



PUBLIC NOTICE

NAMPPOWER BULK ELECTRICITY TARIFF APPROVAL FOR THE FINANCIAL PERIOD 2022/2023

1. TARIFF APPLICATION

In accordance with the existing legal provisions, NamPower submitted a tariff application for an effective bulk tariff (inclusive of generation and transmission) increase of 12.78%, which would have resulted in an increase from an average N\$1.6982 per kilowatt-hour (kWh) to N\$1.9153 per kilowatt-hour for the financial period 2022/2023.

2. TARIFF REVIEW PROCESS

Annual electricity tariff reviews are conducted to ensure that utilities charge appropriate tariffs to collect enough revenue to provide reliable and efficient services at affordable cost-effective rates.

In reviewing the tariff, the ECB considered several factors, including the impact of the tariffs on the Electricity Supply Industry, consumers, and the economy at large. In particular, the impact of the COVID-19 pandemic on several industries and the consumers, as well as the current economic climate, were considered. The ECB is cognisant that prices of goods and services have been increasing, and this is negatively affecting consumers.

As part of the review process, the ECB consulted different stakeholders through a stakeholder meeting, at which NamPower presented its application to the 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.

3. TARIFF REVIEW OUTCOME

After due consideration and in accordance with the tariff review process, the Electricity Control Board resolved to increase the average bulk tariff with 7.30% from the current approved tariff of N\$1.6982 per kilowatt-hour to N\$1.8222 per kilowatt-hour for the period 2022/2023.

The approved increase follows a tariff decrease in 2019/2020, no tariff increase for 2020/2021 and an increase of 2.29% in 2021/2022. The approved tariff is applicable to NamPower bulk customers (i.e. Regional Electricity Distributors (REDs), Local Authorities, Regional Councils and Mines).

As part of the discussions with the Minister of Mines and Energy, the Ministry availed N\$100 million through the National Energy Fund (NEF), to mitigate the impact of the increase on consumers. The allocated funds will be used for energy related variable costs of NamPower in consultation with the ECB.

The above-mentioned approved tariff will be applicable to NamPower bulk customers. The distribution utilities such as the Regional Electricity Distributors (REDs), Local Authorities and Regional Councils will individually apply to the ECB for a review of their distribution tariffs, which will be applicable to end consumers when approved.

The approved tariff adjustment is effective from 01 July 2022.

4. CUSTOMER FUNDED POWER PLANT

Over the years, the tariff included an amount for Long Run Marginal Cost (LRMC) purposes. The Long Run Marginal Cost is intended to ensure a smooth tariff path for the future, especially when NamPower is experiencing cash flow challenges due to expensive power supply options or building new power plants.

The Long Run Marginal Cost funds may be used to cushion customers from unexpected tariff hikes or in situations when the economy is depressed and or to build new power plants that will ensure an affordable projected tariff path. For the past two years, a total amount of N\$85 million was availed to mitigate the impact of the tariff increase on consumers and the economy.

In 2020, an amount of N\$500 million was allocated from the Long Run Marginal Cost Fund to partially fund the construction of NamPower renewable energy plants. An amount of N\$342 million was allocated to the 20MW Solar PV plant at Omburu. The remaining amount of N\$158 million will be used for part funding of the 40MW NamPower owned Wind plant to be procured soon.

The ECB is pleased to inform the public that the construction of the NamPower Omburu solar PV plant is completed and the plant was commissioned end of March 2022. Since

the plant was customer funded, and only minimal operational costs are recoverable through the approved tariff, the NamPower Omburu Solar PV plant is currently the cheapest source of electricity in our energy mix, thus contributing to a reduction in the tariff increase.

In accordance with the tariff methodology, NamPower will not be allowed a return and depreciation on the assets created using the N\$500 million LRMC contribution, and this will result in a total net saving to the customers of approximately N\$1 billion over a period of 30 years and will assist in improving the afford ability of electricity to end users.

Due to the current depressed economic situation, no provision was made for the recovery of the LRMC as part of the tariff for the 2022/2023 period. The ECB will in future consider reinstating the recovery of the LRMC.

5. CONCLUSION

The Electricity Control Board is cognisant of the fact that the economy is affected by impacts of the COVID-19 pandemic but is equally dependent on reliable and affordable electricity supply. It is the responsibility of the Regulator to ensure a sustainable electricity industry at affordable tariffs.

Future tariffs are expected to increase in line with inflation and to cater for new generation as per the National Integrated Resource Plan. However, we must realise that external factors such as the weather, foreign exchange fluctuations, and other unforeseen circumstances may affect the projected price path and must be taken into consideration when reviewing future tariff applications.

