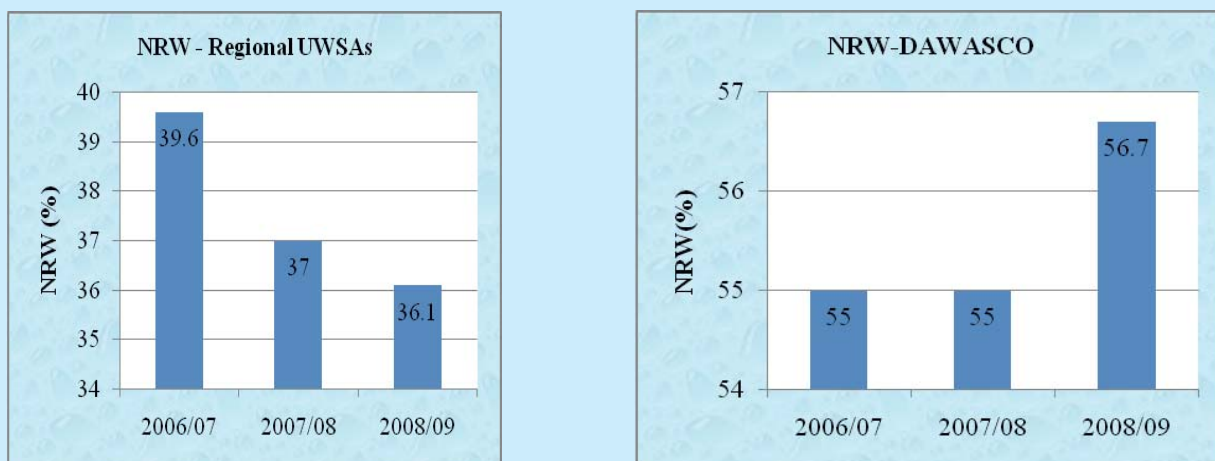
Item	Regional Water Utilities			DAWASCO		
	2006/07	2007/08	2008/09	2006/07	2007/08	2008/09
Water Demand(m³/day)	379,014	396,822	423,425	410,137	431,667	450,137
Installed capacity (m³/day)	398,137	404,932	475,315	280,548	280,548	280,548
Actual Water Production(m³/day)	270,767	285,068	303,918	238,000	253,836	260,877

c) Non- Revenue Water

Non-Revenue Water (NRW) is a percentage of the volume of water delivered into a supply system and the volume of water that was measured or estimated as legitimate consumption. Figure 22 shows that, for the Regional UWSAs, the overall trend of non-revenue water has slightly declined from 39.6% in 2006/07 to 36.1% in 2008/09. NRW for DAWASCO is also very high and has increased slightly from 55% in the past two years to 56.7% in 2008/09.

Each of the Regional UWSAs and DAWASCO is required to reduce NRW to an acceptable level of 20%. This will translate into an increase in water sales without necessarily increasing water production or tariffs.

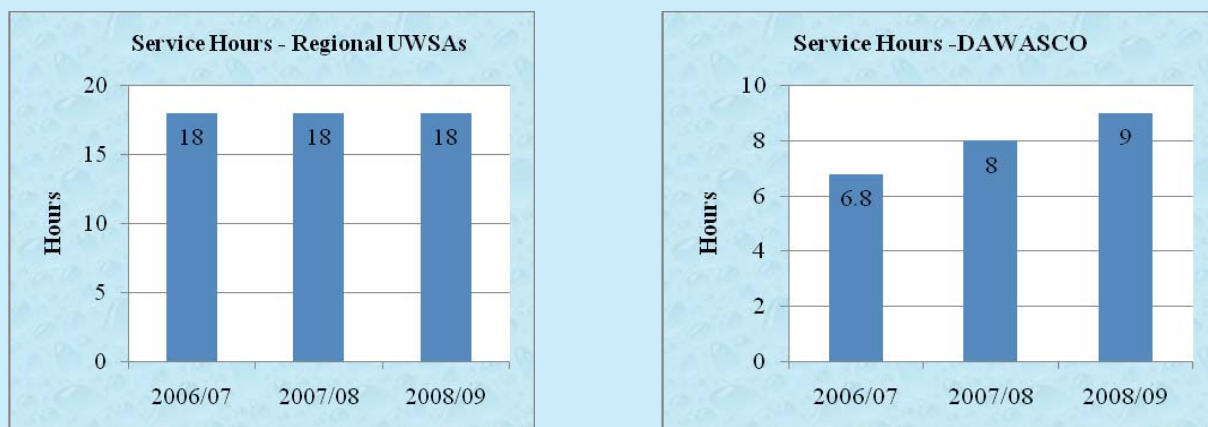
Figure 22: Non Revenue Water (NRW) from 2006/07 to 2008/09



d) Service Hours

All authorities are striving for 24 hours water supply services. Service hours for Regional UWSAs have remained constant at an average of 18hrs a day since 2006/07. However, there has been an improvement from 6.8 hours in 2006/07 to 9 hours in 2008/09 in the DAWASCO operational area due to improved water production. The comparison is as shown in Figure 23.

Figure 23: Service Hours from 2006/07 to 2008/09

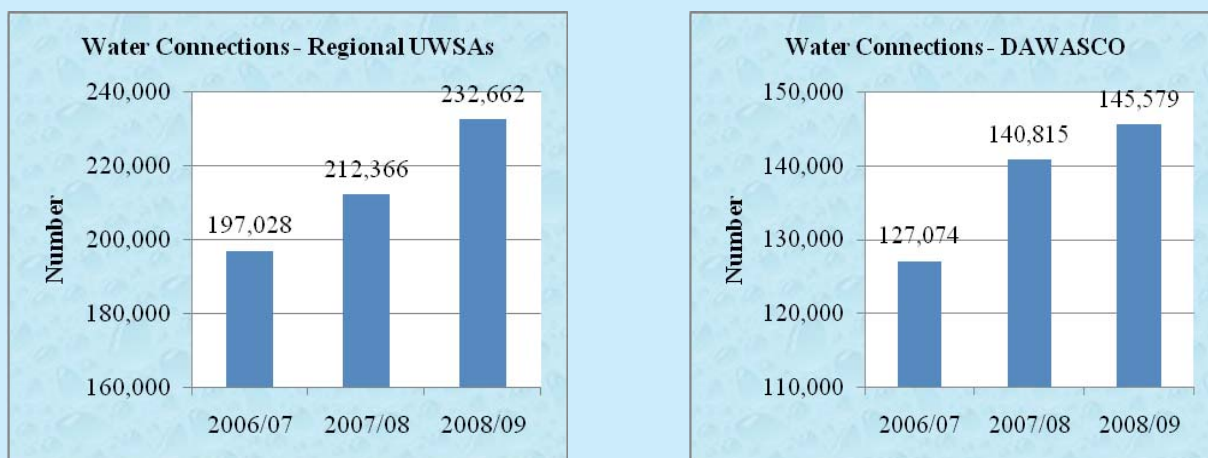


e) Water Connections

Total water connections at the end of 2008/09 were reported to be 232,662 and 145,579 for Regional UWSAs and DAWASCO, respectively.

For the past three years, the number of water connections has increased by 15.3% where 35,634 new connections were added for the Regional UWSAs. DAWASCO increased new connection by 12.7% out of which 18,505 were new connections. The increase in the number of connections contributed to the improvement in water service coverage. Comparison is shown in Figure 24.

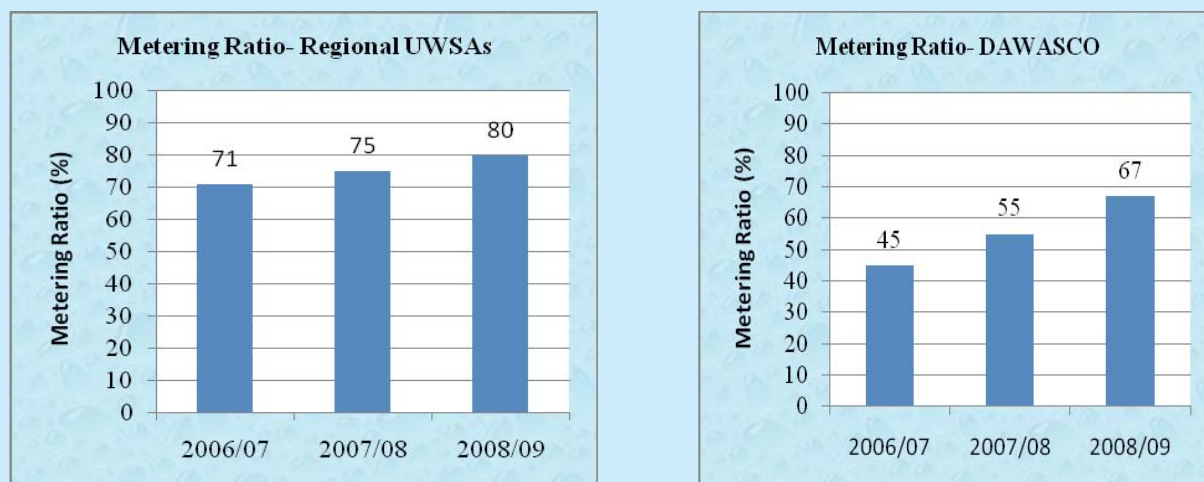
Figure 24: Water Connections from 2006/07 to 2008/09



f) Metering

Metering enables customers to monitor and control their water use and pay their water bills according to the actual water use. Metering also enables water utilities to account for the quantity of water produced. Metering ratio has been increasing steadily for the last three years for both Regional UWSA's and DAWASCO as shown in Figure 25. The increase is from 71% to 80% and from 45% to 67% for both Regional UWSAs and DAWASCO, respectively.

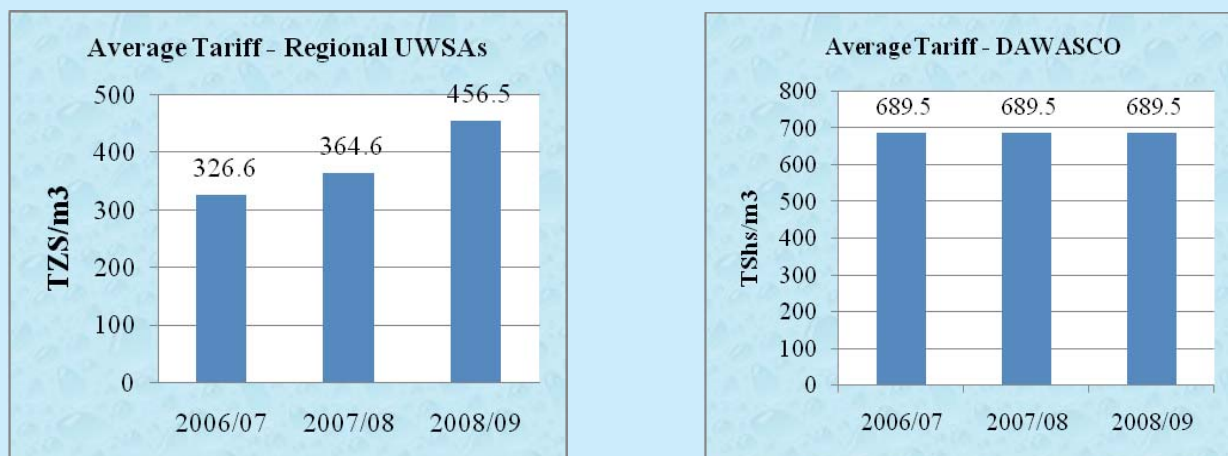
Figure 25: Water Metering from 2006/07 to 2008/09



g) Average Tariff

An average tariff for a utility is the ratio of the utility's total annual billed revenue to the total annual water consumption. The average water tariff in the Regional UWSAs has increased by 40% over the past three years, while for DAWASCO, it has remained constant at 689.5 TZS/m³ (or 394.4 TZS/m³ as operator tariff) in the same comparison period. Within this period, DAWASCO had their tariff approved in 2006/07. Tariff reviews are aimed at taking care of the inflation and at enabling utilities to recover all of their prudently incurred costs.

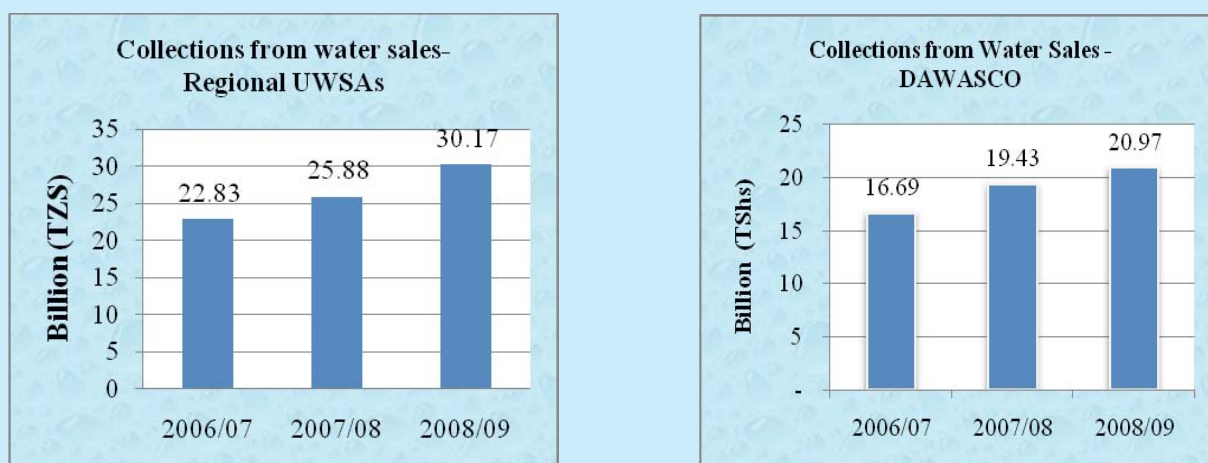
Figure 26: Average Tariff from 2006/07 to 2008/09



h) Revenue Collection

Revenue collection from water and sewerage sales recorded in 2008/09 for the regional UWSAs amounted to TZS 30.17 billion which is an increase of 32%. This increase is lower than an increase in average tariff over the past three years. For DAWASCO, water and sewerage sales collections amounted to TZS 20.97 billion which increased by 20.4% over the past three years mainly due to an improvement in collection efficiency. It is noted that collections from DAWASCO are about 70% of the total collections from all Regional UWSAs. Comparison is shown in Figure 27.

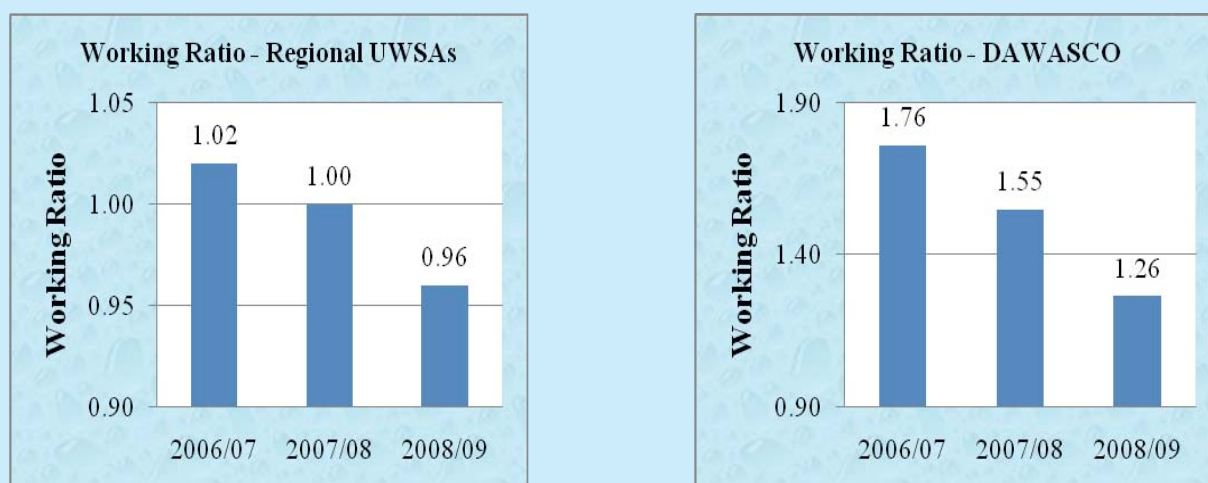
Figure 27: Revenue Collection from 2006/07 to 2008/09



i) Working Ratio

Working ratio is the ratio of operating expenses to operating revenue and does not include depreciation, interest and debt service. Sound financial management requires that this ratio should be well below 1. Working ratio for the Regional UWSAs has shown an improvement trend from 1.02 in 2006/07 to 0.96 in 2008/09. This shows an improvement in covering the operation and maintenance costs. Improvement in DAWASCO is also noted whereby working ratio has improved from 1.76 in 2006/07 to 1.26 in 2008/09 as shown in Figure 28.

Figure 28: Working Ratio



j) Sewerage System

UWSAs with sewerage services with respective coverage in brackets include Mwanza (3.1%), Moshi (5.8%), Arusha (7.0%), Dodoma (11.6%), Iringa (11.9%), Mbeya (0.6%), Morogoro (1.6%), Songea (3.7%), Tabora (1.3%), Tanga (9.3%) and Dar es Salaam (4.8%). Waste water treatment is carried out in all the 10 UWSAs except Tanga-UWASA which disposes collected sewage directly to the Indian Ocean without passing through any form of treatment. All UWSAs are required to treat their effluents to the required TBS standards.

k) Service for the Poor

During the year under review, a total of 1,451 extremely poor and disadvantaged households in Regional UWSAs were each provided with a maximum of 5m³ of free water per month.

6.2.4 Performance of District, Small Towns and National Projects Water Authorities

EWURA, in collaboration with the Ministry of Water and Irrigation and with the assistance of the Germany Agency for Technical Co-operation (GTZ), carried out baseline data collection. The baseline data and information were collected from 71 District utilities and eight (8) National Water Projects. The information collected covered the Technical, Commercial and Financial operations of the water utilities. In 2007/08, EWURA collected baseline data from 34 District and small towns water utilities which add up to all 106 District utilities and national projects. A total of 55 DUWSA's and six (6) National Projects submitted their 2008/09 annual reports.

The overview status of the District, Small Towns Urban Water Supply Authorities and National projects based on the baseline study and the submitted annual reports is summarized in Table 22.

Table 22: Baseline Data for District and Small Towns Water Supply and Sewerage Authorities and National Projects

Indicator	Water demand (m ³ /day)	Installed capacity (m ³ /day)	Water production (m ³ /day)	Budget/ Expenses 2007/08 (TZS billions)	Revenue collection 2007/08 (TZS billions)	Total Customers (Nos)	Metered customers (Nos)
Value	250,677	181,157	89,356	8.67	6.52	69,939	31,374

6.2.5 Capacity Building for UWSAs

EWURA conducted a regulatory training for the Lake Zone water utilities comprising utilities from Kagera, Kigoma, Mwanza, Mara, Tabora and Shinyanga Regions. The training was funded by the Ministry of Water and Irrigation through the Water Sector Development Programme (WSDP).

The main objective of the training was to impart to the participants general knowledge on duties and functions of EWURA, and obligations of water utilities to EWURA.



Figure 29: Course Participants at La Kairo Hotel, Mwanza

The training was attended by a total of 104 participants. 25 participants from 6 regional water utilities and 79 participants from 29 districts/small towns' water utilities and national water projects. Similar training will be conducted to the remaining utilities during the next financial year (2009/10).

6.3 Licensing

During the reporting period, three (3) out of the remaining seventeen (17) regional utilities qualified for permanent Water Supply and Sewerage licences. This makes a total of five (5) regional utilities with permanent licences.

The remaining fourteen (14) are still operating with provisional licences issued in 2007/08. The five UWSAs which have qualified for permanent licences are those operating in the following municipalities. Dodoma, Mwanza, Tabora, Tanga and Arusha. DAWASA and DAWASCO are operating with ten (10) year licences issued in 2005.

6.4 Determination of Rates and Charges

During the year under review, the Authority has received eleven tariff applications for consideration. As shown in Table 23, eleven tariff applications were determined by the Board, three of which were submitted during the 2007/2008 financial year.

One application from Maswa Urban Water and Sewerage Authority was referred back for non-compliance with the Tariff Application Guidelines, 2009. Two applications from Tunduma Urban Water and Sewerage Authority and Mbalizi Urban Water and Sewerage Authority were still under review.

Table 23: Tariff Review Determinations

Applicant	Received	Requested Increase	Approved Increase	Effective Date
BUWASA, Bukoba	26 May, 08	Water: 26.7%	Water: 16.38%	1 Nov., 08
MTUWASA, Mtwara	30 May, 08	Domestic: 25%	Domestic: 25%	1 Nov., 08
MPWUWSA, Mpwapwa	13 Aug., 08	Water: 0-233%	Water: 0-67%	1 Jan., 09
AUWSA, Arusha	03 Sep., 08	Water: 0-30%	Water: 0-13.04%	1 July, 09
NGUWASA, Ngara	04 Sep., 08	Water: 33%	Water: 17%	1 Mar., 09
KASHWASA, Kahama	18 Sep., 08	Tariff for Bulk water: TZS 210-400/m ³	Provisional Tariff for Bulk water: TZS 210-600/m ³	15 Feb., 09
LUWASA, Lindi	09 Oct., 08	Water: 20-150%	Water: 20-150%	1 Mar., 09
MAUWASA, Maswa	17 Nov., 08	Water tariff: 0-100%	Water tariff: 0-100%	1 Mar., 09
DAWASA, Dar es Salaam	11 Mar., 09	<ul style="list-style-type: none"> • Water tariff: 34.3% • Sewerage tariff: 30.4% 	<ul style="list-style-type: none"> • Water tariff: 30% • Sewerage tariff: 30.4% 	1 Aug., 2009
TUWASA, Tabora	20 Apr., 09	<ul style="list-style-type: none"> • Water tariff: 77.5% • Sewerage tariff: 20-233% 	<ul style="list-style-type: none"> • Water tariff: 59.8% • Sewerage tariff: 20-233% 	1 July, 2009

It merits noting that while the Water Supply and Sanitation Act, 2009 requires the water utilities to be financially sustainable and autonomous, yet many of the utilities are financially unsound, unbankable due to their ownership structure and bad balance sheets, have depleted infrastructures, low investment in the infrastructures, poor services, and non-cost reflective tariffs. EWURA, together with the Ministry of Water and Irrigation, is now preparing a framework that is geared at improving efficiencies that will make them attractive to financial institutions.

6.4.1 Major Board Decisions on Tariff Applications

a) Kahama-Shinyanga Water Supply and Sewerage Authority

During the year, the Authority received a tariff application from Kahama-Shinyanga Water Supply and Sewerage Authority (KASHWASA), a newly constructed project which operates as a Water Supply and Sewerage Authority. Its responsibilities include supply of bulk water to Shinyanga, Kahama water supply and sewerage authorities and users associations within its supply area.

Figure 30: Water Supply Intake for KASHWASA at Ihelele on the Shores of Lake Victoria



Since KASHWASA was new, it submitted its application for tariff review under urgency basis. The EWURA Board, having met on 3rd February, 2009, issued a provisional Order for KASHWASA to charge a tariff of TZS 223/m³ for SHUWASA, TZS 223/m³ for KUWASA, TZS 210/m³ for villages, TZS 400/m³ for industries and TZS 600/m³ for mines.

b) Dar es Salaam Water Supply and Sewerage Authority (DAWASA)

In March, 2009, DAWASA submitted to the Authority a Tariff Application. In the preliminary review of the Application, it became evident that, the Applicant did not comply with EWURA's Order No. 08-001. DAWASA pleaded to the Authority to put in abeyance compliance to some conditions in the Order for the reason that the same would be fully addressed in the reviews to be carried out jointly with the Government from July, 2009.

EWURA's Board having met on 6th April, 2009, recognised the need to relax the implementation of such conditions. Subsequently, the Authority issued Order No. 09-007 in April, 2009. The new Order, among other things, requires DAWASA and the stakeholders stated in the Lease Agreement to commence a major tariff review on 1st July, 2009, with EWURA taking the lead.

6.4.2 Compliance with Tariff Conditions

Tariff approvals were accompanied by conditions which were supposed to be fulfilled by the applicant. A total of 146 conditions were issued to utilities attached to tariff approvals, out of which 65 were supposed to be implemented during 2008/09. Of 65 conditions, 37% were fully implemented and the remaining 28% are in progress. Most conditions which were not implemented required significant investment from the Water Sector Development Programme, whose funds were not available as planned. Data on the status of compliance is shown in Table 24.

Table 24: Compliance to Tariff Conditions

Utilities	Number of Authorities	Conditions Issued	Conditions due for Implementation in 2008/08	Conditions Implemented in 2008/09	Conditions partially implemented (in progress)
Regional Water UWSA's	13	110	47	19	28
District and small towns UWSA's	4	36	18	5	13
Total	17	146	65	24	41

6.5 Legislative Matters

During the period under review, the Authority was involved in the preparation of two pieces of legislation in the water and sanitation sector. The legislation is the Water Resources Management Act, 2009 (No. 11/2009) and the Water Supply and Sanitation Act, 2009 (No. 12/2009) which have been assented to by the President, but are still waiting for the Minister for Water and Irrigation to set the date for commencement.

6.6 Health, Safety and Environmental Matters

All regulated utilities are supposed to ensure health, safety and environmental sustainability in their operations. Water Utilities should ensure that water supplied and sewage disposal conform to the TBS standards. In addition, utilities are obliged to perform Environmental Impact Assessment for new projects and Environmental Audits for completed projects and get certification from the National Environmental Management Council (NEMC). All water utilities have prepared drafts of these reports and are yet to be certified by NEMC.

Urban Water Supply and Sewerage Authorities report results of water and wastewater quality testing at their water sources and distribution system, and of their wastewater effluent. EWURA has continued to carry out a compilation of the key bacteriological, physical and chemical water quality results, Biological Oxidation Demand (BOD₅) and Chemical Oxidation Demand (COD) for wastewater effluent from all UWSAs and DAWASCO. The compliance with water and wastewater quality is discussed below.

6.6.1 Water Quality

Water Quality data for regional UWSAs and DAWASCO have shown that more than 97% of the tested samples had no E-Coli, while more than 94% of the tested samples had a recommended residual chlorine of about 0.2 mg/l in their distribution systems.

6.6.2 Wastewater Quality

Wastewater Quality data for regional UWSAs with sewerage systems have shown that more than 79% and 73% of the tested samples complied with the BOD₅ and COD standards, respectively. For DAWASCO, the quality of the effluents from the ponds was not in compliance with the BOD₅ and COD requirements as none of the samples met set standards. It has been reported that the main cause for non-compliance was inadequate digestion by the biomass, due to the ongoing

rehabilitation works and poor quality of industrial effluents, which contain too heavy loading for biological treatment.

6.6.3 Quality Monitoring and Inspection

EWURA started monitoring water and wastewater quality in the respective UWSA's in order to have independent results. EWURA carried out detailed drinking water and effluent quality tests between 24th to 30th June, 2009, in areas operated by DAWASCO and Morogoro UWSA (MORUWASA). Samples were taken from the water sources, in the distribution system and from the sewerage treatment plants.

Results for both DAWASCO and MORUWASA showed that there are some areas that needed immediate attention. For MORUWASA, findings included faecal contamination at raw water sources, a slightly high amount of lead at the Mindu dam main feeder river and Mambogo river, high free and total chlorine from treated water in the distribution system and unsatisfactory percentage removal of BOD₅ and COD of the final effluent from wastewater treatment plants.

a) Water Quality Results

Generally, out of 22-distribution drinking water samples collected and analyzed for DAWASCO and MORUWASA, about 86.4% complied with the TBS Standards. With regard to specific tap water and boreholes, 94.4% and 50 % of tap and borehole water, respectively, complied with standards.

b) Wastewater Quality Results

All wastewater effluent from Waste Stabilization Ponds (WSPs) which were analyzed for BOD₅ and COD were found not to comply with the standards. Consequently, EWURA required DAWASCO and MORUWASA to take necessary actions to make sure that the defects observed are corrected. The correction measures to be adopted by both water utilities were communicated to EWURA for further follow-up.

6.7 Challenges

Challenges facing regulating the water sector include the following:

- a) relatively high cost for regulating district and small water utilities;
- b) difficulties in accessing the loans make utilities to be dependent on tariff for financing their investments; and
- c) lack of the required skilled manpower in district and small water utilities.

7.0 CROSS-CUTTING REGULATORY MATTERS

7.1 Tariff Review Guidelines

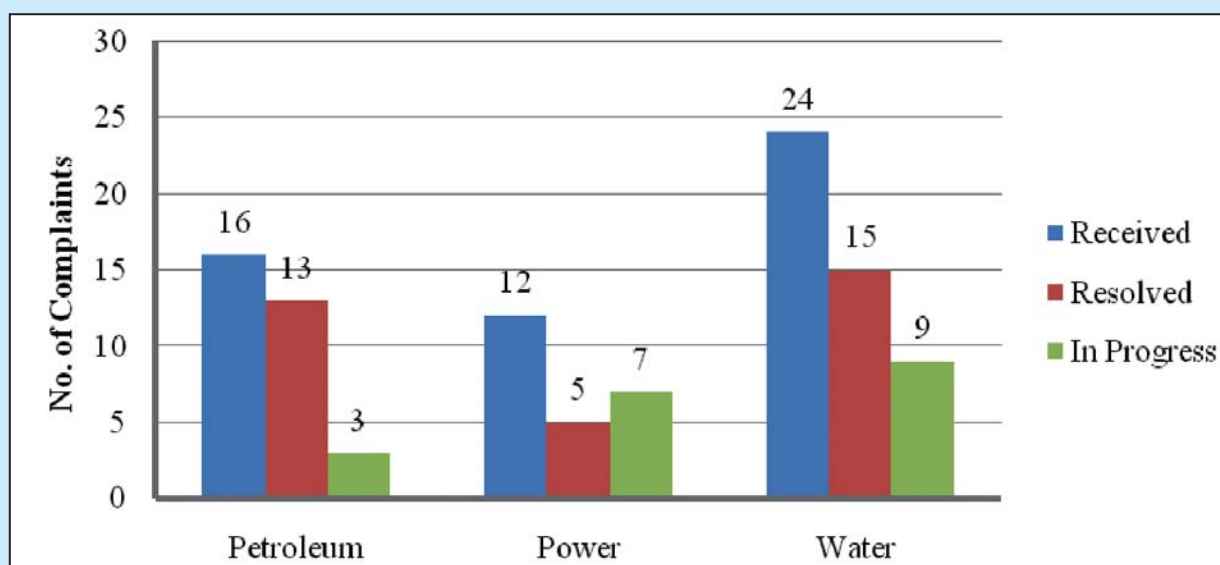
The Authority approved Revised Tariff Application Guidelines. The guidelines provide guidance to the stakeholders on how they should prepare and submit their tariff applications. They also lay a foundation of what stakeholders should expect from EWURA while determining their applications, with expectation to enhance regulatory governance by making the Authority more predictable, consistent, transparent and timely in its regulatory actions.

7.2 Complaints and Dispute Resolutions

7.2.1 Complaints Resolution

The number and quality of complaints received and resolved is a measure of public awareness, performance of regulated service providers, and effectiveness of the regulator. EWURA attends to complaints against a supplier of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services. For the period between July, 2008, and 30th June, 2009, a total of 52 complaints were received, out of which 33 were resolved amicably. The remaining 19 complaints were at different stages of resolution. Figure 31 indicates the number of complaints received versus resolved for the period under review.

Figure 31: Summary of Complaints in Regulated Sectors



During the review period, complaints from the water sector continued to dominate whereby they registered 12.5% increase. Complaints received were mainly about billing, adulteration, unfair disconnection, claims for damages (fire accidents), poor customer services and unreliable supply. Complaints related to billing constitute about 40% while the remaining categories mentioned above constitute 60% of all complaints received. Figure 32 depicts cumulative complaints received, resolved and in progress for the past three years of the Authority's operations.

Figure 32: Summary of Complaints in Regulated Sectors for Three Years

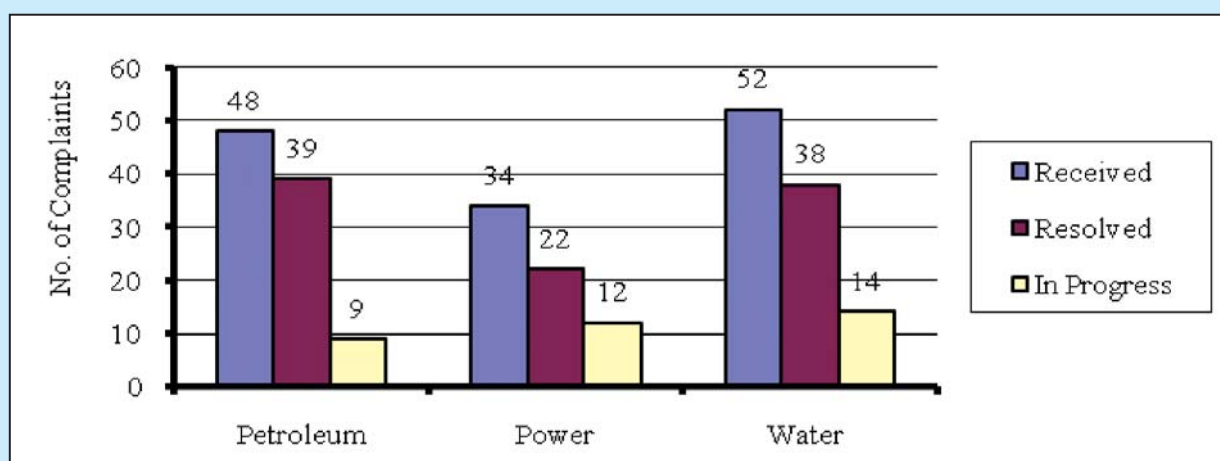
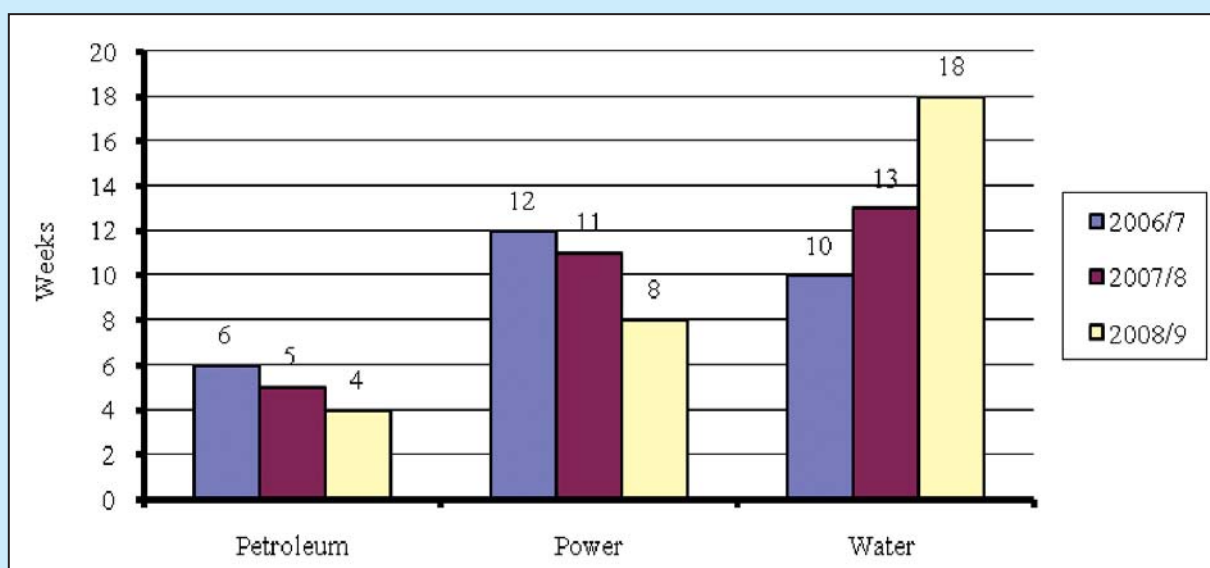


Figure 33 indicates the average time spent to reach amicable settlement on one complaint under each sector. The time includes the opportunity given to service providers to resolve the matter with the complainant. During the year under review, the time taken to resolve one complaint from the petroleum sector is an average of 4 weeks. This is the shortest period so far experienced compared to other sectors and it has been possible due to the fact that most complaints received are of adulteration nature and decisions are based on laboratory reports.

Figure 33: Average Time for Amicable Settlement for the Past Three Years



During the third year, the water sector registered more complaints compared to other sectors. The average time spent in reaching amicable settlement in the water sector was 18 weeks. Most of these complaints were registered during the past two years of the Authority's operations. Most complaints submitted from this sector have long history that can be traced from the time of NUWA, City Water and now DAWASCO. This makes it difficult to obtain reliable data and evidence useful in reaching amicable settlement. 99% of all complaints received from the water sector originated from Dar es Salaam, Kibaha and Bagamoyo residents.

7.2.2 Dispute Settlement

During the period under review, the Authority considered one dispute and issued its Order in the form of an Award.

7.3 Litigations

During the period under review, EWURA was a party to various litigations in different courts of law. EWURA was a party to a suit commenced at the Resident Magistrate Court of Morogoro at Morogoro in October, 2008, that was instituted by two petroleum retail operators viz., Abdulatif Nahd and Mohamed Twalib. The suit was later on withdrawn at the instance of the plaintiffs (Abdulatif Nahd and Mohamed Twalib). EWURA was also a party to two appeals which were lodged at the Fair Competition Tribunal in November, 2008, by Mr. Abdulatif Nahd and Mohamed Twalib. The two appeals are still pending at the tribunal. At the Fair Competition Tribunal, EWURA was also a respondent in an appeal that was lodged by Songas Limited, which was later on withdrawn at the instance of the appellant (Songas Ltd). The decision to have the appeal formally withdrawn is yet to be made, due to lack of the quorum of members.

EWURA was also a party to two contempt proceedings at the High Court of Tanzania, Dar es Salaam Main Registry, where it appeared as the applicant against Mr. Abdulatif Nahd and Mohamed Twalib as respondents. These proceedings are still pending at the High Court of Tanzania, Dar es Salaam, Main Registry.

8.0 PUBLIC AWARENESS AND OUTREACH PROGRAMME

During the period under review, the Authority continued with its obligation to implement public awareness and outreach programmes. The public awareness campaign was aimed at informing the public on various activities conducted by EWURA on consumers' rights and obligations. The programme was also geared at enhancing public knowledge, awareness and understanding of the regulated sectors.

Public awareness workshops were conducted for more than 1400 people who included media houses personnel, political leaders and business communities. The outreach program included television and radio programmes, press conferences, sensitization meetings and promotional materials.

The Campaign was successful with increased awareness of EWURA activities. This is evidenced by an increase in complaints that were received from Songea, Kibondo, Kigoma and Tunduru regions.

9.0 STAKEHOLDER CONSULTATIONS

Stakeholders' consultation forms part of the Authority's regulatory decision-making process. The Authority's stakeholders include the Government Consumer Consultative Council (CCC), the Government Consultative Council (GCC), regulated entities, the media, and the general public. During the year under review, the Authority undertook several stakeholders' consultations where it received feedback from GCC, CCC and the general public. GCC held a total of nine (9) meetings and CCC conducted twelve (12) meetings. The comments received from these meetings formed part of the inputs that were taken into account in arriving at all the Authority's regulatory decisions.

Activities where stakeholders' consultation was sought include public hearing, processing of licence applications and development of rules and regulations. Some of public consultation activities that were undertaken during the year under review include the following:

- a) public hearing on developing Petroleum Price Formulae;
- b) water tariff adjustments that were held in several regions and urban centers including Iringa, Morogoro, Mwanza and Mbeya;
- c) public hearing on the natural gas expansion project tariff application;
- d) public inquiry on both wholesale and retail petroleum licence applications. This involved advertisements in newspapers and EWURA website seeking public opinions on these applications; and
- e) collaboration with the Tanzania Revenue Authority on curbing petroleum adulteration and Tanzania Bureau of Standards on development of standards and code of practice.

10.0 DECLARATION OF CONFLICT OF INTEREST

During the year under review, there was no incident of conflict of interest for the Board Members and staff.

11.0 CONCLUSION AND FUTURE OUTLOOK

The Authority looks at the future with determination to increase its contribution to national economic development and improvement in the welfare of the general public through quality delivery of regulatory services. It is within this drive that the Authority will tackle the prevailing challenges so as to deliver the expected results. Measures that will be taken to achieve the necessary impact include:

- a) speeding up the process of developing regulatory tools including making rules and standards that all players in the regulated sectors must adhere to;
- b) ensuring that all regulated suppliers in the country are licensed and operate in observance of the required standards, rules and regulations governing their respective industry in the country;
- c) developing regulatory monitoring systems for all regulated sectors to ensure timely availability of sufficient and accurate information;
- d) conducting capacity building activities for the Authority's human resources in technical, managerial as well as regulatory skills, in order to execute regulatory duties effectively and efficiently; and
- e) continuing to play a strong supporting role in the development of the remaining gas sector legislation which is a tool for effective sector regulation.

12.0 FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2009

REPORT OF THE CONTROLLER AND AUDITOR GENERAL

THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE



REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 2009

The Controller and Auditor General,
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DAR ES SALAAM

January, 2010

EWURA/2010

**Office of the Controller and Auditor General
National Audit Office
The United Republic of Tanzania**

(Established under Article 143 of the Constitution of the URT)

The statutory duties and responsibilities of the Controller and Auditor General are given under Article 143 of the Constitution of the URT of 1977 (revised 2005) and further elaborated under Sect. 10 (1) of the Public Audit Act No 11 of 2008.

Vision

To be a centre of excellence in public sector auditing.

Mission

To provide efficient audit services to enhance accountability and value for money in the collection and use of public resources.

In providing quality services NAO is guided by the following Core Values:

- ✓ **Objectivity:** We are an impartial organization, offering services to our clients in an objective and unbiased manner;
- ✓ **Excellence:** We are professionals providing high quality audit services based on best practices;
- ✓ **Integrity:** We observe and maintain high standards of ethical behaviour and the rule of law;
- ✓ **People focus:** We focus on stakeholders needs by building a culture of good customer care and having competent and motivated work force;
- ✓ **Innovation:** We are creative organization that constantly promotes a culture of developing and accepting new ideas from inside and outside the organisation; and
- ✓ **Best resource utilization:** We are an organisation that values and uses public resources entrusted to it in efficient, economic and effective manner.

We do this by:-

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
 - Helping to improve the quality of public services by supporting innovation on the use of public resources;
 - Providing technical advice to our clients on operational gaps in their operating systems;
 - Systematically involve our clients in the audit process and audit cycles; and
 - Providing audit staff with adequate working tools and facilities that promote independence.
- © **This audit report is intended to be used by Government Authorities. However, upon receipt of the CAG report by the Speaker and once tabled in Parliament, the report becomes a matter of public record and its distribution may not be limited.**

REPORT OF THE DIRECTORS FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2009

1.0 INTRODUCTION

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2009, which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

2.0 ESTABLISHMENT

The Energy and Water Utilities Regulatory Authority (EWURA) is an autonomous statutory body established under the Energy and Water Utilities Regulatory Authority Act, Cap 414 of the Laws of Tanzania (EWURA Act). Although EWURA was established in November, 2005, through Government Notice No. 19 of February, 2006, it became operational in June, 2006 when the Board of Directors was fully established.

3.0 PRINCIPAL ACTIVITIES

EWURA is a world class regulatory authority responsible for the technical and economic regulation of the electricity, petroleum, natural gas and water sectors in Tanzania. The functions of the Authority include, among others, licensing, tariff review, and monitoring performance and standards with regard to quality, safety, health and environment of the regulated suppliers.

4.0 BOARD MEMBERS

The Board members who served the Authority during the period are as follows:

Name	Status	Date of Appointment	Nationality
Mr Simon F. Sayore	Chairman	Appointed 1 June, 2006	Tanzanian
Eng. Robert M. A. Swere	Deputy Chairman	Appointed 1 January, 2006	Tanzanian
Eng. Nerei Msimbira	Member	Appointed 1 January, 2006	Tanzanian
Ms Lucy H. Sondo	Member	Appointed 1 June, 2006	Tanzanian
Eng. Vincent T. Gondwe	Member	Appointed 1 January, 2006	Tanzanian
Mr. George M. J. Nchwali *	Member	Appointed 1 January, 2006	Tanzanian
Mr. Haruna Masebu	Director General	Appointed 1 January, 2006	Tanzanian

Key: * His term expired on 31 December, 2008

5.0 STATEMENT OF DIRECTORS' RESPONSIBILITIES

These financial statements have been prepared by the Management of the Energy and Water Utilities Regulatory Authority in accordance with the provision of section 46 of the EWURA Act and section 25(4) of the Public Finance Act (No. 6) of 2001. The Directors of EWURA are responsible for establishing and maintaining a system of effective internal control designed to give reasonable assurance that the transactions recorded in the accounts are within the statutory requirements and that they contain the receipts and use of resources by the Authority.

The Directors of EWURA are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Authority, and which enable them to ensure that the financial statements comply with the EWURA Act. They are also responsible for safeguarding the assets of EWURA and hence for taking reasonable steps for the prevention and detection of fraud, error and other irregularities.

The Directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgement and estimates have been made in the preparation of the financial statements for the year ended 30 June, 2009. The Directors also confirm that International Financial Reporting Standards have been followed and that the financial statements have been prepared on the going concern basis.

To the best of our knowledge, the internal control system has operated adequately throughout the reporting period and the accounting and underlying records provide a reasonable basis for the preparation of the financial statements for the year ended 30 June, 2009.

We accept responsibility for the integrity of the Financial Statements, the information they contain, and their compliance with International Financial Reporting Standards.

6.0 OPERATIONAL AND FINANCIAL PERFORMANCE

During the year under review, the Authority witnessed significant achievements in mobilisation of financial and non-financial resources, preparation of the legal framework, licensing, development of rules, standards and codes, tariff review for regulated services, monitoring regulated services, public awareness, and institutional development in terms of working facilities and equipment, recruitment and capacity building of staff.

6.1 Financing

The Authority's operations are financed mainly through collection of levies from regulated service providers in the electricity, petroleum, natural gas and water sectors. Other sources of financing include the Government Grant from the Privatisation and Private Sector Development Project (PPSDP) of the World Bank and Water Sector Development Programme under the Ministry of Water and Irrigation. During the year under review flow of funds to the Authority amounted to TZS 11.67 billion indicating a 37% increase when compared to the previous year as shown in the table below.

Description	Increase %	Amount for the Year Ended 30 th June, 2009	Amount for the Year Ended 30 th June, 2008
		TZS'000	TZS'000
Income from Regulatory Levy and Licenses	27	8,808,491	6,956,860
Operating Grant	85	2,517,690	1,361,466
Other Income	76	344,550	196,238
Total Income	37	11,670,731	8,514,564

6.2 Strategic Objectives

During the year, EWURA focused on the implementation of its Strategic Objectives which guide the Authority to achieve its vision, champion good governance and facilitate the attainment of vibrant and thriving energy and water sectors in Tanzania. The Strategic Objectives are as follows:

- to have a well managed and effective organisation by June, 2010;
- to have a well developed regulatory information systems by June 2011;
- to have enhanced public knowledge, awareness and understanding of the regulatory functions and the regulated sectors by June, 2011;
- to have improved availability and quality of regulated service to customers by 2011; and
- to have an effective intervention strategy against HIV/AIDS for enhanced productivity by June, 2010.

6.3 Legal Framework

The EWURA Act governs the activities of the Authority. Currently, EWURA regulates the relevant sectors pursuant to the EWURA Act and sector legislation. During the year under review, the Authority played a strong supporting role in the development and enactment of the Water and Sanitation Act, 2009, drafting of the Gas Bill, Petroleum Regulations, and Electricity Regulations.

The Authority shall continue to play a key role in supporting the Government in drafting the Water Supply and Sanitation Regulations and finalization of the Petroleum Regulations and Electricity Regulations. In addition, efforts shall continue to support the development and enactment of the remaining Gas Supply Bill. It is imperative that the sector legislation be enacted to enable the Authority to effectively execute its legal regulatory obligations in the gas sector.

6.4 Licensing

The Authority's long term objective is to licence all regulated activities under its jurisdiction. During the year under review, the Authority has prepared and issued licences to some regulated suppliers operating in the regulated sectors. The table below summaries the status of licensing in EWURA regulated sectors as at 30 June, 2009.

Sector	Entities	Licences			
		Applied	Referred Back	Granted	In Process
Electricity	12	13	0	4	9
Contractors and Wiremen	NA	167	5	150	12
Petroleum	1,000+	1,098	0	418	680
Natural Gas	6	1	0	0	1
Water	124	20	0	20	0

Pending applications are due to requirements of the licensing process which involves inspection of facilities, consideration of environmental issues and submission of required information.

6.5 Establishment of Rules

The Authority continued with the task of finalising the preparation and issuing the rules initiated during the previous year and developing new ones. During the period under review, the preparation of the following rules were completed:

- The EWURA (Licensing) Rules, 2008;
- The EWURA (Consumer Complaints and Settlement Procedure) Rules, 2008;
- The EWURA (Petroleum Products Sampling and Testing) Rules, 2008;
- The EWURA (Collection of Fees and Levies) Rules, 2008;
- The EWURA (Petroleum Wholesale Operations) Rules, 2008;
- The EWURA (Petroleum Retail Operations) Rules, 2008; and
- The EWURA (Petroleum Products Price Setting) Rules, 2009.

The process of developing rules is governed by principles of good governance which require the collection of comments from interested parties and holding hearings and workshops. The process of developing rules and procedures is an ongoing one.

6.6 Standards and Codes

During the period under review, the Authority began the process of developing new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. This process involves Tanzania Bureau of Standards (TBS), service providers, academic institutions, and other stakeholders.

6.7 Tariff Review

The Authority carried out public inquiries and public hearings to determine several tariff review matters filed by regulated suppliers. Summary of public inquiries and tariff reviews conducted during the year is shown below:

Sector	Entities	Tariff Matters			
		Applied	Referred Back	Granted	In Process
Electricity	12	4	2	2	0
Petroleum	1,000+	NA	NA	NA	NA
Natural Gas	6	7	3	2	2
Water	124	33	2	30	1
Total		44	7	34	3

In all cases, the legal requirement of taking the views of both consumers and service providers into account were respected when determining the new rates.

6.8 Sector Monitoring

During the year, the Authority conducted performance monitoring in the activities of regulated service providers in all of the regulated sectors, both at the time that the licensee applies for a tariff revision and at regular intervals. Key objectives include the following:

- to promote effective competition and economic efficiency;
- to protect the interest of the consumers and financial viability of efficient service providers;
- to promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers; and
- to protect and preserve the environment.

In the petroleum sector, there is a rampant practice of mixing low priced petroleum products with high-priced products such as mixing diesel with kerosene or condensate. The negative impact of this practice includes shortening of the lifespan of motor vehicles and equipment, air pollution and reduction of government revenue due to the substitution of product volumes. The Authority conducted routine quality monitoring to ensure that service providers trade the right quality products. Some of the results of performance monitoring activities are as follows:

- The Authority disallowed portions of tariff increase in electricity, gas and water sectors.
- 234 petrol stations were inspected and 138 (that is 59%) were found to have adulterated products and appropriate penalties were instituted to ensure that they trade the right quality products.
- Global oil price fluctuations meant more challenges to the Authority in mitigating the impact of the oil price on the Tanzanian economy. With effect from January, 2009, the Authority instituted economic regulation in the downstream petroleum sub-sector following the public inquiry that was held in December, 2008. Consequently the Authority started publishing price caps in addition to indicative oil pump prices across the country after every two weeks.

6.9 Public Awareness

The Authority conducted public hearings on tariff matters in the Ruvuma, Iringa, Mbeya and Mwanza regions. In addition, the media consistently covered EWURA's public activities whenever and wherever they were held. Media activities include advertisement, documentary, press conferences and TV programmes.

6.10 Complaints and Disputes

The number and quality of complaints received and resolved is a measure of public awareness, performance of regulated service providers, and effectiveness of the regulator. EWURA attends to complaints against a supplier of regulated goods or services in relation to any matter connected with the supply, possible supply or proposed supply of goods or services.

As at 30 June, 2009, EWURA had received a total of 120 complaints, out of which 61 were resolved amicably, one complaint reached the Board level and an Award was issued. 58 complaints were at different stages of resolution. The summary is shown below:

Complaints	Fuel	Electricity	Water & Sewerage	Total
Received	33	34	53	120
Resolved	23	12	27	62
In Progress	10	22	26	58

During the year under review, there were no disputes filed for resolution by the Authority.

7.0 RECRUITMENT

The Authority's recruitment policy is to provide equal opportunity for all. The Authority employs the most appropriate candidate available in a transparent manner to ensure that the public receives quality service. During the period under review, the Authority recruited 14 staff bringing the total number of staff to 67 out of 87 required under the current establishment. Out of the 14 staff recruited, two replacements were made for the positions of Principal Procurement Officer and Finance and Administration Manager. Staff gender structure is indicated below:

Item	Male	Female	Total
Staff Recruited	46	21	67
Percentage	69%	31%	100%

When fully fledged, EWURA will have about 87 highly qualified and motivated professionals coming from both the public and private sectors, thus bringing in wide variety of experiences. For all positions filled, public job advertisements with formal competitive selection procedures were followed.

8.0 STAFF WELFARE

8.1 Staff Relations

Good relationship between employees and Management of the Authority was observed during the period under review.

8.2 Capacity Building

It is the Authority's policy to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the period under review, Board Members and senior Management attended general courses on Public Utility Regulation and Strategy, specialised courses in regulating electricity, water, International Petroleum Management Certificate, contract management and training on Regulatory Impact Assessment.

In addition, the Authority organised study tours and field attachments on regulatory best practices which included fact finding mission on the implementation of Bulk Procurement System for petroleum products in Tanzania, pricing of petroleum products and regulation of natural gas.

Middle level and support staff attended regional and local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance. In addition, EWURA subscribed and participated mainly in the activities of three International Associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR)

and Energy Regulators Association of East Africa (EREA). The main objective was to exchange regulatory experiences internationally and within the region, and allow EWURA to have access to information necessary for regulation and performance benchmarking.

8.3 Medical Services

The Authority provides free medical care to all staff, spouses and up to four children not exceeding 18 years of age. The Authority commits funds sufficient to cater for evacuation of staff and overseas treatment, where necessary. During the year under review, there were no cases for overseas treatment and, therefore, the Authority incurred medical costs for local treatment only.

9.0 PERSONS WITH DISABILITIES

The Authority gives equal opportunities to persons with disabilities.

10.0 CORPORATE SOCIAL RESPONSIBILITY

In recognition of its corporate social responsibility, the Authority contributed TZS four million to support trust fund facilitating environment protection, orphanage project and media day. The involvement of the Authority in corporate social responsibilities enhances its value and improves its image to the public.

11.0 SOLVENCY

Since establishment, the Authority has never sought financing through leverage or sources other than those specified under the EWURA Act. The Directors consider the Authority to be solvent on the basis of its working capital of TZS 3.61 billion as at 30 June, 2009, and net cumulative surplus of TZS 1.64 billion as at the end of the year under review.

12.0 AUDITORS

The Controller and Auditor General is the statutory auditor of the Energy and Water Utilities Regulatory Authority by the virtue of Article 143 of the Constitution of the United Republic of Tanzania as amplified under Section 9 of the Public Audit Act, (No.11) of 2008. However, in accordance with Section 33 of the same Act, M/s. MEKONSULT was authorized to carry out the audit of the Energy and Water Utilities Regulatory Authority for the year ended 30 June, 2009, on behalf of the Controller and Auditor General.

BY ORDER OF THE BOARD



CHAIRMAN

20 JAN 2010

Date



DIRECTOR GENERAL

20 JAN 2010

Date

AUDIT REPORT AND FINANCIAL STATEMENTS

**TO: Chairman of the Board,
Energy and Water Utilities Regulatory Authority,
P.O. Box 72175,
Dar es Salaam.**

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE ENERGY AND WATER UTILITIES REGULATORY AUTHORITY FOR THE YEAR ENDED 30TH JUNE, 2009

I have audited the attached financial statements on page 65 to 75 of the Energy and Water Utilities Regulatory Authority which comprise of the Statement of Financial Position as at 30th June 2009 and the related Statement of Comprehensive Income, Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes set out on pages 69 to 75. Those statements have been prepared under the historical cost conversion and the accounting policies set out on pages 69 and 70.

Responsibility of the Board of Directors

The responsibility for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards rests with the Directors of EWURA as provided for under section 46 of EWURA Act, Cap. 414. The responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor General

My responsibility is to form and issue an independent opinion on these financial statements based on my audit. According to the provisions of the Public Finance Act, 2001 (as amended 2004), my specific responsibilities are to examine, inquire into, audit and report on the accounts of the Authority as well satisfy myself that the accounts of the Authority have been kept in accordance with generally accepted accounting principles. Furthermore, I am required under the provisions of Public Procurement Act, 2004 to state whether or not the Authority has complied with the provisions of the Act and its regulations.

Basis of the Opinion

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement whether caused by fraud, error or other irregularities. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements.

The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatements. The auditor considers internal controls relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Authority's internal controls. An audit also includes an assessment of the significant estimates and judgments made by the directors in the preparation and overall presentation of the financial statements and whether the accounting policies are appropriate to the circumstances, consistently applied and adequately disclosed.

I have obtained all the information and explanations I considered necessary for the purpose of my audit and I believe that my audit provides a reasonable basis for my opinion.

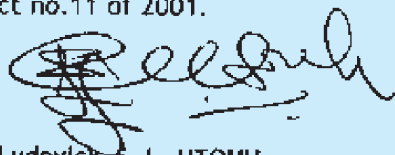
Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Energy and Water Utilities Regulatory Authority as at 30th June 2009 and its surplus, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Compliance with Procurement Legislation and Other Legal and Regulatory Requirements

In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that the Energy and Water Utilities Regulatory Authority has generally complied with the requirements of the Public Procurement Act (No.21) of 2004 together with its related Regulations of 2005. The financial statements have been properly prepared in accordance with the requirements of the Energy and Water

Utilities Regulatory Authority Act no.11 of 2001.



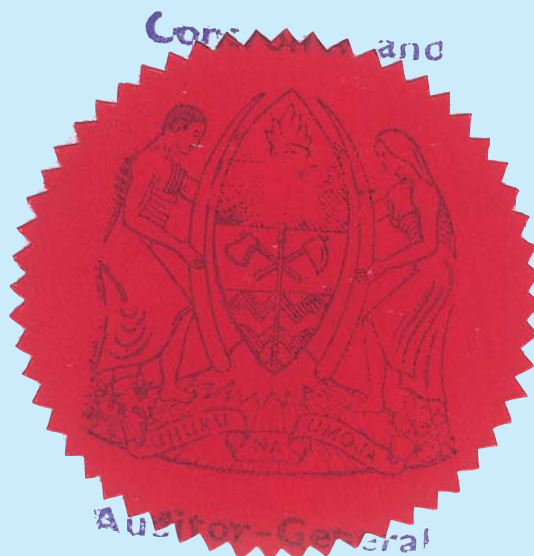
Ludovick S. L. UTOUH

CONTROLLER AND AUDITOR GENERAL

National Audit Office

Dar es Salaam

Date February 2010



STATEMENT OF COMPREHESIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2009

	NOTES	Year Ended 30 June 2009 <u>TZS'000</u>	Year Ended 30 June 2008 <u>TZS'000</u>
Income			
Operating Revenue	2	8,808,491	6,964,965
Operating Grant		2,517,690	1,361,466
Other Income	3	<u>399,566</u>	<u>200,264</u>
Total Income		<u>11,725,747</u>	<u>8,526,695</u>
Expenditure			
Staff Costs	4	3,213,766	2,290,507
Operating Expenditure	5&6	5,200,763	4,000,889
Administration Costs	7	1,268,471	862,160
Financial and Other Charges	8	108,755	31,367
Depreciation and Amortisation	10	<u>258,980</u>	<u>226,112</u>
Total Expenditure		<u>10,050,735</u>	<u>7,411,035</u>
Surplus for the Year	9	1,675,013	1,115,660
Add: Surplus Brought Forward		<u>1,223,122</u>	<u>507,462</u>
Total Surplus Before Appropriation		<u>2,898,135</u>	<u>1,623,122</u>
Appropriation:			
Building Fund		1,000,000	400,000
Capital Expenditure Commitments		<u>965,149</u>	<u>-</u>
Total Appropriation		<u>1,965,149</u>	<u>400,000</u>
Retained Surplus		<u>932,986</u>	<u>1,223,122</u>

The Notes on pages 69 to 75 form an integral part of these financial statements.

BY ORDER OF THE BOARD



CHAIRMAN

20 JAN 2010

Date



DIRECTOR GENERAL

20 JAN 2010

Date

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2009

	NOTES	As at 30 June 2009 <u>TZS'000</u>	As at 30 June 2008 <u>TZS'000</u>
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	10	495,360	570,858
Intangible Assets	10	<u>15,586</u>	<u>31,173</u>
Total Non-Current Assets		<u>510,946</u>	<u>602,031</u>
Current Assets			
Stocks and Consumables		40,075	16,291
Staff Loans and Advances	11	558,235	550,233
Prepayments	12	587,323	465,114
Debtors	13	24,318	-
Cash and Bank Balances	14	<u>4,607,391</u>	<u>1,418,205</u>
Total Current Assets		<u>5,817,342</u>	<u>2,449,842</u>
TOTAL ASSETS		<u>6,328,288</u>	<u>3,051,873</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		932,986	1,223,122
Building Fund		1,400,000	400,000
Capital Expenditure Commitments		965,149	-
Government Fund from PPSDP Credit		<u>876,332</u>	<u>876,332</u>
Total Capital and Reserves		<u>4,174,467</u>	<u>2,499,454</u>
Current Liabilities			
Trade Creditors		536,601	132,877
Other Creditors and Accruals	15	<u>1,617,220</u>	<u>419,542</u>
Total Current Liabilities		<u>2,153,821</u>	<u>552,419</u>
TOTAL EQUITY AND LIABILITIES		<u>6,328,288</u>	<u>3,051,873</u>

The Notes on pages 69 to 75 form an integral part of these financial statements.

BY ORDER OF THE BOARD



CHAIRMAN

20 JAN 2010



DIRECTOR GENERAL

20 JAN 2010

Date

Date

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2009

	Capital Fund	Reserves	Surplus	Total
	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
Balance at 1 July 2008	876,332	400,000	1,223,122	2,499,454
Surplus for the Year	-	-	1,675,013	1,675,013
Transfer to Building Fund	-	-	(1,000,000)	(1,000,000)
Transfer to Capital Expenditure Commitments	-	-	(965,149)	(965,149)
Building Fund	-	1,000,000	-	1,000,000
Capital Expenditure Commitments	-	965,149	-	965,149
Balance at 30 June 2009	<u>876,332</u>	<u>2,365,149</u>	<u>932,986</u>	<u>4,174,467</u>

The Authority established a special fund which will be used for construction of office building for its own use. For the year ended 30 June 2009, an amount of TZS 1,000,000,000 was appropriated to the Building Fund.

At the end of the year under review, the Authority had commitment on capital expenditure amounting to TZS 965,149,229. Respective tenders were in progress in accordance with the requirement of the Public Procurement Act (No. 21) of 2004.

The Notes on pages 69 to 75 form an integral part of these financial statements.

BY ORDER OF THE BOARD



CHAIRMAN

20 JAN 2010

Date



DIRECTOR GENERAL

20 JAN 2010

Date

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2009

	30 June 2009	30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Cash Flow From Operating Activities:		
Operating Surplus for the Period	1,675,013	1,115,660
Adjustments for:		
Depreciation	<u>258,980</u>	<u>226,112</u>
Operating Surplus Before Working Capital Changes	1,933,993	1,341,772
Changes in Working Capital Items:		
Increase in Stocks and Consumables	(23,784)	(8,351)
Increase in Debtors and Prepayments	(154,529)	(931,206)
Increase in Creditors	<u>1,601,395</u>	<u>47,128</u>
Cash Flows From Operating Activities	3,357,075	449,343
Cash Flows From Investing Activities		
Acquisition of Equipment	(167,889)	(138,857)
Adjustments on Acquisition of Equipment	<u>-</u>	<u>17,236</u>
Net Cash Flows from Investing Activities	(167,889)	(121,621)
Cash Flows from Financing Activities		
PPSDP Credit	<u>-</u>	<u>(17,236)</u>
Net Cash Flows from Financing Activities	<u>-</u>	<u>(17,236)</u>
Net Increase in Cash and Cash Equivalents	3,189,186	310,486
Cash and Cash Equivalents at 1 July 2008	<u>1,418,205</u>	<u>1,107,719</u>
Cash and Cash Equivalents at 30 June 2009	<u>4,607,391</u>	<u>1,418,205</u>

The Notes on pages 69 to 75 form an integral part of these financial statements.

BY ORDER OF THE BOARD



CHAIRMAN

20 JAN 2010

Date



DIRECTOR GENERAL

20 JAN 2010

Date

NOTES ON THE FINANCIAL STATEMENTS

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

a) Basis of Preparation

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Tanzanian shillings (TZS), rounded to the nearest thousand, and are prepared under the historical cost convention. No adjustments have been made for inflationary factors affecting the accounts.

b) Revenue Recognition

The Annual Levy Policy

Revenue from the annual levy is recognised when received. This is in accordance with the requirement of International Accounting Standard (IAS) 18, since the amount of annual levy due from each regulated supplier cannot be assessed or measured reliably.

Donor and Government Funds

Funds from the World Bank and Government are reported as Operating Grant and recognized as income in the year received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

Other Income

Other sources of revenue are recognised and accounted for as income to the Authority on receipt basis.

c) Property and Equipment

Items of property and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on a straight line method to write off the cost of assets over their estimated useful lives. Full year depreciation is charged on the asset in the year of acquisition irrespective of the date of acquisition, while no depreciation is charged during the year of disposal. The annual rates applied are:

Category of Assets	Rate per Annum (%)
Leasehold Improvement	20
Technical Equipment	12 ½
Motor Vehicles	20
Furniture and Fittings	12 ½
Office Equipment	12 ½
Computers	33 ⅓

d) Financial Assets and Liabilities

The Authority classifies its financial assets in accordance with the disclosure requirements of IFRS 7.

The following categories were held by the Authority at the year end:

(i) Staff Advances

Advances to staff are non-derivative financial assets with fixed or determined payment terms. They arise when the Authority provides temporary loans directly to staff.

(ii) Creditors

Creditors are non-derivative financial liabilities with fixed or determined payment terms. They arise when the Authority receives services on credit directly from the service providers.

e) Foreign Currency Translation

(i) Functional and Presentation Currency

The financial statements are presented in Tanzanian Shillings, which is the Authority's functional and presentation currency.

(ii) Transactions and Balances

Foreign currencies are translated into Tanzanian Shillings using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of the monetary assets and liabilities denominated in foreign currencies are recognised in the income and expenditure accounts for the period in which they arise.

f) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand and cash at bank.

g) Retirement Benefits

The Authority contributes to statutory defined pension contribution plans for its employees at the rate of 10% of basic salary to either the Parastatal Pension Fund (PPF) or the National Social Security Fund (NSSF).

In addition, the Authority sets aside 15% of employee's last basic salary as gratuity payable at the end of the contract.

h) Comparatives

Where necessary comparative figures have been adjusted to conform to changes in the current presentation.

2. OPERATING REVENUE

	Year Ended 30 June 2009	Year Ended 30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Regulatory Levy		
Electricity	2,632,725	2,869,599
Petroleum	5,177,327	3,576,398
Natural Gas	621,688	138,361
Water and Sewerage	313,858	213,567
Total Regulatory Levy Income	8,745,598	6,797,925
License Fees		
Electricity	728	63,371
Electricity Contractors and Wiremen	13,812	12,463
Petroleum	25,500	9,300
Water and Sewerage	-	100
Total License Fees Income	40,040	85,234
Application Fees		
Electricity	1,454	556
Petroleum	21,100	81,250
Natural Gas	200	-
Water and Sewerage	100	-
Total Application Fees Income	22,854	81,806
Total Operating Revenue	8,808,491	6,964,965

3: OTHER INCOME

Sale of Tender Documents	9,550	2,225
Interveners Fees	-	39
Profit on Exchange	55,016	-
Penalties from Petroleum Adulteration	<u>335,000</u>	<u>198,000</u>
Total Other Income	<u>399,566</u>	<u>200,264</u>

4: STAFF COSTS

	Year Ended 30 June 2009 <u>TZS'000</u>	Year Ended 30 June 2008 <u>TZS'000</u>
Salaries	1,959,935	1,496,096
Gratuity Expenses	493,285	224,409
Pension Employer's Contribution	203,997	150,634
Skills and Development Levy	118,698	89,660
Medical Expenses	38,407	54,436
Other Staff Costs	<u>399,444</u>	<u>275,272</u>
TOTAL	<u>3,213,766</u>	<u>2,290,507</u>

5: OPERATING EXPENSES

Capacity Building	1,280,399	1,515,472
Technical Review Meetings Expenses	86,122	110,459
Field and Inspection Expenses	815,626	176,758
Public Inquiries	309,240	425,156
Government Consultative Council Expenses	167,669	147,140
Consumer Consultative Council Expenses	641,989	330,527
Standard Review Expenses	-	16,280
Public Awareness Program	408,936	295,031
Advertisement Expenses	106,855	141,606
Consultancy Expenses	409,669	-
Membership Contribution, Books and Periodicals	28,569	41,182
International Conferences Expenses	205,185	334,724
RERA Annual Conference Expenses	62,573	6,843
Regional Cooperation Meetings	167,161	-
Local Travel Expenses	118,036	97,015
Motor Vehicle Fuel Expenses	35,640	30,538
Motor Vehicle Repairs and Maintenance	37,763	40,754
Car Hiring Expenses	5,897	-
Maintenance of Computer Hardware	14,755	7,283
Maintenance of Computer Software	10,598	19,805
Maintenance of Other Office Equipment	7,476	4,784
Wiremen Licensing Activities	16,444	12,477
Directors Fees	21,500	21,500
Board Expenses	<u>242,719</u>	<u>225,555</u>
TOTAL	<u>5,200,763</u>	<u>4,000,889</u>

6: DIRECTORS FEES

Included in the operational expenses is the Directors Fees amounting to TZS 21,500,000. This was paid to the Board Members at the rates approved by the Minister: Chairman TZS 3,500,000 and other six (6) Members TZS 3,000,000 each per annum.

7: ADMINISTRATIVE COSTS

	Year Ended 30 June 2009	Year Ended 30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Office Rent	766,119	491,177
Telephone, Fax and Internet	130,981	110,152
Stamps and Postages	2,369	1,675
Printing and Stationery	117,877	75,828
Maintenance of Leasehold Property	24,770	4,838
Office General Expenses	45,111	46,165
Entertainment Expenses	18,231	-
Corporate Social Responsibilities	4,000	3,000
Audit Fees	32,460	59,560
Tender Board Expenses	120,693	69,765
Editorial Board Expenses	<u>5,860</u>	<u>-</u>
TOTAL	<u>1,268,471</u>	<u>862,160</u>

8: FINANCIAL AND OTHER CHARGES

Insurance Charges	2,922	613
Legal Fees	88,444	24,054
Bank Charges	13,810	6,700
Loss on Exchange Rates	<u>3,578</u>	<u>-</u>
TOTAL	<u>108,755</u>	<u>31,367</u>

9: SURPLUS FUNDS

The surplus funds of the Authority reported as at 30 June 2009 shall be deposited to a Special Account as per requirement of Section 44 (1) of EWURA Act. In accordance with the Act, funds in the Special Account shall be used only for one or more of the following purposes: consumer education or information projects, special non-recurring projects, budgeted capital expenditure, or major rate regulating inquiries.

10: PROPERTY, PLANT AND EQUIPMENT

	Property and Equipment							Intangible Assets
	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total	Computer Software
Cost	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>	<u>TZS'000</u>
At 1 July, 2008	262,480	6,190	307,053	67,957	100,318	224,431	968,429	46,760
Purchases for the Year	<u>74,475</u>	<u>-</u>	<u>-</u>	<u>20,319</u>	<u>42,903</u>	<u>30,192</u>	<u>167,889</u>	<u>-</u>
At 30 June, 2009	<u>336,955</u>	<u>6,190</u>	<u>307,053</u>	<u>88,276</u>	<u>143,221</u>	<u>254,623</u>	<u>1,136,318</u>	<u>46,760</u>
Depreciation								
At 1 July, 2008	104,992	880	122,821	15,432	22,972	130,475	397,572	15,587
Charge for the Year	<u>67,391</u>	<u>774</u>	<u>61,411</u>	<u>11,035</u>	<u>17,903</u>	<u>84,874</u>	<u>243,388</u>	<u>15,587</u>
At 30 June, 2009	<u>172,383</u>	<u>1,654</u>	<u>184,232</u>	<u>26,467</u>	<u>40,875</u>	<u>215,349</u>	<u>640,960</u>	<u>31,174</u>
Net Book Value								
As at 30 June, 2009	<u>164,572</u>	<u>4,536</u>	<u>122,821</u>	<u>61,809</u>	<u>102,346</u>	<u>39,274</u>	<u>495,358</u>	<u>15,586</u>
Net Book Value								
As at 30 June, 2008	<u>157,488</u>	<u>5,310</u>	<u>184,232</u>	<u>52,525</u>	<u>77,346</u>	<u>93,956</u>	<u>570,857</u>	<u>31,173</u>

11: STAFF LOANS AND ADVANCES

This comprises of staff revolving loans, salary advances and imprest. Summary position of staff loans/advances as at 30 June 2009 is shown below:

	As at 30 June 2009 <u>TZS'000</u>	As at 30 June 2008 <u>TZS'000</u>
Staff Revolving Loans	524,907	524,278
Salary Advances	24,750	14,080
Staff Loan for Recovery of Un-deducted Pension	-	3,923
Imprest	<u>8,578</u>	<u>7,952</u>
TOTAL	<u>558,235</u>	<u>550,233</u>

12: PREPAYMENTS

This comprises of advance payment in respect of office rent, insurance expenses and acquisition of ICT equipment. Summary position of prepayments as at 30 June 2009 is shown below:

	30 June 2009	30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Prepaid Office Rent	536,887	465,114
Prepaid Insurance Expenses	20,173	-
Acquisition of ICT Equipment	<u>30,263</u>	<u>-</u>
TOTAL	<u>587,323</u>	<u>465,114</u>

13: DEBTORS

The amount of TZS 24,317,920 comprised of RERA Annual Conference expenses which had not been settled as at 30 June 2009.

14: CASH AND CASH EQUIVALENT

	30 June 2009	30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Regulatory Levy	2,620,000	-
Fixed Deposit Account	928,579	374,986
NBC Current account	3,077	-
CRDB Saving Accounts	1,009,912	1,013,435
CRDB Current Accounts	<u>45,823</u>	<u>29,784</u>
Foreign Bank Account	<u>4,607,391</u>	<u>1,418,205</u>
Total		

15: CREDITORS AND ACCRUALS

	30 June 2009	30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
Gratuity Payable	825,149	353,955
Audit Fees	32,460	59,560
Salary Payable	-	33
Pension Contribution Payable	1,803	5,994
Deferred Income	<u>757,808</u>	<u>-</u>
Total	<u>1,617,220</u>	<u>419,542</u>

The Authority contributes to the approved pension contribution plans for its employees at the rate of 10% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF). As at 30 June 2009, some of the Authority's new employees had not identified their respective pension fund and therefore TZS 1,803,442.80 was outstanding. Contributions to these funds are recognised as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of 15% of employee's last basic salary per month on income statement and maintains gratuity payable account for future payment to staff. As at 30 June 2009, total gratuity payable was TZS 825,148,565.81 as shown below:

STATEMENT OF CHANGES IN GRATUITY PAYABLE PROVISION AS AT 30 JUNE 2009

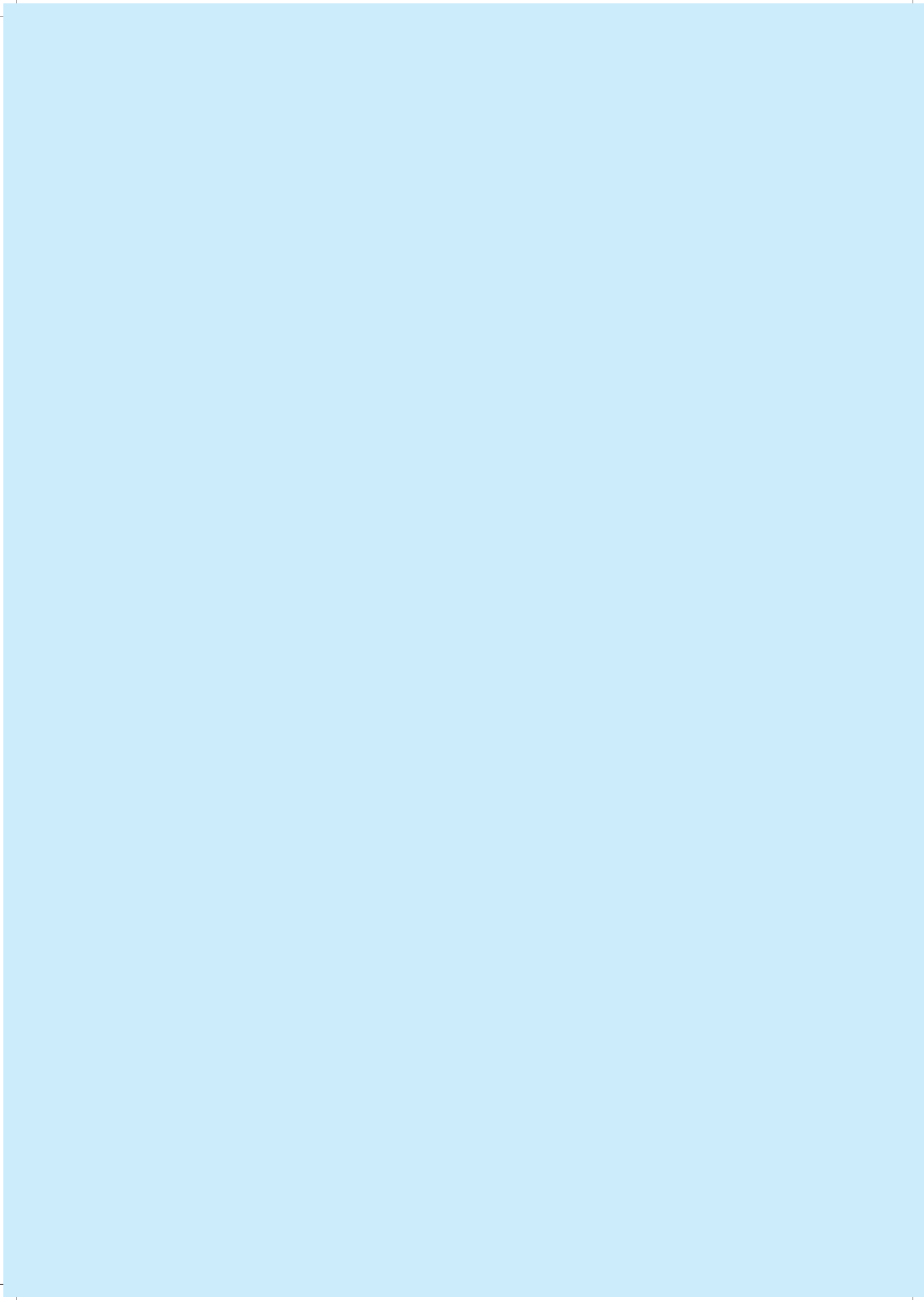
Gratuity Payable	30 June 2009	30 June 2008
	<u>TZS'000</u>	<u>TZS'000</u>
At 1 July 2008	353,955	137,873
Charge for the Year	490,214	224,409
CCC Charge for the Year	3,071	3,765
Released During the Year	<u>(22,091)</u>	<u>(12,092)</u>
Balance at 30 June 2008	<u>825,149</u>	<u>353,955</u>

Deferred Income

Included in the creditors and accruals is the deferred income amounting to TZS 757,807,895 which comprise of fund amounting to TZS 613,678,144 received from World Bank for payment of office rent and TZS 144,129,751 from WSDP Project in the Ministry of Water and Irrigation for acquisition of motor vehicle for the Authority and capacity building for Urban Water Authorities.

16: CONTINGENT LIABILITIES

As at 30 June 2009 the Authority had no contingent liabilities.



Energy and Water Utilities Regulatory Authority

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