

# Kenya Power

**TRADING PERFORMANCE YEAR ENDED 30<sup>TH</sup> JUNE 2020 AND  
HALF YEAR ENDED 31<sup>ST</sup> DECEMBER 2020.**

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# **Part 01**

# **Our Mandate**





**Purchasing  
bulk electricity  
supply (Single Buyer)**

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**Building and  
maintaining a  
robust power  
network**



**Retail of  
electricity**



**Customer  
Service**



**Kenya Power**



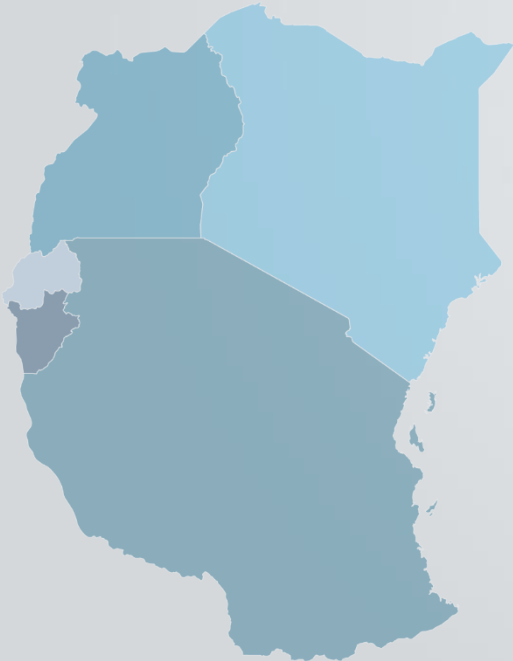
## **Part 02**

# **Business Environment**



## Global Economy

Contracted by 4.3% as an effect of COVID 19.



## Sub-Saharan Africa

Sub-Saharan Africa economy projected to contract by 3.0% in 2020 due to economic disruptions occasioned by the coronavirus pandemic

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## Business Environment

The country's economic growth experienced downside risks as a result of protracted global recession undermining Kenya's export, tourism and remittance inflows, further tightening of COVID-19 health response measures disrupted the domestic economic activity, fiscal slippages and weather-related shocks.

### GDP

Kenya's GDP contracted by 5.7% in 2020 due to economic disruptions occasioned by the pandemic.

### Inflation

Inflation remained stable at around 5% supported by lower food prices, the impact of the reduction of VAT and muted demand pressures.

### Fuel Prices

Increased in the year under review, in comparison to the previous year, as global prices and supply recovered

### Foreign Exchange

Local currencies depreciated by 4.4% against foreign currencies partly due to COVID-19



Kenya Power



# COVID-19 Impact



- ❖ The country movement restrictions saw widespread business closure hugely affecting electricity sales growth.
- ❖ The COVID-19 pandemic had an impact on the company's performance, the business areas affected were;
  - Electricity sales declined by **14.8%** in the last quarter
  - Increase in provisions in trade receivables by Kshs **1,833** million
  - Increase in electricity debt provision by Kshs **3,268** million
- ❖ The decline in demand saw an enforcement of the Force Majeure clause invoked in accordance with Power Purchase Agreements to facilitate sharing of the rising cost burden.



## **Part 03**

# **Business Review**



# Performance Highlights



## Increased Revenue

Basic electricity revenue grew from Kshs 133,141 million to Kshs 133,259 million, a 0.09% growth.



## Increased Capacity

Generation capacity grew to 2,647MW compared to 2,510MW in FY 19



## Electricity Demand

Electricity demand dropped by 0.04% from 8,174 GWh to 8,171 GWh affected by COVID-19



## Forex

Increase in foreign exchange arising from the depreciation of the shilling from Kshs 102/1USD in June 2019 to Kshs 106/1USD in June 2020.



## More Connected Customers

Customer numbers grew from 7.06 million to 7.5 million



## Provisions

- Provision for inventories - Enhanced impairment of inventories due to a change in estimation of slow moving and non-moving inventories Kshs 3,593 million
- Provisions for electricity debtors - Collections declined during the Covid-19 lockdown leading to increased receivables thus additional provisions for the expected credit losses Kshs 1,833 Million

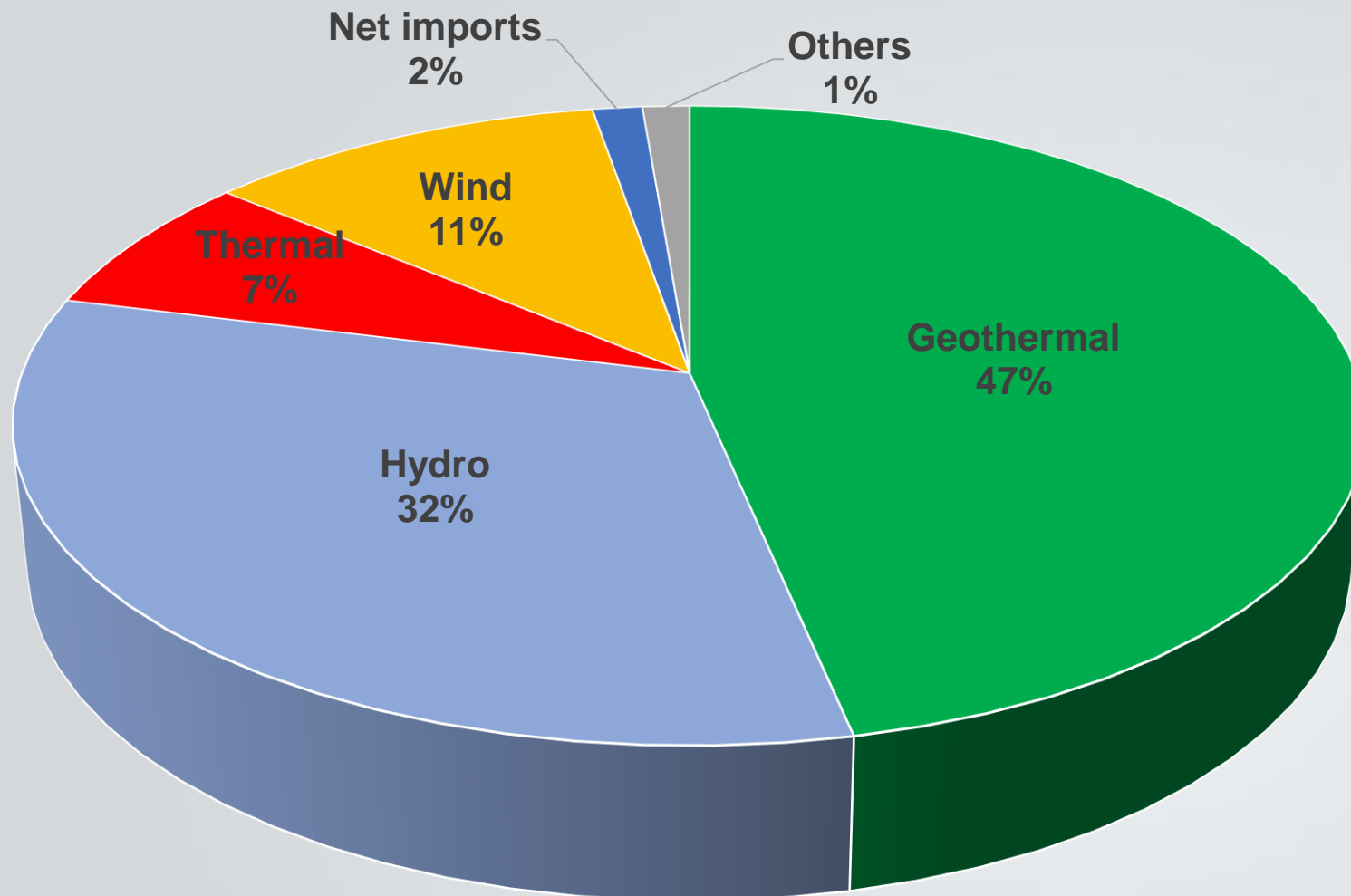


## Net Profit before Tax

Net profit declined from Kshs 334 million to a loss of Kshs 7,042 million

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■ Geothermal ■ Hydro ■ Thermal ■ Wind ■ Net imports ■ Others

## Generation Mix

- A diversified generation capacity mix with over 90 per cent green energy.

# **Part 05**

# **Financial Review**

**Presentation by**  
**Ag. General Manager, Finance**



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# Performance Highlights FY 30<sup>th</sup> June 2020

	2020	2019	CHANGE
	Shs'000	Shs'000	
Electricity Sales	116,172,484	112,429,184	↑
Total Revenue	133,258,602	133,140,887	↑
Basic Power Purchase Costs	74,445,008	70,878,036	↑
Operating Profit	5,312,226	10,530,956	↓
(Loss) / Profit Before Tax	(7,042,014)	333,614	↓
Capital Expenditure	17,073,419	21,533,352	↓



# Electricity Sales

	2020	2019
	Shs'000	Shs'000
<b>Electricity sales</b>	116,172,484	112,429,184
<b>Foreign exchange adjustment</b>	923,648	859,690
<b>Fuel cost charge</b>	16,162,470	19,852,013
<b>Revenue from contracts with customers</b>	<b>133,258,602</b>	<b>133,140,887</b>
<b>Other income</b>	<b>7,387,487</b>	<b>8,585,791</b>

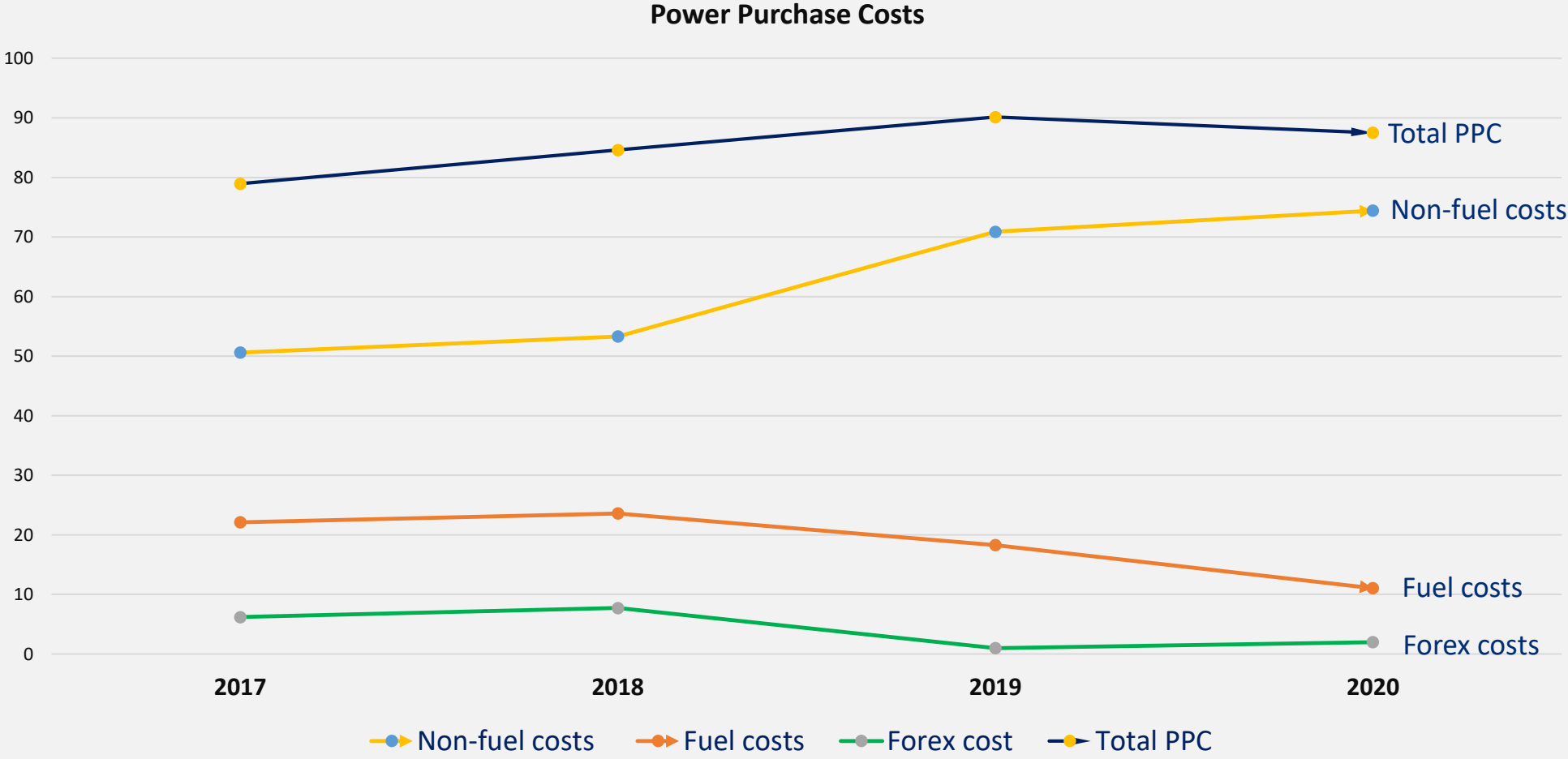
- The electricity revenue largely remained unchanged due to the COVID -19.
- Delay in tariff review allocation.
- The system efficiency still key concern.

# Power Purchase Costs

	2020	2019
	Shs'000	Shs'000
<b>Non-fuel costs</b>	74,445,008	70,878,036
<b>Foreign exchange costs</b>	1,993,882	985,704
<b>Fuel costs</b>	11,060,502	18,288,556
	<b>87,499,392</b>	<b>90,152,296</b>

- ❑ **New generation -**  
Commissioning of Olkaria V  
158MW
- ❑ **Energy mix - Improved**
- ❑ **Foreign exchange -**  
depreciation of the Shilling

# Power Purchase Trends



# Transmission & Distribution Costs

	2020	2019
	Shs'000	Shs'000
<b>Depreciation</b>	16,335,890	15,896,918
<b>Staff Costs</b>	17,490,847	16,098,925
<b>Provision for electricity debtors</b>	3,157,789	1,264,412
<b>Movement in provision for inventories</b>	3,654,490	61,099
<b>Other Operating Costs</b>	7,195,455	7,722,072
<b>Total T &amp; D Costs</b>	<b>47,834,471</b>	<b>41,043,426</b>

- ❑ **Depreciation** – Increased asset base of the company
- ❑ **Staff Cost**- Enactment of the CBA
- ❑ **Electricity Receivables**- Covid 19- Effects
- ❑ **Provision for Inventory** – Change in methodology on provisioning for inventories



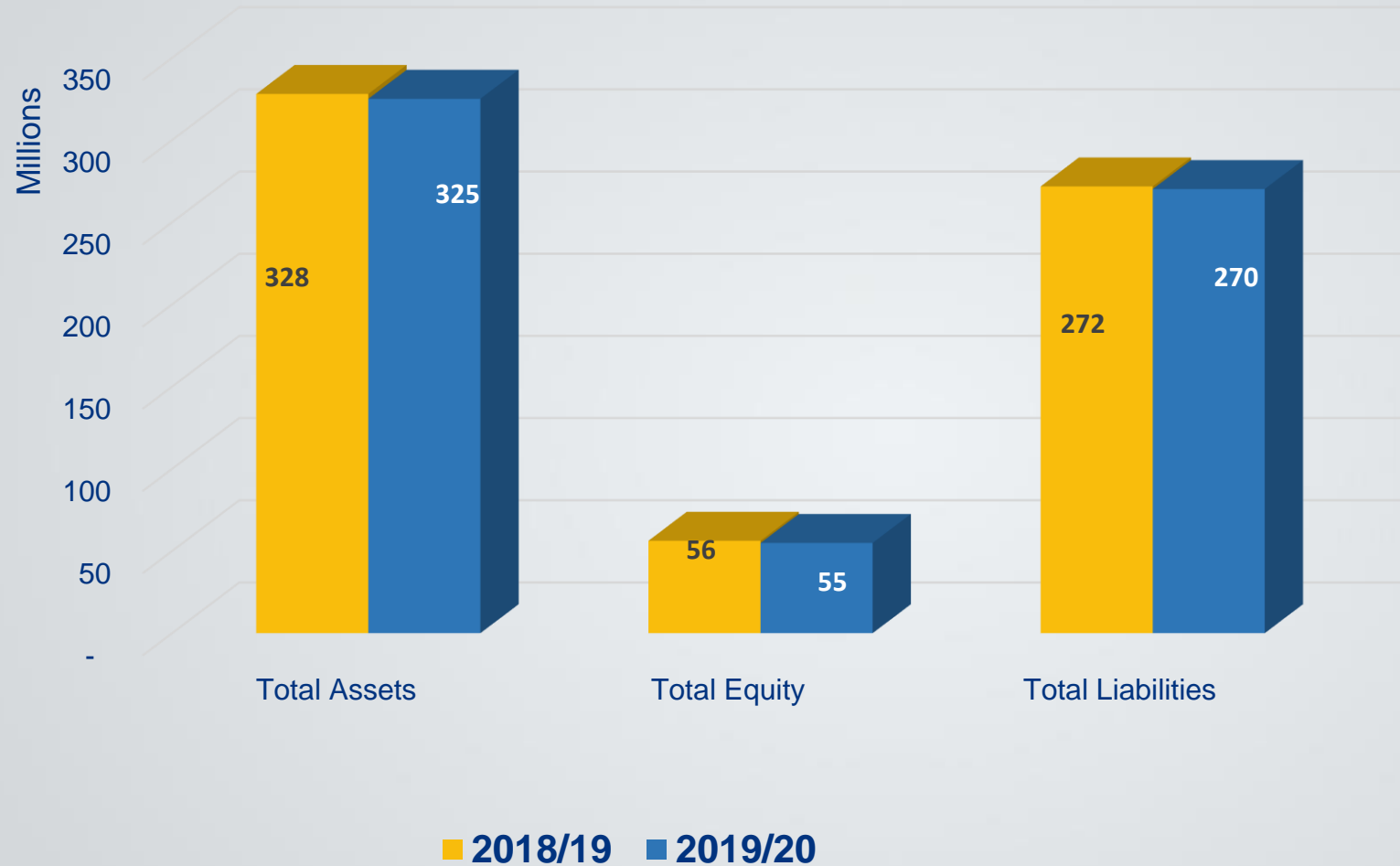
# Finance Costs

	Dec 2020	Dec 2019
	Shs'000	Shs'000
Interest incurred	7,985,344	8,209,609
Unrealised foreign exchange gain/(loss)	3,531,264	1,001,441
	<b>11,516,608</b>	<b>9,211,050</b>
<b>Total Finance Costs</b>	12,477,428	10,315,242

- ❑ Company met all its commercial loan repayment obligations
- ❑ Depreciation of the Shs from 102/1USD in June 2019 to over 106/1USD in June 2020

## Financial Position

## Financial Position



□ Capital asset base decreased by 0.91% from Kshs 328, 004 million to Kshs 325,060 million YoY



# HALF YEAR 2020/2021

## Financial Overview

# PERFORMANCE HIGHLIGHTS HY 31 DEC 2020

	Dec 2020	Dec 2019	CHANGE
	Shs'000	Shs'000	
Electricity Sales	61,497,156	61,241,134	↑
Foreign Exchange adjustment	2,662,375	571,532	↑
Fuel cost adjustment	4,855,056	7,793,993	↓
Revenue	69,014,587	69,606,659	↓
Power Purchase Costs	45,578,130	45,515,771	↑
Operating Profit	8,329,802	4,914,354	↑
Profit before tax	332,658	1,138,884	↓



# Revenue

FIGURES IN KSH. MILLION	Dec 2020	Dec 2019
Electricity Sales*	61,497,156	61,241,134
Foreign Exchange adjustment	2,662,375	571,532
Fuel cost adjustment	4,855,056	7,793,993
Revenue from contracts with customers	69,014,587	69,606,659
Other income	3,568,726	3,800,924

- Domestic customers registered the highest growth in terms of unit sales at 5.63%.
- The small commercial, commercial and industrial cadres registered decline in consumption

# Power Purchase Cost

	Dec 2020	Dec 2019
	Shs'000	Shs'000
<b>Non-fuel costs</b>	38,122,496	37,190,151
<b>Foreign exchange costs</b>	2,837,388	1,173,124
<b>Fuel costs</b>	4,618,246	7,152,496
	<b>45,578,130</b>	<b>45,515,771</b>

- ❑ Depreciation of Kenya Shilling affected Non fuel & Forex Payments
- ❑ Reduction in units purchased from thermal plants by 129 GWh from 524 GWh the previous year to 395 GWh

# Transmission & Distribution costs

	Dec 2020	Dec 2019
	Shs'000	Shs'000
<b>Depreciation</b>	8,597,012	8,230,578
<b>Staff Costs</b>	8,574,251	8,434,626
<b>Other Operating Costs</b>	1,504,118	6,312,254
<b>Total T &amp; D Costs</b>	<b>18,675,381</b>	<b>22,977,458</b>

- ☐ Capital asset base expansion
- ☐ last phase of the collective bargaining agreement for the years 2017 to 2020

# Finance Costs

	Dec 2020	Dec 2019
	Shs'000	Shs'000
<b>Interest incurred</b>	3,331,694	4,628,758
<b>Unrealised foreign exchange gain/(loss)</b>	4,725,570	(793,910)
	<b>17,171,263</b>	<b>16,665,204</b>
<b>Total T &amp; D Costs</b>	18,675,381	22,977,458

- ☐ More payment of loans.
- ☐ Depreciation of Kenya Shilling



# **Part 04**

## **Strategic Outlook**

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# Strategic Priority Areas



**ENHANCING REVENUE  
COLLECTION**



**INCREASE SALES**



**IMPROVE SYSTEM  
EFFICIENCY**



**IMPROVING CUSTOMER  
EXPERIENCE**

# Enhancing Revenue Collection

- Deployment of extra workforce drawn from office-based staff countywide to enhance our field presence.
- A total of Kshs 607 million was recovered under the KYM and FEU activities.
- County Business heads structure
- County Business Managers and realigned staff to sectors, zones and distribution areas.
- Team was mandated to follow up on outstanding customer payments
- Identify and address billing inconsistencies on flagged customer accounts
- A total of 1,124,934 meters were inspected

**Know-Your-Meter (KYM)**

**Devolved Structure**

**Field Enforcement Unit (FEU)**

# Increase Sales



- ❖ Increase in our customer base to 7,576,145 in line with our sales strategy.
- ❖ To enhance reliability in 11kV and 33 kV, the Company acquired thermo vision cameras.
- ❖ With the Live-Line teams operational, there has been a reduction in the unserved energy by deploying 31 teams on LV lines and 4 Teams to maintain HV able to carry out a sizeable percentage of our maintenance without switching off supply.
- ❖ Ensure installation & metering of all customers. This involved replacement of 6,031 faulty meters and installation.
- ❖ During the period we embarked on :
  - ❖ Targeting of premium customers
  - ❖ Additional load for customers
  - ❖ Different payment options
  - ❖ Fast racking of connections

# System Losses Reduction

- ❖ Feeder Metering Project. A total 1,184 feeders have been metered to enable the determination of the amount of electricity units
- ❖ Boarder meters: 67 points have been covered under the boarder metering
- ❖ Metering of Distribution Transformers: To enable KPLC zero-in on loss areas within feeders identified.
- ❖ Field Commercial Cycle Activities: Involves meter inspection, metering, meter reading aimed at reducing leakages down to the zonal level.
- ❖ Roll out of smart meters for all large power
- ❖ Rolled out Okoa Transformer Programme, a maintenance initiative conceived by the company in 2019. 67 dedicated teams were deployed to work on distribution transformers and low voltage lines to enhance preventive maintenance in the period under review to;
  - To improve quality of power supply to customers
  - Minimize on lost sales arising from outages
  - Reinforcing sections of the grid to enhance its robustness





# Cost Management

## Financing Cost

- Refinance our short-term debt to term loans to improve cashflow pressures.
- Reduce interest payables
- Negotiations with financiers and development partners to restructure the existing commercial debts

## Power Purchase Costs

- Rescheduling and review of PPAs
- Review of Commercial Operation Dates of new projects with a view to maintaining a sustainable power supply-demand balance at least cost

## Capital Expenditure

- Limiting CAPEX to critical maintenance and maximizing on the current investments.

## Transmission and Distribution

- Optimising internal resources to manage staff costs, office expenses, overtime, training and other recurrent expenditures.

# Customer Centricity

01	02	03	04
Improving our Customer Touch Points	Enhancing Reliability of Customer Service Systems	Improving Service Delivery at the County Level	Self Service Modules
50 additional employees to provide capacity for the new facility and cater for our increasing customer numbers	Network Operations Control (NOC) - The Company's National Contact Center is the nerve center that receives and directs customer queries and feedback to operational teams for action.	<ul style="list-style-type: none"><li>• The new county structure promotes ownership, inculcate a business mindset and enhances our field presence for improved service delivery to our customers</li><li>• Decision making and resources were allocated from the regional offices</li></ul>	Deployed a new telephone short code number *977# which enables customers to submit their meter readings, make bill balance queries, report bill complaints and register for E-Bill service

# Thank You.

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