PURC Justifies 2024 First Quarter Tariff Adjustment

The Public Utilities Regulatory Commission (PURC) on February 27, 2024 undertook a review of the existing electricity and water tariffs, to take effect from April 01 to June 30, 2024.

In an exclusive interview with the Executive Secretary, Dr. Ishmael Ackah, he indicated that the reviews were undertaken in line with the Commission's Quarterly Tariff Review (QTR) Mechanism, which tracks and incorporates movements in key uncontrollable factors, namely the exchange rate between the US$ and the Ghana Cedi, domestic inflation rate, the electricity generation mix, and the cost of fuel, mainly natural gas.

He emphasised that the objective of the QTR is to ensure that the utilities recover their revenues (revenue requirement) which includes allocations for operational and maintenance cost, capital investment, and other important regulatory costs.

Dr. Ackah underscored another important objective of the April to June 2024 QTR, which is to reduce existing residential tariff bands as part of measures to reduce the cross-subsidy, reduce non-residential class bands to two, as well as a reduction in industrial tariff bands to reward the productive use of electricity. This reduction in the tariff bands for electricity customers he noted, is to allow for ease of implementation of the approved tariff bands, ease of interpretation to customers, and ultimately make meters more affordable to consumers in the long run.

The Executive Secretary added that, the QTR sought to recover the total revenue requirement for the period between April to June 2024. Furthermore, whilst there has been a depreciation of the projected Ghana Cedi to the US Dollar in the quarter as compared to the previous quarter (December 2023 – February 2024), the projected inflation rate on the other hand has reduced from 40.43% in the previous quarter to 28.27%. The projected hydro-thermal generation mix was also increased from 31.91% to 34.81% for hydro, and reduced from 68.09% to 65.19% for thermal in the April to June 2024 QTR. Following the above changes in the variables considered in the determination of QTRs, and with gas prices remaining constant, Dr. Ackah indicated that this meant the utilities are projected to gain some windfall in their revenue requirements. Thus, the PURC took advantage of this projected surplus to merge some of the tariff bands across the various electricity customer classifications.

He however mentioned that, notwithstanding the adjustments made, the lifeline tariff customer group, and the Low Voltage (LV) and Mines customer groups did not experience any change in their tariffs for the April to June 2024 tariff review period. Dr. Ackah reiterated that for the review period under consideration, only some residential customers and High Voltage (HV) customers experienced reduction in their electricity tariffs, while the Steel Companies customer groups will witness more than 30% increase in their tariff. Other customers experienced marginal upward adjustments.

According to the Executive Secretary, the public should dispel misinformation that the few customer groups that witnessed a reduction in the tariffs will consequently compound the debts in the energy sector. He assured that the PURC is mindful of the financial sustainability of all utilities, and also welfare of the paying consumer.

He further clarified that upward adjustments in tariffs do not automatically result in reduction of energy sector debts or guaranteed payments to Independent Power Producers (IPPs). Rather, the approved tariffs have to be collected by the distribution companies before such payments can be made to the IPPs.