

VOLTA RIVER AUTHORITY
10TH STAKEHOLDERS' INTERFACE
TUESDAY, NOVEMBER 24, 2020 AT ALISA HOTEL

BOARD CHAIRMAN'S STATEMENT

Dear Stakeholders,

It is my pleasure to present to you today, the Volta River Authority's 2019 Financial and Operational report. On behalf of the Board of Directors, permit me to share with you our achievements, challenges and expectations as the Authority continues to pursue its financial recovery and restructuring program.

2019 was another challenging year in the power business. However, with determination and resilience, we succeeded in making positive gains in our financial recovery efforts. This achievement is attributed to the Board's commitment and Management's focus on meeting the targets outlined in our Financial Recovery Plan (FRP). These gains have also been made possible following the receipt of payments from ESLA Plc. during the year.

 **Operations Review**

The Authority's generating plants in Akosombo and Akuse played a key role in the country's electric power generation in 2019. Generation from our hydro sources increased by 1,164GWh from 5,044GWh in 2018 to 6,208GWh in 2019. This represents an increase of 23 percent. Our thermal generation, including 1,483GWh of energy from the AMERI Plant, increased by 55 percent from 2,237GWh in 2018 to 3,460GWh in 2019. We also sold a total of 1,744GWh of energy contracted from the Takoradi International Company of Ghana (TICO) as well through power exchanges with Compagnie Ivoirienne d'Electricite (CIE). This was, however, 26 percent – or 607GWh - lower than the energy contracted in 2018.

 **Operational Maintenance**

Keeping a strict maintenance culture is a key priority for the Authority. Accordingly, we followed through our maintenance schedules to guarantee optimal operation of our Plants and system reliability. However, in 2019, we could not achieve our thermal

plant availability targets, due to delays in the restoration of the second unit (32G2) of the Takoradi Thermal Plant, resulting in the unavailability of about 150MW of power to the national grid.

The Authority's decision to operate on natural gas led to an increase in the use of natural gas from 44.4 Million MMBtu in 2018 to 69.0 Million MMBtu in 2019. Similarly, Distillate Fuel Oil (DFO) usage also increased from 13.04 million litres in 2018 to 33.20 million litres in 2019. The increase in DFO usage was to prevent load-shedding during the movement of the Karpowership upon the completion of the Takoradi-Tema Interconnection Project, which reduced an estimated 450MW of power from the national grid.

It is our expectation that the completion of the Takoradi-Tema Interconnection Project will enhance our thermal operations in the Tema enclave, by increasing the reliability of gas supply in the nation, and ultimately support our efforts to deliver competitively priced electricity to all our customers.

Financial Health

In 2019, revenue from sale of electricity increased by 27 percent - or GH¢ 852.7 million - to GH¢ 4.012 billion over the previous year's sale of GH¢ 3.160 billion. The above is attributed to the combined effects of a 19.20 percent (1,733GWh) increase in the quantity of energy sold, from 9,025GWh in 2018 to 10,758GWh in 2019, and an increase in the average tariff for regulated customers, from GH¢ 0.2499/kWh in 2018 to 0.2813/kWh in 2019.

Also, the quantity of electricity sold to deregulated customers, which attracts relatively better margins, increased by 55.8 percent from 3,003GWh in 2018 to 4,679GWh in 2019, largely on account of sales to SONABEL over the new Bolgatanga-Ouagadougou 330 kV transmission line, which increased from 222GWh in 2018 to 519GWh in 2019, representing an increase of 297GWh - or 135 percent. Additionally, sales to CEB also increased by 102 percent, from 385GWh in 2018 to 777GWh in 2019. The quantity of energy sold to regulated customers, however, declined by 0.94 percent (57GWh) from 6,022GWh in 2018 to 6,079GWh in 2019.

Financial Recovery Efforts

Last year, I reported on the status and progress of the three-year Financial Recovery Plan (FRP), approved by the Board at the start of its tenure in late 2017. The FRP has the key objective of restoring and ensuring the Authority's financial sustainability, which had severely been impaired by 2017.

The successful implementation of the FRP and our new corporate strategy with the acronym "BRAISE" have led to great successes in the areas of cost control; signing-off on new commercial opportunities; improving our internal business processes, as well as improving the efficiency of our thermal operations. It is my expectation that, the principles underlying these initiatives will remain in place after the FRP ends in 2020.

Our commitment to reducing our net losses continued in 2019. Net losses reduced from GH¢ 220.1 million in 2018 to GH¢ 127.1 million by the end of 2019; representing a 42 percent reduction. The Authority is expected to reduce losses even further in 2020, possibly post a modest profit, on track to meet our financial recovery targets set in 2018.

The Authority's commitment to use natural gas; increase power sales to the export market; underpinned by the Government's payment of GH¢ 344 million through the ESLA bond issued to substantially reduce legacy debts, also contributed to the current progress achieved in the Authority's Financial Recovery programme.

I wish to acknowledge the Government and all our Stakeholders for their support to the Authority's operations during the period. This progress in implementing the FRP would not have been possible without it. I can assure you that, the Board, Management and Staff will remain focused on achieving our goal of financial sustainability, the fulcrum on which the restructuring into the "NEW VRA" is hinged.

Industrial Relations

Last year, Management and Staff collaborated to ensure a healthy working industrial climate. This climate has been essential to ensuring the enabling environment for both Management and Staff to work towards attaining the objectives of the business. A key initiative undertaken by Management with the approval of the Board was the review

of the Authority's Scheme of Service and Reward Management Scheme. Our expectation is that, when fully rolled out, it will provide skills development for the staff and facilitate the implementation of the Authority's succession planning programme. We also continued the implementation of our High Impact Leadership Development Programme; as well as provided skills development programmes for the staff.

Corporate Social Responsibility

The Volta River Authority takes pride in its role as a responsible corporate social citizen. We have consistently achieved this by collaborating with the communities we operate in, to improve their living standards and develop the life skills of the indigenes to enhance their income earning potential. The Authority achieves this through the implementation of our Community Development Programme (CDP).

The CDP, which focuses on six (6) thematic areas, was developed in partnership with the communities through their District and Municipal Assemblies, and other development agencies. Throughout the year, the Authority provided support for social infrastructural projects, environmental protection, industrial attachments, healthcare and cultural activities, among others.

The implementation of the Free Senior High School policy by the Government of Ghana compelled the Authority to end the award of Scholarship at the Senior High School level. In view of this new development, in 2019, key Stakeholders in all Eighteen Municipal/District Assemblies impacted by our operations were engaged to discuss and outline a framework and implementation strategy to enable the Authority introduce a Technical/ Vocational Education and Training (TVET) Programme. It is my expectation that by the end of next year, we would have gone through all the modalities to kick-start the programme. Nevertheless, during the same period, we spent Two Hundred and Forty Two Thousand Eight Hundred and Twenty Two Thousand and Thirty Three pesewas (**GH¢242,822.33**) as tuition and hostel fees for sixty-five (65) students at tertiary institutions from level 100 to 600 (level 500 and 600 being students studying Medicine).

In the area of healthcare, major interventions undertaken to ensure reduction or eradication of bilharzia in the impacted communities include provision of potable water

and sanitation facilities. Beneficiary communities include Sedorm, Korankyi, Amlalokope, Teikpitikorpe, Kebenu, Dzebetato, West Kpong, Supomu Dunkwa, Atrobinya and Volo.

Portfolio Growth

Although no new power expansion projects were completed in 2019, the Authority remained focused on its commitment to expanding its footprint in the development of new renewable energy sources. These include feasibility studies works carried out on the 17MWp Kaleo-Lawra solar power projects, and the yet to be developed 40MWp Bongo Solar Project, as well as our proposed two (2) 75MWp Wind Power Projects, to be located in the Keta and Ada West Municipalities respectively. I am pleased to report that after several years on the drawing board, sod cutting for the construction of the Pwalugu Multipurpose Dam took place during the year. The completion of the project will present many benefits to the people of the area, not just in the provision of additional power to the area, but also for irrigation and flood control, vital in light of the challenges posed by the annual spillage of the Bagre Dam after heavy rainfalls. Also in 2019, VRA collaborated with the Ministry of Energy, the Ghana Atomic Energy Commission and the Nuclear Power Institute to support the development of nuclear power in Ghana.

Furthermore, the Authority collaborated with Government and other interested stakeholders towards the development and conversion of our simple cycle plants into combined cycle operations. The targeted plants include the Kpone Thermal Power Station; Tema Thermal 1 Power Plant (TT1PP); as well as working towards the transfer of ownership of the T3 Power Plant by Government to enable us re-power and operate it in a combined cycle mode.

Restructuring of subsidiaries

During the year, the Authority put in place a timetable and action plan towards restructuring of our non-power subsidiaries into stand-alone, financially self-sustaining entities. These non-power subsidiaries include the Akosombo Hotel Ltd. (AHL), Kpong Farms Ltd. (KFL), Volta Lake Transport Company Ltd. (VLTC), VRA International Schools Ltd., and VRA Health Services Ltd. The target set in 2019 is to identify majority, equity partners before the end of 2020 who, in turn, will bring much needed

fresh capital injection and management focus. Modest progress has been made in this important area, with a better resourced investment directorate leading current efforts.

Challenges

The year 2019 presented its share of challenges in the energy sector that impacted the Authority's operations. The financial debt overhang brought about by the overcapacity in the power system, exacerbating the poor payment record to the VRA for power supplied to the regulated market, remains a key concern of the Authority. It is our continuing expectation that Government will find solutions to these critical on-going concerns.

The unavailability of the steam turbine at Aboadze due to major damage following a grid disturbance, contributed largely to the under-utilization of the facility. In response, the Authority has developed a programme to assure the long-term sustainability of operations of the Aboadze thermal plant. This is to enable us achieve our objective to remain relevant in the current competitive market, and to sustain our position as a market leader.

The continued movements in the foreign exchange markets also affected the Authority's fiscals. The 13.7 percent depreciation of the average GH¢/US\$ exchange rate from GH¢4.59 in 2018 to GH¢ 5.22/US\$ in 2019, significantly contributed to an increase in our foreign exchange losses and severely impacted our net financial position. It is our hope that the Ministry of Finance and Bank of Ghana continue to work together to ensure stability in the exchange rate regime to ease our cost of doing business.

Finally, the absence of a competitively priced electricity tariff regime that incorporates financial compensation for the various ancillary services that the Authority provides for the stability and reliability of the power system needs to be addressed. We are of the considered opinion that the time has come for the mandated institutions to consider and incorporate the provision of ancillary services in the tariff methodology.

The Way Forward

I would like to assure our stakeholders that VRA is committed to executing its public sector mandate, but with a private sector mindset, by providing reliable and competitively priced electricity to support national development. This is our **COMMITMENT** on our steady journey to the “NEW VRA”.

Conclusion & Appreciation

I conclude by thanking my colleagues on the Board for their support and leadership. I am certain that with good governance, discipline, and focus, this Board will provide the right guidance to ensure VRA remains a sustainable entity as we strive to maintain our position as the industry leader in the years ahead.

I would also like to thank all our stakeholders for their contributions towards our quest to restructure into a resilient, viable, and financially sustainable entity with multiple business interests. In particular, I wish to thank the newly established State Interests and Governance Authority (“SIGA”), led by their Director-General, Mr. Asamoah-Boateng, for their support and encouragement during their first year of existence. I also want to acknowledge the role of Government towards our financial recovery efforts through the ESLA Plc.

Finally, I would like to commend the Chief Executive and his Management Team for their support and dedication in guiding VRA through the challenges of the past years. I look forward with optimism to 2020, as we begin planning towards our 60th anniversary in 2021, and to our next sixty (60) years.

Thank you.

Kweku Andoh Awotwi
BOARD CHAIRMAN