



PRESS RELEASE
(For Immediate Release)

**Notification of Presidential
Action [I] – 29/09/2021**

**REPORT OF THE PRESIDENTIAL TASKFORCE ON REVIEW
OF POWER PURCHASE AGREEMENTS**

His Excellency the President today received the Report of the Presidential Taskforce on Review of Power Purchase Agreements constituted *vide* Gazette Notice No. 3076 of 29th March, 2021.

The Taskforce was constituted by the Head of State in response to calls from a wide cross section of Kenyans to address concerns **about the high cost of electricity** for both individual consumers and enterprises.

Further, **in constituting the Taskforce**, the Administration was concerned that high electricity prices constrain economic activity and limit the realization of our shared aspiration of becoming a globally competitive, newly industrialized, middle income, and prosperous country.

To address these concerns, the core mandate of the **Taskforce was to:**

"undertake a comprehensive review and analysis of the terms of all Power Purchase Agreements (PPAs) entered into by the Kenya Power and Lighting Company Limited (KPLC)... and develop a suitable strategy for engagement with the Independent Power Producers (IPPs) and lenders, in order to achieve relief for electricity consumers and ensure the long-term viability and sustainability of the energy sector."



The President has considered the Report of the Taskforce and notes that **the key findings** were: **the vast differential between KenGen and Independent Power Producer (IPP) tariffs and electricity dispatch allocations**; the lack of proper demand forecasting and planning, leading to irreconcilable projections as against demand; the existing risk allocation imbalances between KPLC and IPPs further exacerbated by poor contract management frameworks; and an uncoordinated institutional architecture that inadvertently contributes to enhanced operational costs passed on to consumers.

The President has also examined and welcomed the recommendations of the Taskforce that establish a path towards **the reduction of the cost of electricity by over 33%** within four months.

The consequence of the proposed interventions is that a consumer who previously spent **Ksh. 500 per month on electricity** shall by **31st December, 2021 pay Ksh. 330 per month**. This cost reduction will be achieved through the **reduction of the consumer tariffs from an average of KES 24 per kilowatt hour to KES 16 per kilowatt hour which is about two thirds of the current tariff**.

In affirmation of this seminal and progressive solution to a decades-long problem, **His Excellency the President** has directed the **Cabinet Secretary, Ministry of Energy to secure the immediate implementation of all the recommendations of the Taskforce by Christmas Day, 2021**.

The Taskforce **recommendations include:**

- I. **Review and Renegotiations** with Independent Power Producers (IPPs) to secure immediate reduction in Power Purchase Agreements (PPA) tariffs within existing contractual arrangements;



- II. **Cancellation with immediate effect** of all unconcluded negotiations of Power Purchase Agreements and ensure future PPAs are aligned to the Least Cost Power Development Plan (LCPDP);
- III. **Fast-track and deepen the ongoing reforms at KPLC** to restructure it into a commercial entity that is both profitable and also capable of delivering efficient and cost-effective electricity supply to all consumers;
- IV. **KPLC to take the lead** in formulation and related PPA procurement of the Least Cost Power Development Plan (LCPDP);
- V. KPLC to **institute Due Diligence and Contract Management** frameworks for PPA procurement and monitoring along the lines of the drafts provided by the Taskforce;
- VI. KPLC to institute **one and five-year rolling demand and generation forecasts** and associated models;
- VII. KPLC to **adopt standard PPAs and proposed Government Letters of Support (LOS)** along the lines of the drafts provided by the Taskforce;
- VIII. **KPLC to undertake a forensic audit** on the **procurement and system losses** arising from the use of **Heavy Fuel Oils (HFOs)**; and
- IX. In line with the **constitutional imperative for transparency in the public sector**, KPLC's annual reports should **include the names and beneficial ownerships of all IPPs** with which it has contractual arrangements.



EXECUTIVE OFFICE OF THE PRESIDENT

On behalf of a grateful nation, **His Excellency the President** thanked the Taskforce for their sense of civic duty and professionalism and for expeditiously discharging their mandate.

The Presidential Taskforce was led by **Mr. John Ngumi**, as the **Chairperson**, Dr. Elizabeth Muli as the Vice-Chairperson and included the following members: Solicitor-General Mr. Kennedy Ogeto; Hon. Justice (Rtd.) Aaron G. Ringera; Dr. James Mcfie; Mr. Mohammed Nyaoga, SC; Eng. Stanley Kamau; Ms. Wanjiku Wakogi; Eng. Isaac Kiva; Dr. Caroline Kittony; Eng. Elizabeth Rogo; Mr. Sachin Gudka; Eng. James N. Mwangi; Dr. John Mutua; Ms. Anne Eriksson; and Mr. Yida Kemoli. The Joint Secretaries were Mr. Jasper Mbiuki (Executive Office of the President), Ms. Lillian Abishai (Office of the Attorney-General), and Ms. Elsie Mworira (KPLC).

His Excellency the President has also conveyed his gratitude to the new Board of Kenya Power for steering the ongoing ground-breaking reforms in the nation's anchor utility company.

Kanze Dena Mararo
State House Spokesperson
State House, Nairobi

Wednesday, 29th September, 2021