



LEGAL AND REGULATORY FRAMEWORK FOR MINI-GRIDS

Ishmael Chioko
Director Legal Affairs and Board Secretary

Regulating Energy for Sustainable Development

Presentation Outline

- **What is MERA?**
- **Mandate of MERA**
- **Rural Electrification in Malawi and Rural Electrification projects**
- **Licensing requirements and proposed framework of licensing of mini grids**
- **Tariffs and levy**
- **Standard specification and code of practice**
- **Concession agreements**
- **Publishing of mini-grid framework**



WHAT IS MERA?

- It is a body corporate established by section 3 of the Energy Regulation Act of 2004. It started carrying out its functions in 2008.
- MERA is comprised of the Board and the Secretariat
- The Board is comprised of
 - Five members appointed by the President and confirmed by the Public Appointments Committee of Parliament
 - The Principal Secretary responsible for Energy Affairs as ex officio member;
 - The Director of Energy Affairs; and
 - The Chief Executive of the MERA as ex officio member
- The Board appointed members have a tenure of three years



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WHAT IS MERA CONTINUED

- MERA has a secretariat which is headed by a Chief Executive Officer.
- Secretariat and the Chief Executive Officer are responsible for the day to day running of the activities of MERA including implementing decisions of the Board.
- Currently MERA has offices in Lilongwe (Head Office, Development House) Blantyre(Delamare House) and in Mzuzu in Mpico House

Mandate for MERA

- The Malawi Energy Regulatory Authority (MERA) is mandated to regulate the energy sector and license energy undertakings as defined in Section 9 of the Energy Regulation Act 2004 and this includes:
 - i) Licensing of energy undertakings
 - ii) Approving tariffs, and prices of energy sales and services;
 - iii) Monitoring and enforcing compliance by licensees with licences
 - iv) Developing and enforcing performance and safety standards for energy exploitation, production transportation and distribution
 - v) Prescribing and collecting fees, charges, levies or rates
 - vi) Arbitrating commercial disputes, resolving and mediating consumer complaints against licensees
 - vii) Recommending reforms to the Energy Laws as the Authority may deem desirable
- In particular to renewable technologies, section 9 (2) provides that the Authority should facilitate increasing access to energy supplies and promote the exploitation of renewable energy resources.



RURAL ELECTRIFICATION IN MALAWI

- Rural electrification is defined as the grid or off-grid extension of distribution lines and generation of electricity in rural and remote areas whose internal rate of return is up to a maximum value set by the Authority, line voltage level is less than 66 kilovolts and generation capacity is up to 5 megawatts.
- Section 3 also defines renewable energy resources include solar home system, micro, mini and small hydro-electric power stations, biomas, biogas, wind, and other thermal electricity generation systems and technologies;



RURAL ELECTRIFICATION PROJECTS

- **A project for rural electrification under the regulations shall be—**
- **(a) for the extension of 400v, 11kV and 33kV distribution lines from the national grid;**
- **(b) for the a construction of an isolated mini, micro and small hydropower station and associated substations and distribution reticulation; or**
- **(c) for the supply and installation of renewable energy technologies.**



LICENSING REQUIREMENT

- Governed by the Energy Regulation by-laws of 2009
- By-law 42- Licence is required to carry on the business of importing, selling, installation and maintenance of renewable energy technologies.
- The Authority shall issue only one type of licence covering any type of activity dealing with renewable energy technologies: Provided that an applicant may apply for a licence for a specific activity
- By-law 44-The Authority shall not issue a licence to an applicant for renewable energy technologies unless the Authority has granted to the applicant an electrical installations permit
- Licence is valid for twelve calendar months



LICENSING CONTINUED

- **Section 24** of the Rural Electrification Act
- It is a requirement that every person who carries on or is engaged in any manner in any rural electrification activity should obtain a licence issued by the Authority. This is also emphasized by regulation 3 of Rural Electrification Regulations.
- Section 24 also states that separate licences shall be issued for generation, distribution or renewable



FRAMEWORK PROPOSAL IN TERMS OF LICENSING OF MINI GRIDS

- Mini grids of less than 50 kW shall not be licensed provided that, where such type of mini grids are developed for public use, they shall be registered to monitor compliance with quality of service, safety and environmental protection standards.
- All mini grids with generation and or distribution capacity of 50 kW or more developed for commercial purposes shall be licensed. Only one licence shall be issued for combined activities of generation, distribution and retailing.
- All mini grids of 50 kW or more developed for private use, shall be registered for records and to monitor compliance with safety and environmental protection standards.



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TARIFFS AND LEVY

- Cost reflective tariffs be charged on off-grid/mini grid projects. This is also in line with By-Laws 205(g) and 211 (d) of the Electricity By-laws which allow MERA to approve tariffs for off-grid electrification which:
 - are cost reflective and competitive; and
 - do not impede competition in the industry.

The Rural Electrification Levy (REL) supports projects with Internal Rate of Return (IRR) of up to 6%. The Electricity (Amendment) Act 2016 allows MERA to specify the rate of return;



STANDARD SPECIFICATION AND CODE OF PRACTICE

- By-law 55 of the Energy Regulation By-laws-Every licensee shall comply with and adhere to the standard specifications for renewable energy technologies approved by the Authority as well as the applicable provisions in the Electricity By-laws



CONCESSION AGREEMENTS

- Section 27 of the Rural Electrification Act provides that where the execution of a rural electrification project is to be carried out by a Concessionaire, there shall be executed a concession agreement between the developer and the Government in the prescribed form. Form 6 in the RE Act
- Concession agreements have a maximum of 20 years duration



PUBLISHING OF MINI-GRID FRAMEWORK

- Section 20 of the Electricity Act states Authority may make by-laws, rules, codes and guidelines to give effect to this Act or for its better administration.
- (2) The Authority shall publish a draft of the proposed by-laws, rules, codes and guidelines for comment by members of the public or licensees and shall consider any comments given, before putting the by-laws, rules, codes and guidelines into effect.



Thank you for your attention.

Head Office: 2nd Floor Development House, City Centre, Private Bag B-496, LILONGWE 3. Phone : +265(0) | 774 103/135 /+265 (0) | 775 810

Regional Office South: 7th Floor, Delamere House, BLANTYRE. Phone: +265 (0) | 832 496 / 893

Regional Office North: Mpico House, MZUZU, Phone: +265 (0) | 312 878/769/719



e-mail: mera@meramalawi.mw

www.meramalawi.mw