

PRESS STATEMENT

ENERGY REGULATION BOARD'S DECISION ON THE APPLICATION BY ZESCO LIMITED TO VARY ELECTRICITY TARIFFS FOR THE YEARS 2012/2013 TO 2015/2016

1.0 BACKGROUND

The Energy Regulation Board (ERB) is, among other functions, charged with the mandate to regulate tariffs in the Electricity sub-sector under the provisions of the Electricity Act Cap 433 of the Laws of Zambia as amended.

On 27th July, 2012 ZESCO Limited, applied to the ERB to increase electricity tariffs, over a period of four years, by an average of 26%, 31%, 34% and 13% across all customer categories (except mining and exports) in 2012/13; 2013/14; 2014/15; and 2015/16 respectively.

The application by ZESCO for tariff revision has been under consideration and extensive consultations have been undertaken with all stakeholders. As a legal requirement under the Electricity Act in the tariff review process, the ERB convened Public Hearings to receive submissions on the application. These Public Hearings were held in Livingstone, Kitwe and Lusaka, in April 2013. At these Hearings, electricity consumers and the public in general raised various concerns about the application by ZESCO to increase electricity tariffs.

This process of electricity tariff review application has been concluded and the ERB has now made its Decision on this matter. In arriving at the decision, the ERB endeavored to address the concerns raised by ZESCO's customers, during the three public hearings. The Board's Decision has been informed by a number of factors which have been highlighted in this statement.

2.0 LEGAL BASIS FOR REVIEW

Further to the Electricity Act Cap 433 of the laws of Zambia, the ERB undertook a detailed review of the application to appreciate the economic basis upon which ZESCO proposed to increase electricity tariffs. Consequently, the ERB issued a Public Consultation Paper, in the media, to highlight the main aspects of ZESCO'S application. In addition to the issuance of a Public Consultation Paper, three public hearings were held in Livingstone, Kitwe and Lusaka in order to accord all those who had commented on ZESCO's application an opportunity to present their views in person to the Board.

3.0 MAJOR ISSUES IN ZESCO'S PROPOSAL TO VARY ELECTRICITY TARIFFS

ZESCO premised its application to increase electricity tariffs mainly on

the following:

- changes in the economic conditions since the last adjustment in August 2010;
- changes in the cost of generating, transmitting, distributing and supplying electricity;
- need for system and customer base expansion;
- rising cost of electricity imports; and
- cost reduction and revenue enhancement measures it wishes to undertake to improve efficiency.

4.0 ERB'S EVALUATION OF THE PROPOSED ELECTRICITY TARIFF VARIATION

Following ZESCO's application, the ERB received sixty-seven (67) submissions from electricity consumers from different parts of the country. The submissions were varied in content and touched on previously raised issues as well as new ones. Most concerns raised by ZESCO customers during the public hearings, were mainly with regard to the persistent load shedding and the need to include mining electricity tariffs in ZESCO's applications for tariff reviews.

ZESCO was given an opportunity to respond to all the consumer submissions, and the ERB analysed their responses before making its final decision.

To arrive at the decision, ERB undertook a thorough analysis of the following:

- ZESCO's justification for the increase in tariffs;
- The audited management and financial accounts;
- ZESCO'S performance on the agreed Key Performance Indicators (KPIs) and also
- The concerns raised by ZESCO customers during the various public hearings.

The ERB conducted a detailed and analytical review using the best regulatory principles as follows:

- Recovery of prudently incurred costs by the utility;
- Recognition of used and useful utility assets only;
- Financial sustainability of the utility;
- The need to attain cost reflective tariffs;
- Delivery of quality service; and
- Social considerations for the indigent customers.

5.0 BOARD DECISION

After due consideration of the application and taking into account the various submissions made thereon, the ERB now orders that ZESCO increases its electricity tariffs as follows:

	Customer Category	Percentage increase
i	Residential consumers	24.63%
ii	Commercial consumers	15.38%
iii	Small Power (MD1 & 2)	19.49%
iv	Large power (MD 3 & 4)	5.11%
v	Social Services	15.38%

The detailed impact of this tariff decision on each customer category is further highlighted in Appendix 1. These increments are with effect from **1st July 2014**.

With regard to subsequent years applied for, that is, 2015 – 2016, ZESCO will be required to re-apply for the proposed indicative increments for these years and the public will be given an opportunity to be heard regarding the proposed adjustments as per provisions of the Electricity Act Cap 433.

6.0 OTHER BOARD DIRECTIVES

The Board has besides this Decision, given ZESCO other directives that are aimed at improving the efficiency of its operations and addressing the numerous issues that concern its customers.

7.0 CONCLUSION

In conclusion, the Board wishes to emphasize that in tariff determination, the role of the Regulator is that of a balancing act to arrive at a tariff that not only addresses ZESCO's financial viability objectives but also safeguards the consumers' interests.

ISSUED THIS 1st DAY OF JUNE, 2014

PASTOR GEOFF MWAPE
ENERGY REGULATION BOARD
CHAIRMAN

Appendix 1: Approved Tariff Adjustment per customer Category in 2014

CATEGORY	Charge	Current Tariffs(K)	2014 ERB Approved tariffs (K)
1.METERED RESIDENTIAL (capacity 15 kVA)			
R1 – Consumption up-to 100kWh	Energy charge/kWh	0.15	0.19
R2 – Consumption between 101 & 300 kWh	Energy charge/kWh	0.25	0.31
R3 – Consumption above 300 kWh	Energy charge/kWh	0.41	0.51
Pre-paid Tariff	Energy charge/kWh	0.28	0.35
	Fixed Monthly Charge	14.63	18.23
2.COMMERCIAL TARIFFS (capacity 15kVA)			
Commercial	Energy charge/kWh	0.27	0.31
	Fixed Monthly Charge	47.75	55.09
3.SOCIAL SERVICES			
Schools, Hospital, Orphanages, churches, water pumping & street lighting	Energy charge K/kWh	0.24	0.28
	Fixed Monthly Charge	41.52	47.91
4.MAXIMUM DEMAND TARIFFS			
MD1 – Capacity between 16 - 300 kVA	MD charge/kVA/Month	11.69	13.97
	Energy charge /kWh	0.17	0.20
	Fixed Monthly Charge	114.50	136.82
MD2 – Capacity 301 to 2,000 kVA	MD charge/kVA/Month	21.87	26.13
	Energy charge /kWh	0.14	0.17
	Fixed Monthly Charge	228.99	273.62
MD3- Capacity 2,001 to 7,500kVA	MD charge/kVA/Month	39.72	41.75
	Energy charge /kWh	0.13	0.14
	Fixed Monthly Charge	551.56	579.74
MD4 – Capacity above 7500kVA	MD charge/kVA/Month	39.94	41.98
	Energy charge /kWh	0.11	0.12
	Fixed Monthly Charge	1,103.13	1,159.50

- Maximum Demand = MD
- kWh = kilo watt hour: is a unit of energy equal to 1,000 watt-hours