THE LESOTHO ELECTRICITY AUTHORITY

Presentation by the LEA Chief Executive on the occasion of the Launch 04 May 2006
Structure of the Presentation

- Issues concerning the Power Sector of Lesotho
- Power Sector Reform and progress to date
- Regulation
  - The establishment of LEA: its mandate
  - Work done to date
- Conclusion
Issues concerning the sector

- Low access to electricity (now 11%, we want 35% by 2015).
- Inefficiency in the power sector institutions.
- Lack of financial resources (for increased access, system expansion, generation).
To address the above, the Government undertook to restructure the power sector and the process entails:

- Commercialization and private sector participation in LEC.
- Ensuring that ‘Muela (generation) prices become competitive with those of the region.
- Establishing Rural Electrification Structures.
- Determining further generation possibilities.
- Establishing the regulator.
Progress to date

- LEC has been Commercialized and its privatization ongoing.
- ‘Muela Options Study to define institutional set-up and its commercialization was undertaken.
- The Rural Electrification Unit has been established.
- The National Electrification Master Plan Study is underway.
What is the LEA?

- Regulatory authority over the electricity supply industry in Lesotho.
- Established in 2002 in terms of the LEA Act No. 12 of 2002.
  - Board and CE appointed in May 2004.
  - Seven part-time Board members including the Chair.
- Various amendments being made to LEA Act.
General Duties of LEA

- Ensure the financial viability of efficient regulated electricity undertakings.
- Promote expansion of electricity supply in Lesotho.
- Ensure operation and development of a safe, efficient and economic electricity sector.
- Ensure promotion of sustainable and fair competition (where efficient to do so).
- Protect the interests of all classes of consumers.
- Ensure continued availability of electricity.
General Functions of LEA

- Issue, monitor and enforce licences.
- Establish and review technical standards.
- Establish and monitor safety standards.
- Establish and monitor customer care standards.
- Regulate prices where not supplied on a competitive basis.
- Approve and enforce terms and conditions for the supply of electricity.
- Resolve disputes.
Regulated Activities

- Generation, Transmission, Distribution and Supply of electricity to premises.

- Amendment to LEA Act will add:
  - Import and export of electricity.

- First licensees will be LEC, LHDA (‘Muela) and electricity access pilot projects.
LEA Funding

- LEA is currently being funded by Government with support from power sector restructuring financiers (World Bank and African Development Bank).

- In future, LEA will be funded through licence fees and customer levy.
Work done so far

a) Start-up and Administrative activities

- The Authority has established its offices (in downtown Maseru).
- Recruitment of professional staff completed in September 2005.
- A Corporate Governance Handbook has been compiled. It includes, among others, code of ethics, standing financial orders, procurement orders and personnel orders.

b) Regulatory Framework

- Regulations emanating from the LEA Act have been finalized.
- A set of rules has also been prepared.
- Quality of Supply and Service Standards (QOSSS) have been prepared and are being discussed with stakeholders.
c) Licensing

- A transmission and distribution licence for the corporatized LEC (LEC (PTY) Ltd) has been prepared.
- A generation licence for LHDA (’Muela Hydropower Station) has been prepared, will be issued at the same time as that of LEC (Pty) Ltd.
- A licensing framework for rural electrification has been completed. It includes three types of licence, i.e. stand alone (solar), isolated grid supply (diesel and microhydro) and grid extension.

d) Pricing

- In 2005, the Authority facilitated the completion of an LEC/LHDA Power Sales Agreement (the bulk supply agreement) which replaces the first one which was signed in 1993.
Work done cont.

- The Authority also reviewed LEC application to modify the Tariff Transitional Plan. Modification requested focused mainly on large commercial and industrial consumers.

**e) Electrification**

- The LEA participates in rural electrification fora such as those of formulating the Master Plan.

**f) Power Sector Restructuring**

- LEA is collaborating with others (Privatization Unit, etc) to ensure increased private participation in the sector.
Work done cont.

g) Public Awareness

- The Board visited most districts and met with local authorities to publicize the existence of the Authority.

h) Regional Activities

- LEA is a member of the Regional Electricity Regulators Association (RERA) whose overall objective is to provide a platform for cooperation between electricity regulators within the SADC region.
- Also attending meetings of the African Forum for Utility Regulators (AFUR).
Work done cont.

i) Three-year Rolling Business Plan

- The Authority has a three-year rolling Business Plan which outlines the main activities for the period.
Conclusion

- LEA is committed to responsible regulation for the benefit of the industry and its customers.

- Adopt good corporate governance principles, such as
  - Transparency
  - Consistent decision making
  - Consulting stakeholders

- These principles are embodied in our Corporate Governance Handbook and the regulatory framework.
THANK YOU
<table>
<thead>
<tr>
<th>Issuing Authority</th>
<th>Description</th>
<th>Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Legislation – Parliament</td>
<td>LEA Act No. 12 of 2002</td>
<td>Establishes LEA</td>
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<tr>
<td></td>
<td>LEA (Amendment) Act 2005</td>
<td>Introduces various amendments to LEA Act</td>
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<tr>
<td>Regulations - Minister</td>
<td>LEA (Annual Reporting) Regulations 2005</td>
<td>Provides for the LEA’s annual reporting obligations</td>
</tr>
<tr>
<td></td>
<td>LEA (Licence Fees and Levies) Regulations 2005</td>
<td>Regulations for imposing licence fees and customer levies to fund LEA</td>
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<tr>
<td></td>
<td>LEA (Procedure) Regulations 2005</td>
<td>External regulations for Board governance, delegations, reservation of powers etc</td>
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<tr>
<td></td>
<td>LEA (Electricity Price Review and Structure) Regulations 2005</td>
<td>Regulations providing for the periodic review of prices for electricity, and structure of electricity tariffs</td>
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<tr>
<td></td>
<td>Electricity (Land Use and Streetworks) Regulations 2005</td>
<td>Provides land rights to licensees for electric line installation, and procedure for cutting of trees, entering of land, digging up of streets etc</td>
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## REGULATORY AND GOVERNANCE FRAMEWORK (CONTD.)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Notices – Minister</strong></td>
<td>LEA (Amendment) Act (Commencement) Notice 2005</td>
<td>Puts the LEA (Amendment) Act into operation</td>
</tr>
<tr>
<td></td>
<td>LEA Act (Commencement) Notice 2005</td>
<td>Puts the remaining sections of the LEA Act into operation</td>
</tr>
<tr>
<td><strong>Rules – LEA</strong></td>
<td>LEA (Resolution of Disputes) Rules 2005</td>
<td>Rules for resolution of disputes by LEA</td>
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<td></td>
<td>LEA (Record Keeping Procedures) Rules 2004</td>
<td>Record keeping procedures for LEA, including keeping of public register and filing of documents</td>
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<td>LEA (Application for Licences and Extensions of Licences) Rules 2005</td>
<td>Rules for application of licences, form of applications, and application fees</td>
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<td>LEA (Electricity Class Exemptions from the Requirement for a Licence) Rules 2005</td>
<td>Provides certain exemptions from the requirement to hold a licence</td>
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<td></td>
<td>LEA (Electricity Supply) Rules 2005</td>
<td>Technical rules for the supply of electricity, including protection and earthing, substations, underground cables and equipment, overhead lines, embedded generation, and supply to consumers installations</td>
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<td>LEA (Electricity Service Standards) Rules 2005</td>
<td>Authority to the LEA to establish service standards and enforce compliance by licensees</td>
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<td></td>
<td>LEA (Performance Reporting Procedures) Rules 2005</td>
<td>Performance reporting requirements for licensees</td>
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