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## ***Electricity Operation License***

### **• Requirements for Electricity Operation Licensing**

## **I. Information Required for Licensing Electricity Generation**

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## *GLOSSARY*

In this document the following definitions are used.

**Agency** means the Ethiopian Electric Agency.

**Electricity** means electric power generated from water, minerals, sunlight or other sources.

**Entity** means a corporate body, business or economic entity, or segment thereof

**Generation** means the production of electricity.

**License** means a license issued pursuant to proclamation NO.86/1997 to generate electricity for commercial purposes.

**Licensee** means a person issued with a license pursuant to Proclamation No. 86/1997.

**License Applicant** means a person or any legal entity who make an application to get license for generation in accordance with Proclamation NO.86/1997 and Regulation NO.49/1999.

**Proclamation** means electricity proclamation NO. 86/1997.

**Regulation** means Electricity Operations Council of Ministers Regulation NO. 49/1999.

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## 1. INTRODUCTION

- 1.1 This document provides information for potential *License Applicant* to facilitate the making of an application for a license of generation in Ethiopia
- 1.2 The information collected by the *Agency* pursuant to this document will provide a stable information base to support financial and economic analysis to be undertaken by the *Agency*:
  - to determine a license application; and
  - to give effect to the objective and functions of the *Agency* as stated in the *Proclamation*; and
- 1.3 To ensure that the information obtained pursuant to this document is relevant, the *Agency* proposes to amend the document from time to time to meet the needs of the *Agency* in the context of changing circumstances, including developments at the national level.

## 2. THE NATURE OF THE DOCUMENT

### 2.1. Purpose

- 2.1.1. The purpose of this document is to assist *License Applicant* to comply with statutory requirements for license applications.
- 2.1.2. Without limiting the *Agency's* power to request further information under article 3 (1f) of the *Regulation*, this document also sets out preliminary information required by the *Agency*.

### 2.2. The Agency's Objective and Functions

- 2.2.1 The objective of the *Agency* under article 5 of the *Proclamation* is:
  - to promote the development of efficient, reliable, high quality and economical electricity services
- 2.2.2 The functions (powers and duties) of the *Agency* under article 6 of the *Proclamation* relevant to this document are to:
  - supervise and ensure that the generation, transmission, distribution and sale of electricity are carried out in accordance with the *Proclamation*, the *Regulation*, as well as the directives issued in accordance with the *Proclamation* and *Regulation*;

- 
- determine the quality and standard of electricity services and ensure the implementation thereof;
  - issue, suspend, and revoke license for the generation, transmission, distribution and sale of electricity in accordance with the ***Proclamation***, the ***Regulation*** and directives issued in accordance with the ***Proclamation*** and ***Regulation***;
  - study and recommend a tariff and, up on approval, supervise the implementation thereof;
  - own property, enter in to contracts, sue and be sued in its own name; and
  - perform such other lawful activities as may be necessary for the attainment of its objective

## 2.3. Definitions and Interpretation

### 2.3.1 In this document:

- words and phrases presented in bold italic font ***such as this***, are defined in the glossary of this document and have the meaning given to them in that glossary;
- this document seeks to provide definitions consistent with those given in the ***Proclamation*** and the ***Regulation***. Where words and phrases are not defined in the glossary, they shall have the meaning given to them by the ***Proclamation***, the ***Regulation*** or any other relevant legislative or regulatory document; and
- the words ‘*shall*’ and ‘*must*’ indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears is otherwise.

2.3.2 Explanations in this document about why certain information is required are a guide only and should not be taken to limit in any way the ***Agency’s*** objective or functions (powers and duties).

## 2.4. Confidentiality

2.4.1 The ***Agency’s*** obligations regarding confidentiality and the disclosure of information provided to it are governed by article 3(4) of the ***Regulation***.

2.4.2 In order that the public is fully informed about license applications, the ***Agency***

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has a preference for details of applications to be made publicly available. Sections of the application will be withheld in accordance with the **Agency's** duty to preserve the confidence of commercially sensitive information, or information that is sensitive for any other relevant identified reason.

- 2.4.3 The **Agency** has an obligation to keep a public register of licenses including the terms and conditions of the license and other information required under regulations.

## **2.5. Processes for Revision**

- 2.5.1 The **Agency** proposes to amend and expand the document from time to time to meet the needs of **License Applicant** and the **Agency**, in the context of:

- changing circumstances including changes in the regulatory framework; and
- developments at the national level.

## **2.6. Input from Interested Parties**

- 2.6.1 The **Agency** welcomes comments or suggestions for amendments to this document, from any interested party. Any contribution in this regard could be addressed to:

### **Ethiopian Electric Agency**

P.O. Box 2554

*Tel. 50 77 35*

*e-mail: electric. agency @ telecom.net.et*

*Addis Ababa, Ethiopia*

## **2.7. Version History and Effective Date**

- 2.7.1 An issue number and date of issue will identify every version of the document.
- 2.7.2 This version (Issue No.1) of this document became effective on the date of issue.

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### 3. Requirements

#### 3.1. Statutory Requirements

3.1.1 An application must be made to the **Agency** in a form provided and approved by the **Agency** which contains the information specified in the form.

3.1.2. The License **Applicant** for **generation** must provide a full document of the project that he/she intends to carry out. The document, as stated in the **Regulation**, shall contain:

- a) A feasibility study of the project which includes
  - Social and economic impact of the project;
  - Estimated costs and returns of the project;
  - Duration of the project; and
  - Construction and installation programme and commencement date of operation.
- b) Environmental Impact Assessment which includes
  - All potential damages to the environment along with mitigation, restoration or reclamation plan including resettlement programme for displaced residents; and
  - The estimated cost of implementation of the plans and programmes referred to above
- c) Documents showing the applicant's financial situation, technical competence and experience;
- d) Construction and installation designs;
- e) Source of electricity;
  - If the source is hydro, the **licensee** is required to procure water use and water works construction permit from the Ministry of Water Resource; and
  - If the source is coal, the **Licensee** is required to procure permission from the Ministry of Mining
- f) Map of the project at the scale determined by the **Agency**;
- g) Total power capacity of the project;
- h) Power purchase agreement where appropriate; and
- i) Land permit from the Regional State where the project is carried out

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### 3.2. Other Matters

3.2.1 The *Agency* must be satisfied that:

- The *License Applicant* is a suitable person to hold the license.

In determining whether the *License Applicant* is a suitable person to hold a license, the *Agency* may consider:

- (a) the *License Applicant's* previous commercial and other dealings and the standard of honesty and integrity shown in those dealings;
- (b) the financial, technical and human resources available to the *License Applicant*; and
- (c) the officers and, if applicable, major shareholders of the *License Applicant* and their previous commercial and other dealings and the standards of honesty and integrity shown in those dealings (including breaches of statutory and other legal obligations)

### 3.3. Further Information

The *Agency* will also require the following information from *License Applicant*.

#### **Technical Information**

3.3.1 The *License Applicant* must demonstrate that he/she has the technical capacity to comply with the conditions of the license. License holder has a statutory obligation to comply with the *Proclamation/Regulation*. *License Applicant must* demonstrate that he/she will be capable of complying with the provisions of the *Proclamation/Regulation* relevant to the class of license for which he/she has applied.

3.3.2. In order to demonstrate technical capacity to the *Agency*, *License Applicant* shall provide:

- details of his/her experience in the electricity industry
- a summary of the skills and experience of the *License Applicant's* *Directors* and senior managers, especially those relating to the electricity industry

- 
- if the **License Applicant** is to rely on another **Entity** to provide staff and resources, a summary of the relationship between the **License Applicant** and this **Entity**, including any formal agreements to provide services, and a summary of this other **Entity's** experience in the electricity industry

## Financial Information

3.3.3 In order to demonstrate the **License Applicant's** financial viability, audited financial statements for the past three years should be provided where available. If such statements are not available, the **License Applicant** shall contact the **Agency** to discuss the information he/she must provide.

3.3.4 The **License Applicant** will be required to demonstrate:

- that he/she is capable of being sued in its own name in an Ethiopian court;
- that, if the **License Applicant** is a natural person, he/she is not an undischarged bankrupt; and
- that he/she has an acceptable credit rating or financial standing commensurate with the potential financial exposure.

## Additional Information

3.3.5 The **Agency** shall make such other inquiries in respect of the application, as it considers necessary in the fulfillment of its responsibilities under the **Regulation**.

## 4. Term of license

The term of license as stipulated in the **Regulation** shall be based on the life of the project, however, the maximum duration for hydropower generation license is 40 years. The maximum duration of license for non- hydropower generation will be determined by the directives issued by the Ministry of Infrastructure.

## 5. Renewal of license

As clearly stated in the **Regulation** a, license may be renew for a successive period if the licensee:

- a) Has made an application to that effect two years prior to the expiry of the license;
- b) Is not in breach of any provisions of the **Proclamation**, the **Regulation** and directives issued hereunder which constitutes grounds for revocation of his license; and,



- 
- c) Has agreed to upgrade his operations in accordance with latest technology generally accepted in the power industry; provided, however, that the duration of each renewal shall not exceed half of the initial period of the license

## **6. Payment of fees and charges**

As stated in the *Regulation*:

- Up on the registration of his application, any applicant for electricity operation license shall pay in advance 20 % of the license fees provided, however, that such payments shall not be refundable up on refusal of license.
- Fees to be paid for generation license shall be Birr 1.00 per kilowatt; provided, however, that minimum fees shall be Birr 1000

## **7. Public consultation on license**

In the *Regulation* it is stipulated that once the *applicant* made an application for generation license and registered in the register maintained in the *Agency*, the next step is advertising the application within three days after registration through newspapers which have wider circulation, in radio and television to know whether there is an objection about the proposed project. Any person who has an objection to the project can send a written objection to the *Agency* within 60 days from the last publication of the advertisement on newspaper. If the *Agency* rejects the objection, it shall notify the person in writing by setting the reasons for decision.

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## **II. Information Required for Licensing Electricity Distribution and Sale**

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- 3. Requirements**
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- 4. Term of license**
- 5. Renewal of license**
- 6. Payment of fees and charges**
- 7. Public consultation on license applications**

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## GLOSSARY

In this document the following definitions are used.

**Agency** means the Ethiopian Electric Agency.

**Electricity** means electric power generated from water, minerals, sunlight or other sources.

**Entity** means a corporate body, business or economic entity, or segment thereof.

**Distribution and Sale** means the supply of electricity services to customers through medium and low voltage lines.

**License** means a license issued pursuant to proclamation NO.86/1997 to distribute and sale electricity for commercial purposes.

**License Applicant** means a person or any legal entity who make an application to get license for distribution and sale in accordance with Proclamation NO.86/1997 and Regulation NO.49/1999.

**Proclamation** means electricity proclamation NO. 86/1997.

**Regulation** means Electricity Operations Council of Ministers Regulation NO. 49/1999.

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## 1. INTRODUCTION

- 1.1 This document provides information for potential *License Applicant* to facilitate the making of an application for a license of distribution and sale in Ethiopia
- 1.2 The information collected by the *Agency* pursuant to this document will provide a stable information base to support financial and economic analysis to be undertaken by the *Agency*:
  - to determine a license application; and
  - to give effect to the objective and functions of the *Agency* as stated in the *Proclamation*; and
- 1.3 To ensure that the information obtained pursuant to this document is relevant, the *Agency* proposes to amend the document from time to time to meet the needs of the *Agency* in the context of changing circumstances, including developments at the national level.

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## 2. THE NATURE OF THE DOCUMENT

### 2.1. Purpose

2.1.1. The purpose of this document is to assist *License Applicant* to comply with statutory requirements for license applications.

2.1.2. Without limiting the *Agency*'s power to request further information under article 3 (1f) of the *Regulation*, this document also sets out preliminary information required by the *Agency*.

### 2.2. The Agency's Objective and Functions

2.2.1 The objective of the *Agency* under article 5 of the *Proclamation* is:

- to promote the development of efficient, reliable, high quality and economical electricity services

2.2.2 The functions (powers and duties) of the *Agency* under article 6 of the *Proclamation* relevant to this document are to:

- supervise and ensure that the generation, transmission, distribution and sale of electricity are carried out in accordance with the *Proclamation*, the regulation, as well as the directives issued in accordance with the *Proclamation* and *Regulation*;
- determine the quality and standard of electricity services and ensure the implementation thereof;
- issue, suspend, and revoke license for the generation, transmission, distribution and sale of electricity in accordance with the *Proclamation*, the *Regulation* and directives issued in accordance with the *Proclamation* and *Regulation*;
- study and recommend a tariff and, up on approval, supervise the implementation thereof;
- collect license fees in accordance with rates to be prescribed by regulations;

- 
- perform such other lawful activities as may be necessary for the attainment of its objective

## 2.3. Definitions and Interpretation

### 2.3.1 In this document:

- words and phrases presented in bold italic font ***such as this***, are defined in the glossary of this document and have the meaning given to them in that glossary;
- this document seeks to provide definitions consistent with those given in the ***Proclamation*** and the ***Regulation***. Where words and phrases are not defined in the glossary, they shall have the meaning given to them by the ***Proclamation***, the ***Regulation*** or any other relevant legislative or regulatory document; and
- the words ‘shall’ and ‘*must*’ indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears is otherwise.

### 2.3.2 Explanations in this document about why certain information is required are a guide only and should not be taken to limit in any way the ***Agency’s*** objective *or* functions (powers and duties).

## 2.4. Confidentiality

### 2.4.1 The ***Agency’s*** obligations regarding confidentiality and the disclosure of information provided to it are governed by article 3(4) of the ***Regulation***.

### 2.4.2 In order that the public is fully informed about license applications, the ***Agency*** has a preference for details of applications to be made publicly available. Sections of the application will be withheld in accordance with the ***Agency’s*** duty to preserve the confidence of commercially sensitive information, or information that is sensitive for any other relevant identified reason.

### 2.4.3 The ***Agency*** has an obligation to keep a public register of licenses including the terms and conditions of the license and other information required under regulations.

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## 2.5. Processes for Revision

2.5.1 The **Agency** proposes to amend and expand the document from time to time to meet the needs of **License Applicant** and the **Agency**, in the context of:

- changing circumstances including changes in the regulatory framework; and
- developments at the national level.

## 2.6. Input from Interested Parties

2.6.1 The **Agency** welcomes comments or suggestions for amendments to this document, from any interested party. Any contribution in this regard could be addressed to:

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### 3. Requirements

#### 3.1. Statutory Requirements

- 3.1.1 An application must be made to the **Agency** in a form provided and approved by the **Agency** which contains the information specified in the form.
- 3.1.2. The **License Applicant** for **distribution and sale** must provide a full document of the project that he/she intends to carry out. The document, as stated in the **Regulation**, shall contain:
- j) A feasibility study of the project which includes
    - Social and economic impact of the project;
    - Estimated costs and returns of the project;
    - Duration of the project; and
    - Construction and installation programme and commencement date of operation
  - k) Environmental Impact Assessment which includes
    - All potential damages to the environment along with mitigation, restoration or reclamation plan including resettlement programme for displaced residents; and
    - The estimated cost of implementation of the plans and programmes referred to above
  - l) Documents showing the applicant's financial situation, technical competence and experience;
  - m) Construction and installation designs;
  - n) The source from which the distribution system draws electricity;
  - o) Estimated number of customers to be benefited from the proposed price of each unit of power to be sold;
  - p) Power purchase contract where appropriate; and
  - q) Other relevant information requested by the **Agency**, such as, the details of the supply area in which the business is carried on. It includes:



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- existing source of power of the area
  - expected customer type and number
  - economic activity of the area (to assess the level of affordability of the residents/expected customers)

### 3.2. Other Matters

3.2.1 The *Agency* must be satisfied that:

- The *License Applicant* is a suitable person to hold the license.

In determining whether the *License Applicant* is a suitable person to hold a license, the *Agency* may consider:

- (a) the *License Applicant's* previous commercial and other dealings and the standard of honesty and integrity shown in those dealings;
- (b) the financial, technical and human resources available to the *License Applicant*; and
- (c) the officers and, if applicable, major shareholders of the *License Applicant* and their previous commercial and other dealings and the standards of honesty and integrity shown in those dealings (including breaches of statutory and other legal obligations)

### 3.3. Further Information

The *Agency* will also require the following information from *License Applicant*.

#### **Technical Information**

3.3.1 The *License Applicant* must demonstrate that he/she has the technical capacity to comply with the conditions of the license. License holder has a statutory obligation to comply with the *Proclamation/Regulation*. *License Applicant must* demonstrate that they will be capable of complying with the provisions of the *Proclamation/Regulation* relevant to the class of license for which he/she has applied.

3.3.2. In order to demonstrate technical capacity to the *Agency*, *License Applicant* shall provide:

- 
- details of his/her experience in the electricity industry
  - a summary of the skills and experience of the *License Applicant's* Directors and senior managers, especially those relating to the electricity industry
  - if the *License Applicant* is to rely on another *Entity* to provide staff and resources, a summary of the relationship between the *License Applicant* and this *Entity*, including any formal agreements to provide services, and a summary of this other *Entity's* experience in the electricity industry

## Financial Information

3.3.3 In order to demonstrate the *License Applicant's* financial viability, audited financial statements for the past three years should be provided where available. If such statements are not available, the *License Applicant* shall contact the *Agency* to discuss the information he/she must provide.

3.3.4 Furthermore, the *License Applicant* will be required to demonstrate:

- that he/she is capable of being sued in its own name in an Ethiopian court;
- that, if the *License Applicant* is a natural person, he/she is not an undischarged bankrupt; and
- that he/she has an acceptable credit rating or financial standing commensurate with the potential financial exposure.

## Additional Information

3.3.5 The *Agency* shall make such other inquiries in respect of the application, as it considers necessary in the fulfillment of its responsibilities under the *Regulation*.

## 4. Term of license

As stipulated in the *Regulation*, distribution and sale license shall be granted for a period of 50 years

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## 5. Renewal of license

As clearly stated in the **Regulation**, a license may be renew for a successive period if the licensee:

- a. Has made an application to that effect two years prior to the expiry of the license;
- b. Is not in breach of any provisions of the **Proclamation**, the **Regulation** and directives issued hereunder which constitutes grounds for revocation of his license; and
- c. Has agreed to upgrade his operations in accordance with latest technology generally accepted in the power industry; provided, however, that the duration of each renewal shall not exceed half of the initial period of the license

## 6. Payment of fees and charges

As stated in the **Regulation**:

- Up on the registration of his application, any applicant for electricity operation license shall pay in advance 20 % of the license fees to be paid, provided, however, that such payments shall not be refundable up on refusal of license.
- Fees to be paid for distribution and sale license shall be Birr 2.00 per kilovolt ampere of transformer capacity; provided, however, that minimum fees shall be Birr 1000.

## 7. Public consultation on license

In the **Regulation** it is stipulated that once the applicant made an application for distribution and sale license and registered in the register maintained in the **Agency**, the next step is advertising the application within three days after registration through newspapers which have wider circulation, in radio and television to know whether there is an objection about the proposed project. Any person who has an objection to the project can send a written objection to the **Agency** within 60 days from the last publication of the advertisement on newspaper. If the **Agency** rejects the objection, it shall notify the person in writing by setting the reasons for decision.

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## **III. Information Required for Licensing Electricity Transmission**

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- 7. Public consultation on license applications**

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## GLOSSARY

In this document the following definitions are used.

**Agency** means the Ethiopian Electric Agency.

**Electricity** means electric power generated from water, minerals, sunlight or other sources.

**Entity** means a corporate body, business or economic entity, or segment thereof.

**Transmission** means the transportation of bulk electricity.

**License** means a license issued pursuant to proclamation NO.86/1997 to transmit electricity for commercial purposes.

**License Applicant** means a person or any legal entity who make an application to get license for transmission in accordance with Proclamation NO.86/1997 and Regulation NO.49/1999.

**Proclamation** means electricity proclamation NO. 86/1997.

**Regulation** means Electricity Operations Council of Ministers Regulation NO. 49/1999.

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## 1. INTRODUCTION

- 1.1 This document provides information for potential *License Applicant* to facilitate the making of an application for a license of transmission in Ethiopia.
- 1.2 The information collected by the *Agency* pursuant to this document will provide a stable information base to support financial and economic analysis to be undertaken by the *Agency*:
  - to determine a license application; and
  - to give effect to the objective and functions of the *Agency* as stated in the *Proclamation*; and
- 1.3 To ensure that the information obtained pursuant to this document is relevant, the *Agency* proposes to amend the document from time to time to meet the needs of the *Agency* in the context of changing circumstances, including developments at the national level.

## 2. THE NATURE OF THE DOCUMENT

### 2.1. Purpose

- 2.1.1. The purpose of this document is to assist *License Applicant* to comply with statutory requirements for license applications.
- 2.1.2. Without limiting the *Agency*'s power to request further information under article 3 (1f) of the *Regulation*, this document also sets out preliminary information required by the *Agency*.

### 2.2. The *Agency*'s Objective and Functions

- 2.2.1 The objective of the *Agency* under article 5 of the *Proclamation* is:
  - to promote the development of efficient, reliable, high quality and economical electricity services
- 2.2.2 The functions (powers and duties) of the *Agency* under article 6 of the *Proclamation* relevant to this document are to:
  - supervise and ensure that the generation, transmission, distribution and sale of electricity are carried out in accordance with the

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*Proclamation*, the *Regulation*, as well as the directives issued in accordance with the *Proclamation* and *Regulation*;

- determine the quality and standard of electricity services and ensure the implementation thereof;
- issue, suspend, and revoke license for the generation, transmission, distribution and sale of electricity in accordance with the *Proclamation*, the *Regulation* and directives issued in accordance with the *Proclamation* and *Regulation*;
- study and recommend a tariff and, up on approval, supervise the implementation thereof;
- collect license fees in accordance with rates to be prescribed by regulations; and
- perform such other lawful activities as may be necessary for the attainment of its objective

## 2.3. Definitions and Interpretation

### 2.3.1 In this document:

- words and phrases presented in bold italic font *such as this*, are defined in the glossary of this document and have the meaning given to them in that glossary;
- this document seeks to provide definitions consistent with those given in the *Proclamation* and the *Regulation*. Where words and phrases are not defined in the glossary, they shall have the meaning given to them by the *Proclamation*, the *Regulation* or any other relevant legislative or regulatory document; and
- the words ‘*shall*’ and ‘*must*’ indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears is otherwise.

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## 2.4. Confidentiality

- 2.4.1 The **Agency**'s obligations regarding confidentiality and the disclosure of information provided to it are governed by article 3(4) of the **Regulation**.
- 2.4.2 In order that the public is fully informed about license applications, the **Agency** has a preference for details of applications to be made publicly available. Sections of the application will be withheld in accordance with the **Agency**'s duty to preserve the confidence of commercially sensitive information, or information that is sensitive for any other relevant identified reason.
- 2.4.3 The **Agency** has an obligation to keep a public register of licenses including the terms and conditions of the license and other information required under regulations.

## 2.5. Processes for Revision

- 2.5.1 The **Agency** proposes to amend and expand the document from time to time to meet the needs of **License Applicant** and the **Agency**, in the context of:
- changing circumstances including changes in the regulatory framework; and
  - developments at the national level.

## 2.6. Input from Interested Parties

- 2.6.1 The **Agency** welcomes comments or suggestions for amendments to this document, from any interested party. Any contribution in this regard could be addressed to:

### Ethiopian Electric Agency

P.O. Box 2554  
Tel. 50 77 35  
e-mail: [electric.agency@telecom.net.et](mailto:electric.agency@telecom.net.et)  
Addis Ababa, Ethiopia



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## 2.7. Version History and Effective Date

- 2.7.1 An issue number and date of issue will identify every version of the document.
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## 3. Requirements

### 3.1. Statutory Requirements

- 3.1.1 An application must be made to the **Agency** in a form provided and approved by the Agency which contains the information specified in the form.
- 3.1.2. The **License Applicant** for **transmission** must provide a full document of the project that he/she intends to carry out. The document, as stated in the **Regulation**, shall contain:
- r) A feasibility study of the project which includes
    - Social and economic impact of the project;
    - Estimated costs and returns of the project;
    - Duration of the project; and
    - Construction and installation programme and commencement date of operation
  - s) Environmental Impact Assessment which includes
    - All potential damages to the environment along with mitigation, restoration or reclamation plan including resettlement programme for displaced residents; and
    - The estimated cost of implementation of the plans and programmes referred to above
  - t) Documents showing the applicant's financial situation, technical competence and experience;
  - u) Construction and installation designs;
  - v) Preliminary route map of proposed main 4 alternative transmission lines;
  - w) Total length and maximum load of transmission lines;
  - x) standard of voltage and frequency; and
  - y) other relevant information requested by the **Agency**, such as the source from which the transmission system draws electricity and purpose of the transmission system (to improve the network configuration/system reliability or to connect the new source of electricity to the customer)

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## 3.2. Other Matters

3.2.1 The *Agency* must be satisfied that:

- The *License Applicant* is a suitable person to hold the license.

In determining whether the *License Applicant* is a suitable person to hold a license, the *Agency* may consider:

- (a) the *License Applicant's* previous commercial and other dealings and the standard of honesty and integrity shown in those dealings;
- (b) the financial, technical and human resources available to the *License Applicant*; and
- (c) the officers and, if applicable, major shareholders of the *License Applicant* and their previous commercial and other dealings and the standards of honesty and integrity shown in those dealings (including breaches of statutory and other legal obligations)

## 3.3. Further Information

The *Agency* will also require the following information from *License Applicant*.

### ***Technical Information***

3.3.1 The *License Applicant* must demonstrate that he/she has the technical capacity to comply with the conditions of the license. License holders have a statutory obligation to comply with the *Proclamation/Regulation*. *License Applicant must* demonstrate that he/she will be capable of complying with the provisions of the *Proclamation/Regulation* relevant to the class of license for which he/she has applied.

3.3.2 In order to demonstrate technical capacity to the *Agency*, *License Applicant* shall provide:

- details of his/her experience in the electricity industry
- a summary of the skills and experience of the *License Applicant's*

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Directors and senior managers, especially those relating to the electricity industry

- if the ***License Applicant*** is to rely on another ***Entity*** to provide staff and resources, a summary of the relationship between the ***License Applicant*** and this ***Entity***, including any formal agreements to provide services, and a summary of this other ***Entity***'s experience in the electricity industry

## Financial Information

3.3.3 In order to demonstrate the ***License Applicant***'s financial viability, audited financial statements for the past three years should be provided where available. If such statements are not available, the ***License Applicant*** shall contact the ***Agency*** to discuss the information he/she must provide.

3.3.4 The ***License Applicant*** will be required to demonstrate:

- that he/she is capable of being sued in its own name in an Ethiopian court;
- that, if the ***License Applicant*** is a natural person, he/she is not an undischarged bankrupt; and
- that he/she has an acceptable credit rating or financial standing commensurate with the potential financial exposure.

## Additional Information

3.3.5 The ***Agency*** shall make such other inquiries in respect of the application, as it considers necessary in the fulfillment of its responsibilities under the ***Regulation***.

## 4. Term of license

As stipulated in the ***Regulation***, transmission license shall be granted for a period of 50 years.

## 5. Renewal of license

As clearly stated in the ***Regulation*** a license may be renew for a successive period if the

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**licensee:**

- a. Has made an application to that effect two years prior to the expiry of the license;
- b. Is not in breach of any provisions of the *Proclamation*, the *Regulation* and directives issued hereunder which constitutes grounds for revocation of his license; and
- c. Has agreed to upgrade his operations in accordance with latest technology generally accepted in the power industry; provided, however, that the duration of each renewal shall not exceed half of the initial period of the license

## **6. Payment of fees and charges**

As stated in the *Regulation*:

- Up on the registration of his application, any applicant for electricity operation license shall pay in advance 20 % of the license fees to be paid, provided, however, that such payments shall not be refundable up on refusal of license.
- Fees to be paid for transmission license shall be Birr 20 per circuit kilo meter; provided, however, that minimum fees shall be Birr 2000

## **7. Public consultation on license**

In the *Regulation* it is stipulated that once the applicant made an application for transmission license and registered in the register maintained in the *Agency*, the next step is advertising the application within three days after registration through newspapers which have wider circulation, in radio and television to know whether there is an objection about the proposed project. Any person who has an objection to the project can send a written objection to the *Agency* within 60 days from the last publication of the advertisement on newspaper. If the *Agency* rejects the objection, it shall notify the person in writing by setting the reasons for decision.

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## **IV. Information Required for Licensing Electricity Operation-Importation and Exportation**

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#### **6. Payment of fees and charges**

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## GLOSSARY

In this document the following definitions are used.

**Agency** means the Ethiopian Electric Agency.

**Electricity** means electric power generated from water, minerals, sunlight or other sources.

**Entity** means a corporate body, business or economic entity, or segment thereof.

**License** means a license issued pursuant to proclamation NO.86/1997 to import and export electricity for commercial purposes.

**License Applicant** means a person or any legal entity who make an application to get license for importation and exportation in accordance with Proclamation NO.86/1997 and Regulation NO.49/1999.

**Proclamation** means electricity proclamation NO. 86/1997.

**Regulation** means Electricity Operations Council of Ministers Regulation NO. 49/1999.

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## 1. INTRODUCTION

- 1.1 This document provides information for potential *License Applicants* to facilitate the making of an application for a license of importation and exportation in Ethiopia
- 1.2 The information collected by the *Agency* pursuant to this document will provide a stable information base to support financial and economic analysis to be undertaken by the *Agency*:
  - to determine a license application; and
  - to give effect to the objective and functions of the *Agency* as stated in the *Proclamation*; and
- 1.3 To ensure that the information obtained pursuant to this document is relevant, the *Agency* proposes to amend the document from time to time to meet the needs of the *Agency* in the context of changing circumstances, including developments at the national level.

## 2. THE NATURE OF THE DOCUMENT

### 2.1. Purpose

- 2.1.1. The purpose of this document is to assist *License Applicant* to comply with statutory requirements for license applications.
- 2.1.2. Without limiting the *Agency's* power to request further information under article 3 (1f) of the *Regulation*, this document also sets out preliminary information required by the *Agency*..

### 2.2. The Regulator's Objective and Functions

- 2.2.1 The objective of the *Agency* under article 5 of the *Proclamation* is:
  - to promote the development of efficient, reliable, high quality and economical electricity services
- 2.2.2 The functions (powers and duties) of the *Agency* under article 6 of the

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*Proclamation* relevant to this document are to:

- supervise and ensure that the generation, transmission, distribution and sale of electricity are carried out in accordance with the *Proclamation*, the *Regulation*, as well as the directives issued in accordance with the *Proclamation* and *Regulation*;
- determine the quality and standard of electricity services and ensure the implementation thereof;
- issue, suspend, and revoke license for the generation, transmission, distribution and sale of electricity in accordance with the *Proclamation*, the *Regulation* and directives issued in accordance with the *Proclamation* and *Regulation*;
- study and recommend a tariff and, up on approval, supervise the implementation thereof;
- collect license fees in accordance with rates to be prescribed by regulations; and
- perform such other lawful activities as may be necessary for the attainment of its objective

### **2.3. Definitions and Interpretation**



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2.3.1 In this document:

- words and phrases presented in bold italic font ***such as this***, are defined in the glossary of this document and have the meaning given to them in that glossary;
- this Guideline seeks to provide definitions consistent with those given in the ***Proclamation*** and the ***Regulation***. Where words and phrases are not defined in the glossary, they shall have the meaning given to them by the ***Proclamation***, the ***Regulation*** or any other relevant legislative or regulatory document; and
- the words ‘*shall*’ and ‘*must*’ indicate mandatory requirements, unless the overall meaning of the phrase in which one of these words appears is otherwise.

2.3.2 Explanations in this document about why certain information is required are a guide only and should not be taken to limit in any way the ***Agency’s*** objective or functions (powers and duties).

## 2.4. Confidentiality

- 2.4.1 The ***Agency’s*** obligations regarding confidentiality and the disclosure of information provided to it are governed by article 3(4) of the ***Regulation***.
- 2.4.2 In order that the public is fully informed about license applications, the ***Agency*** has a preference for details of applications to be made publicly available. Sections of the application will be withheld in accordance with the ***Agency’s*** duty to preserve the confidence of commercially sensitive information, or information that is sensitive for any other relevant identified reason.

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- 2.4.3 The **Agency** has an obligation to keep a public register of licenses including the terms and conditions of the license and other information required under regulations.

## **2.5. Processes for Revision**

- 2.5.1 The **Agency** proposes to amend and expand the document from time to time to meet the needs of **License Applicant** and the **Agency**, in the context of:

- changing circumstances including changes in the regulatory framework; and
- developments at the national level.

## **2.6. Input from Interested Parties**

- 2.6.1 The **Agency** welcomes comments or suggestions for amendments to this document, from any interested party. Any contribution in this regard could be addressed to:

### **Ethiopian Electric Agency**

P.O. Box 2554

*Tel. 50 77 35*

*e-mail: [electric.agency@telecom.net.et](mailto:electric.agency@telecom.net.et)*

*Addis Ababa, Ethiopia*

## **2.7. Version History and Effective Date**

- 2.7.1 An issue number and date of issue will identify every version of the document.
- 2.7.2 This version (Issue No.1) of this document became effective on the date of issue.

## **3. Requirements**

### **3.1. Statutory Requirements**

- 3.1.1 An application must be made to the **Agency** in a form provided and

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approved by the **Agency** which contains the information specified in the form.

3.1.2. The **License Applicant** for **importation and exportation** must provide a full document of the project that he/she intends to carry out. The document, as stated in the **Regulation**, shall contain:

- a) A feasibility study of the project which includes
  - Social and economic impact of the project;
  - Estimated costs and returns of the project;
  - Duration of the project; and
  - Construction and installation programme and commencement date of operation
- b) Environmental Impact Assessment which includes
  - All potential damages to the environment along with mitigation, restoration or reclamation plan including resettlement programme for displaced residents; and
  - The estimated cost of implementation of the plans and programmes referred to above
- c) Documents showing the applicant's financial situation, technical competence and experience;
- d) Construction and installation designs;
  - e) An agreement made with concerned authority of country from which or to which electricity is imported or exported;
- e) Standard of voltage and frequency; and
- f) Powers purchase contract where appropriate; and
  - h) Other required information required by the **Agency**, such as, the source of electricity

### **3.2. Other Matters**

3.2.1 The **Agency** must be satisfied that:

- The **License Applicant** is a suitable person to hold the license.

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In determining whether the *License Applicant* is a suitable person to hold a license, the *Agency* may consider:

- (a) the *License Applicant's* previous commercial and other dealings and the standard of honesty and integrity shown in those dealings;
- (b) the financial, technical and human resources available to the *License Applicant*;
- (c) the officers and, if applicable, major shareholders of the *License Applicant* and their previous commercial and other dealings and the standards of honesty and integrity shown in those dealings (including breaches of statutory and other legal obligations); and
- (d) other matters prescribed by the regulation.

### 3.3. Further Information

The *Agency* will also require the following information from *License Applicant*.

#### ***Technical Information***

- 3.3.1 The *License Applicant* must demonstrate that he/she has have the technical capacity to comply with the conditions of the license. License holder has a statutory obligation to comply with the *Proclamation/Regulation*. *License Applicant must* demonstrate that he/she will be capable of complying with the provisions of the *Proclamation/Regulation* relevant to the class of license for which he/she has applied.
- 3.3.2. In order to demonstrate technical capacity to the *Agency*, *License Applicant* shall provide:
  - details of his/her experience in the electricity industry

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- a summary of the skills and experience of the *License Applicant's* Directors and senior managers, especially those relating to the electricity industry
  - if the *License Applicant* is to rely on another *Entity* to provide staff and resources, a summary of the relationship between the *License Applicant* and this *Entity*, including any formal agreements to provide services, and a summary of this other *Entity's* experience in the electricity industry

## Financial Information

- 3.3.3 In order to demonstrate the *License Applicant's* financial viability, audited financial statements for the past three years should be provided where available. If such statements are not available, the *License Applicant* shall contact the *Agency* to discuss the information he/she must provide.
- 3.3.4 Furthermore, the *License Applicant* will be required to demonstrate:
- that he/she is capable of being sued in its own name in an Ethiopian court;
  - that, if the *License Applicant* is a natural person, he/she is not an undischarged bankrupt; and
  - that he/she has an acceptable credit rating or financial standing commensurate with the potential financial exposure.

## Additional Information

- 3.3.5 The *Agency* shall make such other inquiries in respect of the application, as it considers necessary in the fulfillment of its responsibilities under the *Regulation*.

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#### **4. Term of license**

As stipulated in the **Regulation**, importation and exportation license shall be granted for a period of 10 years.

#### **5. Renewal of license**

As clearly stated in the **Regulation** license may be renew for a successive period if the licensee:

- a) Has made an application to that effect two years prior to the expiry of the license;
- b) Is not in breach of any provisions of the **Proclamation**, the **Regulation** and directives issued hereunder which constitutes grounds for revocation of his license; and
- c) Has agreed to upgrade his operations in accordance with latest technology generally accepted in the power industry; provided, however, that the duration of each renewal shall not exceed half of the initial period of the license

#### **6. Payment of fees and charges**

As stated in the **Regulation**:

- Up on the registration of his application, any applicant for electricity operation license shall pay in advance 20 % of the license fees to be paid, provided, however, that such payments shall not be refundable up on refusal of license.
- Fees to be paid for importation and exportation license shall be Birr 1per megawatt hour; provided, however, that minimum fees shall be Birr 2000

#### **7. Public consultation on license**

In the **Regulation** it is stipulated that once the applicant made an application for importation and exportation license and registered in the register maintained in the **Agency**, the next step is advertising the application within three days after registration through newspapers which have wider circulation, in radio and television to know whether there is an objection about the proposed project. Any person who has an objection to the project can send a written objection to the **Agency** within 60 days from the last publication of the advertisement on newspaper. If the **Agency** rejects the objection, it shall notify the person in writing by setting the reasons for decision.