



**PUBLIC NOTICE AND CALL FOR COMMENTS**  
**ON**  
**ZESCO'S APPLICATION FOR AN EMERGENCY TARIFF**

**SEPTEMBER 2024**

## **1.0 INTRODUCTION**

The Energy Regulation Board (ERB) is in receipt of an application from ZESCO Limited (“ZESCO” or “the Utility”) for the approval of an emergency tariff adjustment on its Residential, Commercial and Maximum Demand customer categories for a period of three (3) months. The Utility’s proposed tariffs are meant to support importation of emergency power to contribute towards reducing the 1,300MW electricity deficit currently being experienced in the Country’s hydroelectricity generation plants. Due to Zambia’s dependence on hydroelectricity, the drought implies ZESCO must import power from the region.

According to ZESCO, the rationale of the application is to:

- i. Cushion the impact of rising commodity prices in the country by reducing tariffs for residential consumption up to 200kWh and commercial (small and medium sized enterprise (SME)) consumption up to 100kWh;
- i. Maintain the current tariff structure for water pumping stations for Water Utilities to support the provision of clean water and sanitation services during the crisis period;
- ii. Along with other bilateral agreements, to import power to reduce the deficit;
- iii. Along with other bilateral agreements, reducing hours of power rationing, providing consumers with up to 7 hours of predictable scheduled electricity supply per day;
- iv. Promote energy efficiency and persuade consumers to switch to other sources such as solar installations and gas for cooking; and
- v. Raise adequate revenue to cover the purchase cost of imports of power of 788MW.

This emergency tariff application is consistent with the policy pronouncement in the 2025 Budget Speech to undertake electricity tariff reforms through implementation of cost reflective tariffs while ensuring that electricity is made affordable for low-income households.

This Public Notice and Consultation Paper (PCP) is issued in the interest of best regulatory practice and in keeping with the ERB’s mission to be responsive to stakeholders’ needs and to ensure transparency with regard to the emergency situation and the efforts to manage the energy crisis.

Specifically, the PCP seeks to solicit input and views from interested and affected parties in order to achieve a fair balance between the interests of customers (end-users), the licensee (ZESCO) and the public at large. The input will be considered and form part of the decision-making process of the Board of Directors of the ERB.

## **2.0 LEGAL BASIS FOR TARIFF REVIEW**

The ERB’s declaration of a state of emergency via Gazette Notice issued on 12<sup>th</sup> April 2024 was made in accordance with Section 18 of the Electricity Act No. 11 of 2019.

Section 18 further provides that:

18 (3) Where the emergency is declared, the licensee shall submit the proposed tariff adjustment to the Energy Regulation Board for approval.

(5) The Energy Regulation Board may review the declared emergency under subsection (1) at intervals not exceeding three months for purposes of determining whether the emergency still exists.

### 3.0 ZESCO'S APPLICATION

ZESCO's application for an emergency tariff is intended to affect three (3) customer categories namely; Residential, Commercial and Maximum Demand. The tariffs for Social and Water Pumping customer categories are not affected by the proposal.

#### 3.1 Summary of ZESCO's application

Table I presents a summary of ZESCO's emergency tariff application.

**Table I: Summary of ZESCO's proposed emergency tariffs**

	<b>RESIDENTIAL CUSTOMERS (R)</b> <i>(e.g. households)</i>	<b>COMMERCIAL CUSTOMERS (C)</b> <i>(e.g. salons, barber shops, grocery stores)</i>	<b>MAXIMUM DEMAND CUSTOMERS (MD)</b> <i>(Manufacturers, farmers, shopping malls etc)</i>
<b>Proposed adjustments</b>	<ul style="list-style-type: none"> <li>▪ Reduce tariffs for R1 (consumption up to 100kWh) from K0.44 to K0.35.</li> <li>▪ Reduce tariffs for R2 (consumption above 100kWh and up to 200kWh) from K1.05 to K1.00.</li> <li>▪ Cost of units of electricity increase only for consumption levels above 200kWh.</li> <li>▪ To provide gradual migration to cost reflectivity, introduce additional consumption bands R5 and R6 for consumption above 500kWh.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Reduce the electricity tariffs for C1 (consumption below 100kWh) from K0.78 to K0.66.</li> <li>▪ No tariff change for consumption above 100kWh and up to 500kWh.</li> <li>▪ Cost of units of electricity increase only for consumption exceeding 500kWh, classified under the C4 category.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Abolish capacity charge for MD customers during the emergency period.</li> <li>▪ Increase tariff to between K2.25/kWh and K2.50/kWh.</li> </ul>
<b>Number of customers impacted</b>	<ul style="list-style-type: none"> <li>▪ Over 500,000 households or 56% of residential customers will experience a reduction in tariffs.</li> <li>▪ Only 44% of residential customers, who consume above 200kWh will experience a tariff increase.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Over 14,000 customers or 19% of commercial customers will benefit from the tariff reduction.</li> <li>▪ Only 24% of commercial customers, who consume above 500kWh will experience a tariff increase.</li> </ul>	The increment will affect 10,228 maximum demand customers.
<b>Bill impact of the Tariff Adjustment</b>	<ul style="list-style-type: none"> <li>▪ From 9% up to 20% reduction in the tariffs for consumption below 200kWh.</li> <li>▪ From 11% up to 56% increase for consumption</li> </ul>	<ul style="list-style-type: none"> <li>▪ From 1% to 15% reduction in the tariffs for consumption below 100kWh.</li> <li>▪ From 8% to 22% increase in tariffs for consumption below 1,000kWh.</li> </ul>	▪ Increase from 30% up to 115% in energy tariffs only.

	above 200kWh but below 500kWh.		
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### 3.2 Impact and Rationale of the Proposed Emergency Tariffs

The impact and rationale of the proposed tariffs is presented in the sections below.

#### 3.2.1 Residential Customers (e.g. Households)

Table 2 presents the proposed Residential tariffs.

**Table 2: Proposed emergency residential tariffs**

Existing Tariff Bands (kWh)	Current Tariff (K/kWh)	ZESCO Proposed Consumption Bands (kWh)	Proposed Emergency Tariff (K/kWh)	Change (K/kWh)
Lifeline R1 ≤ 100	0.44	Lifeline R1 ≤ 100	0.35	(0.09)
Residential R2 > 100 ≤ 300	1.05	Residential R2 > 100 ≤ 200	1.00	(0.05)
Residential R3 > 300 ≤ 500	1.69	Residential R3 > 200 ≤ 300	1.78	0.09
Residential R4 > 500	2.44	Residential R4 >300 ≤ 400	2.87	0.43
		Residential R5 [New] > 400 ≤ 500	3.21	0.77
		Residential R6 [New] >500	6.39	3.95

Table 3 illustrates the bill impact of the proposed emergency tariffs.

**Table 3: Expected changes in the electricity bills per month for residential consumers**

Monthly Electricity Consumption (kWh)	Current Cost (K)	Costs at Proposed Emergency Tariffs (K)	Change (%)
100	53	42	(20)
150	115	102	(12)
200	178	161	(9)
250	241	268	11
300	303	375	23
350	404	546	35
400	505	717	42
500	707	1,101	56

As presented in Table 3, customers that consume less than 200 units per month will experience a reduction in their monthly electricity bills. This measure is meant to provide relief to low-income households and thereby ensuring that there is access to affordable electricity. Further, the increase in the electricity bills for customers that consume more than 200kWh is meant to promote energy efficiency among high consumers of power as well as encourage the use of alternative renewable energy sources such as Solar and LPG. According to ZESCO, the introduction of tariff bands R5 and R6 is meant to avoid a tariff shock and provide a smooth and gradual progression towards cost reflective tariffs.

#### 3.2.2 Commercial Customers (e.g. Salons, Barber Shops, Grocery Stores)

Table 4 presents the summary of ZESCO's proposed tariffs under the commercial customer category.

**Table 4: Summary of ZESCO's Commercial customer emergency tariff proposals**

Tariff Band (kWh)	Current Tariff (K/kWh)	Proposed Emergency Tariff (K/kWh)	Change (K/kWh)
Commercial C1 ≤ 100	0.78	0.66	(0.12)
Commercial C2 > 100 ≤ 300	1.35	1.35	0.00
Commercial C3 > 300 ≤ 500	2.19	2.19	0.00
Commercial C4 > 500	2.28	3.16	0.88

Table 4 shows the estimated monthly electricity bills.

**Table 4: Expected changes in the electricity bills per month for commercial consumers**

Monthly Electricity Consumption (kWh)	Current Cost (K)	Costs at Proposed Emergency Tariffs (K)	Change (%)
100	93	79	(15)
150	174	160	(8)
200	254	241	(5)
250	335	321	(4)
300	416	402	(3)
350	547	533	(3)
400	677	663	(2)
450	808	794	(2)
500	939	925	(1)
600	1,212	1,303	8
700	1,484	1,680	13
800	1,756	2,058	17
900	2,029	2,435	20
950	2,165	2,624	21
1,000	2,301	2,813	22

For commercial customers consuming below 500kWh, the proposed emergency tariffs will result in a reduction on their electricity bills between 1 to 15 percent. According to ZESCO, this measure is meant to provide relief to the small and medium-sized enterprises (SMEs). This is in consideration of the heightened operational costs due to inconsistent electricity supply to the businesses.

### 3.2.3 Maximum Demand Customers (e.g. Manufacturers, Farmers, Shopping Malls)

Table 5 presents a summary of ZESCO's proposed maximum demand tariffs.

**Table 5: Summary of ZESCO's maximum demand customer emergency tariff proposals**

Tariff Band (KVA)	Current Tariff (K/KVA)	Proposed Emergency Tariff (K/KVA)	Change (%)
Maximum Demand MD1 ≥ 16 ≤ 300	1.06	2.25	112
Maximum Demand MD2 < 300 ≤ 2,000	1.07	2.30	115
Maximum Demand MD3 < 2,000 ≤ 5,000	1.93	2.50	30

The proposed increase to this category of consumers is meant to ensure cost reflectivity and guarantee electricity supply to key sectors of the economy.

### 3.3 Expected benefits of the tariff adjustment

Should ZESCO raise US\$94 million per month, that is, US\$15 million from domestic customers and the balance from other sources, then the following benefits will be expected:

- i. Reduce the power deficit from an average of 1,300MW to 512MW; and
- ii. Reduce hours of power rationing, providing consumers with up to 7 hours of predictable electricity supply per day.

### 4.0 PROPOSED ROAD MAP FOR REVIEW OF ZESCO'S EMERGENCY TARIFF APPLICATION

Table 6 provides a summary of the key activities and target dates/milestones in the proposed road map for review of ZESCO's emergency tariff application that envisages the effective date being 1<sup>st</sup> November 2024.

**Table 6: Summary of the roadmap activities and target dates**

No.	Key activity	Target date
1.	Publication of the Public Consultation Paper for consumer comments, and provide for 3 days to receive consumer comments	2 <sup>nd</sup> October, 2024
2.	Holding of the public hearing in Kitwe and Lusaka respectively	5 <sup>th</sup> & 7 <sup>th</sup> October, 2024
3.	Detailed review of the application	8 <sup>th</sup> October, 2024
4.	Board sitting to consider the application	10 <sup>th</sup> October, 2024
5.	Public announcement of the Board Decision	11 <sup>th</sup> October, 2024

### 5.0 CALL FOR PUBLIC COMMENTS ON THE PROPOSED EMERGENCY TARIFF

Considering the foregoing, the public is hereby invited to submit comments on ZESCO's application by Friday 4<sup>th</sup> October 2024. Public Consultation Meetings will be held virtually and physically on Saturday 5<sup>th</sup> October 2024 in Kitwe and Monday 7<sup>th</sup> October 2024 in Lusaka. The hearings will accord submitters the opportunity to engage the Utility on its application and address the Board on their submitted comments.

Comments should be submitted in writing to [tariffs@erb.org.zm](mailto:tariffs@erb.org.zm) by 12 hours on Friday 4<sup>th</sup> October 2024. Details on the venues, time and the virtual platform of the meetings will be communicated through the ERB website ([www.erb.org.zm](http://www.erb.org.zm)) and Facebook page.

*We safeguard your interests*