

Press Statement

ERB Board Decision on Adjustment of Mining Tariffs in 2014

The ERB is charged with the mandate to regulate electricity tariffs in the Electricity sub-sector under the provisions of Electricity Act Cap 433 of the Laws of Zambia as amended.

In April 2013, the Energy Regulation Board held Public hearings in Livingstone, Kitwe and Lusaka to hear submissions on the application by ZESCO to adjust tariffs for all customers except the mining customers. During these hearings, non- mining electricity consumers and the public in general raised concern over the lack of equity in the tariff adjustments for mining customers. In addition, there has been a general outcry that the mines should pay economic tariffs in accordance with the burden they impose on the system

Since 2007, ZESCO has made three separate tariff applications resulting in the ERB approving average tariff increases of 27%, 35% and 26% in 2008, 2009 and 2010 respectively for residential and other non-mining customers. This amounted to an average cumulative increase of 96% over the period. Notably, the cumulative increment for residential customers amounted to 151%, large power 103%, Small Power 68% and Commercial 63% and Services 78% for the period 2008 to 2010.

With regard to electricity mining tariffs, over the same period, ZESCO and Copperbelt Energy Corporation Plc (CEC) consented to a 35% tariff increase. This agreement resulted in CEC increasing tariffs to its mining customers by 33%. Furthermore, in June 2011, ZESCO and CEC agreed on another tariff increase of 30% effective January 2011. As a result of this increment, again CEC increased tariffs with its mining customers by 28%.

Meanwhile, these electricity tariff adjustments had not been wholly accepted by all mining customers. This has led to disputes between ZESCO, CEC and some Mining Houses. These disputes have since been referred to the ERB for conclusive settlement.

Since 30th, July, 2013 the ERB has engaged all the parties involved in the disputed mining tariffs. After protracted consultations with all the parties involved, the ERB has arrived at the following decisions:

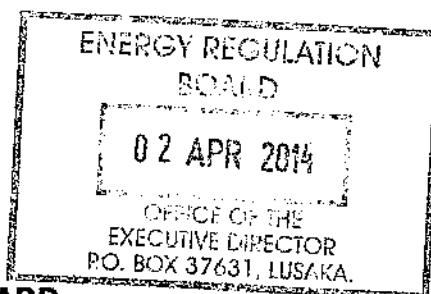
1. That the Bulk Supply Agreement (BSA) tariffs between ZESCO and CEC be adjusted to USc 6.84 per kWh from the current average of USc 5.31 per kWh. This entails a rise in the BSA tariffs by 28.8%;
2. That all other mines supplied directly by ZESCO have to adjust upwards to the new minimum tariff of USc 6.84 per kWh;
3. That the Power Supply Agreements (PSAs) tariffs between CEC and its mining customers will have to be adjusted upwards by the current obtaining minimum margins. Therefore, the PSA tariff between CEC and its mining customers will rise by an average of 17% over and above the recommended minimum tariff of USc 6.84 per kWh;
4. That, all the cases above, in the event that the recommended minimum average tariffs are lower than the current prevailing average tariffs as per existing bilateral Power Supply Agreements/ Power Purchase Agreements, then the prevailing tariff would be maintained.
5. That the effective date for the implementation of the new tariffs will be 2nd April 2014.
6. That the ERB is encouraging the concerned stakeholders to engage respective customers with a view to ensuring smooth implementation of this decision.

Finally, in search of a long term solution, the ERB has commissioned an Industry wide Cost of Service (CoS) study that will compute cost reflective benchmark tariffs in the Electricity Industry value chain. Once this study is concluded, not later than 2015, all players within the electricity sub sector will be assured of electricity tariffs that are cost reflective and therefore sustain investment in the Energy Sector.

Issued on: 2nd April 2014

By Order of the Board

Dr George G. Chabwera
Chairman



ENERGY REGULATION BOARD