

Electricity price hikes are not enough

Getting reliable power in Ethiopia requires 5 key governance reforms

BLUF: Ethiopia's ongoing electricity tariff increase is necessary. But it won't be enough to ensure reliable power. To deliver high-quality power that makes Ethiopia economically competitive, utility overseers must have clear roles and integrate power quality into utility management. The regulator must also be equipped to update and enforce quality-of-service standards and provide grievance channels that link to utility performance.

Ethiopia's electricity reliability is an economic imperative.

Unreliable electricity constrains Ethiopia's economic growth and competitiveness. A 2023 study of 600 Ethiopian manufacturing firms estimates average outage losses at [ETB 51,777 \(~US \\$976\) per firm per month—about nine times the typical monthly electricity bill and roughly 2.22% of monthly sales](#). Ethiopia's economic aspirations for regional participation in the [African Continental Free Trade Area](#) and economic reform agenda all assume reliable electricity as a basic input. Yet, with [roughly 39 outages and 21 hours of downtime per month](#), poor power quality is a hidden tax on every business hour. It erodes productivity, damages equipment, and forces firms to fall back on costly diesel.

Ethiopia is currently implementing [International Monetary Fund-aligned](#) tariff hikes that will raise electricity prices for customers. After decades of underpricing electricity, these increases are needed to cover maintenance costs and fund essential investments in quality service. But they won't solve Ethiopia's reliability problem. Ethiopian policymakers must also address deeper governance challenges to deliver the reliable electricity needed to fuel the country's growth ambitions.

Closing Ethiopia's power governance gaps is key.

To ensure tariff increases translate into more reliable power, Ethiopian policymakers must address key oversight and regulatory governance gaps.

Utility oversight bodies should:

- **Clarify and delineate oversight roles to enhance focus on reliability.** [Ethiopia Investment Holdings](#) formally oversees utilities, including board appointments and financial discipline, while the [Ministry of Water and Energy](#) retains legacy supervisory powers and sets national access policy. These overlapping mandates create confusion and accountability gaps—and keep the electric utility torn between two competing

priorities: the financial discipline required to achieve commercial viability and high-quality service, and the government's social objective of achieving universal access. The Council of Ministers should assign the Ministry to focus on the what—setting national access, affordability, and energy strategy goals. Ethiopia Investment Holdings should lead on the how—translating those policies into budgeted, board-level directives and overseeing the utility's financial and operational performance. The Ministry's access directives should flow through Ethiopia Investment Holding as a unified, jointly agreed electrification strategy allowing the utility to plan, budget and execute effectively. In turn, Ethiopia Investment Holding should be accountable to helping the utility deliver on policy directives while ensuring financial sustainability. This clarity in the chain of command will ensure the utility is not pulled apart between two priorities and oversight entities.

- **Introduce performance-related incentives to boost reliability.** As the utility oversight authority, Ethiopia Investment Holdings should link management incentives and budgets to reliability outcomes, including outage duration, frequency, voltage stability, and losses. It should also develop its own performance framework focused on commercial viability and customer outcomes—covering indicators like outage frequency, revenue collection efficiency, connection wait times, billing accuracy, and customer satisfaction. It can use utility scorecards to track these metrics, simultaneously boosting both transparency and performance standards.

The utility regulator should:

- **Replace current quality of service standards with more reasonable ones linked to tariff increases.** Ethiopian law establishes aspirational [electricity quality of service standards](#): outages should not exceed an interruption frequency of roughly 10–15 per year and an annual interruption duration of 8–12 hours; voltage shouldn't fluctuate more than 10%; and penalties apply for non-compliance. In practice, customers face 39 interruptions and 21 hours of downtime per month, and about [15% of customers report damaging voltage fluctuations](#). Ethiopia's regulator—the Petroleum and Energy Authority—should recalibrate and replace these aspirational benchmarks with phased, data-based thresholds linked to quarterly tariff increases.
- **Enforce reliability standards through expanded capacity.** The Petroleum and Energy Authority lacks the [funding, qualified staff](#), and regional presence needed to monitor and enforce power reliability, efficiency, and quality. The Government of Ethiopia should increase its budget to expand its national and regional presence, properly enforce the utility's compliance with mandated performance standards, and more effectively respond to consumer issues.
- **Establish an independent dispute resolution process for improved reliability.** Even though Ethiopian law requires redress for service-quality failure, the utility offers no mechanism to handle customer complaints, keeping the true cost of unreliability off its books. The Petroleum and Energy Authority should follow Uganda's example: its Electricity Disputes Tribunal provides an independent, sector-specific channel for resolving power disputes while increasing pressure on the utility to fix persistent

reliability problems. Information gathered through such a process can also inform Ethiopia Investment Holding's utility performance standards.

A call to action for Ethiopia's policymakers

Ethiopia's electric utility is addressing its revenue challenge through IMF-backed tariff increases. But these price increases will not deliver reliable power unless the country closes key oversight and quality standard enforcement gaps. A note to IMF officials: tariff-focused reforms are necessary but insufficient tools for improving the country's debt standing and competitiveness.

For local policymakers, this is a call to action:

- Clarify the roles of utility oversight.
- Strengthen the regulator.
- And tie utility performance incentives to power quality in order to deliver on Ethiopia's regional competitiveness.

Without these governance reforms, Ethiopians will pay more for the same unreliable power, eroding trust in both the utility and the tariff reform effort.

Endnotes

1. Entele, B. M., & Ayalew, M. M. (2024). Outage costs and willingness to pay for improved electricity service in Ethiopia: [A stated preference approach](#). Journal of Asian and African Studies.
2. United Nations Economic Commission for Africa. (2024, June 29). Concept note: [National forum on the development of Ethiopia's national AfCFTA implementation strategy](#).
3. Ministry of Water and Energy (MoWE), Ethiopian Electric Power (EEP), Ethiopian Electric Utility (EEU), and Petroleum & Energy Authority (PEA), "[Ethiopian Energy Outlook 2025](#)." May 2025.
4. IMF (2024). The Federal Democratic Republic of Ethiopia: [First Review Under the Extended Credit Facility and Arrangement Under the Extended Fund Facility—Press Release; Staff Report; and Statement by the Executive Director for Ethiopia](#). IMF Country Report No. 24/160. Washington, D.C.: International Monetary Fund.
5. Federal Democratic Republic of Ethiopia. [Council of Ministers Regulation No. 487/2022 — Ethiopian Investment Holdings Establishment Regulation](#). Federal Negarit Gazette, 2022.
6. Council of Ministers. (2013). [Ethiopian Electric Utility Establishment Council of Ministers Regulation No. 303/2013](#). Federal Democratic Republic of Ethiopia.
7. Ethiopian Energy Authority (EEA). [Quality of Service Standards for Grid Supply — Directive No. 421/2020](#). Addis Ababa, 2020.
8. [MECS/EnDev Clean Cooking Market Report \(2022\)](#).
9. Electricity Regulatory Authority. (2022). [The Electricity Disputes Tribunal \[Briefing note\]](#). Kampala, Uganda.