

Press Statement

Assessment of ZESCO's performance against set Key Performance Indicators

4th February 2009

The Energy Regulation Board (ERB) would like to inform the public that ZESCO scored 42% in the first quarter, 41% in the second quarter and 51% in the third quarter of 2008 in implementing Key Performance Indicators.

As stipulated in the multiyear tariff, effected in January 2008, ZESCO's performance is reviewed every quarter using a number of Key Performance Indicators that were agreed upon with the utility in 2007.

The principle of the multiyear tariff framework is for ZESCO to implement self-enforcing incentives embedded in the electricity tariff structure as Key Performance Indicators (KPIs). These are intended to address areas of concern such as quality of service and institutional efficiency among others. ZESCO is therefore, required to report its performance in implementing the KPIs on a quarterly basis to the ERB. The KPIs cover metering, cash management, staff productivity, quality of service supply and system losses.

ZESCO's performance on each KPI is outlined below:

1. **Metering:**

The KPI on metering has two elements, firstly that all new connections should be metered within 30 days and secondly that the backlog of unmetered customers should be all metered by 2010. Out of a targeted 16,950 new customers connected during the period January to September 2008 only 1, 991 customers were metered. This reflects a metering rate of 12%.

ZESCO is required to fully clear the backlog of unmetered customers by 2010. During the period January to September 2008, ZESCO was expected to meter 31, 680 unmetered customers. However only 16,420 unmetered customers were metered, thereby ZESCO attained a score of 52%.

The issue of metering is particularly important as it affects the cash flows of the utility in instances where consumers use more power than they are paying for, on one hand and on the other hand, unmetered consumers may also be paying for more than they have actually consumed. In addition, non metering does not promote energy efficiency practices among consumers who might not see the benefit of conserving power.

2. New Connections

The KPI on time taken to connect new residential customers, which is 68 days after paying for the service, was not met as ZESCO took 82 days on average to connect new customers as at end of September 2008. The target was to reduce connection time from an average of 77 days in January 2008 to 68 days by end of September 2008. Instead of reducing, the average time taken to connect customers increased by the end of the period.

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% in December 2007. Total receivables increased from 35% of turnover in January 2008 to 61% of turnover in September 2008. The target for the period was therefore not met.

The KPI further stipulates that ZESCO should reduce trade receivables, which is money owed by ZESCO customers for the purchase of electricity and is an ERB regulated activity, to not more than 17% of turnover by 2010. ZESCO met the overall target of Trade Receivables for the review period at 35% of trade turnover against a target of 36%. ZESCO also met the target for debtor days, which is defined as the number of days from the payment due date to when payment is actually made. Debtor days was at 128 days which was within the KPI target of 131 days.

4. Staff Productivity:

This KPI aims at measuring ZESCO's efficiency in utilising its staff to serve its customers. ZESCO met the target for staff productivity. The targets for the 1st, 2nd and 3rd quarters were a Customer-Employee ratio of 65, 68 and 72 whereas actual performance stood at 64, 67 and 74 respectively. This performance is due to an increase in the number of customers by 14,225 between January and September 2008 and a reduction in the number of mostly temporal staff by about 596 during the same period.

5. Quality of Service:

This KPI is meant to measure improvements in ZESCO's quality of service. Unplanned outages per customer, which are outages not on ZESCO's annual maintenance plan, were expected to be not more than 48hours, 45hours and 41hours for the 1st, 2nd and 3rd quarter of 2008 respectively. Actual performance stood at 48hours, 11hours and 15hours for the said quarters. This performance is exclusive of load shedding from the calculation of unplanned outages. Load shedding is planned in order to protect the integrity of the national electrical system thereby prevent its total collapse.

6. System losses:

During the period under review, transmission losses, which are energy losses during transmission of power on high voltage lines of between 330kV and 66kV, were above the 3% target averaging 4.5%. Transmission losses should be maintained at not more than 3%. Distribution losses, which is energy lost during distribution on lines less than 66kV, were also off target at 33%, 38% and 19% against targets of 19%, 18% and 18% for the end of the 1st, 2nd and 3rd quarters respectively.

The summary of ZESCO performance with regard to KPIs for January to September 2008 is summarised in the table attached.

In conclusion, it should be noted that KPIs will play a key role in making ZESCO publicly accountable for the revenues it earns from tariff applications. The ERB will therefore inform the public about ZESCO's performance in relation to KPIs from time to time.



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pendix 1: Quarterly and year-to-date scores

Indicator	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	Year to Date Score
	A	B	A*B	C	A*C	D	A*D	E	A*E
Customer Metering	30%	0.09	3%	0.20	6.05%	0.26	7.87%	0.19	5.57%
Cash Management	10%	1.00	10%	0.00	0.00%	0.00	0.00%	0.00	0.00%
Staff Productivity	15%	0.62	9%	1.00	15.00%	1.00	15.00%	1.00	15.00%
Quality of Service	20%	1.00	20%	1.00	20.00%	0.00	0.00%	1.00	20.00%
System Losses	25%	0.00	0%	0.00	0.00%	1.00	25.00%	0.42	10.46%
TOTAL	100%	0.42	42.12%	0.41	41.05%	0.48	47.87%	0.51	51.03%