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# **ANNUAL REPORT**

## **FOR THE YEAR ENDED 30TH JUNE 2019**

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**DECEMBER 2019**



THE UNITED REPUBLIC OF TANZANIA



# ANNUAL REPORT

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

**December 2019**

Energy and Water Utilities Regulatory Authority,  
4<sup>th</sup> Floor, PSSSF House, Makole Road,  
P. O. Box 2857, Dodoma,  
TANZANIA

## ABBREVIATIONS AND ACRONYMS

AFUR	:	African Forum for Utility Regulators
BBL	:	Barrel
BOD	:	Biochemical Oxygen Demand
COD	:	Chemical Oxygen Demand
DTWSSA	:	District and Township Water Supply and Sanitation Authority
ESI	:	Electricity Sector Industry
EWURA	:	Energy and Water Utilities Regulatory Authority
FCT	:	Fair Competition Tribunal
FOB	:	Free On Board
GEPF	:	Government Employees Provident Fund
GIZ	:	Deutsche Gesellschaft für Internationale Zusammenarbeit
GPA	:	Group Personal Accident
GWh	:	Giga Watt hour
HIV/AIDS	:	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
HFO	:	Heavy Fuel Oil
HTM	:	Handeni Trunk Main
IAS	:	International Accounting Standards
ICT	:	Information and Communication Technology
IDA	:	International Development Association
IFRIC	:	International Financial Reporting Interpretation Committee
IPP	:	Independent Power Producer
ISA	:	International Standards on Auditing
ISO	:	International Organisation for Standardization
KASHWASA	:	Kahama Shinyanga Water Supply and Sanitation Authority
LAPF	:	Local Authorities Pensions Fund
LOIS	:	Licensing and Order Information System
Majls	:	Water Utilities Information System
ME	:	Ministry of Energy
MT	:	Metric Tonnes
MW	:	Mega Watt

NPWSSA	:	National Project Water Supply and Sanitation Authority
NARUC	:	National Association of Regulatory Utility Commissioners
NSSF	:	National Social Security Fund
PPF	:	Parastatal Pensions Fund
PSSSF	:	Public Service Social Security Fund
PSPF	:	Public Service Pensions Fund
RERA	:	Regional Electricity Regulators Association
RNPWSSA	:	Regional and National Projects Water Supply and Sanitation Authority
SPP	:	Small Power Producer
TANESCO	:	Tanzania Electric Supply Company
TBS	:	Tanzania Bureau of Standards
TZS	:	Tanzania Shillings
URT	:	United Republic of Tanzania
WSSA	:	Water Supply and Sanitation Authority
ZECO	:	Zanzibar Electric Company

## LETTER OF TRANSMITTAL



Hon. Prof. Makame Mnyaa Mbarawa (MP),  
Minister for Water,  
Government City,  
P. O. BOX 456,  
**DODOMA.**

Honourable Minister,

I am humbled and honoured to submit to you the Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the year ended 30<sup>th</sup> June 2019 that is prepared in accordance with the requirement of Section 48 of the Energy and Water Utilities Regulatory Authority Act, Cap. 414.

The Annual Report, which includes the Audited Financial Statements, summarizes the Authority's activities carried out during the year under review, achievements made and challenges facing the Authority.

I submit.



Ahmad S.K. Kilima  
**Deputy Chairman**  
**December 2019**

## VISION, MISSION AND CORE VALUES

### Vision:

To be a world class regulator of energy and water services.

### Mission:

To regulate energy and water utilities in a transparent, effective and efficient manner that ensures their quality, availability and affordability.

### Core Values:

The Authority's core values are abbreviated as **IMPACT** as per details below:-

- (a) **Impartiality:** EWURA staff shall treat all stakeholders with fairness. The duty of EWURA as a regulator is to set a level playing field and balance interests of all stakeholders.
- (b) **Morality:** EWURA staff shall ensure they uphold standards of right and good conduct.
- (c) **Professionalism:** EWURA staff shall attend to their duties with the highest degree of competence and skills.
- (d) **Accountability:** EWURA staff shall conduct their duties in a manner that shows readiness to take full liability and responsibility for their actions.
- (e) **Consistency:** EWURA ensures consistency and coherence in its regulatory practices and work.
- (f) **Transparency:** EWURA staff shall operate in an open manner. All their decisions shall be conducted without prejudice, with respect for the interests of all stakeholders and in a fair and completely transparent manner.

### Motto:

Fair Regulation for Positive **IMPACT**.

### Strategic Objectives

The Energy and Water Utilities Regulatory Authority (EWURA) is determined to be one of the government's institutions that make major contributions to the national economic development and improve the welfare of the Tanzanian society through delivery of best-regulated services.

It is within this drive that the Authority has set out four objectives in its Strategic Plan (2017/18 - 2021/22) with a view to enabling it to address imminent and medium-term regulatory challenges in all the sectors it regulates that include

- (a) interventions against HIV/AIDS, corruption and other cross-cutting issues enhanced;
- (b) quality, availability and affordability of the regulated services improved;
- (c) public knowledge, awareness and understanding of regulatory functions in the regulated sectors enhanced; and
- (d) EWURA functions effectively and efficiently managed.

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## 1.0 INTRODUCTION

The Energy and Water Utilities Regulatory Authority (EWURA) presents the 13<sup>th</sup> Annual Report that highlights its performance for the year ended 30<sup>th</sup> June 2019. The report summarizes the executed activities, challenges encountered; and achievements attained during the period under review.

Established under the EWURA Act, Cap. 414 of the Laws of Tanzania, the Authority started its operations on 1<sup>st</sup> September 2006 as a multi-sectoral regulatory Authority. The Authority carries out technical and economic regulation of the Energy (Electricity, mid and downstream Petroleum and Natural gas sub-sectors); and Water sector.

The functions of the Authority as spelt out in the EWURA Act and sector legislation are to:-

- (a) issue, renew and cancel licences;
- (b) establish standards for goods and services;
- (c) establish standards for terms and conditions of supply of goods and services;
- (d) regulate rates and charges;
- (e) make rules; 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;
- (f) facilitate resolution of complaints and disputes; and
- (g) Disseminate information about matters relevant to its functions.

In discharging its function above, Section 6 of the EWURA Act obliges the Authority to

- (a) promote effective competition and economic efficiency in the regulated sectors;
- (b) promote the interests of consumers;
- (c) protect the financial viability of efficient suppliers;
- (d) promote the availability of regulated services to all consumers, including low income, rural and disadvantaged consumers;
- (e) enhance 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) protect and preserve the environment.

### Objectives of the Report

This Annual Report for 2018/19 fulfils the following objectives:

- (a) to comply to the requirements of Section 48 of EWURA Act, Cap. 414;
- (b) to inform stakeholders and the general public on the Authority's performance in regulation of energy and water sectors;
- (c) to educate stakeholders of regulated sectors and the general public on regulatory matters; and
- (d) to provide a source of reliable information on the regulated sectors.

## CHAIRMAN'S STATEMENT

I, the Chairman of the Board of Directors of the Energy and Water Utilities Regulatory Authority (EWURA), have a pleasure to give an overview of EWURA's performance for the Financial Year ending 30<sup>th</sup> June 2019. This Report is the 13<sup>th</sup> since EWURA started its operations way back on 1<sup>st</sup> September 2006.

Once again, EWURA is proud to present its performance report that depicts its economic and social contribution in facilitation of the government's policy to transform the country towards industrialized economy. Such contributions have been made possible by a dedicated team of our experts who, with the quality leadership and relevant policies, regulations and rules, remained focused to ensure that the ultimate objective of promoting availability of quality-regulated services in the energy and water sectors is achieved in line with national vision.

This is evidenced by the presence of stable price and quality of regulated services—most notable fuel—that despite the dynamics of geo-politics that affects the world market—the price in the domestic market has relatively continued to remain stable in the last ten years. I am optimistic that despite challenges, EWURA will be able to successfully improve availability of regulated services in realization of a dream to ensure that every Tanzanian will have access to the services at affordable rates.

This being the fourth Annual Report under my Chairmanship of Board of Directors of EWURA, it is with great pleasure and honour to be trusted to lead and be part of a respectable institution that is distinguished in implementing regulatory principles and values as a world class regulator.

During the Financial Year 2018/19, the Board oversaw among other things, the implementation of transferring the Authority's Headquarters to Dodoma from Dar es Salaam; and the construction of the Authority's Headquarters House in order for EWURA to minimize costs of operations.

During the period under review, the Authority received massive support from the government in making sure all regulatory activities are well handled. I, as the Chairman, had an opportunity to oversee the implementation of the Authority's policy matters for better regulatory achievements.

My sincere appreciation should go to the Government of the United Republic of Tanzania; and specifically, His Excellency, President, Dr. John Pombe Joseph Magufuli for creating a conducive environment, which enabled EWURA to conduct its functions effectively and efficiently.

I also highly appreciate the Minister for Water, Hon. Professor Makame Mnyaa Mbarawa (MP) and the Minister for Energy, Hon. Dr. Medard Kalemani (MP) for supporting EWURA in achieving its intended goals.

I finally, take this opportunity to congratulate my colleagues, the Board members, the Management, all Staff and other stakeholders for their undivided commitment, dedication and hardworking during the year under review that contributed the Authority's good performance.



Ahmad S.K. Kilima  
**Deputy Chairman**

## BOARD AND MANAGEMENT STRUCTURE

EWURA maintains an organisation structure that facilitates efficient regulation of the Energy (electricity, petroleum, natural gas) and Water sectors; good corporate governance; and efficient provision of crosscutting services. The structure has the Board of Directors as the top decision-making and oversight body, the Director General as the overall overseer of the day-to-day activities of the Authority and eight (8) directorates headed by Directors. There are also heads of units who report directly to the Director General, namely: Manager Communications and Public Relations, Manager Procurement Management, Information and Technology Communication Manager and Zonal Managers. The organisation structure is as shown in **Figure 1**.

### Board of Directors

The Board of Directors governs the Authority; and is the highest decision-making organ 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, all appointed by the Minister responsible for EWURA after consultation with Sector Ministers and after successful interview criteria.

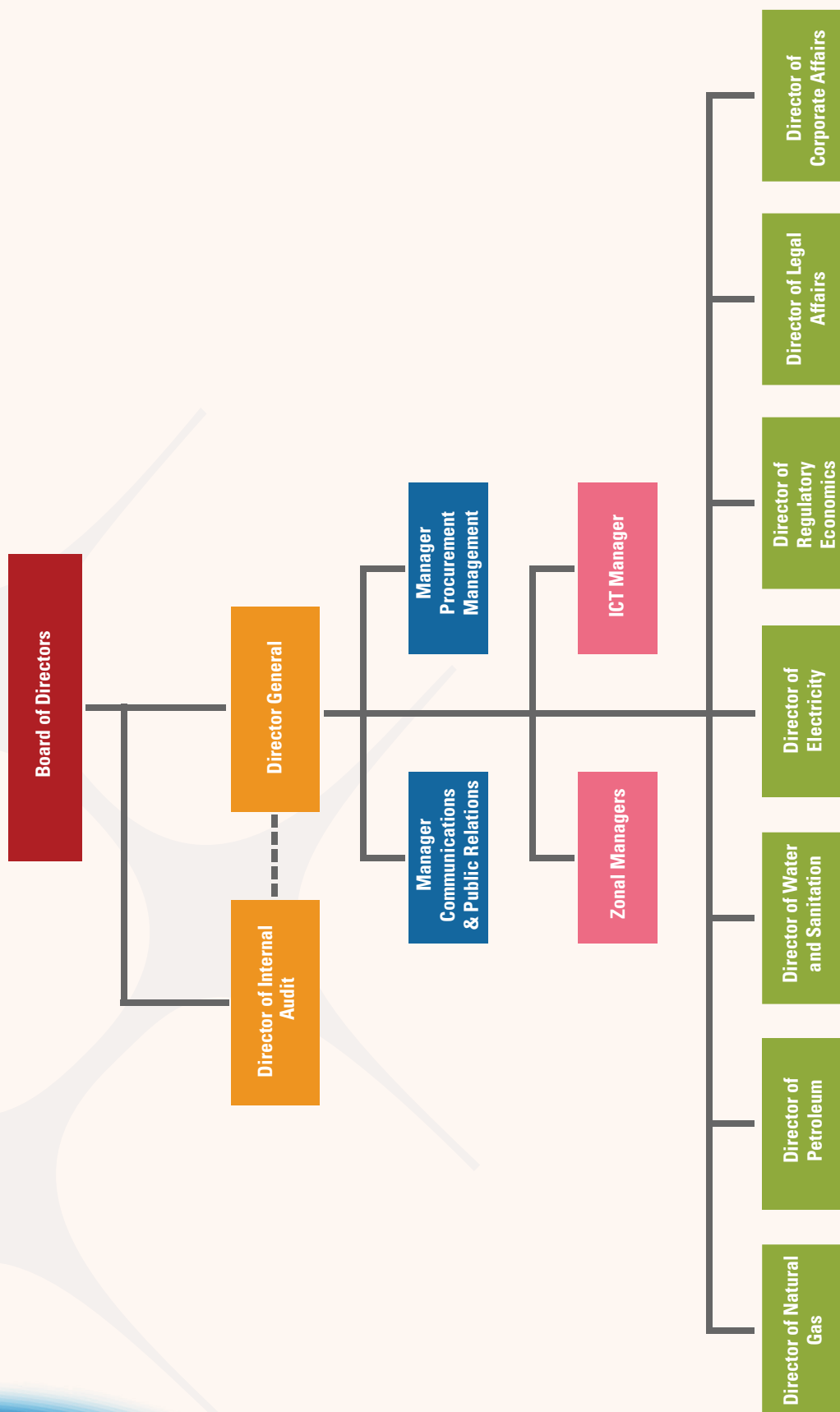
To fulfil its oversight responsibilities effectively, the Board has established four (4) Board Committees based on sectoral and crosscutting issues. These are Audit and Risk, Legal and Corporate Affairs, Energy; and Water.

### Management

The Director General is in charge of day-to-day management issues who is assisted by divisional directors and heads of units reporting to the Director General. The Director General is appointed under section 14 of the EWURA Act.

The Director General oversees eight (8) directorates namely;- Electricity, Petroleum, Natural Gas, Water and Sanitation, Regulatory Economics, Legal Affairs, Corporate Affairs and Internal Audit. The Director of Internal Audit reports to the Board on audit functions and to the Director General on administrative matters. Communications and Public Relations; Procurement Management, Information and Technology Communication and Zonal functions are headed by managers who report directly to the Director General.

**FIGURE 1: ORGANISATION STRUCTURE**



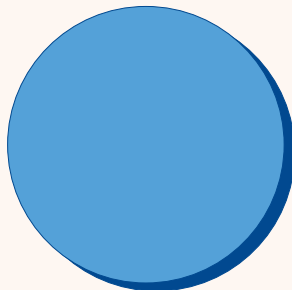
## BOARD OF DIRECTORS



Eng. Prof. Jamidu H.Y. Katima  
**Chairman**



Mr. Ahmad S.K. Kilima  
**Deputy Chairman**



**Vacant**



Mr. Richard Kayombo  
**Member**



Mr. Oswald R. Mutaitina  
**Member-Up to 31st March 2019**



Mr. Fadhil Manogi  
**Member**



Ms. Victoria Elangwa  
**Member**



Mr. Nzinyangwa E. Mchany  
**Member / Ag. Director General**



## MANAGEMENT



Mr. Nzinyangwa E. Mchany  
**Ag. Director General**



Mr. Stanley Mahembe  
**Director of Corporate Affairs**



Ms Kapwete John  
**Director of Legal Affairs**



Mr. Nzinyangwa E. Mchany  
**Director of Regulatory Economics**



Eng. Godfrey Chibulunje  
**Director of Electricity**



Mr. Gerald Maganga  
**Director of Petroleum**



Eng. Charles Omujuni  
**Director of Natural Gas**



Eng. Exaud Fatael  
**Director of Water & Sanitation**



Mr. Baptister Mgaya  
**Director of Internal Audit**



Mr. Titus Kaguho  
**Manager Communications  
and Public Relations**



Mr. Absalom Nnko  
**Manager Procurement Unit**



Mr. Mtumwa Simba  
**ICT Manager**



## DIRECTOR GENERAL'S STATEMENT

I am honoured and pleased to present the 13<sup>th</sup> Annual Report of the Energy and Water Utilities Regulatory Authority (EWURA) for the period covering 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019, which includes the Audited Financial Statements that summarizes the Authority's activities carried out during the year under review, achievements made and challenges facing the Authority.

EWURA has successfully undertaken various regulatory activities, with a clean audit record for the past 13 years of its operations since September 1<sup>st</sup>, 2006 with the role of overseeing economic and technical regulation of Energy (Electricity, Petroleum and Natural Gas) and Water sectors.

During the year under review, EWURA maintained Quality Management Systems (QMS) with a view to ensuring that the Authority's operational procedures for implementing its roles and functions continued to comply with internationally recognised standards (ISO 9001:2015)

Notably, the importation of petroleum products through the Bulk Procurement System (BPS) continued to expand with the successful additional entry of petroleum products through Mtwara port as the third entry of petroleum products imports. In this regard, EWURA continued to strengthen efficiency of supply of petroleum products by having three entry ports of Dar es Salaam, Tanga and Mtwara.

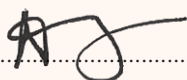
During the period under review, EWURA recorded various achievements, notably, in the electricity sub-sector; EWURA increased the level of inspections routines and created awareness to the electrical installation contractors.

In view of enhancing performance of regulated water utilities, EWURA issued revised evaluation criteria for classification of licences for Water Supply and Sanitation Service Providers (2018).

In the natural gas sub-sector, the Authority prepared eight (8) various rules governing the regulation of the natural gas sub-sector, that has kept growing in the recent years.

The Authority also conducted detailed trainings on preparation of Business Plans to 33 DTWSSAs and RNPWSSAs; and reviewed and approved three (3) Customer Service Charters from WSSAs; launched the Sector Performance Report for financial year 2017/18; and finally approved 47 charges and tariffs for WSSAs.

Finally, I would like to thank the EWURA Board of Directors, Management, staff and all our stakeholders in general for the highest commitment and supporting the Authority in fostering the social and economic welfare of our society.



Mr. Nzinyangwa E. Mchany

**Ag. Director General**

## CORPORATE GOVERNANCE

### Board of Directors

The Board of Directors of EWURA as the highest decision-making organ, established under Section 8 of the EWURA Act, Cap. 414 consists of seven members of which six are Non –Executive Members including the Chairman, while one is an Executive Member who is also the Director General.

The President of the United Republic of Tanzania appoints the Chairman of the Authority while the Minister responsible for EWURA appoints the remaining five non-executive members and the Director General after consultation with the relevant sector Ministers. All Board Members undergo intensive interview before their appointments

During the year under review, 20 Board Meetings were conducted; out of which 12 were, ordinary and eight (8) were extraordinary

### Board Committees

The committees of the Board of Directors are established in accordance with Section 21 of the EWURA Act, Cap. 414 to fulfil its oversight responsibilities. The Board has four Committees based on sectoral and crosscutting issues. They are Risk and Audit, Legal and Corporate Affairs, Energy; and Water Committees. During the period under review, there were 19 Committee meetings as shown in Table 1.

**Table 1: Board Committees Meetings**

S/n	Board Committee	Number of Meetings
1	Risk and Audit	6
2	Legal and Corporate Affairs	6
3	Energy (Formerly Electricity, Petroleum and Natural Gas	3
5	Water	4
<b>Total</b>		<b>19</b>

### Litigation

During the year under review, the Authority was a party to 27 legal suits of which 20 cases were determined to finality, 14 of them (70%) were in favour of the Authority, one (1) was withdrawn and six (6) cases were still pending at various registries of the High Court of Tanzania, and the Fair Competition Tribunal.

The Authority was also a party to one (1) labour case at the Commission of Mediation and Arbitration (CMA), which is also among the cases that were decided in favour of the Authority, during the year under review. However, the plaintiff has appealed to the High Court (Labour Division).

During the period under review, the case that was filed by Oryx Pamba Road Service Station against EWURA at the Resident's Magistrate Court in Mwanza, was called for revision before the Hon. Judge Sam Rumanyika of High Court, Mwanza and ruled in favour of EWURA. The decision empowered EWURA to close the facility for operating without a licence.

## Licensing

During the period under review, the Authority continued with issuance of various licenses on the regulated sectors where by the Authority issued to 540 licenses on Petroleum, four (4) on Electricity (Electricity Generation (Own Use), three (3) provisional licences and 20 registration certificates. There was one (1) license on Water Supply and Sanitation (class III licence) and one (1) Provisional Licence). During the year under review, the Authority issued 645 Electrical Installation Personnel licences.

## Complaints and Resolutions

The Authority attended various 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. During the period under review, the Authority received 251 complaints, of which, were from the petroleum sub-sector, 118 from the electricity sub-sector and 44 from the water and sanitation sector. Out of 251 complaints, 186 complaints were resolved.

## Internal Monitoring System

The Authority has established an Internal Monitoring System in line with relevant public-sector legislation and procedures. During the year under view, the internal administrative monitoring system realised through, among other things, financial controls and the Code of Conduct; and Internal Audit functions.

## Finance and Budget Administration

The Public Finance Act, 2002 and international financial best practices govern the Authority's financial matters. The Authority's Annual Plan and Budget were prepared in accordance with the Five Years Strategic Plan (FYSP) of 2017/18 – 2021/22 of the Authority and was based on Medium Term Expenditure Framework (MTEF).

## Procurement Management

The Authority has a Tender Board and Procurement Management Unit (PMU) established in accordance with the Public Procurement Act Cap. 410.

During the year under review, the Authority managed all procurements and disposal by Tender in accordance with Public Procurement (as amended in 2016) Act, 2011 where by Authority implemented 28 tenders from the Annual Procurement Plan compared to 29 tenders in 2017/18.

## Code of Conduct

The Authority's Code of Conduct binds both Members of the Board of Directors and Staff. The Code of Conduct explicitly underlines that the Authority has zero tolerance to fraud and corruption. In order to observe the code of conduct, the Authority has the Integrity Management Committee whose functions is to deal with matters related to corruption and conduct within the Authority.

## Internal Audit

During the year under review, the Internal Audit functions that entail giving assurance on risk management, control and governance processes were carried out in accordance with the Internal Audit Charter, Annual Audit Plan and International Standards for Professional Practices of Internal Auditing. During the period under review, the Authority witnessed a smooth running of various processes under the guidance of the Board of Directors. The Internal Audit activity continued to assist the Board and Management in ensuring that there is improvement in the effectiveness of risk management, control and governance processes.

## Risk Management and control

The Board continued to assume final responsibility for overseeing risk management and internal control system of the Authority. During the year under review, EWURA implemented risk management activities by identifying, assessing and managing risks.

The Risks Register was updated and staff awareness training on risk management was conducted. It is the role of the Board to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to mitigate operational and strategic risks and to provide reasonable assurance regarding: -

- (a) the effectiveness and efficiency of operations;
- (b) the safeguarding of the Authority's assets;
- (c) compliance with the applicable laws and regulations;
- (d) reliability of accounting records;
- (e) business suitability under normal as well as adverse conditions; and
- (f) responsible behaviours towards stakeholders.

## 2.0 GENERAL INSTITUTIONAL PERFORMANCE REVIEW

During the period under review, the Authority performed all the planned activities in line with the annual action plans. The performed activities related to regulatory matters are summarised below:

### 2.1 Staffing and Institutional Capacity Building

The Authority, at all times, aims to have dedicated, competent and adequate staff through competitive recruitment procedures and the provision of various capacity building programmes.

#### 2.1.1 Recruitment

During the year under review, the Authority maintained its recruitment policy by providing equal opportunity to all. In so doing, the Authority recruited the most appropriate candidates available in the market in a competitive and transparent manner to ensure that the functions and duties of the Authority were performed efficiently and effectively.

During the period under review, the Authority did not plan to recruit new staff. However, a total of 6 staff were recruited as replacement thus remaining with the same number of EWURA Staff (159), as it was in the previous financial year, out of 183 approved staff establishment.

**Table 2: Staff as at 30<sup>th</sup> June 2019**

Item	Male	Female	Total
Staff Complement	115	44	159
Proportion	72.33	27.67	100

#### 2.1.2 Capacity Building

In capacity building, the Authority enhanced knowledge of its staff in relation to regulatory, managerial and operational competencies of which 107 staff attended local training on general management, professional, secretarial practices and advanced drivers courses and office attendants' courses to improve their performance.

Additionally, the Authority in collaboration with the Tanzania Public Service College conducted awareness training on HIV/ AIDS and working life skills, good governance (corruption) and road safety to all the Authority staff.

### 2.2 Regional Co-operation and Collaboration

The Authority subscribed and participated in the activities of five Regional Associations namely, the Regional Electricity Regulators Association (RERA), the African Forum for Utility Regulators (AFUR), the Energy Regulators Association of East Africa (EREA), the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) and the African Refiners Association (ARA). 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.

## 2.2 Regulatory and Management Information Systems

The Authority's Information Communication and Technology (ICT) System continued to support regulatory functions to improve services delivery. It is the Authority's policy to ensure that the public is provided with timely and accurate information. The Authority's website provides access to regulatory information including publications of all decisions made by the Board.

The Authority maintain a system that enable public to get access of petroleum price at any point in Tanzania through mobile phone. Monthly fuel prices are uploaded in the website for public consumption. The prices can also accessed by dialling number **\*152\*00#**.

Further, the Authority maintained Licence and Order Information System (LOIS) that enabled many applicants who are using it to submit licence and tariff applications.

Document Management System (DMS) has also been operational and improved performance and security; electronic management for storage, archival and disposal of documents.

Furthermore, the Authority has implemented successfully video Conferencing System between Eastern Zone office (Dar es Salaam) and Headquarters (Dodoma) to facilitate meetings and improve efficiency.

## 2.3 Public Register

The Authority has established a Public Register, accessed by the public during office hours. The public register provides information for researchers and the public. Some of the information from the public register can also be obtained from the Authority's website.

## 2.4 Registry Operations

The registry continued to support the Authority's functions whereby both active and semi-active records were maintained by the Authority. An Electronic Document Management System (DMS) has facilitated registry operations.

## 2.5 Financial Performance Review

The Authority's operations were mainly financed through levy collected from regulated service providers. Other sources of financing included: licence fees, application fees and penalties. Total operating revenue in 2018/19 amounted to TZS 48.1 billion compared to TZS 44.8 billion in year 2017/18 indicating an increase of 7% as shown in **Table 3**.



**Table 3: Summary of Financial Performance**

Item	Amount for the Year Ended 30 <sup>th</sup> June, 2019	Amount for the Year Ended 30 <sup>th</sup> June, 2018	%Increase/ (Decrease)
	TZS'000	TZS'000	%
<b>Income from Levy and Licences</b>	47,181,284	43,835,770	8
<b>Other Income</b>	<u>925,821</u>	<u>951,749</u>	(3)
<b>Total Income</b>	<b><u>48,107,105</u></b>	<b><u>44,787,519</u></b>	7
<b>Re-current Expenditure</b>	45,646,128	43,765,963	4
<b>Capital Expenditure</b>	<u>394,944</u>	<u>3,811,681</u>	(90)
<b>Total Expenditure</b>	<b><u>46,041,072</u></b>	<b><u>47,577,644</u></b>	(3)

## 2.7 KEY ACHIEVEMENTS

### 2.7.1 Key achievements attained during the year under review, the Authority:-

- Reviewed various regulatory tools and developed new ones, in total the Authority reviewed and developed 25 regulatory tools, of which 12 were for Natural Gas, seven (7) for electricity, and six (6) for petroleum. The Authority also participated in reviewing the EWURA Act; the Water Supply and Sanitation Act; and the Petroleum Act.
- The Authority continued to conduct monitoring of the Bulk Procurement System (BPS) of petroleum products and facilitated its operations, including introduction of Mtwara as the third port for importation of petroleum products through BPS.
- The Authority continued to conduct monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure.
- The Authority continued to cooperate with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA), Tanzania Ports Authority (TPA), Weight and Measures Agency (WMA) and Police Force on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest.
- The Authority revised business plans to 32 WSSAs of Babati, Iringa, Mwanza, Lindi, MANAWASA, Mkuranga, Bunda, Mbeya, Mpanda, Ludewa, Makete, Sengerema, Maswa, Ushirombo, HTM, Muheza, Magugu, Rujewa, Mugango – Kiabakari, Ngudu, Mbinga, Mugumu, Biharamulo, Magu, Tanga, Arusha, Nansio, Karatu, Ngaramtoni, Usa river, Mbulu and Same WSSAs.
- The Authority continued with licensing activities on the regulated sectors where 1,208 licences were issued to regulated suppliers, 544 in Petroleum, 8 in Electricity (3 provisional licences and 5 generation licence), 2 in Water and Sanitation (1 class III licences and 1

Provisional Water Supply and Sanitation license) and 654 for Electrical Installation Personnel licences.

- g) The Authority approved rates and charges to 47 Water Supply and Sanitation Authorities.
- h) 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. During the year under review, the Authority received 251 complaints, 24 in the petroleum sub-sector, 118 in the electricity sub-sector and 44 in the water and sanitation sector were resolved. At the end of the year, 186 complaints were resolved and 65 complaints were at various stages of mediation and hearing.
- i) The Authority successfully continued to conduct 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.
- j) The Authority made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), Government Consultative Council (GCC) and the Treasury as required by the law.
- k) The Authority paid annual subscriptions and attended to various professional forums including Platts/McGraw Hill, African Refineries Association (ARA), Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), Regional Electricity Regulators Association (RERA), Independent Regulatory Board - East African Power Pool (IRB-EAPP), African Forum of Utility Regulators (AFUR), Institute of Internal Auditors (IIA), Tanganyika Law Society (TLS), National Board of Auditors and Accountants (NBAA) and Tanganyika Library Association.
- l) The Authority continued to finance the construction of EWURA Headquarters in Dodoma, whereby 62% was completed during the period under review.

## 2.8 KEY CHALLENGES AND THE WAY FORWARD

The Authority encountered various challenges in the course of discharging its functions during the year under review. Key challenges encountered included the following: -

- a) High petroleum products prices at the world market is causing economic risk to the country. The Authority will continue monitoring the trend of World market prices and implementing various mechanisms that will shield the country from the negative impacts of world market prices.
- b) Inadequate capacity of the WSSAs to prepare Business Plans, in compliance with EWURA Business Plan Guidelines, continues to be a challenge. The Authority will continue to provide capacity building to WSSAs on preparation of business plans.
- c) The size of the country and its population is a challenge on public knowledge regarding rights and obligations of consumers and those of the regulated suppliers. EWURA shall continue to strengthen implementation of Public Awareness Programme to address this challenge.



- d) Service delivery of petroleum products in remote areas remains to be a challenge since there are no reliable petrol stations in these areas. The Authority is in the process to introduce mobile petrol stations that will cater for the rural population.
- e) Increased operational costs as compared to available financial resources. The Authority is contemplating on how best the available resources will be shared to make sure that operations run smoothly.

The Authority is committed to continue addressing these challenges for improved performance in the years ahead.

## 3.0 ENERGY SUB-SECTOR REGULATION

The Energy and Water Utilities Regulatory Authority (EWURA) is mandated to regulate three energy sub-sectors, namely electricity, petroleum, and natural gas. The regulation is both technical and economic: and the following sections are details of performances of each individual sub-sectors.

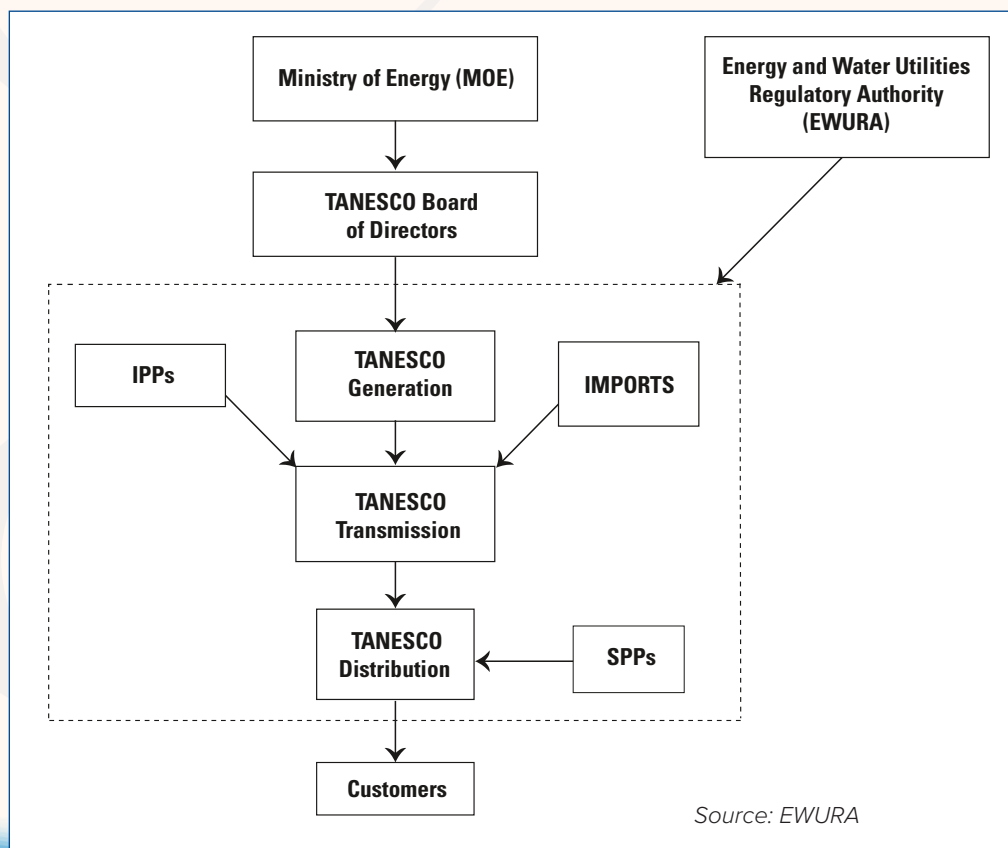
### 3.1 ELECTRICITY SUB-SECTOR

#### 3.1.1 Overview

Regulatory activities performed by EWURA in the electricity supply industry during the year under review were issuing licences and compliance monitoring. In compliance monitoring, EWURA inspected infrastructure of regulated entities which, included power-generating plants, power transmission lines, distribution substations and lines.

EWURA is empowered to regulate the Tanzania Electric Supply Company Limited (TANESCO) which currently dominates the electricity supply industry in Tanzania. TANESCO owns and carries out generation, transmission and distribution of electricity up to the final consumers; and sells electricity in bulk to Zanzibar Electricity Corporation (ZECO) through submarine cables to Unguja and Pemba Islands. Other players include the Songas (Independent Power Producer) and Small Power Producers (SPPs) as shown in **figure 2**.

**Figure 2: Current Electricity Supply Industry Structure**



Currently, 10 entities are actively carrying out power generation activities. These are TANESCO Limited, Songas Tanzania Limited, Mwenga Hydropower Limited (MHL), Tanzania Wattle Company (TANWAT), Tanganyika Planting Company Limited (TPC), Andoya Hydro Electric Power Company Limited, Tulila Hydroelectric Power Company Limited, Yovi Hydropower Company Limited, Darakuta Hydropower Development Company Limited and Matembwe Village Company Limited. Service providers actively carrying out distribution and supply activities are TANESCO Limited, Andoya Hydro Electric Power Company Limited, Mwenga Hydropower Limited and Solar Photovoltaic Mini Grids operators. The power transmission services are still undertaken by TANESCO only.

### 3.1.2 Generation Capacity

Based on Daily Systems Operation reports received from TANESCO, the Authority ascertained that the installed capacity in the Main Grid to be 1,565.72 MW and Isolated Grid was 55 MW as at 30<sup>th</sup> June 2019. The increase from last year 1,461.06 MW is mainly attributed by commissioning of Kinyerezi III Combined Cycle Gas Power Plant to reach its ultimate capacity of 248 MW. The Maximum Demand attained was 1,116.58 MW, recorded on 30<sup>th</sup> November 2018. The installed capacity of isolated grid has been reduced to 34.20 MW from 55 MW of last financial year.

**Table 4: Electricity Generation and Imports**

No.	Utility	Electricity Generation and Imports [GWh]	Percentage of Contribution [%]
1	TANESCO	5,595.15	77.85%
2	Songas	1,515.06	19.74%
3	Small Power Producers	64.08	0.83%
4	Cross Border Imports	121.13	1.58%
	<b>Total</b>	<b>7,675.41</b>	<b>100%</b>

Source: EWURA

### 3.1.3 Generation Mix

During the period under review, the contribution of hydropower and biomass in the electricity generation mix remained the same 31.4% and 0.2%, respectively, while natural gas increased from 64.1% to 65.7%, and liquid fuel decreased from 3.75% to 1.1%.

## 3.2 Licensing

In the Electricity sub-sector licensing activities conducted during the period under review included issuance of licenses to power supply operators and electrical installation personnel.

### 3.2.1 Power Supply Licensing

During the period under review, the Authority approved eight (8) generation licences of which five (5) were for operational generation own use and three (3) provisional generation licences, with a total generation capacity of 97.49 MW for own use operational licences and 56.40 MW generation potential for provisional licences, compared with seven (7) licences issued in the last Financial Year with 150 MW potential generation capacity.

### 3.2.2 Power Supply Registration

Service providers of electricity services conducting generation, distribution and supply with capacity below 1 MW are not required by the law to be licensed, however, they are required to be registered by the Authority. During the period under review, the Authority registered two service providers conducting generation and distribution activities at different rural sites within the Mainland Tanzania. 28 sites with installed capacity of 515 kW owned by PowerGen Energy Ltd and 10 sites with installed capacity of 276 kW owned by Powercorner Ltd were registered.

### 3.2.3 Electrical Installation Licences

During the year under review, the Authority received 659 licence applications for electrical installations personnel as compared to 553 licence applications received in the last financial year, which shows an increase of 16%. During the period under review, 654 licences were issued to successful applicants while 5 were not approved due to various reasons including inadequate and improper qualifications as well as experience for the Class applied.

**Table 5: Electrical Contractors and Wiremen license applied and issued**

S/No	Licence Class	Licence Description	Licences Issued
1	A		15
2	B		59
3	C		289
4	D		233
5	W	Wiremen	52
6	S1		0
7	S2		1
8	S3		3
9	S4		0
10	L	Live line	2
<b>TOTAL LICENCES ISSUED</b>			<b>654</b>

Source: EWURA

## 3.3 Compliance Monitoring

During the year under review, the Authority conducted various electricity compliance monitoring as detailed hereunder.

### 3.3.1 Monitoring and Inspection

During the Financial Year under review, the Authority conducted routine inspections on Low Voltage (LV) and Medium Voltage (MV) distribution networks. The inspections were conducted in 25 regions of Arusha, Coast, Geita, Iringa, Kagera, Katavi, Kigoma, Kilimanjaro, Kinondoni North, Kinondoni South, Manyara, Mara, Mtwara, Mbeya, Mwanza, Njombe, Rukwa, Ruvuma, Shinyanga, Simiyu, Singida, Songwe, Tanga, Tabora, and Temeke.

The defects found during inspection were: rotten poles; lack of boundary energy meters for determining the amount of energy sent to a specific District/ Region; unavailable and unrealistic data for calculating reliability indices; missed customer service data in TANESCO System Data Management (SDM). The Authority also found that energy meters installed at secondary distribution substations were not working. There was higher numbers or duration of unplanned outages; and none adherence to customer service charter, which include delays for new customers connections; lack of single line diagram for power distribution network; a long list of pending customers' connection; and non-adherence for planned maintenance due to lack of required materials to some of TANESCO districts.

### 3.3.2 Reporting System

Pursuant to Section 15(4) of the Electricity Act, 2008, every electricity service provider is required to submit to the Authority, data and information relating to performance of its functions. During the period under review, the Authority continued to receive and maintain periodic data submitted by licensed power utilities.

## 3.4 Small Power Projects Tariff Review

EWURA in consultation with the key stakeholders reviewed the Small Power Projects (SPP) Framework in order to address concerns raised by TANESCO. The Working Group on Small Power Projects Development met to review and approve the Standardised Small Power Purchase Tariff (SPPT) for 2019. The SPPT for 2019, which were effective from 1<sup>st</sup> May 2019 as shown in the **Tables** below. Under the new framework the Very Small Power Projects (VSPP) are required to charge tariffs approved by the Authority.

**Table 6 (A): Approved Tariff for the SPPs selling to the Main Grid under the 2<sup>nd</sup> Generation SPP Framework (using Technology Specific Tariff)**

Capacity	Mini Hydro	Wind	Solar	Biomass	Bagasse
	USc/kWh)	USc/kWh)	USc/kWh)	USc/kWh)	USc/kWh)
0.1- 0.5 MW	10.65	10.82	10.54	10.15	9.71
0.51- 1 MW	9.90	9.95	9.84	9.34	9.09
1.01- 5 MW	8.95	9.42	9.24	8.64	8.56
5.01- 10 MW	7.83	8.88	8.34	7.60	7.55

**Table 6 (B): Approved Tariff for the Main Grid Connection under the 1<sup>st</sup> Generation SPP Framework (using Avoided Cost Tariff)**

Description		2019 Tariff (TZS/kWh)	Approved Tariff Effective 1 <sup>st</sup> May 2019 (TZS/kWh)	Percentage Change
Standardized Small Power Purchase Tariff		203.11	<b>203.11</b>	0%
Seasonally adjusted Standardized SPPT Payable in	Dry season	243.73	<b>243.73</b>	0%
	Wet season	182.80	<b>182.80</b>	0%

The Authority also determined tariffs that will be applicable to Solar and wind projects with a capacity of up to 1MW. Key assumptions for determination of Tariffs for VSPPs are as shown in Table below.

**Table 7: Key assumptions for Determination of Tariffs for VSPPs**

Item	Value
Installed Capacity	Energy produced shall not be more than the energy required to meet the demand for four years.
Return on Equity	18.5%
Cost of Debt	Not more than 9.0%
Debt to Equity Ratio	70:30
OPEX	Not more than 8% of the CAPEX
Capacity Factor	
Micro/Mini-Hydro	Not less than 55%
Biomass	Not less than 85%
Solar	Not less than 23%
Wind	Not less than 25%
Capacity Deregulation	0.5%
Depreciation Method	Straight Line Method
Depreciation Period	20 Years

### 3.5 Regulatory Tools

During the period under review, EWURA reviewed and updated the following Rules:-

- The Electricity (Development of Small Power Projects) Rules, 2018, GN No. 481 of 2018, published on 31<sup>st</sup> August, 2018;
- Electricity (Generation, Transmission & Distribution Activities) Rules, 2018, Government Notice No. 287 published on 12<sup>th</sup> April, 2019;
- The Electricity (Electrical Installation Services) Rules, 2019, GN. No. 382, published on 10<sup>th</sup> May 2019;
- The Electricity (Supply Services) Rules, 2019, GN. No. 387, published on 10<sup>th</sup> May 2019;
- The Electricity (Procurements of Power Projects and Approval of Power Purchase Agreements) Rules, Government Notice No. 453 published on 14<sup>th</sup> June 2019;
- The Electricity (Development of Small Power Projects) Rules, 2019, GN No. 462 of 2019, published on 21<sup>st</sup> June, 2019; and
- The Electricity (Standardized Small Power Projects Tariff) Order, 2019, GN No. 464, published on 21<sup>st</sup> June 2019.

### 3.6 Health, Safety and Environmental Matters

EWURA continued to sensitize electricity service providers on the need to keep their power supply facilities and workplaces at the highest level of safety. The service providers were reminded to disseminate information to the public on the safe use of electricity and abide with HSE when conducting their operations.

To ensure compliance to HSE, EWURA carried out inspection of power supply facilities, including power stations, substations; and distribution lines. Several challenges were noted, including aged power stations (e.g. in Hale and Nyumba ya Mungu hydro power plants), aged Power Distribution Networks (e.g. Kilimanjaro Region) and low vertical clearance of power distribution lines.

Unprotected transformers, transformers mounted below the minimum standard height required of 2.5m from the ground level, and missing stay insulators in some of feeders and substations were some of the defects established by the Authority.



## **4.0 REGULATION OF THE MID AND DOWNSTREAM PETROLEUM SUB-SECTOR PERFORMANCE**

### **4.1 Overview**

During the Financial Year 2018/19, the Authority continued to undertake technical and economic regulatory roles in the mid and downstream petroleum sub-sector in mainland Tanzania as per EWURA Act and Sector legislation.

The Authority continued to oversee the implementation of the Bulk Procurement System (BPS), ensuring at all times there were availability of supply of petroleum products with right quality specifications and at the prices set by EWURA. The Authority also continued to foster competition in the sub-sector and ensured that petroleum handling infrastructures and petroleum operations are compliant to the applicable laws, approved standards and the best petroleum industry practices.

During the year under review, BPS performed well as 82 BPS tenders successfully supplied products making no part of the country that suffered shortage of petroleum products. Petroleum operators continued to sell petroleum products within the cap prices set by the Authority. The monitoring activities showed that, the products offered for sale met TBS specifications and most of the petroleum handling infrastructures and petroleum operations were compliant to the applicable laws, approved standards and the best petroleum industry practices.

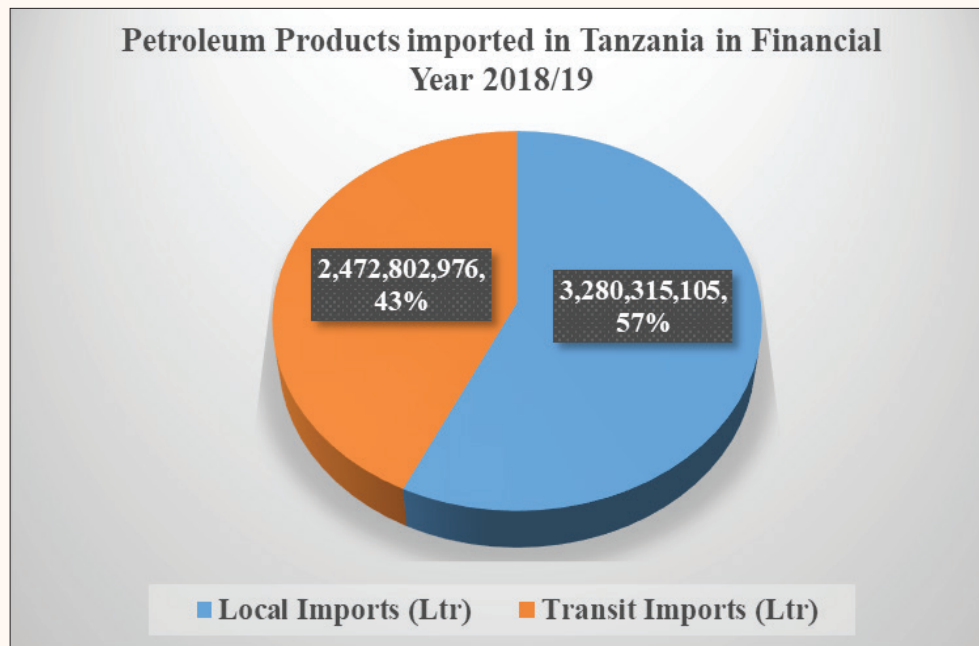
### **4.2 Petroleum Products Supply and Stock Monitoring**

#### **4.2.1 Petroleum Products Imports**

During the period under review, 5,753,118,081 liters of petroleum products were imported into the country through Dar es Salaam, Tanga and Mtwara ports. The importation in the period under review, decreased by 4% compared to 5,993,954,008 liters of petroleum products that were imported in the previous financial year. The volume imported for local market was 3,280,315,105 liters (equivalent to 57% of the total imports) while the volume imported and transited to neighbouring countries was 2,472,802,976 liters (equivalent to 43% of the total imports). Despite of slightly decrease in the total volume imported, the trend showed that, the volume of diesel (AGO) and Jet A1 continued to increase in each year as shown below.



**Figure 3: Petroleum Products Imports**



**Table 8: Petroleum Products Imports for the Local Market during FY 2018/19**

MONTH	AGO (Lt)	PMS (Lt)	IK (Lt)	JET A1 (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-18	151,662,966	68,807,490	1,907,724	16,230,252		238,608,431
Aug-18	194,445,718	71,963,112	4,554,744	32,505,821		303,469,395
Sep-18	106,810,171	63,591,461	-	-	-	170,401,632
Oct-18	105,100,634	82,278,578	6,069,085	40,488,636	-	233,936,932
Nov-18	102,456,265	63,558,269	3,369,441	16,462,470	9,611,630	195,458,075
Dec-18	145,875,577	87,656,965	5,093,335	16,864,861		255,490,738
Jan-19	107,747,828	164,422,297	3,803,282	11,771,020		287,744,426
Feb-19	228,055,234	92,909,535	1,752,820	13,857,846	2,009,201	338,584,636
Mar-19	135,843,451	81,199,751	-	-	4,576,169	221,619,371
Apr-19	158,197,975	75,736,794	1,346,832	12,805,373		248,086,974
May-19	142,273,191	79,844,652	3,654,979	23,054,946		248,827,768
Jun-19	154,402,230	97,255,019	2,635,703	14,491,367		268,784,320
Add: Localized Jul-18 to June-19	155,287,668	103,148,100	7,610,704	3,255,934		
<b>TOTAL</b>	<b>1,888,158,907</b>	<b>1,132,372,023</b>	<b>41,798,650</b>	<b>201,788,526</b>	<b>16,197,000</b>	<b>3,280,315,105</b>
FY 2017/18	1,800,181,865	1,232,316,593	39,544,608	187,210,141	36,887,109	3,296,140,316
<b>% CHANGE</b>	<b>4.9%</b>	<b>-8.1%</b>	<b>6%</b>	<b>7.8%</b>	<b>-56.1%</b>	<b>-0.5%</b>

Source: EWURA

**Table 9: Petroleum Products Imports transited to Neighbouring Countries during FY 2018/19**

MONTH	AGO (Lt)	PMS (Lt)	JETA1/IK (Lt)	HFO (Lt)	TOTAL (Lt)
Jul-18	142,958,655	79,122,077	23,352,109		245,432,842
Aug-18	180,691,191	115,657,770	29,832,595	4,145,848	330,327,404
Sep-18	118,409,005	94,759,588	-		213,168,593
Oct-18	170,610,545	30,349,587	35,408,085		236,368,217
Nov-18	127,953,470	67,489,833	13,658,633		209,101,936
Dec-18	107,494,026	29,630,147	13,465,075		150,589,248
Jan-19	90,930,094	109,509,074	14,657,666		215,096,834
Feb-19	205,448,686	92,955,998	15,290,204	6,830,287	320,525,175
Mar-19	142,473,616	83,098,431	-	-	225,572,047
Apr-19	122,028,524	66,013,729	18,731,342		206,773,595
May-19	140,815,098	54,227,574	26,361,930		221,404,602
Jun-19	91,986,620	66,205,093	9,553,177		167,744,890
Less: Localized Jul-18 to June-19	155,287,668	103,148,100	10,866,638		
<b>TOTAL</b>	<b>1,486,511,863</b>	<b>785,870,800</b>	<b>189,444,178</b>	<b>10,976,135</b>	<b>2,472,802,976</b>
FY 2017/18	1,595,459,131	963,072,575	130,806,963	8,475,024	2,697,813,693
<b>% CHANGE</b>	<b>-7%</b>	<b>-18%</b>	<b>45%</b>	<b>30%</b>	<b>-8%</b>

Source: EWURA

#### 4.2.2 Petroleum Products Stock Monitoring

During the period under review, the Authority continued to monitor stock levels of the petroleum products to ensure that at all times; the country had adequate supply of petroleum products. There was no any *stock out* incident of petroleum products.

#### 4.2.3 Liquefied Petroleum Gas (LPG) Imports

The Authority continued to monitor imports of LPG in the country. During the period under review, **145,800** MT of LPG were imported into the country, an increase of 21% as compared to **120,961** MT imported in the last financial year. This indicates that, the LPG market continues to grow as shown below.

**Table 10: LPG Imports and Consumption**

MONTH	MT
Jul-18	12,125
Aug-18	10,043
Sep-18	12,856
Oct-18	13,818
Nov-18	6,126
Dec-18	21,746
Jan-19	13,850
Feb-19	11,868
Mar-19	5,092
Apr-19	14,008
May-19	15,395
Jun-19	8,874
<b>FY2018/19</b>	<b>145,800</b>
FY2017/18	120,961
<b>% Change</b>	<b>21%</b>

Source: EWURA

#### 4.2.4 OMCs Sales Performance and Market Shares

In the period under review, the Authority continued to monitor OMCs' sales. The aim was to establish the level of competition in the industry. OMCs sales in the period under review was 3,386,642,738 litres, which is an increase of 5% compared to 3,226,961,390 litres sold in the previous financial year. The figures show that, consumption of Diesel that is main source of energy for economic activities such transportation increased by 6% as compared to consumption at the previous financial year. However, consumptions of Heavy Fuel Oil (HFO) and Kerosene continued to decrease because the demand of HFO for power generation had decreased.

The petroleum market in the country remained competitive and fairly distributed among different oil marketing companies. The market had oligopoly structure with six OMCs (Puma (15.3%), Oryx (12.7%), GBP (12.6%), Total (9.8%), Camel Oil (6.2%) and Moil (6.0%)) dominating 62.6% of the total market. Although, few firms dominated, there were many small firms, which operated in the market as well. The Annual sales for diesel remained the highest (56%), followed by petrol (35%), Jet A1 (6%), HFO (1%) and Kerosene (1%).

**Table 11: Petroleum Sales Market Shares: July 2018- June 2019**

NAME OF OMC	AGO (LT)	PMS (LT)	IK (LT)	HFO (LT)	JET A1 (LT)	IDO (LT)	TOTAL (LT)	MARKET SHARE
PUMA	256,401,899	88,359,700	659,500	5,548,202	166,976,562	-	517,945,863	15.3%
ORYX	282,342,988	127,500,091	6,108,519	11,924,066	-	535,939	428,411,603	12.7%
GBP	239,561,609	180,171,434	8,365,956	-	-	-	428,098,999	12.6%
TOTAL	185,745,615	103,443,787	8,329,050	15,744,050	18,567,238	40,000	331,869,740	9.8%
CAMEL OIL	119,472,706	86,324,880	-	4,537,079	-	-	210,334,665	6.2%
MOIL	117,318,857	85,590,700	1,229,750	-	-	-	204,139,307	6.0%
OILCOM	77,663,278	74,519,459	11,794,516	-	28,390,532	-	192,367,785	5.7%
MT.MERU	80,744,465	59,977,961	2,150,887	-	-	-	142,873,313	4.2%
LAKEOIL	75,568,586	62,372,156	-	-	-	-	137,940,742	4.1%
STAR OIL	74,925,468	59,447,212	-	-	-	-	134,372,680	4.0%
ACER	60,433,705	62,183,746	-	-	-	-	122,617,451	3.6%
GAPCO	48,246,220	62,210,700	1,143,100	-	2,540,785	-	114,140,805	3.4%
ENGEN	35,501,565	18,690,870	176,000	-	-	-	54,368,435	1.6%
MOGAS	22,767,633	27,451,631	143,687	-	-	-	50,362,951	1.5%
BARREL PETRO ENERGY	28,295,079	16,338,165	-	-	-	-	44,633,244	1.3%
PETROFUEL	41,363,430	-	-	-	-	-	41,363,430	1.2%
HASS	27,418,512	9,804,240	60,000	-	-	-	37,282,752	1.1%
AFROIL INVESTMENT	25,867,810	11,984,454	-	-	-	-	37,852,264	1.1%
APEL	19,329,500	13,865,500	-	-	-	-	33,195,000	1.0%

DALBIT	17,860,499	11,806,706	2,410,501	-	-	-	-	-	32,077,706	0.9%
OLYMPIC	15,746,000	13,547,000	-	-	-	-	-	-	29,293,000	0.9%
ATN	9,569,285	10,078,538	-	-	-	-	-	-	19,647,823	0.6%
PETROAFRICA	18,365,500	-	-	-	-	-	-	-	18,365,500	0.5%
UNITED GROUP	12,897,859	-	-	-	-	-	-	-	12,897,859	0.4%
OTHERS	9,215,033	974,788	-	-	-	-	-	-	10,189,821	0.3%
<b>TOTAL</b>	<b>1,902,623,101</b>	<b>1,186,643,718</b>	<b>42,571,466</b>	<b>377,53,397</b>	<b>216,475,117</b>	<b>575,939</b>	<b>0%</b>	<b>3,386,642,738</b>	<b>100.0%</b>	
<b>% Contribution</b>	<b>56%</b>	<b>35%</b>	<b>1%</b>	<b>1%</b>	<b>6%</b>	<b>0%</b>	<b>100%</b>			

Source: EWURA

## 4.3 Petroleum Products Prices

### 4.3.1 Crude Oil Prices

During the year under review, the Authority continued to monitor closely the world market prices for both crude oil and refined petroleum products as published by Platt's Oilgram. Mediterranean (MED) market continued to be a source for petrol world oil prices whereas Arabian Gulf (AG) market was a source of diesel and Jet A1/Kerosene oil prices. During the financial under review, prices of crude oil in the world market continued to fluctuate. The average crude oil price was USD 69 USD/BBL, which is an increase of 8% compared to USD 64 USD/BBL in the previous financial year.

**Table 12: Monthly Average Crude Oil World Market Price Trends FY 2018/19.**

PERIOD	CRUDE OIL PRICE, BRENT BLEND (USD/BBL)
Jul-18	75
Aug-18	74
Sep-18	79
Oct-18	81
Nov-18	66
Dec-18	58
Jan-19	60
Feb-19	64
Mar-19	67
Apr-19	72
May-19	70
Jun-19	60
<b>FY2018/19</b>	<b>69</b>
FY2017/18	64
<b>% Change</b>	<b>8%</b>

Source: EWURA

### 4.3.2 Refined Petroleum Products Prices in the World Market.

The Authority continued to monitor movement of refined petroleum products prices in the world market. In the period under review, average Freight On board (FOB) prices for refined petroleum products in the world market stood at 646 USD/MT for Petrol, 622 USD/MT for Diesel and 635 USD/MT for JetA/K. The FOB prices in the last financial year were 572 USD/MT for Petrol, 521 USD/MT for Diesel and 545 USD/MT for JetA/K. The average world market prices for Petrol, Diesel and Kerosene rose by 13%, 19% and 16% respectively compared to last financial year, as can be shown here under:-

**Table 13: Refined Petroleum Products World Market Prices in FY 2018/19.**

Month	Petrol (USD/MT)	Diesel (USD/MT)	Kerosene (USD/MT)
Jul-18	718	674	633
Aug-18	710	655	691
Sep-18	710	639	673
Oct-18	711	653	673
Nov-18	712	699	693
Dec-18	707	721	756
Jan-19	635	606	644
Feb-19	520	501	542
Mar-19	496	516	543
Apr-19	<b>543</b>	582	543
May-19	610	600	605
Jun-19	677	618	625
<b>FY2018/19</b>	<b>646</b>	<b>622</b>	<b>635</b>
FY2017/18	572	521	545
<b>% Change</b>	<b>13%</b>	<b>19%</b>	<b>16%</b>

Source: EWURA

#### 4.3.3 Petroleum Products Local Market Prices

In the period under review, the Authority pursuant to the Petroleum (Price Setting) Rules continued to set and publish on monthly basis cap prices for the three main petroleum products, petrol, diesel and kerosene. The prices published are Wholesale cap Prices ex-Dar es Salaam, Tanga and Mtwara and retail pump prices in all districts and major towns in Tanzania Mainland.



**Table 14: Dar es Salaam Pump Prices Trend in FY 2018/19.**

Month	Petrol (Tsh/Lt)	Diesel (Tsh/Lt)	Kerosene (Tsh/Lt)
Jul-18	2,409	2,329	2,192
Aug-18	2,384	2,292	2,271
Sep-18	2,373	2,273	2,247
Oct-18	2,368	2,304	2,247
Nov-18	2,396	2,385	2,280
Dec-18	2,436	2,436	2,368
Jan-19	2,295	2,224	2,202
Feb-19	2,120	2,080	2,046
Mar-19	2,098	2,131	2,096
Apr-19	2,147	2,192	2,096
May-19	2,233	2,181	2,109
Jun-19	2,353	2,220	2,180
<b>FY2018/19</b>	<b>2,301</b>	<b>2,254</b>	<b>2,195</b>
FY2017/18	2,120	2,004	1,975
<b>% Change</b>	<b>9%</b>	<b>12%</b>	<b>11%</b>

Source: EWURA

#### 4.3.4 Exchange Rates

The strength of Tanzania Shilling against US Dollar has a direct influence on the petroleum products local market prices. The Bank of Tanzania (BOT) continued to provide the Authority in each month the USD exchange rates that OMCs used to buy dollars for importing petroleum products. Based on that information, the Authority established average exchange rate for each month. As seen in the here under the strength of Tanzania Shilling decreased by 3% compared to the previous financial year.

**Table 15: Monthly Exchange Rates Trend for the FY 2018/19 and FY 2017/18.**

FY 2018/19	Applicable Exchange rate (TSH/USD)	FY 2017/18	Applicable Exchange rate (TSH/USD)
Jul-18	2,294	Jul-17	2,249
Aug-18	2,287	Aug-17	2,244
Sep-18	2,289	Sep-17	2,244
Oct-18	2,294	Oct-17	2,254
Nov-18	2,300	Nov-17	2,256
Dec-18	2,312	Dec-17	2,245
Jan-19	2,334	Jan-18	2,242
Feb-19	2,378	Feb-18	2,251
Mar-19	2,437	Mar-18	2,268



Apr-19	2,349	Apr-18	2,273
May-19	2,270	May-18	2,286
Jun-19	2,270	Jun-18	2,304
<b>Average Exch. Rate (TSH/USD)</b>	<b>2,318</b>		<b>2,260</b>
<b>% Change</b>		<b>3%</b>	

Source: BOT

#### 4.3.5 Petroleum Bulk Procurement System (BPS)

The Authority continued to oversee the implementation of Bulk Procurement System (BPS) in order to ensure compliance of the same to the BPS Regulations, the volumes of petroleum products to be procured was sufficient to cater the country petroleum products requirements and there is transparency in all floated BPS tenders to foster competition.

During the period under review, 82 contracts were awarded to the winning suppliers as shown here under

**Table 16: BPS Tenders Winners and Number of Tenders Won for the FY 2018/19.**

S.No	BPS Tender Winner	No.Tender Won	%
1	SAHARA ENERGY (T) LTD	38	46%
2	ADDAX ENERGY SA	23	28%
3	AUGUSTA ENERGY SA	8	10%
4	TOTALS TOTAL OIL TRADING SA	7	9%
5	TRAFIGURA PTE LTD	5	6%
6	ALCHEMIST ENERGY TRADING DMCC	1	1%
<b>TOTAL BPS Tender</b>		<b>82</b>	<b>100%</b>

Source: EWURA

**Table 17: Average Premiums for the FY 2018/19**

AVERAGE PREMIUM	AGO (USD/MT)	PMS (USD/MT)	JET A-1(USD/MT)	IK(USD/MT)
FY2018/19	34.36	32.58	43.13	43.13
FY2017/18	22.50	31.56	37.48	38.05
<b>% Change</b>	<b>53%</b>	<b>3%</b>	<b>15%</b>	<b>13%</b>

Source: EWURA

## 4.4 Compliance Monitoring

During the year under review, the Authority continued to undertake monitoring programmes to ensure that operators and operations in the mid and downstream petroleum sub-sector comply with applicable laws, licensing conditions, standards, Health, Safety and Environment (HSE) requirements; and the petroleum industry best practices.

#### 4.4.1 Inspections to Monitor Compliance

During the period under review, the Authority inspected 776 petroleum facilities to check their compliance with applicable laws, licensing conditions, standards, Health, Safety and Environment (HSE) requirements and the petroleum industry best practices. Out of the 776 facilities inspected, 695 facilities found operating while 81 facilities were not operating. Out of 695 facilities found operating, 498 equivalent to 71.65% complied with requirements. Compliance has decreased compared to the previous financial year where 658 facilities inspected, 516 equivalent to 78.42% complied with requisite requirements.

In addition, during the period under review, 60 petroleum facilities were under construction without construction approvals from the Authority. The Authority took punitive measures against operators of facilities. The Authority will continue to intensify regular, surprise inspections; and continue conducting awareness programmes.

#### 4.4.2 Inspections to Monitor Petroleum Products Quality

During the financial year under review, the Authority collected 285 Petroleum products samples from various facilities including petrol stations, storage depots and road tankers. Out of 285 samples, 15 samples equivalent to 5.26% did not conform to TBS specifications. In the previous financial year, the Authority collected and tested 526 samples and 20 samples equivalent to 3.80% were non-conforming. The level of compliance in the period review decreased as compared to the previous financial year.

#### 4.4.3 Fuel Marking Programme

The Authority continued to implement the fuel-marking programme. The objective of the programme was to curb dumping of untaxed petroleum products (transit, tax-exempted or smuggled petroleum products) into the local market and fuel adulteration malpractices. In addition, the programme helped Government to collect rightful taxes revenue from petroleum products and create a level playing field amongst operators.

During the period under review, 3.12 billion litres of diesel, petrol and kerosene were marked. This is an increase of 4% as compared to 2.99 billion litres marked in the previous financial year. Below, the table presents quantities of petroleum products marked during the period under review.

**Table 18: Marked Volume of Petroleum Products from July 2018 – June 2019.**

Month	Petrol (Lt)	Diesel (Lt)	Kerosene (Lt)	Total (Lt)
Jul-18	106,294,979	154,215,957	3,423,556	263,934,492
Aug-18	109,075,900	162,193,270	3,507,100	274,776,270
Sep-18	102,828,530	152,883,421	3,733,200	259,445,151
Oct-18	108,521,952	159,917,177	3,793,800	272,232,929
Nov-18	102,329,729	153,692,290	3,725,700	259,747,719
Dec-18	108,212,141	148,920,808	3,400,400	260,533,349
Jan-19	104,223,969	150,422,648	3,586,675	258,233,292

Month	Petrol (Lt)	Diesel (Lt)	Kerosene (Lt)	Total (Lt)
Feb-19	95,872,000	141,787,354	3,500,400	241,159,754
Mar-19	109,437,178	153,227,972	3,397,270	266,062,420
Apr-19	106,648,450	142,672,643	3,664,500	252,958,593
May-19	104,308,786	150,919,047	4,471,320	259,699,153
Jun-19	103,328,970	147,355,715	3,299,750	253,984,435
<b>FY2018/19</b>	<b>1,261,082,584</b>	<b>1,818,208,302</b>	<b>43,503,671</b>	<b>3,122,767,557</b>
FY2017/18	1,213,267,642	1,726,545,008	51,787,304	2,991,599,954
<b>% Change</b>	<b>4%</b>	<b>5%</b>	<b>-16%</b>	<b>4%</b>

#### 4.4.4 Marker Detection Monitoring Inspection

The Authority continued to carry out inspection and collect samples from petroleum facilities to check whether the products in the market have right level of marker concentration.

During the period under review, the Authority collected and tested samples of petroleum products from 777 facilities and 35 facilities, which is equivalent to 4.50%, found with non-conforming products. In the previous financial year, the level of non-conformity was 6.89% that is slightly higher than the status. In the previous financial year, the Authority collected and tested samples from 639 facilities and 44 found with non-conforming products.

The Authority will continue undertaking inspections to ensure that compliance level reaches 100%. The Authority took appropriate punitive measures in accordance with the Petroleum (Marking and Quality Control) Rules, 2010.

#### 4.4.5 Monitoring Compliance to the Price Setting Rules

The Authority continued to monitor compliance to the Petroleum Products Price Setting Rules. During the period under review, the Authority inspected 940 petrol stations and 938 petrol stations equivalent to 99.79% found selling or offering for sale petroleum products not above the applicable cap prices. In the previous financial year, the Authority inspected 1,222 petrol stations and only two (2) found selling above cap prices. Generally, the level of compliance is almost 100%.

### 4.5 Licensing Activities

During the period under review, the Authority conducted pre-licensing inspections to 370 applicants and 202 applicants equivalent to 54.59% met requirements at the time of inspections. The applicants that did not meet licensing requirements were directed to rectify the shortfalls. The Authority continued with evaluation and issued 542 operating licences to the applicants that met licensing requirements.

## 5.0 NATURAL GAS SECTOR PERFORMANCE AND REGULATION

### 5.1 Overview

The Authority is responsible for regulating mid and downstream natural gas facilities and regulated activities in the Mainland Tanzania, pursuant to Section 7(1) (c) of EWURA Act (Cap 414) and Section 30 of Petroleum Act (2015). The regulated facilities include processing plants, transmission pipelines, storage facilities and distribution system gas mains and service lines. These facilities are naturally monopoly, hence need be regulated.

The mid and downstream natural gas activities are operated and owned by four companies namely Tanzania Petroleum Development Corporation (TPDC); Songas Limited (Songas); Pan African Energy Tanzania Limited (PAET); and Maurel & Prom (M&P). Songo Songo gas processing plant is operated by PAET on behalf of Songas.

As of 20<sup>th</sup> February 2016 the Ministry of Energy and Minerals confirmed the quantity of discovered gas (Gas in place) amounting to 57.54 Trillion Standard Cubic Feet (Tcf). There are four gas-processing plants with a total installed capacity of 465 MMscfd, total length of 842 kilometers (km) for gas transmission pipelines, and total length of 89.4 kilometres for distribution network in Dar es Salaam, Mtwara and Coast region.

### 5.2 Performance Monitoring

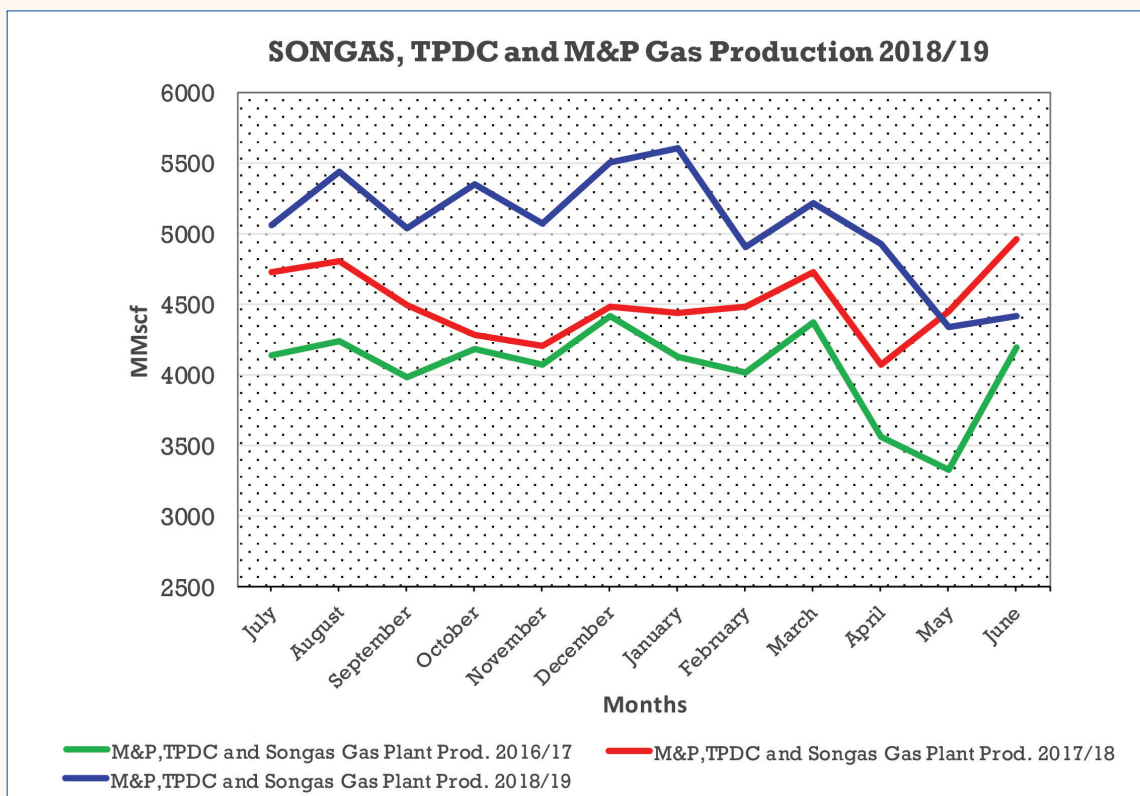
During the period under review, the Authority carried out performance monitoring by analysing and verifying information received from regulated suppliers from time to time. The Authority conducted four-planned field visits and one Adhoc inspection and six pre-construction inspections to natural gas facilities in Mtwara, Lindi, Dar es Salaam and Coast regions. The Authority confirms that the operations of regulated natural gas infrastructure complied with the requirement of Petroleum Act (2015), other laws and best petroleum industrial practices.

### 5.3 Natural Gas Production

During the period under review, the overall gas production from both producing natural gas fields Songo Songo Island (SSI) in Lindi and Mnazi Bay in Mtwara was 60,911.87 MMscf as compared with 54,166.69 MMscf in 2017/18 and 48,633 MMscf in 2016/2017. This increase in gas production was prompted by TANESCO's reliance on natural gas in electricity generation and increase in number of other downstream customers.

The natural gas produced at TPDC gas-processing plants in Madimba was 26,650.91MMscf during 2018/19 as compared to 24,582.38 MMscf at the previous financial year. The natural gas produced during 2018/19 at TPDC processing plant in Songo Songo was 4,445.11 MMscf as compared to 941.06 MMscf in 2017/18.

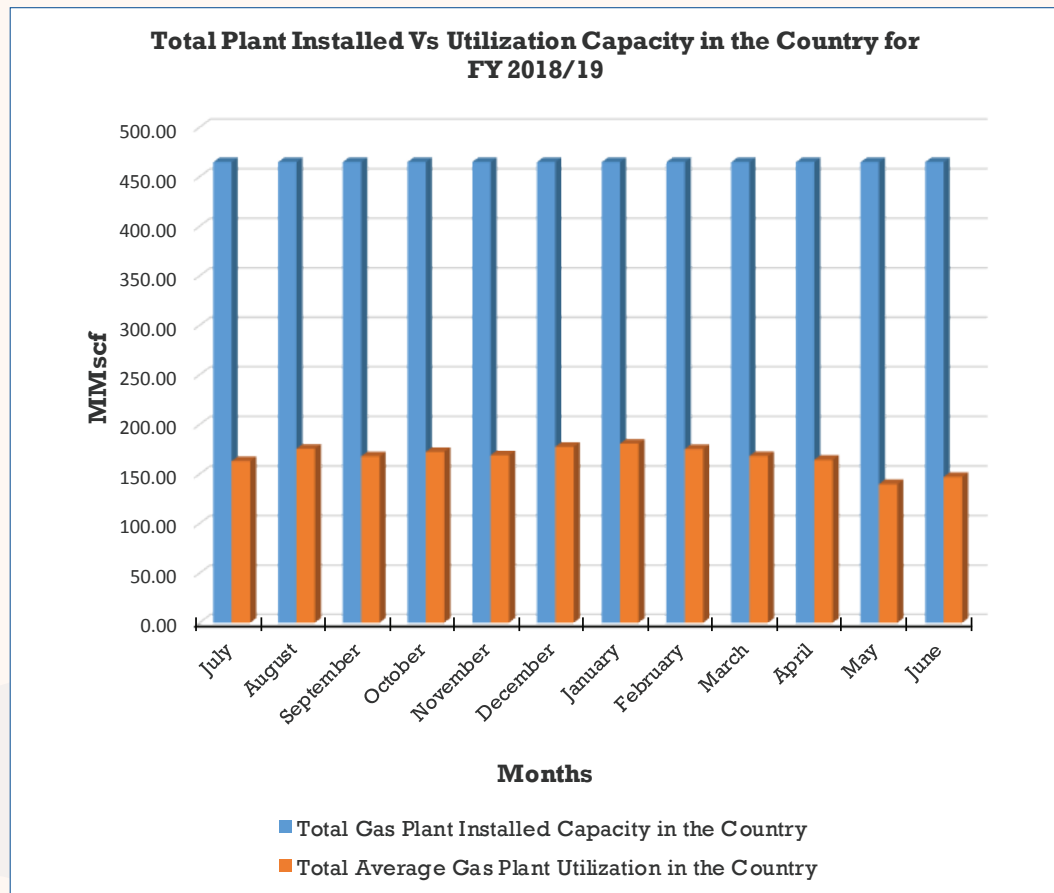
**Figure 4: SONGAS, TPDC and M&P Gas Production 2018/19**



Source: PAET, TPDC and M&P

The total gas processing plant capacity is 465 MMscfd in the country. During the period under review, average daily gas production at Mnazi Bay in Mtwara was 75 MMscfd and Songo Songo Island in Lindi Region was 91.46MMscfd, which brings the average daily gas production in the country to 166.90 that is equivalent to 35.89% utilization capacity during the period under review. The increased capacity was prompted by TANESCO's reliance on natural gas in electricity generation; and increased in number of other consumers from downstream sub-sector.

**Figure 5: Total Plant Installed Vs Utilization Capacity in the Country for FY 2018/19**

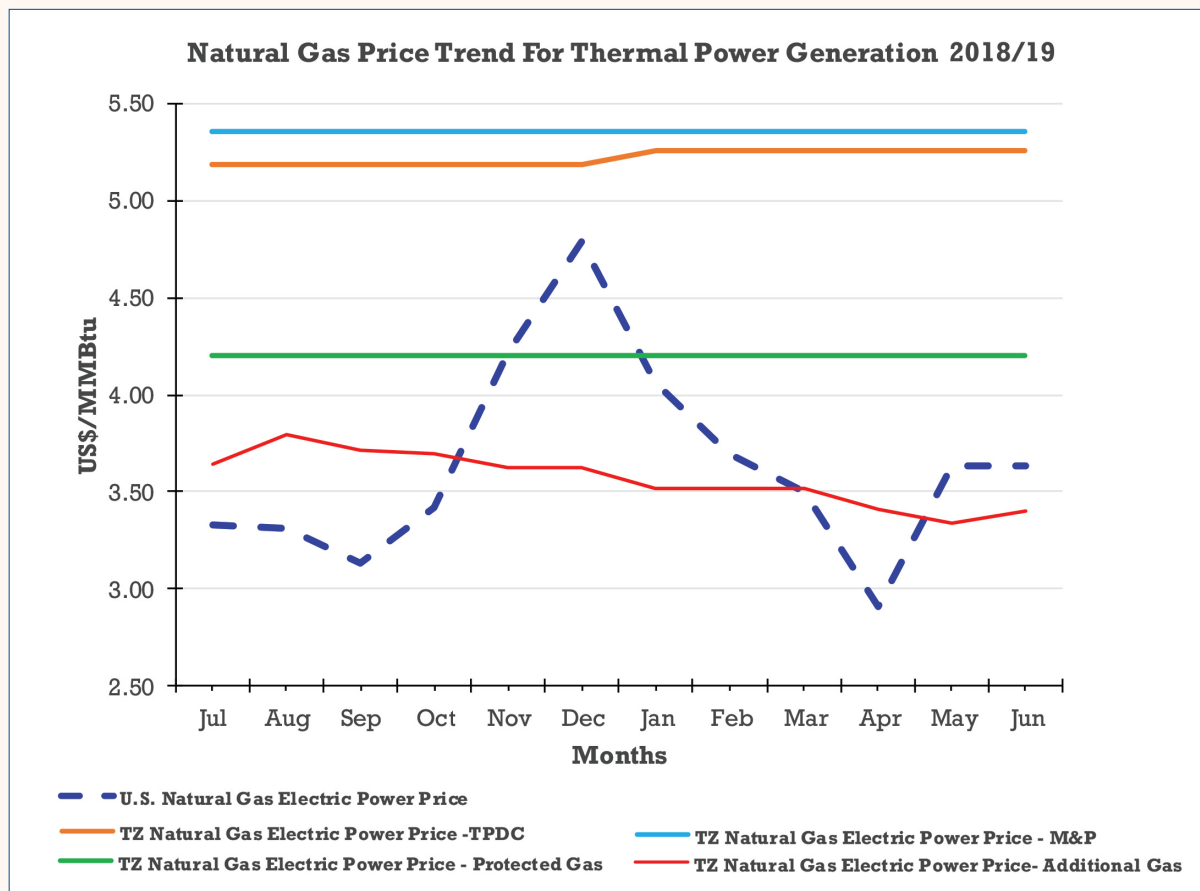


## 5.4 Trend of Cost of Services

During the period under review, the average monthly natural gas price for thermal power plants supplied as protected gas was 4.2U\$/MMBtu while the prices for thermal power plants supplied as additional gas, remained at an average of 3.56U\$/MMBtu. Other gas prices included the price for Mnazi Bay gas sold to TANESCO in Mtwara which was 5.36U\$/MMBtu and average price for TPDC gas sold to TANESCO at 5.22U\$/MMBtu. The Authority benchmarked the natural gas prices for thermal power generation and industrial use in Tanzanian market to the US market as shown in Figure 3 and 4 below. The average USA prices for power generation and industrial use were 3.64U\$/MMBtu and 4.2U\$/MMBtu, respectively.



**Figure 6: Natural Gas Price Trends for Power for FY 2018/19**

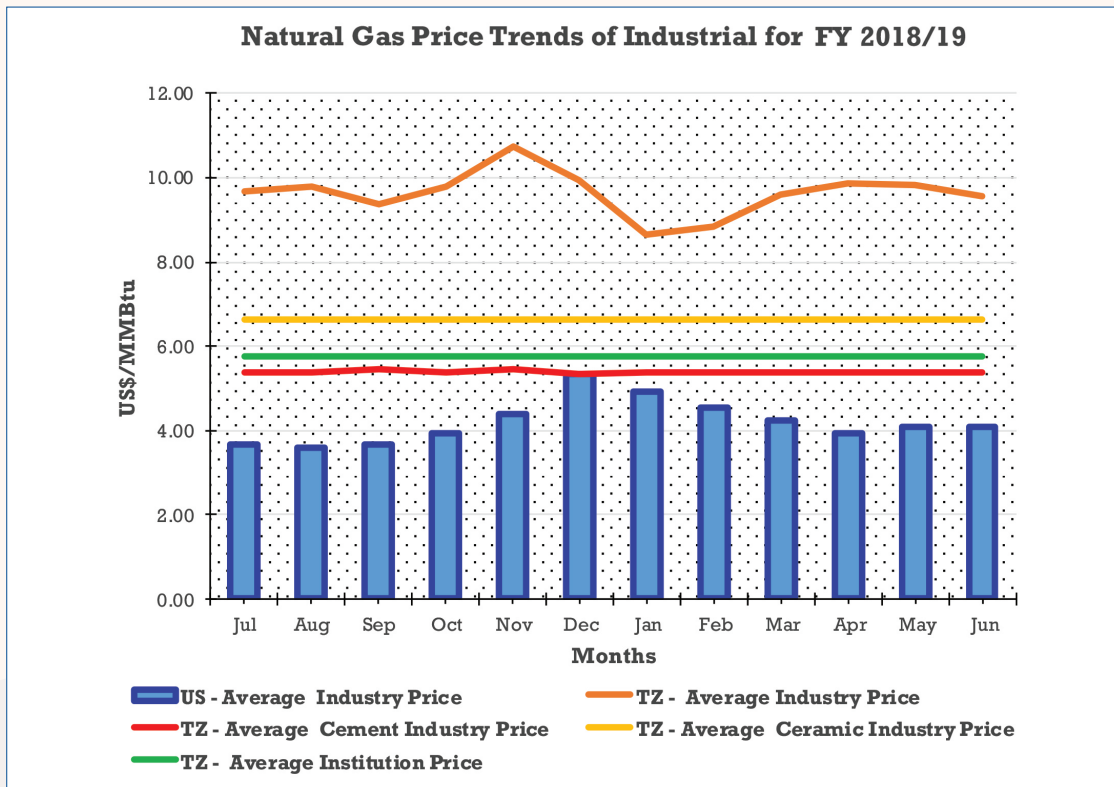


Source: TPDC and PAET

The average natural gas price for industrial customers during the period under review, was 9.64\$/MMBtu. The average price during the review period under review, for cement industries was 5.39\$/MMBtu, ceramic industry was 6.64\$/MMBtu and institution such as Tanzania Prison Services was 5.76\$/MMBtu, which was benchmarked with USA's price as per Figure 4 below. The average gas price in the country for small gas consumer industries was too high as compared to the large gas consumers' industries, which in one way or the other contributed to high-energy cost.



**Figure 7: Natural Gas Price Trends of Industrial for FY 2018/19**



Source: PAET, TPDC and US EIA

## 5.5 Natural Gas Quality and Standard of Services

The Authority continued to carry out the monitoring of quality and standard of the regulated services rendered by the service operators on quarterly basis. The quality of regulated services involved monitoring the quality of the commodity (natural gas) and adherence by service providers to commercial terms and conditions of existing negotiated agreements between the service providers and their customers.

### 5.5.1 Quality of Natural Gas Processed

During the review period under review, the Authority continued carrying out monitoring of quality and standards of the regulated services. The natural gas extracted at Songo Songo, Madimba and Mnazi Bay gas reservoirs is a dry gas with no existence of hydrogen sulphide or significant volumes of carbon dioxide or substantial volumes of condensate and other associated elements. Monitoring the natural gas quality specification of regulated services involved monitoring the quality of the commodity (natural gas) and adherence by the service providers and their customers, to the specified standard. The principal components of natural gas are methane and ethane with varying amounts of heavier hydrocarbons including propane, butane, pentane, hexane, heptane and octane as well as carbon dioxide, oxygen and water vapour as shown in Table 1 below which shows the Chromatography reading from the processing plants on 9<sup>th</sup> April 2019 which was taken as samples for reference.

**Table 19: Songo Songo, Madimba and Mnazi Bay Gas Composition (in % Mole)**

Natural Gas Component	Reference Quality of Natural Gas	Quality of Natural Gas			
		Songo Songo	TPDC Songo Songo	Madimba	Mnazi Bay
<b>Methane (CH<sub>4</sub>)</b>	87.0 - 97.0	97.1959	97.96063	98.6488	98.04573
<b>Ethane (C<sub>2</sub>H<sub>6</sub>)</b>	1.5 - 9.0	1.0106	0.96153	0.96178	1.08081
<b>Propane (C<sub>3</sub>H<sub>8</sub>)</b>	0.1 - 1.5	0.2851	0.13515	0.13064	0.26539
<b>iso-Butane (C<sub>4</sub>H<sub>10</sub>)</b>	0.01 - 0.3	0.0623	0.02332	0.01729	0.09617
<b>n-Butane (C<sub>4</sub>H<sub>10</sub>)</b>	0.01 - 0.3	0.0790	0.02919	0.02102	0.02102
<b>iso-Pentane (C<sub>5</sub>H<sub>12</sub>)</b>	trace - 0.04	0.0280	0.00402	0.00217	0.00217
<b>normal-Pentane (C<sub>5</sub>H<sub>12</sub>)</b>	trace - 0.04	0.0242	0.00330	0.0000	0.01909
<b>Hexanes (C<sub>6</sub>H<sub>14</sub>)</b>	trace - 0.06	0.0269	0.00246	0.01509	0.01647
<b>Carbon Dioxide (CO<sub>2</sub>)</b>	0.05 - 1.0	0.4819	0.35699	0.20319	0.29876
<b>Nitrogen (N<sub>2</sub>)</b>	0.2 - 5.5	0.7233	0.55864	0.0000	0.17747
<b>Hydrogen Sulphide (H<sub>2</sub>S)</b>	trace to 0.02	0.0000	0.0000	0.0000	0.0000
<b>Total</b>	100	100	100	100	100
<b>Moisture (ppm)</b>	trace to 5.00				
<b>Specific Gravity</b>	0.57 to 0.62	0.585	0.57014	0.56370	0.56
<b>Gross Heating Value (MJ/m<sup>3</sup>)</b>	36.0 to 40.2	38.06039	39.75000	38.11001	38.11068

Source: [www.uniongas.com](http://www.uniongas.com), PAET, TPDC and M&P

The natural gas processed is dry gas with no existence of Hydrogen Sulphide or a significant volume of Carbon Dioxide or substantial volumes of condensate. No significant changes in gas composition were observed and reported during the period under review. Most parameters monitored by the Authority were confirmed to be within the required range.

### 5.5.2 Quality of natural gas delivered to end user

During the review period under review, no single complaint was received from gas users about the quality of delivered natural gas from either power generation or industrial usages customers as well as CNG for motor vehicles. The end-users can lodge their complaints to the Authority and the Authority shall deal with such complaint in accordance with the provisions of Cap. 414.

### 5.5.3 Level of Investment in Gas Infrastructure Development

During the period under review, the Authority continued to monitor and track the implementation of natural gas infrastructures in mid and downstream. The Authority also approved the implementation of the projects, which included the construction of natural gas connection to Dangote Cement Factory, Hot Tapping at Mwanambaya-Mkuranga, pipeline connection to Lodhia Steel Industries, connection to Cafeteria and household customers at UDSM, connection to Mtwara Technical

Secondary School, Teachers Training College, Mtwara Teachers Technical Training College, St. Augustine University SAUT and Lilungu prison.

During the period under review TPDC invested eight million United States Dollars (8 Million US\$) for extending distribution network while PAET invested eight million United States Dollars (8 Million US\$) for refrigeration system at SongoSongo Processing Plant (Songas Plant). TPDC extended distribution pipelines for 5.5 kilometres.

#### **5.5.4 Health, Safety and Environment**

During the review period, the Authority continued to carry out Health, Safety and Environmental (HSE) monitoring of transmission and distribution activities in the natural gas sub-sector on quarterly basis.

The activity involved monitoring of natural gas infrastructure on the following: -

- a) the critical pipeline valves on both Songas, TPDC Madimba and M&P pipelines, corrosion, leakage survey, damage prevention, compaction and restoration of degraded land falls;
- b) the integrity of gas pipelines and way leave between the landfall areas to the market with great emphasis on security of facilities along the pipelines;
- c) the physical appearance of gas processing plants and gas wells;
- d) the status of pressure reducing facilities installed at Namera and Ubungu as well as CNG mother and daughter stations at ubungu and city centre respectively;
- e) the status of the Dar es Salaam ring main serving 37 industries, Two power plants, CNG vehicles (petrol engine vehicle powered by natural gas) and 58 connected households out of 70;
- f) the status of way leave operated by PAET from ubungu to Kurasini, Kariakoo, Chang'ombe, METL, Mabibo road junction, SilAfrica, Kamal Steel and Namera and TPDC from Ubungu to Mikocheni light industries and TPDC estate;
- g) processing plants at Songo Songo operated by Songas, Mnazi Bay operated by M&P and Madimba and Songo Songo operated by TPDC achieved no Lost Time Injuries (LTI). There was no "Near Miss Accident" or Major Accident to be reported;

#### **5.5.5 Local Content**

During the period under review, the Authority conducted local content awareness activities to natural gas regulated service providers in the midstream and downstream to encourage local participation in all natural gas mid and downstream activities. Local Content is the development of local skills, oil and gas technology transfer and use of local work force and local manufacturing. In Tanzania, it is defined as the quantum of composite value added to, or created in the economy of Tanzania through deliberate utilization of Tanzanian human and material resources and services in the petroleum operations.

Pursuant to Local Content Regulations (2017), regulated service providers have to ensure compliance with local content requirements. Regulation 38 of the Petroleum (Local Content)

Regulations, 2017 requires EWURA to establish, maintain and annually publish to its database the Tanzanian Local Suppliers and Service Providers (LSSP) of persons involved in petroleum sub-sector and prohibits any entity from providing goods, works or services for the petroleum activities unless they are registered on the database.

The Local Suppliers and Service Providers Registration have been filling Form N-100, which is used to collect information for an application and registration in the Local Suppliers and Service Providers (LSSP) database. The database gas had registered 392 applicants as per June 2019.

#### **5.5.6 Determination of Rates and Charges**

Pursuant to Section 40 of the Petroleum (Natural Gas Pricing) Regulations 2016, within 12 months after the commencement of regulations any person engaged in natural gas activities shall be required to comply with pricing regulations. However, there was no tariff determined by Authority in the review period.

#### **5.5.7 Legislative Matters**

Legislative matters include enactment or amendment of principal laws by the Parliament, making Natural Gas Policy and Regulations by the Minister responsible for natural gas subsector; and making rules by the Authority.

After enactment of the Petroleum Act 2015, the Authority continued to develop inputs for required regulatory tools as per demand of the industry. During the period under review, appropriate tools required by the Authority to enforce the Petroleum Act, 2015 were developed and gazetted.

These tools are The Energy and Water Utilities Regulatory Authority (Tariff Application and Rate Setting) Rules, 2017 (GN 452/2017), Petroleum (Natural Gas) (Transmission and Distribution) Rules, 2018 (GN 176/2018), Petroleum (Natural Gas)(Licensing Fees) Rules, 2018 (GN 292/2018), Petroleum (Natural Gas)( Supply and Marketing Services) Rules, 2019 (GN 219/2019), Petroleum (Compressed Natural Gas) (Supply And Marketing Services ) Rules, 2019(GN 220/2019), Petroleum (Natural Gas) (Processing) Rules, 2019 (GN 221/2019), The Petroleum (Natural Gas) (Storage) Rules, 2019 (GN 182/2019), The Petroleum (Natural Gas) (Regulatory Accounting and Reporting Standards) Rules, 2019 (GN 183/2019) and The National (Petroleum and Natural Gas) (Information System) Rules, 2019 (GN 184/2019). The Petroleum Local Content Guidelines 2019, and the Petroleum (Natural Gas) (Service Provider Client's Service Charter) Guidelines, 2019

#### **5.5.8 Disputes and Complaints**

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

#### **5.5.9 Litigation**

During the review period, there was no litigation involving the Authority, the service providers, or other stakeholders of natural gas sub-sector.

## 5.6 Achievements and Challenges

### 5.6.1 Achievements

During the review period of FY 2018/19, Authority attained the following achievements-

- (a) ensured the natural gas supply infrastructures were well operated and maintained by the service providers;
- (b) developed the eight (8) Natural Gas Rules. These rules were published on the Government Gazzete;
- (c) developed Natural Gas Service Providers' Customer Service Charter Guidelines and the Petroleum Local Content Guidelines;

Issued Construction Approvals to connect Dangote Cement Factory, Gas Pipeline Hot Tapping at Mwanambaya Mkuranga, to connect Lodhia Steel Industries, construction of natural gas distribution infrastructures and connection of gas supply to UDSM cafeteria, construction of natural gas distribution infrastructures and connection of gas supply to household customers in Mikocheni area.

### 5.6.2 Challenges

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

- (a) Third party damage and encroachment to the natural gas infrastructure on the shared and common right-of-way are among the serious problems that are happening in Dar es Salaam despite the limited length of connected pipeline network currently in place. With the Government currently advocating industrialisation campaign, the demand for natural gas infrastructure expected to increase and hence more risks if third party activities not well addressed.
- (b) Limited infrastructures of Compressed Natural Gas (CNG) dispensing units have resulted into very low rate of vehicle conversion to natural gas usage among prospective car owners;
- (c) conversion of urban fleet to run on dual-fuel systems (petrol/CNG or diesel/CNG) call for investment of infrastructure, awareness to the society, capacity building for technical expertise, institutional framework development, and incentivised schemes.
- (d) the natural gas demand to the market (industries, households, commercial, and transport) is extremely high but yet to be served. The natural gas infrastructure ends in Dar es Salaam, but more investments are required to extend the pipelines to other regions. The first and fast measures call for establishment of "Virtual Pipeline" Project, where CNG could be transported consistently to pave the way for new markets.
- (e) low utilization of natural infrastructure for processing and transportation. Only 10% capacity of the national natural gas transportation infrastructure between Madimba and Dar es Salaam was utilised. EWURA in collaboration with other stakeholders will continue creating awareness on the utilization of natural gas and the subject of Local Content.



## 6.0 WATER SECTOR REGULATION

EWURA, being a multi sectoral regulator, apart from regulating Energy sub-sectors discussed in the previous chapters, is also responsible for regulating water sector in accordance to Section 28 of the Water Supply and Sanitation Act, 2019.

### 6.1 Overview

As of 30<sup>th</sup> June 2019, EWURA was regulating 131 water utilities that comprised the Dar es Salaam Water and Sewerage Authority (DAWASA), 23 Regional Water Supply and Sanitation Authorities (RWSSAs), 100 District and Township Water Supply and Sanitation Authorities (DTWSSAs) and eight (8) National Projects Water Supply and Sanitation Authorities (NPWSSAs).

WSSAs are responsible for the provision of Water and Sanitation Services in their designated areas; and pursuant to the terms and conditions of licences issued by EWURA. Following a repeal of DAWASA Act and enactment of the Water Supply and sanitation Act, 2019, EWURA is also mandated to licence DAWASA in accordance with Section 14 of the Water Supply and sanitation Act, 2019.

### 6.2 Performance Monitoring

During the period under review, the Authority conducted performance monitoring that included data reporting, and site inspections and data verification.

#### 6.2.1 Data Reporting

Regulated water utilities are obliged to submit electronically their monthly and annual performance data through a web-based software for reporting namely Water Utilities Information System (Majls). During the period under review, the regulated WSSAs continued reporting through Majls. Data submitted by the utilities were used by EWURA to monitor and evaluate the performance of the water utilities.

#### 6.2.3 Site Inspections and Data Verification

EWURA conducted four types of inspections, namely, routine inspection, done regularly to monitor utilities performance; special inspection, done to establish the cause of utilities poor performance; ad-hoc Inspections, done in response to emergence events which may affect availability, health and safety of customers of water and sanitation services as well as the environment; and pre-licensing inspections, done during the course of utilities licensing.

During the reporting period, EWURA conducted routine inspections to 70 WSSAs namely; Arusha, Babati, Bariadi, Biharamulo, Bukoba, Chalinze, Chamwino, Chato, Chunya, Dakawa, DAWASA, Dodoma, Gairo, Handeni, HTM, Igunga, Ilula, Iringa, Itumba- Isongole, Karagwe, Karatu, Kasulu, Kasumulu, Katesh, Kibaya, Kibondo, Kigoma, Kilindoni, Kilosa, Kilwa-Masoko, Kiomboi, Kisarawe, Kyela, Liwale, Ludewa, Mahenge, Makonde, Manyoni, Mbalizi, Mbeya, Mbinga, Mikumi, Mkuranga, Monduli, Moshi, Mpwapwa, Mtwara, Muheza, Muleba, Mwanga, Namtumbo, Ngara,

Nzega, Pangani, Ruangwa, Rujewa, Shinyanga, Sikonge, Singida, Songe, Tabora, Tanga, Tukuyu, Tunduma, Turiani, Ushirombo, Kongwa, Bashnet, Korogwe and Magugu.

Also, special inspections were conducted to Bariadi, Kigoma, Kilindoni and Mahenge WSSAs; and ad-hoc inspections to Arusha and Morogoro WSSAs. The adhoc inspections were conducted to investigate water contamination incidences that were reported to have occurred in their service areas. Further, pre-licensing inspections were conducted to Karatu and Vwawa-Mlowo WSSAs.

### 6.3 Review of WSSAs' Business Plans

WSSAs are required to prepare their business plans according to EWURA Guidelines for Preparing a Business Plan for Regulated Water Utilities, 2016 and submit them to EWURA for review. A business plan serves as a planning document for a water utility which includes strategies, performance targets and corresponding activities as well as financial projections for achieving its mission. Also, the business plans are among the key documents used by EWURA to set WSSAs' tariffs and are the bases for EWURA to measure and monitor the performance of the WSSAs.

During the year, EWURA revised business plans from 32 WSSAs of Babati, Iringa, Mwanza, Lindi, MANAWASA, Mkuranga, Bunda, Mbeya, Mpanda, Ludewa, Makete, Sengerema, Maswa, Ushirombo, HTM, Muheza, Magugu, Rujewa, Mugango – Kiabakari, Ngudu, Mbinga, Mugumu, Biharamulo, Magu, Tanga, Arusha, Nansio, Karatu, Ngaramtoni, Usa river, Mbulu and Same WSSAs

During the review of business plans, EWURA has continued to ensure that the Key Performance Indicators (KPIs) targets are included in the WSSAs' Business Plans and follow up is regularly made to ensure their implementation. The implementation of KPIs is being monitored regularly through site visits, evaluation of the reports submitted through the Water Utilities Information System (Majls) and Annual Technical and Financial Performance Reports from Water Utilities.

### 6.4 Review and Approval of WSSAs' Customer Service Charters

Customer Service Charters from 11 WSSAs namely; Kisarawe, Bashnet, Ruangwa, Biharamulo, Turiani, HTM, Lindi, Songea, Njombe, Rujewa and Tunduru were reviewed. Following compliance with the requirements as stipulated in Water Supply and Sanitation (Quality of Service) Rules, 2014, a total of 3 customer service charters from Biharamulo, Kisarawe and HTM were approved by the Authority.

### 6.5 Water Utilities Performance Review Report

In compliance to Section 29(2) of the Water Supply and Sanitation Act, 2019, EWURA prepared two Water Utilities Performance Review Reports for FY 2017/18, the first one for Regional Water Utilities, National Water Projects and DAWASCO and second for District and Township Water Utilities. The reports covered, among other things, the technical, commercial and financial performance of the water utilities; and were launched in Dodoma on 20<sup>th</sup> March 2019 as part of the 2019 Maji Week celebrations held on 18<sup>th</sup> to 22<sup>nd</sup> March 2019. During the launching of the report best performing utilities for financial year 2017/18 were recognized by awarding them with certificates and trophies.



## 6.6 Licensing

EWURA issues three classes of licences to WSSAs namely Class I, Class II and Class III. The licence classes are issued based on fulfilment of managerial, technical and financial requirements as follows:

- (a) Class I license applies for WSSA with financial, technical and managerial capability to operate a licensed facility and recover all costs of operation;
- (b) Class II License applies for WSSA with technical and managerial capability to operate a licensed facility and recover all costs of operation except part of its investment costs; and
- (c) Class III License applies for WSSA that still gets financial, managerial and technical support from the Government and partially recover its operational costs

In addition, according to the Water Supply and Sanitation Services Rules (2011), a WSSAs that do not qualify for Class licences are issued with Provisional Licences.

During the year under review, EWURA reviewed licence applications and issued Class III licences to Vwawa-Mlowo WSSAs and a Provisional Licence to Karatu WSSAs.

## 6.7 Determination of rates and charges

During the period under review, EWURA reviewed and approved 47 tariff applications from the WSSAs as has shown here under.

**Table 20: Water Supply Tariff Approvals for Regional and National WSSAs in 2018/19**

S/N	WSSA	Previous Tariff 2017/18	Approved Weighted Average Tariff (TZS/M3)			
			2018/19	2019/20	2020/21	2021/22
1	Dodoma	1,288	1,383	1,397	-	-
2	Iringa	1,849	2,000	2,100	2,300	-
3	Mbeya	732	1,175	1,210	1,268	-
4	Babati	1,287	1,748	1,825	1,863	-
5	Moshi	800	800	900	1,000	1,200
6	Mtwara	1,266	1,460	1,480	1,480	-
7	Musoma	1,013	1,410	1,360	1,230	-
8	Mwanza	875	1,060	1,873	2,057	2,057
9	Shinyanga	1,488	1,836	1,923	2,014	-
10	Songea	952	1,077	1,178	1,226	-
11	Tabora	1,282	1,306	1,318	-	-
12	Tanga	1,446	1,798	1,983	-	-
13	Bukoba	1,385	1,613	1,888	2,206	-
14	Kigoma	800	1,400	1,400	1,400	-
15	Singida	1,262	1,715	1,723	1,741	-
16	Sumbawanga	925	925	937	1,045	1,158

S/N	WSSA	Previous Tariff 2017/18	Approved Weighted Average Tariff (TZS/M3)			
			2018/19	2019/20	2020/21	2021/22
17	Lindi	1,100	1,700	1,800	1,900	-
18	Geita	423	1,305	1,400	1,552	-
19	Njombe	1,003	1,003	1,460	1,680	1,740
20	Chalinze	1,923	1,923	2,514	3,049	3,049
21	HTM	1,338	2,473	3,549	3,935	-
22	KASHWASA	569	785	883	966	-
23	Makonde	800	1,300	1,300	1,300	-
24	Maswa	487	1,100	1,710	2,049	-
25	Mugango Kiabakari	407	407	1,310	1,520	1,570
26	Wanging'ombe	329	1,342	1,582	1,698	-

**Table 21: Water Supply Tariff Approvals for Districts and Township WSSAs in 2018/19**

S/N	WSSA	Previous Tariff 2017/18	Approved Weighted Average Tariff (TZS/M3)			
			2018/19	2019/20	2020/21	2021/22
1	Bunda	950	1,683	2,075	2,109	-
2	Geita	423	1,305	1,400	1,552	-
3	Karagwe	1,461	2,211	2,211	2,211	-
4	Kilolo	505	505	1,450	1,640	1,760
5	Kishapu	1,283	1,696	1,696	-	-
6	Kondoa	618	1,500	1,700	1,600	-
7	Magu	300	300	1,400	1,580	1,680
8	Makete	345	345	1,020	1,020	1,050
9	Misungwi	991	1,250	1,350	1,350	-
10	Mpwapwa	1,020	1,040	1,056	1,061	-
11	Muheza	495	495	1,217	1,250	1,267
12	Ngara	592	1,303	1,444	1,485	-
13	Ngudu	1,283	1,671	1,671	-	-
14	Sengerema	543	543	1,104	1,360	-
15	Sikonge	844	1,416	1,458	1,536	-
16	Urambo	1,090	1,210	1,400	1,400	-
17	Kibaigwa	1,500	1,500	1,480	1,580	1,590
18	Maganzo	1,750	1,900	1,900	-	-
19	Makambako	608	645	1,259	1,446	1,633
20	Mikumi	1,000	1,309	1,511	1,555	-
21	Turiani	807	848	897	937	-

## 6.8 Health, Safety and Environmental Matters

In order to establish whether water supplied and effluent from waste water treatment systems operated by WSSAs complied with TBS Standards, EWURA conducted water and wastewater quality monitoring to 62 WSSAs. The WSSAs in which water and wastewater quality monitoring was conducted by EWURA included DAWASA, Chalinze, Iringa, Njombe, Songea, Mbeya, Sumbawanga, Mpanda, Vwawa-Mlowo, Wanging'ombe, Namtumbo, Mbinga, Namanyere, Mafinga, Tukuyu, Mbalizi, Lindi, Mtwara, Makonde, MANAWASA, Mangaka, Kilindoni, Tanga, Arusha, Moshi, Babati, HTM, Bashnet, Korogwe, Gallapo, Muheza, Karatu, Monduli, Magugu, Mwanga, Morogoro, Dodoma, Singida, Tabora, Mahenge, Kiomboi, Sikonge, Nzega, Turiani, Kibaigwa, Gairo, Mwanza, Geita, Chato, Shinyanga, Kahama, KASHWASA, Isaka, Ushirombo, Maswa, Bariadi, Kigoma, Bukoba, Karagwe, Biharamulo, Musoma and Mugango Kiabakari.

Based on the findings of the water and wastewater quality tests, each utility was given directives for remedial measures whose implementation will be followed up as part of the Authority's regular monitoring of the performance of water utilities.

## 6.9 Capacity Building

In a bid to improve performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities. During the year under review, the Authority conducted training on preparation of Business Plans to 33 Regional, Districts, Townships and National project WSSAs namely; Mkuranga, Liwale, Kilosa, Dakawa, Ruangwa, Korogwe, Morogoro, Karatu, Ngaramtoni, Usa river, Same, Mombo, Pangani, Namanyere, Kasumulu, Kyela, Mbinga, Chunya, Rujewa, Tunduru, Tunduma, Namtumbo, Njombe, Dodoma, Kibaigwa, Nzega, Manyoni, Mafinga, Ngudu, Kibondo, Magu, Kasulu and Ushirombo WSSAs.

In order to enhance the knowledge to WSSAs staff that were appointed by respective WSSAs to use Majlis system, the Authority conducted Majlis training to 8 WSSAs namely Kongwa, Urambo, Sikonge, Mahenge, Gairo, Namanyere, Chato and Magu.

## 6.10 Other Interventions in the Water Sector

### a) Collaboration with Ministry of Water to Commemorate Maji Week

During the year under review, the EWURA collaborated with the Ministry of Water (MoW) to prepare a national event to commemorate the Maji Week that was held from 18<sup>th</sup> to 22<sup>nd</sup> March. The main activities that were conducted were: the 1<sup>st</sup> Maji Week Scientific conference for Water experts; launching of the Water Utilities Performance Review Reports for FY 2017/18 published by EWURA; annual Joint Water Sector Review meeting; and exhibitions on water and sanitation issues.

### b) Water Sector Development Programme

During the year under review, the Authority continued to collaborate with the Ministry of Water and other stakeholders to improve service delivery in WSSAs. This included participation in the Water Sector Development Programme (WSDP) thematic working groups on urban water supply. The activities of the urban water supply thematic group include, setting indicators for monitoring,

carrying out joint inspection and evaluation of WSDP projects implemented by WSSAs. During the meetings, the Authority provided inputs to MoW on performance achievement by WSSAs.

#### **c) Participation in the working groups for Investment Financing Facilities - Output Based Aid- IFF-OBA**

During the year under review, the Authority participated also in the working sessions to determine the WSSAs eligible for loan through Investment Financing Facilities- Output based Aid (IFF-OBA) to enable WSSAs achieve their KPIs through bank loan. During the year under review a total of seven project proposals from Bukoba, Iringa, Kahama, Kigoma Morogoro, Mwanza and Tanga WSSAs were received and evaluated. A total of six WSSAs namely Iringa, Kahama, Sumbawanga, Singida, Shinyanga and Songea received loans for investment, among them Singida, Shinyanga, Sumbawanga and Songea WSSAs were evaluated during the previous years.

#### **d) Review of the WSSAs Licencing Criteria**

In order to enhance performance of Regulated Water Utilities, the Authority revised the evaluation criteria for classification of WSSAs' licences and issued Revised Evaluation Criteria for Classification of Licences for Water Supply and Sanitation Service Providers (2018). The review was done, to improve and clarify on the technical, managerial and financial criteria for issuing WSSAs' licences. Apart from Class licences, the revised criteria introduced the Provisional licence that is awarded to WSSAs that have not met the minimum requirements for a Class licence.

#### **e) Collaboration with Regional Regulatory Associations**

EWURA participated in the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS) meetings and technical sessions including development of a Regulatory Strategy and Framework for Inclusive Urban Sanitation Service Provision that will integrate and address inclusive urban sanitation service provision (incorporating non-sewered sanitation). The Regulatory Framework and Strategy has been formulated based on various sanitation related policies, laws/acts, and decrees/regulations from ESAWAS member countries. The framework and strategy will enable EWURA and other WSS regulators in the region to effectively administer their mandate in regulation of sanitation services.

## **6.11 Key Achievements and Challenges**

### **6.11.2 Challenges**

The main challenges facing the Authority in regulating the water sector are described below:

- a) Most district and township Water Supply and Sanitation Authorities (WSSAs) have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building to WSSAs, carry out inspections and monitoring. The Authority will also continue to advise the Government on ways of improving capacity of the weak WSSAs.
- b) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines continue to be a challenge. The Authority has considered

continuing with capacity building to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets.

- c) Low investments in Water Supply and Sanitation which result into a slow pace towards attaining service coverage targets set in the National Five-Year Development Plan (2016/17 – 2020/21). The current urban water supply coverage is around 78% in Regional water utilities, 74% in National Project water utilities and 58% in District headquarters and Township water utilities. EWURA will continue to collaborate with the MoW and Development Partners (DPs) to put in place incentives for WSSAs to involve PPPs and to acquire loans for investments.

## 7.0 COMMUNICATIONS AND PUBLIC RELATIONS

### 7.1 Overview

The Energy and Water Utilities Regulatory Act (cap. 414), section 6 (e) stipulates that it is a duty of the Authority to enhance public knowledge, awareness and understanding of regulated sectors including the rights and obligations, ways in which complaints and disputes may be initiated and resolved; and the duties and functions of EWURA.

In the Financial year 2018/19, EWURA revised its Communications Policy as well as Communication Strategy, to make it more responsive to the needs and changes that have occurred in the Communications area. These new tools are geared towards placing the Authority much closer to the people in its efforts to raise public awareness on regulated services.

### 7.2 Public Awareness

In the Financial Year 2018/19, the Authority successfully implemented public awareness activities according to its Action Plan. In implementing such activities effectively, communication channels such as electronic and print media, stakeholders awareness meetings, consultations meetings, public hearings and public awareness campaigns were deployed to reach out stakeholders. Some activities that were implemented under the period have been highlighted below.

### 7.3 Public Awareness Programmes- EWURA NA UCHUMI

During the Financial year 2018/2019, EWURA designed and recorded 92 television branded EWURA NA UCHUMI programmes as compared to 83 programme that were aired during the previous financial year. Also during the period under review, the Authority aired 128 radio programmes as compared to 206 programmes that were aired during the previous financial year. The Authority published 43 features to various media houses as compared to 30 features published during the previous financial year. During the same period under review EWURA was mentioned many times in news bulletins on various TV stations.

### 7.4 Advertisements

During the year, the Authority published 81 batches of various advertisements compared to 53 batches of advertisements published in the previous Financial Year. The advertisements were mainly on Petroleum Price, Public Notices, Job Vacancies Adverts, Pre-inspection.

### 7.5 Exhibitions

Exhibitions form an important forum to meet the public on one-to-one, for public awareness campaigns and to respond on matters that need immediate attention. During the year under review, the Authority participated at the 43<sup>rd</sup> Dar es Salaam International Trade Fair (DITF), World Water Week (Dodoma), Oil & Gas Exhibitions (Dar es Salaam), Nane Nane Exhibitions (Mwanza Dodoma, Arusha and Mbeya). In such events, the Authority conducted public awareness and distributed to the public various publications such as brochures, Newsletter and EWURA reports.



## 7.6 Publications

Documenting regulatory activities for various stakeholders' consumption is a prerequisite aspect in any functioning public awareness programme. In the financial year 2018/19, EWURA published EWURA Annual Report, Water Sector Reports Volume I and II, Downstream Petroleum Subsector Performance Report, Electricity Performance Report; brochures, and quarterly EWURA Newsletters.

## 7.7 Donations and contributions

As its own form of giving back to the society, EWURA donations and contributions offered to various institutions to support social activities of national interest in line with its Policy. During the period under review, the Authority supported financially various social programmes on Education, Health and Sports where a total of TZS 138 million was spent. In the same spirit, EWURA accepted and trained a number of students from various Universities, Colleges and Schools countrywide as part of their learning programmes.

## 7.8 Impact of Public Awareness Programmes

In the year under review, EWURA made another milestone in its awareness programmes, where an independent study was commissioned to evaluate the impact of Public Awareness Programmes and customer satisfaction.

The study revealed that awareness creation had risen understanding of EWURA to 68.7% from less than 35% by year 2012 while customer's satisfaction on EWURA's communications efforts the study established that the level of satisfaction among the customers was high above 50%; while 55.7% were satisfied with EWURA's Licensing and Order Information System (LOIS).

The survey further revealed that 61.1% were satisfied on how EWURA provides education about its functions to stakeholders while 63.8% were satisfied on EWURA's information system (petroleum price caps) through mobile phones.

50.4% of sampled respondents rated EWURA's communications effort with its stakeholders as fair and 32.7% rated EWURA's Clients' complaints handling process as fair while 44.2 % of the customers agreed that EWURA's feedback about tariff review was fair.

This shows a general trend of increased recognition of the Authority's activities by the public and the regulated suppliers. Through public awareness campaigns, regulated suppliers are becoming compliant with the licensing conditions. In other way, there has been an increased complaint from various consumers of the regulated services.

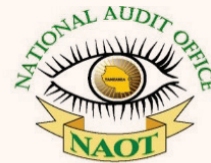


## 8.0 STAKEHOLDERS CONSULTATIONS AND MEETINGS

In the year under review, the Authority conducted various stakeholders' consultations and meetings for inclusion in the decision-making process, understanding their challenges and raising awareness of the Authority functions. Stakeholders involved during this financial year included the Consumer Consultative Council (CCC), Government Consultative Council (GCC), Ministries and Government Departments, regulated entities, media, service providers and the public.



# **REPORT OF THE CONTROLLER AND AUDITOR GENERAL**



THE UNITED REPUBLIC OF TANZANIA

NATIONAL AUDIT OFFICE

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL  
ON THE AUDIT OF FINANCIAL STATEMENTS OF  
ENERGY AND WATER UTILITIES REGULATORY  
AUTHORITY (EWURA) FOR THE FINANCIAL YEAR  
ENDED 30<sup>TH</sup> JUNE, 2019**

Controller and Auditor General,  
National Audit Office,  
Audit House,  
4 Ukaguzi Road,  
P.O. Box 950,  
41104 Tambukareli,  
**DODOMA.**  
Tel: 255 (026) 2321759,  
Fax: 255 (026) 2117527,  
E-mail: [ocag@nao.go.tz](mailto:ocag@nao.go.tz)  
Website: [www.nao.go.tz](http://www.nao.go.tz)

December, 2019

AR/EWURA/2018/2019

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## ABBREVIATIONS AND ACRONYMS

<b>AFUR</b>	:	African Forum for Utility Regulators
<b>ARA</b>	:	African Refiners Association
<b>ATAWAS</b>		Association of Tanzania Water Suppliers
<b>CAG</b>	:	Controller and Auditor General
<b>DPs</b>	:	Development Partners
<b>DTWSSA</b>	:	District and Township Water Supply Sanitation Authority
<b>EREA</b>	:	Energy Regulators Association of East Africa
<b>ESAWAS</b>	:	Eastern and Southern Africa Water and Sanitation Regulators Association
<b>EWURA</b>	:	Energy and Water Utilities Regulatory Authority
<b>FCT</b>	:	Fair Competition Tribunal
<b>GEPF</b>	:	Government Employees Provident Fund
<b>GIZ</b>	:	Deutsche Gesellschaft für International Zusammenarbeit
<b>GPA</b>	:	Group Personal Accident
<b>HIV/AIDS</b>	:	Human Immunodeficiency Virus/Acquired Immune Deficiency Syndrome
<b>IPSAS</b>	:	International Public Sector Accounting Standards
<b>ISSAIs</b>	:	International Standard of Supreme Audit Institutions
<b>LPG</b>	:	Liquefied Petroleum Gas
<b>MoW</b>	:	Ministry of Water
<b>NAO</b>	:	National Audit Office
<b>NARUC</b>	:	National Association of Regulatory Utility Commissioners
<b>NBAA</b>	:	National Board of Accountants and Auditors
<b>NPWSS</b>	:	National Project Water Supply and Sanitation
<b>NSSF</b>	:	National Social Security Fund
<b>PAA</b>	:	Public Audit Act No.11 of 2008
<b>PAC</b>	:	Public Accounts Committee
<b>PAR</b>	:	Public Audit Regulation, 2009
<b>PFR</b>	:	Public Finance Regulations, 2009
<b>PPA</b>	:	Public Procurement Act, 2011
<b>PPP</b>	:	Public Private Partnership
<b>PPR</b>	:	Public Procurement Regulations, 2013

<b>PSSSF</b>	:	Public Service Social Security Fund
<b>RERA</b>	:	Regional Electricity Regulators Association
<b>TAOMAC</b>	:	Tanzania Oil Marketing Companies
<b>TBS</b>	:	Tanzania Bureau of Standards
<b>TZS</b>	:	Tanzania Shillings
<b>URT</b>	:	United Republic of Tanzania
<b>WSSAs</b>	:	Water Supply and Sanitation Authorities

## 1.0 GENERAL INFORMATION

### 1.1. Mandate

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

### 1.2. Vision, Mission and Core Values

#### Vision

To be a highly regarded Institution that excels in Public Sector Auditing.

#### Mission

To provide high quality audit services that improves public sector performance, accountability and transparency in the management of public resources.

#### Core Values

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

- ✓ **Objectivity:** We are an impartial public institution, offering audit services to our clients in unbiased manner.
- ✓ **Excellence:** We are professionals providing high quality audit services based on standards and best practices.
- ✓ **Integrity:** We observe and maintain high standards of ethical behavior, rule of law and a strong sense of purpose.
- ✓ **People focus:** We value, respect and recognize interest of our stakeholders.
- ✓ **Innovation:** We are a learning and creative public institution that promotes value added ideas within and outside the institution.
- ✓ **Results Oriented:** We are an organization that focuses on achievement based on performance targets.
- ✓ **Teamwork Spirit:** We work together as a team, interact professionally, share knowledge, ideas and experiences.

#### We do this by:-

- Contributing to better stewardship of public funds by ensuring that our clients are accountable for the resources entrusted to them;
- Helping to improve the quality of public services by supporting innovation on the use of public resources;
- Providing technical advice to our clients on operational gaps in their operating systems;
- Systematically involve our clients in the audit process and audit cycles; and
- Providing audit staff with appropriate training, adequate working tools and facilities that promote their independence.

© This audit report is intended to be used by Energy and Water Utilities Regulatory Authority (EWURA). However, upon receipt of the report by the Speaker and once tabled in Parliament, it becomes a public record and its distribution may not be limited.



### 1.3. Audit Objectives

To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and are prepared in accordance with an applicable financial reporting framework; and whether laws and regulations have been complied with.

### 1.4. Audit Scope

The audit was carried out in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and other audit procedures as were deemed appropriate under the circumstances. This covered the evaluation of the effectiveness of the financial accounting system and internal control over various activities of the Energy and Water Utilities Regulatory Authority (EWURA).

The audit was conducted on a sample basis; therefore, the findings are confined to the extent that records, documents and information requested for the purpose of the audit were made available to me. Audit findings and recommendations arising from the examination of the accounting records, appraisal of the activities as well as evaluation of the Internal Control System which requires management's attention and actions, are set out in the management letter issued separately to the Energy and Water Utilities Regulatory Authority (EWURA).

As auditor, I am not required to specifically search for fraud and therefore, my audit cannot be relied upon to disclose all such matters. However, my audit was planned in such a way that I would have reasonable expectations of detecting material errors and misstatement in the financial statements resulting from irregularities including fraud. The responsibility for detection, prevention of irregularities and the maintenance of an effective and adequate system of internal control rests with the management of the Energy and Water Utilities Regulatory Authority (EWURA).

### 1.5. Audit Methodology

My audit approach included tests of the accounting records and other procedures in order to satisfy the audit objectives. My audit procedures included the following:

- Planning the audit to identify and assess risks of material misstatement, whether due to fraud or error, based on an understanding of the entity and its environment, including the entity's internal controls.
- Obtain sufficient appropriate audit evidence about whether material misstatements exist, through designing and implementing appropriate responses to the assessed risks.
- Form an opinion on the financial statements based on conclusions drawn from the audit evidence obtained.
- Follow up on the implementation of the previous year's audit findings and recommendations and directives issued by PAC to ensure that proper action has been taken in respect of all matters raised.

## **2.0 REPORT OF THE DIRECTORS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

### **2.1. INTRODUCTION**

The Directors hereby submit their report together with the financial statements for the year ended 30<sup>th</sup> June 2019 which disclose the state of affairs of the Energy and Water Utilities Regulatory Authority.

### **2.2. 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). EWURA became operational in June 2006 when the Board of Directors was fully constituted.

### **2.3. VISION**

To be a World Class Regulator of Energy and Water Services.

### **2.4. MISSION**

To regulate Utilities in Energy and Water Sectors in a Transparent, Effective and Efficient Manner that ensures their Quality, Availability and Affordability.

### **2.5. CORE VALUES**

The EWURAs core values are:

- (a) Impartiality;
- (b) Morality;
- (c) Professionalism;
- (d) Accountability;
- (e) Consistency; and
- (f) Transparency.

### **2.6 Motto:**

Fair Regulation for Positive IMPACT

### **2.7 PRINCIPAL ACTIVITIES**

The Authority is responsible for the technical and economic regulation of the energy (electricity, downstream petroleum, natural gas) and water and sanitation sectors in Tanzania. The functions

of the Authority include, among others, licensing, tariff review, monitoring performance and standards regarding to quality, safety, health and environmental issues of the regulated suppliers.

## 2.8 COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors consists of seven members; six of them are non-executive Directors and one Executive Director who is the Director General.

The Board members, who served the Authority during the year ended 30<sup>th</sup> June 2019, are as follows: -

S/N	Name	Position	Qualification	Nationality	Date of Appointment	Date of End of Tenure	Age
1.	Eng. Prof. Jamidu H.Y. Katima	Chairman	PhD (Chemical and Process Engineering)	Tanzanian	24 <sup>th</sup> August 2015	23rd August 2019	64
2.	Mr. Nzinyangwa E. Mchany	Ag. Director General	MSc. (Economics)	Tanzanian	20 <sup>th</sup> January 2018		56
3.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian	20 <sup>th</sup> October 2014	19th October 2022	50
4.	Mr. Ahmad S.K. Kilima	Member	MBA (Marketing)	Tanzanian	20 <sup>th</sup> October 2014	19th October 2022	66
5.	**Mr. Oswald R. Mutaitina	Member	MSc. (Finance)	Tanzanian	1 <sup>st</sup> April 2015	31st March 2019	54
6.	Mr. Fadhili J. Manongi	Member	MA. (Dev. Economics)	Tanzanian	17 <sup>th</sup> May 2018	16th May 2022	65
7.	Ms. Victoria M. Elangwa	Member	MBA. (Finance)	Tanzanian	17 <sup>th</sup> May 2018	16th May 2022	42

\*\*Mr. Oswald Mutaitina who was a Board member retired on 31<sup>st</sup> March 2019

## 2.9 CORPORATE GOVERNANCE

The overall responsibilities of the Board of Directors, among other things, include general oversight of the Authority's operations, identifying key risk areas, monitoring investment decisions and reviewing the performance of management business plans and budgets. The Board is also responsible for ensuring that comprehensive system of internal control policies and procedures are operative and are in compliance with sound corporate governance principles.

The Board is required to meet at least once a month for ordinary meetings and may call for extra meetings when there is business to transact. The Board delegates the day to day management of the Authority to the Director General assisted by Senior Management members.

The Authority is committed to the principles of effective corporate governance namely integrity, transparency and accountability. During the year ended 30th June 2019, 12 Ordinary Meetings and 8 Extra Ordinary Board Meetings were held.

## 2.10 BOARD COMMITTEES

In streamlining the business transactions, the Board has constituted sector specific and cross-cutting issues Board Committees. During the year ended 30th June 2019, the Audit and Risk Committee, Legal and Corporate Affairs Committee, Energy Committee and Water Committee, met regularly pursuant to section 21 of the EWURA Act Cap.414. During the period under review a total of 19 meetings were conducted by these committees as shown below.

### 2.10.1 Board Committee Meetings

S/N	Board Committee	Number of Meetings
1.	Audit and Risk	6
2.	Legal and Corporate Affairs	6
3.	Energy Committee	3
5.	Water and Sanitation	4
<b>Total</b>		<b>19</b>

Constitution of Board Committees is as follows: -

### 2.10.2 Board's Audit and Risk Committee

S/N	Name	Position	Qualification	Nationality
1.	**Mr. Oswald R. Mutaitina	Chairman	MSc. (Finance)	Tanzanian
2.	Mr. Richard M. Kayombo	Member	MBA (Marketing)	Tanzanian
3.	Mr. Fadhili J. Manongi	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Peter L. Machunde	Co-opted member	CPA (T)	Tanzanian

\*\*Mr. Oswald Mutaitina who was a Board member retired on 31<sup>st</sup> March 2019

### 2.10.3 Board's Legal and Corporate Affairs Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Richard M. Kayombo	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD ( Chemical and Process Engineering)	Tanzanian
3.	Ms. Victoria M. Elangwa	Member	MBA. (Finance)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc. (Economics)	Tanzanian

#### 2.10.4 Board's Energy Committee

S/N	Name	Position	Qualification	Nationality
1.	Ms. Victoria M. Elangwa	Chairperson	MBA. (Finance)	Tanzanian
2.	Mr. Fadhili J. Manongi	Member	M.A. (Dev. Economics)	Tanzanian
3.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc. (Economics)	Tanzanian

#### 2.10.5 Board's Water Committee

S/N	Name	Position	Qualification	Nationality
1.	Mr. Ahmad S.K.Kilima	Chairman	MBA (Marketing)	Tanzanian
2.	Eng. Prof. Jamidu H.Y. Katima	Member	PhD (Chemical and Process Engineering)	Tanzanian
3.	Mr. Fadhili J. Manongi	Member	M.A. (Dev. Economics)	Tanzanian
4.	Mr. Nzinyangwa E. Mchany	Ag. Director General and Member	MSc.(Economics)	Tanzanian

### 2.11 RELATED PARTY TRANSACTIONS

The related party transactions during the year ended 30th June 2019 is disclosed in Note 19 of these financial statements.

### 2.12 MANAGEMENT

The Management of the Authority is under the Director General and is structured in the following eight Directorates and three Units: -

- i. Directorate of Corporate Affairs;
- ii. Directorate of Natural Gas;
- iii. Directorate of Water and Sanitation;
- iv. Directorate of Legal Affairs;
- v. Directorate of Internal Audit;
- vi. Directorate of Petroleum;
- vii. Directorate of Electricity;
- viii. Directorate of Regulatory Economics;
- ix. Communications and Public Relations Unit;
- x. Procurement Management Unit; and
- xi. Information and Communication Technology Unit.

## 2.13 KEY STRENGTHS AND RESOURCES

The Authority continues to give its top priority to key resources which are people, tangible and intangible resources such as state of the art technology which contribute in strengthening service delivery, productivity and financial sustainability. These strengths and resources are explained briefly in the following paragraphs.

### **(i) Human Resources and Customer Care**

Customer satisfaction is mostly anchored on people and hence employees continue to be the most important assets. Their zeal, hardworking and commitments have made the Authority to perform professionally well. The Authority has skilled, motivated and experienced employees who are considered as key resources in pursuing its objectives. The Authority encourages and supports capacity building programmes to impart the required knowledge to employees to give them an edge in performing their activities.

During the year under review the Authority sponsored some of its staff to attend to different trainings within and outside the country. The Authority also encourages employee participation in decision making processes and encourages open and honest communications.

### **(ii) Co-operation and Support from various Stakeholders**

The Authority has internal and external stakeholders and has been encouraging harmonious relationship with them. Their support and involvement in EWURA activities makes a significant impact and contribution to service delivery to the public. The Authority has continued receiving enormous support from the Ministry of Water, Ministry of Energy, EWURA Consumer Consultative Council (EWURA CCC), Government Consultative Council, Tanzania Oil Marketing Companies (TAOMAC), Association of Tanzania Water Suppliers (ATAWAS), Tanzania Revenue Authority, Ministry of Finance and Planning, Treasury Registrar, Police and other Regulatory Authorities in the country.

The Authority has strong ties and working relationships with relevant International organizations such as AFUR, ESAWAS, EREA, RERA, NARUC and GIZ.

### **(iii) Legal Framework**

In discharging its duties and functions, the Authority is guided by its establishing Act and Subsidiary legislations in the Water and Sanitation, Electricity and Petroleum. The EWURA Act, Cap. 414 together with sector legislation govern the conduct of the activities of the Authority. The sector legislation includes the Electricity Act, Cap. 131, Water and Sanitation Act, Cap. 272, DAWASA Act, Cap. 273 and the Petroleum Act, 2015. These tools were key and useful during the financial year under review.

### **(iv) Financial Performance and Sustainability**

The Authority's sources of revenue are provided under Section 43(1) of the establishing Act Cap 414. The funds and resources of the Authority consist of: -



- a) fees collected by the Authority including, fees payable for the grant and renewal of licenses;
- b) levies collected from regulated suppliers;
- c) all other payments or property due to the Authority in respect of any matter incidental to its functions; and
- d) any grants, donations, bequest or other contributions made to the Authority.

During the year the Authority earned total revenue of TZS. 48.1 billion (2017/2018: TZS. 44.8 billion). The Authority incurred a total of TZS. 45.7 billion (2017/2018: TZS. 43.8 billion), whereby TZS 35.4 billion (2017/2018: TZS. 33.4 billion) was on recurrent expenditure, inclusive of depreciation and TZS. 10.2 billion (2017/2018: TZS. 10.4 billion) was for contributions made to the Treasury and other Government Institutions. The level of revenue and the instituted internal controls have enabled the Authority to discharge its regulatory functions and meet its customers, stakeholders and the public expectations.

## 2.14 OPERATIONAL AND FINANCIAL PERFORMANCE

During the year, EWURA focused on the implementation of its strategic objectives which guided 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 continued implementing its five years Strategic Plan for 2017/18 – 2021/22 which guides the Authority's operations in five years' period. The year 2018/19 was the second year of implementation of 2017/18 – 2021/22 Strategic Plan. The following were the Strategic Objectives:

- A:** Quality, Availability and Affordability of Regulated Services Improved;
- B:** Public Knowledge, Awareness and Understanding of Regulatory Functions in the Regulated Sectors Enhanced;
- C:** EWURA Functions Effectively and Efficiently Managed; and
- D:** Interventions against HIV/AIDS, Corruption and Other Cross-Cutting Issues Enhanced.

### 2.14.1 Achievements

During the year, the Authority witnessed significant achievements as follows: -

- m) Reviewed various regulatory tools and developed new ones, in total the Authority reviewed and developed 19 regulatory tools;
- n) The Authority continued to conduct monitoring of the Bulk Procurement System of petroleum products and facilitated its operations;
- o) The Authority continued to conduct monitoring and inspection of its regulated sectors. This has improved the quality of regulated products, services, and standards of infrastructure;
- p) The Authority continued to cooperate with other Government institutions such as Tanzania Bureau of Standards (TBS), National Environment Management Council (NEMC), Tanzania Revenue Authority (TRA), Tanzania Ports Authority (TPA), Weight and Measures Agency (WMA) and Police Force on matters that required EWURA's cooperation or intervention, or vice versa, for the country's interest;



- q) The Authority revised business plans to 34 WSSAs of Babati, Iringa, Mwanza, Lindi, MANAWASA, Mkuranga, Bunda, Mbeya, Mpanda, Ludewa, Makete, Sengerema, Maswa, Ushirombo, Handeni Trunck Main (HTM), Muheza, Magugu, Rujewa, Mugango – Kiabakari, Ngudu, Mbinga, Mugumu, Biharamulo, Magu, Tanga, Same, Loliondo, Arusha, Nansio, Karatu, Ngaramtoni, Usa River, Mbulu and Same WSSAs;
- r) The Authority continued with licensing activities on the regulated sectors where 1,218 licences were issued to regulated suppliers, 544 in Petroleum 8 in Electricity (3 provisional licences and 5 generation licence), 2 in Water and Sanitation (1 class III licences and 1 Provisional Water Supply and Sanitation license) and 664 for Electrical Installation Personnel licences;
- s) 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. During the year 186 complaints were resolved whereby 24 complaints were in the petroleum sub-sector, 118 in the electricity sub-sector and 44 in the water and sanitation sector were resolved. At the end of the year 117 complaints were at various stages of mediation and hearing;
- t) The Authority successfully continued to conduct 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;
- u) The Authority reviewed 59 tariff applications from regulated suppliers of Water and Sanitation sector, Natural Gas and Electricity subsector. Out of those reviewed, 53 were approved, 3 were referred back, 1 was withdrawn and 15 were under review during the year end;
- v) The Authority made disbursements to EWURA Consumer Consultative Council (CCC), Fair Competition Tribunal (FCT), Fair Competition Commission (FCC), Government Consultative Council (GCC) and the Treasury as required by the law;
- w) The Authority conducted recruitment to fill 6 vacant positions;
- x) The Authority paid annual subscriptions and attended to various professional forums including Platts/McGraw Hill, African Refineries Association (ARA), Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS), Regional Electricity Regulators Association (RERA), Independent Regulatory Board - East African Power Pool (IRB-EAPP), African Forum of Utility Regulators (AFUR), Institute of Internal Auditors (IIA), Tanganyika Law Society (TLS), National Board of Accountants and Auditors (NBAA) and Tanganyika Library Services; and
- y) The Authority continued to finance construction of its Head Quarter offices in Dodoma, 62% was completed up to 30<sup>th</sup> June 2019.

#### **2.14.2. Financing**

The Authority's operations are financed mainly through levies collected from regulated service providers in the energy sector (electricity, petroleum, natural gas) and water and sanitation sector. Other sources of financing include license fees and application fees.

During the year total revenue amounting to TZS 48.1 billion (2017/2018: TZS 44.8 billion) was earned indicating an increase of 7.4% compared to the previous year as shown in Table 1 below. Details on revenue earned are given in note 10 and 11.

**Table 22: Revenue Performance**

Description	30.06.2019 TZS'000	30.06.2018 TZS'000	Increase/ (Decrease) %
<b>Income from Regulatory Levy and Licenses</b>	47,181,283	43,835,770	8
<b>Penalties</b>	925,821	950,948	(3)
<b>Finance Income</b>	-	801	-
<b>Total Revenue</b>	<b>48,107,104</b>	<b>44,787,519</b>	<b>7.4</b>

### 2.14.3 Licensing

During the year, the Authority prepared and issued licenses to various 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, 1,218 (2017/2018: 955) licenses applicants were issued with licenses as shown:-

In the Petroleum sector 544 licenses were issued (Storage 3, Petroleum wholesale 9, Petroleum Retail 508, Lubricant Blending 3, Lubricant wholesale 5, LPG wholesale 2, LPG distribution 5, Consumer Installation 8 and pipeline 1);

- In the Electricity subsector a total of 8 licenses were issued (3 were Electricity Provisional Generation Licenses, 5 were Electricity Generation licenses (Own Use) and 664 electrical installation personnel licenses were issued; and
- In the water and Sanitation sector, 2 licenses were issued (1 Provisional Water Supply and Sanitation license and 1 Class III Water Supply and Sanitation license).

### 2.14.4 Development of Regulatory Tools

The Authority finalized 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 ongoing one. During the year, the following Regulatory tools were developed: -

- Petroleum (Decommissioning) Regulations, 2018;
- Petroleum (Compressed Natural Gas) (Supply and Marketing Services) Rules 2018;
- Petroleum (Natural Gas) (Supply and Marketing Services) Rules, 2018;
- Petroleum (Natural Gas Processing) Rules, 2018; Electricity (Electrical Installation Services) Rules, 2019;
- Electricity (Supply Services) Rules, 2019;
- EWURA (Consumer Complaints Settlement Procedures) Rules, 2019;

- (g) The Petroleum (Natural Gas) (Storage) Rules, 2019;
- (h) The Petroleum (Natural Gas) (Regulatory Accounting and Reporting Standards) Rules, 2019;  
and
- (i) The National (Petroleum and Natural Gas) (Information System) Rules, 2019.

#### 2.14.5 Standards and Codes

The Authority develops new codes and standards by taking into consideration the existing local and international standards applicable to regulated sectors. In this regard the Authority developed Tanzania Electricity Distribution Code in collaboration with other sector stakeholders.

#### 2.14.6 Tariff and Pricing Formula Reviews

The Authority carried out review of several tariff applications filed by regulated suppliers and matters particularly on petroleum pricing that were initiated by the Authority. Summary of the tariff and petroleum pricing formula reviews conducted during the period is shown in Table 2;

**Table 23: Tariff and Pricing Formula Reviews**

Regulated Sectors	Matters brought Forward from previous year	Matters Received during the year	Total Matters Reviewed	Approved	Referred Back	With-drawn	Under Review as at 30 <sup>th</sup> June 2019
Electricity	1	2	3	3	0	0	0
Petroleum	0	2	2	1	0	0	1
Water Supply & Sanitation	15	52	54	49	3	1	14
<b>Total</b>	<b>16</b>	<b>56</b>	<b>59</b>	<b>53</b>	<b>3</b>	<b>1</b>	<b>15</b>

In all cases, the legal requirement (EWURA Act, Cap 414, Sect. 19(2)(b)) of taking the views of stakeholders into account were observed when determining the new rates and formulas. Except for the automatic tariff application from Tabora, Ngudu, Maganzo and Kishapu WSSAs and the annual review of the petroleum operators' margins, the Authority conducted public hearings to all other tariff and pricing matters as summarized in Table 3.

**Table 24: Public Hearings for Tariff and Pricing Formula Reviews**

Regulated Sectors	Number of Public Inquiry Meetings	Number of Matters Determined
Electricity	-	-
Natural Gas	-	-
Petroleum	-	-
Water Supply and Sanitation	46	50
<b>Total</b>	<b>46</b>	<b>50</b>

### **2.14.7 Sector Monitoring and Inspection**

During the year, the Authority conducted performance monitoring in the activities of regulated service providers among the regulated sectors. Key objectives for sector monitoring were to promote effective competition and economic efficiency, protect the interest of the consumers and financial viability of efficient service providers, promote the availability of regulated services to all consumers including low income, rural and disadvantaged consumers and protect and preserve the environment.

#### **(a) Petroleum Sub Sector**

The Authority continued to conduct pre-licensing and compliance inspections to the petroleum facilities to ensure that there is continuous compliance to the applicable laws, Standards and the petroleum industry best practices. During the period under review, the following were executed: -

- (i) Conducted pre-licensing inspection to 369 petroleum facilities. Out of these, 164 facilities (44.44%) met licensing requirements at the time of inspection and hence were recommended for issuance of licenses. Nevertheless, the proponents of non-compliant facilities were ordered to rectify the observed anomalies and ultimately most of them met requirements;
- (ii) Inspections were conducted to 776 petroleum facilities to monitor compliance to the applicable laws, license conditions and the petroleum industry best practices. Out of the inspected petroleum facilities, 695 petrol stations were found operating, 81 were found not operational (i.e. abandoned, under rehabilitation and petrol stations were found under construction without having construction approval from EWURA). Out of the 695 operating petrol, 498 petrol stations equivalent to 71.65% were found compliant with the applicable laws, license conditions and the petroleum industry best practices. Legal actions include closure and fines were taken against petrol stations that failed to meet requirements and the ones found under construction without EWURA's construction approvals;
- (iii) Inspections were conducted to 940 petrol stations to monitor compliance to the Price Setting Rules. One (1) petrol station (0.11%) was found defaulting the Rules. The requisite legal actions were taken and the respective operators paid fines;
- (iv) Fuel marker detection tests were conducted to 777 facilities in order to curb adulteration and dumping into local market transit, tax exempted and smuggled petroleum products. Out of the inspected facilities, 35 facilities equivalent to 4.50% were found with non-conforming products. Legal actions were taken against the defaulters. Legal actions taken include closure of the facilities until the respective operators paid EWURA fines and TRA duties and penalties for dumping cases;
- (v) A total of 285 samples of petroleum products were taken from petroleum facilities to monitor compliance to the TBS specifications. Out of the samples taken, 15 samples equivalent to 5.26% were found not conforming to TBS specifications. Appropriate legal actions were taken against the facilities found with products that are out of TBS specifications. Legal actions taken include closure and fines; and
- (vi) EWURA continued to conduct evaluation of all applications received and the applicants

complying with the licensing requirements were recommended to the Board for issuance of license. A total of 542 license applications were received, evaluated and issued with licenses.

Generally, compliance levels continued to improve and the performance in the year under review is within the set annual targets. EWURA will continue striving to ensure 100% compliance levels are attained.

### **(b) Electricity Subsector**

During the Financial Year 2018/2019 the Authority conducted compliance Audit inspections on TANESCO's Distribution infrastructure in 24 Regions namely; Tanga, Songwe, Simiyu, Iringa, Arusha, Katavi, Kinondoni North, Kinondoni, Geita, Coast, Ruvuma, Kilimanjaro, Temeke, Rukwa, Singida, Mwanza, Kagera, Mtwara, Manyara, Kigoma, Njombe, Mbeya, Tabora, and Shinyanga. Also inspections were conducted in generation power plants at Mtera Hydro, Hale Hydro, Nyumba ya Mungu Hydro, TPC, Kigoma, Kasulu, Rukwa and Kibondo Power Plants.

Follow up inspections indicated that TANESCO had attended to the previous inspections findings by an average of 60%. However, it was observed that TANESCO's network still had non-compliance issues which included technical defects and deficiencies. Noncompliance issues observed included among other things; missing boundary energy meters to determine the energy losses, rotten poles, missing data for calculating reliability indices, missed customer service data in TANESCO data management system (SDM), meters which were installed for energy loss management which are not working, high unplanned outage hours, delay in connecting new customers with a long list of pending connections, missing distribution drawings, and un-serviced fire extinguishers in substations.

During the audit inspection of TANESCO's distribution infrastructure networks, the Authority's evaluation concentrated on Customer Service Charter related issues of which performance compliance level was at an average of 77% from a target of 100%, which indicates an improvement in comparison to last financial year data by 2%.

The assessment conducted on Customer Service Charter was based on performance targets such as service line connections, breakdowns handling; and response to customer queries, request and complaints.

At the end of all inspections, the Authority submitted detailed report on anomalies found to TANESCO with instruction to rectify them and report implementation status.

In addition to distribution infrastructure inspection, the Authority also conducted three (3) pre-licensing inspection to generation infrastructures at 2.4MW wind project for Mwenga hydro Power Limited, 45MW natural gas power plant for Dangote Cement Limited and 6MW heavy fuel oil power plant for Stamigold Company Limited.

Pre-registration inspection were conducted to seventeen (17) solar mini grids for Nakopi village (30KW) in Nanyumbu District, Barikiwa village (30kW) and Mbaya village (30kW) in Liwale District,



Bugalamo (3.18kW) and Murusagamba (6.36kW) in Ngara district; Kalenge (6.18kW), Nyantankara (6.38kW), Nemba (12.72kW) and Mavota (6.38kW) in Biharamulo district owned by Power Corner Tanzania Limited, Leshata (6.36kW) and Songambe/Kitaita (6.36kW) sites in Gairo-Morogoro Region, Iglansoni (6.36kW) in Singida region, Yozu (19.08kW), Zilagula (6.36kW), and Kasalazi (12.72kW) in Mwanza region, Mgambo (20kW) and Mwenge (28kW) in Sikonge District owned by PowerGen Renewable Energy Limited were inspected.

Inspections were also conducted to other Independent power producers such as (5MW) Tulila Hydro power plant, (1MW) Andoya, (2.5MW) TanWatt, (15KW) Power Solar PV. Generally, inspected generation power plants were found to be in good condition. The Compliance Audit and inspections aimed at ensuring that all licensees comply with existing legal and regulatory requirements.

### **(c) Water Supply and Sanitation**

During the year under review, the Authority embarked on various activities including inspections for monitoring and verification of data and information reported by WSSAs. The main objective of the inspections was to check compliance of the WSSAs' infrastructures and services to licensing conditions, approved standards, business plans, tariff conditions and other legal and regulatory requirements.

Routine inspection was conducted to 70 WSSAs namely; Arusha, Babati, Bariadi, Biharamulo, Bukoba, Chalinze, Chamwino, Chato, Chunya, Dakawa, DAWASA, Dodoma, Gairo, Handeni, HTM, Igunga, Ilula, Iringa, Itumba- Isongole, Karagwe, Karatu and Kasulu.

Other inspections were conducted to Kasumulu, Katesh, Kibaya, Kibondo, Kigoma, Kilindoni, Kilosa, Kilwa-Masoko, Kiomboi, Kisarawe, Kyela, Liwale, Ludewa, Mahenge, Makonde, Manyoni, Mbalizi and Mbeya.

The Authority also inspected WSSAs of Mbinga, Mikumi, Mkuranga, Monduli, Moshi, Mpwapwa, Mtwara, Muheza, Muleba, Mwanga, Namtumbo, Ngara, Nzega, Pangani, Ruangwa, Rujewa, Shinyanga, Sikonge, Singida, Songe, Tabora, Tanga, Tukuyu, Tunduma, Turiani, Ushirobo, Kongwa, Bashnet, Korogwe and Magugu.

Also, special inspections were conducted to four WSSAs namely Mahenge, Kilindoni, Bariadi and Kigoma WSSAs. Further, pre-licensing inspections were conducted in Karatu and Vwawa – Mlowo WSSAs.

Water and wastewater quality monitoring was also conducted to 62 water utilities. The Authority carried out water and waste water quality monitoring in order to establish whether water supplied and effluent from waste water treatment systems complied with TBS Standards.

The WSSAs in which water and wastewater quality monitoring was conducted by EWURA included DAWASA, Chalinze, Iringa, Njombe, Songea, Mbeya, Sumbawanga, Mpanda, Vwawa-

Mlowo, Wanging'ombe, Namtumbo, Mbinga, Namanyere, Mafinga, Tukuyu, Mbalizi, Lindi, Mtwara, Makonde, MANAWASA, Mangaka, Kilindoni, Tanga, Arusha, Moshi, Babati, Handeni Trunck Main (HTM), Bashnet, Korogwe, Gallapo, Muheza, Karatu, Monduli, Magugu, Mwanga, Morogoro, Dodoma, Singida, Tabora, Mahenge, Kiomboi, Sikonge, Nzega, Turiani, Kibaigwa, Gairo, Mwanza, Geita, Chato, Shinyanga, Kahama, KASHWASA, Isaka, Ushirombo, Maswa, Bariadi, Kigoma, Bukoba, Karagwe, Biharamulo, Musoma and Mugango Kiabakari.

Furthermore, during the year under review the Authority conducted adhoc inspections in Arusha and Morogoro WSSAs. The adhoc inspections were conducted to investigate on water contamination incidences that were reported to have occurred in the service areas of these utilities.

The Authority also prepared two Water Utilities Performance Review Reports for Financial year 2017/18 for Regional and National Projects water utilities; and District and Township Water Supply and Sanitation Authorities respectively. The reports covered, among other things, the technical, commercial and financial performance of WSSAs by considering key performance data and indicators. During the launching of the reports, the best performing utilities were recognized by awarding them with certificates and trophies.

During the year under review, the Authority revised business plans to 34 WSSAs of Babati, Iringa, Mwanza, Lindi, MANAWASA, Mkuranga, Bunda, Mbeya, Mpanda, Ludewa, Makete, Sengerema, Maswa, Ushirombo, HTM, Muheza, Magugu, Rujewa, Mugango – Kiabakari, Ngudu, Mbinga, Mugumu, Biharamulo, Magu, Tanga, Same, Loliondo, Arusha, Nansio, Karatu, Ngaramtoni, Usa river, Mbulu and Same WSSAs

The Authority ensured that the Key Performance Indicators (KPIs) targets are included in the WSSAs' Business Plans and follow up is regularly made to ensure their implementation. The implementation of KPIs is monitored monthly through the Water Utilities Information System (Majlis) and Annual Performance Reports.

In a bid to improve performance of regulated water utilities, the Authority continued to implement capacity building measures to water utilities of which 33 WSSAs were trained on preparation of business plans. The 33 WSSAs that benefited from such training included Mkuranga, Liwale, Kilosa, Dakawa, Ruangwa, Korogwe, Morogoro, Karatu, Ngaramtoni, Usa river, Same, Mombo, Pangani, Namanyere, Kasumulu, Kyela, Mbinga, Chunya, Rujewa, Tunduru, Tunduma, Namtumbo, Njombe, Dodoma, Kibaigwa, Nzega, Manyoni, Mafinga, Ngudu, Kibondo, Magu, Kasulu and Ushirombo WSSAs.

During the year under review, the Authority also reviewed Customer Service Charters from 11 WSSAs of Kisarawe, Bashnet, Ruangwa, Biharamulo, Turiani, HTM, Lindi, Songea, Njombe, Rujewa and Tunduru. The review was conducted to ensure that, among other things, the quality of service targets included in the charters meet the minimum requirements as specified in the Water Supply



and Sanitation (Quality of Service) Rules, GN 176, Published on 13th May 2016. Following the review, the Authority approved customer service charters for Biharamulo, Kisarawe and HTM WSSAs.

#### **(d) Natural Gas Subsector**

The Authority carried out quarterly field inspections to the natural gas infrastructure operated by Songas, Ndovu Resources, Pan African Energy, TPDC, Maurel et Prom. These facilities include natural gas processing plants, high pressure transmission pipelines and natural gas distribution network to ascertain the infrastructure technical integrity and safety aspects. During the field inspections, the Authority had an opportunity to verify the information received earlier from the regulated service providers based on daily, weekly and monthly reports which form part of the basis of performance monitoring in the natural gas sub sector.

During the Financial Year 2018/2019, six regulatory tools were developed, approved by the Board and Gazzetted, these are: -

- a) The Petroleum (Natural Gas Regulatory Accounting and Reporting Rules, 2019; GN 183;
- b) The National Petroleum and Gas Information system (Rules), 2019; GN 184;
- c) The Petroleum (Natural Gas Storage) Rules, 2019; GN 182/2019;
- d) The Petroleum (Natural Gas) (Supply and Marketing Services) Rules, 2019; GN 219;
- e) The Petroleum (Compressed Natural Gas) (Supply and Marketing Services) Rules, 2019. GN 220; and
- f) The Petroleum (Natural Gas) (Processing) Rules, 2019. GN 221.

Four pre-construction approval inspections has been conducted which are: -

- a) Dangote Compressed Natural Gas (CNG) station in Mtwara;
- b) TPDC distribution natural gas connection at University of Dar es Salaam House hold and Cafeterias in Dar es Salaam;
- c) TPDC distribution natural gas connection at Mlalakuwa in Dar es Salaam; and
- d) TPDC distribution natural gas connection at 125 households and four institutions in Mtwara Municipality.

Several regulations were drafted and sent to the Ministry of Energy for consideration, which include: -

- a) The Petroleum (Compressed Natural Gas) Regulations;
- b) Petroleum (Natural Gas) (Import, Export and Transit) Regulations;
- c) Petroleum (Natural Gas) (Records, Reports, Return and Other Information) Regulations;
- d) The Petroleum (Natural Gas) (Infrastructure Inspection and Monitoring) Regulations, and
- e) Petroleum (Midstream and Downstream Operations) (Decommissioning) Regulations

Two guidelines were developed and approved which are the Petroleum (Natural Gas) Customer Service Charter Guidelines, 2019 and the Petroleum (Local Content) Guidelines, 2019.

#### **2.14.8 Public Awareness**

The Energy and Water Utilities Regulatory Act (Cap. 414 ), section 6 (e) stipulates that it is a duty of the Authority to enhance public knowledge, awareness and understanding of regulated sectors including the rights and obligations, ways in which complaints and disputes may be initiated and resolved; and the duties and functions of EWURA.

In order to balance the public expectations and what is achieved by EWURA, well thought public outreach is inevitable and implementation of public awareness programmes and management of public relations is an integral part of the Authority's functions in order to enhance public knowledge, awareness and understanding of the regulated sectors.

During the period under review, the Authority executed several activities related to Communications and Public Relations functions. Also various means of communication channels were used to reach diversified stakeholders interests that included electronic media, face to face meetings, print media, public hearings and consultations. Some of activities that were executed during the year have been highlighted here under:-

#### **2.14.9 Public Awareness Programmes- EWURA NA UCHUMI**

During the Financial year 2018/2019, EWURA designed and recorded 92 television programmes as compared to 83 programme that were aired during the previous financial year. Also during the period under review, the Authority aired 128 radio programmes as compared to 206 programmes that were aired during the previous financial year. The Authority published 43 features to various media houses as compared to 30 features published during the previous financial year. During the same period under review EWURA was mentioned many times in news bulletins on various TV stations.

##### **2.14.9.1 Advertisements**

During the year, the Authority published 81 batches of various advertisements compared to 53 batches of advertisements published in the previous Financial Year. The advertisements were mainly on Petroleum Price, Public Notices. Job Vacancies Adverts, Pre-inspection monitoring and licensing notices and Tenders.

##### **2.14.9.2 Exhibitions**

The Authority participated in the Dar es Salaam International Trade Fair (DITF). During the fair, the Authority conducted public awareness, information and education activities where various publications such as brochures, Newsletter and EWURA reports were distributed to the public. At the end of 13 days' exhibitions, the Authority served more than 300 registered visitors at EWURA booth.

##### **2.14.9.3 Publicity Materials**

During the year, the Authority facilitated the distribution of EWURA's education and information materials to the Government and the general public through various events such as Saba Saba exhibitions, Public inquiry meetings and in stakeholders' meetings.

During the year, the Authority published various reports namely: EWURA Annual report, Water sector reports Volume I and II, Downstream Petroleum Subsector Performance Report for the year 2018; and Electricity Performance Report for the year 2018; and brochures and EWURA Newsletters.

#### 2.14.4.4 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 in Table 4.

**Table 25: Complaints and Disputes Attended**

Regulated Sector	Pending Complaints Brought forward	Complaints Received During the Year	Complaints Resolved	Complaints in Progress
Petroleum	4	27	24	7
Electricity	40	163	118	85
Water Supply and Sanitation	8	61	44	25
Natural Gas	0	0	0	0
<b>Total</b>	<b>52</b>	<b>251</b>	<b>186</b>	<b>117</b>

At the end of the year a total of 186 complaints (2017/2018: 35) complaints were resolved while 117 complaints (2017/2018: 52) were at various stages of mediation and hearing.

#### 2.14.4.5 Regional Cooperation Meetings

The main objective of regional cooperation is to provide regulatory inputs Government delegation during regional and interational meetings. Furthermore, exchange regulatory experiences within the International and Regional settings, and allow EWURA to have access to information necessary for regulation and performance benchmarking. The Authority participated in two SADC Energy Ministers meetings, EAC Energy Sectoral Council meeting and the activities of five 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 the Eastern and Southern Africa Water and Sanitation Regulators Association (ESAWAS).

## 2.15 RECRUITMENT

During the year, the Authority did not plan to recruit new staff but it replaced the existed 6 vacant positions thus bringing the total number of staff to 159 (2017/18: 159). The number of staff planned (approved establishment) was 183. Staff gender structure was as indicated in Table 5:

**Table 26: Staff Complement**

Item	Male	Female	Total
<b>Staff Complement</b>	115	44	159
<b>Percentage</b>	72.33	27.67	100

The Authority has a staff complement of highly qualified and motivated professionals who bring with them their diverse experience in their area of professionalism.

## 2.16 RISK MANAGEMENT AND CONTROL

The Board continued to assume final responsibility for overseeing risk management and internal control system of the Authority. During the year, EWURA implemented risk management activities whereby risks were identified, assessed and managed. Risks Register was updated and staff awareness training on risk management was conducted. It is the role of the Board to ensure that adequate internal financial and operational control systems are developed, improved and maintained on an ongoing basis in order to mitigate operational and strategic risks and to provide reasonable assurance regarding: -

- (a) the effectiveness and efficiency of operations;
- (b) the safeguarding of the Authority's assets;
- (c) compliance with the applicable laws and regulations;
- (d) reliability of accounting records;
- (e) business suitability under normal as well as adverse conditions; and
- (f) responsible behaviours towards stakeholders.

## 2.17 STAFF WELFARE

### 2.17.1 Staff Relations

Good relationship between employees and management of the Authority was observed and maintained during the year under review.

### 2.17.2 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, 107 staff attended short course training on general management, secretarial and management practices.

### 2.17.3 Medical Services

The Authority provides medical insurance cover through National Health Insurance Fund (NHIF) to all staff, spouses and up to four legally recognized children not exceeding 18 years of age.

#### 2.17.3.4 Health and Safety

The Authority takes all reasonable and practicable steps to safeguard health, safety and welfare of its employees. A safe and comfortable working environment is maintained for all employees by providing adequate and proper protective gears (during field work), training and supervision

as necessary. The Authority observes the Safety and Health Administration (OSHA) guidelines and ensured full compliance. During the year, there were no health safety and environmental incidences reported.

#### **2.17.5 HIV/AIDS Intervention**

During the year, 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.

#### **2.17.6 EMPLOYEE BENEFIT PLAN**

The Authority pays contributions to publicly administered Pension Fund as required by law. During the year, the Authority paid TZS 1.05 billion (2018: TZS 1.2 billion).

### **2.18 GENDER PARITY**

During the year, the Authority had 159 (2017/2018: 159) employees, out of whom 115 (72%) were male and 44 (28%) were female. The Authority is an equal opportunity employer. During the same period 18 (11%) staff were under contract terms while 141 (89%) were under permanent and pensionable terms.

### **2.19 POLITICAL DONATIONS**

The Authority does not make donations towards political activities.

### **2.20 CORPORATE SOCIAL RESPONSIBILITIES**

The Authority makes donations and contributions to various institutions to support activities of national interest in line with its donation and contribution policy. The involvement of the Authority in offering Donations and Contributions has continued to enhance its image and values to the public. During the year, the Authority supported various social activities mainly on education and health with a total of TZS 138.0 million (2018: TZS 159.7 million).

### **2.21 RELATED PARTY**

EWURA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority. Related parties comprise of members of the Board of Directors, the Director General, Divisional Directors and Head of Units.

### **2.22 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 license or construction approval, the authority takes into account the need to protect and preserve the environment as required by the Environmental Management Act, 2004.

### **2.23 PERSONS WITH DISABILITIES**

The Authority believes in and provides equal opportunities to persons with disabilities.



## 2.24 KEY CHALLENGES AND THE WAY FORWARD

The Authority encountered various challenges in the course of discharging its functions during the year under review. Key challenges encountered included the following: -

- f) Continued smuggling of kerosene into Tanzania from neighbouring countries is still a problem. EWURA will continue to conduct frequent marker detection exercises, especially in border areas and continue cooperating with TRA and other law enforcing organs in conducting joint inspections. EWURA will also increase awareness campaigns on the matter;
- g) Natural gas infrastructure is not widely distributed in the country; hence low consumption of Natural Gas; The natural gas distribution networks are limited to Dar es Salaam. Also, the existing natural gas infrastructure is operating at 11% which is underutilization of the infrastructure. EWURA continues to engage with the Ministry of Energy, TPDC and other key stakeholders to promote investments in the natural gas infrastructure;
- h) About 50% district and township Water Supply and Sanitation Authorities (WSSAs) have weak managerial, financial and technical capacity. The Authority will continue to utilize its available resources to conduct capacity building to WSSAs, carry out inspections and monitoring. The Authority will also continue to advise the Government on ways of improving capacity of the weak WSSAs;
- i) Inadequate capacity of the WSSAs to prepare Business Plans which are compliant to the EWURA Business Plan Guidelines continue to be a challenge. The Authority will continue building capacity to WSSAs and is committed to set aside funds for the capacity building in the future years' budgets;
- j) Low investments in Water Supply and Sanitation which result into a slow pace towards attaining service coverage targets set in the National Five-Year Development Plan (2016/17 – 2020/21). The current urban water supply coverage is around 83% in Regional water utilities, 72% in National Project water utilities and 63% in District headquarters and Township water utilities. In addition, EWURA has been collaborating with the Ministry of Water and Development Partners (DPs) to put in place incentives for WSSAs to involve PPPs and to acquire loans for investments;
- k) Although the efforts of curbing sale of adulterated and tax exempted petroleum including transit products in the local market are bearing good results, the malpractice is not yet fully wiped out. The Authority will continue to conduct petroleum quality monitoring and take legal actions to the defaulters. EWURA will also continue cooperating with TRA and other law enforcing organs in conducting joint inspections and increase awareness campaigns on the matter;
- l) Some operators in the petroleum industry especially retailers, fail to comply with regulatory requirements due to lack of knowledge and expertise in the petroleum downstream operations. Therefore, EWURA will continue to conduct awareness and education campaigns to operators and public to mitigate this challenge;
- m) Service delivery of petroleum products in remote areas remained to be a challenge since there are no reliable petrol stations in these areas. Petroleum products are stored and sold by vendors in a manner that is detrimental to Health, Safety and Environment (HSE). On the other hand, the volumes of sales in these areas are small to attract investment of standard

petrol stations. EWURA has contracted Bureau of Industrial Cooperation (BICO) of University of Dar es Salaam to design mobile prototype in these areas and also EWURA has developed and gazetted rules which allows development of low cost but HSE compliant petrol station to address the challenge;

- n) Low reliability of the distribution infrastructure coupled with high distribution losses are still major challenges to power distributors. To address this challenge, the current plan is to intensify inspections and compliance monitoring; and
- o) Licensees delay to respond on issues observed during inspections. Proposed solution is to intensify awareness campaigns, compliance enforcement and involvement of licensee representative from TANESCO Head Office;

The Authority is committed to continue addressing these challenges for improved performance in the years ahead.

## 2.25 EVENTS AFTER THE REPORTING PERIOD

There were no material events, adjusting or non-adjusting, which had occurred between the reporting date and the date when the Financial Statements are authorized for issue.

## 2.26 SOLVENCY

Since its establishment, the Authority has managed to finance its operations through sources specified under the EWURA Act. The Directors consider the Authority to be solvent on the strength of its financial position as at 30<sup>th</sup> June 2019 as set in these financial statements and the Notes thereon.

## 2.27 AUDIT MANDATE

The Controller and Auditor General is the Statutory Auditor of the Energy and Water Utilities Regulatory Authority by virtue of Article 143 of the Constitution of the United Republic of Tanzania and as amplified in Section 10 of the Public Audit Act No. 11 of 2008. However, in accordance with Section 33 (1) of the same Act, M/s Reliable Consultants were authorized to carry out the audit of the Authority's financial statements for the year ended 30<sup>th</sup> June 2019 jointly with the Controller and Auditor General.



**AHMAD S.K. KILIMA**  
DEPUTY CHAIRMAN



**NZINYANGWA E. MCHANY**  
Ag. DIRECTOR GENERAL

Date: 27/12/2019



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

These financial statements have been prepared by the management of the Energy and Water Utilities Regulatory Authority in accordance with the provisions of section 46 of the EWURA Act, 2006 and section 25(4) of the Public Finance Act, Cap 348 of 2008.


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 financial statements 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 30<sup>th</sup> June 2019. The Directors also confirm that International Public Sector Accounting 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 30<sup>th</sup> June 2019.

Directors accept responsibility for the integrity of the Financial Statements, the information they contain and their compliance with International Public Sector Accounting 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 ..... 27/12/2019 ..... and signed on its behalf by:

  
.....  
**AHMAD S.K. KILIMA**  
**DEPUTY CHAIRMAN**  
.....  
**NZINYANGWA E. MCHANY**  
**Ag. DIRECTOR GENERAL**

Date: 27/12/2019

## DECLARATION OF HEAD OF FINANCE OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY

The National Board of Accountants and Auditors (NBAA) according to the power conferred under the Auditors and Accountants (Registration) Act. No. 33 of 1972, as amended by Act No.2 of 1995, requires financial statements to be accompanied with a Statement of Declaration issued by the Head of Finance/ Accounting responsible for the preparation of financial statements of the entity concerned.

It is the duty of a professional accountant to assist the Board of Directors/ Governing Body/ Management to discharge the responsibility of preparing financial Statements of an entity showing the true and fair view of the entity in accordance with international accounting standards and statutory reporting requirements. Full legal responsibility for financial statements rests with the Board of Directors/ Governing Body as under Directors Responsibility statement on an earlier page.

I, Stanley Paul Mahembe, being the Director of Corporate Affairs of the Energy and Water Utilities Regulatory Authority hereby acknowledge my responsibility of ensuring that Financial Statements for the year ended 30<sup>th</sup> June 2019 have been prepared in compliance with applicable accounting standards and statutory requirements.

I thus confirm that, the Financial Statements give a true and fair view position of Energy and Water Utilities Regulatory Authority as on that date and they have been prepared based on properly maintained financial records.

Signed by.....

Position.....

NBAA Membership No.: FCPA1515

Date: .....

## **3.0 INDEPENDENT REPORT OF THE CONTROLLER AND AUDITOR GENERAL**

Chairman of the Board,  
Energy and Water Utilities Regulatory Authority,  
4<sup>th</sup> Floor, PSSSF House,  
Makole Road,  
P.O. Box 2857,  
**DODOMA**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF ENERGY AND WATER UTILITIES REGULATORY AUTHORITY (EWURA) FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019**

#### **Introduction**

I have audited the accompanying financial statements of Energy and Water Utilities Regulatory Authority (EWURA), which comprise the Statement of Financial Position as at 30<sup>th</sup> June, 2019, the Statement of Financial Performance, the Statement of Changes in Net Assets/Equity, the Cash Flow Statement and the Statement of Comparison of Budget and Actual Amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies set out from page 85 to 112.

#### **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 30<sup>th</sup> June 2019 and its financial performance and its cash flows for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

#### **Basis for Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of my report. I am independent of Energy and Water Utilities Regulatory Authority (EWURA) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the National Board of Accountants and Auditors (NBAA) Code of Ethics, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Other Information**

Management is responsible for the other information. The other information comprises of the Director's Report and the Declaration by the Head of Finance but does not include the financial statements and our auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed on the other information that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the entity's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

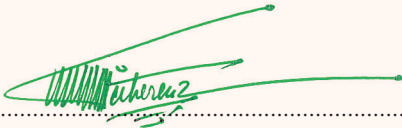
In addition, Sect. 10 (2) of the PAA No.11 of 2008 requires me to satisfy myself that, the accounts have been prepared in accordance with the appropriate accounting standards.

Further, Sect. 48(3) of the Public Procurement Act No.7 of 2011 requires me to state in my annual audit report whether or not the audited entity has complied with the provisions of the Law and its Regulations.

## 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, 2011 and its related Regulations of 2013.



CPA Charles Edward Kichere,

**CONTROLLER AND AUDITOR GENERAL**

National Audit Office

**30<sup>th</sup> December, 2019**





## 4.0 FINANCIAL STATEMENTS

### 4.1 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019

	NOTES	30.06.2019	30.06.2018
		TZS'000	TZS'000
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	4	4,365,460	5,193,933
Intangible Assets	5	173,045	114,217
<b>Total Non-Current Assets</b>		<b>4,538,505</b>	5,308,150
<b>Current Assets</b>			
Inventories	6	125,417	195,216
Trade and Other Receivables	7	15,095,211	13,231,338
Cash and Cash Equivalents	8	2,901,427	1,076,319
<b>Total Current Assets</b>		<b>18,122,055</b>	14,502,873
<b>TOTAL ASSETS</b>		<b>22,660,560</b>	19,811,023
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Retained Surplus		20,711,185	16,794,680
<b>Total Capital and Reserves</b>		<b>20,711,185</b>	16,794,680
<b>Current Liabilities</b>			
Trade and Other Payables	10	1,949,375	3,016,343
<b>Total Liabilities</b>		<b>1,949,375</b>	3,016,343
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>22,660,560</b>	19,811,023

The financial statements were approved for issue by the Board of Directors on 27/12/2019 and signed on its behalf by:

  
 AHMAD S. K. KILIMA  
 DEPUTY CHAIRMAN

  
 NZINYANGWA E. MCHANY  
 Ag. DIRECTOR GENERAL


27/12/2019  
 DATE




## 4.2 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	NOTES	30.06.2019 TZS '000	30.06.2018 TZS '000
<b>Revenue</b>	<b>11</b>		
Revenue from Non-Exchange Transactions	<b>11.1</b>	<b>48,107,104</b>	44,786,718
<b>Revenue from Exchange Transactions:</b>			
Finance Income	<b>11.2.1</b>	-	801
<b>Total Revenue</b>		<b>48,107,104</b>	44,787,519
<b>Expenditure</b>			
Staff Costs	<b>12</b>	<b>18,629,262</b>	16,140,408
Operating Expenditure	<b>13</b>	<b>10,651,120</b>	11,354,223
Contribution to Other Government Entities	<b>14</b>	<b>10,234,533</b>	10,415,182
Administration Costs	<b>15</b>	<b>4,786,758</b>	4,419,537
Other Charges	<b>16</b>	<b>72,049</b>	405,264
Depreciation on Property and Equipment	<b>4</b>	<b>1,219,178</b>	970,935
Amortization of Intangible Assets	<b>5</b>	<b>71,827</b>	60,415
<b>Total Expenditure</b>		<b>45,664,727</b>	43,765,964
Surplus/(Deficit) for the Year		<b>2,442,376</b>	1,021,557

The financial statements were approved for issue by the Board of Directors on 27/12/2019 and signed on its behalf by:

  
 .....  
**AHMAD S. K. KILIMA**  
**DEPUTY CHAIRMAN**

  
 .....  
**NZINYANGWA E. MCHANY**  
**Ag. DIRECTOR GENERAL**

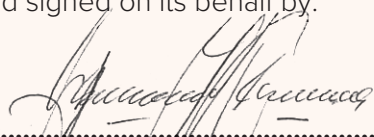
27/12/2019  
 .....  
**DATE**




### 4.3 STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Notes	30.06.2019 TZS '000	30.06.2018 TZS '000
<b>Operating Activities</b>			
<b>Receipts:</b>			
Regulator Levy		46,114,132	42,908,918
Licence Fees	11.1	936,328	594,775
Application Fees	11.1	375,945	372,821
Penalties	11.1	925,821	950,948
Interest Received	11.2.1	-	801
<b>Total Receipts</b>		<b>48,352,226</b>	<b>44,828,263</b>
<b>Payments:</b>			
Staff Expenses	12	(18,629,262)	(16,134,183)
Operating Expenses		(10,440,224)	(11,111,783)
Contribution to Government Entities	14	(10,234,533)	(10,254,233)
Administration Expenses		(4,661,758)	(4,371,322)
Other Payments		(2,035,741)	(1,382,188)
<b>Total Payments</b>		<b>(46,001,518)</b>	<b>(43,253,709)</b>
<b>Net cash flows from Operating Activities</b>		<b>2,350,706</b>	<b>1,574,556</b>
<b>Investing Activities</b>			
Purchase of Property and equipment	4	(394,944)	(3,811,681)
Purchase of Intangible Assets	5	(130,655)	-
<b>Net Cash Used in Investing Activities</b>		<b>(525,599)</b>	<b>(3,811,681)</b>
<b>Financing Activities</b>			
<b>Net Cash Generated from Financing Activities</b>		<b>-</b>	
<b>Decrease (Increase) in Cash and Cash Equivalents</b>		<b>1,825,018</b>	<b>(2,237,125)</b>
Cash and Cash Equivalents at the Beginning of the Year		1,076,319	3,313,443
<b>At the End of the Year</b>		<b>2,901,427</b>	<b>1,076,319</b>

The financial statements were approved for issue by the Board of Directors on 27/12/2019 and signed on its behalf by:

  
 AHMAD S. K. KILIMA  
 DEPUTY CHAIRMAN


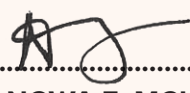
  
 NZINYANGWA E. MCHANY  
 Ag. DIRECTOR GENERAL

27/12/2019  
 DATE

#### 4.4 STATEMENT OF CHANGES IN NET ASSETS/EQUITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Retained Surplus	Total Amount
	TZS '000	TZS '000
Opening Balance as at 1 <sup>st</sup> July 2018	<b>16,793,293</b>	16,793,293
Adjustments for written back Provision –GPA (Note 10)	<b>382,089</b>	382,089
Prior Year Adjustment on Revenue (Note 7)	<b>1,093,427</b>	1,093,427
Net Operating surplus for the Year	<b>2,442,376</b>	2,442,376
<b>Balance at 30<sup>th</sup> June 2019</b>	<b>20,711,185</b>	20,711,185
<b>Year Ended 30<sup>th</sup> June 2018</b>		
Opening Balance as at 1 <sup>st</sup> July 2017	<b>9,890,409</b>	9,890,409
Adjustments for Special Dividends Payable (Note 9)	<b>5,881,327</b>	5,881,327
Net Operating Surplus for the Year	<b>1,021,557</b>	1,021,557
<b>Balance as at 30 June 2018</b>	<b>16,793,293</b>	16,793,293

The financial statements were approved for issue by the Board of Directors on 27/12/2019 and signed on its behalf by:

  
 .....  
**AHMAD S. K. KILIMA**  
**DEPUTY CHAIRMAN**
  
 .....  
**NZINYANGWA E. MCHANY**  
**Ag. DIRECTOR GENERAL**

27/12/2019  
 .....  
**DATE**

#### 4.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

	Original Budget	Mid-Year Review (Adjustments)	Final Budget	Actual on Comparable Basis	Performance Difference	Performance Difference Percentage
Revenue	TZS '000	TZS '000	TZS '000	TZS '000	TZS '000	
<b>Revenue from Non-exchange Transactions:</b>						
Regulatory Levy	44,899,042	-	44,899,042	45,869,011	969,968	102
Licence Fees	372,791	-	372,791	936,328	563,537	251
Application Fees	194,895	-	194,895	375,945	181,050	193
Penalties	800,000	-	800,000	925,821	125,821	116
Sales of Tender Documents	2,000	-	2,000	-	(2,000)	-
<b>Total Revenue</b>	<b>46,268,728</b>	<b>-</b>	<b>46,268,728</b>	<b>48,107,104</b>	<b>1,838,376</b>	<b>104</b>
<b>Expenses</b>						
Staff Costs	19,991,488	(29,200)	19,962,288	18,629,262	1,333,025	93
Operating Expenditure	10,331,667	(100,000)	10,231,667	10,651,120	(419,453)	104
Contribution to other Government Entities	9,994,456	-	9,994,456	10,234,533	(240,077)	102
Administration Costs	4,694,834	(265,800)	4,429,034	4,786,758	(357,724)	108
Financial and Other Charges	97,957	-	97,957	72,049	25,908	74
<b>Total Expenses</b>	<b>45,110,402</b>	<b>(395,000)</b>	<b>44,715,402</b>	<b>44,373,723</b>	<b>341,679</b>	<b>99</b>
<b>Surplus/(Deficit) for the year</b>	<b>1,158,326</b>	<b>-</b>	<b>1,158,326</b>	<b>3,733,381</b>	<b>(2,180,055)</b>	<b>240</b>
<b>Attributable to:</b>						
Surplus attributable to owners	(1,158,326)	-	1,553,326	3,733,381	(2,180,055)	240

The financial statements were approved for issue by the Board of Directors on 27/12/2019 and signed on its behalf by:

  
 .....  
**AHMAD S. K. KILIMA**  
**DEPUTY CHAIRMAN**

27/12/2019  
 .....  
**DATE**

  
 .....  
**NZINYANGWA E. MCHANY**  
**Ag. DIRECTOR GENERAL**

## 5.0 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2019

### NOTE 1.0: 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, 2001). 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: -

4<sup>th</sup> Floor, PSSSF House,

Makole Road,

P O Box 2857,

**Dodoma, Tanzania.**

### NOTE 2.0: PRINCIPAL ACCOUNTING POLICIES AND EXPLANATORY NOTES ON THE FINANCIAL STATEMENTS

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) Statement of Compliance

The financial statements are prepared in accordance with International Public Sector Accounting Standards (IPSAS). The Financial statements are presented in Tanzania Shillings (TZS), which is the functional and reporting currency of the Authority and all values are rounded to the nearest thousand (TZS '000'). 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.

#### b) Basis of Preparation

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

#### c) Standards, amendments and interpretations to the Authority's operations

The Authority has continued to adopt the newly published International Public Sector Accounting Standards (IPSASs) as of 1 July 2016. IPSAS 40 that was published in January 2017 provides the first international accounting requirements that specifically address the needs of the public sector when accounting for combinations of entities and operations.

The standard classifies public sector combinations as either amalgamations or acquisitions. For amalgamations, the standard requires use of the “modified pooling of interests” method of accounting, which is a variation of the pooling of interests method of accounting (also referred to as “merger accounting”), in which the amalgamation is recognized on the date it takes place.

For acquisitions, IPSAS 40 requires use of the “acquisition” method of accounting, applying the same approach as in IFRS 3, Business Combinations. This is supplemented with additional guidance for public sector specific situations. The standard has no impact in the financial statements of the Authority.

#### **d) Revenue Recognition**

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 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.

#### **Revenue from Non-Exchange Transactions**

The Authority recognizes revenues from levy, licenses and fines/penalties when the event occurs, the asset recognition criteria are met. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

#### **Revenue from Levies**

Revenue is recognized upon regulated supplier’s acceptance of demand note.

#### **Donor and Government Funds**

Funds from the World Bank and Government Funds are reported as Deferred Revenue and recognized as revenue when there is reasonable assurance that the Authority will comply with the conditions attached to them and the grants will be received.

#### **(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**

Grants related to assets, including non-monetary grants (such as land or other resources) are recognized as deferred revenue at fair value and released to statement of financial performance over the useful life of a depreciable asset.

## Revenue from Exchange Transactions

### Interest income:

Is accounted for in the period in which it is earned. For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included as other income in the Statement of Financial Performance.

**Other sources of revenue** are recognized and accounted for as income to the Authority in the period in which it is earned.

### e) Property and Equipment

All property, plant and equipment are stated at cost less and thereafter stated at historical cost less accumulated depreciation, less any asset impairment. Historical cost comprises expenditure initially incurred to bring the asset to its location and condition ready for its intended use.

Subsequent expenditures are capitalized only when they increase the current economic benefits or service potential and meet the recognition criteria. Expenditure incurred to replace a component of item of property and equipment is accounted for separately and capitalized while the major replaced component is derecognized. All other expenditure items, which do not meet recognition criteria, are recognized in the Statement of Financial Performance as expenses as they are incurred.

Depreciation on assets is calculated on the straight line basis to write down the cost of each asset, to its residual value over their estimated useful lives. The authority is charging depreciation when the asset is available for use irrespective of the date of acquisition. The depreciation ceases when the asset is derecognized.

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 surplus or deficit.

### **Intangible Assets**

Intangible assets consist of computer software licenses which 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. Intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Intangible assets are amortized over the useful economic life and assessed at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable service amount of the asset. Generally, costs associated with developing computer software programmes are recognized as an expense when incurred. Intangible assets acquired are measured on initial recognition at cost. Internally generated intangible assets are not capitalized and expenditure is charged against profits in the year in which the expenditure is incurred.

## **f) Financial Instruments**

### **Classification**

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

- (i) Held-to-maturity investment
- (ii) Loans and receivables
- (iii) 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 surplus or deficit, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through surplus or deficit are recognized in the statement of financial performance.

### **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 Statement of Financial Performance 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.

### **De-recognition**

Financial assets are de-recognized 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 surplus or deficit, 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 statement of financial performance.

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 statement of financial performance 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 surplus or deficit 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.

**g) Loans to Staff**

These financial assets are classified as loans and receivables.

**h) 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 surplus or deficit 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 statement of financial performance 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 surplus or deficit. Trade and other receivables are classified as loans and receivables.

**i) 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.

**j) 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.

**k) 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 surplus or deficit 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.

#### **l) Inventories**

There were no Inventories held for sale. Inventories for consumption (Stocks and Consumables), i.e. stationeries, are measured at cost upon initial recognition. After initial recognition inventories are measured at the lower of cost and current replacement cost.

Cost is determined by the First-In-First-Out (FIFO) method. Current replacement cost is the cost the entity would incur to acquire the asset on the reporting date. As at the reporting date, the Authority has reported inventory with a value of TZS 159 million (2017/18 TZS 299 million). Also, slow moving stock with a value of TZS 33.8 million were still under provision in the accounts during the year.

#### **m) Provision**

Provisions are recognized when the Authority has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

#### **n) Foreign Currencies Translation**

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 (TZS) 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 financial performance in the period in which they arise.

**o) Functional and presentation currency**

Items included in the financial statements of the Authority are measured using the currency of the primary economic environment in which the Authority operates (“the functional currency”). The financial statements are presented in Tanzanian Shillings, which is the Authority functional and presentation currency and all values are rounded to the nearest thousand (TZS’000) except where otherwise indicated.

**p) 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.

**Retirement Benefit Obligation**

**i. Approved Pension Scheme**

The Authority contributes to statutory defined benefits for its employees under the Permanent and Pensionable term of employment at the rate of 15% of basic salary to Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF). This was due to the merging of the former Pensions Funds (i.e. PSPF, GEPP, LAPF and PPF) except NSSF into one fund known as Public Service Social Security Fund (PSSSF) following the enactment of the Public Sector Social Security Act, 2018. EWURA being a Government entity is now contributing to PSSSF only.

**ii. Gratuity**

The Authority sets aside 25% of employee’s last basic salary as gratuity payable at the end of the contract for all staff under Contract terms of Employment. The contract period is normally five (5) years renewable upon successful performance. A provision is made for the estimated gratuity liability because of service rendered by the employees up to the Statement of Financial Position date.

**q) 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 financial performance on a straight-line basis over the period of the lease.

**r) Comparatives**

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

## **NOTE 3: INFORMATION ON BUDGET PERFORMANCE**

IPSAS 24 requires a public sector entity that is required or elect to make publicly available its approved budget to present budgetary information covering classification and basis adopted in the approved budget, budget period covered, explanation of changes between approved original and final budget because of reallocations within budget and material difference (variances) between the final budget amounts and actual amounts during the year for both revenue and expenditure.

### **3.1 Budgetary basis**

The budget for financial year 2018/19 was prepared on cash basis (see note 18) based on the requirements of the law, EWURA's Strategic Plan (2017/18-2021/22), operational policies and relevant Government Circulars. It was also prepared in line with the Medium-Term Expenditure Framework (MTEF) as one of the requirements of the Government Budget Guidelines for Preparation of 2018/19 budget.

### **3.2 Budget period covered**

The budget for the financial year 2018/2019 covered a twelve (12) months period starting 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019.

### **3.3 Changes between approved original and final budget**

During the end of first six months' period of financial year 2018/2019, the Authority revised its budget to take into account the projections for the remaining period of six months that ended 30<sup>th</sup> June 2019. Generally, re-allocation proposal covered expenditure only, and indicated no increase in total expenditure. The proposed reallocation was considered among expenditure line items.

### **3.4 Explanation for Material Variances**

During implementation of the approved budget for financial year 2018/19, the Authority noted some material variances against its revenue and expenditure budget. Explanation on such variances is given below;

#### **3.4.1 Regulatory Levy**

During the year ended 30<sup>th</sup> June 2019 the Authority earned TZS 45.9 billion comparing to TZS 44.9 billion regulatory levy budgeted during the period. The Authority exceeded its regulatory levy target as earlier estimated due to increase in consumption of Natural Gas in big industries such as Dangote Cement industry and commissioning of Kinyerezi II Plant in power production by TANESCO.

#### **3.4.2 Application and Licence Fees**

During the year, the Authority earned TZS 1.3 billion on application and licence fees compared to TZS 567.7 million budgeted. This performance was due to a bigger number of license fees from electricity, natural gas and petroleum sub-sectors than it was



anticipated. The awareness campaigns carried out during the year together with field inspections and monitoring especially in the petroleum subsector contributed to big collection of licence fees.

#### **3.4.3 Other income**

During the financial year ended 30<sup>th</sup> June 2019 the Authority projected to earn TZS 2 million as sale of tender documents. At the year end, no collection on sale of Tender Documents was realised. The reason for this performance was that the Authority mostly used the services of Government Procurement Services Agency (GPSA) in its procurement transactions.

### **3.5 Operating Expenditure**

During the financial year ended 30<sup>th</sup> June 2019 the Authority incurred TZS 10.7 billion as Operating expenses compared to the budgeted amount of TZS 10.2 billion. The level of performance was attributed to increased activities in field monitoring, inspections, and public inquiries.

### **3.6 Disbursements to Treasury Registrar and Government Entities**

EWURA contributed a total of TZS 10.2 billion during the year compared to the budget of TZS 9.9 billion as a result of improved collections of levy and licence fees. The contribution to the Consolidated Fund (Treasury Registrar) depends on the actual collection of revenue.

### **3.7 Administration Costs**

During the financial year ended 30<sup>th</sup> June 2019 the Authority budgeted to spend TZS 4.4 billion compared to actual spending of TZS 4.8 billion. This level of spending was due to increased undertakings in administering the activities between Head office in Dodoma and other zonal offices especially the Eastern zone in Dar es salaam. There were a lot of travelling events between the two offices during transition period to Dodoma.

## NOTE 4: PROPERTY AND EQUIPMENT

	WIP EWURA House	Leasehold Improvement	Technical Equipment	Motor Vehicles	Furniture and Fittings	Office Equipment	Computers	Total
Cost:	TZS. '000	TZS. '000	TZS. '000	TZS. '000	TZS. '000	TZS. '000	TZS. '000	TZS. '000
At 1 July 2018	2,000,000	574,497	6,190	3,398,666	730,243	944,599	1,927,455	9,581,650
Additions	-	-	-	-	84,970	89,300	220,674	394,944
<b>At 30 June 2019</b>	<b>2,000,000</b>	<b>574,497</b>	<b>6,190</b>	<b>3,398,666</b>	<b>815,213</b>	<b>1,033,899</b>	<b>2,148,129</b>	<b>9,976,594</b>
Depreciation:								
At 1 July, 2018	-	567,996	6,190	2,032,834	242,779	397,823	1,144,336	4,391,958
Charges for the Year	-	6,501	-	520,035	98,977	112,695	480,968	1,219,176
<b>At 30 June 2019</b>	<b>-</b>	<b>574,497</b>	<b>6,190</b>	<b>2,552,869</b>	<b>341,756</b>	<b>510,518</b>	<b>1,625,305</b>	<b>5,611,134</b>
<b>Net Book Value 30 June 2019</b>	<b>2,000,000</b>	<b>-</b>	<b>-</b>	<b>845,797</b>	<b>473,457</b>	<b>523,381</b>	<b>522,825</b>	<b>4,365,460</b>
At 1 July 2017	-	574,497	6,190	2,736,050	659,696	1,030,359	1,073,472	6,080,264
Additions	2,000,000	-	-	662,616	121,825	133,098	894,141	3,811,681
Additions/Adjustment (No. 4)	-	-	-	-	-	-	40,672	40,672
Disposals/Adjustments	-	-	-	-	(51,278)	(218,858)	(80,830)	(350,967)
<b>At 30 June 2018</b>	<b>2,000,000</b>	<b>574,497</b>	<b>6,190</b>	<b>3,398,666</b>	<b>730,243</b>	<b>944,599</b>	<b>1,927,455</b>	<b>9,581,650</b>
Depreciation:								
At 1 July 2017	-	555,840	6,190	1,595,924	205,952	508,470	854,701	3,727,077
Charges for the Year	-	12,156	-	436,910	88,106	108,210	325,553	970,935
Disposal	-	-	-	-	51,278	(218,858)	(80,830)	(350,967)
Depreciation Adjustment (Ref. Note 4)	-	-	-	-	-	-	40,672	40,672
<b>At 30 June, 2018</b>	<b>-</b>	<b>567,996</b>	<b>6,190</b>	<b>2,032,834</b>	<b>242,780</b>	<b>397,822</b>	<b>1,140,096</b>	<b>4,387,717</b>
<b>Net Book Value 30 June 2018</b>	<b>2,000,000</b>	<b>6,501</b>	<b>-</b>	<b>1,365,832</b>	<b>487,463</b>	<b>546,777</b>	<b>787,359</b>	<b>5,193,933</b>

During the year, property and equipment with a cost of TZS 350.97 million were disposed of due to wear and tear. These assets were in class of furniture and fittings, office equipment and computers with zero NBV and were over five years' in use from the date of their acquisition. All disposed of assets were approved by the Ministry of finance for disposal through public auction.

## NOTE 5: INTANGIBLE ASSETS – SOFTWARE COSTS

	30.06.2019 TZS '000	30.06.2018 TZS '000
<b>Cost</b>		
At Start of Year	777,316	817,988
Adjustment-Transfer to PPE	-	(40,672)
Additions during the year	130,655	-
<b>At End of Year</b>	<b>907,970</b>	<b>777,316</b>
<b>Amortization</b>		
At Start of Year	663,099	643,356
Charge for the Year	71,827	60,415
Adjustment-Transfer to PPE	-	(40,672)
At End of Year	<b>734,925</b>	<b>663,099</b>
<b>Net Book Value as at 30<sup>th</sup> June, 2019</b>	<b>173,045</b>	<b>114,217</b>

## NOTE 6: INVENTORIES

	30.06.2019 TZS '000	30.06.2018 TZS '000
Inventory balance	<b>159,204</b>	229,003
Provision for Slow moving Inventory	<b>(33,787)</b>	(33,787)
<b>Inventories at the lower of cost and current replacement value</b>	<b>125,417</b>	195,216
<b>Inventories recognized as an expense during the year</b>	<b>412,098</b>	355,381

## NOTE 7: TRADE AND OTHER RECEIVABLES

	30.06.2019 TZS '000	30.06.2018 TZS '000
Trade Receivables*	<b>13,136,230</b>	12,257,028
Provision for Impairment <b>(Note 7A)</b>	<b>(1,415,936)</b>	(1,361,425)
Prepayments <b>(Note 7B)</b>	<b>1,107,510</b>	679,099
Other Receivables	<b>36,310</b>	-
ESCB Account	-	(33,319)
Bank Fund Transfer	<b>19,789</b>	-
Staff Loans and Advances <b>(Note 7C)</b>	<b>2,211,308</b>	1,689,955
<b>TOTAL</b>	<b>15,095,211</b>	13,231,338

\*Trade receivables during the year include TZS 1.09 billion prior year (2015, 2016 and 2017) regulatory levy for petroleum products imported by GBP (T) Limited. The amount was written back to retained earnings.

## NOTE 7A: Movement in Provision for Impairment

	30.06.2019 TZS '000	30.06.2018 TZS '000
Balance at the beginning of the Year	1,361,425	1,537,024
Charge for the Year	374,600	-
Recoveries (Released provision during the year)	(320,089)	(175,599)
<b>TOTAL</b>	<b>1,415,936</b>	<b>1,361,425</b>

## NOTE 7B: Prepayments

	30.06.2019 TZS '000	30.06.2018 TZS '000
Prepaid Office Rent	178,880	26,597
Prepaid Insurance	-	9,426
Purchase of Motor Vehicles-GPSA	314,576	-
Prepayments – Others	614,055	643,075
<b>Total Prepayments</b>	<b>1,107,510</b>	<b>679,099</b>

Prepayments for other expenses comprise of advance payments in respect of Platt's, ARA Membership, International Energy Agency (IEA) and AFUR membership subscriptions.

## Note 7C: Staff Loan and Advances

	30.06.2019 TZS '000	30.06.2018 TZS '000
Staff Revolving Loans	1,475,864	1,293,456
Salary Advances	407,630	274,297
Staff Imprest	327,815	122,202
<b>Total Prepayments</b>	<b>2,211,309</b>	<b>1,689,955</b>

## NOTE 8: CASH AND CASH EQUIVALENTS

This statement is for the purpose of the cash flow statement, in this respect, the year-end cash and cash equivalents comprise of the following: -

	30.06.2019 TZS '000	30.06.2018 TZS '000
Cash and Bank Balances (Refer 8.1)	2,901,427	1,076,319
<b>TOTAL</b>	<b>2,901,427</b>	<b>1,076,319</b>

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

At the end of the year the Authority had a total of TZS 2.5 billion (2018: TZS 0.91 billion) and USD 0.155 million (2018: USD 0.074 million) held in different bank accounts as indicated hereunder.

The carrying amounts of the Authority's cash and cash equivalents were denominated in the respective currencies as shown in **Note 8.1** below: -

## NOTE 8.1: CASH AND CASH EQUIVALENTS (CONT'D)

Financial assets maturing within 91 days

	30.06.2019 TZS'000	30.06.2018 TZS'000
CRDB Main Account	105,017	166,951
CRDB Revolving Fund Account	16,017	414,875
CRDB Mwanza	734	18,349
NMB ARUSHA	51,768	422
NMB MBEYA	1,734	16,781
NMB DODOMA	31,145	41,544
CRDB DSM	53,363	-
BOT-Energy Sector Capacity Building Project-USD	-	27,420
BOT-Revenue and Collection Account-USD	355,770	140,038
BOT-Revenue and Collection Account – TZS	1,265,564	249,712
CRDB USD	215	227
NMB EWURA Collection (TZS)	61	-
NBC EWURA Collection (TZS)	-	-
TIB EWURA Collection (TZS)	1,020,250	-
TPB EWURA Collection (TZS)	210	-
<b>TOTAL</b>	<b>2,901,427</b>	<b>1,076,319</b>

## NOTE 8.2: CASH FLOW RECONCILIATION – CASH FLOWS GENERATED FROM OPERATIONS

Reconciliation of Surplus for the year to cash generated from operations:

	30.06.2019 TZS '000	30.06.2018 TZS '000
Surplus/(Deficit) for the year	2,452,376	1,021,556
<b>Adjustments for:</b>		
Non-cash items including Depreciation and Amortization	1,291,005	1,031,350
<b>Cash Generated from Operations Before Working Capital Changes</b>	<b>3,743,381</b>	<b>2,052,906</b>

<b>Changes in Working Capital:</b>		
(Increase)/Decrease In Stocks And Consumables	<b>69,799</b>	48,472
(Increase)/Decrease in Trade and Other Receivables	<b>(38,765)</b>	696,325
Increase/(Decrease) in Trade and Other Payables	<b>(1,423,709)</b>	(1,223,147)
<b>Net changes in Working Capital</b>	<b>(1,392,675)</b>	(478,350)
<b>Net Cash Generated from Operations</b>	<b>2,350,706</b>	1,574,556

## NOTE 9: GRATUITY PAYABLE

The Authority released TZS 22.9 Million provisions for gratuity during the year relating to staff whose contracts came to an end. The current gratuity provision made amounting to TZS 275.9 million relates to 20 staff who are still in contract terms. The analysis is given below: -

	<b>30.06.2019 TZS '000</b>	30.06.2018 TZS '000
At start of the year	<b>64,719</b>	2,452,561
Charge for the Year	<b>234,049</b>	648,448
Released During the Year	<b>(22,886)</b>	(3,036,289)
<b>At End of Year</b>	<b>275,882</b>	64,719
<b>Less:</b> Balance Reclassified as Current Liabilities (Note 10)	<b>275,882</b>	64,719
<b>Non-Current Liabilities as at 30<sup>th</sup> June 2019</b>	<b>-</b>	-

## NOTE 10: TRADE AND OTHER PAYABLES

Trade Payables	<b>250,368</b>	1,145,798
Special Dividends Payable**	-	-
Gratuity Payable (Note 9) within the year	<b>275,882</b>	64,719
Audit Fees	<b>125,000</b>	112,640
Withholding Tax	<b>32,662</b>	39,676
GPA Sinking Fund***	-	382,089
PAYE	<b>31,476</b>	52,088
Salary Payable	<b>25</b>	-
Pensions Payable	<b>2,129</b>	-
EREA Fund	-	75,550
Other Payables and Accruals	<b>1,231,833</b>	1,145,170
<b>TOTAL</b>	<b>1,949,375</b>	3,017,730

\*\*During the year an adjustment of TZS 5.88 billion was made relating to special dividend account pending final determination of EWURA submission to the office of the Treasury Registrar. In the opinion of the directors, the carrying amount of Trade and other Payables is approximate to their fair value.



\*\*\*Group Personal Accident Insurance (GPA) was written back to Retained Earnings as a result of new developments in the establishment of Workers Compensation Fund (WCF) and the Government directives in payment of Special Dividends.

## NOTE 11: REVENUE

### NOTE 11.1: Revenue from Non-Exchange Transactions

	30.06.2019 TZS '000	30.06.2018 TZS '000
<b>Regulatory Levy</b>		
Electricity	15,287,149	14,345,480
Petroleum	20,135,715	21,761,147
Natural Gas	7,721,798	4,158,532
Water and Sewerage	2,853,966	2,603,016
<b>Total Regulatory Levy Revenue</b>	<b>45,869,011</b>	42,868,174
<b>License Fees</b>		
Electricity	44,723	10,359
Natural Gas	21,373	9,202
Water and Sanitation	1,008	800
Electricity Contractors and Wiremen	37,395	63,481
Petroleum	831,829	510,933
<b>Total License Fees Revenue</b>	<b>936,328</b>	594,775
<b>Application Fees</b>		
Electricity	5,440	24,246
Natural Gas	13,500	3,744
Petroleum	356,865	344,831
Water and Sanitation	140	-
<b>Total Application fees revenue</b>	<b>375,945</b>	372,821
Penalties from Petroleum Adulterations	925,821	950,948
<b>Total Revenue from Non-Exchange Transactions</b>	<b>48,107,104</b>	44,786,718

## NOTE 11.2 Revenue from Exchange Transactions

### NOTE 11.2.1: FINANCE INCOME

Foreign Exchange Gain	-	801
<b>Total Finance Income/(Cost)</b>	-	801
<b>Total Revenue from Exchange Transactions</b>	-	801

## NOTE 12: STAFF COSTS

	<b>30.06.2019</b> <b>TZS '000</b>	30.06.2018 TZS '000
Salaries	<b>10,173,538</b>	9,175,929
Gratuity Expenses	<b>525,004</b>	648,448
Pension Employer's Contribution	<b>1,050,773</b>	1,212,682
Skills and Development Levy	<b>581,196</b>	518,895
Medical Expenses	<b>577,063</b>	532,539
Other Staff Costs ( <b>Note 12.1</b> )	<b>5,721,689</b>	4,051,916
<b>TOTAL</b>	<b>18,629,262</b>	16,140,408

### NOTE 12.1: Other Staff Costs

	<b>30.06.2019</b> <b>TZS '000</b>	30.06.2018 TZS '000
Staff Insurance – GPA/WCF	<b>61,147</b>	55,993
Transport Allowances	<b>787,918</b>	705,340
Annual Leave Package	<b>400,295</b>	121,387
Acting Allowance	<b>65,371</b>	107,869
Outfit Allowance	<b>10,519</b>	10,310
Funeral Expenses	<b>6,403</b>	26,606
Recruitment Costs	<b>115,114</b>	154,152
Compensation Allowance	<b>139,396</b>	311,833
Staff Relocation Costs	<b>1,266,886</b>	433,024
Staff Welfare Expenses	<b>195,657</b>	32,286
Housing Allowance	<b>1,314,394</b>	1,240,952
Utility Allowance	<b>870,591</b>	824,663
Security Allowance	<b>24,000</b>	27,500
Furniture Allowance	<b>464,000</b>	-
<b>TOTAL</b>	<b>5,721,689</b>	4,051,916

## NOTE 13: OPERATING EXPENSES

	30.06.2019 TZS '000	30.06.2018 TZS '000
Capacity Building Expenses	903,602	1,072,304
Regulatory Tools Development Expenses	1,068,042	929,007
Field and Inspection Expenses	2,455,730	3,438,299
Public Inquiries	626,892	324,749
Complaints, Mediation and Dispute Resolution	394,485	457,441
Government Delegation Participation Costs	14,691	40,046
Public Awareness Programmes	1,522,811	1,554,925
Advertisement Expenses	478,400	643,306
Consultancy Expenses	25,502	195,628
Membership Contribution, Books and Periodicals	425,913	342,234
Library General Expenses	25,764	24,931
Regional Cooperation Meetings	408,155	492,604
Local Travel and Conference Expenses	413,541	256,326
Stakeholders Consultative Meetings	123,520	127,134
Provision for slow moving Inventory	-	33,787
Bad Debt Provision	54,511	-
Motor Vehicle Fuel Expenses	80,329	68,341
Motor Vehicle Repairs and Maintenance	375,410	364,906
Car Hiring Expenses	31,010	26,933
Maintenance of Computer Hardware	150,710	86,134
Maintenance of Computer Software	389,284	487,835
Maintenance of Other Office Equipment	16,928	168,205
Wiremen Licensing Activities	97,825	109,172
Directors Fees	82,150	72,000
Board Expenses	85,914	37,975
<b>TOTAL OPERATING EXPENSES</b>	<b>10,651,120</b>	<b>11,354,223</b>

## NOTE 14: DISBURSEMENTS TO TREASURY AND GOVERNMENT ENTITIES

	30.06.2019 TZS '000	30.06.2018 TZS '000
Government Consultative Council	35,896	90,636
Consumer Consultative Council	2,061,926	2,218,680
Fair Competition Tribunal	416,690	407,589
Fair Competition Commission	507,459	644,069
Treasury Contribution	7,212,563	7,054,208
<b>TOTAL CONTRIBUTIONS</b>	<b>10,234,533</b>	<b>10,415,182</b>

## NOTE 15: ADMINISTRATION COSTS

	30.06.2019 TZS '000	30.06.2018 TZS '000
Office Rent	3,112,087	2,869,284
Telephone, Fax and Internet	627,031	428,585
Stamps and Postages	45,006	40,059
Printing and Stationery	373,407	412,127
Maintenance of Leasehold Property	34,369	23,396
Office General Expenses	158,628	192,720
Entertainment Expenses	39,744	15,741
Donations and Contributions	138,040	159,700
Audit Expenses	125,000	111,000
Tender Board Expenses	133,447	166,924
<b>TOTAL</b>	<b>4,786,758</b>	<b>4,419,537</b>

## NOTE 16: OTHER CHARGES

	30.06.2019 TZS '000	30.06.2018 TZS '000
Insurance Charges	9,426	37,706
Write off of Non-Current Assets	-	130,479
Data Storage Charges	36,293	213,141
Bank Charges	24,323	23,938
Foreign Exchange Loss	2,007	-
<b>TOTAL</b>	<b>72,049</b>	<b>405,264</b>

## NOTE 17: 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, 2001. 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.

## NOTE 18: BUDGET PERFORMANCE RECONCILIATION

	30.06.2019 TZS '000
Surplus for the year as per Statement of Financial Performance	2,442,376
Surplus for the year as per Statement of Budget and Actual Amount	1,553,326
<b>Difference</b>	<b>889,050</b>

The accompanying financial statements have been presented on an accrual basis of accounting, while the budget has been prepared using cash basis of accounting. Reconciliation of the difference is shown below;

<b>Reconciliation of Difference</b>	<b>30.06.2019 TZS '000</b>
Depreciation and Amortization	1,219,178
Forex Gain/loss	(2,007)
Released Sinking fund	(382,631)
Released provision	(320,089)
Bad Debt provision	374,600
<b>Sub Total</b>	<b>889,050</b>

## NOTE 19: RELATED PARTY TRANSACTIONS

EWURA reports to the Ministry of Water and works closely with the ministry on all issues related to Water and Sanitation. The Authority also works hand in hand with the Ministry of Energy on issues related to energy. Other related parties are members of the Board of Directors, Head of Divisions and Units who have significant influence over the Authority Affairs.

### Related Party Transactions

The following transactions were carried out with related parties: -

#### A. Key Management Compensation

	<b>30.06.2019 TZS '000</b>	<b>30.06.2018 TZS '000</b>
Salaries and Other Emoluments	<b>2,072,698</b>	2,127,436
<b>Total Key Management Compensation</b>	<b>2,072,698</b>	2,127,436
Employees Post-Employment Benefits:		
- Pension - Employer's Contribution	<b>46,799</b>	192,011
- Gratuity paid during the year	-	192,011
<b>Total Employee Post – employment Benefits</b>	<b>46,799</b>	384,022

#### B. Directors

The annual Directors Fees were paid to six members of the Board of Directors at the approved rates as follows; Chairman TZS. 13,000,000 and other members of the Board TZS. 12,000,000 for each member. The total amount of Directors' fees paid during the year under review is TZS. 82,150,000, the same amount was paid in the previous year.

## Management Composition

The Management of EWURA is made up of the following members: -

- i. Director General
- ii. Director of Natural Gas
- iii. Director of Water and Sanitation
- iv. Director of Legal Affairs
- v. Director of Internal Audit
- vi. Director of Petroleum
- vii. Director of Electricity
- viii. Director of Corporate Affairs
- ix. Director of Regulatory Economics
- x. Manager, Information and Communication Technology
- xi. Manager, Communication and Public Relations
- xii. Manager, Procurement Management Unit

## Employees Post-Employment Benefits

The Authority contributes to the defined benefit plans for its employees to Public Service Social Security Fund (PSSSF) and National Social Security Fund (NSSF). The Authority's contribution during the year ended 30<sup>th</sup> June 2019 amounted to TZS. 1.050 billion (2017/18: TZS. 1.212 billion). The Authority also contributed a total of TZS 61 million (2017/18: TZS. 56 million) to the Workers Compensation Fund. Contributions to these funds are recognized as an expense in the period the employees render services to the Authority.

The Authority also charges gratuity expense of employee's last basic monthly salary on statement of financial performance and maintains gratuity payable account for future payment to staff. For the year ended 30<sup>th</sup> June 2019 TZS 389 million were released to staff whose contract came to an end.

## C. Staff Loans and Advances (Note 7C)

	<b>30.06.2019</b> <b>TZS '000</b>	30.06.2018 TZS '000
Staff Revolving Loans	<b>1,475,864</b>	1,293,456
Salary Advances	<b>407,630</b>	274,297
Imprest	<b>327,815</b>	122,202
<b>TOTAL</b>	<b>2,211,308</b>	1,689,955

The Authority set up the Staff Revolving Loans Fund to 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 and are taxed in accordance with the requirements of the Income Tax Act of 2004. For the year ended 30<sup>th</sup> June 2019 loans amounting to TZS. 1.476 billion (2017/18 TZS. 1.293 billion) were outstanding.



## NOTE 20: CAPITAL EXPENDITURE COMMITMENTS

### Capital commitments

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

	30.06.2019 TZS '000	30.06.2018 TZS '000
Property and Equipment	6,551,734	8,735,644
Software Development	665,969	150,000
<b>Subtotal</b>	<b>7,217,703</b>	<b>8,885,644</b>
<b>Other Commitments</b>		
Consultancy Services	404,584	214,417
Local Purchase Orders	41,281	186,473
<b>Total Commitments</b>	<b>445,865</b>	<b>400,890</b>

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. 7 of 2011. The above amount represent value of work committed but not yet paid.

## NOTE 21: FINANCIAL RISK MANAGEMENT

The Authority's activities potentially expose it to a variety of financial risks. These risks include interest rate risks, credit risks, liquidity risks and foreign exchange risks. The authority has instituted a number of measures to minimize potential adverse effects on its financial performance as follows:

### 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 is negotiated and fixed in the local currency whenever possible.

## NOTE 22: OPERATING LEASE COMMITMENTS

The Authority had operating leases for offices in which it carries out its operations. These leases were with PSSSF (for EWURA Eastern zone office and Head Office in Dodoma, EWURA Zonal office in Mwanza and Northern Zonal Office in Arusha), National Health Insurance for Southern Highlands zonal office in Mbeya. Expected future payments for the existing lease agreements were as follows: -

	<b>30.06.2019</b> <b>TZS '000</b>	30.06.2018 TZS '000
Within One Year	<b>1,345,603</b>	2,612,825
Later Than One Year	<b>1,004,448</b>	4,998,368
<b>TOTAL</b>	<b>2,350,052</b>	7,611,193

## NOTE 23: CONTROLLING ENTITY

EWURA by virtue of its formation is controlled by the Government of the United Republic of Tanzania.

## NOTE 24: FUNCTIONAL AND PRESENTATION CURRENCY

The functional currency of EWURA which is also the presentation currency is the Tanzanian Shilling (TZS). The values in this report have been rounded up to the nearest thousand.

## NOTE 25: CONTINGENT LIABILITIES

There are pending Court cases to which EWURA is a party at various registries of the High Court, Fair Competition Tribunal, Commission for Mediation and Arbitration and Resident Magistrate Courts. During the period, one lawsuit i.e. Naingishu Soikan Mollel Vs. EWURA was decided infavour of the authority. In the opinion of the directors, the outcome of these cases may not give rise to any significant loss and therefore, no provisions have been made in these financial statements. As at the reporting date, the Authority had twenty-three (23) (2017/18: 18) pending law suits out of which no case had contingent claims against the Authority as of the year end: -

	<b>30.06.2019</b> <b>TZS '000</b>	30.06.2018 TZS '000
Naingishu Soikan Mollel Vs. EWURA	-	660,630,913
<b>TOTAL</b>	-	660,630,913

## NOTE 26: COMPARATIVE FIGURES

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

## NOTE 27: EVENTS AFTER REPORTING DATE

There were no material events, adjusting or non-adjusting, which had occurred between the reporting date and the dated on 23/08/2019 when the Financial Statements are authorized for issue by the Board of Directors.



**Energy and Water Utilities  
Regulatory Authority (EWURA)**

4<sup>th</sup> Floor, PSSSF House, Makole Road,  
P.O. Box 2857, Dodoma, Tanzania

Tel: +255 26 2329002-3; Fax: +255 26 2329005,

E-mail: [info@ewura.go.tz](mailto:info@ewura.go.tz)

[www.ewura.go.tz](http://www.ewura.go.tz)