

Challenges to Mini Grid Development

A Private Sector Perspective May 2015

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Mini grid Options

- Private - Largely Type 2 & 3
 - Generator/ distributor/ retailer – 100% investor risk
 - Minimal or no regulation
 - Cost reflective tariff
- Public - Type 1 & 2
 - Government driven (MoE&P, REA, KPLC)
 - regulated
 - Cross subsidized tariff
- Public-Private (PPP) - Type 1 & 2
 - IPP approach – utility Off take risk
 - Regulated
 - Cross subsidized tariff**

Bankability Issues

- PPA/ Operational Guidelines / Risk allocation
 - **Offtake Risk**
 - No Mini grid PPA – protracted negotiations
 - Tariff
 - Uncertainty of grid extension plans/timing
 - **Political risk**
 - Political FM and Relief – Interference by politicians and interested parties
 - **Termination**
 - Transfer Amount - upon KPLC Default or grid arriving to include equity return component
 - GoK support in case of default

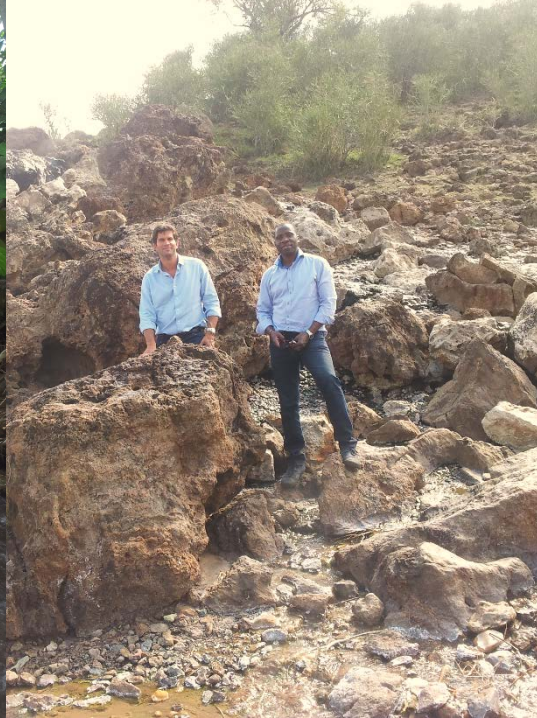
Challenges

	Private	PPP
Operational guideline -	Nonexistent/Unclear	Nonexistent/Unclear
Tariff	Framework for Cross subsidy non existent	Not predetermined for all technologies.
PPA	None	No off grid PPA so negotiations protracted
Growth	Limited by uncertainty of grid expansion political interference	Limited by uncertainty of grid expansion and load growth

Enabling Investments

- Objective is to cut development time and transaction costs through:
 - creation of an enabling environment for private sector investment
 - Levelling the playing field

- Proposed Interventions
 - Guidelines for mini grids development and operation
 - Pre-approved SPPA (by all stakeholders) for PPP arrangement
 - Harmonised implementation procedure - MoE&P/ ERC /KPLC



Thank You

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