



## **PRESS STATEMENT**

## **BOARD'S DECISION**

**ON**

# **ZESCO LIMITED'S APPLICATIONS FOR AN EMERGENCY TARIFF**

**10 OCTOBER 2024**

The Energy Regulation Board (ERB) on 1<sup>st</sup> October 2024 received an application from ZESCO Limited (ZESCO) for an emergency tariff adjustment on Residential, Commercial and Maximum Demand customer categories during the emergency period. The tariff application followed the ERB's declaration of an emergency in April 2024 due to ZESCO's inability to meet the national electricity demand.

The application proposed a reduction to Residential customers in R1 and R2 tariff categories while proposing an increase to Residential customers that consume above 200 units. Additionally, the application proposed reduction of tariffs for Commercial customers that consume below 100 units. Further, the application proposed an increase in tariffs for Commercial customers consuming above 500 units and an increase in tariffs for Maximum Demand customers.

The aim of the application was for ZESCO to raise US\$15 million monthly from retail customers to contribute towards the importation of 788MW of power to alleviate the current loadshedding. The tariff increment was further expected to promote energy efficiency among consumers, persuading them to switch to other alternative sources of energy such as Liquefied Petroleum Gas (LPG) and solar. This measure aims to channel the power saved to productive sectors of the economy to ensure business continuity.

In keeping with the ERB's mission to be responsive to stakeholders needs and to ensure transparency, the ERB issued a Public Consultation Paper (PCP) inviting comments from the public. The ERB further held two (2) public hearings in Kitwe and Lusaka on 5<sup>th</sup> and 7<sup>th</sup> October 2024, respectively. The PCP and the public hearings afforded consumers the opportunity to engage ZESCO on its application and address the Board on submitted comments and receive feedback.

The review of the application took into consideration ZESCO's operating environment, financial performance and viability, and projected incremental revenue from the emergency tariff. Further, the review considered the impact on loadshedding and affordability of the tariffs by the consumers as well as Government's desire for security of supply.

As ZESCO is the major supplier of power in the country, it is impossible to ignore the devastating effect that the drought has had on the Utility's generation capacity and its revenue. Currently, the power deficit has increased from 900MW to 1,300MW, consequently increasing the hours of load shedding.

The ERB has **APPROVED** ZESCO's application for emergency tariffs during the emergency period.

The Board has approved ZESCO's application for Emergency Tariffs based primarily on the following:

- i. **Tariff affordability:** In the application, ZESCO proposed to reduce the tariffs for residential R1, R2 and commercial C1 customers. This will provide relief for low-income households and Small and Medium Enterprises (SMEs.) In addition, these proposed reductions will also ensure that tariffs are affordable to this category of consumers. This measure will also assist in alleviating any huge financial impact that would arise from the increased tariffs. Similarly, the proposed adjustments on the MDs are necessary to enable ZESCO import sufficient power for the industries to ensure that these productive sectors remain sustainable during the Emergency period. The proposal by ZESCO to eliminate capacity charge and to adopt an all-energy tariff for the MD customers will also provide the necessary relief to this segment of consumers.
- ii. **Impact on Load Shedding:** It was noted that the power deficit has increased from 900MW to 1,300MW, increasing the hours of load shedding from 17 hours to 21 hours. This has meant that the already struggling businesses experienced a reduction in their revenues due to the increased power rationing which subsequently affected their productivity. In this application, ZESCO committed to reducing hours of Load shedding and publishing predictable load shedding schedules. This reduction will provide relief to households and businesses. Additionally, it was submitted by businesses during the public hearings that the cost of running diesel generators is way above the proposed tariff adjustment.
- iii. **ZESCO's Financial Performance and its Viability:** The financial review indicated that the Utility does not have adequate resources to finance the additional power imports. Therefore, there is need to support the Utility to raise the required funds to meet its funding gap for urgent importation of additional power aimed at alleviating the loadshedding situation.

The ERB hereby **DIRECTS** ZESCO as follows:

**BOARD DIRECTIVE I:      Effective Date**

The approved emergency tariffs should be effective for three (3) months from 1<sup>st</sup> November 2024 to 31<sup>st</sup> January 2025, after which the ERB will re-evaluate the Emergency situation and grant a renewal, if necessary, as per the requirement of Section 18 of the Electricity Act No.11 of 2019.

**BOARD DIRECTIVE 2: Alternative Additional Revenue Sources and Other Options of power purchases**

ZESCO should explore sourcing extra revenue from other sources and other financially prudent options for power imports.

**BOARD DIRECTIVE 3: Purchase of Emergency power from local sources**

ZESCO should prioritize local power purchases provided it is cost effective when compared with Southern Africa Power Pool (SAPP) and other sources.

**BOARD DIRECTIVE 4: Adherence to the Load Management Schedule**

ZESCO should adhere to the published load management schedule as communicated to the consumers and ensure a maximum of 17 hours of load shedding. In the event that the Utility experiences challenges in adhering to the load shedding schedules, the ERB and the public must be notified immediately using real time methods.

**BOARD DIRECTIVE 5: Sensitisation and Regular Communication with the Public**


ZESCO must heighten sensitisation of the public on the emergency power situation and emergency tariff and provide information on energy efficiency measures.

**BOARD DIRECTIVE 6: Regular Updates to the ERB**

ZESCO should provide weekly updates to the ERB, providing evidence that revenue raised from the emergency tariffs is spent solely on the purchase of emergency power. The Utility should also report on actual exports and energy imports from Eskom, EDM, ZPC and any other sources, as the case may be, and any technical challenges including transmission bottlenecks, as they arise.

**BOARD DIRECTIVE 7: Operational Efficiency measure**

ZESCO is directed to ensure that it adheres to the ERB Key Performance Indicators. The Utility should within 30 days submit a report showing the implementation of short term, medium term and long term measures to enhance efficiency.

Signed:   
James Banda  
**BOARD CHAIRPERSON**

## Appendix I: Approved Tariff schedule

<b>RESIDENTIAL CUSTOMERS</b>			
<b>Tariff Category</b>	<b>Current Tariff K/kWh</b>	<b>Approved Tariff K/kWh</b>	<b>Percentage Change</b>
R1 ≤ 100	0.44	0.35	(20%)
R2 > 100 ≤ 200	1.05	1.00	(5%)
R3 > 200 ≤ 300	1.05	1.78	70%
R4 > 300 ≤ 400	1.69	2.87	70%
R5 (New) > 400 ≤ 500	1.69	3.21	90%
R6 (New) > 500	2.44	6.39	162%
<b>COMMERCIAL CUSTOMERS</b>			
<b>Tariff Category</b>	<b>Current Tariff K/kWh</b>	<b>Approved Tariff K/kWh</b>	<b>Percentage Change</b>
C1 ≤ 100	0.78	0.66	(15)%
C2 > 100 ≤ 300	1.35	1.35	0%
C3 > 300 ≤ 500	2.19	2.19	0%
C4 > 500	2.28	3.16	39%
<b>MAXIMUM DEMAND CUSTOMERS</b>			
<b>Tariff Category</b>	<b>Current Tariff K/kWh</b>	<b>Approved Tariff K/kWh</b>	<b>Percentage Change</b>
MD1	K1.06	K2.25	112%
MD2	K1.07	K2.30	115%
MD3	K1.93	K2.50	30%