



PUBLIC UTILITIES REGULATORY COMMISSION

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**PRESS RELEASE
ON
WORLD BANK REPORT TITLED
"Energizing Economic Growth in Ghana:
Making the Power and Petroleum Sectors Rise to the Challenge"**

The attention of the Public Utilities Regulatory Commission has been drawn to a publication by the World Bank on the competence and tariff setting processes of the PURC in its report titled "Energizing Economic Growth in Ghana: Making the Power and Petroleum Sectors Rise to the Challenge" dated June 2013.

The Commission *strongly disagrees* with some portions of the publication and wishes to express its displeasure and also set the records straight on some of the issues raised in the publication.

The PURC as the body mandated to set tariffs *for electricity and water* has also the prerogative to approve or refuse tariffs *adjustments* depending on the situation and context. The World Bank is saying the PURC did not fully apply the Automatic Adjustment Formula but just for two very brief periods.

It should be noted that the Automatic Adjustment Formula was applied on all occasions since the re- introduction of this Tariff Adjustment Mechanism, the fact that whatever tariff decision was arrived at was not passed on to consumers for reasons of non compliance to quality of service benchmarks on the part of providers does not mean that this tariff mechanism was not applied fully or adhered to.

It is not true that the Commission has capacity constraints and it is unable to retain staff it trains at considerable expense. At top management level the Commission quickly replaced retiring staff with competent replacements. Additionally, the Commission has strengthened the Energy Directorate with a new director and made adjustments within its management to improve efficiency. There has been no major net loss at the Commission. The World Bank's comment may be so dated as to beg relevancy. Emphatically there has been absolutely no haemorrhage of expert staff from the Commission due to inability to retain competent staff as claimed by the World Bank. The World Bank staff may perhaps be swayed a bit by comments from some utility sources. It is interesting where the World Bank got its data from. It would be appreciated if the Bank can give the PURC data on staff retention in the PURC in recent times.

The PURC has retained and recruited more staff with industry experience and expertise who are *confident and knowledgeable with high assertiveness* to meet the expectations of both the Public Utilities and Consumers of Water and Electricity.

The PURC has the mandate to protect the interest of the Utility Service Providers *as well as the interests of Consumers as determined by the laws of Ghana. The PURC can and will only assume the powers granted it by the State and act in a balanced manner as expected of it.*

Neglecting the needs of the consumer is going to be suicidal and that is exactly what the World Bank wants the PURC to do. The World Bank cannot be suggesting to Ghanaians that the utilities should continue to ignore the benchmarks set in Ghana law with impunity and without any consequences whatsoever. The private sector no doubt is a partner in the provision of utility services in the country. If they do not have confidence in the Country and the PURC how does the World Bank explain the number of investors who troop to the offices of the PURC for one assistance or the other.

The PURC wishes to place on record that investors in the industry sign their own bilateral Power Purchase Agreements with bulk customers and public utilities and their tariffs are not moderated by the PURC if they are not going to sell to the regulated market. The World Bank should know that the reason why an investor is going to be unhappy and lose confidence is not only the tariff but largely due to the uncertainty surrounding the availability of the source of fuel such as natural gas and payment of bills to them. (The World Bank can contact Sunon Asogli Power and other existing IPPs to verify this assertion).

The Bank should also reckon that the tariffs for investors are much higher than the weighted average bulk generation tariff that the PURC approves for the regulated electricity market.

Insufficient regulatory transparency as indicated by the World Bank is totally false. The Electricity Rate Setting Guidelines is a public document which has also been given to the utility Service providers and published on our website. The details of tariff setting including the Automatic Adjustment Formula were all published in the state's gazette for the information of all stakeholders, including the World Bank. The PURC organised numerous regional and specific stakeholder fora over several months. Where is the lack of transparency?

Our Tariff Setting Process is not in the Dark as alleged by the Bank. However it is always consultative and transparent taking into account the interest of all stakeholders as required by law (i.e. interest of consumers, interest of the investor, the financial viability and integrity of the Utility Provider, the general economic development of the country, etc).

Unbalanced PURC membership - The Commission is totally at a loss what the World Bank means by this statement of the unbalanced membership of the PURC. The Commission is very balanced and the composition is stipulated in Act 538 (1997), the Act that established the PURC. If the World Bank has a problem with the composition they should consult the drafters of the Law and the President of Ghana who appoints the members of the Commission.

It is very sad that the World Bank would attack the competence, qualifications and experience of the PURC's Commissioners in this manner. This is woefully unacceptable and an indictment on the President of the Republic of Ghana and an insult to the whole nation for which they should apologise.

The PURC wants to go back into history to refresh the mind of the World Bank on the composition of the PURC Board from inception to date. There have been renowned lawyers, renowned economists, a former Under Secretary of the UN who became a Key Presidential Advisor in government, Engineers, Lawyers and people with industry experience.

It should be made clear that the current Chairman of the Commission was a former Board Member and Managing Director of ECG and a renowned Electrical Engineer who holds a doctorate degree in Electrical Engineering with extensive industry experience. He has also lectured most of the top management and seasoned electrical engineers within the utility industry in this country. The other Board members of the current Commission has similar qualifications in Economics, Financial Management, Engineering, Law and industry experience which are the requirements for effective economic utility regulation.

It is sad that these competent and well qualified men and women serving their country diligently have been insulted by the World Bank like this.

Of course each stakeholder has an interest and it must be served, the PURC cannot understand how the World Bank expects the interest of key consumer groups like the Trades Union Congress (TUC) and the Association of Ghana Industries (AGI) to be ignored who are duly represented by law on the Commission. It is sad that the World Bank believes that **protecting the interest of key consumers is seen as a narrow agenda of particular political or other social groups.** *We do not believe that the World Bank is seeking to impugn the reputations of the representations of TUC and AGI on the Commission. That will be sad indeed.*

It should be corrected that there are only two out of nine members of the Board representing specific groups (AGI and TUC). The Commission will like to know from the World Bank **how these two stakeholder representatives can tilt the decision of the nine member Board in their favour.** In the view of the World Bank who is an expert if the economists, engineers, lawyers and people with industry experience on our Board are not experts then who do they want to recommend. In the view of the PURC the World Bank is a development Partner not one to micromanage the institutions of the country.

The World Bank failed to applaud the PURC in June 2010 when Tariffs were increased to an average of 89% where some utility service providers made profits in the following year and others were able to meet most of their operational requirements even when they were starting from the scratch.

The World Bank was in the forefront of the formation of the PURC and it emanated from the reforms in the sector and also the fact that the Utility Service Providers wanted to increase tariffs astronomically at the time without any moderation or regulation. Do they want us to go back to that era.

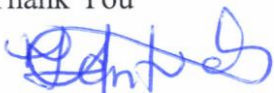
The publication indicates that most of the assertions as made were contained in a Needs Assessment Study in May 2009, that is four years ago. The PURC does not think it is fair for anybody or group to assess their performance on an outdated report. **Also no one in the PURC was contacted on these issues.**

In fact the PURC refuted most of these allegations during a stakeholder validation workshop on the draft report and the World Bank had agreed to correct itself only for the PURC to find the same report in the media with the same allegations without recourse to the Commission to tell their side of the Story. This is very unfortunate and it seems like a clear picture of targeting and bullying.

The PURC as an **INDEPENDENT REGULATORY BODY** in accordance with Act 538 (1997) would ensure that there is a fair balance between the interest of consumers and the regulated utility providers in the discharge of its duties and decision making processes.

The PURC would continue to protect its image, credibility and integrity at all times. The Commission is readily available to dialogue with all stakeholders aimed at building a credible utility regulatory regime that balances the interest of the consumers and the financial viability of the utility service providers.

Thank You



Nana Yaa Akyempim Jantuah
Director, Public Relations and External Affairs

Dated: July 3, 2013