

**IN THE THIRD SESSION OF THE SIXTH
PARLIAMENT OF THE FOURTH REPUBLIC OF
GHANA**

**REPORT OF THE SELECT COMMITTEE ON
MINES & ENERGY**

ON THE

**EMERGENCY POWER PURCHASE AGREEMENT
BETWEEN THE GOVERNMENT OF GHANA AND
GPGC (TEI) LIMITED FOR THE PROVISION ON
A FAST-TRACK BASIS, UP TO 107MW (ISO)
INSTALLED CAPACITY OF POWER DELIVERY
SERVICES**

JULY, 2015

ACC NO : 8663 C2

Class No : CR/GOG & GPAC/15

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1.0 INTRODUCTION

The Emergency Power Purchase Agreement between the Government of Ghana and the GPGC (TEI) Limited for the provision of a fast-track 107 MW (ISO) Installed Capacity of Power was laid in Parliament on 14th July, 2015 by the Hon. Minister for Power, Dr. Kwabena Donkor.

The Emergency Power Purchase Agreement was subsequently referred by the Rt. Hon. Speaker to the Select Committee on Mines and Energy for consideration and report pursuant to Order 188 of the Standing Orders of the House.

2.0 DELIBERATIONS

The Committee met with the Hon. Minister for Power, Dr. Kwabena Donkor and Officials of the Ministry to consider the Emergency Power Agreement.

The Committee is grateful to the Hon. Minister and the Officials for their attendance and for providing clarifications on issues raised at the meeting.

3.0 REFERENCE DOCUMENTS

In considering the Referral, the Committee made reference to the under-listed documents:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Public Utilities Regulatory Commission Act, 1997 (Act 538); and
- iv. The Environmental Protection Agency Act, 1994 (Act 490).

4.0 BACKGROUND INFORMATION

Ghana's power systems continue to experience supply inadequacies and this is evidenced in the current load shedding being experienced in the country.

The situation has been attributed largely to increasing demand for power for industrial and domestic consumption.

The country's peak demand has been increasing consistently over the years since the completion of the Akosombo Dam in 1965. Demand for power has then increased from 1,161MW in 2000 to about 1970MW (excluding VALCO's suppressed demand of 300MW) in 2014. The suppressed demand is estimated at 2,500MW for 2014. This has been projected to hit 2,700MW this year, 2015.

This is against the backdrop of the current dependable capacity of less than 2,300MW and suppressed peak demand of about 2,500MW for 2014. This is coupled with the fact that there is no redundancy.

In this regard, the Government, acting through the Ministry of Power, has initiated a number of emergency power agreements to improve the country's power generation capacity to address the power challenges in the short term.

In line with this, the Ministry of Power has negotiated and signed an Emergency Power Agreement (EPA) with the GPGC Limited to relocate and operate a total of 107MW Combined Cycle Unit in Ghana.

It therefore become imperative to lay the EPA in Parliament for ratification in fulfillment of Article 181 of the Constitution and the terms of the Agreement.

5.0 PARTIES TO THE EMERGENCY POWER AGREEMENT

The parties to the Emergency Power Agreement are the Government of Ghana (represented by the Ministry of Power) and the GPGC Limited.(TEI)

5.1 The Government of Ghana

The Government of Ghana is represented under the Agreement by the Ministry of Power. The Ministry of Power is mandated to initiate and formulate policies to ensure the effective and efficient generation, transmission and supply of power to all sectors of the economy of Ghana in an environmentally sustainable manner.

5.2 GPGC Limited

GPGC is the Special Purpose Vehicle (SPV) registered and incorporated in Ghana under the Company's Act, 1963 (Act 179) as a limited liability

company. The Company has its office at No. 03 Mango St. East Legon, Accra.

Per its Regulations, GPGC Limited is authorized to provide, install, maintain and operate power generation equipment and other related support services, to supplement the power requirement of power users.

6.0 THE PROJECT

The project consists of the deployment and operation of two Combined Cycle Power Plants owned by TEI Energy SpA. The equipment which is currently located at Gorizia in Italy will be relocated to Aboadze in the Western Region.

7.0 NATURE OF THE AGREEMENT

The Power Purchase Agreement constitutes a tolling contract (Throughput). Per Clause 7 of the Agreement, the equipment is to remain at all times the property of the GPGC Limited. The parties have accordingly confirmed that the EPA shall not constitute a financing transaction.

8.0 DURATION OF THE AGREEMENT

The duration of the Agreement is four years commencing on the date of the execution of the EPA. This is a guaranteed period and therefore any prior termination will attract sanctions (Clause 2 of the Power Agreement).

9.0 KEY OBLIGATIONS OF THE PARTIES

9.1 GPGC has undertaken to perform certain key obligations under Clause 8 of the Agreement including the obligation to:

- i. mobilize and bring into Ghana, install and commission the two GE aeroderivative Gas Turbines, Thermodyn GE steam section and related accessories;
- ii. operate and maintain the plant;
- iii. provide compressors to increase gas pressure from the guaranteed 38 bar to 45 bar required for the gas turbines;
- iv. provide appropriate step-up transformers upon executing a Grid Connection Agreement with GridCo;

- v. commission the open cycle not later than one hundred and eighty (180) days from the date all Conditions Subsequent are fulfilled; and
- vi. commission the combined cycle not later than ninety (90) days from date of the commissioning of the open cycle.

9.2 The Government of Ghana, on its part, has agreed to undertake certain obligations under Clause 9 of the Agreement. Some of these obligations are to:

- i. assist GPGC in procuring utilities, site for the power plant and temporary accommodation facilities for GPGC's operations team required for the installations, pre-commissioning, commissioning;
- ii. assist GPGC to secure a Grid Connection Agreement with GridCo on acceptable terms;
- iii. ensure that National Interconnection Transmission System (NITS) is ready and able to accept, utilize and evacuate power from the plant;
- iv. provide fuel in adequate quantity and acceptable quality and pressure for testing and operations of the power plant; and
- v. supply gas to the power plant and take delivery of the power at the Electricity Delivery Point.

10.0 PRICING AND REQUIRED PAYMENTS

10.1 The parties have agreed on a tolling tariff to be paid at the end of the month. Payments under the Agreement are to be made within sixty (60) days after the end of each calendar month for the preceding month period.

In determining payments under the EPA, the parties have agreed to apply the under-listed equipment and fiscal specifications:

Total Capacity	-	107MW (ISO)
Guaranteed availability	-	92%
Capital Recovery charge	-	US Cent 3.700/kWh
Fixed O & M Charge	-	US Cent 0.300/kWh
Non Fuel Variable O&M Charge	-	US Cent 1.5 /kWh

Total Capacity Charge - US Cent 4.000/kWh

- 10.2 Under the Agreement, the monthly capacity charge shall be paid by GoG irrespective of the actual dispatch of energy at the electricity delivery point (Annex 3 (a)).

11.0 OBSERVATIONS

The Committee made the following observations during its deliberations:

11.1 Due Diligence

The Committee was informed that the Ministry of Power has undertaken the necessary due diligence to ascertain the condition and suitability of the equipment. The Committee was informed that a Seven (7) Member Technical Team constituted by the Ministry undertook technical audit on the Plants to assess their conditions and suitability. The Officials of the Ministry stated that the gas and steam turbines were commissioned in July, 2004 and June, 2005 respectively. They also stated that while the gas turbine has 38,106.70 fired hours and has undergone one major inspection, the Plant was mostly used for peaking and the last time it was put in service was in April, 2015. The steam turbines have also undergone inspection. The Officials informed the Committee that all the equipment are in good condition and the boiler is under dry preservation.

11.2 Favourable Fiscal Terms

The Committee noted that though the EPA was negotiated under an emergency circumstances, the fiscal terms achieved under the Agreement are favourable. In particular, the capacity charge of 4.000US Cents/kWh agreed under the EPA is lower than the capacity charge obtained under recent Power Agreements including the Karpower (5.6076 US Cents/kWh) and the AKSA (4.5000 US Cents/kWh).

Additionally, the Committee noted that the EPA does not require the Government of Ghana to procure a standby Letter of Credit (LC) as a condition precedent for the execution of the project.

11.3 Broad Consultation

The Committee was informed that the Ministry of Power engaged with a number of relevant stakeholders in the power sector including the Public Utilities Regulatory Commission during the negotiation of the EPA. Again,

the Power Agreement was reviewed by a team consisting of Officials of the Ministry of Power, the Ministry of Justice and Attorney General's Department, the Volta River Authority (VRA) and the Electricity Company of Ghana (ECG). The Officials also stated that the technical team from the VRA, Ghana Grid Company and GPGC Ltd have agreed on a technical design of the project.

11.4 Fuel Supply Requirement

The Committee noted that the Government of Ghana has committed to provide fuel for the operation of the Plant (Clause 4 of the EPA). The Plant utilizes natural gas for its power generation and will require a minimum of 17.36645MMSCF/day during base load operations. The Committee was informed that the Government intends to use the gas from the Jubilee Fields to meet its fuel supply obligations. The Ministry further stated that it was exploring the option of deploying a Liquefied Natural Gas (LNG) Regasification Plant to be located in Tema to enable the country import natural gas to augment the current gas supply capacity of the country among other measures to ensure that adequate fuel is made available to run all power plants in the country.

11.5 Insurance Provisions

The Committee noted that adequate provision has been made under the EPA to provide insurance against risks associated with the operation of the power plants. Clause 16 of the Power Agreement requires the GPGC Limited to obtain insurance policies for the purpose of insuring against damage to the company's equipment and other assets, injury liability for death and bodily injury and other insurance policies as may be required by the country's applicable laws. To ensure performance in this regard, the Government of Ghana may request the Contractor to produce insurance certificate as proof of having obtained the above insurance policies.

11.6 Siting of the Power Plant

Per the terms of the Agreement, the GoG is required to allocate a suitable site for the siting of the equipment immediately after coming into effect of the Agreement (Clause 5 of the Agreement). In this regard, the Ministry of Power informed the Committee that land has been made available by the VRA within the Aboadze Power Enclave for that purpose. It is hoped that, having met this major condition for the execution of the project, the project could be implemented as scheduled.

11.7 Project Implementation Schedule

To ensure that the project is completed within the shortest possible time to help in meeting the country's current energy needs, the Committee noted that the parties have committed themselves to specific milestones to be achieved within the duration of the Agreement. Per the attached Annex 7 of the Power Agreement, the commercial operation date for the simple cycle (80MW) is to be achieved by December, 2015 if certain conditions are met.

11.8 Tax Exemptions


It was further noted that the Government of Ghana has committed to obtain exemptions from all taxes as may be required by the GPGC under the country's laws during the pre-construction, construction and operation of the plants (Clause 13 of the Agreement). On the total amount of tax required to be paid under the Agreement, the Minister for Power responded that it was not possible to provide specific amount for the tax because the applicable taxes become ascertainable as and when the equipment are brought into the country.

12.0 CONCLUSION

Having scrutinize the Emergency Power Agreement in the light of the current power supply challenges confronting the country, the Committee is satisfied with the terms of the Agreement.

The Committee therefore recommends to the House to adopt its report and to ratify the Emergency Power Purchase Agreement between the Government of Ghana and the GPGC Limited for the provision of fast-track 107 MW (ISO) Installed Capacity of Power in accordance with Article 181 (5) of the Constitution.

Respectfully submitted.


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ALHAJI AMADU B. SOROGHO
CHAIRMAN, COMMITTEE ON
MINES AND ENERGY


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PEACE FIAWOYIFE (MS.)
CLERK TO THE COMMITTEE