



**STATEMENT BY ENERGY REGULATION BOARD
CHAIRMAN, SIKOTA WINA, AT THE 2008 AFRICA POWER
AND ELECTRICITY CONGRESS AND EXHIBITION**

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Africa's Electricity Supply Challenges – A Regulatory Perspective

Mr Chairman, Distinguished Guests, Ladies and Gentlemen,

This afternoon I wish to share with you some of my thoughts, from a regulatory perspective, on the severe electric energy challenges that face sub Saharan Africa and also give you a sense of how the energy regulator in Zambia is doing its part in alleviating these challenges.

Mr Chairman, the evidence around us indicates that over the last few decades Africa's response to providing electricity access to its citizenry has been far from acceptable. And given the strong correlation between electricity access and human progress, Africa shall remain in the Third World for another 200 years if access to electricity does not truly become widespread. The figures speak for themselves with access to electricity in Sub Saharan Africa having been estimated at approximately 25% in 2005 and projected to rise to 35% by 2020. While it may be imprudent to make comparisons with the developed parts of the world, comparison with other developing regions such as Latin America, East Asia and the Pacific where access rates were in the order of 75% in 2005 and projected to increase to approximately 100% by 2020 shows just how much work that stakeholders who include, policy makers, regulators, utilities, multi lateral institutions, the private sector have to do in Sub Saharan Africa.

For those of us in Southern Africa, the reality of the crisis is even more poignant this year, as for the first time in our recent history, we are experiencing the spectre of daily or at least weekly load shedding for even the few that have access to electricity. Even two years ago, surely who would have thought that there would be load shedding in such a glamorous location as Sandton? To add salt to injury, even the most optimistic projections show that electricity supplies by and large shall continue to be outstripped by demand in this region for the next few years given the likelihood of continued strong economic performance, and the high capital costs and long lead times of the required infrastructure enhancements. In short, the *"good old days"* will take some time and determination to come back!

The reasons for this dire state of affairs in sub Saharan Africa's electric supply are well documented and include the overall policy environment which is perceived to be weak or overly dynamic (i.e. frequently changing), poor balance sheets and overall operational difficulties encountered by the state owned and predominantly vertically integrated utilities and more recently the increasing costs for primary energy sources such as coal, gas and diesel.

As regulators, perhaps our greatest impact can be made in the area of policy environment and to some extent utility performance, though I do believe that the shareholders of these utilities who are by and large the Government's, have a

significant role to play. Governments should adopt measures that include re-capitalisation, equity restructuring, and the infusing of corporate governance best practice into these firms.

As for regulators, we will have to do more to encourage both local and foreign investment into the sector and strategies for this include improving regulatory predictability and allowing the electricity supply industry in our various countries to move to cost reflective tariffs. Given the pressures that are being brought to bear on the electricity supply industry by the unprecedented rise of the cost of primary energy sources and that of environmental lobby, regulators shall also need to ensure that the "level playing field" that they create encompasses diverse energy sources including wind and solar to the extent that these are feasible. Lastly but by no means the least, and of relevance at this African conference, it will be folly to assume that any African country can overcome the electricity supply challenge alone. For this reason, there is need to ensure that the regulatory environment encourages the development of interconnections and regional electricity markets. In this regard, and as you may be already aware, in this region the Southern African Power Pool (SAPP) is well established and is currently taking steps to infuse more competitive practices into electricity trade in the region. From a regulatory stand point you may also be aware that there is the Regional Electricity Regulators Association of Southern Africa (RERA) that aims to harmonise regulatory rules and practices in order that greater regional trade in electricity may indeed be facilitated.

There is also the matter of industry structure. As delegates will be aware, Governments, regulators and also utilities have grappled with this issue for several years now. The evidence and current thinking however shows that there is perhaps not a "one size fits all" solution to industry structure and that any restructuring requires particular caution in its implementation.

As I conclude my remarks, I wish to share with you some of the practical ways in which the Energy Regulation Board of Zambia that I Chair, is attempting to apply some of the interventions that I have alluded to. Firstly my Board is committed to the realisation of cost reflective tariffs in Zambia. In this regard, in December 2007 we approved the first ever multi year tariff for the Zambian state owned utility ZESCO with an initial year increase of approximately 27% and further increases for the next two years dependent on improved utility performance that this new tariff regime attempts to incentivise. As I have stated, we must do all that we can to attract more players into the electricity supply industry. It is for this reason that we have completed an open access regime or Grid Code for Zambia. While this is not yet a legal document, it is my expectation that once the authorities have given it legal backing, third parties shall have non discriminatory access to the Zambian grid. My Board is also particularly mindful of the need for regulatory predictability and certainty and in our strategic plan we aim to be more transparent in all our decision making and to this extent in the not too distant future Energy Regulation Board meetings shall be open to the public. Meanwhile we

are now more visible in the media and our website updated more regularly in order to better explain the rationale behind our decisions, our regulatory processes and indeed the key issues that we are dealing with at a particular time. I encourage you to visit www.erb.org.zm

Lastly Mr Chairman, as you are aware there are numerous conferences within Africa and beyond that discuss the matters that I have laid before you. In fact I am informed that the SADC Ministers might be meeting in Kinshasa at some point this month to discuss these very issues. As a result of this proliferation of conferences, I suspect that none of what I have said is new to the distinguished delegates gathered here. What concerns me however, is that while we may be eloquent and exhibit great understanding of what ought to be done, our implementation has by and large come to nought. Mr Chairman someone once said that "what we need are **MEGAWATTS** and not **MEGAWORDS!**"

I thank you.