

## PUBLIC NOTICE

# MEDIA STATEMENT ON THE NAMPOWER TARIFF ADJUSTMENT FOR THE FINANCIAL PERIOD 2019/2020

The Board of Directors of the Electricity Control Board (ECB) met on 17 April 2019 to deliberate on recommendations presented following a review of NamPower's bulk tariff application for the period 2019/2020.

### 1. TARIFF APPLICATION

In accordance with the existing legal provisions, NamPower made a tariff application for an effective bulk tariff (inclusive of generation and transmission) decrease of 3.11%, a decrease from an average N\$ 1.69 per kilowatt-hour to N\$ 1.64 per kilowatt-hour for the financial period 2019/2020.

### 2. TARIFF REVIEW PROCESS

Annual electricity tariff reviews are conducted to ensure that utilities charge appropriate tariffs to collect sufficient revenue to enable reliable and efficient operations at affordable rates.

As part of the review process, at a stakeholder meeting, NamPower made a presentation of its application to the different stakeholders. The Stakeholders were requested to present their views, facts, and evidence on the tariff application. Submitted comments were considered in the decision making process leading to the tariff approval.

In determining the tariff change, the ECB considered a number of factors including; the impact of the tariff change on the Electricity Supply Industry, the economy at large and the consumers, amongst other stakeholders. This is the norm whether such application is for an increase or decrease.

### 3. TARIFF REVIEW OUTCOME

Based on the available facts and evidence, the Electricity Control Board approved a 2.5 percent tariff decrease, translating into an effective bulk tariff decrease, moving from N\$ 1.69 to N\$ 1.65 per kilowatt-hour.

#### Why the tariff decrease?

In 2015, Namibia and the Southern Africa region experienced a shortage of electricity that led to NamPower having to procure more expensive power in order to secure a constant supply of electricity to the Namibian customers. This state of event led to an under-recovery amount

incurred between 2015 and 2017. The under-recovery amount was provided in the tariff by the ECB over a three-year period (2016, 2017 and 2018).

Since the under-recovery amount for the mentioned period is now fully recovered, a tariff decrease is necessary to ensure that NamPower does not over recover on the tariff for 2019/2020 and that the tariff remains cost reflective as directed by Cabinet.

In the application by NamPower for the decrease of 3.11 the Long Run Marginal Cost (LRMC) was not included. This needed to be included in the tariff determination by the ECB as the LRMC is used to ensure a continued supply of electricity. The LRMC amounts to 3 cents per kilowatt-hour. The purpose of the long run marginal cost is to ensure a smoother tariff path for the future and to provide for any eventualities and assist in capitalisation of new generation capacity for the future. This led to the approved decrease of 2.5%.

The 2.5 percent tariff decrease would enable NamPower to recover its allowed operating costs and ultimately fulfil its financial obligations, including payments to the local Independent Power Producers.

#### Future outlook:

For a smooth tariff integration of new generation capacity as per the National Integrated Resource Plan, it is envisaged that the bulk tariff will increase with an average of 5% for the next five years, more or less in line with inflation. However, it should be noted that external factors such as impact of weather conditions, foreign exchange fluctuations and other unforeseen circumstances have an impact on the future tariff outlook.

The approved tariff decrease is applicable to NamPower bulk customers i.e. Regional Electricity Distributors (REDs), Local Authorities, Regional Councils and Mines. Distributors will individually apply to the ECB for the review of their tariffs, which when approved will be applicable to end consumers. The 2.5 percent tariff decrease of NamPower will be taken into consideration.

Considering the approved bulk tariff decrease, inflation related impact and adjustments on

distribution costs of Distributors to distribute electricity to end users, it is projected that end consumer tariffs should on average remain as is. Actual changes to end user tariffs will be based on individual Distributor's tariff application and the review by the Regulator. It should be noted that should there be no bulk tariff decrease, end user tariffs would have at least increased by inflation, therefore the bulk tariff decrease absorbed the necessary inflationary adjustments for the period 2019/2020.

The approved tariff adjustment is effective from 01 July 2019.

### 4. CONCLUSION

The Electricity Control Board and the Electricity Supply Industry are constantly looking for means and mechanisms to reduce tariffs and make electricity more affordable. We are cognisant of the fact that the economy is highly dependent on reliable and affordable electricity supply. It is, therefore, the responsibility of the Regulator to ensure a sustainable electricity industry at affordable tariffs.

We believe that the recently Cabinet approval of the Modified Single Buyer Market Model (MSB) for the industry will attract more Independent Power Producers (IPPs) promote investment.

The main change to the current Single Buyer model is that the Modified Single Buyer model will allow transmission electricity consumers and Independent Power Producers to transact with each other directly for the supply of electricity.

More information on the implementation and the development of the Market Rules will be shared with the public in due course.

I thank you



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Chief Executive Officer