



# Press Statement

## Board's Decision on ZESCO's application to adjust Standard Connection Charges

19<sup>th</sup> December, 2022

### 1.0 INTRODUCTION

The Energy Regulation Board (ERB) received an application from ZESCO Limited (ZESCO) to revise upwards the connection charges for Standard Connections. Specifically, ZESCO applied to revise standard connection charges for the three (3) connection types as follows:

- i) **Type 1: High density demarcated and reticulated areas** with a high customer base and have an existing distribution network. The proposed charges were as follows.

**Table I: High density demarcated and reticulated areas proposed charges**

No.	Description	Current Charge K	ZESCO proposed K	Percentage change (%)
<b>New Connection</b>				
1	Single phase overhead	769	4,655	505%
2	3 Phase overhead	1,430	15,266	968%
3	Single phase underground	890	6,734	657%
4	3 phase underground	-	20,861	New
<b>Upgrade of existing connection</b>				
5	Single phase overhead to 3 phase overhead	1,137	12,997	1,043%
6	Single phase overhead to 3 phase underground	1,844	20,861	1,031%
7	Single phase underground to 3 phase underground	1,844	15,076	718%
8	3 phase overhead to 3 phase underground	1,220	10,769	783%

**Type 2: Low density demarcated and reticulated areas** with a low customer base within a specific area that have an existing distribution network. The proposed charges for this category were as follows:

**Table II: Low density, demarcated and reticulated areas proposed charges**

No.	Description	Current Charge K	ZESCO Proposed charge K	Percentage change (%)
<b>New connections</b>				
1	Single phase overhead standard	2,873	13,248	361%
2	Meter separation	769	4,655	505%
3	3 phase overhead	4,887	28,744	488%
4	Single phase underground	3,358	15,797	370%
5	3-phase underground	5,342	34,339	543%
<b>Upgrade of existing connection</b>				
6	Single phase overhead to 3 phase overhead	1,979	12,997	557%
7	Single phase overhead to 3 phase underground	2,686	20,861	677%
8	Single phase underground to 3 phase underground	2,686	15,076	461%
9	3 phase overhead to 3 phase underground	1,220	10,769	783%

ii) **Type 3: Un-demarcated high density areas** with a high population density with no electricity reticulation network. The proposed charges for this category were as follows:

**Table III: Un-demarcated high density areas proposed charges**

No.	Description	Current Charge K	ZESCO proposed charges K	Percentage change (%)
<b>New connection</b>				
1	Single phase overhead	1,709	6,930	306%
2	3 phase overhead	3,159	20,250	541%
3	Single phase overhead	2,124	9,009	324%
4	3 phase underground	3,642	24,557	574%

Upgrade of existing connection				
No.	Description	Current Charge K	ZESCO proposed charges K	Percentage change (%)
5	Single phase overhead to 3 phase overhead	1,558	15,227	877%
6	Single phase overhead to 3 phase underground	-	22,875	New
7	Single phase underground to 3 phase underground	2,265	15,076	566%
8	3 phase overhead to 3 phase underground	1,220	10,769	783%

## 2.0 ZESCO'S JUSTIFICATION FOR THE PROPOSED ADJUSTMENT IN THE CONNECTION CHARGES

ZESCO stated that it has had challenges to promptly connect new consumers of electricity resulting in a backlog of 67,000 pending applications as at 31<sup>st</sup> December 2021, which was attributed to non-cost reflective charges. Therefore, ZESCO's application sought to adopt a cost reflective pricing mechanism for determination of future connection charges. In turn, with cost reflective prices the Utility committed to clearing the backlog and process new standard connections within a 30 working day timeframe as stipulated in the Electricity Supply Quality Of Consumer Service Standard (ZS397).

## 3.0 ENERGY REGULATION BOARD'S APPROVED CONNECTION CHARGES

Consequent to the ZESCO application and having thoroughly examined the proposals, the ERB has **Approved a 70:30 cost sharing mechanism** where the consumer would meet 70 percent of the ERB's determined cost of connection while ZESCO would finance the remaining 30 percent. The approved cost sharing mechanism is meant to make connection charges affordable especially to low income households.

In addition, the ERB has directed ZESCO to implement payment options that would allow consumers to pay connection fees over a 12 months period. In that regard, consumers who would pay at least 50 percent of the invoiced charge based on the new approved rates must be connected promptly as though they had made full payment.

The cost sharing and staggered payment mechanism are in tandem with Government's policy to promote universal access to electricity for all citizens in line with the 8<sup>th</sup> National Development Plan. The ERB expects that the approved connection charges would also promote the use of efficient, alternative forms of energy that are not detrimental to the environment.

Going forward, the ERB would continue to explore ways of balancing Utility financial sustainability and consumer affordability. This includes, among other things, the possibility of embedding the connection fees within the domestic electricity tariffs structures.

In light of the foregoing, the new ERB approved connection charges are as follows:

**Table IV: Approved charges for high density, demarcated and reticulated areas**

No.	Description	Current Charge K	ZESCO proposed K	Approved Charge K	ZESCO proposed percentage change (%)	ERB approved percentage change (%)
<b>New Connection</b>						
1	Single phase overhead	769	4,655	<b>3,510</b>	505%	<b>356%</b>
2	3 Phase overhead	1,430	15,266	<b>9,583</b>	968%	<b>570%</b>
3	Single phase underground	890	6,734	<b>5,198</b>	657%	<b>484%</b>
4	3 phase underground	-	20,861	<b>9,785</b>	New	<b>New</b>
<b>Upgrade of existing connection</b>						
5	Single phase overhead to 3 phase overhead	1,137	12,997	<b>6,660</b>	1,043%	<b>486%</b>
6	Single phase overhead to 3 phase underground	1,844	20,861	<b>9,785</b>	1,031%	<b>431%</b>
7	Single phase underground to 3 phase underground	1,844	15,076	<b>8,348</b>	718%	<b>353%</b>
8	3 phase overhead to 3 phase underground	1,220	10,769	<b>5,753</b>	783%	<b>372%</b>

**Table V: Approved charges for low density, demarcated and reticulated areas**

No.	Description	Current Charge K	ZESCO proposed K	Approved Charge K	ZESCO proposed percentage change (%)	ERB approved percentage change (%)
<b>New connections</b>						
1	Single phase overhead standard	2,873	13,248	<b>4,846</b>	361%	<b>69%</b>
2	Meter separation	769	4,655	<b>3,510</b>	505%	<b>356%</b>
3	3 phase overhead	4,887	28,744	<b>10,919</b>	488%	<b>123%</b>
4	Single phase underground	3,358	15,797	<b>6,534</b>	370%	<b>95%</b>
5	3-phase underground	5,342	34,339	<b>11,120</b>	543%	<b>108%</b>
<b>Upgrade of existing connection</b>						

No.	Description	Current Charge K	ZESCO proposed K	Approved Charge K	ZESCO proposed percentage change (%)	ERB approved percentage change (%)
6	Single phase overhead to 3 phase overhead	1,979	12,997	<b>7,441</b>	557%	<b>276%</b>
7	Single phase overhead to 3 phase underground	2,686	20,861	<b>9,785</b>	677%	<b>264%</b>
8	Single phase underground to 3 phase underground	2,686	15,076	<b>9,785</b>	461%	<b>264%</b>
9	3 phase overhead to 3 phase underground	1,220	10,769	<b>5,899</b>	783%	<b>384%</b>

**Table VI: Approved charges for high density un-demarkated areas**

No.	Description	Current Charge K	ZESCO proposed K	Approved Charge K	ZESCO proposed percentage change (%)	ERB approved percentage change (%)
<b>New connection</b>						
1	Single phase overhead	1,709	6,930	<b>4,846</b>	306%	<b>184%</b>
2	3 phase overhead	3,159	20,250	<b>10,919</b>	541%	<b>246%</b>
3	Single phase overhead	2,124	9,009	<b>6,534</b>	324%	<b>208%</b>
4	3 phase underground	3,642	24,557	<b>11,120</b>	574%	<b>205%</b>
<b>Upgrade of existing connection</b>						
5	Single phase overhead to 3 phase overhead	1,558	15,227	<b>11,120</b>	877%	<b>614%</b>
6	Single phase overhead to 3 phase underground	-	22,875	<b>11,120</b>	New	<b>New</b>
7	Single phase underground to 3 phase underground	2,265	15,076	<b>9,785</b>	566%	<b>332%</b>
8	3 phase overhead to 3 phase underground	1,220	10,769	<b>5,753</b>	783%	<b>372%</b>

#### **4.0 BOARD ORDERS**

In addition to determining the approved charges, the Board has in exercise of its regulatory mandate issued the following **Orders** to ZESCO:

##### **BOARD ORDER 1: Implement the approved ERB connection charges**

ZESCO is DIRECTED to implement the ERB approved charges for all new standard commencing 1<sup>st</sup> January 2023.

## **BOARD ORDER 2: Develop and implement a staggered payment plan**

Whilst consumers still have the option for a one-off payment to be connected within stipulated timeframe of 30 working days, however, for those who would be unable to pay the full value of the quotation, ZESCO is DIRECTED to develop and implement an option for a staggered payment plan of the approved connection charges as follows:

- i) Connect a consumer upon payment of at least 50 percent of the approved connection charge; and
- ii) For any balance on the initial payment, the ZESCO is ordered to develop and implement a staggered payment plan for a period not exceeding 12 months.

## **BOARD ORDER 3: Lack of adherence to License Conditions**

While considering the application to vary connection charges, ERB determined that ZESCO had unilaterally suspended the issuance of quotations for new customer connections, which was a direct breach of the following license conditions:

- **Licence Condition 3.1 (a) for the Supply of Electricity Licence** states as follows: *"Comply with the Conditions of the Licence and the requirements of the Licensed Activity in accordance with the Act and the Electricity Act"; and*
- Further, **Chapter 2, Section 2.1 of ZESCO's Licence to Supply** provides that: *"The Licensee shall offer to supply and sell electricity to any customer located within its licensed territory at tariffs and other charges which have been approved by the ERB."*

In view of this, the ERB issues the following additional ORDERS to the Utility:

- **ORDER 3.1:** For all quotations that were issued based on unapproved connection charges, ZESCO is DIRECTED to re-issue quotations at the old rates.
- **ORDER 3.2:** That, ZESCO compensates consumers that paid unapproved charges the difference between the amounts paid and the old rates which remain valid until 31<sup>st</sup> December 2023.

Further to the foregoing, the ERB has commenced enforcement action against ZESCO with the possibility of imposing on the Utility administrative penalties as outlined in the enforcement manual.



**BOARD ORDER 4: Rejection of ZESCO’s proposal for annual review of connection charges**

The Board has REJECTED ZESCO’s proposal for automatic annual adjustments of connection charges based on changes in the cost of connection materials. However, the rejection notwithstanding ZESCO is at liberty to submit applications to the ERB in line with the provisions of the prevailing laws and regulations in the same way they lodged this application.

**BOARD ORDER 5: Rejection of ZESCO’s proposal on handling Consumer disputes over quotations**

The Board has REJECTED ZESCO’s proposal to charge consumers the full cost of connection in cases where a consumer disputes a standardised quotation. ZESCO should strictly adhere to the ERB’s approved charges for standard connections.


Notwithstanding group schemes or already reticulated areas, where a consumer disputes a quotation the Board Orders that, ZESCO should give consumers the following options:

- i) Procure their own materials provided they meet ZESCO’s technical specifications; and/or
- ii) Directly engage a ZESCO approved contractor.

**EFFECTIVE DATE**

**THE APPROVED CONNECTION CHARGES IN TABLES IV TO VI AND BOARD ORDERS ARE EFFECTIVE FROM 1<sup>st</sup> JANUARY, 2023.**

**By order of the Board**

Signed:.....  
**Reynolds Bowa**  
**Board Chairperson**