

**IN THE THIRD SESSION OF THE SIXTH  
PARLIAMENT OF THE FOURTH REPUBLIC OF  
GHANA**

**REPORT OF THE COMMITTEE ON  
MINES & ENERGY**

**ON THE**

**EMERGENCY POWER AGREEMENT BETWEEN  
THE GOVERNMENT OF THE REPUBLIC OF  
GHANA, REPRESENTED BY THE MINISTRY OF  
POWER AND AKSA ENERJI URETIM AS FOR  
THE PROVISION ON A FAST-TRACK BASIS, UP  
TO 370MW (ISO) INSTALLED CAPACITY OF  
POWER DELIVERY SERVICES**

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*JULY, 2015*

THE UNIVERSITY OF CHICAGO

EMERGENCY POWER AGREEMENT BETWEEN

THE UNIVERSITY OF CHICAGO AND

THE ELECTRIC DELIVERY COMPANY

**THE REPORT OF THE COMMITTEE ON MINES AND ENERGY  
ON THE EMERGENCY POWER AGREEMENT BETWEEN THE  
GOVERNMENT OF THE REPUBLIC GHANA, REPRESENTED BY THE  
MINISTRY OF POWER AND AKSA ENERJI URETIM AS FOR THE  
PROVISION ON A FAST-TRACK BASIS, UP TO 370 MW (ISO)  
INSTALLED CAPACITY OF POWER DELIVERY SERVICES**

**1.0 INTRODUCTION**

The Emergency Power Agreement between the Government of Ghana, represented by the Ministry of Power and Akxa Enerji Uretim As (AKSA), for the provision on fast-track basis, up to 370 MW (ISO) installed capacity of power delivery services was laid in Parliament on the 23<sup>rd</sup> of June, 2015 by the Hon. Minister for Power, Dr. Kwabena Donkor in accordance with Article 181 of the 1992 Constitution.

The Emergency Power Agreement was subsequently referred by the Rt. Hon. Speaker to the Committee on Mines and Energy for consideration and report pursuant to Order 188 of the Standing Orders of the House.

**2.0 DELIBERATIONS**

The Committee met with the Hon. Minister for Power, Dr. Kwabena Donkor and Officials of the Ministry to consider the Power Agreement. Officials of the Electricity Company of Ghana were also in attendance to assist the Committee in its deliberations.

The Committee is grateful to the Hon. Minister and the Officials for their attendance and for providing clarifications on issues raised at the meeting.

**3.0 REFERENCE DOCUMENTS**

The Committee was guided by the following documents during deliberations on the Agreement:

- i. The 1992 Constitution;
- ii. The Standing Orders of Parliament;
- iii. The Public Utilities Regulatory Commission Act, 1997 (Act 538); and
- iv. The Environmental Protection Agency Act, 1994 (Act 490).

## **4.0 BACKGROUND INFORMATION**

In 1965 when the Akosombo Dam was completed, Ghana's peak demand was at 100MW while the available generation capacity of the Dam was 600MW, thereby leaving significant power available for future use and for redundancy.

This situation has however changed drastically over the past decade and now demand has outstripped supply and hence the current power inadequacies confronting the country. Between 2000 and 2014, demand for power has increased from 1,161MW to 1,970MW. Currently, the country's suppressed demand is estimated at 2,500MW and this is expected to increase to 2,700MW by the end of the year.

The situation is further worsened occasionally by factors such as poor hydrology and non-availability of some generating units due to faults and fuel supply challenges. The cumulative effect of these factors accounts for the current load shedding and its attendant impact on industries and quality of life.

As a response to the challenge, the Government has adopted strategies to address the power deficit within the short to medium term by focusing on non-hydro sources of power. This has been witnessed in the number of Power Agreements signed between the State and private entities to boost the country's generation capacity.

In line with the above strategy, the Ministry of Power, acting on behalf of the Government of Ghana signed an Emergency Power Agreement with Aksa Enerji Uretim As (AKSA) of Turkey, for the provision on fast-track basis, up to 370 MW (ISO) installed capacity of power in Ghana.

Consequent to this, the Emergency Power Agreement was laid in Parliament for its approval in accordance with Article 181 (5) of the 1992 Constitution.

## **5.0 PARTIES TO THE EMERGENCY POWER AGREEMENT**

The parties to the Power Agreement are the Government of Ghana and the Aksa Enerji Uretim As (AKSA) of Turkey.

### **5.1 The Government of Ghana**

The Government of Ghana is represented under the Agreement by the Ministry of Power. The Ministry of Power is mandated to initiate and formulate policies to ensure the effective and efficient generation, transmission and supply of

power to all sectors of the economy of Ghana in an environmentally sustainable manner.

## **5.2 The Aksa Enerji Uretim AS (AKSA)**

Aksa Enerji Uretim As (AKSA) is a company incorporated in Turkey. The company is in the business of providing fast track power generation equipment and related services to meet the short-term and supplemental power requirements of power users.

The Company is based in Istanbul, Turkey and has its principal place of business at Ruzgarli Bahce Mahallesi, Selvi Cikmazi No. 10 Kavacik, Beykoz, Istanbul, Turkey.

## **6.0 THE PROJECT**

The Project involves the deployment of up to 22 units of the Wartsila 18V 46 Engine Generator set. The capacity of one unit is between 16MW and 17.5MW. AKSA will however be required to install 14 units for the generation of 220MW of power and upon the successful passing of the required operational tests, the additional 8 units will be added by the Company to increase the guaranteed capacity to 330MW.

## **7.0 DURATION OF THE AGREEMENT**

The duration of the Emergency power Agreement is five (5) years commencing on the date of full commercial operation of the plant (Clause 2 of the Power Agreement). This is a guaranteed period and defaults would attract sanctions.

## **8.0 KEY OBLIGATIONS OF THE PARTIES**

8.1 AKSA has undertaken to perform certain key obligations under Clause 3 of the Agreement including the duty to:

- i. transport, mobilize and demobilize the power generating units deployed and utilized on site;
- ii. operate and maintain the plant;
- iii. undertake scheduled overhauls of the equipment in accordance with the instructions of the manufacturer;

- iv. maintain the guaranteed Specific Fuel Oil Consumption (SFOC) of 220gr/kWh at Mean Site Conditions for every kWh of power generated
- v. ~~provide adequate environmental, health, safety and security of the generating units and accessories, fuel and light fuel oil and its staff whilst on site;~~

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8.2 On its part, the Government of Ghana has agreed to undertake certain obligations under Clause 4 of the Agreement. Some of these obligations are to:

- i. pay the monthly power delivery services as per the agreed formula specified in Section 5 of the Power Agreement;
- ii. assist AKSA to obtain and maintain all required permits and licences for the procurement of the power delivery services;
- iii. provide and maintain an electrical connection to the 11-15/161 kV and 15/161 kV side of the transformers at the electricity delivery point to enable AKSA draw auxiliary power;
- iv. ensure the readiness of the national interconnection transmission system to enable the evacuation of power from the plant.
- v. facilitate the acquisition of entry and exit visas for AKSA's personnel, contractors, subcontractors to ensure the fulfillment of AKSA's obligations under the Agreement; and
- vi. assist in obtaining the required import and export licences necessary in respect of the generating units and its accessories.

## 9.0 COMMERCIAL TERMS OF AGREEMENT

9.1 The commercial terms agreed under the Power Agreement are as follows:

Number of Units	-	22
Output of each Unit (site)	-	16-17.5MW
Total Capacity	-	370MW (ISO)
Dependable capacity	-	330MW
Guaranteed availability	-	98%
Capital Recovery charge	-	US Cent 3.735/kWh

Fixed O & M Charge	-	US Cent 0.765/kWh
Total Capacity Charge	-	US Cent 4.500/kWh

## 10.0 FUEL REQUIREMENTS

The Emergency Power Agreement places on AKSA the responsibility to provide the fuel required to run the Plant. Clause 5.6 of the Power Agreement charges AKSA to procure the Light Fuel Oil (LFO) or Heavy Fuel Oil (HFO) for the running of the equipment. On the other hand, the State will bear all the taxes and charges that the contractor will incur in procuring the fuel. The cost of the fuel will be treated on a pass through basis and hence would be included in the monthly energy charge to be paid by the State.

## 11.0 OBSERVATIONS

The Committee made the following observations during its considerations:

### 11.1 Favourable Financial Terms

The Committee noted that favourable financial terms were agreed upon under the Emergency Power Agreement. The financial terms particularly the capacity charge of US Cent 4.500/kWh was found to be competitive and compares favourably with the capacity charges pertaining under similar existing plants in the country. The table below shows the approved tariffs under the AKSA Agreement and the existing Power Agreements.

#### Tariffs Agreed under the AKSA Agreement and the Existing Power Agreements in the country

Description	Asogli-1	Asogli-2	Cenit	Cenpower	Karpower	AKSA
Year of PPA	2007	2014	2013	2012/2014	2014	2015
Plant Capacity (MW)	200	360	126	340	450	370
Capacity Charge (USCents/kWh)	3.9700	4.4386	4.0506	5.0440	5.6076	4.500

## **11.2 Dispute Resolution**

The State and AKSA have accepted per the provisions under Section 23 of the Agreement to resolve all disputes that may arise through settlement negotiations. The parties have also committed to refer invoice dispute to an expert for determination. The decision of the expert will be binding on the parties and shall not be subject to appeal to any other dispute forum.

## **11.3 Health and Safety**

The Agreement makes detailed provisions to address possible health and safety issues. Section 27 charges the parties to take necessary precautions to ensure the safety of personnel and the equipment. The AKSA is required procure insurance policies to cover injury to persons and damage to the equipment. Other relevant insurances policies are to be procured to cover risks or damage of equipment in course of installation, operation and maintenance of the equipment.

## **11.4 Dispute Resolution**

~~The Committee noted that the Power Agreement makes provision for the amicable settlement of dispute between the parties. Under Clause 23 of the Power Agreement requires the parties to resolve their disputes through settlement negotiations. In the event that this process in unsuccessful, the parties may appoint an expert to assist in resolving the disputes. Failing this, a party is entitle to refer the matter to arbitration.~~

## **11.5 Payment Guarantee**

The Agreement further requires that Government provide a standby Letter of Credit (LC) for three (3) months of capacity, fuel and variable payments as payment guarantee. The value of the standby LC as agreed under Clause 1.4 of the Power Agreement is One Hundred and Four Million, Four Hundred and Seventy Thousand United States Dollars (US\$US\$104,470,000.00).

## **11.6 Local Participation in the Power Generation Sector**

The Committee further noted with concern that the Power Agreement does not provide specific opportunities for local companies. The Ministry in response explained that though the Agreement has been executed, it was still holding discussions with the Contractors for the possibility of offering a contract to a Ghanaian entity to supply the fuel requirement for the running of the Plant.



While appreciating the effort to enhance the participation of Ghanaians in the power sector, the Committee urged the Ministry to speed up works on the Local Content Policy for the power sector to encourage the participation of Ghanaians.

#### **11.7 Performance Guarantee**


The Committee noted that the Emergency Power Agreement makes provision to ensure that AKSA delivers the much needed power as envisaged under the Agreement. Clause 5.4 of the Agreement requires the Contractor (AKSA) to issue a performance guarantee in the amount of Twenty Million United States Dollars (US\$20,000.00). The Committee is of the view that such arrangement would engender the needed commitment on the part of the Contractor to deliver on its obligations.


#### **12.0 CONCLUSION AND RECOMMENDATION**

The Committee notes that the current power challenges confronting the country is having detrimental impact on the economy which requires urgent measures to fix it. It believes the approval of the Power Agreement would boost ongoing efforts to end the power challenges within the shortest possible time to bring relief to Ghanaians.

The Committee therefore recommends to the House the adoption of its Report and to also request the House to approve the Emergency Power Agreement between the Government of Ghana, represented by the Ministry of Power and Aksa Enerji Uretim As (AKSA), for the provision on fast-track basis, up to 370 MW (ISO) installed capacity of power delivery services in accordance with Article 181 (5) of the 1992 Constitution.

Respectfully submitted.

  
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**ALHAJI AMADU B. SOROGHO**  
**CHAIRMAN, COMMITTEE ON**  
**MINES AND ENERGY**

  
.....  
**PEACE FLAWOYIFE (MS.)**  
**CLERK TO THE COMMITTEE**

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