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# MINI-GRIDS IN MOÇAMBIQUE

## REGULATION OF ISOLATED MINI-GRIDS UNDER THE CURRENT LEGISLATIVE FRAMEWORK - 2017



**Jennifer Garvey**

**J.Garvey Advisory Services, E.I.**

Consultora RECP - Programa  
África-UE para a Cooperação nas  
Energias Renováveis



**RECP**

Africa-EU Renewable Energy  
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# Regulation of Off-Grid Mini-Grids - Background


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RECP, at the request of MIREME, supported technical assistance to advise MIREME / the National Energy Directorate (DNE) in the evaluation of a mini-grid electricity production and distribution project concession application.

Based on this evaluation and analysis of the legislative framework, the need for a separate renewable energy off-grid regulatory framework, previously identified, was prioritized and thus resulted, in collaboration with DNE, and after several iterations, the draft mini-grid regulations that are presented here today

This draft of regulations is designed as:

- (1) a mechanism to better focus the examination, understanding and discussion of the regulatory issues and requirements underlying an off-grid renewable energy electricity installation; and
- (2) an interim measure pending the revision of the existing Electricity Law framework.



# The Essentials of the Electricity Sector Legal Framework under Current Law

1. Public Service
2. Public Domain Assets
3. Concession.
4. Public Tender



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# The Regulatory Framework for the Electricity Sector – Some Details

1. Electric power supply includes (i) generation, (ii) transmission, (iii) distribution, (iv) sale; (v) export and importation,
2. The supply of electricity is a public service
3. The performance of a public service, as a rule, is authorized by means of a concession.
4. A concession is not a contract but an instrument of authorization for the exercise of a public service or the operation of a public domain property.
5. Pursuant to articles 3 and 9 of Law 21/97 - Electricity Law - the realization of (i) production, (ii) transportation, (iii) distribution, (iv) commercialization; (v) export and (vi) import, as well as (vii) the construction operation and management of electrical installations requires a concession.
6. Pursuant to article 11 of the Electricity Law as well as the legal framework of Law 15/2011 (PPPs Law), the concession is awarded through a public tender.



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# The Framework for Mini-Grid Regulation – Demographics & Geography





# The Framework for the Proposal of a Mini-Grid Regulation

- Since the passage of Law 21/97, the involvement of private sector initiative has been envisaged.
- The 2009 Renewable Energy Development Policy and the 2009 Energy Strategy emphasize the use of alternative energies to serve the needs of rural communities.
- **Why now a regulation of renewable mini-networks?**



The answer is a combination of the evolution of technology and the levelling of costs.

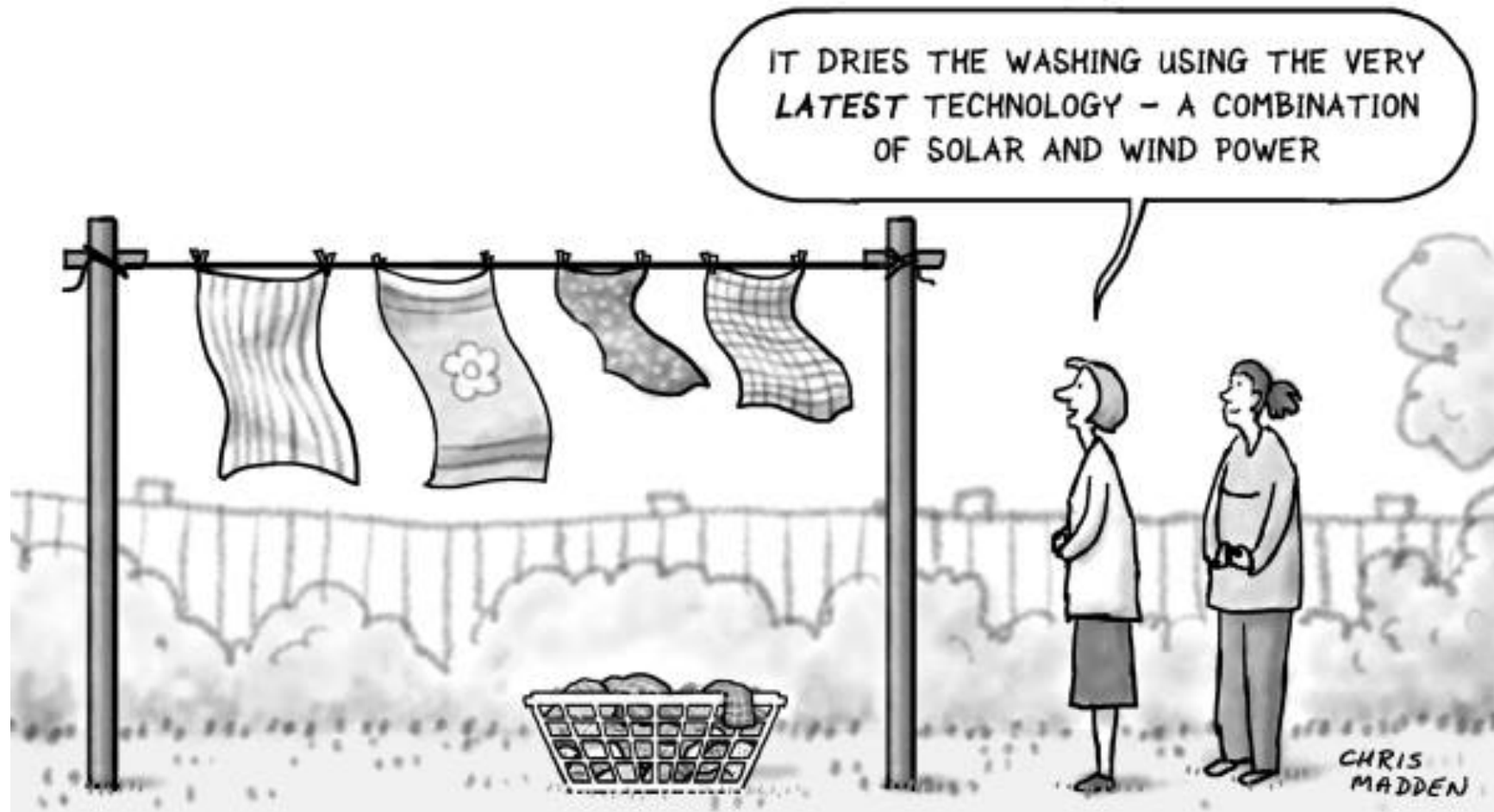
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# Why now?





# The Current Procedure to obtain an Electricity Concession

1. Concession / Tender /Project promoted by MIREME, EDM, FUNAE
2. (or)
3. Private sector initiated Project Proposal
  - Framework Agreement /MOU or ministerial order as mechanism to authorize to carry out studies and to guarantee the right to participate in the tender dossier and award of the concession
4. Comply with the PPP Act and regulations re tender
5. Financing
6. Feasibility Study / Business Model
7. Environmental Impact Study (Category "A") (MITADER / DNIA)
8. CNELEC Review
9. Public Hearings
10. Investment Authorization (APIEX)
11. DUAT to secure the project site
12. If it is a private initiative, (a) a Tender giving a margin of preference of 15%; or (b) the direct adjudication determination.
13. Constitution and registration of the concessionaire company
14. Negotiation and conclusion of the concession contract, including:
  - the rates,
  - concession fees, under Law 15/2011 and Decree 61/2012
  - participation by the State and the Public under Law 15/2011 and Decree 61/2012
15. Provision of financial guarantee
16. Approval of the concession contract by the Administrative Law Court
17. Establishment License
18. Construction
19. Operating License (renewed annually)

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# The Proposed Concession Procedure under the Mini-Grid Regulation (1)



Instrument of Authorization: A concession awarded by means of a diploma or dispatch (no contract)

Different process for Micro-Networks (<10KW) and Mini-Networks (> 10KW & <1MW)

## 1. Process - 2 alternatives:

- Mini-Grids - 2-step procedure - Notification (article 9.3 of Law 21/97) resulting in a authorization for 12 months (renewable once) to carry out the studies + request for Concession (art.11 of Law 21/97).
- Micro-Grids – Direct Request for a Concession - (art.11 of Law 21/97) (function as a type of registration)

## 2. Each process includes the following elements:

- Determination of the competent authority - Article 3 of Decree 8/2000.
- Environmental Impact Study - Decree 54/2015 of 31 Dec. - Annex II - paragraph 2.6, classified in Category 'A' (Proposal is Category B or C – simplified EIA).
- Review by CNELEC / ARENE - art. 11 of Decree 8/2000.
- Public hearing for the EIA and under Article 11.5 of the Electricity Law) (the proposal would be to combine the 2 hearings)

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# The Proposed Concession Procedure under the Mini-Grid Regulation (2)



- Investment Authorization, benefits and guarantees provided under Investment Law and Regulations obtained through AP (ex-CPI), dispensing with the need for a concession contract for this purpose.
- Definition of the **term** (10 to 20 years), **tariff** (reflect costs or costs avoided), geographical **area limits** of concession, easements.
- No Establishment License is required under Decree 48/2007, amended by Decree 10/2016, if the installation does not require a transformer and/or has an installed capacity of less than 30 kVA. (the proposal is to eliminate this requirement).
- Inspection of the installation and issuance of the Operating License pursuant to Decree 48/2007.

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# Content of the Concession Document under the Draft Mini-Grid Regulation



- Authority: MIREME or local district administration(art.3 of Dec.8 /2000).
- Reference the studies authorization pursuant to article 9.3 of Law 21/97 (if applicable).
- Term of 10 to 20 years.
- Tariff
- Define Type of Installation - Category 1 - Decree 48/2007 amended by Decree 10/2016.
- Define the objectives of the concession: production, distribution and sale.
- Define geographical location and boundaries of the Distribution Area, the System and Distribution Network.
- Recognise the instllation's public Interest / public utility and define the 50 metre grid easement - art.6 do Dec.66 / 98
- Reference land title and environmental licence

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# Thank you/ Obrigada

Jennifer Garvey

[Jennifer.garvey.mz@gmail.com](mailto:Jennifer.garvey.mz@gmail.com)

+258 82 3180130 / +258 84 3180130

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