

# Utility CEO Forum: Central Africa

*2018 post-forum report*



## List of utilities represented

- Joel Nana Kontchou, CEO, ENEO, Cameroon
- Victor Mbemi, CEO, SONATREL, Cameroon
- George Adzama, CEO Advisor, SNE, Congo Brazzaville
- Thierry Patient BENDIMA, CEO, ENERCA, Central African Republic
- Jean-Pierre KEDI, CEO, ARSEL, Cameroon
- Albert Matha, CEO Advisor, Kribi Power, Cameroon

## Thank you!

On behalf of Spintelligent and host utility ENEO, I would like to thank you for attending the 2018 Utility CEO Forum: Central Africa.

It was a great honour for our team to welcome you in Douala; we thank you for your time and commitment. It is our deepest hope that both your network and your pool of knowledge have improved after the Forum, enabling you to implement meaningful change in your utility. This report

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aims to assist you in this task, recapping the key takeaways from the discussions and presenting further information and advice.

I take this opportunity to thank our facilitators without whom we would not have been able to deliver tailored and skilful content.

The Utility CEO Forum is the one and only opportunity utility CEOs on the continent have to exchange ideas with their peers and take the time to explore new strategies.

Please keep the dialogue open with the other utility CEOs on a continuous basis so that together we can become a strong network: helping each of you to be as successful as possible in your daily responsibilities.

I cannot encourage you (or your office) enough to send us regular feedback so that the platform can keep offering the leadership support you most need.

We look forward to engaging with you in the months to come. Our goal is the same as yours: for each utility to report key improvements at the next 2019 Utility CEO Forum: Africa.

Marie SACHET

Event Manager, Utility CEO Forums

A handwritten signature in black ink, appearing to be 'MS' or similar initials.

## Key takeaways from the 2018 Utility CEO Forum: Central Africa

### ➤ REGIONAL COLLABORATION

1. To proceed with inter-connection across the entire sub region progressively.
2. To encourage governments to demonstrate political will and have a common regional strategy for cross-border interconnections (put in place reforms that balance national and International synergies).
3. To reinforce exchange platforms between stakeholders of the sector and agree on interconnection standards: regulatory framework and timeframe.

### ➤ POWER PURCHASE AGREEMENTS

1. To assess the cost involved in PPAs to ascertain those that are acceptable and determine next steps (stakeholders should work together to mitigate risk in the technical offering, audits and controls as appropriate.)
2. To institute a tender process to select the best offer rather than single source developer projects (given that utilities have deep technical experience and could aid in the negotiation processes.)
3. To develop local (know-how) expertise to be able to optimise the uncontrollable costs of the PPA.

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## ➤ **CAPACITY BUILDING**

1. To identify and recruit competent personnel for PPA and build a talent pool.
2. To implement job rotation accompanied by staff incentives to encourage good practices and mitigate the impact of staff collusion with customers/suppliers.
3. To design a training to sensitize the workforce about governance (example of Eneo online training to continuously create awareness)
4. To encourage staff by providing trainings and incentives to motivate them.
5. To involve all staff in the implementation of the Lean Sigma strategy (Lean Six Sigma starts with the strategic vision and values of the organisation.)

## ➤ **PREPAID METERING**

1. Installation of prepayment meters is the future.
2. The roll out of prepaid metering in Central Africa would improve utility operational efficiency (technical and commercial losses.)

## ➤ **NETWORKS IMPROVEMENT**

1. The electricity distribution network should be available to all population centres to avoid the need to build non-standard and unauthorized networks.
2. Long periods of load-shedding are a driver of fraud and losses because people connect to adjacent active networks.
3. Sensitisation of school children about electricity theft can reduce commercial losses.
4. Without the continuous maintenance and improvement of the networks and client coverage deterioration of distribution efficiency will happen.
5. Network digitalisation is a must to ensure decisions are increasingly being made through business analytics.

## **Commitment Worksheets Report**

HOMEWORK: Following the 2018 Utility CEO Forum: Central Africa, utility representatives committed to implementing some of the following before the next forum in 2019.

- Deliver an update to the forum's participants on the Eneo survey done by the Strategic Department.
- Create a working group to implement some of the recommendations discussed at the forum.
- Assign a team to work on cross-border connection projects and see through the implementation/success of those projects.
- Initiate or continue the implementation of Lean Six Sigma.
- Present the strategies discussed at the forum to their team.
- Contribute to the improvement of quality service.
- Respect the code of ethics and conduct.
- Propose a code of good governance in their utility.

## **Important Note: Chatham house rule**

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The Utility CEO Forums are all held under the Chatham House Rule with the aim of providing anonymity to speakers and to encourage openness and the sharing of information. “When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed” Nothing should be done to identify, either explicitly or implicitly, who said what. Case study presentations are excluded because it is important to identify the source so participants can learn from it and keep engaging with the authors. Testimonials about the forum are excluded because they were not part of the discussions and were authorised by their authors for dissemination.

### Summary of the discussions

#### Welcome to the 2018 Utility CEO Forum: Central Africa

*Facilitated by Joel Nana Kontchou, CEO, ENEO, Cameroon*

Joel NANA KONTCHOU, CEO of Eneo Cameroon, host utility of the forum, presented a summary of Eneo Cameroon activities and values. He appreciated the fact that Eneo’s concession was signed and extended by the President of the Republic of Cameroon by 10 years to 2031. Mr Kontchou explained the macro activities of Eneo, which involve the generation, distribution and commercialization of electricity while the transmission activities will be transferred to a new organisation called SONATREL by yearend. Eneo has a workforce of 3,700 staff. He emphasized that despite all the efforts made by Eneo in the last four years, electrification had only reached approximately 54% of Cameroon’s population.

Mr Kontchou also provided some statistics on the Central African sub region with an electricity consumption of 150 kwh per habitant. The consumption of electricity is too low in the sub region and the lack of sufficient electricity supply is a barrier to economic growth. The Central African sub region has an advantage of alternative sources of energy: hydro, gas, thermal, solar, etc but the sub region needs to first develop its electricity transmission network.

#### Recommendations and action points

- ✓ To update our national networks and subsequently proceed with interconnection across the entire sub region progressively.
- ✓ To create a conducive environment between the private and public sectors.
- ✓ To put in place reforms that balance national and international synergies.
- ✓ To formulate standards in ethics and governance.
- ✓ To modify our electricity utilities and networks (implement automation).
- ✓ To identify and recruit competent personnel and build a talent pool.

#### Planning for success in 2018: adapting to changing energy markets and new regulatory challenges

*Facilitated by Sopi Patricia KAKOU, Managing Partner, Ahead Legal Advisory, Cameroon*

Patricia Kakou presented a case study of a successful Power Purchase Agreement in a complex regulatory environment .

The following points were discussed:

- Participants expressed a need to optimize PPA processes to mitigate risk and keep costs down. Several questions were raised such as the significant costs of projects as well as development and administrative costs.
- PPA legal costs are perceived as an open door without limits, especially as relates to PPA utility set-up costs which are not capitalised as part of the project in most cases.
- It was highlighted that utilities have an obligation to ensure that project costs are optimized.
- The CEOs accepted that all PPA stakeholders should work together to mitigate risk in the technical offering, audits and controls as appropriate.
- The regulator suggested that the cost involved in PPA should be assessed to ascertain that those are acceptable and to determine next steps.
- The utility CEOs proposed that a tender process be instituted to select the best offer rather than single source developer projects (given that utilities have deep technical experience and could aid in the negotiation processes.)

### **Recommendations and action points**

- ✓ To develop local expertise and know-how to be able to optimise the uncontrollable costs of PPAs.
- ✓ To take advantage of training institutes in Central Africa to share industry expertise.
- ✓ To challenge the technical expertise cost for international solicitors.
- ✓ To optimise administrative costs.
- ✓ To ask lenders to publish/share their detailed costs and audit report.

### **Planning for success in 2018: strategizing and preparing for financial viability**

*Facilitated by Josiane Kwenda, Senior Investment Office, International Finance Corporation*

Eamonn Furniss, Transformation and Efficiency Director at ENEO gave a presentation on “How can prepaid meter assist with cash flow management?”

The following points were discussed during the session:

- Prepaid meter implementation is beneficial to both customer and utility.
- The customer buys electricity upfront, eliminating reading, invoice distribution and collection.
- Meters can be installed on a pole or on premise wall.
- A unique token is generated on payment linked to the customer meter.

The benefits of pre-paid metering are: improved customer service; increase in new connections; reduction in commercial losses; safety normalisation of existing network and supply points; cost reductions (reading, bill delivery); no billing in arrears: cash collection **and** reduction in traditional billing anomalies.

Some key learning stood out in the case study presentation:

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- Customer resistance to prepaid meter conversion must be addressed.
- A pilot deployment is advised to gain experience in the field and adjust plans.
- Electricity supply quality is more important with pre-paid customers in a system where load-shedding is prevalent.
- Use a systematic approach to update network equipment to reduce technical and commercial losses.
- Eneo spends approximately 4 to 5 billion CFA per year just to read meters and distribute bills.
- Proactively construct and normalise the distribution network to reduce likelihood of fraud from illegal installations.
- Pre-paid customers are very sensitive to a variable tariff, hence market research on the best tariff structure is necessary.
- Reallocate reading and distribution resources to inspection and controls of the network and installations.

### Recommendations and action points

- ✓ Installation of prepayment meters is the future.
- ✓ The roll out of prepaid metering in Central Africa would improve utility operational efficiency (technical and commercial losses).

## **Operational efficiency: new ideas to fight theft, reduce technical losses and improve the reliability of transmission and distribution systems**

*Facilitated by Jean Pierre Ghonnang Zekeyo, Coordinator. Electricity Transmission and Reform Project (PRRTERS), Cameroon*

The following points were discussed during the session:

- According to the World Bank publication, technical losses are the result of: conductor/cable overheating and energy losses from non-standard equipment.
- Non-technical losses are a result of: issues related to the meter (billing); non-mastery of billing; fraudulent connections and anomalies: unregistered meters, etc. Eneo spends 30 billion CFA annually to keep the plants, grid and network active. Small electricity consumers have a limited impact on non-technical losses when compared to the industrial and big LV customers which represent 14% of ENEO's customers and 76% of sales revenue. Since 2014, Eneo has increased its client coverage from 800,000 to 1,200,000.

### Recommendations and action points

- ✓ The electricity distribution network should be available to all population centres to avoid the need to build non-standard and unauthorized networks.
- ✓ Long periods of load-shedding are a driver of fraud and losses because people connect to adjacent active networks.
- ✓ Sensitisation of school children about electricity theft can reduce commercial losses.
- ✓ Without the continuous maintenance and improvement of the networks and client coverage mentioned further deterioration of distribution efficiency will happen.

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- ✓ Network digitalisation is a must to ensure decisions are increasingly being made through business analytics.
- ✓ Continuous sensitization of stakeholders on operational efficiencies is imperative while also decongesting the network.
- ✓ To further avoid technical losses, pole deployment strategies must be aligned to the topography of the environment.
- ✓ A job rotation should be done, accompanied by staff incentives to encourage good practices and mitigate the impact of staff collusion with customers/suppliers.

### **Best change management practices: Thinking strategically about (key) stakeholder management and governance principles to achieve utility objectives**

*Facilitated by Sandra Happi-Tasha and Franck Essi, Strategies Sarl, Cameroon*

The experts explained that to produce satisfactory results utilities have to be proactive, which means a combination of being responsible and taking initiatives. The approach to good governance has to follow well established policy design, processes and technology.

Below are some of the key challenges in terms of governance for CEOs (and potential solutions) that were identified:

Key Challenges	Potential Solutions
Management is appointed by the Board and often must counterbalance governance principles	Team building Performance track record Document management decisions
The gap between the skills level needed and the actual skills or training of the CEO's collaborations	Keep dialogue open Declarations of interest Discipline and transparency

### **Recommendations and action points**

- ✓ The norms of governance should be adapted to the Central African local context but based on merit, diversity, and inclusion.
- ✓ Utilities should design a training to sensitize the workforce (example of Eneo online training to continuously create awareness and subsequently eliminate them.)

### **Optimization: capacity building and skills transfers in an era of cultural and digital transformation**

*Facilitated by Hans Francis SIMB NAG, General Manager, Kribi Power, Cameroon*

Wilfred Ntuba Mukwele, Head of Strategy and Performance at ENEO gave a presentation on Lean Six Sigma.

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The following points were discussed during the session:

- It is important to make the best of the strengths and opportunities already available to continuously improve the way utilities and IPPs work, optimising revenue and skills.
- Lean Six Sigma (LSS) is a methodology and philosophy that can be applied by the organizations to reduce their cost of production, distribution, sales and continuously improve the way they operate.
  - Lean Six Sigma was defined and participants were encouraged to apply the same to their organisations to improve revenues, reduce costs in its activities, drive growth, and improve quality and controls.
  - The top companies in the world are driven by data and digital tools for continuous improvement.
  - Lean Sigma can deal with the elimination of waste (such as downtime, overproduction, waiting, non-utilised talent, transportation, inventory, motion, extra processing) in processes or workflow/stream.
  - Eneo has an objective to move from Six Sigma level 3 to 4 in 2018. In LSS project selection, Eneo currently has a minimum benefit threshold of  $\geq$  FCFA 150 million and completion within three months.
  - The 6S principles work on the application of the standards below:
    - Sort – removing what's not used regularly
    - Set in order – a place for everything, with everything in its place
    - Shine – to be lean, you must be clean
    - Standardize – standardize to improve
    - Sustain – sustain for success
    - Safety – in everything we do

## **Recommendations and action points**

- ✓ To encourage staff by providing training and incentives to motivate them.
- ✓ To involve everyone in the implementation of the Lean Sigma strategy (Lean Six Sigma starts with the strategic vision, and values of the organisation.)

## **Planning for regional success in 2018: solutions to accelerate cross-border trading and cross-industry (gas-to-power) trading.**

*Facilitated by Joel Nana Kontchou, CEO, ENEO, Cameroon*

The following points were discussed during the session:

- The CEO explained the current status, desired situation and actions to be carried out in the Central African power sector, energy demand and installed capacity scenario (based on a fully integrated system).
- In the Central African power sector, three countries contribute 80% of production capacity and 60% of Africa's hydropower potential. However, power trading is limited to 4% in a few small countries.

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- Long-term planning between the Central African Power Pool (CAPP) and the governments of the region is essential.
- Energy demand is primarily driven by urban and industrial customers, contributing 96% of sales and generated mostly through hydropower from three countries. Six countries have domestic gas reserves.
- For the installed capacity scenario, supportive policies enabling cross-border interconnection is paramount. US\$60 billion is required by 2030.
- The current status shows that there are many opportunities:
  - Hydro potential, 60% of Africa;
  - Mine potential : gas, fuel;
  - Favorable equatorial climate advantages and
  - Trade-enabling geographical situation.
- Current projects are:
  - PEAC initiatives;
  - Inga Project;
  - Cameroon – Chad power
  - Interconnection and Inter-states Initiatives : Katsina Ala (Joule Africa, Cameroon - Nigeria)
- The current difficulties are: insufficient government commitment; absence of pooled resources; access to financing

The desired considerations for the sub region are:

- - Cross-border trading:
- Inter-connected grids in order to mutualise and optimize spending and drive down electricity cost;
- Define a legal and regulatory framework for electricity trading;
- Dispute resolution mechanism;
- Holistic planning of power value chain;
- Investment mobilization;
- National grid prerequisites (example: intra-country interconnection) and sharing of experience and know-how;
- Cross-industry trading: Gas to power policy and joint ventures between mining and power developers.

### **Recommendations and action points**

- ✓ To elaborate on a common strategy.
- ✓ To encourage governments to demonstrate political will.
- ✓ To reinforce exchange platforms between stakeholders of the sector.
- ✓ To define and agree on inter-connection standards: regulatory framework and timeframe.
- ✓ To consider using pipeline consortium approach (Cotco: Chad-Cameroon). Start with small MV line connection with neighbouring countries.
- ✓ To build a gas pipeline from one country to another (Example: Cameroon).
- ✓ To define subventions and conditions of applications.
- ✓ To draft a gas-to-power pricing agreement.

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## Team Building Workshop: Leadership, Networking and Collaboration

*Facilitated by Roland KWEMAIN, Chairman, Go Ahead Africa Ltd*

During this workshop the participants were able to explore opportunities to improve innovation and collaboration in order to optimize their utilities' performance through operational excellence.

Some of the activities included: The Puzzle; Innovation; Collaboration; Networking (Solution Provider); Impact Leadership (The Impact Of One) and the four chairs.

The session ended with a demonstration through a practical leadership game and video presentation.

### Recommendations and action points

- ✓ Team spirit amongst leaders and their colleagues is also important.

### Testimonials from 2018's attendees

"This forum is beneficial due to the fruitful exchanges and the experiences participants share with each other" Albert Matha, communication manager representing the CEO of Kribi Power.

"This forum offers an opportunity to meet the utility leaders in the region which is very rare" Thierry Bendima, CEO, ENERCA

"The forum is beneficial because it raises awareness of the issues faced by utility CEOs. It was a great forum." Joel Kontchou, CEO, ENEO

### Upcoming forums



END OF THE REPORT