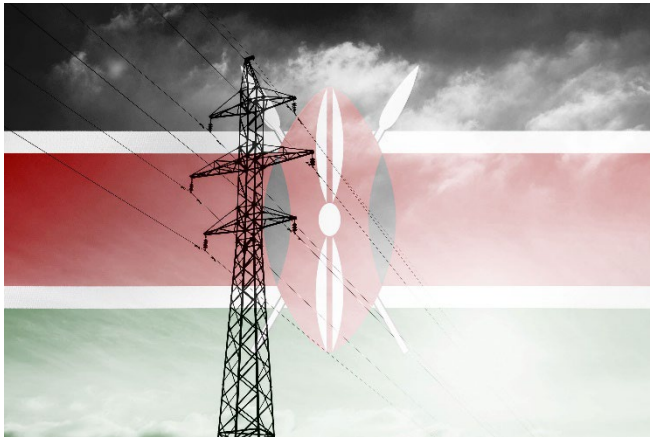




Kenyan Regulators Advance Open Access Market Framework and Rule to Expand Electricity Access and Promote Regional Power Trade



June 2020 – Through support from USAID and Power Africa, the Kenya Energy and Petroleum Regulatory Authority (EPRA) is working toward a more transparent electricity transmission and distribution system through the development of a Transmission Open Access Market Framework and Rule, which is expected to encourage competition in the electricity sector and help spur economic growth.

As provided for in the Energy Act 2019, the development and subsequent implementation of the framework will allow any entity buying or selling electricity to use the transmission network on a non-discriminatory basis.

Opening Kenya's Electricity Market to Competition

Currently, Kenya's grid-connected system is a single buyer model; when open access transmission is in effect, it will help to strengthen Kenya's power sector by enabling industrial and commercial consumers to choose electricity suppliers from an open market. Consequently, consumers can benefit from improved reliability of the power supply through creating competitive pressure on power companies to keep costs low and their quality of service high. This change will require a transition plan and will occur over time to ensure the financial viability of Kenya's utilities.

The transparency of open market prices can also stimulate appropriate infrastructure investment, encourage suppliers to tailor products and services to consumer needs, and allow any failing suppliers to be acquired or replaced by those with more skill and foresight.ⁱ

In addition to the economic benefits of open access transmission, reliable and affordable access to electricity contributes to safer, more productive, and prosperous communities. A dependable energy supply is key to realizing Kenya's Big Four Agenda, which aims to advance economic growth and manufacturing, increase food security and nutrition, provide universal health coverage, and promote affordable housing.ⁱⁱ

Positive Effects of Open Access Transmission on Energy Infrastructure and the Economy

Creating an environment where more parties can access the system fairly is especially important in promoting transparency, as it will prevent Kenya's government owned utilities from receiving any preferential access to the transmission system.

Because Kenya's power sector is both privately- and government-owned, allowing for increased transparency is integral to facilitating a more decentralized distribution and transmission infrastructure. With more players participating in the market, Kenya can expect positive economic effects such as an increase in the creation of new jobs and the attraction of commercial financing.

Inadequate access to project funds is one of Kenya's biggest bottlenecks to achieving its power sector goals;ⁱⁱⁱ the open access market and increased transparency it facilitates will attract private sector investment and provide the capital needed to accomplish the ambitious target of universal electricity access by 2022.^{iv}

Open access transmission also supports Kenya's goal of growing regional power trade by allowing other countries that are "wheeling" or transporting electricity through the transmission system to do so at a competitive price and availability. These cross-border connections will allow for power trade revenues for exporters, savings for importers, and wheeling revenues for countries that provide their transmission networks as conduits. ^v

Enabling a Smooth Transition toward Regional Power Trade

In order to help expedite the process of enabling open access transmission, NARUC worked closely with EPRA to bring electricity stakeholders together to review, provide feedback, and come to a consensus on the drafted Transmission Open Access Market Framework and Rule.

Emphasizing the importance of advancing the framework, EPRA Deputy Director of Regulatory Research & Policy Analysis Dr. John Mutua stated, "As we move towards operationalization of the Energy Act, this open access market rule will in itself be made a regulation. It has provided us with the tools and skills that will ensure transition from the current state of system operation to one with an independent system operator (ISO). This will lead to efficiency and improved performance of the electricity market in Kenya and the region."

ISOs are neutral, independent organizations that coordinate regional transmission and work to ensure non-discriminatory access to the electric grid.^{vi} Because they operate independently, ISOs are not subject to any conflicts of interest and are integral to facilitating efficiency and maintaining a reliable and transparent electricity system. Establishing an ISO in Kenya will help provide customers with the ability to access the cheapest and highest quality sources of power available.

With regard to next steps, by bringing stakeholders together and obtaining buy-in from all relevant parties, the approval and implementation process of the framework will proceed more smoothly. When it becomes a regulation, it will create more advanced and equal opportunities for third parties to transmit electricity both within the country and regionally using Kenya's power network.

The resulting increased connection capacity on both a domestic and regional level will not only work to improve overall electricity reliability and affordability, but it will also be instrumental in allowing Kenya to realize its vision of an increasingly modernized energy sector.

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ⁱ "Competitive Electricity Markets: The Benefits for Customers and the Environment." NERA Economic Consulting. PDF file. 2008. https://www.nera.com/content/dam/nera/publications/archive1/PUB_CompetitiveElectricityMarkets_Feb2008.pdf

ⁱⁱ "The Presidency," The Presidency, <http://www.president.go.ke/>.

ⁱⁱⁱ "Kenya Power Africa Fact Sheet," USAID, <https://www.usaid.gov/powerafrica/kenya>.

^{iv} "Kenya Launches Ambitious Plan to Provide Electricity to All Citizens by 2022." The World Bank.

<https://www.worldbank.org/en/news/press-release/2018/12/06/kenya-launches-ambitious-plan-to-provide-electricity-to-all-citizens-by-2022>

^v "Power Africa Transmission Roadmap to 2030: A Practical Approach to Unlocking Electricity Trade." PDF file. November 2018.

https://www.usaid.gov/sites/default/files/documents/1860/PA_Transmission_Roadmap_508.pdf.

^{vi} "Independent System Operator (ISO)." Thomson Reuters Practical Law.

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