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13. Institutional and Commercial Considerations

13.1 Introduction

This report constitutes the study of the institutional and commercial considerations associated with the Rusumo Falls regional project. The latter, which is part of the Nile Basin Initiative ("NBI"), is for the construction of a 60 MW hydroelectric power station on the river Kagera and high voltage electricity transmission lines towards the centres of consumption in Burundi, Rwanda and Tanzania. The river Kagera runs along the boundary between Tanzania and Rwanda and the transmission lines will have to be built on the territory of the three countries.

The NBI is a partnership initiated and led by the riparian States of the river Nile which is aimed at developing this huge basin on a cooperative basis sharing the socio-economic benefits. The riparian countries have adopted a strategic approach which integrates both projects on the scale of the basin and the sub regions.

The Rusumo Falls regional project is one of the twelve projects in the Nile Equatorial Lakes Subsidiary Action Programme ("NELSAP") identified by the member countries of the NBI.

13.2 Description of the mandate

On reading the Terms of Reference1 with regard to the institutional and commercial considerations, there is a clear desire for the study:

- to be based on the lessons learnt from the experience gained with the existing national or regional institutional frameworks;
- to take fully into account the current and future structural changes in the field of electricity in the three countries involved and in the region;
- to be part of a dynamic framework stimulating regional exchanges of electricity and, in the long term, the putting into place of a real trade in electricity;
- to propose an institutional model capable of attracting and even inciting private investors to make a commitment along with the international institutions to fund and manage/operate the works built;
- to propose a commercial basis taking into account all the costs and benefits of the interconnection project in the three countries;
- to integrate the rural electrification dimension in the project areas.

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1 Terms of reference, Rusumo Falls multi-purpose hydroelectric project – Studies on electricity transmission lines associated with the Rusumo Falls hydroelectric power station, March 2007.
13.3 Issues

13.3.1 Institutional and legal considerations

The present study is based on two initial principles which impact upon the results of this analysis.

The first principle deals with the preparation of a proposal or a recommendation for an institutional structure in the three neighbouring countries to support the distribution, by means of transmission lines, of the energy produced by the Rusumo Falls project. The proposal for an institutional structure presupposes the choices of the possible type of financing.

Various types of model can therefore be envisaged for the project development: purely public, public private partnership ("PPP") or purely private. At the time of writing this report, this aspect is still being studied, as demonstrated by the minutes of the July and August 2008 meetings of the Regional Rusumo Falls Hydroelectric and Multi-Purpose Project ("RRFP")2.

One important question is knowing whether the power station and lines should be considered to be an indissociable entity on the institutional level, or whether the lines may be separate with regard to their ownership and management.

The optimisation of regional exchanges of electricity inevitably involves reinforcing the international and national institutions. In this context, the national institutional mechanisms in the three countries covered by the study were analysed. Particular attention was paid to the mechanisms aimed at the development of the rural electrification structures on the African continent and its concrete application to the present study.

The second principle concerns the desire to integrate the Rusumo project into a larger project aimed initially at developing the trade in electricity between the NBI countries.

The present study thus identifies what is missing and proposes improvements which could contribute, in the long term, to the putting into place of a stable, efficient system for exchanging electricity in the region. These improvements take into account the regulatory context in each of the countries while ensuring that they could be integrated easily into a regional structure such as the EAPP ("East Africa Power Pool"). A search for compatibility with the work and proposals already made in the context of previous or ongoing studies is an integral part of the present study.

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2 Minutes of the Ninth Ordinary Meeting of the Project Implementation Committee, Arusha, 11-13 August 2008 which indicate (p. 8) that both models must be considered: PPP and purely public.
By way of example, the results of the current studies on the Regional Project for Trading in Electricity in the Nile basin and the examples of regional structures aimed at promoting regional exchanges of electricity have been taken into account.

### 13.3.2 Commercial considerations

When analysing the commercial solutions available for the sustainable management of the project with a view to promoting the long-term development of a regional market in energy, two observations would appear to be inevitable at the outset.

The first one deals with the principle that any project for constructing the power station and the associated lines must be profitable, that is to say, its revenues must cover all the costs (capital and interest, maintenance and operation).

The second one is the need to take into account the differing abilities to pay of electricity consumers in the three countries which are also at different stages in the regulatory process in the electricity sector.

It should also be highlighted that the term "interconnection" as used in paragraph 4.2.21 of the Terms of Reference is ambiguous. An "interconnection" usually means a link between two geographical entities for a bidirectional exchange. Here, the high voltage lines will link a production centre on the border of two countries (the Rusumo hydroelectric power station) to three centres of consumption in three countries.

Also, with regard to paragraph 4.2.19 of the Terms of Reference, it is stated that "the consultant will examine the types of specific contracts to be drawn up between the partners", the consultant is of the opinion that this is, for example, a framework agreement like the one which exists at the Société Internationale d'Energie des Grands Lacs ("SINELAC") or creating a Special Purpose Vehicle ("SPV" or project company) plus a standard contract for the supply (sale) of energy between the SPV and the three national client companies. A model contract for the tariffs will therefore be proposed as a consequence of these two initial hypotheses.

Furthermore, when talking in the same paragraph of a "standard contract for exchanges of electricity", this must be an interconnection contract or protocol in the context of the present study.

A standard interconnection contract between the countries in the region in compliance with the previous analysis made has also been proposed.
13.4 Description of the methodological framework of the study

13.4.1 Data collection

There were three main stages in the data collection in the framework of the present study, namely the review of information received from the NBI and the client, the collection of preliminary data and the collection of field data.

13.4.1.1 Review of information received from the NBI and NELSAP

The documents received from the NBI from the client NELSAP are listed in Appendix I. These documents, although limited, were useful. Some of them were received in the course of our mission, in particular from the Regional Power Trade in Tanzania.

13.4.1.2 Collection of preliminary data

This stage of the consultation made it possible to check the level of knowledge in the energy section for the sub region.

Both primary and secondary sources were consulted. Primary sources such as government web sites were consulted in order to obtain information on the institutional and legal structures. These texts, which have not been interpreted, constitute the primary sources making up the basis of the analysis made. In this way, the legal, regulatory and normative documents currently in force or being studied in the countries concerned were consulted. The bilateral and multilateral international agreements affecting the project under consideration were also noted.

As regards the secondary sources, their purpose was to interpret the primary sources and thus make it possible to learn about previous work on the subject under consideration. This preliminary research work made it possible to prepare the questions asked during the collection of data in the field.

A list of the studies and reports consulted is to be found in Appendix II.

13.4.1.3 Collection of field data

With a view to gathering all the relevant data and information to support the writing of the final report, a series of questions was prepared prior to leaving for the field work on the basis of the results of the preliminary data collection. The standard questionnaire is to be found in Appendix III.
This stage was followed by a period of identifying the financiers and contacts in each of the three countries concerned by the study. The people identified came from the following sectors: the Ministry of Energy and Infrastructures, the regulatory authorities (the general directorate, the energy strategy manager responsible for deploying the electricity network in the country, the planning director, lawyer) and other ministries involved in a reform of the electricity sector.

The managers of the electricity sector regulatory authorities and of all other existing or future government structures affected by the institutional reforms were also identified. There were also meetings with the managers of the national electricity companies and the regional institutions working in the sector. Lastly, there were meetings too with some managers of regional organisations, namely managers from NELSAP in Kigali and the Regional Power Trade in Dar Es Salaam.

The list of people interviewed in person, on the telephone or by means of an exchange of emails is to be found in Appendix IV.

13.4.2 Approach Taken

In light of the issue explained above, and further to the analysis of the existing institutional and legal structures, three options have been identified, based on ownership of the infrastructures (power station and high voltage lines), their management, upkeep and maintenance, as well as the legal instruments required for their installation. The recommendations presented at the end of this document therefore concern all of these aspects as well as the project as a whole. The organisation of rural electrification is dealt with separately.

13.4.3 What the present study does not cover

Apart from the description, the analysis and the recommendations which the consultant must present, namely with regard to the preparation of standard contracts, the following considerations are excluded: the preparation of other contracts with regard to the financing and construction of the Rusumo project power station and lines.

13.5 Inventory of the regional, national and rural electrification institutional frameworks

13.5.1 Regional frameworks in existence or under development

The objective of this project is to create favourable conditions in each of the countries to make it possible to put into place a regional electricity market in the framework of the realisation of a specific project. The purpose of this project is to identify the factors which could hinder or promote the development of this market, without impeding the Rusumo project.
13.5.1.1 Example of an interconnected network with regional exchanges of electricity

The Société International d'Énergie des Grands Lacs ("SINELAC") is a company established in 1984, under public international law, founded by Burundi, Rwanda and the Democratic Republic of Congo ("DRC") for the construction and operation of the Ruzizi II hydroelectric power station. It is jointly owned by the States in the Economic Community of the Great Lakes Countries ("ECGLC"). Its purpose is the production, the transmission and the sale of energy between the three member countries by the intermediary of the three national distribution companies in the respective countries, namely the Société Nationale d’Électricité (DRC), REGIDESO (Burundi) and ELECTROGAZ (Rwanda). SINELAC comes under the ministries of International Cooperation of the member States. Each country is entitled to a third of the electrical energy produced.

Construction of the Ruzizi II power station commenced in 1984 and it was put into service in September 1989. It originally had an installed power of 24 MW which was increased to 36 MW in 2001. The contractual distribution specifies a third share for each of the three States. Experience has shown that these percentages actually vary from one year to the next at the request of the three client national electricity companies.

With regard to the installations, the power station is located in the DRC, the Mururu II station and the dispatching is on Rwandan territory. SINELAC owns and manages the installations up to the departure points for the three national networks. The transmission lines belong to the States which they serve including the line serving Burundi which is on Rwandan territory. The national companies are responsible for maintaining the lines on their territory including, by special arrangement, the part of the line serving Burundi on Rwandan territory.

Finance was provided by the IDA, the FED, the BDEGL, Italy, the AFME and the member States. Credits for construction were granted to the three member States and retroceded to the SINELAC. The retrocession rate for the main credit (IDA) is 10.97%. SINELAC has concluded three back to back contracts with the national electric companies.

According to the credit agreements signed with the World Bank, the tariff was calculated at the marginal cost for covering all the project costs; a study of tariffs made by the World Bank foresaw a progressive increase in tariffs over time in order to recover the real costs on completion by adapting them to the evolving ability of the three clients to pay. From 1989 to 2005, the tariff applied in accordance with the energy sales contracts was 0.05529 SDR (IDA special drawing rights) by kWh. In 2005, the Board of Directors decided to set the tariff at 0.01333 SDR by kWh, and it was to adjusted to 0.022 SDR/kWh in 2008.
With regard to the structure, the SINELAC Board of Directors is comprised of six directors, on the basis of two directors per country. The Board must elect a President and Vice President representing different countries from its members. It also appoints the three members of the Management Committee which come from the different nationalities.

The main problem arises from the fact that the tariffs are not sufficient to cover the total costs. Also, the States which signed the agreements and which benefit from the energy deliveries do not respect their obligations. In fact, the national company clients of the SINELAC do not pay their bills regularly. The recovery rate has varied over the years with an average of little more than 30% for the last five years. This has grave consequences. Not only can the servicing of the debt not be guaranteed, but the SINELAC also does not have sufficient resources to maintain its installations correctly.

We also note that the national company clients of the SINELAC, which are subject to the decisions of their respective governments, have not integrated the entire purchase cost of the energy purchased into the tariffs for their end consumers in accordance with the agreements signed with the investors.

13.5.1.2 Other examples of interconnected networks with regional exchanges of electricity

13.5.1.2.1 Senegal River Development Authority

The Senegal River Development Authority ("SRDA") was established in 1972 with the main objective of regulating the key hydrological resources by means of its programme for developing the river Senegal in order to:

- significantly improve the revenues and food security of the riparian and neighbouring populations faced with the constant deterioration of climatic conditions;
- maintain the balance of the ecosystems in the sub region, especially in the basin;
- make the economies of the three States less vulnerable to climatic conditions and external factors;
- promote the economic development of the member countries which should be backed by a political desire to cooperate on an integrated regional development.

It is a multipurpose development project for irrigated agriculture, hydroelectricity and navigation.

Three countries have been members of the SRDA from the outset, Mali, Mauritania and Senegal. They were joined recently by Guinea (Conakry) following the signature of a treaty in March 2006 by the four Heads of State.
The main texts which govern the operations of the SRDA since it was established in 1972 are as follows:

- the Agreement of 11 March 1972 on the Legal Status of the River;
- the Agreement of 11 March 1972 on the Creation of the SRDA;
- the Agreement of 18 April 1977 on SRDA Privileges and Immunities;
- the Agreement of 21 December 1978 on the Legal Status of the Joint Works;
- the Agreement of 12 May 1982 on the Modes of Financing for the Joint Works;
- the Agreement related to the creation of the Diama Management and Operational Company - 07 January 1997 (DMOC);
- the Agreement related to the Manantali Energy Management Company - 07 January 1997 (MEMC);
- the Waters of the River Senegal Charter (28 May 2002);
- the 2005 International Code on Navigation and Transmission on the River Senegal

These texts set out the measures governing the institutional, operational, financial, legal and technical considerations, and the planning, construction, operation and replacement of the common infrastructures for the management and exploitation of the water in the entire hydrographic basin of the Senegal river including the associated affluents, defluents and depressions. It is interesting to note that the Waters of the River Senegal Charter establishes the joint and indivisible ownership of all the infrastructures constructed in the basin.

The SRDA institutions are as follows:

- the Conference of the Heads of State and Government;
- the Council of Energy Ministers;
- the Permanent Commission on Water;
- the Diama Dam Management Company;
- the Manantali Dam Management Company and;
- the National Cells in the Member Countries.

The SRDA has achieved the following joint works:

- the Diama anti-salt dam in Senegal 23 km from the mouth of the river (250 and 585 million cubic metres at IGN coordinates 1.5 and 2.5); put into service in 1986;
- the Manantali hydroelectric, regulating dam in Mali, 1200 km from the river mouth (11.3 billion cubic metres at IGN coordinates 208 of which the useful volume is 7.85 billion cubic metres) and the associated or auxiliary structures (embankment work, work for catching water or filling access routes) put into service in 1988;

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• the Manantali hydroelectric complex (power station + interconnected network of high voltage transmission lines + optical fibre overhead ground cable), put into service progressively from 2001 onwards. It includes:
  • the Manantali hydroelectric power station, with an installed power of 200 MW and a producible target of 800 GWh (guaranteed 9 hydrological years out of 10);
  • the 225 kV East Transmission Line which serves Kita and Bamako;
  • the 225 kV West Transmission Line which serves Kayes, Matam, Dagana and then Dakar, then respectively the Northern Branch of Rosso, Nouakchott and the Southern Branch of Sakal, and their transformer stations;
  • the 90 kV transmission line which serves Kaedi and Boghe from the Matam station and the transformer stations.

The energy produced by Manantali is distributed as follows: 52% of the producible energy to Mali, 33% to Senegal and 15% to Mauritania.

With regard to the second generation projects, the hydroelectric dams (run of river) at Felou (59 MW) and Gouina (95 MW) are currently being constructed. The feasibility studies for hydroelectric developments in the upper basin (Koukoutamba, Boureya, Balassa and Mbadoumbe) will be made in the framework of the PGIRE (2008 – 2009).

By virtue of the Agreement dated 7 January 1997, the Member States entrusted the MEMC with the task of ensuring the realisation of some Joint Works as part of the Manantali Energy Pool and with the management, maintenance and replacement of the Energy Pool installations and developments. In February 2002, after an international tender, the MEMC itself entrusted the management and maintenance of the Energy Pool works to a private operator, ESKOM, by means of a long-term concession contract (15 years).

The tasks entrusted to the Manager – Independent Operator – are:

• the management of the Dam observing the Annual Reservoir Management Plan;
• the management of the Hydroelectric Power Station and the East and West Networks made available;
• the production and transmission of electric energy from the installations made available;
• the management of the electrical energy exchanges transiting through the East and West networks;
• the maintenance, the repair and the replacement of the Energy Pool, made available to the Operator on the conditions foreseen in the Operating Contract.

In return for the responsibilities entrusted to it in the framework of the Operating Contract, the Operator has the exclusive right:

• to produce electric energy from the Hydroelectric Power Station and;
to sell the electric energy produced as foreseen by the Tariff Protocol and the Energy Transfer Contract.

The Member States, the MEMC and the three national company clients (NEC) have signed a protocol covering the production of electrical energy at Manantali and fixing the formulae for calculating tariffs. This Tariff Protocol takes into account the fact that the annual production of the power station may vary considerably in relation to the hydrological conditions (an average of 800 GWh falling to only 500 GWh in a dry year).

The energy transfer contract signed between the three national company clients, the MEMC and the operator authorises the latter to interrupt the supply to one or more NEC if they are more than two months behind with payments and to supply the surplus energy to other NEC which are up to date with payments or directly to the consumers of the NEC in the absence of payment.

The tariff is binomial in nature with a fixed part and a variable part. The formula is designed to cover the so-called "first tier" charges with the 500 GWh production level. These charges are:

- the operator's remuneration;
- the MEMC operating expenses;
- the servicing of the Energy Project debt;
- the variations in the hydrological risk fund.

With a view to attenuating the effects of the major variations possible in annual production, it was decided to set up a "Hydrological Risk Fund" funded during the years when production is high. In the event of low hydraulicity, the "second tier" charges will be given lower priority. They include:

- the contribution to the hydrological risk fund;
- the provision for the replacement fund;
- the 43.8% fees for covering the debt for the dam to be transferred to the three Member States.

The consequence of this type of tariff formula is that the tariff varies from year to year depending on the actual fluctuations in the energy produced.

It is foreseen for the Operator to receive additional a bonus payment, based on the how far it meets the production programme and, in particular, for the concentration of energy supplies at peak times and full rate periods.

The Operator will incur penalties from the MEMC, in addition to any other penalties under the terms of the energy transfer contracts to the NEC, should any of the targets concerning the maintenance quality and the availability rate of the equipment not be met.
It should be noted that the NEC have all defaulted on several occasions on payments to the operator for their energy consumption which jeopardises the MEMC's financial obligations (reconstitution of the Hydrological Risk Fund, and constitution of the fund for renewing the installations). In order to remedy this, it was decided that each of the NEC should set up a guarantee fund ("escrow account") for energy consumption payments in favour of the operator.

Lastly, the States made a commitment during the second phase of the project (Felou and others) to an important programme of legal and institutional reforms including, amongst other things, the reorganisation of the MEMC as an asset-holding public company, the SRDA Asset Management Agency, which would no longer be involved in any commercial dealings, but would contract them to private entities.

13.5.1.2.2 Gambia River Basin Development Organisation

The Gambia River Basin Development Organisation ("GRBDO") which brings together four States, Gambia, Guinea, Guinea-Bissau and Senegal, is aimed at developing the Gambia river valley. This organisation is the result of various treaties and international agreements signed by these countries since 1978.

In the first phase, its Energy plan consists of:

- the development of two hydroelectric power stations, one in Sambangalou in Senegal with 128 MW installed power for an annual average production of 402 GWh and the other in Kaleta in Guinea with 240 MW installed power for an average production of 946 GWh;
- a network of 225 kV transmission lines, 1677 km long, forming a loop linking the four GRBDO countries;
- a total of fifteen (15) 225/30 kV transformer stations in the four countries.

On completion of the detailed pre-project studies, the total cost for the Project was estimated to be 857 M€ in 2006.

A third dam situated at Saltinho in Guinea Bissau is not part of this first phase of the project.

During the meeting of the GRBDO Ministers held in Conakry in January 2008, the integration of the Kaleta project (on the river Konkoure in Guinea Conakry) into the project was approved. However, the final legal form of this agreement still has to be formalised.

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5 Various documents supplied by the GRBDO Executive Secretariat, in particular, studies of detailed pre-studies and the preparation of dossiers issuing tenders for developing the hydroelectric installations in Sambangalou and Kaleta and the interconnection line for the GRBDO member countries, detailed pilot study (DPS), COTECO group.
The Sambangalou hydroelectric development is situated 930 km upstream of the mouth of the river Gambia. The site selected for building the Sambangalou dam is situated around 25 km to the south of Kedougou. The public works, the service installations, the construction site installations and the access to the site are all situated in Senegal.

The Kaleta falls hydroelectric development constitutes the second stage in the integrated development at Konkoure, after the Garafiri dam/reservoir 100 km upstream which was put into service in 1999 with installed power of 75 MW.

The work has not yet commenced. Several meetings with financiers have been held in the past few months with a view to finalising the fund.

The institutional and legal framework in which the public works in the Energy Programme will be developed is constituted from texts establishing the GRBDO, the national laws in the member countries and the international treaties ratified by all of the Member Countries.

The GRBDO legal texts are:

- the agreement on the status of the River Gambia;
- the agreement on the creation of the Gambia River Basin Development Organisation;
- the framework agreement on the privileges and immunities for the Gambia River Basin Development Organisation;
- the agreement on the juridical personality of the joint works;
- the fiscal and customs regime applicable to the design and project contracts for the joint works

The agreement on the juridical personality of the joint works sets out all the statutory measures with regard to the construction and the operation of the joint works, considered to be the joint and indivisible property of the Member States.

As specified in article 6 of the agreement, each public work shall be the subject of a legal instrument which shall fix its components and characteristics. This specific agreement shall also define the split of costs and operating expenses for each of the works.

It is interesting to note that, as for the present Rusumo Falls project (see below), the question also arises as to the type of financing for the GRBDO. The final pre-project report foresees three types of project development:

- "public": all works are developed by the GRBDO using concessional funds (possibly by means of an agency for the construction and operation of the public works);
- "public/private": the interconnection and dams are built by the GRBDO and the hydroelectric stations by private developers;

The GRBDO originally decided to adopt the so-called "public" option. According to the current GRBDO texts, it is planned that in the construction phase: the works will be project managed by the GRBDO, and in operational phase: the management of the works will be entrusted to a management agency (the "MA") placed under the tutelage of the GRBDO and created, after the construction, by a special agreement.

The consultants Cleary Gottlieb/Scacchi recommend amendments to the texts in the framework of a public-private partnership (PPP) in order to confirm the PPP option adopted by the GRBDO, the distribution of roles and the principle of the integrated management of the Energy Project by public bodies and private partners in the financing, construction and operational phases. According to this consultant, the concession regime appears to be compatible with the principle of the joint ownership of the works by the Member States, This would involve the signature of concession agreements by means of which the Member States would concede to the MA the construction and operation of the dams, the interconnection line and/or the power stations and would authorise them to conclude the related contracts for the related construction work and operations.

The MA would be envisaged as a true SPV and would be put into place right at the start of the project, in particular, for promoting fund raising. As a mixed economy company, the MA would be better fitted for the requirements of financing the project than the GRBDO, a public governmental agency. In such a framework, the role of the GRBDO would shift from the function of project management to that of the tutelage exercised over the MA.

### 13.5.2 The systems for exchanging electric energy (power pools)

In parallel to the reforms of the electric sector which took place in a number of African countries and throughout the world in the 1990s, the emergence of a desire for the regional integration of African economies has been witnessed with the creation or reinforcement of various "common markets", SADCC, COMESA, ECOWAS, CEEAC, etc. These organisations, originally economic in nature, subsequently equipped themselves with regional institutions for exchanges of electricity, following the example of what had happened in the United States and in the north of Europe (with NORPOOL). This idea has now become widespread throughout the world.

The only electric energy exchange organisation which is currently functioning is the SAPP (Southern African Power Pool); several other EES are currently being developed, such as the COMELEC (Maghreb electricity committee), the WAPP (Western African Power Pool or West African Electric Energy Exchange System - WAEE), the EAPP (Eastern African Power Pool), and the CAPP (Central African Power Pool or Central African Energy Pool - CAEP).
The member countries of the respective EES are:

- **SAPP**: South Africa, Mozambique, Malawi, Zimbabwe, Tanzania, Botswana, Lesotho, Namibia, Angola and Swaziland, DRC;
- **COMELEC**: Morocco, Algeria, Libya and Egypt;
- **WAPP**: Senegal, Mali, Guinea Bissau, Guinea, Gambia, Burkina Faso, Liberia, Sierra Leone, Ivory Coast, Ghana, Togo, Benin, Nigeria and Niger;
- **EAPP**: Ethiopia, Sudan, Egypt, Kenya, Rwanda, Burundi and DRC;
- **CAPP**: DRC, Gabon, Cameroon, Chad, CAR, Congo Brazzaville, Sao Tomé & Principe, Equatorial Guinea.

**SAPP**

The SAPP emanated from the SADC (Southern African Development Community, ex SADCC); it came into being with the signature of the letter of intergovernmental agreement in 1995.

Its main objective is to supply reliable, economic electricity to consumers in member countries in a sustainable way which respects the environment.

All the members have equal rights and obligations; the institution is apolitical; there is solidarity between members, they exchange information, develop joint plans and accept transit when it is technically possible. They have developed a joint electricity market for the benefit of the member countries.

Several constitutive agreements were signed in the years 1995 and 1996 between the Governments, electricity companies and members.

The market rules are set out in a rulebook entitled "Short Term Energy Market (STEM) Book of Rules".

Transactions are governed by three control centres and one coordination centre at the transaction centre. Each participant pays "admission" expenses to the pool to cover the costs incurred by the Coordination Centre.

There are several types of transaction in the SAPP: bilateral agreements (with a relatively long term), monthly, weekly or daily transactions. Each is handled with a certain order of priority for transmission, from the longest to the shortest.

The agreements specify the costs of the transit by interconnectors; they are paid by the purchaser to each of the transporters along the route.

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7 As far as we know Tanzania is not yet a formal member of the EAPP, but discussions are apparently underway for its entry in the near future
8 [On line]: www.sapp.co.zw
A payment system and secure payments were developed under the agreements. These are the basis for every transaction. Participants deposit securities or a bank guarantee in a bank for the amount of the transaction from the time at which the transaction is concluded up until the time it is paid.

The rules for making allocations to tenderers can be summarised as follows:

- the least expensive energy is sold first provided that this does not compromise the integrity of the network;
- energy is shared equally between all the tenderers selected;
- the Coordination Centre publishes all offers without including the transit costs (wheeling);
- the buyer pays all the transit costs;
- a participant making an offer is selected for an energy exchange if the amount of their offer and the transit costs is lower or equal to what the potential buyer is prepared to pay.

**WAPP – EEAO**

The WAPP\(^{10}\) was set up in 1999 during the 22nd Summit of the Heads of State and Government of the ECOWAS. At that time it was one of the branches of the Executive Secretariat of the ECOWAS. It was during the 29th Summit in 2006 that the WAPP became a new institution in its own right. Its headquarters are in Cotonou.

The objective of the WAPP is to integrate the national electricity system operations into a unified regional electric market to ensure the mid and long term supply of stable, reliable electricity at least cost to ECOWAS Member States.

The WAPP is organised as follows:

- the General Assembly;
- the Executive Council;
- the Organisational Committees;
- the General Secretariat including the Information and Coordination Centre, the Department of Planning, Investment Programmes and Environmental Protection.

In 2003 the member countries adopted the ECOWAS Energy Protocol which defines a standardised legal and regulatory regional framework for developing the energy sector in the region. Then in 2005 they adopted the Master Plan for the Production and Transmission of Electric Energy.

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\(^{10}\) [On line]: [www.ecowapp.org](http://www.ecowapp.org)
CAPP – PEAC
The CAPP11 was set up in 2003 by the Council of Central African Energy Ministers. In 2004 the Heads of State and Heads of Government granted it the status of a special ECCAS body with responsibility for the energy sector. Its headquarters are in Brazzaville.

It is responsible for the putting into place of energy policy, the management of studies, the construction of infrastructures and the exchanges of electric energy in all of the countries in the sub region of Central Africa. It should eventually constitute a sub regional market for the free exchange of electric energy and services following the pre-established technical and commercial rules accepted by the members of the Pool.

The organisational bodies of the CAPP are:

- the Council of Energy Ministers;
- the Executive Committee, comprised of the General Managers or General Secretaries of the member bodies;
- the Management Committee, made up of the General Managers of the Electricity Companies;
- the Permanent Secretariat with its sub-committees on planning, operations and the environment;
- the Coordination Centre, comprised of experts from the operating companies.

An initial study of the master plan for central Africa was completed in 2005.

EAPP
The EAPP was set up in 2005 by the seven Member States in East Africa. It became an institution specialised in matters of electric energy at the 11th Summit of the Heads of State and Government of the COMESA in November 2006. A letter of agreement was signed in 2007 between COMESA and EAPP establishing their working relations. The objective is also to ensure a stable supply of electric energy for the countries in the region and to promote the long-term development of an electricity market in the region.

The institution is organised as follows:

- the Council of Energy Ministers which approves the Electric Energy policy and the Development Master Plan;
- the Management Committee, the decision-making body;
- the Executive Secretariat, which coordinates activities and manages Pool activities.

Pool activities are governed by the Internal Regulations of the Pool, as approved by the Management Committee in 2006.

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11 Source : Various documents obtained for the Permanent Secretariat of the CAPP in Brazzaville.
The plan for developing the electricity market is being prepared with financing from the European Union as is the strategic plan, the business plan and the operating rules for the market (conditions for obtaining licenses, directives on setting tariffs, model interconnection agreements, etc.).

In conclusion to this section presenting the various electric energy pools which exist in Africa, it would appear appropriate to refer to part of the conclusions of a report prepared by NEXANT in the framework of the WAPP in 200412 and to present the prerequisites for creating an energy pool.

As regards infrastructure:

- to complete the high capacity interconnection lines and other reinforcements necessary to the networks on the basis of the master plans and other technical studies required;
- to build sufficient production capacity to meet the demand, including sufficient spare capacity;
- to improve the monitoring and control capacity by reinforcing the protective systems and installing or upgrading the communication installations, SCADA and EMS, and by ensuring compatibility at regional level.

As regards commercial agreements, codes and standards:

- to establish joint standards for designing the system (for example N-1, protection);
- to develop technical rules (planning, connection and operational codes);
- to set up accounting and payment systems and procedures (note from consultant: without forgetting the essential securitisation procedures);
- to draw up the directives for the integrated operations of the Energy Pool;
- to establish a payment system and transmission charges.

As regards institutional considerations:

- to create committees for managing and supervising the energy pool, working committees and the Energy Observatory;
- to ensure the necessary training for Pool Operations.

It is certainly no coincidence to observe that the SAPP put these prerequisites into place, almost to the letter, which makes it even more appropriate.

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12 Feasibility study of Regional Transmission in West Africa, Summary Project Report, Nexant, prepared for USAID and the ECOWAS Secretariat.
13.5.3 Examples of institutional frameworks aimed at rural electrification

It is appropriate to highlight at the outset that rural electrification comes under the distribution sector and as such is still part of the national domain\textsuperscript{13}. As far as we know, there are no regional institutions for rural distribution.

One cannot but notice that the performance of the electricity sector has deteriorated noticeably over the years in most African countries, in particular in technical (quality of service), economic and financial terms which has led most states to undertake far-reaching institutional reforms in the past fifteen years or so.

In parallel to this evolution, governments are becoming aware of the problem of rural electrification which is often not taken into account by the centralised monopolised institution and is scarcely more interesting in the eyes of the private operators who take them over. The strategies for reducing poverty in different countries have focussed on the prime importance of rural development and electrification in particular to achieve the millennium development goals.

Rural electrification projects (REP) have not always achieved their objectives; it could be noted that the connection rate remains low, that the infrastructures are often rarely or badly maintained, that the tariffs are too high for the rural populations' ability to pay, that the technical standards for the construction, the connection or the installations in homes are ill suited, often copied from those used for urban populations or even those in advanced countries.

There have been several studies on the question which have identified the conditions necessary for success.

It can therefore be stated that the factors for the success of rural electrification include\textsuperscript{14}:

- the existence of favourable economic conditions;
- the constant commitment of the government with regard to the project objectives;
- the putting into place of competent public institutions;
- the decentralisation of the decision centres.

Extending the electric networks is not always the most viable solution from the point of view of costs/efficiency; the decentralisation of the delivery of services and alternative sources of energy, such as photovoltaic, micro-central and other sources of renewable energy, should be considered while ensuring that the least expensive option will be selected. There are many methods of reducing the costs of connections per network unit.

\textsuperscript{13} See Appendix VIII for examples of national models aimed at rural electrification.

\textsuperscript{14} Findings, Infrastructure, World Bank, February 2001 Rural Electrification. Lessons drawn from experience.
Electrification is a direct result of the utilisation made of it and from the cost of alternative sources of electricity and energy. Ideally the REP should be introduced in areas where there is already a demand for services which operate with the aid of electricity – these are generally areas of agricultural growth where there are rural companies and where revenues are rural in origin. However, in order to amplify and accelerate the impact of development, it would be desirable to provide technical assistance and to obtain a type of service which the rural communities need in order to stimulate the demand.

The viability of the project depends to a large extent on the pricing policy. An efficient system for covering the costs (combined with more efficient methods of allocating subsidies when necessary) is the most important element for the long-term viability of the REP.

It is possible that the private sector may be interested in contributing to electrification programmes for rural areas even if the country is poor. However, this sector demands the putting into place in advance of a legal framework and of options for managing risks, including the guarantee of fair rules in terms of competition and the possibility of recovering all investments.

The REP can benefit to a large extent from their involvement in the local communities or, to the contrary, suffer from their lack of involvement. It is more probable that projects will be viable if the stakeholders at local level are involved in designing and putting them into place. One way of achieving this is to set up a Rural Electrification Committee which can evaluate the demand, educate consumers and promote the everyday use of electricity. This method can also contribute to reducing the potential problems which could arise with regard to the necessary rights of way for the construction and maintenance of the electric lines.

In some cases, as in Thailand, the community made considerable contributions in terms of capital and labour; such an approach makes it possible to reduce the cost of the programme. Activities requiring intensive work with regard to the distribution of services to customers can be put into place in the framework of contracts with organisations at village level on the basis of a commission for each type of service provided.

In recent times, several African countries have adopted rural electrification reforms accompanied by the putting into place of legal instruments and new institutions. Brief summaries are given in the Appendix of some examples applied in Senegal, Mali, Benin and Cameroon.

It can be noted from the presentation of the structures in charge of rural electrification in these countries that they have adopted an almost similar system. Three agencies are clearly involved in the development of rural electrification: a government agency (the energy ministry), a regulatory agency and a rural electrification agency.
First of all, the energy ministry often has a role in defining the different measures such as the general policy, the tariff system, the electrification plan or the standards. It thus sets out the institutional and regulatory basis necessary for rural electrification.

In order to guarantee transparent regulation, each county has created or plans to create a regulatory agency. Its main goal is to ensure the good supply of electricity, to guarantee realistic tariffs adapted to the consumers' purchasing power, to ensure that everything goes smoothly with the concessions, licences or authorisations, and to promote competition and the participation of the private sector.

Finally, practically all the countries have set up a rural electrification agency. It is aimed, above all, at promoting rural electrification, at ensuring the smooth running of the RE programmes and their projects. It also seeks to inform and involve the population. From a financial point of view, the countries have created a Rural Electrification Fund for which the Agency is usually responsible.

The standard institutional framework can be seen to be as follows:

- the State entrusted with the role of planning and the technical control of the sector;
- a regulatory and arbitration body;
- a national structure responsible for developing electrification.
- All this backed by operators, private or otherwise, with concessions, and having a licence or an authorisation, or even totally independent producers.

13.5.4 National frameworks already in existence or under development

13.5.4.1 Institutional framework in Tanzania

The electricity sector in Tanzania is relatively more advanced than those in Rwanda and Burundi. It is supervised by the Ministry of Energy and Minerals15 ("MEM") and by the Energy and Water Utilities Regulatory Authority16 ("EWURA"). The MEM is responsible for developing energy policy and projects. It coordinates and puts into place the application and preparation of laws and regulations on energy in Tanzania.

The EWURA, for its part, is a multi-sectoral autonomous regulatory agency responsible for the technical and economic regulation of the electricity, oil, natural gas and water sectors17. It was set up in 2005 by virtue of the Energy and Water Utilities Regulatory Authority Act, Cap 414. In particular, the agency is responsible for issuing operating permits, for setting and revising tariffs, promoting competition and protecting consumers.

16 [On line]: http://www.ewura.go.tz/index.html
17 For more details on EWURA's role, see the 2006/2007 annual report published on the EWURA web site, p. 6.
As far as electricity is concerned, the transmission, distribution and supply sectors are dominated by the Tanzania Electric Supply Company Limited18 ("TANESCO"). TANESCO is the only vertically integrated supplier in Tanzania and is constituted as a commercial company by virtue of the Company Ordinance-CAP 212. As TANESCO's financial and technical situation was weak in the 1990s, the State led the company in a process of privatisation of State companies. From 2002 to 2006, the government called upon the expertise of NETGroup Solutions from South Africa to turn TANESCO around financially and technically. The contract between TANESCO and the South African company ended in December 2006 and since then it is still the only vertically integrated electricity company19. The Tanzanian government remains the sole shareholder in the company.

However, the electricity production sector is open to private companies and there are currently a few independent producers supplying electricity to TANESCO. The three main ones are Independent Power Tanzania Ltd (“IPTL”), Songas20 and Artumas Inc21. These companies produce 100MW, 190MW and 18MW respectively. For example, Songas just put into service in November 2008 a 100 MW single cycle gas turbine power station.

At the level of the legal framework applicable to the electricity sector22, on 22 April 2008 the National Assembly adopted the Electricity Act no. 10 of 200823. The act was announced officially on 6 June 2008 by the President of the United Republic of Tanzania and will come into force when published in the Official Gazette. This act will replace the Electricity Act, chapter 131 of 30 October 193124. The four objectives of the new Electricity Act are:

- to create a favourable environment for private investment;
- to create a regulatory framework ensuring the creation and viability of an independent regulatory authority;
- to create a regulatory and institutional framework promoting and acknowledging the importance of rural electrification;
- to reorganise the electricity sector.

Furthermore, one of the main principles of this law consists of guaranteeing third parties free, transparent access to the transmission network. Indeed, article 14 (5) b) specifies: "Subject to rules established by the Authority and applicable contract provisions, a licensee shall: (b) provide access to its transmission or distribution assets on an open and non-discriminatory basis".

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18 [On line]: http://www.tanesco.com/
19 TANESCO press release of 6 December 2006 published on the web site of the state company.
20 [On line]: http://www.songas.com/
22 All the laws and regulations applicable to the electricity sector are listed in Appendix X.
23 An Act to provide for the facilitation and regulation of generation, transmission, transformation, distribution, supply and use of electric energy, to provide for cross-border trade in electricity and the planning and regulation of rural electrification and to provide for related matters, no. 10 of 2008.
24 An Act to facilitate and regulate the generation, transmission, transformation, distribution, supply and use of electricity for lighting and other purposes, chapter 131, October 30, 1931.
The tariff method used is the cost of the service i.e. the tariffs must reflect the reasonable costs incurred by the licensee for providing the service to consumers. This tariff method applies both to the sale and the transmission of electricity. This may make it difficult to apply special tariffs for the poorest populations, similar to those currently in existence, or to apply a single tariff on the national level, particularly in rural areas where the cost of the service is higher. The EWURA has the authority to set tariffs.

13.5.4.1.1 Rural Electrification

As far as rural electrification is concerned, Tanzania has the Rural Energy Agency. The Agency is totally autonomous and was created by virtue of the Rural Energy Act no. 8 of 2005. It is comprised of a Rural Energy Board which manages a Rural Energy Fund intended to fund rural energy projects. The fund is financed, amongst other things, by a fee levied on the energy produced, an annual government budget appropriation, by contributions from international development institutions and from the return on certain investments. Agency decisions are taken by the Board and it is the Agency's responsibility to put into place the decisions taken.

Project developers, whether private or public, apply to the Agency to obtain subsidies allowing them to fund infrastructures, technical assistance, the preparation of plans, etc. Projects are managed by these developers. Funds are awarded by the Rural Energy Board and are calculated to make developers' investments profitable in projects which would not otherwise be profitable.

13.5.4.2 Institutional framework in Rwanda

In Rwanda, the electricity sector is supervised by the ministry of infrastructures and the Rwanda Utilities Regulatory Agency ("RURA"). The RURA is a multi-sector regulatory agency with administrative and financial autonomy created in 2001 by virtue of Act 39/2001 of 13/09/2001 on the creation of the Public Utilities Regulatory Agency. It regulates the telecommunications, electricity, water, natural gas and transport sectors. Although created in 2001, its regulatory activities only commenced in 2003. RURA's main role is to protect consumers against the abuse of market power which the public utilities could make of their monopoly in services. In this capacity, it has the right to carry out investigations and to impose sanctions in the case of breaches of the regulatory standards. It also has the role to promote healthy competition between the latter – including with the aid of sanctions. In the fulfilment of this task, it may receive complaints from any individual or organisation. It may also demand any information from public utility companies about their activities.

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As far as electricity is concerned, the transmission, distribution and production sectors are dominated by ELECTROGAZ. This vertically integrated public Rwandan company has a monopoly on the transmission and distribution of electricity. It was set up in 1976 by virtue of Act no. 118/76 of 20 April 1976 on the establishment of ELECTROGAZ. The company is thus formally responsible for the installation and operation of the transmission lines in the entire country. Under the present arrangement, the State owns the installations and entrusts their management and operations to ELECTROGAZ. In 2003, the management and reorganisation of ELECTROGAZ was entrusted to a private company Lahmeyer International in collaboration with Hamburg Water Works. This management contract was to last 5 years. However, on 31 March 2006, the management contract was terminated and the Government took over the management of ELECTROGAZ.

The ELECTROGAZ monopoly on distribution should, in principle, end in the month of November 2008. It is also worth noting that several drafts of laws are currently being prepared.

The first draft law is aimed at creating a company to supervise the electricity sector which would be called the Rwanda Electricity Company ("RECO")26. This company would be under the tutelage of the Energy Ministry with which it would sign a performance contract on the responsibilities of the RECO board of directors and management, their objectives ("expected performance"), the property of the company and a method for evaluating and auditing its activities.

In addition to the ELECTROGAZ assets related to electricity, the RECO would be awarded budget appropriations and other State subsidies, some contributions, and the right to keep the revenues from its services.

It should be noted that a second draft law, similar in a number of points to this one, foresees the creation of Rwanda Water and Sanitation Corporation ("RWASCO")27. Following the example of the law on RECO, it foresees the transfer of the ELECTROGAZ assets and responsibilities in matters of sewage disposal, treatment, water transmission and distribution to the aforementioned RWASCO.

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26 Draft law no. X of X on the establishment of Rwandan electricity (RECO) and determining its attributions, organisation and functioning. By virtue of article 26, the act shall come into force on the day on which it is published in the Official Journal of the Republic of Rwanda. RECO shall have a period of no more than six (6) months to prepare accounts containing information on the former assets of ELECTROGAZ.

27 Draft law no. X of X on the creation of the Rwandan Water and Sewage Company (RWASCO) and determining its organisation and functioning. By virtue of article 26, the act shall come into force on the day on which it is published in the Official Journal of the Republic of Rwanda. RWASCO will have a period of no more than six (6) months to establish accounts containing information on the former assets of ELECTROGAZ.
A third draft law is aimed for its part at reorganising the electricity sector specifying, in particular, the power and prerogatives of the Energy Ministry, the RURA and the RECO. It is foreseen to open up the production and distribution of electricity to private operators, but the latter would have to obtain a licence. The electricity transmission sector would continue to be governed by the RECO monopoly. This draft law also cites the powers and responsibilities of the players, public or private, in each of the three sections which are transport (transmission), distribution and supply. It also contains some provisions on the proposed structure of the Rwandan electricity market: it would be a single market based on the free, equitable access to the transmission and distribution networks and based on the principles of monitored access to ensure a transparent, non-discriminatory market. This market would be opened up gradually in accordance with a schedule prepared by the ministry responsible for energy. Free and equitable access to the networks means that refusing access will only be tolerated for reasons of capacity or of an economic nature; all disputes in this respect would be submitted to the jurisdiction of the RURA.

It is also the RURA which would award the licences for the different activities linked with electricity: it would also set the conditions and the fees payable for granting licences. It should be noted that a licence would also be required for international trade in electricity. Furthermore, the RURA would be able to inspect any licensee's installations. This draft law also deals with the control of tariffs by the RURA. In each activity linked to electricity, the RURA could decide whether or not to set tariffs after a public hearing. It is ultimately the RURA which would settle disputes related to electricity; it would have the duty to give the grounds for its decisions. It would have the power to issue sanctions, in particular, to impose fines and withdraw licences.

It should be noted, finally, that this draft law sets out the conditions for setting up a universal access Fund. In this respect, the RURA could exempt some of the players in electricity in rural areas from the obligation to obtain a licence.

A final draft law is aimed at the creation and organisation of the National Energy Development Agency ("NEDA")29. Its responsibilities are the creation, promotion and coordination of programmes in the areas of conventional energy, the rational use of energy, and renewable and substitute energy. Following the example of RECO, it would be under the tutelage of the ministry responsible for Energy to which it would be bound by a performance contract. It would be funded by State contributions and subsidies.

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28 Draft law no. X of X governing electricity. By virtue of article 52, the law shall only come into force on the day on which it is published in the Official Journal of the Republic of Rwanda.

29 Draft law no. X of X on the establishment of the national energy development agency (NEDA) and determining its organisation and functioning. By virtue of article 28, the law shall only come into force on the day on which it is published in the Official Journal of the Republic of Rwanda.
In as far as production activities are concerned, these were opened up in 1999 to participation from the private sector and competition, in compliance with Act no. 18/99 of 30 August 1999 lifting the ELECTROGAZ monopoly. There are no other private producers to date in Rwanda. In December 2008, however, ELECTROGAZ remained the sole buyer and maintained its monopoly on transmission and distribution activities.

13.5.4.2.1 Rural Electrification

In as far as rural electrification is concerned, this falls under the ministry responsible for energy; no institution is specifically dedicated to it, even if the new NEDA could play a role due to its planning function for the sector and its responsibilities with regard to the use of new forms of renewable and substitute energy. Today, it is the Ministry which has the task of identifying and financing rural electrification projects which, once realised, are transferred to the REGIDESO which operates and maintains them.

13.5.4.3 Institutional framework in Burundi

The electricity sector in Burundi comes under the Ministry of Energy and Mines via the General Management for Water and Energy. The ministry specifies the legislative and regulatory framework for the public electricity service and ensures its application. The country's electricity production equipment is mainly hydroelectric (95%) and is constituted of national and regional power stations. The remaining electricity production comes from thermal energy and renewable forms of energy, but the latter are still minimal.

There is no control and regulatory agency. A draft decree to create such an agency is apparently being prepared and could be signed before the end of 2008. It is therefore foreseeable that a regulatory agency could be created by an act in 2009, in compliance with article 34 of Law 1/014 dated 11 August 2000 establishing the liberalisation and the regulation of the public service for drinking water and electric energy.

In Burundi, energy production, distribution and transmission activities constitute a public service under the responsibility of the State. They are governed by the Law 1/014 dated 11 August 2000 establishing the liberalisation and the regulation of the public service for drinking water and electric energy. The State may delegate the management of this public service to any physical person or corporation in public law or private law. The delegation of powers must be done by means of a concession contract. This contract, jointly signed by the Ministries of Energy and Finance, is approved by decree and includes the scope of the services for which the State imposes obligations on the delegatee with regard to the level of electricity production, the quality of the service, the contract duration and the areas to be served. The supply of electricity is subject to the tariffs set out in the contract of delegation. The tariff must cover all the electricity production, transmission and distribution costs.
Electricity production and distribution in Burundi is dominated by one entity, namely the REGIDESO.

The REGIDESO, a public sector company set up by virtue of the Law 1/002 of 6 March 1996 and Decree no. 100/164 of 5 September 1997 on the harmonisation of the REGIDESO statutes with the Code of Private and Public Companies. The company is under the tutelage of the Ministry with responsibility for Energy. The Ministry in question can request any information on REGIDESO activities. In compliance with article 3 of the decree of September 1997, the role of the REGIDESO is to produce and distribute electricity and to sell this product in urban centres. It thus operates the hydroelectric power stations and serves mainly the urban centres and the industrial sector.

In Burundi, the REGIDESO is also responsible for electricity transmission activities; it operates the electricity transmission network and is responsible for distribution in the towns of Bujumbura and Gitega, as well as urban centers and with an urban vocation.

13.5.4.3.1 Rural Electrification

With regard to rural electrification, this is developed independently by the General Management of Hydraulics and Rural Energy ("GMHRE") in compliance with Decree no. 100/072 of 21 April 1997 which attributes responsibility to the energy ministry for supplying electricity to rural areas. Requests for electrification are submitted to the GMHRE which decides in relation to the funds available. Private companies are not prohibited from financing rural electrification projects. However, the GMHRE retains the ownership of the installations made.

For electrification projects connected to the National Company for the Production and Distribution of Water network ("REGIDESO"), maintenance is ensured by the latter in return for payment from the GMHRE.

The GMHRE invoices its clients according to its tariff which is different from the REGIDESO one for the "household" category (56 FBu for GMHRE customers as compared to 41 FBu for REGIDESO customers). But this difference should cease to exist soon, as the Government wants to have a single tariff on the national level.

There is no project at the present time to have a rural electrification agency. However, a reform which is currently being debated could separate the GMHRE activities of water and electricity which would transform the latter de facto into a rural electrification agency.
13.6 Proposed improvements to the institutional framework

13.6.1 Development of the trade in electricity

On the basis of what precedes, we set out here some basic principles for trading and reforms in the electricity sector from the regional perspective of the Nile Basin region which are also in line with the dynamics of the Rusumo project.

Note that, when developing these underlying principles, we considered all of the results of the activities of the Regional Project for Trading in Electricity in the Nile Basin.30

13.6.1.1 The functional separation of production, distribution and transmission activities

The functional separation of the transmission of electricity from its production and distribution is an essential condition. Such a separation allows the State to offer non-discriminatory access to the transmission network and to integrate and promote a certain form of competition in these activities with a view to offering the lowest prices to consumers.

The transmission function must be regulated by a state regulatory agency which offers the guarantees of institutional independence. This makes it possible to ensure third party access to the transmission network. From the results of the activities of the Regional Project for Trading in Electricity in the Nile Basin we see that, in order to set up coherent regional structures aimed at promoting electricity trade, access must be provided on a non-discriminatory basis and allow not only for importation, but for the transit of electricity as well.31

13.6.1.2 The development of the electricity trade involves the construction of an interconnection infrastructure and an attractive investment climate

Electricity trade on a regional level requires the construction of an interconnection infrastructure with sufficient capacity for the region's needs. Acceptable technical standards for producers and consumers have to be put into place to ensure the security of the networks and the sufficient supply of energy from the countries, all based on an interconnection protocol between the company and the national electricity companies.

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As the studies prepared in the context of the Regional Project for Trading in Electricity in the Nile Basin make clear, planning and constructing regional electricity transmission infrastructures will, in the long term, allow the electricity trade to be expanded to include the whole Nile Basin.32

### 13.6.1.3 The institutional requirements must be present

At this stage in the proceedings, the level of sophistication of the institutions in place does not necessarily have to be very high. The consultant has identified three prerequisites for establishing regional trading in electricity.

First of all, the transmission service must be sold as a separate service from the services of distribution and production with a separate tariff from that of the energy price itself.

Then the electricity transmission sector has to be regulated by a national regulatory agency and the national legislative framework must allow regional and international agreements to promote the transit exchanges (such as interconnection protocols).

Finally, regional coordination must be established, in the long term, between the national control centres with a view to ensuring the efficient and effective application of the interconnection protocols, in particular with regard to the technical level of international transits33.

### 13.6.1.4 Trade is based on contracts for the sale and purchase of electricity between the producer at the production power station and the national electricity companies which purchase this electricity

The regional trade in electricity will be developed on the basis of the signature between the electricity producer and the electricity companies of sales and purchasing contracts. These contracts may vary with regard to their duration and scope. They may be, in particular, long-term contracts with a fixed commitment for a certain quantity of energy or a short-term contract. It should be noted that a long-term contract may represent an additional obstacle to the development of regional trading in electricity as it limits the introduction of competition into the market.

However, trade will not be able to develop if the contracts are not applied, that is so say if the payments for energy or reliability are not guaranteed. As mentioned above, this is one of the major problems with the current functioning of SINELAC.

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13.6.1.5 The establishment of a separate tariff for the transmission service

The electricity trade can be made between the vertically integrated company with a price which includes the distribution, production and transmission costs at the same time. However, to the extent that the three countries in the present study already have reformed or are in the process of reforming the energy sector separating the distribution and production activities from the transmission activities, the first stage is to succeed in identifying a separate tariff for the transmission service.

13.6.2 Realities, constraints and issues for the project

In addition to the Rusumo Falls project, the present study is aimed at preparing the ground for promoting and, especially, not preventing the development of a regional trade in electricity. In this context, the questions and problems identified in the course of this mission have an impact on the options for developing the project:

- the capacity to interest private investors in a public – private financing scheme;
- the guarantee of being paid by the national electricity companies;
- the non-discriminatory and efficient access to the transmission network;
- the establishment of a structure for operating and maintaining the power station including the starting station and dispatching.

In addition to production and dispatching, a more elaborate structure would make it possible to start to sell the surplus energy, even if in small quantities, which each national electricity company could have over longer or shorter periods. In this context, selling surpluses represents the early stages of an electricity market and the pooling of the two sub systems of the SINELAC and Rusumo Falls. The addition of successive sub systems over time depending on the development of future NBI projects would serve to complete the embryo of a network.

The consultant identified three options for putting this new institutional and legal structure into place.

13.6.3 Options for institutional and legal structures

The operations are defined on the basis of the type of organisation, that is to say, the identification of the owner of the power station and the electricity transmission lines, the management, the operations and the maintenance of the production and transmission installations and the legal instruments related to this organisation.
13.6.3.1 Option A – Purely public financing

13.6.3.1.1 Description of the option

Each of the three State companies own one third of the power station and each company owns the share of the transmission line on its territory.

In this simple model, no SPV is created and it is the State companies which make contracts directly with the entity entrusted with the construction and/or the operation of the power station.

This option is difficult to envisage if there is the desire to interest a private investor. The investor would be entirely subject to political uncertainties or other non-commercial interference.

13.6.3.1.2 Types of contract to be concluded

Ownership of the infrastructures

On the basis of this option, the ownership of the power station and the electricity transmission lines is awarded in equal shares to the three State companies, namely TANESCO (Tanzania), ELECTROGAZ (Rwanda) and REGIDESO (Burundi). The construction and operation of the power station and the transmission lines is also under the three companies.

Legal instruments

The States, by means of the public electricity companies, have to sign bilateral agreements for sharing the electricity generated. These contracts could foresee that each contracting company is entitled to the available power from the power station equal to its contribution to the construction and running (operation and maintenance) costs of the power station.

Furthermore, as each company owns part of the transmission lines, bilateral interconnection agreements will have to be signed. These interconnection agreements should, in particular, make provisions for the following considerations:

- the operation and maintenance of the interconnection installations;
- an emergency service;
- the measuring and involuntary exchanges of energy;
- the creation of an interconnection operators committee;
- force majeure.

The fact that this option requires the tripartite management of the construction and operation of the power station and the transmission lines makes us think that it would be difficult to put into place and that it would be highly inefficient on the contractual level.

This option has, therefore, been eliminated.
13.6.3.2 Option B – Creation of an SPV similar to the SINELAC

13.6.3.2.1 Description of the option

This option proposes the creation of an SPV for the construction and operation of the power station and to manage only the dispatching. In this instance, it could be the Société Internationale d'électricité du Bassin de la Kagera ("SINÉBAKA"). This SPV therefore owns the power station and has sole responsibility for dispatching. It awards contracts for the construction, the operation and the maintenance (Build, Own and Operate (BOO) contract) of the power station to a private operator. Dispatching can also be contracted to this private operator who would sell the energy at the high voltage terminals at the switchyard. This option therefore makes it possible to have public private partnership.

The option assumes that the functions of production, transmission and distribution of the three national companies will be separated in practice in the three countries in the long term, given the current orientation of the legislation and regulation. However, the transmission lines still belong to the State but are operated by their national companies responsible for the transmission of electricity.

With regard to the tariff, it would be set in equal fashion for the three countries with a view to covering the construction and operation costs of the power station including maintenance and debt cover. However, this tariff method poses the problem of the ability of the national companies and final consumers to pay which is different in each of the three countries. In this respect, it is possible to envisage a mechanism on the basis of which financiers could subsidise part of the tariff payment during a pre-set period, thus giving the companies and consumers the possibility to adapt to the new tariff.

13.6.3.2.2 Types of contract to be concluded

Ownership of the infrastructures
On the basis of this option, the power station would be owned by a legal entity in international public law created in the form of a joint commercial company between the three States involved in this project. This company would be responsible for the design, the construction and the operation of the power station. As for the transmission lines, they would be owned by the States by means of each of the public electricity companies in the three states.

Legal instruments
With regard to the legal instruments, the three States must first sign an agreement to create a joint company under public international law. The company must be commercial in form and have its own capital. The agreement must make provision for the name and juridical personality of the company and create its management bodies. It must also specify the use of the energy produced in the power station and the use of the hydraulic and territorial resources in each of the three States.
With regard to the construction phase and once the joint company has been created, the latter can sign contracts for all the services provided, in particular, the construction (contractors), the technical assistance (experts) and the project management (consulting engineers). However, the transmission lines on the territory of the three countries remains the property of each of the States through the intermediary of the national electricity companies.

In the operational phase, the joint company may sign concession contracts for the operation and maintenance of the power stations with private operators. From the viewpoint of a BOO contract, it is possible for the SPV to sufficiently reduce the contract duration to a term which allows the private operator sufficient profitability and for the SPV to then contract the task to another operator, possibly with a rehabilitation clause.

With regard to the transmission lines, in view of the legislative tendency in the three countries, it seems that the transmission sector will remain a national monopoly. Consequently, the national companies have to sign bilateral interconnection agreements aimed at ensuring the operationality and the safety of the different transmission networks, in particular, on the level of the international electricity transits. These interconnection agreements will have to make provision for the following considerations:

- the operation and maintenance of the interconnection installations;
- an emergency service;
- the measuring and involuntary exchanges of energy;
- the creation of an interconnection operators committee;
- force majeure.

Finally, with regard to the transfer of energy, the joint company or the private operator, as the case may be, must sign contracts for the sale and purchase of electricity with each of the three public electricity companies or with any other eligible customer. These contracts could foresee that each contracting State is entitled to the share of power and energy available from the power station equal to its contribution to the capital stock of the joint commercial company under international public law. These contracts will have to make provision for the following considerations:

- the quantity of power and energy sold by the SPV to the national electricity company;
- the conditions of sale, in particular, the tariffs which include a KWh price and a set fee if need be;
- the invoicing and payment terms for tariffs.
13.6.3.2.3 Conclusions Option B

This option has the advantage of replicating a structure that already exists in two of the three countries, thus avoiding giving the impression of leaping into the unknown. It does, however, present the risk of leading to the same types of dysfunction. On the other hand, the public private partnership this option makes possible is limited to the power station, which makes financing the high voltage lines more difficult and fails to meet (to the same extent) the objective of expanding the electricity trade.

13.6.3.3 Option C – Creation of an SPV similar to the SRDA or GRBDO

13.6.3.3.1 Description of the option

This option proposes the creation of an SPV for the construction and operation of the power station, the dispatching and the high voltage lines. In this instance, it could be the Société Internationale d'électricité du Bassin de la Kagera ("SINEBAKA"). The SPV owns the power station, the dispatching and the high voltage lines on the territories of the three countries. It contracts the construction, the operation and the maintenance (Build, Own and Operate (BOO) contract) of the power station to a private operator. Dispatching can also be entrusted to this private operator.

In contrast to option B, this option proposes that the SPV also owns the high voltage transmission lines on the territory of the countries. It could contract the construction of the transmission lines and then transfer the operational and maintenance functions of these to the national electricity companies (Build, Own and Transfer (BOT) contract). In this way, the functions of operating the power station, dispatching and the transmission lines can be contracted to a private or national operator. This option makes it possible to have a wider PPP covering the entire project.

In this case, the question of tariffs is more complex, as the tariffs must include the cost of the power station and the high voltage transmission lines to the point of delivery in the three countries. This would, in principle, involve different delivery tariffs in the three countries given the different lengths of the high voltage lines. It can be noted that in the case of the SRDA there is the same tariff to all the points of delivery which means that there has to be a desire for balancing out.

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34 SRDA: Senegal River Development Authority; GRBDO: Gambia River Basin Development Organisation.
13.6.3.3.2 Types of contract to be concluded

Ownership of the infrastructures
On the basis of this option, the joint company of the three States owns the power station and the high voltage transmission lines on the territories of Tanzania, Rwanda and Burundi. The joint company is responsible for the design, the construction and the operation of the power station and the high voltage transmission lines.

Legal instruments
With regard to the legal instruments, the three States must first sign an agreement to create a joint company under public international law. The company must be commercial in form and have its own capital. The agreement must make provision for the name and juridical personality of the company and create its management bodies. It must also specify the use of the energy produced in the power station and the use of the hydraulic and territorial resources in each of the three States.

With regard to the construction phase and once the joint company has been created, the latter can sign contracts for all the services provided, in particular, the construction (contractors), the technical assistance (experts) and the project management (consulting engineers). However, contrary to option 2, the joint company owns the installations including the high voltage transmission lines on the territory of the three countries. It can therefore sign contracts for the provision of services both for the construction of the power station and the construction of the transmission lines on the territory of the States.

In the operational phase, the joint company signs operation and maintenance concession agreements with the private operators for the transmission networks and the power stations. However, in view of the legislative tendency in the three countries, it seems that the transmission sector will remain a national monopoly. Consequently, the national companies have to sign bilateral interconnection agreements aimed at ensuring the operationality of the different transmission networks, in particular, on the level of the international electricity transits. These interconnection agreements will have to make provision for the following considerations:

- the operation and maintenance of the interconnection installations;
- an emergency service;
- the measuring and involuntary exchanges of energy;
- the creation of an interconnection operators committee;
- force majeure.

As the joint commercial company owns the transmission lines to the point of delivery thus crossing the borders of the countries, the selling price for the electricity has to be set accordingly, that is to say to integrate the cost of the design, construction and operation of these lines.
Finally, with regard to the transfer of energy, the joint company or the private operator, as the case may be, must sign contracts for the sale and purchase of electricity with each of the three public electricity companies or with any other eligible customer. These contracts could foresee that each contracting State is entitled to the share of the power and energy available from the power station equal to its contribution to the capital stock of the joint commercial company under international public law. These contracts will have to make provision for the following considerations:

- the quantity of power and energy sold by the SPV to the national electricity company;
- the conditions of sale, in particular, the tariffs which include a KWh price and a set fee if need be;
- the invoicing and payment terms for tariffs.

### 13.6.3.3 Conclusions Option C

Option C differs from Option B in terms of ownership of the high voltage lines integrated in the SPV that will be created. This option allows for a larger public private partnership, which would undoubtedly make financing for the whole project more accessible. It also seems better suited to attempts at electricity trade, and nothing would prevent the SPV from expanding by the addition of future projects using the same framework. Both private and public financing institutions would view this option as less risky, both politically and commercially.

### 13.6.4 Management of the tariffs for rural electrification

As has been mentioned above, rural electrification is a national issue and it should be left in a national framework. Furthermore, the populations in the areas concerned in each of the three countries involved in the Rusumo project are very small in relation to the total populations in the three countries. This is why, in response to paragraph 4.2.22 of the Terms of Reference, the proposal with regard to the tariff contract and the legal framework specific to each country for the operation and management of the rural electrification distribution networks created along the transmission lines is that it is not appropriate to create special conditions for a minority of customers within a tariff area.

Each country must thus continue to have its own institutional and legal framework, already developed in any case, and applicable to all rural electrification projects in the country. The principle should be that the same tariff conditions must be seen to be applied to this minority of customers as to all similar customers in the entire country.
Furthermore, the distinction between rural and urban only arises when the access rate to electricity is still low and the distribution network is not very developed. In countries where electrification is complete, no distinction is made between rural and urban networks and the tariff is the same which means that there is a certain balancing out between "urban" and "rural" customers, the cost of the service being higher in rural areas. The legal framework for the development, management and operation of rural electrification is currently separate due to its very nature and in order to grant it the necessary importance for its development; in the long term, it must merge into the general legal framework for urban areas.

13.7 Proposed commercial basis

Any reorganisation of the legal framework in a country which wishes to increase the regional trade in electricity between States is achieved by means of a reliable and safe transmission network in each of the States taking part in this trade. Whether it be an electricity transporter which is a legally separate entity, or a transmission division of the a national electricity company, the model is of little importance. for there to be a trade in electricity, there must be a certain excess production capacity in one of the countries.

The contract for the sale and purchase of electricity between the SPV and the three national companies must therefore make provision for the setting up of a flexible mechanism which makes it possible for one of the purchasers to resell on the "market" the energy it does not require for its own consumption, in accordance with a process foreseen in advance. Moreover, the existing contracts between the SINELAC and the national electricity companies could be amended to make provision for the same principle and the same process. The mechanism would make it possible, in this way, to progressively put into place a market for exchanging electricity between the countries.

However, there is one major constraint to this mechanism. One of the main problems liable to be detrimental to the increase and development of the trade in electricity is the observation made with regard to the non-payment by the national electricity companies of their purchases from the producer. In addition to preventing private investors from entering these areas, this problem prevents the SPV from reimbursing the debt incurred to achieve the project. Private operators are by definition and by their very nature in search of profit in a framework of stable revenues. It is thus essential to identify a solution to this problem.

Several solutions have been foreseen in similar cases without any of them being totally satisfactory. The financiers are still studying this aspect. It will therefore probably be necessary to call upon a range of solutions each likely to remedy part of the problem. As was seen above, the private operator in the SRDA had the contractual right to cut off the national company clients if they did not pay two months in a row. This tool has apparently never been used. Today, for projects in the second phase, a guarantee fund system will be set up in a special account by the national companies or the State ("escrow account"). It is likely that no solution will be 100% sure regardless of what is
done unless the States really decide to honour their contractual commitments and force their national companies to do the same.

13.8 Recommendations and conclusions

The main objective of the present report was to draw up and propose a recommendation aimed at a legal and institutional structure making it possible, by means of transmission lines, to distribute the energy produced in the Rusumo Falls project to the three bordering countries.

Three different options have been identified to do this, which integrate both an institutional structure and the related legal instruments. On the basis of the analysis of each of these options, the consultant recommends the adoption of Option C – The Creation of a Special Purpose Vehicle (SPV) similar to the “Organisation pour la Mise en Valeur du Fleuve Senegal” or Organisation pour la Mise en Valeur du Fleuve Gambia. This recommendation is based on the lessons learned in the framework of experiences made with existing institutional frameworks and takes fully into account the current and future structural changes in the domain of electricity in the three countries involved in the region.

Considering therefore that the proposed institutional framework has to be capable of attracting and even encouraging the involvement of private investors alongside the international institutions for the financing and management/operation of the works realised, it is essential to create a Special Purpose Vehicle which owns both the power station and the high voltage transmission lines on the territory of the countries. In addition to ensuring the adoption of an increased mode of public-private financing, such an institution which owns the infrastructures makes it possible to guarantee investors limited exposure to political uncertainties or other non-commercial interference.

Knowing also that the long-term objective is to put into place a veritable trade in electricity in the region, option C permits the adoption of a flexible institutional and legal framework stimulating by its very existence regional exchanges of electricity. By making provision for a mechanism in the contract for the sale and purchase of electricity between the Special Purpose Vehicle and the three national companies which would enable one of the purchasers to resell the surplus non-consumed energy on the "market", the option promotes the progressive development of an electricity exchange market between the countries.

The putting into place of the option has to be backed by the adoption of a binomial type tariff with a fixed part and a variable part. The fixed part will have to cover a certain percentage of the charges for amortising the debt, the interest and the fixed operational and maintenance costs and the variable part will have to bear the rest of the costs.
Appendix I

Studies and documents received from the Client
## Studies and documents received from the Client

<table>
<thead>
<tr>
<th>Document (author)</th>
<th>Date</th>
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<tr>
<td>1. Study of the transmission lines related to the Rusumo Falls (RSW) hydroelectric power station</td>
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<tr>
<td>1.a) - Environmental studies (RSW – Globe Environnement Inc.)</td>
<td>Aug. 2008</td>
</tr>
<tr>
<td>1.b) - Prefeasibility study (Fichtner – RSWI)</td>
<td>Jun. 2008</td>
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<tr>
<td>1.c) - Presentation (slide show) of the prefeasibility report (Fichtner – RSW)</td>
<td>No date</td>
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<tr>
<td>4.a) - Volume 1 – Appendix A (extract: pages 6 to 9)</td>
<td>Jul. 2007</td>
</tr>
<tr>
<td>4.b) - Volume 3A (extract: pages 41 to 49)</td>
<td>Jun. 2007</td>
</tr>
<tr>
<td>4.c) - Volume 4 (extract: pages 69 to 73)</td>
<td>Oct. 2007</td>
</tr>
<tr>
<td>5. Generating Power and Controversy: Understanding Tanzania’s Independent Power Projects – Ver. 2 (Gratwick, Gnahadam and Eberhard, MIR, University of Cape Town, RSA)</td>
<td>2007</td>
</tr>
<tr>
<td>6.a) - Volume 1: Commercial considerations of the Electricity Market Report</td>
<td></td>
</tr>
<tr>
<td>6.b) - Volume 2: Legal and Regulatory considerations of the Electricity Market</td>
<td></td>
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<td>6.c) - Volume 3: Institutional considerations of the Electricity Market</td>
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<td>6.d) - Volume 4: APPENDIX 3: South African Power Pool – Agreement between Operating Members</td>
<td></td>
</tr>
<tr>
<td>6.e) - Executive Summary</td>
<td></td>
</tr>
<tr>
<td>13. Tanzania Rural Electrification Study: Master Plan Programme Study (Decon)</td>
<td>Jun. 2005</td>
</tr>
<tr>
<td>18. Draft law establishing the RWASCO (Rwanda)</td>
<td>No date</td>
</tr>
<tr>
<td>19. Draft law establishing the RECO (Rwanda)</td>
<td>No date</td>
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<tr>
<td>20. Draft law establishing the NEDA (Rwanda)</td>
<td>No date</td>
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<tr>
<td>21. Draft law governing electricity (Rwanda)</td>
<td>No date</td>
</tr>
<tr>
<td>22. Draft law governing the operation and use of gas (Rwanda)</td>
<td>No date</td>
</tr>
<tr>
<td>23. Provisional report of the study on the definition of a new organic structure for the CAPP and the responsibilities of the new statutory bodies (USAID)</td>
<td>Sept. 2008</td>
</tr>
<tr>
<td>24. Laws of Tanzania, Chapter 131: The Electricity Act (Tanzania)</td>
<td>Nov. 2008</td>
</tr>
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Appendix II

Studies and documents consulted by Fasken Martineau and Mr. Roland Brilot
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<th>Studies and documents consulted by Fasken Martineau and Mr. Roland Brilot</th>
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<tr>
<td>1. <em><strong>Information on Rwanda – hydroelectricity (<a href="http://www.small-hydro.com">www.small-hydro.com</a>)</strong></em></td>
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<tr>
<td>2. <em><strong>Information on Rwanda – ministry of lands, the environment, the forest, water and mines (<a href="http://www.gov.rw/government/governmentf.html">www.gov.rw/government/governmentf.html</a>)</strong></em></td>
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<tr>
<td>3. <em><strong>Information on Tanzania – ministry of energy and minerals (<a href="http://www.mem.go.tz">www.mem.go.tz</a>.)</strong></em></td>
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<td>4. <em><strong>Information on Tanzania – hydroelectricity (<a href="http://www.small-hydro.com">www.small-hydro.com</a>)</strong></em></td>
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<td>5. <em><strong>Information on Tanzania – energy development (<a href="http://www.worldbank.org">www.worldbank.org</a>)</strong></em></td>
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<td>6. <em><strong>Information on TANESCO (<a href="http://www.tanesco.com/profile.html">www.tanesco.com/profile.html</a>)</strong></em></td>
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<tr>
<td>7. The Rural Energy Act, 2005 (The United Republic of Tanzania)</td>
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<td>8. The National Energy Policy (The United Republic of Tanzania, Ministry of Energy and Minerals)</td>
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<tr>
<td>10. <em><strong>Information on Tanzania – laws (<a href="http://www.lexadin.nl">www.lexadin.nl</a>)</strong></em></td>
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<td>11. <em><strong>Information on Tanzania – ministry of energy and mineral resources (<a href="http://www.afdevinfo.com">www.afdevinfo.com</a>)</strong></em></td>
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<tr>
<td>12. <em><strong>Information on Burundi – map of electric network (<a href="http://www.geni.org">www.geni.org</a>)</strong></em></td>
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<tr>
<td>13. <em><strong>Information on Burundi – hydroelectricity (<a href="http://www.small-hydro.com">www.small-hydro.com</a>)</strong></em></td>
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<tr>
<td>15. Master plan for developing and managing the waters of the river Senegal (MPDMW) / PGIRE project, Senegal River Development Authority, Terms of Reference, May 2008</td>
</tr>
<tr>
<td>17. Various documents supplied by the Executive Secretariat of the GRBDO, in particular, detailed pre-project studies and the preparation of dossiers for issuing tenders for the hydroelectric developments at Sambangalou and Kaleta and the interconnection line for the member countries in the GRBDO, detailed pre-project (DPP), COTECO Group.</td>
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<tr>
<td>20. Various documents obtained from the permanent Secretariat of the CAPP, Brazzaville.</td>
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<tr>
<td>22. Interconnection operators agreement between ISO New England Inc. and Hydro-Québec TransÉnergie, 18 July 2005</td>
</tr>
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<td>25. Contract of supply between SINELAC and Electrogaz</td>
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<td>26. Contract of supply between SINELAC and the Régie de Distribution d’Eau et d’Électricité (REGIDESO)</td>
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**BY COUNTRY**

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| 2.4. Describe the electricity companies and their structure. |     |
| 2.5. Describe the status and organisation of rural organisation. |     |
| 2.6. Describe the juridical personality and the organisation of the electricity companies in Burundi. |     |
| 2.7. What impact do the electricity companies have on the regional commerce? |     |
| 2.8. Is the presence of private electricity producers authorised in Burundi/Rwanda/ Tanzania? If yes, which private producers are present? |     |
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| 2.10. What difficulties could an electricity company in Burundi face on the legal and institutional level (for example: foreign capitalisation limits, authorisation regime, etc.)? |     |
| 2.11. Has Burundi/Rwanda/Tanzania started or completed a programme of economic reform with a direct or indirect impact on electricity companies? If yes, explain the objectives and the results of the reform. |     |
| 2.12. More specifically, has Burundi/Rwanda/Tanzania started or completed, or does it plan to start a reform programme in the energy sector? If yes, explain the objectives and the results of the reform. |     |
| 2.13. Is there a network code in Burundi/Rwanda/Tanzania? If yes, whose responsibility is it to ensure its application? |     |
Appendix IV
People met and consulted (by organisation)
People met and consulted (by organisation)

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Organisation</th>
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Appendix V

Proposed agreement for establishing the Kagera Basin International Electricity Company ("SINEBAKA")

The French original of this contract is definitive. The English translation is provided for information only.
AGREEMENT ON THE ESTABLISHMENT OF THE
KAGERA BASIN INTERNATIONAL ELECTRICITY COMPANY

Note for readers:
This contract applies to options B and C presented in the report.
AGREEMENT ON THE ESTABLISHMENT OF
LA SOCIÉTÉ INTERNATIONALE D'ÉLECTRICITÉ DU BASSIN DE LA KAGERA
(SINÉBAKA)

The President of the Republic of Burundi,
The President of the Republic of Rwanda,
The President of the Republic of Tanzania,

Desiring to consolidate the economic development of the Kagera river basin region by the joint
construction and operation of a hydroelectric power station at Rusumo Falls;

In view of the mandate <dated> entrusted to <the Nile Basin Initiative> to supervise the project to its
completion on behalf of the three States;

Considering, however, that the completion, the construction, the ownership and the operation of this
Power Station must be entrusted to a legal entity in the form of a commercial company under public
international law;

Considering that in each of the Contracting States, the production and distribution of electric energy is
entrusted to a national company, namely the REGIDESO in Burundi, ELECTROGAZ in Rwanda, and
the TANESCO in Tanzania, hereinafter "the National Electricity Companies".

Considering that in order to complete the project, it shall have to be the object of financing agreements
between the three Contracting States and various financial agencies, hereinafter "the financiers";

IN PURSUANCE THEREOF HAVE AGREED UPON THE FOLLOWING:

SECTION I – ESTABLISHMENT AND NAME OF THE COMPANY

ARTICLE 1

An establishment under international public law in the form of a joint commercial company between
Tanzania, Rwanda and Burundi shall be created under the name "LA SOCIÉTÉ INTERNATIONALE
D'ÉLECTRICITÉ DU BASSIN DE LA KAGERA", abbreviated to SINÉBAKA (hereinafter "the
Company ")

SECTION II – COMPANY OBJECT – REGISTERED OFFICE – CAPITAL – DURATION

ARTICLE 2 – OBJECT

The purpose of the Company will be the design, the construction and the operation of the Rusumo
Falls Power Station (hereinafter "the Power Station"). It may construct, purchase or manage other
energy producing installations.
ARTICLE 3 – REGISTERED OFFICE

The registered office of the Company shall be established in <town>, <country>. It may be moved by a decision of the General Assembly in compliance with the voting conditions with regard to changes in the Statutes. There shall be an agreement on the registered office between the Company and the host country.

ARTICLE 4 – SHARE CAPITAL

The share capital will be represented by nominative shares taken out in equal fractions by the three Contracting States and fixed in Special Drawing Rights (SDR). It will initially be fixed at <amount> million SDR.

The Company may go public in the form of a loan or the issue of bonds to order or to the bearer.

ARTICLE 5 – DURATION OF THE COMPANY

The Company will be constituted for a duration of five years, renewable by tacit agreement for equal durations.

SECTION III – LEGAL STATUS OF THE COMPANY AND ITS PERSONNEL

ARTICLE 6 – FORM OF THE COMPANY

The Company shall have a commercial form. It will be constituted as an Establishment under Public International Law in the form of a commercial company providing a public service and with its own capital.

Each of the three Contracting States acknowledge these characteristics.

ARTICLE 7 – LAW APPLICABLE TO THE COMPANY

In addition to the provisions in the present agreement, the Company shall be governed by its statutes and, subsidiarily, by <other legislative source> and by the legislation of the State in which it has its registered office. The company statutes, to be found in the appendix, form an integral part of this agreement.

ARTICLE 8 – TAX EXEMPTION

The Company, its property, its revenues and transactions are exempt from duties and taxes, direct and indirect.

It enjoys tax exemption on the territory of the three Contracting States for this purpose.

ARTICLE 9 – TRANSFER OF CAPITAL

The Company shall obtain the administrative authorisations necessary for transfers of capital between the territories of the Contracting States.
The foreign individuals and corporate bodies which contributed to the financing and investments shall be guaranteed the right to transfer and repatriate their earnings.

**ARTICLE 10 – STATUS OF COMPANY PERSONNEL**

The administrative and technical staff of the Company will enjoy the status of the personnel of <other regional body>.

**SECTION IV – CORPORATE GOVERNANCE**

**ARTICLE 11 – THE GENERAL ASSEMBLY**

The General Assembly shall be composed of all the associates who shall be represented by the Ministers and State Commissioners responsible for energy.

There shall be one Ordinary General Assembly in the first six months of each year to decide on the accounts for the previous financial year, the discharge to directors and auditors. It appoints the directors, the auditors, the General Manager and possibly an auditing company.

The Extraordinary General Assembly meets at the request of <one of the associated States>, the Board of Directors or <another regional authority>. It decides on the points on the agenda as foreseen in the Statutes.

**ARTICLE 12 – BOARD OF DIRECTORS**

The Board of Directors is comprised of six directors on the basis of two directors per associate.

The General Manager of the Company, or his representative, provides the secretariat and attends Board meetings in an advisory capacity. The General Manager of <another regional body> also attends Board meetings in an advisory capacity.

The Board elects a president and two vice presidents from amongst its members, representing different associates.

It appoints the two members of the Management Committee other than the General Manager. It exercises the widest range of powers to perform all administrative work and disposals which are not reserved for the General Assembly under the Agreement, the Statutes or subsidiarily by the law of the country in which the company has its registered office.

**ARTICLE 13 – MANAGEMENT COMMITTEE**

The Management Committee, presided by the General Manager, is comprised of three members of different nationalities.

It ensures the daily running of the Company under the leading of the General Manager.
ARTICLE 14 – COMPANY AUDITORS

Company operations are audited by a board of three Auditors of different nationalities appointed by the General Assembly of the Company on presentation by each of the associate States.

The Board audits the accounts and reports to the General Assembly. It may convene an Extraordinary General Assembly.

SECTION V – COMPANY FINANCES

ARTICLE 15 – GENERAL PRINCIPLE

15.1 As it is constituted in commercial form, the Company shall pursue its object by providing remuneration for the production factors used, mainly from the earnings from the sales of electrical energy to the National Electricity Companies in the Contracting States.

15.2 The Company shall maintain commercial accounts for this purpose and shall prepare its balance sheet annually.

The annual accounts and balance sheets expressed in Special Drawing Rights will give a full account of the Company’s financial situation and how it evolves over each financial year.

ARTICLE 16 – FINANCING OF THE RUSUMO FALLS POWER STATION

16.1 Company investments with regard to the Power Station shall be financed by all the resources which financiers will have made available to the Contracting States for this purpose and by the contributions of these States estimated at 10% of the investments covered by article 16.3 below.

16.2 Each of the Contracting States will thus make available to the Company:

(i) \( \frac{1}{3} \) of all the resources specified in paragraph 16.3 below,
(ii) in the currencies in which they themselves received them,
(iii) each in the same proportion in the form of a contribution to the share capital and in the form of long-term loans
(iv) each of the long-term loans being granted by each State to the Company on the same conditions and for the same durations, taking into account the criteria of solvency and profitability and the provisions set out in articles 18 and 19 below.

16.3 In particular, the following are included in the investment amounts for the Power Station:

(i) the expenses for the preparatory studies for the work,
(ii) the costs of the work and supervising the work,
(iii) the Company's running expenses during the construction period including those of the Project Manager,
(iv) the expenses for the operation, the maintenance and the replacement of work and equipment, and insurance up to the acceptance of the installations
(v) the initial stock of spare parts and the initial working capital required for putting the Power Station into service, estimated at the value of the electrical production energy over a period of four months,
(vi) the funds required to cover any deficits between the earnings defined in article 18 paragraph 2 and the costs defined in article 18, paragraph 1, during the initial period of operation during which the installed power is only partially used, the costs per kWh produced will be too high to be charged fully to the purchasers of electric energy.

ARTICLE 17 – COMPANY EARNINGS

17.1 Company earnings will be constituted mainly from the revenue from the sale of electric energy to the National Electricity Companies based on a tariff.

The tariff shall be composed of a scale and a fixed fee:

(i) the scale fixing the kilowatt per hour unit prices (kWh) may possibly be applied by time slot of consumption to the kWh delivered in addition to the basic fixed quantity defined below in paragraph (ii),
(ii) the fixed fee will be a set amount specified for a period with an entitlement to a fixed basic quantity of energy and owed by the National Electricity Companies regardless of the quantities of electric energy effectively used during that period.

17.2 The scale will be comprised of a list of kWh prices which will take into account:

(i) the time at which energy was supplied during the day, the week, the season and the year,
(ii) the operating costs and results as defined in article 18, paragraph 1,
(iii) the share of costs covered by the fixed fee,
(iv) the quantities of electric energy effectively supplied to the National Electricity Companies during the previous periods and the sales forecasts for the future,
(v) the prices at which the National Electricity Companies themselves sell their energy to their network customers, and the policies for meeting more of the demand for electric energy in each of the Contracting States.

17.3 The fixed fee shall represent a sufficient proportion of the costs as defined in article 18 paragraph 1 to ensure that they are covered, taking into account the sales forecasts for electric energy on the basis of the scale.

17.4 In order to ensure the financial balance of the Company, the scale, the amount of the fixed fee and the quantities of energy to which they correspond shall be adjusted regularly by the Management Committee in relation to variations in the elements from which they are determined and after consultation with the National Electricity Companies; they shall be submitted to the Board of Directors for approval. If the Board of Directors has not manifested its disagreement within sixty days of their notification, the new scales, amounts of the fixed fee and quantities of energy to which they correspond, shall come into force and be applied immediately.

17.5 Each quarter the Company shall send the National Electricity Companies the invoices for the amounts due on the basis of sales, the scale and the fixed fees. These invoices shall be:

(i) payable within sixty days,
(ii) expressed in Special Drawing Rights,
(iii) payable in the respective national currency and in foreign currency in such a way that the Company's costs are constantly covered in each of the currencies in which they are exposed.
ARTICLE 18 – SOLVENCY AND PROFITABILITY CRITERIA

18.1 All Company income shall constantly be sufficient to cover all the expenses in the currencies in which they are exposed. These costs are comprised, in particular, of the following:

(i) the financial charges arising from the long-term loans which the Contracting Parties will have granted in accordance with article 16 paragraph 2 (iv) above,
(ii) the fixed operating costs, not proportional to the quantities of electric energy and constituted essentially by the personnel, the maintenance, the amortisation and the renewal of Company equipment and installations, banking charges and miscellaneous financial expenses,
(iii) the costs in proportion to the quantity of energy produced,
(iv) the payment of the fixed capital in the Company, not covered by the financial charges mentioned in point (i) above.

18.2 During the initial operating period specified in article 16 paragraph 3 (vi), the Company shall establish a scale and fixed fees in such a way that the earnings by kWh delivered are close to the average long-term cost of kWh from the Power Station defined as being the relationship between the values present in the estimates of the fixed running costs over forty years and the quantities present in the estimates of the energy produced during the same period, calculated using an actualisation rate reflecting the cost of the fixed capital.

The complement of earnings which may be necessary to cover the costs defined in paragraph 1 above shall be made available to the Company on the basis of article 16, paragraph 3 (vi), above.

18.3 From the point in time at which the Power Station's installed power will be used at a technically normal level for this type of hydroelectric installation, Company earnings must be such that, after covering the financial charges, the fixed and proportional running costs defined in paragraph 1 (i), 1 (ii) et 1 (iii) above, they make it possible to pay for a sufficient amount of the fixed capital to ensure major overhauls, the replacement of installations and, possibly, the financing of new energy investments. Apart from a level of reserves judged sufficient by the Board of Directors, the surplus earnings will be distributed in the form of a dividend by the Company to the associates.

18.4 Company earnings shall be constantly more than the financial charges arising from the long-term loans defined in article 16, paragraph 2 (iv), plus the fixed and proportional running costs minus the amortisation.

ARTICLE 19 – PERFORMANCE OF FINANCIAL OBLIGATIONS

19.1 To satisfy the obligations arising from article 16 paragraph 2, each Contracting State shall sign long-term loan agreements with the Company in such a way that each of the long-term loans of each State represents exactly the same financial charge for the Company for the same period.

19.2 The overall financial charge arising for the Company must be such that:

(i) the Company may supply the electrical energy to the national electricity companies at a price which allows them to ensure their own expansion and to satisfy the increasing electric energy requirements of the population of the Contracting States,
(ii) the Contracting States may in turn ensure the service of the debts which they themselves will have contracted with some financiers with a view to realising the Rusumo Falls Power Station,
(iii) the Company may cover the other costs defined in article 18 paragraph 1 (ii), 1 (iii) and 1 (iv).
19.3 The Company will regularly pay to the Contracting States the amounts due for servicing these long-term debts.

19.4 The Contracting States shall oblige their National Electricity Companies to pay regularly the invoices from the Company and will allow them to obtain the currency necessary for this purpose.

19.5 The Contracting States will ensure that the necessary currency is available to the Company to pay its obligations.

SECTION VI – USE OF THE ENERGY PRODUCED

ARTICLE 20 - RIGHT TO ENERGY AVAILABLE AND SALE OF SURPLUSES

20.1 Each Contracting State is entitled at all times to the share of power available from the Power Station equal to its contribution to the share capital of the Company.

Each National Electricity Company is entitled to take the share of energy available corresponding to the share of power of the State to which it belongs.

20.2 The National Electricity Companies are, however, not obliged to take delivery of their shares of energy. The unused energy available may be re-sold to any buyer.

20.3 The energy available which is not used by each National Electricity Company may be sold on the conditions determined by the latter.

20.4 For the purpose of selling the available unused energy, the SINÉBAKA proposes a method for managing the surpluses to each national electricity company in the framework of a contract for the supply of energy.

SECTION VII – PERFORMANCE PROTOCOLS

ARTICLE 21 – PRINCIPLE

The contractual relations between the Contracting States, the Company and the National Electricity Companies shall be the object of performance protocols between all the parties concerned.

SECTION VIII – USE OF THE KAGERA HYDRAULIC RESOURCES

ARTICLE 22

22.1 The Contracting States undertake not to modify the availability of the natural resources which are essential to the smooth operation of the Power Station.

22.2 The Contracting States shall make available, free of charge, to the Company on the territories on which the Power Station will be built, for a duration equal to that of the latter, the land on which the Power Station and its annexes will be built.
SECTION IX – TRANSITIONAL ARRANGEMENTS

ARTICLE 23

<Have some powers been temporarily entrusted to other entities?>

SECTION X – ARBITRATION

ARTICLE 24

Any dispute between the Contracting States related to the interpretation or the application of the present agreement which cannot be settled amicably shall be submitted to the <Arbitration Commission> instituted by <the agreement> signed <date>.

SECTION XI – RATIFICATION

ARTICLE 25

The present agreement shall be ratified by the Contracting States in accordance with their respective constitutional rules.

The ratification instruments will be deposited with the Executive Council in <country>, designated as the Depositary State.

The Agreement enters into force as soon as all the Signatory States have deposited the ratification tools with the Depositary State.

The Government of the Depositary State shall inform the Contracting States as soon as all the ratification instruments have been received.

Drawn up in four originals

On <date>

The President of the Republic of Burundi
The President of the Republic of Rwanda
The President of the Republic of Tanzania
Appendix VI

Model interconnection protocol proposal

The French original of this contract is definitive. The English translation is provided for information only.
[Signature date of agreement]

ASSET OWNERS AGREEMENT
BETWEEN
[NAME OF NATIONAL ELECTRICITY COMPANY – FOR EXAMPLE TANESCO IN THE CASE OF TANZANIA]
AND
THE KAGERA BASIN INTERNATIONAL ELECTRICITY COMPANY (SINÉBAKA)

Note for readers:
This agreement applies to options B and C presented in the report. However, in the case of option B, the Parties to the present agreement would be the national electricity companies.
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APPENDIX A: DESCRIPTION OF THE INTERCONNECTION INSTALLATIONS AND RELATED INSTALLATIONS

APPENDIX B: PEOPLE-RESOURCES FOR NOTIFICATIONS
INTERCONNECTION OPERATORS AGREEMENT

The present Interconnection Operators Agreement (the "Agreement" or the "IOA" was concluded on <date> by and between The Kagera Basin International Electricity Company (hereinafter "SINÉBAKA" acting in the manner specified hereunder), and the <national electricity company> (each being a "Party" and collectively "the Parties").

PREAMBLE

WHEREAS SINÉBAKA is the operator of the independent network for the Transmission Network and is the Party authorised by the Asset Owners with regard to certain aspects of the coordinated operation of the part of the Interconnection Installations located in <country name>, in accordance with a written agreement concluded between the Asset Owners of <country name> and SINÉBAKA and governing said coordinated operations dated <date>; and the Party authorised to act on behalf of energy market participants in the Kagera basin with regard to the management of the accounts and procedures related to Emergency Energy Exchange Transactions and Involuntary Exchanges between market participants and the <national electricity company>; and

WHEREAS the <national electricity company>, the transmission division of the <national electricity company>, the legal entity duly constituted and governed by the <national legislative framework>, is responsible for the reliable operation of the Transmission Network of the <national electricity company>, and, in particular, the Interconnection Installations located in <country name>; and

WHEREAS the Interconnection Installations are essential to ensure the reliability and access to the electricity markets of <names of the two interconnected networks>; and

WHEREAS the restructuring of the electricity services industry has made it both desirable and necessary to draw up an agreement between the operators of the Interconnection Installations which defines the rights and obligations of the Parties with regard to the joint operation of these Interconnection Installations

IN PURSUANCE THEREOF, with regard to the mutual undertakings declared herein and in return for another value which the Parties hereby confirm to have received and to be sufficient, the Parties agree as follows:

ARTICLE I: DEFINITIONS

When they are shown with an initial capital letter in the present Agreement, the following terms shall have the meaning stipulated or foreseen in this article I. The terms shown in the present Agreement with an initial capital letter, but which have not been defined in this article I, shall have the meaning stipulated or foreseen in the article in which they are used.

1.1 AOC Protocols shall mean written documents adopted by the Asset Owners Committee in accordance with article VII of the Asset Owners Agreement. These documents set out the rules, procedures, standards and specific criteria established or adopted by the Asset Owners Committee for the purpose of administering the Asset Owners Agreement.
1.2  **Asset Owners** shall mean the entities which own the Interconnection Installations. These entities include: <enter the name of the interconnection owners>.

1.3  **Asset Owners Agreement** shall mean the agreement concluded between the Asset Owners with regard to the Interconnection Installations.

1.4  **Asset Owners Committee** shall mean the Committee described and foreseen in article VII of the Asset Owners Agreement.

1.5  **Balance Manager** shall mean the entity responsible for the provisional management of resources, for maintaining the balance between the loads, exchanges and production within the limits of a balance area, as well as for maintaining the interconnection frequency in real time.

1.6  **Balance Zone** shall mean the entire production, transmission and load installations in the zone demarcated by the measuring instruments which come under the Balance Manager. The Balance Manager ensures the balance between the resources and loads within this zone.

1.7  **Strategic Transmission Network** – Depending on the definition given by the regional reliability body, a Strategic Transmission Network includes the electricity production installations as well as the transmission lines, the Interconnections with the neighbouring networks and associated appliances, generally operated at a voltage of at least 100 kV. Radial transmission lines which supply solely loads with only one production source are not generally included in this definition.

1.8  **Shortfall in Capacity** – There is considered to be a Shortfall in Capacity when the production capacity in the Balance Zone and guaranteed outputs purchased from other networks, within the limits of availability or transfer capacities, are insufficient to meet the demand and frequency control requirements in this Balance Zone.

1.9  **Common Operating Instructions** ("COI") shall mean a specific AOC protocol with regard to the operation of the Interconnection Installations.

1.10  **Common Coordination Instructions** ("CCI") shall mean a specific IOC protocol with regard to the coordinated control of the Interconnection Installations.

1.11  **Emergency** shall mean any abnormal network condition which requires immediate automatic or manual intervention in order to prevent or limit any failure of the transmission or production installations which could damage the reliability of the Strategic Transmission Network.

1.12  **Emergency Energy** shall mean the energy supplied by one Party to the other Party in the event of a Shortfall in Capacity or in energy in accordance with the conditions set out in the present Agreement.

1.13  **Emergency service** shall mean the supply of Emergency Energy from one Party to the other Party in accordance with the conditions set out in the present Agreement, as well as all the complementary services or transmission required for the supply of such Emergency Energy.

1.14  **Shortfall in Energy** shall mean the situation of an entity which has to meet the demand for electricity and the energy needs of end user clients in a given Balance Area when this entity has exhausted all the other possibilities and cannot meet the energy requirements of its clients.
1.15 **Industry Standards** shall mean any practice, method or action used or approved by a significant share of the public electricity service industry in the course of a relevant period of time, or any practice, method or action which, in the light of the known facts at the time the decision was taken, may reasonably be expected to produce the desired result at a reasonable cost in compliance with good business practice and taking into account the necessity for reliability, safety and speed. The term "Industry Standards" is not used solely for a practice, a method or a specific optimal action to the exclusion of all the others, but rather for practices, methods or actions generally accepted within the industry. Industry Standards presupposes compliance with the criteria established by the safety bodies or government bodies with authority in matters of operating Interconnection Installations.

1.16 **Involuntary Exchange** shall mean the difference between the Nett Real Exchange measured by the Balance Manager and the Nett Scheduled Exchange.

1.17 **Exchange Programme** shall mean the quantity (in megawatts), the start and end times along with the period and the initial and final ramp rate of an agreed Exchange Transaction, as well as the type of transaction necessary to ensure the delivery and receipt of the power and energy exchanged between the Balance Manager of the production zone and that of the consumer zone.

1.18 **Exchange Transaction** shall mean an agreement with a view to an energy transfer from a seller to a buyer when the energy transferred crosses the boundaries of one or more Balance Zones.

1.19 **Interconnected Networks** shall mean the Strategic Transmission Networks operated by the Parties and connected to the Interconnection Installations.

1.20 **Interconnection** shall mean a connection between at least two separated Transmission Networks which normally operate in phase and which have interconnected transmission lines.

1.21 **Interconnection Installations** shall mean the transmission installations and related installations described in Appendix 1 of the present Agreement in compliance with article IV hereof.

1.22 **Interconnection Operators Committee** ("Committee") shall mean the Committee described and foreseen in art VIII of the present Agreement.

1.23 **International Border** shall mean the place where the Interconnection Installations cross the border between countries and which constitutes at the same time the point of delivery for the needs of Exchange Transactions made under the terms of the present Agreement, and the demarcation line between the operating control zones of each of the Parties with regard to the Interconnection Installations.

1.24 **IOC Protocols** shall mean the written documents adopted by the Interconnection Operators Committee in accordance with article VIII of the present Agreement; these documents define the rules, the procedures, the standards and the specific criteria established or adopted by the Interconnection Operators Committee with a view to administering the present Agreement between Interconnection Operators.

1.25 **Asset Owners** shall mean the entities which own the Interconnection Installations located in <Countries>. They included: <Name the asset owners>
1.26 **Nett Real Exchange** shall mean the algebraic sum of all the exchanges measured on all the Interconnections between two adjacent Balance Zones.

1.27 **Nett Scheduled Exchange** shall mean the algebraic sum of all the Exchange Schedules aimed at a specific route or established between the Balance Managers for a specific period or time of day.

1.31 **Nominal Transfer Capacity** – The Nominal Transfer Capacity of the Interconnection Installations is the thermal resistance capacity of the equipment in the original configuration of the Interconnection Installations, as described in Appendix 1 of the present Agreement, regardless of the exterior impact of the interconnected AC networks or other networks.

1.32 **Balance Manager of the Receiving Zone** shall mean the Balance Manager of the zone which receives the exchange.

1.33 **Regional Reliability Body** shall mean the body which ensures the reliability, the adequate nature and the safety of a given zone in the Strategic Transmission Network.

1.34 **Reliability Authority** shall mean the entity with the responsibility of ensuring the operating reliability in real time of the interconnected Strategic Transmission Network in a given region.

1.35 **Reliability Criteria** shall mean the reliability criteria, rules and standards established by the Parties or by an African organisation with the authority to establish such standards or other entities authorised to establish such criteria, rules and standards with regard to Interconnection Installations and Interconnected Networks.

1.36 **Balance Manager of the Transmitting Zone** shall mean the Balance Manager of the zone which is delivering the exchange.

1.37 **Balance Manager of the Consumer Zone** shall mean the Balance Manager of the zone in which the load (consumption) is located for an Exchange Transaction. (This also refers to the Balance Manager of the Receiving Zone for the Exchange Programme in question).

1.38 **Balance Manager of the Producing Zone** shall mean the Balance Manager of the zone in which the energy intended for the Exchange Transactions is produced (production). (This also refers to the Balance Manager in the Transmitting Zone for the Exchange Programme in question).

1.39 **Transmission Network** shall mean a network intended for transmitting electricity and includes all the aids, equipment or any other installation necessary for this purpose.
ARTICLE II: PURPOSE OF THE AGREEMENT

2.1 The purpose of the present Agreement is to ensure the reliability and efficiency of the Interconnection Installations with regard to the Interconnected Networks by means of a coordinated schedule of Interconnection Installations. The present Agreement also applies to the management of the accounts and the procedures related to the Emergency Services and Involuntary Exchanges between the Interconnected Networks.

ARTICLE III: COMMENCEMENT AND TERMINATION

3.1 The present Agreement may be terminated at any time by the mutual consent of the Parties.
It may be unilaterally terminated by either Party provided that:

   (a) the Party which wishes to terminate gives the other Party at least one year's written notice to this effect and that

   (b) termination takes effect on 1st October of the year in which the present Agreement should end, unless the Party requesting the termination gives its notice after 1st October but before 1st March of the following year, in which case termination takes effect on 1st March of the year in which the requirement for minimum advance notice of one year has been respected.

3.2 The commencement and termination dates of the present Agreement are subject to the required government approval.

ARTICLE IV: DESCRIPTION OF THE INTERCONNECTION INSTALLATIONS

4.1 The Interconnection Installations are the installations described in Appendix 1 of the present Agreement.

4.2 Appendix A of the present Agreement may be modified from time to time by the Committee provided that the modifications do not contradict the description of the installations accepted by the Parties to the Asset Owners Agreement.

ARTICLE V: COORDINATED OPERATION AND MAINTENANCE OF THE INSTALLATIONS

5.1 SINÉBAKA shall:

   (a) approve the outage schedules for maintenance purposes presented by the Asset Owners for the part of the Interconnection Installations located in <Countries covered by the agreement> so as to ensure the reliability, efficiency and safety of the network; and

   (b) schedule the transactions aimed at the exchange of energy and the supply of complementary services on the Interconnection Installations located in <Countries covered by the agreement> in compliance with the laws, rules or ordinances applicable. The network operator must fulfill its duties in compliance with the Reliability Criteria, Industry Standards and IOC and AOC Protocols. With regard to transmission installations located in <Countries covered by the agreement> other than the Interconnection Installations, and subject to its obligations in accordance with the laws, rules and ordinances applicable, the network operator must not operate transmission installations located in <Countries covered by the agreement> which are under its
operational responsibility nor carry out maintenance work or other manoeuvres which could compromise the reliability and efficiency of the Interconnection Installations or other transmission installations the operation of which are the responsibility of the network operator.

Notwithstanding the above, nothing in this Agreement may be interpreted as preventing either Party, or one of the Parties to the Agreement of Asset Owners, from taking any recourse applicable on the grounds that the operation by the network operator of other transmission installations compromises in inappropriate manner the reliability and efficiency of the Interconnection Installations.

5.2 The <national electricity company> shall:

   (a) approve the outage schedules for maintenance purposes presented by the Asset Owners for the part of the Interconnection Installations located in <Countries covered by the agreement> so as to ensure the reliability, efficiency and safety of the network; and

   (b) schedule the transactions aimed at the exchange of energy and the provision of complementary services on the Interconnection Installations located in <Countries covered by the agreement> in compliance with the laws, rules or ordinances applicable. The ISO must fulfil its duties in compliance with the Reliability Criteria, Industry Standards and IOC and AOC Protocols.

With regard to transmission installations located in <Countries covered by the agreement> other than the Interconnection Installations, and subject to its obligations in accordance with the laws, rules and ordinances applicable, SINÉBAKA must not operate transmission installations located in <Countries covered by the agreement> which are under its operational responsibility nor carry out maintenance work or other manoeuvres which could compromise the reliability and efficiency of the Interconnection Installations or other transmission installations the operation of which are the responsibility of SINÉBAKA. Notwithstanding the above, nothing in this Agreement may be interpreted as preventing either Party, or one of the Parties to the Asset Owners Agreement, from taking any appropriate recourse on the grounds that the operation by SINÉBAKA of other transmission installations compromises in inappropriate manner the reliability and efficiency of the Interconnection Installations.

5.3 The Parties must coordinate their activity in such a way as to maintain the reliability and efficiency of the Interconnection Installations in compliance with the Reliability Criteria, Industry Standards and IOC and AOC Protocols.

5.4 Each Party must notify the other Party without delay of any circumstance which becomes known to it which could make the Interconnection Installations unavailable for use or considerably reduce the transfer capacity.

5.5 Neither Party has the right to operate its part of the Interconnection Installations in such a way as to unduly favour an entity which is using or trying to use the Interconnection Installations to achieve commercial Exchange Transactions, or in such a way as to cause undue harm to such an entity.

5.6 No Party shall be forced to accept or guarantee deliveries of power or electric energy passing through the Interconnection Installations if such deliveries could compromise the reliability or lead to the dangerous operation of these installations.
ARTICLE VI: EMERGENCY SERVICE

6.1 Before declaring a Shortfall in Capacity or a Shortfall in Energy and requesting an Emergency Service, each of the Parties must exercise all the required diligence in preventing the occurrence of such shortfalls and in attenuating such shortfalls as far as possible with the aid of the available resources, including reasonably accessible market mechanisms, on the Transmission Network over which it exercises or coordinates operational control. The Party requesting an Emergency Service from the other Party in the event of an Emergency should take all the necessary steps rapidly to restore its Transmission Network to a normal state of operations and minimise the duration of such assistance. SINÉBAKA shall display a notice on its web site that additional power is necessary due to a Shortfall in Capacity or a Shortfall in Energy.

6.2 When one of the Parties declares a Shortfall in Capacity or a Shortfall in Energy and requests an Emergency Service, the Party which receives the request must provide all the assistance reasonably possible. The degree of assistance shall not compromise either the reliability or the security of the network of the Party providing the assistance.

6.3 If one of the Parties cannot supply the Emergency Energy necessary to the other at the appropriate time and it is possible to obtain Emergency Energy from the Balance Zone of a third Party, the supply of this energy to one of the Parties to the present Agreement shall be made via the Strategic Transmission Network belonging to the other Party or which it operates to the extent that this supply does not compromise the reliability of that network.

6.4 The Party which provides the Emergency Service must describe the nature of each Emergency Energy delivery to the receiving Party, namely (1) "sale posted in the 10 minute reserve" in the case of an energy supply which may be recalled; (2) "sale posted in the 30 minute reserve" in the case of a delivery which it may reasonably be expected will be recalled if the seller has to fall back on a reserve production capacity or in the case of any emergency on its network; (3) "sale outside reserves" when the seller should normally be in a position to make the energy delivery after having used its reserves.

6.5 Emergency Energy is priced as follows:

a) The prices applicable or the pricing formulae for Emergency Energy are established in relation to the jurisdiction, the laws and the rules to which each Party is subject.

b) The pricing of Emergency Energy supplied to the Party which purchases this energy is calculated on the basis of a two part formula in relation to the time of day. The first part concerns the energy cost component (the "Energy Costs") while the second part takes into account the miscellaneous transmission costs and the costs of complementary services (the "Transmission Costs") which the seller has to pay to deliver the Emergency Energy to one of the interconnection points (the "Delivery Point").

c) Each of the Parties must notify the other Party in writing of the applicable Energy Costs (price or pricing formula) for the Emergency Energy which it may make available from its own Balance Zone and of any subsequent change to the Energy Costs. The Parties must always establish the applicable prices or pricing formulae in advance. Thirty (30) days written notice is required for a change of Energy Costs to enter into force unless the Parties mutually agree to waive this requirement from case to case.
d) Each of the Parties is responsible for registering the energy prices or pricing formulae which apply to Emergency Energy with its own regulatory body in compliance with its own regulations. The Parties are aware that Emergency Energy prices may be made public and that each of them may make this information available in compliance with its own obligations.

e) With regard to Emergency Energy supplied by a third party Balance Zone, the Energy Costs correspond to the total price which the third party requires for this energy. This price may include both the Energy Costs and the costs payable for the transmission of the Emergency Energy by the third party Balance Zone.

f) The Party which supplies the Emergency Energy must not increase its prices nor modify the pricing formulae used to establish the Energy Costs applicable unless it has been specifically instructed to do so by the regulatory bodies or in compliance with paragraph 6.5(c) of the present Agreement.


g) Each of the Parties must ensure in good faith that the Emergency Energy which it supplies comes from sources for which the Energy Costs included in the total price of the Emergency Energy are as low as possible and that this Emergency Energy is readily available and that it may be transmitted at the appropriate time without compromising the integrity of the network.

h) Each of the Parties is authorised to add the applicable Transmission Costs to the prices or the pricing formulae used to establish the Energy Costs as is foreseen by the applicable price.

i) The total cost of the Emergency Energy, regardless of the time of day it is supplied, corresponds to the sum of the Energy Costs for a given time and the Transmission Costs for that same time.

j) Once the Emergency Energy has been supplied, the supplying Party must invoice it to the buying Party and the latter must pay for it. The invoice must show the exact details of the quantities and the prices which determine the Energy Costs and any Transmission Costs applicable.

ARTICLE VII: MEASUREMENTS, INVOLUNTARY EXCHANGES, ENERGY REQUIRED FOR TRIALS

7.1 The Parties must provide operational data in the form of measurements of the quantities of electric energy in accordance with the requirements applicable to the Interconnection Installations in such a way that each of the Parties may check their use. If the Parties notice that some measurement data is inexact or missing, they must agree between themselves on a new method for checking the Interconnection Installations. The Parties must rely on the appropriate measurement equipment of the Asset owner for measuring the quantities of electric energy in order to measure the energy to the Interconnection Installations.

7.2 Involuntary exchanges on the Interconnection Installations must be checked and metered in compliance with the standards and procedures established by the Reliability Criteria and the IOC Protocols applied by the Interconnection Operators Committee. The methods for determining the Nett Real Exchange and the Nett Scheduled Exchange on the basis of the data compiled by the Asset Owners in accordance with the Asset Owners Agreement shall be established by the Committee.
7.3 In so far as the account of Involuntary Exchanges is not reconciled daily in the form of transfers or in compensation for the Exchange Schedules, the Parties must enter the Involuntary Exchanges on the Interconnection Installations in a file on a monthly basis in compliance with the IOC Protocols set out in writing by the Interconnection Operators Committee. Once the amount due each month has been determined, the Party which owes the Involuntary Exchanges must return an equivalent amount of energy as rapidly as possible and must schedule the return at times of heavy or low demand depending on the time of day at which the Involuntary Exchanges occurred unless the Committee decides otherwise.

7.4 The Parties must coordinate and administer the schedules related to the energy necessary for testing the Interconnection Installations in compliance with the different schedules established and communicated to the Parties by the Asset Owners and with the related measures for prices, market rules, operational procedures and regulations applicable.

ARTICLE VIII: INTERCONNECTION OPERATORS COMMITTEE

8.1 The Parties shall set up and maintain an Interconnection Operators Committee comprised of four members, two of which are appointed by SINÉBAKA and the two others by <the national electricity company>. Each of the Parties shall also appoint two proxy members who will replace absent members when required. Each of the Parties must notify the other Party immediately in writing of all appointments, terminations of appointment, and replacements. They shall meet at least twice a year by teleconference or in a location agreed upon by the members. The Committee shall comply with the administrative regulations which it shall itself establish.

8.2 The Committee is authorised to do all that is necessary and reasonable, on behalf of the Parties, so that the Parties may implement the present Agreement. The specific responsibilities and powers of the Committee are as follows:

(a) the preparation and creation of IOC Protocols including Common Coordination Instructions which are compatible with the Reliability Criteria, the Industry Standards and the AOC Protocols (including Common Operating Instructions), said protocols must be produced in compliance with the Asset Owners Agreement.

(b) the monitoring of compliance with the IOC Protocols, including the Common Coordination Instructions;

(c) the coordination of maintenance schedules in the Balance Zones;

(d) the drawing up and examination of a protocol with regard to the declaration of Emergencies and how to react to these, said protocol must comply with the Reliability Criteria, the Industry Standards and the applicable laws and regulations;

(e) the coordination and putting into place of functional tests and studies on the effects of the Interconnection Installations on the Interconnected Networks;
(f) the drafting of IOC Protocols with a view to maximising the reliability and efficiency of the Interconnection Installations, in accordance with the safety requirements and the constraints imposed by the regional market rules and controls;

(g) the drafting of IOC Protocols with regard to the return of the energy from Involuntary Exchanges or to other forms of reimbursement;

(h) the drafting of IOC Protocols related to the exchange of information on the operation of the Interconnection Installations, in accordance with the non-disclosure requirements in article IX of the present Agreement;

(i) the recommendation to the Parties to make modifications to the present Agreement; the Committee does not, however, have the authority to modify, waiver, or depart from the provisions in this Agreement;

(j) the setting up of sub-committees and work groups to assist the Committee to implement its obligations under the terms of the present Agreement; and

(k) the carrying out of any other reasonable and necessary activity with a view to the implementation of the present Agreement and the obligations of the Parties.

8.3 Any action including, and not limited to, the approval and adoption of an IOC Protocol, may only be approved and adopted by the Committee if it has been approved by unanimous vote with each member having a vote equal to that of the other members. The agenda for Committee meetings shall be sent to the Asset Owners Committee in advance; the Committee shall try, as far as possible, to provide said agenda at the latest five (5) working days before the date of the meeting.

8.4 Each of the Parties shall cover the expenses of its own Committee members and those of their proxy representatives. Common expenses incurred by the Committee for activities related to the Interconnection Installations shall be covered in equal shares by the Parties, or by the principals on whose behalf the Parties are acting as agents, or shall be split according to other proportions which the Committee may determine.

8.5 The Committee shall proceed, as necessary, to exchange information and ideas with the Asset Owners Committee with a view to the implementation of the present Agreement.

8.6 Any IOC Protocol issued by the Committee in accordance with the present Agreement must be issued in writing.

8.7 IOC Protocols must not make significant changes to the prices, methods and conditions of the transmission service foreseen for the Interconnection Installations.

8.8 Parties which do not have the right to vote may attend Committee meetings in compliance with the codes of conduct and restrictions applicable with regard to disclosing information to Parties involved in trading. Notwithstanding this provision, the Parties reserve the right to hold some Committee meetings which may be attended solely by Committee members or their proxy representatives.
ARTICLE IX: NON-DISCLOSURE, CODES OF CONDUCT, ACCESS TO FILES AND DOCUMENTS

9.1 Information supplied by one Party to the other by virtue of with the present Agreement which is marked or otherwise designated as being confidential by the Party which divulges it ("the Disclosing Party"), regardless of its form or mode of transmission, shall be considered to be confidential information ("Confidential Information"). The Party which receives Confidential Information ("the Receiving Party") must treat it as such and must not, at any time, disclose it in whole or in part, to any third party, apart from its principal in matters for which there is a relationship of principal-agent and to its employees, consultants and representatives who need to know this Confidential Information, with the exception foreseen in paragraph 9.2 of the present Agreement.

Notwithstanding the above, each Party shall handle Confidential Information in compliance with its applicable non-disclosure policy and code of conduct. Each Party retains all the rights, deeds and interests in relation to the Confidential Information which it discloses to the other Party. Each Party shall exercise at least the same level of diligence in protecting the Confidential Information it receives as it would do to protect its own Confidential Information.

9.2 Confidential Information shall not include any information which corresponds to the following situations:

   a) information which is readily available to the electric industry or to the public at the time of disclosure;

   b) information which becomes readily available to the electric industry or to the public, once it has been received by the Receiving Party, due to disclosure by the Disclosing Party or its representatives;

   c) the Receiving Party supplies credible proof that the information was available to it without being under the seal of secrecy before its disclosure;

   d) after receipt, the Receiving Party establishes by means of credible proof that this information was made available to it without being under the seal of secrecy by a source other than the Divulging Party or its representatives, without breaching the present Agreement;

   e) information which must be disclosed by law, including in accordance with all legislation in matters of access to information from another governmental authority or competent tribunal, when there is no other reasonable alternative to such a disclosure;

   f) information which must be disclosed by one of the Parties in the exercise of its functions with a view to the operation of the network or the management of the transmission price, when there is no other reasonable alternative to such a disclosure;

   g) information which must be disclosed by one of the Parties to a national or regional council in matters of reliability, in its role as member of such a council, when there is no other reasonable alternative to such a disclosure.
9.3 Before disclosing or providing Confidential Information received, the Receiving Party must first notify the Disclosing Party rapidly in writing of the requests to disclose or communicate said Confidential Information so that the Disclosing Party has the possibility to prevent such a disclosure.

9.4 The non-disclosure provisions in the present article IX remain in force for a period of one year from the termination date of the present Agreement, should this occur, and apply to the Parties throughout this entire period. Should the present Agreement be terminated, for whatever reason, each Party shall, in the ten (10) days following the receipt of a written request from the other Party, make every reasonable effort to destroy, erase or delete, or even return to the Party making the request, all Confidential Information which it received from that Party.

9.5 At the request of the Interconnection Operators Committee and subject to the non-disclosure requirements in the present Agreement, each Party shall rapidly provide to the Committee or its designated representative all the documents or all the information necessary to enable the Committee to carry out its duties and the Parties to fulfil their obligations herein. A Party is, however, not obliged to provide to the Committee or to the other Party documents or information if it reasonably deems that their confidentiality shall not be adequately protected in compliance with the requirements of the present article IX.

9.6 Neither Party shall operate the Interconnection Installations, or disclose information on the operation of the Interconnection Installations, in such a way as to give a competitive advantage to one or more market participants or to any of their associates in breach of the laws, regulations or standards of conduct which apply to that Party.

9.7 The Interconnection Operators Committee shall have access, at any reasonable time, to the files and data which each Party owns, keeps or controls, which are relevant to the performance of each Party's obligations in accordance with the present Agreement, and which are not otherwise protected by non-disclosure rules or agreements. Any Committee member may request that the Committee should seek to have access to such data, the other Committee members may not refuse such a request without reasonable grounds. The costs associated with the access to this information are borne by the requesting Party. The Party which owns, keeps or controls such data may invoice a reasonable amount to the requesting Party in compensation for the use of its staff to provide access to its books, its files or its accounts.
ARTICLE X: FORCE MAJEURE

10.1 Each Party to this Agreement shall demonstrate the required diligence in fulfilling its obligations in accordance with the present Agreement. Situations may arise, however, which prevent or delay the Party from doing so, due to one or more causes outside its control or which the Party could not have reasonably foreseen including, but not limited to, one of the following events: a breakage or accident affecting the material or equipment which is not the result of the lack of appropriate precautions or maintenance, flood, earthquake, storm, lightning, magnetic or solar disturbances, fire, explosion, epidemic, war, terrorist act, riot, public disorder, labour dispute, strike, sabotage and a constraint imposed by a tribunal or a public authority which neither Party could reasonably have been in a position to prevent, despite all the necessary diligence and foresight ("Force Majeure"). If one Party becomes unable to fulfil any of its obligations under the present Agreement due to a case of Force Majeure, it shall be excused to the extent that this has delayed or prevented it from taking action, but it must demonstrate all the necessary diligence in correcting any such incapacity as quickly as it is reasonably possible to do so, and it is in no way responsible for the injury, damage or loss resulting from any such incapacity. However, the settlement of strikes or labour disputes remains the entire responsibility of the Party involved.

ARTICLE XI: BREACH, CORRECTION, TERMINATION

11.1 The term "Breach" shall mean the failure of a Party to fulfil an obligation within the timeframe or in the manner foreseen in the present Agreement. There is no Breach if such a failure is the result of a case of Force Majeure or when the Party has been prevented from fulfilling the obligation due to an action or omission on the part of the other Party. In the case of Breach, the Party which is not at fault must send the defaulting Party written notification of said Breach within thirty (30) days of the time at which the Breach became known to it. The defaulting Party has thirty (30) days from the receipt of the notification of the Breach to correct this Breach provided, however, that if the Breach cannot be corrected in thirty (30) days, the defaulting Party shall commence to correct the breach in the thirty (30) days following the notification and shall continue to correct the breach in a continuous and diligent manner over a period of ninety (90) days from the receipt of the notification. If the correction has been completed within this period of time, the Breach described in the notification received ceases to exist.

11.2 If a Breach is not corrected in accordance with the provisions in paragraph 11.1 of the present Agreement, or if a Breach cannot be corrected within the timeframe specified in paragraph 11.1, the Party which is not at fault has the right to terminate the present Agreement at any time by means of written notification and is released from all obligations under the present Agreement, with the exception of obligations which specifically continue after termination. Whether or not the Party which is not at fault decides to terminate the present Agreement, it has the right to recover without delay the amounts owed by the defaulting Party under the present Agreement, plus the corresponding amount of any other damages or recourse to which it is entitled. The provisions of the present paragraph cover the recovery of the amounts owing and the damages which survive the termination of the present Agreement.
ARTICLE XII: INDEMNITY, INSURANCE, LIMITS OF RESPONSIBILITY

12.1 Indemnity

   a) Subject to the provisions in paragraphs 12.6 b) and 12.6 c): (i) The <national energy company> shall indemnify SINÉBAKA and release it from all responsibility in the case of damages, losses, responsibilities, obligations, claims, requests, legal proceedings, legal actions, the collection of unpaid debts, verdicts, regulations, costs and expenses, legal costs, legal fees, and other obligations (each element being an "Indemnifiable Damage") lodged against SINÉBAKA by a body which is not a Party to the present Agreement (a "Third Party") including, but not limited to, legal action filed by the <national energy company>, which allegedly results, arises from or is linked to actions or omissions on the part of TransÉnergie which give rise to such Indemnifiable Damage; and (ii) SINÉBAKA shall indemnify the <national energy company> and release it from all responsibility in the case of all Indemnifiable Damage filed against the <national energy company>, by a Third Party including, but not limited to, legal action filed by SINÉBAKA, which allegedly results, arises from or is linked to actions or omissions on the part of SINÉBAKA which give rise to such Indemnifiable Damage, including a directive or instructions from SINÉBAKA to a Party.

   b) The indemnity by each Party, described in paragraph 12.1 a) above, is limited to the extent that the responsibility of a Party requesting indemnity is limited by any applicable law and arises from a claim (i) from a Party having the role of client for the transmission service or (ii) from a client of that Party.

   c) The <national energy company> and SINÉBAKA hereby: (i) waive all defence or immunity which they could otherwise use by virtue of the applicable laws on indemnity for accidents at work or any other legislation or legal decision rejecting or limiting such indemnity; and (ii) consent to a cause of action for indemnity and a contribution with regard to such indemnity.

12.2 Notification of procedures

Each Party eligible for indemnity under the present Agreement (each one, an Indemnitee) shall immediately notify the Party which has an obligation to indemnify under the present Agreement (in each case, the "Indemnifying Party") of all Indemnifiable Damage for which the Indemnitee is or may be entitled to indemnity under the terms of paragraph 12.1 above.

Such notification shall be given as soon as it is reasonably possible to do so once the Indemnitee is aware of the Indemnifiable Damage and of the fact that the claim or procedure may lead to an obligation to indemnify in accordance with the present Agreement. Said notification shall describe the nature of the damage or the procedure in sufficient detail and shall indicate, as far as possible, the estimated amount of Indemnifiable Damage which has been or could be claimed by the Indemnitee. Should the Indemnitee be late in producing or fail to produce the required notification in accordance with the present Agreement paragraph 12.2 shall not release the Indemnifying Party from any obligation to indemnify which it may have towards this Indemnitee except to the extent that a) such a failure or delay has significant negative repercussions on the ability of the Indemnifying Party to defend such an action or has the effect of increasing the amount of Indemnifiable Damage; and b) the Indemnifying Party is not responsible for the Indemnitee's costs or expenses in contesting the claim, the proceedings, the action or the procedure during the period of default or delay.
12.3 Contesting claims

a) Unless the Indemnifying Party (i) acknowledges its obligation in writing within ten (10) calendar days of the notification from the Indemnitee concerning a claim, proceedings, an action or a procedure, and (ii) undertakes to contest this claim, proceedings, action or procedure in accordance with para. 12.3 b) below, the Indemnitee shall have the right, but not the obligation, to contest, defend and plead with the legal adviser of its choice, any claim, action, proceedings or procedure alleged or claimed by a third party against said Indemnitee resulting from, associated with or linked to a fact in regard of which it is entitled to an indemnity under the terms of the present Agreement. The corresponding reasonable costs and expenses are covered by the indemnity obligations of the Indemnifying Party under the terms of the present Agreement.

b) By acknowledging in writing its obligation to indemnify an Indemnitee within the limits required by the provisions of the present article XII, and by paying the reasonable costs incurred by this Indemnitee for its defence, including the reasonable legal fees, the Indemnifying Party has the right, at its discretion, (subject to the provisions in paragraph 12.3 d) below), to take charge and lead the defence of such a claim, action, proceeding or procedure at its expense with the legal advisor of its choice provided it has obtained the Indemnitee's prior approval.

c) Neither the Indemnifying Party nor the Indemnitee is authorised to settle or accept a compromise for such a claim, action, proceeding or procedure without the prior written notice of the other Party provided, however, that such consent is not refused in unreasonable manner.

d) After acceptance of the indemnity and the appointment of the defence by the Indemnifying Party in accordance with paragraph 12.3 b) above, the Indemnitee has the right to use its own legal advisor and said advisor may take part in the action, but any associated costs and expenses shall be borne by the Indemnitee unless (i) the hiring of a legal advisor by the Indemnitee was authorised in writing by the Indemnifying Party; (ii) the Indemnitee has reasonably deduced and specifically notified the Indemnifying Party that there could be a conflict of interests between the Indemnifying Party and the Indemnitee when defending this action; (iii) the Indemnifying Party has not in fact hired an independent legal advisor to the Indemnitee's satisfaction to assume the defence of this action and has been informed of this by the Indemnitee; (iv) the Indemnitee has reasonably deduced and specifically notified the Indemnifying Party that it could have different defences available to it or in addition to those available to the Indemnifying Party, or that the claim, action, proceeding or procedure involves, or could have a considerable negative impact on the Indemnitee not covered by the scope of the present Agreement; or (v) the Indemnifying Party has not taken the necessary reasonable steps to ensure its defence with diligence within twenty (20) calendar days of receipt of the Indemnitee's notification indicating that the Indemnitee believes that the Indemnifying Party has failed to take these steps. If clauses (ii), (iii), (iv) or (v) of the preceding sentence apply, the Indemnitee's legal advisor has the right to lead the defence of the claim, action, proceeding or procedure on the Indemnitee's behalf and the advisor's reasonable expenses and fees shall be legal or other indemnifiable expenses under the present Agreement.
e) If the amount of any Indemnifiable Damage incurred by an Indemnitee, at any time after the payment of an indemnity by an Indemnifying Party in accordance with the present Agreement, is reduced by recovery, regulation or another means by virtue of insurance cover, or following a payment, recovery, settlement or claim against another entity, the amount of any such reduction, minus the costs, expenses or premiums incurred in this respect, as well as the interest from the payment date at the preferential rate commercial banks grant their best clients shall be refunded rapidly by the Indemnitee to the Indemnifying Party. In the case of the final settlement of a claim, request or proceeding giving rise to an Indemnifiable Damage, if a final ruling confirms that the Indemnitee was not entitled to an indemnity under the present Agreement, the amount advanced by the Indemnifying Party with regard to the Indemnifiable Damage, as well as the interest accrued since the payment date at the Preferential Rate shall be paid rapidly by the Indemnitee to the Indemnifying Party.

12.4 Subrogation. On the payment of any indemnity by one Party in accordance with the present article XII, the Indemnifying Party, without any other action, is subrogated to all the claims which the Indemnitee may have in relation to the present Agreement, and said Indemnitee, at the Indemnifying Party's request and expense, shall cooperate with the Indemnifying Party and shall give, at the Indemnifying Party's request and expense, the other guarantees required or desired to enable the Indemnifying Party to vigorously pursue these claims.

12.5 Insurance

a) SINÉBAKA shall at all times, at its own expense, protect itself or act in such a way as to be protected throughout the duration of the present Agreement by means of: (i) insurance for liability, errors and omission (including an overall guarantee for contractual liability) protecting SINÉBAKA against all liability in the event of injury or death, damage to property and restoration of the environment, (ii) insurance cover against accidents at work (iii) property insurance (iv) directors and officers liability insurance. The amounts of the insurance cover and excesses should generally be comparable to those taken out in other independent operational centres, taking into account the relative size of SINÉBAKA and its contractual and pricing responsibilities as compared to the other Balance Managers who manage similar market structures. SINÉBAKA may rely on the advice of its insurance advisors when evaluating comparable cover and excesses.

b) The <national energy company> shall take out property insurance for its transmission installations and liability insurance in compliance with Industry Standards. The <national energy company> may itself guarantee such amounts insofar as it currently has similar insurance policies and amounts provided that the <national energy company> has third party insurance on the date of the present Agreement for complementary liability insurance in excess of <amount> million SDR, it will not be subject to the requirements in paragraphs 12.5 c), d), e) and f) below.

c) All insurance policies issued by external insurers and required in accordance with the present paragraph 12.5 must be concluded and maintained in force either by qualified insurers to guarantee the obligations and responsibilities linked to the present Agreement and with a credit rating of <to be determined> or, if the evaluations are no longer issued with regard to insurers at a specific time, a comparable rating issued by a nationally recognised credit rating agency, or with other insurers chosen jointly by the <national energy company> and SINÉBAKA.
d) The <national energy company> must be registered as an additional insured Party in insurance policies for liability, errors and omissions to be taken out by SINÉBAKA, and SINÉBAKA must be registered as an additional insured Party in insurance policies for liability, errors and omissions if a limit lower than <amount> million SDR is taken out by the <national energy company>. On the signature of the present Agreement, and on subsequent request, each Party must provide to the other Party the insurance certificates for all these insurance policies showing the amounts of cover, the policy numbers and the expiry dates of such insurance policies, in compliance with the instructions in the present Agreement.

e) Insurance policies taken out by SINÉBAKA in accordance with the present Agreement shall not be cancelled or terminated, and their terms and conditions shall not be modified without giving the <national energy company> notice of at least thirty (30) days.

f) If an insurance policy to be taken out by SINÉBAKA in accordance with the present Agreement is not available to SINÉBAKA in a reasonable commercial form (taking into account the conditions and premiums), SINÉBAKA shall request a report in writing from an independent insurance advisor of national renown, chosen by the <national energy company> and reasonably acceptable to SINÉBAKA, confirming with sufficient detail that such an insurance policy, depending on the amount or the scope of cover, is not offered in a reasonable commercial form by renowned insurers. Throughout any full period in which an insurance policy required by the present Agreement is not commercially available, SINÉBAKA must nevertheless take out an insurance policy of a value similar to the required policy, as far as possible, if such a policy is offered in a reasonable commercial form by renowned insurers. If an insurance policy not held or interrupted previously due to its commercial unavailability subsequently becomes available in a reasonable commercial form, SINÉBAKA shall obtain or re-establish such an insurance policy.

12.6 Acceptance of liability

a) (i) The <national energy company> is responsible towards SINÉBAKA and SINÉBAKA is responsible towards the <national energy company> for losses, liabilities, damage, reductions in value, obligations, claims, procedures, fines, shortcomings and expenses (collectively, the "Losses") caused by acts of negligence or serious omissions or international bad conduct on its part (including acts of negligence or serious omissions or intentional bad conduct on the part of its directors, associates, members, managers, employees, agents and contractors in accordance with the present Agreement; and

(ii) Neither of the Parties is responsible towards the other for indirect, special, exemplary, punitive or consecutive damage including the loss of revenue or profit, even if such damage is foreseeable or if the Party suffering the loss informed the other Party of the possibility of the occurrence of such damage, independently of the fact that such damage is considered to be a result of the failure or inadequacy of any corrective measure, exclusive or otherwise. The above restrictions do not apply to the Parties' right to request an indemnity by virtue of the present Agreement, in compliance with the provisions in paragraph 12.1 above.

b) Nothing in the present Agreement may be considered as modifying SINÉBAKA's right to recover the costs arising from its liability in accordance with the present article XII, by means of the SINÉBAKA Participants Agreement or the SINÉBAKA Service Contract.
c) SINÉBAKA is not responsible towards the <national energy company> for damages suffered by the <national energy company> which are directly attributable to the trust placed by SINÉBAKA in the evaluations of the installations made by the <national energy company>.

ARTICLE XIII: APPLICABLE LEGISLATION

13.1 The validity, interpretation and execution of the present Agreement shall be governed and implemented in compliance with the laws of <country in which the national energy company operates>.

13.2 In so far as one Party may enjoy absolute immunity or another immunity arising from the fact that the Party is a subdivision of a political entity and that such immunity would prevent one Party from applying the conditions of the present Agreement, the Parties acknowledge that all activities in connection with the present Agreement must be considered as commercial activities.

ARTICLE XIV: SETTLEMENT OF DISPUTES

14.1 The Parties must seek to resolve amicably and in good faith any disputes which arise by virtue of the present Agreement and the IOC Protocols. If any such disputes cannot be settled within a reasonable timeframe in this manner, either Party may submit the dispute to <enter a body for settling disputes> with a view to compulsory arbitration in accordance with the rules of commercial arbitration subject to the modifications hereafter. Such arbitration is the sole manner of formally settling disputes in the framework of the present Agreement unless the Parties agree to use another method.

14.2 Within thirty (30) days of serving the application notice with <enter a body for settling disputes> by the Plaintiff (or jointly by the Parties), the Parties must choose a single, neutral arbitrator. If the Parties do not agree on the choice of arbitrator within a further timeframe of thirty (30) days, they must choose a single, neutral arbitrator from a list of ten (10) competent candidates presented by <enter a body for settling disputes>. To qualify, a candidate must be an experienced arbitrator either with experience in the legal field or with general experience in the subject of the dispute. Without the specific written agreement of each Party with regard to a specific person, no manager, employer, consultant, past or present, of one of the Parties or of an associated or affiliated entity of one of the Parties, or otherwise involved in the matter which is the subject of the dispute, may be chosen as an arbitrator. Anyone appointed as an arbitrator must disclose to the Parties, if there is cause to do so, the existence of such a relationship which could lead to an exclusion, and a new arbitrator shall then be appointed. If the litigants cannot agree on the choice of an arbitrator, they shall take it in turns to delete a name from the list supplied by <enter a body for settling disputes>, the first Party to do so being chosen by drawing lots. The person whose name is deleted last shall be appointed as arbitrator. If this person cannot or does not want to serve as arbitrator, the person whose name was deleted just before shall be appointed, and so on until a person is selected who is capable and interested in being the arbitrator.
14.3 In the sixty (60) days following the arbitrator's nomination, or within any other reasonable timeframe required or specified by the arbitrator, each Party shall submit in writing an outline of the situation with regard to the point(s) at dispute and the documentation supporting its position, including the relevant facts and legislation, as well as requests for additional information which could be in the other Party's possession. The arbitrator shall determine to what extent these requests for information should be taken into account, how the evidence shall be gathered, which other written presentations may be made or other procedural questions. When doing so, the arbitrator shall take into account the complexity of the questions at issue, the scope of the dispute on the factual data and the relevance of the witnesses' credibility with a view to a settlement. The procedures for arbitrating a dispute must provide a means of obtaining a summary judgement without disclosing the facts if the dispute is not related to a substantive fact, or with limited disclosure if the arbitrator deems it reasonably probable that this will lead to the rapid resolution of any litigation on a substantive fact. Each Party in the dispute must present all the evidence (with the exception of privileged or confidential information between the lawyer and his client or with regard to the work produced by the lawyer) which the arbitrator considers to be necessary to settle the questions at issue. In so far as such evidence jeopardises exclusive information which is commercially sensitive or confidential, the arbitrator may issue an appropriate restricting order with which all the litigants must comply. Said restricting order must take into account the laws, rules, regulations or contracts applicable which forbid or restrict the disclosure of information on the subject. The arbitrator must decide to resolve the matter by arbitration based solely on the evidence and written arguments, unless the subject of the dispute and other evidence reasonably requires questioning witnesses.

14.4 Shortly after being selected, the arbitrator must set the date for issuing the arbitral award which shall not be more than six (6) months (or the closest date agreed upon by the Parties) at the date on which the arbitrator is selected, as well as all other dates, including the dates for hearing witnesses or other final presentations of evidence which shall be set in relation to this date. The date for hearing witnesses or for another final presentation of evidence shall not be changed, except in exceptional circumstances. The arbitrator shall have the power to impose sanctions, including dismissing the procedure for delaying tactics or for unjustified delays in the realisation of the arbitration procedure.

14.5 The arbitrator shall take into account all issues underlying the dispute and must receive written proof from the litigants in compliance with the procedures he established; the arbitrator may request additional information including the opinion of recognised bodies or technical experts. Each Party shall have a reasonable right to refute such additional information.

14.6 Unless the Parties agree otherwise, the arbitrator shall make the award in the six (6) months following his nomination and shall notify the Parties in writing of said award and the grounds supporting the award. The scope of the arbitration award is limited to the issues submitted to arbitration. The arbitrator is authorised solely to interpret and apply the provisions of the present Agreement and does not have the power to modify the Agreement. The award is final and binding on the Parties and is not confidential.

14.7 All the costs associated with the hours worked, the expenses and other costs incurred by the arbitrator and the <arbitration organisation> are covered by the losing Party. Each Party must cover its own costs, including the costs of its lawyers and its experts.
14.8 Arbitration shall take place in <enter a specific place>.

14.9 Neither Party has the obligation to comply with an arbitration award if by doing so it would be breaching the statues or regulations governing it.

ARTICLE XV: TRANSFER

15.1 Subject to the provisions in paragraph 15.2 below, a voluntary transfer or conveyance of the present Agreement or of a Party's rights or obligations by virtue of the present Agreement cannot be done without the written approval of the other Party, such approval shall not be withheld in unreasonable manner. However, in all cases, any successor or assignee of a Party's rights or obligations, whether this transfer or conveyance be voluntary or otherwise, shall be subject to the provisions and conditions of the present Agreement in the same way as if said successor or assignee were the original Party, and the transfer or conveyance shall not serve to release the original Party from its obligations or duties in connection with the present Agreement unless it has obtained the other Party's written consent in this respect, such consent shall not be withheld in unreasonable manner.

15.2 A Party may transfer the present Agreement to a regional transmission body or independent transmission company, by giving six months notice in writing, without the other Party's consent, the assigning Party is released from all responsibilities arising from the date of transfer onwards, but not before. A Party may transfer its rights under the present Agreement to an associate with the other Party's consent, such consent shall not be withheld in unreasonable manner, and the assigning Party is then released from all responsibilities arising from the date of transfer onwards, but not before.

ARTICLE XVI: NOTICE

16.1 Unless specified otherwise in the present Agreement, all notices, all requests or all applications to another Party required or authorised under the present Agreement shall be presented in writing and delivered to at least one member of the Interconnection Operators Committee, or to an authorised representative of this Party. Delivery of any such notice shall be made to the bearer using a recognised messenger service, by registered mail to the Party's address as shown in Appendix 2 of the present Agreement, this address may be modified at any time by notifying the other Party in writing. All notices, requests or applications by virtue of the present Agreement shall be implemented on delivery.

ARTICLE XVII: MODIFICATION, REVISION

17.1 No modification made to the present Agreement shall be applicable unless it has been issued in the form of a written document signed by the Parties' authorised representatives. For the purpose of the present paragraph, "authorised representatives" means those people designated as such by the Parties in their respective administrative regulations.
17.2 The terms and conditions of the present Agreement are subject to review to incorporate any modifications at the request of either Party. If, following such a revision, the Parties agree that any provision in the present Agreement, or that one Party's practices or conduct create an injustice, prejudice or exaggerated burden in relation to the other Party, or if the Parties acknowledge that any provision in the present Agreement has become obsolete or incompatible with the modifications with regard to the Interconnection Installations, the Parties shall attempt to negotiate, in good faith, a mutually acceptable modification or addition to the present Agreement so as to eliminate said injustice, prejudice or exaggerated burden, or to examine in any other appropriate fashion the cause of said modification.

17.3 The Parties may modify the present Agreement at any time by mutual consent in compliance with paragraph 17.1 above.

ARTICLE XVIII: DECLARATIONS

18.1 Each Party declares and guarantees that it exists, is duly constituted, and that it is in compliance with the law regime of the State or province in which it has been constituted, formed, or incorporated, depending on the case.

18.2 Each Party declares and guarantees that it has the right, the power and the authority to engage in the present Agreement, to be a Party to the same and to fulfil its duties arising from it. The present Agreement constitutes a legal and valid obligation for said Party, is binding upon said Party and must be put into effect by said Party in accordance with the terms and conditions of the present Agreement.

18.3 Each Party declares and guarantees that the signature, delivery and execution of the present Agreement does not infringe or is not in conflict with the organisational or training documents, the administrative regulations, the operational agreements or the management agreements of said Party, nor the judgements, licences, permits, statutory provisions or governmental authorisations applicable to said Party.

18.4 Each Party declares and guarantees that it has or has requested all the statutory authorisations necessary to fulfil its obligations in accordance with the present Agreement.

ARTICLE XIX: MISCELLANEOUS PROVISIONS

19.1 The failure of one Party to insist at all times on the rigorous application of all the provisions in the present Agreement shall not be considered to be a renunciation of the rights to which said Party is entitled. Any renunciation of a right by either Party for a specific circumstance may not be considered to be a continuous renunciation of said right, nor as a renunciation of any other right by virtue of the present Agreement.

19.2 The present Agreement is not aimed at creating and does not create rights, recourse or advantages of any nature whatsoever in favour of any entity other than the Parties, their principals, and in cases where this is allowed, their assignees.
19.3 The present Agreement, including all the attached Appendices, constitutes the entire agreement concluded between the Parties with regard to the present Agreement and replaces all earlier agreements or agreements of the same date, verbal or written, with regard to the scope of the present Agreement.

19.4 The present Agreement, including any future modification and any IOC Protocol, should there ever be any, is subject to the initial and continuing governmental authorisations necessary for establishing, operating and maintaining the Interconnection Installations specified in the present Agreement. Each Party must take all the reasonable steps in its power on a commercial level to maintain all the necessary governmental rights and approvals necessary for the execution of its duties in accordance with the present Agreement.

19.5 If the execution of a term or a condition of the present Agreement proves to be incompatible with an obligation imposed on either Party by a competent governmental authority with regard to said Party or its principal, said Party shall be released from the execution of said term or condition, and the Parties shall negotiate a modified term or condition which shall not be incompatible, but which shall be aimed at achieving the original intention of the Parties.

19.6 If a provision of the present Agreement is deemed to be inoperable, the rest of the Agreement shall remain in force and the Parties shall negotiate in good faith with a view to reaching agreement on a replacement provision which shall achieve the original intention of the Parties.

19.7 Several copies of the present Agreement may be signed, each of which shall be considered to be an original, but which shall be considered together as one and the same Agreement, and it shall be binding once all the copies have been signed by each of the Parties and delivered to each of the Parties to the present Agreement. The delivery by telefax of a signed copy of a signature page shall be as valid as the delivery of a copy signed by hand.

19.8 Unless the Parties specify otherwise, all payments due by virtue of the present Agreement shall be payable in <enter the applicable currency>.

19.9 If a competent regulatory authority (or any commission or agency representing it), a competent tribunal or any other government entity with the necessary authority (collectively, the "Regulatory Bodies") establishes a rule, makes a regulation, adopts a law or issues a ruling or decree which has the effect of cancelling, modifying or replacing a term or condition in the present Agreement (the "Regulatory Requirement"), the present Agreement shall be deemed to be modified to the extent necessary with regard to the Regulatory Requirement. Notwithstanding the above, if a regulatory body makes a significant change to the terms and conditions of the present Agreement and the change or changes have a noticeable impact on the advantages for one or both of the Parties as determined by either Party within a period of twenty (20) working days following the receipt of the significant modification to the Agreement, the Parties agree to attempt to negotiate in good faith one or more modifications to the present Agreement or to take one or more other appropriate steps to ensure that each Party is effectively returned to the same position as it would have been in had the modification or modifications not been made. If within a period of sixty (60) days, or any other period agreed upon by the Parties, following the modification or modifications in question, the Parties are unable to reach agreement on the necessary modifications, if this should be the case, and have not taken any other appropriate steps to effectively restore each Party to the situation it would have been in had the modification
or modifications not been made, either Party shall then have the right to unilaterally terminate the present Agreement with immediate effect.

IN WITNESS WHEREOF, the authorised representatives of the Parties have signed the present Agreement.

APPENDIX 1: DESCRIPTION OF THE INTERCONNECTION INSTALLATIONS AND RELATED INSTALLATIONS

APPENDIX 2: PEOPLE – RESOURCES FOR NOTIFICATIONS
Appendix VII

Proposed model contract for the sale and purchase of electricity

The French original of this contract is definitive. The English translation is provided for information only.
CONTRACT FOR THE SUPPLY OF ELECTRICITY
BETWEEN
THE KAGERA BASIN INTERNATIONAL ELECTRICITY COMPANY
AND
A NATIONAL ELECTRICITY COMPANY

Note to readers:
This contract applies to options B and C presented in the report.
SUPPLY CONTRACT

WHEREAS: The Kagera Basin International Electricity Company (hereinafter "SINÉBAKA"), an establishment under international public law, with registered office in <town> (<country>), represented by <name>, <position>

A party to this contract;

AND: The Public Utility for the Production, Transmission and Distribution of Water and Electricity in Rwanda, known as ÉLECTROGAZ, (hereinafter the "Company"), with registered office in Kigali (Republic of Rwanda), represented by <name>, <position>

A party to this contract;

WHEREAS SINÉBAKA, an establishment under international public law in the form of a commercial company, was constituted in implementation of an International Agreement concluded on <date> between the Government of the Republic of BURUNDI, the Government of the Republic of RWANDA and the Government of the United Republic of Tanzania;

WHEREAS SINÉBAKA is building a hydroelectric power station at the Rusumo Falls on the river Kagéra on the border between Rwanda and Tanzania at <distance from known site> which shall have an initial installed power of <*> MW and subsequent installed power of <*> MW;

WHEREAS SINÉBAKA shall own said power station <*> (hereinafter "the power station") and shall operate it, and the power station shall, once completed, supply electrical energy to Tanzania, Burundi and Rwanda;

IN PURSUANCE THEREOF THE PARTIES AGREE AS FOLLOWS:

I. PRINCIPLE

ARTICLE 1

1.1. SINÉBAKA undertakes to sell to the Company which accepts, on the conditions shown below, a certain quantity of electric energy corresponding to the power available from the Power Station at <*>KV bars at a frequency of <*>hz.

1.2. While waiting for the interconnection link <name of link> to be established, supplies to the company will transit via the installations of <*> to <*>.

1.3. The Company has the right at any time to take <*> of the power and energy available at <*>KV bars of the Power Station to the delivery point for the electric energy. If it so desires, it may request and obtain a higher proportion <*> of the power and energy available taking into account the purchases made by other SINÉBAKA clients.

1.4. The detailed technical specifications with regard to the supply of electric energy, in particular, the tolerances for the variations in voltage and frequency, the limitations of reactive power (power factor), the location of meters, the service interruptions and restrictions and the emergency steps shall be detailed at a later date before the Power Station is commissioned in an agreement dealing with operational procedures.
1.5. SINÉBAKA shall inform the Company of the date on which the Power Station shall commence commercial operations and it shall be the Company's responsibility to be in a position to use the electric energy made available to it.

II. CONDITIONS OF SALE

ARTICLE 2

2.1. The electric energy supplied to the Company by SINÉBAKA shall be sold to it on the basis of a tariff which is made up of a fixed charge and a variable charge. The kWh price will be set each year in such a way that the annual rate of financial profitability of the <*> project is 10% in constant currency over the duration of the economic life of the installations. The method for calculating this is shown in Appendix A of the present contract.

2.2. The Company shall pay SINÉBAKA every quarter an amount at least equal to the fixed charge which is due in any case by the Company to SINÉBAKA and shall do so regardless of the amount of electric energy effectively used by the Company during the period in question.

2.3. The fixed quarterly charge entitles the Company to a quantity of energy determined by the kWh selling price. The method for calculating the fixed charge is shown in Appendix B of the present contract.

2.4. Energy supplied by SINÉBAKA to the Company which is in addition to the quantities of energy which correspond to the fixed charge, that is to say which make up the first variable part shall be sold at the kWh price established as indicated in 2.1 above.

2.5. Interest shall be charged on customer accounts of more than three (3) months at the rate set each year by the SINÉBAKA Board of Directors.

ARTICLE 3

3.1. SINÉBAKA reserves the right to modify the prices, namely the kWh price and the fixed charge and, as a consequence, the quantity of energy supplied under the fixed charge in relation to the variations in the cost of the elements taken into account when setting these prices (see article 2).

3.2. The elements for calculating the prices shall be reviewed each year to take into account modifications in SINÉBAKA's operational expenses and the updated demand for electric energy (clause 2.1).

3.3. To take monetary depreciation into account, the price shall be reviewed each year when the SINÉBAKA budget is drawn up in proportion to the variations in the United Nations index of the unit value of conversion products exported from industrial countries to developing countries. The reference index is the one in force on the date on which the first average kWh price is established.

3.4. The fixed charge shall be revised annually on the basis of SINÉBAKA budget forecasts.
3.5. These adjustments shall be made each time on the basis of a proposal from SINÉBAKA. The new prices and the new quantity of energy supplied under the fixed charge shall be established by SINÉBAKA after consultation with the Company, in accordance with the procedure in articles <*> to <*>.

3.6. The new prices shall come into effect without any other notice on the first working day of the calendar year following their communication by SINÉBAKA to the Company.

III. RESALE OF SURPLUS ELECTRICITY

ARTICLE 4

4.1. The share of energy not used belonging to ELECTROGAZ constitutes electricity surpluses.

4.2. Electricity surpluses may be resold on the market at the total discretion of ELECTROGAZ.

4.3. For the purpose of the present contract, the market represents <the geographical entity or interconnected networks> <to be defined*>.

4.4. The conditions of sale for surpluses are negotiated by mutual agreement between ELECTROGAZ and the buyer.

4.5 SINÉBAKA keeps a separate register of the energy used by ELECTROGAZ and that not used by ELECTROGAZ which constitutes the surpluses.

4.6. SINÉBAKA facilitates the resale of ELECTROGAZ surpluses without, however, such resales having an impact on its obligations towards other third parties.

IV. INVOICING

ARTICLE 5

5.1. SINÉBAKA shall send the Company, at least ten (10) days before the end of each quarter, an invoice for the anticipated payment of the fixed quarterly charge. Five days at the latest after the end of each quarter, SINÉBAKA shall also send the Company an invoice for the payment of the electricity supplied in the past quarter which is in addition to the electricity supplied corresponding to the fixed charge. Payment of these invoices are due in sixty (60) days from their date of issue.

5.2. SINÉBAKA invoices are made out in Special Drawing Rights. They are settled by the Company in its national currency by using the rate of exchange used by the Central Bank in its country on the invoice date.

5.3. Should SINÉBAKA be faced with exceptional unforeseeable operational expenditure in the course of a year, SINÉBAKA can ask the Company to reimburse <proportion> of the amount of this expenditure when invoicing the next quarter.
V. PAYMENTS

ARTICLE 6

6.1. Each time the Company pays the fixed charge to SINÉBAKA, the latter shall credit this amount to the Company account in its books.

6.2. Each time the Company buys electrical energy from SINÉBAKA, in addition to that corresponding to the fixed charge, the latter shall debit the Company account of the cost of the electrical energy supplied in this way.

6.3. At the end of each financial year, SINÉBAKA will check:

a) The total amount of sales to the three national client companies, the total amount invoiced including the fixed charge for each company and the value of the energy effectively delivered to each company in addition to that which corresponds to the fixed charge;

b) The effective costs in the financial year, corresponding to the cash flows needs for said financial year;

c) The value of the energy effectively delivered to the three national companies on the basis of the unit price calculated at the start of the financial year.

6.4. It is agreed that:

a) The total amount of SINÉBAKA sales in the past financial year must be at least equal to its costs.

b) If the total amount of SINÉBAKA sales to the three companies is higher than the amount of its cash flow needs, which means that at least one of the three companies has received a quantity higher than that corresponding to the fixed charge, any surplus shall be used to reimburse, in full or in part, the company or companies which have paid a fixed charge for an amount in excess of that which corresponds to the energy received.

6.5. So if the Company paid SINÉBAKA a fixed charge for an amount in excess of that which corresponds to the energy received, four (4) cases may arise:

a) If the value of the energy effectively delivered by SINÉBAKA to the three companies is more or equal to its cash flow needs, the Company shall be refunded the difference in full between the amount paid as fixed charge and the value of the energy it effectively received;

b) If the value of the energy effectively delivered by SINÉBAKA to the three companies is less than its cash flow needs and if the total amount of its sales is higher than the latter and if the company is in the situation outlined above, the Company shall only be refunded the surplus set out in 5.4 b) above;
c) If the value of the energy effectively delivered by SINÉBAKA to the three companies is less than its cash flow needs and if the total amount of its sales is higher than the latter and if a second company is in the situation outlined above, the surplus set out in 5.4 b) above shall be split between the Company and the second company in proportion to the values of the energy they effectively received without, however, one company being refunded more than the difference between the fixed charge and the value of the energy effectively received;

d) If the total amount of SINÉBAKA sales to the three companies is equal to its cash flow needs, the three companies are to be found in the situation outlined above, there is no surplus as defined in paragraph 5.4 b), and the Company shall not receive any refund.

VI. MISCELLANEOUS

ARTICLE 7

The present contract may be modified at the request of one of the Parties.

ARTICLE 8

All disputes arising from the application of the present contract shall be submitted for arbitration to the <Arbitration Committee>, in <town>.

ARTICLE 9

The present contract is applicable and has obligatory force in compliance with its scope notwithstanding any provision to the contrary of the law in the Company's country.

Concluded in <town>, on <date>

FOR SINÉBAKA
<NAME>
<POSITION>

FOR THE COMPANY
<NAME>
<POSITION>
APPENDIX A

The average SINÉBAKA kWh price for the financial year in which the installations built in the scope of the project shall be commissioned shall be defined in such a way as to obtain financial profitability of ten per cent throughout the duration of the economic life of the installations.

Consequently, the total amount of sales throughout the duration of the economic life of the installations calculated as the result of the multiplication of the annual sales forecast in kWh by the average kWh price in constant value, updated at the rate of ten per cent must be equal to the total cost during the working life of the project in expenditure in capital, operations and maintenance, also in constant value and updated at a rate of ten per cent.

The average kWh price, calculated for the year the installations are commissioned, shall be reviewed each year as stipulated in 2 and 3.

APPENDIX B

The SINÉBAKA fixed electricity charge which the Company must pay before the start of each quarter shall be determined as follows:

a) At the end of each financial year SINÉBAKA shall estimate its cash flow needs for the following financial year which shall be comprised of:

(i) operational and normal service charges for the Rusumo Falls power station;
(ii) a provision for a major service, that is to say, the possible renewal and replacement of assets, spread over several years;
(iii) servicing the debt, that is to say, reimbursing the main debt and paying interest on long term borrowings.

b) To estimate its currency requirements, SINÉBAKA shall take into account the variations in the United Nations index on exports of finished products from industrialised countries to developing countries.

c) The amounts thus determined shall be owed by the three national electricity companies and each company shall pay the fixed charge before the start of each quarter equal to <proportion> of the SINÉBAKA cash flow forecast as stipulated in article 4.
Appendix VIII
Examples of institutional models aimed at rural electrification
SENEGAL

Institutional Organisation of the Electricity Sector

The electricity sector was reformed in 1998 by the Government of the Republic of Senegal in order to guarantee the supply of electrical energy at the lowest cost to the country and to widen the population's access to electricity, particularly in rural areas. Major innovations were made to law no. 98-29 of 14 April 1998 governing the electricity sector.

The Minister in charge of Energy is responsible for preparing and putting into place the general policy for the sector defined by the Head of State, for defining the National Electricity Plan and the standards applicable to the sector. The Minister grants licences and concessions on the recommendation of the Commission for Regulating the Electricity Sector (CRES).

The National Electricity Company (SENELEC) no longer has a de facto monopoly. The country is the process of opening up the market to Senegalese and international commercial companies as well as to local authorities and associations. The SENELEC was privatised. It is under concession contract. However, despite being privatised in 1999, the concession agreement was terminated and the SENELEC, still under concession, has become totally public again. The SENELEC has a concession contract for continuing to operate the interconnected and secondary networks, but loses the monopoly on production and distribution.

It also has the status of sole wholesale Buyer of all the electricity which will be produced in Senegal or imported to meet all the requirements up until 31 March 2009. The SENELEC is responsible for the duration of its concession for the development of production with the aid of new installations specific to it or by having recourse to independent production. Recourse to independent production will be done by means of calls for tenders issued by the CRES and for which the SENELEC may apply in competition with the independent producers.

It should be noted that a new reform of the institutional structure of the SENELEC is currently being prepared; in the framework of the Law in force, it should lead to the effective separation of the functions of production, transmission and distribution.

The new legislation put into place the Commission for Regulating the Electricity Sector (CRES) which will manage independent production by means of calls for tenders. Under the terms of law no. 98-29 and decree no. 98-333, the CRES is in charge of regulating the production, transmission, and distribution activities and the sale of electric energy.

The Senegalese Agency for Rural Electrification (SARE) is an independent public service unit established by decree no. 99-1254 of 30 December 1999. The creation of the SARE confirms the specific nature and priority accorded to rural electrification. Two mechanisms are involved in the rural electrification of the country: the State Priority Programmes for Rural Electrification (PPRE) and the Local Initiative Rural Electrification Projects (LIRE projects). This new strategy opts for a public/private partnership.

The SARE is responsible for:

- preparing PPRE on the basis of the electrification plan defined by the Minister responsible for energy;
selecting operators and preparing the dossiers for the award of concessions in connection with
the Commission;
• technical assistance and financial assistance to the operators awarded rural electrification
concessions; and
• following up the implementation of the PPRE.

The rural electrification programme

The SARE has thus been entrusted with the putting into place of the Senegalese Rural
Electrification Action Plan (SREAP) which is constituted as follows.

Each year, the SARE defines the PPRE to be put into place with the objective of progressively
covering the country. After selecting an engineering office by international tender, the SARE
determines the levels of service to the rural electrification markets for an area or a concession in
relation to the technological options possible. The PPRE are put into place by the private
operators granted concessions, selected by tenders issued by the SARE on instructions from the
CRES.

LIRE projects are smaller projects which complement the PPRE. They are mainly for authorising
a model for selling services managed by a community (local authorities, NGO, group of users) in
areas where there are no plans to award concessions in the near future. When an operator is
awarded a concession in an area where there is a LIRE project, it may take over the LIRE after
making an agreement with the LIRE operator under the auspices of the CRES.

The objective of the concession system is to constitute authorised, compact markets of
economically sufficient size and duration to attract investors and private operators and to
contribute to the development of productive and social uses.

The national territory has been divided into twelve priority areas for electrification. Each must be
covered by a Priority Programme for Rural Electrification (PPRE) leading to the award of a
concession for distributing electricity in each area to a private operator. The areas for which
there are concessions exclude the areas for which SENELEC already has concessions.

The World Bank, the German reconstruction bank (KfW) and the African Development Bank
(AfDB) have already given their support to the SARE to put this programme into place. The
World Bank has financed the realisation of the LEP (Local Electrification Plans, preliminary
studies serving to determine the feasibility level of the concessions and to establish the level of
subsidies to ensure the profitability of the capital from private investors) and is backing the
putting into place of the first three concessions; the KfW (one concession) and the AfDB (two
concessions) have confirmed their financing for putting concessions into place in future years.

The first concession has been awarded; tenders have been issued for the next ones.

Tariff policy on rural electrification

The tariffs for electricity services are established and monitored by the CRES. Electricity tariffs
are thus subject to regulation based on capped prices. The tariff conditions and the period of
application will be defined from case to case in the terms of reference for the sales licence or
rural electrification concession.
The tariffs defined by the Minister in charge of Energy and the CRES will authorise sufficient levels of revenues to allow the concession holder to achieve a normal rate of profitability taking into account the expenses foreseen for amortisation, the production or purchase of electricity, salaries, other running costs including duties and taxes without forgetting the costs for complying with regulatory obligations and those associated with meeting public service obligations.

A single tariff for an identical energy service will be applied to subscribing users within the same rural concession. This tariff may vary from one concession to another. For each concession, the initial tariff amounts and the different levels and the fixed price amounts will be set by the CRES.

The tariff will be based on:
- A standard electricity tariff for kWH sales within each concession;
- A fixed rate tariff system for modest consumption customers in rural concessions;
- The setting up of a pre-financing system by means of the invoicing of additional related services such as the management of energy or the interior installations. Plus the initial connection.

Financial organisation of rural electrification

The concession holder is free to choose the technology for optimising profitability with regard to investment. Most of the investment must be made in the first three years. To attain the profitability objectives on the concession holder's own capital and reduce the investment risk, a subsidy mechanism has been put into place; subsidies vary in relation to the potential profitability of each concession as established in advance by detailed economic studies.

With regard to financing, the SARE will be able to grant investment subsidies to the operators responsible for rural electrification; it will also be able to grant them loans at improved rates. Furthermore, these activities can be extended to other areas, for example, the award of direct credits to promoters, such as the suppliers or distributors of domestic photovoltaic solar systems.

Subsidies

Subsidies will not relate directly to the tariff but solely to the investments made in the first 3 years. The subsidy does not therefore cover the running costs. However, the reduction of the amounts to be paid off will make it possible to lower the overall costs and apply more affordable tariffs.

An ad hoc arrangement for adjusting subsidies funded by a line of financing from the World Environment Fund is planned to reduce the obstacles to adopting New and Renewable Energy (NRE) while maintaining competitive pressure between technological branches.

Rural Electrification Fund

The fund put into place by the SARE has the objective of:
- Managing a line of subsidies which will be delivered in relation to the actual results achieved by the benefiting concession holders (in accordance with the notion of Output Based Aid);
- Supporting multisectoral energy development projects helping to reduce poverty and improve access to basic electricity production and social services.
This fund is above all a long-term mechanism for financing the development of rural electrification in Senegal. In particular, it will make it possible for users to have bills which are compatible with their revenues.

The State of Senegal is in the process of putting into place the necessary modifications in the fiscal domain to make the legislative and regulatory framework for rural electrification attractive to operators and users. It should be noted that VAT is already exempt on bills for low consumption users and that there is no customs duty on equipment related to rural electrification installations.

**MALI**

**Institutional Organisation of the Electricity Sector**

In its reform programme for the Electricity and Drinking Water sectors, the State decided to liberalise the electricity sector under the conditions foreseen in ordinance no. 00-019/P-RM of 15 March 2000 on the organisation of the electricity sector and setting out the modes of application for the same. The sector is thus governed by texts and ordinances which deal with, amongst other things, the disengagement of the State from the operational activities of the electricity industry (productive operations), the liberalisation of the sector and the clarification of the roles of the players (State, territorial authorities, operators, regulatory body) and which make rural electrification a clear priority in the context of the fight against poverty.

The private operators are responsible for production, distribution and transmission. They are three in number: (i) the concession holder for the public electricity service is Eléctricité du Mali (EDM SA); (ii) the Decentralised Service Companies (DSC); and (iii) the producers (agro industries, mining and textile industries, etc.)

The wholesale purchase of electricity for independent producers is guaranteed exclusively by the concession holder(s) for transmission or distribution over a ten year period on the basis of their status of Central Purchaser for the network for which they have the concession.

*Eléctricité du Mali* (EDM) was privatised in December 2000. 60% of the shares and all the property was transferred to the SAUR and IPS West Africa consortium. The EDM then became EDM SA, a private partner and concession holder for the public service of electricity and drinking water in Mali for a period of 20 years which may be extended to 25 years. However, the qualifying, majority partner SAUR then withdrew from the group, leaving only IPS West Africa.

The DSC were set up in 1999. These companies provide a remunerated electric service to the rural populations in the areas concerned. Two of these DSC are located in the regions of Kayes and Sikasso. They produce, distribute and sell electricity services on the basis of agreements signed with the State of Mali.

The organisation of the sector was reinforced in 2000 with the creation of the Commission for Regulating Electricity and Water (CREW) which is an autonomous independent body charged amongst other things with:

- regulating the public service within the EDM-SA concession area for areas with an installed power of more than 250 KW;
- organising competition between the operators in the electricity sector;
• the tariff policy.

In 2003, Mali also set up an institutional structure for rural electrification: the AMADER. The AMADER is an EPA, governed by Law no. 90-110 on the fundamental principles for the creation, the organisation and the running of EPAs. To this end, the AMADER has a juridical personality and financial autonomy. It was created by Law 03-06/AN-RM of 21 May 2003.

The Agency is responsible for managing domestic energy and developing the access of rural and periurban populations to modern energy services. It is also responsible for ensuring the putting into place of the World Bank DEPABS project over 5 years.

This entity enjoys both financial tools (the REF) and an institutional, legal and regulatory environment. The AMADER is thus the only agency qualified to manage the electrification of all the areas where the provisional installed power does not exceed 250 kW three years after the award of an authorisation. It regulates, monitors and contributes to financing this activity.

The AMADER is thus established as the key body for the development of rural electrification in Mali.

The rural electrification programme

The first concrete initiative in rural electrification is the Domestic Energy Programme and Access to Basic Services (DEPABS) in rural areas financed by the International Development Association and the World Environment Fund (WEF).

In the framework of this project, the priority activities were:
• the institutional support for the technical energy services in March 2003;
• the putting into place and the operationalisation of the Mali Agency for the Development of Domestic Energy and Rural Electrification (AMADER) in April 2003;
• the drawing up of the Master Plan and of a Decennial Programme of Rural Electrification in August 2003;
• the creation of the Rural Electrification Fund (REF) in December 2003;

In this context, 5 to 7 huge DSC, called Multisectoral Electrification Areas (MEA), and 8 to 10 small DSC were considered. An MEA is defined as an entity with more than 5000 consumers and small production companies. As for the small DSC, they regroup isolated rural communities with less than 1000 consumers or small production companies.

Tariff policy

The tariffs for the sale of electricity are established jointly by the CREW and EDM SA. However, the CREW's current field of intervention is limited to areas where concessions have been granted. The selling prices are free for the other operators and it is the State which acts as regulator. The purchasing prices from independent producers are negotiated between the latter and the concession holder for the transmission or distribution network. Depending on the provisions of the Ordinance on the organisation of the electricity sector, the regulated tariffs are capped prices.
Financial organisation of rural electrification

Given the importance of financing for rural electrification, Mali decided to set up a Rural Electrification Fund (REF).

The highly innovative nature of the rural electrification schemes involves specific risks for investments made by the private sector. The World Bank project therefore made provision for the setting up of this Fund and of a mechanism for the "partial guarantee for sovereign risks" for private investors.

Tax and customs duty incentives

In order to support and encourage the efforts of future investors in the operating of mini power stations, the Malian Government has made provision for tax and customs duty incentives. Decree no. 04/MEF-56 of 12 July 2004 thus makes provision for companies which have successfully bid for markets or contracts from the AMADER and their sub-contractors to be exempt from the following taxes, duties and levies:

- Value added tax (VAT);
- Registration fees and stamp duty on markets and/or contracts;
- Taxes on insurance contracts;
- Licenses on markets or contracts.

BENIN

Institutional Organisation of the Electricity Sector

The Government of Benin has been engaged in a process of reform of the electricity sector since the start of the 2000s.

Since January 2005, the Government has progressively put into place the following measures: the separation of the activities linked to water from activities linked to electricity of the Société Béninoise d’Eau et d’Électricité (SBEE or Benin Company for Water and Electricity) in order to better develop each of these branches. The SBEE was established by ordinance no. 73-13 of 7 February 1973. It is a public establishment with industrial and commercial nature which managed both the water and electricity sectors. It ensures the transmission and distribution of electric energy in Benin, as well as the catchment, the purification, the distribution of water and the disposal of waste water. Following the change in the reforms, the SBEE became the Société Béninoise de l’Électricité and is no longer involved in the water sector. The SBEE is under the tutelage of the MMEH, but has a para-state status which gives it a certain autonomy in management.

- the creation of a Regulatory Authority for the electricity and water sectors to monitor and ensure equity between the main players;
- the opening up of the electricity sector to participation from the private sector, especially the electricity producing branch;
- the creation in December 2003 of an Agency for Rural Electrification and Energy Control (AREEC), the statutes of which were adopted in July 2004 in order to promote and supervise electrification activities in areas at a disadvantage. It was also planned to have a concession for the SBEE, but the Government has apparently temporarily abandoned this.
The AREEC is placed under the tutelage of the Ministry and is a public non-profit-making establishment with juridical personality and organisational and financial autonomy. Its purpose is to support the putting into place of State policy on energy management and rural electrification. The activities of the AREEC are financed by the rural electrification and energy management fund mobilised by decree.

More specifically, it has the responsibility:

- to make strategic studies, to prepare national and regional development programmes;
- to carry out pilot demonstration projects;
- to back the creation of projects with different players by means of stimulating local initiatives, technical assistance and the provision of various services;
- to promote energy management and private investment in rural electrification;
- to direct investment projects calling for measures to promote energy management and rural electrification;
- to contribute to the development and reinforcement of the national private sector;
- to contribute to the research and development of innovative technical solutions at the least cost;
- to mobilise and manage the rural electrification fund and the rural electrification subsidies.

The Pre-Selection and Solar Programme Coordination Cell (PSSPCC) which has been in existence since 2002 is in charge of putting into place State policy on pre-electrification in rural areas. Pre-electrification policy in rural areas designates solely a range of projects aimed at the installation of electrogenic groups.

**Tariff policy in the sector**

As far as we know, Benin has not yet completed its reform of the legislative and institutional framework, so it is difficult to find specific information on the tariff policy in the sector. It can be assumed that a regulatory authority will be set up for the sector and that it will be consulted on this aspect.

**Financial organisation of rural electrification**

The AREEC is financed by contributions from the State, subsidies from financiers, donations and legacies, and part of the taxes on the kWh or electricity and the litre of petrol sold. Apart from financing the activities of the AREEC, the rural electrification fund is intended for electrification subsidies the amounts of which can vary from 60% to 70% of the total investment.

**CAMEROON**

**Institutional Organisation of the Electricity Sector**

- Since 1998 the Cameroon government has passed a series of laws and decrees on the reform of the electricity sector. The institutional framework type is as follows:
  - the State: responsible for the planning and technical control of the sector;
  - private operators: concession holders or independent producers;
  - the regulatory and arbitration bodies;
• the structures in charge of developing rural electrification.

Development policy in the rural electrification sector is implemented under the responsibility of the Ministry of Energy through its technical body which is the Electricity Directorate.

The National Electricity Directorate (NED) manages investment activities in the rural electrification sector.

In July 2001, the former operator, the Société Nationale d’Électricité du Cameroun (SONEL), was privatised under the name AES-SONEL. The American company AES acquired 56% of the shares in the SONEL. It also obtained full responsibility for the management of the three market sectors, namely, the production, the transmission and the distribution of electricity for a period of 20 years. AES-SONEL became the concession holder for the electric network in Cameroon. AES-SONEL must operate in its concession area, outside of which, electrification remains the responsibility of the REA and the Electricity Directorate.

The Rural Electrification Agency (REA) was set up in 1999 as the government agency for the implementation and putting into place of rural electrification projects. The REA is a public establishment with juridical personality and financial autonomy. It is responsible for promoting rural electrification. To this end, it grants operators and users the technical and sometimes the financial assistance necessary to develop rural electrification. Its purpose is:
• to make studies and surveys leading to economic solutions applicable in rural areas;
• to prepare technical dossiers in association with the administrations concerned on behalf of rural communities;
• to negotiate the necessary financing for rural electrification;
• to assist operators with the preparation of their dossiers on rural electrification;
• to draw up mechanisms for the community management and maintenance of electrification installations in rural areas;
• to assist rural communities with electrification installations in rural areas with the management and maintenance of the latter.

REA resources come from part of the fees, State subsidies, donations and legacies. In particular, the agency receives 1% of the revenue from the electricity companies.

The Regulatory Agency of the Electric Sector (RAES) is a public administrative establishment with juridical personality and financial autonomy. Its objective is to ensure the regulation, the follow up and the control of activities related to the supply of electricity. In the framework of its mission, the RAES ensures the functions of investigations and sanctions. It must look after the interests of both consumers and investors at the same time. It also has the responsibility of:
• ensuring the financial equilibrium of the sector;
• promoting competition and the participation of the private sector in all activities in the sector in a context of transparency;
• to submit the concession agreements and applications for licences and authorisations, after assent, for signature to the appropriate authority;
• to put into place and monitor the tariff system;
• to ensure compliance with legislation on environmental protection;
• to monitor, follow up and assess implementation;
• to apply sanctions to defaulting operators.
Rural electrification programme

In Cameroon, only around 21% of households in rural areas have access to electricity.

The Government would like to promote a decentralised programme of electrification with the possible participation of the private sector. With this in mind, it has set up bodies to reinforce the institutional framework of the sector with a view to improving access and the quality of the service over the entire national territory.

To find solutions for the lack of access to energy for the rural population, the Government has drawn up a Master Plan for Rural Electrification (MPRE) on the basis of which several rural electrification programmes have been prepared with funding open to financiers. The deadlines for the first programme are from 2005 to 2009.

Tariff policy

Tariffs are defined in the framework of the concession agreement and are renegotiated every 5 years under the supervision of the RAES. If the tariffs for the public electricity service are lower than the actual costs, the State undertakes to give financial support for the latter.

Electricity prices are thus regulated and made public by the RAES, although difficult to access. The structure of the 2002 and 2004 prices define three main types of consumers: low voltage (households, small businesses, public electrification), average voltage (bigger businesses) and high voltage (industries).

Financial organisation of rural electrification

Cameroon has not yet put a precise financial organisation into place. Despite this, the NED is responsible for investment activities in the rural electrification sector. This directorate also has to initiate a clear policy on subsidies.

To make the rural electrification sector more attractive, subsidy mechanisms by negative auction have to be put into place to make the sector more dynamic, as well as tax and customs incentives. The NED has the role of organising, coordinating and mobilising resources to ensure the sustainability of such a mechanism.

As for the REA, it has around 800 000 million CFA a year coming from fees, state subsidies, donations and legacies.