Regulators from Eswatini and Togo Take Steps to Increase Sector Financial Viability and Service Quality

December 2023 – In 2022, the International Energy Agency reported that 600 million people – or 43% of Africa's total population – lack access to electricity.[1] This challenge may be traced to a lack of adequate investment in the energy sector, as well as the absence of resources and capacity to address major underlying issues impacting quality of service (QoS), including sector governance.[2] Further, throughout the continent, many electric utilities – which are largely state-owned – struggle with financial viability and liquidity. This makes it even more important for regulators to develop workable and effective regulations that will enable utilities to recover their costs of providing reliable services at rates that are just and reasonable.

Through its *Electricity Regulatory Index (ERI) for Africa* survey-based reports (conducted annually since 2018),[3] the African Development Bank (AfDB) methodologically assesses and scores the level of development of electricity regulatory frameworks in African countries, providing insights into regulatory trends and practices across the continent. These reports also serve to identify key regulatory challenges and help regulators compare their performance against their African peers. NARUC worked with the AfDB to address shortcomings in regulatory governance by developing resources, delivering targeted technical assistance, and providing training that leverages the expertise of its members and broader international network.

In 2021, NARUC published ***Guidelines for Advancing Economic and Quality of Service Regulation in Africa's Electricity Sector***,[4] which concentrates on providing action-oriented, contextualized strategies for addressing specific regulatory deficiencies identified in the AfDB's *ERI for Africa* reports. It also offers concrete, context-specific insights and strategies for African electricity regulators and other key stakeholders to consider in their efforts to support robust, equitable development in the sector.

In 2022, with support from the United States Agency for International Development (USAID) and Power Africa and in coordination with the AfDB, NARUC provided the Eswatini Energy Regulatory Authority (ESERA) and Togo's Autorité de Réglementation du Secteur de l'Electricité (ARSE) with training and regulatory resource documents on QoS and economic regulation, respectively. The AfDB and NARUC selected each country through a competitive application process, and tailored the assistance based on the gaps identified in the AfDB's *ERI for Africa* reports and the recommendations put forward in USAID and NARUC's *Guidelines* publication. As a result of this assistance, both regulators can better carry out transparent and effective oversight of their energy sectors, which will in turn aid them in creating an enabling environment for investment, enhancing sector financial viability, and ensuring access to safe, reliable, and affordable electricity.

Improving QoS Regulation in Eswatini

Over the last couple of years, the AfDB's *ERI for Africa* reports assessed Eswatini as one of the top scoring countries in terms of its energy sector regulatory development.[5] However, ESERA is still looking to improve its regulatory performance, especially regarding its existing framework for QoS regulation contained in the ESERA Technical Compliance, Monitoring, and Enforcement Management Framework (CMEMF). ESERA is working to enhance the CMEMF so that it includes a clear method of determining QoS performance targets and key performance indicators (KPIs), as well as an approach that incentivizes the utility to continuously improve service reliability for consumers.[6]

To help ESERA achieve these goals, NARUC drafted KPI reporting templates – located within a tailored resource document, *Report on KPIs and Benchmarks* – as well as an enforcement mechanism for Quality of Service Standards and a recommended approach for target setting. All of these resources, along with a training series, helped ESERA staff to develop the skills and competencies necessary to implement a strengthened CMEMF. In the context of the energy sector, KPIs are metrics that measure the performance of systems or processes, such as power quality or productivity.[7] Regulators can use these metrics to closely monitor and evaluate utility performance standards, or benchmarks, from which they can develop strategies to improve performance and results. By adopting and implementing new benchmarks and KPIs, ESERA expects to see an improvement in both its regulatory performance and assessment in future *ERI for Africa* reports, as well as an improvement in the Eswatini electricity sector's service delivery to consumers in the short-term.

Strengthening Economic Regulation in Togo

Following the AfDB's *ERI for Africa* reports, ARSE noted that it currently does not have the tools to assess the financial, economic, and social impact of regulatory decisions in a rigorous and objective way.[8] Further, ARSE is in need of sufficient and accurate information from regulated utilities to make well-informed recommendations on electricity rates to ensure that they are fair to both customers and the utilities. To address this requirement, NARUC provided training for ARSE on establishing a utility's revenue requirement (RR) and implementing regulatory accounting methods. The utility's RR constitutes a major regulatory tool for achieving and maintaining the balance between reliability and affordability in the electricity market.

Essentially, the RR is the revenue that a regulated utility needs to earn to provide adequate service to its customers, as well as a fair return on investment to enable system expansion, upgrades, and maintenance. The regulator uses the utility's RR to determine electricity rates, which are the prices paid by individual customers, depending on the average costs to serve customers in each class.[9] In Togo, ARSE's mandate includes reviewing the utility's RR and recommending rates to the Minister of Energy for final approval.[10] By putting the knowledge gained from the NARUC training into practice, ARSE will be better positioned to determine the RR for the efficient and effective economic regulation of the Togolese electricity sector.

By strengthening their abilities to implement and enforce QoS and economic regulation – both of which are key areas of an energy regulator's mandate – ESERA and ARSE are making strides toward achieving positive regulatory outcomes that will benefit their respective countries as a whole, such as increasing electricity access and reliability and providing consumers with high quality and affordable electric service.

This story is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of NARUC and do not necessarily reflect the views of USAID or the United States Government.

---

[1] "Africa Energy Outlook 2022: Key Findings." IEA. https://www.iea.org/reports/africa-energy-outlook-2022/key-findings
[2] "Guidelines for Advancing Economic and Quality of Service Regulation in Africa's Electricity Sector." USAID and NARUC. Page 13.
https://pubs.naruc.org/pub.cfm?id=1E215369-1866-DAAC-99FB-B7EFFB08159E
[3] https://www.afdb.org/en/news-keywords/electricity-regulatory-index-eri
[4] "Guidelines for Advancing Economic and Quality of Service Regulation in Africa's Electricity Sector."
[5] Draft Report on KPIs and Benchmarks
[6] Taken from ESERA application.
[7] https://assets.new.siemens.com/siemens/assets/api/uuid:ccb07906-df33-4db0-b782-6fc7f2d346f5/bt-cc-managing-energy-using-kpis-whitepaper-en.pdf
[8] Taken from ARSE application.
[9] Draft report – key considerations for economic regulation in Togo's electricity sector, pg. 10
[10] Draft report – key considerations for economic regulation in Togo's electricity sector, pg. 12