

SPEECH DELIVERED BY THE CHAIRMAN OF THE BOARD OF COMMISSIONERS OF THE LIBERIA ELECTRICITY REGULATORY COMMISSION (LERC) ON THE ANNOUNCEMENT OF A DECISION ON THE APPLICATION FOR TARIFF REVIEW OF LIBERIA ELECTRICITY(LEC)

Honorable Gesler E. Murray, Minister of Mines and Energy;

Honorable Monie R. Captan, Chairman of Liberia Electricity Corporation Board;

The media; Distinguished ladies and gentlemen.

The 2015 Electricity Law of Liberia established the Liberia Electricity Regulatory Commission (LERC) and mandates the Commission to, amongst other things, approve and set electricity tariffs for companies operating within the Electricity Supply Market of Liberia. In this regard, the Commission developed two regulatory instruments, namely: The Electricity Tariff Regulations and the Electricity Tariff Methodology which, form the principal framework for the determination and approval of electricity tariffs in our country.

The Commission, through a written communication on May 21, 2021, requested the LEC to submit its tariff application for the period from 2022-2024. On June 28, 2021, the LEC submitted an application to the Commission for the approval of electricity tariff to be paid by customers within LEC's network.

The June 28, 2021 submission of LEC was followed by intensive technical engagements between our tariffs team and staff of LEC to ensure that the application met the requirements set out in the Tariff Regulation and the Multi-Year Tariff Methodology. These engagements enabled the Commission to gather more information on LEC's business activities including its operating costs; revenue generated, and the challenges faced in supplying electricity to customers.

On October 25, 2021, four months after LEC's submission and with the finalization of these engagements, the Commission confirmed the completeness of the tariff application and informed LEC of the tariff application review schedule.

The Commission then published an abridged version of the tariff application on its website and in the newspapers informing the public of the LEC application and inviting comments on it.

On November 12, 2021, in furtherance of the requirements of the law, good regulatory practice and our philosophy of promoting participatory decision making, the Commission held a Public Hearing on the LEC proposal. At the hearing, LEC presented its Tariff Proposal to the public and the Commission took due notice of the comments and concerns raised by the participants.

This Tariff decision is the result of rigorous technical analyses of LEC's costs and other parameters, thereby ensuring that only prudent costs are passed on to customers as the end-user tariff. As far as tariffs are concerned, our responsibility under the 2015 Electricity Law is to set tariffs that enable an efficient service provider to recover its costs, make a reasonable return, and provide incentives for continuous technical and economic improvements in the system. The Electricity Law further requires that LERC's budget is to be derived from a levy or regulatory surcharge on energy bills towards strengthening regulation, as a pass through-expense on the regulated entities.

The tariff we are announcing today for LEC guarantees that.

After the review of LEC's application, the Board of Commissioners has approved rates and charges payable by five categories of customers within LEC's network effective January 1, 2022 as follows:

- ✓ **Social customers** — which includes those whose monthly energy consumption is either less than or equal to **50kWh** shall pay **15 US cents per Kilowatt-hour**. This represents a 32% reduction from the current price of 22 US cents per Kilowatt-hour. By this decision, the Board of Commissioners has increased the threshold of social tariff from 20kWh to 50kWh which will allow more people to benefit from this category.

- ✓ **Prepaid Residential customers** — is set at **US 24 cents per Kilowatt-hour**. This tariff represents a 31% reduction from the current price of 35 US cents per Kilowatt-

hour and also attracts a monthly fixed charge of \$2.48 to cover a portion of LEC's fixed costs.

- ✓ **Postpaid Residential customers** — is set at US 24 cents per Kilowatt-hour. This tariff represents a 31% percent reduction from the current price of 35 US cents per Kilowatt-hour and attracts a monthly fixed charge of \$4.47 to cover a portion of LEC's fixed costs.
- ✓ **Prepaid Non-residential customers** — is set at US 22 cents per Kilowatt-hour. This tariff represents a 37% reduction from the current price of 35 US cents per Kilowatt-hour and attracts a monthly fixed charge of \$10.00 to cover a portion of LEC's fixed costs.
- ✓ **Postpaid Commercial customers** — is set at US 22 cents per Kilowatt-hour. This tariff represents 37% reduction from the current price of 35 US cents per Kilowatt-hour and attracts a monthly fixed charge of \$12.00 to cover a portion of LEC's fixed costs.
- ✓ **Medium Voltage customers**— is set at US 19 cents per Kilowatt-hour. This tariff category consists of customers who are supplied at the 22kV and 33kV voltage levels. The new tariff represents a 46% reduction from the current price of 35 US cents per Kilowatt-hour. This category shall also pay a monthly fixed charge of \$50.00 to cover a portion of LEC's fixed costs.
- ✓ The End-User-Tariffs include a surcharge component of US one cent per Kilowatt-hour sold to cover the Commission's budget in accordance with Section 13.4 of the 2015 Electricity Law of Liberia. Payments shall be made to the Commission in accordance with the procedure prescribed in the Electricity Licensing Regulations.

By the announcement of these tariffs, the Commission hereby revokes the provisional tariffs approved for LEC on September 21, 2020.

These approved tariffs shall remain in force until they are reviewed by the Commission in accordance with the minor tariff review principles of the Multi-Year Tariff Methodology of May 2021. A detailed tariff report which highlights the rationale for this decision shall be released by the Commission in January, 2022.

It is the Commission's expectation that this exercise and other ongoing initiatives would spur LEC to increase customer connections and improve reliability and that the new prices would encourage good customer behavior, thereby ensuring the sustainability of the electricity supply service.

I would like to conclude by expressing our thanks and appreciation to our stakeholders and partners for past and continuing support:

- The Government of Liberia represented by the Minister of Finance and Development Planning and the Minister of Mines and Energy for their policy leadership.
- The Speaker of the House and Pro Tempore of the Senate as well as the chairs and members of the Senate and House Committees on Energy and Natural Resources.
- The US Government, the Millennium Challenge Corporation (MCC) and the erstwhile Millennium Challenge Account Liberia (MCAL) which financed the cost of service study and development of Cost Reflective Electricity Pricing Model for the Commission.
- European Union (EU) for its ongoing technical assistance to the LERC and Ministry of Mines and Energy through the deployment of four regulatory experts.
- LEC's management and staff for their cooperation with us before and during this tariff review process.
- Managing Director of LERC and his team for their commitment, hard work and diligence in executing technical regulatory tasks.

Thank You. May God Bless and save Liberia!