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PRESS STATEMENT - For Immediate Release

ZESCO SEEKS EMERGENCY TARIFF ADJUSTMENT TO MEET ESCALATING SOURCING COSTS OF REPLACEMENT POWER AMIDST GROWING DROUGHT INDUCED POWER DEFICIT

Lusaka, August 18, 2024 -ZESCO Limited applied to the Energy Regulation Board for an emergency tariff adjustment to meet the cost of replacement power intended to cushion the effects of the drought induced hydropower generation deficit that is expected to increase as the levels of water available for power generation continue on a downward trend.

The proposed adjustments are intended primarily to generate revenue to facilitate the purchase of additional power from imports and enable the deployment of inland diesel power generation plants. These proposed changes aim to address the ongoing power crisis and minimize its impact across various sectors of the economy.

The Basis of the Emergency Tariff Adjustment Application

ZESCO's application for an emergency tariff adjustment is supported by the gazette issued by the Energy Regulation Board (ERB) on 12 April 2024 regarding the declaration of a state of Emergency pursuant to Part (ii) Article 18 of the Electricity Act No. 11 of 2019. Having fulfilled the conditions of subsections (1) and (2) of Article 18 of the Act, ZESCO submitted a tariff adjustment in accordance with Article 18 subsection (3) of the Electricity Act which states that "*Where the emergency is declared, the licensee shall submit the proposed tariff adjustment to the Energy Regulation Board for approval*".

The proposed alteration of tariff structures and variation of tariffs for residential, commercial and maximum demand customer categories to facilitate partial cost-recovery and demand-side management, are detailed below.

Details of ZESCO's Application

1. Residential Customers:

- Expansion of the current 4 tariff bands to 6.
- Retention of the life-line tariff cost for the first 100 units.
- Increase in costs for consumption of over 200 units.
- Proposed tariff increases range from 50% to 156%, impacting approximately 44% of residential customers (417,365 households).

- The Corporation aims to keep the R1 and R2 tariffs unchanged to prevent adverse financial effects on low-income families

Proposed emergency tariffs for residential customers

| Tariff categories | Current tariff K/kWh | Proposed emergency tariff K/kWh | Emergency tariffs in US¢/kWh |
|--------------------------|---------------------------------|--|---|
| R1 ≤ 100 | 0.44 | 0.44 | 1.76 |
| R2 > 100 ≤200 | 1.05 | 1.05 | 4.20 |
| R3 > 200 ≤300 | 1.05 | 1.58 | 6.32 |
| R4 >300 ≤400 | 1.69 | 2.54 | 10.16 |
| R5 (New) >400 ≤500 | 1.69 | 2.96 | 11.84 |
| R6 (New) >500 | 2.44 | 6.25 | 25.00 |

2. Commercial Customers:

- Reduction in tariffs for consumption below 100 units.
- Increase in tariffs for consumption exceeding 500 units, with a 3% reduction for low-consumption customers and up to a 38% increase for high-consumption customers.

Proposed commercial tariff

| Tariff categories | Current tariff K/kWh | Proposed emergency tariff K/kWh | Emergency tariffs in US¢/kWh |
|--------------------------|---------------------------------|--|---|
| C1 ≤ 100 | 0.78 | 0.78 | 3.12 |
| C2 > 100 ≤300 | 1.35 | 1.35 | 5.4 |
| C3 >300 ≤500 | 2.19 | 2.19 | 8.8 |
| C4 (New) >500 | 2.26 | 3.15 | 12.6 |

3. Maximum Demand Customers:

- Maintenance of current tariffs for 70% of the total electricity consumed monthly.
- Increase in tariffs for 30% of the total electricity consumed, with proposed increases ranging from 50% to 143%.

Exemptions:

It is important to note that customers in the Social and Water Pumping categories are exempt from these emergency tariff adjustments. Additionally, Maximum Demand

customers with existing and active partial Emergency Power Supply Agreements (PSAs) with ZESCO will not be subjected to the emergency tariff changes.

Objective of the Emergency Tariff

ZESCO's application aims to raise US\$14 million monthly, as part of the broader effort to secure US\$68 million required to procure 300MW of electricity. The additional power will be sourced as follows:

- 70MW from South Africa
- 50MW from Mozambique
- 180MW from inland diesel generators

Expected Outcomes

The emergency tariff adjustment is designed to mitigate the current electricity crisis by:

- Replacing power that will be unavailable during the plant maintenance period at Maamba Energy Limited expected to last a total of 30 days (in intervals of 15 days per generator) and reduced output at Kariba North Bank Power Station.
- Supporting the deployment of inland diesel generator plants.
- Promoting energy efficiency among consumers, encouraging the switch to alternative energy sources such as LPG and solar.
- Redirecting power savings to support productive sectors of the economy.

This being an emergency tariff adjustment, if approved, will only last for the period of the emergency, and will be a subject of periodic review by the ERB as to whether the tariff remains in force or not.

Issued By
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