Scaling Mingrids: Improving The Regulatory Landscape

African School Of Regulators
Who We Are

AMDA was created by minigrid developers to boost the health of the sector and deliver on global renewable energy access objectives.

AMDA blends the characteristics of an industry association, think-tank, and expert advisory firm into a single entity designed to help governments, donors, and investors grasp the intricacies needed to scale the minigrid sector.

01. Our Vision

Ending energy poverty across the African Continent by building the PPP’s with governments to ensure a robust blend of energy services that leverage operational and financial experience of the private sector to develop energy services. The transition from a unidirectional energy network to a dynamic decentralized and interconnected networks where smaller-scale networks can operate largely autonomously while retaining the ability to tap into a broader network to tap additional power or sell excess power.

02. Our Mission

Ensure that minigrids are utilized effectively by governments and donors and that the policy and financing environment supports the radical scale of minigrids. We leverage private capital and efficiency to electrify Africa.
AMDA blends an industry association, think tank, and expert advisory firm to help governments, donors, and investors better understand how to support the sector to scale.

AMDA’s unique positioning allows research to be informed by the private sector, grounding it in the realities of industry needs.

AMDA’s work ensures investors and policy makers have access to, and are using, robust and accurate evidence to create policy / regulatory environments and appropriately invest in the sector that ensures we reach SDG7.

Every element of AMDA’s work is focused on enabling others to do their work better, faster, and cheaper. From investors, minigrid companies and donors, to policymakers and their advisors.
**Data and Research**

First ever Africa Minigrid Benchmarking Study – Published July 2020, provides performance and cost data for over 288 minigrids, serves as the foundation for expanded advocacy efforts with policymakers and investors.

**Policy and Advocacy**

Defined the narrative – Removed stigma of using “subsidy” to describe needed public capital for off-grid energy resources through influence, thought leadership, engagement.

**COVID 19** – AMDA has played a central role in supporting the sector and sector stakeholders in devising responses and support, including on the Energy Access Relief Fund and sector data gathering.

**Financing the Sector**

First Global RBF for Minigrids – Spearheaded the creation, development and fundraising for Universal Energy Facility with SEforAll and others.

**National Policy**

Uganda – Assisted drafting minigrid legislation

Kenya – Ongoing support to ensure tax exemptions are not eliminated

Zambia – Working with regulators on aligning the Electricity and Minigrids acts and developing an MOU with REA to support electrification planning

Benin – developing MoU with government on national planning advisory.

Tanzania – achieved adoption of portfolio approval process, first in Africa.

More…

**Coordination**

**DFI Coordination** – Brought three leading DFIs (IFC, CDC, FMO), and donors together to collaborate around minigrid debt funding

**Investor Coordination** – AMDA coordinated 12 investors to craft a position paper on how RBF will unlock their capital
The average time to get through regulatory compliance is 58 weeks – which is an increase of 4 weeks from 2019. Currently no Regulator is approving more than 50 sites a year. Developers have to go through this process for **EACH SITE**
How Investment for Infrastructure is developed

Sources of finance for off-grid and mini-grid electricity in 2018, USD million

Source: Energizing Finance: Understanding the Landscape 2020
Regulation – The Issue

01. Regulators resources and effect pace
Regulators that do not have sufficient funding, resources, or logistical infrastructure to visit and approve minigrids at scale

02. Consumer Pricing
Minigrid regulations and financing were explicitly designed to force the consumer to bare the full price burden for electricity – This is NOT politically viable

03. Regulations impact on CAPEX
Regulatory Compliance costs between 5%-8% of total CAPEX Costs, and their current structure does NOT de-risk investments – in fact they increase risk for commercial investors

04. Limitations on existing regulations
Donors and TA providers that are focused on ‘having’ regulations. The ability to implement the regulations or if they can leverage the right kind of finance into the market is not consistently part of the regulatory development pipeline.
Improving Minigrid Regulations

Funding Regulators
- Regulatory agencies are underfunded and understaffed, impeding their ability to oversee and regulate thousands of minigrids annually.

Portfolio Applications
- Currently, license approvals are done on an individual site basis, a holdover from the IPP market. This is unsustainable from a time and cost perspective to reach scale.

Contracts & Concessions
- Current regulations are vulnerable to political changes and are not underpinned by contracts or concessions.

Digitization & Remote Approval
- Paper applications significantly add to developers’ workloads. Multiple visits to sites slow down and add costs to regulatory compliance.

Regulatory Stability:
- Developers and Investors need regulations to be stable - continued changes to regulation create instability and investor risks.
Provide concessional capital for minigrids and grid equitably that balance costs, consumer pricing, service provision, speed

Create national funds that can support regulators to oversee regulatory compliance at scale

Regulations that are contractually based under concessions that provide security and can be insured against (critical to leveraging debt)

Digitize regulatory oversite and implement portfolio applications

Policy Reform: balance political realities on consumer pricing and oversite with operational viability and implementation & investor risks.

Collaborating for a better future