Dear Stakeholders,

On behalf of the Board of Directors, it is my pleasure to present to you a report on VRA’s Financial and Operational performance for the year 2018. Today, I will share with you our successes, challenges and our corporate expectations as the Authority works towards financial recovery and ultimately restructure into a resilient, viable, and financially strong business entity.

2018 was a challenging financial year. However, we succeeded in making some positive gains in our financial recovery efforts. The achievements are attributable to the Board and Management’s strict compliance to its strategic decision to operate our thermal plants on the cleaner and cheaper natural gas, and adherence to the targets outlined in the Financial Recovery Plan (FRP), underpinned by the support for the payment of legacy debts through the ELSA arrangement.
Operations Review

The Authority’s hydro generating plants continued to play a dominant role in the country’s electric power generation in 2018. Generation from our hydro sources increased marginally from 5,034GWh in 2017 to 5,044GWh in 2018, contributing 37% to national power generation. Of the 15,964GWh generated nationwide, the Authority generated 9,635GWh, representing 60.4% of total energy generated.

Operational Maintenance

Planned maintenance was completed by the Authority on all of its Plants to ensure asset value maximization and system reliability. Though we could not achieve our thermal plant availability targets, we successfully restored the second unit of the Takoradi Thermal Plant (32G2), making available to the system over 100MW of power, which had been unavailable due to prolonged maintenance activity.

The Authority’s decision to operate on natural gas led to a 30.5% increase in use of natural gas from 34 million MMBtu in 2017 to 44.3 million MMBtu in 2018. Consequently, Light Crude Oil (LCO) usage dropped by 84.7% from 1.24 million barrels in 2017 to 0.19 million barrels in 2018. In addition, DFO usage also dropped by 67.6% from 40.1 million liters in 2017 to 13 million liters in 2018.

The completion of the Takoradi-Tema Interconnection Project will enhance our thermal operations in the Tema enclave, assuring the availability of gas from indigenous sources
and also from the West African Gas Pipeline. This will support our efforts to deliver competitively priced electricity to all our customers.

**Financial Performance**

The Authority’s Group revenue from the sale of electricity in 2018 increased by 6.6% to GHS3.2 Billion over the previous years’ sale of GHS3.0 Billion. This was mainly due to the combined effects of a marginal increase in the volume of energy sold and the upward adjustment in tariffs in the regulated market. The volume of energy sold increased from 9,005 GWh in 2017 to 9,025 GWh in 2018, while tariffs went up by 19.0% to GHS 0.2891/kWh in 2018.

Electricity sold to our deregulated customers, which attract relatively higher tariffs increased by 25.2% (605GWh) from 2,398 GWh in 2017 to 3,003GWh in 2018 largely on account of increased sales to SONABEL from June 2018 after the completion of the Bolgatanga-Ouagadougou transmission line.

**Financial Recovery Efforts**

Last year, I reported on the introduction of the three-year Financial Recovery Plan (FRP), rolled out in 2017. The FRP aims to restore the Authority’s financial sustainability, which was severely impaired in 2016. The successful implementation of the FRP will hinge on our success in cost control; prosecuting new commercial opportunities; improving our
internal business processes, as well as improving the efficiency of our thermal operations.

Last year, we narrowed our Net Losses by 67% from GHS 1.3 Billion in 2016 to GHS 430.5 million. This year, 2018, we have narrowed our Net Losses by a further 49%, from GHS 430.5 million to GHS 220.10 million, making for a combined 83% reduction in Net Losses over the last two years. This Board and Management is on track, therefore, to achieve a successful Financial Recovery Plan. Our commitment to use natural gas; increase power sales to the export market; underpinned by the Government’s payment of USD 738 million through the ESLA bond issue, substantially discharging historical debts owed to local banks and suppliers, has contributed to the current progress in implementing the Authority’s Financial Recovery Plan.

On this note, I wish to acknowledge the Government and all our Stakeholders for their support of the Authority’s operations. The progress in implementing the FRP would not have been possible without it. I can assure you that the Board, Management and Staff are focused to achieve our goal of financial sustainability by the time we restructure into the “NEW VRA” in 2021.

**Industrial Relations**

During the period under review, Management and Staff have collaborated to promoting 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. Initiatives that Management undertook during the period
include the review and implementation of the Authority’s succession planning programme; implementing a High Impact Leadership Development Programme; as well as providing the skills development programme for staff in general.

**Corporate Social Responsibility**

The Authority takes pride in its role as a responsible corporate social citizen. We achieve 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 works in the communities through 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, we provided support for social infrastructural projects; environmental protection; industrial attachments; scholarships to the indigenes at the Senior Secondary High School and tertiary levels; healthcare and support for cultural activities. Some major interventions undertaken to ensure reduction or eradication of bilharzia in the impacted communities include the provision of potable water and sanitation facilities. The beneficiary communities are Sedorm, Korankyi, Amlalorkope, Afagbakorpe, Kebenu, Dzebetato and West Kpong.
**Portfolio Growth**

Though no new power expansion projects were constructed during the year, the Authority has a commitment to expanding its portfolio of renewable energy projects. These include development works on the 12MW solar project at Kaleo-Lawra; 40MW at Bongo; 70MW at Loagri; and two (2) 75MW wind projects to be located in the Keta and Ada West Municipalities respectively.

In addition, the Authority has 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.

**Restructuring of subsidiaries**

During the year, the Authority commenced the restructuring of its non-power subsidiaries into stand-alone, financially self-sustaining entities. This high priority programme involves the Akosombo Hotel Ltd (AHL), Kpong Farms Ltd (KFL), Volta Lake Transport Company Ltd (VLTC), the VRA International Schools Ltd, and the VRA Health Services Ltd. The objective is to invite private sector investors to recapitalize these subsidiaries, and bring private sector management focus and discipline to run these non-core areas of the Authority’s operations.
Challenges

The Authority's operations continued to be affected by the on-going challenges in the energy sector. In particular, the issue of non-cost reflective tariffs and inadequate liquidity continued to affect our finances. It is our expectation that the Government will address these critical issues through its on-going initiatives.

With respect to our own operations, 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 light of that, 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.

Our operations also continue to be affected by movements on the foreign exchange market. The 13.2% depreciation in the exchange rate from GHS 4.4/US$1 in 2017 to GHS 4.6/US$1 in 2018, contributed to a significant increase in our cost of sales, and operational costs. It is our expectation that the relevant institutions would work to ensure the 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 the Authority is committed to executing its mandate to ensure the provision of reliable, competitively priced electricity to support national development. In that respect, a key priority is to collaborate with Government and other interested stakeholders to develop and convert our simple cycle plants into combined cycle operations. The target plans include: the Kpong Thermal Power Station; the Tema Thermal 1 Power Plant (TT1PP); and finally, to transfer ownership of the T3 Power Plant to VRA to enable us re-tool it and operate it in a combined cycle mode with a private sector partner.

Conclusion

Over the last fifty-eight (58) years, the VRA has executed our mandate of powering Ghana’s development. The leadership of the Board and dedication of Management and Staff have been critical in how far we have come as an organization. It is our conviction that with good governance, discipline, and focus, we will provide the right guidance for the growth of the Authority to ensure that we maintain our position as the industry leader in the years to come.
Appreciation

I would like to express my appreciation to all our stakeholders for their contributions to supporting our quest to restructure the organization into a resilient, viable, and financially sustainable entity with multiple business interests. Secondly, I would like to extend my appreciation to my colleague Board Members, for their unwavering support and for exhibiting their highest professional standards in the execution of the Board’s mandate. I also want to acknowledge the Government for the continued support towards our financial recovery efforts through the ESLA Plc. Finally, I would like to thank the Chief Executive and his Management Team for their dedication in guiding VRA through the challenges of 2018. I look forward with optimism this year 2019 and beyond particularly as we begin planning towards our 60th anniversary in 2021.

Thank-you, All.

Kweku Andoh Awotwi

BOARD CHAIRMAN

November 12, 2019