

Press Statement

ZESCO Key Performance Indicator assessment

23rd December 2009

The Energy Regulation Board (ERB) evaluates ZESCO's performance on the Key Performance Indicators (KPIs) on a quarterly basis. This is in order to monitor ZESCO's progress in improving efficiency and quality of service to customers in the context of the Multi Year Tariff Framework (MYTF). In that regard ZESCO performance has improved from 37% in the first quarter to 86.59% in the second quarter and 75 % in the third quarter of 2009.

The principle of the MYTF is for ZESCO to implement self-enforcing incentives in the form of KPIs embedded in the migration to cost reflective tariffs. The KPIs are intended to, among other issues, address areas of concern such as quality of service and institutional efficiency. Areas of focus under KPIs are metering, cash management, staff productivity, quality of service supply and reduction of system losses.

The KPIs are tied to the tariff decision and was agreed upon with ZESCO in March 2007. However, it should be noted that in the 2009 Tariff Order the ERB decided to provide a KPIs consolidation period of up to March 2011. During this period the KPI scores will have no direct bearing on subsequent tariff awards under the MYTF. This is in order to allow the utility reach cost reflective tariff levels as restricting revenue requirements would be detrimental to operations. From April 2011, tariffs will be determined using the KPIs score under the MYTF. In the interim the KPIs will still play the important function of monitoring ZESCO performance in delivery of services and the ERB will continue to inform the public accordingly.

ZESCO's performance on each KPI for the period January -September 2009 is outlined below:

1. **Metering:**

Under the customer metering KPI, ZESCO performance has improved: The total backlog of unmetered customers has progressively reduced, that is from 29% of its total customers being unmetered in the first quarter to 21% in the second and 17% in the third quarter. This has

been attributed to scaling up of meter installation. Approximately 31,715 prepaid meters have been installed in Lusaka and Northern Division including 17,277 credit meters in Copperbelt, Lusaka, Northern and Southern Divisions. Consequently, the backlog of unmetered customers has declined to 62,244 unmetered customers against a target of 52,799 customers at the end of the third quarter 2009.

ZESCO is also required to meter all new customers within 30 days of connection. Between January and September 2009, ZESCO connected 25,004 customers, out of whom only 5,382 or 22% were metered. The remaining 19,622 newly connected customers remained unmetered thereby increasing the backlog of unmetered customers.

Metering of customers is important as the utility loses money in instances when customers use more power than they are required to pay while on the other hand, unmetered consumers may also be paying more than they have actually consumed. In addition, unmetered customers might not be motivated to conserve power.

2. Connection Time

There was an improvement with regard to the time taken to connect new customers as ZESCO recorded a reduction to 62 days and 56 days for the second and third quarters respectively, from a high of 85 days in March 2009. However this was still below the target of 56 and 51 days for the second and third quarters respectively. On the other hand the average number of days it takes to issue a quotation for potential customers increased to 48 days in the third quarter from 45 days in second and 39 in the first quarter. This was against a target of 33 days for the third quarter.

3. Cash Management:

The goal of this KPI is to reduce the amount of money ZESCO is owed by customers, known as total receivables, to less than 17% of total turnover by 2010 from 45.37% in December 2007. Total receivables were expected to reduce by 4.6% between April and September, however total receivables increased by 6.9% during the same period, ending the second and third quarters at 63% and 68% against a KPI target of 31.6% and 29.3% respectively.

The KPI further stipulates that ZESCO should reduce trade receivables to not more than 17% of turnover by 2010 and the quarterly target for ZESCO is to reduce trade receivables by 2.05%. ZESCO was therefore required to reduce trade receivables from 32.1% to 30% in the second quarter and from 30% to 27.98% in the third quarter. ZESCO failed to meet this target during the second quarter as receivables increased by

0.91%, while the third quarter target was met as ZESCO reduced its receivables by 4.67%. Trade receivables for the entire period, were 36% and as such fail short of the KPI target of 27.98%.

With regard to debtor days, defined as the time ZESCO takes to pay its debts, ZESCO failed to meet the set targets for the first and second quarters as debtor days increased from 145 in the first quarter to 149 in the second quarter before reducing to 132 in the third quarter. This was against the set targets of 115, 107 and 99 respectively. There was an improvement in the third quarter with debtor days reducing by 17 days to 132 days from 149 days at the end of the second quarter. This was nonetheless still below the quarter target of 99 days. ZESCO will have to do more to improve its debt management hence improve performance on this KPI in order to meet the target of 60 days by March 2011.

4. Staff Productivity:

This KPI measures the number of customers each ZESCO employee services. The targets for the first, second and third quarters were a Customer-Employee ratio of 78, 81 and 84, whereas actual performance stood at 82, 85 and 78 respectively. The utility reported that the reduction in the number of customers serviced by each employee for third quarter was due to an increase in the number of staff by 437 between January and September 2008 who were attached to various projects on a temporal basis.

5. Quality of Service:

This KPI is meant to measure improvements in ZESCO's quality of service. Unplanned outages per customer were expected not to exceed 33 hours, 29 hours and 25 hours for the first, second and third quarters of 2009 respectively. Actual performance stood at 38.2 hours, 25.6 hours and 13 hours respectively for the said quarters. In general there was an overall reduction of 24.60 hours in average customer hours lost against a target of 7.91hours.

6. System losses:

During the period under review, transmission losses, which are energy losses during transmission of power on high voltage lines of 330kv and 66kv, were above the 3% target at an average of 3.88% and 4.6% for the second and third quarters respectively. Transmission losses should be maintained at not more than 3%.

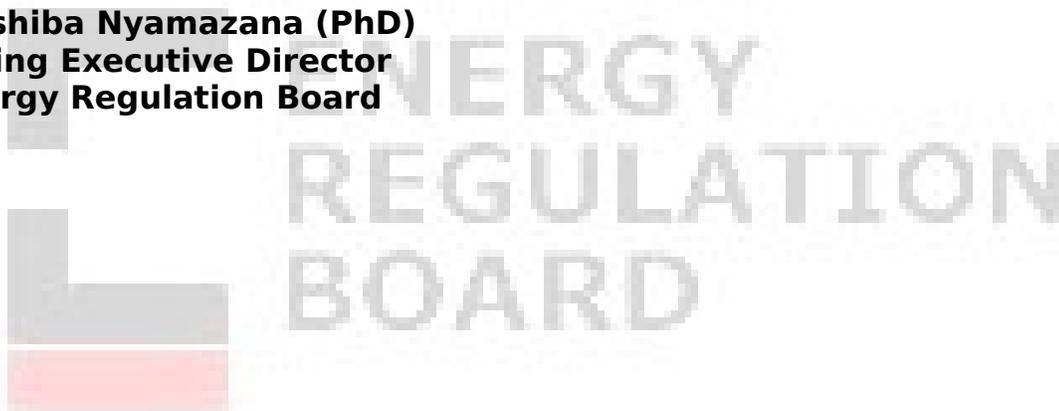
Distribution losses, which is energy lost during distribution on 66kv and below lines, showed improvement at 17% and 15% at the end of the

second and third quarter. The utility is required to reduce losses by 0.14% every month in order to attain the target of 14% by 2011.

The summary of ZESCO performance with regard to KPIs for January to September 2009 is summarised in the table attached.

In conclusion, it should be noted that KPIs continue to play an important role in monitoring the quality of service by the utility. The ERB will therefore continue to inform the public about ZESCO's performance in relation to KPIs from time to time.

Mushiba Nyamazana (PhD)
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Appendix 1: Quarterly and year-to-date scores

	Assessed Scores								
	Assigned Weight	First Quarter Score	First Quarter weighted score	Second Quarter Score	Second Quarter weighted score	Third Quarter Score	Third Quarter weighted score	Year to date Score	Year- to-date weighted score
	A	B	A*B	C	A*C	D	A*D	E	A*E
Customer Metering	30%	0.31	9%	1.00	30%	1.00	30%	1.00	30%
Cash Management	10%	0.00	0%	0.00	0%	0.04	0%	0.00	0%
Staff Productivity	15%	0.55	8%	0.77	12%	0.00	0%	0.00	0%
Quality of Service	20%	1.00	20%	1.00	20%	1.00	20%	1.00	20%
System Losses	25%	0.00	0%	1.00	25%	1.00	25%	1.00	25%
TOTAL	100%	0.37	37.46%	0.75	86.59%	0.61	75.42%	0.60	75.00%