



20 APRIL 2018
MEDIA STATEMENT
NAMPOWER TARIFF ADJUSTMENT FOR THE FINANCIAL PERIOD 2018/2019

MEMBERS OF THE MEDIA,
COLLEAGUES,
LADIES AND GENTLEMEN

Members of the Board of Directors of the Electricity Control Board (ECB) met on 12 April 2018, to deliberate on recommendations presented following review of NamPower's bulk tariff application for the period 2018/2019.

I am pleased to share with you information pertaining to the legal provisions, the tariff application review process and the outcome.

1. PROVISION OF THE ELECTRICITY ACT, ACT NO. 4 OF 2007

The Electricity Control Board is mandated to review and determine electricity tariffs under section 27 (2) of the Electricity Act 2007 (Act No. 4 of 2007).

2. TARIFF APPLICATION

In accordance with the existing legal provisions, NamPower made a tariff application for an effective bulk tariff (inclusive of generation and transmission) increase of 6.56%, an increase from an average N\$ 1.61 per kilowatt-hour to N\$ 1.72 per kilowatt-hour for the financial period 2018/2019. The requested increase will allow NamPower to meet its service delivery costs and for the tariff to remain cost reflective.

3. TARIFF REVIEW PROCESS

Annual electricity tariff reviews are conducted to ensure that utilities charge appropriate tariffs to collect sufficient revenue to sustain a reliable, and an efficient electricity supply industry at affordable rates.

In reviewing the tariffs, the Regulator considers a number of factors. These include; the impact of the tariff change on the Electricity Supply Industry, the economy at large and the consumers. Consideration is further given to the National Developmental Plans, Government Policies and Cabinet directives such as the 2005 Cabinet decision directing that NamPower tariffs should reach cost reflectivity by the year 2012 and remain cost reflective subsequently thereafter.

As part of the review process, the ECB consulted different stakeholders through a stakeholder meeting, at which NamPower made a presentation of 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.

4. TARIFF REVIEW OUTCOME

The Electricity Control Board approved a 5 percent tariff increase, translating into an effective bulk tariff increase, moving from N\$ 1.61 per kilowatt-hour to N\$ 1.69 per kilowatt-hour.

The approved 5 percent tariff increase would suffice for NamPower to cover its allowed operating costs, and cover the under recovery as per the reconciliation methodology and ultimately fulfil its financial obligations, including payments to the local Independent Power Producers and ensure a continued supply of electricity.

The 5 percent tariff increase is below the projected inflation of approximately 5.3% for the period 2018/2019 and therefore, it is foreseen that the impact of the increase on inflation will be at a minimum.

The increase is applicable to NamPower bulk customers i.e. Regional Electricity Distributors (REDs), Local Authorities, Regional Councils and Mines. Respective bulk

customers (Distributors) will individually apply to the ECB for tariff increases that will be applicable to end consumers.

5. CONCLUSION

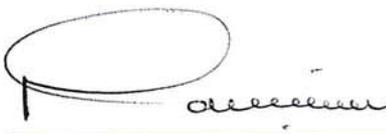
The Electricity Control Board and the Electricity Supply Industry is aware and concerned with the affordability of electricity in the country. It is a fact that the economy is highly dependent on reliable and affordable electricity supply. It is therefore the responsibility of the Regulator to ensure a sustainable electricity industry at affordable tariffs.

For the Stakeholders to better understand the distribution tariff structure at a national level and the relation to the cost of supply of each distribution utility, the ECB commenced a *National Electricity Tariffs Study - Distribution Industry* project, which study is intended to assess the implementation of recommendation of the 2001 National Electricity Tariff Study and to review the cost of supply of electricity by the distributors.

The study will further assess the difference between the fixed and variable costs in relation to the relevant fixed and variable charges. The study is expected to be completed by the end of 2018 and there will be numerous stakeholder consultations during the study period.

The approved tariff adjustment is effective from 01 July 2018.

I thank you



Foibe L. Namene
Chief Executive Officer

