



## The SADC Power Crisis By Silvester H Hibajene

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## Presentation Outline

- ❑ Background
- ❑ How are We Here?
- ❑ Power Sector Reforms
- ❑ Tariffs
- ❑ Priority Issues

## Background

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- ❑ SADC faces Energy Paradox ---→ abundant resources but experiencing shortages
- ❑ No major investments in the SADC ESI despite the:
  - > forecast by SAPP indicating diminishing generation surplus capacity, as far back as 1999 ----→shortages by 2007
  - > Two (2) Regional investment conferences in Zimbabwe (2001) & Namibia (Sept 2005)

## Background

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- > One (1) round table meeting with investors/ lenders in RSA (Nov 2005)
- ❑ Current situation calls for an urgent review & creation of conducive environment that would assist in fast tracking the much needed investment in the regional ESI
- ❑ RERA, has been working on measures to recommend for creation enabling environment for investment in power sector in SADC

## HOW ARE WE HERE?

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- Old electricity supply systems ---> overstretched & vulnerable due to critical under investment: REHABILITATIONS or NON AVAILABILITY
- Weak or inconsistent Policies (Mixed signals on Power Reforms)
- Poor utility performance to attract investment (need of guarantees)
- Small market size

## HOW ARE WE HERE?

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- GOVTS NOT PROACTIVE (AS INVESTORS IN THE SECTOR)
- UNECONOMIC TARIFFS
- RAPID ECONOMIC GROWTH

## Power Sector Reforms

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- Incomplete Reforms – These include new sector legislation and sector restructuring to pave way for competition and private sector participation
  - About 80% of the countries have initiated power sector reform programs
  - 9/14 countries have functional utility regulators (expecting 11 by end of 2008)
  - 9/14 countries have some form of private sector participation (IPPs)
  - All have retained vertically integrated utilities - mainly single buyers as well

## Tariffs

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- SADC Energy Ministers adopted principle of cost reflective tariffs as far back as October 2004 in Johannesburg, South Africa
- The Minister's decision was reaffirmed in April 2007 in Harare, Zimbabwe
- HOWEVER, electricity tariffs in the region are generally still at inadequate & unsustainable levels (depending on the energy mix) with attendant challenges and NOT able to provide right signals for:
  - new investments
  - energy conservation, efficiency & substitution practices by customers

## Priority Issues

- **Intensify energy conservation/efficiency initiatives – Provide appropriate support & incentives to utilities and/or other national agencies**
- **Ensure adequate cash flows in the sector**
  - ◆ Adequate tariff levels (COST REFLECTIVE)
  - ◆ payment discipline by customers (INCLUDING GOVERNMENT DEPTS)
- **Improved responsiveness by governments**
  - ◆ Policy consistency
  - ◆ Availability of guarantees from governments (where necessary)

## Priority Issues

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- **Complete sector reforms in line with policy aspirations – Improve governance & operations**
- **Minimize government interference**
  - ◆ Independence/autonomy of regulator
  - ◆ Ability to exercise effective operational and management control of their investments
- **Develop appropriate policy frameworks for IPPs and/or PPPs**
- **Maintain the stability and enforceability of laws and contracts (e.g., PPA)**

## Priority Issues

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- **Improve operational efficiency by utilities**
  - ◆ Increase operational efficiencies
  - ◆ Increase collection efficiency
  - ◆ Reduce technical losses
- **Up scale Renewables – use of off grid systems based on renewable technologies to increase access & substitute energy**

**Thank You!**

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