



**SALE OF ELECTRICITY FROM RENEWABLE ENERGY  
AND OTHER SOURCES WITHIN THE DESIGNATED  
OPERATIONAL ZONES OF THE DISTRIBUTION  
UTILITIES DECLARED ILLEGAL.**

**JANUARY 2018**



On the 19th of December, 2017 the Energy Commission of Ghana (“the Energy Commission” or “the Commission”), the regulator of the energy sector in Ghana, issued a public notice warning that the sale of electricity from renewable energy and other sources to a third party within the designated operational zones of Electricity Company of Ghana and Northern Electricity Distribution Company without a licence/permit from the Commission is illegal.

Per the notice, companies engaged in, or intending

to engage in such activity were advised to cease operations with immediate effect and to terminate all sales or power purchase agreements or face prosecution.

## **LICENSING REGIME**

The Energy Commission Act, 1997 (Act 541) stipulates that participation in any segment of the power sector, either for transmission, wholesale supply, distribution or sale of electricity, requires a license.

Furthermore, the Renewable Energy Act, 2011 (Act 832) proscribes any form of commercial activity in the renewable energy industry without a licence issued in accordance with that Act. The commercial activities contemplated by Act 832 include production, transportation, storage, distribution, sale, marketing, importation, exportation, re-exportation, installation and maintenance.

There are currently three (3) distribution utilities licensed by the Energy Commission as follows:

a. Electricity Company of Ghana (ECG) which serves the southern part of Ghana (inter alia, Greater Accra, Central, Ashanti, Eastern and Western Regions);

b. Northern Electricity Department Company (NEDCo), which serves northern Ghana; and

c. Enclave Power Company which serves the free zone enclave in Ghana.

## **BACKGROUND TO THE REGULATORY NOTICE**

In the past, Ghana's energy source was mainly a hydro-thermal blend. As a result of well-documented generation deficit by the State, a number of measures were adopted, including the enactment of the Renewable Energy Act, to provide for the development, management and utilisation of renewable energy sources.

Since then, a number of companies have entered the renewable energy sector, principally solar. These companies have obtained wholesale electricity supply licences<sup>1</sup> from the Energy Commission and have concluded power purchase



agreements with distribution utilities. However, as generation from renewable sources usually requires significant investment, including in the form of finance and time, there appears to have been delays in bringing the generation plants on-stream.

As an interim measure therefore, a number of companies have been marketing solutions to the power problem, particularly to industries looking to bridge the power deficit from the State, and to reduce costs incurred from use of power supplied by diesel generators. One of the solutions that

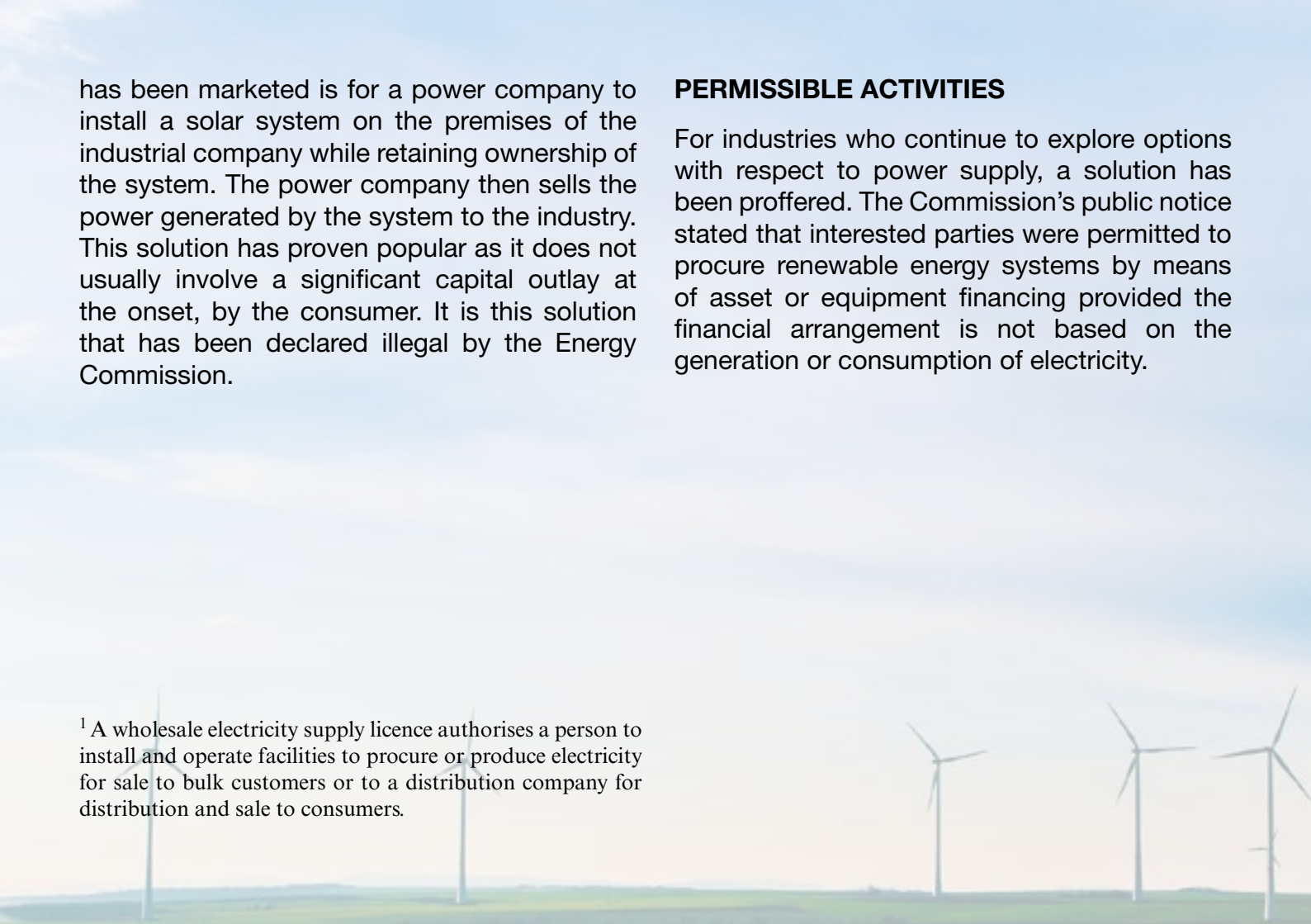


has been marketed is for a power company to install a solar system on the premises of the industrial company while retaining ownership of the system. The power company then sells the power generated by the system to the industry. This solution has proven popular as it does not usually involve a significant capital outlay at the onset, by the consumer. It is this solution that has been declared illegal by the Energy Commission.

## **PERMISSIBLE ACTIVITIES**

For industries who continue to explore options with respect to power supply, a solution has been proffered. The Commission's public notice stated that interested parties were permitted to procure renewable energy systems by means of asset or equipment financing provided the financial arrangement is not based on the generation or consumption of electricity.

<sup>1</sup> A wholesale electricity supply licence authorises a person to install and operate facilities to procure or produce electricity for sale to bulk customers or to a distribution company for distribution and sale to consumers.



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