



**Africa
Sustainable
Energy Centre**

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PRESS RELEASE

To: All Media Houses

For Immediate Release

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**ASEC KICKS AGAINST THE PROPOSED MERGER OF VOLTA RIVER
AUTHORITY (VRA) AND BUI POWER AUTHORITY (BPA), ESTABLISHMENT
OF INDEPENDENT THERMAL POWER AUTHORITY, WHICH POSE A
SERIOUS THREAT TO GHANA'S ENERGY SECURITY**

The Africa Sustainable Energy Centre (ASEC) has taken note of a recent bill brought before parliament that proposes the merger of the Volta River Authority (VRA) and the Bui Power Authority (BPA), the fusion of the Electricity Company of Ghana (ECG) and Northern Electricity Distribution Company (NEDCo) and the institution of an independent Thermal Power Authority.

Following this development, staff groups of the Volta River Authority have expressed strong dissatisfaction in the media against the proposed restructuring of these key energy producers in the country.

ASEC opposes the mergers of VRA and BPA, ECG and NEDCo, as well as the establishment of an independent Thermal Power Authority for the following reasons:

1. There are high economic risks that would follow such a decision. VRA has played the role of a "social powerhouse", acting as a shield for Ghanaians against sharp electricity price hikes, especially from the possible market power of Independent Power Producers (IPPs). Privatising the only thermal asset of the state would open the door for these IPPs to exploit weaknesses in the system, leading to massive price hikes for consumers.

2. With a strong track record of profitability such as its impressive GHS 156 million profit in 2020, the VRA has proven it is fully capable of managing its assets effectively. There is no need to fix what is not broken. Privatisation is traditionally justified when a public entity consistently underperforms and drains government resources, but that is not the case with the VRA.



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3. If thermal assets were removed from VRA's portfolio, the organisation's ability to guarantee a reliable energy supply would be severely compromised as thermal energy generation plays a crucial role in stabilising the VRA's revenue streams. This is necessary, since the VRA'S hydro assets, which supply power to large industrial consumers like VALCO, are priced below market value. The thermal assets, being unregulated, enable VRA to balance its books. Without this flexibility, VRA would face liquidity challenges.

4. Hydropower, by nature, tends to operate as a natural monopoly due to its centralisation around key water resources. Consolidating the hydropower assets of VRA and BPA would stifle innovation and competition. With its floating solar and committed solar technologies, Bui contributes significantly to Ghana's renewable energy targets. BPA and VRA have contributed significantly to achieving the 10% renewable integration by 2030.

5. Looking at examples worldwide, it is clear that privatisation of generation assets, if poorly designed, can lead to catastrophe. In California, the electricity market collapsed between 2000 and 2001 due to a flawed market design, and Ghana is on the verge of adopting the very trajectory. Brazil faced a similar crisis in the early 2000s.

6. Additionally, the risks associated with drought and water management must not be overlooked. Both VRA and BPA rely on the Volta River for their hydro operations, and a merger could amplify the hazards of droughts or water shortages, which already account for 28% of the country's generation mix. A single dry spell could lead to a national power crisis, a risk that could be mitigated by maintaining separate, diversified entities.

7. Lastly, merging ECG and NEDCo is a step that must be reconsidered immediately. To merge two entities which are making significant losses as one is uncalled for. This move will divert attention from addressing the core issues and make it difficult for the new distribution company to turn a profit. ASEC reiterates that the way to go for the distribution sector is to privatise part of the operations of ECG to address the current electricity sector menace. This will create checks and balances, ensuring fiscal discipline, and bringing in revenue to curb the current electricity crisis.





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Call for Transparency and Consultation

ASEC foresees a future renewable energy authority thus any signal or action to threaten the independence of VRA and or BPA will delay the national renewable energy drive consequently affecting the country's contribution to the SDGs. This is because these companies will feel hesitant to invest their resources, fearing the potential loss of investments under a new market structure. The independence of both VRA and BPA must be preserved to ensure continued progress.

The current proposal threatens to erode the financial stability of VRA and could unravel years of progress in the energy sector. ASEC firmly believes that VRA must remain unified to ensure reliable and affordable electricity for all Ghanaians. Fragmenting or consolidating its operations would not be in the nation's best interest, and any proposal that disrupts the current balance should be rejected.

Key Questions:

1. Who are the advisors or consultants involved in drafting this document?
2. Can the consultants provide feasibility studies and the scope of work?
3. Has VRA indicated any inability to manage its thermal assets over the past 25 years?

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Signed

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