



ERB Approves Power Purchase Agreements and Issues new Licences

5th May 2011

The Energy Regulation Board (ERB) on 3rd May 2011 approved two Power Purchase Agreements (PPAs) which will in the near future give ZESCO Limited access to additional electricity estimated at about 170 Mega Watts (MW) from two new power plants.

ERB's approval enables ZESCO to now enter into PPAs with Itezhi-tezhi Power Corporation (ITPC) and Ndola Energy Company (NEC). ITPC is jointly owned by Tata Africa Holdings of India and ZESCO while NEC is a subsidiary of Concordia Energy Group of Mauritius. While ITPC will construct a hydro power plant, NEC will construct a Heavy Fuel Oil (HFO) powered thermo plant.

Construction of both the ITPC and NEC power plants is expected to start in 2011, at estimated costs of US\$230 million and US\$65million, respectively. ITPC is expected to generate 120 MM, and NEC would generate about 50MW.

Among other benefits, the two power plants will in the short to medium term mitigate the power deficit currently being experienced in Zambia, especially at peak hours. ZESCO's peak demand currently stands at about 1580MW while available generation capacity stands at about 1401MW and installed capacity stands at about 1739MW. The new plants would therefore increase installed capacity to above 1900MW.

As the new generation capacity would exceed the projected peak demand, Zambia could export excess power to some neighbouring countries, which are also affected by the power deficit. The plants will help meet the country's ever increasing load by allowing consumers to access reliable electricity supply. The projects may also enable ZESCO to extend the national grid to remote parts of the country. Access to electricity in rural areas currently stands at only 3%.

Further, apart from stabilising voltage on the Copperbelt, the NEC plant which will be based adjacent to INDENI Petroleum Refinery (INDENI) in Ndola will address the storage capacity challenges. INDENI has had to stock-pile HFO (a by-product from the refining process) due to limited demand.

The 50MW plant also presents an alternative energy source to the national energy mix, which predominantly relies on hydropower. For Zambia, 50MW will go a long way in easing the power deficit. For example, the additional 50MW

alone would be sufficient for the combined demand of three provincial centres such as Chipata, Mansa and Kasama which require about 15MW each at peak periods. Therefore, although the plant will be in Ndola it will make available additional capacity that will enable ZESCO to reduce on load shedding in other districts.

Meanwhile, the ERB has also approved twenty six (26) licences for enterprises in the petroleum and solar sub Sectors. The licences were also approved on Tuesday, 3rd May 2011, pursuant to the Energy Regulation Act, Cap 436 of the Laws of Zambia. Under the Act, licencing is one of the major functions of the ERB.

The licences approved are mainly intended to ensure security of supply of energy products and services in various parts of the country.

Of the twenty six (26) licences approved, twenty five (25) are to enterprises in the petroleum sub sector while one is for the manufacture, installation, and supply of solar energy systems by Development Technology Limited of Lusaka.

Nine new licences were issued as follows:

- **Licence for Importation of lubricants** to Fluid Base Industries Limited and Platinum Oil Zambia Limited;
- **Licence for Retail of Petroleum Products** to Lake Petroleum Limited for Ndola, Petroda Zambia Limited for Lusaka and Samfuel Limited for sites in Ndola, Lusaka and Mkushi, respectively. Other retail licences approved were for Mount Meru Petroleum Zambia Limited in Lusaka, SGC Investment Limited in Ndola and Air Mafuta Aviation Services Limited of Mfuwe; and
- **Licence for Transportation of Petroleum Products** to LBM Transport Limited and Mount Meru Petroleum Zambia Limited.

Additionally, approval was granted for renewal of sixteen (16) licences in the petroleum sub sector as follows:

- **Licence for Importation of Petroleum Products** to Star Oil Company Zambia Limited, Engen Petroleum Zambia Limited, Spectra Oil Corporation Limited, Petroda Zambia Limited and BP Zambia Plc;
- **Licence for Importation of Lubricants** to Cosmic Motors Limited, Engen Petroleum Zambia Limited, Livonia Investment Limited and Automotive Equipment;
- **Licence to Export Petroleum Products** to Oryx Oil Zambia Limited and Star Oil Company Limited
- **Licence to Distribute Petroleum Products** to Engen Petroleum Zambia Limited and Continental Oil Company Limited;
- **Licence for Retail of Petroleum Products** to Engen Petroleum Zambia Limited; and

- **Licence for Transportation of Petroleum Products** to Vallabhbai and Company Limited of Mkushi.

As the Energy Regulation Act makes it an offence for any one to engage in an enterprise in the energy sector without a licence, the ERB will continue to enforce the law by ensuring that only licenced entities operate in the energy sector.

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