

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).



Power Sector Reform



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.



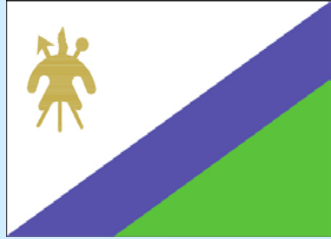
General Functions of LEA

- 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 down town 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.



Work done Cont.

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



REGULATORY AND GOVERNANCE FRAMEWORK



<i>Issuing Authority</i>	<i>Description</i>	<i>Purpose</i>
Legislation – Parliament	LEA Act No. 12 of 2002	Establishes LEA
	LEA (Amendment) Act 2005	Introduces various amendments to LEA Act
Regulations - Minister	LEA (Annual Reporting) Regulations 2005	Provides for the LEA's annual reporting obligations
	LEA (Licence Fees and Levies) Regulations 2005	Regulations for imposing licence fees and customer levies to fund LEA
	LEA (Procedure) Regulations 2005	External regulations for Board governance, delegations, reservation of powers etc
	LEA (Electricity Price Review and Structure) Regulations 2005	Regulations providing for the periodic review of prices for electricity, and structure of electricity tariffs
	Electricity (Land Use and Streetworks) Regulations 2005	Provides land rights to licensees for electric line installation, and procedure for cutting of trees, entering of land, digging up of streets etc



REGULATORY AND GOVERNANCE FRAMEWORK (CONTD.)



<i>Issuing Authority</i>	<i>Description</i>	<i>Purpose</i>
Notices – Minister	LEA (Amendment) Act (Commencement) Notice 2005	Puts the LEA (Amendment) Act into operation
	LEA Act (Commencement) Notice 2005	Puts the remaining sections of the LEA Act into operation
Rules – LEA	LEA (Resolution of Disputes) Rules 2005	Rules for resolution of disputes by LEA
	LEA (Record Keeping Procedures) Rules 2004	Record keeping procedures for LEA, including keeping of public register and filing of documents
	LEA (Application for Licences and Extensions of Licences) Rules 2005	Rules for application of licences, form of applications, and application fees
	LEA (Electricity Class Exemptions from the Requirement for a Licence) Rules 2005	Provides certain exemptions from the requirement to hold a licence
	LEA (Electricity Supply) Rules 2005	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
	LEA (Electricity Service Standards) Rules 2005	Authority to the LEA to establish service standards and enforce compliance by licensees
	LEA (Performance Reporting Procedures) Rules 2005	Performance reporting requirements for licensees