



ewura

Energy and Water Utilities Regulatory Authority

7th Annual Report 2013

THE UNITED REPUBLIC OF TANZANIA



**7TH ANNUAL REPORT FOR THE YEAR ENDED
30TH JUNE, 2013**

DECEMBER, 2013

Energy and Water Utilities Regulatory Authority

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LETTER OF TRANSMITTAL



Hon. Prof. Jumanne Maghembe (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, 2013.

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

I submit.



Simon F. Sayore
Chairman, EWURA Board of Directors
December, 2013

VISION, MISSION AND CORE VALUES

Vision: To be a world class regulator of energy and water services

Mission: To regulate the energy and water services in a transparent, effective and efficient manner that promotes investments and enhances the socio economic 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) courtesy;
- d) accountability;
- e) professionalism; and
- f) equity;

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INTRODUCTION

Background

This is the 7th Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) that was established in 2006 under the EWURA Act, Cap. 414 of the Laws of Tanzania. EWURA is a multi-sector regulatory authority charged with the responsibility to regulate the electricity, petroleum, natural gas and water sectors. The Authority is charged with the responsibility of carrying out economic and technical regulation in the sectors, in a manner that will enhance the welfare of the Tanzanian community in respect of the regulated sectors. The functions of the Authority as spelt out in the Act are:

- (a) to perform all functions conferred on it by sector legislation and Cap. 414;
- (b) to issue, renew and cancel licences;
- (c) to establish standards for goods and services;
- (d) to establish standards for terms and conditions of supply of goods and services;
- (e) to regulate rates and charges;
- (f) to make rules;
- (g) to monitor performance of regulated sectors in relation to availability, quality, standards of services, cost of services, efficiency of production, investment levels and distribution of services;
- (h) to facilitate resolution of complaints and disputes; and
- (i) to disseminate information about matters relevant to its functions.

Section 6 of the EWURA Act, further requires the Authority to assume the following duties in the course of carrying out its functions:

- (a) promoting effective competition and economic efficiency;
- (b) protecting the interests of consumers;
- (c) protecting the financial viability of efficient suppliers;
- (d) promoting the availability of regulated services to all consumers, including low income, rural and disadvantaged consumers;
- (e) enhancing public knowledge, awareness and understanding of the regulated sectors including the rights and obligations of consumers and regulated suppliers, the ways in which complaints and disputes may be initiated and resolved, and the duties, functions and activities of the Authority; and
- (f) taking into account the need to protect and preserve the environment.

Objectives

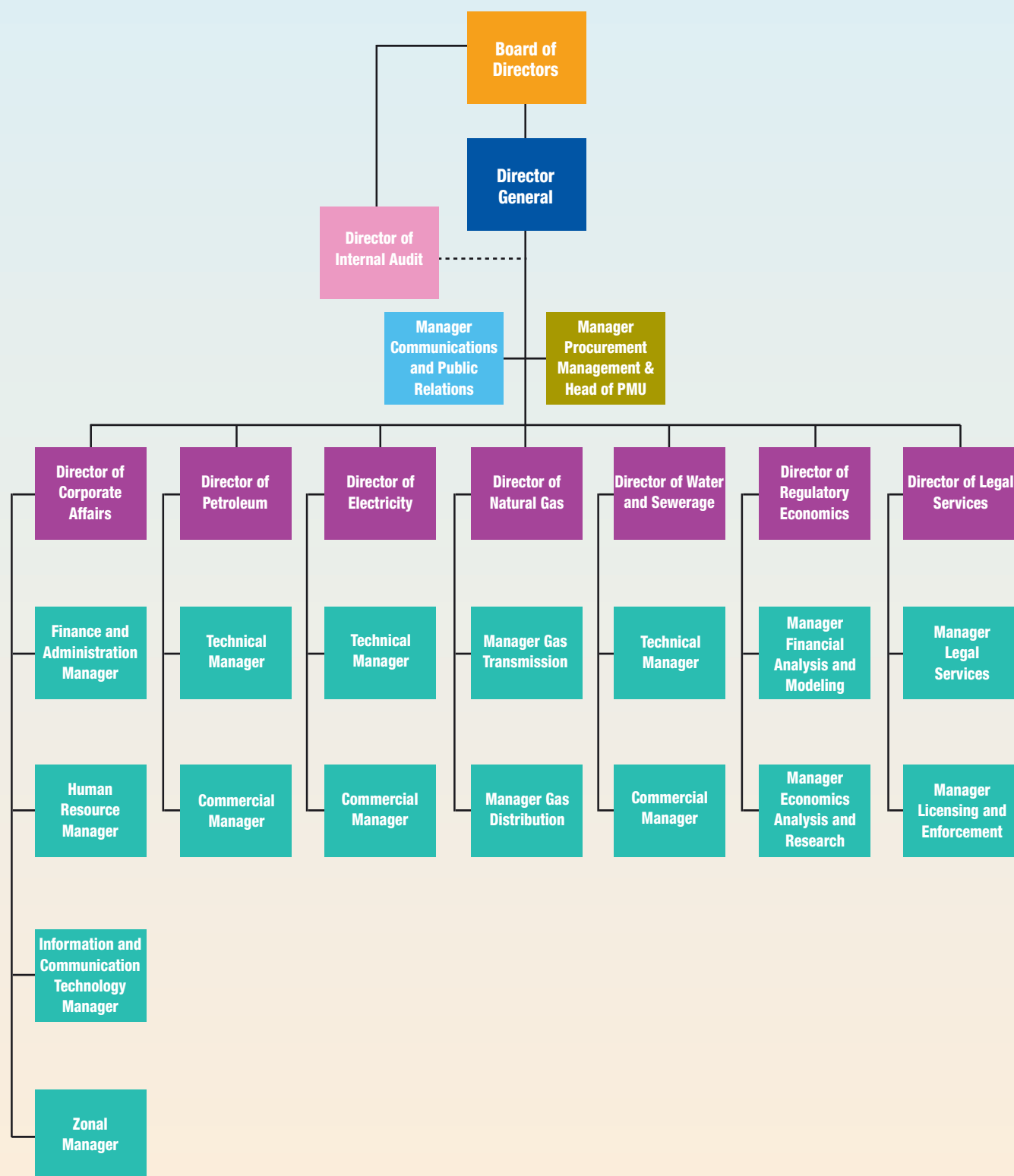
The Authority is determined to increase its contribution to national economic development and improve the welfare of the Tanzanian public through delivery of regulatory services. It is within this drive that the Authority set out five objectives with a view to enabling it to address imminent and medium-term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

During the year under review, the Authority operated under the approved Strategic Plan (2012/13 - 2016/17) that guides the Authority's operations for five years.

Organisation Structure

The Authority has a cost-effective organisation structure that facilitates efficient regulation of the four sectors (that is, electricity, petroleum, natural gas and water), good corporate governance and cross-cutting services. The structure has the Board of Directors as the top decision-making body, the Director General as the overall day to day overseer of the activities of the Authority and eight Divisions headed by Directors. There are also heads of Departments who report directly to the Director General, namely, Manager Procurement Management and Manager, Communications and Public Relations. Summary of the organisation structure is shown below.



BOARD OF DIRECTORS



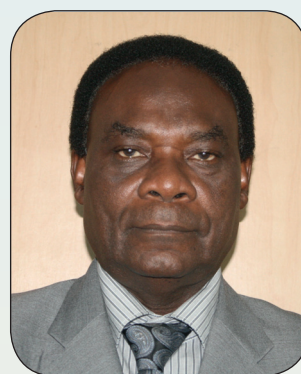
Mr. Simon Sayore
Chairman



Dr. Geoffrey Mariki
Deputy Chairman



Ms Lucy Sondo
Member



Mr. Omar Bendera
Member



Mr. Haruna Masebu
Member



Ms Juliana Mwalongo
Member



Mr. Nicholas Mbwanji
Member

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, it is my pleasure to present the seventh Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30th June, 2013.

In 2013, EWURA continued to maintain its position as a world class regulatory institution. As has always been the case, EWURA was at the forefront of regulatory excellence, through its commitment to good governance, and championing the delivery of quality energy and water service, through world class regulation.

Following commendation last year from the University of Cape Town as having excellent governance practices in the Electricity Sector in Africa, EWURA received similar accolades this year from the East and Southern Africa Water Regulators Association (ESAWAS) with regard to the regulation of the water sector. This followed an in-depth peer review where water regulators from Kenya, Mozambique, Rwanda, Lesotho and Zambia assisted by consultants from the University of Cape Town, conducted a survey in Tanzania and interviewed various stakeholders namely: government officials, consumers and leaders of utility companies, and concluded that EWURA was a very effective regulator worth emulating.

In this regard, EWURA continued to distinguish itself from other regulatory authorities in Mainland Tanzania, and the rest of Africa, by its use of an elaborate consultative process designed to engage all stakeholder groups thus ensuring that a level playing field exists for all stakeholders in the regulated sectors, and that stakeholder interests are well balanced. As a result of this engagement, EWURA has continued to enjoy support from various stakeholders such as the Government and its institutions, development partners, regulated suppliers, investors, consumers and the general public.

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 seven 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 unwavering commitment, dedication and hard work during this seventh year of the Authority's operations.



Simon F. Sayore
Chairman
December, 2013

BOARD AND MANAGEMENT STRUCTURE

Board of Directors

EWURA is governed by a Board of Directors which is the highest decision-making organ of 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 and the Director General who are appointed by the Minister responsible for EWURA after consultation with the relevant sector Ministers.

In order to fulfil its oversight responsibilities, the Board has six (6) Committees based on sectoral regulation and cross-cutting issues. These are Audit, Legal and Corporate Affairs, Electricity, Petroleum, Natural Gas and Water Committees.

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 eight (8) 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, Director of Corporate Affairs and Director of Internal Audit. Communications and Public Relations and Procurement Management are functions headed by managers under the Director General's Office.

Office of the Authority

The office of the Authority is currently located at 6th Floor, Harbour View Towers, Samora Avenue in Dar es Salaam.

MANAGEMENT



Mr. Haruna Masebu
Director General



Ms Miriam G. Mahanyu
Director of Legal Services



Mr. Paskali Massawe
Director of Corporate Affairs (up to 31st December 2012)



Eng. Godwin Samwel
Director of Petroleum



Eng. Anastas Mbawala
Director of Electricity



Eng. Charles Omujuni
Director of Natural Gas



Eng. Mutaekulwa Mutegeki
Director of Water and Sewerage



Mr. Felix Ngamlagosi
Director of Regulatory Economics



Ms Naiungishu Mollel
Ag. Director of Corporate Affairs (from 1st January - June 2013)



Dr. Fred Msemwa
Director of Internal Audit



Mr. Titus Kaguo
Manager Communications & Public Relations



Mr. Deogratius Kumalija
Manager Procurement Management & Head of PMU

DIRECTOR GENERAL'S STATEMENT



As you are aware, EWURA is a multisectoral regulatory institution responsible for the regulation of the energy and water sectors in Mainland Tanzania. During its seventh year of operation, EWURA upheld its commitment to international regulatory best practices and was duly recognized as one of the best regulatory institutions in Africa.

During the period under review, EWURA faced several challenges and recorded several successes as detailed in this report. The circumstances behind these events demonstrate the Authority's belief in the need to preserve unparalleled good governance in the regulated sectors through adherence to observed principles of transparency, accountability, predictability of results and stakeholder involvement in its decision-making process. As a direct result, EWURA has solidified its reputation as a model regulatory institution which balances the interests of all relevant stakeholders namely the general public, the private sector and the Government of Tanzania.

During the period under review, EWURA oversaw the consolidation of the Bulk Procurement System (BPS) in the petroleum sector and completion of the TANESCO Cost of Service Study (COSS) in the electricity sector, to name but a few examples. Furthermore, the period under review highlighted key gains made by the Tanzanian society as a result of EWURA's involvement in the regulated sectors. For example, service providers in the electricity sector continued to be more responsive to issues raised by, or through the regulator while investors continued to be more confident, that their investments will be safe in Tanzania, due to the investor friendly environment that is being nurtured by the regulator.

In the petroleum sector, the BPS streamlined the supply of petroleum products entering the country while the ongoing fuel marking program continued to contribute to the reduction of incidents of fuel adulteration and dumping of untaxed and transit petroleum products, in the local markets. Developments in the water sector include expansion of water supply network; increased water billing, metering ratio, water production and total population served; and reduction of non-revenue water.

Although still in its infancy compared to other regulatory institution in Africa, it is crucial to note that EWURA has gone through different phases of growth since its establishment. At the beginning, it was necessary to learn from our peers but it is the mark of integrity to realize that now those same peers are learning from us. This recognition is attested by the mutually beneficial cooperation that EWURA enjoys with numerous regional regulatory associations, development partners and the Government of Tanzania.

As we move forward into the next financial year, we are continually mindful of the need to enhance public understanding, of all the regulated sectors, while simultaneously upholding our unwavering commitment to sector reform. 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
December, 2013

1.0 CORPORATE GOVERNANCE

1.1 Board of Directors

Pursuant to EWURA Act, the Board of Directors is responsible for all regulatory decisions, policy formulation, code of conduct 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 including the Director General are appointed by the Minister responsible for EWURA as provided under section 8 of the EWURA Act.

During the year under review, the Authority's Board of Directors conducted twelve (12) Ordinary Meetings, Eleven (11) Extra-Ordinary Meetings and three (3) Special Board 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, the Audit, Legal and Corporate Affairs, 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 twenty-three (23) 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 and Corporate Affairs	5
3	Electricity	5
4	Petroleum	3
5	Natural Gas	0
6	Water	3
	Total	23

1.3 Director General

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

1.4 Internal Monitoring System

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

Finance and Budget Administration of the Authority is governed by the Public Finance Act, 2002. The annual operations of the Authority originate from its Strategic Plan covering a period from 2012/13 – 2016/17. The Authority's Annual Plan and Budget is approved by the Board of Directors, and submitted to the Minister responsible for the Authority in line with the provisions of section 49 of the EWURA Act. Resources used to implement the Annual Plan 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 the Authority through an Annual Report and Accounts in line with the provisions of section 48 of the EWURA Act.

1.4.2 Procurement Management

The Authority has a Tender Board and a Procurement Management Unit (PMU) established in accordance with the Public Procurement Act (PPA) No. 21 of 2004.

In order to comply with the requirements of the Public Procurement Act and its related Regulations, members of the Tender Board, staff of the Procurement Management Unit attended various training courses that were conducted by the Public Procurement Regulatory Authority (PPRA).

Tenders were awarded by the Authority to various suppliers and service providers, for supply and provision of goods and services during the financial year 2012/13. All tenders were awarded through competitive tendering procedures in pursuance of the provisions of the PPA and its related Regulations of 2005.

1.4.3 Code of Conduct

The Authority's Code of Conduct binds both Staff and Members of the Board of Directors. 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. The Code of Conduct explicitly underlines that the Authority has zero tolerance on fraud and corruption. All incidents of fraud and corruption are reported to appropriate Authorities. During the year under review, the Authority did not encounter any incident of fraud or corruption.

1.4.4 Internal Audit and Risk Management

Activities of the Internal Audit are guided by the Authority's Internal Audit Policy and the Board Audit Committee Charter. During the year under review audits were carried out to assist the Authority achieve its corporate objectives and compliance with legal requirements, accounting standards and internal procedures. These include operational, financial, procurement, follow-up and compliance audits. Audit reports were submitted to the Audit Committee and deliberated by the Board of Directors which gave guidance to Management on reported issues in line with the corporate governance structures that govern internal audit activities within the Authority.

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 Continued to employ the most appropriate candidates selected in a transparent and competitive manner to ensure that the public receives quality service. Consequently, the Authority has attracted highly qualified and motivated professionals from both the public and private sectors, thus bringing in a wide variety of experiences.

In the year under review, the Authority recruited nine (9) staff thus bringing the total number of staff to 93 out of 108 that were required during the year under review. Staff gender structure is as indicated in Table 2.

Table 2: Staff as at 30th June, 2013

Item	Male	Female	Total
Staff Compliment	64	29	93
Percentage	69%	31%	100%

2.1.2 Capacity Building

The Authority continued to implement its training policy that is to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the year under review, new senior staff attended general courses on Public Utility Regulation and Strategy. Several Staff also attended local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance.

2.1.3 Regional Co-operation and Collaboration

The Authority subscribed and participated fully in the activities of five (5) Regional Associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (EREA), African Refiners Association (ARA), and Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS). The main objective is to exchange regulatory experiences within the International and regional setting, and allow the Authority to have access to information necessary for regulation and performance benchmarking. Furthermore, the Authority participated in various meetings convened to establish the regional power pool, and the Eastern Africa Power Pool (EAPP).

2.2 Information and Communication Technology (ICT)

2.2.1 Regulatory and Management Information Systems

The Authority's Information Technology System supports regulatory functions. The Authority maintains the Water Management Information System (MajIs) which monitors the performance of Urban Water Supply and Sewerage Authorities (UWSAs). In addition, MajIs 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 conducted testing and training 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. Training for internal users was conducted to familiarize users with new system.

Electricity Regulatory information system (ERIS) and Asset Management systems were launched to collect information from electricity services providers. The main users of these systems are TANESCO, EWURA and MEM.

Finance and accounting activities of the Authority are managed through accounting software which provides accurate data and timely reporting. The Authority contracted a consultant to implement a new accounting system EPICOR to replace the existing Pastel. A remote data centre was established to secure the Authority's data in the event of disaster. The Authority continued to maintain a reliable network which ensures reliable desk support services to staff and the public.

2.2.2 Public Register

Public Access Register is maintained by the Authority for public inspection at all times during business hours at the Head Quarters in Dar es Salaam. Some of the information from the public access registry can be obtained from 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 public has the right to get correct and accurate information from the Authority relating to the regulated entities. The main objective of the Public Access Registry is to improve transparency and provide timely information to all stakeholders on the Authority's regulatory activities.

2.3 Financial Performance Review

The Authority's operations are financed mainly through collection of levies from regulated service providers in the electricity, petroleum, natural gas and water sewerage sectors. Other sources of financing include licence fees, penalties and interest income from fixed deposits.

During the year under review total revenue amounted to TZS 29.20 billion indicating an increase of 29% when compared to the previous year as shown in Table 3.

Table 3: Summary of Financial Performance

Item	Amount for the Year Ended 30 th June, 2013	Amount for the Year Ended 30 th June, 2012	%Increase Over Previous Year
	TZS'000	TZS'000	%
Income from Levy and Licences	27,263,652	21,463,644	27
Other Income	1,932,448	1,191,560	62
Total Income	29,196,100	22,655,204	29
Re-current Expenditure	20,468,570	24,274,981	(16)
Capital Expenditure	0	0	
Total Expenditure	20,468,570	24,274,981	(16)

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

Figure 1: Main Sources of Income

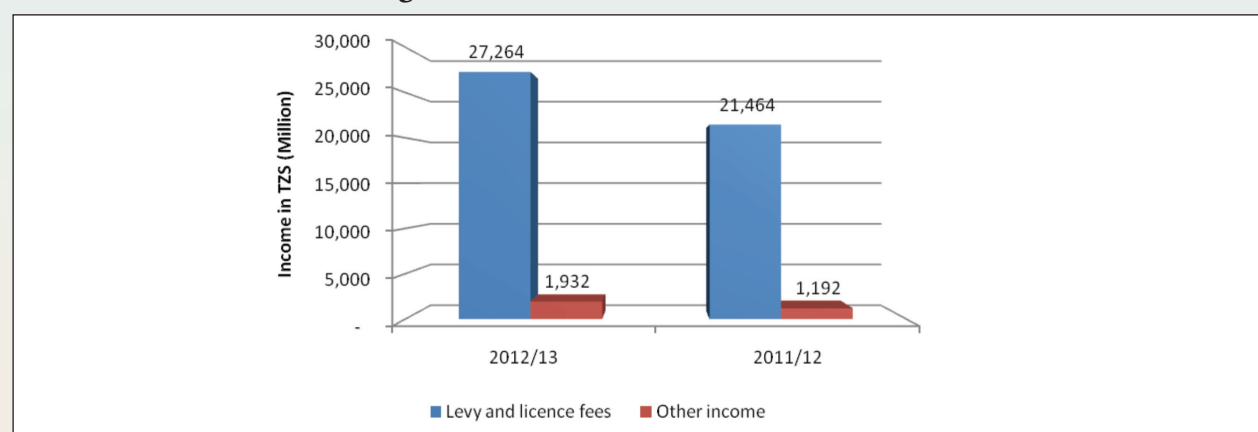
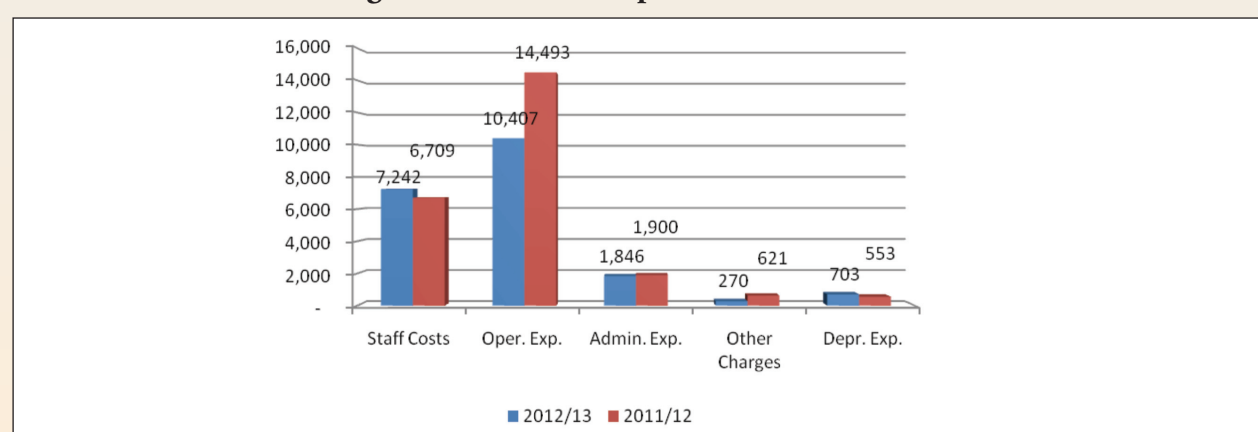


Figure 2: Recurrent Expenditure Trend



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

- a) Sustaining financial self sufficiency for the Authority to run its operations without depending on grants from the Government or Development Partners.
- b) Continued with petroleum products marking system which has significantly reduced 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.
- c) The Authority conducted public awareness campaigns and seminars on the roles and responsibilities of the Authority, rights and obligations of the service providers and consumers and complaints handling mechanism, for editors and journalists of Dar es Salaam based media houses.
- d) Developed regulatory tools which include rules, guidelines and licences.
- e) Petroleum products pricing has been successful. Retailers are selling petroleum products within the monthly published prices by the Authority.
- f) Petroleum quality regulatory measures that are being taken by the Authority have resulted in increased volumes of sold petroleum products, hence resulting in increased revenue to the Government in terms of taxes.
- g) A significant number of water utilities have been able to plan using comprehensive business planning guidelines.
- h) Web based reporting system improved water utilities reports and Energy reports.
- i) There has been significant improvement of standards and quality of petroleum retail outlets in the country.

2.4.2 Key Challenges

- a) 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.
- b) The Authority is 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.
- c) 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.
- d) Some of the District and Small Towns WSSAs operate without Boards of Directors. This situation makes it difficult to institute various regulatory actions.
- e) The issue of reducing non revenue water and increasing access to clear water were challenges that require constant follow up by the Authority.

3.0 ELECTRICITY SECTOR PERFORMANCE AND REGULATION

3.1 Overview

The electricity supply industry in Tanzania is vertically integrated, with TANESCO owning and carrying out generation, transmission and distribution of electricity up to the final consumers, and sells electricity in bulk to Zanzibar Electric Company (ZECO) through submarine cables to Zanzibar and Pemba Islands. Two (2) Independent Power Producers (IPPs) and three (3) Small Power Producers (SPPs) are selling electricity to TANESCO in bulk under long-term contracts (PPAs), and three (3) emergency power producers (EPPs) on short-term contracts.

Tanzania has, for the third consecutive year, experienced low rainfall in the catchment of Rufiji River Basin and Pangani River Basin, which drain water into the hydropower reservoirs of Mtera, Kihansi, Pangani, Hale and Nyumba ya Mungu. Mtera is the largest reservoir that is regulating water flow into Mtera and Kidatu power stations. Furthermore, the gas supply constraint caused by inadequate gas processing and transportation infrastructure has further aggravated the power supply situation. This has necessitated TANESCO to increase the use of more expensive liquid fuels (Jet A1 and diesel), and purchase of electricity from emergency power producers. The Government continued to provide financial support to TANESCO to mitigate the potential power shortage and supply of expensive power to consumers.

There has been some interest from private investors in power generation projects, including natural gas, coal, and renewable energy (mini-hydro, biomass, solar and wind). In order to evacuate the future power generation, new transmission lines are also being planned for bulk transfer of power from generation to main load centres, to meet the expected increased electricity demand under the Big Results Now and Vision 2025, and for export to neighbouring countries.

3.2 Performance Monitoring

3.2.1 Reporting System

Section 15(4) of the Electricity Act, 2008 requires every licensee to submit to the Authority, all data and information required by the Authority, relating to performance of its functions. Furthermore, section 15(5) of the Electricity Act, 2008 requires that every licensee shall, annually or within a prescribed time, submit a report to the Authority on its licensed activities, which report shall include technical, financial and service delivery level, based on the customer service charter.

In 2012 the Authority developed and commissioned a web-based Electricity Regulatory Information System (ERIS) and Assets Register (AR) to be used by electricity service providers, including TANESCO for preparing regulatory information required by the Authority. The Assets Register is an important tool for EWURA during tariff setting, as it provides a good foundation for valuing the regulatory asset base of a utility in tariff determination. There have been delays in getting TANESCO to use the packages to populate data into the information systems, mainly due to delay in procurement and installation of 2 dedicated servers for the systems. To address this matter, the Authority is working closely with TANESCO and the supplier of the two packages to attend to all problems that are faced by TANESCO staff when using the systems, and remove any bugs that will be encountered. After removal of the “bugs” the ERIS and AR packages can be used by service providers and other key stakeholders, including the Ministry of Energy and Minerals, for decision making.

3.2.2 Installed Capacity

During the year under review, total installed capacity in the National Grid increased from 1,375 MW to 1,493 MW. The increase is attributed by Symbion commissioning a 50 MW Diesel fired power plant at Arusha, and up-rating upon of the Dodoma power station by 5 MW to 55 MW from the 50 MW capacity declared earlier, and TANESCO commissioning the 63 MW HFO fired power plant in Mwanza. The installed capacity does not include the contracted capacity of energy purchased by TANESCO from Small Power Producers.

The contribution of IPPs to the total installed capacity includes Songas (189 MW), IPTL (103 MW), and 23.5 MW from three Small Power Producers (SPPs), namely, TANWAT (2.0 MW), TPC (17.5 MW) and Mwenga (4 MW). The available capacity has not improved much from the 950 MW in previous reporting period, due to infrastructure breakdowns, inadequate water for hydropower generation, inadequate gas supply and insufficient funds to supply the required liquid fuel (Jet A1 or Diesel). Hence the Peak Demand in the National Grid was 851 MW (Oct 2012) as compared to 829

MW (Nov 2011) reached in the previous reporting period. The installed capacity in the isolated grid has not changed much during the period; it remains at 81 MW.

Table 4: Installed and Imported Capacity June 2013

Companies	Station	No. of Units		Installed Capacity in MW
TANESCO	KIDATU	4	Hydro	204.0
	KIHANSI	3	Hydro	180.0
	MTERA	2	Hydro	80.0
	N/P FALLS	2	Hydro	68.0
	HALE	2	Hydro	21.0
	NYUMBA YA MUNGU	2	Hydro	8.0
	UWEMBA	3	Hydro	0.8
	TOTAL HYDRO			561.8
	Ubungo Gas Power Plant 1	12	Gas	102.0
	Tegeta Gas Power Plant	5	Gas	45.0
	Ubungo Gas Power Plant 2	3	Gas	105.0
	TOTAL GAS			252.0
	ZUZU - Dodoma	3	Diesel	7.4
	MWANZA	10	HFO	63.0
TOTAL OTHER FOSSIL			70.4	
TOTAL TANESCO			884.2	
IPP	SONGAS	6	Gas	189.0
	*SYMB UB GP	5	Gas/JetA1	112.0
	IPTL	10	HFO	103.0
	TOTAL IPP			404.0
EPP	AGRREKO (Ubungo)	63	Diesel	50.0
	AGRREKO (Tegeta)	63	Diesel	50.0
	SYMBION (Arusha)	64	Diesel	50.0
	SYMBION (Dodoma)	73	Diesel	55.0
	TOTAL EPP			205.0
SPP	TANWAT	1	Biomass	2.0
	TPC	1	Biomass	17.5
	MWENGA	1	Hydro	4.0
	TOTAL SPP			23.5
	TOTAL MAIN GRID			1,516.7
	TOTAL WITHOUT SPPs			1,493.2
TANESCO	ISOLATED MINI-GRID			81.0
	NATIONAL SYSTEM TOTAL			1,597.7

Table 5: Installed and Imported Capacity June 2013

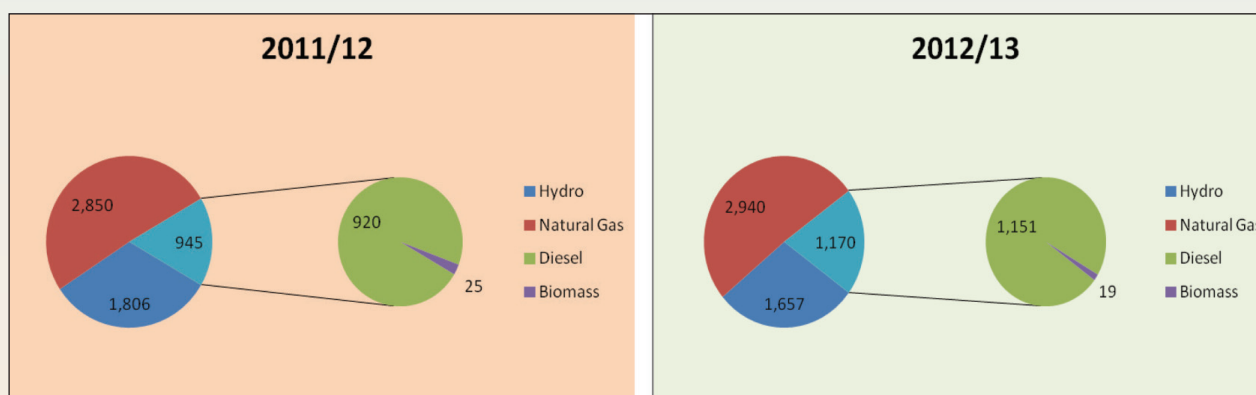
	MW	Proportion
TANESCO	884.2	57.8%
IPPs	404.0	26.4%
EPPs	205.0	13.4%
SPPs	23.5	1.5%
Imports	14.0	0.9%

3.2.3 Generation Mix

Tanzania has been reducing its dependency in hydro generation by investing in more climate neutral projects, such as natural gas and coal. The electricity generation mix in the National Grid has, during the period, changed from hydro/thermal ratio of 32:68 in 2011/12 to the ratio of 29:71 in 2012/13, with 20% of the thermal portion contributed by Industrial Diesel Oil (IDO). The observed drastic drop in hydro portion of the generation mix is due to inadequate hydro generation resulting from prolonged drought in 2011, 2012 and 2013. However, the high use of expensive fuel such as diesel and Jet A1 has resulted in the utility not being able to use the available capacity fully.

Table 6: Total Generation Mix by Resource

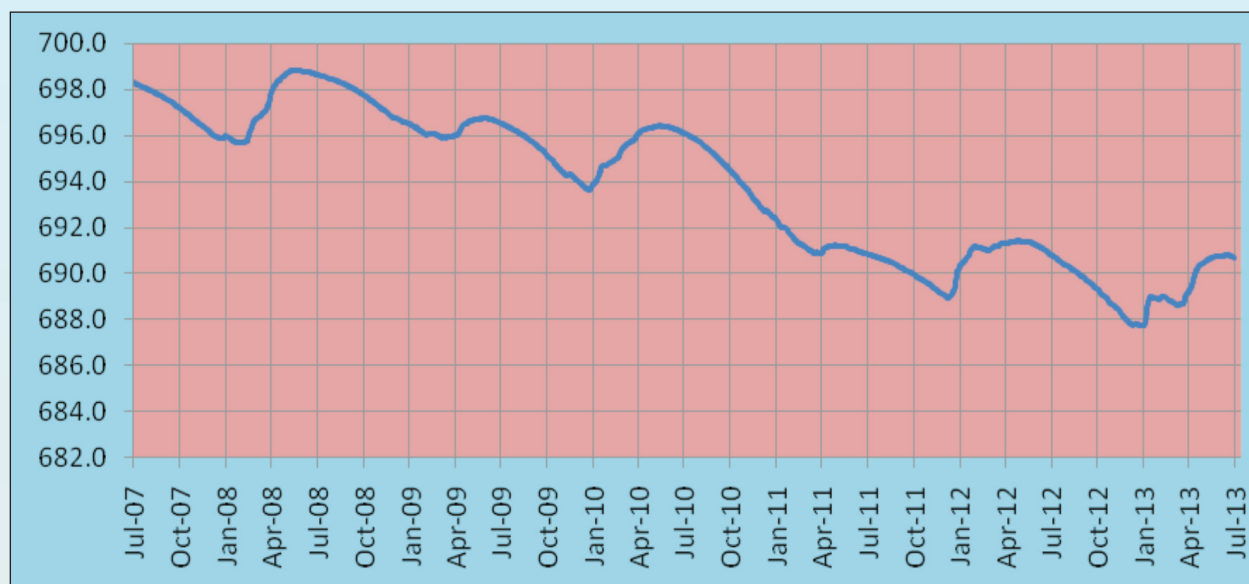
Resource	2011/12		2012/13	
	GWh	Proportion	GWh	Proportion
Hydro	1,806	32.24%	1,657	28.73%
Gas	2,850	50.88%	2,940	51.98%
Diesel/ Jet A1	920	16.43%	1,151	19.96%
Biomass	25	0.45%	19	0.33%
Total	5,601	100%	5,767	100%

Figure: 3 Generation Mix by Fuel in GWh in 2011/12 and 2012/13


3.2.4 Hydrological Situation

Short rains of late 2012 and the long rains of 2013 in the catchments of the power generating dams during the period March to May 2013 were below normal. As a result, Mtera Dam level reached a maximum of only 690.79 metres above sea level, that is below the previous period maximum level of 691.42 m.a.s.l. as shown in **Figure 4**. The same situation existed in the hydropower plants existing in the Pangani River System, where all the plants, namely Nyumba ya Mungu, Hale and Pangani Falls are run-of-the river. The effect of the dry years is the reduction in generation output from the main hydropower plants of Kidatu, Kihansi, Mtera and Pangani Falls.

Figure 4: Mtera Trajectory 2007 to 2012



3.2.5 Mitigation Measures against Power Shortages

In order for TANESCO to meet its obligations to supply electricity, the Government has provided financial support to TANESCO to enable it to buy fuel for own thermal power plants, and rental EPPs power plants where fuel supply is the responsibility of TANESCO, and the increased use of the 100MW HFO IPTL Power Plant. The EPPs include Symbion 112 MW, Aggreko 100 MW diesel plants (50 MW at Ubungo and 50 MW at Tegeta), and Symbion 105 MW diesel plants (55 MW at Dodoma, and 50 MW at Arusha).

3.2.6 Customer Base

TANESCO new customers connected during the year under review were 88,469 out of the targeted 100,000 customers. In the period of January to June 2013, a total of 77,112 new customers have been connected. The rate of connecting new customers has risen from 68,000 to 88,469 during a one year period mainly due to reduction in connection charges through subsidy and the use of low cost design materials. However, TANESCO faces a challenge in ensuring that there is always adequate inventory that matches the requirements, in order to avoid complaints of late connection of new applicants for service lines, due to lack of one or more components, including conductors, tariff meters and wooden poles.

3.3 Licensing

3.3.1 Power Supply Licensing

During the period under review pre-licensing inspections were conducted on various applicants who applied for electricity licences. EWURA issued 9 licences for generation. Out of these, five licences were for provisional electricity generation and four (4) for own use/standby generation and one (1) for generation. More details of the licences issued during the period are included in Table 7.

Table 7: Licences Granted

No.	Licensee	Project Area / License coverage	Capacity (MW)	Type of Licence/ Duration	Date Issued
1	M/S E.A Power Ltd	Kiwira, Rungwe Dist.	10	Generation1 36 months	19/9/2012
2	TANESCO Ltd	Tanzania Mainland	964	Generation 25 Years	1/3/2013
3	TANESCO Ltd	Tanzania Mainland	100	Distribution 25 Years	1/3/2013
4	TANESCO Ltd	Tanzania Mainland	7.5	Transmission 25 Years	1/3/2013
5	TANESCO Ltd	Tanzania Mainland	18	Supply 25 Years	1/3/2013
6	TANESCO Ltd	Tanzania Mainland	2.4	Cross Border Trade 25 Years	1/3/2013
7	Lake Cement Ltd	Kimbiji, Temeke Dist.	10	Generation2 24 months	21/3/2013
8	Tangulf Express Ltd	Nakatuta Falls Songea District	10	Generation3 24 months	21/3/2013
9	Kitonga Electric Power Company Ltd	Kilolo District	150	Generation4 24 months	1/7/2013
10	Tanzania Cigarette Company Ltd	Dar es Salaam	1.8	Standby 1 Generation	1/3/2013
11	North Mara Gold Mine Ltd	Tarime	18	Standby 2 Generation 5Years	1/3/2013
12	Pangea Minerals Ltd	Biharamulo	6	Base Load 3 Generation 5Years	1/3/2013
13	Mwenga Hydro Limited	Mufindi District	3.36	Generation 25 Years	1/1/2013
14	Kilwa Energy Company Ltd	Somanga	210	Generation1 30 months	3/1/2013
15	Geo Wind Power Tanzania Ltd	Singida	100	Generation5 30 months	20/12/2012
16	Bulyanhulu	Kahama	24.5	Standby 4 Generation 5Years	1/3/2013

3.3.2 Electrical Installation Licensing

During the period under review, the Authority received a total of 98 licence applications from contractors and wiremen, out of which 83 were issued with licences, 14 were rejected for not meeting the requisite qualifications for the licence classes they had applied for, and one was referred back for lack of sufficient information. Electrical contractors and wiremen licences that were issued in the last five years are listed in Table 8.

Table 8: Electrical Contractors' Licence Applications Processed

Year	Applications	Licences Issued by Classes							Applications
	Received	A	B	C	D	W	E	F	Rejected / deferred
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
2011	114	5	18	35	27	18	0	0	11
2012	121	16	33	31	32	3	0	0	3
June-13	75	11	15	21	14	14	0	0	0
Total	741	55	139	241	179	86	0	0	26

3.4 Determination of Rates and Charges

3.4.1 TANESCO Tariff

During the period under review, the Authority finalised review of the emergency tariff application which was submitted by TANESCO on 9th November, 2011. In the Application, TANESCO had requested for a tariff increase of 155% to cater for increased operational costs due to procurement of Emergency Power Plants, and high utilization of TANESCO's own thermal plants in order to address acute power shortage in the country. This change in generation mix was a result of repeated drought experienced in 2009, 2011 and 2012. However, following a quick review of the emergency tariff application the Authority, on 15th January, 2012 provisionally approved an average tariff increase of 40.29% to be applicable for six months, consistent with Section 15 of the Tariff Application Guidelines, 2009.

The determination of the final tariff was expected to base on the findings of the Cost of Service Study ("COSS") for TANESCO. The study was conducted by an independent consultant, AF-MERCADOS EMI, from Spain, who was engaged by the Authority on 17th February, 2012. The COSS provided recommendations for multi-year cost reflective tariffs for TANESCO, which would be applicable in 2013, 2014 and 2015 after the expiry of the TANESCO emergency tariff. However, TANESCO withdrew the application, and requested to continue using the provisional tariff that was issued in early 2012. TANESCO continues charging the approved emergency tariffs which are presented in Table 9 below.

Table 9: TANESCO's Approved Emergency Tariff

Customer Category		Component	Approved Tariff
D1	Domestic Low Usage	Basic Charge	0
		Energy Charge (0-50 kWh)	60
		Energy Charge (above 50 kWh)	273
T1	General Use	Basic Charge/Month	3,841
		Energy Charge	221
T2	Low Voltage Supply	Basic Charge/Month	14,233
		Energy Charge	132
		Demand (kVA)	16,944
T3	High Voltage Supply	Basic Charge/Month	14,233
		Energy Charge	118
		Demand (kVA)	14,520
T5	ZECO	Basic Charge/Month	14,233
		Energy Charge	106
		Demand (kVA)	12,079

3.4.2 Standardized Power Purchase Tariff (SPPT)

According to the approved Rules and Guidelines, the applicable SPPT is supposed to be announced not later than November each year and come into effect in January of the following year. The computation of the SPPT 2013 was delayed following TANESCO's withdrawal of its regular tariff application on 14th January 2013. Following TANESCO's submission of data, EWURA verified the data and carried out computation as required by the SPP guidelines and convened a meeting of the Working Group on Small Power Development (WGSPD) on 19th June 2013 to verify and endorse the calculations.

3.5 Legislative Matters

During the period under review, the Authority developed rules on electricity licensing fees, power supply, and development of SPPs, approval of initiation of power projects, and approval of Power Purchase

Agreements. Rules and Guidelines for the initiation of procurement and approving Power Purchase Agreements (PPAs) for large power projects are to be finalised for Board approval after consultations with key stakeholders.

3.6 Complaints and Dispute Resolutions

A total of 217 complaints were received from electricity consumers, out of which 53 were registered in year 2012/13. Twenty four percent (24%) of the total complaints received were successfully resolved. The nature of complaints in electricity sector was ranging from billing (62%), compensations (19%), meter tampering (6%), delayed connections (6%) and others (tariff, poor customer service, unreliable supply, faulty meter) registered 7%. A total of 28 complaints were escalated to the hearing stage and 21 awards were issued.

3.7 Litigation

During the period under review, the Authority was involved as a party in four litigations in the electricity sub-sector and these were related to Tanzania Electric Supply Company Ltd *versus* Nyaronyo Mwita Kicheere and Energy and Water Utilities Regulatory at the Fair Competition Tribunal, Sifalime Juma Mfinanga *versus* Tanzania Electric Supply Co. Ltd and Energy And Water Utilities Regulatory Authority at the Fair Competition Tribunal, Appeal No 5 2012, Appeal Case between TANESCO against Elizabeth Kiunsi and EWURA at the Fair Competition Tribunal and Appeal Case between Ayoub Seif against TANESCO and EWURA at the Fair Competition Tribunal. By June 30th 2013, these were yet to be determined.

3.8 Health, Safety and Environmental Matters

The Authority has continued to sensitise electricity service providers on the need to keep their power supply facilities and workplaces at highest level of safety. Furthermore, the service providers were reminded to disseminate information to the public on the dangers of electricity, and safe ways of using electricity, and have their workers maintain high level of safety when working in the field. The Authority carried out inspection of the power supply facilities, including power stations, substations, and distribution lines and service line entries, in order to check safety and environmental issues. Several challenges were noted, including old equipment, low hanging distribution lines, unprotected transformers, and unsatisfactory dangerous clearance of electricity conductors from building structures thus posing risk of electrocutions. The findings of the Authority during inspections were forwarded to the service providers for rectification.

3.9 Key Achievements and Challenges

3.9.1 Challenges

There were many challenges during the period in the electricity subsector. The following are the main challenges and the planned mitigations:

- a) Regulating a state utility that is a monopoly and wholly owned by the government, and has non-cost recovery tariffs, amid high losses and therefore getting subsidies from the general Government budget. The Authority is increasing its regulatory functions by developing more rules, guidelines, codes and standards and monitoring the performance of the sub-sector without jeopardising the service delivery.
- b) Inadequate electricity generation capacity to meet the demand in the country. The Authority, the Government, together with other stakeholders is working towards promoting investment in the electricity sector, particularly in renewable energy. The Government is also addressing the power evacuation facilities including 220 kV and 400 kV transmission lines, so that the future power generation can be transmitted to major load centres.

- c) The pending review of the structure of the power industry in order to address the new challenges in the electricity subsector, and improve the utility efficiency in service delivery, and reduction of losses. The Authority is working towards commercialisation of the utility activities, starting with separation of accounts.
- d) Low electricity customer base and low number of large energy users. The Authority monitors TANESCO's rate of connection of new customers, and requires TANESCO to provide quality service so that new investors can rely on the electricity supply, instead of the current situation where the existing industries install their own stand by generation.

3.9.2 Achievements

Despite the above mentioned challenges, the Authority has had significant impact in the electricity industry, and the following are a few examples of the achievement in this regard:

- a) The service providers have accepted the role of the Regulator and in many cases they have been complying with the Orders or instructions of the regulator including reporting of performance.
- b) Through continued education and outreach programs, consumers are increasingly aware of their rights and obligations, and this is reflected in the increased number of complaints against poor service delivery and unlawful power disconnection.
- c) From the transparent and consistent handling of regulatory issues, investors now have more confidence in the Authority on regulatory matters related to investment in the power sub-sector, and as such has continued to receive many inquiries on the possibilities of investing in the power sector. The number of licence applications has increased, and more are expected when the energy sector review is completed and the renewable energy policy promulgated.
- d) The tariff increases have been transparent, and the service providers have been directing their resources towards areas requiring intervention as pointed out by the Regulator. This is evidenced by regular reports being received or by regular inspections undertaken by the Authority.

4.0 PETROLEUM SECTOR PERFORMANCE AND REGULATION

4.1 Overview

The Authority regulates downstream petroleum sub-sector. During the period under review, there was stability in the availability of petroleum products, whereby all types of petroleum products were timely and adequately supplied. The Authority continued discharging its regulatory role by ensuring that at all times there were required quantities of petroleum products of the required standards and being offered for sale within the determined prices. Furthermore, the Authority continued with its efforts in regulating standards of petroleum supply and distribution infrastructure to ensure that there is sustainable and continued improvement in these facilities, in consideration of the health, safety and environmental requirements.

The Authority continued performing its role of regulating technical and safety aspects in the downstream petroleum sub sector by conducting random petroleum products sampling and testing at various petrol stations, depots, road tankers and rail wagons to ensure that the quality of petroleum products sold was at all times within the Tanzania Bureau of Standards specifications. Pre-licensing inspections and licence conditions compliance monitoring were also done with an objective of ensuring that no petroleum facility continued to operate without meeting the mandatory requirements set by the Authority through the relevant legislation.

4.2 Performance Monitoring

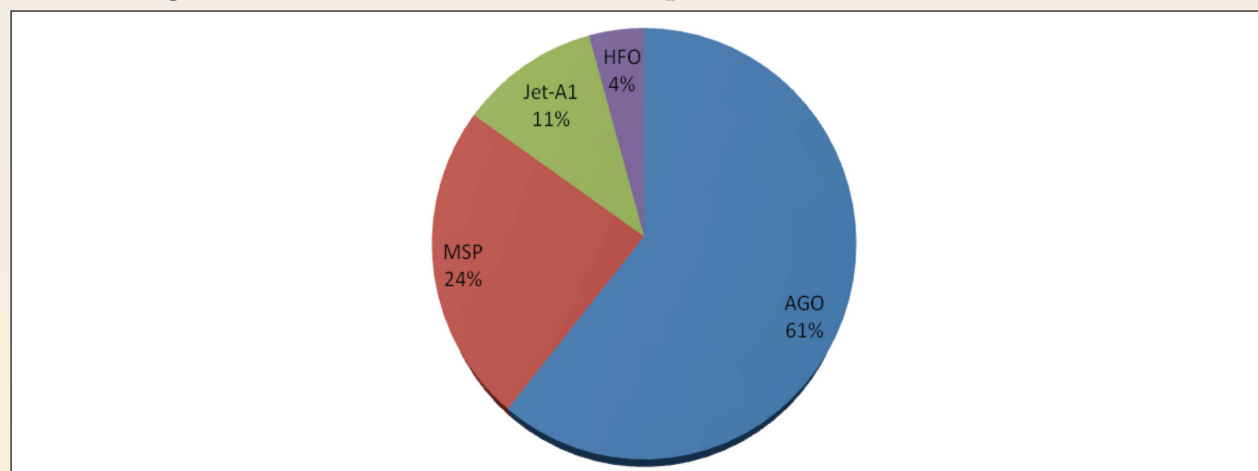
4.2.1 Petroleum Products Supply and Stock Monitoring

During the period under review, the Authority continued monitoring petroleum products imports and stocks level in the country. Periodic reports were prepared and shared with relevant authorities. Between July 2012 and June 2013, a total of 2,443,435,354 litres of various petroleum products were imported for the local market. Additionally 414,575,543 litres which were imported for transit were localized for consumption in the local market. Thus, in total 2,858,010,897 litres were supplied into the local market (Table 10) as compared with 2,289,540,407 supplied in the previous year of 2011/12, which is equivalent to an increase of 25%. Monthly imports are shown in Table 11 while Figure 5 shows product-wise local market imports at the following proportions: Diesel 60%, Petrol 25%, Kerosene 11% and Fuel Oil 4%. Under the same period (2012/13) a total of 44,364 Metric Tons (MT) of Liquefied Petroleum Gas (LPG) were imported as compared with 28,286MT which were imported in the year 2011/12, reflecting a growth of 16,078 MT which is equivalent to an increase of 57%.

Table 10: Petroleum Products Imports for the Local Market

Local Imports (in Lts) from Jul-12 to Jun-13					
Month	AGO	MSP	Jet-A1	HFO	Total
Jul-12	137,490,201	41,865,405	31,153,450	0	210,509,056
Aug-12	116,165,163	60,336,907	23,837,544	8,354,530	208,694,144
Sep-12	94,773,364	47,160,804	27,590,450	5,192,356	174,716,974
Oct-12	114,433,251	40,284,073	24,059,265	19,013,459	197,790,048
Nov-12	193,226,991	16,857,164	19,325,487	20,091,657	249,501,298
Dec-12	113,936,273	79,736,774	34,687,089	0	228,360,137
Jan-13	176,280,588	43,394,785	31,308,255	22,110,318	273,093,946
Feb-13	122,730,661	88,258,351	28,665,074	6,562,066	246,216,152
Mar-13	119,122,326	60,105,446	34,033,541	11,946,141	225,207,454
Apr-13	127,882,458	27,337,642	0	0	155,220,099
May-13	70,410,298	44,309,415	28,747,401	25,963,687	169,430,801
Jun-13	50,836,416	39,245,190	14,613,639	0	104,695,246
Sub Total	1,437,287,990	588,891,956	298,021,195	119,234,214	2,443,435,355
Localized	299,558,553	96,361,646	14,224,939	4,430,405	414,575,543
Total	1,736,846,543	685,253,602	312,246,135	123,664,619	2,858,010,897

Figure 5: Product-wise Local Market Imports: July 2012 – June 2013



4.2.2 Transit Petroleum Imports

Dar es Salaam port continued to be a gateway for petroleum products supplies to neighbouring countries of Zambia, Democratic Republic of Congo (DRC), Malawi, Rwanda, Burundi and Uganda. A total of 1,630,661,577 litres of mainly diesel and petrol were transited through Dar es Salaam port during year 2012/13 as compared to 1,196,091,638 litres transited in year 2011/12. This trend reflects an increase of 434,569,936 litres equivalent to an increase of 36%. Table 11 shows monthly transit petroleum imports during the period under review.

Table 11: Transit petroleum products imports from July 2012 to June 2013

Month	AGO	MSP	Jet-A1	HFO	Total
Jul-12	72,189,679	27,162,550	3,989,435	0	103,341,664
Aug-12	56,895,401	57,084,882	6,643,407	305,264	120,928,954
Sep-12	122,352,125	38,577,668	5,848,150	0	166,777,943
Oct-12	83,897,931	34,221,216	4,126,753	1,246,820	123,492,720
Nov-12	62,295,705	15,823,564	3,232,798	1,543,129	82,895,197
Dec-12	108,192,794	54,791,076	5,447,921	0	168,431,790
Jan-13	114,611,793	32,268,308	15,345,798	0	162,225,899
Feb-13	89,810,532	53,984,425	7,290,576	1,514,323	152,599,856
Mar-13	108,450,797	40,884,117	6,088,828	0	155,423,742
Apr-13	101,254,447	38,786,120	0	0	140,040,568
May-13	81,983,875	53,613,936	6,792,086	811,076	143,200,973
Jun-13	72,906,346	31,190,900	7,205,025	0	111,302,270
Total	1,074,841,425	478,388,762	72,010,777	5,420,612	1,630,661,576

4.2.3 Petroleum Products Consumption

Consumption of petroleum products in Mainland Tanzania were at 2,672,389,280 litres as compared to 2,247,042,052 litres which were consumed during financial year 2011/12, reflecting a growth of 19%. The petroleum market in the country is fairly distributed among different oil marketing companies. There are only two petroleum companies with market shares of above 10%, namely PUMA (12.70%) and Oryx (11.49%). The rest have market shares of below 10%. It should, however, be noted that PUMA and Oryx have supply contracts with most mining companies, hence higher volume of total distributed products.

Companies with highest numbers of retail outlets, hence having the highest market shares in the retail network include, Gapco (8.63%), Oilcom (7.7%) and Total (7.2%). Diesel continued to account for the highest percentage of distributed petroleum products in Tanzania in terms of volume. Annual consumption of the five main products were at the following proportions: Diesel (59%), Petrol (26%), Jet A1 (7%), Fuel Oil (5%) and Kerosene (3%).

Figure 6 shows a trend of petroleum products consumption in the country for year 2000 through 2012. It can be seen that there is a continuous increase of recorded petroleum products consumption, especially after year 2009. This can, to a large extent, be attributed to measures being taken by the Authority to curb dumping of transit products and consumption of adulterated petroleum products. Petroleum sales by companies are summarized in Figure 7, showing market shares by individual oil marketing companies.

Figure 6: Annual Fuel Consumption in Cubic Metres from Year 2000 to 2012

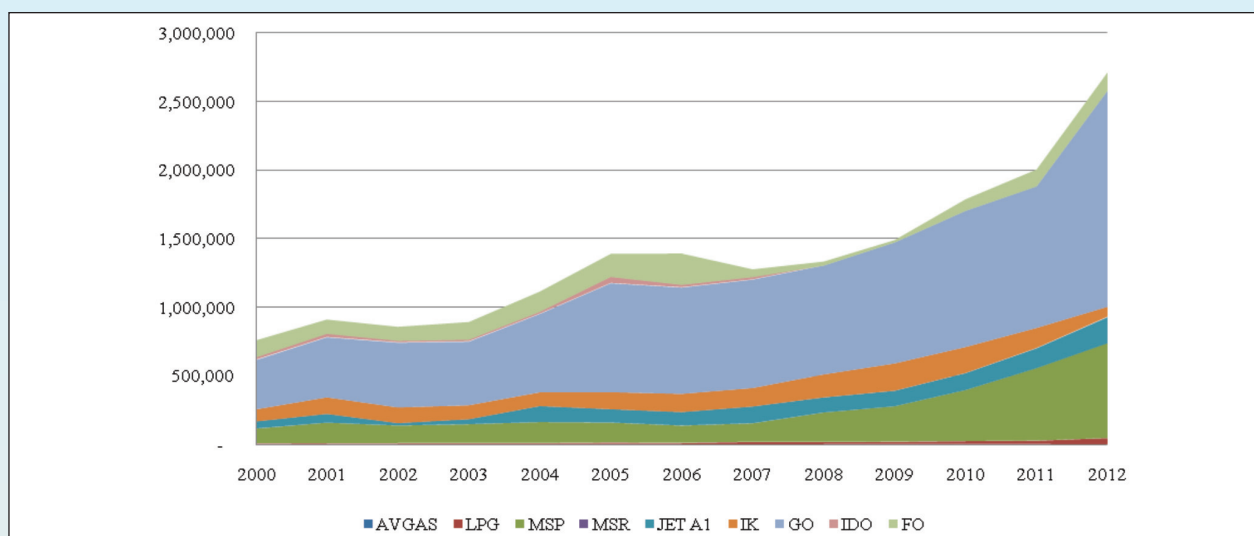
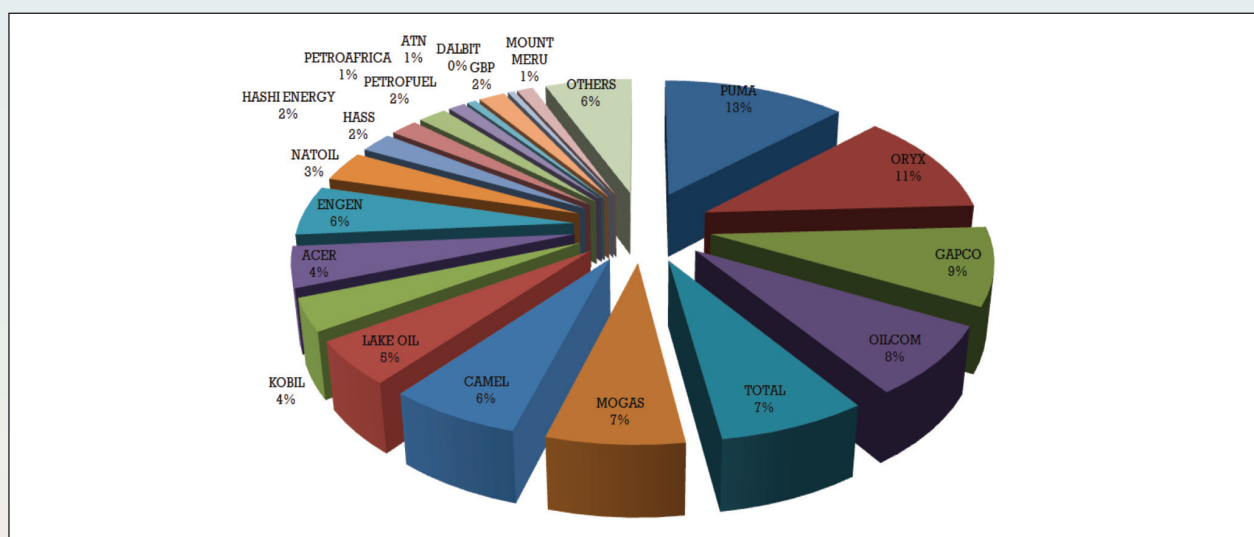


Figure 7: OMCs Market Shares from July 2012 to June 2013



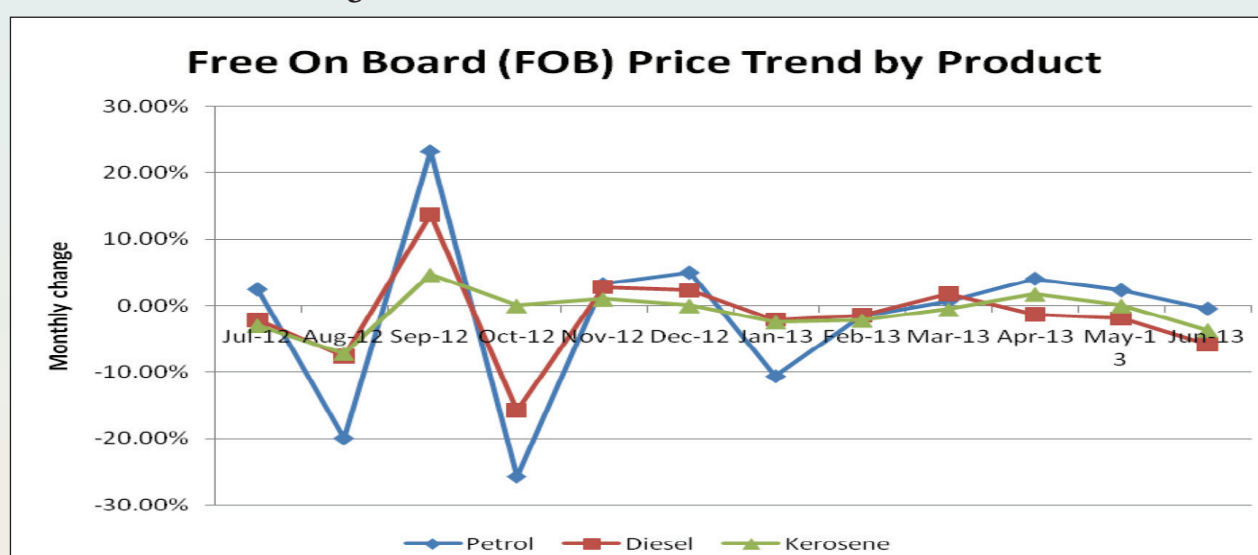
4.3 Petroleum Prices

4.3.1 World Market Prices (FOB Prices)

A general trend over the last three years shows that prices of petroleum products in the world market are continually bullish, this is reflected by a stable and downward trend seen during years 2010 – 2012 and the first half of year 2013. During year 2011/2012 Brent crude oil prices in the world market were at an average of US\$ 114.23/bbl as compared to US\$ 107.43/bbl during year 2012/13. This trend is also seen in the prices of refined products (refer to Figure 8). Because of stability of prices in the world market, local prices for petroleum products were less volatile.

Table 13: World Oil market Prices

FOB Petroleum Prices (2012/13)				FOB Petroleum Prices (2011/12)			
Month	Petrol	Diesel	IK	Month	Petrol	Diesel	IK
	(US\$/MT)	(US\$/MT)	(US\$/MT)		(US\$/MT)	(US\$/MT)	(US\$/MT)
Jul-12	967.88	861.87	917.80	Jul- 11	1,047.49	998.24	942.79
Aug-12	1,086.77	950.91	1,014.32	Aug- 11	1,005.91	965.98	901.10
Sep-12	1,076.96	961.18	1,039.67	Sep- 11	977.25	893.02	950.50
Oct-12	1,014.36	940.29	1,020.08	Oct- 11	928.78	864.85	937.07
Nov-12	932.31	909.60	977.54	Nov- 11	891.27	925.37	994.43
Dec-12	955.16	904.21	972.70	Dec- 11	926.89	928.40	989.50
Jan-13	1,025.57	920.38	1,003.52	Jan- 12	991.79	960.15	1,011.48
Feb-13	1,098.75	964.31	1,050.41	Feb- 12	1,095.18	1,016.09	1,074.62
Mar-13	1,008.36	891.77	963.16	Mar- 12	1,125.83	990.36	1,049.78
Apr-13	932.62	843.63	907.50	Apr- 12	1,151.23	981.95	1,045.65
May-13	943.99	845.90	903.60	May- 12	962.66	914.90	976.99
Jun-13	966.40	865.01	915.20	Jun- 12	893.18	811.32	863.20
Avg.	1,000.76	904.92	973.79		999.79	937.55	978.09

Figure 8: World Oil Market Prices Trends


4.3.2 Local Market Prices

As it can be seen in Table 13, during year 2012/13 petroleum prices in the local market were stable and at lower levels as compared to year 2011/12. This stability and fairness in the local petroleum products prices may to a large extent be attributed to continued success in the implementation of the Bulk Procurement System, regulatory measures which are being implemented by the Authority and stability of prices in the world market.

Table13: Average Pump Prices

Month	Petrol	Diesel	IK
	(TShs/Lts)	(TShs/Lts)	(TShs/Lts)
Jul-12	2,179	2,041	2,028
Aug-12	2,009	1,943	1,926
Sep-12	2,300	2,142	1,993
Oct-12	1,994	1,950	1,993
Nov-12	2,049	1,989	2,026
Dec-12	2,119	1,999	2,023
Jan-13	1,919	1,893	1,899
Feb-13	2,004	1,964	1,952
Mar-13	2,052	1,974	1,991
Apr-13	2,078	1,959	2,023
May-13	2,073	1,934	2,023
Jun-13	2,057	1,892	1,951
Average 2012/13	2,069	1,973	1,986
Average 2011/12	1,953	1,986	2,006
Increase/decrease	116	-13	-20
%Increase/Decrease	5.9%	-0.7%	-1.0%

Figure 9 summarizes a comparison of average cap petroleum prices in the local market, for the main three products, during year 2012/13. It can be noted that diesel and kerosene were sold cheap in year 2012/13 as compared to year 2011/12 by 0.7% and 1.0% respectively. On the other hand, comparing the two periods, petrol was sold higher by an average of 5.9%.

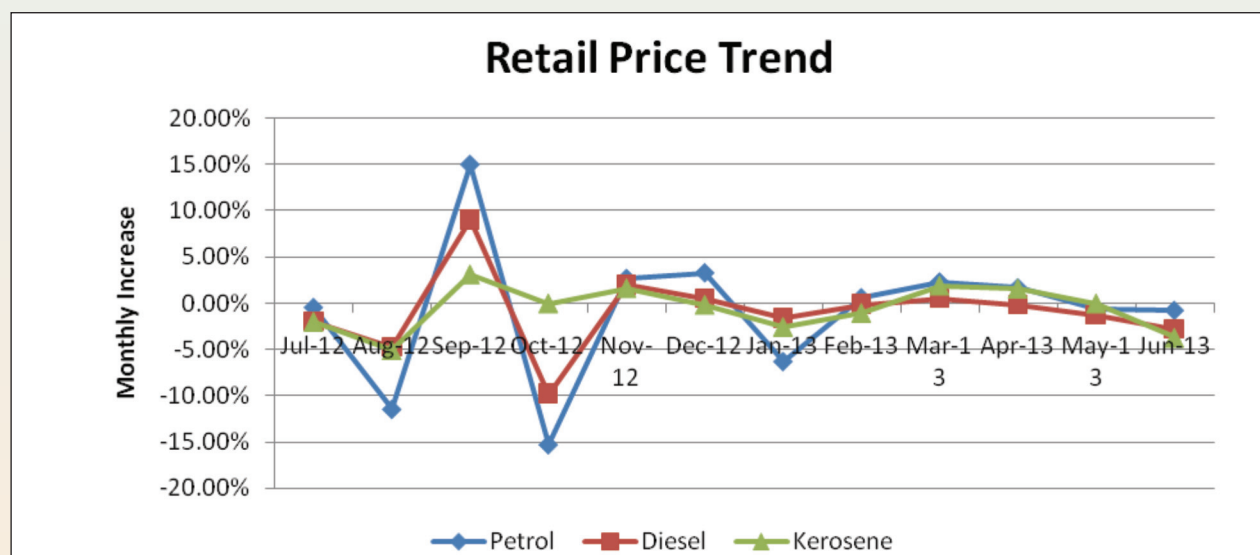
Figure 9: Monthly Petroleum Products Fluctuation


Figure 9 shows that, on average there is huge zigzag fluctuating trend in the prices of petroleum products in the domestic market from July 2012 to February 2013.

Petroleum products are imported in US\$ and sold in the Tanzania local market in Shillings. Thus, appreciation or depreciation of the Tanzania shilling compared to the US\$ has a direct influence on the

local market prices. During the year under review, the shilling continued being stable, thus contributing positively towards stabilization of the local market petroleum prices.

4.3.3 Petroleum Bulk Procurement System (BPS)

The Authority is required under Section 7(5) of the Petroleum (Bulk Procurement) Regulations, to oversee implementation of the BPS. Operations of the BPS are being implemented by the Petroleum Importation Coordinator (PIC), which is a licensee of the Authority, the company is obligated to report to the Authority on matters related to the implementation of the BPS.

During the year under review, the Petroleum Importation Coordinator Limited (PICL) awarded ten (10) tenders to three different bidders for the supply of petroleum products under the Bulk Procurement System (BPS), which is conducted through International Competitive Bidding (ICB). Winning bidders for tenders were: Addax Energy SA, Augusta Energy SA and Gapco Group. These suppliers won tenders at weighted average premiums shown in Table 14.

In November 2012 the new Single Buoy Mooring (SBM) facility was commissioned. Since then, the country has started importing diesel through large marine tankers of up to 120,000 MT capacities. This development has improved performance of the BPS by reducing premium and freight costs and also reducing demurrage costs. As it can be seen in Table 14, there is a trend of falling premium costs on imported petroleum products. Likewise, demurrage costs on petroleum imports vessels are falling, contributing to lower petroleum products prices to consumers.

Table 14: Weighted Average Premiums

Tender Number	Tender Opening	Number of Bidders	Winner	Av. Prem. (US\$/MT)	Premium Change
Tender 1	29-Nov-11	5	Augusta Energy SA	59.270	0
Tender 2	27-Jan-12	8	Augusta Energy SA	67.580	14%
Tender 3	29-Mar-12	7	Augusta Energy SA	48.890	-28%
Tender 4	28-Aug-12	7	Addax Energy SA	53.870	10%
Tender 5	09-Oct-12	7	Addax Energy SA	42.980	-20%
Tender 6	15-Nov-12	4	Addax Energy SA	53.978	26%
Tender 7	04-Dec-12	7	Augusta Energy SA	71.461	32%
Tender 8	28-Dec-12	6	Gapco Group	52.550	-26%
Tender 9	18-Feb-13	6	Gapco Group	46.506	-12%
Tender 10	23-Apr-13	6	Augusta Energy SA	47.138	1%
Tender 11	28-May-13	4	Gapco Group	45.846	-13%
Tender 12	28-Jun-13	5	Augusta Energy SA	44.874	-4%

4.4. Petroleum Quality Monitoring Activities

4.4.1 Petroleum Products Sampling for Quality and Marker Testing

During the year under review, the Authority continued carrying out ad hoc and periodic inspections to ensure that petroleum products of the right quality were offered for sale to consumers. Four hundred and fifty (450) petrol stations in Mainland Tanzania were sampled whereby fifty two (52) failed the quality tests. Also, six (6) petroleum products storage depots in Kilimanjaro and Dar es Salaam Regions were sampled, whereby three (3) depots failed the test. Furthermore, three (3) petroleum products road tankers were sampled, of which one (1) failed the test.

Punitive measures were taken against operators of facilities which were found with products that failed the quality and marker tests, in accordance with the Petroleum (Sampling and Testing) Rules, 2010 and

the Petroleum (Marking and Quality Control) Rules, 2010. Generally, the trend analysis of incidents of retail outlets found trading out-of-specification products shows that there is a marked improvement in the quality of petroleum products offered for sale to consumers.

The percentage of samples which fail the marker test is continuously on the downfall. This trend is a clear indication that the Authority is performing well by ensuring that petroleum products offered for sale to consumers are of the right quality.

4.4.2 Fuel Marking

During the period under review, the Authority continued to implement the fuel marking programme with the objectives of curbing dumping of untaxed petroleum products into the local market and reducing or completely eliminating the fuel adulteration menace. A total of 2,159,528,520 litres of the three main products (Petrol, Diesel and Kerosene) were marked during the twelve months. Marked volumes per product were as follows: Diesel: 1,393,191,800 litres (64.52%), Petrol: 694,547,210 litres (32.16%) and Kerosene 71,789,510 litres (3.32%). The marking programme continued being carried out by M/S Global Fluids International (GFI).

Sampling for marker testing was mainly done in the regions including Kilimanjaro, Arusha, Mara, Mwanza, Kigoma, Tabora, Rukwa, Katavi, Tanga, Lindi, Mtwara, Mbeya, Iringa, Geita, Manyara and Kagera on proved suspicion that differences in taxes in neighboring countries seduced unethical operators to engage themselves in petroleum products adulteration. Also, Lake Zone regions were frequently sampled because most of the mining projects are located in these areas, thus there being a possibility of sale of untaxed products sourced from these projects by unethical operators.

Since commencement of the fuel marking programme in September, 2010, the trend shows that there has been a significant increase of recorded volumes of imported petrol (MSP) and diesel (AGO) for the local market and a decreasing trend of kerosene (IK). Prior commencement of fuel marking programme the average monthly importation volumes for petrol, diesel and kerosene were 34,589,906.22 litres, 69,221,971.73 litres and 30,025,977.11 litres, respectively. With this intervention, the volumes of petrol increased from the previous monthly average of 34,589,906.22 litres to 44,339,893.00 litres by June, 2011 which is equivalent to 28.2%.

Similarly, monthly average volumes of consumed diesel (AGO) increased by 26.7% from 69,221,971.73 litres to 87,733,011.00 litres. On the other hand the volumes of kerosene decreased from the previous monthly average of 30,025,977.11 litres to 18,631,546 litres by June, 2011 which is equivalent to 37.9%. Starting July, 2011 the Government harmonized the petroleum taxes and with this step the importation volumes of petrol and diesel continued to increase while the kerosene importation volumes significantly decreased. From July 2011 the volumes of petrol increased further to the monthly average of 51,812,988.33 litres which is 49.8% as compared to the volume prior commencement of fuel marking programme. In the same period the volume of diesel increased further to 107,368,048 litres which 55.1% as compared to the volume prior commencement of fuel marking programme.

While petrol (MSP) and diesel (AGO) have been increasing, a reverse trend has been noted in the case of kerosene (IK) whose importations decreased considerably to a monthly average volume of 10,268,950.00 litres equivalent to a decrease of 65.8% as compared to the volume prior commencement of fuel marking programme.

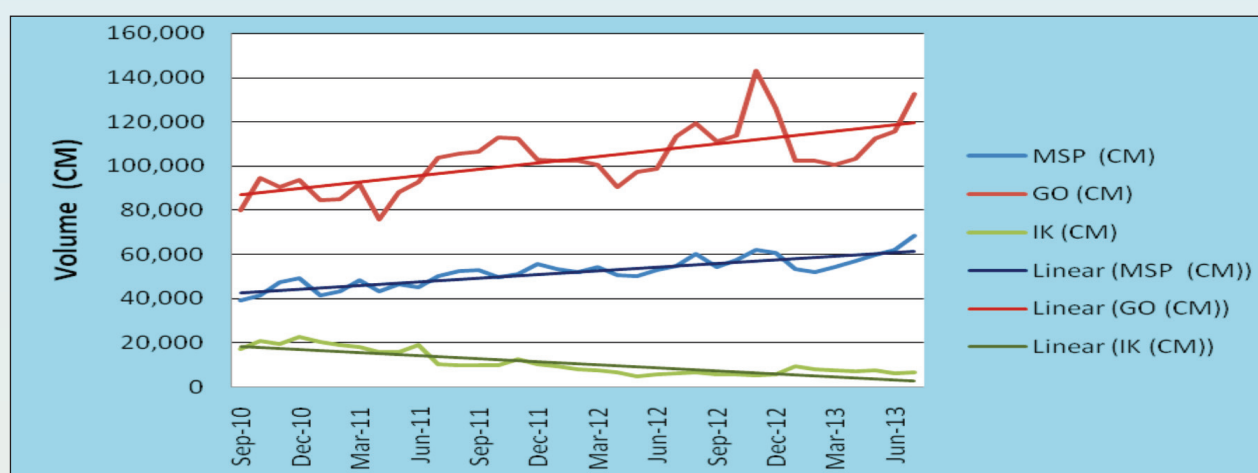
From the foregoing, it can be noted that, implementation of the petroleum marking project has enabled realization of the following benefits:

- a) significant reduction of petroleum products adulteration and assurance of sale of good quality products to customers;

- b) dumping of transit products has been reduced and it is a good tool for controlling and monitoring selling of untaxed petroleum products into the local market. In this regard, Government revenue collection has increased;
- c) control of illegal imports of petroleum products; and it has created a level playing field amongst petroleum operators and consequently the programme has been an integral part towards promoting fair competition in the petroleum industry.

Figure 10 shows a general trend of increase in volume of petrol and diesel, and also a decrease in kerosene volumes, between September, 2010 and June, 2013.

Figure 10: Imported Petrol, Diesel and Kerosene for the local market from September, 2010 to June, 2013



4.5. Licensing Activities

4.5.1 Petroleum Products Licences

During the period under review, a total of 73 petroleum licence applications were received and processed. The applications received included five (5) for wholesale, one (1) for LPG and 67 for retail businesses. The Authority issued a total of 18 licences. Of the 18 licences issued, 10 were for wholesale licences, out of which three (3) were for new applications and four (4) were for renewals of expired licences, 2 licences for LPG, one (1) for storage, and eight (8) were retail licences. Fifty (50) licence applications were found to be incomplete due to lack of the necessary supporting documents and hence not meeting the minimum required criteria for licence issuance. Applicants were informed of the deficiencies and that their applications would be processed after submission of relevant documents to meet the required criteria. Licensing status for the year under review is summarised in Table 15.

Table 15: Licensing Status for the year ended 30th June, 2013

Licence Type	Number of Applications		Number of Licences		
	Brought Forward	Received	New	Renewed	In progress
Wholesalers	10	9	10	4	5
Retailers	113	276	8	209	172
Storage	0	1	1	0	0
LPG	0	2	2	0	0
Total	123	288	21	213	177

4.5.2 Licence Conditions Compliance Monitoring

The Authority continued to carry out regular inspection of petroleum retail outlets, to ensure compliance to the required standards. Sixty seven (67) retailers were found to have not met most of the licence conditions. Fines were imposed on defaulters and culprits were given three months to rectify the noted deficiencies. The Authority will continue to execute periodic and unscheduled inspections on retail outlets to ensure that there is continuous compliance to licence conditions. Retail outlets which were found with major deficiencies were closed until they were in compliance. The substantive deficiencies included lack of title deeds and or shortcomings which posed high Health, Safety and Environment risks.

4.5.3 Construction Approvals for Petroleum Facilities

In accordance with Section 13 (1) of the Petroleum Act, 2008 any person intending to construct a petroleum installation is required to apply for a construction approval from the Authority. During the period under review the Authority continued with regular inspections to ensure that all new petroleum installations have relevant construction approvals. Operators of 54 petroleum facilities mostly petrol stations were fined for constructing their facilities without obtaining approval from the Authority. Defaulters were allowed to continue with the construction works after paying the fines and also fulfilling all requirements.

4.5.4 Legislative Regulatory Tools

Between July 2012 and June 2013, the Authority prepared three sets of Regulatory tools to improve on governance and regulation of the downstream petroleum sector operations in the country. These included:

- a) Petroleum (Wholesale Operations) Rules, 2012;
- b) Petroleum (Retail Operations) Rules, 2012; and
- c) Petroleum (Liquefied Petroleum Gas Operations) Rules, 2012.

These instruments have improved operations in the sub sector and also improved monitoring performance of the Authority.

4.5.5 Petroleum Products Standards

During the year under review the Authority in collaboration with Tanzania Bureau of Standards and other stakeholders participated in establishment of the East African Standards for Automotive Gasoline (Premium Motor Spirit) specification TZS 672:2012-EAS 158: 2012 and Automotive Gas Oil (Automotive Diesel) specification TZS 674:2012 – EAS 177:2012. These standards were published on 6th July 2012 under the Authority of the TBS Board of Directors.

Adoption of these standards has eased administration of petroleum products passing through Tanzania in that all transit products are required to have the same specifications as products supplied into the local market.

4.6 Health, Safety and Environmental Protection

The Authority, in collaboration with the National Environmental Management Council (NEMC) and other stakeholders, continued to participate in site verifications and reviewing of the Environmental Impact Assessment (EIA) studies and Environmental Audits (EA) for proposed, new and existing petroleum facilities, as required by the Environmental Management Act, 2004.

A total of six (6) petrol stations were closed for operating in a manner that posed serious risks to Health, Safety and Environment (HSE). The facilities were closed down until rectification of the non-compliant items have been done.

4.7 Complaints and Disputes

The Authority registered a total of 16 complaints in the year 2012/13. Of the total complaints received, 94% were resolved. The nature of complaints in petroleum sector were ranging from adulteration (67%), selling above cap price (20%) and supplied with less volume (13%). During the period under review only one complaint was escalated to hearing stage.

4.8. Key Achievements and Challenges

4.8.1 Challenges

Although the Authority has made notable achievements in improving operation in the downstream petroleum sub sector in Tanzania, there are still some challenging areas. These include the following:

- a) some petroleum stations do not meet HSE standards and are located in areas where their closure may result into serious shortage of petroleum products. As a way forward, operators are encouraged to improve the condition of the filling stations. Those who appear to continue to default are fined appropriately to make them comply to the requirement of the law;
- b) some operators fail to comply with regulatory requirements due to lack of technical know-how and expertise in petroleum downstream operations. The Authority is continuously implementing awareness campaigns and education to operators;
- c) although the efforts of curbing sale of adulterated, and also untaxed petroleum products alongside clean and fully tax paid products is bearing good results, this malpractice is not yet wiped out completely. No true free market can work in a situation where other players are evading taxes and or selling off specification products. The Authority will enhance its petroleum quality monitoring measures and impose punitive penalties to defaulters.

4.8.2 Achievements

During the year under review, a number of achievements have been recorded in the downstream petroleum business operations. The achievements include the following:

- a) petroleum products pricing continued to be successful. Retailers are selling petroleum products within the monthly published prices by the Authority;
- b) petroleum quality regulatory measures that are being taken by the Authority have resulted in increased volumes of sold petroleum products as it can be seen in item 4.4.1 of this report, hence resulting in increased revenue to the Government in terms of taxes;
- c) the Authority has successfully taken a leading role in the introduction of the Petroleum Bulk Procurement System in the country. Most of the envisaged benefits of the BPS are already being realized;
- d) various regulatory tools such as the Petroleum (Wholesale Operations) Rules, 2012; the Petroleum (Retail Operations) Rules, 2012 and the Petroleum (Liquefied Petroleum Gas Operations) Rules, 2012 have been prepared and many more are under preparation; and
- e) there is a significant improvement in the standards and quality of petroleum retail outlets in the country.

5.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION

5.1 Overview

The Authority is responsible for regulating midstream and downstream natural gas activities, involving the processing, transportation, storage and distribution of natural gas in Mainland Tanzania. The regulated infrastructures involve gas processing plants, transmission and distribution pipelines and storage facilities, which are of natural monopoly.

In total, four companies are actively carrying out midstream and downstream natural gas activities. The companies are Tanzania Petroleum Development Corporation (TPDC), Songas Limited (Songas), PanAfrican Energy Tanzania Limited (PAT), and Maurel & Prom (M&P). Those engaged in exploration activities include Ophir, BG, Statoil, ExxonMobil, and Petrobras who are working in deep sea exploration. By May 2013, the confirmed reserves of natural gas amounted to approximately 43 trillion cubic feet.

This section highlights the regulatory activities carried out, achievements made and challenges faced by the Authority in discharging its regulatory roles in relation to natural gas operations.

5.1.1 Performance Monitoring

During the period under review, the Authority continued with monitoring the compliance with the performance standards of the regulated activities in the midstream and downstream natural gas sub-sector pursuant to Section 7(1)(c) of EWURA Act with main focus on the assessment of-

- a) the availability, quality and standard of regulated natural gas services;
- b) the levels of investment in natural gas infrastructure development;
- c) the efficiency of natural gas production and distribution services; and
- d) the cost of services.

During the period under review, the Authority carried out field inspection visits to the natural gas infrastructures to verify the information, which the Authority receives from the regulated service providers. This is in addition to daily reports, which form part of the tools for monitoring the performance. The inspection covered Songo Songo and MnaziBay natural gas processing plants, transmission pipeline, and distribution facilities.

In the performance monitoring of the natural gas regulated entities, the Authority carried out inspection visits to the Songo Songo and MnaziBay gas facilities during the period of July 2012 to June 2013. EWURA observed that the natural gas processing plants, transmission pipelines, compressed and piped natural gas distribution networks, complied with the required standards.

5.1.2 Natural Gas Extraction

During the period under review, natural gas was extracted from the Songo Songo and MnaziBay gas fields. Natural gas extraction is currently not a regulated activity. However, natural gas extraction from natural gas wells is managed from midstream control rooms at Songo Songo Island and MnaziBay. Three wells in Songo Songo gas field were deliberately suspended until such time those wells are re-entered for maintenance.

The natural gas production from Songo Songo gas field was 35,663.03 million standard cubic feet (MMscf) in 2012/13 compared to 34,824.88 MMscf produced in 2011/12. This was an increase of about 2.4 percent. On the other hand the natural gas production from MnaziBay gas fields was 65,919.1 thousand cubic feet (Mcf) in 2012/13 compared to 62,873.4 Mcf in 2011/12, which is an increase of about 4.8%.

Figure: 11 The Production Separator at Songo Songo Gas Plant



5.1.3 Natural Gas Processing Facilities

There are a 70 million standard cubic feet per day (MMscfd) natural gas processing plant on Songo Songo Island and a 10 MMscfd plant at Mnazi Bay. The former plant is re-rated to process 2x52.5 MMscfd, while the latter is underutilised processing up to 2 MMscfd. The natural gas processing plants on Songo Songo Island and Mnazi Bay achieved no Lost Time Injuries (LTI). There were no registered accidents or major incidents. The plants' gathering pipes and wells were visited.

For both visited plants Songo Songo and Mnazi Bay handling of produced water from the processing facilities is being done in accordance with accepted standards, pH standard allowable was between 6 and 8, while oil in water content allowable was 29 parts per million (ppm). The trend for pH was 6.2 to 7.1 and oil in water content was up to 11 ppm.

On environmental issues, condensate tanks levels were controlled to the required standards and effluents to the sea water were controlled to meet the requirement of the industry. The current production challenge is that the plant is operating at maximum flow all the time, with no spare gas well available for emergency in case one of the well online gets problems. This situation of not having spare gas well will lead to improper maintenance to the gas wells online for production because they cannot be put offline due to high existing demand.

5.1.4 Natural Gas Transmission Facilities

The Songo Songo to Dar es Salaam gas transmission pipeline (12 inches of 25 km marine portion and 16 inches of 207 km terrestrial portion) with five main valves and the Mnazi Bay to Mtwara gas transmission pipeline (8 inches of 2 km marine portion, 8 inches of 27 km terrestrial portion) were regularly inspected. During the period under review, Songas continued cleaning the marine portion of the Songo Songo to Dar es Salaam gas transmission pipeline using the pig equipments. During the inspection, Songas assured the Authority that based on pig results the gas transmission pipeline integrity was within the acceptable standards.

5.1.5 Compressed Natural Gas System

The natural gas distribution network in Dar es Salaam has not been significantly extended. It remains the same with 40 industrial customers (number of connections) and five (5) power plants by using direct pipeline and Compressed Natural Gas (CNG), through virtual pipe. The demand for natural gas

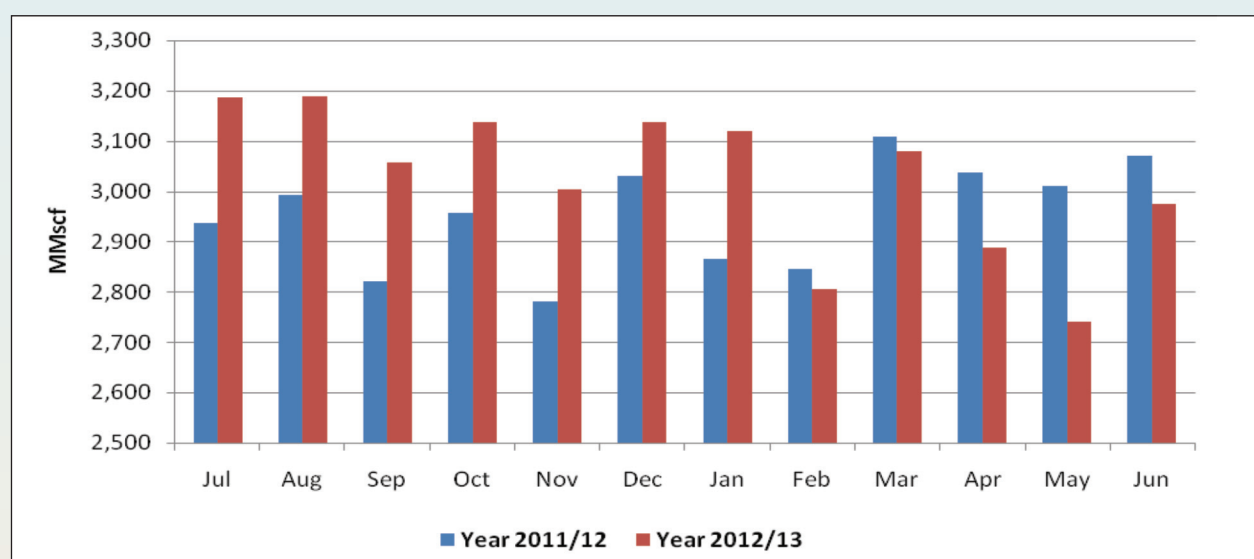
is currently suppressed by the infrastructure for its processing and transmission. However, this challenge will be resolved when the commissioning of Mtwara to Dar es Salaam natural gas pipeline takes place.

5.2 Natural Gas Supply and Consumption

During the period under review, the Songo Songo Island processing facility could not reach 110 MMscfd as expected after re-rating and min-expansion of a new well SS-11. However, the maximum reach could not exceed 100.89 MMscfd. The peak and minimum production of 100.89 and 60.08 MMscfd was recorded on 4th Jan 2013 and 27th May 2013, respectively.

Figure 12 depicts the natural gas production for the two consecutive years of 2011/12 and 2012/13.. As depicted, during April to June 2013, the wire line and slick line activities on SS-11 were carried out leading to letting SS-11 shut-in for a significant period. As of 30th June 2013, there was no spare well available on Songo Songo Island. Except for the three shut-in and suspended wells (SS-3, SS-5 and SS-9) all other existing wells operated at maximum capacity, and therefore, there is a need to drill two more wells to ensure the highest security of supply.

Figure 12: Natural Gas Production from Songo Songo and MnaziBay Gas Fields

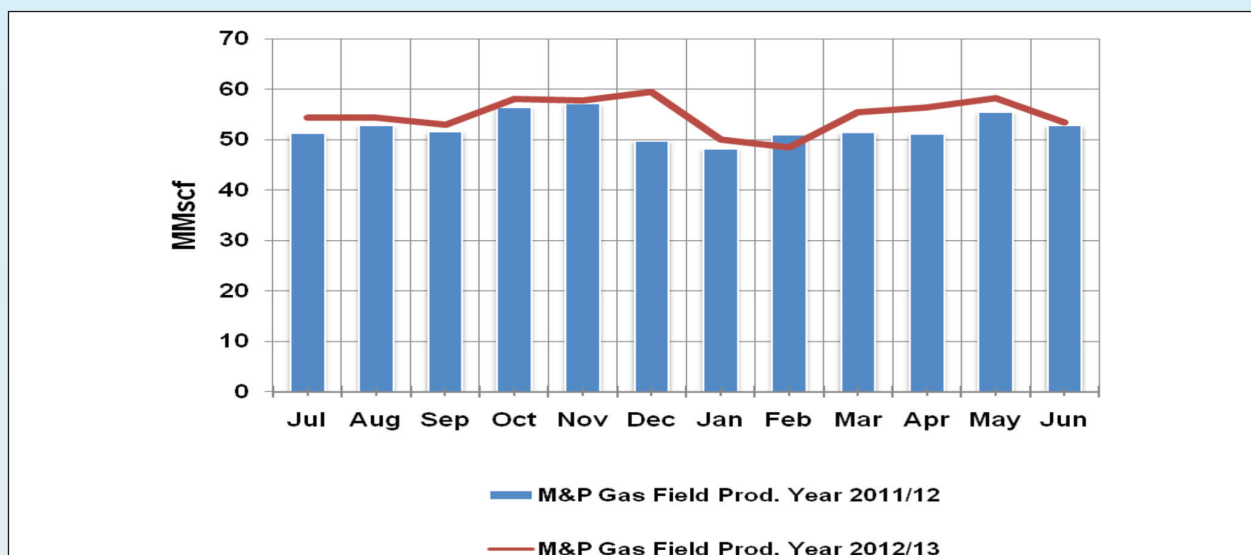


Source: PAT and M&P

During the period under review, the Protected Gas (PG) dedicated for power and Wazo Hill cement plant was 14,312.09 MMscf for 2012/13 compared to 13,760.99 MMscf consumed for the year 2011/12. The consumption increased by 4% which shows a growing gas demand in thermal power generation due to continued existence of drought in the country leading to insufficient water for hydropower generation. Re-rating of Songo Songo processing facility from 70 to 105 MMscfd maintained an average monthly production of about 2,971.92 MMscf throughout the year against 2,902.07 MMscf for the previous year 2011/12. The highest monthly gas production reached 3,133.8 MMscf, which was observed in August 2012.

Figure 13 indicates the monthly gas production from M&P during the period under review. The gas sales to TANESCO-Mtwara power plant from MnaziBay gas field reached a total of 659.19 MMscf to TANESCO-Mtwara Power Plant compared to a total of 628.73 MMscf sales during the previous year 2011/12. The consumption increased by 4.88% for power generation in Lindi and Mtwara Regions. This small growth is limited by lack of sufficient infrastructure, low industrialization growth, and low new domestic connections. The natural gas demand surpasses the current natural gas consumption. Figure 15 below reveals that natural gas demand kept increasing over the period under review

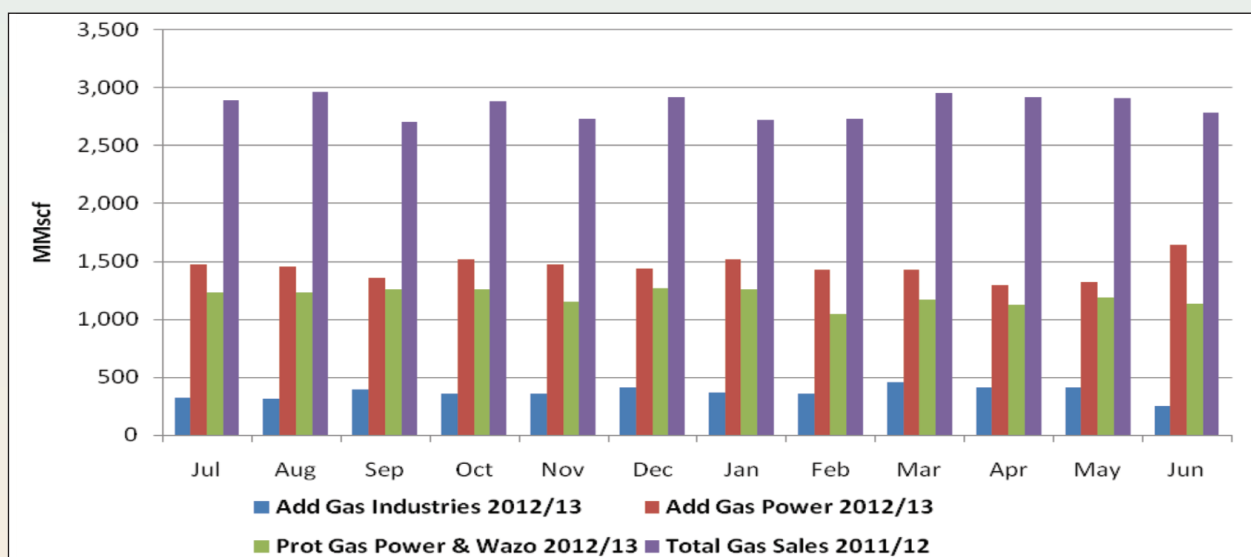
Figure 13: Trend of Monthly Natural Gas Production at Mnazi Bay Field



Source: M&P

The growth of natural gas demand for industries and power generation continues to pose a great challenge to maintain stable and continuous supply of gas to avoid or minimize power rationing. The plan to expand processing facility at Songo Songo Island and construction of a second large transmission pipeline from Songo Songo Island to Dar es Salaam under the Big Results Now initiatives would ensure security of supply to the Dar es Salaam market.

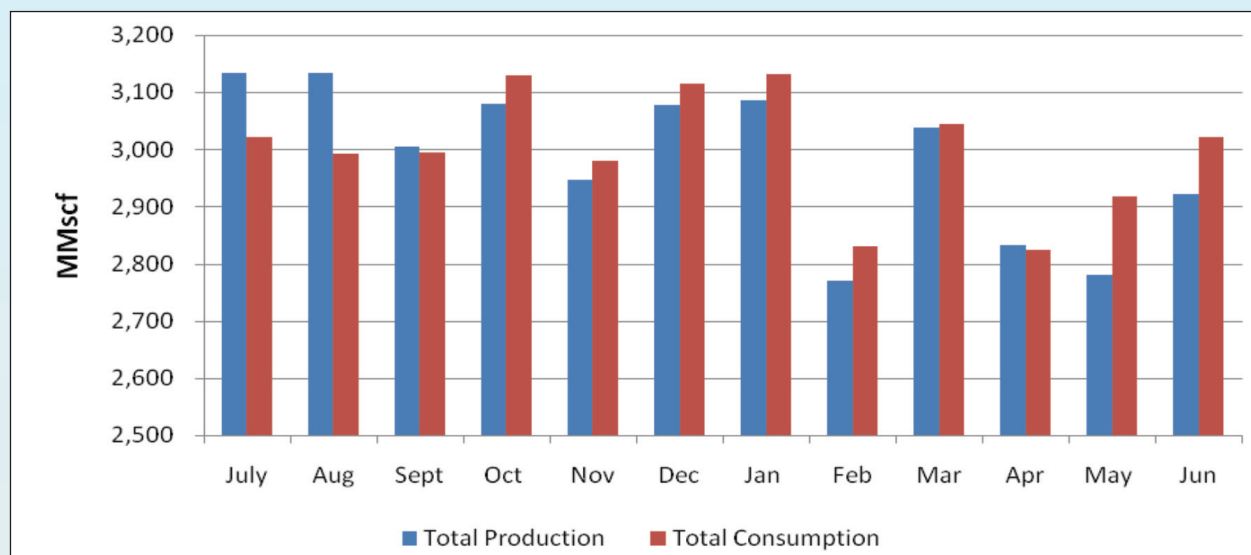
Figure 14: Songo Songo Gas Consumption by Power and Industrial Consumers



Source: PAT and TPDC

Figure 15 below indicates the mismatch between total gas production against sales for the period under review. The total natural gas consumption from Songo Songo gas field was 36,000.96 MMscf and its respective production was 35,663.03 MMscf, which indicates unaccounted for gas of 337.93 MMscf. The average monthly review to determine the amount of Lost and Unaccounted for Gas was -1.06%, which almost complies to Section 6.7(a) of the Gas Agreement, which requires that Lost and Unaccounted for Gas shall not exceed $\pm 1.0\%$ of Intake Metered Volumes. However, this unaccounted for volume of gas was largely contributed by the malfunctioning metering system at the gas processing plant.

Figure 15: Songo Songo Natural Gas Production and Sales during Year 2012/13



Source: PAT and TPDC

5.3 Quality and Standard of Services

During the period under review, the Authority continued to monitor the quality and standard of the regulated services provided by the service operators. The quality monitoring of regulated services involves monitoring the quality of the commodity (natural gas) and adherence by service providers to commercial terms and conditions of existing agreements between the service providers and their customers. The natural gas produced from Songo Songo and MnaziBay reservoirs has the best quality, which is 98 percent Methane. It is dry gas with no existence of Hydrogen Sulphide or significant volumes of Carbon Dioxide or substantial volumes of condensate.

The Authority conducted regular analysis of gas production reports received from operators. In addition, the Authority conducted planned and ad hoc visits to Songo Songo, MnaziBay gas fields, transmission pipeline and Dar es Salaam natural gas distribution infrastructure so as to confirm the reported quality of service and product. No significant changes in gas composition were observed and reported during the period under review for both gas fields. Most parameters are still within the best pipeline practices.

5.4 Sector Legislation

The Authority participated in drafting the Natural Gas Policy during the period under review. When an opportunity occurred, the Authority also continued participating in drafting the Gas Bill, 2013 under the auspices of the Ministry of Energy and Minerals.

5.5 Level of Investment in Gas Infrastructure Development

TPDC continued laying a 6 km distribution pipeline from Ubungu Pressure Reduction System (PRS) to Mikocheni Light Industries through Morogoro Road and Sam Nujoma Road. As at 30th June 2013 TPDC had not yet commissioned the low-pressure gas line. Upon commissioning of the same, it will replace the existing virtual pipe (CNG cylinders carried by trailers). The primary system of 54 km is charged to 7 bar Polyethylene (PE) and supplies 39 industrial connections so far. In the case of transmission pipeline the Government, through TPDC, was by 30th June 2013 in the final stage of securing a loan financing from China to construct a 36 inches pipeline from Mtwara to Dar es Salaam.

5.6 Trends of Cost of Service

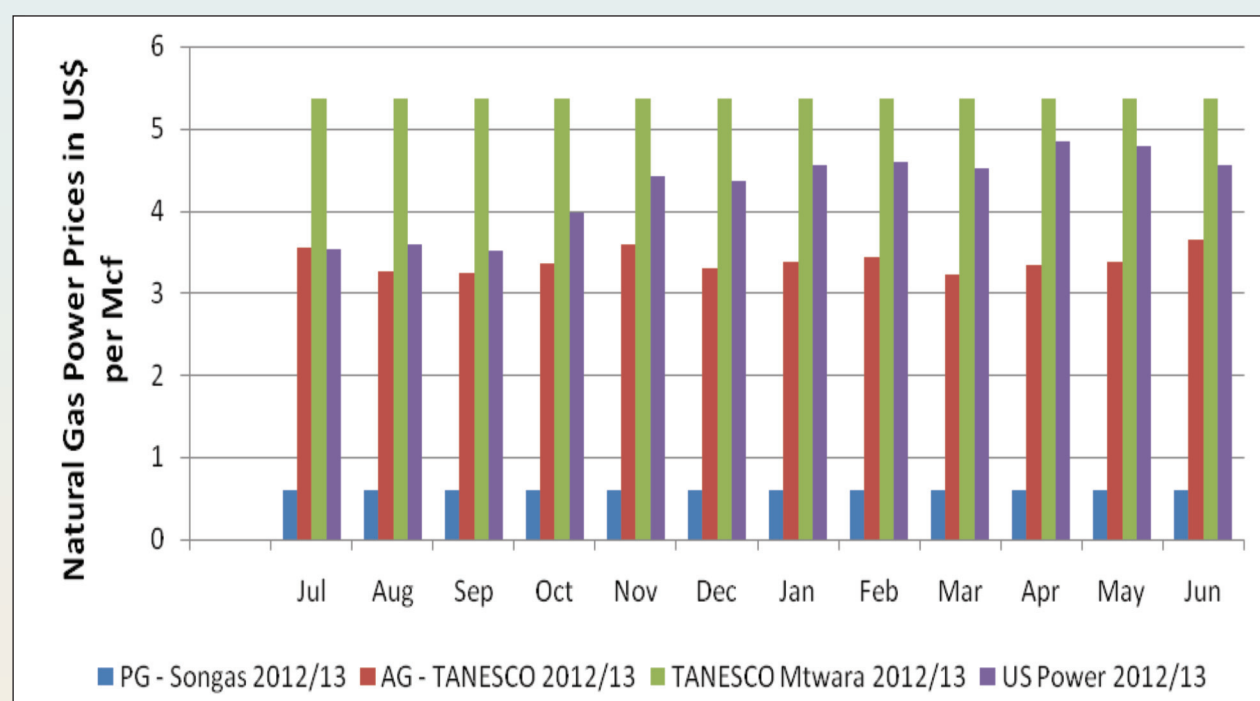
The natural gas industrial prices in Tanzania were benchmarked to the United States of America (USA) natural gas industrial prices. Comparisons were also made with industrial and power sectors by comparing

USA Natural Gas Industrial Prices versus the pricing criteria in Tanzania, which involves Additional Gas, Protected Gas, and M&P prices trends. Additional gas average monthly prices for Industrial sector were higher than the USA Natural Gas Industrial Prices. However, the average monthly gas prices for protected gas used by power generators were far lower than the US prices by 27.4% with monthly average of US\$3.1 per Mcf for Tanzania and US\$4.3 per Mcf for USA.

Industrial prices in Tanzania were higher than USA industrial prices, the US monthly average price was 4.34 US\$/Mcf while in Tanzania the monthly average price was 8.39 US\$/Mcf an increase of almost 93.5%. Additional Gas prices for power generation were increased from US\$ 2.62/Mcf to US\$ 3.4/Mcf as per letter of agreement with MEM in 2007. The Protected Gas price payable by TANESCO through energy charges was set at US\$ 0.65 per million British Thermal unit (MMBtu). M&P gas price of US\$ 5.36/Mcf continued to be fixed for the period under review.

Figure 16 below indicates the natural gas price trends for power generation in the country in relation to USA power generation prices. The natural gas prices for power remained almost stable over the period under review.

Figure 16: Natural Gas Price Trends for Thermal Power Generation



Source: PAT and USA-EIA

5.7 The Impact of Natural Gas Import Substitution on the Economy

During the period under review, a total of 29,649.75 MMscf of natural gas was consumed by the gas-based thermal power generation plants, and 6,351.20 MMscf was consumed by industrial production. This reflects savings of US\$ 929,974,838 and decreased reliance on foreign fuel consumption of 882,880 metric tonnes of petroleum products for thermal power generation and industrial production especially the cement factory at Wazo Hill and TANESCO.

5.8 Licensing

No licence was issued or renewed during the period under review since the Authority has no mandate to issue natural gas related licences under the existing legislation.

5.9 **Determination of Rates and Charges**

During the year under review, the Authority did not receive any application for determination of rates or charges from regulated entities.

5.10 **Third Party Access**

The facilities are currently fully utilized because there is no extra capacity.

5.11 **Disputes and Complaints**

There were no disputes or complaints brought to the attention of the Authority during the period under review.

5.12 **Litigation**

There was no litigation involving the Authority, the service providers or other stakeholders.

5.13 **Health, Safety and Environmental Matters**

On quarterly basis, the Authority carried out the safety and environmental monitoring of downstream activities in the gas sub-sector by reviewing reports and making monitoring visits. The Authority conducted field visits to confirm the reliability of reported information on the following:

- a) the integrity of gas pipelines and way leave between the landfall areas and the market with great emphasis on security of facilities along the pipelines,
- b) corrosion on critical pipeline valves, leakage survey, damage prevention, compaction and restoration of degraded land falls,
- c) the physical appearance of gas processing plants and gas wells, and
- d) the status of Dar es Salaam gas distribution network, the CNG dispensers, household customers and the way leave operated by Pan African Energy.

During the period under review, there were no registered accidents or major incidents or environmental disasters at both gas fields (i.e. Songo Songo and Mnazi Bay). The Distribution network operated by PAT had achieved a no Time Lost Injuries (LTI) all over the downstream facilities. All Health, Safety and Environmental issues at Ubungu and Namera pressure reduction stations, compressed natural gas facilities were confirmed to comply with the required industrial standards. However, in some areas along the pipeline the Authority noted missing way leave gas makers, unsecured gas facilities and encroachment and the respective entities were advised to rectify.

5.14 **Key Achievements and Challenges**

The achievements made by the Authority during the year under consideration include the following:-

- a) through periodic inspections, the Authority ensured that the natural gas supply infrastructure is well maintained;
- b) the Authority was consulted by the Ministry of Energy and Minerals, and fully participated in the formulation of the Natural Gas Policy 2013; and
- c) continued to well nourish the relationships with the key stakeholders.

The following are key challenges encountered so far, and the way forward being pursued by the Authority and other stakeholders:

- a) encroachment and doing business within natural gas pipeline hazardous area continues to pose danger to the petty traders and the public in general. The Authority will continue providing timely advice to the service providers to take precautionary measures to ensure the public safety.
- b) most natural gas stakeholders are eager to see a sound gas regulatory environment established and key principles enshrined in the legislation to attract private investments. The Authority and other stakeholders await for the facilitation of the Ministry of Energy and Minerals to fully participate in the process of enactment of the Gas Bill, 2013; and
- c) the natural gas infrastructures to link discovered sources to available markets call for long-term investments in gas processing, transportation, storage and distribution. Conversion of urban fleet to run on dual-fuel systems (petrol/CNG or diesel/CNG or petrol/LPG) calls for capacity building, institutional framework development, and incentivised schemes.

6.0 WATER SUPPLY AND SANITATION SERVICES PERFORMANCE AND REGULATION

6.1 Overview

The Authority regulates 130 autonomous Water Supply and Sanitation Utilities (WSSAs) which include Regional, District and Small Towns Water Supply and Sanitation Authorities and National Water Projects located in regional, district and small towns capitals, respectively.

6.1.1 Regulated Utilities in the Water Sector

Regulated utilities in the water sector are as shown in Table 16 and listed in item 6.1.2 below. During the year under review, four district towns were upgraded to regional centres which increased the number of regional water utilities from 19 to 23. District WSSA which were upgraded to Regional centres are Njombe, Bariadi, Mpanda and Geita following the creation of four regions of Njombe, Simiyu, Katavi and Geita, respectively.

Table 16: Regulated Utilities in the Water Sector

No.	Utilities	No. of Utilities
1	Dar es Salaam Water and Sewerage Authority (DAWASA)	1
2	Dar es Salaam Water and Sewerage Company (DAWASCO)	1
3	Regional Water Supply and Sanitation Authorities	23
4	District Water Supply and Sanitation Authorities	73
5	National Projects Water Supply and sanitation Authorities	7
6	Small Towns Water Supply and Sanitation Authorities	25
	Total	130

6.1.2 Detailed List of Regulated Utilities in the Water Sector

- a) **DAWASA** and **DAWASCO**; DAWASA is an asset holder and DAWASCO is an operator for water supply services in Dar es Salaam city and neighbouring areas of Kibaha and Bagamoyo.
- b) **Regional** Water Supply and Sanitation Authorities are WSSAs operating at regional headquarters of; Arusha, Babati, Bariadi, Bukoba, Dodoma, Geita, Iringa, Kigoma, Lindi, Mbeya, Morogoro, Moshi, Mpanda, Mtwara, Musoma, Mwanza, Njombe, Shinyanga, Singida, Songea, Sumbawanga, Tabora and Tanga Water Supply and Sanitation Authorities (WSSAs)

- c) **District** Water Supply and Sanitation Authorities are WSSAs operating at district headquarters of; Biharamulo, Bunda, Chunya, Gairo, Handeni, Ifakara, Igunga, Itumba-Isongole, Kahama, Karagwe, Kasulu, Katesh, Kibaya, Kibondo, Kilwa Masoko, Kiomboi, Kisarawe, Kondoa, Kongwa, Korogwe, Ngudu, Kyela, Liwale, Longido, Ludewa, Lushoto, Mafinga, Magu, Makete, Mangaka, Masasi, Mbinga, Mbulu, Misungwi, Monduli, Mpwapwa, Muheza, Muleba, Mwanga, Nachingwea, Namanyere, Namtumbo, Nansio-Ukerewe, Ngara, Nzega, Pangani, Same, Songe, Tarime, Tukuyu, Urambo, Ushirombo, Utete, Vwawa, Chamwino, Dakawa, Isikizya (Uyui), Kilindoni, Kilolo, Kilosa, Kishapu, Loliondo, Mahenge, Manyoni, Makuranga, Mugumu, Mwanhuzi, Orkesumet, Ruangwa, Rujewa, Sengerema, Sikonge and Tunduru Water Supply and Sanitation Authorities (WSSAs)
- d) **National Projects** Water Supply and Sanitation Authorities are WSSAs operating in big water schemes designated by the Minister responsible for water as National Projects which include Chalinze Water Supply Authority, Handeni Trunk Main (HTM) Water Supply Authority, Kahama-Shinyanga Water Supply Authority (KASHWASA), Makonde Water Supply Authority, Mugango-Kyabakari Water Supply Authority, Wanging'ombe Water Supply Authority and Maswa Water Supply Authority
- e) **Small Towns** Water Supply and Sanitation Authorities are WSSAs operating at small township areas of; Bashnet, Bonga, Chala, Dareda, Didia, Galapo, Ilula, Isaka, Iselemagazi, Jomu (Tinde), Kasumulu, Laela, Lalago, Maganzo, Magugu, Makambako, Malampaka, Mbalizi, Mikumi, Mlowo, Mombo, Sangamwalugesha, Sanya, Tunduma and Turiani Water Supply and Sanitation Authorities (WSSAs)

6.2. Performance Monitoring

6.2.1 Performance Data Reporting

Water Supply and Sanitation Authorities (WSSAs) report to EWURA electronically using the Web based Water Utilities Information System (MajIs) and in hard copies by submission of written reports in the agreed format. Regional WSSAs and DAWASCO submit monthly reports through MajIs latest by 15th day of the following month. During the FY 2012/13, three (3) utilities (DAWASCO, Songea and Lindi) out of 20 Regional water utilities did not manage to submit complete monthly MajIs data due to reported computer problems. District, Small Town WSSAs and National Projects have been trained on the use of Web based MajIs so as to enable them to report using MajIs. Some District WSSAs have started sending information through MajIs as a result of the training. However, 82 District WSSAs staff trained on the use of MajIs have been transferred to Local Government. Other utilities do not have computers and some trained staff still require further training to enable them work with MajIs.

In order to improve monthly data submission from WSSAs, EWURA in collaboration with GIZ conducted training on the web based MajIs during the year under review to staff working at all regional WSSAs and National Projects WSSAs.

6.2.2 Site Inspection and Verification of Data

a) Regional WSSAs

During the year under review, site inspections were conducted on 19 Regional WSSAs and DAWASCO. In this period site inspections involved spot water quality tests and verification of submitted data during tariff review applications. Spot water quality tests were conducted in 19 regional WSSAs and DAWASCO. The sampling process and testing were carried out by Regional Water Laboratories which are operated by the Ministry of Water under the supervision of EWURA staff. Verification of data during the tariff review applications process was done for 5 WSSAs which

applied for tariff review. Regional authorities inspected during the tariff review application process were Arusha, Babati, Moshi, Tanga and Musoma WSSAs.

b) District, Small Towns and National Water Projects

Like for Regional WSSAs during 2012/2013, site inspections to conduct on spot water quality tests were carried out on one District WSSA of Kahama and one National Project WSSA of KASHWASA.

c) Findings

Site inspections exercise revealed that still most WSSA's do not properly keep their operation and maintenance data. Operational data is in most cases kept on loose sheets or register books which are torn after their long use. Similarly, records for Water Quality test results were not properly kept to easily check whether utilities comply to water quality standards.

Results of the spot water quality tests showed that, there was notable deterioration in the drinking water and wastewater quality compliance as compared to last year results. Verification of data during tariff review revealed that there were improvements in storage and accuracy of compiled data, and implementation of conditions set in the tariff orders. There are still some challenges which include water sources depletion, limited potential for expansion of distribution networks due to constrained financial resources and lack of adequate sanitation facilities.

6.3 Business Plans

Preparation and submission of Business Plans by WSSAs is a legal requirement for utilities to obtain a licence from EWURA. Pursuant to Sections 24(4) and 29(2) (b) of the Water and Sanitation Act, 2009, WSSAs are required to submit to EWURA their Business Plans which detail the objectives and the overall strategies that the WSSAs will follow to achieve the intended objectives. Business Plans also project Quality of Service Standards and Performance Targets to be achieved by WSSAs. In order to achieve the set targets and standards, Business Plans detail the service improvement plans including investment outline and capacity development plans.

EWURA has continued to provide technical assistance to WSSAs to prepare their Business Plans according to the Business Planning Guidelines issued by EWURA in 2011. By 30th June, 2013, fourteen water utilities namely; DAWASCO, Arusha, Babati, Tanga, Moshi, Iringa, Sumbawanga, Kigoma, Bukoba, Mwanza, Musoma, Singida Lindi, and Mbeya had adequately met the requirements of the Business Planning Guidelines and their respective Boards approved their plans. The remaining 6 WSSAs namely, Dodoma, Tabora, Mtwara, Songea, Morogoro and Shinyanga WSSAs were provided with technical support in developing their Business plans and they are in various levels of progress. For the District, Small Towns and National Projects WSSAs, EWURA received and reviewed 29 Business Plans and provided comments which were sent to the respective utilities for their consideration and incorporation in their final Business Plans. Other District water utilities are at various stages in their preparation of respective Business Plans

6.4 Water Utilities Performance Review Report

Pursuant to the requirement set in section 28(1) of the Water Supply and Sanitation Act, 2009, EWURA is responsible for the preparation of yearly Water Utilities Performance Review report. In April 2013, EWURA published the Water Utilities Performance Report for the financial year 2011/2012. The Water Utilities Performance Review Report was published in two volumes namely:

- a) Water Utilities Performance Review Report for Regional Water Utilities and DAWASCO;
- b) Water Utilities Performance Review Report for District, Small Towns and National Projects Water Utilities.

6.5 Licensing

The licensing activity conducted during the period under review was pre-licensing inspection of 91 District, Small Town and National Water Project (DSNP) Water Utilities. Out of the 91 water utilities inspected 84 water supply and sanitation licences were issued to District, Small Town and National Water Project Water Supply and Sanitation Authorities (DSNP and WSSA's). Seven (7) WSSAs were, however, not issued with licences as they had no Boards of Directors and were therefore not operating as water authorities.

6.6 Determination of Rates and Charges

During the period under review, the Authority reviewed sixteen tariff applications from the Water Supply and Sanitation Authorities out of which only nine tariff application were approved. The approved tariff applications were from Water Supply and Sewerage Authorities of Mtwara, Mafinga, Tanga, Mbeya, Arusha, Handeni Trunk Main (HTM), Musoma, Babati, and Moshi.

Out of the approved nine applications, there was one automatic tariff application from Mtwara WSSA; six multi-year tariff applications from Mbeya, Arusha, Tanga, Musoma, Babati and Moshi WSSA; and two tariff applications from Mafinga and HTM WSSA which were based on a single test year. These statistics show that there has been an increasing trend in the submission of multi-year tariff applications (six during 2012/13 compared to two in 2011/12) which are based on the Utility's Business Plans. The Authority has been encouraging WSSA's to propose tariffs that are consistent with their Business Plans.

Table 17: Water Supply Tariff Approvals

Applicant WSSA	Date Received	Existing Tariff (TZS/m3)	Approved Average Tariff (TZS/m3)			Date of Approval	Effective Date
			2012/ 13	2013/14	2014/ 15		
Mtwara	05-04-12	622.31	711.5			09-08-12	01-09-12
Mafinga	18-07-12	448.45	818.0			19-09-12	01-10-12
Arusha	23-01-12	503.27	667.8	734.8	806.7	19-12-12	01-01-13
Mbeya	29-05-12	420.34	594.7	700.3	778.0	19-12-12	01-01-13
Tanga	04-09-12	574.60	823.3	796.5		19-12-12	01-01-13
HTM	20-04-12	723.40	1,305.9			01-03-13	15-03-13
Musoma	02-01-13	674.67		980.1	1,013.1	28-06-13	01-08-13
Babati	18-02-13	717.69		866.6	977.0	28-06-13	01-08-13
Moshi	09-03-13	471.10		561.5	561.5	28-06-13	01-08-13

Source: EWURA Tariff Application Database

6.7 Legislative Matters

During the period under review, EWURA participated as a key stakeholder in the preparation of WSSAs Clustering Regulations and in the finalization of the Water Supply and Sanitation Regulations, 2011.

6.8 Complaints Handling and Dispute Resolution

The Authority registered a total of 156 complaints from water consumers. During the period under review 25 complaints were received. An average of 80% of the total complaints received was successfully resolved. The nature of complaints in water sector was ranging from billing (56%), sewer (16%), compensation (8%), unreliable supply (8%), and others (poor customer service, denied connection, disconnection) constituted 12%. Five water complaints were escalated to hearing stage and three awards issued.

6.9 Litigation

During the period under review, the Authority was involved in a Miscellaneous Civil Application between EWURA and Eng. Jackson Midala (CEO of DAWASCO). This case was in the nature of an appeal by the Authority for enforcement of its Order made by the Authority on charging of tariffs.

6.10 Health, Safety and Environmental Matters

Water Utilities are required to ensure that water supplied and sewage disposal conform to the TBS standards. In addition, utilities are obliged to perform Environmental Impact Assessment for new projects and Environmental Audits for completed projects and get certification from the National Environmental Management Council (NEMC). During the year under review most water utilities prepared draft Environmental Impact Assessment reports and submitted to NEMC for review and certification.

During the year under review EWURA has continued to carry out spot checks and verification of the bacteriological, physical and chemical water and wastewater quality results including Biological Oxidation Demand (BOD₅) and Chemical Oxidation Demand (COD) for wastewater effluent from all WSSAs and DAWASCO.

6.10.1 Water Quality

Reported Water Quality test results from regional WSSAs showed that more than 90% of the tested samples had no E-Coli while more than 85% of the tested samples had recommended residual chlorine of about 0.2mg/l in their distribution systems. On the other hand, DAWASCO's water quality test results have shown that all (100%) tested samples complied with E-coli and Residual Chlorine requirement. Where noncompliance was observed, especially for residual chlorine and E-coli, the utilities were ordered to rectify the anomaly including informing the public that the water is not safe to drink without boiling.

6.10.2 Wastewater Quality

Wastewater Quality data for regional WSSAs with sewerage systems showed that more than 76.6% of the tested samples complied with the BOD₅ and COD standards. For DAWASCO, the quality of waste water effluent from oxidation ponds attained only 5% compliance to the BOD₅ and COD standards. It was also reported that the main cause for non-compliance to BOD₅ standard was due to poor condition of the wastewater treatment plant, inadequate capacity and poor quality of industrial effluence. The utilities were required to inform the industry customers to pre-treat their waste to acceptable quality before letting into the waste water stabilization ponds. Similarly, the utilities should ensure that the effluent quality of the waste water leaving the waste treatment ponds conforms to environmental standards for the receiving water bodies.

6.10.3 Quality Monitoring and Inspection

During the reporting period, the Authority carried out on spot drinking water and effluent quality tests in 19 regional WSSAs, one District WSSA and one National Project WSSA as indicated in Table 22 below. Water quality parameters that were tested include: 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 results showed that 74.1% of the tested samples had no E-Coli, 69.8% of the tested samples had recommended residual chlorine of about 0.2-0.5 mg/l in their distribution systems. Most of the utilities failed to maintain appropriate levels of residual chlorine in their distribution system so as to safeguard their water supply from being contaminated. Further, with regard to pH and turbidity, 89.8% and 97.3% of the tested samples complied with TBS standards respectively. Furthermore, only 30% of the tested samples complied with BoD5 standards and 30% of the tested samples complied with COD standards.

The results of the inspection were used to require the utilities to carry out the necessary remedial measures to ensure that quality compliance is attained. The results are shown in Table 18.

Table 18: Water and Wastewater Quality Inspection Results Percentage Compliance

S/N	Utility	pH	Residual Chlorine	Turbidity	E-Coli	BOD	COD
1	Arusha	100	78	100	80	0	0
2	Babati	100	100	100	89	N/A	N/A
3	Bukoba	100	71.4	100	71	N/A	N/A
4	DAWASCO	100	100	100	100	0	0
5	Dodoma	100	80	100	100	100	0
6	Iringa	37.5	75	100	75	0	0
7	Kahama	100	90	100	100	N/A	N/A
8	Kashwasa	100	80	100	70	N/A	N/A
9	Kigoma	100	17	100	17	N/A	N/A
10	Lindi	100	100	100	100	N/A	N/A
11	Mbeya	100	50	92	50	0	100
12	Morogoro	100	50	100	50	0	0
13	Moshi	100	57	100	89	100	100
14	Mtwara	85.71	71.43	71.43	83.3	N/A	N/A
15	Musoma	33	17	100	0	N/A	N/A
16	Mwanza	100	83	100	100	0	0
17	Shinyanga	100	77	100	89	N/A	N/A
18	Singida	100	37.5	100	90	N/A	N/A
19	Songea	100	66.7	77.8	66.7	100	100
20	Sumbawanga	100	66.7	100	33	N/A	N/A
21	Tabora	100	67	100	78	N/A	N/A
22	Tanga	20	100	100	100	0	0
Overall Compliance		89.8	69.8	97.3	74.1	30	30
na = not applicable							

6.11 Capacity Building for WSSAs

The Authority participated in a capacity building programme on technical, commercial and managerial skills organized by the Association of Tanzania Water Suppliers (ATAWAS) for the DSNP WSSAs where a total of eighty two (82) utilities attended the training. The training was funded by GIZ. In this training, the Authority imparted to the participants general knowledge with emphasis on Business Plans preparation, report writing and submission and web based MajIs reporting.

6.12 Other Interventions in the Water Sector

The Authority is collaborating with the MoW and other stakeholders to improve service delivery in WSSAs by taking part in the following committees/task groups:

- a) **Water Sector Development Program (WSDP) thematic working group on urban water supply.**
 This group sets indicators for monitoring and carries out joint inspection and evaluation of the WSDP projects under implementation by WSSAs. The Authority provided performance inputs in the water sector status report which facilitates discussions by the water sector stakeholders on key sector issues and challenges facing the implementation of WSDP, share experiences between stakeholders and recommend options for improving future implementation of the Programme

b) Commercial Loan Committee where EWURA participated in the preparation of loan guidelines to guide WSSAs to access funds from financial institutions.

During the period under review, the Authority participated in the review of loan applications from Mwanza WSSAs for the construction of their office block.

6.13. Key Achievements and Challenges

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

- a) WSSAs lack of creditworthiness to access commercial loans, which make them dependent on tariff to finance their investments. To address the challenge, the Authority has prepared comprehensive business plan guidelines for water utilities to use in preparation of plans towards attaining cost recovery tariffs and use the business plans to access funds;
- b) some of the District and Small Towns WSSAs operate without Boards of Directors. This situation makes it difficult to institute various regulatory actions; and
- c) lack of skilled staff, working equipment and transfers of trained staff which resulted into poor reporting through web based MajIs. The Authority will continue building capacity to impart knowledge on the importance and use of web based MajIs.

7.0 CROSS CUTTING REGULATORY MATTERS

7.1 Overview

Pursuant to the organizational setup of the Authority, cross cutting regulatory matters include tariff determination, review and development of tariff setting methodologies, stakeholders' consultations, licensing, dispute resolution, public awareness and outreach programme.

The Authority adjudicated on various economic regulation matters. This included carrying out tariff and pricing formula reviews (See Table 1) and conducting the related public inquiries (See Table 2) in order to comply with the requirement of the existing pieces of legislation and make informed and balanced decisions. The Authority during this period also engaged consultants to assist in developing tariff methodologies and guidelines. This report highlights achievements attained and challenges faced for period from 1st July 2012 to 30th June 2013.

7.2 Tariff and Price Adjustments

7.2.1 Tariff Determination

The Authority made tariff determination and conducted public inquiry processes pursuant to Section 19(2)(b) of the EWURA Act. Tables 19 and 20 below present a summary of tariff applications received by the Authority and the number of public inquiries made:

Table 19: Tariff and Pricing Formula Reviews

Sectors	Applications			Approved	Referred Back	Withdrawn	In progress
	Brought Forward	Received	Total				
Electricity	1	0	1	0	0	1	0
Natural Gas	0	0	0	0	0	0	0
Petroleum	1	0	1	0	0	0	1
Water	5	10	15	9	4	0	2
Total	7	10	17	9	4	1	3

Table 20: Public Inquiries for Review of Tariffs and Pricing Formula

Sector	Inquiries Conducted	Tariff Matters
Electricity	1	1
Natural Gas	0	0
Petroleum	0	0
Water	7	7
Total	8	8

7.2.2 Development of Guidelines for Tariff Setting Methodologies

The Authority continued to be committed to developing regulatory instruments to enhance predictability, consistency, transparency and timeliness in the decision making process. During the period under review, the Authority finalized development of the Rate Setting Methodology (RSM) for the electricity sector in Tanzania. The methodologies were developed as part of a study conducted by an independent consultant, AF-MERCADOS EMI, from Spain, who was engaged by the Authority. The RSM includes methodologies for determination of tariffs for each segment of the Electricity Supply Industry, namely generation, transmission and distribution. During the period under review, the Authority developed Rules for Rate Setting Methodologies and conducted a Cost of Service Study for TANESCO.

7.3 Licensing

7.3.1 Electricity Licensing

During the period under review pre-licensing inspections were conducted on various applicants who applied for electricity licences. EWURA issued 9 licences for generation. Out of these, five licences were provisional, four (4) were for own use/standby generation and one for generation.

7.3.2 Petroleum Licensing

A total of 73 petroleum licence applications were received and processed. The applications received included 5 for wholesale, one (1) Liquefied Petroleum Gas (LPG) and 67 for retail business. The Authority issued a total of 18 licences, 10 wholesale licences (out of which 3 were for new applications and 4 were renewals of expired licences), 2 licences for Petroleum Liquefied Gas, one for storage and 8 retail licences. 50 licence applications were found to be incomplete due to lack of the necessary supporting documents and not meeting the minimum required criteria for licence issuance. The respective applicants were informed of the deficiencies and were required to rectify the deficiencies and submit the relevant documents for further consideration.

7.3.3 Water Licensing

The major licensing activities for the water sector during the period under review were pre-licensing inspection of 91 District, Small Town and National Water Project (DSNP) Water Utilities. Out of the 91 water utilities inspected 84 water supply and sanitation licences were issued to District, Small Town

and National Water Project Water Supply and Sanitation Authorities (DSNP and WSSAs). Seven (7) WSSAs were, however, not issued with licences as they had no Boards of Directors to manage their Authorities.

7.4 Complaints and Dispute Resolutions

The Authority received fifty three (53) complaints from electricity sector out of which nineteen (19) were amicably resolved and twenty two (22) complaints were referred to Division of the Authority for hearing. Petroleum sub-sector registered sixteen (16) complaints out of which fourteen (14) were amicably settled and one (1) complaint was referred to Division of the Authority for hearing. Water sector registered a total of twenty five (25) complaints out of which thirteen (13) were amicably resolved and six were referred to Division of the Authority for hearing

7.5 Key Achievements and Challenges

In discharging its functions to meet the desired vision and mission the Authority encountered several challenges including:

- a) increased public awareness and demand for regulatory services leading to the Authority deferring implementation of some key activities, such as manpower capacity building although critical for the sustainability of the Authority.
- b) tariff matters have continued to be politicised in many places thereby risking sustainability of the regulated services. The Authority will continue creating awareness to the public and the Government on objectives of tariff determination and ensures that, at all times key stakeholders and the public at large are well informed on tariff matters, particularly the importance of reaching cost reflective tariffs in the regulated services.

The implementation of Tariff Order conditions has not been impressive as many regulated entities, particularly public utilities, depend on Government and Development partners' grants for development projects. In order to improve the implementation of tariff order conditions, the Authority is in the process of reviewing the Tariff Guidelines which shall require, among other things, utilities to increasingly use own funds and loans in implementing their Business Plans.

8.0 PUBLIC AWARENESS AND OUTREACH PROGRAMME

8.1 Overview

The Authority continued to conduct public awareness activities for the year under review, with the aim to enhancing public knowledge, awareness and understanding of the regulated sectors. The awareness campaigns contained issues like the rights and obligations of consumers and regulated suppliers; the ways in which complaints and disputes may be initiated and resolved and instilling the correct public perception towards the Regulator. The following are some of the activities that were conducted during the year under review.

8.2 Press Conferences and Media Coverage

The Authority conducted six (6) press conferences on matters related to new petroleum pricing formula, change of duration for petroleum cap prices from two weeks to a month, and TANESCO's application for tariff adjustment. The Authority also received special media attention through various advertisements.

8.3 Awareness Campaign

During the year under review, the Authority conducted awareness campaigns through various public hearings on tariff matters as well as radio and television. Some of the Radio Channels that assisted the Authority in carrying out awareness campaign included Radio One, East Africa Radio, Radio Clouds, TBC Taifa, Radio Uhuru, Times Radio and Radio Tumaini. For the television, the Authority used TBC1, ITV, Channel Ten, Mlimani TV, and Star TV of which the focus was on the rationale for regulations, duties and functions of the Authority, quality of services, Health, Safety and Environment (HSE), complaints resolution, achievements and challenges faced by the Authority.

The Authority continued to strengthen its linkage with media houses which made it easier for the Authority to disseminate information to the public as and when required. In addition, the Authority's website, (www.ewura.go.tz), continued to be an informative tool for public education and through which stakeholders could access various information.

8.4 Exhibitions

During the year under review, the Authority participated and conducted awareness campaigns during exhibitions at the Dar es Salaam International Trade Fair (DITF) and Nane Nane, in Dar es Salaam and Dodoma, respectively, whereby the Authority disseminated various information to the public. The information disseminated during exhibitions dwelt on the duties and function of the Authority; rights and obligations of various stakeholders, complaint resolution and the Authority's achievements.

8.5 Publicity Materials

Publicity materials for the purpose of promoting the Authority were printed accordingly. These included EWURA Newsletter, Annual Reports, Water Sector Annual Performance Report, Diaries, and wall and table calendars. The objective of these materials is to promote the Authority's image and regulatory activities.

8.6 Impact of Public Awareness Campaigns

During the period under review, there was a general trend of increased recognition of the Authority by the public locally and other regulators and institutions internationally. This is evidenced by the increased number of enquiries seeking assistance on issues related to regulations. Through awareness campaigns, the Authority is getting a big number of prospective investors finding out procedures on how to invest in the petroleum and electricity sub sectors.

8.7 Corporate Social Responsibility

In recognition of the Government efforts towards attracting investment in natural gas sub-sector, the Authority decided to use some of its funds under Corporate Social Responsibility to sponsor conferences on Oil and Gas. In addition, the Authority sponsored 15 students for field attachments from various higher learning institutions. The objective is to offer opportunity to students to understand the basic principles of regulation and the sectors being regulated by the Authority. Generally, the involvement of the Authority in Corporate Social Responsibilities enhances its value and improves its image to the public on the one hand and widens an understanding of the regulated services on the other.

8.8 Challenges and Way Forward

- a) The challenges facing the Authority, among other things, are logistical issues that include poor infrastructure, poor television and radio coverage at village levels that makes only a small section of the society benefit from the public awareness programme. The Authority is preparing a comprehensive Communication Policy and Strategy to address this challenge.

- b) The high public awareness cost is another challenge, which has limited the rolling out of public awareness campaigns targeting various categories of stakeholders. As a result, advertisements and some paid-for TV programmes had to be minimized in view of the cost involved. In this regard the Authority had to participate in national exhibitions in order to reach more people at affordable cost.

9.0 STAKEHOLDER CONSULTATIONS

Stakeholders' consultation forms part of the Authority's regulatory decision-making process. The Authority's stakeholders include the sectoral ministries, 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 on the various regulatory decisions it had to make. During the year GCC held a total of 9 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 DECLARATION OF CONFLICT OF INTEREST

During the year under review, there was no conflict of interest declared by Board Members and Staff of the Authority in the course of discharging their duties.

11 CONCLUSION AND FUTURE OUTLOOK

The Authority is strategically determined to increase its contribution to national economic development and improvement in the welfare of the general public through quality and timely delivery of regulatory services. It is within this drive that the Authority will tackle the prevailing challenges so as to deliver the expected results within the shortest possible time in line with the new Government approach of Big Results Now. In this regard, the Authority strived to conceive some measures that will be taken to achieve the necessary impact as follows:

- a) objectives and targets under the Strategic Plan 2012/13 to 2016/17 that will guide the Authority's operations for the next five years will be implemented to address the prevailing challenges faced by the Authority;
- b) continuing speeding up the process of developing regulatory tools including making rules, guidelines, tariff methodologies and standards to enhance transparency and predictability to all players in the regulated sectors;
- c) play a key role in attracting investments in the regulated sectors by creating an enabling environment for investors. The measures may include preparation of Standardized Power Purchase Agreements and shortening regulatory processes such as licensing and tariff review;
- d) ensuring that all regulated suppliers in the country are licensed and operate in observance of the required standards, rules and regulations governing their respective industries;
- e) continuing with the 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;

- f) continuing to play a strong supporting role in the development of the gas policy, gas sector legislation and gas master plan which are tools for effective regulation;
- g) continuing to implement public awareness programmes in order to enhance public knowledge in the understanding of rights and obligations of consumers and regulated suppliers; and
- h) construct an office building for the Authority including opening zonal offices to address current office accommodation challenges which include frequent increase in rent and insufficient space.

12 FINANCIAL STATEMENT FOR THE YEAR ENDED 30TH JUNE 2013

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, 2013

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DAR ES SALAAM

December, 2013

REPORT OF THE DIRECTORS

1 INTRODUCTION

The Directors hereby submit their report together with the audited financial statements for the year ended 30 June, 2013 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

2 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 VISION

To be a world class regulator of energy and water services

4 MISSION

To regulate the energy and water services in a transparent, effective and efficient manner that promotes investments and enhances the socio economic welfare of the Tanzanian society.

5 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 environmental issues of the regulated suppliers.

6 COMPOSITION OF THE BOARD OF DIRECTORS

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

Name	Position	Age	Qualification	Nationality	Date of Appointment
Mr. Simon F. Sayore	Chairman	65	MSc (Fin.), FCCA	Tanzanian	Re- appointed 27 June, 2011
Dr. Geoffrey Mariki	Deputy Chairman	64	PhD (Electrical Eng.)	Tanzanian	Appointed 1 August, 2009
Mr. Omar S. Bendera	Member	64	MA (Dev. Economics)	Tanzanian	Appointed 1 March, 2010
Ms. Lucy H. Sondo	Member	54	LLB, LLM	Tanzanian	Re-appointed 1 June, 2010
Mr. Nicholas Mbwangi	Member	64	B.Sc (Physics & Maths), M.A (Human Resource Management)	Tanzanian	Appointed 1 March, 2011
Ms. Juliana Mwalongo	Member	56	LLM ,MA	Tanzanian	Appointed 1 March, 2011
Mr. Haruna Masebu	Director General	58	MSc (Urban Economics)	Tanzanian	Re-appointed 1 January, 2010

7 CORPORATE GOVERNANCE

The Board consists of seven Directors. Apart from the Director General, no other directors hold an executive position in the Authority. The Board takes overall responsibility for the Authority, including

significant responsibility for identifying key risk areas, considering and monitoring investment decisions, considering significant financial matters, and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that a comprehensive system of internal control policies and procedures is operative, and for compliance with sound corporate governance principles.

The Board is required to meet as and when there is enough business to transact. The Board delegates the day to day management of the business to the Director General assisted by senior Management. Senior Management is invited to attend board meetings and facilitates the effective control of all the Authority's operational activities, acting as a medium of communication between all the various business units. The Authority is committed to the principles of effective corporate governance. The Directors also recognize the importance of integrity, transparency and accountability.

8 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 and Corporate Affairs, Electricity, Petroleum, Natural Gas and Water and Sanitation Committees were in place in line with the provisions of section 21 of the EWURA Act. A total of twenty-three (23) 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 and Corporate Affairs	5
3	Electricity	5
4	Petroleum	3
5	Natural Gas	0
6	Water	3
	Total	23

Committees of the Board have been formed to deal with specific sectors where as the Board is responsible for overall regulatory decisions. Members of the Committees are as follows:

Board Audit Committee

- | | | |
|----|---------------------|----------|
| 1. | Mr. Omar Bendera | Chairman |
| 2. | Ms. Lucy Sondo | Member |
| 3. | Ms Juliana Mwalongo | Member |
| 4. | Mr. Peter Machunde | Member |

Board Legal and Corporate Affairs Committee

- | | | |
|----|----------------------|-------------|
| 1. | Ms .Lucy Sondo | Chairperson |
| 2. | Mr. Nicholas Mbwanji | Member |
| 3. | Mr. Simon Sayore | Member |
| 4. | Mr. Haruna Masebu | Member |

Board Electricity Committee

- | | | |
|----|---------------------|----------|
| 1. | Dr. Geoffrey Mariki | Chairman |
| 2. | Mr. Omar Bendera | Member |
| 3. | Mr. Simon Sayore | Member |
| 4. | Mr. Haruna Masebu | Member |

Board Petroleum Committee

- | | |
|------------------------|----------|
| 1. Dr. Geoffrey Mariki | Chairman |
| 2. Mr. Omar Bendera | Member |
| 3. Mr. Simon Sayore | Member |
| 4. Mr. Haruna Masebu | Member |

Board Water Committee

- | | |
|-------------------------|-------------|
| 1. Ms. Juliana Mwalongo | Chairperson |
| 2. Dr. Geoffrey Mariki | Member |
| 3. Mr. Simon Sayore | Member |
| 4. Mr. Haruna Masebu | Member |

Board Natural Gas Committee

- | | |
|-------------------------|-------------|
| 1. Mr. Nicholas Mbwangi | Chairperson |
| 2. Ms. Lucy Sondo | Member |
| 3. Mr. Simon Sayore | Member |
| 4. Mr. Haruna Masebu | Member |

9 RELATED PARTY TRANSACTIONS

The related party transactions and balances are disclosed in note 17A to these financial statements.

10 OPERATIONAL AND FINANCIAL PERFORMANCE

EWURA focused on the implementation of its Strategic Objectives which guide the Authority in achieving its vision and mission, championing good governance and facilitating the attainment of vibrant and thriving energy and water sectors in Tanzania.

The Authority operated under the approved Strategic Plan 2012/13 – 2016/17 that will guide the Authority's operations for the next five years.

The Strategic Objectives are as follows:

- (a) To have a Least- Cost Investments framework for electricity, water and petroleum regulated sectors by June, 2013.
- (b) To ensure EWURA's functions are efficiently and effectively managed by June, 2013.
- (c) To have enhanced public knowledge, awareness and understanding of the regulatory functions and the regulated sectors by June, 2013.
- (d) To have enforced quality, service standards and codes of regulated sectors of electricity, water and petroleum by June 2013.
- (e) To have an effective intervention strategy against HIV/AIDS for enhanced productivity by June, 2013.

10.1 Achievements

The Authority witnessed significant achievements in mobilization 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.

10.2 Financing

The Authority's operations are financed mainly through collection of levies from regulated service providers in the electricity, petroleum, natural gas and water sewerage sectors. Other sources of financing include licence fees, penalties and interest income from fixed deposits. During the year under review total revenue amounted to TZS 29.20 billion indicating an increase of 29% when compared to the previous year as shown in the table below.

Description	30.06.2013 TZS'000	30.06.2012 TZS'000	Increase/ (Decrease) %
Income from Regulatory Levy and Licences	27,263,652	21,463,644	27
Other Income	1,932,448	1,191,560	62
Total Revenue	29,196,100	22,655,204	29

10.3 Legal Framework

The EWURA Act governs the conduct of the activities of the Authority. Currently EWURA regulates the relevant sectors pursuant to the EWURA Act and sector legislation. The Authority continued to play a key role in supporting the Government in the development of the Gas Supply Bill.

10.4 Licensing

The Authority's long term objective is to license 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. EWURA also continued to license personnel that are qualified to carry out electrical installation works as required by the Electricity Act, Cap. 131. During the year under review, one hundred fifty five (155) applicants were issued with new contractors and wiremen licences.

Licences under the natural gas sector are still issued by the Ministry of Energy and Minerals under the Petroleum (Exploration and Production) Act, Cap 328.

10.5 Development of Regulatory Tools

The Authority continued with the task of finalising the preparation and issuing of the regulatory tools initiated during the previous year and developing new ones. The process of developing regulatory tools is governed by principles of good governance which require the collection of comments from interested stakeholders and holding hearings and workshops. The process of developing regulatory tools and procedures is an on-going activity. The Authority prepared the following regulatory tools:

- The Petroleum (Wholesale Operations) Rules, 2012;
- The Petroleum (Retail Operations) Rules, 2012;
- The Petroleum (Liquefied Petroleum Gas Operations) Rules, 2012;
- EWURA Consumers Complaints handling procedures Rules, 2013.
- The Electricity(Generation Services) Rules,2012;
- The Electricity(Transmission Services) Rules,2012;
- The Electricity(Distribution Services) Rules,2012;

10.6 Standards and Codes

In this Financial Year, 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 the Tanzania Bureau of Standards (TBS), service providers, academic institutions and other stakeholders.

10.7 Tariff Review

The Authority carried out Public Inquiries and Public Hearings meetings to determine 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 During the Period	Total Applications Reviewed	Approved	Referred Back	With-drawn	Under Review at the End of the Period
Electricity	0	1	1	0	0	1 ¹	0
Natural Gas	0	0	0	0	0	0	0
Petroleum	0	0	0	0	0	0	0
Water & Sanitation	1	13	10	8	2	0	4
TOTAL	1	14	11	8	2	1	4

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

Regulated Sector	No of Public Hearings	No. of Matters	Concluded Before 30.06.2013
Electricity	1	1	0
Natural Gas	0	0	0
Petroleum	0	0	0
Water & Sewerage	9	9	9
Total	10	10	9

10.8 Sector Monitoring

During the year under review, 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;
- to promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers; and
- to protect and preserve the environment.

During the year under review, the Authority continued to ensure that petroleum products of the right quality were offered for sale to consumers by carrying out frequent and random sampling for quality and marker tests. Punitive measures were taken against operators of the facilities that were found with products that failed the quality and marker tests in accordance with the Petroleum (Sampling and Testing) Rules, 2010 and the petroleum (Marking and Quality Control) Rules, 2010. In the electricity sector a total of thirteen inspections of electricity supply infrastructures were carried out. The utility (TANESCO) was asked to rectify any defects noted during such inspections, including rotten wooden poles, dangerously sagging wires/conductors, oil-leaking transformers and unkempt substation premises. In the water supply and sanitation sector, performance monitoring inspections were done to a total of 22 Water Supply and Sanitation Authorities (WSSA's) in order to check the operational efficiency of water supply and sanitation processes and to verify the submitted performance data and

¹ - TANESCO withdrew its Tariff Application in January 2013 before EWURA, concluded its evaluation.

information. In addition, water quality tests were done to all regional water authorities including Dar es Salaam. It was observed that most of the reported data and information was correct and water quality for all utilities complied with physicochemical parameters, however only a few, WSSAs did comply with microbiological parameter of Ecoli as set by the Tanzania Bureau of Standards. In the natural gas sub Sector the Authority carried out quarterly field visits to the natural gas infrastructures, High Pressure Transmission Pipeline and Dar es Salaam Natural Gas Distribution Network to ascertain the infrastructure integrity and its safety. The service providers were instructed to take safety precautionary measures to ensure the public is not at any risk associated with natural gas activities.

10.9 Public Awareness

Public awareness activities that were conducted during the year included educating the public through various programmes on the services offered by regulated sectors. Awareness campaigns were also conducted during public hearings on tariff matters.

In addition, the Authority participated in the Dar es Salaam International Trade Fair (Saba Saba) and Nane Nane Exhibition in Dodoma. The platform was used to provide information and public education on regulatory issues to the general public. The media consistently covered EWURA's public activities whenever and wherever they were held. Media activities included advertisements, documentaries, press conferences, live television and Radio programmes and Editors Forum.

10.10 Complaints and Disputes

The Authority attended to complaints against suppliers 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 is shown below.

Regulated Sector	Total Number Received	Total Number Settled
Petroleum	16	14
Electricity	52	19
Natural Gas	0	0
Water Supply and Sewerage	25	13
Total	93	46

10.11 Regional Cooperation Meetings

The Authority subscribed and participated fully in the activities of four Regional Associations namely, Regional Electricity Regulators Association (RERA), African Forum for Utility Regulators (AFUR), Energy Regulators Association of East Africa (EREA), and Southern Africa Water and Sanitation Regulators Association (ESAWAS). The main objective is to exchange regulatory experiences within the International and regional setting, and allow EWURA to have access to information necessary for regulation and performance benchmarking. Furthermore, EWURA has participated in various meetings convened to establish the regional power pool, the Eastern Africa Power Pool (EAPP). EAPP members include Libya, Egypt, Sudan, Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Burundi and the Democratic Republic of Congo

11 RECRUITMENT

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

In the year under review, the Authority recruited 9 staff thus bringing the total number of staff to 93 out of 108 that were required during the year under review. Staff gender structure is as indicated below:

Item	Male	Female	Total
Staff Compliment	64	29	93
Percentage	69%	31%	100%

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

12 RISK MANAGEMENT AND CONTROL

The Board accepts final responsibility for the risk management and internal control system of the Authority. It is the task of management to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to provide reasonable assurance regarding :

- The effectiveness and efficiency of operations;
- The safeguarding of the company's assets;
- Compliance with applicable laws and regulations;
- The reliability of accounting records;
- Business suitability under normal as well as adverse conditions; and
- Responsible behaviors towards all stakeholders.

The Board assessed the internal control systems throughout the financial year ended 30th June, 2013 and is of the opinion that they met accepted criteria.

13 MANAGEMENT

The Management of the Authority is under the Director General and is structured in the following seven Directorate and two Units:

- Directorate of Corporate Affairs
- Directorate of Natural Gas
- Directorate of Water and Sewerage
- Directorate of Legal Services
- Directorate of Internal Audit
- Directorate of Petroleum
- Directorate of Electricity
- Communication & Public Relations Unit
- Procurement Management Unit

14 SOLVENCY

Since its establishment, the Authority has continued to finance 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 16.70 billion as at 30th June, 2013.

15 STAFF WELFARE

15.1 Staff Relations

Good relationship between employees and management of the Authority continued to exist.

15.2 Capacity Building

The Authority's policy is to equip its staff with relevant regulatory, managerial and operational competencies to enhance their service delivery to the public. During the year under review, new senior staff attended general courses on Public Utility Regulation and Strategy. Several Staff also attended local training on general management courses, secretarial practices and advanced drivers and office attendants training courses in order to improve their performance.

15.3 Medical Services

The Authority provides free medical care to all staff, spouses and up to four legal children not exceeding 18 years of age. The Authority commits sufficient funds to cater for evacuation of staff and overseas treatment, where necessary. During the year under review, there were two cases which required overseas treatment and therefore, the Authority incurred medical costs for both local and overseas treatment.

15.4 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.

16 EMPLOYEES BENEFIT PLAN

The Authority pays contribution to publicly administered pension funds on a mandatory basis.

17 GENDER PARITY

The Authority had 93 employees; out of whom 29 were women and 64 were Men.

18 POLITICAL AND CHARITABLE DONATIONS

The Authority did not make any political donations during the year under review. However, donations amounted to TZS 6.0 million was to charitable organizations.

19 ENVIRONMENTAL CONTROL PROGRAMME

The Authority, in collaboration with the National Environmental Management Council (NEMC) and other stakeholders, continued to participate in compliance monitoring on matters related to protection of environment. In considering any application for a licence or construction approval, the authority takes into account the need to protect and preserve environment as required by the Environmental Management Act, 2004.

20 PERSONS WITH DISABILITIES

The Authority gives equal opportunities to persons with disabilities.

21 CORPORATE SOCIAL RESPONSIBILITY

The Authority contributed funds for the acquisition of water equipment to Fire Rescue Department and offered support to Disabled Association (SHIVYAWATA) and Tanzania Personal Secretaries Association (TAPSEA). The Authority also supported field 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

22 AUDITORS

The Controller and Auditor General is the statutory auditor of EWURA by virtue of the Article 143 of the Constitution of the United Republic of Tanzania, and as amplified in Sect. 32 (4) of the Public Finance Act CAP 348. However, in accordance with Sect. 33 of the same Act, M/S PKF Accountants and business advisers was authorized to carry out the audit of the financial statements of EWURA for the year ended 30th June, 2013.



SIMON F. SAYORE
CHAIRMAN

Date----- **31 DEC 2013** -----



HARUNA MASEBU
DIRECTOR GENERAL

Date----- **31 DEC 2013** -----

STATEMENT OF DIRECTORS' RESPONSIBILITIES

These financial statements have been prepared by the Directors of the Energy and Water Utilities Regulatory Authority in accordance with the provisions of section 46 of the EWURA Act and section 25(4) of the Public Finance Act, Cap 348.

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 judgment and estimates have been made in the preparation of the financial statements for the year ended 30th June, 2013. The Directors also confirm that the 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, 2013.

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 31st December, 2013 and signed on its behalf by:



SIMON F. SAYORE
CHAIRMAN

Date **31 DEC 2013**



HARUNA MASEBU
DIRECTOR GENERAL

Date **31 DEC 2013**

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, 2013

I have audited the financial statements of Energy and Water Utilities Regulatory Authority for the financial year ended 30th June, 2013, which comprises statement of financial position as at 30th June 2013, and 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 20 to 36 of this report.

Director's Responsibilities for the financial statements

The Board of Directors of the Energy and Water Utilities Regulatory Authority 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) 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 EWURA's 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, the financial position of Energy and Water Utilities Regulatory Authority (EWURA) as at 30th June, 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Energy and Water Utilities Regulatory Authority Act, 1997.

Report on Compliance with Procurement Legislation

Compliance with Public Procurement Act

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



Ludovick S.L. Utouh
CONTROLLER AND AUDITOR GENERAL

National Audit Office,
Dar es Salaam, Tanzania




STATEMENT OF FINANCIAL POSITION


AS AT 30TH JUNE, 2013

	NOTES	30.06.2013 TZS'000	30.06.2012 TZS'000
ASSETS			
Non-Current Assets			
Property and Equipment	9	3,142,675	3,167,016
Intangible Assets	10	<u>240,324</u>	<u>139,931</u>
Total Non-Current Assets		<u>3,382,999</u>	<u>3,306,947</u>
Current Assets			
Stocks and Consumables		78,966	55,277
Trade and Other Receivables	11	6,146,448	5,531,358
Financial Assets	12	7,499,899	4,414,688
Cash and Bank Balances	13	<u>3,600,238</u>	<u>1,123,627</u>
Total Current Assets		<u>17,325,551</u>	<u>11,124,950</u>
TOTAL ASSETS		<u>20,708,550</u>	<u>14,431,897</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Retained Surplus		10,804,116	4,076,586
Building Fund		8,050,000	6,050,000
Government Grant from PPSDP Credit	14	<u>24,982</u>	<u>50,248</u>
Total Capital and Reserves		<u>18,879,098</u>	<u>10,176,834</u>
Non Current Liabilities			
Gratuity Payable	15	1,241,670	885,261
Current Liabilities			
Trade and Other Payables	16	<u>587,782</u>	<u>3,369,802</u>
Total Liabilities		<u>1,829,452</u>	<u>4,255,063</u>
TOTAL EQUITY AND LIABILITIES		<u>20,708,550</u>	<u>14,431,897</u>

The accounting policies on pages 72 to 77 and the notes on pages 78 to 88 form an integral part of these financial statements.



SIMON F. SAYORE
 CHAIRMAN



HARUNA MASEBU
 DIRECTOR GENERAL

Date 31 DEC 2013

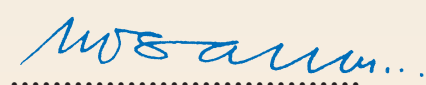
Date 31 DEC 2013

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE, 2013

	NOTES	30.06.2013 TZS'000	30.06.2012 TZS'000
Revenue			
Operating Revenue	1	27,263,652	21,463,644
Other Income	2	1,384,791	848,401
Finance Income	3	<u>547,657</u>	<u>343,159</u>
Total Revenue		<u>29,196,100</u>	<u>22,655,204</u>
Expenditure			
Staff Costs	4	7,242,156	6,709,040
Operating Expenditure	5	10,407,316	14,492,526
Administration Costs	6	1,846,033	1,899,906
Other Charges	7	270,255	620,837
Depreciation and Adjustments	9	528,672	459,454
Amortization of Intangible Assets	10	<u>174,138</u>	<u>93,218</u>
Total Expenditure		<u>20,468,570</u>	<u>24,274,981</u>
Net Operating Surplus(Deficit)/ for the Year		8,727,530	(1,619,777)
Add: Retained Surplus Brought Forward		4,076,586	5,696,363
Total Surplus Before Appropriation		<u>12,804,116</u>	<u>4,076,586</u>
Appropriation:			
Transfer to Building Fund		<u>2,000,000</u>	<u>-</u>
Retained Surplus Carried Forward		<u>10,804,116</u>	<u>4,076,586</u>

The accounting policies on pages 72 to 77 and the notes on pages 78 to 88 form an integral part of these financial statements.



SIMON F. SAYORE
CHAIRMAN

Date 31 DEC 2013



HARUNA MASEBU
DIRECTOR GENERAL

Date 31 DEC 2013

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30TH JUNE, 2013

	Capital Fund TZS'000	Building Fund TZS'000	Retained Surplus TZS'000	Total TZS'000
Balance at 1st July, 2012	50,248	6,050,000	4,076,586	10,176,835
Net Operating surplus for the Year	-	-	8,727,530	8,727,530
Transfer to Building Fund		2,000,000	(2,000,000)	-
Grant Amortization	(25,266)	-	-	(25,266)
Balance at 30th June, 2013	24,982	8,050,000	10,804,116	18,879,098


Year Ended 30th June, 2012

	Capital Fund TZS'000	Building Fund TZS'000	Retained Surplus TZS'000	Total TZS'000
Balance at 1st July, 2011	76,083	6,050,000	5,696,363	11,822,446
Net Operating Deficit for the Year	-	-	(1,619,777)	(1,619,777)
Grant Amortization	(25,834)	-	-	(25,834)
Balance at 30th June, 2012	50,248	6,050,000	4,076,586	10,176,835


Note:

The Building Fund balance of TZS 8,050,000,000 as at 30th June, 2013, represent the amount appropriated to a special fund established by the Authority to be used for construction of own office.

The accounting policies on pages 72 to 77 and the notes on pages 78 to 88 form an integral part of these financial statements.



SIMON F. SAYORE
 CHAIRMAN



HARUNA MASEBU
 DIRECTOR GENERAL

Date 31 DEC 2013

Date 31 DEC 2013

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE 2013

	NOTES	30.06.2013 TZS'000	30.06.2012 TZS'000
Cash Generated From (Used in) Operations			
Net Operating Surplus/(Deficit) for the Year		8,727,530	(1,619,778)
Adjustments for:			
Depreciation on Property and Equipment	9	528,672	459,454
Amortization of Intangible Assets	10	174,138	93,218
Net foreign exchange (gains)/losses		(3,218)	-
Grant Amortization	14	<u>(25,266)</u>	<u>(25,834)</u>
Operating Surplus Before Working Capital Changes		9,401,856	(1,093,406)
Changes in Working Capital Items:			
(Increase)/ Decrease in Stocks and Consumables		(23,689)	(10,966)
(Increase)/ Decrease in Trade and Other Receivables		(615,090)	(1,887,173)
Increase/ (Decrease) in Trade and Other Payables		<u>(2,782,020)</u>	<u>1,090,438</u>
Net Cash Generated from Operations (A)		<u>5,981,056</u>	<u>(1,901,107)</u>
Investing Activities			
Purchase of Property and equipment	9	(504,331)	(452,530)
Purchase of Intangible Assets	10	(274,531)	(171,909)
Proceed from Disposal of Property and Equipment		-	-
Purchase of Financial Assets - Maturity after 91 days		(4,705,180)	(2,246,791)
Proceed from Financial Assets - Maturity after 91 days		<u>5,064,719</u>	<u>4,280,246</u>
Net Cash Used in Investing Activities (B)		<u>(419,233)</u>	<u>1,409,016</u>
Financing Activities			
Proceeds from Government Grant - PPSDP Credit		-	-
Net Cash Generated from Financing Activities (C)		-	-
(Decrease)/Increase in Cash and Cash Equivalents (A+B+C)		<u>5,561,823</u>	<u>(492,091)</u>

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 30TH JUNE 2013 (...continued)

Movement in Cash and Cash Equivalent

At Start of Year

(Decrease)/Increase in Cash and Cash Equivalents (A+B+C)

At End of the year

30.06.2013 30.06.2012

TZS'000 TZS'000

5,538,315 6,030,406

5,561,823 (492,091)

11,100,138 **5,538,315**

The accounting policies on pages 72 to 77 and the notes on pages 78 to 88 form an integral part of these financial statements.



.....
SIMON F. SAYORE
CHAIRMAN

31 DEC 2013
Date -----



.....
HARUNA MASEBU
DIRECTOR GENERAL

31 DEC 2013
Date -----

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:

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

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 to the Authority's operations**

IAS1 on 'Presentation of Financial Statements' which became effective on 1st January 2010 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, this standard 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 standard does not have any material impact on the financial statements.

IAS 7 on 'Cash Flow Statement' 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 1st 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 also relevant to the Authority's operations.**

In November 2009, the IASB issued amendments to IAS 24 “Related Party Disclosures”. This standard 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 have been effective since January 1, 2011. The amendments primarily comprise clarification to presentation, disclosure and measurement provisions related to 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 1st, 2015 (revised), with earlier adoption permitted.

b) Critical Accounting Estimates, Judgments and Assumptions

In the process of applying the Authority’s accounting policies, the Authority’s management makes certain estimates, judgments 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 recognizes 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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 derecognized.

All other repairs and maintenance costs 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 in the year of acquisition 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 capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized 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 amortized 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 recognized 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 amortized cost, using the effective interest method, less accumulated impairment losses.

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

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

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

Derecognition

Financial assets are derecognized 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 to be indicators of impairment. Impairment losses are recognized 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 recognized, 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 recognized. Reversals of impairment losses are recognized 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 recognized 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 Staff

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 amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized 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 recognized 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 amortized 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 amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized 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 recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

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 recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as 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 recognized as an expense accrual.

i) Retirement Benefit Obligation

(i) 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 (GEPPF) or Public Service Pensions Fund (PSPF) or Local Authorities Pensions Fund (LAPF).

(ii) 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 normally 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

	30.06.2013 TZS'000	30.06.2012 TZS'000
Regulatory Levy		
Electricity	9,197,867	4,664,518
Petroleum	15,107,654	13,927,403
Natural Gas	1,361,064	1,873,648
Water and Sewerage	<u>726,782</u>	<u>711,181</u>
Total Regulatory Levy Income	<u>26,393,367</u>	<u>21,176,750</u>
Licence Fees		
Electricity	607,578	177,152
Electricity Contractors and Wiremen	38,123	37,927
Petroleum	<u>175,094</u>	<u>42,900</u>
Total License Fees Income	<u>820,795</u>	<u>257,979</u>
Application Fees		
Electricity	3,131	1,711
Petroleum	<u>46,359</u>	<u>27,204</u>
Total Application fees income	<u>49,490</u>	<u>28,915</u>
Total Operating Revenue	<u>27,263,652</u>	<u>21,463,644</u>
2. OTHER INCOME		
Sale of Tender Documents	1,300	2,100
Grant Amortization (Note 14)	25,266	25,834
Penalties from Petroleum Adulteration	1,358,225	820,000
Gain on Insurance Claim	<u>-</u>	<u>467</u>
Total Other Income	<u>1,384,791</u>	<u>848,401</u>
3. FINANCE INCOME/(COSTS)		
Interest Income from Fixed Deposits	520,909	247,909
Foreign Exchange Gain	6,568	80,406
Interest Received on Current Account	<u>20,180</u>	<u>14,844</u>
Total Finance Income/(Cost)	<u>547,657</u>	<u>343,159</u>
4. STAFF COSTS		
Salaries	4,555,679	4,159,404
Gratuity Expenses	820,329	709,231
Pension Employer's Contribution	624,963	570,663
Skills and Development Levy	249,698	227,361
Medical Expenses	185,595	140,525
Other Staff Costs (Schedule 1)	<u>805,892</u>	<u>901,856</u>
TOTAL	<u>7,242,156</u>	<u>6,709,040</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. OPERATING EXPENSES

	30.06.2013 TZS'000	30.06.2012 TZS'000
Capacity Building (Schedule 2)	1,005,661	870,897
Regulatory Tools Development Expenses	313,741	426,279
Field and Inspection Expenses	3,152,653	4,487,667
Public Inquiries	218,086	435,200
Government Consultative Council Expenses	132,192	118,988
Bulk Procurement Technical Committee	4,866	131,472
Consumer Consultative Council Expenses	1,003,834	1,171,117
Fair Competition Tribunal Subvention	419,000	320,000
Fair Competition Commission Subvention	599,768	400,000
Treasury Contribution	2,000,000	2,146,364
Release of overprovision	(2,597,982)	-
Public Awareness Programme	798,937	851,708
Advertisement Expenses	156,968	191,781
Consultancy Expenses	216,963	274,730
Membership Contribution, Books and Periodicals	126,518	94,525
Library General Expenses	-	2,500
International Conference Expenses	1,060,737	936,130
AFUR Conference and AGM Expenses	192,275	-
Regional Cooperation Meetings	576,483	405,866
Government Delegation Participation Costs	-	91,380
Regional Technical Meetings	-	71,124
Local Travel and Conference Expenses	190,125	226,211
Stakeholders Consultative Meetings	9,720	14,337
Motor Vehicle Fuel Expenses	85,539	94,279
Motor Vehicle Repairs and Maintenance	134,203	107,264
Car Hiring Expenses	2,420	23,782
Maintenance of Computer Hardware,	28,906	18,628
Maintenance of Computer Software	69,209	23,196
Maintenance of Other Office Equipment	5,704	890
Wiremen Licensing Activities	16,764	6,375
Directors Fees	27,333	21,500
Board Expenses	456,693	528,336
TOTAL	<u>10,407,316</u>	<u>14,492,526</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. ADMINISTRATION COSTS

	30.06.2013 TZS'000	30.06.2012 TZS'000
Office Rent	1,206,888	1,158,771
Telephone, Fax and Internet	156,501	158,316
Stamps and Postages	3,354	2,644
Printing and Stationery	186,496	273,624
Maintenance of Leasehold Property	7,537	22,560
Office General Expenses	79,715	110,343
Entertainment Expenses	17,721	14,156
Corporate Social Responsibilities	33,440	28,102
Audit Fees	68,480	49,550
Tender Board Expenses	71,866	62,360
Editorial Board Expenses	<u>14,035</u>	<u>19,480</u>
TOTAL	<u>1,846,033</u>	<u>1,899,906</u>

7. OTHER CHARGES

Insurance Charges	45,177	43,563
Legal Fees	82,938	524,675
Data Storage Charges	123,070	37,391
Bank Charges	15,719	15,208
Foreign Exchange Loss	<u>3,351</u>	<u>-</u>
TOTAL	<u>270,255</u>	<u>620,837</u>

8. SURPLUS FUNDS

In case of any surplus funds during the year, the surplus fund 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.

9. PROPERTY AND EQUIPMENT

Year Ended 30th June, 2013

	W E House TZS 000	I U TZS 000	P A TZS '000	WIP Laboratory Building TZS '000	WIP Technical 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, 2012	389,724			-	1,596,972	513,716	6,190	1,208,517	249,339	472,852	567,604	5,004,915
Additions	18,172			22,451	268,276	-	-	106,724	-	3,801	84,907	504,331
Adjustments	-			-	-	-	-	-	(150,886)	(42,670)	(17,196)	(210,753)
At 30 June, 2013	407,896			22,451	1,865,248	513,716	6,190	1,315,241	98,453	433,983	635,315	5,298,493
Depreciation												
At 1 July, 2012	-			-	-	413,524	3,975	667,776	110,529	177,421	464,675	1,837,899
Charges for the Year	-			-	-	50,247	774	211,474	12,307	54,248	128,894	457,943
Adjustments	-			-	-	-	-	(21,289)	(77,199)	(24,339)	(17,197)	(140,024)
At 30 June, 2013	-			-	-	463,771	4,749	857,962	45,635	207,330	576,372	2,155,818
Net Book Value												
As at 30 June, 2013	407,896			22,451	1,865,248	49,945	1,441	457,280	52,818	226,653	58,943	3,142,675

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. PROPERTY AND EQUIPMENT (Continued)

Year Ended 30th June, 2012

	W I P E W U R A House	WIP Lab Equipment	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total
	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000	TZS'000
Cost									
At 1st July, 2011	75,240	1,571,707	513,716	6,190	1,208,517	240,415	376,010	560,589	4,552,385
Additions	314,484	25,265	-	-	-	8,923	96,843	7,015	452,530
At 30th June, 2012	389,724	1,596,972	513,716	6,190	1,208,517	249,338	472,853	567,604	5,004,915
Depreciation									
At 1st July, 2011	-	-	363,276	3,201	456,358	79,362	118,314	357,933	1,378,445
Charge for the Year	-	-	50,247	774	211,418	31,167	59,107	106,741	459,454
At 30th June, 2012	-	-	413,523	3,975	667,776	110,529	177,421	464,674	1,837,899
Net Book Value 30th June, 2012	389,724	1,596,972	100,193	2,215	540,741	138,809	295,432	102,930	3,167,016

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2013 TZS'000	30.06.2012 TZS'000
Cost		
At Start of Year	326,415	154,506
Additions	<u>274,531</u>	<u>171,909</u>
At End of Year	<u>600,946</u>	<u>326,415</u>
Amortization		
At Start of Year	186,484	93,266
Charge for the Year	<u>174,139</u>	<u>93,218</u>
At End of Year	<u>360,623</u>	<u>186,484</u>
Net Book Value	<u>240,323</u>	<u>139,931</u>

11. TRADE AND OTHER RECEIVABLES

	30.06.2013 TZS'000	30.06.2012 TZS'000
Trade Receivables	4,064,394	4,168,357
Prepayments (Note 11.1)	1,287,903	978,915
Other Receivables	106,724	-
Interest Receivable	289,057	127,415
Staff Loans and Advances (Note 17 B)	<u>398,370</u>	<u>256,671</u>
TOTAL	<u>6,146,448</u>	<u>5,531,358</u>

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.

	TZS'000	TZS'000
Carrying Amount of Trade and Receivables		
Tanzania Shillings	6,039,724	5,531,358
US Dollars	<u>106,724</u>	<u>-</u>
TOTAL	<u>6,146,448</u>	<u>5,531,358</u>

The trade and other receivables do not contain impaired assets.

11.1 PREPAYMENTS

	TZS'000	TZS'000
Prepaid Office Rent	754,087	675,828
Prepaid Insurance	34,114	32,271
Prepayments - Others	<u>499,702</u>	<u>270,815</u>
TOTAL	<u>1,287,903</u>	<u>978,915</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Prepayments for other expenses comprise of advance payments in respect of CCC Contribution, VAT on fuel markers and African Refiners Association subscription.

12. FINANCIAL ASSETS

Financial assets comprise the following:

Fixed deposits

	30.06.2013 TZS'000	30.06.2012 TZS'000
At Start of Year	4,414,688	4,181,218
Additions	5,332,002	2,246,791
Deposits Redeemed at Maturity	<u>(2,246,791)</u>	<u>(2,013,321)</u>
At End of Year	<u>7,499,899</u>	<u>4,414,688</u>
Analysis of Held-to-Maturity Investments follows:		
Maturing within 91 days	2,794,719	2,167,897
Maturing after 91 days	<u>4,705,180</u>	<u>2,246,791</u>
	<u>7,499,899</u>	<u>4,414,688</u>

13. CASH AND CASH EQUIVALENTS

For the purpose of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	30.06.2013 TZS'000	30.06.2012 TZS'000
Cash and Bank Balances	3,600,238	1,123,627
maturing within 30 days	<u>1,961,585</u>	<u>4,414,688</u>
TOTAL	<u>5,561,823</u>	<u>5,538,315</u>

The Authority is not exposed to credit risk on cash and bank balances because these are held with sound financial institutions. The carrying amounts of the Authority's cash and cash equivalents are denominated in the following currencies:

	30.06.2013 TZS'000	30.06.2012 TZS'000
Tanzania Shillings	3,328,179	1,107,704
US Dollars	<u>272,059</u>	<u>15,923</u>
TOTAL	<u>3,600,238</u>	<u>1,123,627</u>

14. GOVERNMENT GRANT

Government Grant stated at TZS 24,982,376, at the statement of financial position date, represents the balance of grant in the form of assets received from Privatization and Private Sector Development Project (PPSDP), IDA Credit.

	30.06.2013	30.06.2012
	TZS'000	TZS'000
At Start of Year	50,249	76,083
Grant Amortization	(25,266)	(25,834)
At End of Year	<u>24,983</u>	<u>50,249</u>

15. GRATUITY PAYABLE

Non-current liabilities at the statement of financial position date amounted to TZS 1,241,670,283. This is part of gratuity provision amounting to TZS 1,661,261,714 as analyzed below.

	30.06.2013	30.06.2012
	TZS'000	TZS'000
At Start of the Year	1,417,746	1,866,109
Charge for the Year (note 4)	820,329	709,231
Released During the Year (Note 16)	(576,813)	(1,157,594)
At End of Year	<u>1,661,262</u>	<u>1,417,746</u>
Categorized As:		
Current Liabilities (Note 16)	419,591	532,485
Non-Current Liabilities	<u>1,241,670</u>	<u>885,261</u>
TOTAL	<u>1,661,262</u>	<u>1,417,746</u>

16. TRADE AND OTHER PAYABLES

	30.06.2013	30.06.2012
	TZS'000	TZS'000
Trade Payables	74,550	179,335
Gratuity Payable within the year (Note 15)	419,591	532,485
Audit Fees	57,240	46,000
Directors Fees	-	14,000
Treasury Contribution	-	2,597,982
Other Payables	<u>36,491</u>	<u>-</u>
TOTAL	<u>587,782</u>	<u>3,369,802</u>

In the opinion of the directors, the carrying amount of Trade and Other Payables is approximate to their fair value.

17. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

A. Key Management Compensation

	30.06.2013	30.06.2012
	TZS'000	TZS'000
Salaries	1,521,930	1,325,617
Directors Fees	27,333	21,500
Employees Post-employment Benefits:		-
- Pension - Employer's Contribution	624,963	570,662
- Gratuity (Note 15) paid during the year	<u>576,814</u>	<u>1,157,594</u>
	<u>2,751,040</u>	<u>3,075,373</u>

Directors Fees

Directors Fees are paid to the Members of the Board of Directors as approved by the Minister that is at TZS 4,500,000 for Chairman and TZS 4,000,000 for each for the other the six (6) Members annually..

Employees Post-employment Benefits

The Authority contributes to the approved pension contribution plans for its employees at 15% of basic salary to 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, 2013 amounted to TZS 624,963,118 .Contributions to these funds are recognised as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of 15% of employee's last basic salary per month on statement of comprehensive income and maintains gratuity payable account for future payment to staff. For the year ended 30th June, 2013 TZS 576,813,701.20 was released to staff whose contract expired.

B. Staff Loans and Advances (Note 11)

	30.06.2013	30.06.2012
	TZS'000	TZS'000
Staff Revolving Loans	39,096	92,943
Salary Advances	203,656	122,208
Imprest	<u>155,618</u>	<u>41,521</u>
TOTAL	<u>398,370</u>	<u>256,672</u>

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, repayable within a period of three years but are taxed in accordance with the requirements of the Income Tax Act of 2004. For the year ended 30th June, 2013 loans amounting TZS 39,096,046 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:

	30.06.2013 TZS'000	30.06.2012 TZS'000
Property and Equipment	50,000	232,990
Intangible Assets	<u>-</u>	<u>220,080</u>
	<u>50,000</u>	<u>453,070</u>
Other commitments		
Consultancy Services	<u>238,960</u>	<u>279,129</u>
Total commitments	<u>288,960</u>	<u>732,199</u>

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

20. CONTINGENT LIABILITIES

The following pending Court cases are likely contingent liabilities to the Authority:-

EWURA Vs Shavaar Filling Station (High Court of Tanzania Sumbawanga District Registry), TANESCO Vs Elizabeth Kiunsi at FCT, Ayoub Seif Vs TANESCO at FCT, Safaline Mfinanga Vs TANESCO at FCT, Danvic Petroleum Co. Ltd Vs. at FCT and EWURA Vs CEO DAWASCO (High Court of Tanzania, Dar es Salaam main Registry).

In the opinion of the directors, the outcome of these cases is not likely to cause significant loss and therefore no provisions have been made in this Financial Statements.

SCHEDULE OF OTHER EXPENDITURE

1. OTHER STAFF COSTS

	30.06.2013 TZS'000	30.06.2012 TZS'000
Staff Insurance – GPA	125,815	109,238
Transport Allowances	487,008	482,062
Annual Leave Package	74,455	81,213
Acting Allowance	20,594	18,034
Outfit Allowance	28,434	17,410
Funeral Expenses	6,524	28,940
Recruitment Costs	20,829	30,836
Compensation Allowance	40,394	104,769
Staff Welfare Expenses	<u>1,840</u>	<u>29,354</u>
TOTAL	<u>805,892</u>	<u>901,856</u>

2. CAPACITY BUILDING

Technical Exposure	448,070	-
Overseas Training	416,202	722,872
Local Training	<u>141,390</u>	<u>148,025</u>
TOTAL	<u>1,005,662</u>	<u>870,897</u>

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	:	Privatization 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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