

THE UNITED REPUBLIC OF TANZANIA



**ANNUAL REPORT FOR THE YEAR ENDED
30TH JUNE, 2011**

FEBRUARY, 2012

Energy and Water Utilities Regulatory Authority

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LETTER OF TRANSMITTAL



Hon. Prof. Mark James Mwandosya (MP),
Minister for Water,
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, 2011.

The report outlines the major activities accomplished by the Authority during the year under review.

I submit.



Mr Simon F. Sayore
Chairman, EWURA Board of Directors

15th February, 2012

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) is 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 fifth year of operation since its establishment.

Objectives

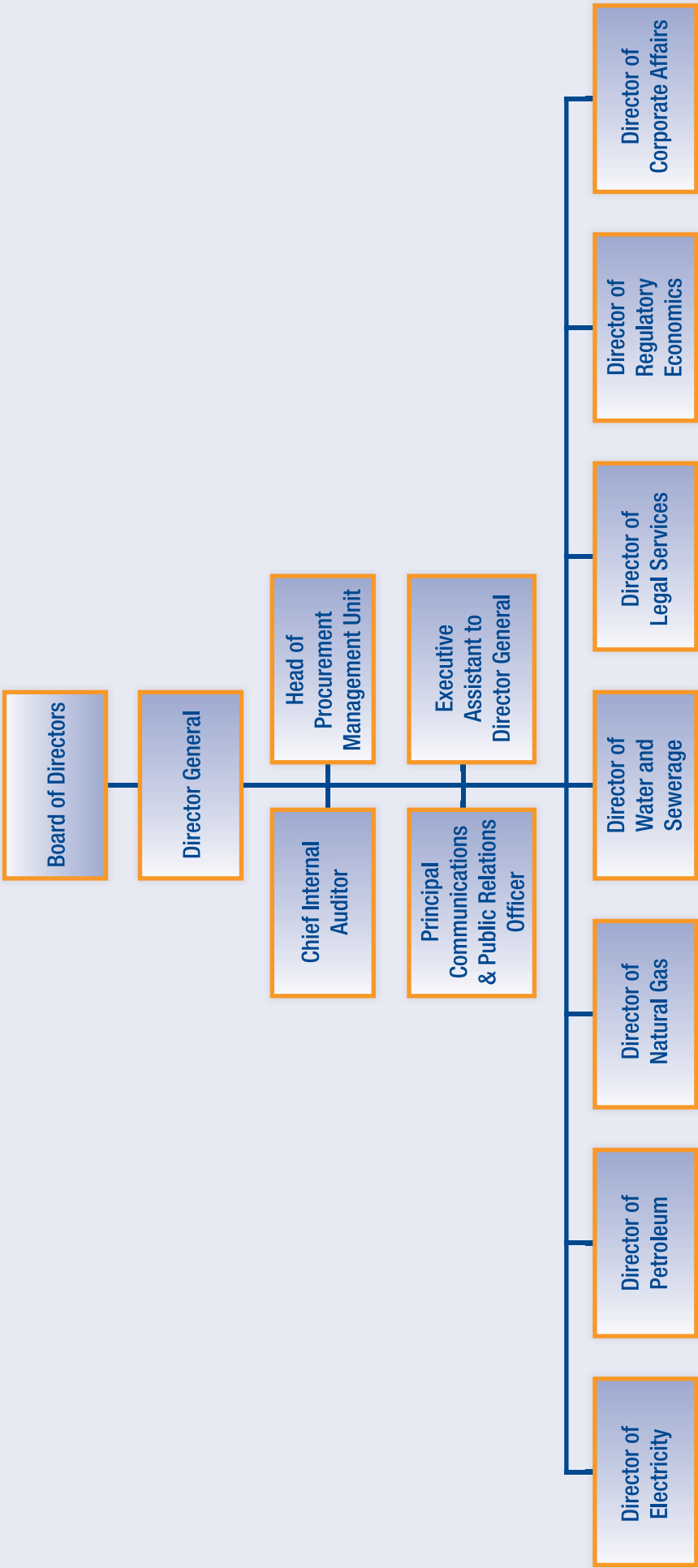
The Authority is determined to increase its contribution to national economic development and improve the welfare of the general public through delivery of regulatory services. It is within this drive that the Authority has set out five objectives with a view to enabling it to address imminent and medium-term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

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

Organisation Structure

The Authority adopted a 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 the top decision-making body, Director General and seven Divisions headed by Directors. There are also heads of units who report directly to the Director General, namely Chief Internal Auditor, Head of Procurement Management Unit and Principal Communications and Public Relations Officer as shown in the structure below.

ORGANISATION CHART



BOARD OF DIRECTORS



Mr. Simon Sayore
Chairman from 27th June, 2011



Mr. Omar Bendera
Member



Dr. Geoffrey Mariki
Deputy Chairman



Ms Lucy Sondo
Member



Mr. Haruna Masebu
Member



Ms. Juliana Mwalongo
**Member from
1st March, 2011**



Mr. Nicholas Mbwangi
**Member from
1st March, 2011**

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is my pleasure to present the fifth Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June, 2011.

As you are aware, EWURA is a multisectoral regulator responsible for the regulation of the energy and water sectors on Mainland Tanzania. During its fifth year of operations, EWURA maintained its commitment to following international regulatory best practices. In addition, EWURA consistently observed principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process; thus preserving unparalleled good governance in its regulated sectors.

Over the past year, the Authority continually engaged all stakeholder groups thus ensuring that a level playing field existed, for all stakeholders in the regulated sectors, and that stakeholder interests are balanced. As a result of this engagement, 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.

During the period under review, several challenges and successes were recorded as detailed in this report. These circumstances further enabled the Authority to ensure a balance in stakeholder's interests while simultaneously guiding EWURA throughout the course of its operations.

As we move into the new financial year, I wish to extend my sincere appreciation to the Minister for Water, 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 over the past five years of the Authority's operation.

Finally, I would like to conclude by thanking members of the EWURA Board of Directors, Management and Staff for their unfaltering commitment, dedication and hard work during this fifth year of the Authority's operations.



Simon F. Sayore
Chairman

15th February, 2012

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 EWURA 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 the 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 Management are functions under the Director General's Office.

Office of the Authority

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

MANAGEMENT



Mr. Haruna Masebu
Director General



Ms. Miriam G. Mahanyu
Director of Legal Services



Eng. Mutaekulwa Mutegeki
Director of Water and Sewerage



Eng. Charles Omuji
Director of Natural Gas



Eng. Anastas Mbawala
Director of Electricity



Mr. Felix Ngamlagosi
Director of Regulatory Economics



Mr. Sirili Massay
Director of Petroleum



Mr. Paskali Massawe
Director of Corporate Affairs



Mr. Titus Kaguo
Principal Communications & Public Relations Officer



Mr. Fred Msemwa
Chief Internal Auditor



Ms. Hawa Lweno
Executive Assistant to Director General



Mr. Deogratius Kumali
Head of Procurement Management Unit

DIRECTOR GENERAL'S STATEMENT

In 2011, EWURA reached a milestone in that it celebrated its fifth year of operation. EWURA maintained its standard of commitment to good governance, and the championing of quality energy and water service delivery, through world class regulation.

During the period under review, 1st July 2010 to 30th June 2011, EWURA continued to be at the forefront of the regulatory framework in the country, and indeed on the African continent. During this period, EWURA was honoured for its regulatory governance and received an award naming it one of the best regulatory authorities in the continent.



Over a five year period, the Authority successfully accomplished its objectives as set out in its previous Strategic Plan. Thus, in 2011, the Authority embarked on a new plan aimed at guiding it through the next five years of operation (2011/12-2016/17). The objective of this new plan will focus on strengthening the Authority's administrative and governance systems. The focal point of these objectives will place particular emphasis on cutting edge technology with respect to maintaining optimal efficiency in the management of the Authority's resources. These will include, but will not be limited to, its financial management systems, information technology and procurement systems, as well as its human resources.

As we move forward into the next financial year, we are mindful of the need to continually enhance public understanding, of all the regulated sectors, while simultaneously upholding our unwavering commitment to sector reform. Challenges encountered during the period under review serve as lessons learnt providing additional insight as incorporated in the Authority's Strategic Plan 2011/12-2016/17.

I wish to thank the Government of Tanzania, EWURA Board of Directors, Government Consultative Council, Consumer Consultative Council, all regulated suppliers, and the general public, for their continued support, and co-operation with the Authority.

I wish to also thank EWURA Management and Staff for their diligence during the course of performing their duties.



Haruna Masebu
Director General

15th February, 2012

1.0 CORPORATE GOVERNANCE

1.1 Board of Directors

According to the EWURA Act, Cap. 414, the Board of Directors is responsible for all regulatory decisions and strategic direction of the Authority. The EWURA Board is comprised of seven Board Members out of whom six are non-executive Directors and the Director General of the Authority. 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.

Two new Board Members were appointed on 1st March, 2011, one for a period of three years while the other is for a period of five years. The first Chairman of the Board whose term had expired on 31st May, 2010, was re-appointed for another term of four years with effect from 27th June, 2011.

During the year under review, the Authority's Board of Directors conducted twelve (12) Ordinary Meetings and nine (9) Extra-Ordinary Meetings.

1.2 Board Committees

In line with the EWURA multi-sector regulatory model, the Board has appointed sector-specific and other Board Committees. During the year under review, Audit, Legal, Electricity, Petroleum, Natural Gas and Water and Sewerage Committees were in place in line with the provisions of section 21 of the EWURA Act. A total of seventeen (17) meetings were conducted by these Committees as shown in Table 1.

Table 1: Board Committee Meetings

S/n	Board Committee	Number of Meetings
1	Audit	7
2	Legal	7
3	Electricity	1
4	Petroleum	1
5	Natural Gas	0
6	Water	1
	Total	17

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 controls, the Code of Conduct and Internal Audit functions.

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 period from 2008/09 – 2010/11. The 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 the 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.

For the past five consecutive years (that is, since inception), EWURA received clean Audit Reports for its Financial Statements from the Controller and Auditor General.

1.4.2 Procurement Management

The Authority's procurement activities are governed by the Public Procurement Act (No.21) of 2004 and its Regulations. In compliance with the law, the Authority has a Tender Board and independent Procurement Management Unit (PMU). EWURA continues to maintain high standard of compliance with the law which enabled the Authority to rank the first among Government Agencies after scoring 98% in the compliance audit conducted by the Public Procurement Regulatory Authority (PPRA) in 2009.

1.4.3 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 of fraud and corruption. During the year under review, there were no incidents of fraud or corruption that were reported.

1.4.4 Internal Audit Unit

The Internal Audit Unit is part and parcel of the Board's oversight roles of the activities of the Authority and its functions are independent of the management. The Unit is responsible for carrying out activities that will result into continuous improvement of the Authority's internal controls, risk management and good governance processes. The activities of the Unit are guided by the Board Audit Charter and the Authority's Internal Audit Policy.

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 and competitive 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 period under review, the Authority recruited 13 staff thus bringing the total number of staff to 97 out of 99 required under the year under review. One staff resigned from employment and joined an overseas institution. Staff gender structure is as indicated in Table 2:

Table 2: Staff as at 30th June, 2011

Item	Male	Female	Total
Staff in Position	70	27	97
Percentage	72%	28%	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 in the core functions of EWURA. Some Board Members and members of senior management attended general courses on public utility regulation and strategy. Some senior officers attended 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 in 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 (ERAEE), Regional Electricity Regulators Association (RERA) and Association of Eastern and Southern Africa Water Utilities Regulators (AESAWUR). The main objective of EWURA's 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)

2.2.1 Regulatory and Management Information System

The Authority's Information Technology System supports regulatory functions. The Authority maintains the Water Management Information System (MajlS) which monitors the performance of Urban Water Supply and Sewerage Authorities (UWSAs). In addition, the MajlS system serves to improve accessibility to 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.

During the reporting period, the Authority recruited a Consultant for development of the National Petroleum Information System (NPIS). NPIS is an integrated and centralised information system covering all petroleum supply operations and market activities in the petroleum sub-sector.

Finance and accounting activities of the Authority are managed through accounting software which provides accurate data and timely reporting. All staff are connected to the email system. This is achieved through a well maintained and reliable network which ensures reliable desk support services.

2.2.2 Public Register

It is the Authority's policy to ensure that the public is provided with the correct and accurate information. EWURA maintains Public Access Register, which is available for public inspection at all times during business hours in its principal office in Dar es Salaam. The Register is also available at the Authority's website. It provides access to the Code of Conduct adopted by the Authority, regulatory information and all regulatory decisions made by the Authority and published in the *Government Gazette* such as rules, tariff orders, awards and licences.

The objective is to improve transparency and provide timely information to all stakeholders on the Authority's regulatory activities.

2.3 Financial Performance Review

During the year under review, the Authority collected a total of TZS 22.27 billion from regulatory levy, licence fees and other income. This indicates an increase of 11% compared to the previous year. There was no grant from the Government compared to the previous year in which the Authority received a grant amounting to TZS 1.88 billion from the World Bank Privatisation and Private Sector Development Project (PPSDP). This project has been supporting the Authority since EWURA's establishment and it came to an end on 30th September, 2009.

In the same period, the Authority spent a total of TZS 25.01 billion for both recurrent and capital expenditure. The overall expenditure indicates an increase of 27% compared to the previous year due to increase in the number of the Authority's staff and growth of regulatory activities. The resulting surplus amounting to TZS 374.22 million was retained to cover part of capital expenditure commitment. A summary of financial performance is shown in Table 3.

Table 3: Summary of Financial Performance

Item	Increase % from Previous Year	Amount for the Year Ended 30 th June, 2011	Amount for the Year Ended 30 th June, 2010
	%	TZS'000	TZS'000
Income from Levy and Licences	25	21,241,921	17,042,092
Operating Grant - PPSPD	-100	0	1,881,555
Other Income	-6	1,033,680	1,097,117
Total Income	11	22,275,601	20,020,764
Re-current Expenditure	75	21,901,383	12,509,312
Capital Expenditure	-57	3,113,817	7,243,899
Total Expenditure	27	25,015,200	19,753,211

Other key financial performance highlights are depicted in the Figures 1 and 2:

Figure 1: Main Sources of Income and Expenditure Trend

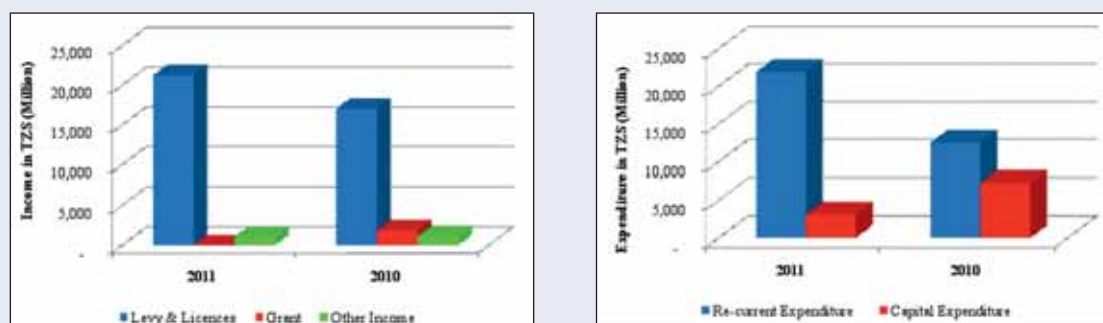
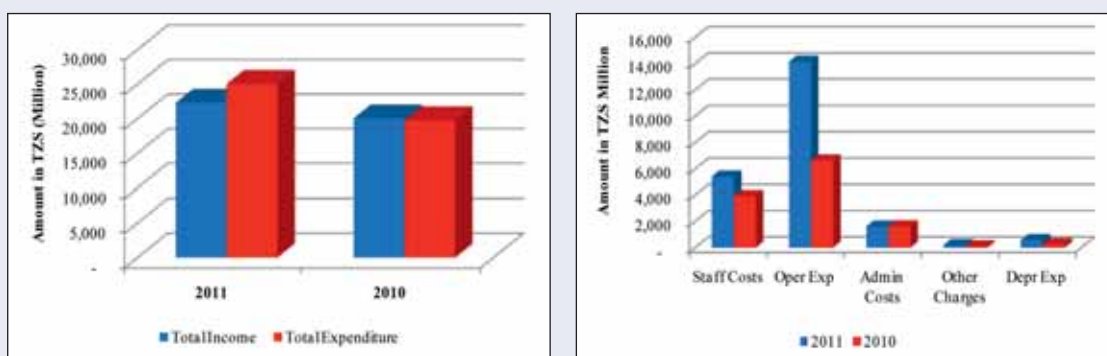


Figure 2: Total Income and Recurrent Expenditure Trend



2.4 Key Achievements and Challenges

Key achievements and challenges faced by the Authority during the year under review are discussed below.

2.4.1 Key Achievements

- Completed a study on review of organisation structure, scheme of service and establishment of Performance Management System. The study will assist the Authority to improve staff welfare in order to attract skilled and experienced personnel, improve staff appraisal system, promote performance improvement and enhance accountability in meeting the Authority's objectives.
- Attained financial self sufficiency which enabled the Authority to run its operations without depending on grants from Government or Development Partners.
- Introduction of petroleum products marking system which has significantly reduced petroleum product adulteration and dumping of transit petroleum products. This has improved quality of petroleum products and competition in the sector. In addition the system has reduced tax evasion on transit petroleum products.
- The Authority conducted public awareness campaigns and seminars on the roles and responsibilities of the Authority, rights and obligations of the services providers and consumers and complaints handling mechanism for editors and journalists of Dar es Salaam based media houses.

2.4.2 Key Challenges

- Inadequate investment in the power sector, thus leading to mismatch between supply and demand of electricity. As a result the system is operating without sufficient reserve margin. The Authority will play its role in creating conducive environment to attract investments in the sector.
- Absence of Natural Gas Act. This affects gas regulatory environment and consequently investment in the sector. The Authority will continue to support the Ministry of Energy and Minerals in the Gas Bill enactment process.
- The Authority is also faced with office accommodation challenges which include increase in rent and insufficient space. The Authority plans to construct its own office on a plot provided by the Ministry of Water at Ubungu.
- Insufficient public knowledge in understanding the rights and obligations of consumers and the regulated suppliers. The Authority shall continue to implement its Public Awareness Programme to address this challenge.

3.0 ELECTRICITY

This section gives an overview of electricity sub-sector performance, regulatory activities performed by the Authority during the period under review and challenges facing both the sector and the Authority in regulating the electricity sub-sector.

3.1 Overview

3.1.1 Electricity Supply Industry

The period being reported had many challenges in the Electricity Supply Industry in Tanzania. The Tanzania Electric Supply Company Limited (TANESCO) has remained the sole power supply utility, vertically integrated and operating electricity generation, transmission and distribution facilities in Mainland Tanzania. TANESCO buys power in bulk from a few independent power producers namely; the Independent Power Tanzania Limited (IPTL) (100MW), Songas (190MW), TANWAT (1MW) and TPC (3 MW). Grid generation capacity is shown in Table 4.

Table 4: Grid Generation Capacity as at June, 2011

Item	Station	Number of Units	Installed Capacity	Available Capacity	Owner of Power Plant
			MW	MW	
1	Kidatu	4	204.00	60.0	TANESCO
2	Kihansi	3	180.00	80.0	TANESCO
3	Mtera	2	80.00	33.0	TANESCO
4	New Pangani Falls	2	68.00	45.0	TANESCO
5	Hale	2	21.00	0.0	TANESCO
6	Nyumba ya Mungu	2	8.00	3.5	TANESCO
7	UWEMBA Mini-Hydro	3	0.84	0.6	TANESCO
8	Songas	6	189.00	140.0	IPP
9	Ubungo Gas Plant	12	102.00	69.0	TANESCO
10	Independent Power Tanzania Limited	10	100.00	30.0	IPP
11	Tegeta Gas Plant	5	45.00	42.0	TANESCO
12	Symbion	5	112.50	75.0	IPP
13	Grid Diesel (Dodoma)	3	7.40	3.5	TANESCO
14	Tanganyika Wattle Electrical Company Limited (TANWAT) (SPP)	1	2.50	1.0	IPP
15	TPC LTD (SPP)	1	20.00	10.0	IPP
	Total		1120.24	592.6	IPP

TANESCO is also buying power from Wentworth Power Ltd (formerly owned by Artumas Group & Partners Power Ltd) (18MW), for distribution in an off-grid network of Mtwara and Lindi regions.

Kagera, Rukwa, Kigoma and Ruvuma regions are not yet connected to the National Grid. TANESCO also imports power from Uganda (10 MW), Zambia (3MW) and Kenya (about 1 MW) for supplying electricity to Kagera Region, Rukwa Region and Longido District in Arusha Region respectively. Furthermore, TANESCO sells electricity to Kenya border town of Holili. Off-grid installed capacity is shown in Table 5.

Table 5: Off-Grid Installed Capacity as at 30th June, 2011

S/N	Station	Installed Capacity	Available Capacity
A	Tanesco Thermal Generation	kW	kW
1	Biharamulo	952	810
2	Bukoba	2,560	1,920
3	Ikwiriri	848	848
4	Kigoma	12,498	4,450
5	Kilwa	1500	420
6	Liwale	600	308
7	Ludewa	1450	760
8	Mafia	848	424
9	Masasi	4,500	
10	Mbinga	2,250	2,250
11	Mpanda	2624	2000
12	Ngara	952	900
13	Songea	6,428	3125
14	Tunduru	2192	1300
	Total	39,472	24,937
B	Off Grid IPP		
	AG & P Power (Artumas)	-	18,000
	Total	39,472	42,937

During the period, the country experienced poor hydrology, which led to the depletion of water in the power generation reservoirs, resulting in very low availability of the hydro capacity. This forced load shedding of about 300 MW, a factor that resulted in several industries and commercial businesses reducing production, while about 50 had to close.

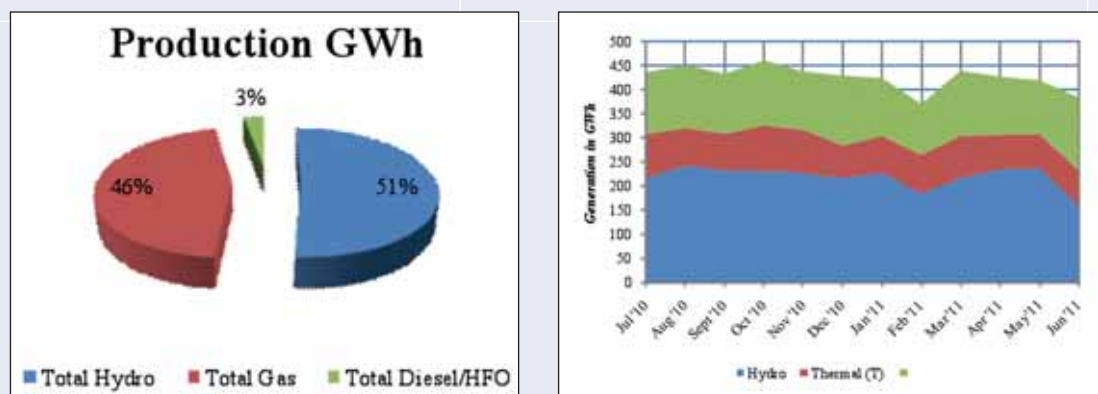
The Maximum Demand in the National Grid at the end of June, 2011 was 697 MW compared to 787.25 MW recorded in June, 2010. The Maximum Demand during the reporting period was 833 MW which was recorded in November, 2010 as shown in Figure 3

Figure 3: Maximum Demand Trend in the TANESCO National Grid 2009-2011


During the year under review, the main source of generation was from hydro accounting for about 51% of total generation. Furthermore, due to bad hydrology the natural gas contribution in power generation increased from 34% in the financial year 2009/10 to 46% in 2010/11. Summary of generation mix is shown in Table 6 and Figure 4.

Table 6: Total Generation Mix by Resource 2010/11

Resource	GWh	Proportion
Hydro	2,621.43	51%
Gas	2,351.43	46%
Diesel	146.81	3%
Total Generation	5,119.67	100%

Figure 4: Generation Mix and Trend July, 2010 to June, 2011


3.1.2 Emergency Measures Against Power Shortages

At the end of the reporting period, the short-term emergency power plants were being mobilised to supply power to TANESCO to mitigate the power crisis. Symbion and Aggreko were approached, and Symbion using the plant that it bought from Dowans, had started test runs by end of June, 2011.

Other measures include moving away from hydro dependency by planning and implementing on fast track basis the gas supply for power generation, and development of coal for power generation. These sources have been confirmed to be in abundance and would in the near future reduce the risk of climate vulgaries.

Figure 5: Thermal Generation Plant (Gas Turbine) at Ubungo, Dar-es-Salaam


3.1.3 New Investments

During the period under review, no significant investment in generation and transmission infrastructure has been undertaken. However, there are several projects being undertaken mainly in increasing and upgrading distribution network. It is expected that when these projects are completed more power will be distributed and the system losses will be reduced. The transmission line coverage is as shown in Table 7.

Table 7: Cumulative Network Expansion

Voltage Level	Line Lengths in km	
	At June 2010	At June 2011
220 kV	3,571	3,571
132 kV	2,287	2,287
66 kV	647	647

Source: TANESCO

In the medium term TANESCO is planning to reinforce its transmission system through a transmission backbone project. The project includes upgrading of the existing 132 kV and 220 kV lines to 400 kV to facilitate evacuation of more power from the generation source to the load centres. A new 300 kV DC line will be constructed from Mtwara to Singida, to link into the the 220 kV North-West grid.

3.2 Performance Monitoring

EWURA through a Technical Assistance funded by Sida Trust Fund and managed by the World Bank is developing a more robust and efficient regulatory information system that will enable EWURA to obtain more information necessary to monitor performance of the regulated service providers. The system will enable EWURA to produce and publish periodic reports on the sector. The System will also be a reliable source of information for EWURA to make appropriate regulatory decisions in the regulated sector, including review of tariffs.

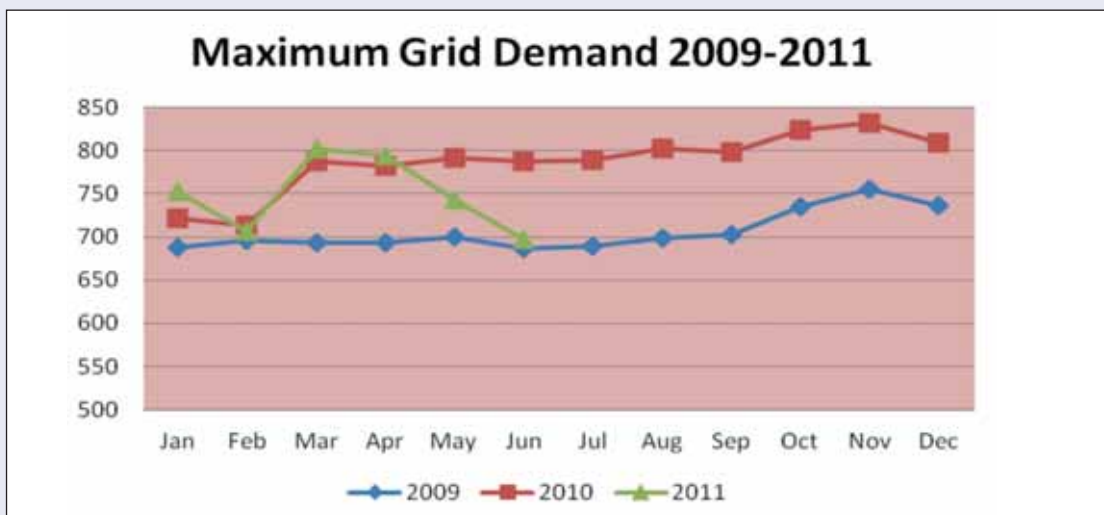
M/s Castalia, the consultant for the project submitted the inception report in May, 2011. The report was approved after consultations with TANESCO and other stakeholders including the Government. Upon its completion, when all the hardware and software have been installed, EWURA will then be able to publish in the relevant media regular reports on the performance of the service providers and the overall sector performance. However, currently information continues to be submitted by licensees, and the same is reviewed before making use of the same.

3.2.1 Generation

Power generation situation has worsened as a result of bad weather after June, 2011, although in totality it has increased when compared to the same period in July, 2009 – June, 2010 (shown in Table 8). This is a result of increased TANESCO own thermal generation, increase in dispatch of IPTL and availability of Symbion power plants that have been bought from Dowans.

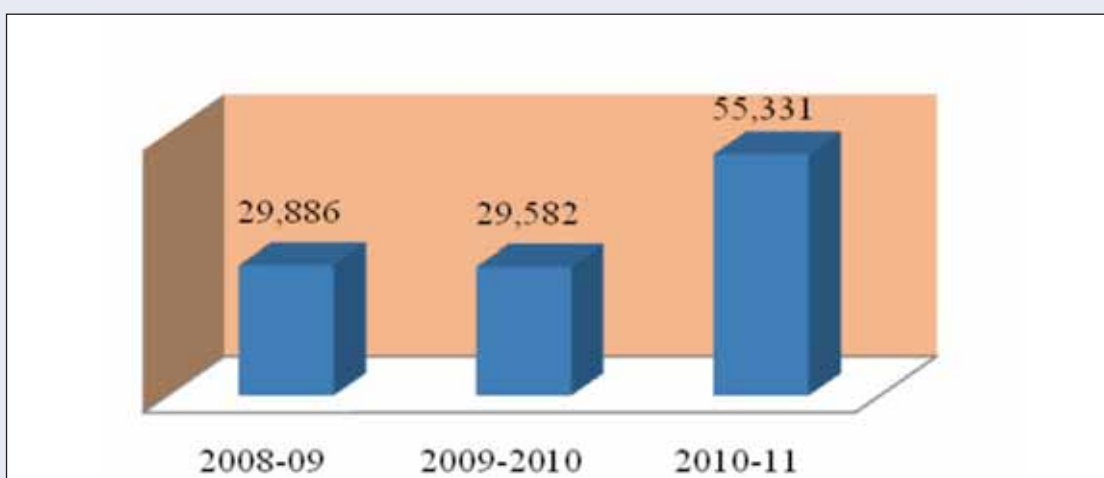
Table 8: Grid System Generation Trend

Item	July09- June10	July10- June11	Variance (%)
Hydro (TANESCO) (MWh)	2,573.54	2,621.43	1.83
Thermal (TANESCO) (MWh)	780.15	954.68	18.28
IPPs (MWh)	1,690.29	1,543.56	-9.51
Total (MWh)	5,043.98	5,119.67	1.48
Peak Load [MW]	791.63	832.55	4.92



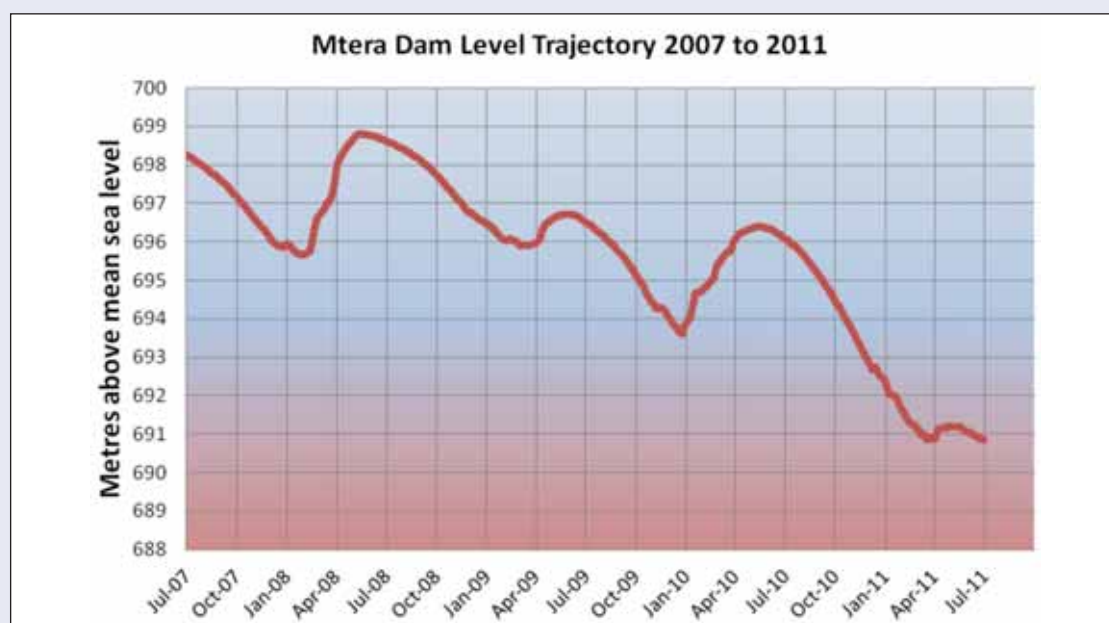
During the reporting period, Mtwara and Lindi regions have continued to experience more reliable supply using the gas fired power plant operated by Wentworth. Interruptions in supply have been reported in some cases, said to have been caused mainly by interruptions in the distribution network. The increase in generation in the financial year 2010/11 is attributed to the completion of the distribution network in the area, linking more isolated areas of Masasi, Newala, Tandahimba and Ruangwa to the Mini-grid. The generation trend for the past three years is shown in Figure 6.

Figure 6: Wentworth Generation at Mtwara (MWh)



During different times, TANESCO introduced load shedding in all areas supplied by the national grid in order to address the shortage. In November, 2010, due to gas supply shortage, TANESCO introduced load shedding of about two weeks. Furthermore, from May, 2011, due to bad hydrology that resulted in low water levels in hydro dams, TANESCO re-introduced load shedding all over the grid; about 300 MW was being shed during peak hours by mid June, 2011.

Mtera hydro plant (80 MW installed capacity), which is the main dam in the grid system operated at an average capacity of 30 MW for only six hours a day. Mtera dam recorded the lowest water level in June, 2011 for the past six years as shown in Figure 7. By 30th June, 2011 water level was about 690.85 m.a.s.l, that is, only 85cm from the minimum operating level of the dam. Consequently, thermal contribution increased to minimise power shortage. IPTL contribution was increased from 10 MW to 30 MW (installed capacity is 100 MW), while TANESCO entered other measures included power rental from Symbion and Aggreko as shown in Figure 6 above.

Figure 7: Variation in Mtera Dam Water Level

3.2.2 Revenue Collection

TANESCO revenue collection has increased by 21% despite the insignificant (2%) increase in energy generated compared to the previous reporting period; this was mainly due to the increase in Tariff effective January, 2011. Revenue trend for two years is shown in Table 9.

Table 9: TANESCO Revenue in TZS Million

Item	Year 2009/10	Year 2010/11	Variance
	TZS' Million	TZS' Million	%
Revenue	498,609.00	629,430.51	21

3.2.3 Customer Base

One of the parameters that are usually benchmarked between utilities is the customers/staff ratio. TANESCO has been increasing the customer base at a low rate, partly due to lack of timely procurement of complete service line materials as well as distribution transformers. Potential customers have also been complaining of high connection charges. It is important to have a bigger customer base so that the additional capacity, which is being added through IPPs should be consumed by many customers. The trend in customer base is as shown in Table 10. The customer to staff ratio is internationally benchmarked at more than 200 customers per staff.

Table 10: TANESCO Customer to Employee Ratio Status 2011

Item	2008	2009	2010	June, 2011
Customers	743,032	805,037	864,193	907,428
Staff	5,527	5,020	5,117	5,261
Customer: Staff Ratio	134	160	169	172

Source: TANESCO

3.2.4 Access to Electricity

Tanzania is among countries in the sub-Sahara Africa with low access to electricity. With a population of over 40 million, by June, 2011 only 14 % of the population has access to electricity. However, it is estimated that only about 3% of the rural population has access

to electricity. In 2007, TANESCO set a target of 100,000 new connections per annum from 2007 to 2012, but this target has not been achieved. TANESCO has managed only 78,947 in the period July, 2010, to June, 2011. The Rural Energy Agency (REA) using the Rural Energy Fund (REF), executes most of the rural electrification projects through TANESCO or electrical contractors with a focus to electrifying all district headquarters and commercial centres. The Authority has participated in various activities that aim towards fostering rural electrification. The Authority staff participated in the team established by the Ministry of Energy and Minerals to advise the government on how to expedite customers connection soon after commissioning of new rural electrification projects.

REA is also facilitating development of small power projects (SPPs) through providing grants for consultancy services, and managing a fund from the World Bank; financed Tanzania Energy Development and Access Project (TEDAP), to develop new SPP projects. The framework involves renewable energy projects that are not more than 10MW. Staff of the Authority are also members of the two projects executed under REA; the Low Cost Design for Rural Electrification and Integrated Rural Electrification Project (IREP).

3.2.5 Site Inspections

During the period under review, infrastructure inspections covered facilities owned by TANESCO including:

- a) transmission and distribution in Dar-es-Salaam, Morogoro, Coast, Mwanza, Mara, Shinyanga and Kagera regions;
- b) generation facilities at Kidatu, Kihansi, Masasi and Somanga; and
- c) substations in Kidatu and Msamvu-Morogoro.

Main issues noted included, among others rotten poles, poorly strung conductors sagging dangerously, transformers that need to be attended to, substations that needed attention. TANESCO were informed of the findings, and follow-ups made accordingly. There has been improvement in cooperation between TANESCO and EWURA on this matter as rectification works have been undertaken within reasonable time.

3.3 Third Party Access

Issue of Third Party Access in the Tanzania electricity market will be determined after announcement of the new sector structure. TANESCO owns and operates a vertically integrated grid system. Under current market arrangement, all major generators are selling power in bulk to TANESCO, in a single buyer model. It is anticipated that, market rules on Third Party Access to the grid system will be established after restructuring the electricity industry. However, through the Small Power Producer arrangement, involving generation of not more than 10 MW, generators can have access to the grid network through Distribution Network Operator (DNO), which in this case is TANESCO. The principle underlying the SPP framework is the avoided costs on the part of TANESCO, for renewable power projects.

3.4 Licensing

Seven licence applications were received from Wentworth Power Limited, Symbion Power Limited, East Africa Power Co. Limited, Wind East Africa Co. Ltd, Lung'ali Natural Resources Company Limited, Armstone Company Limited and Andoya Hydroelectric Power Limited to provide various licensed activities. The applications were evaluated and a Provisional Electricity Generation Licence and Provisional Electricity Distribution Licence were issued to Andoya Hydroelectric Power Limited. The other licence applications are being worked upon and the decisions thereto will be made in the financial year 2011/12.

3.4.1 Site Inspections

Pre-licensing inspection conducted during the period under review are shown in Table 11.

Table 11: Pre-licensing Inspections

Applicant	Generation		
	Source	Capacity (MW)	Site
Kilombero Sugar Company	Sugar Baggasse	10.6	Kilombero Morogoro
Wentworth Power Ltd	Gas	18.0	Mtwara
Mtibwa Sugar Estate	Sugar Baggasse	4.0	Manungu Morogoro
Maguta Minihydro	Hydro	7.5	Kilolo Iringa
Kiwira Prisons minihydro	Hydro	10.0	Mbeya
North Mara Gold Mines Ltd	Diesel	15.0	Mara
Pangea Minerals Ltd	Diesel	13.0	Shinyanga
Symbion Power LLC	Gas	112.5	Dar es Salaam

3.4.2 Licensing New Entities

Licences issued during the period under review are listed in Table 12.

Table 12: Licences/Exemptions Granted

No.	Licensee	Project Area	Project Specifics	Type of Licence/ Duration	Application Date	Status As At 30 th June, 2011
1	Wentworth Power Limited	Mtwara	18 MW	Generation 12 months	15 May, 2011	Under process
2	Symbion Power Limited	Dar es Salaam	112.5 MW	Emergency Power Generation 24 months	9 June, 2011	Under process
3	TPC Ltd	Moshi	10 MW	Generation 24 months	22 January, 2010	Licensed
4	Wind East Africa Co. Ltd	Singida	100 MW	ALL 30 months	7 May, 2008	Under process
5	Lung'ali Natural Resources Company Limited	Kilolo	7.5 MW	Generation and Distribution	21 March, 2011	Under process
6	Armstone Company Limited	Misenyi and Kerwa		Generation 24 months	2 February, 2011	Under process
7	Andoya Hydroelectric Power Limited	Mbinga	0.5 MW	Generation and Distribution 30 months	28 July, 2010	Licensed

3.4.3 Electrical Installation

Electrical installation is one of the activities that requires a licence from the Authority. During the year under review, a total of 98 licence applications were received from applicants for contractors and wiremen services. Out of the 98 applications received 83 licences were issued to successful applicants, 14 applications were rejected and one application was referred back.

Electrical contractor licences of different classes that were issued for the past five years are shown in Table 13.

Table 13: Electrical Contractors' Licence Applications Processed: 2007 – June, 2011

Year	Applications	Licences Issued by Classes							Applicants
		A	B	C	D	W	E	F	Interviewed
	Received								
2007	113	5	26	40	28	11	0	0	3
2008	123	5	17	42	32	19	0	0	7
2009	61	6	14	27	11	2	0	0	1
2010	134	7	16	45	35	19	0	0	1
Jun-11	40	2	2	9	9	8	0	0	0
Total	471	25	75	163	115	59	0	0	12

Also EWURA has been coordinating with other institution such Contractors Registration Board (CRB), Vocation Education Training Authority (VETA) and CATA on issues pertaining to capacity enhancement in order to improve quality of workmanship.

3.5 Determination of Rates and Charges

3.5.1 TANESCO Tariff Adjustment

During the period under review, the Authority reviewed a three years' tariff adjustment application submitted by TANESCO in May, 2010. In the Application, TANESCO had requested for tariff increase by 34.6% in 2011, 13.8% in 2012 and 13.9% in 2013 from the tariffs that existed by then. However, following the review, the Authority on an average approved 18.6% tariff increase to be applied until the Authority carries out credible Cost of Service Study. The approved tariff is shown in Table 14.

Table 14: TANESCO's Approved Tariff

Customer Category		Component	Current Tariff	Requested Tariff	Approved Tariff
D1	Domestic Low Usage	Basic Charge	-	-	-
		Energy Charge (0-50 kWh)	49	60	60
		Energy Charge (above 50 kWh)	156	226	195
T1	General Use	Basic Charge/Month	2,303	3,109	2,738
		Energy Charge	129	174	157
T2	Low Voltage Supply	Basic Charge/Month	8,534	11,521	10,146
		Energy Charge	85	112	94
		Demand (kVA)	9,347	13,715	12,078
T3	High Voltage Supply	Basic Charge/Month	8,534	11,521	10,146
		Energy Charge	79	100	84
		Demand (kVA)	8,669	11,753	10,350
T5	ZECO	Basic Charge/Month	8,534	11,521	10,146
		Energy Charge	75	98	83
		Demand (kVA)	4,755	9,777	8,610

The Authority has initiated the procurement of a consultant to undertake the Cost of Service Study for Electric Supply industry in Tanzania. The objective is to prepare a road map toward attaining full cost-reflective tariffs regime in Tanzania. The procurement of the consultant has reached an advanced stage and the study is expected to be concluded in mid 2012.

3.5.2 Tariff for Small Power Projects

During the period under review the Authority approved the Standardized Tariffs for Small Power Projects (SPPT) for 2011 in May, 2011. The tariffs were approved after consultations with Working Group on Small Power Development (WGSPD) and the public. The approved tariff is shown in Table 15.

Table 15: Standardized Tariff for Small Power Projects for 2011

Description	Season	Approved Tariff		Percentage Increase
		2010	2011	
		(TZS/kWh)	(TZS/kWh)	%
Main Grid Connection Tariff				
Standardized SPP Tariff		110.30	121.13	10
Seasonally Adjusted SPPT Payable in	Dry Season (August to November)	132.36	145.36	10
	Wet Season (January to July and December)	99.27	109.02	10
Mini Grid Connection Tariff				
Standardized SPP Tariff		368.87	380.22	3

Source: The Electricity (Standardized Small Power Projects Tariff for Year 2011) Order, 2011

The Authority drafted the Exemption Conditions for Micro-Power Producers generating less than one MW in order to spur investment in this segment.

3.5.3 Emergency Power Projects

The Authority received initialled Power Off-take Agreements from Symbion Power Ltd and Aggreko International in May and June, 2011, respectively for supply of emergency power to TANESCO for review in accordance with the requirements set in Cap.131 of the laws of Tanzania.

3.6 Legislative Matters

EWURA continued to participate in the preparation of the Electricity (General) Regulations, 2011 (GN No. 63 /2011) which were published on 4th February, 2011. In addition the following Rules were approved by the Board and submitted to the Chief Parliamentary Draftsman for gazetting. The rules are:

- The Electricity (Generation Services) Rules, 2011;
- The Electricity (Transmission Services) Rules, 2011;
- The Electricity (Distribution Services) Rules, 2011; and
- The Electricity (Development of Small Power Projects) Rules, 2011.

3.7 Complaints and Dispute Resolutions

The Authority received 24 complaints in electricity sector ranging from billing (10), disconnections (1), delayed connections (3), compensations (3), faulty meter (4), unreliable supply (1) and poor response on emergency calls (2). The percentage on the nature of complaints compared to received complaints and its trend for the past five years in the electricity sector is as shown in Figures 8 and 9.

Figure 8: Nature of Complaints in (%)

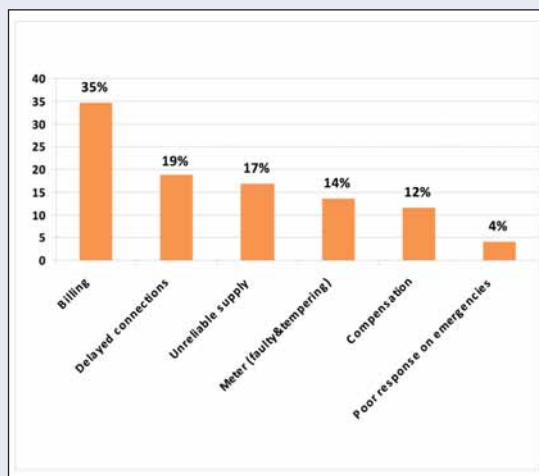
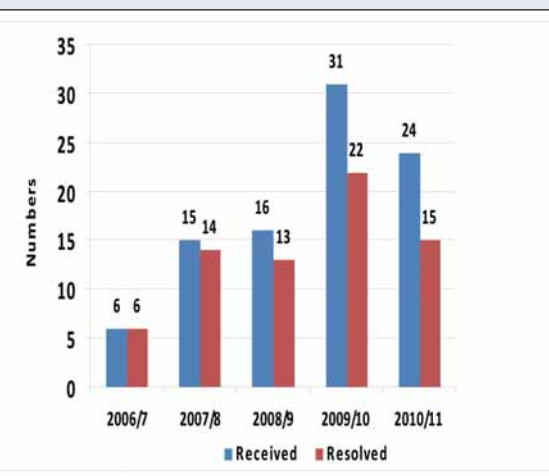


Figure 9: Complaints Received Vs Resolved



On average, 62.5 % of received complaints were resolved. Figure 9 above indicates the number of complaints received versus resolved in electricity sector for the past five years. Four Awards were issued by the Authority, out of which two were appealed to the Fair Competition Tribunal.

3.8 Litigation

During the period under review, EWURA was involved as a party into two litigations in the electricity sub-sector as shown in Table 16.

Table 16: Litigations in the Electricity Sector

S/n	Parties	Court or Tribunal	Nature of Claims	Status as at 30 th June, 2011
1	Appeal No.1 of 2011 between TANESCO vs. EWURA and Another	FCT	Appeal against the decision of EWURA in the Complaint lodged by Mr. Clement Bernard against TANESCO. EWURA has been joined as the necessary party.	Pending
2	Appeal of 2011 between TANESCO vs. EWURA	FCT	Appeal against EWURA's decision on a Tariff Application by TANESCO	Pending

3.9 Health, Safety and Environmental Matters

Regular inspections are conducted on the regulated entities by EWURA staff and in some cases in collaboration with other institutions such as OSHA and NEMC. Issues that are checked include the availability of Health, Safety and Environment (HSE) policy and enforcement mechanism.

During the period under review, several inspections on electricity infrastructure were conducted in Dar-es-Salaam, and Coast regions, and observations noted during these inspections were communicated to TANESCO for rectification. Furthermore, inspections were undertaken in construction projects, and the electrical contractors required to rectify the works that did not meet the required standard of electrical installation. Utility companies have been required to report on HSE including any accidents that have occurred during the period.

Plans are underway to appoint inspectors to undertake such inspection throughout Mainland Tanzania. Also, EWURA has been collaborating with TANESCO on safety issues, before issuing permits to install standby generators that will operate if TANESCO power supply is interrupted.

3.10 Challenges and Way Forward

The following are some of the major challenges that EWURA is facing and proposed plans to mitigate them:

- a) The plan for restructuring the electricity market as stipulated in the Electricity Act, 2008, has not been issued by the Minister for Energy and Minerals, hence making it difficult for the Authority to prepare the necessary regulatory tools that are envisaged in the legislation. EWURA will continue to consult with stakeholders on the matter, and develop regulatory tools in a manner that is in compliance with the law
- b) Lack of clear roles of the Authority and other stakeholders in the development of the Power System Master Plan, and the implementation of new projects, thus causing uncoordinated procurement of the projects, and delays experienced. EWURA in consultation with the Government and other stakeholders will advocate for a clear framework for development of new projects. This will be complimented by EWURA developing corresponding rules and guidelines.
- c) The rate of mobilizing resources to implement new electricity infrastructure projects, including generating plants, transmission and distribution networks does not cope with the growth in demand. This has resulted in power deficit and load-shedding. The Authority will take a more active role in promoting and implementing power plans, together with other stakeholders. Success stories from other countries will be studied and good practices considered for use in the country. EWURA will also take a leading role in initiating procurement of new investments as per requirement of the EWURA Act.
- d) Low customer base and the challenge to increase electricity access from 14% in 2011 to 30% by 2015. The rural population is the most affected with a very small number of people with electricity. In addressing this issue, EWURA will collaborate with REA and the Government in developing a strategy on rural electrification including involvement of the private sector.
- e) Non-cost reflective tariff contributes to slow growth in the electricity sector and is a disincentive to potential private investment in the sector. EWURA will carry out a cost of service study and come up with a plan for migrating towards a cost reflective tariff, including automatic indexation to mitigate increased fuel costs, foreign exchange volatility and inflation.
- f) Need to further develop reporting, monitoring and enforcement system for service and technical standards. EWURA will finalise the reporting system for very important key performance indicators, and set up more monitoring and enforcement systems. A web based Electricity Regulatory Information system will be introduced, and benchmarking with other similar utilities will be undertaken.

4.0 PETROLEUM

During the period under review, there were several issues that were prioritized by the Authority in regulating the petroleum sector. These include licensing of operators, random inspections of petroleum products quality and price monitoring, preparation of standards, preparation of Rules and implementation of petroleum products marking programme.

4.1 Overview

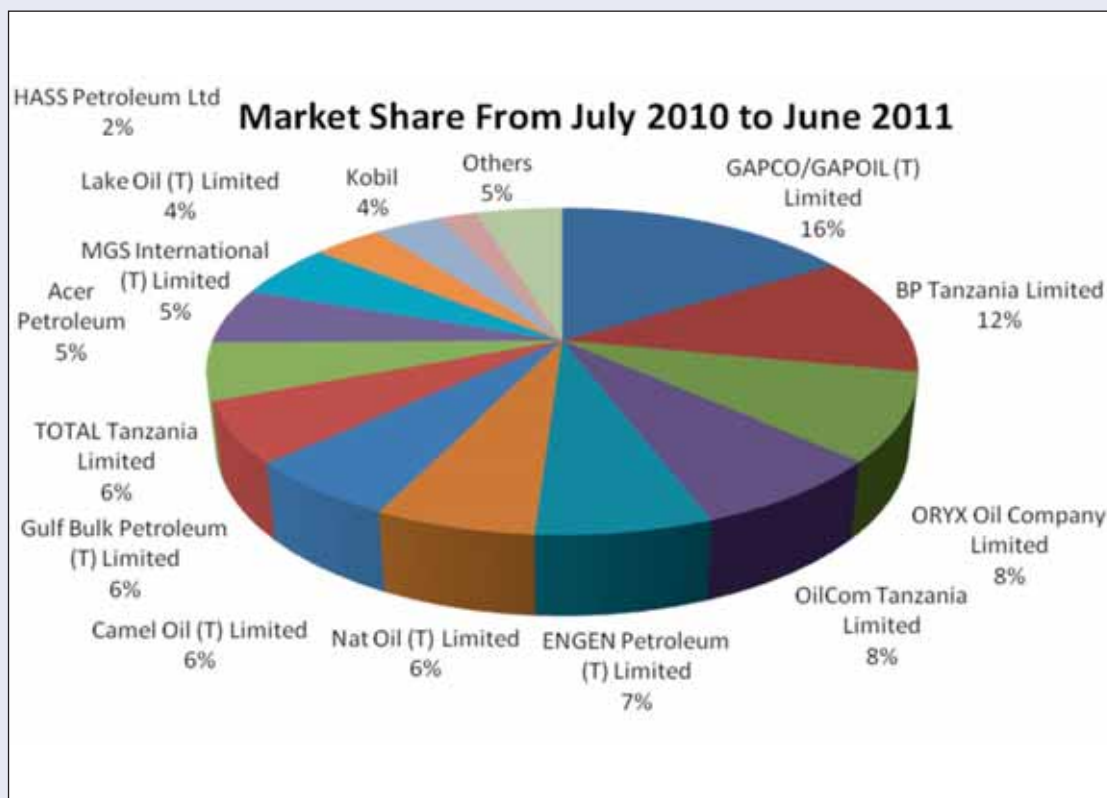
During the reporting period, the Authority continued with petroleum products price setting so that the consumers are not overpriced and also continued with its role of technical and safety regulation by conducting random inspection sampling and testing of petroleum products from petrol stations, depots, road and rail tankers to ensure that operators are selling the right quality products. Pre-licencing inspection of the oil facilities were also done during the period under review in order to ensure that no oil facility is licenced without meeting the mandatory licencing (including Health, Safety and Environmental issues) requirements as set by the Authority.

4.2 Performance Monitoring

4.2.1 Petroleum Products Sales

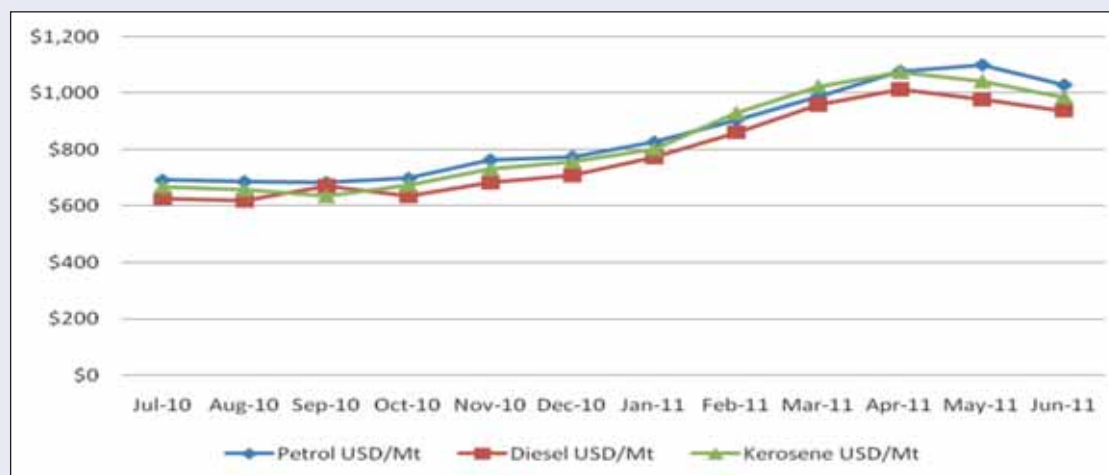
During the period under review, it is estimated that consumption of petroleum products in the Tanzania local market was 2,063,556,291 litres. The market was dominated by eleven companies (with market shares of more than 5%), namely Gapco, BP, Oryx, MGS, Acer Petroleum, Engen, Oilcom, Natoil, Camel, GBP, and Total. Most of these companies have petrol stations located in all regions in the country. The spread of the shares shows that the market is not concentrated and is fairly balanced among many players. Market shares for all the companies are summarized in Figure 10.

Figure 10: Market Shares (From July, 2010 to June, 2011)

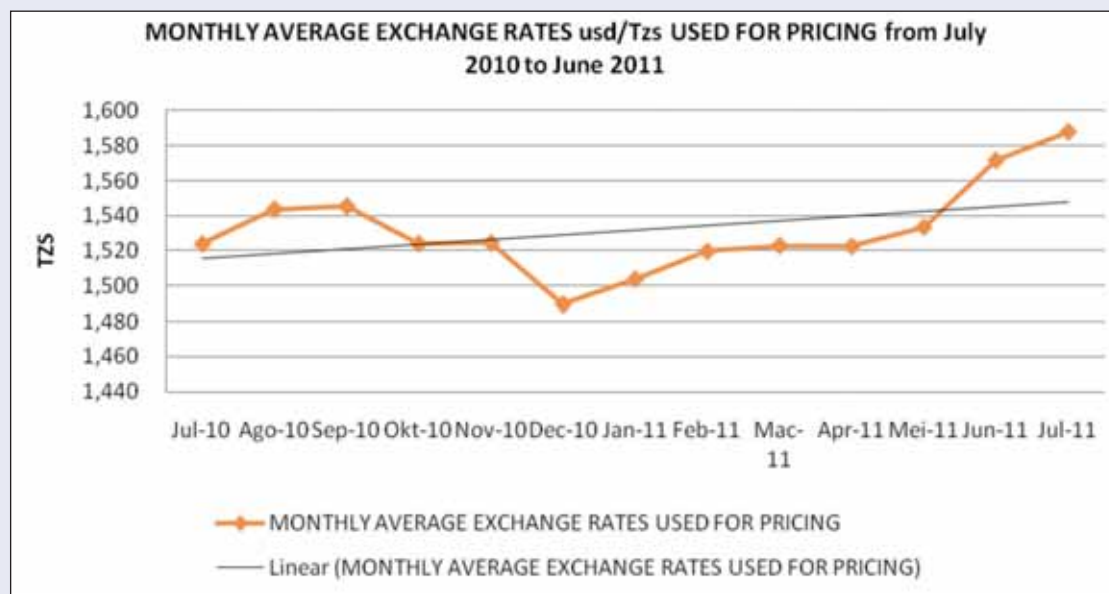


4.2.2 Petroleum Products Price Monitoring

The Authority continued implementing GN. No. 5 of year 2009 to set and monitor petroleum products prices in Tanzania Mainland. The Price Setting Formula input starts with the data on FOB, premium and freight, which are published in the Platts Oilgram on daily basis. The other costs that are included in the price build up include Government taxes, distribution costs, demurrage costs, financing costs, levies and charges. FOB monthly price trend during the period under review is shown in Figure 11.

Figure 11: FOB Prices in USD/Mt July, 2010 to June, 2011


Local market prices are also influenced by the exchange rate of the shilling to the US dollar (the currency in which purchases of petroleum products in the international oil market are made). Exchange rate trend during the period under review is shown in Figure 12.

Figure 12: Monthly Average Exchange Rates USD/TZS Used for Pricing July, 2010 to June, 2011


The application of the petroleum pricing formula that came into effect in January, 2009 has resulted into a sizeable saving to petroleum products consumers and the economy at large. Comparing the prices that were in the market in December, 2008 with the prices that were made through the formula, and translating the difference from January, 2009 to June, 2011, shows that a saving of TZS 1.1 Trillion has been made to the economy and to individual consumers. This proves that, the economy and consumers have substantially gained from the petroleum prices regulation that is being undertaken by EWURA. The amount of savings per product is shown in Table 17:

Table 17: Estimated Saving Through Petroleum Prices Regulation by EWURA (January, 2009 – June, 2011)

Product	Est. Annual Petroleum Consumption	Quantity	Quantity	Average EWURA Computed Prices December, 2008	Average OMC Prices December, 2008	Saving Made	Total Saving Through 2009 Formula
	MT	MT	MT	TZS/Lt	TZS/Lt	TZS/Lt	TZS
MSP	274,853	373,525,809	933,814,523	1,797.00	1,982.81	185.81	173,511,889,6
IK	149,227	189,816,902	474,542,255	1,302.58	1,529.36	226.78	107,616,302,5
GO	828,988	994,785,655	2,486,964,138	1,769.92	2,100.01	330.09	820,922,191,1
TOTAL	1,253,068	1,558,128,366	3,895,320,915	N/A	N/A	N/A	1,102,050,383,2

During the period under review, the local market prices rose steadily, to a great extent this trend was caused by a rise in the world market prices and depreciation of the Tanzania shilling. As shown in Figures 13 to 15, most dealers were selling petroleum products close to the cap prices. Except for a few cases that were dealt with, dealers were all along selling products below the cap price thus complying with the pricing Rules.

Figure 13: Trends on Average Pump, Cap and FoB prices for Petrol from July, 2010 to June, 2011

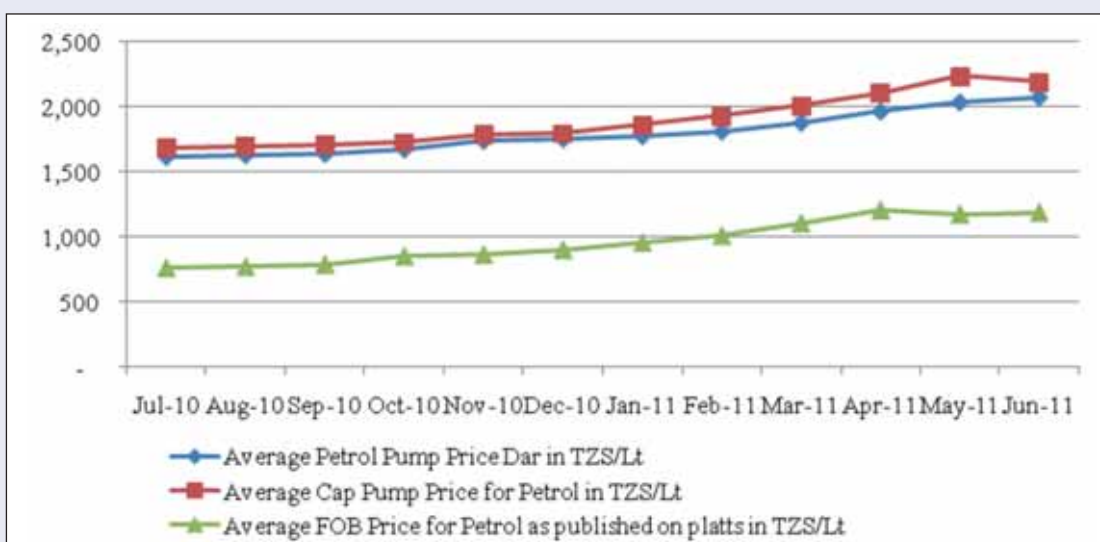


Figure 14: Trends on Average Pump, Cap and FoB prices for Diesel from July, 2010 to June, 2011

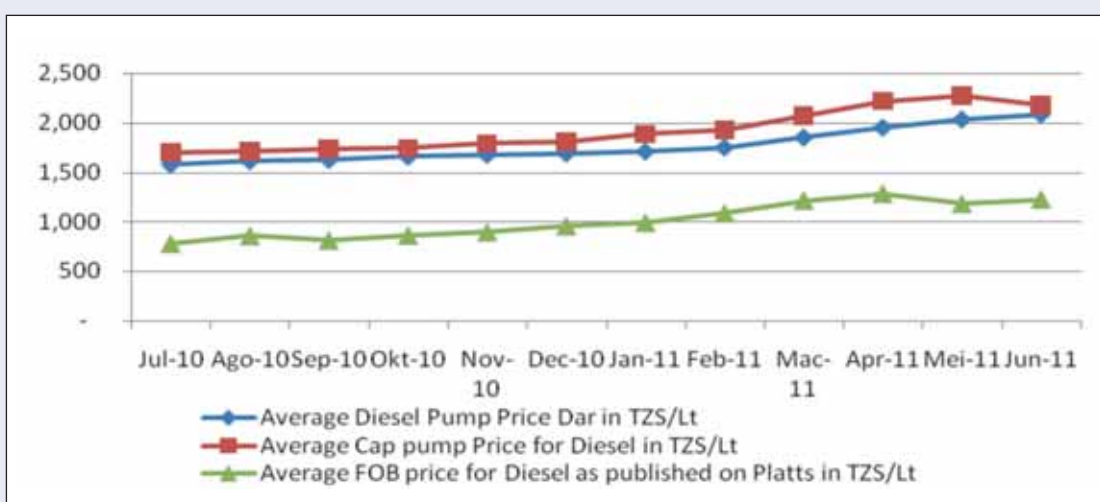
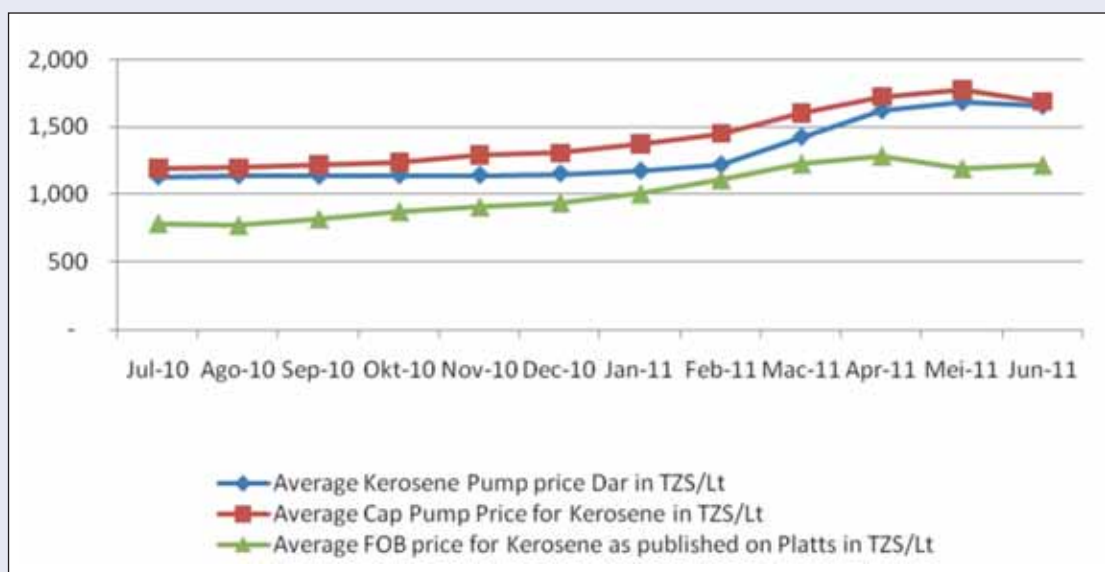


Figure 15: Average Pump, Cap and FoB prices for Kerosene Trends from July, 2010 to June, 2011



During the period under review, the Authority issued 26 publications on cap prices. The petroleum products price trends for 2010/11 show that retail prices have on average increased by 1.12% for petrol, 1.53% for kerosene and 1.17% for Diesel. The rise in the petroleum products prices is attributable to the increase in the world market prices and continued depreciation of the Tanzanian Shilling against the US Dollar. The price trend is shown in Table 18.

Table 18: Petroleum Products Price Trends

Period	Changes in Retail Prices			Changes in Wholesale Prices		
	Petrol	Kerosene	Diesel	Petrol	Kerosene	Diesel
2010/11	%	%	%	%	%	%
July	1.2	2.67	2.02	1.25	2.83	2.12
August	0.59	0.19	0.27	0.63	0.2	0.28
September	0.11	0.08	-0.07	0.1	0.07	-0.07
October	1.09	0.21	1.24	1.15	2.22	1.29
November	0.92	1.38	0.87	0.96	1.45	0.9
December	0.11	-0.39	-0.13	0.09	-0.38	-0.12
January	2.24	3.69	3.58	2.34	3.88	3.73
February	0.15	3.06	1.88	1.56	3.24	1.94
March	2.44	4.56	3.53	2.52	4.77	3.64
April	1.97	2.06	2.04	2.03	2.15	2.11
May	2.55	0.75	0.41	2.63	0.77	0.43
June	-1.24	-1.77	-1.59	-1.28	-1.82	-1.65
Average	1.12	1.53	1.17	1.17	1.62	1.22

4.2.3 Petroleum Products Supply and Stock Monitoring

EWURA compiles petroleum products stocks data once a week to monitor stocks availability, hence ensure security of supplies. In case of low stocks, stakeholders, including the Ministry of Energy and Minerals, OMCs and Tanzania Ports Authority, are alerted and necessary measures taken to alleviate products shortage. During the period under review, there was no serious shortage observed, the country was all along supplied with adequate petroleum products to meet the demand.

Petroleum products import data that was compiled on behalf of EWURA by a contracted surveyor, M/S SGS Superintendence Tanzania Limited, shows that a total of 2,112,549,980 litres of various petroleum products were imported for local market and, 1,074,816,310 litres were imported for transit to neighboring countries. Tables 19 and 20 show breakdown of petroleum products imported during the period under review.

Table 19: Local Imported Petroleum Products (July, 2010 to June, 2011)

Month	Gas Oil	Mogas	JetA1/Kerosene	HFO	TOTAL
	Lts	Lts	Lts	Lts	Lts
Jul-10	53,564,542	22,103,897	22,680,909	9,961,910	108,311,256
Aug-10	85,018,543	49,526,358	67,828,852	0	202,373,753
Sept-10	76,478,472	32,164,558	0	8,033,317	116,676,347
Oct-10	141,247,610	26,066,858	28,918,274	0	196,232,742
Nov-10	78,017,277	54,028,106	47,908,387	0	179,953,770
Dec-10	162,767,818	38,022,183	29,149,645	10,627,736	240,567,382
Jan-11	114,844,070	65,873,800	23,445,833	12,227,600	216,391,302
Feb-11	108,397,755	26,038,923	19,813,887	11,620,010	165,870,575
Mar-11	36,512,648	39,012,948	22,844,377	8,034,189	106,404,163
Apr-11	88,231,690	69,628,841	33,356,708	8,039,420	199,256,659
May-11	77,580,432	31,108,029	28,093,620	0	136,782,081
Jun-11	90,697,242	46,693,504	37,638,436	17,371,346	192,400,528
Total	1,113,358,099	500,268,005	361,678,928	85,915,528	2,061,220,558

Table 20: Other Petroleum Products (July, 2010 to June, 2011)

Period	LPG	Base Oil
Months	MT	Lts
July, 2010	2,243.121	0
August, 2010	1,883.078	0
September, 2010	1,862.954	0
October, 2010	1,706.454	0
November, 2010	2,143.534	5,537,873
December, 2010	2,330.209	0
January, 2011	2,884.876	0
February, 2011	2,327.493	0
March, 2011	2,291.635	6,639,547
April, 2011	2,531.651	0
May, 2011	0.000	0
June, 2011	2,265.374	0
Total	24,470.379	12,177,420

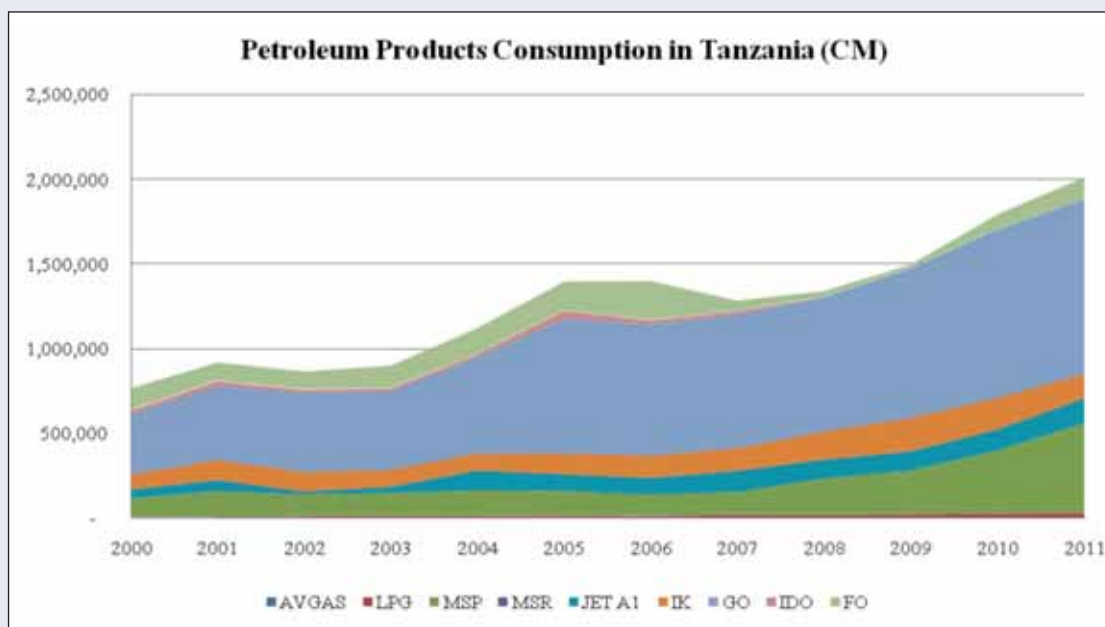
A breakdown of imported transit petroleum products during the period under review is shown in Table 21.

Table 21: Transit Petroleum Products

Month	Gas Oil	Mogas	Jet A1/Kerosene	HFO	TOTAL
	Lts	Lts	Lts	Lts	Lts
July, 2010	42,960,805	23,048,255	2,191,484	0	68,200,544
August, 2010	47,564,708	24,901,541	1,394,052	0	73,860,301
September, 2010	32,107,962	19,287,607	0	0	51,395,569
October, 2010	49,655,563	33,230,923	5,071,470	0	87,903,956
November, 2010	76,161,106	43,046,109	3,724,965	0	122,932,180
December, 2010	68,350,455	32,981,026	4,516,836	0	110,889,474
January, 2011	48,789,809	23,988,883	9,368,228	0	82,146,921
February, 2011	67,091,721	15,776,990	4,514,805	0	87,383,516
March, 2011	52,271,376	30,030,903	1,763,503	0	84,065,781
April, 2011	65,057,201	23,603,974	9,739,053	0	97,798,924
May, 2011	45,030,603	31,633,265	2,983,883	0	79,647,751
June, 2011	75,500,157	35,047,346	18,043,890	0	128,591,310
Total	670,541,466	336,576,822	63,258,169	0	1,074,816,310

4.2.4 Petroleum Products Consumption Trend

Petroleum products consumption growth over the years is shown in Figure 16. The figure shows that there has been a steady growth of consumption of petroleum products.

Figure 16: Light Fuel Consumption Trend (2000 – 2011)


4.2.5 Bulk Procurement System (BPS)

The Petroleum (Bulk Procurement System) Regulations, GN 164 of 2011 were published on the 3rd June, 2011. On the same note EWURA conducted a meeting with all stakeholders on 28th June, 2011, to formally inform them on the development. It is expected that the other processes which are aimed at operationalising the BPS will be implemented during the year 2011/12.

4.2.6 National Petroleum Information System (NPIS)

The consultant who was preparing the National Petroleum Information System (NPIS) submitted a final report and installed the software in the EWURA server. The Authority is undergoing trial runs for the system after which the external stakeholders will be linked to the system so that it becomes operational. It is expected that the NPIS will become fully operational during the coming financial year of 2011/2012.

4.2.7 Petroleum Products Quality Monitoring

The Authority continued with its efforts aimed at ensuring that petroleum products sold in the local market comply to the required quality standards.

a) Sampling and Testing

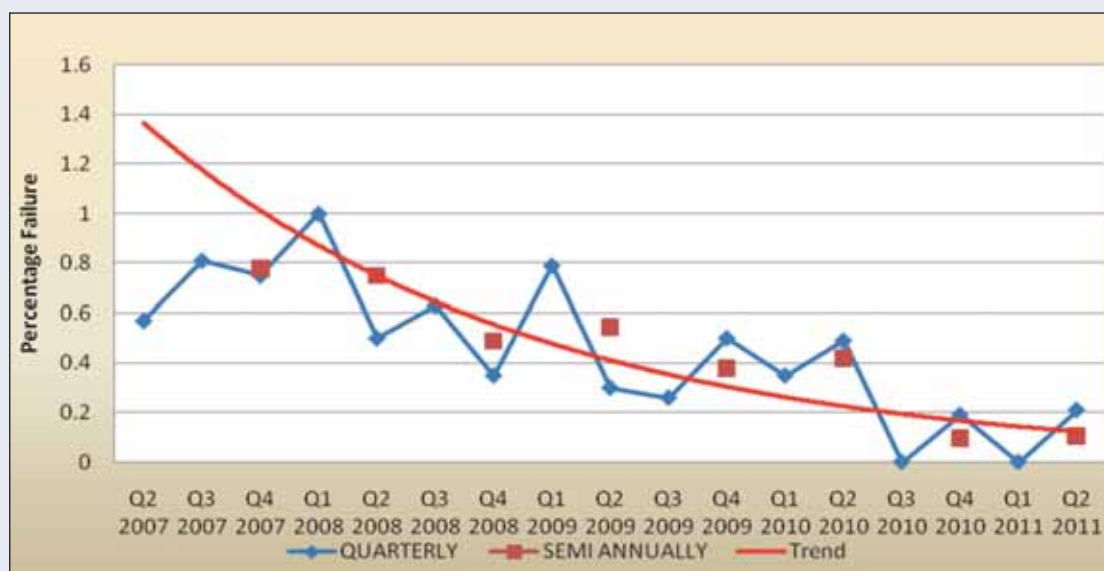
Several inspection visits were done and samples taken for testing. In between July, 2010 and June, 2011, a total of 214 samples were taken for quality testing, from both the retail outlets and OMC depots. Of the samples that were tested, a total of 21 samples failed the quality test. Punitive measures were taken against operators of the facilities that were found with off specification products. Summary of sampling and testing made during the year is shown in Table 22.

Table 22: Summary of Sampling and Testing of Petrol and Diesel

Source	Petrol		Diesel		Total	
	Collected	Failed	Collected	Failed	Collected	Failed
Retail Outlets	87	10	102	9	189	19
Depots	7	0	18	2	25	2
Total	94	10	120	11	214	21

Generally, there is increased compliance of wholesaler and retailer companies selling products that are within the required quality specifications. The adulteration trend has decreased from 78% in May, 2007 to about 10% by June, 2011 as shown in Figure 17.

Figure 17: Trend of Samples Analysis from Quarter 2 of 2007 to Quarter 2 of 2011



b) Fuel Marking

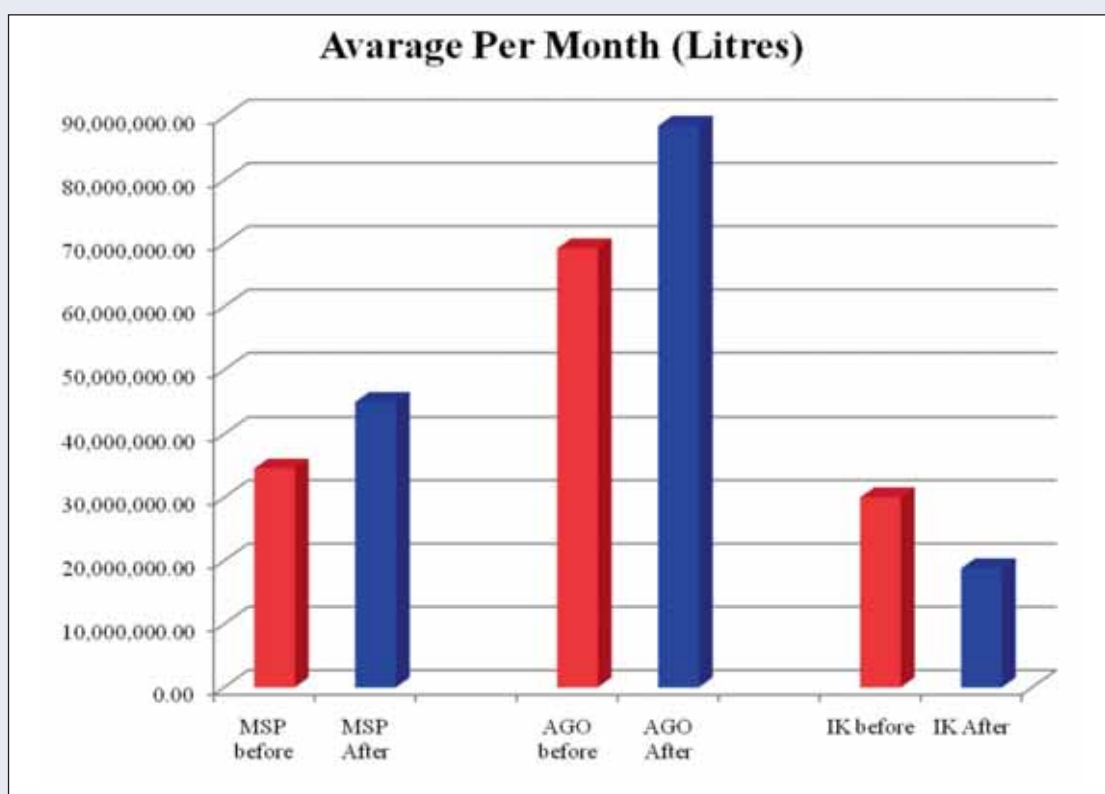
The Authority commenced marking local petroleum products on 1st September, 2010. The exercise is being handled by M/S Global Fluids International (GFI),

under a two years contract with EWURA. The marking operation was initiated to deal with problems of petroleum products adulteration and dumping of untaxed petroleum products into the local market. Satisfactory results have been recorded.

Along with the initiation of the marking exercise, the Authority acquired three XRF machines that are used to make on the spot testing to check for markers in the local market products. During the period under review 380 petrol stations were sampled in Tanzania mainland regions whereby 83 petrol stations failed the marker test, equivalent to 22% of the sampled petrol stations. Petrol stations which were found to have dumped the products and evaded taxes were required to pay fines and then referred to TRA for the recovery of the Government statutory revenues. TRA indicated that about Tshs 300 million were recovered. Similarly, 161 transit road tankers were randomly sampled whereby all trucks passed the fuel marker test. Furthermore, 24 road tankers for local market were sampled whereby 3 trucks, equivalent to 13% of the sampled trucks failed. The trucks whose sample failed were required to pay fines as stipulated in the Regulations.

The fuel marking programme has improved both the quality of petroleum products and overall collection of government statutory revenues. Previous figures show that there is a remarkable increase in consumption of gasoil and gasoline, whereby gasoline has increased from 34.5 million litres to 45 million litres per month and gasoil increased from 69 million litres to 88.5 million litres per month. On the other hand, consumption of kerosene has decreased from 30 million litres to 18 million litres per month signifying that Kerosene was largely used for adulteration. Projection of revenue collection has consequently improved from Tshs 650 billion per year to Tshs 837 billion per year for the two products, gasoil and gasoline. Figure 18 shows graphical representation of the petroleum products volumes increase/decrease following the initiation of the petroleum marking exercise.

Figure 18: Average Monthly Consumption Before and After Introduction of Fuel Marking Programme



c) Petroleum Products Analytical Laboratory

The Authority is in the process of establishing its own Petroleum Products Analytical Laboratory. During the period under review M/S NORMALAB FRANCE S.A of France who won a tender to supply laboratory equipment for analysis of petroleum products supplied the equipment and completed layout diagrams of the laboratory building. The construction of the laboratory building is expected to be completed during the financial year 2011/12.

d) Compliance Monitoring for Petrol Stations Under Construction

During the period under review, the Authority carried out inspection on petroleum stations that are under construction to check if they have construction approvals from EWURA. It was found out that 26 stations that are under-construction in Coast, Morogoro, Dodoma, Singida, Tabora and Shinyanga regions had no construction approval and punitive measures were taken against the operators.

4.2.8 Standards of Petroleum Products and Facilities

During the year under review, the standard of diesel that is being sold in Tanzania was reviewed in collaboration with the Tanzania Bureau of Standards (TBS). The revised specifications include changes on the level of sulphur from 5000ppm to 500ppm sulphur (0.05% by wt) and flash point from 65.50C to 66.0C respectively. These changes of specifications and the dates to be effected have been communicated to all operators.

4.2.9 Responses to Fire Incidents

During the period under review, three fire incidents at different locations were reported. One was at the Oilcom Tungi Nane Nane Petrol Station in Morogoro and claimed the lives of two people from severe burns. Another one was at the NSK Oil depot in Arusha whereby one person (driver) died after an explosion of a petrol tanker that was being welded. The other one occurred at the Kigamboni LPG outlet with no loss of life. The Authority carried out investigations in all the incidents and established the causes of the incidents, and issued directives to the operators on safe operations to avoid similar incidents from happening in future. The public were also informed through media on safety precautions necessary to be taken in handling petroleum products.

4.3 Third Party Access

In Mainland Tanzania, all the depots are fully owned by the Oil Marketing Companies (OMCs) with the exception of the TIPER Dar-Es-Salaam storage facilities. TIPER is jointly owned by the Government of Tanzania through the Tanzania Petroleum Development Corporation and Addax/Oryx.

OMCs without operational depots are required to have hospitality agreements with OMCs having operational depots. This is one of the mandatory requirements for issuance of a Petroleum Products Wholesale Licence.

4.4 Licensing

During the period under review, EWURA continued to receive and process licence applications in the downstream petroleum sub-sector. The Petroleum Act, Cap. 392, requires all regulated suppliers in the downstream petroleum sub-sector to be licensed. During the period under review a total of 102 licence applications were received and processed. Such applications included 4 applications for petroleum wholesale business and 98 applications for petroleum retail business. Furthermore, EWURA issued a total of 90 retail licences and 5 wholesale licences, which included some of the applications received during the period under review and previous applications which were under process. Licensing status is summarised in Table 23.

Table 23: The Licensing Status as of June, 2011

Licence Type	Applications Brought Forward	Number of Applicants	Awarded Licences	Licences Being Processed	Rejected Applications
Wholesalers	1	4	5	0	0
Retailers	0	98	90	8	0
Total	1	102	95	8	0

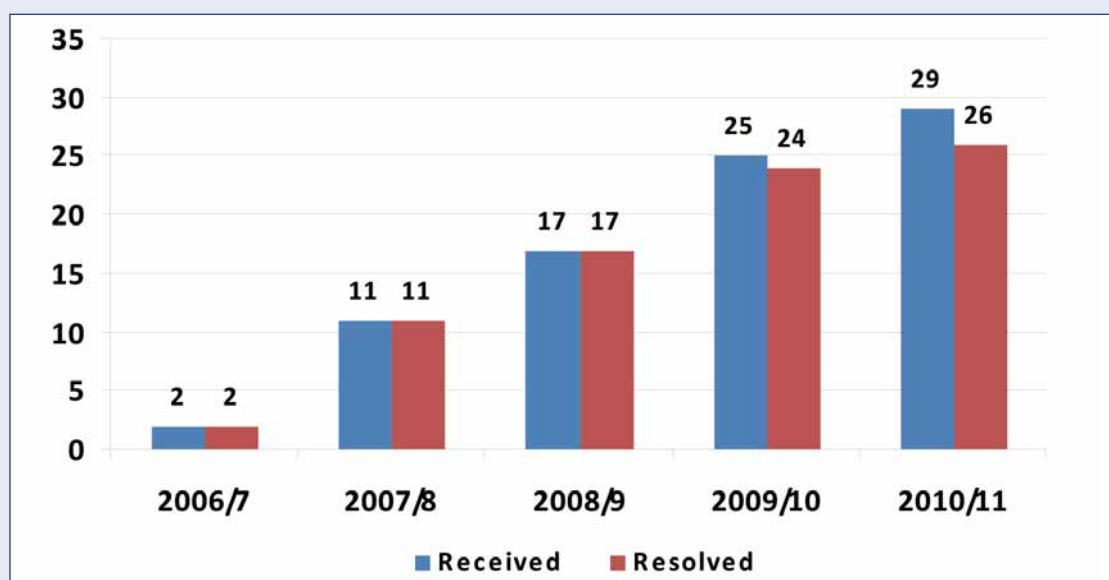
4.5 Legislative Matters

During the period under review, the Authority, in collaboration with other stakeholders performed the following:

- participated in the preparation of the Petroleum (General) Regulations, 2011 (GN No. 163 of 2011) and the Petroleum (Bulk Procurement) Regulations, 2011 (GN No. 164 of 2011) which were published on 3rd June, 2011;
- prepared, approved and caused to be gazetted the Petroleum (Road Transportation) Rules, 2010 (GN No. 281 of 2010); and
- approved the Petroleum (Consumer Installation Operations) Rules, 2011, which were sent to CPD office for publication at the year end.

4.6 Complaints and Conflict Resolution

For the period under consideration 29 complaints were registered in the petroleum sub-sector, out of which 26 were resolved. Adulteration constituted 98% of all complaints in the petroleum sub-sector while the rest were on less volume received and poor customer service. The trend of complaints received versus resolved in the petroleum sub-sector is shown in Figure 19.

Figure 19: Number of Complaints Received Versus Resolved in the Petroleum Sub-Sector

4.7 Litigation

During the period under review, EWURA has been subjected to a number of litigations filed by or against it in the Petroleum sub-sector. The summary of cases is shown in Table 24:

Table 24: Summary of Litigations in the Petroleum Sub-sector

S/N	Parties	Court or Tribunal	Nature of Proceedings	Status
1	Misc Civil Cause No. 13 of 2011: EWURA vs. Mashiru Stores	High Court, Dar es Salaam Registry	Contempt case against the operators of Mashiru Stores for disobeying EWURA Order	Pending
2	Misc Civil Application No. 94 of 2011: EWURA vs. KOBIL Africana Sweet Corner Service Station and Another	High Court, Dar es Salaam Registry	Contempt case against KOBIL Africana Sweet Corner Service Station and Mr. Samwel Mgonja	Pending
3	Appeal No.03 of 2010: New Msimbazi Kerosene Co. Ltd Vs. EWURA	FCT	Appeal against the decision of EWURA to order for closure and decommissioning of a retail outlet located at Kigogo, Dar es Salaam and owned by New Msimbazi Kerosene Co. Ltd	Judgment delivered in favour of EWURA on 20 th October, 2010.
4	EWURA vs. Ahmed Jamal t/a Msufini Petrol Station aka Kongowe Petrol Station	High Court, Dar es Salaam Registry	Contempt Proceedings against Ahmed Jamal	Pending
6	Appeal No. 7 of 2010: TOTAL Rafiki Petrol Station vs. EWURA	FCT	An appeal against EWURA for closure of TOTAL Rafiki Petrol Station in Moshi	Appeal was withdrawn with costs at the instances of the appellant in May, 2011

4.8 Health, Safety and Environmental Matters

EWURA continued to make inspections for the purpose of ensuring that HSE requirements are observed by all operators. EWURA continued its collaboration with the National Environmental Management Council (NEMC) in reviewing the Environmental Impact Assessment (EIA) studies for construction of petroleum storage facilities (depots) and retail outlets, as required by the Environmental Management Act, 2004.

a) Environmental Impact Assessment to Proposed New Projects

During the period under review, the Authority in collaboration with NEMC carried out Environmental Impact assessment (EIA). Reviewed nine (9) EIA study reports, out of which four (4) were for the construction of a retail outlet at Bagamoyo, Tunduma, Mateves Arusha and Nyakato Mwanza region. Others were for bunkering ships and vessels in Dar es Salaam, construction of LPG storage and filling facilities, deep water exploration drilling in Block No.5 off Mafia Island and fabrication and installation of Jet A1 pipeline at Kurasini Industrial Area.

The EIA exercise is a requirement that has to be fulfilled by service providers to be given construction approvals and licenses to operate.

b) Closure of Service Facilities

During the period under review, two (2) petroleum service providers namely Onakiro Olomi Sakina Petrol station located in Arusha and Mount Meru Tabata mini storage depot located in Dar es salaam were issued with closing orders because they were posing threats to public safety and the surrounding environment owing to the fact that they were improperly built.

c) Fire Incidents

During the period under review, one fire incident that involved collision of a road tanker carrying petroleum products and tank rail wagon at Manyoni in Singida region was reported. The incidents claimed a number of lives of people while others were seriously injured. The Authority conducted an investigation for the cause of the incident and recommended safe operating procedures which include defensive driving and increase in public awareness.

d) Guidelines for Emergency Preparedness Plan

Fire and oil spills are the most common type of accidents that happen in oil the industry. However, the industry is also experiencing other types of accidents like, emergencies, natural disasters, bomb threat etc. To protect employees from emergencies and to minimize property loss companies must have emergency preparedness plans ready to be used in case of emergency. During the period under review, EWURA in collaboration with other stakeholders including NEMC, TPA, SUMATRA, MEM, TIPER and TOTAL (T) Limited prepared emergency preparedness guidelines namely Dar es Salaam Marine Oil Spill Emergency Response Plan and Emergency Preparedness Plans for Oil Terminals. It is expected that the two documents will be adopted as Emergency Responses Preparedness guidelines by all Oil Marketing Companies in the second quarter of the financial year 2011/12.

Dar es Salaam Marine Oil Spill Emergency Response Plan is a first line incident response plan that will apply to oil spillages occurring at the interface of an installation and a water course/body and gives guidance on dealing with the following types of scenarios:

- i) oil spill on water surface;
- ii) formation of an explosive atmosphere;
- iii) outbreak of a fire on a wharf or on a berthed vessel; and
- iv) explosion at the jetty area.

This Plan will fulfil the following objectives as defined by EWURA:

- v) define the operational procedures that have to be implemented in the event of an incident;
- vi) effectively manage these procedures if the incident occurs and manage the response effort; and
- vii) enable information to be collected and provide an interface with all entities and Crisis Management Centres for serious incidents.

4.9 Challenges and Way Forward

The downstream petroleum sector is a competitive sector. However, there are areas that need regulatory intervention to further improve competition in the sector. EWURA has made an impact on this front although much needs to be done. Some of the challenges and way forward include the following:

- a) a number of petroleum facilities are not yet up to the required HSE standards. However, some are located in areas where their closure will result into serious shortage of petroleum products. A balanced decision needs to be made and in such cases, at times, compromises with the required safety standard;
- b) although the exercise of curbing adulterated petroleum products and sale of untaxed petroleum products and ensuring that only clean and fully tax paid products are sold is bearing good results, this malpractice is not yet wiped out completely. It is still a challenge to EWURA as no true free market can work in a situation where other players are evading taxes and or selling off specification products.
- c) volatility of petroleum products prices in the World market, makes long term planning for the development of the sector very difficult to attain. Petroleum consumers in Tanzania are particularly vulnerable to the impact of high international prices and in-built marketing inefficiencies due to the oligopolistic structure of the oil industry.
- d) There is no proper maintenance of records for import and distribution of petroleum products because some companies are either not reporting or are submitting incorrect data to EWURA. Consequently, it is not easy to determine the quantity of petroleum products consumed in Tanzania or re-exported. This has a negative impact on the country's long term planning process. There is a need to restore order to the fragmented petroleum market in order to ensure smooth supply of petroleum products and close the supply chain loopholes for tax evasion. It is expected that implementation of the NPIS will deal with this challenge.

Despite the above challenges, the sector is effectively competitive and vibrant.

5.0 NATURAL GAS

This part of the report covers highlights of the regulatory activities carried out, achievements made and challenges faced by EWURA in discharging its regulatory roles and functions during the financial year 2010/11 in the natural gas sub-sector. The natural gas sub-sector is growing very fast, and the future is very bright with natural gas discoveries in deep sea within the Exclusive Economic Zone.

5.1 Overview

The upstream natural gas activities involving hydrocarbons exploration, gas field development and production continue to be regulated by the Ministry of Energy and Minerals using Production Sharing Agreements (PSAs) and the Implementation Agreements. The rights and obligations of the parties including the Government and Tanzania Petroleum Development Corporation (TPDC) are enshrined in a number of agreements, including PSAs. About 20 renowned international oil and gas exploration and production companies that include BG Group, Shell, Statoil ASA, Ophir, and Petrobras continued to search for oil and gas in Tanzania.

Figure 20: Deepsea Metro I Commenced Drilling Programme in Tanzania



A total of eight discoveries of natural gas reserves have been made so far in Tanzania, namely Songo Songo (1974), Mnazi Bay (1982), Nyuni-1 (2004), Mkuranga (2007), Kiliwani North (2008), and recently (Pweza-1 and Chewa-1) in the Mafia Deep Offshore Basin in the southern part of Tanzania, and Chaza-1 in the northern portion of the Ruvuma Basin (2010). The number of drilling rigs present in Tanzania is enough evidence of positive correlation between upstream and downstream natural gas activities conducted in an investment friendly environment.

Tanzania has a total of four companies actively carrying out downstream natural gas regulated activities, namely, Songas Limited, PanAfrican Energy Tanzania Limited (PAT), Maurel et Prom (M&P), and TPDC. Out of the eight gas fields, two natural gasfields (Songo Songo and Mnazi Bay) have been operational since year 2004 and 2007 respectively.

Within the last three years, the demand for natural gas in the Dar es Salaam market has doubled but the supply has been curtailed by the limited capacity of natural gas infrastructures, namely the natural gas processing plant limited at 102 million standard cubic feet per day (MMscfd), the gas transmission limited at 105 MMscfd, small tubing gas producing wells in total limited at a throughput of 98 MMscfd.

5.2 Performance Monitoring

The Authority, pursuant to Section 7(1)(c) of the EWURA Act, Cap 414 continued to regulate midstream and downstream natural gas activities on quarterly basis to cover, natural gas processing, transportation and distribution. The field inspections covered the natural gas infrastructures at Songo Songo Island, Mtwara and Mnazi Bay gasfields, the natural gas transmission pipelines (Somanga Fungu to Dar es Salaam and Msimbati to Mtwara), Ubungu to Wazo Hill lateral lines, and Dar es Salaam natural gas distribution network to ascertain the technical integrity of natural gas distribution network, and compliance of operators to health, safety and environment (HSE) standards.

The Authority verified the information received on desks from the regulated service providers on daily, weekly and monthly basis, and compared and contrasted the information gathered in the reports and the actual situation on the ground.

Four quarterly inspections were conducted during 2010/11. Those inspections aimed at exchanging expert views with the service providers and verifying the:

- a) availability of natural gas supplies, quality and standards of services;
- b) the levels of investments in natural gas infrastructures;
- c) encroachment to pipeline way-leave;
- d) security of the polyethylene (PE) pipelines;
- e) existence of warning signs and pipeline markers;
- f) risks posed to the 7 bar PE natural gas pipeline;
- g) soil erosion threat along or across the gas pipelines and laterals, exposure of buried gas pipeline facilities, and gas leakage indicators.

In total, the Authority held four meetings with high level management of Songas Limited, PAT and M&P to compare the notes, offer the feedback on a number of areas, and get briefings on actions being taken by the service providers to address the regulatory concerns raised.

5.2.1 Availability of Natural Gas Services

Efforts have been made by the Ministry of Energy and Minerals, Tanzania Electric Supply Company (TANESCO), TPDC, Songas Limited, PAT and M&P to maintain the supply of natural gas to Dar es Salaam and Mtwara markets, averaging at 96 MMscfd. Under

the auspices of the Ministry of Energy and Minerals, Songas Limited, PAT and TANESCO maintained an agreement to temporarily re-rate the capacity of gas processing plant at Songo Songo to deliver 102 MMscfd instead of nameplate capacity certified at 70 MMscfd. After re-rating of the gas processing plant at Songo Songo Island from 70 to 90 MMscfd and further 102 MMscfd, there has been an increase in processed natural gas (removing condensate and water) throughput, whereby, the highest gas production level of 98.69 MMscfd was reached on 16th June, 2011.

At Mnazi Bay, well MB-3 was tied-in the existing gas processing plant to provide gas operations flexibility with well MB-1, MB-2 and MB-3 connected together. The move to connect the three wells in Msimbati to the common natural gas processing facility has ensured maximum security of natural gas supply to the Mtwara Power Plant (18 MW) owned and operated by Wentworth Resources Ltd.

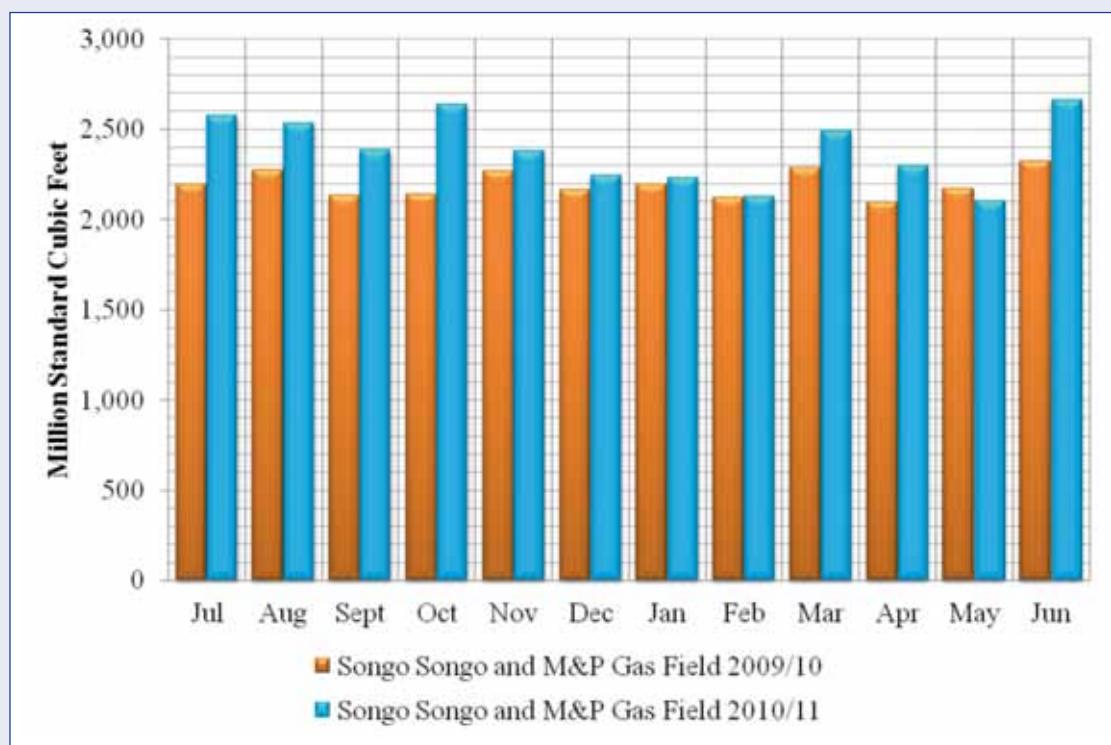
Mnazi Bay to Mtwara natural gas facilities were designed to deliver up to 30 MMscfd of natural gas, but the current demand is approximately 2 MMscfd and hence operating under-capacity. Due to the 2008 world financial crunch, the planned power generation plants (300 MW), cement factories, and fertilizer plants in the regions of Lindi and Mtwara were cancelled. With marginal natural gas production rate, it will take a longer time to certify a higher figure of proven and probable reserves, which again poses a setback in attracting investments in downstream activities.

Figure 21: M&P Natural Gas Processing Plant



The total natural gas production from Songo Songo and Mnazi Bay gas fields for the year 2010/11 was 28.67 billion cubic feet (Bcf) compared to 26.37 Bcf produced in the year 2009/10. This is approximately 8.7 percent annual increase in gas production. The increase is attributed largely to the fast growing demand of natural gas for power generation caused by severe drought during 2010/11. TANESCO was forced to rely on 44 percent thermal generation, mainly from the natural gas based plants. The two years trend is shown in Figure 22.

Figure 22: Trend of Monthly Gas Production at Songo Songo and Mnazi Bay for the Year Ended 30th June, 2011

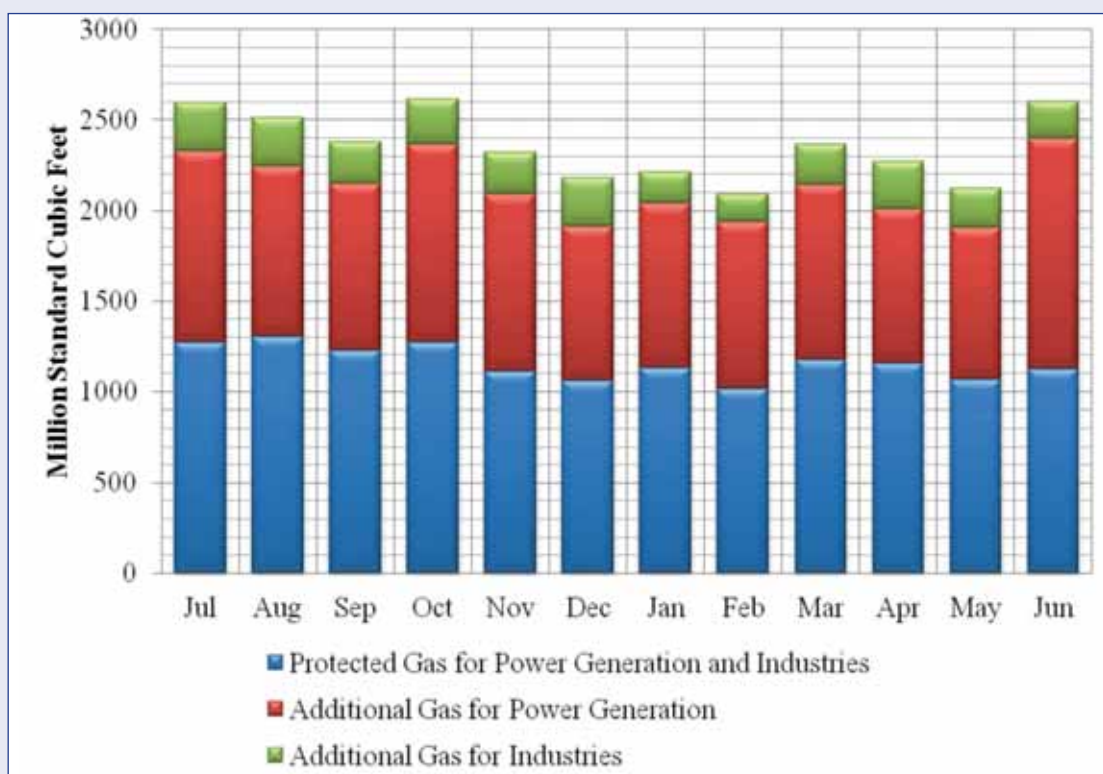


Source: PAT and M&P

During the period under review, the Protected Gas dedicated to power generation and industrial use for year 2010/11 dropped slightly to 13.89 Bcf compared to 13.95 Bcf consumed during year 2009/10. The main reason for that drop was the curtailed supply of natural gas during November 2010 and February 2011 as a result of the closure of Well SS-5 that was reported to be severely attacked by rust that a number of inner casements were corroded.

In December 2010, it was reported by PanAfrican Energy Tanzania Limited and Songas that Well SS-5 was severely corroded, and that SS-9 was to be taken out of operation in year 2012. Immediately thereafter, Well SS-10 (for Additional Gas) was connected to the Songo Songo natural gas processing plant and was commissioned. Plans to drill two more wells, re-enter and conduct a work-over programme to all the affected wells (SS-5, SS-9, SS-7, then SS-4 and SS-3), and tie-in the Kiliwani North well (KN-1) to the Songo Songo natural gas processing plant to maintain the security of supply during year 2012 are in place. Figure 23 shows natural gas (Protected Gas and Additional Gas) sales from Songo Song gasfield from July, 2010 to June, 2011.

Figure 23: Monthly Natural Gas Sales for Songo Songo Gasfield



Source: PAT and TPDC

During the period under review, the total natural gas sales from Mnazi Bay gasfield reached 553.605 MMscf compared to 326.621 MMscf during 2009/10. This is a 69.49 percent increase of natural gas consumption for power generation in Lindi and Mtwara Regions. The growth mentioned is attributed by the increase of power demand after the isolated mini-grid system of Masasi, Newala and Nachingwea was connected to the Mtwara-Lindi mini-grid system in February, 2010. The sole buyer of natural gas in Mtwara was Wentworth Power Limited. Figure 24 below depicts monthly gas production from Mnazi Bay gasfield.

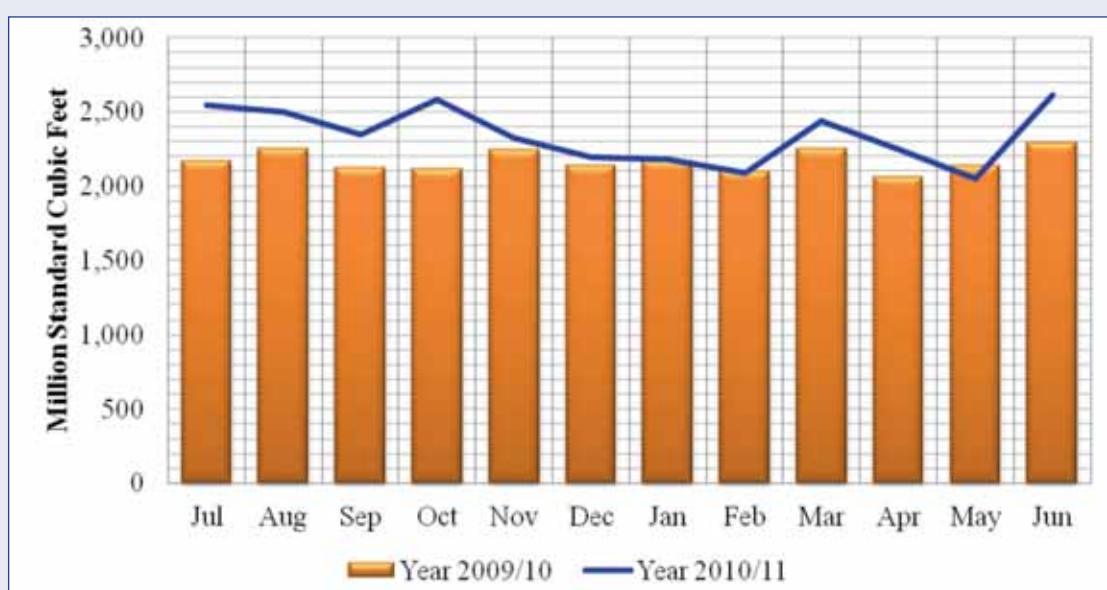
Figure 24: Trend of Monthly Natural Gas Production at Mnazi Bay



Source: M&P

The Additional Gas sales to electric power generation plants and industries increased significantly. The sales of Additional Gas to thermal power plants and industries located in Dar es Salaam increased by 16.5 percent from 12.32 Bcf in the financial year 2009/10 to 14.35 Bcf in 2010/11. The increase is attributed to severe drought that led TANESCO to rely heavily on thermal power plants. The growth in natural gas demand in industries and power sector pose a challenge at the moment. The plan by the Government, Songas and TPDC to fast track the construction of additional two trains to process natural gas at Songo Songo Island, installation of a compression station, and construction of a second natural gas transmission pipeline to connect Dar es Salaam with Songo Songo, Kiliwani North and Mnazi Bay by June 2013 is vital. Figure 25 below shows monthly gas production from Songo Songo gasfield.

Figure 25: Trend of Monthly Natural Gas Production at Songo Songo for the Year 2009/10 to 2010/11



Source: PAT

5.2.2 Quality and Standard of Services

The Authority continued monitoring the quality and standard of regulated services. Regulatory monitoring of the quality of regulated services involved ascertaining the quality of natural gas against the pipeline natural gas (PNG) specifications to avoid blockage and damage of the pipeline inner coating, valve and meters, as well as burners and turbine blades. On the other side, the quality of flames and heat content could highly be affected by a number of impurities in natural gas. The type of natural gas produced from Songo Songo and Mnazi Bay reservoirs is very dry (without significant volumes of heavy hydrocarbons) and it is sweet (without hydrogen sulphide or significant volumes of carbon dioxide).

At a raw natural gas processing plant, the natural gas is dehydrated, acid gases and other impurities (if any) are removed, and condensate (ethane, propane, butanes, pentanes and higher molecular weight hydrocarbons) are removed by PAT and recovered by TPDC. Table 5.1 below shows the quality of lean gas to be delivered by natural gas transmission pipelines for longer distances up to 2,000 km at high pressures and low temperatures.

Table 5.1 Benchmarking Specifications of Pipeline Natural Gas

Variable or Property	Unit	Minimum	Maximum	Delivered Gas
Methane	Mol %	75	-	97.20
Ethane	Mol %	-	10	0.97
Propane	Mol %	-	5	0.28
Butanes	Mol %	-	2	0.14
Pentane plus	Mol %	-	0.5	0.17
Nitrogen & other inerts	Mol %	-	4.5	0.72
Hydrocarbon Dew Point	°C at 55 bar	-	- 4.0	- 41.4
Carbon Dioxide	Mol %	-	2.5	0.49
Water vapour	mg/m ³	-	65	2.94
High Heat Value	Btu/scf	995	1,145	1,021
Others	free from sand, dust, gums, oil, resin, glycol and other undesirable substance			black powder has been experienced

Source: ENARGAS STD 662/98, ISO STD, Songas Limited, PAT and M&P

Quality specifications for natural gas in Tanzania have usually been individually negotiated and prescribed in contracts between buyers and sellers or pipeline companies and the producer or processor. At present, the gas producers in Tanzania are gas processors (under the Operatorship Agreement) and gas sellers, thus contracts are written on “take-it-or-leave-it” basis and buyers have no choice. Over the period under review, there was no significant change in gas composition save for the existence of black powder in natural gas delivered from Songo Songo gasfield, which is filtered at the point of use.

5.2.3 Levels of Investment in Gas Infrastructure Development

The change in levels of investment in midstream and downstream natural gas sub-sector indicates the rate of the natural gas industry growth, the confidence gained by investors in the existing legal and regulatory frameworks, and more importantly, prudently incurred costs have to be reflected in natural gas tariffs and prices. Imprudently incurred costs, failure to pass “the useful and used test”, and wrongly timing of investments in long-term assets such as natural gas pipelines, in most cases, lead to “white elephant” or “gold-plated” projects. On the other side, the bigger changes in levels of investments in midstream and downstream natural gas subsector, the higher the positive signals they send to investors in upstream natural gas sub-sector, guaranteeing positive growth of domestic market. Marginal changes in midstream and downstream activities send negative signals against domestic market driven exploration. The feedback being received by the Authority from international oil and gas exploration companies working in Tanzania suggests that the deep sea exploration in Tanzania is export market driven. For those reasons, the Authority has been keen to monitor the change in levels of investment and promote the balance between gas exploration for export and domestic markets.

a) Expansion and Extension of Essential Gas Infrastructures

EWURA issued Order No.011-007 of 7 April, 2011 (published in the GN No. 316 dated 23rd September, 2011) allowing Songas Limited to proceed with expansion of the gas processing plant at Songo Songo Island and installation of compression facility to maximise the recovery of proven reserves by year 2024. It is anticipated that, all being equal, the Expansion Project (additional natural gas dehydration units and a compressor) shall be in operation by June, 2013. Songas Limited has invested significant amounting of money to design the Expansion Project, procure specialised contractors, employ the business development consultants, and oversee the entire project preparations. On the other hand, PAT fell into disputes

with its business partner, TPDC, with regard to activities to be implemented under Production Sharing Agreement or other arrangements. Very little has been accomplished in this area apart from historical achievements. TPDC is planning to actively participate in downstream natural gas investments during year 2011/12.

M&P operates within a captive market dedicated to gas-to-electric power generation for Mtwara and Lindi regions, and its business does not grow much. Ndovu Resources has tried without success to commercialise its gas reserves in Kiliwani North through third party access. Being a small size gasfield, it remains to be captive until its market potential is unlocked. Regulation of midstream and downstream natural gas activities using the negotiated agreements seems not to work very well at the moment. Ndovu Resources Ltd. has PSA that contains a “third party access” provision allowing them to access the common facilities, such as gas processing plant and gas transmission pipelines. Small sized gasfield operators are frustrated but it is expected that such problems will be addressed once sector legislation is enacted.

The importance of enacting sector specific policy (including the Gas Master Plan) and sector specific legislation (the act, regulations and rules) could not be overemphasized with what is currently being experienced. The pre-requisite infrastructures (natural gas processing plants, transmission and distribution pipelines) to match the growing demand in all fronts, call for US 1.5 billion dollars, to start with. Songas Limited, PAT, the Government and TPDC have been struggling to access funds from the local capital market and Direct Foreign Investment.

b) Roll-out of Best Practices and Experience in Natural Gas Industry

The process of compressing Natural Gas (CNG) is a well proven technology worldwide. It was jointly introduced in Tanzania by PAT and TPDC during the financial year 2007/08. CNG is a substitute for petrol (motor spirit), diesel (gasoil), and Liquefied Petroleum Gas (LPG) in urban areas. Worldwide, there were 12.67 million vehicles driven by natural gas by 31st December, 2011, led by Pakistan (with 2.74 million), Iran (1.95 million), Argentina (1.9 million), Brazil (1.66 million), and India (1.08 million). Pakistan also has the highest number of CNG refuelling stations in the world numbering more than 3,000 followed by Iran (1,800), Argentina (1,850), Brazil (1,704), and Egypt (750). The majority of public and private vehicles in Pakistan have been converted into natural gas vehicles (NGV) because CNG is 30 to 50 percent cheaper than petrol and diesel. In the countries where CNG and NGV technologies succeeded, policies and regulation were enacted to encourage the vehicle owners to convert their vehicles into NGV or import dedicated NGV vehicles to run on clean fuel.

In Tanzania, specifically in Dar es Salaam, CNG is supplied to 36 out of 300 vehicles that were converted into NGV to run on dual fuel system (petrol and natural gas) since July 2009. CNG is also supplied to four (4) industrial customers located in Mikocheni Area, Dar es Salaam Serena (previously known as Movenpick) Hotel in the city centre, and to eight (8) households at TPDC Real Estate for cooking purposes, as a pilot project. PAT continued to operate one CNG mother station at Ubungu Maziwa, which comprises of one gas dispensing unit for CNG, converted vehicles and special loading plant for CNG cylinders used as a virtual pipe system for Mikocheni and City Centre daughter stations. Compressors are used to refill CNG cylinders on special trucks at Ubungu Maziwa and CNG trucks move natural gas cylinders to daughter stations.

Figure 26: Ubungo Maziwa Compressed Natural Gas Filling Station



The virtual CNG system supplies natural gas to Mikocheni Industrial Area, Dar es Salaam Serena Hotel, and TPDC Real Estate in Mikocheni Area. It will take longer time to construct the natural gas distribution network to the rest of Dar es Salaam. Again, without deliberate incentive packages, proper coordination of actors, clear separation of duties and functions, legal and regulatory framework, and clearly stipulated rights and obligations of parties. It is not easy to promote the roll-out of best practices and the experiences gained from within (Dar es Salaam Institute of Technology and the University of Dar es Salaam) and in foreign countries which have been successful in CNG and NGV technologies.

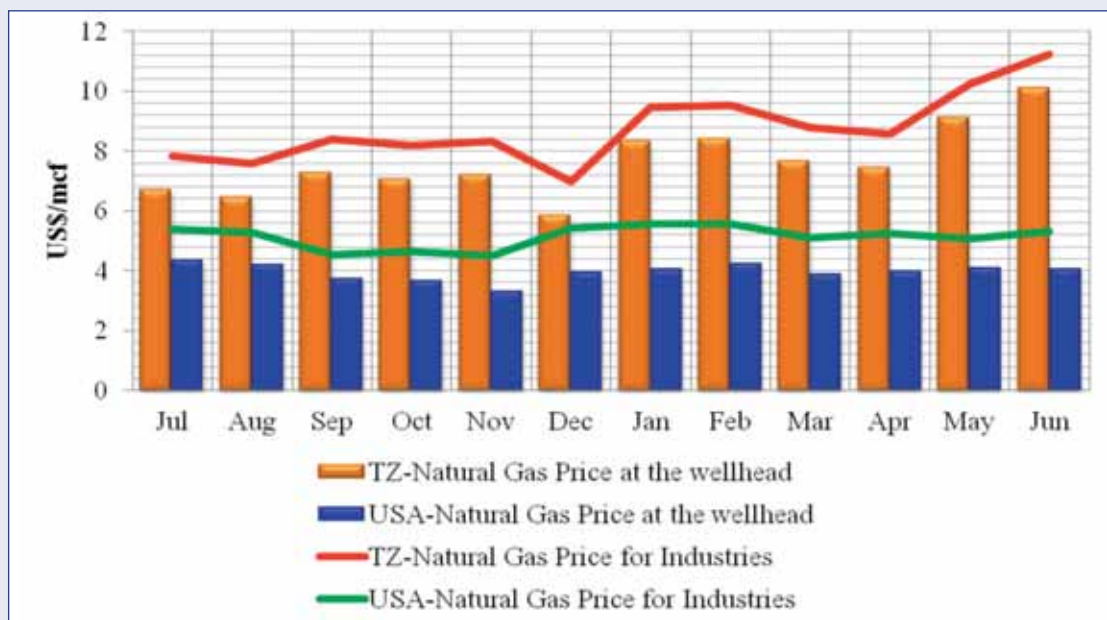
Developing CNG standards (for CNG filling stations, special cylinders, conversion kits, and the workshops servicing NGV) has to be in place immediately after the sector specific legislation is enacted. The Authority has collected adequate literature from Argentina, Pakistan and India to support smooth development of CNG standards and codes. Dar es Salaam needs at least twenty (20) CNG filling stations, strategically located at radial roads and gateways in order to support massive conversion of urban fleets into NGV. Due to CNG development barriers, during 2010/11, the change in levels of investment was very insignificant.

5.2.4 Monitoring Trends of Cost of Service and Natural Gas Pricing

The prices of natural gas in Tanzania to end-users are negotiated between the sellers and buyers. The prices of natural gas for power generation were set using netback calculations (from the regulated average power tariff to the wellhead) and finally negotiated by TANESCO and PAT/TPDC on monthly “take-or-pay” basis. With regard to the natural gas delivered to Wentworth Power Plant in Mtwara, the price was fixed and frozen by the parties at US\$ 5.00 per thousand standard cubic feet (Mcf). Tariffs for natural gas processing, transmission and distribution are regulated by EWURA using the “Cost of Service Pricing” principles that is, setting facilities user fees for a service rendered based on prudently incurred costs and “useful and used” principle. The last

time EWURA set tariffs for processing, transportation and distribution was February 2009. The prices of natural gas for industrial uses is set by the market, pegged at the prevailing market prices of alternative fuels (Heavy Fuel Oil and imported high coal) adjusted for 20 to 25 percent discount, and to reflect change in exchange rate. Prices of natural gas for industrial use kept floating with time.

Figure 26: Natural Gas Pricing Trends for Industrial Consumers

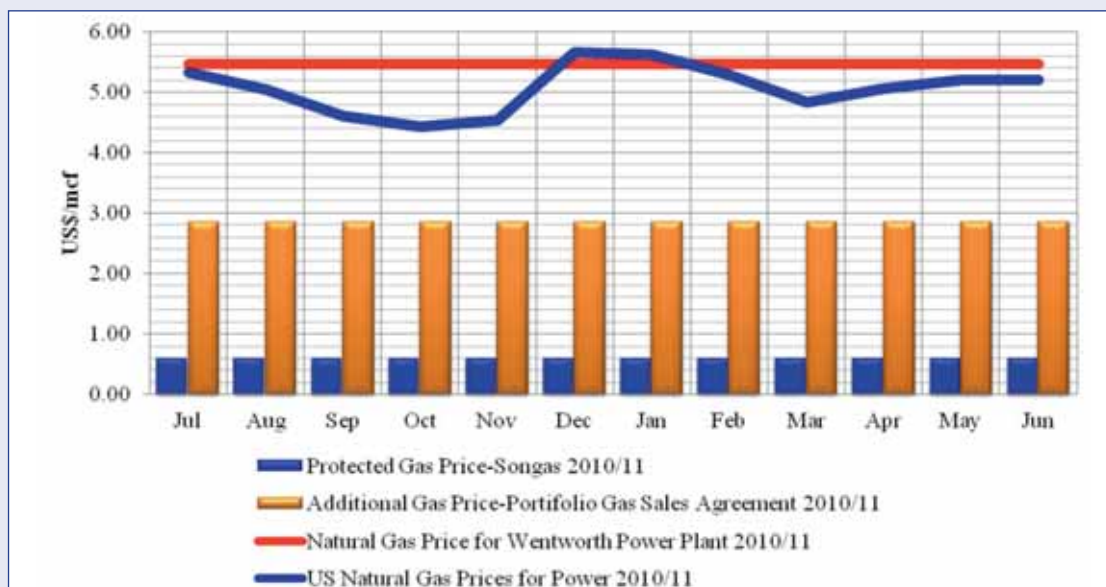


Source: PAT, US Energy Information Agency

For comparison purposes, the natural gas prices for industrial use as set by PAT in Tanzania, when benchmarked to prices of natural gas for industrial prices in USA, the Authority has noted a wider gap between them. Likewise, comparing the prices of natural gas at wellheads in USA with those set in Tanzania, the Authority sees a wide gap between them. For the period under review the negotiated natural gas prices in Tanzania market were higher than the prices for similar commodity in USA.

Wellhead natural gas prices in Tanzania were on average set at U\$7.65 per Mcf in Tanzania as compared to U\$3.98 per Mcf in USA, almost twice as much. Overall, save for high prices of natural gas delivered to Wentworth Power Plant by M&P, TANESCO enjoys very generous delivery prices of natural gas delivered by PAT/TPDC. Figure 27 shows the comparison of natural gas prices for power generation in Tanzania and USA.

Figure 27: Natural Gas Price Comparison for Thermal Power Generation



Source: PAT, M&P and US Energy Information Agency

From Figure 27 above, it is clear that the price of natural gas payable by Wentworth Resources Ltd. to M&P is extremely high even if it is compared to US prices. Wentworth Resources Limited gas price was negotiated by the buyers and sellers of natural gas (the then Artumas Group & Partners and TPDC) in December 2008 and fixed for three years that expire by end of December 2011. It is also worth noting that, the price of Additional Gas payable to PAT/TPDC by TANESCO, for thermal power generation in Mtwara has been kept significantly low at US\$ 2.62/Mcf to compensate TANESCO for its commitment to pay for the initial investments in the gas infrastructures. Likewise, the Protected Gas price payable to TPDC by TANESCO is set extremely low at US\$ 0.6/Mcf to cover energy charges only, while additional US\$3.6/mcf is paid to Songas by TANESCO to cover capacity charges associated with the use of natural gas infrastructures. The Authority's assessment is that, all prices of natural gas for power generation remained stable over the period under review.

5.2.5 The Impact of Natural Gas Import Substitution on the Economy

During the period under review, the gas-based thermal power generation plants consumed 686,670,395 m³ of natural gas. This is equivalent to 754.796 million litres of oil equivalent, mainly JetA-1. Another 128,969,317 m³ of natural gas was consumed by Dar es Salam based industries, which is equivalent to 108.72 million litres of oil equivalent, mainly HFO. This translates to total savings of US\$ 997.23 million during the period. These savings are driven by increase in thermal power despatch from Ubungu and Tegeta based power plants, the increase of natural gas consumption in industries, especially in cement factory at Wazo Hill and increase in natural gas consumption at Wentworth Resources Power Plant at Mtwara due to the increase of power demand after the isolated mini-grid system of Masasi, Newala and Nachingwea was connected to the eastern Mtwara-Lindi mini-grid system.

5.3 Licensing

Licensing of regulated natural gas activities is conducted through the Development Licences issued to TPDC by the Minister for Energy and Minerals. During the period under review, the Development Licence was issued to TPDC, permitting Ndovu Resources Ltd. to commercialise captive natural gas to be produced from Kiliwani North-1 and Nyuni-1. EWURA does not play part in licensing natural gas infrastructure and associated activities.

5.4 Determination of Rates and Charges

During the year under review, the Authority received one application for multi year tariff from Songas on 24th November, 2010. Following completion of public inquiry and review process on 7th April, 2011, the Board of Directors through its Order (GN No.316 published on 23rd September 2011) approved, among other things, a Multi-Year Tariff Adjustment Mechanism for the Processing and Transportation of Throughput Gas. Following the approval, the methodology will be valid for 11.2 years, save for permitted adjustments. The approval also triggered the initiation procurement process and negotiations of a number of Project Agreements. It is anticipated that the implementation of the Expansion Project will be completed and commissioned by June, 2013.

5.5 Third Party Access

EWURA continued to monitor the levels of competition and economic efficiencies with regard to third party access to common gas facilities rendering natural gas processing, transportation and distribution services. Despite the existence of third party access provision in the Gas Processing and Transportation Agreement, the Gas Agreement and the Production Sharing Agreement, Songas did not adhere to the principles of Third Party Access. The PSA to which Ndovu Resources Ltd. is a party, puts the onus on the Ministry of Energy and Minerals and TPDC to ensure that Ndovu Resources Ltd. gains access to the common gas facilities. Ndovu Resources Ltd. operates Kiliwani North and Nyuni captive gasfields. At different times, Ndovu Resources shared with EWURA its frustrations as it is denied by Songas Limited to gain access to the common gas facilities (at a fee), even after the processing plant was temporarily re-rated by Lloyds Register from 70 to 102 MMscfd. The recent ruling by the Minister for Energy and Minerals is that, before the Expansion Project is commissioned in June, 2013, Ndovu Resources Ltd. shall sell natural gas to PAT at a negotiated price, while sorting out with Songas Limited.

5.6 Legislative Matters

During the period under review, no legislation was made. However, the Ministry of Energy and Minerals initiated the process of drafting the Gas Development Master Plan, and continued to finalise drafting the Gas Bill to be tabled to the Parliament during year 2011/12.

5.7 Disputes and Complaints

There were no disputes or complaints brought to the attention of EWURA during the period except a letter from Ndovu Resources Limited seeking assistance to access the common gas facilities as mentioned hereinabove.

5.8 Litigation

During the period under review, there was no litigation involving EWURA, the service providers or other stakeholders.

5.9 Health, Safety and Environmental Matters

On a quarterly basis, while conducting the technical inspections, the Authority carried out the health, safety and environmental monitoring of midstream and downstream activities in the gas subsector. Progressive monitoring revealed that:

- (a) frequent fire fighting drills have been performed by the service providers at both gasfields (Songo Songo and Mnazi Bay);
- (b) there were no 'near miss', accidents and major incidents, or environmental disasters registered in both gasfields and along the wayleave;
- (c) the Dar es Salaam natural gas distribution network operated by PAT achieved zero Time Lost Injuries (TLI);
- (d) all health, safety and environment issues at natural gas pressure reduction stations, and the CNG facilities comply with ISO standards; and

- (e) in some areas in north and south of Dar es Salaam along the natural gas pipeline wayleave, the soil cover was eroded, while in some few places the wayleave was marginally encroached.

5.10 Challenges and Way Forward

The key challenges encountered by the Authority in regulating midstream and downstream natural gas subsector so far, is the lack of sector specific legislation. The natural gas industry is at its infant stage of development, regulation by contract prevails, and the separation of functions and duties between the Minister for Energy and Minerals and those of the independent regulator (EWURA) remained unclear for almost the past five years of operations. After lengthy consultations and discussions among and between EWURA, the Ministry of Energy and Minerals, and the Parliamentary Standing Committee on Energy and Minerals, at least there is a Government commitment to initiate drafting of sector specific policy, finalisation of the Gas Development Master Plan, and enactment of the sector specific legislation (the act, regulations and rules) during year 2012. The Authority is prepared by all means to support such endeavours. As soon as the Gas Bill is enacted, the rest of barriers will sublime, more investments will be attracted, and the industry growth will blossom into one of the most outstanding economic subsectors.

6.0 WATER AND SEWERAGE

6.1 Overview of the Water Sector

EWURA regulates 129 autonomous Water Supply and Sanitation Authorities (WSSAs) which include Regional, District and Small Towns Water Supply and Sewerage Authorities (DWSSAs) located in regional, district and small towns, respectively. A summary of these Authorities is shown in Table 25.

Table 25: Summary of Regulated Utilities in the Water Sector

S/n	Type of Utilities	No. of Utilities
1	Dar es Salaam Water and Sewerage Corporation	1
2	Regional Urban Water Supply and Sanitation Authorities	19
3	District Water Supply and Sanitation Authorities	76
4	National Projects Water Authorities	7
5	Small Town Water Supply and Sanitation Authorities	26
	Total	129

6.2 Performance Monitoring

6.2.1 Performance Data Reporting

Water Supply and Sanitation Authorities (WSSAs) report to EWURA electronically using the Water Utilities Information System (Majls) by the 14th day of the following month and in hard copies by submission of written reports in the agreed format. During the year under review, only two (2) utilities (Lindi and Dawasco) out of 20 Regional water utilities did not manage to submit their Majls data due to reported computer problems. District, Small Town WSSAs and National Projects have not yet started submitting the monthly reports through the Water Utilities Information System (Majls).

6.2.2 Development and Implementation of Data Monitoring System

In order to effectively make use of the Water Utilities Management Information System (Majls), WSSA were advised to improve areas that were causes of most problems in operation of Majls as identified to have been:

- a) non-installation of antivirus in computers thereby making them vulnerable to virus attacks;

- b) poor management of the computers; the computer with Majls system was used for other activities;
- c) lack of IT expertise capable of maintaining the computers as required;
- d) poor knowledge of the Majls system; and
- e) specific problems in Majls itself, which were caused by either lower version of Majls system or improper installation of the system.

Monthly-submitted data by WSSAs through Majls was constantly evaluated and feedback sent to the respective WSSAs regarding the quality of data submitted.

6.2.3 Site Inspections

a) Regional WSSAs

Site inspections were conducted at 11 Regional WSSAs and DAWASCO. During the site inspections, EWURA verified the submitted reports in terms of water production figures and the status of bulk water meters, the status of water and sewerage infrastructures, water quality by conducting spot water quality tests, the process and records of complaints handling, the implementation of EWURA orders and the price of water charged at water kiosks. The Regional WSSA's inspected include Tanga, Moshi, Babati, Arusha, Lindi, Mtwara, Songea, Morogoro, Mwanza, Iringa and Mbeya.

b) District, Small Towns and National Water Projects

During the period under review 71 District, Small Towns and National Projects WSSAs were inspected. These include Tarime, Bunda, Nansio, Geita, Mugango-Kiabakari-Butiama NP, Kibondo, Kasulu, Sengerema, Misungwi, Ngudu, Magu, Mugumu, Manyoni, Kiomboi, Sikonge, Urambo, Maswa, Kishapu, Mwanhuzi, Bariadi, Ushirombo, Igunga, Nzega, Isaka, Kyela, Kasumulu, Tukuyu, Rujewa, Makambako, Njombe, Makete, Ludema, Mahenge, Ifakara, Kongwa, Mpwapwa, Chamwino, Kondo, Mvomero, Kilosa, Gairo, Kilwa, Ruangwa, Masasi, Nachingwea, Liwale, Mangaka, Tunduru, Namtumbo, Mbinga, Makonde National Project, Same, Mwanga, Pangani, Muheza, Korogwe, Handeni Trunk Main, Handeni, Songe, Mbulu, Monduli, Katesh, Kibaya, Orkesumet, Magugu, Utete, Mkuranga, Kisarawe, Lushoto and Chalinze National Project.

c) Findings

During the site inspections, it was generally observed that most WSSA's did not properly keep their operation and maintenance data as well as complaints handling reports. In addition, most WSSAs do not make routine calibration of water bulk meters. Specific observations made during inspection in the District WSSAs include:

- i) insufficient water production as compared to the estimated water demand;
- ii) the existing water sources in most of the WSSA are exhausted and therefore do not have a potential for further expansion;
- iii) water demand data presented by the utilities is not based on appropriate studies and therefore does not exhaust all water requirements in the respective towns;
- iv) lack of competent and sufficient staff to manage the technical, commercial and financial operations of the water utilities;
- v) high Non Revenue Water (MRW). However, input data for calculation of NRW are unreliable due to unavailability of bulk meters in water production points and low metering ratio to measure water consumption;
- vi) insufficient water storage capacity;
- vii) low revenue collection efficiency;

- viii) lack of water treatment facilities and water quality monitoring programmes;
- ix) District WSSAs lack assistance in terms of investment funds for rehabilitation and expansion of the infrastructure;
- x) slow pace of Government institutions to settle their bills on time and recovery of arrears;
- xi) insufficient training on matters related to regulation as a part of capacity building to District WSSAs; and
- xii) limited EWURA's monitoring visits to verify the quality of water supply to WSSAs as well as verification of the data/ information submitted by WSSAs due to lack of resources.

6.2.4 Performance Agreements

The Performance Agreements signed with 19 Regional WSSAs elapsed by June 2011. New Performance Agreements are in the process of being issued and will reflect the performance targets in the WSSAs Business Plans. The Performance Agreements will consist of Quality of Service Standards and Performance Targets to be achieved by WSSAs. Performance targets in the Performance Agreement also form the basis for a comparative performance evaluation of WSSAs.

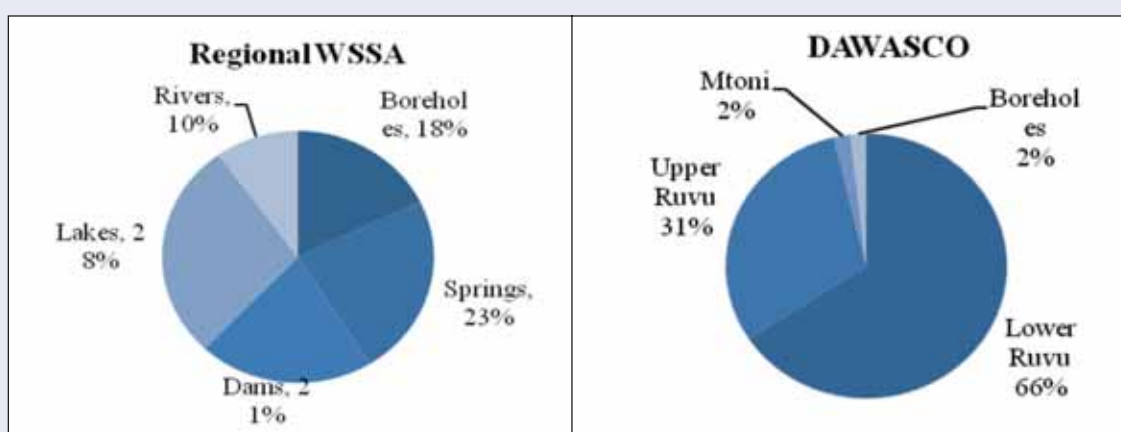
6.2.5 Performance of Regional UWSAs and DAWASCO

Regional WSSAs include Arusha, Dodoma, Iringa, Mbeya, Morogoro, Moshi, Mtwara, Musoma, Mwanza, Shinyanga, Songea, Tabora, Tanga, Babati, Bukoba, Kigoma, Lindi, Singida and Sumbawanga. The performance information has been compiled from reports submitted by the respective entities through the Water Utilities Information System (Majlis) and EWURA sought for clarifications for the data that was inconsistent. Reference was also made to the performance data and indicators published by EWURA in 2009/10 report.

a) Water Sources

Water utilities abstract water from surface and ground water sources. The water sources for the 19 regional WSSAs are boreholes, springs, dams, lakes and rivers. Depending on the type of water source, the water supply schemes that exist within the 19 WSSAs are either gravity or pumping. Most of the WSSAs have both gravity and pumping schemes. Most water was abstracted from lakes which decreased from 30 % in 2009/10 to 28% in 2010/11, followed by abstraction from springs and dams as shown in Figure 28.

Figure 28: 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.

b) Water Production and Demand

In 2010/11, water production showed a slight increase for Regional WSSAs but a decrease for DAWASCO. The Regional water utilities produced a total of 116.4 million cubic meters equivalent to an average of 9.7 million cubic meters /month which is higher than an average of 9.5 million cubic meters /month produced in 2009/10. Also, DAWASCO produced a total of 92.12 million cubic meters equivalent to an average of 7.6 million cubic meters /month which is lower than the average of 7.9 million cubic meters /month produced in 2010/11. While the installed capacity for Regional WSSAs has been increasing for the past three years, that of DAWASCO has been almost constant and less than the water demand. The water demand, installed capacity and actual water production is shown in Table 26.

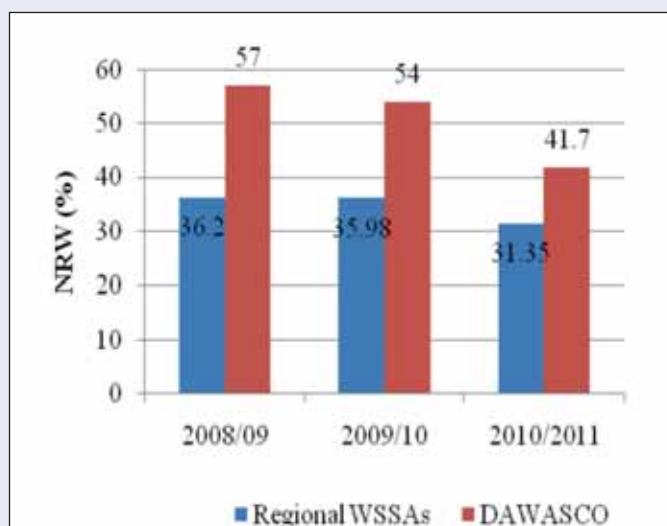
Table 26: Water Production and Demand from 2008/09 to 2010/11

Item	Regional Water Utilities			DAWASCO		
	2008/09	2009/10	2010/11	2008/09	2009/10	2010/11
Water Demand(m³/day)	423,425	448,591	500,893	450,000	450,000	450,000
Installed capacity (m³/day)	462,795	538,011	559,737	280,548	280,548	280,548
Actual Water Production(m³/day)	303,918	313,650	318,886	260,877	261,178	252,375

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 29 shows that, for the Regional WSSAs, the overall trend of non-revenue water has slightly improved from 35.8% in 2009/10 to 31.4% in 2010/11. NRW for DAWASCO is still very high and has decreased slightly from 53.7% in 2009/10 to 41.7% in 2010/11.

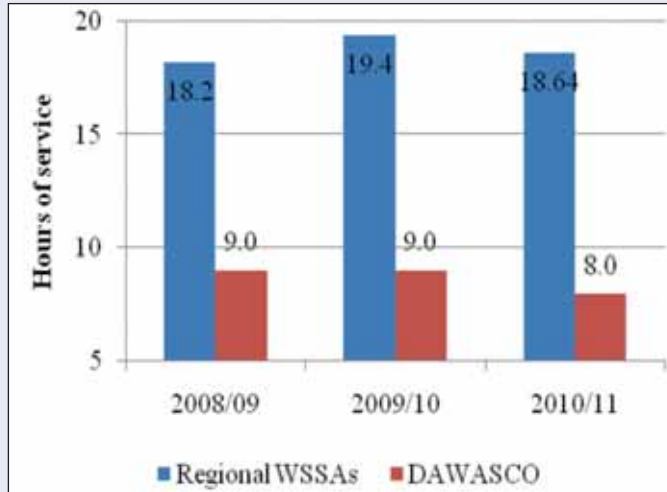
Each of the Regional WSSAs and DAWASCO is required to reduce NRW to less than 20%. This will translate into an increase in water sales without necessarily increasing water production or tariffs.

Figure 29: Non-Revenue Water (NRW) from 2008/09 to 2010/11


d) Service Hours

The average hours of supply were 19.4 hours and 9 hours for the year 2009/10 as compared to 18.6 hours and 8 hours for 2010/11 for both Regional WSSAs and DAWASCO respectively.

Figure 30: Service Hours from 2008/09 to 2010/11



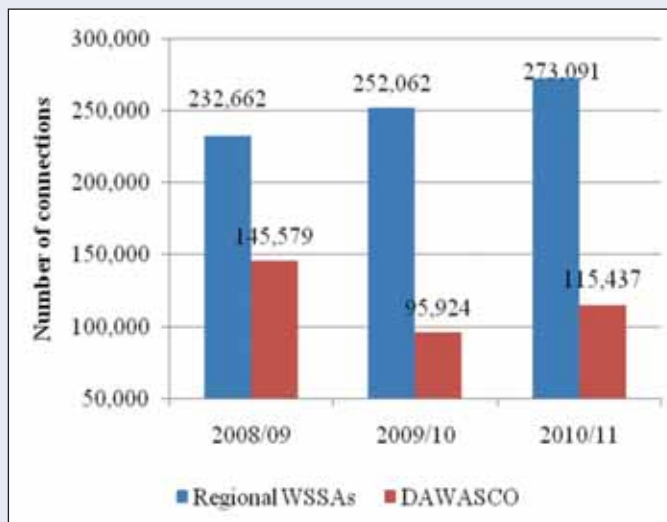
All authorities are striving for 24 hours water supply services. Service hours for Regional WSSAs have remained almost constant at an average of 18 hours a day since 2008/09. However, there has been a decrease in service hours from 9 hours in 2009/10 to 8 hours in 2010/11 in the DAWASCO operational area due to diminished water production. The comparison is as shown in Figure 30.

e) Water Connections

Water connections for Regional WSSAs increased from 252,040 in 2009/10 to 273,091 by 30th June, 2011, which is an increase of 8%. For DAWASCO active water connections increased from 95,924 in 2009/10 to 115,437 by 30th June, 2011, which was an increase of 20%. Comparison is shown in Figure 31.

Note: Since DAWASCO has a large number of non-active water connections, only active water connections have been taken into consideration for the year 2009/10 and 2010/11 as compared to Regional WSSAs where most of the connections are active and hence total connections have been taken into consideration.

Figure 31: Water Connections from 2008/09 to 2010/11

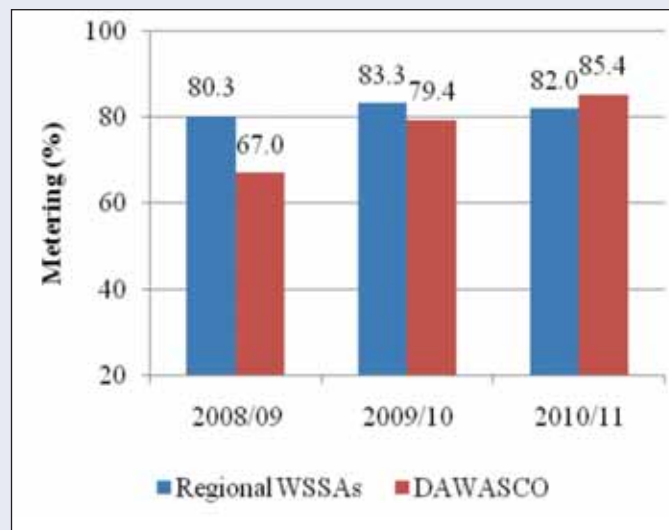


f) Metering

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.

Regional WSSAs reached an average metering ratio of 82% by June, 2011, and it decreased from 83.3% reported in 2009/2010. DAWASCO achieved a significant increase in metering whereby the metering ratio improved from 79.4% as of June, 2010, to 85.4% as of June, 2011.

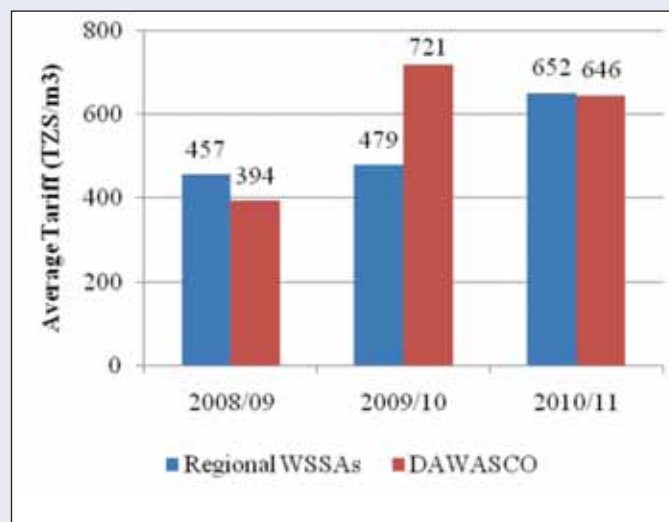
Figure 32: Water Metering from 2008/09 to 2010/11



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 WSSAs has increased by 43% over the past three years while, for DAWASCO, it has increased by 64% in the same comparison period. Tariff reviews are aimed at taking care of the inflation and at enabling utilities to recover all of their prudently incurred costs and improve quality of service. Comparison on average tariff increase is shown in Figure 33.

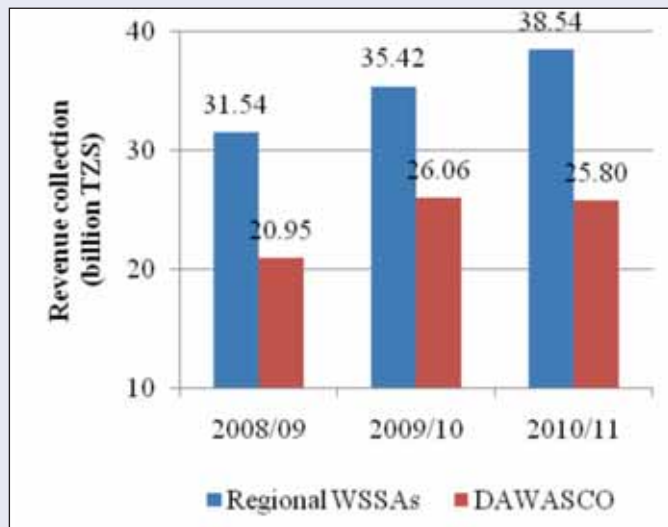
Figure 33: Average Tariff from 2008/09 to 2010/11



h) Revenue Collection

Revenue collection from water and sewerage sales recorded in 2010/11 for the regional WSSAs amounted to TZS 38.54 billion which is an increase of 10% over three years. 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 25.8 billion, which increased by 23% over the past three years mainly due to an improvement in collection efficiency. It is noted that collections from DAWASCO are about 74% of the total collections from all Regional WSSAs. Comparison is shown in Figure 34.

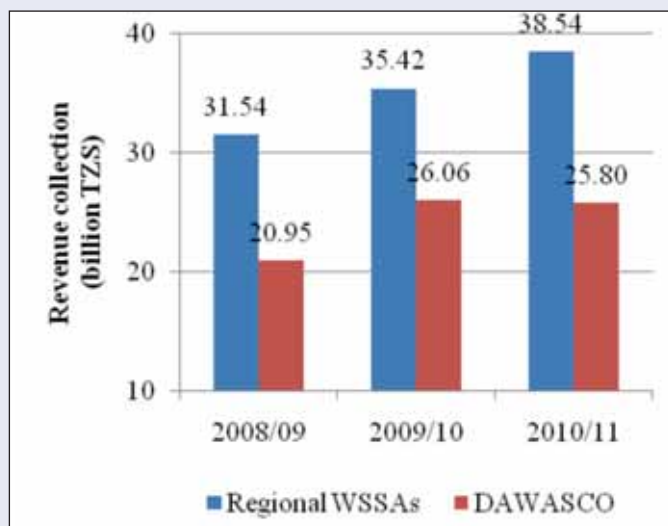
Figure 34: Revenue Collection from 2008/09 to 2010/2011



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 WSSAs has slightly decreased for the past three years. This shows that, on average, they cover operation and maintenance costs. Improvement in DAWASCO is also noted whereby working ratio has slightly improved from 1.16 in 2009/10 to 1.2 in 2010/11 as shown in Figure 35.

Figure 35: Working Ratio



- j) **Sewerage System (Proportion of Population Connected to Sewerage Service)**
 Only 10 regional WSSAs have sewerage systems which include Dar es Salaam, Arusha, Moshi, Tanga, Morogoro, Dodoma, Iringa, Mbeya, Songea and Tabora. The overall average of sewerage coverage for the 10 WSSAs over the past two years has decreased from 14% in 2009/10 to 13.1% in 2010/11 indicating unsatisfactory performance in sewerage services.

6.3 Licensing

There was no major licensing activity during the period under review. This is due to the change in legislation from the Waterworks Act to the Water Supply and Sanitation Act, Cap. 272, which came into force on the 1st August, 2009. All of class A and B Urban Water Supply and Sewerage Authorities continued to operate using their provisional licenses issued by EWURA in 2007.

During the period under review the Authority worked on the Water Supply and Sanitation Rules, 2011 which among other things provides for the licensing procedures for Water Supply and Sewerage Authorities (WSSAs). The finalization of the Water Supply and Sanitation Rules, 2011 plus the licence templates is due to be completed in the financial year 2011/12.

6.4 Determination of Rates and Charges

During the year under review, the Authority has received fourteen tariff applications for consideration. As shown in Table 27, the Board determined all tariff applications after consultation with all stakeholders through public inquiry.

Table 27: Tariff Review Determinations

Applicant's Name	Order No.	Effective Date	Existing Water Tariff	Proposed Water Tariff	Approved Water Tariff	Approved Increase
			(TZS/m ³)	(TZS/m ³)	(TZS/m ³)	%
Arusha (AUWSA)	11-016	1-Jul-11	404.55	480.20	478.16	18%
Dodoma (DUWASA)	11-015	1-Jul-11	693.55	728.30	728.30	5%
Iringa (IRUWASA)	11-013	1-Jun-11	679.20	742.50	769.85	13%
Kahama (KUWASA)	11-008	1-Mei-11	686.89	1,097.02	787.70	15%
Shinyanga (SHUWASA)	11-010	1-Mei-11	540.14	1,018.64	923.33	71%
KASHWASA	11-009	1-Mei-11	222.61	501.22	458.09	106%
Songea (SOUWASA)	11-003	1-Apr-11	424.97	629.21	607.30	43%
Ilula (IUWASSA)	11-006	1-Apr-11	-	700.00	546.93	-
Tanga (Tanga UWSA)	11-002	1-Apr-11	446.67	558.21	558.21	25%
Moshi (MUWSA)	11-005	1-Apr-11	355.75	444.13	469.15	32%
Morogoro (MORUWASA)	11-004	1-Apr-11	497.28	770.14	770.14	55%
Sumbawanga (SUWSA)	11-001	1-Apr-11	325.00	510.41	508.23	56%
Mbeya (Mbeya UWSA)	11-012	1-Jun-11	406.99	548.53	432.20	6%
Singida (SUWASA)	10-020	1-Dec-10	564.85	723.05	649.91	17%

In April, 2011, the Board of Directors of the Authority approved the Districts, Small Towns and National Projects (DWSSAs) Tariff Setting Guidelines, 2011. Among other things, the Guidelines introduced Indexation Formula in determining WSSAs tariffs. As a result, even if WSSAs do not submit applications for tariff adjustment, when deems necessary, the Authority is allowed by the Guidelines to cause the review and publish the outcomes based on its own data.

During the year under review and following approval of Indexation formula for determining tariffs for Districts, Small Towns and National Projects, the Authority approved tariffs for 89 applications received from District, Small Town Water and Sanitation Authorities and National Water Projects effective on 1st June, 2011.

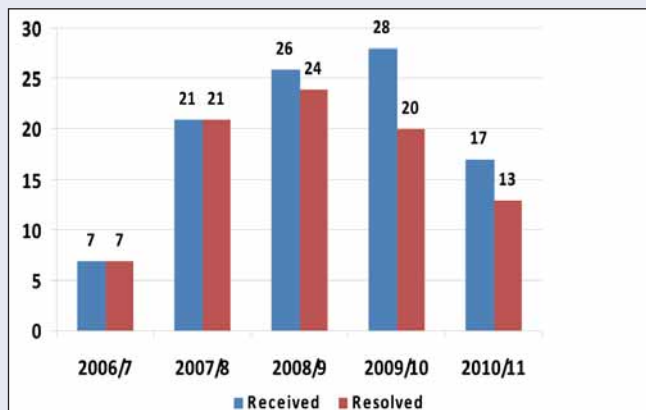
6.5 Legislative Matters

During the period under review EWURA participated as a key stakeholder in the preparation of the Water Supply and Sanitation Regulations, 2011 which were being prepared by the Ministry of Water. During the period under review, EWURA worked on the Water Supply and Sanitation Rules, 2011 which, among other things, provide for the licensing procedures for Water Supply and Sewerage Authorities (WSSAs). The finalization of the Water Supply and Sanitation Rules, 2011 plus the licence templates is due to be completed in the financial year 2011/12.

6.6 Complaints Handling and Dispute Resolution

During the period under review water sector registered 17 complaints. Billing leading with 57%, followed by improper disconnection at 12%, poor customer service 9%, unreliable supply 8%, sewer overflow 6%, compensation claims 2%, illegal supply 2%, meter by passing 2% and meter location 2%. Of the received complaints, 76.5% were resolved. Figure 36 indicates the number of complaints received versus resolved in the water sector for the past five years.

Figure 36: Complaints Received Vs Resolved in Water Sector



6.7 Litigation

There was no litigation filed by or against EWURA in the water sector during the period under review.

6.8 Health, Safety and Environmental Matters

All regulated utilities are supposed to ensure health, safety and environmental sustainability in their operations. WSSAs report results of water and wastewater quality testing at their water sources and in the distribution system, and of their wastewater effluence. 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 WSSAs and DAWASCO.

6.8.1 Water Quality

Reported Water Quality data has shown that more than 86% and 100% of the tested samples had complied to E-Coli while more than 90% and 100% of the tested samples had recommended residual chlorine of about 0.2mg/l in their distribution systems for regional WSSAs and DAWASCO, respectively.

6.8.2 Wastewater Quality

Wastewater Quality data for regional WSSAs with sewerage systems has shown that more than 63.8 % and 63.14% of the tested samples complied with the BOD₅ and COD standards, respectively. For DAWASCO, the quality of the effluents from the ponds had only 24% compliance with the BOD₅ and no data was available on COD compliance. 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 effluence, which contains heavy loading for biological treatment.

6.8.3 Quality Monitoring and Inspection

EWURA carried out on the spot drinking water and effluent quality tests in 2010/11 in 4 regional WSSAs of Lindi, Mtwara, Songea and Morogoro. Water quality parameters that were tested included: pH, turbidity (NTU), Total Dissolved Solids (mg/l), Electrical Conductivity (µS/cm), residual chlorine (mg/l), fluorides (mg/l), Iron (mg/l), Nitrates (mg/l), manganese, faecal coliforms (nos/100ml), total coliforms (nos/100 ml) and conductivity.

Water Quality data have shown that 91% of the tested samples had no E-Coli, a ratio which almost coincides with the reported figure of 86% but only 28% of the tested samples had a recommended residual chlorine of about 0.2 mg/l in their distribution systems which is far below the reported average of about 90% (refer 6.8.1).

6.8.4 Water Quality Results

Results showed that most of the utilities failed to maintain sufficient residual chlorine in their distribution system so as to safeguard their water supply from being contaminated by faecal coliforms. Water quality results are summarised in Table 28.

Table 28: Range of Non-Compliance and Effects

Parameter	TBS Standard	Range of Non-Compliance	Effect
Residual Chlorine	0.2 – 2mg/l (recommended)	0.01 – 0.1, >2	Very low concentration may allow bacterial contamination of water supply.
Iron	Upper limit: 1mg/l	1.05	High concentration of iron (above 3mg/l) affects the taste of water. No adverse health effects.
Fluoride	Upper limit: 4mg/l	5.5 – 7.0	Concentration above 1.5mg/l may cause dental fluorosis in children up to 8 years, Higher concentration (above 4mg/l) may cause skeletal fluorosis
pH	6.5 – 9.2	<6.5	When pH is below 6.5 or above 11, the water may corrode plumbing fittings and pipes. Chlorine disinfection efficiency is impaired above pH 8.0. Extreme values of pH result in irritation of the eyes, skin and mucous membranes.
Manganese	Upper limit: 0.5mg/l	0.6	At concentrations exceeding 0.1 mg/L, manganese imparts an undesirable taste to water and stains plumbing fixtures and laundry. Can also cause turbidity problems in distribution systems.

Parameter	TBS Standard	Range of Non-Compliance	Effect
Nitrates	10 – 75mg/l	102 – 180 mg/l	May cause methaglobinaemia (Oxidation of normal haemoglobin to methaemoglobin, which is unable to transport oxygen to the tissues). The limit of 50 mg-NO ₃ /L (as nitrate) has been set to protect bottle-fed infants under 3 months of age. Up to 100 mg-NO ₃ /L can be safely consumed by adults and children over 3 months of age.
Electrical conductivity	1000 µS/cm	1702 µS/cm	No health effects have been associated specifically with high Electrical Conductivity
Feecal Coliforms	0 counts/100ml	11 – 20 counts/100ml	Indicate feecal contamination. May result in E -coli diarrhoea in infants, children and adults.

6.9 Challenges and Way Forward

The main challenges facing the Authority in regulating the water sector as well as the way forward are described below:

- There is relatively high cost for regulating district and small water utilities. The Authority is working closely with the Ministry of Water in order to establish clustered water utilities which will eventually reduce the cost of regulation.
- Investment funds earmarked under the Water Sector Development Programme for capacity building were not released in time. This affected planned capacity building activities. However, the Authority used its budget to support the capacity building of district and small water utilities.
- Utilities have difficulties in accessing commercial loans, which make them dependent on tariff to finance their investments. The Authority will publish Business Planning Guidelines which will guide utilities planning towards attaining cost recovery.
- District and small water utilities lack the required skilled manpower. The Authority shall introduce guidelines for approving tariffs for district and small water utilities based on tariff indexation.

7.0 CROSS CUTTING REGULATORY MATTERS

7.1 Tariff Application Review

The Authority's status of tariff review process is summarised in Table 29.

Table 29: Tariff Application Review

Regulated Sectors	Applications brought Forward	Applications Received	Total Applications Reviewed	Approved	Referred Back	With-drawn
Electricity	2	2	4	1	0	0
Natural Gas	0	1	1	1	0	0
Petroleum	0	0	0	0	0	0
Water & Sewerage	6	20	26	14	2	5
TOTAL	8	23	31	16	2	5

7.2 Complaints and Dispute Resolutions

A total number of 184 complaints were recorded during the report period. Out of these complaints, EWURA managed to mediate 109 complaints while 15 complaints reached

hearing stage. The summary of complaints received and settled from each sector is indicated in Table 30.

Table 30: Number of Complaints Received and Settled for Each Sector

Regulated Sector	Total Number Received	Total Number Settled
Petroleum	42	42
Electricity	61	29
Natural Gas	0	0
Water Supply and Sewerage	81	53
Total	184	124

Complainants who failed to reach an amicable settlement, are forwarded to the Division for settlement through hearing and decision made by the Authority. The procedure is in accordance with EWURA (Consumer Complaints Handling Procedure) Rules. Tables 31 to 33 indicate status of complaints that reached hearing stage for each sector.

Table 31: Electricity Sector

S/n	Complainant	Respondent	Nature	Status
1	Michael Thomas	TANESCO, Kinondoni	Compensation due to fire Accident	Hearing in Progress
2	Regency Hospital	TANESCO, Ilala	Billing	Hearing in Progress
3	Nyaronyo Kicheere	TANESCO- Kiondoni	Billing	Hearing in Progress
4	Nova Associates	TANESCO- Ilala	Billing	Hearing in Progress
5	Clement Bernard	TANESCO-Dodoma	Billing	Hearing Concluded. Awaiting Award
6	Open University	TANESCO	Billing	Hearing in Progress
7	Mahenge	TANESCO	Billing	Hearing in Progress
8	RAVJI	TANESCO	Billing	Hearing in Progress

Tables 32: Petroleum Sector

S/n	Complainant	Respondent	Nature	Status
1	Kilimanjaro Truck Co Ltd	MGS	Adulteration	Settled
2	Tarracota	MGS	Adulteration	Settled
3	Express Trading	NATOIL Mbezi Mwisho	Adulteration	Mediation in Progress

Table 33: Water Sector

S/n	Complainant	Respondent	Nature	Status
1	Crown Trust	DAWASCO	Billing	Parties Reached a Settlement
2	Daniel	DAWASCO	Billing	Parties Reached a Settlement
3	Michael Kisombe	DAWASCO	Billing	Parties Reached a Settlement
4	Magai	DAWASCO	Illegal Connection	Hearing in Progress

8.0 PUBLIC AWARENESS AND OUTREACH PROGRAMME

8.1 Implementation of the Programme

During the period under review, direct communication with stakeholders by way of electronic and print media was given a high preference in order to achieve an enhanced public awareness. The following achievements were made during the year under review.

a) Press Coverage

EWURA received extensive media coverage during the period under review on its endeavour to inform the public developments on fuel indicative prices, fuel marking, preparation of Bulk Petroleum Procurement System, Liquefied Petroleum Gas (LPG), TANESCO tariff and water tariff adjustments.

b) Awareness Campaign

The Authority conducted various public awareness campaigns during the period under review, which targeted to promote awareness on the Rationale for Regulations, Duties and Functions of EWURA, Quality of Services, Health, Safety and Environment, Complaints Resolution and Success and Challenges.

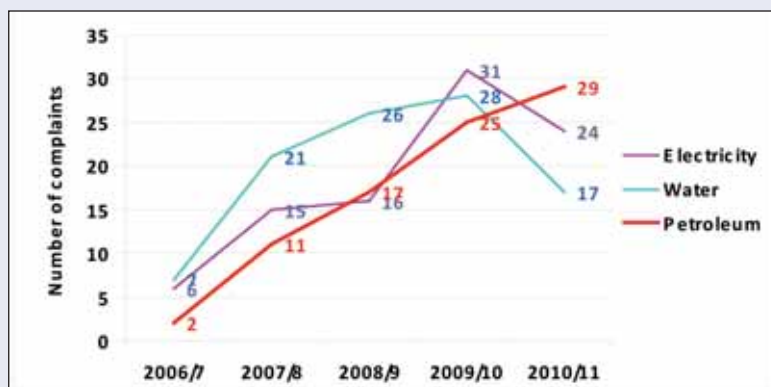
c) Publicity Materials

Publicity materials for the purpose of promoting EWURA were printed accordingly. These included EWURA Newsletter, Annual Reports, Brochures, Wall and Table calendars. The Authority also procured T-shirts, caps and pens. EWURA also produced an audio clip advert meant to promote the Authority's activities.

8.2 Impact of Public Awareness Campaigns

During the period under review, there has been a general trend of increased complaints registered by the Authority. The Authority is of the view that the increase is attributed by increase in public awareness campaign that made customers to be aware of their rights and obligations. The trend is shown in Figure 37.

Figure 37: Trend on Number of Complaints Received on Petroleum, Electricity and Water Sectors



8.3 Corporate Social Responsibility

During the period under review, EWURA accepted a total of 11 undergraduate field students from various universities in the country, with the purpose of integrating them to understand EWURA's regulated sectors. The Authority also supported orphanage centres and engineering day organised by high learning institutions.

8.4 Challenges and Way Forward

The main challenges facing the Authority in the public awareness campaign as well as the way forward are described below:

- a) The use of public meetings alone as a method of public awareness campaign has not produced the desired level of results. This necessitates the need to strengthen campaign through other channels of communications such as radio, televisions and special school programmes.
- b) The cost of advertising in print media as well as TV airtime is increasingly becoming high. This restrict the use of TV taking into account the available resources. The Authority shall engage in various national exhibitions to reach more people at a reasonable cost.

9.0 STAKEHOLDER CONSULTATIONS

Stakeholders' consultation forms part of the Authority's regulatory decision-making process. The Authority's stakeholders include the 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 views and comments from GCC, CCC and the general public on the various regulatory decisions. 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 the Authority's regulatory decisions. Activities in which stakeholders' consultations were sought included public inquiries on tariff adjustments, processing of licence applications and development of rules and regulations.

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:

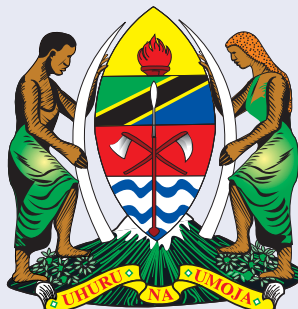
- a) continuing speeding up the process of developing regulatory tools including making rules and standards (in collaboration with TBS) that all players in the regulated sectors must adhere to;
- b) ensuring that all regulated suppliers in the country are licensed and operate in observance of the required standards, rules and regulations governing their respective industry in the country;
- c) developing regulatory monitoring systems for the electricity and natural gas 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;
- e) continuing to play a strong supporting role in the development of the gas sector legislation which is a tool for effective sector regulation;

- f) continuing to implement public awareness programmes in order to enhance public knowledge in the understanding of rights and obligations of consumers and regulated suppliers;
- g) construct office building for the Authority to address current office accommodation challenges which include increase in rent and insufficient space; and
- h) play a key role in attracting investments in the regulated sectors by creating an enabling environment for investors.

12.0 FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2011

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, 2011

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DAR ES SALAAM

March, 2012

AR/ EWURA /2011

**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.

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REPORT OF THE DIRECTORS

1.0 INTRODUCTION

The Directors hereby submit their report together with the audited financial statements for the year ended 30th June, 2011 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 constituted.

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
Mr Simon F. Sayore	Chairman	Re- appointed 27 June, 2011
Dr. Geoffrey Mariki	Deputy Chairman	Appointed 1 August, 2009
Mr Omar S. Bendera	Member	Appointed 1 March, 2010
Ms. Lucy H. Sondo	Member	Re-appointed 1 June, 2010
Mr. Nicholas Mbwani	Member	Appointed 1 March, 2011
Ms. Juliana Mwalongo	Member	Appointed 1 March, 2011
Mr. Haruna Masebu	Director General	Re-appointed 1 January, 2010

5.0 THE RELATED PARTY TRANSACTIONS

The transactions during the year were the amount spent on the key management personnel of the entity.

The following transactions were carried out with related parties:

Key Management Compensation (Note 17 A)	2010-11	2009-10
	TZS'000	TZS'000
Directors Fees	18,500	20,000
Salaries	1,081,974	750,582
Pension - Employer's Contribution	455,486	353,125
Gratuity	39,047	106,111
	1,595,007	1,229,818
Staff Loans and Advances (Note 17 B)	30 June 2011	30 June 2010
	TZS'000	TZS'000
Loans and Advances	459,882	554,965

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 conducive 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 license fees, penalties and interest income from fixed deposits.

During the year under review total revenue amounted to TZS 22.27 billion indicating an increase of 11% when compared to the previous year as shown in the table below.

Description	Increase/ (Decrease) %	Amount for the Period Ended 30 June, 2011 TZS'000	Amount for the Period Ended 30 June, 2010 TZS'000
Income from Regulatory Levy and Licences	25	21,241,921	17,042,092
Operating Grant	(100)	-	1,881,555
Other Income	(6)	1,033,680	1,097,117
Total Revenue	11	22,275,601	20,020,764

6.2 Strategic Objectives

During the year under review, EWURA focused on the implementation of its Strategic Objectives which guide the Authority to achieve its vision and mission, championing good governance and facilitates 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, 2011.
- 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.
- To have an effective intervention strategy against HIV/AIDS for enhanced productivity by June, 2011.

At the end of the reporting period, most of these objectives have been achieved.

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 to the Ministry of Energy and Minerals in the development of Petroleum Regulations.

The Authority shall continue to play a key role in supporting the Government in the development and enactment of a Gas Supply Law. 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 30th June, 2011.

Sector	Entities	Licences			
		Applied	Granted	Referred Back	Under process
Electricity	35	26	10	0	16
Petroleum	1,402+	1,303	936	22	345
Water	85	20	20	0	0

Note:

- About 90 petroleum products retail outlets have not applied for licenses. Process is underway to close their business;
- Licenses under the natural gas sector are still issued by the Ministry for Energy and Minerals under existing legislation.

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 Petroleum (Road Transportation) Rules, 2010;
- The Electricity (Generation Services) Rules, 2011;
- The Electricity (Transmission Services) Rules, 2011; and
- The Electricity (Distribution Services) Rules, 2011;

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. In addition, EWURA's Code of Conduct of 2007 governs the behaviour of the members of the Board and the Authority's employees, both in the course of performing their duties and with interaction with the general public.

6.6 Standards and Codes

During the period under review, the Authority continued with 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:

Regulated Sectors	Applications brought Forward	Applications Received	Total Applications Reviewed	Approved	Referred Back	With-drawn
Electricity	2	2	4	1	0	0
Natural Gas	0	1	1	1	0	0
Petroleum	0	0	0	0	0	0
Water & Sewerage	6	20	26	14	2	5
TOTAL	8	23	31	16	2	5

In all cases, the legal requirement of taking the views of both consumers and service providers into account was respected when determining the new rates. In this regard, the Authority conducted public hearings as summarised below.

Sector	No. of Public Inquiry Meetings	No. of Matters	Concluded Before 30 June, 2011
Electricity	5	1	1
Natural Gas	1	1	1
Petroleum	0	0	0
Water & Sewerage	16	16	12
Total	22	18	14

The Authority also continued to publish bi-weekly indicative and cap prices for petroleum products in the Tanzania Mainland local market. During the financial year 2010/11 a total of 26 changes to indicative and cap prices for petroleum products were published. Compared to the previous year's prices which were last recorded on 23rd June, 2010, retail prices during 2010/11 have increased on average as follows: Petrol by 1.12%, Kerosene by 1.53%, and Diesel by 1.17%. The wholesale prices increased as follows: Petrol by 1.17%, Kerosene by 1.62%, and Diesel by 1.22%. The slight increase in the prices of petroleum products were attributable to by the continued depreciation of the Tanzanian Shilling compared to the US dollar (the currency in which purchases of products in the international oil market are made). However, in the last month of the period under review, that is, June 2011, retail and wholesale prices for Petrol, Kerosene and Diesel in the country dropped because of the fall in petroleum price in the world market.

Period	Changes in Retail Prices			Changes in Wholesale Prices		
	Petrol	Kerosene	Diesel	Petrol	Kerosene	Diesel
2010/11	%	%	%	%	%	%
July	1.2	2.67	2.02	1.25	2.83	2.12
August	0.59	0.19	0.27	0.63	0.2	0.28
September	0.11	0.08	-0.07	0.1	0.07	-0.07
October	1.09	0.21	1.24	1.15	2.22	1.29
November	0.92	1.38	0.87	0.96	1.45	0.9
December	0.11	-0.39	-0.13	0.09	-0.38	-0.12
January	2.24	3.69	3.58	2.34	3.88	3.73
February	0.15	3.06	1.88	1.56	3.24	1.94
March	2.44	4.56	3.53	2.52	4.77	3.64
April	1.97	2.06	2.04	2.03	2.15	2.11
May	2.55	0.75	0.41	2.63	0.77	0.43
June	-1.24	-1.77	-1.59	-1.28	-1.82	-1.65
Average	1.12	1.53	1.17	1.17	1.62	1.22

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 for sector monitoring include the following:

- to promote effective competition and economic efficiency;
- to protect the interest of the consumers and financial viability of efficient service providers;

- c) to promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers; and
- d) to protect and preserve the environment.

6.8.1 Petroleum Products Quality and Price Monitoring

In order to curb adulteration and dumping of untaxed petroleum products, the Authority introduced special molecular marker for all domestic products and conducted random inspection and on the spot detection using x-ray fluorescence detectors on fuel tankers, consumer installations, storage depots and retail outlets throughout the country. Along with the initiatives, the Authority also continued to take petroleum samples from stakeholders' installations and carry out laboratory analysis for the purpose of ascertaining quality. The objective is to ensure that service providers offer for trade the right quality products and also assist to control tax evasion. During the period under review, number of stations samples and the test results are shown in the tables below:

Type	Number of Stations inspected for Marker Test	Number of Stations that Failed Marker Test	% Failure
Retail Outlets	380	83	22%
Depots	24	3	13%

The results of the samples taken for laboratory analysis are shown below:

Type	Number of Samples Taken	Number of Samples that Failed Test	% Failure
Retail Outlets	205	32	16%
Depots	47	5	11%

Global oil price fluctuations continued to bring challenges to the Authority in mitigating the impact of 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 during the period under review, the Authority continued publishing petroleum products price caps in addition to indicative oil pump prices across the country after every two weeks.

6.9 Public Awareness

Public awareness activities that were conducted during the year included educating Regional and District Officials mainly on petroleum licensing roadmap. The officials included Regional Commissioners and Regional Administrative Secretaries, Regional Police Commanders, District Commissioners, District Administrative Secretaries, Regional Crime Officers, Security Officers and all Regional, District Trade Officers and Petroleum dealers (owners and employees). In addition, awareness campaigns were also conducted to the Members of the Parliament in Dodoma and during public hearings on tariff matters.

In addition, the Authority participated in Nane Nane Exhibitions in Dodoma, the platform that was used to provide information and public education on regulatory issues. The media consistently covered EWURA's public activities whenever and wherever they were held. Media activities included advertisements, documentaries, press conferences, TV and live Radio programmes and Editors Fora.

6.10 Complaints and Disputes

The Authority 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. A summary of complaints received and settled in each sector as at 30th June, 2011, is shown below.

Regulated Sector	Total Number Received	Total Number Settled
Petroleum	42	42
Electricity	61	29
Natural Gas	0	0
Water Supply and Sewerage	81	53
Total	184	124

7.0 RECRUITMENT

The Authority's recruitment policy is to provide equal opportunity for all. The Authority recruits the most appropriate candidates available in a competitive and transparent manner to ensure that the public receives quality service.

During the period under review, the Authority recruited 13 staff thus bringing the total number of staff to 97 out of 99 that was required during the year under review. One staff resigned from employment and joined an overseas institution. Staff gender structure is as indicated below:

Item	Male	Female	Total
Staff in Place	70	27	97
Percentage	72%	28%	100%

The Authority has staff complement of highly qualified and motivated professionals, thus bringing into the Authority wide variety of experiences and expertise.

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, petroleum, natural gas and water sectors. In addition, the Authority organised study tours and field attachments on regulatory best practices which included learning key issues, challenges and options of multi-sectoral utility regulation of water and energy sectors.

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 (ERAEEA). The main objective is to exchange regulatory experiences 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 four cases requiring overseas treatment and therefore, the Authority incurred medical costs for both local and overseas treatment.

8.4 HIV/AIDS Intervention

During the period under review, the Authority conducted a seminar to all staff on HIV/AIDS. This involved awareness on HIV/AIDS related issues, training on causes and prevention measures and testing.

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 31.21 million to support trust fund facilitating environment protection, support field attachments for students from various higher learning institutions. The involvement of the Authority in corporate social responsibilities enhances its value and improves its image to the public.

11.0 KEY ARCHIEVEMENT AND CHALLENGES

The Authority encountered various challenges in the course of discharging of its functions as shown below:

- a) Adulteration of petroleum products is still a problem. However, during the year under review the Authority introduced Petroleum Product Marking System with the main objective of curbing adulteration. The system will also curb damping of transit products in the local market.
- b) Inadequate investment in the power sector, thus leading to mismatch between supply and demand of electricity. As a result the system is operating without sufficient reserve margin. The Authority will play its role in creating a conducive environment to attract investments in the sector.
- c) Absence of Natural Gas Act. This affects gas regulatory environment and consequently investment in the sector. The Authority will continue to support the Ministry of Energy and Minerals in the Gas Bill enactment process.
- d) The Authority is also faced with office accommodation challenges which include increase in rent and insufficient space. The Authority plans to construct its own office on the plot provided by the Ministry of Water in Ubungu.
- e) Insufficient public knowledge in the understanding of rights and obligation of consumers and the regulated suppliers. The Authority shall continue to implement its Public Awareness Programme to address this challenge.
- f) The Authority has faced various challenges in licensing retail outlets in the petroleum sector particularly on the title deed. The Authority is working with the Ministry of Lands and Urban Settlements and Local Government Authorities to ensure to address problem of ownership of the retail outlet facilities.

12.0 SOLVENCY

Since establishment, the Authority finances its operations through sources specified under the EWURA Act. The Directors consider the Authority to be solvent on the basis of its working capital of TZS 8.80 billion as at 30th June, 2011.

13.0 AUDITORS

The Controller and Auditor General is the statutory auditor of the Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania, amplified by section 30(1) (c) of the Public Finance Act Cap 348. However, in accordance with section 37(5) of the Public Finance Act Cap 348 M/S PKF Tanzania were authorised by the Controller and Auditor General to carry out the audit of EWURA on his behalf.

BY ORDER OF THE BOARD



CHAIRMAN
S. F. SAYORE



DATE



DIRECTOR GENERAL
HARUNA MASEBU



DATE

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 requirement 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 30th June, 2011. 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 the Directors 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 30th June, 2011.

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

Nothing has come to the attention of the Directors to indicate that EWURA will not remain a going concern for at least the next twelve months from the date of the statement.

Approved by the Board of Directors on 15th February, 2012 and signed on its behalf by:



CHAIRMAN
S. F. SAYORE



DATE



DIRECTOR GENERAL
HARUNA MASEBU



DATE

AUDIT REPORT ON 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 EWURA FOR THE YEAR ENDED 30TH JUNE, 2011.

I have audited the accompanying financial statements of the Energy and Water Utilities Regulatory Authority (EWURA) which comprise the Statement of Financial position as at 30th June, 2011, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes set out from pages 77 to 101 of this report.

Directors' Responsibility for the financial statements

The Board of Directors of the Energy and Water Utilities Regulatory Authority (EWURA) is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This 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.

Responsibilities of the Controller and Auditor General

My responsibility as an auditor is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with International Standards on Auditing (ISA), International Standards of Supreme Audit Institutions (ISSAIs) and such other audit procedures I considered necessary in the circumstances. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to EWURA's preparation and fair presentation of the financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Energy and Water Utilities Regulatory Authority (EWURA) internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

In addition, Sect. 10 (2) of the PAA No. 11 of 2008 requires me to satisfy myself that the accounts have been prepared in accordance with the appropriate accounting standards and that; reasonable precautions have been taken to safeguard the collection of revenue, receipt, custody, disposal, issue and proper use of public property, and that the law, directions and instructions applicable thereto have been duly observed and expenditures of public monies have been properly authorized.

Further, Sect 44(2) of the Public Procurement Act No.21 of 2004 and Reg No. 31 of the Public Procurement (Goods, Works, Non-consultant services and Disposal of Public Assets by Tender) Regulations of 2005 requires me to state in my annual audit report whether or not the auditee has complied with the provisions of the Law and its Regulations.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

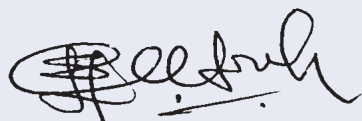
Unqualified Opinion

In my opinion, the financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of The Energy and Water Utilities Regulatory Authority (EWURA) as at 30th June, 2011 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Energy and Water Utilities Regulatory Authority Act, Cap 414 of the Laws of Tanzania.

Report on Other Legal and Regulatory Requirements

Compliance with Public Procurement Act

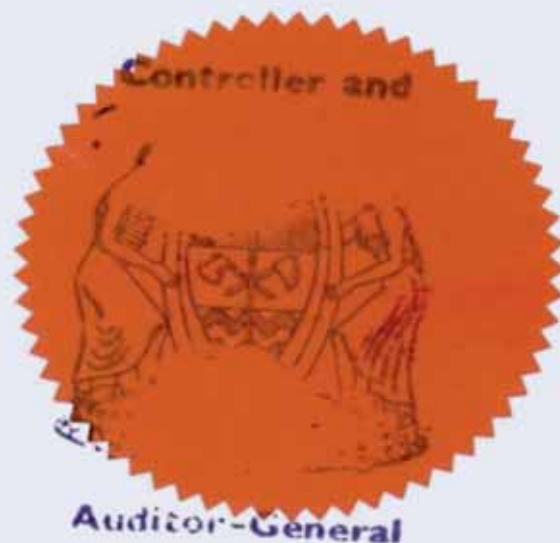
In view of my responsibility on the procurement legislation, and taking into consideration the procurement transactions and processes I reviewed as part of this audit, I state that The Energy and Water Utilities Regulatory Authority (EWURA) has generally complied with the Public Procurement Act, 2004 and its related Regulations of 2005.



Ludovick S.L. Utouh
CONTROLLER AND AUDITOR GENERAL

Office of the Controller and Auditor General,
 National Audit Office,
 Dar es Salaam, Tanzania

3rd March, 2012



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2011

	NOTES	30 June 2011 TZS'000	30 June 2010 TZS'000
ASSETS			
Non-Current Assets			
Property and Equipment	9	3,174,057	607,753
Intangible Assets	10	61,240	21,182
Total Non-Current Assets		3,235,297	628,935
Current Assets			
Stocks and Consumables		44,311	31,793
Trade and Other Receivables	11	3,644,148	1,890,916
Financial assets	12	4,181,218	4,240,433
Cash and Bank Balances	13	3,975,829	6,416,770
Total Current Assets		11,845,506	12,579,912
TOTAL ASSETS		15,080,803	13,208,847
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		5,696,363	5,322,145
Building Fund		6,050,000	6,050,000
Government Grant from PPSPDP Credit	14	76,083	215,823
Total Capital and Reserves		11,822,446	11,586,968
Non Current Liabilities			
Gratuity Payable	15	978,993	1,101,659
Current Liabilities			
Trade and Other Payables	16	2,279,364	519,220
Total Liabilities		3,258,357	1,620,879
TOTAL EQUITY AND LIABILITIES		15,080,803	13,208,847

The significant accounting policies on pages 83 to 89 and the notes on pages 90 to 101 form an integral part of these financial statements.



CHAIRMAN
S. F. SAYORE

15 FEB 2012

DATE



DIRECTOR GENERAL
HARUNA MASEBU

15 FEB 2012

DATE

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2011

	NOTES	2010-11 TZS'000	2009-10 TZS'000
Revenue			
Operating Revenue	1	21,241,921	17,042,092
Operating Grant		-	1,881,555
Other Income	2	717,918	521,240
Finance Income	3	315,762	575,877
Total Revenue		22,275,601	20,020,764
Expenditure			
Staff Costs	4	5,402,681	3,914,469
Operating Expenditure	5	14,146,514	6,619,540
Administration Costs	6	1,591,292	1,603,200
Other Charges	7	188,241	98,124
Depreciation on property and equipment	9	536,739	247,803
Amortisation of Intangible Assets	10	35,916	26,177
Total Expenditure		21,901,383	12,509,313
Net Operating Surplus for the Year		374,218	7,511,451
Add: Total Surplus brought forward		5,322,145	2,460,694
Total Surplus		5,696,363	9,971,145
Appropriation:			
- Building Fund		-	4,650,000
Retained Surplus		5,696,363	5,322,145

The significant accounting policies on pages 83 to 89 and the notes on pages 90 to 101 form an integral part of these financial statements.



CHAIRMAN
S. F. SAYORE

15 FEB 2012

DATE



DIRECTOR GENERAL
HARUNA MASEBU

15 FEB 2012

DATE

STATEMENT OF CHANGES IN EQUITY

Year Ended 30th June, 2011

	Capital Fund	Building Fund	Retained Surplus	Total
	TZS'000	TZS'000	TZS'000	TZS'000
Balance at 1st July, 2010	215,823	6,050,000	5,322,145	11,587,968
			-	-
Net Operating Surplus for the Year	-	-	374,218	374,218
			-	-
Grant Amortisation	(139,740)	-	-	(139,740)
			-	-
Balance at 30th June, 2011	76,083	6,050,000	5,696,363	11,822,446

Note: The balance of TZS 6,050,000,000 as at 30th June, 2011, is the amount appropriated to the Building Fund as a special fund established by the Authority to be used for construction of office building for its own use.

STATEMENT OF CHANGES IN EQUITY (continued)

Year Ended 30th June, 2010

	Capital Fund TZS'000	Building Fund TZS'000	Retained Surplus TZS'000	Reserve TZS'000	Total TZS'000
Balance at 1st July, 2009					
As previously stated	313,773	1,400,000	1,495,545	965,149	4,174,467
Prior year adjustments	-	-	965,149	(965,149)	-
As restated	313,773	1,400,000	2,460,694	-	4,174,467
PPSDP Grant - Pickup	41,790	-	-	-	41,790
Net Operating Surplus for the Year	-	-	7,511,451	-	7,511,451
Transfer to Building Fund	-	-	(4,650,000)	-	(4,650,000)
Building Fund	-	4,650,000	-	-	4,650,000
Grant Amortisation	(139,740)	-	-	-	(139,740)
Balance at 30th June, 2010	215,823	6,050,000	5,322,145	-	11,587,968

The significant accounting policies on pages 83 to 89 and the notes on pages 90 to 101 form an integral part of these financial statements.



CHAIRMAN
S. F. SAYORE

15 FEB 2012

DATE



DIRECTOR GENERAL
HARUNA MASEBU

15 FEB 2012

DATE

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2011

	NOTES	2010-11 TZS'000	2009-10 TZS'000
Cash Generated From/(Used in) Operations			
Net Operating Surplus for the Year		374,218	7,511,451
Adjustments for:			
Depreciation on Property And Equipment	9	536,739	247,803
Amortisation of Intangible Assets	10	35,916	26,177
Profit on Disposal of Property and Equipment		(464)	-
Grant Amortization	14	(139,740)	(139,740)
Operating Surplus Before Working Capital Changes		806,669	7,645,691
Changes in Working Capital Items:			
(Increase)/decrease in Stocks and Consumables		(12,517)	8,282
(Increase) in Trade and Other Receivables		(1,753,231)	(721,041)
Increase/(Decrease) in Trade and Other Payables		1,637,478	(532,943)
Net Cash Generated From Operations		678,399	6,399,989
Investing Activities			
Purchase of property and equipment	9	(3,113,817)	(360,195)
Purchase of intangible assets	10	(75,974)	(31,772)
Proceeds from disposal of property and equipment		11,236	-
Purchase of financial assets – maturity after 91 days		(2,126,641)	(3,213,507)
Proceeds from financial assets – maturity after 91 days		3,213,507	2,620,000
Net Cash Used In Investing Activities		(2,091,689)	(985,474)
Financing Activities			
Proceeds from PPSDP Grant (Pickup)	14	-	41,790
Net Cash Generated From Financing Activities		-	41,790
(Decrease)/Increase in cash and cash equivalents		(1,413,290)	5,456,305

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE, 2011 (continued)

Movement in cash and cash equivalents

At start of year		7,443,696	1,987,391
(Decrease)/Increase in cash and cash equivalents		(1,413,290)	5,456,305
At end of year	13	6,030,406	7,443,696

The significant accounting policies on pages 83 to 89 and the notes on pages 90 to 101 form an integral part of these financial statements.



CHAIRMAN
S. F. SAYORE



DATE



DIRECTOR GENERAL
HARUNA MASEBU



DATE

1. GENERAL INFORMATION

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). 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. The address of its registered office is:

Harbour View Towers,
 Samora Avenue /Mission Street,
 P O Box 72175,
 Dar es Salaam, Tanzania.

2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below.

The financial statements have been prepared on a going concern basis which assumes that the Authority will continue in operational existence for the foreseeable future.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Authority's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements are disclosed in accounting policy (b).

(i) Standards, amendments and interpretations effective as of 1 January 2010 and relevant for the Authority's operations

IAS 1 on 'Presentation of financial statements' (effective on or after 1 January 2010). The amendment is part of the IASB's annual improvements project published in April 2009 and provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The adoption of this amendment does not have any material impact on the financial statements.

IAS 7 on 'Cash flow Statement' (effective on or after 1 January 2010). The amendment requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities. It is not expected to have a material impact on the Authority's financial statements.

IAS 17 on 'Leases' (effective on or after 1 January 2010). Leasehold land can now be classified either as an operating or finance lease.

- (ii) **The following standards, amendments and interpretations of existing published standards are not yet effective but are relevant to the Authority's operations. The Authority is currently evaluating the impact of adopting these standards, amendments and interpretations, but is not expecting a significant impact, unless otherwise stated.**

In November 2009, the IASB issued amendments to IAS 24 "Related Party Disclosures". The amendments will be effective for reporting periods beginning on or after January 1, 2011. The amendment provides a partial exemption from the disclosure requirements for government-related entities and clarifies the definition of a related party.

In May 2010, the IASB issued amendments to IFRS resulting from the IASB's annual improvement project. These amendments will be effective for annual periods beginning on or after January 1, 2011. The amendments primarily comprise clarification to presentation, disclosure and measurement provisions related to a several IFRS standards.

In November 2009, as part of the phased project to replace IAS 39 "Financial Instruments: Recognition and Measurement", the IASB issued IFRS 9 "Financial Instruments" which reconsiders the classification and measurement of financial assets. IFRS 9 will be effective for reporting periods beginning on or after January 1, 2015 (revised), with earlier adoption permitted.

b) Critical accounting estimates, judgements and assumptions

In the process of applying the Authority's accounting policies, the Authority's management makes certain estimates, judgements and assumptions. These are based on the management's past experience and other determinants that under the circumstances are deemed to be reasonable. In practice, the estimated and assumed results would differ from the actual results.

- Property and equipment

Critical estimates are made by the directors in determining depreciation rates for property, plant and equipment. The rates used are set out in the accounting policy under property, plant and equipment.

c) Revenue Recognition

The Annual Levy Policy

Revenue comprises of inflows of economic benefits received and receivable by the reporting entity, which represents an increase in net assets/equity, other than increases relating to contributions from owners.

The Authority recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria have been met for each of the Authority's activities as described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the levy have been resolved. The Authority bases its estimates on historical results, taking into consideration the type of regulated supplier, type of transaction and specifics of each arrangement.

- (i) Revenue from Levies is recognised upon regulated supplier's acceptance of demand note.
- (ii) Interest income is accounted for in the period in which it is earned.

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

Donor and Government Funds

Funds from the World Bank and Government Funds are reported as Government Grants and recognised when there is reasonable assurance that the Authority will comply with the conditions attached to them and the grants will be received in order to comply with the disclosure requirements of International Accounting Standard (IAS) 20.

- i) **Operating Grant**
This is normally in the form of cash and is recognized as income in the year it is received.
- ii) **Grant Related to Assets**
Government grants related to assets, including non-monetary grants (such as land or other resources) are recorded at fair value. The grant is recognised in the statement of comprehensive income over the useful life of a depreciable asset.

d) Property and Equipment

All property and equipment is recorded at cost and thereafter stated at historical cost less depreciation. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Authority and the cost can be reliably measured. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the financial year in which they are incurred.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life. Full year depreciation is charged to the asset irrespective of the date of acquisition, while no depreciation is charged during the year of disposal. The following annual rates are applied:

Category of Assets	Rate (%)
Leasehold Improvement	20
Technical Equipment	12.5
Motor Vehicles	20
Furniture and Fittings	12.5
Office Equipment	12.5
Computers	33.33

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposal of property and equipment are determined by comparing the proceeds with the carrying amount and are taken into account in determining operating profit.

e) Intangible Assets

Computer software licences are capitalised on the basis of the costs incurred to acquire and bring to the use the specific software. These costs are amortised over their estimated useful lives which are estimated to be 3 years.

f) Financial Instruments

Classification

The Authority classifies financial assets and financial liabilities into the following categories:

- ✓ Held-to-maturity investment
- ✓ Loans and receivables
- ✓ Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained /incurred and takes place at initial recognition.

Initial recognition and measurement

Financial instruments are recognised initially when the Authority becomes a party to the contractual provisions of the instruments.

The Authority classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Subsequent measurement

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in equity until the asset is disposed of or determined to be impaired.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership.

Impairment of financial assets

At each reporting date the Authority assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the Authority, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised. Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Loans to directors, managers and employees

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Held to maturity

These financial assets are initially measured at fair value plus transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the Authority has the positive intention and ability to hold to maturity are classified as held to maturity.

g) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Tanzania Shillings (functional currency), at rates ruling at the transaction dates. Monetary assets and liabilities at the statement of financial position date which are expressed in foreign currencies are translated into Tanzania Shillings at rates ruling at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. The resulting differences from conversion and translation are dealt with in the statement of comprehensive income in the period in which they arise.

h) Employee entitlements

Employee entitlements to gratuity and long-term service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

i) Retirement Benefit Obligation

- **Approved Pension Scheme**

The Authority contributes to statutory defined pension contribution plans for its employees at the rate of 15% of basic salary to either Parastatal Pension Fund (PPF) or National Social Security Fund (NSSF) or Government Employees Provident Fund (GEPP) or Public Service Pensions Fund (PSPF) or Local Authorities Pensions Fund (LAPF).

- **Gratuity**

In addition to pension scheme, the Authority sets aside 15% of employee's last basic salary as gratuity payable at the end of the contract. The contract period is five (5) years. A provision is made for the estimated gratuity liability as a result of service rendered by the employees up to the statement of financial position date.

j) Accounting for leases

Leases of assets under which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

k) Comparatives

Comparative figures have been adjusted to conform to changes in presentation in the current year where necessary.

NOTES TO THE FINANCIAL STATEMENTS

1. OPERATING REVENUE

	2010-11 TZS'000	2009-10 TZS'000
Regulatory Levy		
Electricity	3,819,587	4,175,269
Petroleum	16,041,891	11,525,686
Natural Gas	876,819	678,522
Water and Sewerage	438,068	559,324
Total Regulatory Levy Income	21,176,365	16,938,801
License Fees		
Electricity Contractors and Wiremen	29,056	21,579
Petroleum	20,800	62,220
Total License Fees Income	49,856	83,799
Application Fees		
Electricity	900	892
Petroleum	14,800	18,500
Natural Gas	-	100
Total Application Fees Income	15,700	19,492
Total Operating Revenue	21,241,921	17,042,092

2. OTHER INCOME

Sale of Tender Documents	6,100	7,500
Intervenors Fees	50	-
Grant Amortisation	139,740	139,740
Penalties from Petroleum Adulteration	559,000	374,000
Gain on Insurance Claim	12,565	-
Profit on disposal of property and equipment	463	-
Total Other Income	717,918	521,240

3. FINANCE INCOME/(COSTS)

Interest Income on fixed deposits	240,919	566,300
Foreign Exchange Gain	74,970	10,940
Foreign Exchange Loss	(127)	(1,363)
Total Finance Income/(Cost)	315,762	575,877

4. STAFF COSTS

Salaries	2,816,634	2,417,459
Gratuity Expenses	764,861	421,257
Pension Employer's Contribution	421,515	353,126
Skills and Development Levy	168,724	163,066
Medical Expenses	265,899	71,853
Other Staff Costs (Schedule 1)	965,048	487,708
TOTAL	5,402,681	3,914,469

5. OPERATING EXPENSES

	2010-11	2009-10
	TZS'000	TZS'000
Capacity Building (Schedule 2)	2,326,567	1,935,216
Technical Review Meetings Expenses	374,779	285,034
Field and Inspection Expenses	2,717,494	433,379
Public Inquiries	522,401	410,501
Government Consultative Council Expenses	167,760	91,276
Consumer Consultative Council Expenses	1,011,360	621,339
Fair Competition Tribunal Subvention	383,490	302,497
Fair Competition Commission Subvention	760,040	-
Treasury Contribution	2,124,192	-
Review Panel Expenses	6,287	3,228
Public Awareness Program	799,845	693,625
Advertisement Expenses	141,996	220,537
Consultancy Expenses	844,934	192,613
Membership Contribution, Books and Periodicals	36,991	43,729
Library General Expenses	1,960	-
International Conference Expenses	724,188	396,169
Regional Cooperation Meetings	367,812	343,062
Government Delegation Participation Costs	88,996	42,020
Local Travel Expenses	163,687	141,674
Stakeholders Consultative Meetings	42,873	5,975
Motor Vehicle Fuel Expenses	73,361	26,103
Motor Vehicle Repairs and Maintenance	123,719	58,543
Car Hiring Expenses	12,650	18,011
Maintenance of Computer Hardware	6,081	7,832
Maintenance of Computer Software	10,497	35,606
Maintenance of Other Office Equipment	11,444	9,058
Wiremen Licensing Activities	30,266	5,143
Nomination Committee Expenses	10,700	5,850
Directors Fees	18,500	20,000
Board Expenses	241,644	271,520
TOTAL	14,146,514	6,619,540

6. ADMINISTRATION COSTS

	2010-11 TZS'000	2009-10 TZS'000
Office Rent	998,409	928,809
Telephone, Fax and Internet	140,209	147,446
Stamps and Postages	2,998	3,941
Printing and Stationery	189,651	260,695
Maintenance of Leasehold Property	4,498	7,372
Office General Expenses	72,452	57,190
Entertainment Expenses	19,563	10,703
Corporate Social Responsibilities	31,211	27,058
Audit Fees	47,400	37,500
Tender Board Expenses	68,307	103,820
Editorial Board Expenses	16,594	18,666
TOTAL	1,591,292	1,603,200

7. OTHER CHARGES

Insurance Charges	24,351	4,870
Legal Fees	131,067	78,635
Bank Charges	32,823	14,619
TOTAL	188,241	98,124

8. SURPLUS FUNDS

The surplus funds of the Authority reported as at 30th June, 2011 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.

Restatement of comparatives

The Authority has restated the comparative financial information to reflect the reversal of capital commitments to comply with requirements of IAS 16 and IAS 38.

The effect of the restatement on the statement of financial position as at 30 June 2010 is as below:

	TZS'000
Retained surplus (as previously stated)	1,763,098
Increase in surplus	3,559,047
Retained surplus (as restated)	5,322,145

9. PROPERTY AND EQUIPMENT

Year Ended 30th June, 2011

	WIP EWURA House TZS'000	WIP Lab Equipment TZS'000	Leasehold Improvement TZS'000	Technical Equipment TZS'000	Motor Vehicles TZS'000	Furniture and Fittings TZS'000	Office Equipment TZS'000	Computers TZS'000	Total TZS'000
Cost									
At 1 July 2010	-	-	440,750	6,190	348,843	182,745	243,509	274,476	1,496,513
Additions	75,240	1,571,824	72,967	-	908,856	57,670	132,501	294,759	3,113,817
Disposals	-	-	-	-	(49,182)	-	-	(8,646)	(57,828)
At 30 June 2011	75,240	1,571,824	513,717	6,190	1,208,517	240,415	376,010	560,589	4,552,502
Depreciation									
At 1 July 2010	-	-	260,533	2,428	254,001	49,310	71,313	251,177	888,762
Charge for the Year	-	-	102,744	773	241,703	30,052	47,001	114,466	536,739
Disposals	-	-	-	-	(39,346)	-	-	(7,710)	(47,056)
At 30 June 2011	-	-	363,277	3,201	456,358	79,362	118,314	357,933	1,378,445
Net Book Value									
30 June 2011	75,240	1,571,824	150,440	2,989	752,159	161,053	257,696	202,656	3,174,057

In the opinion of the directors, there is no impairment in the value of property and equipment.

9. PROPERTY AND EQUIPMENT (Continued)

Year Ended 30th June, 2010

Cost	Leasehold Improvement TZS'000	Technical Equipment TZS'000	Motor Vehicles TZS'000	Furniture and Fittings TZS'000	Office Equipment TZS'000	Computers TZS'000	Total TZS'000
At 01 July 2009	336,955	6,190	307,053	88,276	143,221	254,623	1,136,318
Additions	103,795	-	41,790	94,469	100,288	19,853	360,195
At 30 June 2010	440,750	6,190	348,843	182,745	243,509	274,476	1,496,513
Depreciation							
At 01 July 2009	172,383	1,654	184,232	26,467	40,874	215,349	640,959
Charge for the Year	88,150	774	69,769	22,843	30,439	35,828	247,803
At 30 June 2010	260,533	2,428	254,001	49,310	71,313	251,177	888,762
Net Book Value 30 June 2010	180,217	3,762	94,842	133,435	172,196	23,299	607,751

In the opinion of the directors, there is no impairment in the value of property and equipment.

10. INTANGIBLE ASSETS – SOFTWARE COSTS

	30 June 2011 TZS'000	30 June 2010 TZS'000
Cost		
At start of year	78,532	46,760
Additions	75,974	31,772
At end of year	154,506	78,532
Amortisation		
At start of year	57,350	31,173
Charge for the Year	35,916	26,177
At end of year	93,266	57,350
Net Book Value	61,240	21,182

11. TRADE AND OTHER RECEIVABLES

Trade Receivables	1,748,503	-
Prepayments (Note 11.1)	1,291,632	1,252,911
Other Receivables	31,155	-
Interest Receivable	112,976	83,040
Staff Loans and Advances (Note 17 B)	459,882	554,965
TOTAL	3,644,148	1,890,916

In the opinion of the directors, the carrying amounts of trade and other receivables approximate to their fair value.

The carrying amounts of the Authority's trade and other receivables are denominated in the following currencies.

	30 June 2011 TZS'000	30 June 2010 TZS'000
Tanzania Shillings	2,478,539	1,349,683
US Dollars	1,165,609	541,233
TOTAL	3,644,148	1,890,916

The trade and other receivables do not contain impaired assets.

11. PREPAYMENTS

	30 June 2011 TZS'000	30 June 2010 TZS'000
Prepaid Office Rent	598,448	541,233
Other Expenditure	693,184	711,678
TOTAL	1,291,632	1,252,911

Prepayments comprise of advance payments in respect of office rent, acquisition of motor vehicles and petroleum markers.

12. FINANCIAL ASSETS

Financial assets comprise the following:

Fixed deposits

	30 June 2011 TZS'000	30 June 2010 TZS'000
At Start of Year	4,240,433	2,620,000
Additions	4,181,218	4,240,433
Disposals	(4,240,433)	(2,620,000)
At End of Year	4,181,218	4,240,433
Held-to-maturity investments can be analysed as follows:		
Maturing within 91 days	2,054,577	1,026,926
Maturing after 91 days	2,126,641	3,213,507
	4,181,218	4,240,433

The carrying amounts of the Authority's trade and other receivables are denominated in Tanzania Shillings.

13. CASH AND CASH EQUIVALENTS

Cash at Bank and in Hand	3,975,829	6,416,770
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For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	30 June 2011 TZS'000	30 June 2010 TZS'000
Cash and Bank Balances	3,975,829	6,416,770
Financial assets maturing within 91 days (Note 11)	2,054,577	1,026,926
TOTAL	6,030,406	7,443,696

The Authority is not exposed to credit risk on cash and bank balances as these are held with sound financial institutions.

The carrying amounts of the Authority's cash and cash equivalents are denominated in the following currencies:

	30 June 2011 TZS'000	30 June 2010 TZS'000
Tanzania Shillings	3,750,065	6,041,433
US Dollars	225,764	375,337
TOTAL	3,975,829	6,416,770

14. GOVERNMENT GRANT

The reported Government Grant amounting to TZS 79,083,151, at the statement of financial position date, represents the balance of grant in the form of assets received from Privatisation and Private Sector Development Project (PPSDP), IDA Credit.

	30 June 2011	30 June 2010
	TZS'000	TZS'000
At Start of Year	215,823	313,773
PPSDP Grant – Double Cabin Pick-up	-	41,790
Grant Amortization	(139,740)	(139,740)
At End of Year	76,083	215,823

15. GRATUITY PAYABLE

Non-current liabilities at the statement of financial position date amounted to TZS 316,452,328. This is part of gratuity provision amounting to TZS 1,866,109,058. The details are shown in the table below:

	30 June 2011	30 June 2010
	TZS'000	TZS'000
At Start of the Year	1,140,295	825,149
Charge for the Year	764,861	421,257
Released During the Year (Note 18c)	(39,047)	(106,111)
At End of Year	1,866,109	1,140,295
Categorised As:		
Current Liabilities (Note 16)	887,116	38,636
Non-Current Liabilities	978,993	1,101,659
TOTAL	1,866,109	1,140,295

16. TRADE AND OTHER PAYABLES

	30 June 2011	30 June 2010
	TZS'000	TZS'000
Trade Payables	229,647	423,084
Gratuity Payable (Note 15)	887,116	38,636
Audit Fees	42,450	37,500
Directors Fees	-	20,000
Treasury contribution	951,617	-
PAYE	19,115	-
Other Payables	149,419	-
TOTAL	2,279,364	519,220

In the opinion of the directors, the carrying amounts of trade and other payables approximate to their fair value.

The carrying amounts of the Authority's trade and other payables are denominated in Tanzania Shillings.

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

A. Key Management Compensation	2010-11 TZS'000	2009-10 TZS'000
Salaries	1,081,974	750,582
Directors Fees	18,500	20,000
Employees Post-employment Benefits:		
- Pension - Employer's Contribution	455,486	353,125
- Gratuity (Note 16)	39,047	106,111
	1,595,007	1,229,818

Directors Fees

Directors Fees is paid to the Members of the Board of Directors as approved by the Minister, that is, Chairman TZS 3,500,000 and other six (6) Members, TZS 3,000,000 each per annum.

Employees Post-employment Benefits

The Authority contributes to the approved pension contribution plans for its employees at 15% of basic salary to either Parastatal Pension Fund (PPF), National Social Security Fund (NSSF) or Public Service Pension Fund (PSPF) or Government Employees Provident Fund (GEPPF) or Local Authorities Pensions Fund (LAPF). The Authority's contribution during the year ended 30th June, 2011 amounted to TZS 455,486,000.

The Authority also charges gratuity expense of 15% of employee's last basic salary per month on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30th June, 2011 TZS 39,046,073 were released to staff whose contract come to an end.

Contributions to these funds are recognised as an expense in the period the employees render services to the Authority.

B. Staff Loans and Advances (Note 11)	30 June 2011 TZS'000	30 June 2010 TZS'000
Staff Revolving Loans	284,354	509,851
Salary Advances	74,322	43,117
Imprest	101,206	1,997
TOTAL	459,882	554,965

The Authority set up Staff Revolving Loans fund for the purpose of extending loans to staff for the purchase of motor vehicles and other amenities. These loans are interest free, repaid within a period of three years and are taxed in accordance with the requirements of the Income Tax Act of 2004. For the year ended 30th June, 2011 loans amounting TZS 284,353,979 were outstanding.

18. COMMITMENTS

Capital commitments

Capital expenditure contracted for or tenders are in progress at the statement of financial position date is as follows:

	30 June 2011	30 June 2010
	TZS'000	TZS'000
Property and equipment	341,106	2,297,092
Intangible assets	295,927	227,886
	637,033	2,524,978

Other commitments

Consultancy services	54,000	1,034,069
Total commitments	691,033	3,559,047

Commitment relates to the contracts entered into but goods or services had not been delivered. In some other cases contracts have not been entered into but respective tenders were in progress in accordance with the requirement of the Public Procurement Act No. 21 of 2004.

19. FINANCIAL RISK MANAGEMENT

a) Interest Rate Risk

The Authority's interest income and operating cash flows are affected by changes in market interest rates. The Authority mitigates the risks by investing in the less risky investments mainly risk-free fixed deposits maturing within a period of one year.

b) Credit Risk

The Authority's regulatory levy which is the main source of its income is not tied to a single regulated supplier. This mitigates credit risk associated with its operations.

c) Liquidity Risk

The Authority ensures sufficient liquidity is maintained to meet short-term maturing obligations and it also ensures that all excess cash is invested in less risky investments.

d) Foreign Exchange Risk

The Authority minimises foreign exchange risk by maintaining foreign currency account. The Authority does not engage in foreign currency swaps or speculations. The risks also managed by ensuring that the services value are negotiated and fixed in the local currency whenever possible.

20. CONTINGENT LIABILITIES

As at 30th June, 2011 the Authority is a defendant of a case whereby one ex-employee claimed that he was wrongfully terminated from his employment and claimed for unfair termination benefits (12 months' salary amounting to TShs 24,371,357).

In the opinion of the directors and after taking appropriate legal advice, the outcome of such actions will not give rise to any significant loss and therefore no provisions have been made.

SCHEDULE OF OTHER EXPENDITURE

1. OTHER STAFF COSTS

	2010-11	2009-10
	TZS'000	TZS'000
Staff Insurance – GPA	45,887	43,590
Travelling Insurance	22,650	-
Transport Allowances	452,751	317,082
Annual Leave Package	63,584	46,548
Acting Allowance	31,133	11,706
Outfit Allowance	27,255	25,719
Funeral Expenses	11,200	7,000
Recruitment Costs	38,900	30,430
Compensation Allowance	26,254	-
Staff Welfare Expenses	22,869	5,633
13 th Month Salary	222,565	-
TOTAL	965,048	487,708

2. CAPACITY BUILDING

	2010-11	2009-10
Study Tours	637,503	721,197
Overseas Training	1,325,549	874,542
Local Training	69,688	110,549
Filed Attachments	198,533	157,064
Water Sector Training	95,294	71,864
TOTAL	2,326,567	1,935,216

ABBREVIATIONS

AFUR	: African Forum for Utility Regulators
EWURA	: Energy and Water Utilities Regulatory Authority
FCT	: Fair Competition Tribunal
GEPF	: Government Employees Provident Fund
GPA	: Group Personal Accident
HIV/AIDS	: Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
IAS	: International Accounting Standards
IASB	: International Accounting Standards Board
IDA	: International Development Association
IFRS	: International Financial Reporting Standards
ISA	: International Standards on Auditing
ISSAIs	: International Standards of Supreme Audit Institutions
LAPF	: Local Authorities Pensions Fund
NSSF	: National Social Security Fund
PAA	: Public Audit Act 2008
PPF	: Parastatal Pension Fund
PPSDP	: Privatisation and Private Sector Development Project
PSPF	: Public Service Pensions Fund
RERA	: Regional Electricity Regulators Association
TBS	: Tanzania Bureau of Standards
TZS	: Tanzania Shillings



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