



**SPEECH BY THE BOARD CHAIRPERSON ON THE ERB DECISION ON
THE GRID CONNECTION CHARGES AND MULTI-YEAR
ELECTRICITY TARIFF APPLICATIONS BY NORTH-WESTERN
ENERGY CORPORATION LIMITED**

21ST JUNE, 2023

BOARD MEMBERS PRESENT (DIRECTOR BANJI AND DIRECTOR MUSUSU)

SENIOR MANAGEMENT OF THE ENERGY REGULATION BOARD

DIRECTORS AND MANAGEMENT OF NORTH-WESTERN ENERGY CORPORATION LIMITED

CONSUMERS AND STAKEHOLDERS

MEMBERS OF THE PRESS

DISTINGUISHED LADIES AND GENTLEMEN

IT IS MY SINGULAR HONOUR AND PRIVILEGE TO WELCOME YOU ALL TO THIS ANNOUNCEMENT OF THE DECISION BY THE BOARD OF THE ENERGY REGULATION BOARD (ERB) ON THE APPLICATIONS MADE BY NORTHWESTERN ENERGY CORPORATION LIMITED (NWECC) TO REVISE ELECTRICITY TARIFFS AND STANDARD GRID CONNECTION CHARGES FOR THE MINING TOWNSHIPS OF KABITAKA, KALUMBILA AND LUMWANA.

THE APPLICATIONS WERE SUBMITTED IN ACCORDANCE WITH THE ELECTRICITY ACT, NO. 11 OF 2019 AND THE ENERGY REGULATION ACT NO. 12 OF 2019 WHICH MANDATE THE ENERGY REGULATION BOARD TO "DETERMINE, REGULATE AND REVIEW CHARGES AND TARIFFS IN THE ENERGY SECTOR". IN LINE WITH THIS MANDATE, THE ENERGY REGULATION BOARD ISSUED A PUBLIC NOTICE INFORMING NWECC'S CUSTOMERS OF THESE APPLICATIONS AND INVITING SUBMISSIONS BY STAKEHOLDERS.

THE ENERGY REGULATION BOARD HELD A PUBLIC HEARING ON THE 18TH OF MAY 2023 TO ENGAGE THE STAKEHOLDERS AND ALSO ADDRESSED MATTERS FROM THE BOARD'S 2020 TARIFF DECISION ORDERS REGARDING THE SERVICE DELIVERY BY NORTH-WESTERN ENERGY CORPORATION.

LADIES AND GENTLEMEN,

FOLLOWING THE PUBLIC HEARING AND IN LINE WITH THE PROVISIONS OF THE ELECTRICITY ACT AND THE ERB'S TARIFF REVIEW GUIDELINES, THE BOARD UNDERTOOK A DETAILED REVIEW OF THE APPLICATIONS BY NORTH-WESTERN ENERGY CORPORATION.

IN ITS APPLICATION, NORTH-WESTERN ENERGY CORPORATION PROPOSED CHANGES TO ITS RESIDENTIAL TARIFFS IN ORDER TO ALIGN THEM TO ZESCO'S PROPOSED MULTI-YEAR TARIFFS FOR THE PERIOD 2023 TO 2027 AND FURTHER SOUGHT TO RESTRUCTURE ITS COMMERCIAL, SOCIAL AND MAXIMUM DEMAND TARIFF STRUCTURES.

IN CONSIDERATION OF THE APPLICATION, THE BOARD TOOK INTO ACCOUNT CONSUMER SUBMISSIONS AND GOVERNMENT POLICY, THE UTILITY'S FINANCIAL PERFORMANCE OVER THE PRECEDING FIVE YEARS AND REVENUE REQUIREMENT TO COVER OPERATIONS AND MAINTENANCE (O&M) COSTS AS WELL AS OTHER ALLOWABLE COSTS INCLUDING A REASONABLE RETURN ON INVESTMENT.

THE ENERGY REGULATION BOARD IS GUIDED BY THE ACT AND INTERNATIONALLY ACCEPTED REGULATORY PRINCIPLES TO ENSURE THAT ONLY THOSE COSTS AND ASSETS DIRECTLY USED IN PROVIDING THE SERVICE ARE PASSED ONTO THE CONSUMER THROUGH THE TARIFF

DISTINGUISHED LADIES AND GENTLEMEN,

THE FINANCIAL PERFORMANCE REVIEW REVEALED A GRADUAL DECLINE IN THE UTILITY'S PROFITABILITY AND LIQUIDITY DUE TO INFLATION, THE RISING COST OF POWER PURCHASES, AND THE DEPRECIATION OF THE KWACHA AGAINST THE DOLLAR. CONSEQUENT TO THIS, NORTH-WESTERN ENERGY CORPORATION RECORDED A DECLINE IN ITS PROFIT.

FOLLOWING EXTENSIVE DELIBERATION, THE BOARD HAS MADE THE FOLLOWING DETERMINATION TO BE EFFECTIVE FROM **1ST JULY 2023**.

THE BOARD HAS REJECTED NORTH-WESTERN ENERGY CORPORATION'S PROPOSAL TO REDUCE THE LIFE-LINE TARIFF (R1) TO 75KWH FOR RESIDENTIAL CUSTOMERS AS THIS WOULD BE DETRIMENTAL TO THE LOW-INCOME HOUSEHOLDS THAT ARE CURRENTLY STRUGGLING WITH THE INCREASING COST OF LIVING.

THE BOARD THEREFORE DIRECTS NORTH-WESTERN ENERGY CORPORATION TO MAINTAIN THE CURRENT LIFE-LINE UNITS AT 100KWH AND REDUCE THE TARIFF FROM 47NGWEE/KWH TO 40NGWEE/KWH. THIS IS CONSISTENT WITH THE GOVERNMENT'S ASPIRATION TO MAKE ELECTRICITY ACCESSIBLE TO ALL ZAMBIANS.

THE BOARD HAS FURTHER REDUCED TARIFF BAND R3 FROM K1.94/KWH TO K1.54/KWH. THIS REDUCTION IN THE R1 AND R3 TARIFF BANDS RESULTS IN AN INCREASE IN UNITS FOR EXPENDITURE BETWEEN K50.00 TO K150.00 AND K300.00 TO K1,200.00 RESPECTIVELY, WHEN COMPARED TO THE CURRENT PRICING.

FOR COMMERCIAL CUSTOMERS OF CAPACITY UP TO 15KVA, THE BOARD HAS APPROVED UPWARD ADJUSTMENT OF THE TARIFFS AS PROPOSED BY NORTH-WESTERN ENERGY CORPORATION. THE APPROVED ADJUSTMENTS WILL RESULT IN IMPROVED REVENUE FOR THE UTILITY WHILST CHARGING A REASONABLE TARIFF TO COMMERCIAL CUSTOMERS.

LADIES AND GENTLEMEN,

THE BOARD HAS ABOLISHED THE MONTHLY FIXED CHARGE ON THE SOCIAL TARIFF. IN ADDITION, THE BOARD HAS APPROVED NORTH-WESTERN ENERGY CORPORATION'S PROPOSAL TO STREAMLINE THE SOCIAL TARIFF CATEGORY TO BE STRICTLY APPLICABLE TO GOVERNMENT AND COMMUNITY SCHOOLS, GOVERNMENT HOSPITALS AND CLINICS, MUNICIPAL STREET LIGHTING AND TRAFFIC LIGHTS, GAZETTED PLACES OF WORSHIP, REGISTERED ORPHANAGES AND REGISTERED OLD PEOPLE'S HOMES. THE TIER STRUCTURE FOR THIS CUSTOMER CATEGORY HAS BEEN ADJUSTED TO ALIGN WITH THE ZESCO APPROVED FOUR-TIER TARIFF STRUCTURE FOR THE SOCIAL SERVICES CATEGORY.

THE SOCIAL TARIFFS, WHICH HAVE BEEN APPROVED AS PROPOSED BY NORTH-WESTERN ENERGY CORPORATION, WILL RESULT IN A REDUCTION IN THE COST OF ELECTRICITY. SPECIFICALLY, K50.00 WILL YIELD 67.50 UNITS AS COMPARED TO 35.17 UNITS UNDER THE CURRENT TARIFF STRUCTURE.

AS AN IMPLEMENTATION MEASURE, CUSTOMERS PRESENTLY UNDER THE SOCIAL TARIFF CATEGORY THAT DO NOT MEET THE NEW CRITERION MUST BE MIGRATED TO EITHER COMMERCIAL OR MAXIMUM DEMAND TARIFF CATEGORIES DEPENDING ON THEIR CAPACITY AND ENERGY CONSUMPTION.

ON THE MAXIMUM DEMAND (MD) CATEGORY, THE BOARD HAS APPROVED NORTH-WESTERN ENERGY CORPORATION'S (NWECS) PROPOSAL TO SET THE UPPER THRESHOLD ON THE MAXIMUM DEMAND TARIFF STRUCTURE TO 2,000KVA. THEREFORE, ALL CUSTOMERS WITH POWER REQUIREMENTS ABOVE 2,000KVA WILL BE REQUIRED TO NEGOTIATE A POWER SUPPLY AGREEMENT (PSA) WITH NORTH-WESTERN ENERGY CORPORATION. CONSUMERS AFFECTED BY THIS CHANGE WHO WILL BE REQUIRED TO TRANSITION TO POWER SUPPLY AGREEMENTS WILL CONTINUE TO PAY TARIFFS UNDER MAXIMUM DEMAND-TWO (MD-2) FOR A PERIOD OF NO MORE THAN 60 DAYS FROM **1ST JULY, 2023** WHILE THE PSA NEGOTIATIONS ARE CONDUCTED.

FURTHER TO THE APPROVED TARIFFS, THE BOARD HAS ORDERED THE FOLLOWING:

1. TARIFFS APPLIED FOR 2024 TO 2027 ARE CONDITIONALLY APPROVED SUBJECT TO THE BOARD'S ANNUAL REVIEW OF THE REGULATORY CLEARING ACCOUNT (RCA) RESULTS WHICH WILL ASCERTAIN AND ESTABLISH THE ACTUAL TARIFF ADJUSTMENT TO BE AWARDED.
2. NORTH-WESTERN ENERGY CORPORATION MUST MAINTAIN A REGULATORY CLEARING ACCOUNT THAT SHOULD CONTAIN DETAILED RECORDS OF THE REVENUE AND EXPENDITURE THAT WOULD BE VERIFIED BY THE BOARD DURING THE TRUE-UPS IN THE LAST QUARTER OF EACH FINANCIAL YEAR. THE MULTI-YEAR TARIFF GUIDELINES, RULES AND REGULATIONS, INCLUDING THE TEMPLATES TO USE, WILL BE TRANSMITTED TO NORTH-WESTERN ENERGY CORPORATION IN DUE COURSE.
3. THE UTILITY SHOULD EXPEDITIOUSLY FINALIZE THE IMPLEMENTATION OF ELECTRONIC (DIGITAL) ELECTRICITY VENDING PLATFORMS TO ALLOW THE CONSUMERS TO PURCHASE ELECTRICITY AT ANY TIME, INCLUDING AFTER THE OPERATING HOURS FOR THE SERVICE CENTRES
4. ALL CUSTOMERS WHO WERE AFFECTED BY ERRONEOUS TAX COMPUTATION ON THE BILLS IN 2017 MUST BE COMPENSATED NO LATER THAN 31ST DECEMBER 2023. IN THIS REGARD, NORTH-WESTERN ENERGY CORPORATION SHOULD SUBMIT PROGRESS REPORTS ON THE IMPLEMENTATION OF THE COMPENSATION PROCESS WITHIN THREE (3) MONTHS FROM TODAY.

THE DETAILED APPROVED TARIFF SCHEDULE WILL BE CIRCULATED BY THE ENERGY REGULATION BOARD STAFF AT THE END OF THIS MEETING.

DISTINGUISHED LADIES AND GENTLEMEN,

NORTH-WESTERN ENERGY CORPORATION ALSO SUBMITTED AN APPLICATION FOR NEW CONNECTION CHARGES THAT WOULD BE CHARGED FOR THE CONNECTION OF NEW CUSTOMERS TO THE NETWORK. THE PROPOSED CHARGES WOULD ONLY APPLY FOR STANDARD CONNECTIONS.

THE REVIEW OF THE APPLICATION TOOK INTO CONSIDERATION THE OBJECTIVES OF THE NATIONAL ENERGY POLICY, PREVAILING MARKET PRICES OF CONNECTION MATERIALS, AFFORDABILITY, REGIONAL BENCHMARKS, CONSUMER SUBMISSIONS AND FINANCIAL SUSTAINABILITY OF THE UTILITY.

THE BOARD ESTABLISHED THAT NORTH-WESTERN ENERGY CORPORATION'S PROPOSED RATES WERE GENERALLY COMPARABLE TO THE MARKET RATES. HOWEVER, THE ERB NOTES THAT ZAMBIA'S ACCESS TO ELECTRICITY RATES ARE STILL DISMALLY LOW, AT 8.1 PERCENT IN RURAL AREAS AND 70.8 PERCENT IN URBAN AREAS, AND THAT A LARGE PROPORTION OF THE POPULATION ARE STILL LIVING UNDER THE POVERTY LINE.

IN THIS RESPECT, LEFT ON THEIR OWN, CONSUMERS WOULD HAVE DIFFICULTIES MEETING THE FULL COST OF CONNECTION AS PROPOSED BY NORTH-WESTERN ENERGY CORPORATION.

THEREFORE, IN ARRIVING AT NORTH-WESTERN ENERGY CORPORATION'S APPROVED CONNECTION CHARGES, THE BOARD CONSIDERED THE NEED TO ENSURE THAT THE CHARGES ARE AFFORDABLE TO THE RURAL COMMUNITY IN NORTH-WESTERN ENERGY CORPORATION'S TERRITORIAL AREAS AS WELL AS IN CONFORMITY TO THE GOVERNMENT'S ASPIRATIONS OF INCREASING ELECTRICITY ACCESS IN RURAL AREAS.

CONSEQUENTLY, THE APPROVED CHARGES ARE AT A 70:30 COST SHARING MECHANISM WHERE THE CONSUMER WOULD MEET 70 PERCENT OF THE BOARD'S DETERMINED COST OF CONNECTION WHILE NORTH-WESTERN ENERGY CORPORATION WILL FINANCE THE REMAINING 30 PERCENT. THE APPROVED COST SHARING MECHANISM IS MEANT TO MAKE CONNECTION CHARGES MORE AFFORDABLE; REFLECT THE MARKET COST INCURRED BY THE UTILITY TO UNDERTAKE THE STANDARD CONNECTION; AND ALIGN TO THE COST SHARING MECHANISM THAT WAS APPROVED FOR ZESCO.

THE BOARD, THEREFORE, APPROVED CONNECTION CHARGES AT THE FOLLOWING RATES, EFFECTIVE IMMEDIATELY:

HIGH DENSITY, DEMARCATED AND RETICULATED AREAS:

Description	Recommended Charge (K)
Single phase overhead	3,700
3 Phase overhead	9,700
Single phase underground	5,400
3 phase underground	9,900
Single phase overhead to 3 phase overhead	6,800
Single phase overhead to 3 phase underground	9,900
Single phase underground to 3 phase underground	8,500
3 phase overhead to 3 phase underground	5,900

LOW DENSITY, DEMARCATED AND RETICULATED AREAS

Description	Recommended Charge (K)
Single phase overhead standard	5,000
Meter separation	3,700
3 phase overhead	11,100
Single phase underground	6,700
3-phase underground	11,300
Single phase overhead to 3 phase overhead	7,600
Single phase overhead to 3 phase underground	9,900
Single phase underground to 3 phase underground	9,900
3 phase overhead to 3 phase underground	6,100

HIGH DENSITY UN-DEMARCATED AREAS

Description	Recommended Charge (K)
Single phase overhead	5,000
3 phase overhead	11,100
Single phase overhead	6,700
3 phase underground	11,300
Single phase overhead to 3 phase overhead	11,300
Single phase overhead to 3 phase underground	11,300
Single phase underground to 3 phase underground	9,900
3 phase overhead to 3 phase underground	5,900

LADIES AND GENTLEMEN,

THE BOARD DIRECTS THAT CUSTOMERS WHO PAY THE FULL CONNECTION CHARGE MUST BE CONNECTED WITHIN 30 WORKING DAYS. FOR THOSE WHO WOULD BE UNABLE TO PAY THE FULL CONNECTION FEE AT ONE TIME, NORTH-WESTERN ENERGY CORPORATION IS DIRECTED TO DEVELOP AND IMPLEMENT AN OPTION FOR A STAGGERED PAYMENT PLAN 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, NORTH-WESTERN ENERGY CORPORATION IS ORDERED TO DEVELOP AND IMPLEMENT A STAGGERED PAYMENT PLAN FOR A PERIOD NOT EXCEEDING 12 MONTHS.

THE PAYMENT PLAN DEVELOPED UNDER THIS ORDER MUST BE SUBMITTED TO THE ENERGY REGULATION BOARD WITHIN 30 DAYS.

AS I CONCLUDE, I WISH TO THANK STAKEHOLDERS FOR THEIR VALUABLE CONTRIBUTIONS WHICH WERE INTEGRAL TO THE TARIFF AND CONNECTION CHARGE DETERMINATION PROCESS. WE EXPECT THAT THE APPROVED TARIFFS STRIKE A BALANCE BETWEEN AFFORDABILITY FOR THE CONSUMERS AND SUSTAINABILITY FOR NORTH-WESTYERN ENERGY CORPORATION AND WILL ALLOW THE UTILITY TO CONTINUE TO DELIVER A SERVICE OF AN ACCEPTABLE QUALITY.

WE URGE YOU ALL TO CONTINUE TO ENGAGE NORTH-WESTERN ENERGY CORPORATION SHOULD YOU ENCOUNTER ANY PROBLEMS WITH THE QUALITY OF SERVICE DELIVERED AS IT IS WITHIN YOUR RIGHTS AS PAYING CUSTOMERS TO DEMAND QUALITY SERVICE.

FURTHER, SHOULD YOU FEEL THAT YOUR COMPLAINTS HAVE NOT BEEN ADEQUATELY HANDLED BY THE UTILITY, YOU ARE WELCOME TO ENGAGE THE ENERGY REGULATION BOARD BY FILING A COMPLAINT VIA OUR WEBSITE, CALLING THE TOLL FREE LINE **8484** DURING WORKING HOURS, OR VISITING ANY OF OUR OFFICES.

I WILL NOW HAND OVER TO THE MODERATOR WHO WILL GUIDE THE REST OF THE PROCEEDINGS.

THANK YOU AND GOD BLESS.

CUSTOMER CATEGORY	TARIFF	Current Tariffs (K/kWh)	Proposed Tariffs (K/kWh)				
			2023	2024	2025	2026	2027
1. METERED RESIDENTIAL TARIFFS [Capacity up to 15KVA]							
R1-Consumption up to 100kWh	Energy Charge/kWh	0.47	0.40	0.44	0.54	0.63	0.73
R2-Consumption above 100 to 200kWh	Energy Charge/kWh	0.85	0.95	1.05	1.28	1.50	1.76
R3-Consumption above >200≤ 500	Energy Charge/kWh	1.94	1.54	1.69	2.07	2.42	2.83
R4- Consumption above 500	Energy Charge/kWh	N/A	2.22	2.44	3.23	3.45	4.04
2. COMMERCIAL TARIFFS (Capacity up to 15KVA)							
C1-Commercial ≤200	Energy Charge/kWh	1.07	1.25	1.28	1.30	1.30	1.31
C2-Commercial >200	Energy Charge/kWh	1.85	2.15	2.21	2.24	2.24	2.27
3. SOCIAL SERVICES TARIFFS (Schools, Hospitals, street lighting)							
S1-Social ≤ 100	Energy Charge/kWh	1.19	0.62	0.69	0.76	0.81	0.87
S2- Social >100≤ 300	Energy Charge/kWh		0.94	1.04	1.15	1.23	1.32
S3- Social >300≤ 500	Energy Charge/kWh		1.00	1.11	1.22	1.31	1.40
S4- Social >500	Energy Charge/kWh		1.13	1.25	1.38	1.48	1.59
	Fixed Monthly Charge	83.84			Abolished		
6. MAXIMUM DEMAND TARIFFS							
MD1-Capacity from > 15KVA ≤ 300KVA	MD Charge/KVA/Month	42.79	51.96	55.23	60.2	65.62	71.53
	Energy Charge/kWh	0.61	0.74	0.81	0.88	0.96	1.05
	Fixed Monthly Charge	419.02	508.82	548	597.32	651.07	709.67
	Off Peak MD Charge/KVA/Month	21.39	25.98	27.62	30.1	32.81	35.76
	Off Peak Energy Charge/kWh	0.46	0.56	0.61	0.66	0.72	0.79
	Peak MD Charge/KVA/Month	53.48	64.95	69.04	75.26	82.03	89.41
	Peak Energy Charge/kWh	0.77	0.93	1.01	1.10	1.20	1.31
MD2-Capacity from 301KVA to 2,000KVA	MD Charge/KVA/Month	80.03	97.18	106.22	115.78	126.2	137.56
	Energy Charge/kWh	0.53	0.64	0.70	0.77	0.84	0.91
	Fixed Monthly Charge	837.97	1,017.55	1,112.18	1,212.28	1,312.38	1,440.31
	Off Peak MD Charge/KVA/Month	40.01	48.59	53.11	57.89	63.1	68.78
	Off Peak Energy Charge/kWh	0.39	0.48	0.53	0.58	0.63	0.68
	Peak MD Charge/KVA/Month	100.03	121.48	132.77	144.72	157.75	171.95
	Peak Energy Charge/kWh	0.66	0.80	0.88	0.96	1.04	1.14
NOTE:							
The above tariffs are:							
(a)Exclusive of 3% Government excise duty							
(b)Exclusive of 16% Value Added Tax (VAT)							