

# **ELECTRICITY DISTRIBUTION INDUSTRY SUMMIT**

## **NamPower's Strategies in the EDI**

**Formation of REDs – Capacitation – Repositioning  
Energy Supply – Cost – Growing Demand – Role of REDs in the ESI**

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# PRESENTATION OVERVIEW

1. Introduction
2. The REDs in the ESI Value-Chain
3. The Benefits and Lessons since the formation of the REDs
4. Evolution and Impact of the MSB Market **Model** on the EDI
5. NamPower's Strategies in **the EDI**
6. NamPower's **Repositioning** in the EDI
7. Way Forward

# 1. INTRODUCTION

- NamPower recognizes the importance of REDs in the ESI economic value-chain;
- We also acknowledge the importance of this EDI Summit in engaging Stakeholders;
- It is important for the entire ESI to grow and remain sustainable;
- The MSB Market Model has introduced new market dynamics which require all current ESI players to adjust our business models to ensure growth of our businesses;
- Hence, the benefit of an EDI summit such as this for us to exchange information and pave the way forward.

## 2. The REDs in the ESI Value-Chain



- While NamPower is **mandated to fulfill the role of:**
  - Bulk Generation,
  - Bulk Energy Trading,
  - Bulk Transmission, and
  - Bulk Supply to its Bulk Customers, which include the REDs, Namwater and Mines;**at long-term sustainable Bulk Tariffs.**
- We also acknowledge the **important role of the REDs to:**
  - **Buy, Electrify and Distribute** Electricity to its Customers,
  - **Retain their existing Customers** on the Distribution Network,
  - **Grow the Customer base and the demand** in each RED mandated area
  - **Contain end-user tariffs.**

In order to **remain sustainable**

# 3. The Benefits and Lessons since the formation of the REDs



- Importance
  - Introduction of REDs have been important in the development in the ESI,
  - Areas with established REDs have technical capacity to manage network and customer related issues,
  - Improved customer services in the REDs,
  - Improve financial sustainability of Electricity Distribution Industry(EDI),
- Key Challenges
  - Tariff increase because of overheads.
  - In some areas inadequate billing and revenue collection
  - Financial Sustainability
    - Where there is no/little economic activity

## 4. (a) Evolution and Impact of the MSB Market Model on the EDI & ESI

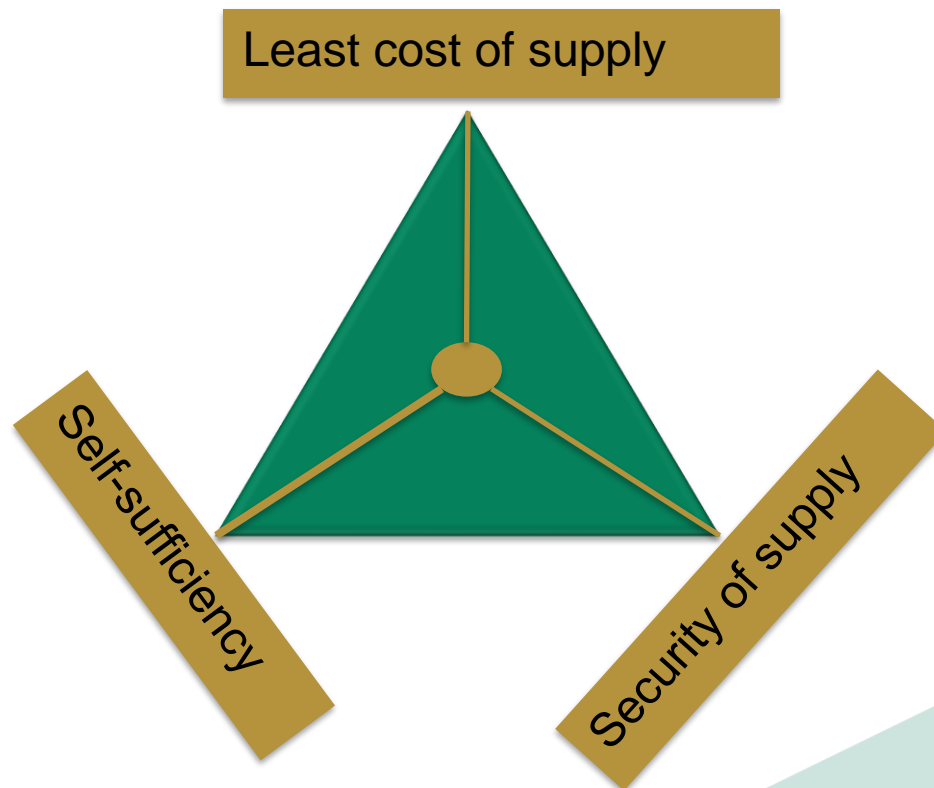
The ESI is faced with new developments and market dynamics, which lead to the following **NEW NORMALS**, and we have to manage and absorb them:

- MSB Emerging Trends which have an impact on our Business and entire ESI Value-Chain, in particular the 30% of Annual Energy & Net-metering;
- The resolution and directive from Cabinet – Regarding the implementation of Bulk Prepayment Management System **(NamPower is 80% ready to give effect to this decision)**;
- The Licensing of IPPs;
- The Increasing challenges of Intermittency experienced on the Grid.

## 4. (b) Challenges in meeting demand

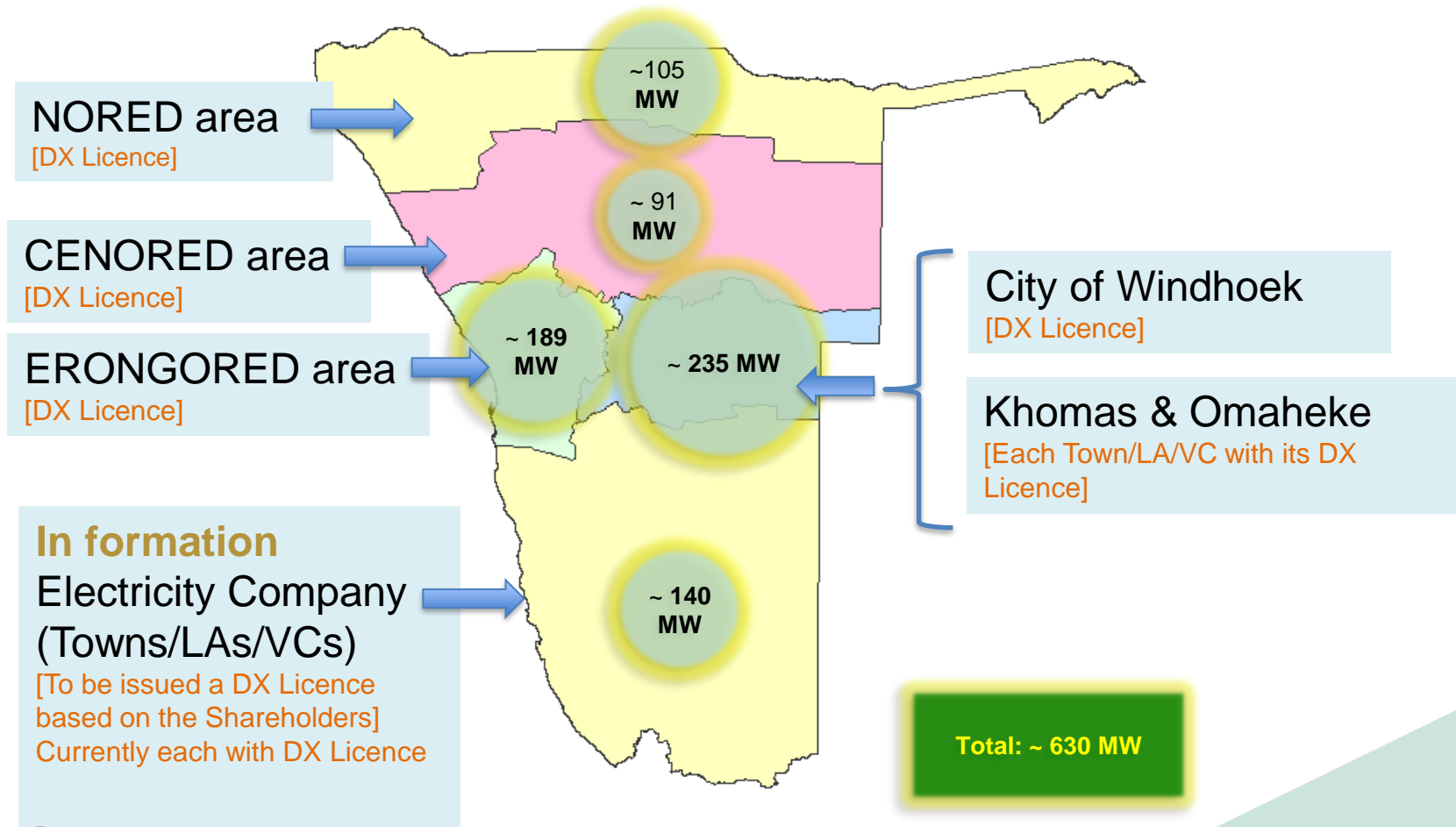
### • ENERGY ACCESS TRILEMMA

- **Security of Supply**
  - Supplier of last resort
  - Reliability (n-1)
- **Self Sufficiency**
  - Own generation capacity
  - Local Generation from IPP
- **Least Cost of Supply**
  - Renewable Energy
  - NamPower/GRN owned
  - Consider intermittency challenges
  - Local resources for baseload plants
  - Cost Reflective Tariff



Balancing the Energy Trilemma  
is an ESI challenge

# 4. (c) THE SPREAD OF Load Centres across the Country





# 5. NamPower's Strategies in the EDI



## As part of the ESI value-chain

Support Key EDI Initiatives:

1. To **retain** Customers on the Grid;
2. Positively influence mechanisms and models to **grow demand** in the EDI;
3. Mitigate **impact of MSB** in the EDI;
4. Mitigate impact of **Net-metering and Rooftoops** in the EDI and on the Grid;
5. Continue to ensure **Least Cost** Generation Plants are brought into operation to contain the **tariff path**;

## 6. NamPower's Positioning in EDI



### Interests and Shareholding in the REDs/EDI

We are willing to remain as Shareholder in the REDs. It allows NamPower as Key ESI player:

- a) To keep abreast with the developments in the EDI;
- b) To provide technical, commercial and financial benefits to the REDs,
- c) To ensure that the ESI value-chain remains sustainable; and,
- d) To ensure that our assets continue to grow.

However, we are also **amenable to exit** when a RED is ready to make us whole, on the **fair value of our assets** in that respective RED, in which situation we believe that the above listed **value-adds** will be compromised and detrimentally affect the ESI value-chain in the long-term.

# 7. Way Forward



## Long-Term Sustainability of the ESI & EDI

In closing Ladies & Gentlemen,

1. We consider the accelerated establishment of the **remaining REDs** as critical for us to focus on the **long-term sustainability goals**;
2. We also consider the **retention** of Customers on the EDI Grid as critical for the REDs sustainability;
3. We will make every effort to **contain tariffs** in order to retain grow demand;
4. We will **add value** wherever our NamPower expertise is needed in the EDI and in the interest of the entire ESI Value-Chain;
5. The **emerging impact of the MSB Market Model** has to be prudently navigated to guarantee **long-term security of supply** for Namibia.



# Thank you