



REPUBLIC OF NAMIBIA
MINISTRY OF MINES AND ENERGY

ESI RESTRUCTURING IN NAMIBIA

ENERGY POLICY DIRECTIVES

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1. Requirements to attain RED status

To attain RED status, the following conditions must be met by an entity:

- The area of responsibility of a RED company must cover at least one administrative/political region.
- The RED company must cover the electricity supply to ALL end consumers within a geographic area (with the exception of end consumers supplied by NamPower Transmission directly). "Islands" within a RED area will not be permitted.
- The RED company must be responsible for operating and maintaining all distribution network assets within its geographic area, and may or may not also be the asset owner (in part or in full). The RED may subcontract or otherwise organise operations and maintenance to third parties provided that the RED retains ultimate responsibility for this function vis-à-vis the asset owner(s).
- The RED company must be an operating company, i.e. not just a shell subcontracting operations to the existing entities, as this is not likely to improve sector efficiency and ensure proper long-term maintenance of the assets.
- The above criteria apply to a final RED. The stakeholders may take interim steps that do not meet these criteria, as long as it is clearly recognised by stakeholders that they are prepared to work towards a final RED that does comply with the criteria as set out.

2. Asset Based REDs versus Service Based REDs

- The RED company does not need to own the network assets.
- If the assets are not owned by the RED then proper agreements must be put in place between the RED and the asset owner(s). Operating and maintenance agreements must comply with the asset depreciation and return principles defined in the National Tariff Study and must safeguard the long term maintenance of the assets in the National interest.
- If the RED is not the owner of network assets, the agreement with the asset owner(s) must also clearly stipulate responsibility for investment in network extension, as well as ownership of such new assets created.

3. Private Sector Participation

The following is the MME's policy on private sector participation in electricity distribution:

- Government welcomes and encourages private sector participation (as already expressed in the 1998 White Paper on Energy Policy), provided that such engagements are undertaken in good faith and in the interest of a long-term viable and sustainable Namibian ESI.
- Stakeholders will not be forced into accepting private sector participation.
- Private sector participation can be in the form of equity shareholding in the RED or through service provision, or a combination thereof.
- Stakeholders', whose electricity distribution and supply operations are not financially sound and well managed, and/or do not have sufficient resources to manage their affairs and participate in the RED formation process, are encouraged to seek partnerships with other RED stakeholders and/or the private sector that will assist them in improving their electricity business and enabling them to better participate in the RED formation process.
- Private sector participation in the form of service provision is acceptable, provided that proper long-term management of the assets is ensured and the costs of private sector services are fully reflected in the tariffs charged by the RED, in line with principles defined in the National Tariff Study.