



Press Release

4th December, 2013

ERB COMMISSIONS ELECTRICITY COST OF SERVICE STUDY

The Energy Regulation Board (ERB) has commissioned a Cost of Service Study of the entire electricity supply industry to establish the cost of providing power to different categories of consumers.

Speaking at a Stakeholder's Consultative workshop in Lusaka on Tuesday, 3rd December 2013, ERB Executive Director, Ms. Langiwe Lungu said the study will help in determining economic tariffs that companies in the electricity sector should be charging.

Ms. Lungu announced that the two-year study to be funded by the Swedish International Development Cooperation Agency (SIDA) focuses on all industry players unlike the ZESCO Cost of Service study which was conducted in 2007.

"SIDA has been an invaluable partner in the development of the sector in this country, having co-financed the first Cost of Service study with the World Bank," she told workshop participants.

The ERB expects that the study will also provide a migration path towards attaining cost reflective tariffs.

"We believe that knowledge of the baseline tariffs and migration towards cost reflective tariffs will provide impetus for sustainable private and public investment in the electricity supply industry," Ms Lungu said.

The industry-wide study will take into account the electricity companies that are expected to be commissioned in a few years time.

Ms Lungu observed that the industry has since the last Cost of Service study evolved significantly with the development of new Independent Power Producers, off-grids and increasing market appetite for renewable energy technologies.

“The industry has since evolved with a bigger number of players now and a diversified energy source – both operating and those still undertaking construction at various stages of development,” she said.

The study will also develop a 15-year demand forecast and determine the least cost generation, transmission and distribution expansion plans required to meet the projected load forecast.

Workshop participants included the Department of Energy, Office for Promoting Private Power Investment, SIDA, ZESCO Limited, Copperbelt Energy Corporation, Ndola Energy Company, Lunsemfwa Hydro Power Company and Zengamina Power Limited.

Agnes B. Phiri (Mrs.)
DIRECTOR – CONSUMER & PUBLIC AFFAIRS

***NOTES TO THE EDITOR:**

- ❖ The purpose of conducting a Cost of Service Study is to determine a company’s full costs of providing electricity.
- ❖ This covers companies with various categories of customers, at different points in the supply chain and within different geographical areas.
- ❖ A company’s full cost of service includes its efficient operating costs plus an appropriate return on the assets necessary to produce, deliver and sell electricity to its customers and meet growing demand through prudent investment.

Benefits of a Cost of Service study:

- ❖ A Cost of Service Study is used by the company to determine and understand its internal cost structure so that it can better control costs, manage its business on a commercial basis, improve customer service and financial performance.
- ❖ It is also used by the regulator, in this case the ERB, to inform its policy decisions, develop an electricity company’s revenue requirements and set appropriate tariff levels that enable the firm to improve service and meet demand growth over time.
- ❖ The Cost of Service Study is also a useful tool to inform consumers, investment community and general public of expected trend in tariffs and justifications thereof.