

# PRIVATE ENTERPRISE FOUNDATION

REPORT ON

## **ROUNDTABLE DISCUSSION ON SERVICE DELIVERY BY ECG/VRA TO PRIVATE SECTOR**

HELD AT

NOVOTEL HOTEL, ACCRA CITY CENTRE

ON

4TH AUGUST 2003

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## INTRODUCTION

The Private Enterprise Foundation (PEF), under Component Two of the Ghana Government

IUNDP Promoting Private Sector Development Programme (PPSDP), organized a roundtable discussion on Service) *delivery by ECGIVRA to the Private Sector*, on 4th August 2003 at Novotel Hotel Accra.

In recent times the delivery of electricity, especially service to the private sector is observed to be fraught with major constraints leading to operational difficulties for users of electricity. Pursuant to serving the obligation of PEF to service the needs of private enterprises, PEF commissioned MAPO & Associates Ltd to conduct a study on the service delivery of ECGIYRA to the private sector. The study is expected to suggest recommendations for improving the quality of service.

The roundtable was attended by energy experts, industrialists, members of the Parliamentary Sub-committee on Energy and major stakeholders of the private sector. There were no representatives from ECG or VRA though they were invited to facilitate discussions.

Please see attached list of participants.

Mr. Harry Owusu, Executive Secretary of the Revenue Agencies Governing Board (RAGB) - Ministry of Finance, chaired the programme. Mr. Michael Opam, Head Consultant of MAPO & ASSOCIATES LTD, led discussions.

Welcome Address by Director-General of PEF

Dr. Osei Boeh-Ocansey

Welcoming participants to the roundtable discussion, the Director-General of PEF, Dr. Osei Boeh-Ocansey noted the importance of electricity as one of the key factors that propel industrial activity in the country and the need to ensure a vibrant power sector to promote private sector growth. Also, he commended the UNDP for supporting PEF to conduct the study under Promoting Private Sector Development Programme (PPSDP) since the outputs of activities under the PPSDP are expected to improve the process and attitudes of the public sector for effective delivery of service to the Private sector.

Dr. Osei Boeh-Ocansey said that there is an on-going power sector reform (since 1995) justified by the numerous factors hampering the growth of the sector. The objectives articulated to guide the reforms are

- Effect structural changes that would curtail existing monopolistic and centralized **control** by VRA/IECG
- Improve transparency in regulation of power utilities, including adjustment of tariffs and prices
- increase management accountability of existing public utilities and
- Encourage private sector participation in the infrastructure development for generation, distribution and supply of electricity

In recent times, it has been realized that electricity supply for industrial activity has not been reliable. This has led to disruptions in industrial productive activities and their attendant high cost of production to companies and industries. There are also complaints from private sector operators about the billing system, timing of bills, and other services. To these complaints there

have been diverse explanations by the major power utility organizations namely the Electricity Company of Ghana and the Volta River Authority.

It was against this background, and in pursuance of the mandate of PEF, that it has become very necessary to conduct a study on the state of service delivery of the power sector and solicit views of all stakeholders to ensure that agencies supplying electricity and end users find pragmatic ways to guarantee efficient and quality services to the private sectors.

The study on the *Delivery of Electricity Services by ECG and VRA to the Private Sector*

*Business* was commissioned, among other things, to

- Evaluate the institutional and policy framework on power generation and distribution and impact on the quality of service to the private sector
- Identify constraints in the delivery of service in relation to emergencies, response to request for new connections and for rectifying faults
- Assess the process and attitudes of staff of ECG and VRA that engender the quality of service to the private sector and
- Suggest solutions to the above

It is therefore expected that the study and comments from participants would provide useful outlook of the situation on electricity supply in the country, and set the tone for taking the necessary measures that would bring efficient and quality services to the Ghanaian private sector.

#### Chairman's Remarks

Mr. Harry Owusu, the Chairman, in his opening remarks said that it is very necessary at this time to consider reforming the power sector to make it more efficient. He noted that the power sector is a major contributing factor to the growth of the private sector and therefore it is very necessary for stakeholders to talk the issues seriously and make recommendations for the way forward.

He also noted that the power sector needs reform to cut down on revenue loss to the state.

#### PRESENTATION

Mr. Michael Opam, Head Consultant, MAPO & Associates made a comprehensive presentation on the report on the study. The presentation covered the objective, methodology, findings and conclusions of the study.

#### STATUS OF ELECTRICITY GENERATION & DISTRIBUTION

The commissioning of the Aboade Thermal Station by VRA (mandated to generate, transmit and, sell electricity to ECG) has improved the shortfalls in electricity generation created by the lower output from Akosombo. Also, as a result of recent power curtailment to VALCO, there is a power reserve margin of 285MW, which is being exported to Togo and Benin. The Distribution network, run by the ECG, is extensive but distribution losses are still high and reliability of supply is low as a result of obsolete equipment and inefficiencies associated with services delivery.

Limitations in electricity delivery have therefore attributed to inadequate maintenance of existing infrastructure and low level investment in new infrastructure

#### INSTITUTIONAL & POLICY FRAMEWORK

Through the Power Sector Reforms, the power sector policy and institutional framework have seen significant change. The reforms seek to rationalize the distribution sector management and operations and implement operational and institutional mechanisms to the level of power generation and transmission.

#### QUALITY OF SERVICE

There have been some constraints on the delivery of service by VRA and ECG. These include lower level of water in the Akosombo dam, technical problems with the TA PCO plant, as well as transmission and distribution.

Also, inefficiency of management (which could be attributed to a myriad of factors) and inadequate investment have affected the quality of service. Quality of service is classified into

- Supply Reliability, which is the frequency of supply interruptions and duration of outages
- Customer Satisfaction with services such as billing complaints and general consumer responsiveness

The poor quality of service has impacted industrial customers as follows

- Destruction of equipment and machinery
- Extra cost associated with installation of expensive back-up power and
- Loss of production

The study uncovered various levels of complaints concerning

- Power outages
- Voltage fluctuations
- Billing problems
- Disconnection disputes
- Irregular meter reading
- High tariffs

Consumers expect that the utility companies will ensure the following

- Uninterrupted and stable electricity supply
- Adequate notice before power cuts
- Improved billing methods

#### CORPORATE GOVERNANCE AND MANAGEMENT

##### ***internal Organization***

The VRA and ECG all have laudable corporate visions: they are both committed to providing good quality and reliable services to customers while ensuring a healthy working environment for their employees. Members of staff of the utilities also exhibited a high level of awareness of their responsibility to provide quality service to their customers. However, they have identified lack of logistics, low remuneration and morale as limitations to their ability to provide quality service.

## *Relation with Customers*

Attached is the Executive Summary of the Final report of the study.

## DISCUSSION

Several issues were discussed concerning the findings of the study and participants' observations about the state of the power sector. Key issues discussed include the following.

### *Attitude*

The attitude and orientation of staff of utility companies shows no regard for issues of concern to the major consumer, the private sector. This was evident as there were no representatives of the ECG or VRA at the roundtable to defend the complaints and positions taken by the consultant and participants, though they were invited to facilitate deliberations. It shows the level of seriousness they attach to customer views and matters of this nature.

There is the need for the Ministry of Energy and Ministry for Private Sector Development to address the issue of attitude, orientation and employee commitment of staff of ECG and VRA, and of all public officials that affects the quality of service to the private sector. This attitude is evident in the following practices

- Long delays in effecting new connections
- Indifference to customers concerning frequency of unannounced power outages

### *Access to Information*

Participants asked for timely release of information on power outages to the consuming public to enable consumers design contingency plans to curtail huge losses. Also there is the need for important and necessary power outages for reconstruction and renovation to be scheduled for weekends to minimize losses.

### *Compensation for Companies (Industrial/Manufacturing Customers)*

Participants agreed that the regulatory bodies should device a system for compensating companies in view of production losses, extra production cost, and financial losses companies suffer as a result of frequent and unannounced power outages.

The PURC should therefore conduct a study to ascertain what an appropriate compensation is, not forgetting that customers will then have to be prepared to pay certain premium rates to warrant such a regulatory arrangement.

### *Bulk Customers*

Reference was made to a document prepared by the Energy Commission, which discussed the issue of Bulk Customers (BC). The document addresses the issue of BCs and seeks to advocate for BCs to be permitted to source their own supply from the generator (VRA) without having to pass through ECG. It was stated that it would be useful for all BCs to discuss and strategize about ways by which they can advocate for access to service. This is because it is believed that most of the problems are related to the distribution and not the generation of electricity.

### *Regulating and Restructuring VRA and ECG*

It is suggested that since the major problem of the VRA and ECG is inadequate infrastructure, and that 11% of total losses is attributed to technical losses, the regulatory body, the Ministry of Energy, should provide the needed finances to rehabilitate the operations of the utilities. Otherwise, the power sector must be restructured to attract private sector participation. The following must be noted

- Stakeholders of the private sector demand to see improvement in efficiency as soon as possible to attract investors and make Ghana a desired investment destination. There is therefore the need for private sector participation in the generation and especially, the distribution of electricity.
- Participants recommended that the power sector reforms should proceed on the de-bundling of the utility companies into manageable efficient units to foster employee commitment for increased productivity. There is the need to build capacity and also utilize it for maximum results.
- The distribution of electricity must be decentralized and split into autonomous bodies located within every region to introduce competition and increase efficiency. This will reduce the cost of distributing electricity and will facilitate easy interaction between [industrial] consumers and service providers.

### *West African Gas Pipeline (WAGP)*

A representative of the Chevron WAGP noted that on completion of the WAGP project, industries in and around Tema and Takoradi could consider using gas instead of electricity for some of their production processes where gas could be used. Advantages of gas over electricity include low cost and reliable supply. It is also expected that this alternative will make more power available for distribution to other consumers.

### *Resolution*

A resolution was made by participants that the private sector would not take lightly the non-repressiveness of the utility companies to issues of concern to the private sector. The private sector is not satisfied with the situation of the power sector and shall communicate its dissatisfaction to the President of the Republic of Ghana.

Participants agreed that the private sector must not only put in measures to sustain position taken but must also establish a mechanism to follow through the regulatory framework.

## 5. CHAIRMAN'S CLOSING REMARKS

The chairman commended the consultant and lead discussion Mr. Michael Opam, for the comprehensive nature of the study and also commended PEF for putting in the public domain the study document which seeks to sensitize all stakeholders on the state of service delivery from ECGNRA. He noted the importance of the issues discussed pertaining to the organizational, management and corporate governance of ECG and VRA such as the integrity of service, quality of service and the associated cost.

He concluded by stressing the need to forward a record of proceedings to Government and the Executives of the ECG and VRA.