



INFORMATION SHARING

RESPONSES TO STAKEHOLDER COMMENTS AND QUESTIONS

RECEIVED DURING A STAKEHOLDER CONSULTATION MEETING ON THE NAMPOWER BULK ELECTICITY TARIFF APPLICATION FOR THE FINANCIAL PERIOD 2024/2025

The Electricity Control Board (ECB) wish to take this opportunity to share its responses, and that of NamPower, to the stakeholder comments and questions received during a stakeholder consultation meeting held at NIPAM in Windhoek on the 11th March 2024.

1. Is it correct that CoW had to write off 191 million NAD as “unrecoverable debt”?
2. Is it correct that the consideration and discussion of writing off another 545 million NAD are underway?
3. How about other municipalities and REDs? Do they also write off “unrecoverable debt”?
 - Applicable to questions 1 to 3 above. There will be a tariff stakeholder consultation with distributors during May / June 2024, and this question will be posed at this platform for the distributors to respond to.
4. And if this is the case, what consequences do we anticipate when the tariffs are increased as planned and presented? Will the supply chain recover less money due to a growing number of people either leaving the grid or being disconnected because of unpaid due.
5. If so, what happens to the money, or rather the lack thereof? Is it being recovered through increased tariffs in the following year?
6. If so, how far can that go? I mean, up to which ratio between paying and non-paying customers can the grid still provide electricity under the current business model and practice?
 - Applicable to question 4 to 6 above. On average if fixed cost remains and consumption drops, the average tariff will increase.
7. Where is the break-even point, at which is becomes cheaper for customers to get out of the grid and become self-sufficient through solar PV and storage and a small generator to be used for the few times of the year when there are several days without sunshine?
 - The break even depends on each customer as per their consumption patterns.
8. Learning from the presentation that 59% of electricity was imported at a value of almost 5 billion NAD, why do NamPower as well as the municipalities and REDs not do utmost efforts to preferentially buy from their own citizens in cash, based on “avoided cost”?
 - To maintain order, there are several mechanisms used by the utilities to procure power.
 - Tendering in accordance with the national procurement process is being implemented at NamPower and distributors level.
 - Net Metering Rules allow for consumers to offset part of their energy requirements with any rooftop installation in place and the offset is done on avoided cost.
 - In general, in most cases the import contracts are used to provide capacity (reliability) to the system which renewable energy is not capable of.

9. I mean, would almost 5 Billion circulating among Namibians not alleviate the issues under 1, 1a, 1b significantly?
How much money does NamPower have in the bank?
 - N\$ 9 billion.
10. Is all this money not coming directly from the consumers and should it be used to reduce the tariffs?
 - Available NamPower funds are used to finance infrastructure developments which will reduce the cost of imports and increase network capacity and reliability in the long run.
11. Being a State-Owned Enterprise, should it not be the main mandate to pump as much money as possible into the Namibian national economy instead of trying to maximise revenue, which necessarily can only come out of the pockets of the owners of the State, who owns the enterprise?
 - The government took a decision that electricity tariffs should be cost reflective, so that the state does fund the operation of utilities. It should be noted that NamPower is not allowed to add any margin (profit) to energy purchases.
12. Why does NamPower invest in generation capacity? Would it not be better for the national economy to leave this area to the private sector?
 - The ideal energy mix should be a balance with some generation done by private sector and some by NamPower.
13. Why does NamPower not concentrate on its core and unique competency, to manage the grid and make it ready for export of locally generated electricity, so that the nation can benefit from exports instead of paying for imports?
 - The Namibian network is not the constraints regarding export capacity. The Namibian network has a lot of capacity for exports up to the boarder. The constrains are in the neighboring countries.
14. What has been done since 1990 to reduce electricity imports?
 - Operational plants are Ruacana fourth unit 80MW, Anixas 20MW, Van Eck refurbishment 30MW, Omburu 20MW, REFITs 70MW, Hardap 45MW, Greenam 20MW, Omburu PV (IPP) 5MW, MSB 40MW,
 - Under development: Anixas II 50MW, Diaz 44MW, CERIM 50MW, Biomass 40MW, Battery Energy Storage System.
15. What are the expectations in regard to the water flow for Ruacana in the coming years? Information was circulated, saying that the Chinese are building rice fields and citrus plantations in the valley in Angola which is also the main catchment area for Ruacana. Is that correct? Do we therefore have to expect steady reduction in water flow at Ruacana in the coming years?
 - The Government of Namibia and the Government of Angola continues to engage to ensure sufficient water flow for Ruacana Hydro Plant and other water requirement for Namibia.
16. During the meeting, one participant mentioned that a solar PV-station was prefunded by the consumers and that this model apparently was very successful. If so, why do we not use this model countrywide? (in Germany we have growing number of communities who own both generation capacity and local grid, which they manage on a cooperative basis to the benefit of all members).
 - During the period that the tariff increases were low, the tariff included what is known as a Long Run Marginal Cost, which was collected and kept aside. The funds accumulated were used to build the Omburu plant which is the cheapest source of power now because it was prefunded by customers.
17. Why do we not encourage or even enforce energy efficiency first, for example making Solar Water Heaters and LED lights compulsory nationwide to reduce the evening peak?
 - Demand Side Management (DSM) initiatives are encouraged. The Namibia Energy Institute (NEI) is partially mandated to look at DSM initiatives and some of the initiatives are in the process of being implemented with the assistance of key ESI stakeholders.
18. What has been done to equip local grids (11-66kV) in such a way that they can absorb maximum locally generated (and remunerated) kWh? And exchange capacity directly between users at middle and low voltage? NamPower Net metering rollouts continue all over Namibia.

- The local grid is adequately equipped to absorb locally generated power under the MSB framework. It is rather the procurement of new MSB plants that needs to be improved on.
19. What consequences will the increased tariffs have on Foreign Direct Investment? And the mining industry?
- Electricity is a commodity that is generated with input costs, however it is also an input cost in the production of goods and services. The ECB in its decisions assess the impact that the proposed increase has on the economy and that will inform the decision making process.
20. There is a fear of load shedding reaching Namibia from our customers and so they are preparing to go grid-tied and later off-grid. (For us this is good news, but overall, I think we are in trouble). Now this might help reducing the peak power requirement during the daylight, but in the evening, they will be connected to the grid again. This generates a situation whereby the national grid will be put under a lot of pressure during the peak times when the sun is not shining.
- Namibia has received a grant from the World Bank to set up a Battery Energy Storage System which will assist in mitigating peak demand and to provide other services as well. Anixas II 50MW and Biomass 40MW also help during peak times, and to a lesser degree also wind plants (99MW).
 - These new BESS Projects need to be funded somehow and together with the transmission maintenance cost increasing each year, more consumers are forced to go solar, worsening the grid stability.
21. Since Anixas Power Station is such an expensive power generation plant, what data supports it being increased in size?
- Anixas II - 50MW is a completely new plant different to the existing Anixas plant. Cost benefit analysis was conducted and the cost evaluation for adding it does not look purely at energy production, but also at security of supply and ancillary services requirements. Although it is currently very expensive to run Anixas I and II, it is still at time cheaper than some alternative such as Day Ahead Market (DAM) prices, and emergency energy. Mainly, Anixas II is added to ensure that reserve margin requirements of the system are in place and to provide security of supply.
22. Please share data to validate that this Anixas Power Station (with all its expenses), mitigates/lessens the risk for paying extremely high electricity prices where NamPower would have exceeded their agreed demand from neighbouring countries.
- For example, if peak load is 600MW – 650MW, and the country have a total firm import agreements for 360MW. If there is very little water in the Kunene, which typically happens every year, then the capacity from Ruacana is not 350MW during the entire peak periods than there will be shortfalls on firm capacity and the firm capacity can be provided by Anixas.
23. Since the extension of this project is calculated into the price increase over the next couple of years.
- Yes.
24. For Net-Metering of grid tied solar systems, please share with us the methodology of how the Net-Metering Price (kWh price for consumers with a solar system pushing power into the electrical grid) is calculated.
- The Net Metering price is based on the avoided cost of energy from NamPower, which means it is the energy cost that the utility would have bought from NamPower.
25. Why do the percentages of return differ from City of Windhoek to Erongo RED?
- Erongo RED as a company pays income tax, while City of Windhoek as a local authority is exempted to pay income tax.
26. This leads to consumers to install batteries and go off-grid in the end.
- Noted for future consideration.
27. Note: It is important to have consumers connected to the grid and make use of the electricity supplied by NamPower to avoid further high tariff increases.
- Noted for future consideration.

28. Most of the food produced under irrigation is being done with electricity, and previous increases in electricity, together with skyrocketing increases in fertilizer and fuel prices make it virtually unviable to produce these crops sustainably anymore. Furthermore, the effects of a drought which is now inevitable after the poor rainy season will severely affect the livestock producers as well as the entire country.
 - Noted for future consideration.
29. Due to the above-mentioned reasons, the requested increase of NamPower which is more than double the current inflation rate, will have a very negative effect on the farming community and will hamper their attempts to recover and grow in order to contribute to the recovery of the Namibian economy as a whole. If the cost of electricity becomes too high for farmers to do business and produce sustainable and profitable, they will convert their power needs to own solar energy generation with self-storage solutions. This will have serious consequences for NamPower and the REDs' power supply lines if farmers start disconnecting from the grid.
 - Noted for future consideration.
30. Stable and sufficient electricity supply is a pre-requisite for growing Namibia's economy, and we believe that all costs cannot be borne by tariffs alone. The government should also invest in long-term sustainable electricity supply using a subsidy, ensuring that NamPower receives enough financial resources to meet its stated supply goals.
 - Noted for future consideration.
31. In light of the above and the urgent need to recover the whole country's economy, we urge the ECB to approve an absolute minimum increase in electricity tariffs, based on the official inflation rate only.
 - Noted for future consideration.
32. Despite the challenges of electricity generation and transmission within Namibia and SAPP, NamPower has managed to maintain the national electricity demand. The Chamber welcomed the establishment of a Productivity Task Force on Namibia's ESI and the MSB model in an effort to mitigate the risk of electricity security in Namibia.
 - Noted for future consideration.
33. However, in an effort to keep the mining and other industries afloat in this challenging economic climate, the Chamber requests NamPower to consider absorbing a substantial cost of electricity generation and transmission and maintain the tariff increase within the current inflation rate.
 - In its application NamPower requested for a below cost tariff increase
 - Deferred revenue to be recovered in future periods.
 - Two thirds of Return and Deprecations due from the expected commission of Anixas II.
34. NamPower to considers forfeiting the projected N\$535,850.00 in under-recoveries for the upcoming 2024/2025 financial year. Erongo RED has been grappling with under-recoveries for an extended period, consistently carrying over deficits without recourse to tariff adjustments in the subsequent years. Consequently, we advocate for equitable burden-sharing, suggesting that the national utility equally absorbs their under-recovery. Doing so would result in a substantial reduction of the tariff increase application from 14.59% to a more manageable 7.27%.
 - Noted for future consideration.
35. The proposed tariff increase will compromise Erongo RED's security and quality of supply seeing that most of the revenue will cover energy costs leaving less for network maintenance and upgrades, the customers that can afford it will go grid leaving only a few to cover fixed costs.
 - Noted for future consideration.
36. An increase in excess of the prevailing inflation rate is not suitable. We plea for the regulator to request the government to intervene (through NEF or otherwise), should the non-approval of the requested weighted tariff increase of 14.59% threatens the sustainability of NamPower.
 - Noted for future consideration.

37. At an inflation of 5% February we really don't see the way open for such an increase. We looked at the inflation figures over the last few years and 7.2% inflation in February 2023 was the peak for many years. The inflation seems to flatten, as is the case worldwide.
- Noted for future consideration.
38. It was mentioned that the aim is to have 30% energy supply from renewables, which is presently at 11%. In March 2023 we have suggested to have this gap filled by rooftop PV installations and not by IPP's.
- The Government through different mechanisms, such as implementation of the National Integrated Resource Plan continue implementing renewable energy projects, Khan Solar PV is expected to be commissioned by the end of the year, a wind plant is also expected to start construction during 2024/2025 period.
 - Net Metering Rules allow consumers to install solar roof tops to compliment own generation and supply excess to the licensees for a credit on their bills.
39. We feel that tariffs should be reduced to an affordable level. It doesn't make economic sense to charge the bulk consumer these high tariffs which the end consumer will not be able to pay resulting in huge outstanding debts as presently the case.
- The tariff under discussion is applicable to all transmission connected customers who pay the same.
40. All the local authority councils who are now called upon to pay their arrears would not have been in that situation had the tariffs been more affordable over the years. This could have been avoided had the dividends paid to the central government over the years rather than been invested in reducing operating costs thus benefiting the end consumer. This is a vicious circle and now is the time to start with a new fresh-minded, different approach toward tariffs.
- It is important that consumers pay for their services, equally the licensees must also pay for their services, this means that when local authorities receive funds from customers in most cases pre-paid, it is the responsibility of the local authority to also pay bulk supply such as NamPower.
41. The result of unaffordable tariffs is that the end consumer is going to bite the dust, unemployment and crime will increase, outstanding debts, shops closing as can be seen in the empty shopping malls, with looming drought and subsequent economic hardship on our doorstep.
- Noted for future consideration.



+264 61 374 300



info@ecb.org.na | www.ecb.org.na



P.O. Box 2923 Windhoek Namibia



ECB House, 35 Dr. Theo-Ben Gurirab Street | Business Hours: Weekdays from 07:30 - 16:30