PUBLIC PARTICIPATION IN NAIROBI ON PRIVATELY INITIATED PROPOSALS (PIPs) REPORT

DATE: 19TH MARCH 2025
VENUE: CHARTER HALL, CITY HALL, NAIROBI
CHIEF GUEST: MANAGING DIRECTOR & CEO, KETRACO

Introduction

On 19th March 2025, KETRACO held a public participation forum in Nairobi regarding the Privately Initiated Proposals (PIPs) for the upcoming 400kV Lessos-Lusook and 220kV Kisumu-Kakamega-Musaga Transmission Lines. The engagement aimed to provide stakeholders with an overview of the projects, address concerns, and collect feedback.

Objectives

- To inform stakeholders about the proposed transmission line projects.
- To explain the rationale and benefits of implementing the projects through PIPs.
- To address questions and concerns from stakeholders.
- To ensure transparency in the planning and implementation process.

Stakeholders

The following stakeholders were present in the meeting;

- KETRACO Staff
- Nairobi City County Government
- Scrap Metal Council
- CFAO
- Seriti Green and Finegreen
- Kenya Institute of Special Education
- Office of the Attorney General
- HEBITS
- COBRA
- China Railway
- Davie Tech
- Electricity Consumers Society of Kenya
- PPP Directorate
- Media

The structure of the meeting was as follows:

1. Opening prayer

2. Welcome remarks
3. Presentations by the Managing Director, General Manager, Project Development Services and Manager, Legal Services - KETRACO
4. Question and Answer Session
5. AoB

Question & Answer Session

Item	Question & Answer Session
	Q1: Why are these projects being implemented as Privately Initiated Proposals (PIPs)? PIPs allow private investors to bring expertise, financing, and efficiency into energy infrastructure development. This reduces financial pressure on the government while accelerating project completion. Q2: How will local communities benefit from these projects? The projects will create employment opportunities during construction and operation phases. Additionally, improved power supply will support local businesses and attract new investments to the regions. Q3: Why are we prioritizing these transmission lines? The Lessos-Lusook and Kisumu-Kakamega-Musaga Transmission Lines are critical for enhancing grid stability, meeting growing energy demand, and improving power reliability in Western Kenya. They also align with Kenya's Vision 2030. Q4: What measures are in place to mitigate environmental impacts? Comprehensive Environmental and Social Impact Assessments (ESIAs) have been conducted. Mitigation plans will be implemented to minimize ecological disturbance, with continuous monitoring throughout the project lifecycle. Q5. Is Kenya Power ready to distribute the power that will be transmitted through these new proposed transmission lines or is KETRACO putting up unnecessary transmission lines? The proposed projects have been in the Transmission Master Plan and from this plan, different lines come into the grid to meet different objectives therefore, the lines are not unnecessary and have been planned for. Q6. Can KETRACO avoid taking up expensive power and connecting these lines to the national grid? All projects coming into the grid must be approved by the regulator and KETRACO does not have a legal backing to deny anyone connectivity to the national grid. Q7. What are the cost implications of implementing the projects under PIP? Do we have historical costs of implementing projects under PIP vs PPP? And how can we minimize costs under PIPs?

	Traditionally, government borrows money from development financing institutions to construct such infrastructure, but these loans are repaid through taxes. In the PPP model, the private party is made good through tariffs paid by consumers. PIPs are a form of PPPs and therefore, PPPs procured under competitive bidding might not always provide a cheaper alternative since the Contracting Authority would need to raise funds up front for project development, tendering and hiring a transaction advisor. The Contracting Authority has historical data on EPC and wayleave costs and has used a robust financial model to determine affordability and Value for Money. Q8. How viable is it for the country to implement the projects as PIPs? PIPs are viable and many projects worldwide have been implemented in this way. The PPP Act gives clear guidelines on how these should be procured. KETRACO is diligent in ensuring the evaluation, negotiation and due diligence stages are carried out robustly in accordance with the Act.
	RESPONSE TO ARM ENGINEERING LIMITED
	Q9. <u>AFRICA50, TRANSGRID and PPPs:</u> From presentation, PPPs (Public Private Partnerships) are being promoted as alternatives to obtaining Loans form Bilateral and Multilateral Lenders. Countries given as examples are Mexico, Brazil, Peru, India, Europe. And that Africa has very little PPPs Comments: If you check those Countries, PPPs are done by Citizens. PPPs tend to be very expensive long term Loans lasting almost the entire viable timeline of the Project. For instance India does not accept Foreign Companies for job. It only spends Forex if it is a must. Citizens keep Money within the Country. A Foreign PPP will take out Money even for components that do not have to be done by outsiders like Design, Project Management, Maintenance. The current projects are being implemented via privately initiated proposal and is compliant with the PPP Act Cap 430. Kenyan citizens are and remain eligible to express interest and register their intention to finance and develop transmission lines through PIPs. KETRACO, through PPPD, is in the process of seeking support from development partners in procurement of transaction advisor to assist KETRACO screen the projects in the transmission plan and develop a PPP Projects roadmap. Citizens meeting the minimum requirements are encouraged to participate once the roadmap is published. The participation can be through expression of interest for PIP or responding to request for proposals from KETRACO/PPPD for solicited PPP.

Q10. TRANSGRID AS TECHNICAL ADVISOR:

This Project is Lines and Substations. The projects consist of the following approximate monetary percentage values as follows:

	Materials	60%
	Design, Project Management, Maintenance	30%
	Construction	10%

In a PPP, 90% will remain in India with Transgrid and Partners. Only 10% of the Money will actually be brought to Kenya.
But the 100% still has to be paid. Transgrid will deliver Steel Structures, Transformers etc. No real money but a facility.
In effect it means 90% will have to be repaid over the entire PPP period, maybe 25 Years.
The 100% will have to come from Treasury on an annual basis. Forex will have to purchased from the Local Market. And Electricity Consumers. Not earned form Electricity exports.
Note that the project will not be earning Forex. So it becomes a Loan just any other US Dollar denominated Loan. It will be pressure on the Forex reserves.
But this will not be the case if it a Citizen Contractor. And ALL countries want to retain Forex as much as possible.

In the PPP Act cap 430, there is provision for local content requirement. This being a PIP, KETRACO with support from the PPPD and the Office of Attorney General will ensure that local content is enhanced in the project as required in this Act and other legislations (NCA Act, Energy Act, PPDA etc); without affecting the bankability of the project and efficiencies of the private party in timely delivery of the projects. Once again, citizens are allowed to participate and express interest in development.

Q11: AFRICA50 PROJECT

Financials: From the presentation,

	Ketraco EPC Cost			Remarks
Item	Description	MUSD	KShs Billions	
1	EPC + SafeGuard Costs	273.92	35.61	Detail not clear
2	Non EPC and Non Safeguard Costs	73.19	9.51	Detail not clear
3	Total Project Cost	347.71	45.20	

4	Annual Revenue Requirement	60.3	7.84	
	US$ rate	130		

The basic EPC Cost is US$ 273,92 MUSD

Additionally the Annual repayment for the EPC is US$ 60.3 MUSD. This is KShs 7.84 Billion per year.

The payment will have to be sent to the EPC in India by purchasing US$ form the Kenyan market putting pressure on the Kenya Shilling.

This money will be raised annually from a Tariff adjustment. Remember only 10% of actual Money came into Kenya's Economy.

Now from calculations,and attached pdf is excessive.

The most expensive part is the 400kV line. Towers can range from 8 tons to 26 Tons for the Suspension Towers and from 15 Tons to 56 tons for the Terminal Towers. I have explained in the PDF the basis of the calculations.

The Price, as per attached PDF is US$ 129 Million.

The USD 273 Million stated as EPC is wrong, misleading and a glaring misunderstanding. It is important to note that this amount (USD 273 Million) includes the cost of wayleave acquisition/implementation of RAP and purchase of substation land. The EPC costs have been determined from offers received from bidders in India through a competitive process. KETRACO has reviewed the cost and find them satisfactory. The Costs are reflective and compare well with rates received from recent competitive EPC for similar projects in Kenya and in the region.

Q12: AFRICA50 VALUE FOR MONEY:

The Annual repayment is US$ 60 Milion. The actual cost is just US$ 129M including 40% Margin.

This is just Double the Annual Repayment.

Note that once the PIP finishes construction in 2 Years, Kenya will have to start paying US$ 60. So, why not start the EPRA Tariff increase the year before and do the Project 50% Local because we still have to import most of the components form India, China?

Then you only need 2 years to do that scope, regardless of whether it is required or not and by Kenya

Finance experts from KETRACO and PPP directorate have analysed the proposal from Africa 50, the projects and offer, as at PDR, was confirmed to have achieved both qualitative and quantitative value for money. A project and financial risk

	assessment report will be prepared upon completion of the negotiations. This report will be forwarded to the PPP Committee for consideration/determination and approval. In addition, the finance experts will subject the project to further value for money analysis at financial close once the finance terms are firmed and having included the project's contingent liability as drawn from the project agreement.
	Q13: TECHNOLOGY TRANSFER: We have enough knowledge since the 1980s on Substations and Transmission lines to do this Project. Engineers, Technicians KPLC and later KENGEN, KETRACO, Kenya Power have undergone numerous trainings. Techniology Transfer cannot be forever. It is time to also Practice. Refer to response on Q9 and Q10
	Q14: 40% LOCAL CONTENT It has nont been clearly shown how 40% Local Content will be done. Loss making Civil Works, Installation, Supply of Sand CANNOT be called 40% Local Content. Local Content is such that the next Project is done at 70% Locally. We have the skills BUT NOT the Opportunity. Refer to response on item Q9,Q10 and Q11
	Q15: CONCLUSION: The Africa50 Loan IS NOT REQUIRED From the KETRACO master plan 2024-2043, KETRACO requires about USD 5Billion to be able to actualise the plan and ensure that the national gird is reliable, adequate and efficient towards enabling access to affordable electricity and facilitate regional power trade while achieving the set carbon emission goals by increasing penetration and contribution of clean renewable sources of energy in the energy mix. KETRACO, to bridge this gap, requires both public and private finance and has in the recent past allowed privately initiated proposals from private parties that expressed interest to assist KETRAO develop transmission lines using the provision of the PPP Act.
	Q16: IS AFRICA50 PROJECT TO WESTERN REQUIRED? The table below shows the current consumption:

ARM Western Region Data						
Substation	Voltage	Transformers	Total	Max. Load	Percentage Usage	Remarks
			MVA			
Mamboleo	132kV/33kV	2 x 45 MVA	90	50	56%	Real daily load much lower
Rangala	132kV/33kV	2 x 23 MVA	46	23	50%	
Musaga	132kV/33kV	2 x 23 MVA	46	18	39%	
Mumias	132kV/33kV	23 MVA	23	1.8	8%	
Kakamega	33kV/11kV	2 x 7.5MVA	15	4.7	31%	
Chavakali	33kV/11kV	2 x 7.5MVA	15	2	13%	
Butere	33kV/11kV	2 x 2.5MVA	5	1	20%	
				100.5		

The Load growth in Western is very small.
Kakamega, which received Electricity in 1955 has only 4MVA Demand after 70 Years.
Total Demand Westren alone is less than 30MVA.

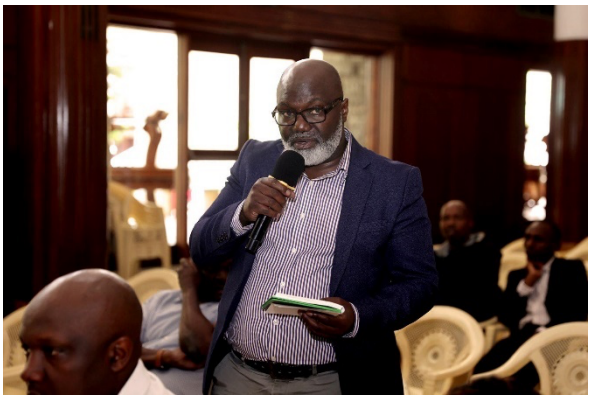
Adding 200MVA is NOT justified. There is no need for the Project.
What is perceived as unreliable Supply is on the maintained 33kV Network.

The project to Western Kenya is required. The project is expected to cater for the power needs of the project area for the next 20 plus years and continue to meet the set objectives. The demand provided are short of the current demand I the region considering the load shedding amount. KETRACO's mandate includes planning and developing the grid to meet both current and future transmission needs of the country. To date, KETRACO has successfully completed over 30 transmission lines projects translating over 5000km in circuit length and over 35 substations. The benefits are of which are being enjoyed by the citizens in the project areas and the country at large. The project's (220kV Kibos-Kakamega-Musaga transmission lines Project) main objective is to extend high voltage network to Kakamega and reinforce existing 132kV system in Musaga area by linking to the existing 132kV Lessos-Tororo transmission lines currently connecting Kenya and Uganda power systems. The project will extend the major evacuation line from Olkaria geothermal complex (the 400/220kV Olkaria-Lessos-Kisumu) from Kibos to Kakamega and ensure adequacy and security of power supply.

It is also important to note that the 200MVA at Musaga s/s and not Kakamega s/s is an interbus transformer.

Images



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Report Approved By:

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