

[Chap7303]CHAPTER 73:03
RURAL ELECTRIFICATION
ARRANGEMENT OF SECTIONS
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21 of 2004

G.N. 38/2007

An Act to make provision for the promotion, funding, management and regulation of rural electrification; and for matters connected therewith and incidental thereto
[28TH DECEMBER, 2007]

PART I

PRELIMINARY

[Ch7303s1]1. Short title

This Act may be cited as the Rural Electrification Act.

[Ch7303s2]2. Interpretation

In this Act, unless the context otherwise requires—

“Authority” means the Malawi Energy Regulatory Authority established under section 3 of the Energy Regulation Act; Cap. 73:02

“beneficiary” means a person who procures a credit guarantee under section 18;

“candidate site” means a site included in the rural electrification programme;

“Committee” means the Rural Electrification Management Committee established under section 3;

“Concedante” means the Department of Energy Affairs and any other entity or body as the Minister may designate by notice published in the Gazette;

“Concessionaire” means a person who has entered into concession agreement to install, operate or maintain a rural electrification installation on behalf and as agent of a Concedante;

“concession agreement” means a concession agreement concluded between a Concedante and a Concessionaire whereby the Concessionaire agrees to construct, install, operate or maintain a rural electrification installation on behalf and as an agent of the Concedante in accordance with section 27;

“concession area” means an area demarcated in the concession agreement over which a Concessionaire is granted exclusive right to construct, install, operate or maintain a rural electrification installation on behalf of a Concedante;

“Credit Finance Manager” means the Credit Finance Manager appointed under section 19;

“Fund” means the Malawi Rural Electrification Fund established under section 12;

“grant and subsidy agreement” means the agreement entered into between the Concedante and the Concessionaire for purposes of channelling funds from the Fund to the Concessionaire for rural electrification and in accordance with section 2;

“grid extension rural electrification” means rural electrification installation that is connected to the interconnected system;

“interconnected system” means the high voltage national electricity system of 66 KV and above, or as may be prescribed by notice in the Gazette, including related substations and associated equipment and generation stations to which they are connected and any distribution system connected thereto;

“Malawi Bureau of Standards” means the Malawi Bureau of Standards established under the Malawi Bureau of Standards Act; Cap. 51:02

“management fee” means the fee payable by a Concessionaire to a Concedante in accordance with section 28;

“micro hydropower station” means a hydropower station whose installed generation capacity is not less than 2 KW, but is less than 100 KW;

“mini hydropower station” is a hydropower station whose installed generation capacity is not less than 100 KW, but is less than 500 KW;

“off-grid rural electrification” means rural electrification installation that is not connected to the interconnected system;

“public institutions” includes Government schools, hospitals, clinics, health centres, police stations and other Government offices and institutions;

“renewable energy resources” means solar home system, micro, mini and small hydro-electric power stations, biomas, biogas, wind, and other thermal electricity generation systems and technologies;

“rural electrification” means grid extension or off-grid electrification or renewable energy resources electrification whose internal rate of return is up to 6 per cent per annum and line capacity is lower than 66 KV or generation capacity is up to 5MW;

“rural electrification programme” means the rural electrification programme prepared or compiled in accordance with section 34;

“rural electrification site” means a site where rural electrification installation is in progress or under commercial operation;

“Rural Electrification Unit” means the Rural Electrification Unit in the Department of Energy Affairs;

“small hydropower station” means a hydropower station whose installed generation capacity is not less than 500 KW and up to 5 MW;

“solar home system” means photovoltaic solar home systems technology as contemplated in section 31;

“Solar Home System Purchase, Guarantee and Service Agreement” means the agreement entered into between the Concedante or Purchaser and the Concessionaire or between the Concessionaire and the supplier of solar home system equipment for the purpose of purchase, guarantee and service of the same in accordance with section 32.

PART II

ESTABLISHMENT OF RURAL ELECTRIFICATION MANAGEMENT COMMITTEE

[Ch7303s3]3. Establishment of the Committee

There is hereby established a committee to be known as the Rural Electrification Management Committee (in this Act otherwise referred to as the “Committee”).

[Ch7303s4]4. Composition of the Committee

(1) The Committee shall consist of—

- (a) the Principal Secretary responsible for energy affairs;
- (b) the Director of Energy Affairs in the Department of Energy Affairs;
- (c) the Chief Executive of the Authority or his or her designated

representative;

- (d) the Secretary for Economic Planning and Development;
- (e) the Secretary to the Treasury;
- (f) the Secretary for Local Government;
- (g) a representative of the Board of Engineers; and
- (h) a representative of the Society of Accountants of Malawi.

(2) The Minister shall appoint one of the members of the Committee as Chairperson of the Committee.

[Ch7303s5]5. Objectives of the Committee

The objectives of the Committee shall be—

(a) to ensure that the majority of the Malawian population in peri-urban and rural communities have access to efficient, sustainable and affordable energy for their social economic development through grid extension and off-grid electricity supply, including solar home system technologies;

(b) to raise funds and receive and to administer the Fund for the benefit of rural electrification in Malawi;

(c) to prepare annual rural electrification programmes and advise the Minister on the prioritization, selection criteria on candidate sites, and ensure the efficient and effective implementation of rural electrification programmes; and

(d) to promote rural electrification and act as a source of technical, commercial and institutional advice in rural electrification matters.

[Ch7303s6]6. Functions of the Committee

For purposes of achieving the objectives set out in section 5, the Committee shall carry out the following functions—

(a) develop a rural electrification master plan and update it at regular intervals;

(b) set criteria for candidate site selection;

(c) act as a source of technical, commercial and institutional advice;

(d) seek and access donor funding and soft credit for rural electrification;

- (e) undertake publicity and marketing campaigns on the new approach to rural electrification and the opportunities provided;
- (f) contract and oversee the construction and management of rural electrification projects;
- (g) administer the Fund and decide on the allocation of financial resources from the Fund;
- (h) monitor implementation of rural electrification projects by Concessionaires;
- (i) carry out or commission studies and research for promoting the development of rural electrification;
- (j) advise the Authority on the specifications, design and safety standards for rural electrification systems, equipment and technologies;
- (k) advise the Authority on the prices for solar home system equipment and on the tariffs and maintenance charges for rural electrification;
- (l) advise the Minister on the appropriate amount to be appropriated by Parliament for the Fund;
- (m) in liaison with the Authority, carry out evaluations and publish periodic reports of the activities of the Committee;
- (n) prepare, publish and submit to the Minister audited annual accounts of the Fund; and
- (o) do all such things as are necessary for achieving the purposes for which the Committee and the Fund are established.

[Ch7303s7]7. Meetings of the Committee

- (1) The Committee shall meet at least once every six months at such place or places and at such time or times as the Chairperson may determine.
- (2) The Chairperson shall preside at the meetings of the Committee and, in the absence of the Chairperson, the members present and forming a quorum shall elect one of their number to preside over the meeting of the Committee, and the member so elected shall exercise all the powers and functions and perform all the duties of the Chairperson.
- (3) At any meeting the decision of the Committee on any matter shall be that of the majority of the members present and at all such meetings the person presiding shall have, in the event of an equality of votes a casting vote in addition to his deliberative vote.
- (4) Save as otherwise provided in this section, the Committee shall have power to determine its own procedure of meetings and operating guidelines.

[Ch7303s8]8. Remuneration and expenses of the Committee

The members of the Committee shall be paid from the proceeds of the Fund such allowances as the Minister, on the recommendation of the Committee, may determine, and the Committee shall make provision for the reimbursement of any reasonable expenses incurred by a member of the Committee in connexion with the business of the Committee.

[Ch7303s9]9. Committee may co-opt advisors

- (1) The Committee may in its discretion at any time, and for any length of period, co-opt any person to attend deliberations of the Committee, but such person shall not be entitled to vote on any matter.

(2) The Committee may in its discretion engage any advisor or consultant to carry out any assignment on behalf of the Committee in relation to rural electrification and pay him or her out of the proceeds of the Fund.

[Ch7303s10]10. Committee to be accountable to the Minister

(1) The Committee shall be responsible and accountable to the Minister for ensuring efficiency, transparency and propriety in—

- (a) the collection, allocation and utilization of funds of the Fund;
- (b) the conduct of its business and the performance of its functions and duties;

and

- (c) the operations and activities of the Committee.

(2) The Committee shall at such intervals as the Minister may in writing require submit to the Minister reports and financial statements, in such form as the Minister may determine, regarding the operations and activities of the Committee and the Fund.

[Ch7303s11]11. Secretariat and staff of the Committee

(1) The Rural Electrification Unit shall provide services and resources to the Committee.

(2) The members of staff of the Rural Electrification Unit shall carry out the day to day work and operations of the Committee as the Committee may, from time to time, require.

(3) The Committee may delegate to the Director of Energy Affairs functions and duties of the Committee and the supervision of the said staff members carrying out the day to day work and operations of the Committee.

(4) Save as otherwise provided in this Act, the Director of Energy Affairs and members of staff of the Rural Electrification Unit shall not be entitled to any additional remuneration by reason only of their carrying out the functions for or of the Committee.

(5) Members of staff of the Rural Electrification Unit or the Department of Energy Affairs may, at the invitation of the Committee, or for purposes of presenting reports attend meetings of the Committee.

PART III

ESTABLISHMENT OF MALAWI RURAL ELECTRIFICATION FUND

[Ch7303s12]12. Establishment of the Fund

There is hereby established a Fund to be known as the Malawi Rural Electrification Fund (in this Act otherwise referred to as the “Fund”) which shall comprise—

(a) such sums as shall be appropriated by Parliament for the purposes of the Fund;

(b) rural electrification levies on energy sales as may, from time to time, be imposed by the Authority under the Energy Regulation Act; Cap. 73:02

(c) such sums or assets as may, from time to time, accrue to or vest in the Fund by way of grants, subsidies, bequests, donations, gifts and subscriptions from the Government or any person;

(d) such sums or assets as may be donated to the Fund by any foreign Government, international agency or other external body of persons, corporate or unincorporate;

(e) 50 per cent of penalties and fines payable or imposed under this Act;

(f) the proceeds from sale of rural electrification lines and equipment funded by the Fund; and

(g) any other income authorized under this Act or income recognized as such by accounting standards and practices.

[Ch7303s13]13. Purpose of the Fund

The proceeds of the Fund shall be used to finance—

(a) the capital cost of rural electrification grid extension and off-grid electrification;

(b) the capital cost of solar home system equipment to be acquired for public institutions;

(c) operational and maintenance costs of rural electrification projects, to the extent to which it makes the project viable;

(d) provision of credit guarantees for the capital cost of solar home system equipment other than those to be acquired by a Concessionaire;

(e) any monetary contribution required to be made by the Government for the implementation and execution of a donor-funded rural electrification project;

(f) the administrative expenses associated with the execution of the duties and functions and responsibilities of the Committee and the management of the Fund;

(g) research and consultancy assignments related to rural electrification;

(h) expenses for credit guarantee funds management; and

(i) compensation for removal of off-grid installations in accordance with section 33.

[Ch7303s14]14. Advances to the Fund

(1) The Committee shall ensure that in any financial year expenditures and commitments from the Fund shall not exceed the annual income of the Fund.

(2) If, in exceptional circumstances, the income of the Fund together with any surplus income brought forward from a previous year, is insufficient to meet the actual or estimated liabilities of the Committee and rural electrification projects, the Committee may apply to the Minister responsible for finance for an advance to the Fund in order to meet the deficiency or any part thereof and, subject to subsection (3), such advance shall be made on such terms and conditions, whether as to repayment or otherwise, as the Minister responsible for finance may determine.

(3) Every advance made available pursuant to subsection (2) shall be repaid from the income of the Fund in the next financial year following the financial year in which the advance was made available.

[Ch7303s15]15. Holdings of the Fund

All sums received for purposes of the Committee and the Fund shall be paid into one or more banking accounts at such bank or banks or other financial institutions as the Committee may determine, and no amount shall be withdrawn therefrom except under the authority of the Committee and by means of cheque or other authorization signed by such person or persons as are authorized in that behalf by the Committee.

[Ch7303s16]16. Surplus funds to be invested

Any part of the Fund not immediately required for the purposes of the Committee or rural electrification may be invested in such manner as the Committee may, with the prior approval of the Minister, determine.

[Ch7303s17]17. Disbursements from the Fund

(1) Disbursements of monies from the Fund to a Concessionaire shall be made by the Committee subject to fulfilment of the following conditions—

- (a) acceptance by the Committee of a business plan of the Concessionaire;
- (b) where applicable, the conclusion and implementation of the concession agreement by the Concedante and the Concessionaire;
- (c) proof, acceptable to the Committee, that the proposed installation or equipment complies with the applicable equipment standards, design and performance criteria;
- (d) proof, acceptable to the Committee, that the Concessionaire has a valid rural electrification licence for the area in question;
- (e) in the case of final disbursement, proof that the installation or equipment is fully functional, completely installed and operational;
- (f) in the case of solar home system equipment, additionally, proof that the Authority has approved the equipment supply and service contract price; and
- (g) that the project has been approved as a priority rural electrification project by the Committee.

(2) The Committee shall not be obliged to disburse monies from the Fund to a Concessionaire and may refuse to do so on breach or non-compliance by the Concessionaire with the provision of the concession agreement or the provisions of this Act the Energy Regulation Act, or the Electricity Act. Cap. 73:02, Cap. 73:01

(3) The Committee shall disburse monies from the Fund to a Concessionaire only for rural electrification projects of the highest priority in accordance with the priority listing criteria set down in section 35 and regulations made by the Minister in that regard. [Ch7303s18]18. Credit guarantees

(1) The Committee may authorize the provision of a credit guarantee to a beneficiary if—

- (a) the conditions stated in section 17 (1) (c), (e) and (f) which shall apply mutatis mutandis, have been fulfilled; and
- (b) the Credit Finance Manager has certified that the beneficiary is capable of servicing the credit.

(2) The Committee shall not authorize the provision of a credit guarantee unless the provisions of subsection (1) are complied with.

[Ch7303s19]19. Appointment of Credit Finance Manager

The Minister shall, on the recommendation of the Committee, appoint one or more institutions as a Credit Finance Manager.

[Ch7303s20]20. Grant and subsidy agreements

(1) For purposes of channeling the funds from the Fund, the Department of Energy Affairs shall enter into a grant and subsidy agreement, in the prescribed form with a Concessionaire for each rural electrification project.

(2) In addition to the terms and conditions of the grant and subsidy agreement, the following terms and conditions shall be implied in every grant and subsidy agreement—

- (a) that the Concessionaire shall use the monies from the Fund for financing the capital costs or operational costs of the rural electrification project specified in the agreement;

(b) that disbursements from the Fund shall be made in accordance with progress of works, including a reasonable amount as advance payment as the parties may agree; and

(c) that, the Concedante shall grant the Concessionaire exclusive concession for the concession area and shall not disburse any monies to another concessionaire in the same concession area.

PART IV

FINANCIAL PROVISIONS

[Ch7303s21]21. Books of accounts

(1) The Committee shall cause to be kept proper books of accounts and other records relating to the Fund.

(2) The Committee shall as soon as possible after the end of each financial year cause to be prepared a statement of the cash flow and income and expenditure of the Fund for that financial year and a balance sheet of the assets and liabilities of the Fund as at the end of that financial year.

(3) The accounts of the Fund shall be audited annually in accordance with the Public Audit Act, before being presented to the Minister in accordance with section 22. Cap. 37:01

(4) The financial year of the Fund shall be a period of twelve months commencing on 1st July in each year and ending on 30th June in the following year:

Provided that the first financial year of the Fund may be a shorter or longer period than twelve months as the Minister may determine, but being not less than six months nor more than eighteen months.

[Ch7303s22]22. Annual report

(1) As soon as practicable, but not later than six months after the expiry of each financial year, the Committee shall submit to the Minister an annual report concerning rural electrification and the Fund during that financial year.

(2) The annual report referred to in subsection (1) shall include—

(a) an audited balance sheet and statement of cash flow and income and expenditure;

(b) a report of the examination of the accounts referred to in section 21 (3);

(c) a status report on rural electrification;

(d) a report regarding rural electrification programme for the next financial year;

(e) a list of Concessionaires and beneficiaries who have benefitted from the Fund including the provision of any credit guarantee; and

(f) a report on the performance of Concessionaires with respect to rural electrification projects in progress, planned and completed.

PART V

REGULATION OF RURAL ELECTRIFICATION

[Ch7303s23]23. Application of Cap. 73:01 and Cap. 73:02

The provisions of the Electricity Act and the Energy Regulation Act shall apply to rural electrification activities under this Act mutatis mutandis:

Provided that where the Electricity Act or the Energy Regulation Act are in conflict with the provisions of this Act and the regulations made hereunder, the provisions of this Act and the regulations made hereunder shall prevail over the

provisions of the Electricity Act or the Energy Regulation Act as the case may be. Cap. 73:01, Cap. 73:02, Cap. 73:01, Cap. 73:02

[Ch7303s24]24. Rural electrification activities to be licensed

(1) No person shall carry on or be engaged in any manner in any rural electrification activity without a licence issued by the Authority.

(2) Separate licences shall be issued for generation, distribution or renewable energy technologies.

(3) Any person required to hold a licence under this Part shall apply to the Authority for a licence.

(4) An application for a licence under this section shall be in the prescribed form.

(5) A licence under this section shall be in the prescribed form.

(6) The Authority shall consider an application for the issue of a licence and may issue or refuse to issue the licence.

(7) The Authority may only issue a licence if it is satisfied that—

(a) the applicant has or has access to financial, technical and human resources to enable it install and operate a rural electrification scheme;

(b) in the case of solar home system, the applicant or its officers have valid accreditation certificates issued by the Malawi Bureau of Standards or other body or agency the Minister may designate by notice in the Gazette; and

(c) subject to funding from the Fund, the applicant will be able to meet reasonably foreseeable obligations under contracts for sale of electricity within the area covered by his or her licence.

(8) A holder of a generation licence may apply and be granted a distribution licence or renewable energy licence and vice versa for off-grid electrification.

[Ch7303s25]25. Tariffs

The tariffs for grid extension or off-grid rural electrification shall be approved by the Authority and shall be set, administered and revised in accordance with the Electricity Act. Cap. 73:01

[Ch7303s26]26. Safety by-laws

(1) The supply, wiring, design and safety by-laws under the Electricity Act shall apply to the grid and off-grid extension rural electrification system: Cap. 73:01

Provided that in order to ensure that rural electrification schemes are appropriately engineered and costs are minimized, the Authority, on the recommendation of the Committee, may develop and publish in the Gazette by-laws regulating the supply, wiring, design and safety standards for rural electrification grid extension or off-grid schemes.

(2) The Authority may, on the recommendation of the Committee, by notice published in the Gazette prescribe minimum codes of practice and design specification standards for solar home system equipment for rural electrification.

[Ch7303s27]27. Concession agreements

(1) Where the execution of a rural electrification project is to be carried out by a Concessionaire, there shall be executed a concession agreement between the Concedante and the Concessionaire in the prescribed form.

(2) For purposes of subsection (1) the Concedante shall demarcate the concession area and grant the Concessionaire exclusive right to establish, operate and maintain a

rural electrification scheme or schemes and sell electrical energy to customers in the concession area.

(3) The electricity tariffs and charges by the Concessionaire under a rural electrification project shall be set at the rate as approved by the Authority.

(4) The Concessionaire shall submit to the Concedante within sixty days of the end of the Concedante's financial year an annual report of the rural electrification activities in the concession area.

[Ch7303s28]28. Concession management fee

(1) The Concedante shall be entitled to be paid by the Concessionaire a concession fee to cover the monitoring and management costs and costs of channelling monies from the Fund to the Concessionaire and also costs of identifying and demarcating the concession area.

(2) The amount of the management fee referred to in subsection (1)—

(a) shall be agreed upon between the Concedante and the Concessionaire and approved by the Authority; and

(b) may be reviewed annually by the Authority on application by the Concedante or the Concessionaire.

[Ch7303s29]29. Duration of concession agreement

A concession agreement shall remain in force for a period of up to twenty years as long as the Concessionaire complies with the provisions thereof and this Act or any other relevant written law.

[Ch7303s30]30. Implied terms and conditions in concession agreement

There shall be implied in every concession agreement the following terms and conditions—

(a) no monies from the Fund shall be payable to the Concessionaire if the Concessionaire operates outside the concession area unless the parties agree otherwise before hand;

(b) provided the Concessionaire has complied with the provisions of the concession agreement, the Concedante shall be obliged to forthwith pass on the approved monies from the Fund to the Concessionaire; and

(c) the concession agreement shall come into force upon the successful conclusion of the grant and subsidy agreement between the Concedante and Concessionaire.

[Ch7303s31]31. Solar home system agreements

Where the rural electrification is by means of solar home system technologies, the Concedante and the Concessionaire and the supplier of the equipment shall enter into the Solar Home System Purchase Guarantee and Service Agreement in the prescribed form.

[Ch7303s32]32. Ownership of lines and equipment

(1) All rural electrification lines and equipment installed or acquired with funding from the proceeds of the Fund shall be owned by the Government represented by the Concedante for each rural electrification project.

(2) A Concessionaire shall not transfer or cede any rural electrification line or equipment installed or acquired with funding from the proceeds of the Fund to any person without the written consent of the Concedante.

(3) In the case of sale of any rural electrification line or equipment installed or acquired with funding from the proceeds of the Fund the proceeds of such sale shall be appropriated to the Fund.

[Ch7303s33]33. Grid power coming to off-grid system

(1) When the interconnected system extends to an off-grid electrification area, the consumers in that area shall have an option of either continuing with the off-grid electrification system or connecting to the interconnected system.

(2) If a consumer referred to in subsection (1) elects to connect to the interconnected system, the Concessionaire shall have the option of either removing the off-grid installation or connecting such installation to the interconnected system, where technically feasible, for purposes of feeding into such system, subject to the approval of the owner and operator of the interconnected system, and in either case without any penalty to the consumer.

(3) The cost of connecting to the interconnected system or adjusting the off-grid system to make it compatible with the interconnected system shall be financed from the proceeds of the Fund on the same terms as other rural electrification projects.

(4) Where a Concessionaire, referred to in subsection (2), decides to remove the off-grid installation—

(a) the Concessionaire shall move the installation to another area to be agreed between the Concedante and Concessionaire;

(b) the Concedante shall define a new or extend existing concession area for the Concessionaire without additional charge to the Concessionaire; and

(c) the Concessionaire shall be compensated for the costs involved in the removal and reinstallation of the rural electrification installation and any consequential damages thereof out of monies from the Fund.

(5) The quantum of compensation under subsection (4) (c) shall be determined by the Committee, and shall be subject to the approval of the Authority.

(6) If the licensee was holding a generation and distribution licence or renewable energy licence he or she shall surrender the other licences and remain with only one licence if he or she will be a licensee in the interconnected system.

PART VI

MANAGEMENT OF RURAL ELECTRIFICATION ACTIVITIES

[Ch7303s34]34. Annual rural electrification programme

(1) Every Concessionaire shall, at least six months before the commencement of the Committee's financial year, submit to the Committee an annual rural electrification programme in such form and containing such details as the Committee shall specify and the programme shall contain an estimated cost of such rural electrification programme.

(2) The Committee shall compile a rural electrification programme which shall—

(a) specify the amounts allocated for grid extension, off-grid electricity supply and solar home system electricity supply and include an annual budget for rural electrification;

(b) prepare a candidate site priority list in accordance with the criteria laid down in section 35.

(3) The Committee shall submit to the Minister the annual rural electrification programme and the budget for approval.

[Ch7303s35]35. Priority listing of projects

(1) Each project in the rural electrification programme shall be assessed by the Committee, for technical, financial, economic, environmental and social feasibility and only those projects that are proved to be technically, financially, economically, socially and environmentally feasible shall qualify for funding from the Fund.

(2) The rural electrification project with the highest internal rate of return shall be placed at the top of the priority list of rural electrification projects:

Provided that where a Concessionaire or consumers are able and willing to contribute up to 20 per cent of the capital cost of the project for grid or off-grid electrification or up to 50 per cent for renewable energy project such a project will gain additional priority on the priority list.

[Ch7303s36]36. Promotion of rural electrification

The Committee shall take steps and do all things necessary to promote, attract, encourage, facilitate and market rural electrification in Malawi and in particular shall—

- (a) conduct civic education to the peri-urban and rural population on the advantages of and opportunities available in rural electrification services and technologies;
- (b) conduct market research on the acceptance or satisfaction of rural electrification customers with rural electrification technologies and services for purposes of attracting potential customers to rural electrification;
- (c) provide to potential customers, investors, concessionaires, donors, beneficiaries, and all others, information regarding rural electrification in Malawi;
- (d) develop and promote a favourable image of rural electrification for Malawi;
- (e) undertake rural electrification promotion missions within and outside Malawi;
- (f) recommend to the Minister changes in the statutory and administrative framework which act as barriers to the promotion of rural electrification in Malawi and make representations against or regarding any changes to such statutory or administrative framework;
- (g) develop and promote strategies aimed at building confidence among various stakeholders in rural electrification services and technologies;
- (h) develop and promote strategies aimed at ensuring the sustainability of rural electrification in Malawi;
- (i) develop and promote strategies aimed at increasing the access to energy sources by the majority of the peri-urban and rural population in Malawi and raise their living standards and empower women as key players in energy matters at household level; and
- (j) do all such things as are necessary and conducive to the achievement of the objectives of this Act.

[Ch7303s37]37. Committee to monitor rural electrification

(1) The Committee shall monitor, through reports or site visits, the implementation and operation of rural electrification projects and schemes for purposes of ensuring that the Concessionaires are implementing the rural electrification projects or operating the rural electrification schemes in accordance with the grant and subsidy agreement, the concession agreement, this Act, the Energy Regulation Act or the Electricity Act. Cap. 73:02, Cap. 73:01

(2) A Concessionaire found to be in breach of his or her obligations as set out in subsection (1) shall be notified by the Committee in writing on the nature of the breach and the Concessionaire shall be requested to remedy the breach, if capable of remedy, within thirty days of receipt of such notice.

(3) Where a Concessionaire fails to remedy the breach notified in accordance with subsection (2), the Committee shall take any of the following actions, as the case may be—

- (a) withhold further disbursements from the Fund;
- (b) recommend to the Malawi Bureau of Standards for cancellation of the accreditation certificate, where applicable; and
- (c) recommend to the Authority to take action in accordance with this Act, the Energy Regulation Act or the Electricity Act. Cap. 73:02, Cap. 73:01 [Ch7303s38]38. Reports of rural electrification

A Concessionaire shall submit to the Committee reports in such form and containing such information as the Committee shall determine as follows—

- (a) an initial rural electrification plan and budget for the next financial year in accordance with section 34;
- (b) implementation progress reports at least quarterly, detailing progress of each rural electrification project, special attention being paid to cases where the cost estimate changes significantly as the project develops;
- (c) project completion report containing such details and information as the committee may specify; and
- (d) one year after completion, an evaluation report on the success and failures of the project and any special issues that may have arisen.

PART VII

MISCELLANEOUS

[Ch7303s39]39. Offences

(1) Any person who contravenes any provisions of this Act shall be guilty of an offence.

(2) It shall not be a defence to an offence under this Act that proceeds or assets of the Fund have been appropriated for the benefit of the public.

[Ch7303s40]40. Penalties

Any person who is guilty of an offence under this Act shall be liable to a fine of K5,000,000 and to imprisonment of ten years.

[Ch7303s41]41. Regulations

The Minister may, by notice published in the Gazette, make regulations for the better carrying into effect of this Act.

SUBSIDIARY LEGISLATION

RURAL ELECTRIFICATION REGULATIONS

ARRANGEMENT OF REGULATIONS

REGULATION

PART I

PRELIMINARY PROVISIONS

1. Citation

2. Application of Energy Laws

**PART II
LICENCES**

3. Rural Electrification licence

**PART III
TARIFFS, CHARGES AND FEES**

4. Electricity tariffs and charges
5. Renewable energy technologies system prices and charges
6. Application and licensing fees

**PART IV
CONCESSION AND GRANT SUBSIDY AGREEMENTS**

7. Form of a grant and subsidy agreement
8. Form of a concession agreement
9. Termination of licence
10. Form of a solar home system purchase agreement
11. Form of a solar home system service agreement

**PART V
RURAL ELECTRIFICATION SITE SELECTION AND FUNDING**

12. Site selection and funding
13. Rural electrification projects
14. Funding

**PART VI
MISCELLANEOUS PROVISIONS**

15. Mandatory use of Forms
16. General offence and penalties

Schedules

First Schedule — Application Forms and Form of Licences

Second Schedule — Licence Fees

Third Schedule — Prescribed Forms for Agreements

Fourth Schedule — Procedure and Criteria for Rural Electrification sites

selection

G.N. 6/2009

RURAL ELECTRIFICATION REGULATIONS

under s. 41

**PART I
PRELIMINARY**

1. Citation
These Regulations may be cited as the Rural Electrification Regulations.
2. Application of Energy Laws

These Regulations shall apply to the Energy Laws with respect to—

(a) carrying out rural electrification electricity licensed activities and all consumers serviced by such licences under the Electricity By-laws under the Electricity Act: Cap. 73:01

Provided that the Authority, on the application of a licensee, may approve other standards or designs in respect of a particular consumer or concession area, if such standards or designs are cheaper and shall not compromise quality and safety under the Electricity Act; Cap. 73:01

(b) carrying out renewable technologies licensed activities under the Energy Regulation By-laws under the Energy Regulations Act. Cap. 73:02

PART II

LICENCES

3. Rural electrification licence

(1) No person shall carry out any activity under the Act except—

(a) under a licence granted under the Electricity Act and any by-laws made thereunder; or Cap. 73:01

(b) under a licence granted under the Energy Regulation Act and any regulations made thereunder. Cap. 73:02

(2) An application for a licence under these Regulations (1) (a) and (b) shall be in Form RE 1 prescribed in the First Schedule hereto.

(3) The rural electrification licences under these Regulations shall be in Form RE 3 and RE 4 prescribed in the First Schedule hereto.

PART III

TARIFFS, CHARGES AND FEES

4. Electricity tariffs and charges

The charges or tariffs for electricity supply to be charged by licensees under these Regulations shall be those approved by the Authority for such particular licensee under the Electricity Act and as revised from time to time. Cap. 73:01

5. Renewable energy technologies system prices and charges

The equipment prices and the maintenance charges to be charged by licensees for renewable energy technologies equipment supply, installation and maintenance thereof shall be those approved by the Authority under the Energy Regulation Act. Cap. 73:02

6. Licensing fees

Licensing fees under these Regulations shall be those prescribed in the Second Schedule hereto.

PART IV

CONCESSION, GRANT AND SUBSIDY AGREEMENTS

7. Form of a Grant and Subsidy Agreement

A grant and subsidy agreement under section 20 of the Rural Electrification Act shall be in Form RE 5 prescribed in the Third Schedule. Cap. 73:03

8. Form of a concession agreement

(a) A concession agreement under section 27 of the Rural Electrification Act shall be in Form RE 6 prescribed in the Third Schedule hereto; Cap. 73:03

(b) a concession agreement shall have general obligations which shall form part of the agreement.

9. Termination of licence

A licence issued under a concession agreement shall terminate three months after the termination or expiration of the concession.

10. Form of a solar home system purchase agreement

A solar home system purchase agreement under the Energy Regulations Act shall be in Form RE 7 prescribed in the Third Schedule hereto. Cap. 73:02

11. Form of a solar home system service agreement

(a) A solar home system service agreement under the Energy Regulation Act shall be in Form RE 8 prescribed in the Third Schedule hereto; Cap. 73:02

(b) a solar home system service agreement shall have general obligations binding the buyer and licensee which shall form part of the agreement.

PART V

RURAL ELECTRIFICATION SITE SELECTION AND FUNDING

12. Site selection and funding

The Rural Electrification Management Committee shall comply with the procedures and criteria for rural electrification site selection and funding guidelines prescribed in the Fourth Schedule hereto when compiling a priority list for sites:

Provided that, where the Committee wishes to make minor alterations to the prescribed criteria, it shall seek the approval of the Authority before making such minor alteration.

13. Rural electrification projects

A project for rural electrification under these Regulations shall be—

(a) for the extension of 400v, 11kV and 33kV distribution lines from the national grid;

(b) for the a construction of an isolated mini, micro and small hydropower station and associated substations and distribution reticulation; or

(c) for the supply and installation of renewable energy technologies.

14. Funding

The Malawi Rural Electrification Fund shall provide capital costs funds for projects under these Regulations:

Provided that operational costs for the project from the Fund shall not exceed an amount that shall make the project's internal rate of return reach up to six per cent (6%).

PART VI

MISCELLANEOUS PROVISIONS

15. Mandatory use of forms

The use of forms prescribed herein is mandatory, unless the Authority approves modification to such forms.

16. General offences and penalties

(1) Any person or licensee who contravenes any provision of these Regulations commits an offence and shall, on conviction, be liable to a fine of K2,000 and to imprisonment for six months.

(2) In addition to the penalties prescribed for the offences under these Regulations, a court may also order that the guilty person repay any expenses incurred by the Authority or any other person as a consequence of the offence.

FIRST SCHEDULE reg. 3 (2)

REPUBLIC OF MALAWI

RURAL ELECTRIFICATION ACT

(CAP. 73:03)

FORM RE 1

APPLICATION FOR ELECTRICITY GENERATION LICENCE FOR
RURAL ELECTRIFICATION

SECTION A

PARTICULARS OF APPLICANT

- A.1 Full name of Applicant:
- A.2 Address of Applicant, or in the case of a body corporate, the registered office:
.....
.....
- A.3 Telephone Number of Applicant:
- A.4 Fax Number:
- A.5 E-mail Address:
- A.6 Details of Contact Person:
Full Name:
Telephone Number:
Fax Number:
E-mail Address:

SECTION B

PARTICULARS OF A GENERATION LICENCE ISSUED UNDER THE
ELECTRICITY ACT BY THE AUTHORITY

- B.1 Date from which the licence became effective:
.....
- B.2 Duration of the licence from the effective date:
- B.3 Purpose for which the licence was issued:
- B.4 Location of the existing licensed generation station(s):
- B.5 Reference number for the existing generation licence:

SECTION C

COMMENCEMENT DATE, PURPOSE AND DURATION OF THE RURAL
ELECTRIFICATION LICENCE

- C.1 Desired date from which the licence (if granted) is to take effect:
.....
- C.2 Duration of the licence from commencement date:
- C.3 Purpose for which electricity is to be generated:
- C.4 Type of application (issue, transfer, amendment or renewal):

SECTION D

PARTICULARS OF GENERATING STATION

(To be provided for each generating station separately)

- D.1 Name of generating station:
- D.2 Location of generating station:
- D.3 Address of generating station:
.....
- D.4 Details of Contact Person:
Full Name:
Telephone Number:
Fax Number:

- E-mail Address:
- D.5 Type and age of generation station (thermal, nuclear, hydro, pumped storage, gas turbine, diesel generator, solar, wind or other including equipment description):
.....
- D.6 Date on which the generating station was commissioned for an existing station or the expected commissioning date for a proposed station:
.....
- D.7 The installed capacity of each unit within the generating station (MW):
.....
- D.8 Life span of each generating station:
- D.9 Maximum generating capacity (MW) expected to be available from the generating station and energy to be produced (kWh):

	Maximum kWh	Total kWh	Own use (kWh)	For sale (kWh)
YEAR 1				
YEAR 2				
YEAR 3				
YEAR 4				
YEAR 5				
YEAR 6				
YEAR 7				

- D.10 Estimate of the energy conversion efficiency of—
- (a) Turbine:
.....
- (b) Generator:
.....
- (c) Estimated overall station:
.....

SECTION E
PARTICULARS OF ANY LONG-TERM ENERGY SUPPLY ARRANGEMENTS
 (To be provided for each generating station separately)

- E.1 Name of transmission company:
- E.2 Particulars of the contractual arrangements (attach draft contract if in place):

SECTION F
GENERATION BUSINESS
 (To be provided for each generating station separately)

- F.1 Details of proposed major maintenance programmes, including the expected cost and duration thereof, covering the next five years:

.....
F.2 Details of major generating station rehabilitation and modifications dates, cost and description for the next five years:

.....
.....
.....
.....
.....

F.3 Details of generating station expansion, dates, cost and description:

.....
.....
.....
.....

F.4 Particulars of power sales agreements and tariffs therein:

.....
.....
.....
.....

F.5 Particulars of anticipated outages and duration thereof as a result of F.1 and F.2 above:

.....
.....
.....
.....

**SECTION G
FINANCIAL INFORMATION**

G.1 Income Statement:

Provide statements and annual forecasts of sales, revenues and costs. Attach copies of the current and/or budgeted balance sheet, rate of return, profit and loss account and source and application of funds for current and next two years. Indicate major cost items such as staff costs, maintenance.

G.2 Investment Programme:

Investment Programme for current and the next five years. Attach copies of detailed scheme or schemes prepared by a competent engineer and mode and cost of financing such a scheme.

G.3 Fixed Assets:

Summary of total assets of all generating plant.

G.4 Audited Accounts:

Provide copies of the latest audited accounts of the applicant.

G.5 Letters of Reference from Banks:

Provide one letter of recommendation as to credit worthiness from a local commercial bank and one from a reputable international bank.

SECTION H

INFORMATION ON HUMAN RESOURCES

H. Personnel:

(a) submit details of the number of staff and employees and their categories and grades in the service of or to be recruited by the applicant, showing their qualifications and number of years of experience in similar jobs.

(b) Provide curriculum vitae of top management personnel of the applicant.

SECTION I

ENVIRONMENTAL CONSIDERATION

1.1 Provide a brief description of the likely negative impact of the generation facility on natural resources and environment and mitigation measures proposed.

1.2 Provide a copy of the approved environmental mitigation plan (if any) by the relevant authority.

SECTION J

PERMITS FROM OTHER GOVERNMENT DEPARTMENTS OR REGULATORY AUTHORITIES

Submit copies of permits or approvals issued by public or local authority or other regulatory agencies necessary for the operation of the generating plant.

SECTION K

ADVERTISING NOTICE

K. Attach draft copy of the notice of advertisement as to representations or objections.

SECTION L

TARIFFS

Provide a schedule of the proposed tariffs.

SECTION M

ADDITIONAL INFORMATION

Provide any other relevant information which the applicant wishes to include with this application:

.....
.....
.....
.....
.....
.....
.....
.....
.....
.....

Signed: Date:

Receipt acknowledged by: Date:

.....

MERA Stamp

REPUBLIC OF MALAWI
RURAL ELECTRIFICATION ACT
(CAP. 73:03)
FORM RE 2

APPLICATION FOR ELECTRICITY DISTRIBUTION LICENCE FOR RURAL
ELECTRIFICATION

SECTION A

PARTICULARS OF APPLICANT

- A.1 Full name of Applicant:
- A.2 Address of Applicant, or in the case of a body corporate, the registered office:
.....
.....
- A.3 Telephone Number of Applicant:
- A.4 Fax Number:
- A.5 E-mail Address:
- A.6 Details of Contact Person:
Full Name:
Telephone Number:
Fax Number:
E-mail Address:

SECTION B

PARTICULARS OF A DISTRIBUTION LICENCE ISSUED UNDER THE
ELECTRICITY ACT BY THE AUTHORITY

- B.1 Date from which the licence became effective:
.....
- B.2 Duration of the licence from the effective date:
- B.3 Purpose for which the licence was issued:
- B.4 Area to which the existing licence relates:
- B.5 Reference number for the existing distribution licence:

SECTION C

COMMENCEMENT DATE, PURPOSE AND DURATION OF LICENCE

- C.1 Desired date from which the licence (if granted) is to take effect:
.....
- C.2 Duration of the licence from commencement date:
- C.3 Description of the purpose for which a supply is to be distributed:
.....
- C.4 Type of application (issue, transfer, amendment or renewal):.....

SECTION D

AREA TO WHICH THE APPLICATION RELATES

- D.1 Provide sufficient information (map, etc.) of the area or areas to which the
application relates:
.....
.....
.....
.....
- D.2 Provide a list of local authorities covered by the area of distribution:

.....
.....
.....
.....
.....

**SECTION D
TECHNICAL INFORMATION**

Submit single line diagram(s) of the system by means of which the applicant intends to supply electricity. Identify any parts of that system which will not be in possession or control of the applicant. The diagram should show the applicant's points of supply (input).

E.1 Domestic metering details:

Number of customers on— Prepayment metering;
Convectional credit metering;
Ripple control load limiting devices;
AMR metering system.

E.2 Commercial metering details:

Number of customers on— Convectional credit metering,
prepayment metering;
Maximum demand metering;
AMR metering.

E.3 Special Agreements:

Number of customers on Maximum demand metering;
Time of day metering.

E.4 Transformer Capacity:

	Number	Ages	(kVA) Capacity
E.4.1	Power transformers	(kV)	
E.4.2	Distribution transformers		

E.5 Lines:

Total circuit length (Km) when commissioned

- E.5.1 Distribution Lines 66 kV (if not part of Transmission)
- E.5.2 Distribution Lines 33 kV
- E.5.3 Distribution Lines 11 kV
- E.5.4 400/230 Volts

E.6 Cables:

Total circuit length (Km) when commissioned

- E.6.1 Distribution Cables 33 kV
- E.6.1 Distribution Cables 11 kV
- E.6.1 Distribution Cables LV/MV

SECTION F

DISTRIBUTION BUSINESS

F.1 General:

Provide projected details of the following—

Year 1 Year 2 Year 3 Year 4 Year 5

Number of consumers

Total kWh Sales

Total energy (kWh) purchased

Percentage kWh losses

F.2 Provide details of long-term power purchase agreements:

.....
.....
.....
.....

F.3 Attach details of proposed tariff structure for each category of consumers:

.....
.....
.....

F.4 Provide details of your policy regarding capital contribution, connection and reconnection charges, inspection charges, etc.:

.....
.....
.....
.....

F.5 Provide details of proposed major maintenance programmes including expected cost and duration thereof covering the next five years:

.....
.....
.....
.....

F.6 Consumer Profile:

Tariff	Number of Consumers	Sales (kWh)	Total Revenue (K'000)
	Growth Rate	Consumer Nos.	Sales
	Year 1	Year 2	Year 3
	Year 4	Year 1	Year 2
	Year 3	Year 4	Year 1
	Year 2	Year 3	Year 4
	Average Consumer Numbers	Average Sales	Growth
Domestic			
Urban			
Domestic			
Rural			

General

Maximum Demand
(Low voltage)

Maximum Demand (Medium voltage)

Optional Demand (Off-peak)

F.7 Provide details of major rehabilitations and modifications and dates, costs and description thereof for the next five years:

.....
.....

F.8 Details of distribution expansion programme including dates, and description:

.....
.....
.....
.....

**SECTION G
FINANCIAL INFORMATION**

G.1 Income Statement:

Provide statements and annual forecasts of sales, revenues and costs. Attach copies of the current and/or budgeted balance sheet, rate of return, profit and loss account and source and application of funds for current and next two years. Indicate major cost items such as staff costs, maintenance.

G.2 Investment Programme:

Investment Programme for current and the next live years. Attach copies of detailed scheme or schemes prepared by a competent engineer and mode and cost of financing such a scheme.

G.3 Fixed Assets:

Summary of total assets of all distribution plant.

G.4 Audited Accounts:

Provide copies of the latest audited accounts of the applicant.

G.5 Letters of Reference from Banks:

Provide one letter of recommendation as to credit worthiness from a local commercial bank and one from a reputable international bank.

**SECTION H
INFORMATION ON HUMAN RESOURCES**

Personnel:

(a) submit details of the number of staff and employees and their categories and grades in the service of or to be recruited by the applicant, showing their qualifications and number of years of experience in similar jobs.

(b) Provide curriculum vitae of top management personnel of the applicant.

**SECTION I
ENVIRONMENTAL CONSIDERATION**

Provide a brief description of the likely negative impact of the distribution facility on natural resources and environment and mitigation measures proposed.

SECTION J

PERMITS FROM OTHER GOVERNMENT DEPARTMENTS OR REGULATORY AUTHORITIES

Submit copies of permits or approvals issued by public or local authority or other regulatory agencies necessary for the operation of the distribution system.

SECTION K

ADVERTISING NOTICE

Attach draft copy of the notice of advertisement as to representations or objections.

SECTION L

TARIFFS

Provide a schedule of the proposed tariffs.

SECTION M

ADDITIONAL INFORMATION

Provide any other relevant information which the applicant wishes to include with this application:

.....
.....
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.....
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.....
.....

Signed: Date:

Receipt acknowledged by: Date:

MERA Stamp
RURAL ELECTRIFICATION ACT
(CAP. 73:03)
FORM RE 3
GENERATION AND DISTRIBUTION LICENCE reg. 3 (3)

[No.]
This Licence is hereby granted to:
.....
of
for the generation and/or distribution of electricity (delete whichever is inapplicable at
....., subject to the conditions prescribed by the Rural Electrification Regulations and those mentioned below, made under the Rural Electrification Act.

This Licence shall expire on the day of next following the date of issue hereof, and may be renewed on application being made for this purpose. Issued this day of, 20.....

.....

for Malawi Energy Regulatory Authority

1. This Licence is issued subject to the Rural Electrification Regulations of which the Licensee admits cognizance.
2. This Licence is not transferable without the approval of the Authority.

RURAL ELECTRIFICATION ACT

(CAP. 73:03)

RENEWABLE ENERGY TECHNOLOGIES LICENCE

FORM RE 4

[No.]

This Licence is hereby granted to:

.....

of

for the importation, sale, installation and/or maintenance of renewable energy technologies

equipment (delete whichever is inapplicable) at.....

....., subject to the conditions prescribed by the

Rural Electrification Regulations and those mentioned below, made under the Rural Electrification Act.

This Licence shall expire on the day of next following the date of issue hereof, and may be renewed on application being made for this purpose.

Issued this day of, 20.....

.....

for Malawi Energy Regulatory Authority

1. This Licence is issued subject to the Rural Electrification Regulations of which the Licensee admits cognizance.
2. This Licence is not transferable without the approval of the Authority.

SECOND SCHEDULE reg. 6

LICENCE FEES

TABLE I

Matter Fee

K t

1. For rural electrification electricity licensed activity—
 - (a) on issue of licence 20,000 00
 - (b) on renewal 20,000 00
 - (c) on amendment 10,000 00
 - (d) on transfer 20,000 00
2. For a combined distribution licence—
 - (a) CAT I—Small Hydro power station and associated distribution reticulation 250,000 00
 - (b) CAT II—Mini Hydropower station and associated distribution reticulation 150,000 00

- (c) CAT III—Micro Hydro power station and associated distribution reticulation 75,000 00
- 3. For a licence for exporting of electricity—
 - (a) CAT I—for voltage up to 33 kV 250,000 00
 - (b) on amendment 20% of export fees

THIRD SCHEDULE reg. 7
 PRESCRIBED FORMS FOR AGREEMENTS
 RURAL ELECTRIFICATION ACT
 (CAP. 73:03)
 GRANT AND SUBSIDY AGREEMENT
 FORM RE 5

THIS GRANT AND SUBSIDY AGREEMENT is made on the day of , 20..... BETWEEN the Malawi Government represented by the Department of Energy Affairs (hereinafter referred to as wC the Governmenr) on the one part

AND of (hereinafter referred to as “the Concedante”) on the other part.

WHEREAS the Government through the Rural Electrification Unit is willing and desirous to give a grant and subsidy out of the Malawi Rural Electrification Fund to the Concedante for the installation of rural electrification system which is more fully described in the First Schedule hereto (hereinafter referred to as “the Project”).

AND WHEREAS the Concedante is willing and is able to carry out the project or to enter into a Concession Agreement with a Concessionaire to carry out the Project.

NOW TFIEREFORRE the parties hereby agree as follows—

1. In consideration of the Concedante carrying out the Project, the Government shall grant to the Concedante a grant and subsidy in the sum of K (Malawi Kwacha (hereinafter referred to as “the Funds”) for purposes of financing the capital cost of the Project and operational cost of the Project as the Rural Electrification Management Committee (hereinafter referred to as “the Committee”) may approve.
2. The Funds shall be disbursed to the Concedante upon the Concedante fulfilling the conditions set out in the Rural Electrification Act.
3. The Funds shall be disbursed to the Concedante in accordance with progress of work on the Project and in accordance with the disbursement schedule set out in the Second Schedule hereto.
4. The Grant and Subsidy shall be a once off payment to the Concedante for each Project and shall be used solely for payment of the capital costs of the Project, provided that for operational cost of the Project, the funds may be disbursed monthly over a period as the Committee may approve.
5. In the case where there is a Concessionaire, the Concedante shall not pay the Funds or any part thereof to another Concessionaire other than the Concessionaire granted exclusive rights in the concession area as demarcated in the Concession Agreement, a copy of which Concession Agreement is attached hereto.

FIRST SCHEDULE
 DESCRIPTION OF THE PROJECT
 SECOND SCHEDULE

DISBURSEMENT SCHEDULE FOR THE FUNDS

IN WITNESS WHEREOF the authorized representatives of the parties hereto have hereunto signed this Grant and Subsidy Agreement the day and year first above written.

Signed for the Government in the presence of:

Witness:

Address:

Occupation:

Signed for the Concedante in the presence of:

Witness:

Address:

Occupation:

FORM RE 6

RURAL ELECTRIFICATION ACT reg. 8

(CAP. 73:03)

CONCESSION AGREEMENT

THIS CONCESSION AGREEMENT is made the day of....., 20.....

BETWEEN

of

(hereinafter referred to as “the Concedante”) of the one part AND

.....of

(hereinafter referred to as “the Concessionaire”) of the other part.

WHEREAS the Government through the agency of the Concedante is willing and desirous to give a grant and subsidy for the installation, operation and maintenance of rural electrification installation;

AND WFIEREAS the Concessionaire is desirous to provide the services for the installation, operation and maintenance of rural electrification installation and has agreed with the Concedante to enter into this Concession Agreement.

NOW THEREFORE this Agreement witnesseth as follows—

1. The Concessionaire shall carry out the installation operation and maintenance of rural electrification system in the concession area demarcated in the First Schedule hereto and shall not charge consumers any tariffs or charges other than those specified in the Second Schedule hereto or as may be revised in accordance with the Energy Regulation Act (Cap.73:02) and the Act.

2. This Concession Agreement is subject to the provisions of the Rural Electrification Act and the regulations made thereunder.

3. The Concessionaire shall pay to the Concedante a management fee of K..... (Malawi Kwacha) per annum payable quarterly in advance provided that the said management fee shall be subject to revision with the approval of the Malawi Energy Regulatory Authority.

4. This Concession Agreement may not be transferred in whole or in part, by the Concessionaire, without the prior written approval of the Concedante.

5. Where the Concession Agreement has been terminated by the Concedante, the concession may be granted to any other person the Concedante may deem fit, after approval of the Rural Electrification Management Committee and the Malawi Energy Regulatory Authority and after consultation with creditors. Any compensation to the

Concessionaire shall be determined by the parties and approved by the Malawi Energy Regulatory Authority.

6. The Concessionaire shall be solely liable for the installation, operation and maintenance of the rural electrification system and shall operate the same solely and exclusively and for the account of the Concessionaire.

7. Each of the parties shall ensure that their contractors, subcontractors, consultants and agents, and each of their respective permitted assigns and successors, hold in confidence all documents and other information whether technical or commercial, which are of a confidential nature supplied to it by or on behalf of the other party relating to the Concession and shall not publish or otherwise disclose or use the same for its own purpose, other than as may be required to perform its obligations under this Concession Agreement.

8. The provisions of the clause 8 herein shall survive the termination of this Concession Agreement but shall expire and be of no further effect from the fifth anniversary of the date of termination of this Concession Agreement.

9. The Concessionaire's obligations under this Concession Agreement include—

(a) to carry out the service of supplying electricity and renewable energy technologies in such a way as to best serve the interests and needs of customers (both existing and future) and for the benefit of Malawi's economic and social development;

(b) to utilize the grant and subsidy for the intended purpose and in accordance with the Rural Electrification Act and the Grant and Subsidy Agreement;

(c) not to remove any installation from the concession area without the prior written consent of the Concedante and to ensure that at all times each system is identifiable;

(d) to carry out the Concessionaire's obligations under this Concession Agreement so long as it remains in force;

(e) to allow the Concedante to enter any installation for purposes of verifying if the Concessionaire is complying with this Concession Agreement and the Rural Electrification Act;

(f) to supply electricity or renewable energy technologies as the case may be, within the concession area to all Consumers who are prima facie able to pay for the services charged by the Concessionaire, provided that the grant and subsidy received by the Concessionaire is enough to cover all such supply of energy;

(g) to cooperate with other suppliers of electricity with regard to national and regional plans and operation of electricity supply systems;

(h) not to reduce or terminate supply of electricity or remove the installation except in accordance with—

(i) the Rural Electrification Act;

(ii) the Electricity Act;

(iii) the Energy Regulation Act;

(iv) this Concession Agreement; and

(v) the contract for supply of electricity entered into between the

Concessionaire and a consumer;

(i) not to charge consumers any other tariffs or charges that have not been agreed in accordance with the Act, and as varied from time to time in accordance with the provisions thereof;

(j) to submit to the Concedante within sixty days of the end of each financial year an annual report on all relevant parts of the operation including, but not limited to—

- (i) actual and target total number of installations for each month;
- (ii) year end projection of installations for the next financial year; and
- (iii) any particulars as may be specified by the Concedante;

(k) to maintain full and proper records of all its activities and to make the same available to the Concedante and the Authority and their servants at any reasonable times including—

(i) complete records of maintenance and repair activities including dates, personnel and the contractors involved and the costs thereof where these can be reasonably calculated or estimated;

(ii) particulars of the physical locality and the identification of all installations in terms of which a grant or subsidy has been granted; and

(iii) any other records as may reasonably be required by the Concedante or the Authority to properly monitor the activities of the Concessionaire;

(l) to indemnify the Concedante and its employees for all liabilities arising out of the installation operation and maintenance of the rural electrification installation; and

(m) in the case of solar home system, to enter into the solar home system purchase agreement and solar home system service agreement with the supplier as prescribed in the Rural Electrification Regulations.

10. This Concession Agreement may be terminated by the Concedante following the occurrence of any one or more of the following events—

(a) material suspension by the Concessionaire of rural electrification activities which do not result from a force majeure event;

(b) repeated refusal by the Concessionaire to permit the due exercise of inspection, monitoring and supervision operations;

(c) refusal by the Concessionaire to undertake the appropriate maintenance and repair of the rural electrification installations;

(d) the charging by the Concessionaire of tariffs at a rate in excess of that which has been fixed under this Concession Agreement and as varied from time to time with the consent of the Authority;

(e) bankruptcy of the Concessionaire;

(f) unauthorised transfer or assignment of the Concession Agreement by the Concessionaire;

(g) breach of the Electricity Act, the Energy Regulation Act, the Rural Electrification Act or other material breach of this Concession Agreement; and

(h) material deviation by the Concessionaire from the purpose of the Concession: Provided that the Concession Agreement shall not be terminated if the Concessionaire has taken appropriate remedial action within thirty (30) days of being given notice of intention to terminate by the Concedante.

12. The Concession Agreement may be terminated—

(a) by the Concessionaire, on giving three months written notice following material violation of the grant and subsidy agreement in the non payment of grant and subsidy:

Provided that such violation has resulted in such infringement or such prejudice that the Concessionaire is unable to install, operate or maintain the rural electrification system on an economical basis in part or in whole; or

(b) after twenty years for rural electrification electricity and five years for renewable energy technologies or as specified in the Concession Agreement which ever occurs first.

FIRST SCHEDULE

DEMARCATIION OF CONCESSION AREA

SECOND SCHEDULE

CONSUMER TARIFFS AND CHARGES

IN WITNESS WHEREOF the authorized representatives of the parties hereto have hereunto signed this Concession Agreement the day and year first above written.

Signed for the Concedante in the presence of:

Witness:

Address:

Occupation:

Signed for the Concessionaire in the presence of:

Witness:

Address:

Occupation:

RURAL ELECTRIFICATION ACT

(CAP.73:03)

FORM RE 7

SOLAR HOME SYSTEM PURCHASE AGREEMENT reg. 10

THIS SOLAR HOME SYSTEM PURCHASE AGREEMENT is made on the..... day of, 20....., BETWEEN of (hereinafter called "the Buyer"), of the one part, AND of (hereinafter called "The Contractor"), of the other part.

WHEREAS the Contractor submitted a quotation dated the day of , 20..... for the Solar Home System works at the request of the Buyer; and

WHEREAS the Buyer has accepted the said quotation.

NOW THEREFORE the parties agree as follows—

1. The following documents shall be deemed to form and construed as an integral part of this Agreement and in case of discrepancies, the following sequence of priority shall govern among the documents—

- (a) Appendix A — General Conditions;
- (b) Appendix B — Scope of works, Technical Specifications and Description of the Works including Drawings;
- (c) Appendix C — Forms:
 - (i) Form C1 — Commissioning Certificate Form; and
 - (ii) Form C2 — Warranty Transfer Form or Warranty Guarantee;
- (d) Appendix D — Site Map;
- (e) Contractor's Quotation; and
- (f) Solar Home Service Agreement.

2. Any changes, modifications or amendments to the Agreement shall be made only by mutual consent in writing between the Buyer and the Contractor and approved by the quality committee of the Rural Electrification Management Committee, which changes, modifications or amendments shall constitute an integral part of the Agreement.

3. For the avoidance of doubt, it is hereby agreed that the Contractor’s signing of the Solar Home Service Agreement is a condition precedent to the effectiveness of this Contract.

4. For and in consideration of the payments to be made by the Buyer in accordance with the provisions of clause 7 hereof, the Contractor shall fully and faithfully furnish all labour, plant, and materials, and complete the works in accordance with the above mentioned documents, appendices attached to the documents or on file in the office of the Buyer, and the quotation of the Contractor, deliver, install, test and commission at Buyer’s premises the Solar Home System described in Appendix B, including a verbal instruction, on location, in operating the system. Further, the Contractor shall hand over to the Buyer the following documents—

- (a) Commissioning Certificate;
- (b) Operation Manual for the system;
- (c) Solar Home Service Agreement, signed by both Contractor and Buyer;

and

(d) Warranty Guarantee or Certificate, including Warranty Transfer Agreement transferring of manufacturer’s product guarantee to Buyer.

5. The Installation Site shall be the Buyer’s premises at

.....

..... District and more fully described in Appendix D attached hereto.

6. The Contract price for the works is K..... (Malawi Kwacha).

7. The Buyer shall pay the Contractor in local currency for the latter’s satisfactory performance of this Agreement, in accordance with the provisions of the Agreement Documents, and on the basis of the Contractor’s lump sum quotation in the following manner—

(a) 30% to be paid by the Purchaser upon signing this Agreement and 70% to be paid upon completion of the works; and

(b) payment of the said 70% will be made within fourteen days from the date of receipt of certified and approved certificate and invoices plus the delivery of the documents specified in the clause 9 hereunder.

8. This Agreement is subject to the provisions of the Rural Electrification Act and the regulations made thereunder.

9. The Contractor shall commence the Works specified in this Agreement within fourteen days after signing of the Agreement and payment of the deposit and shall complete the same within days counted from the date of commencement and based on the following programme of events:

Date Event

- Signing of Contract and Service Agreement.
- Presentation to the Purchaser of invoice on first installment.
- Payment to Contractor of 1st instalment.

- Delivery, installation and commissioning of equipment, issuing and handing over to Buyer of Commissioning Certificate, Operation Manual, Guarantee Certificate, Warranty Transfer Agreement, etc.
- Presentation of invoice on second instalment.
- Payment to Contractor of the second and Final Instalment.

10. Should the Contractor fail to complete the Works under this Agreement within the period specified in this Agreement, plus any extension of time that may be granted under the provisions of this Agreement, the Contractor shall pay the Buyer 0.1% of the contract price per each day of delay up to a maximum of 10% of the contract price.

11. If any term or condition of this Agreement is held invalid or contrary to the law, the validity of the other terms and conditions hereof shall not be affected thereby.

12. (a) The Buyer shall give the Contractor free access to his premises to the extent necessary for the Contractor to install, test and commission the Solar Home System described in Appendix B. The Buyer shall reasonably prepare his premises for the installation, and shall personally attend the installation in order to discuss with the Contractor's installation crew, the exact location of lamps and other equipment. In case the buyer is unable to attend the installation, he shall send a duly identified and authorized person to represent him.

(b) The Buyer shall cover any additional costs incurred as a result of the Buyer's unnecessary obstruction of installation.

(c) The Buyer's general obligations under the Solar Home Service Agreement shall be provided for in every renewable energy technologies system service agreement as follows—

(i) to grant the licensee such access to the premises as the licensee shall from time to time reasonably require in order to discharge its obligations hereunder;

(ii) to make available at the premises such facilities as the licensee shall reasonably require in order to discharge its obligations hereunder including, without limitation, adequate work space and storage;

(iii) to take all reasonable precautions to protect the health and safety of the licensee's employees, agents and sub-contractors while on the Buyer's Site; and

(iv) to make available the renewable energy technologies equipment and supply all documentation and other information necessary for the licensee to diagnose any fault in such Equipment.

(d) that the Buyer shall have a free and unencumbered title to any replaced parts for the Equipment replaced during service.

(e) The Buyer shall report to Police any theft of the Solar Home System Equipment immediately after the incident and submit a copy of the police report to the Contractor.

13. (a) The licensee's general obligations shall be provided for in every renewable energy technologies system service agreement as follows—

(i) to perform the Maintenance Services and any other services with reasonable care and skill; and

(ii) to perform any Excepted Services within a reasonable time of being so requested by the Buyer;

(b) that the licensee will enjoy possession of any such replacement parts and that the same will be of merchantable quality and reasonably fit for their purpose.

14. The Contractor shall execute the Warranty Assignment in Form C2 of Appendix C attached hereto, assigning the Contractor's benefit of the manufacturer's Warranty for the Solar Panel to the Buyer and shall also deliver the Manufacturer's Warranty to the Buyer. The Contractor shall also execute a Warranty guarantee for the battery and charger in favour of the Buyer. It is further agreed that the signing and delivery of the Warranty Assignment for the Solar Panel and the signing and delivery of the Warranty Guarantee for the battery and charger is a prerequisite for the payment of the final installment.

15. The procedural law for arbitration is the Energy (Renewable Technologies) By-laws under the Energy Regulation Act.

For the Buyer:
Address
Malawi

The Contractor:
Address
Malawi

IN WITNESS WHEREOF, the parties hereto have signed this Agreement the day and the year first written above.

Signed for the Buyer in the presence of:
Witness:
Address:

Occupation:
Signed for the Contractor in the presence of:
Witness:
Address:
Occupation:

APPENDIX A
GENERAL CONDITIONS

The general conditions of the contract—Appendix A shall be those forming the “Short form of Contract” First Edition 1999, prepared by the Federation Internationale des Ingenieurs—Conseils (FIDIC) subject to the variations and additions set out in the contract.

A copy of the published “Short Form of Contract” may be inspected at the office of the Department of the Energy Affairs at

Or purchased from:
FIDIC
P O Box 86
CH-1000 LAUSANE
12 Chaily
SWITZERLAND
e-mail: FIDICpobox.com

APPENDIX B
Scope of works, Technical specifications and description of the works including Drawings.

APPENDIX C
FORMS
COMMISSIONING CERTIFICATE
FORM C 1

This certificate establishes that today 20.....
the Seller has installed on site, started up, tested and handed over to Buyer the Equipment
and Services uniquely described underneath, and that the Buyer, after having satisfied
himself that the Scope of Work specified in the Purchase Agreement
of....., 20..... has been supplied in full, take final delivery of the
said
Equipment and Services.

Buyer's Name:

Address:

.....
Seller's Name:

Address:

.....
Lead Technician's Name:

Installation Site Address:

.....
Equipment:

Type of System:

System name:

Size/rating:

Type Approval No.:

Key Components:

Item	Make	Type	Serial Number
------	------	------	---------------

.....
-------	-------	-------	-------

Other deliveries:

Verbal instruction in daily operation

Operation Manual

Service Agreement (signed)

Warranty Agreement

Warranty Transfer Agreement

Signed:

(Buyer)

Signed:

(Seller)

FORM C2

THIS WARRANTY ASSIGNMENT is made the day of....., 20.....

BETWEEN of

..... (hereinafter referred to as “the Buyer”) of the one part AND of (hereinafter referred to as “the Contractor”) of the other part.

WHEREAS under and by virtue of a sale agreement dated the day of, 20..... and made between the Contractor and the Buyer the Contractor sold the Solar Home System Equipment more fully described in the Schedule hereto to the Buyer;

WHEREAS the Contractor is the beneficial owner of the Manufacturer’s Warranty for the Solar Panel of the said Solar Home System equipment.

WHEREAS it was a condition of the sale agreement that before final payment for the said Solar Home System Equipment, the Contractor should assign to the Buyer the benefit of the said Manufacturer’s Warranty for the said Solar Home System Equipment;

WHEREAS it was a condition of the sale agreement that the Contractor undertakes to grant a warranty guarantee of all components of the Solar Home System Equipment which do not have the Manufacturer’s Warranty more fully described in the Schedule hereto to the Buyer.

NOW THEREFORE this Agreement witnesseth as follows—

1. In pursuance of the aforesaid sale agreement, the Contractor as beneficial owner hereby assigns to the Buyer the Manufacturer’s Warranty for the said Solar Home System Equipment’s Solar Panel battery and charge controller which has been granted to the Contractor together with the Buyer’s full right, title and interest therein and all rights of action powers and benefits accruing or belonging to the Contractor.
2. The Contractor will at the request and cost of the Buyer join with the Buyer in any proceedings for and do all such acts and things as may be reasonably required for enforcing the said Manufacturer’s Warranty during the duration of that warranty.
3. The Contractor further warrants the Solar Home System Equipment before, during and after the transfer or installation of the said equipment for a period of to the Buyer.

SCHEDULE

Solar Home System Equipment Particulars:

Type:

Serial No:

Duration of Warranty:

Site:

(to be repeated for each component).

IN WITNESS WHEREOF the authorised representatives of the parties hereto have signed this Warrant) Assignment on the day and year first above written.

Signed for the Buyer in the presence of:

Witness:

Address:

Occupation:

Signed for the Contractor in the presence of:

Witness:

Address:.....

Occupation:

APPENDIX D
SITE MAP
RURAL ELECTRIFICATION ACT
(CAP. 73:03)
FORM RE 8

SOLAR HOME SYSTEM SERVICE AGREEMENT reg. 11

THIS SERVICE AGREEMENT is made the day of, 20.....

BETWEEN
of (hereinafter
called “the Buyer”) on the one part AND
of (hereinafter
called “the Contractor”) on the other part.

WHEREAS by an agreement made the day of, 20.....

BETWEEN the Buyer AND the Contractor, the Contractor sold to the Buyer the Solar Home System Equipment more fully described in the Schedule attached hereto.

WHEREAS it was a condition of the said Solar Home System Purchase Agreement that the Contractor and the Buyer shall execute this Service Agreement for the service and maintenance of the said Solar Home System Equipment.

NOW THEREFORE this Service Agreement witnesseth as follows:

1. In this Agreement unless the context otherwise requires—

“additional charges” means the charges to be calculated by the Contractor on a time and material basis at its then prevailing rates in respect of the provision of Excepted Services pursuant to clause 5 (c) below;

“commencement date” means the date set out in the Schedule hereto upon which this agreement shall commence;

“solar home system equipment” means the items of Solar Home System Equipment identified by type and serial number in the Schedule hereto;

“excepted services” means those services referred to in clause 5 below which do not fall within maintenance services;

“initial period” means the period of twenty-four months commencing on the Commencement Date;

“maintenance charges” means the aggregate annual charges for the Maintenance Services calculated in accordance with clause 3 below and set out in the Schedule hereto;

“maintenance services” means the provision of Preventative Maintenance, Curative Maintenance and other services as defined in clause 4 below;

“monitoring engineer” means the Malawi Bureau of Standards or other body authorized by the Malawi Government;

“place of use” means that part of the Buyer’s premises at the Site where the Solar Home System Equipment is installed and operated;

“regulator” means the Malawi Energy Regulatory Authority or its authorized representative; and

“site” means the Buyer’s address specified in the Schedule hereto.

2. In consideration of the payment by the Buyer from time to time of the Maintenance Charges in accordance with the provisions of clause 3 below, the Contractor undertakes to provide the Maintenance Services in respect of the Solar Home System Equipment upon the terms and conditions of this Service Agreement.

3. The annual maintenance charges at the date hereof in respect of each item of Solar Home System Equipment shall be as set out in the Schedule. The aggregate of such annual maintenance charges shall constitute the maintenance charges for the purposes of this Service Agreement—

(a) The Contractor shall not be entitled to vary the maintenance charges during the period of twenty-four months commencing on the Commencement Date. Thereafter the Contractor shall be entitled to vary the maintenance charges not more than once in every successive period of twelve months upon giving not less than ninety days prior written notice of increase to the Buyer. But such increase shall be subject to the approval of the Malawi Energy Regulator) Authority.

(b) Upon receipt of a notice of increase in maintenance charges in accordance with paragraph (a) above, the Buyer shall be entitled to terminate this Service Agreement in accordance with clause 12 below.

(c) The maintenance charges shall cover two scheduled semi annual visit to the plant and shall include the cost of travel, accommodation and subsistence expenses of the Contractor (including the cost of time spent travelling) incurred in the provision of the maintenance services plus Contractor's fees and cost of spare parts replaced due to normal wear and tear during the warrant } period of each such component.

(d) The service visits shall comprise a comprehensive inspection, and eventually repairs and adjustments of components as deemed necessary to secure continued trouble free operation.

(e) The maintenance charges shall not include the cost of any Excepted Services.

(f) The maintenance charges shall be levied by the Contractor annually in advance. Maintenance charges shall be payable by the Buyer and the maintenance charges for the initial period shall be included in the purchase price for the equipment.

(g) During renewed period provided for in clause 10 maintenance charges shall include cost of spare parts replaced due to normal wear and tear only during the subsistence of the warranty period for the particular component.

4. (a) Maintenance services shall comprise the provision by the Contractor of "Preventative Maintenance" and "Curative Maintenance" in respect of the Solar Home System Equipment at the place of use.

(b) Preventative maintenance for the purposes of this Service Agreement shall comprise—

(i) the routine inspection and testing (by attendance on Site) by the Contractor of each item of Solar Home System Equipment in accordance with the Contractor's recommendations therefor; and

(ii) the carrying out by the Contractor of such repairs replacement of parts worn out due to normal wear and tear, cleaning, lubrication or adjustment to each item of Solar Home System Equipment as the Contractor shall deem necessary as a result of the said inspection and testing.

(c) Curative maintenance for the purposes of this Service Agreement shall comprise—

(i) upon receipt of a request from the Buyer the inspection testing and diagnosing (by attendance on Site) by the Contractor of any fault reported in an item of Solar Home System Equipment; and

(ii) the carrying out by the Contractor of such repairs replacement of parts cleaning, lubrication or adjustment as the Contractor shall deem necessary to remedy the said fault.

(d) The times for maintenance services under this Service Agreement shall be—

(i) curative maintenance will be provided upon a request by the Buyer to the Contractor. The Contractor shall use its reasonable endeavours to carry out the Curative Maintenance within forty-eight hours of receipt of such request;

(ii) preventative maintenance shall be provided by the Contractor at least once every twelve months; and

(iii) if the Contractor persistently fails to carry out curative maintenance within the stipulated forty-eight hours the Monitoring Engineer may withdraw the Contractor's accreditation and the Authority may cancel its licence.

5. The following shall form part of the services expected to be carried out under this Service Agreement—

(a) The maintenance services shall not include the correction of any fault due to—

(i) the Buyer's neglect or misuse of the Solar Home System Equipment or his failure to operate the Solar Home System Equipment in accordance with the Contractor's instruction manuals or for the purposes for which it was designed;

(ii) the alteration modification or maintenance of the Solar Home System Equipment by any party other than the Contractor without the Contractor's prior consent;

(iii) any accident or disaster affecting the Solar Home System Equipment including without limitation, fire, flood, water, wind, lightning, transportation, vandalism or burglary; or

(iv) the Buyer's failure, inability or refusal to afford the Contractor's personnel proper access to the Solar Home System Equipment.

(b) maintenance services shall also not include additions to the Solar Home System Equipment.

(c) The Contractor shall, upon request by the Buyer, provide all or any of the Excepted Services referred to in clause 5 (a) and (b) above but, shall be entitled to charge for the same by levying additional charges in the manner described in Clause 5 (e) below.

(d) Without prejudice to clause (b) above, the Contractor shall be entitled to levy additional charges in the manner described in clause (e) below, if maintenance services are provided in circumstances where any reasonable operator of the Solar Home System Equipment would have deemed the Buyer's request to have been unnecessary.

(e) Additional charges shall be levied by the Contractor by delivering an invoice to the Buyer soon after carrying out Excepted Services and the Buyer shall certify the same for payment and forward to the Lender who shall pay the same within fourteen days from the date of receipt of the certified invoice.

6. (a) The Buyer's general obligations shall be provided for under the Service Agreement in every renewable energy technologies system service agreement as follows—

(i) to pay for the service charges in accordance with this Service Agreement;

(ii) to grant the licensee such access to the premises as the licensee shall from time to time reasonably require in order to discharge its obligations hereunder;

(iii) to make available at the premises such facilities as the licensee shall reasonably require in order to discharge its obligations hereunder including without limitation adequate work space and storage;

(iv) to take all reasonable precautions to protect the health and safety of the licensee's employees, agents and sub-contractors while on the Buyer's Site;

(v) to make available the renewable energy technologies equipment and supply all documentation and other information necessary for the licensee to diagnose any fault in such equipment; and

(vi) that the licensee shall have a free and unencumbered title to any replaced parts for the equipment replaced during service.

7. The licensee's general obligations which shall be provided for in even renewable energy technologies system service agreement are—

(a) to perform the Maintenance Services and any other services with reasonable care and skill;

(b) to perform any Excepted Services within a reasonable time of being so requested by the Buyer; and

(c) that the Buyer will enjoy quiet possession of any such replacement parts and that the same will be of merchantable quality and reasonably fit for their purpose.

8. The Contractor does not warrant that the Maintenance Services (or the Additional Services) will cause the Solar Home System Equipment to operate without interruption or error.

9. The Contractor shall at all times provide insurance cover (at his cost and as part of the price for the equipment) for the supply, installation and operation of the Solar Home System Equipment against fire, lightning, storm, flood, theft and vandalism in the names of the owner from the date of commissioning up to the expiration of the initial service contract.

10. (a) Subject to the warranty set out in this Service Agreement, the Contractor reserves the right to supply new, second-hand or reconditioned replacement parts in the performance of its duties hereunder.

(b) Any parts of the Solar Home System Equipment replaced by the Contractor pursuant to clause 10 (a) above ("replaced Parts") shall upon replacement become the property of the Contractor and the Buyer warrants that either it shall have a free and unencumbered title to such Replaced Parts and/or that he shall have obtained all necessary consents and authorization to part with possession and give good title to the Replaced Parts.

11. (a) This Service Agreement shall commence on the Commencement Date and shall continue until the expiry of the Initial Period during which period the agreement shall not be terminated by either party.

(b) After the expiry of the Initial Period this Service Agreement may be renewed three months before the expiry date of the Initial Period. The Contractor shall send a quotation to the Buyer in respect of maintenance charges for the proposed renewed period and the duration thereof. If the Buyer accepts that quotation, this service agreement and all the conditions herein shall be deemed to have been renewed without

further assurance thereof, provided that if no duration is specified in the quotation, this service agreement shall be deemed to have been renewed for twelve months.

12. (a) The Contractor shall upon carrying out any maintenance work on the Solar Equipment, prepare a maintenance report and deliver the same to the Buyer;

(b) The said maintenance reports shall describe in detail the inspection, testing, repairs, the parts replaced, additions and other maintenance work done and where excepted services have been undertaken; a detailed justification as to why the work done has been classified as Excepted Services; and

(c) The Monitoring Engineer may carry out inspection and testing of the Solar Home System Equipment to counter-check or verify the finding in the maintenance report.

13. (a) Subject to clause 11 (a) of this Service Agreement, this Service Agreement may be terminated—

(i) by the Buyer upon giving not less than ninety days notice to the Contractor at any time after the expiry of the Initial Period;

(ii) forthwith by the Contractor if the Buyer fails to pay the Maintenance Charges or any Additional Charges due hereunder within sixty days of the due date therefor; or

(iii) forthwith by either party if the other commits any material breach of any term of this Service Agreement (other than one falling within (ii) above) and which (in the case of a breach capable of being remedied) shall not have been remedied within sixty days of a written request by the other party to remedy the same.

(b) Any termination of this Service Agreement pursuant to this clause shall be without prejudice to any other rights or remedies a party may be entitled to hereunder or at law and shall not affect any accrued rights or liabilities of either party nor the coming into or continuance in force of any provision hereof which is expressly or by implication intended to come into or continue in force on or after such termination.

14. If any provision of this Service Agreement shall be found by any Court or administrative body of competent jurisdiction to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect the other provisions of this Service Agreement and all provisions not affected by such invalidity or unenforceability shall remain in full force and effect—

(a) This Service Agreement shall be binding upon and inure for the benefit of the successors in title of the parties hereto.

(b) Neither party shall be entitled to assign this Service Agreement nor all or any of their rights and obligations hereunder without the prior written consent of the other.

15. (a) This Service Agreement shall be governed by and construed in accordance with the Laws of Malawi.

(b) Arbitration shall be in accordance with the Energy Regulation By-laws under the Energy Regulation Act (Cap. 73:02).

SCHEDULE

1. COMMENCEMENT DATE

The day of, 20.....

2. SOLAR HOME SYSTEM EQUIPMENT PARTICULARS

Type:

Serial No.:
(To be repeated for each component).

3. SITE
Address:

4. AGGREGATE ANNUAL MAINTENANCE CHARGES
K

5. DURATION
Two years as the initial period subject to renewal by mutual agreement.
IN WITNESS WHEREOF the authorized representatives of the parties hereto have signed this Service Agreement on the day and year first above written.
Signed for the Buyer in the presence of:
Witness:
Address:

.....
Occupation:
Signed for the Contractor in the presence of:
Witness:
Address:

.....
Occupation:

FOURTH SCHEDULE reg. 14
PROCEDURE AND CRITERIA FOR SELECTION OF RURAL ELECTRIFICATION SITES

Type of Rural Electrification	Technical Feasibility	Financial and Economic Feasibility
	Social Feasibility	Scoring
		List of Target Groups

1. Rural Electrification by Grid Extension
Candidate sites for electrification shall be assessed according to the following criteria, and shall be prioritized according to the result of the assessment by the Committee.
 - (a) Location of the candidate site—
 - (i) The supply voltage at the site has to be within statutory limits of +/- 6% of the supply voltage.
 - (ii) Anything below 25 kVA will be subject to contribution of 20% of total cost.
 - (b) Power Demand
 - (i) The estimated power demand should be at least 25 kVA.
 - (ii) Anything below 25 kVA will be subject to contribution of 20% of total cost.
 - (c) Capacity of existing distribution lines

- (i) Where there is existing capacity in the distribution network to accommodate new and future power demand, the area will be given first priority.
 - (ii) Where there is no capacity, hence a need to reinforce existing distribution lines, the area will be considered later.
 - (d) Systems stability and reliability
 - (i) Extension of distribution lines should not disturb the system stability and reliability.
 - (a) The project should have a positive Internal Rate of Return to be on the priority list, i.e. above 0% and up to 6%.
 - (b) Costs and revenues are compared based on the present value throughout the project life—
 - (i) The costs consist of construction, connection fees, operation and maintenance of the distribution lines;
 - (ii) The project life consists of a construction period and 20 years of operation period; and
 - (iii) Benefits are the revenues derived from electricity-sales and potential economic activities.
 - (c) The candidate site should be accessible by
 - (d) The candidate site should have existing economic activities represented by the number of shops, agro-businesses and other small businesses
 - (e) Community contribution—
 - (i) The beneficiaries are encouraged where possible, to contribute towards the project costs either in kind or monetary terms in order to be considered with the highest priority; and
 - (ii) The total contribution should be at least 20 per cent of the total cost.
 - (a) The existence of social facilities with some local groups working together to utilize such social facilities.
 - (b) Social acceptance of electricity is assessed by—
 - (i) Willingness to pay; and
 - (ii) Readiness to connect which could be represented by advance house wiring. In order to prioritize the areas, each will be scored based on the factors in the criteria—
 - (a) Technical feasibility This has a score of 1 to 5. The area with the highest score is the one which will be considered with priority and the one with the least score will be considered for the other options if feasible.
 - (b) Financial, Economic and Social Feasibility These two factors will be scored together based on a scale of 1 to 10.
 - (c) The former has a maximum score of 6 while the latter s maximum score is
4. The target beneficiaries of distribution lines extension under this criteria are as below—
- (a) public schools;
 - (b) rural clinics;
 - (c) rural hospitals;
 - (d) trading centres;
 - (e) orphanages;
 - (f) irrigation schemes;
 - (g) police units;

- (h) border posts; and
 - (i) rural growth centres.
2. Rural Electrification by Isolated Stand alone grid powered by micro, mini and small hydro-power
- (a) Adequate power demand to justify installation of either of the power stations above.
 - (b) The river should be perennial and have the potential for either micro, mini and small hydro-power.
 - (c) Consideration for basic design of civil, mechanical and electrical works.
 - (d) In the case of micro and mini hydro-power development, the stations will be isolated and have no voltage transformation.
 - (a) Cost of construction (i.e. cost of plant and distribution network);
 - (b) Costs of revenues are compared based on the present value throughout the protect life.
 - (c) The project life consists of construction period and 20 years of operation period.
 - (d) Benefits are connection fees and the revenues derived from electricity sales.
 - (e) The project should have a positive Internal Rate of Return of up to 6%.
 - (a) Community's willingness to contribute towards the project either in kind or monetary terms.
 - (b) The existence of social/public facilities as load centres.
 - (c) Willingness to pay for electricity
 - (d) Willingness of concessionaires to operate and maintain the micro and mini and small hydro-power station.
 - (a) The target beneficiaries will work as a guide to check the availability of load—
 - (a) large farms;
 - (b) tea, coffee and tobacco estates;
 - (c) commercial enterprises;
 - (d) public schools/colleges;
 - (e) rural clinics;
 - (f) trading centres;
 - (g) religious institutions;
 - (h) rural growth centres;
 - (i) ophanages; and
 - (j) police units.
3. Rural Electrification by Renewable Energy Technologies (RET)
- The assumptions for the installation of RET are that—
- (a) site is for the national grid;
 - (b) site is too costly to connect to the grid; or
 - (c) one option either grid or non-grid to be considered per site. (a)
- Power demand
- (i) The type and size of load has to be consistent with RET applications;
 - (ii) The systems are capable of providing power for lighting, radio and black and white TV tor a limited number of hours;

(iii) The average system is a 50 watt single panel system which provides enough power to operate 4 lights for 4 hours per day, power a 2.5 W radio for 10 hours per day and a 35W black and white TV for 4 hours per day; and

(iv) The system cannot be used for cooking

- (b) Solar radiation period of sunshine to be considered.
- (c) Location of site in relation to the distance from the existing grid.
- (d) Inclusion or exclusion of the site from the Rural Electrification Master

Plans.

- (e) Period of electrification within live to ten years. Economic Analysis—
 - (a) Cost-Benefit analysis.
 - (b) Opportunity cost.
 - (c) Rate of Return.

NOTE: Because we are targeting public entities, the issue of financial analysis may not arise but an economic analysis will have to be done.

(a) Willingness by the community to protect the system. Willingness of the community to pay for maintenance charges.

- (b) Willingness of the beneficiaries to operate and maintain the system.
- (c) Willingness by the communities to accept limitations of RET applications.

The target beneficiaries are—

- (a) schools;
- (b) colleges;
- (c) rural clinics;
- (d) community water supply;
- (e) religious institutions; and
- (f) CHAM health facilities.