

**IN THE FOURTH SESSION OF THE FIFTH PARLIAMENT OF THE FOURTH  
REPUBLIC OF GHANA**

**REPORT OF THE FINANCE COMMITTEE ON THE  
COFACE BUYER CREDIT AGREEMENT BETWEEN GHANA  
GRID COMPANY LIMITED WITH GOVERNMENT OF THE  
REPUBLIC OF GHANA AS GUARANTOR AND SOCIETE  
GENERALE FOR AN AMOUNT OF €34,054,465.08 FOR  
THE FINANCING OF THE SUBSTATIONS RELIABILITY  
ENHANCEMENT PROJECT (SREP)**

**1.0. INTRODUCTION**

The COFACE Buyer Credit Agreement between Ghana Grid Company Limited with Government of the Republic of Ghana as guarantor and Societe General for an amount of thirty-four million, fifty-four thousand, four hundred and sixty-five Euros and eight cents (€34,054,465.08) for the financing of the Substations Reliability Enhancement Project was laid in the House on 9<sup>th</sup> March, 2012 and referred to the Finance Committee for consideration and report in accordance with Article 181 of the Constitution and Order no. 171 of the Standing Orders of the Parliament.

The Committee met and considered the loan facility with the Hon. Deputy, Minister of Finance and Economic Planning, Mr. Fifi Kwetey and Hon. Deputy Minister of Energy, Alhaji Inusah Abdulai B. Fuseini and officials from the Ministry of Finance and Economic Planning and the Ministry of

Energyand hereby presents this Report to the House in accordance with Order 161 (1) of the Standing Orders of the House.

## **2.0. BACKGROUND**

The Ghana Grid Company (GRIDCo) intends to upgrade and enhance the operational reliability of its equipment at the Bulk Supply Points (BSPs). In line with this objective, GRIDCo intends to replace the identified obsolete and faulty components of the transmission network, at various substations, that are contributing to unreliable and low power quality in the power network. The project also seeks to improve upon the flexibility in the operation of the power system and maintenance of power equipment.

A major policy objective of the Government is to increase the installed capacity of Ghana's electricity general capacity from the current level of about 2,000MW to about 5,000MW by 2015.

This requires an accelerated effort of reinforcement and expansion of the electric transmission grid to ensure reliable and secure evacuation of all the power that would be generated to meet the ever-increasing customer demand in line with Government policy to develop a non-congested electricity transmission network by the 2015.

The Government also intends to make Ghana a net exporter of electric power to its neighbouring countries including Togo, Benin, Coted'Ivoire, Burkina Faso, Mali and Nigeria. This export driven policy also requires the strengthening of the existing institutional capacity in electric power dispatch

and control, market operations, engineering and project management functions of GRIDCo.

Considering the current state of the National Interconnected Transmission System (NITS) for Ghana which is saddled with over-aged and obsolete equipment, overloads, high losses, low voltages and evacuation constraints among others, achieving this objective would require systematic, aggressive and orderly development and expansion of the transmission infrastructure including transmission lines and substations, control and distich facilities.

### **3.0 SCOPE OF THE PROJECT**

The scope of the proposed project for which the financing is required includes the following:

1. Replacement of obsolete protection, control and metering systems and the provision of modern test equipment.
2. Replacement of all aged substation equipment such as battery banks and rectifiers, circuit breakers and disconnect switches.
3. Replacement of aged air-conditioning systems at the substations.
4. Reconfiguration of substations and provision of dedicated circuit breakers on each transformer at Cape Coast, Winneba and Akwatia.

5. Provide SF6 breakers in place of the OCBs at locations where the phenomena of parallel clearing can occur such as Achimota and Tafo Substations.
6. Provide standby generators at some major substations.
7. Provide additional MVars capacitor banks at major substations.
8. Rehabilitation of power transformers to be relocated.

#### **4.0 BENEFITS OF THE PROJECT**

The benefits of the project include among others the following:

- Increase in the reliability of the power supply;
- Decongesting of the electricity transmission network;
- Improvement in security of supply;
- Enhancement of operational flexibility;
- Transformers will be loaded to their optimum limits thus, reducing transformer losses and overall systems losses;
- Substations can meet future load growth.

#### **5.0 PURPOSE OF THE CREDIT**

The purpose of the Credit is to obtain funds from Societe Generale Bank/COFACE of France to finance Substations Reliability Enhancement Project (SREP).

## **6.0 TERMS AND CONDITIONS OF THE CREDIT**

The terms and conditions of the credit facility are as follows:

<b>Loan Amount</b>	-	<b>Euro 34,054,465.08</b>
		<b>85% contract value (Euro 31,080,100.12) plus COFACE Premium (Euro 2,974,365.65)</b>
• <b>GRIDCo Counterpart</b>	-	<b>15% (Euro 5,484,723.55)</b>
• <b>Grace Period</b>	-	<b>2years</b>
• <b>Repayment Period</b>	-	<b>10 years</b>
• <b>Maturity Period</b>	-	<b>12years</b>
• <b>Interest Rate</b>	-	<b>6months Euribor + 1.75%p.a</b>
• <b>Arrangement Fee</b>	-	<b>1.00% flat</b>
• <b>Commitment Fee</b>	-	<b>1.00%p.a</b>

## **7.0 OBSERVATION**

7.1 The Committee observed that Cabinet has given its approval for the facility and recommended it for onward transmission to Parliament. It also

recommended to Parliament to give approval for exemption of stamp duties, taxes, duties, levies, fees and other charges relating to the execution of the project, the export credit and the guarantee as well as in respect of any transfer and assignment of the export credit or the guarantee as permitted in accordance with the terms of the export credit agreement.

7.2 The Hon. Deputy Minister of Energy, Alhaji Inusah Abdulai B. Fuseini informed the Committee that several complaints relating to low system voltages; power swings, surges and flickers is not only limited to industrial customers but to the general populace.

7.3 The Committee was informed further by the Hon. Deputy Minister for Energy that there is an increasing demand for electricity at a rate of about 10% per annum and Ghana's power system requires massive investment in both generation and transmission infrastructure to reliably meet the demand requirements. The current generation capacity of about 2,000MW is intended to be increased to 5,000MW by 2015. This requires a commensurate expansion in the National Interconnected Transmission System (NITS) to ensure that the power generated could be reliably evacuated from the generation points to the load centers.

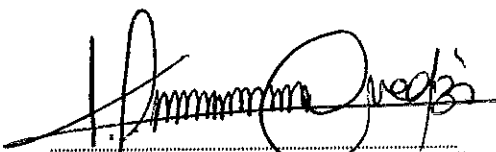
7.4 The Committee observed that GRIDCo has sought to undertake various system rehabilitation, upgrade and expansion projects, in order to improve upon the adequacy and reliability of delivering power from the various generating stations to the load centres. GRIDCo is also currently implementing a number of projects within the NITS to improve upon quality of power delivery and increase both transmission and substation capacities.

7.5 GRIDCo will also seek to undertake various system rehabilitation, upgrade and expansion projects including the reactive power compensation improvement programme; the Substation Upgrade Project (SUP); the Substations Reliability and Enhancement Project (SREP); and the construction of new Substations,

### **8.0. RECOMMENDATION&CONCLUSION**

The Committee, having carefully examined the foregoing, recommends to the House to adopt the Report of the Finance Committee and approve by Resolution, the Credit facility for an amount of **Thirty-four million, fifty-four thousand, four hundred and sixty-five Euros and eight cents (€34,054,465.08)** to be obtained from Societe Generale Bank/COFACE for the financing of the Substations Reliability Enhancement Project in accordance with article 181 of the Constitution, Sections 10 of the Loans Act, 1970 (Act 335) and the Standing Orders of the House.

Respectfully submitted.



**HON. JAMES KLUTSE AVEDZI  
CHAIRMAN, FINANCE COMMITTEE**



**PEACE A. FIAWOYIFE (MS)  
CLERK, FINANCE COMMITTEE**