# Is Dumsor Making a Comeback?
# Insights from an Economist

The Ghanaian media has recently focused on the power situation following the NDC's convincing victory in the 2024 presidential and parliamentary elections. I commend the media for bringing this critical sector to the fore of the national debate.

The Power sector is the fulcrum of any economy, particularly in developing countries such as ours. It can "make" or "break" a nation. Germany, often regarded as the lifeline of the European Union's economy, has experienced significant economic challenges in recent years and a major cause according to Analysts, is the cost of power - not even the shortage of it. Consequently, any Ghanaian with a genuine interest in seeing Ghana reach her full potential and alleviate poverty, must and rightfully so, be concerned about the current state of our Power Sector and its future. The challenges in the sector must be discussed objectively and dispassionately, devoid of political and partisan interests.

In Ghana, in simple terms, the power sector could be categorized into generation, transmission, and distribution/collection. Power is generated by the Independent Power Producers (IPPs) or Volta River Authority (VRA) (via hydro, thermal, solar and hydro plants), transmitted by GRIDCO, distributed to our homes and businesses, and the revenue is collected by ECG/NEDCO. An issue with any of them could result in power cuts (or Dumsor) as we know it. For illustration purposes,

1. Inadequate fuel supply to power generators or limited generation capacity results in inadequate electricity production, leading to insufficient power supply for our homes and businesses.
2. Power transmission losses due to outdated/substandard transmission lines or the inefficiency of GRIDCO mean power supplied in our homes/firms would be less than the power generated or no power at all if there are issues with the transmission lines.
3. Distribution losses due to outdated or substandard distribution lines, as well as the inefficiency of ECG/NEDCO mean power supplied in our homes/firms would be less than the power generated and transmitted or no power at all if there are issues with the distribution lines.
4. Collection losses due to corruption, inadequate metering, exchange rate depreciation (as power is priced in USD), or the inability of the distributor to collect revenues could result in revenues not being enough to pay for the power generated. As such, there won't be enough money to pay power generators not to mention GRIDCO (transmitters) and distributors. If power generators do not receive payment, they may either stop producing power or reduce their output.
5. The inability of the ECG/NEDCO to pay for the power is because it has not actually distributed power. YES!, the Government of Ghana over the period 2013-2015 signed numerous power purchase agreements termed "take or pay"; meaning whether we use the power or not, the Government must pay for it.

Ghana currently has sufficient electricity generation capacity. As such, any future or potential power cuts are likely due to one or a combination of these issues: inadequate fuel supply, outdated/substandard transmission/distribution lines, inefficiency of the transmission and distribution companies or the inability of ECG/NEDCO (collectors) to pay players along the electricity value chain (IPPs & GRIDCO, VRA). There is one common denominator running through these issues: Money. Why so?

Assuming transmission and distribution losses are 10% respectively and IPPs/VRA produce **1000MW** of power, this means ECG/NEDCO at the end of the electricity value chain would have distributed power which is significantly less than the initial 1000MW. This implies that even before revenue collection begins, there is already a shortfall.

Furthermore, when we account for collection losses — as ECG struggles to accurately collect payments for electricity consumed due to theft, metering issues, or inefficiencies in the revenue collection process — there will not be enough revenue to pay for the power that has been distributed. Thus, for VRA/IPPs to continue producing, the Government must stand in to cover the gap; and this is exactly what has been happening. At present, Technical and Distribution losses exceed 35% whiles the approved distribution losses by the Public Utilities Regulatory Commission (PURC) for ECG is approximately 24%.

Consumers end up paying for these inefficiencies through higher prices, while the Government covers the resulting revenue deficit by borrowing (bonds) and where they have failed to do so because it is unsustainable and a drain on the public purse, the debt piles up and power generators refuse to keep generating power. As of the end of 2016, Ghana's Energy Sector Debt stood at $2.5 billion. The World Bank forecasted that this would rise to $12.5 billion as of 2023 if no decisive action was taken.

Currently (2025), the energy sector debt is around the 2016 level of below $3billion. This indicates that decisive steps were taken over the period 2017-2024 to maintain the debt at the same level, though more must be done to put the power sector back on a good footing. Some of these actions were: reviewing the PURC tariffs to address the exchange rate depreciation and reflect the current cost of producing power, reviewing and prohibiting further "take or pay" agreements, instituting a Cash Waterfall Mechanism to prioritize critical payments in the sector, and the digitalization of ECG revenue collections and operations.

For example, through the bold digitalization drive of ECG by Dr Bawumia, the former Vice-President of Ghana, ECG's monthly revenue collection increased from GHC450 million to approximately GHC1 Billion. I am sure readers may be asking the following questions:

1. Hitherto where was the difference of GHC550 million going to? Was the government paying for this difference? Your guess is as good as mine.

In light of the decisive actions taken by the previous Government, such as the improved collection and the Cash Waterfall Mechanism (CWM), the Ghanaian Power sector has improved significantly. Nevertheless, there are still critical issues that need to be addressed in the sector. Thus, more must be done to comprehensively resolve the problems, and the current Government must continue with bold initiatives and think outside the box to keep the lights on and not allow dumsor to rear its head.

Future policy action should, among many others, target adopting a least-cost fuel procurement strategy, improving the efficiency of state institutions such as GRIDCO, and ECG/NEDCO to reduce the transmission, distribution and collection losses, reduce the cost of power, ensure timely payment of MDA bills, enhance the CWM and address the rate of depreciation of the cedi.

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