

**STATEMENT BY THE ERB EXECUTIVE DIRECTOR MS. LANGIWE H. LUNGU AT THE MEDIA BREAKFAST HELD AT THE SOUTHERN SUN HOTEL IN LUSAKA ON FRIDAY 27<sup>TH</sup> DECEMBER 2013**

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Good morning and compliments of the season to you all!

I am pleased to welcome you to this Media Working Breakfast at which we intend to share some highlights of the year 2013.

The ERB undertook a number of activities during 2013 in line with our mandate under the Energy Regulation Act, Cap 436 of the Laws of Zambia. My team was during this past year occupied with major activities such as consumer complaints handling, issuing licences, technical audits, guideline review, development of Enforcement Procedures and enforcement action.

Some of the major highlights for 2013 are outlined in two major categories namely Electricity and Petroleum sub sectors.

## **1.0 Electricity Sub Sector Highlights**

### **1.1 Tariff Review applications**

The ERB considered **two tariff applications** in 2013 for ZESCO Limited and Zengamina Power Limited who were proposing to adjust tariffs by an average of 26% and 36% respectively, with the adjustment being spread three years for the latter. In line with Section 8 (2) of the Electricity Act, ZESCO submitted its application to the ERB, seeking authority to revise electricity tariffs by an average of 26%.

The ZESCO application covers all customer categories, but excludes the mines and exports which are negotiated through contracts. In addition, ZESCO in its application proposed annual adjustments of 31%, 34% and 13% for 2013, 2014 and 2015 respectively.

Zengamina lodged its first ever application to increase tariffs by an average of between 8.3% and 12.16% for 2014/15. The overall increase for a three-period was pegged at 36.8%.

Thereafter, we conducted Public hearings on ZESCO's application in Livingstone, Kitwe and Lusaka following 67 submissions from energy consumers countrywide. The Zenagmina public hearing was held in Ikelenge after the ERB received 22 submissions from submitters.

The Board of the ERB is expected to announce its decision on the two tariff applications in due course.

### **1.3. Standards/Guidelines Regulations**

#### **Standards development**

In order to effectively monitor the quality of energy products and services, the ERB continued to develop new standards in conjunction with the Zambia Bureau of Standards (ZABS). The key standards developed and approved for publication by ZABS in 2013 were as follows:

#### **1. Wiring of premises – Code of practice Zambian Standard 791**

The standard which was approved by the Board in December 2013 was developed to address the challenges associated with safety of persons, livestock and property *vis-à-vis* electrical installations such as residential premises, commercial premises, public premises, industrial premises, agricultural and horticultural premises, prefabricated buildings, caravan sites and similar sites. The standard specifies the rules for design, selection, erection, inspection and testing of electrical installations. The standard shall allow for initial inspection and testing of wiring for installation and subsequent testing once the installations have been electrified.

It is hoped that with this standard in place, the incidents of fatalities and damage to property would drastically reduce in the medium to long term.

#### **2. Electricity Supply Regulations (ESR)**

The ERB developed the Electricity Supply regulations which are principally intended to regulate electrical supply to end-use retail consumers. Among other things, the regulations would ensure that electric supply installations are not only safe but guarantee an acceptable level of quality of service. The regulations obligate the electricity supplier to do the following:

- Enter into contracts of supply with clear conditions;
- Ensure that minimum requirements for wiring at a customer's premises beyond the point of supply are observed before making a connection;
- Observe clear guidelines for discontinuance of electric supply;
- Observe clear guidelines for settlement of electricity supply disputes ; and
- Develop and maintain standards and procedures for the management of minimum quality of service to consumers.

The regulations also stipulate clear guidelines on the frequency and voltage at which the supplier should deliver power and additionally spells out the responsibilities of electricity consumers. Applicable penalties for non-compliance to the guidelines have been clearly specified in the regulations.

We expect that the regulations will greatly improve the standard and quality of electricity supply to various consumers.

#### **1.4 Electrical Technical Audits**

The ERB periodically monitors electricity companies to ensure that they operate within the set standards and guidelines. To this effect, we conducted audits to assess ZESCO's performance in Lusaka, Western, North-Western, Central, Eastern, Copperbelt and Southern provinces. **Forty two (42) facilities** were assessed for the period 1<sup>st</sup> January to 30<sup>th</sup> October 2013. The average compliance result levels were as follows:

<b>#</b>	<b>Assessed facilities</b>	<b>Compliance rate</b>
1.	Large hydro power stations	90%
2.	Mini Hydro Power stations	73%
3.	Diesel Fuelled Generation stations	70%
4.	Substations above 33kV	73%
5.	Substations equal to or less than 33kV	60%

It is worth noting that none of the stations were 100% compliant to standards and license conditions. Most substations at less than 33kV that generally had a low compliance rate were located mainly in rural areas.

The ERB has since engaged ZESCO to correct the anomalies particularly the ones related to safety. I wish to reiterate that all electricity companies are required to be compliant with license requirements and conditions.

#### **1.5 Launch of Electricity Grid Code regulations**

The Minister of Mines, Energy & Water Development, Hon. Christopher Yaluma, MP, launched the **Electricity Grid Code Regulations – Statutory Instrument No. 79 of 2013** in October this year.

The Grid Code regulations were developed by the Ministry in conjunction with the ERB after an industry-wide consultative process conducted over ten (10) years. For the first time ever in Zambia, a framework for the management and development of the high voltage transmission system is now in place. The launch of the regulations therefore marks a new phase in the development process as it allows non-discriminatory access to the transmission system.

The Grid Code regulations legally establish technical requirements for the connection to, and use of, an electrical transmission system by parties other than the owning electricity company.

## **2.0 Petroleum Sub Sector highlights**

### **2.1 Standards/Guidelines/ Regulations**

- ***Service Station Siting Guidelines***

As many of you are aware, there are more filling stations in urban areas compared to the rural areas. Stakeholders have a preference to set up filling stations in urban areas with some being as close as 30 metres apart while some rural districts have no filling stations.

During the period under review, the ERB took steps to encourage or promote the setting up of filling stations in rural areas while at the same time discourage overcrowding in urban centres. Safety concerns noted include the construction of filling stations in high public activity areas such as markets and drinking places. The ERB intends to learn from countries within the sub region which have put in place control measures for siting and construction of filling stations. This will also enhance coordination for the construction of filling stations with other players in the sector such as the Zambia Environmental Management Agency and civic authorities. Recommendations on tax rebates, differentiated margins waivers on permits and licenses have also been forwarded for Government's consideration to attract investment in rural areas.

### **2.2 Liquefied Petroleum Gas**

The ERB is putting in place measures to promote the use of Liquefied Petroleum Gas (LP Gas) as an alternative energy source. This development is important in the face of the power shortage the country is currently experiencing and a long term measure to diversify the country's energy sources. The ERB regulates the production, storage, distribution, transportation and retail of the LP Gas.

With the increase in LP Gas use, the ERB has found it necessary to regulate pricing in order to protect consumers against high prices and promote the use of the energy source. Measures put in place by the ERB include changes in the licensing regime, guidelines on filling, retail and transportation of LP Gas cylinders.

The licensing regime has changed to include a combined licence on Bulk Distribution, Import and Export. This stipulates the minimum storage capacity of 10 Metric Tonnes (MT), filling plant and a minimum of 1,000 cylinders. LP Gas storage capacity has increased to 960MT at Indeni Petroleum Refinery Company in Ndola following rehabilitation works.

The ERB intends to start regulating the retail price of LP Gas, following an increase in households that are using LP Gas appliances. Prior to this, the ERB only determined the wholesale price, while retail prices were negotiated by users who were mainly in the hospitality industry. In addition, the ERB has forwarded a proposal to Government to consider a reduction on excise duty on LP Gas which currently stands at 15%.

### 2.3 Petroleum sector Technical Audits

A total of **246 filling stations** were inspected in the first half of 2013. Out of the sites inspected, Oil Marketing Companies (OMCs) were operating 238 sites while eight (08) were operated by independent stakeholders. The general outlook was that 150 sites were above the overall average with a compliance rate of 80.4% while 23 retail sites were below 60% compliance. With the exception of Ody's Oil which has only one site, no other OMC was found to be fully compliant.

The average compliance rate as at June 2013 for five OMCs with the highest number of sites were as follows:

#	Oil Marketing Company	Number of sites	Compliance rate
1.	Puma Energy	52	78%
2.	Total Zambia	42	85%
3.	Engen	32	77.7%
4.	Kobil	21	82.8%
5.	Mount Meru	19	83.9%
6.	Pegasus	4	93.3%
7.	Spring Energy	1	53%

### 2.4 Product Quality Monitoring

In order to ensure that the quality of petroleum products sold in the country is of acceptable quality and complies with technical standards, the ERB conducts periodic fuel sampling and analysis. This is done to ensure that licenced companies operate within the stipulated guidelines and petroleum standards. During the review period **25 fuel samples** collected from retail sites in the Eastern province while **eight (8) samples** were drawn from the Ndola Fuel Terminal (NFT).

All the results from the NFT were technically compliant while results for Eastern Province are still being awaited.

### 3.0 Enforcement Procedures and action

The ERB has developed an Enforcement Manual which stipulates penalties that would be slapped on licensed companies in the event of a breach. The manual which came into effect from 12<sup>th</sup> December, 2013 will soon be published in the print media and our website [www. erb.org.zm](http://www.erb.org.zm)

### 4.0 Licensing

Meanwhile, the ERB received **64 applications** for the period January to October 2013. A total of 57 applications were presented to the Board out of which 51 standard licenses were issued, while the remaining 6 failed to meet the licensing requirements. The licenses issued were as follows:

#	Type of License	Number of licenses issued
1.	Retail Licenses	5
2.	Importation of Lubricants	13
3.	Transportation Licenses	21
4.	License to Distribute, Import and export	10
5.	Solar License	1
6.	Electricity Supply license	1
	<b>Total</b>	<b>51</b>

### 5.0 Consumer Complaints

During the review period, the ERB received **548 complaints** relating to billing, metering, outages, disconnections and compensation claims. Out of these, 503 were handled by the ERB-sponsored Energy Consumer Watch Groups which are present in all the provincial centres, Kitwe and Chingola.

The ERB encourages consumers to first engage service providers whenever they have complaints before approaching the regulator.

To promote consumer awareness, the ERB conducted **15 public meetings** in 2013. Meetings were held in Mongu, Kaoma, Lukulu Choma, Kalomo, Mazabuka, Nyimba, Katete, Kaputa Chipata, Lundazi, Mwense, Chienge, Chavuma and Chembe.

The ERB also sponsored a school quiz for Lusaka-based schools in collaboration with ZNBC. This is intended to engage and promote energy consciousness among young people. This programme will be broadcast every Wednesday at 20:00 hours from 1<sup>st</sup> January 2014 on ZNBC TV1.

## 6.0 Conclusion

The ERB will continue to regularly engage the Media and other stakeholders on regulatory activities and pertinent energy matters.

I wish you a safe festive season and look forward to enhanced working relations in 2014!

I thank you.

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### **Notes to the Editor;**

- The ERB has three offices namely in Lusaka, Kitwe and Livingstone.
- ERB Head Office oversees Lusaka, Central and Eastern provinces.
- Livingstone office covers Western and Southern provinces.
- Kitwe office is in charge of Copperbelt, North-Western, Luapula, Northern and Muchinga Provinces.
- A soft copy of this press statement and other information on regulatory activities are available on the ERB website [www.erb.org.zm](http://www.erb.org.zm)
- The full names of the Energy Regulation Board, Executive Director are Ms. Langiwe Hope Lungu.