

VOLTA RIVER AUTHORITY
5TH ANNUAL STAKEHOLDERS' INTERFACE
CHAIRMAN'S STATEMENT

Good Morning, Ladies and Gentlemen,

Welcome to VRA's 5th Annual Stakeholders Meeting!

This meeting, essentially, is to share with you, key stakeholders, our performance in 2013, our achievements and challenges, and our perspectives and insights for the future. You would observe that most jurisdictions require companies to prepare and disclose their performance in an annual report. Indeed, many require the annual report to be filed at the company's registry or regulatory agency. Particularly, it is mandatory for companies listed on the stock exchange to give a comprehensive report on their company's operations throughout the preceding year. Other Government-owned limited liability companies would also typically hold an Annual General Meeting, popularly referred to simply as the AGM. As an Authority, we find the need to organize an annual stakeholder's meeting.

Volatile Macro Economic Situation

The macroeconomic situation of 2013 and the business challenges that accompanied the financial year had a bearing on our overall operating environment. However, within this environment, the VRA made significant progress. Our prospects are bright despite a more volatile macro-situation. We are very positive about the future.

The VRA's Competitive Success

The VRA has a unique advantage because of its depth and breadth. Our customers value our technical depth. And our unique breadth makes the VRA a desired company. What drives the VRA's success are three attributes: vision, competence and excellence. At the heart of the VRA's competitive success is a consistent pool of highly skilled, efficient and talented staff supported by a mutually reinforcing training and development system delivered at scale across the Authority.

The VRA is able to capitalize on its strengths and unique capability to deliver results.

The Volta River Authority ended the fiscal year 2013 with an operating profit of GH¢208.11 million compared to a loss of GH¢ of 82.22 million in 2012. The operating profit represents a return of 5.63% on average revalued net fixed assets (2012: negative 2.59%) compared to the covenanted rate of 8%.

Revenue from sale of electricity increased by 26% (GH¢462.69 million) to GH¢2,212.07 million over the previous year's sales of GH¢1,749.39 million.

On behalf of the Authority, I am pleased to report, that the Government of Ghana paid to the VRA an amount of GH¢664.27 million to make up for the acknowledged shortfalls in tariff, effectively a subsidy to domestic consumers in Ghana.

We acknowledge Government's, effort to stabilize the VRA's finances. However, the tariff increase by the PURC is still anemic. The tariffs could cover just 60% of the cost of production of electricity.

As a reliability-focused organization, planned preventive maintenance of auxiliary equipment at both plants at Akosombo and Kpong were 100% accomplished. This enabled us to rely on our hydro facilities to deliver 61% of the total system supply. The Akosombo and Kpong plants combined to perform at 97.5% above ours and the PURC's own performance benchmarks; the Takoradi thermal plants registered 86.91% availability and 67.75% capacity utilization; while the new Tema thermal plants performed satisfactorily.

Portfolio Growth

The VRA's portfolio sets our potential. Power demand is estimated to maintain growth trajectory of 200 MW annually. Our capability to deliver adequate, safe, and reliable power is particularly crucial to the growth and development of our economy. It is only by investing in power generation that we can sustain growth.

Growth in new capacity has not kept pace with demand, and this has created a demand and supply imbalance, resulting in periodic load management.

We are happy that in 2013, in spite of the demanding and challenging economic environment, we continued to make significant progress. We pushed hard toward developing and deploying a suite of generation expansion projects, in a timely manner, which would rely on a diversity of fuels for power generation, to reduce emissions generally, and to mitigate the impact of future price increases for any one fuel, in the short-to-medium term. Taken together, these projects are expected to add 510 MW in new capacity in the short-to-medium term to ensure electricity reliability and security.

These include:

- 220 MW Kpone Thermal Power Project expected to be completed in January 2015.
- 110 MW TICO Expansion Project also expected to be completed by first quarter of 2015.

- 180 MW Takoradi 4 Thermal Power Project (T4) expected to be awarded on contract in August 2014.

The VRA has a great deal of responsibility for the availability and performance of the power plants and keeps a close eye on operating costs for its valued customers. Gas is becoming the major driver of competitiveness. We believe that gas will create electricity costs that are competitive, and provide a “tipping point” for fuel substitution. We plan to increase gas power generation, and to participate in the gas supply chain. We continued with our exploration of other alternatives of gas supply, moving to execution with gas producers in Nigeria, and Ghana, including ENI, the holders of the Sankofa Non-Associated Gas field. We stepped up our initiatives to explore the possibility of securing additional gas supplies through re-gasified Liquefied Natural Gas (LNG), imported from around the world. These prospective supplies will supplement current sources in Ghana and Nigeria, and create stability in our operations and overall electricity supply in the country.

Development of Renewable Energy

We are committed to the development of renewable energy, in particular solar and wind energy, in our generation mix to reduce fossil fuels imports and associated volatility in crude oil prices while protecting the environment. Our energy development strategy seeks to diversify our sources of generation to reduce the risk of overdependence on just few types of our generation sources. A renewable energy development programme is one of the most constructive, cost effective ways to address the challenges of high energy prices, energy security, air pollution, and global climate change. As oil and gas are expendable products, renewable resources would play an increasingly vital role in our power generation mix over the next century. Hydroelectric power is currently the largest producer of renewable energy in Ghana. Hydro generation currently accounts for 60 percent of the total system supply, and this is the largest share of the ramping capacity.

Solar Power Development

We have developed the first 2 MW solar power plant at Navrongo, commissioned in 2013 by His Excellency President John Dramani Mahama. Commercial production began on April 17, 2013 and a total of 2.672GWh has been generated since its inception. We are planning to develop up to 12 MW of solar power generation in the next three years in the northern part of the country where the resource is abundant. A 12 MW solar PV plant is also being developed in the Upper West Region with funding by KfW, a German bank.

Wind power development

We are planning to develop up to 100-150 MW of wind power at locations in the southern part of the country where conditions are most favourable. The development of this resource would be carried out through a joint venture arrangement with an internationally reputable partner with expertise in that field. The development of renewable energy demonstrates our resolve to have different fuel sources and technologies to generate electricity so that we can have reliable supply while not being overly dependent on one type of generation.

Emission Credit Development

We are equally planning to identify projects whose carbon emission can be reduced to qualify the VRA to benefit from emission credits. These projects include fuel switching of the Mines Reserve Plant, the fuel switch and expansion of the Takoradi plant, fuel switch at the 50 MW Tema Thermal II Power Plant.

Ghana Energy Development and Access Programme (GEDAP)

To improve electricity accessibility and availability, the VRA is expanding its power system under a project designated *Ghana Energy Development and Access Programme* (GEDAP). The project, which is in two parts, involves the development of the Kumasi Second Bulk Supply Point and distribution networks, funded by the African Development Bank. A sub-component of GEDAP, the *NED Intensification Project*, which seeks to improve access to electricity, is being funded by the International Development Association (IDA) of the World Bank. The project is expected to improve the network operation, supply reliability, power quality and safety and increase access to prospective customers and secure additional revenue.

Commercialization of Non-Power Generation Functions

The Authority's corporate strategic objective is to commercialize the existing subsidiaries and other non-power functions to ensure value addition and increased profitability. Our strategic approach is aimed at operationalization of Strategic Business Units (SBUs) through internally generated funds.

We are assessing other strategies and financing options for the expansion plans of Akosombo Hotels and operationalization of the Kpong Farms.

Akosombo Hotels Ltd: Consideration is being given to medium-term debt financing from banks/financiers for the hotel expansion project. The hotel needs about \$10,000,000 to complete construction of 65-100 rooms and to complete re-construction of Dodi Princess.

Kpong Farms Ltd: We are considering long-term leasing as a structuring option for private sector participation in Kpong Farms.

Volta Lake Transport Company

The Volta Lake Transport Company, incorporated in 1970, operates river transportation for passengers, bulk haulage of petroleum products and significant quantity of cement, and cross-lake ferry services along the Volta Lake.

With an asset net book value of GHS 92 million, low revenue performance exposes many of the assets to ineffective revenue generation.

I am pleased to report that the Government of Ghana in 2013 procured three new water buses and a 130-tonne ferry which arrived in September.

Other support initiatives from the World Bank include preparation of more landing sites, new port equipment for Buipe and Akosombo Ports and new engines for VLTC ferries.

VRA has spent some US\$1,200,000 in recent years to improve safety on the vessels and appointed a new management team in 2013 to improve the financial fortunes of the company.

Kpong Farms Ltd

In January 2012, minor rice cultivation was started to maintain and enhance the farm, in anticipation of private sector partnership opportunities. This culminated in 27 hectares being cultivated in 2013 of which 129,168 kilos of rice were harvested. A long-term lease arrangement is being considered to revive operations of the Farms.

Enterprise-wide technology enabled organization

We are transforming the way that we operate. We are consistently innovating the VRA. Our innovations are focused on productivity. We are investing in initiatives that can deliver strong gains in productivity. We have digitalized our business processes to enable collaboration. Digital tools will make us build a stronger world class organization. The VRA would be a major beneficiary of simplified systems and mobility.

Performance Management: The Balanced Scorecard

A new performance management system, *the Balanced Scorecard (BSC)* had been introduced since 2011 to provide a framework for aligning individual performance with departmental and corporate goals, and for assessing performance. Applied in 2012, for the third year in a row, the BSC has become the alchemy for corporate productivity.

Corporate Social Responsibility

The VRA recognizes the need to align its corporate social responsibility (CSR) activities to its business strategies and the communities where it operates. As a corporate citizen VRA's CSR initiatives are aimed not only at contributing to the wellbeing of communities; but also towards skills development, education and enterprise development and in turn promoting jobs, alleviating poverty and improving employability. We are building local capability to deliver local solutions. An amount of GHS87.9 million (2012: GHS62.3 million) was spent on CSR initiatives during the year.

To further align the Authority's CSR activities, the VRA set up a CSR Unit in June 2013, introduced a draft CSR Policy and undertook the following activities:

- Formulated draft CSR policy and model.
- Implemented a teaching and career guidance programme for students of Osu-Doku Senior Secondary and Technical School in the Dangbe West District. A total of 13 volunteer staff, a national service person and an intern participated in the programme. This activity falls under the Employee Volunteer Programme.
- Awarded scholarship to 60 youth in VRA communities tenable at second and tertiary schools under the VRA Community Development Programme.
- Signed a Memorandum of Understanding with Safe Water Network to provide quality water supply to VRA communities.

Excellent Team Work

One defining characteristic of the VRA is its great leadership. The VRA has had the benefit of extraordinary leaders and entrepreneurs who have advanced the work and objectives of the VRA. I wish to express gratitude to management and staff for maintaining excellent professional standards. I wish also to thank my predecessor,

Professor Akilagpa Sawyerr, previous Board Chairman and his team for their stellar performance and respectability they brought to bear on the image of the VRA.

Conclusion

Energy infrastructure development involves huge investments. The capital outlay is staggering. Energy is becoming the major driver of competitiveness. Increased private-sector investment, improved public infrastructure development and sustained political stability. Energy efficiency behavior and electricity pricing will bring about electricity availability, accessibility and affordability.

It is a privilege to serve the people of Ghana, and we thank the Government for this privilege.

Lee Ocran

BOARD CHAIRMAN