

Uganda's Parliament is currently considering the Electricity (Amendment) Bill, 2022 (the "Bill"). The Bill seeks to effect changes to the Electricity Act Cap 145 (the "Act") which was enacted in 1999. Below is a highlight of key changes that would be of relevance to participants in the energy sector:

- 1. Funding of the regulator:** The Bill provides for an increase in the amount allocated to the Electricity Regulatory Authority ("ERA") as a levy on revenue received from generated electric energy from the current 0.3% to 0.7%.
- 2. Permits:** The Bill seeks to clarify provisions relating to the power of ERA to issue permits for solicited and unsolicited electricity projects.
- 3. Licensing:** The Bill seeks to provide for the power of ERA to set or change the minimum capacity for which a generation license is required by issuance of notice in the Gazette. Under the current regime, the threshold that triggers the requirement for a generation facility to hold a generation license is set by the Act at 0.5 megawatts and above.
- 4. Classification of licenses:** The Bill seeks to provide for the power of ERA to classify licenses on the basis of size and technology to be used or market segment to be served by a licensee.
- 5. Changes to the single buyer model:** The Bill seeks to provide for capacity of a holder of a generation license to sell electricity in bulk to a holder of a distribution licence, transmission licence or directly to a specified class or category of customers. Currently, holders of generation licenses have to enter into power purchase agreements with Uganda Electricity Transmission Company Ltd ("UETCL"), the single operator of the transmission system.
- 6. Royalties for renewable energy:** The Bill seeks to provide for a requirement for all renewable energy projects including wind, biomass, peat and solar to pay royalties to the district local government where the power plant is located. Currently under the Act, this only applies to hydropower projects. It is also proposed to grant ERA authority to prescribe the maximum royalties payable.
- 7. Feed in tariffs:** The Bill seeks to vest the authority to publish standardized feed in tariffs to ERA. Under the current regime, this falls under the purview of the systems operator, UETCL, which has the mandate to publish such tariffs in consultation with ERA.
- 8. Transfer of power plants:** The Bill seeks to provide for power of the Minister responsible for electricity to prescribe the procedure for transfer of power plants to the government upon expiry of licenses.
- 9. Issuance of regulations:** The Bill seeks to provide for the power of ERA to issue regulations from time to time required to regulate the sector, in consultation with the Minister. The existing provisions of the Act did provide for ERA issuing such regulations within twelve months of the Act coming into force.
- 10. Shareholding in successor companies:** The Bill seeks to provide for the shareholding in the successor companies that replaced Uganda Electricity Board upon its unbundling (ie: Uganda Electricity Generation Company Ltd, Uganda Electricity Distribution Company Ltd and UETCL) being held by the Minister responsible for electricity as majority shareholder and the Minister responsible for finance as minority shareholder.
- 11. Licensee obligations:** The Bill proposes to empower ERA to impose fines on licensees for breach of the terms of the license. The Bill also seeks to require licensees to develop dispute resolution procedures to address complaints from their customers before these are referred to the Tribunal.

On the whole, we particularly note that the proposed amendment intended to facilitate the direct sale of electricity by power generators to certain customers would have a significant impact on the market, if crafted well in the final form. Among other benefits, this may provide an opportunity for off-grid plants to scale their reach and directly supply major customers in their communities. It would also potentially spur the development of plants modelled for the direct sale of electricity to third-party high and medium voltage industrial and commercial clients, wherever located in Uganda.

The information contained in this review is for general guidance and not a substitute for the need to get appropriate professional advice. If you require further information, please write to your usual contact person at Mukumbya Musoke Advocates.