12 MAY 2023
MEDIA STATEMENT
NAMPOWER TARIFF APPROVAL FOR THE FINANCIAL PERIOD 2023/2024

The Board of Directors of the Electricity Control Board (ECB) met on 28 April 2023, to deliberate on the review of NamPower's bulk tariff application for the financial period 2023/2024.

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 16.87%, which would have resulted in an increase from an average N$ 1.8222 per kilowatt-hour (kWh) to N$ 2.1296 per kilowatt-hour for the financial period 2023/2024.

2. TARIFF REVIEW PROCESS

Annual electricity tariff reviews are conducted to ensure that utilities charge appropriate tariffs to collect enough revenue to cover costs and provide reliable and efficient services at affordable cost-effective rates. In addition, it is to ensure that electricity consumers pay the appropriate tariffs for electricity supplied.

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 current economic climate was 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 NamPower average bulk tariff with 8.97% from the current approved tariff of N$ 1.8222 per kilo watt-hour to N$ 1.9856 per kilo watt-hour for the period 2023/2024. The following is the average generation tariffs per source:

Source	2022/23	2023/24	2024/25	2025/26	2026/27
NamPower	0.4408	0.5051	0.5304	0.5569	0.5847
IPPs	1.3423	1.4338	1.5055	1.5808	1.6598
Imports	1.6021	1.7507	1.8382	1.9301	2.0267
Average Generation Tariff	1.1989	1.3356	1.4024	1.4725	1.5461
Transmission Tariff	0.4782	0.4964	0.5212	0.5472	0.5746
Part of Losses and Reliability Costs	0.1452	0.1536	0.1613	0.1694	0.1779
Total bulk tariff	1.8222	1.9856	2.0849	2.1892	2.2986

Table 1. Average bulk tariff per source N$ / kWh

The projected tariff path for 2024/2025 – 2026/2027 is provided for reference purposes.

Over the years the tariff included an amount for Long Run Marginal Cost. 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. This means that the Long Run Marginal Cost funds may be used to cushion customers from unexpected tariff hikes or in situations where the economy is depressed and or to build new power plants that will ensure an affordable projected tariff path. The Long Run Marginal Cost fund has been used to finance the NamPower Omburu Solar PV plant of 20MW, which at N$ 0.2270 c/kWh, is the cheapest generation source of electricity in Namibia.

To mitigate the impact of the NamPower high tariff for 2023/2024, an amount of N$ 200 million is made available from the Long Run Marginal Cost (LRMC) fund to provide relief to all customers and is allowed as part of the energy revenue requirement of NamPower. The amount will only be used to cover costs related to energy imports, fuel for Van Eck and Anixas and or to cover part of the prior approved under-recovery cost.

Considering the current depressed economic situation, no provision was made for the recovery of the LRMC as part of the NamPower tariff for the period 2023/2024. The ECB will in future consider reinstating the recovery of the LRMC to cushion future electricity price shocks.

The above-mentioned approved tariff will be applicable to NamPower bulk customers (i.e., Regional Electricity Distributors (REDs), Local Authorities, Regional Councils and large industrial transmission customers such as Mines). All distribution licensees will individually apply to the ECB for a review of their distribution tariffs, which when approved will be applicable to end consumers effective 01 July 2023. Distributors are urged to inform and engage their consumers on their intended applications to the ECB.

4. ELECTRICITY SUPPLY SITUATION

For the period 2023/2024, it is forecasted that the national demand will be met 59% by regional imports and 41% by local generation. The Ruacana Hydro Power Plant is the main source of our local generation. However, it has performed below average over the years, due to the low water flow of Kunene River.

Electricity that was not generated at Ruacana as anticipated during the previous period was replaced by imports at a higher cost, which leads to a higher tariff under-recovery. The Ministry of Mines and Energy and relevant GRN stakeholders will soon engage our Angolan counterparts to discuss the matter of low water flow of the Kunene River to ensure that Ruacana Hydro Power Plant is optimised and effectively used to the benefit of all electricity consumers in Namibia.

Compared to other generation sources, electricity is generated relatively cheap at Ruacana. Therefore, less generation at Ruacana means increased generation of power from expensive alternatives or imports at higher costs.

- ***New Generation Capacity***

In complementing local generation, NamPower is implementing several electricity generation projects of which the following two are expected to be commissioned during the year 2024: (a) Anixas II – 50 MW, expected commercial operation date is April 2024 and Khan Solar PV – 20 MW, expected commercial operational is during the 3rd quarter of 2024.

The ECB has issued 73 electricity Generation licenses of which 50 are operational, 3 are under construction and 20 are still under development. We hope that those licensees that have not yet commissioned their plants will do so soon, and that they will have a positive impact on end-consumer prices.

- ***Modified Single Buyer***

The MSB market model is intended to allow certain consumers to transact directly with Independent Power Producers (IPPs) for competitive tariffs. The implementation of the Modified Single Buyer (MSB) Market Model is well under way following the promulgation of the Market Rules in December 2022.

There are three Solar PV plants with a combined installed capacity of 21 MW established under the MSB Model that will be commissioned in the next two months. This means that more electricity will be generated locally, hence reducing imports. It is anticipated that there will be more IPPs operating on bilateral agreements with Contestable Customers including export into the Southern Africa Power Pool.

- ***Possible Power Shortages***

There have been several media reports on whether Namibia will be faced with electricity shortages. It is important to note that the Southern African region continues to experience substantial shortage of electricity which is putting pressure on electricity supply and tariffs not only in Namibia but in all the countries in the SADC Region. This situation will prevail until enough new generation capacity has been built. In mitigating the possible shortage of electricity, the Namibian Government through the Ministry of Mines and

Energy have established a Technical Committee to ensure that security of electricity supply in Namibia is maintained.

- ***Impact on the Economy***

Electricity cost is part of the calculation of inflation, since the tariff is increasing above the current inflation rate of 6.1% (April 2023) at 8.97%, it is expected that the tariff increase will put further pressure on future inflation and therefore on prices of goods and services. Although minimal, the ECB acknowledges that there is an impact on the economy and consumers due to the increase in electricity tariffs.

- ***NamPower Debt Collection Plan***

The ECB is aware of the ongoing NamPower's Debt Collection Plan, which is intended to ensure that total debt exceeding N$1billion is recovered from those customers that are in arrears through implementation of the provisions of the respective power supply agreements and in line with NamPower's Credit Policy. The ECB acknowledges that this Plan should have been implemented systematically at much earlier stages to prevent it from threatening current economic recovery.

The ECB will engage NamPower to fully understand the implementation process of the plan and will work with NamPower and the affected licensees to try to find a sustainable solution to the matter.

- ***Tariff Cross Subsidies***

The ECB acknowledges that, inherently there are cross subsidies within the current distribution tariff structures. This is allowed to ensure that certain consumer groups such as pensioners and low consuming consumers have access to basic electricity at affordable rates. However, the ECB recognise that the current cross-subsidisation practice might be unsustainable, hence ECB continues to explore ways of extending NEST to all regions and areas in Namibia.

5. CONCLUSION

The Electricity Control Board is cognisant of the fact that the economy is depressed but is equally dependent on reliable and affordable electricity supply. It is, therefore, the responsibility of the Regulator to ensure a sustainable electricity industry at affordable tariffs. The ECB will continue to monitor and ensure that operational costs of NamPower and distributors remains within set efficiency targets and benchmarks.

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.

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