



N A R U C

National Association of Regulatory Utility Commissioners

June 4, 2015

NARUC/Tanzania Regulatory Partnership and NARUC/Nigeria Regulatory Partnership

INTERACTIVE TRAINING ON COST-REFLECTIVE TARIFFS IN TANZANIA AND/OR NIGERIA

Dear NARUC Friends,

The International Department is excited to announce dates for the implementation of a new **Training on Cost-Reflective Tariffs** in Tanzania in August 2015 (as part of the [NARUC/Tanzania Regulatory Partnership](#)) and in Nigeria (as part of the [NARUC/Nigeria Regulatory Partnership](#)) in September 2015. To undertake this innovative and exciting training, we are seeking up to **two (2) NARUC Commissioners or senior commission staff for implementation in Dar es Salaam (Tanzania) on August 17-20, 2015 and/or in Abuja (Nigeria) on September 14-17, 2015.**¹ This training is funded by the United States Agency for International Development (USAID) under a cooperative agreement with NARUC.

Background

Implementing cost-reflective tariffs is a crucial factor in establishing financially viable electricity sectors and creating an environment that promotes private infrastructure investment. In emerging economies, however, tariffs often do not fully cover the cost of power. Government subsidies constitute a moderate-to-substantial component of retail price, distorting price signals for investors and consumers alike. Throughout sub-Saharan Africa, challenges with bill collections and both technical and non-technical losses seriously undermine the financial stability of the utilities. This leads to chronic underinvestment in new infrastructure and insufficient maintenance of existing facilities, because the utilities do not have access to capital and lack the financial stability to ensure payment to independent power producers.

Establishing a sound economic basis for energy prices is one of the most critical functions of the energy regulator. Pricing has broad implications for the health of the national utility sectors and countries' economies. Tariffs provide a necessary signal for investors who depend on steady revenue streams to manage stable energy supply and further modernize the sector. The existing inefficiencies have exposed the significant need for stronger efforts to establish cost-reflective tariffs and financially viable electricity sectors.

In Tanzania, the Energy and Water Utilities Regulatory Authority (EWURA) will be completing a cost of service study this year and continuing to advance rate-making methodology to promote investment in generation assets and support the import of electricity. NARUC's Cost-Reflective Tariff Training provides a platform for energy sector stakeholders to gain an understanding of the rate-making process and for EWURA staff in particular to better understand the implications of rate making decisions through an interactive, real-time computer module coupled with technical training from expert regulatory practitioners.

¹ NARUC Members can apply for one or both of these opportunities; please indicate this in your application.

Nigeria continues to make progress on privatizing its electricity market. In February 2015, the Nigerian Electricity Regulatory Commission (NERC) announced the country's electricity sector has achieved all of the conditions necessary to achieve the Transitional Electricity Market (TEM). Under TEM, electricity sector trading is to be bound by market rules, official contracts, and the recently approved Multi Year Tariff Order 2.1 (MYTO 2.1). Cost-reflective tariffs will play an integral part in Nigeria to provide the newly privatized distribution companies and other stakeholders with a fair price, while also ensuring just and reasonable tariffs for consumers. NARUC's Cost-Reflective Tariff Training provides technical training as well as an opportunity for Nigerian stakeholders to discuss the issues surrounding cost-reflective tariffs.

Addressing the Challenge

To enhance policymakers and regulators' understanding of the factors impacting the development of cost-reflective tariffs, this innovative training format will:

1. Identify bottlenecks associated with cost-based electricity tariffs
2. Present scenarios that are based on developing country energy challenges in an interactive platform to explore risk-based decision-making
3. Develop underlying technical content for each of the scenarios built on foundational issues

Overview of the Training

NARUC's three-day hands-on regulatory decision-making training consists of:

- Day 0: This optional component introduces relevant economic principles of regulation (focused on the cost of service study and cost-reflective tariffs).
- Day 1: The training begins with outlying components of the cost of service study and combines technical presentations with interactive group exercises and discussions.
- Day 2 and 3: Following the technical training, participants will use an interactive scenario-based computer-simulation to assign the revenue requirements to different customer classes and understand trade-offs between different choices. Participants will react to different real-world scenarios in a developing country context. After creating a sound understanding of economic tariff setting, the module will also explore the implications of renewable energy. Topical primers will be provided for reference.

Responsibilities of the Volunteers

NARUC is seeking two dynamic Commissioner or Commission staff to provide up to two presentations to supplement the theory and technical presentations provided by the workshop director and co-director. **As this is a very interactive training, NARUC members should be comfortable providing substantial input in roundtable discussions and embrace the game style of the training.** NARUC members are expected to share U.S. experiences and lessons learned on the above topics (through power point presentations and/or discussions) and to provide feedback to participants. We ask that NARUC members be flexible throughout the activity so that the delegation can address questions and concerns as they arise. NARUC members will be asked to provide a brief report on the activity upon their return to the U.S.

Requirements for Applications

Under the auspices of our USAID cooperative agreement, NARUC can cover economy class air travel, hotel, meals, ground transportation, vaccinations and medical insurance. Visas are needed for U.S. citizens. Please make sure your passport is valid for travel at least 6 months beyond your anticipated return to the U.S. following this trip.

Travel Dates

Tanzania

We anticipate departure from the U.S. on Friday, August 14th, arriving in Tanzania on Saturday, August 15th, acclimation day on Sunday, August 16th, participation in the Technical Workshop on August 17-20th, departure from Tanzania on Friday, August 21st, and return to the U.S. on August 22nd.

Nigeria

We anticipate departure from the U.S. on Friday, September 11th, arriving in Nigeria on Saturday, September 12th, acclimation day on Sunday, September 13th, participation in the Technical Workshop on September 14-17th, departure from Nigeria on Friday, September 18th, and return to the U.S. on September 19th.

In your response, please:

- Submit a brief description of your proposed treatment of the topic
- Provide a 1-2 paragraph description of your professional experience/background as relevant to at least 2 of the topics and goals of the activity, providing a resume or bio is encouraged
- Provide information on your presentation style and list any experience teaching and/or leading roundtable discussions you might have
- Describe any international experience you may have, particularly in Africa and developing countries
- Please let us know if you already have permission to participate from your Commission/State or if you will need to secure travel authorization once you are selected
- Identify if you would be able to join us for one (indicate if Tanzania or Nigeria) or both activities.

The ideal candidate will have ample experience with revenue requirements, cost-allocation, and tariff setting and will be able to place this into a meaningful context for Tanzania and/or Nigeria.

If you are interested, please **respond to Mr. Kirsten Verclas at kverclas@naruc.org with the above information no later than Friday, June 19th at 5pm EST**. Feel free to contact her or Mr. Christopher Rogers (crogers@naruc.org) if you have any questions.

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From: Kirsten Verclas <kverclas@naruc.org>
Sent: Thursday, June 04, 2015 10:27 AM
To: All of NARUC (Commissioners and Staff)
Subject: [all-naruc] Seeking up to 2 NARUC Members for an Interactive Cost-Reflective Tariff Training in Tanzania (August 2015) and/or Nigeria (September 2015)
Attachments: Tanzania Nigeria Cost-ReflectiveTariff Training Solicitation FINAL.pdf

[Reply to reply only to the message author, Reply All to include the entire list.]



NARUC/Tanzania Regulatory Partnership
NARUC/Nigeria Regulatory Partnership

INTERACTIVE TRAINING ON COST-REFLECTIVE TARIFFS IN TANZANIA AND/OR NIGERIA



AUGUST 17-20, 2015
DAR ES SALAAM, TANZANIA

SEPTEMBER 14-17, 2015
ABUJA, NIGERIA

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NARUC Members can apply for one or both of these opportunities. For more information and how to apply, please see the attached summary.

Please send your application to kverclas@naruc.org no later than 5pm ET on Friday, June 19, 2015.



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