



AFRICAN DEVELOPMENT BANK GROUP
GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

AEF Regulators Roundtable:

Predictability of Regulators Decision Making and Actions, Tariff Setting and Licensing Framework

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The ERI measures the performance of national regulatory systems against international best practices, and provides tailored recommendations

18 Indicators across 3 Regulatory Dimensions/Pillars

1 Regulatory Governance Index (RGI)



"Institutional and legal design of the regulatory system and framework within which decisions are made"

The **"how"** of regulation

2 Regulatory Substance Index (RSI)



Actual decisions, whether explicit or implicit, made by the regulatory entity or other entities within the government, along with the rationale for the decisions"

The **"what"** of regulation

3 Regulatory Outcome Index (ROI)

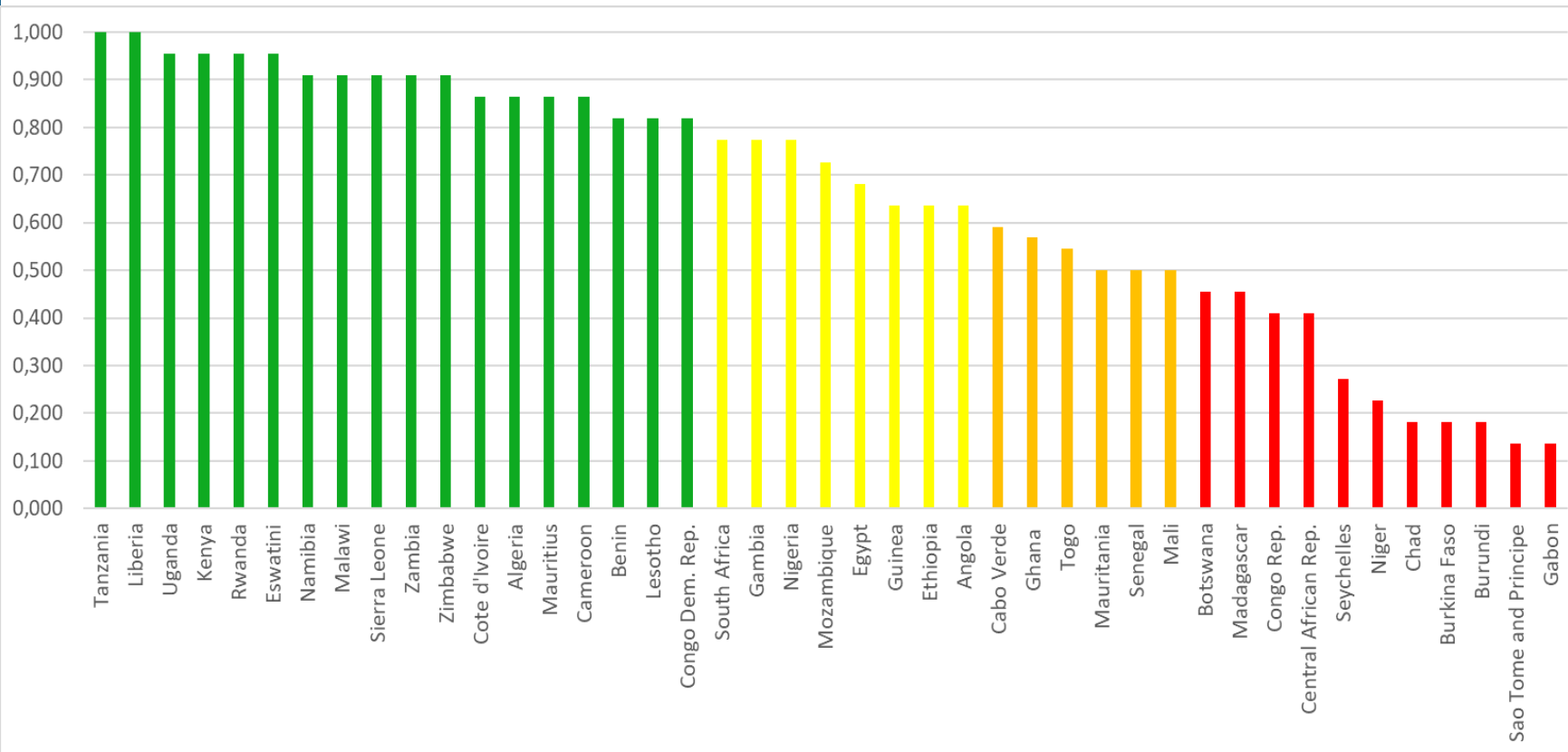


"Assesses the impact of regulator's actions and decisions on the performance of the power utility and consumers"



Country Performance – Predictability (Regulatory Governance)

Avg ERI Score: 0.655

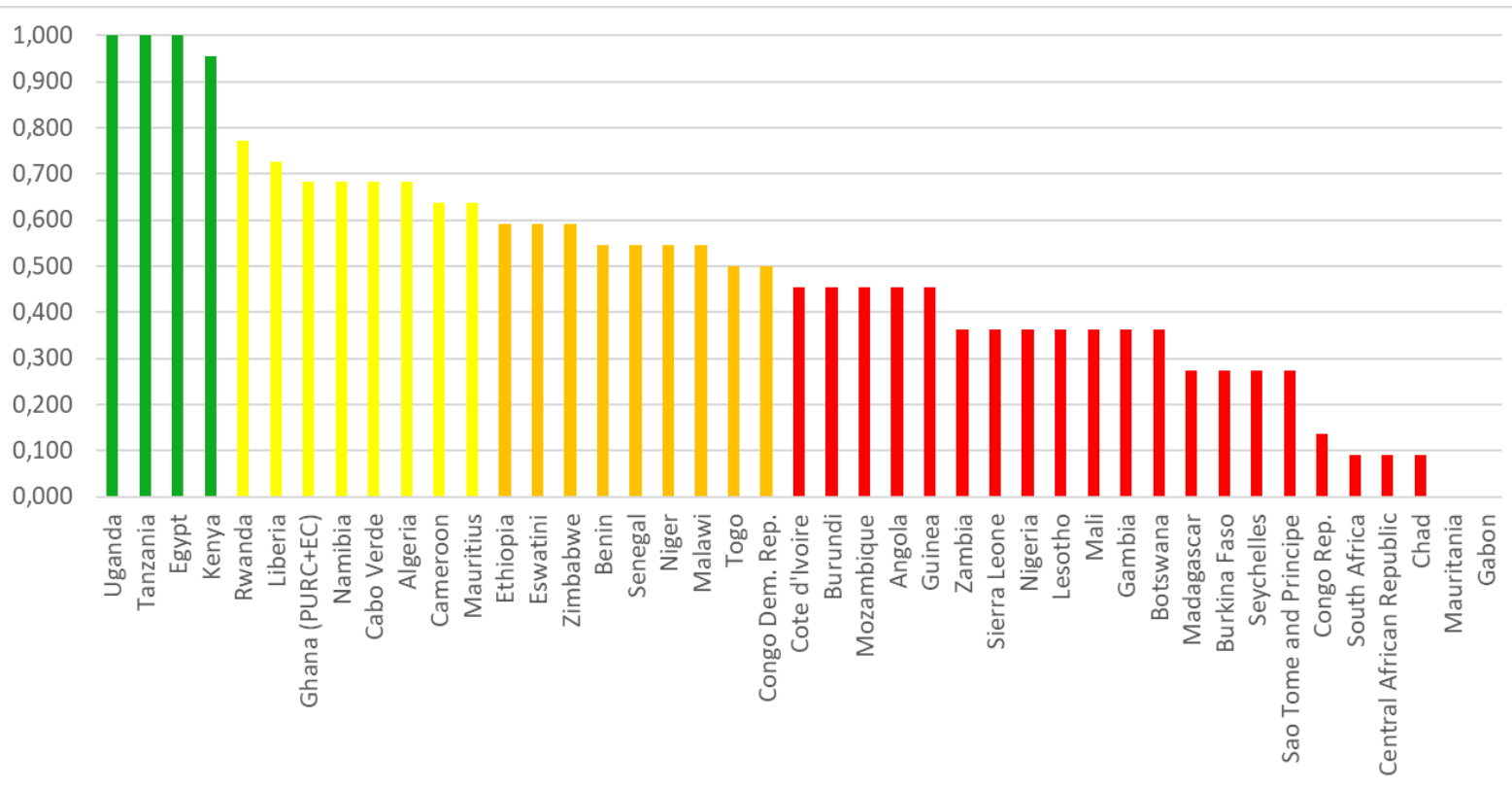


- Assesses whether the *regulator has a clear and predictable process to take regulatory decisions* regarding reviews of electricity tariffs and the issuance of licenses, as essential regulatory activities. Lack of predictability can hamper investor and consumer confidence in the electricity sector.
- In 28% of countries surveyed in the 2022 ERI, the Tariff Methodology can be modified by ministerial decision or by unilateral decision of the regulator without recourse to stakeholders. This is highly unpredictable.



Country Performance – Tariff Setting (Regulatory Substance)

Avg ERI Score: 0.482

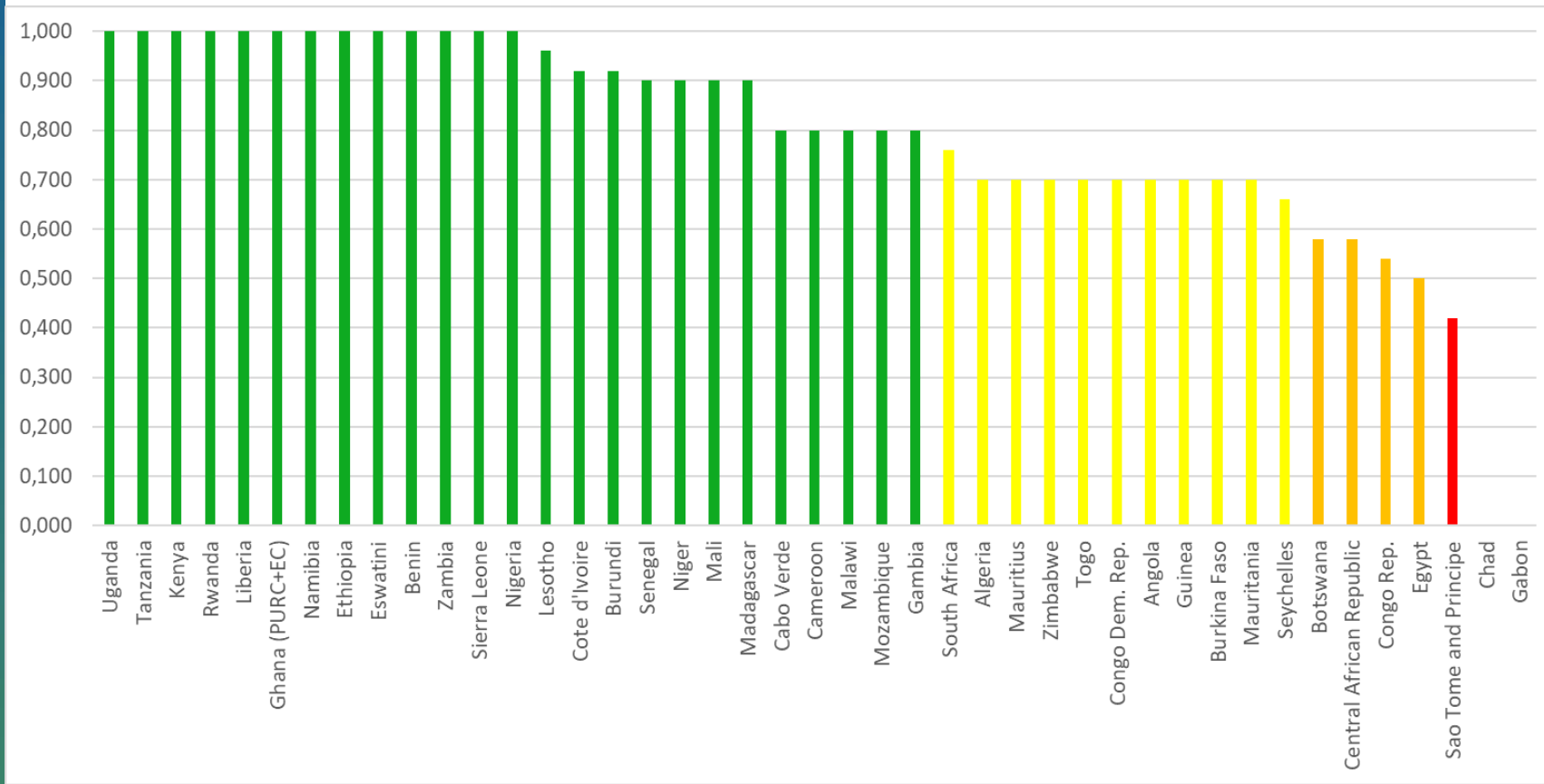


- The number of African countries without a documented tariff setting methodology reduced from 40% in 2021 to 19% in 2022 showing some good progress.
- However, 52% of Countries surveyed do not Automatic Tariff Adjustment or Tariff Indexation mechanism, 36% of countries do not have a documented schedule for major tariff reviews and in 70% of the countries surveyed, average end user tariffs do not cover the costs of operations of the power utilities



Country Performance – Licensing (Regulatory Substance)

Avg ERI Score: 0.785



- Assesses whether the **regulator has developed credible, workable and strict enough licensing procedures, requirements, and schedules to apply for and obtaining licenses**, in order to operate in the sector, covering both grid and decentralized energy system.
- While almost all (95%), countries surveyed in the 2022 ERI, have established licensing framework only 35% have separate and simplified and light-handed license procedures for off-grid and small sized systems



Key recommendations

Develop and implement clear and predictable tariff regimes and licensing procedures

Regularly conduct Cost of Services Studies to aid in unbiased tariff determination

Implement Tariffs reviews in accordance with approved tariff methodologies and schedules

Develop comprehensive licensing frameworks for on- and off- grid systems, including light handed regulation for small systems/ emerging technologies to enable electrification

Regulators should create the enabling environment to catalyze funding into the sector

Thank you
Merci Beaucoup



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