

# Kenya cancels power purchase negotiations, replaces energy minister

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Kenya's President Uhuru Kenyatta has ordered the cancellation of all ongoing and incomplete power purchase agreements being negotiated with the state distributor Kenya Power, his office said on Wednesday, 29 September. The president also replaced the energy minister, a spokesperson said.



Kenya's President Uhuru Kenyatta. Reuters/Baz Ratner

The nullification is part of a raft of recommendations from a team he set up in March to review the agreements.

"The taskforce recommendations include: cancellation with immediate effect of all unconcluded negotiations of power purchase agreements," the president's office said in a statement.

Kenyatta said that future power purchase agreements with the government will have to be in line with its Least Cost Power Development Plan, which emphasises the use of renewable energy sources.

## Steep power bills

Consumers in the East African economy often complain of steep power bills, which are partially due to idle capacity charges that compensate power generators for electricity that is generated but never used.

Under a typical power purchase agreement, a power producer gets paid for any electricity produced, even if it is impossible for Kenya Power to sell it to consumers because of reasons including excess production.

Kenyatta's office said the review team found that there was a huge disparity between the tariffs charged by main power producer Kenya Electricity Generating (KenGen) and independent power producers.

KenGen's prices were much lower than those of the independent power producers. Kenya Power buys most of its electricity from state-controlled KenGen.



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## Irreconcilable projections

"The president... notes ...the lack of proper demand forecasting and planning, leading to irreconcilable projections as against demand," the statement said.

Kenyatta's office said as a result of some of these actions, it was expected that power tariffs were expected to drop 33% in the next four months.

Kenya Power fell to a pretax loss of 7.04bn shillings (\$63.88m) for its financial year to the end of June.

Out of the 87.5bn shillings cost of sales incurred during the period, 47.5bn shillings, or 54%, was capacity charges paid to power producers, officials said.

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