



INFORMATION FACT SHEET

TECHNICAL ISSUES IN REDS & NON-REDS AREAS

Introduction

A RED is a regional electricity distributing company tasked with supplying electricity to the residents in a specific geographical region. There are currently three REDs in Namibia: CENORED, Erongo RED and NORED, with the establishment of Central RED and SORED under development. REDs were established in order to improve efficiency, service delivery and viability of the Electricity Supply Industry (ESI).

Administrative Challenges

A fragmented electricity distribution industry or sector consisting of small sparsely located entities, such as village councils, local authorities, town councils and regional councils, is not efficient and leads to a loss due to economies of scale. Often, revenue collection has proven difficult for these small and poorly resourced distributors leading to failure to meet and honour financial and credit responsibilities and obligations.

Technical Challenges

The following are the technical issues in the Non-RED issues:

- The status of electricity infrastructure for smaller licensees in non-RED areas is poor due to lack of adequate maintenance and upgrading of the infrastructure.
- The above lead to poor quality of supply and service thus no-compliance with Quality of Supply and Service standards.
- There is a lack of adequately skilled and experienced human resources in the non-RED distribution areas contributing to inefficiencies in that part of the distribution sector of the country. This is especially notable amongst smaller distributors where, in most case, there are no electricians to attend to basic maintenance and efficient operation of the network. Many of the small non-RED distributors often struggle to review their electricity tariffs annually leading to them charging often low and not cost-reflective and or illegal electricity

tariffs with resulting efficiency losses as well as large differences in quality of supply and service to customers amongst the multitude of non-RED distributors.

- The large number of non-RED distributors also led to diverse financial performance. Typically, large distributors like the three currently existing REDs, bigger municipal distributors such as the City of Windhoek and Oshakati Premier electric financially outperform the smaller distributors like Gibeon Village Council and Aranos Town Council, amongst others.
- A great majority of the current non-RED distributors, with the exemption of the City of Windhoek and OPE, are financially not capable of making the necessary large investment requirements in the short to medium term to replace the aging networks components leading to deteriorating quality of electricity supply.
- Due to poor financial performance, most of the non-RED distributors are unable to plan, finance and sustain electrification programs in their areas of distribution leading to poor economic growth in their areas and loss of profit-making opportunities due to lack of customer base expansion.

Conclusion

REDs establishment has indeed proven to improve efficiency, service delivery and viability in the ESI. Areas with established REDs have performed better both financially and technically because the pooling of human, operational and capital resources had led to reductions in average operational cost and cross-subsidization of costs from larger and profit making urban areas to smaller and loss making remote rural areas within the electricity network of the same RED distributor.