

Reference: 8-4/REDS/js

The Chairman of the Shareholders Committee
CENORED
C/o Managing Director
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Dear Dr. L S Hangala

**ECB RECOMMENDED POLICY ON FARMERS' CO-OPERATIVE
ELECTRICITY SUPPLY SCHEMES IN NAMIBIA**

The question of how to proceed in view of the Government RED policies on farmers' co-operative electricity supply schemes have been considered by the ECB. We have had several meetings and discussions on this and have decided to define our official policy and recommendations regarding this matter as set out in this letter.

Background

In terms of section 3(1) of the Electricity Act, 2000, the object of the ECB to exercise control over the ESI and to regulate the various electricity activities in accordance with Government policy in order to ensure the efficient supply of electricity.

Since our inception we have noticed an increase in farmers' co-operative electricity supply schemes. The ECB, in principle, support these initiatives as such schemes allow farmers access to electricity at least cost. For this reason and the requirements on licences in the Electricity Act, the ECB has been awarding distribution and supply licenses to the farmers' co-operative schemes.

Currently the EDI of Namibia is being restructured into 5 REDs in accordance with the policy of the Government of the Republic of Namibia. The policy further stipulates that no other distributors will be allowed to operate within the defined geographic area of any RED. As indicated earlier we, as electricity regulator, are bound by prevailing Government policies. The ECB thus had to develop a policy on these schemes which can be accommodated within Government policy without discouraging the development of the EDI.

Official Policy Recommendation: Areas where the RED is not established

In these areas the ECB will continue to recommend the issue of licences to farmers' co-operative schemes until the establishment of the RED.

Official Policy Recommendation: Areas where the RED is established

1. The ECB will not recommend the issue of licences to new schemes and it will further be the ECB's recommendation that the licences of existing schemes not be renewed.
2. The farmers' co-operative schemes should preferably participate in the RED in one of the following manners:
 - 2.1 The cooperative sells its assets to the RED for an agreed price. The RED absorbs the scheme completely into its distribution & supply system.
 - 2.2 The cooperative exchanges its assets for a negotiated shareholding in the RED. The RED absorbs the scheme completely into its distribution & supply system with the cooperative as a shareholder.
 - 2.3 The cooperative continues to operate on its own under the licence of the RED. A service level agreement should regulate the relationship of the cooperative with the RED. The service level agreement should be approved by the ECB.
3. It is the prerogative of the farmers' cooperative scheme, after discussions and negotiations with the RED, to choose between the 3 options outlined in point 2 above.

Should you have any further queries regarding this ruling, please do not hesitate to contact us.

Yours sincerely

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CHIEF EXECUTIVE OFFICER

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