PRESENTATION TO THE WORKSHOP ON

ROLE OF ENERGY REGULATORS IN

ACHIEVING MDGs.

NOVEMBER 24th – 26th, 2008 Maputo Mozambique
PRESENTATION OUTLINE

- INTRODUCTION – THE ENERGY REGULATION BOARD’s MANDATE
- BRIEF ON REGIONAL ENERGY ACCESS RATES
- THE MILLENIUM DEVELOPMENT GOALS (MDGs)
- GENERAL ROLE OF REGULATORS- Case of Zambia
- CONCLUSION
The ERB is an autonomous agency established by the Energy Regulation Act of 1995, chapter 436 of the laws of Zambia.

ERB regulates undertakings (companies) in the energy sector;

- Electricity, petroleum and other forms of energy such as solar and coal.

- Issue licences, Monitor efficiency, Receive and investigate complaints, tariff setting;

- Approve the location and construction of energy infrastructure;
BRIEF ON REGIONAL ELECTRICITY ACCESS RATES

- Current power shortage exacerbates Sub Saharan Africa as the region with the least access to electricity services

  ✓ Latin America, East Asia & Pacific, North Africa & Middle East access rates over 75% in 2005 projected to 100% by 2020

  ✓ Sub-Saharan Africa access rates was 25% in 2005, projected to 35% by 2020!!!

  ✓ Evident that Africa lags behind the rest of the World
What's wrong with this picture?
THE MILLENIUM DEVELOPMENT GOALS (MDGS)

- Although the MDGs were NOT set for any specific region nor Country they encapsulate the development aspirations of the world as a whole worth striving for. They encompass universally accepted human values and rights.

**Challenges:**

- The World is facing a global economic slowdown, a financial crisis and a food security crisis.
- SADC countries are experiencing unprecedented power shortages
- Crude Oil prices recorded an all time high in the recent past
THE MDGs – Link with Energy Poverty

- Although access to energy is not a specific MDG it is widely acknowledged as playing a catalytic role in achieving the MDGs.
- As will be seen, every MDG has a relationship to access and affordability of energy services.
MDGs AND ENERGY LINK

1. Eradicate extreme poverty and hunger

✓ Energy inputs such as electricity and fuels are essential to generate jobs and incomes, industrial activities, transportation, communication, commerce, micro-enterprises and agriculture outputs.
MDGs....Cont’d

2. Achieve universal primary education

✓ To attract and retain teachers to rural areas, electricity is needed for homes and schools. After dusk study and class preparation requires illumination.
MDGs..Cont’d

3. Promote gender equality and empower women

✓ Lack of access to modern fuels and electricity contributes to gender inequality. Women and children are responsible for most household activities. This takes time away from other productive activities such as education and participation in social events.
MDGs..Cont’d

4. Reduce child mortality

✓ Respiratory illness and other diseases caused by the effects of indoor air pollution from traditional fuels directly contribute to infant and child mortality.
MDGs....Cont’d

5. Improve maternal health

✓ Lack of electricity in health clinics, illumination for night time deliveries, and other physical burdens of firewood collection all contribute to poor maternal health conditions, especially in rural areas.
MDGs....Cont’d

6. Combat HIV/AIDS, malaria and other diseases

✓ Electricity for communication such as radio and television can spread important public health information to combat deadly diseases.
MDGs..Cont’d

7. Ensure Environmental sustainability

✓ Energy production, distribution and consumption has many adverse effects on the environment including indoor and air pollution and climate change.
MDGs..Cont’d

8. Develop a global partnership for development

✓ Advocating partnerships between public entities, development agencies, civil society and the private sector to support sustainable development, including the delivery of affordable, reliable and environmentally sustainable energy services.

✓ Membership of Regional Bodies e.g RERA
ROLE OF ENERGY REGULATORS

- Five Levels of Regulatory Influence;
  1. Access to and affordability of Energy Services
  2. Sustainable and Efficient Utility Operations
  3. Investment Promotion
  4. Infrastructure Development
  5. Energy Sector Reforms
1. Access to energy services

- **Pricing**: Adoption of incentive based Pricing regimes that ensure a reasonable return on investments but also that provides for minimum level of service to citizens that cannot afford full cost (life-line).

- **Connection Barriers**: Regulators/Utilities/Govts. to design connection policies that allows needs on the vulnerable in society. E.g Connection subsidy mechanisms
2. Efficient Utility Operations

✓ In the short term Regulators focus should be on reforming existing Utilities through advocating restructuring or unbundling

✓ Adopt incentive based regulatory regimes rewarding utilities for good performance but also provide for penalties for poor performance thru KPIs.

✓ Focus also on quality of services
3. Investment Promotion

✓ Cost Reflective tariff levels will attract investment in the sector

✓ Existence of Autonomous Regulatory agencies and a sound regulatory framework has assisted to instil investor confidence in the energy sector

✓ Clear, predictable and transparent rules instill investor confidence
4. Infrastructure Development

✔ Relax standards, licence conditions & other requirements by adopting light-handed regulatory approaches e.g. for rural areas (mini-hydros, filling stations, solar etc)

✔ Promote development of a variety of energy sources mix
5. Energy Sector Reforms

- Advocating Energy Sector reforms that result in increased access, efficiency, cost effective, increased investment etc in the sector

- However, the special needs of the poor have to be taken into account in this reform process

- Type of reforms: Commercialisation, privatisation, unbundling, contracts etc
5. Energy Reforms...Cont’d

✓ Adopt Open access regimes that permit competition in the industry to increase service availability

✓ Security of Supply; Balance supply and demand by undertaking demand forecast studies
Short-term vs long term

✓ In the short term focus should be on reforming existing Utilities through advocating restructuring or unbundling

✓ In the long term reforms focus on attracting private participation in the Industry, competition, liberalisation, legislation, stability & predictability in the industry

➢ Measures aimed at increased access and affordability
CASE OF ZAMBIA

✓ Reforms taken mode of Commercialisation
✓ Adoption of 3 year Multi-Year Tariff Methodology – Migration to Cost Reflective Tariffs
✓ Incentive Based Regulation with embedded Key Performance Indicators (KPIs)
✓ Advocate Open Access
✓ Advocating partnerships through RERA
KPIs in Tariff Order

- Life-line consumption pegged at 100Kw
- Reduce waiting period for new connections
- Meter all customers
- Increase Staff productivity
- Reduce No. of Outages per customers
CONCLUSIONS

✓ Energy services such as lighting, cooking, heating, transport, telecommunications are essential for socio-economic development as they promote social benefits and support income ventures.

✓ Regulators have the power to influence national development strategies including MDGs campaigns.

✓ Implementation of the set out tariff setting measures, will facilitate the realisation of the MDG goals.
THANK YOU FOR YOUR ATTENTION.