ELECTRICITY CONTROL BOARD

Annual Report 2009

contents

Mission Statement
To control and regulate an efficient Namibian ESI in a transparent and fair manner for the benefit of all stakeholders

Core Values
Transparency to be open and honest in all our dealings with stakeholders

Integrity
To be impartial in our judgment and treat all stakeholders equally

Efficiency
To ensure at all times that our regulatory functions add value to the ESI

Sustainability
To ensure that the endowment of the energy resources are available to present and future generations

Professionalism
To maintain the highest standards of technical competency and personal integrity

Abbreviations/Acronyms

BOD	-	Board of Directors
ECB	-	Electricity Control Board
CEO	-	Chief Executive Officer
CoW	-	City of Windhoek
EDI	-	Electricity Distribution Industry
ERA	-	Electricity Regulators' Association
ESI	-	Electricity Supply Industry
GRN	-	Government of the Republic of Namibia
HR	-	Human Resources / Human Resource Manager
IPP	-	Independent Power Producer
PRO	-	Public Relations Officer
LA	-	Local Authority
MME	-	Ministry of Mines and Energy
NERSA	-	National Energy Regulator of South Africa
NP	-	NamPower
PSP	-	Private Sector Participation
QOSS	-	Quality of Supply and Service
RC	-	Regional Council
RED	-	Regional Electricity Distributor
RERA	-	Regional Electricity Regulators' Association
RSM	-	Regulatory Support Manager
RSS	-	Regulatory Support Services
SADC	-	Southern African Development Community
SAPP	-	Southern African Power Pool
SLA	-	Service Level Agreement

Chairman's Report

The year 2008/09 has been without a doubt an eventful year for the ECB. The manner in which the Regulator has handled the many challenges emanating from a combination of the global recession and the energy crisis in the SADC region has proven that the ECB is indeed equal to the challenge, and has earned the Regulator respect from all stakeholders in the Electricity Supply Industry. This achievement would not have been possible without good leadership. I am therefore delighted that the Board, in recognition of his outstanding performance and assiduity, has chosen to renew the CEO's contract for a further five years. I would like to congratulate the CEO and to assure him that the Board will continue to give him the necessary support to ensure that the Regulator keeps on performing to the expectation of the Government and all stakeholders in the ESI for the next five years of his leadership.
I am pleased to present the ECB Annual Report for the year 2008/09 in accordance with the stipulations of Section 16 of the Electricity Act No. 4 of 2007.

As expected, the continued management of the energy crisis and the impacts of the economic downturn (now a recession) on our economy necessitated the addition of several unplanned initiatives and activities to the ECB's normal workload during the reporting year. However, a combination of more effective use of internal resources and outsourcing ensured that the extra workload did not negatively affect the Regulator's planned activities.

Economic Regulation: Having ruled out a "zero tariff increase" as an option for mitigation of the impacts of the recession on the consumers and on the national economy in general, the ECB successfully processed all tariff increase applications during the year under review. However, in consultation with the key players in the ESI, the Regulator decided to change the cost reflectivity targets in order to alleviate the impacts of high tariffs on the consumers while the economic downturn persists. This resolution underscores the Regulator's plan to place more emphasis on evaluating the impact of ESI decisions on the GDP and the economy as a whole. According to their projections, NamPower Trading believe that cost reflective tariffs can still be achieved by 2012/2013 (as opposed to the initial target of 2010/2011) as set by the Regulator.

The ECB issued two Distribution and Supply Licenses during the reporting year despite the prevailing REDs regime. The justification for the anomaly is that the licenses fall within the geographical area of a non-operational RED. Forty-one Distribution and Supply licenses were renewed, and one Special Conditional Generation License (coal-fired power station) was issued during the reporting period.

The Power Supply Crisis: Ironically, the decrease in energy consumption caused by the economic downturn has provided Namibia, like the rest of the Southern African region, a welcome "breathing space" which we must utilise to implement measures that will prevent a potentially economy-crippling electricity shortage when the recession lifts.

As detailed in the report, our short-term initiatives as a nation fall within the ECB's Demand Side Management Programme and the construction of new electricity highways. In addition to giving Namibia access to surplus electricity in Zambia, Zimbabwe, the DRC and Mozambique, the Caprivi and the ZIZABONA transmission links will open up a new North-South electricity "wheeling corridor", which will alleviate transmission congestions, and facilitate increased regional electricity trading.

The medium-to-long term initiatives involve the construction of new power stations. Progress has been reported on the Baines hydropower station on the Kunene River, the Wind Farm project and the coal-fired station at the coast. There has been also renewed interest and sizeable new investment in the Kudu gas project.

Industry Performance: Despite drastic increases in the contributions of Van Eck and Paratus power stations (439% and 233% respectively) into the Namibian electricity system, imports outstripped local generation by 7.7% with a 57.7% contribution against a 42.3% local contribution.

We have observed a steady decline of domestic contribution as a percentage of total units into the Namibian electricity system over the last four years. This is attributable to a steady increase in our domestic demand on one hand and a static domestic generation on the other hand. The implications of this trend are that Namibia is increasingly more dependent on power supplies beyond its borders and control.

Cooperation with Stakeholders: The successes enjoyed by the ECB during the difficult year under review are a clear vindication of the Regulator's consultative approach and involvement of stakeholders, whenever feasible, in its solution analysis processes. Because of this policy, stakeholders have been able to take ownership of even the most uncomfortable solutions and decisions of the Regulator. The tariff reviews for 2008/09 are a case in point. On one hand, the generator, the transmitter and the distributors all strongly motivated the high tariff increases they applied for, whereas on the other hand, the consumers and other stakeholders lobbied for a zero tariff increase. The Regulator's final decision, which was different from both extremes, was welcomed by all parties.

Regional Cooperation: Cooperation and coordination between regulators in the region has become ever more important as the Southern African economies become more integrated. ECB's investment in cultivating relationships with other regulators in the region and beyond has not been in vain. The invaluable inputs obtained from the activities of RERA into our own programmes serves as a shining example of the fruits of regional cooperation.

Human Capital: The transformation of the ECB from electricity regulator into energy regulator is imminent. The new regulator stands to benefit from the ECB's human capital management policies that have helped keep staff turnover at an absolute minimum and increased the proficiency and productivity of staff at all levels.

Nandago

Mr J Nandago
Chairman

Chief Executive Officer's Report

This year marks the fourth year of the ECB Strategic Plan 2006-2010. It is at this stage when we evaluate our performance against our objectives and take stock of our internal strengths and weaknesses as we embark on the drafting of our next Five Year Strategic Plan. It gives me great pleasure to report that the ECB has delivered exceptionally well on the initiatives identified in its second strategic plan, thanks to effective performance monitoring, evaluation and application of timely corrective action throughout the plan period. This level of achievement was realised despite a major setback in 2006 when a delay of that year's budget lead to a temporary freeze or a review of the timing of many of the planned activities.

We had 96 planned activities in the ECB Strategic Plan 2006-2010. Of the 96 initiatives, only three (3%) were removed or cancelled. Of the three projects removed, one was shifted to the Renewable Energy and Energy Efficiency Institute (REEEI) where alternative funding was identified, one was reformulated and incorporated into the normal day-to-day activities of the relevant department, and only one was cancelled altogether.
Of the remaining 93 initiatives 79 (85%) were concluded or are on track for completion on schedule and on cost. Fourteen initiatives (15%) were either rescheduled (project timing revised), delayed, or will experience late fish.

The revision of project timing mentioned above was necessitated by following two main factors:

[a] The late approval of the 2006/07 budget did not only affect the initiatives scheduled to start in 2006/07 but also all the projects logically linked to those delayed initiatives, and

[b] In some instances, we discovered that it was necessary to establish a logical link between projects that were initially considered independent of each other. Where such a link foresaw the outputs of the one initiative feeding into the other, the latter was logically rescheduled to start after conclusion of the former.

The removal of three initiatives was necessitated by the absence of relevant enabling legal provisions. In the execution of its mandate, the ECB endeavours to ensure at all times that, its programmes and activities are based on sound legal provisions. Having a legal department on our establishment underscores the importance of this objective for the ECB. It is pleasing to note that our stakeholders in the ESI now take it as a given, that the ECB will ensure that any regulatory instrument they develop is compliant with legislation before it is disseminated to the stakeholders.

External factors were responsible for the decision to put on hold or delay the implementation of three projects.

Resistance from some Local Authorities led to a delay of the "Establishment of the remaining REDs" whereas one project was delayed due to funding constraints.

The ECB also executed several projects, which were not in the original planned activities but were necessitated by the energy crisis, the economic downturn, or gaps identified in the execution of certain planned activities or significant modifications thereto.

The additional projects included the following:

1. **Reaserch into and recommendations on "Strategic Options for Responding To the Energy Crisis and the Long-Term Energy Sector Development"**

   The following ECB's observation made in the study indicates its importance and urgency,

   Namibia is rapidly entering into a state of energy crisis and by some accounts has already entered a crisis stage as evidenced by the mandatory reduction in imports from Eskom, which is facing an unprecedented electricity shortage with the generation surplus diminishing rapidly. Any shortfalls in energy, in general, and electricity, in particular, can quickly cause widespread adverse economic and social impacts. Longer-term economic impacts of a sustained energy shortfall can be devastating with direct impacts on the country's Gross Domestic Product (GDP), diminishing Foreign Direct Investment (FDI), reduction in exports, a weakening of the domestic currency, and a downward trend in trade. The experience in other parts of the world confirms that rebounding from such adverse impacts can be a multi-year process. Losses in certain sectors can be even irreparable.

   Social impacts of sustained energy shortfalls can also be painful, given that energy, particularly electricity, is the lifeblood of most basic social needs - education, healthcare, transportation, and communication. In addition, the impact on the rural, poor, and isolated pockets of population can be devastating and can erode public confidence in the Government's ability to provide even the most basic services.

2. **Reaserch into and recommendations on the "Proposal of No Tariff Increase for 2007/2008 For the Electricity Industry"**

   This document discusses *"the different options available to Government to relieve the pressure current electricity tariffs are putting on consumers in the electricity industry. The document focuses on the Government policies in terms of tariff setting currently being the guideline, the problems that will be experienced by utilities if a zero tariff increase should be implemented, subsidies, the poor and some recommendations".*

   One of the main conclusions of this study was that *"a zero tariff increase will not be the advisable option for the ESI at this stage due to the power shortage and related problems currently experienced in the region, the need for investment in generation and transmission, the ESI restructuring process and the rising electricity prices in the region".*

3. A study into "The Risks Associated with a Single Buyer Market Model in Namibia"

This additional study was necessitated by gabs identified during the implementation of the initiatives on the development of an investor orientated market framework and a "modified" Single Buyer model, started in 2006.

There have been many noteworthy events during this 5-year plan period, but I would like to single out the following as being among the most exciting to date:

[a] On a Regional level, we have observed Southern Africa transforming the "electricity regulator" into an "energy regulator". We have observed further, a growing trend towards "multi-sectoral regulator" in the region. Malawi, Lesotho, Zambia and South Africa have already transformed their electricity regulators into energy regulators, while Tanzania has moved a step further and established a multi-sectoral regulator, albeit with limited scope so far.

As mentioned in my previous reports, the ECB expects to be transformed into an energy regulator in the near future. However, given the nature and size of its economy, Namibia would stand to benefit significantly from establishment of a "multi-sectoral regulator". It is our belief therefore, that "energy regulator" will be but only a transitional status for the ECB as it moves towards "multi-sectoral regulator" status. This vision shapes our medium-to-long-term human capital development plans.

[b] The energy crisis that gripped Southern African region during the period under review further strengthened Namibia's resolve to develop its local generation capacity. The energy crisis having taken on global dimentions, many international investors have turned to Africa for solutions. In this regard, Namibia's energy sector has attracted a good deal of interest from intending international IPP investors.

The ECB has also had its fair share of threats and challenges during the period under review.

1. The perception of some Local Authorities, that REDs take away a vital revenue stream from them, lead to considerable resistance from these entities against the establishment of REDs. The ECB decided to study this assertion carefully before recommendations are made on how to mitigate any legitimate concerns the study may reveal. In light of this decision, we thought it fitting to put the establishment of the remaining REDs on hold pending the study outcomes.

2. Although the full extent of the impact of the global economic downturn on the Namibian economy is not yet known, the ECB is already affected by its effects. Input costs for generation and transmission went up considerably due to high commodity prices. This lead to a demand for higher than planned tariffs increases from NamPower and the distribution utilities. As detailed elsewhere in this report, ensuring a balance between sustainable supply of electricity through cost reflective tariffs for NamPower and the distribution utilities on one hand, and the economic implications of higher than planned tariffs on the other hand, posed a huge challenge to the ECB.

3. Office space, or should I say, the lack of it, has also posed a challenge to us. With the Regulator now fully established, office space has become a restricting factor in many ways. Aside from a need for extra offices, the existing offices are too small. Officers are forced to work in cramped conditions, which impacts negatively on their productivity. Lack of space has also delayed the establishment of a knowledge centre, a facility we consider a necessity for the proper functioning of our organisation. The ECB will not be able to fully deliver on its objective, "to have an in-house research capacity" without this facility.

4. The slow response to our initiative to improve private sector participation in the ESI development has been a concern the ECB has taken seriously. We are addressing those factors we believe contributed to this state of affairs. Prominent among these factors are:

   a. **The Single Buyer Model:** We believe that the original Single Buyer Model, which sought to create a monopoly through a single buyer, was too restrictive and was contrary to the intentions of Government to liberalise the ESI. Furthermore, the fact that the Model did not restrict the participation of the Single Buyer in generation activities created room for *unfair competition.* The ECB responded with an extensive review of the Single Buyer Model. We can assure our stakeholders and the private sector in particular, that the Modified Single Buyer Model sufficiently addresses all the concerns expressed about the original model.

      The move towards a Southern African Common Market is a welcome development because it will allow Namibia to become an electricity exporter. We believe that easy access to a bigger market will be yet another important catalyst for private sector participation in the Namibian ESI development.

   b. **Market Rules:** The development and implementation of market rules based on a fair market model are expected to further level the playing field.

This level of delivery would not have been possible without teamwork and dedication from the entire ECB team, and the invaluable contributions and guidance of our Board. As I start my new 5-year term at the helm of this esteemed organisation, I am counting on the same level of integrity, dedication and support from the members of my management team, whom I would like to single out for special thanks.

Mr. Siseho C Simasiku
CEO

ECB Board Members

Mr Jason Nandago
Chairman

Mr Siseho C Simasiku
CEO

Mr Fritz Jeske
Board Member

Mr Gersom Katjimune
Board Member

Ms Uilkka Kamboua
Board Member

Ms Mara Uazenga
GM Administration and Finance

Ms Helene Vosloo
Manager Economic Regulation

Mr Gerrit Clarke
Manager Regulatory Support Services

Not Pictured
Ms Penduleni M. Shimutwikeni
Board Member

Ms Damoline Muruko
Manager Corporate Communications and Legal Services

Mr Rojas Manyame
Manager Technical Regulation

Staffing

The ECB recognises the importance of staff retention, stability, and development in its effort to deliver on its mandate. We are also aware of the severe shortage of skilled labour in the ESI both in Namibia and in the SADC region as a whole. In mitigation thereof, ECB has developed a strategy based on staff development/training and appropriate remuneration. The strategy also addresses the issue of racial and gender demographics in order to ensure a representative employee base.

This strategy has enabled the ECB to attract and retain appropriate skills at all levels of its establishment. With the recruitment of (a) General Manager: Regulation and, (b) Public Relations Officer during the period under review, the ECB has reached its full staff compliment except for one vacancy, being “Technician” in the Regulation Department.

Performance Management and ESI Industry Awards
During the year under review, the main objectives outlined in the strategic plan have been met for the most part, and detailed plans have been developed for the remaining targets. The ECB’s Performance Management System is vital in creating a result-oriented administration, which is necessary for translating the legislative mandate into measurable performance indicators and targets within an environment that encourages and rewards exceptional performance. This will serve as the basis for the consolidation of the gains of the past five years, and will enable ECB to provide better quality services to its stakeholders.

ECB hosted an ESI industry award ceremony in recognition of achievers who made significant strides in the ESI.

Employee Wellness
We realize that our employees are often subjected to adversely stressful, and at times, even threatening situations. To address our employees’ wellness needs the ECB has set mechanisms in place, which are integrated with medical aid that provides:

- A healthy work environment
- A supportive, non-discriminatory environment; and
- The ECB with a healthy, productive work force

Training and Development
The ECB has invested extensively in skills development to further the career opportunities of its staff. For example, as part of the capacity-building program, some of the ECB staff members paid a visit to NERSA, our counterpart in South Africa. During the past financial year, the ECB invested N$428,173.59 in training and development.

In view of the human capital development challenges, in the execution of the ECB’s mandate, the management has committed itself for the next financial year to focus on:

- Rigorously developing the required skills for the ECB’s strategic objectives
- Targeting the execution of the Personal Development Plans (PDP’s) in terms of the training needs identified through a training needs analysis

Corporate Social Investment
Corporate Social Investment (CSI) is a cornerstone for good corporate citizenship and forms an integral part of corporate accountability. ECB recognises its responsibility as a corporate citizen towards its stakeholders and the communities within which it operates. ECB remains committed to sustainable development in aligning its corporate objectives to that of its performance as a corporate citizen. To demonstrate and give effect to this commitment the ECB has spent an amount of N$64,092.55 for the financial year under review.

Economic Regulation

Tariffs

Although the 2008/09 Financial Year posed a number of challenges and problems for the Economic Regulation Department, a lot of progress has been made with respect to several issues, which are deemed to be very important for the Electricity Supply Industry.

All tariff adjustment applications made by electricity licensees in the past year were reviewed according to the approved tariff methodology of the ECB. The ECB is still experiencing problems with smaller local authorities either not applying for tariff reviews or charging tariffs, which have not been approved by the ECB to their customers. This has occurred despite the fact that the ECB continued to assist the smaller local authorities with their applications for tariff reviews and will continue to do so.

The ECB has also updated the Weighted Average Cost of Capital (WACC) framework that it is using to calculate the rate of return of the different utilities. The framework now includes separate WACC calculations for NamPower, REDs, Local Authorities/Regional Councils and IPPs to reflect the different risk profiles of these entities.

The ECB has resolved that Time-of-Use (TOU) tariffs will be implemented as of 1 July 2009 for all NamPower transmission supply customers. This resolution was made while taking into account the fact that TOU tariffs will play a very important role in demand side management and in providing the correct pricing signals to consumers. Furthermore, this will help many of the Large Power Users (LPUs) control their costs, and in doing so, make them more competitive. The ECB believes that the introduction of TOU tariffs is in the national interest of Namibia and it is on this basis that the TOU tariffs will be implemented.

The ECB has begun preparing training and information workshops in order to assist stakeholders in the implementation of the TOU tariffs.

The biggest challenge for the ECB, and in particular, the Economic Regulation Department, was the looming energy crisis along with the significant increases experienced in commodity prices. The global energy crisis had a severe impact on the setting of tariffs. The huge increases in commodity prices such as oil and coal added a lot of pressure to the operating costs of NamPower. As a result the ECB was under pressure to approve tariff increases higher than the original projections made in 2003/2004 and 2007/2008. Ensuring a balance between sustainable supply of electricity through cost reflective tariffs for NamPower and the distribution utilities on one hand, and the economic implications of higher than planned tariffs on the other hand, posed a huge challenge to the ECB.

The graph chart in Fig 1 below demonstrates changes in the projected price path during the period between 2007/2008 to 2008/2009, and how the projected tariff increases to reach cost reflectivity by 2010/2011 have changed within NamPower for generation and transmission prices in order to reach cost reflective levels by the set target date.

Figure: Generation and Transmission Projected Price Increases

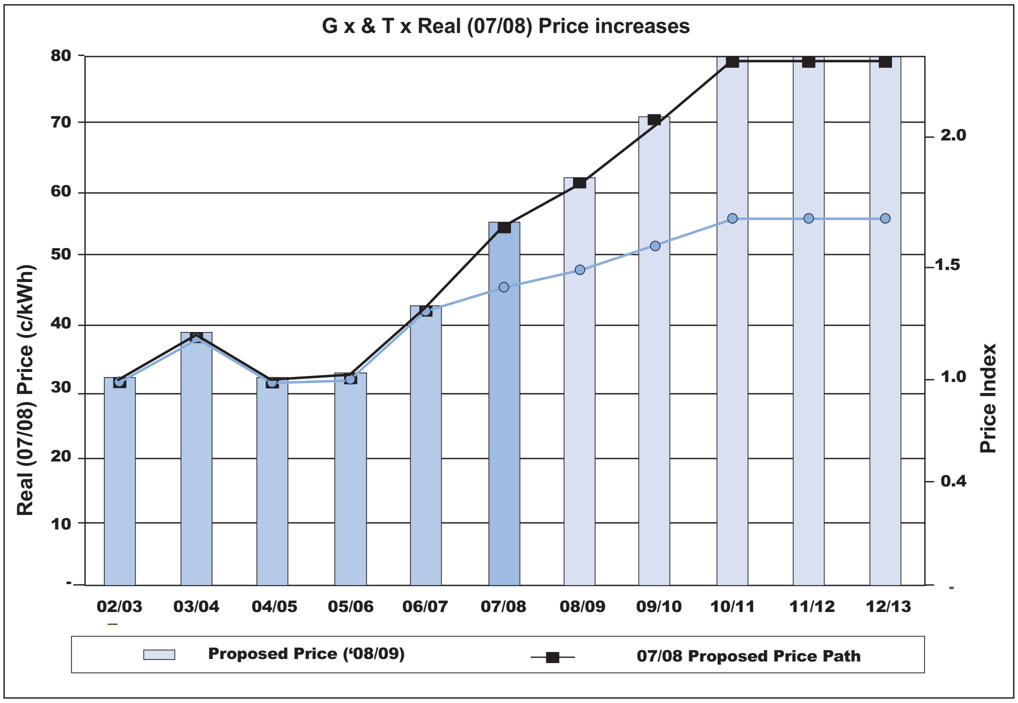


Figure 1: Projected Generation and Transmission Price Increases

The ECB granted NamPower a 15% effective increase for the 2008/2009 financial year. Distribution utilities and Local authorities were granted varying increases according to the revenue requirement submitted to the ECB by each of them.

The above is consistent with the following ECB's main regulatory objectives:

[a] electricity-pricing methodology that equitably rewards investors (recovery of cost of supply plus regulated rate of return) while keeping prices affordable to consumers,

[b] ensuring quality of supply and service (taking cognizance of different quality standards and associated costs), and

[c] maximizing operational efficiency through restructuring and performance evaluation and monitoring.

Since its inception in 2000, the ECB has mainly concentrated on operationally setting up the regulatory authority internally, setting up a licensing system, determining and implementing a tariff methodology, setting up quality standards and assisting Government with the restructuring of the Namibian electricity industry. We have made significant strides in this regard and therefore, the ECB has started to increase its focus on evaluating and monitoring the performance of Licensees. More focus will also be placed on evaluating the impact that the decisions taken in the ESI have on GDP and the economy as a whole.

Government policy stipulates that the market should be opened up for private investors. Private investment is further needed for projects to increase the generation supply for Namibia and for the whole Southern African Region. In view of the above, the ECB has reviewed the Single Buyer Model as adopted by the Government to see if the traditional Single Buyer Model is still valid for the changing global market circumstances. A very comprehensive report was compiled for the ECB, which is currently under discussion between the ECB, NamPower and the Namibian Government.

The Power Supply Crisis

Regional

The power supply crisis in the Southern African Region has eased considerably resulting in a decrease in load-shedding occurrences. This is due to the reduced electricity consumption of mines in the primary-sector driven economies of the region, which has been brought on by decreased production and closures as a result of the global economic downturn and plummeting mineral prices.

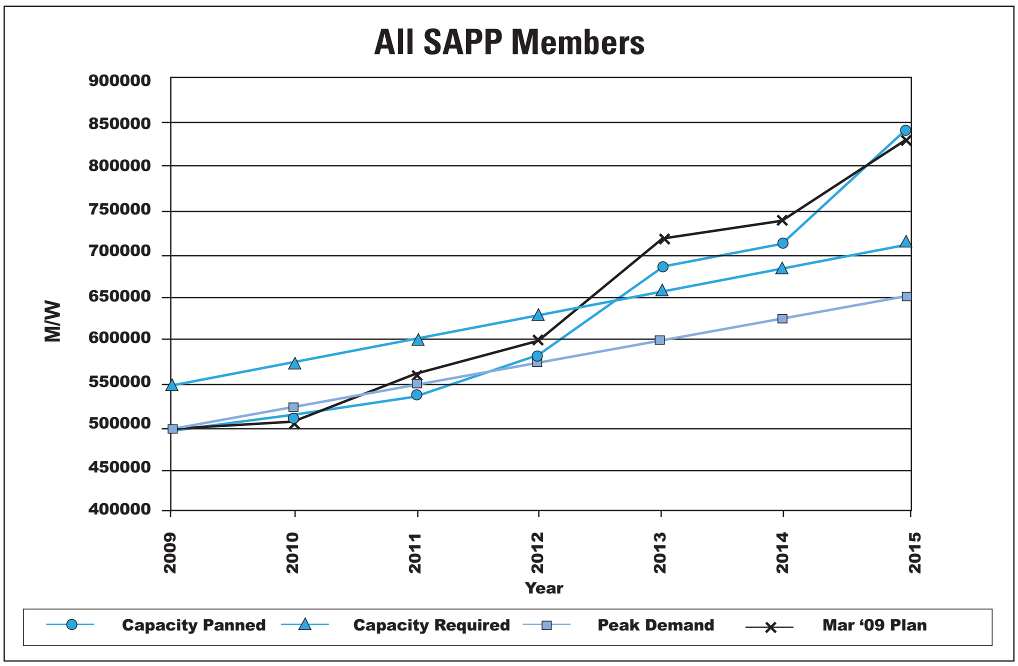


Figure 2: Capacity Planned, Capacity Required, and Peak Demand as at March 09

Past trends indicate the economic downturn is likely to correct itself over time causing electricity consumption to increase once again as mining operations return to their normal levels. Therefore, the "breathing space" (see graph above) provided for electricity providers by the current economic climate should be regarded as an opportunity to build new power stations whilst continuing with demand side management to ensure the optimal utilisation of scarce economic resources. This has been reaffirmed by the SADC Energy Ministers Meeting of April 2009 in Maputo, Mozambique.

In addition, a number of studies and initiatives are being undertaken by SADC, SAPP and RERA aimed at (amongst others) creating an IPP Investor-friendly environment including the Investors Roundtable, Generation and Transmission Expansion Plan, Regional Tariff Study, Regional Energy Access Study, Regional Electricity Utilities Benchmarking Study, Regional Global Competitiveness Hub and the Import & Export Regulation Study.

Local

Like the rest of the region, Namibia has also been provided “breathing space” to build new power stations and prevent a potentially economy-crippling electricity shortage.

In the short term, Namibia is continuing with its demand side management program as well as the construction of new electricity highways. The Caprivi and the ZIZABONA transmission links will give Namibia access to surplus electricity in Zambia, Zimbabwe, the DRC and Mozambique as well as opening up a new North-South electricity “wheeling corridor”, much needed to avoid transmission congestions, and to increase regional electricity trading.

Regarding new power stations the Namibian ESI is making progress with, amongst others, the Baines hydropower station (feasibility study stage) on the Kunene River, Wind farm (Power Purchase Agreement negotiation stage) at the coast, Coal power station at the coast (Technical Scoping and Environmental study stage) at the coast, and the Kudu gas power station.

Other measures aimed at attracting investment in Namibia’s generation sector include the implementation of the IPP and Investment Market Framework (see section on Development of Single Buyer and IPP Market Framework) and increased cooperation with MME and NP.

The ECB started the process to develop a National Integrated Resource Plan (NIRP) to ensure that new power stations are introduced according to a schedule that is consistent with national energy planning, as well as to ensure the optimal utilisation of resources and the diversification of the generation mix in Namibia to mitigate the risk of over-reliance on imports. Various funding mechanisms for the NIRP are being investigated.

Industry Structure and Market Development

Licensing

New Licenses
During the financial year under review, the ECB issued the following new Distribution & Supply Licenses: Namibia Airports Company and Finkenstein Development Trust. These licenses were issued because they fall within a RED which is not yet operational (the CENTRAL RED).

A Special Conditional Generation Licence was issued to Vision Energy Resources (Pty) Ltd for a coal-fired power station at Walvis Bay.

Amendments
The Distribution and Supply Licenses of Otjozondjupa Regional Council expired and CENORED's Distribution and Supply licence area was amended to include that of Otjozondjupa Regional Council. The amendment was effected in order to allow CENORED to take over the distribution and supply activities within the Otjozondjupa Regional Council pending the establishment and operationalisation of Central RED.

The Special Conditional Generation Licence of Aeolus Power Generation Namibia (Pty) Ltd was amended to extend the deadline for compliance with the special conditions to 31 May 2009. The amendment was effected due to delays in the power purchase agreement (PPA) negotiations between NamPower and Aeolus.

Similarly, the Special Conditional Generation Licence of Namibia International Mining Company (Pty) Ltd was amended to extend the deadline to 31 December 2009. This was due to delays in structuring the financing of the project.

Renewals
The Distribution & Supply licenses of the 41 Southern RED & Central RED shareholders shown below were renewed for another year, as these REDs have not yet been established.

Figure 3: License Renewals

2--8 - 2009 Licence Renewals

File No	Stakeholder	Subdivision	Type of Licence	Date of Renewal	Period	Due for Renewal Again
Alf-1/03	Aranos Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/75	Aredareigas Homeowners Ass.	CENTRAL RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/15	Aroab Electrical Group	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/52	Aroab Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/53	Berseba Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/67	Bethanie Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/85	Gibeon Village council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/10	Gobabis Municipality	CENTRAL RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/83	Gochas Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/28	Hardap Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/59	Kalahari Farming Two CC	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/93	Kalkrand Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/82	Kameelboom Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/02	Karas Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/04	Karasburg Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/01	Keetmanshoop Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/90	Keinab Power Supply (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/84	Khomas Power (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/94	Klein Karas Power CC	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/96	Kokerboom Power Supply (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/60	Leonardville Village Council	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/43	Lüderitz Town Council	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/87	Maltahohe Village Council	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/16	Mariental Municipality	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/87	Maltahohe Village Council	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/16	Mariental Municipality	SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/73	Nampower	CENTRAL & SOUTHERN RED	Distrubution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/92	Nature Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/91	Naukluft Electricity Invewstments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09

File No	Stakeholder	Subdivision	Type of Licence	Date of Renewal	Period	Due for Renewal Again
Alf-1/40	Okahandja Municipality	CENTRAL RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/64	Omaheke Regional Council	CENTRAL & SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/23	Ongopolo Mine (Otjihase Mine)	CENTRAL RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/09	Rehoboth Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/66	Roshskor Township (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/78	S & S Kragvoorsiening	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/72	Salt Block Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/79	Swartrand Power Suppliers CC	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/89	Swartwater Power Suppliers (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/57	Tses Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/80	Vergelee Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/81	Vogelstrausskluft Power (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/20	Windhoek Municipality	CENTRAL RED	Distribution and Supply	1-Jul-08	1	1-Jul-09
Alf-1/56	Witvlei Village Council	CENTRAL RED	Distribution and Supply	1-Jul-08	1	1-Jul-09

	Number
Distribution	41
Supply	41
Total	82

Figure 4: Complete List of Licensees

File No	Stakeholder	Subdivision	Type of Licence	Date of Issue	Period of Issue
Alf-1/98	Aeolus Power Generation (Pty) Ltd	Windhoek	Generation	1-Apr-07	22
Alf-1/68	Anglobase Namibia (Pty) Ltd	Scorpion Mine	Generation	12-Oct-01	15
Alf-1/03	Aranos Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/75	Aredareigas Homeowners Ass.	CENTRAL RED	Distrubution and Supply	1-Jul-07	1
Alf-1/15	Aroab Electrical Group	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/52	Aroab Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/105	Atlantic coastEnergy Company (Pty) Ltd	Coal	Generation	1-Nov-07	25
Alf-1/53	Berseba Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/67	Bethanie Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/76	CENORED (Pty) Ltd	CENORED	Distribution and Supply	12-Jul-03	25
Alf-1/88	Erongo Red (Pty) Ltd	ERONGO RED	Distribution and Supply	1-Aug-05	25
Alf-1/85	Gibeon Village council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/10	Gobabis Municipality	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/83	Gochas Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/28	Hardap Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/59	Kalahari Farming Two CC	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/93	Kalkrand Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/82	Kameelboom Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/02	Karas Regional Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/04	Karasburg Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/01	Keetmanshoop Municipality	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/90	Keinab Power Supply (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/84	Khomas Power (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/94	Klein Karas Power CC	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/96	Kokerboom Power Supply (Pty) Ltd	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/60	Leonardville Village Council	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/43	Lüderitz Town Council	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/87	Maltahohe Village Council	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/16	Mariental Municipality	SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/95	Mile 7 WEC Power Station	ERONGO RED	Generation	6-Apr-06	10
Alf-1/29	Namdeb Diamond Corporation	SOUTHERN RED	Distribution	11-Jul-01	10
Alf-1/63	Namibia Airport Company		Generation	12-Oct-06	20
Alf-1/104	Namibia International Mining Com. (Pty) Ltd	Oil CCGT	Generation	1-Jun-07	20
Alf-1/73	Nampower	CENTRAL & SOUTHERN RED	Distrubution and Supply	1-Jul-07	1
Alf-1/31	Nampower	Export	Export	11-Ju-01	20
Alf-1/32	Nampower	Import	Import	11-Jul-01	20
Alf-1/39	Nampower	Paratus	Generation	11-Jul-01	20
Alf-1/35	Nampower	Ruacana	Generation	11-Jul-01	25
Alf-1/37	Nampower	Stand by 1	Generation	11-July-01	15
Alf-1/38	Nampower	Stand by 2	Generation	11-Jul-01	15
Alf-1/34	Nampower	Van Eck	Generation	11-Jul-01	20
Alf-1/33	Nampower		Supply	12-Jul-02	20
Alf-1/30	Nampower		Transmission	11-Jul-01	25

File No	Stakeholder	Subdivision	Type of Licence	Date of Issue	Period of Issue
Alf-1/92	Nature Investments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/91	Naukluft Electricity Invewstments (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/71	NORED (Pty) Ltd	NORED	Distribution and Supply	13-Mar-03	25
Alf-1/40	Okahandja Municipality	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/64	Omaheke Regional Council	CENTRAL &			
		SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/24	Ongopolo Mine	Tsumeb Services	Generation	11-Jul-01	20
Alf-1/25	Ongopolo Mine	Tsumeb Smelter	Generation	11-Jul-01	15
Alf-1/23	Ongopolo Mine (Otjihase Mine)	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/09	Otjozondjupa Regional Council	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/09	Rehoboth Town Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/66	Roshskor Township (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/05	Rössing Uranium Limited		Distribution and Supply	11-Jul-01	20
Alf-1/78	S & S Kragvoorsiening	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/72	Salt Block Power CC	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/79	Swartrand Power Suppliers CC	SOUTHERN RED	Distribution and Supply	1-Jul-08	1
Alf-1/89	Swartwater Power Suppliers (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-08	1
Alf-1/55	Telecom Namibia		Generation	12-Oct-01	20
Alf-1/57	Tses Village Council	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/80	Vergelee Power Supply (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/99	Vizion Enerby Resources (Pty) Ltd	Coal	Generation	1-Apr-08	25
Alf-1/81	Vogelstrausskluft Power (Pty) Ltd	SOUTHERN RED	Distribution and Supply	1-Jul-07	1
Alf-1/103	VTB Capital Namibia (Pty) Ltd	Hydro	Generation	15-Jul-07	20
Alf-1/20	Windhoek Municipality	CENTRAL RED	Distribution and Supply	1-Jul-07	1
Alf-1/56	Witvlei Village Council	CENTRAL RED	Distribution and Supply	1-Jul-07	1

	Number
Distribution and Supply	45
Distribution (Only)	1
Supply (Only)	1
Transmission	1
Generation	12
Export	1
Import	1
Total	58

Development of Single Buyer Market and Independent Power Producer (IPP) Framework

During the financial year under review, the ECB also enlisted the services of CORE International independently to develop an IPP Licence Application and Review Process to harmonise the MME, ECB and NP IPP processes. This project is due for completion in the current financial year.

An issue that was brought to the forefront by the two studies listed above was whether a Single Buyer Market Model is appropriate for encouraging entry of IPPs into the market. Consequently, the ECB conducted a study on various market models through New Energy Consulting. The results of the study are being evaluated by the ECB, NP and MME.

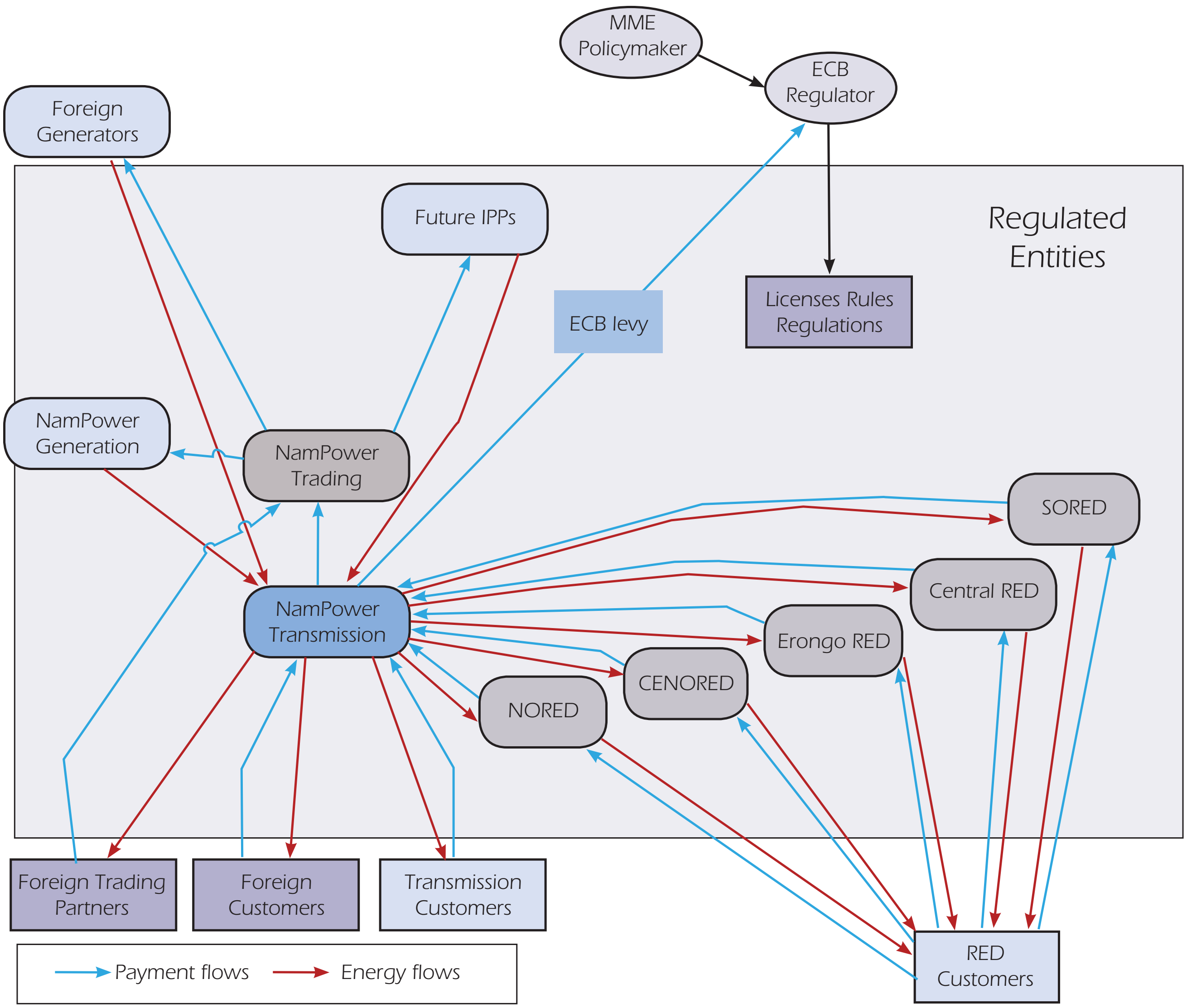


Figure 5: Single Buyer Model

Electricity Distribution Industry (EDI) Restructuring

Namibia's distribution industry consists of a wide variety of stakeholders: local and regional authorities, NamPower as well as private sector participants. The industry is being restructured into REDs (see Figure below) to rationalise it and curtail a proliferation of different tariff structures and levels. Furthermore, the restructuring aims to improve customer service and the adherence to adequate technical standards, increase efficiency, address resource constraints, and to exploit economies of scale in distribution and increase access to electricity.

REDs Map

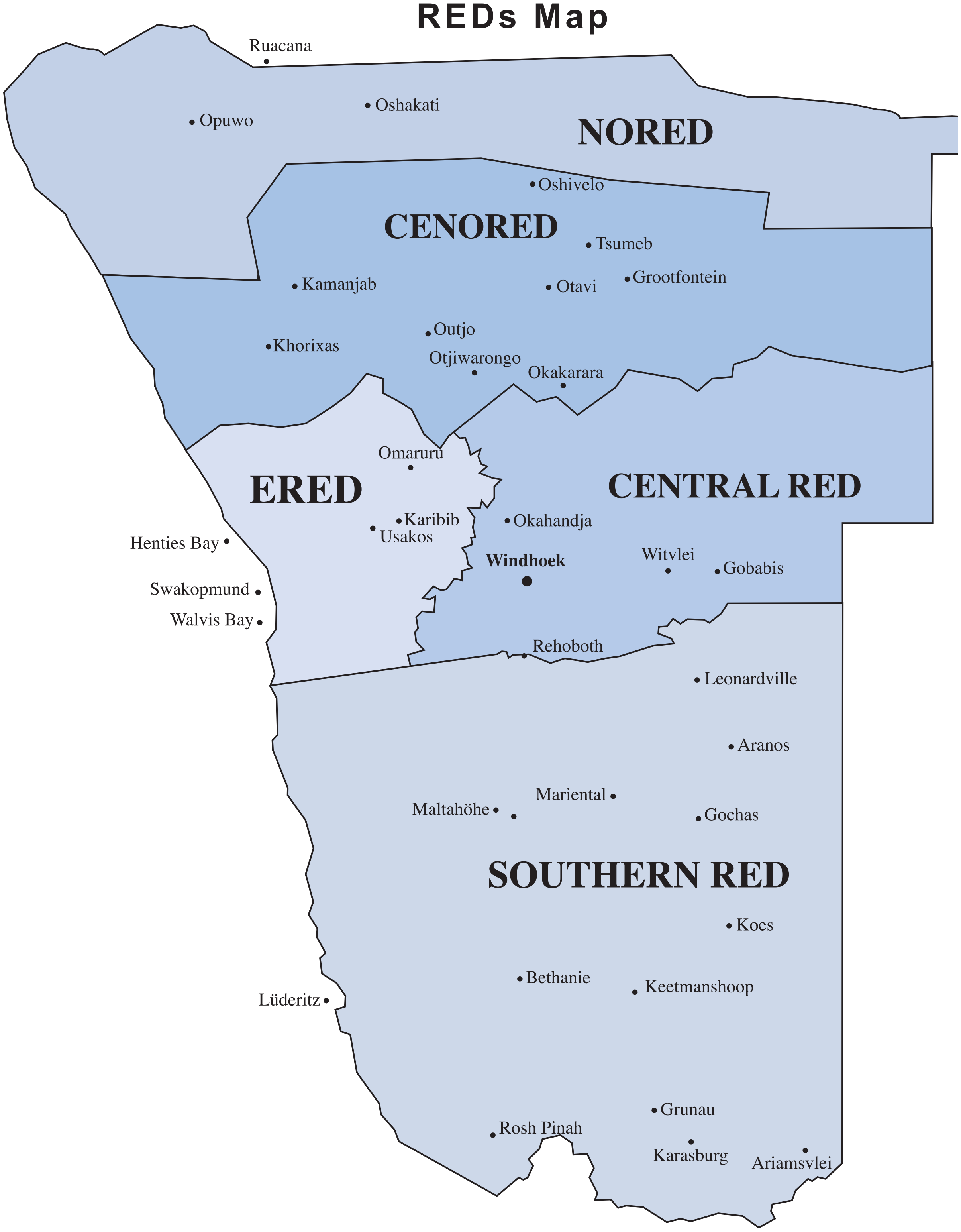


Figure 6: The REDs

NORED, CENORED and Erongo RED have been established and are operational with notable improvements in revenue collections and quality of service and supply. However, progress in the establishment and operationalisation of the Southern and Central REDs has not been satisfactory. In addition, some Local Authorities within the operational REDs are also advocating for a review of the REDs concept.

The observed negative attitude about REDs is mainly driven by the current increases in electricity tariffs awarded by the ECB to reach cost-reflectivity in order to attract new investments in generation in accordance with a decision by the Namibian Cabinet. These increases are filtering through to the consumers, and Local Authorities (LAs) and consumers are mistakenly blaming the REDs for this trend. In order to dispel the misconceptions, the ECB conducted a 7-week media campaign to inform stakeholders and consumers about the root drivers for electricity price increases and other RED-related issues.

Another factor the Local Authorities are blaming the REDs for is that the ECB has kept the Local Authority Surcharges constant in order to soften the effect of price increases on consumers and because LAs in operational REDs are no longer involved in distributing electricity. They argue that this is affecting their ability to provide other services negatively. A national dialogue has been started to address the concerns about the LA Surcharges, in particular, and LA Revenues in general.

Despite the resistance, Government is adhering to the policy of establishing REDs for long-term economic sustainability. A national EDI summit which was planned for the financial year under review to address the problems being experienced with REDs and develop strategies to overcome them. Unfortunately, this summit was postponed to the next financial year in order to conduct further in-depth studies of the interrelations between REDs and Local and Regional Authorities. The results of these studies will be used to enhance the value of the EDI Summit for the industry.

Renewable Energy and Energy Efficiency (REEE)

The ECB has continued with awareness programs aimed at informing and educating electricity users countrywide and in so doing, to influence the quantity and patterns of electricity use through out Namibia. We started the Electricity Savings Awareness Campaign in 2008 with the distribution of electricity savings hints booklets and bookmarks at the WIKA Street Procession in Windhoek. The material was printed in six different local languages to reach more electricity users and thereby ensure efficiency. This exercise was further strengthened by radio and television programmes, which were conducted over the May 2008 school holidays. This targeted scholars specifically, to cultivate an electricity wise mindset amongst young electricity users. The radio programmes, which were in 11 languages, entailed a competition whereby listeners could win a geyser blanket, which, along with serving as a prize, also promotes the saving of electricity. In order to stand a chance to win a prize, listeners had to answer a simple question correctly, which related to hints on how to save electricity and which had been broadcast earlier. More than 80 geyser blankets were given away during the campaign.

ECB Regulatory Instruments

Update on the Regulatory Instruments

Introduction
The period under review saw an accelerated effort to finalise most of the regulatory instruments.

During the first years of its establishment, the ECB concentrated on the establishment and implementation of the main instruments required in order to ensure the efficient commencement of the Electricity Act, 2000, and compliance with the core ECB functions set out in that Act. On completion of the latter, the ECB (as set out in its current strategic plan) is now in a stage where it can concentrate on the development and implementation of all other regulatory instruments required to ensure a more detailed regulation of the Namibian Electricity Supply Industry). This process started in 2008 and the ECB has made considerable headway in this regard.

It is therefore thought timely to update stakeholders on the status and progress made to date on the current as well as planned regulatory instruments under the Electricity Act, 2007.

For ease of reference, the regulatory instruments are set out in Fig 7 below together with explanatory notes and time frames for completion. These regulatory instruments cover all forms of subordinate legislation (such as rules and regulations) as well as, where applicable, internal instruments (such as ECB internal procedures).

List of Regulatory Instruments

The following is a list of the regulatory instruments under review:

- Administrative Regulations
- Quality of Supply and Service Standards (QOSSS)
- Technical Regulations
- Economic Rules
- ECB Complaints Handling Procedures
- Section 18 rules with regard to persons exempted from holding licenses
- Mediation Procedural Rules
- Objection Form
- Public Hearing Procedural Rules
- Distribution Infrastructure Technical Standards
- Namibian Electricity Safety Code

Fig 7 below sets out the various regulatory instruments that have already been established, are currently being worked on and those that are planned for in the near future. As will be noted from the table most instruments are in a final format and will soon be ready for detailed presentation thereon to the Board, for their approval, in the next review period.

Figure 7: ECB Regulatory Instruments

ECB REGULATORY INSTRUMENTS			
No.	**Name of Regulatory Instrument**	**Description**	**Status of Development**
1.	Electricity Act, 2007	Due to the Electricity Act, 2000, not comprehensively and efficiently providing for regulatory oversight of the Namibian ESI, extensive amendments to that Act were required. One of the priorities of the ECB was thus to ensure an updated Electricity Act. In light of the extensive amendments required it was decided that the "old" Act should be repealed in its entirety and replaced by a new Act.	Completed in 2007
2.	Administrative Regulations, 2000	Administrative Regulations were issued in 2000 under the Electricity Act, 2000. The Administrative Regulations deal with certain ECB administrative matters and the electricity licensing system (i.e. advertising of applications, submission of applications, issue of licences, etc). Due to changes in the Electricity Act, 2007, certain amendments to the Administrative Regulations are required	Final Draft completed in2008 Implementation to commence in 2009

No.	Name of Regulatory Instrument	Description	Status of Development
2.	(continued)	(for example to provide for exemptions to the licensing requirements). A final draft is available and it is anticipated that this draft would be completed simultaneously with the Rules on the Redistribution and Resale of Electricity (described below). Again, due to extensive amendments to the Administrative Regulations, it was decided to repeal the existing 2000-Regulations and replace them with a new set of Regulations.	
3.	Electricity Redistribution and Resale Rules	The Electricity Act, 2007, contains a number of exemptions to the requirement to hold a distribution licence. The Electricity Act, 2007, also provides for exemption applications and authorises the ECB to make rules on exempted distribution activities. In the absence of such rules exempted distributors are operating in an unregulated environment. The ECB thus regarded it as important to ensure a regulated environment as soon as possible. The draft Electricity Redistribution and Resale Rules have been consulted in combination with individuals within the industry and the ECB is finalising these rules subsequent to having received final comments thereon. These Rules will then be submitted to the Board for approval before their submission to the Minister of Mines and Energy for his approval. Once these approvals have been obtained, the Rules will be ready for publication in the Government Gazette and implementation.	Final comments from stakeholders being incorporated whereafter these Rules will be submitted to ECB Board for approval. Implementation Commencement in 2009.
4.	Namibian Electricity Safety Code (NESC)	The NESC has been completed after extensive consultations with the industry and submitted to the Board and Minister for approval. The NESC is now with the Legal Drafters for scrutiny and certification whereafter it will be published in the Government Gazette. The NESC will come into operation one year after its publication in the Government Gazette thus providing sufficient time for the industry to align themselves with the contents thereof.	Code Finalised in 2008. Forwarded to Legal Drafters for scrutiny and certification. Implementation to commence in 2010.

No.	Name of Regulatory Instrument	Description	Status of Development
5.	Quality of Service and Quality of Supply Standard Standard (QOSSS)	The QOSSS contains the standards for electricity supply and service in Namibia. Similar to the NESC, members of the industry have been engaged in consultation regarding the QOSSS, which was subsequently submitted to the Board for approval. Following Board approval, final consultations will be conducted with the Minister of Mines and Energy. In terms of the Electricity Act, 2007, the Minister must only be consulted for issues pertaining to standards issued under the Act. Once so consulted the QOSSS will be submitted to the Legal Drafters for scrutiny and certification whereafter it will be published in the Government Gazette.	Finalised Consulted with Minister whereafter to be submitted to Legal Drafters for scrutiny and certification Implementation Commencement in 2009.
6.	Electricity Technical Rules	A detailed set of Electricity Technical Regulations has been drafted during the existence of the Electricity Act, 2000. However, since the drafting of these Regulations, many changes have taken place in the Namibian ESI and various other legal instruments have been prepared by the ECB. Many of the latter instruments relate to aspects currently addressed in the Technical Rules. As such, the ECB is in the process of revising them in order to identify issues which can be removed from the Technical Rules (due to them being covered in other instruments), issues which must move to the Economic Rules and finally issues which must remain in the Technical Rules. The completion of this exercise will result in a more streamlined set of Technical Rules, which will be submitted to the Board for consultation and approval.	Currently being revised The revision will establish the time frames for these Regulations.
7.	Electricity Economic Rules	The ECB has embarked on the drafting of Electricity Economic Rules which will regulate financial and economic aspects of the Namibian ESI such as surcharges, tariff related issues, and the like.	Drafting of Economic Rules commenced early 2009. Implementation to commence late 2009/beginning 2010.

No.	Name of Regulatory Instrument	Description	Status of Development
8.	ECB Complaints Handling Procedures	The Complaints Handling Procedures have been finalised and circulated within the ECB for comments. The purpose of the external complaints procedure is to provide a formal procedure whereby complaints within the ESI (for example customers complaining about conduct of licensees, or customers, licensees and other affected parties complaining about the actions of the ECB, etc) will be dealt with by the ECB. The next step is for the procedures to be finalised within the ECB before consultation thereon and submission to the Board for approval.	Final draft submitted for internal ECB comment. Implementation commencement targeted for 2009.
9.	Mediation Rules	In terms of the Electricity Act, the ECB must mediate disputes in the ESI between customers, licensees, and other stakeholders. The Mediation Rules provide for disputes to be dealt with in accordance with a formal and comprehensive dispute mediation procedure. The Mediation Rules are being finalised internally before submission to the Board for approval.	Final draft submitted for internal ECB comment. Implementation commencement targeted for 2009.
10.	ECB Licence Application Objection Form	Application Form has been adapted and made compatible with the requirements of the Electricity Act, 2007 and is being circulated to the ECB internally for comments and input before further consultations and submission thereof to the Board for approval.	Final draft submitted for internal ECB comments. Implementation commencement targeted for 2009.
11.	Public Hearing Procedural Rules	In terms of the Electricity Act, the ECB can, under certain circumstances conduct public hearings. The Public Hearing Rules are in the process of being finalised and being adapted to the Electricity Act, 2007, and will be circulated within the ECB for comments prior to consultation with the ESI stakeholders and submission to the Board for approval.	Final draft submitted for internal ECB comment. Implementation commencement targeted for 2009.

No.	Name of Regulatory Instrument	Description	Status of Development
12	Distribution Infrastructure Technical Standards	The standards applied by the various types of licenses have been perceived as somewhat fragmented. Currently each licensee uses its own standards for infrastructure construction. Thus, the harmonization of distribution standards has been identified as an important aspect of improved service delivery. The aim is to develop common standards for all distribution licensees.	Drafting of Distribution Infrastructure Technical Standards commenced. Implementation Commencement for late 2009/beginning 2010.

As the above table indicates, there are many regulatory instruments currently in the process of being finalised by the ECB. As ECB regulatory instruments (whether published in the Government Gazette or only applicable as internal rules of the ECB), the Board's approval of all of them are required for purposes of validity. As and when these instruments are completed they will be submitted to the Board together with a detailed presentation in order to obtain the Board's comment thereon and ultimate Minister's approval if so required by the Act.

Regulatory Instruments Details

Quality of Supply and service Standards
The implementation process of the above standards was accelerated during the period under review. To that end, a consultant was hired to analyze the quality of supply data being gathered by the REDs and the City of Windhoek (CoW). A detailed report, complete with recommendations on the way forward, was submitted to the ECB. The report is available on the ECB website.

In line with the above objective, the period of outsourcing, for the implementation of the Quality of Supply Standards project, was extended for another two years to allow the REDs and CoW to be self-sufficient and build enough capacity to continue on their own. The project was outsourced to GS Fainsinger in 2006, a reputable service provider in the Namibian ESI.

The objectives of the first phase of the project, completed in August 2008, were equipment acquisition, systems setting up and credible data collection. The first phase also served as a learning phase for all parties involved in quality of supply issues. The objectives of the second phase, planned to end in October 2010, are to consolidate the knowledge gained in phase one and to finalise capacity building for the REDs and CoW to take over the project. The aim is for REDs and the City of Windhoek to run the system successfully in a sustainable manner. Already the project has attracted wide interest regionally with visits from members of the Regional Electricity Regulators' Association (RERA) to learn from our experience.

Safety Code
The industry continues to be plagued by accidents and incidents related to electricity thus highlighting the importance of finalization of the Safety Code. Most of the licensees do not have safety standards in place and hence do not follow proper procedures when carrying out work on electrical networks. This has in some cases resulted in accidents that could have been avoided had proper safety procedures been followed. The final draft has now been approved by the Minister of Mines and Energy and has been forwarded to the legal drafters for scrutiny. We expect the code to be promulgated by the end of 2009.

Grid Codes

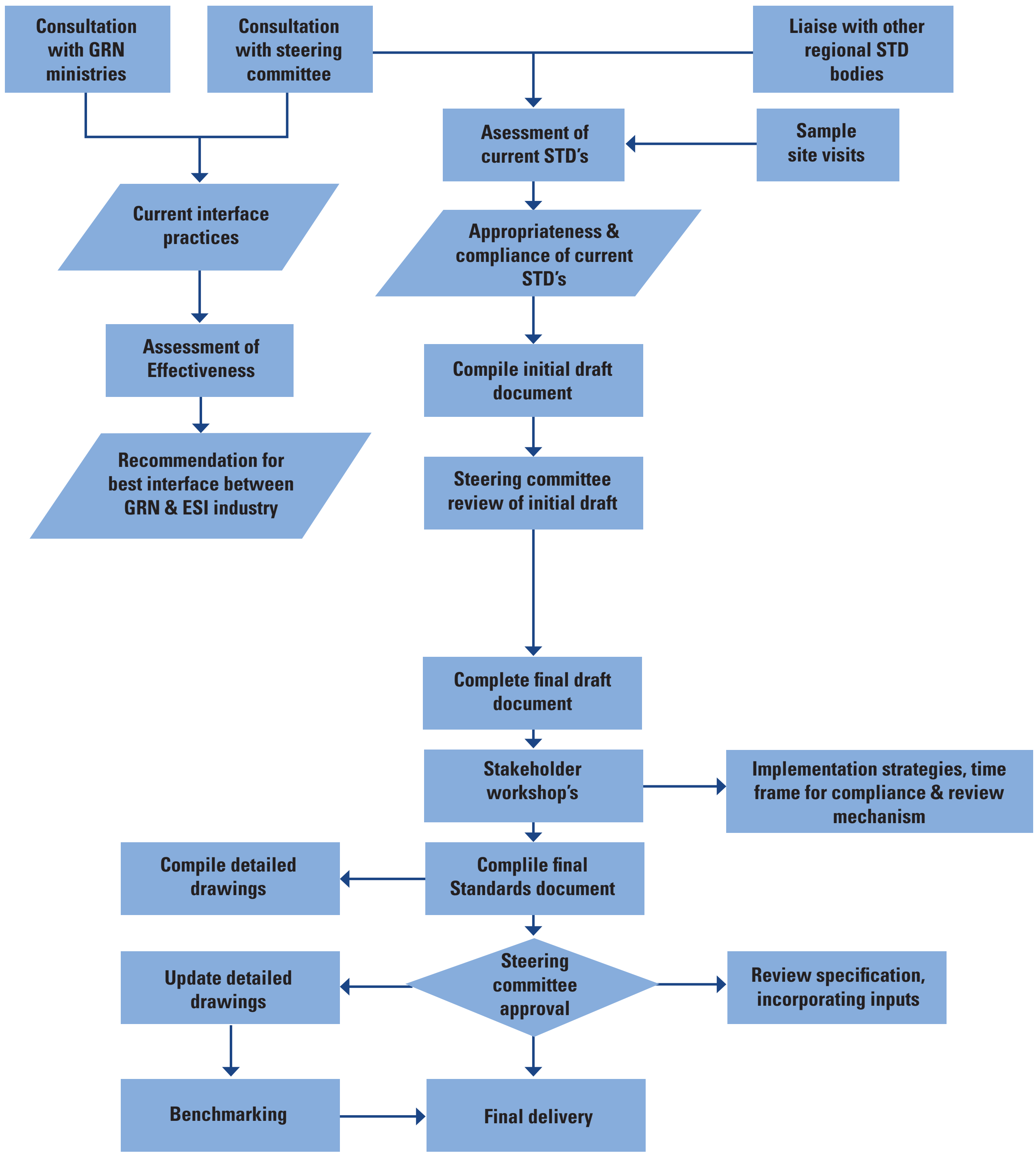
The above codes are essential for governing access to the transmission system by Independent Power Producers (IPPs) and other players. Since the completion of the IPP and Investment Market project, the ECB has been inundated with applications for generation licenses by various investors. Five provisional licenses have been issued to date. As and when Independent Power Producers start generating and selling power in Namibia, they will need access to both the transmission (Tx) and distribution (Dx) systems. The Codes clearly spell out the reciprocal obligations of both parties (Tx system service provider and user) with respect to operations and use of the generation, transmission and distribution systems.

Although the development of the Tx Grid Code has been completed, due to unforeseen industry changes it has been found necessary to review it. To expedite the review process, a working Group has been established comprising of the relevant stakeholders, including NamPower, the REDs, the City of Windhoek, and some large customers' representatives.

The development of the Dx Grid Code is also in progress. The draft is also undergoing review. Completion of the review process has been delayed by the finalization of the technical regulations (Figure 8 above) whose outputs feed into the code.

Distribution Infrastructure Technical Standards Development

The ECB embarked on the development of the above standards during the review period. Completion is expected in the next financial year. In compliance with the provisions of the Electricity Act of 2007 that requires that the ECB consult with the relevant stakeholders in the development of rules, codes, standards and other regulatory instruments, a working group comprising representatives of key stakeholders was established to spearhead the project with the assistance of a consultant - EMCON Consulting Group. Figure 8 below shows the flowchart for the project.



The development & harmonization of licensee distribution, electrical infrastructure & Technical Standards

Figure 8: Distribution Electrical Infrastructure Project Flowchart

Industry Performance

General

The Namibian Electricity Supply Industry is mainly driven by NamPower (Pty) Ltd, a wholly state-owned vertically integrated monopoly which has been financially separated in Generation, Transmission, Energy Trading and distribution sections. The accounting separation was necessitated by industry reforms, which entailed the creation of ECB as an independent regulator and ongoing rationalization of distribution sector into five RED companies.

For the period under review, ECB continued to implement the project on Licensees' Performance Framework, which identified regional and international performance indicators for the ESI. The identified indicators were utilized in this report to benchmark specifically the operations of RED companies.

Generation

For the year under review, total units generated into the Namibian electricity system increased from 3,621 million units (2007) to 3,719 million units (2008), which is an overall 3% increase. This increase in generated system units was driven by a 5% increase in total imports (which represents 58% of total generated units) whereby Eskom contributed 52.7%, and the remaining 0.7%, 2.3%, 1.4% and 0.6% was imported from Zambia (ZESCO), Zimbabwe (ZESA), EDM and Short Term Energy Market – STEM, respectively. NamPower Generation Business Unit generated 42.3% of the total system units, of which 88.7% came from Ruacana Hydro-Power Station, 10.6% from Van Eck Power station and 0.06% from Paratus Power station. For the fifth year running imports have dominated total units into the Namibian electricity system, while for the year under review Van Eck and Paratus Power stations' contributions into the system increased significantly by 439% and 233%, respectively, comparing to the previous period. The graph below depicts the impact of Ruacana Hydro-Power Station and Eskom contributions into the overall Namibian electricity system.

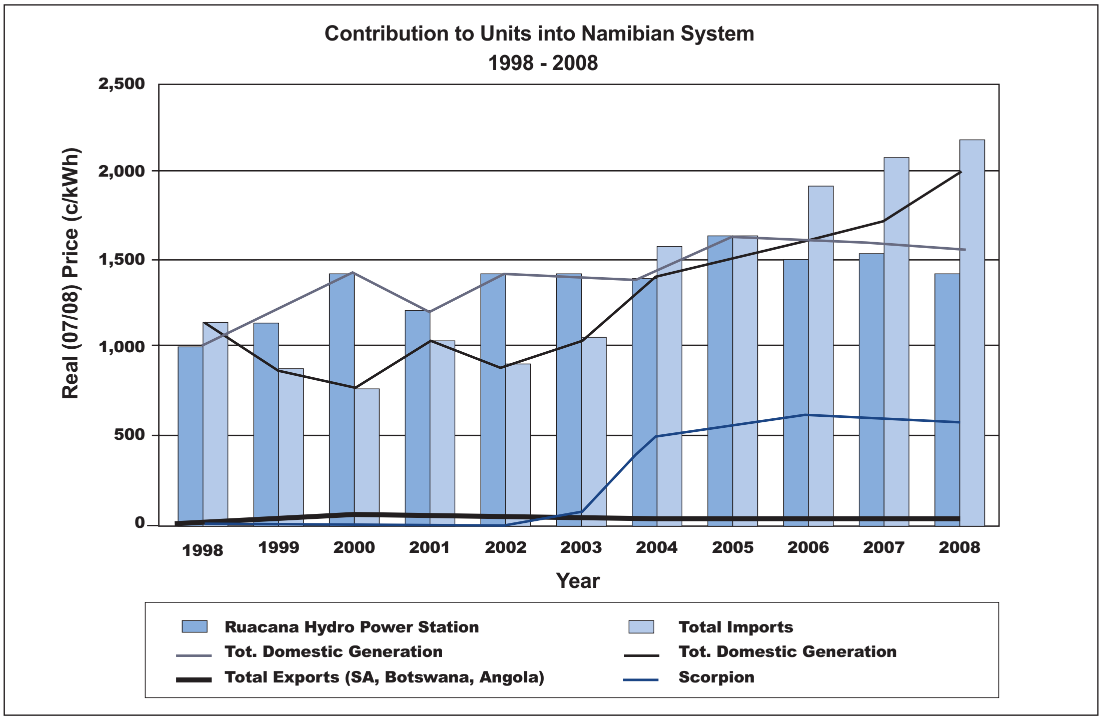


Figure 9: The Sources of Units in 1998 - 2008

In addition to the above graph, the following graph further confirms Namibia's continued reliance on regional imports especially Eskom imports which are currently obtained at emergency prices.

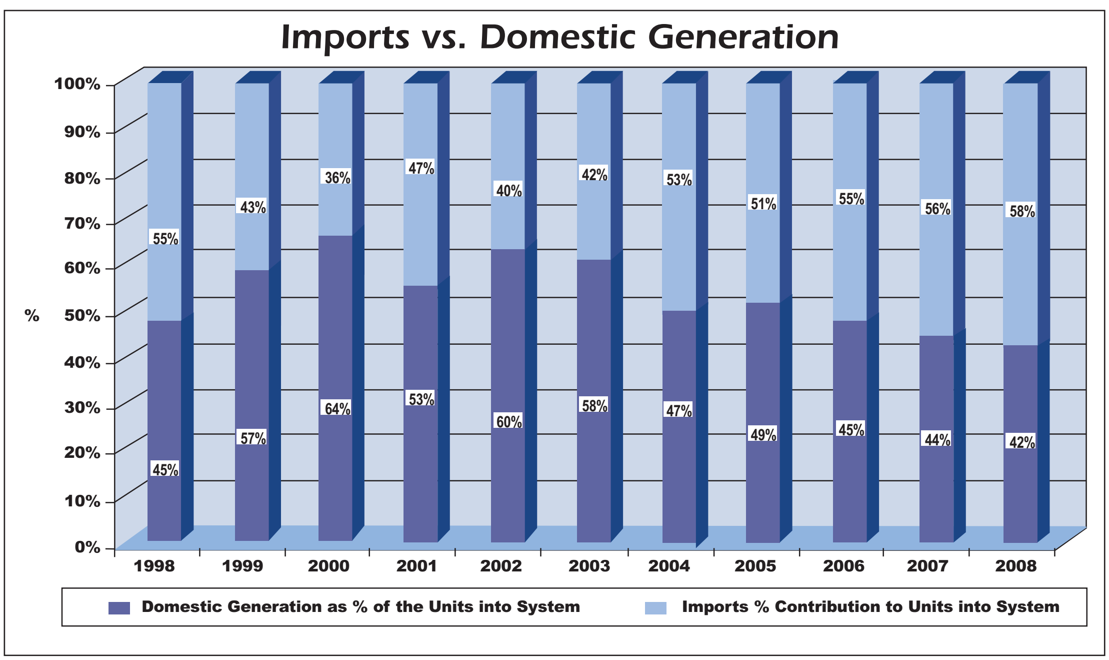


Figure 10: Imports vs. Domestic Generation

The following Graph depicts NamPower Generation Business Unit highlights for the period ended June 2008:

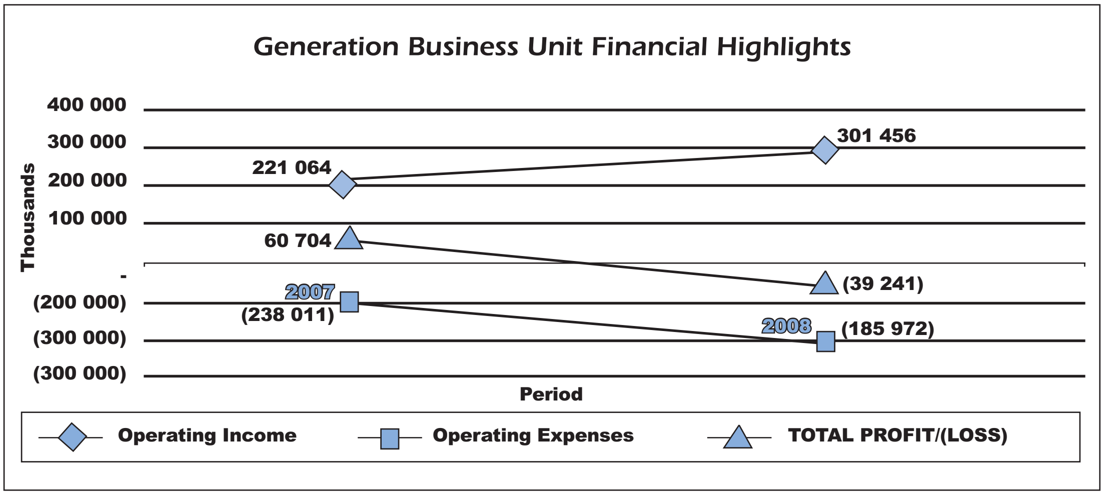


Figure 11: Financial Highlights for the Generation Business Unit

NamPower Generation business unit was heavily affected by the prevailing energy crisis as reflected by the 123% increase in operating expenses as well as a 165% decrease in profits for the period under review. The business units operating budgets were under tremendous pressure, especially in operating Van Eck and Paratus Power stations. The above unfavourable situation is expected to continue until regional supply is stepped up to match demand. The direct contributing factor to the declining trend in generation was the increases in fuel cost especially coal which increased by 57% for the period under review as tabulated In Fig 12 below.

Fuel Statistics

Figure 12: Average Fuel Annual Prices

Power Station	**PERIOD**		**% Increase**
	2007	2008	
Van Eck: Coal (N$/tonne)	N$ 825.00	N$ 1,295.00	57%
Paratus:			
HFO (N$/Litre)	N$ 2.44	N$ 3.28	34%
LFO (N$/Litre)	N$ 5.63	N$ 6.71	19%


BUSBAR

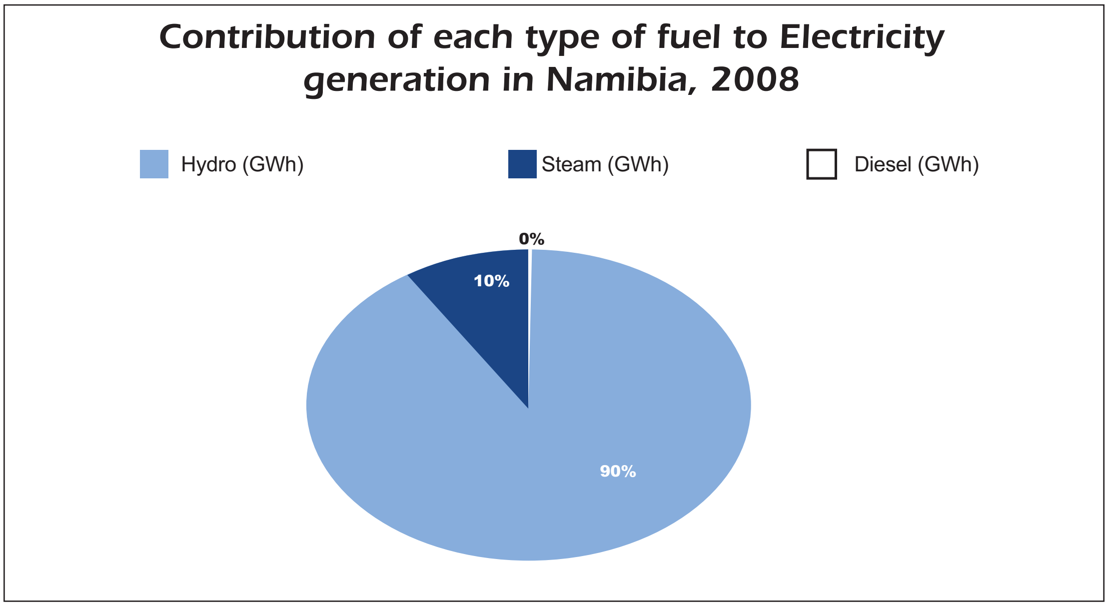


Figure 13: Contribution by Each Fuel Type in 2008

Transmission
NamPower (Pty) Ltd, a government owned utility company, owns and operates the transmission business in Namibia. The transmission system hourly maximum demand (including Skorpion) decreased by 1% from 539MW in 2007 to 533MW in 2008, whereas the total units sold (including Scorpion and exports) increased by 4% as well from 3,259 million units to 3,392 million units. The following graph depicts NamPower Transmission Business Unit financial highlights for the period ended June 2008:

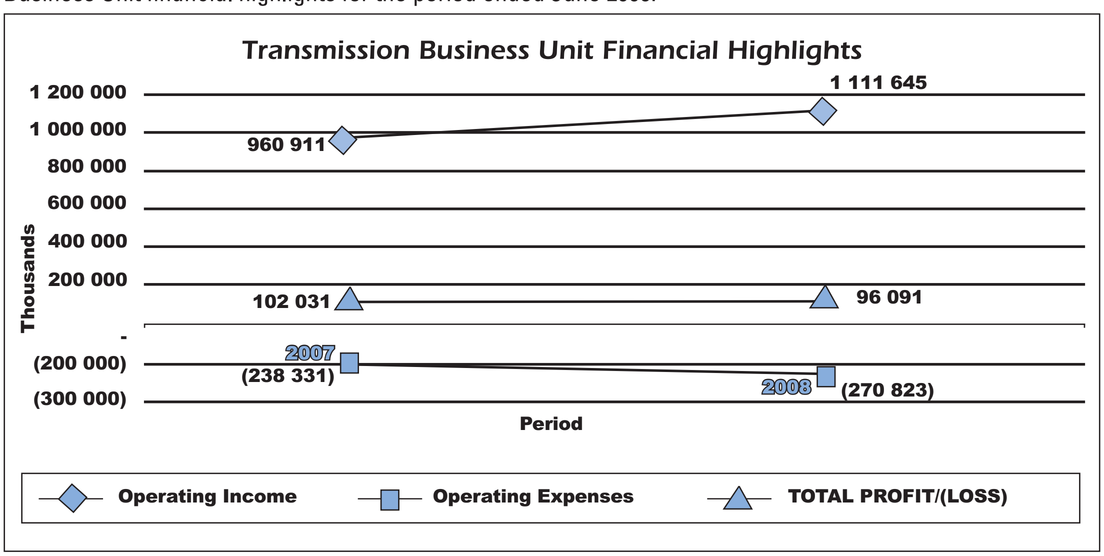


Figure 14: Financial Highlights for the Transmission Business Unit

NamPower transmission business unit continued with good performance although operating profits decreased from N$102 million for 2007 to N$ 96 million for the period under review. Operating income increased by 16%, while operating expenses equally increased by 17% for the period under review.

The following Graph depicts the transmission losses over the last 8 years, for the period under review the losses remained within regional and international accepted parameters.

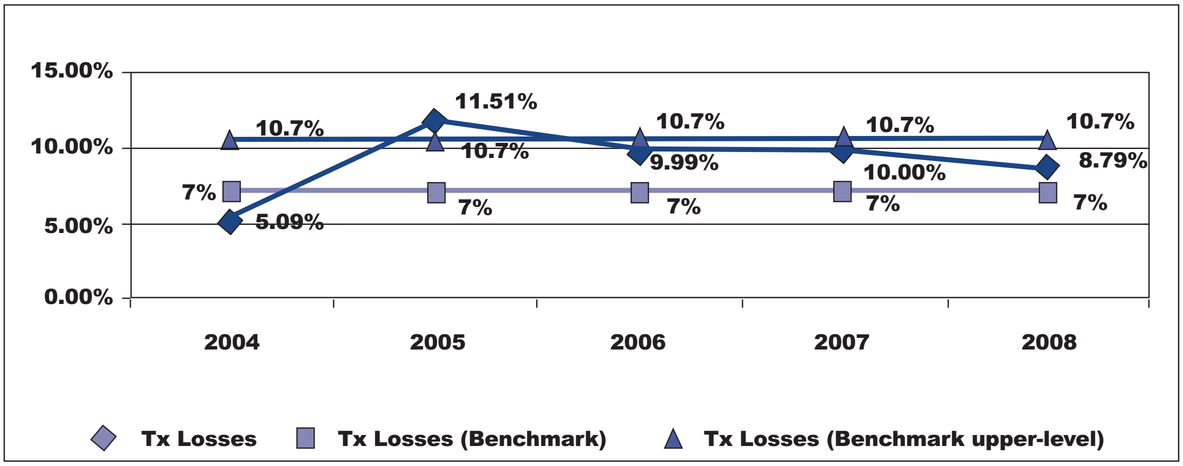


Figure 15: Transmission Losses vs. Benchmarks

Distribution

The Namibian Electricity Distribution Industry (EDI) restructuring did not make any significant progress for the period under review in creation of remaining two REDs – SORED and Central RED.

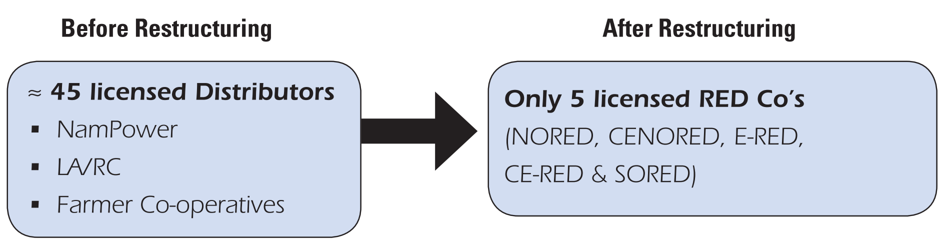


Figure 16: Progress in Creation of REDs

The ECB Licensee Performance Framework Project identified key performance indicators (KPI) within four specified ESI performance areas as per the Energy White Paper of 1998. For the period under review; the REDs performance has been benchmarked on two key performance areas namely; **efficiency (minimizing cost)** and **investment & capital** mainly due to gaps in the datasheets provided by the licensees. The comparative table below depicts the performance of NORED, CENORED and Erongo RED against the identified Key Performance Indicators for the period ended 2007.

Figure 17: REDs Comparative Performance

RED PERFORMANCE AGAINST IDENTIFIED BENCHMARKS FOR THE YEAR ENDED JUNE 2007						
KEY PERFORMANCE INDICATORS	**NORED**	**RESULTS**	**CENORED**	**RESULTS**	**E-RED**	**RESULTS**
FINANCIAL INDICATORS						
ROA ROA - Benchmark	1% 1% - 7%	√	4% 1% - 7%	√	-5% 1% - 7%	×
Operating Margin Operating Margin - Benchmark	3% 17%	×	7% 17%	×	-7% 17%	×
Current Ratio Quick Ratio Liquidity - Benchmark	4.44 3.83 >1	√	0.76 0.76 >1	×	0.90 0.73 >1	×
TECHNICAL INDICATORS						
Energy Conversion Efficiency - Benchmarks Energy Conversion Efficiency	89% - 97% 82%	×	89% - 97% 81%	×	89% - 97% 89%	√
COMMERCIAL INDICATORS						
Debtor days Debtors days - Benchmark	22 32days - 70days	√	57 32days - 70days	√	66 32days - 70days	√
Operating Cost/ Sales Operating Cost/ Sales - Benchmark (%)	47% 25%-40%	×	44% 25%-40%	×	52% 25%-40%	×
Bad debts (%) Bad debts - Benchmark	0.5% 0.3% - 1.3%	√	1.1% 0.3% - 1.3%	√	3% 0.3% - 1.3%	×
EFFICIENCY INDICATORS						
Customers/ Employee Customers/ Employee - Benchmark	365 137 - 555	√	105 137 - 555	×	160 137 - 555	√
Energy Sold/ Employee Energy Sold/ Employee - Benchmark	1,381 2400 - 9600	×	1,083 2400 - 9600	×	2,153 2400 - 9600	×
AVG Power Purchasing Cost (c/kWh)	0.41		0.42		0.32	

Source: NORED, CENORED and Erongo RED Audited Financial Statements for 2006/7

The above indicators have been broken down into **Financial Indicators** – *highlighting profitability and liquidity;* **Technical Indicators** – *highlighting energy conversion efficiency*, **Commercial Indicators** – *highlighting financial discipline in reducing the debtors' cycle and bad debts & cost efficiency;* and **Efficiency Indicators** on *highlighting productivity.* It can be inferred from the table above that CENORED and NORED did well against the identified financial indicators, whereby CENORED performed well on profitability and NORED on liquidity or cash flow. On energy conversion efficiency or reduction of losses, Erongo RED performed very well in meeting the set minimum indicator of 89%. On commercial indicators, NORED outperformed the other REDs with the lowest collection cycle of 22 days exceeding the minimum benchmark of 32 days and 0.5% of bad debts well within the benchmark range. On efficiency indicators, both Erongo RED and NORED achieved only 50% of the identified indicators without any exceptional performers.

Quality of Supply
Supply reliability was expressed in terms of supply interruptions and customer load reductions, according to NRS048-2:2003 section 4.3. NRS048-1:1996, which defines an interruption as a disconnection of one or more phases of a supply to a customer, for a period exceeding 3 seconds. These interruptions are classified as either momentary or sustained. Any interruption shorter than 5 minutes shall be a Momentary Interruption in this report.

Sustained Interruptions

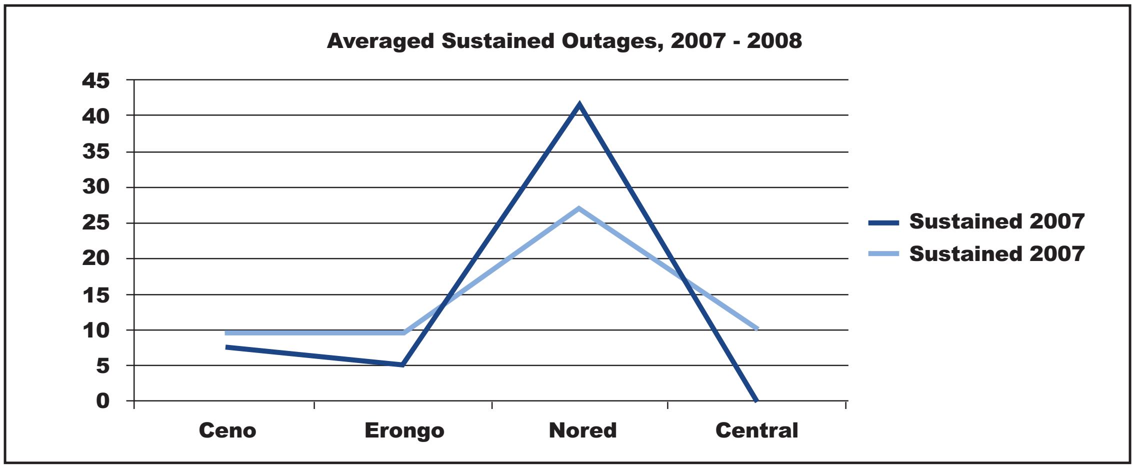
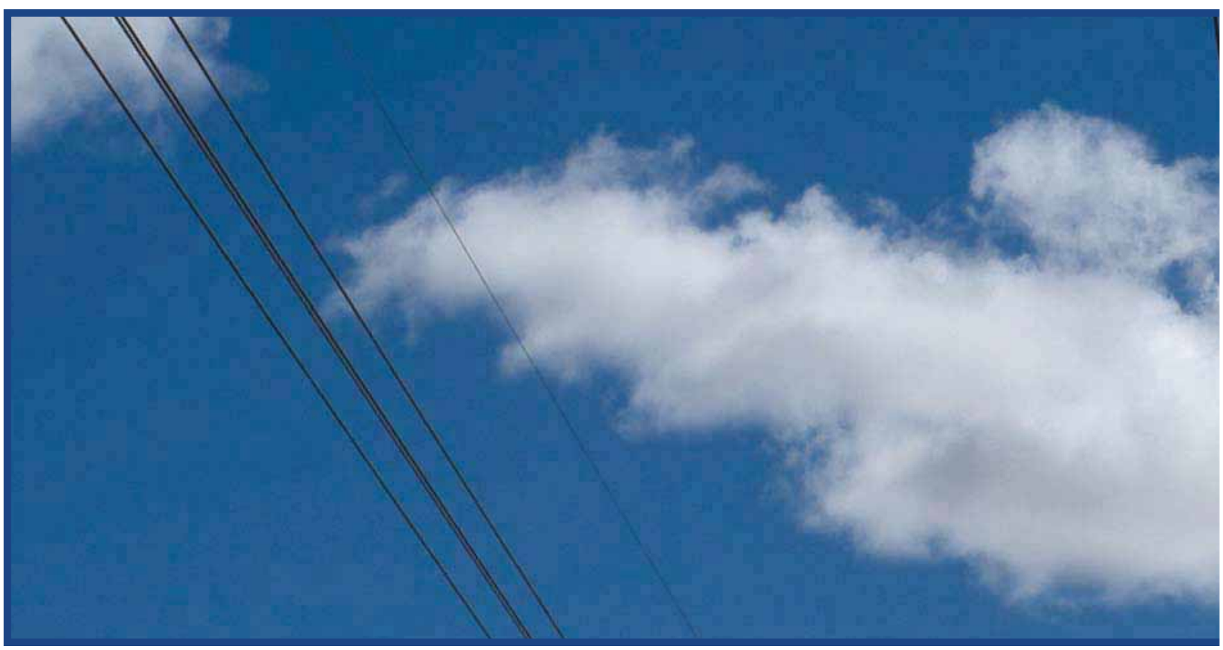


Figure 18: Number of Sustained Interruptions

Note: *Data collection for Central RED only started in year 2008. The zero indication does not reflect zero outages but unavailability of data.*

The Chart in Figure 18 above shows that the numbers of interruptions were lower in 2008 than in 2007, specifically for NORED. This was due to the implementation of better maintenance procedures in 2008. However, the picture changed in Erongo RED, CENORED and CoW (Central RED) where the number of outages increased in 2008 compared to 2007.



Momentary Interruptions

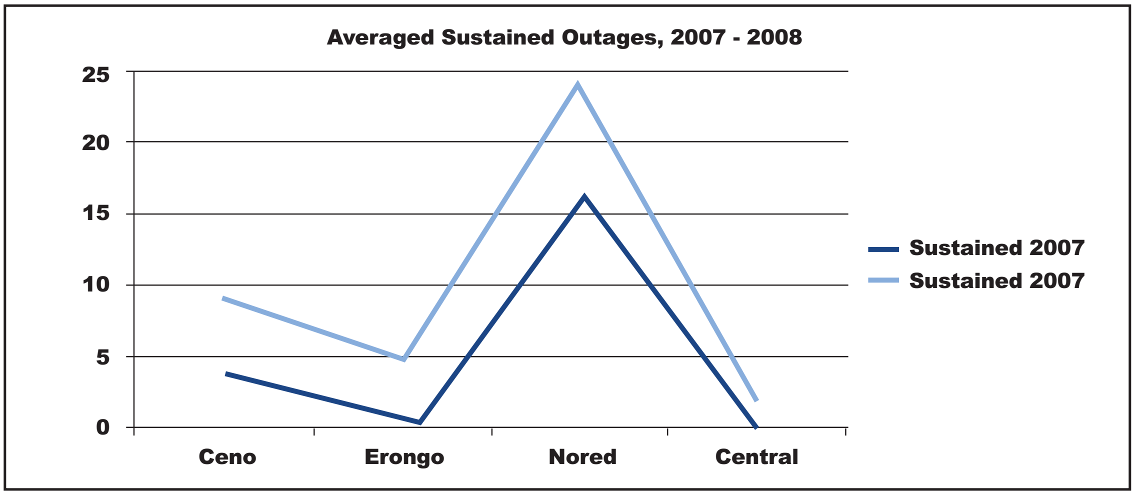
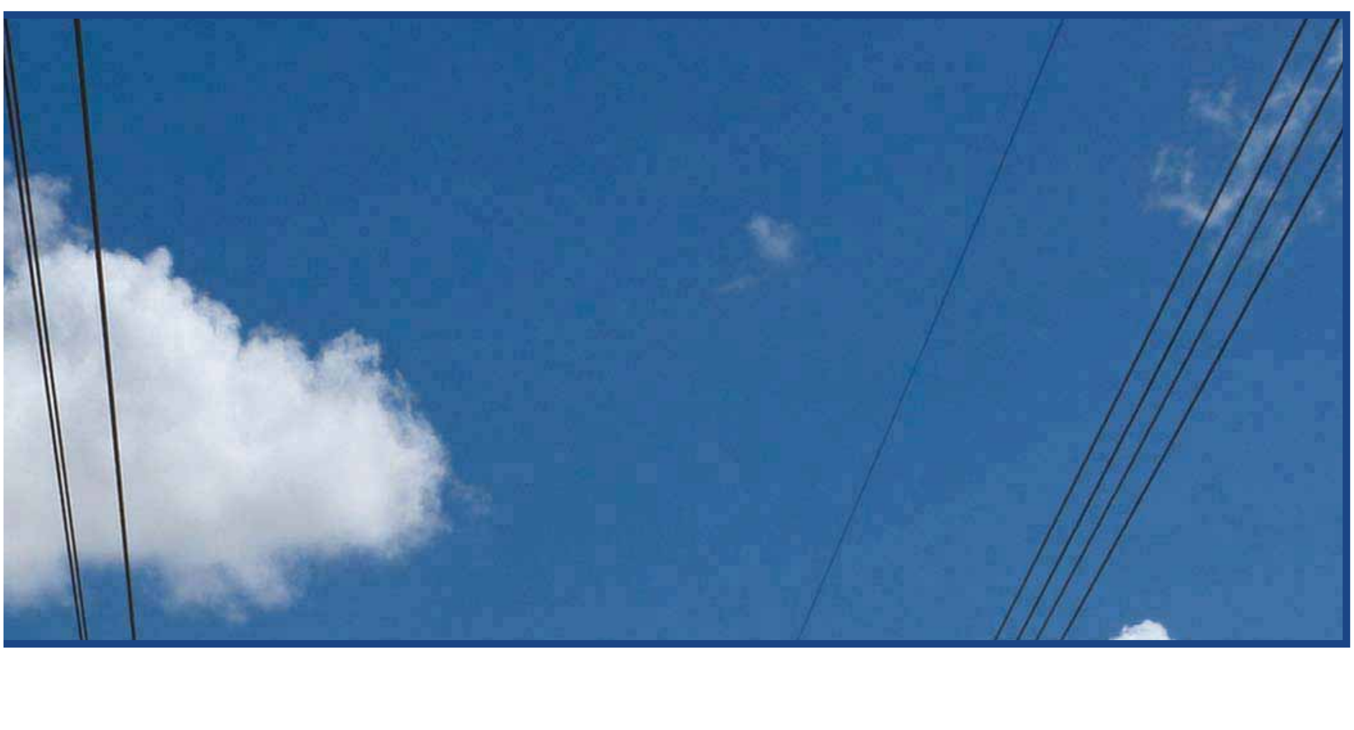


Figure 19: Number of Momentary Outages in 2007 and 2008

Note: *Data collection for Central RED only started in year 2008. The zero indication does not reflect zero outages but unavailability of data.*

Momentary Interruptions have a shorter span than sustained interruptions. The Chart in Figure 19 above shows that during 2007 a lower number of shorter outages were experienced than in 2008. This could be due to heavier rains and lightning in 2008 especially within the vicinity of Nored, which was also affected by floods during the rainy season.



Annual Financial Statements

for the year ended 31 March 2009

CONTENTS **PAGE**

The members of the Board are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards. The Board's independent external auditors have audited the financial statements and their report appears on pages 44 to 45.

The board members are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. Nothing has come to the attention of the Board members to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the year under review.

The annual financial statements are prepared on a going concern basis. Nothing has come to the attention of the Board members to indicate that the institution will not remain a going concern for the foreseeable future.

BOARD MEMBERS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 47 to 64 were approved by the board members on 13 August 2009 and are signed on their behalf by:

....	....
Board member	Board member

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ELECTRICITY CONTROL BOARD

We have audited the annual financial statements of the Electricity Control Board, which comprise the report of the board members, the balance sheet as at 31 March 2009, the income statement, the statement of changes in reserves and the cash flow statement for the year ended 31 March 2009, a summary of significant accounting policies and other explanatory notes, as set out on pages 47 to 64.

Board Members' Responsibility for the Financial Statements

The Board members are responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the board members, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Electricity Control Board at 31 March 2009 and the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Electricity Act No 4 of 2007.

Emphasis of matter- Detailed Income Statement

Without qualifying our opinion, we draw attention to the fact that the detailed income statement set out on page 64 does not form part of the annual financial statements and is presented as additional information. We have not audited the statement and accordingly do not express an opinion on it.

Deloitte + Touche

Deloitte & Touche
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per VJ Mungunda
Partner
Windhoek

25 August 2009

REPORT OF THE BOARD MEMBERS
for the year ended 31 March 2009

The Board members have pleasure in presenting their report on the activities of the Board for the year ended 31 March 2009.

BACKGROUND AND OPERATIONS

The Electricity Control Board was established by the Government of the Republic of Namibia in terms of the Electricity Act No 2 of 2000 (repealed by Electricity Act No 4 of 2007), to exercise control over the electricity supply industry and to regulate the generation, transmission, distribution, use, import and export of electricity in accordance with prevailing Government policy so as to ensure order in the efficient supply of electricity.

RESULTS

The results of the Board are fully set out in the attached annual financial statements.

DIVIDENDS

No dividends have been paid or declared during the year (2008: Nil).

BOARD MEMBERS AND SECRETARY

The members of the Electricity Control Board during the year and at the date of this report were as follows:

Mr Jason Nandago (Chairperson)
Mr Gerson Katjimune
Ms Uilkka Kamboua
Ms Panduleni Shimutwikeni
Mr Fritz Jeske

Board Secretary

Ms Damoline Muruko

Business address:	Postal address:
No 8 Bismarck Street	P O Box 2923
Windhoek	Windhoek
NAMIBIA	NAMIBIA

SUBSEQUENT EVENTS

The board members are not aware of any fact or circumstance, which occurred between the date of the financial statements and the date of this report, which might influence an assessment of the Board's state of affairs and require disclosure in these financial statements.

GOING CONCERN

The Board incurred a deficit of N$ 2 518 387 (2008: N$ 7 280 641 surplus) and a surplus of N$1 241 707 is forecasted for the 2009/10 financial year. The Board has also accumulated sufficient surplus to absorb any future deficits and together with future revision to the levies, these will ensure the operational existence of the Board and this confirms the appropriateness of the going concern basis in the preparation of the annual financial statements.

	Notes	2009 N$	2008 N$
REVENUE	4	17 577 682	19 650 692
Other income		3 400	8 756
Operating costs		(21 388 198)	(13 254 206)
(DEFICIT)/SURPLUS BEFORE INTEREST		(3 807 116)	6 405 242
Interest received		1 288 729	875 399
(DEFICIT)/SURPLUS BEFORE TAXATION	5	(2 518 387)	7 280 641
Taxation	7	-	-
(DEFICIT)/SURPLUS FOR THE YEAR		(2 518 387)	7 280 641

BALANCE SHEET
at 31 March 2009

	Notes	2009 N$	2008 N$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	8	3 548 179	3 692 267
CURRENT ASSETS		15 662 129	16 345 883
Trade and other receivables	9	1 403 247	2 095 549
Bank balances and cash		14 258 882	14 250 334
TOTAL ASSETS		19 210 308	20 038 150
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Accumulated funds		14 374 068	16 892 455
CURRENT LIABILITIES		4 836 240	3 145 695
Trade and other payables	10	4 396 644	2 552 334
Trust funds - MME projects	11	439 596	593 361
TOTAL EQUITY AND LIABILITIES		19 210 308	20 038 150

	Accumulated Funds N$	Total N$
Balance at 31 March 2007	9 611 814	9 611 814
Surplus for the year	7 280 641	7 280 641
Balance at 31 March 2008	16 892 455	16 892 455
Deficit for the year	(2 518 387)	(2 518 387)
Balance at 31 March 2009	14 374 068	14 374 068

CASH FLOW STATEMENT
for the year ended 31 March 2009

	Note	2009 N$	2008 N$
CASH FLOWS FROM OPERATING ACTIVITIES		374 610	7 545 960
Cash received from government and customers		18 269 984	18 522 285
Cash paid to suppliers and employees		(19 184 103)	(11 851 724)
Cash (utilised by)/generated from operations	A	(914 119)	6 670 561
Interest received		1 288 729	875 399
CASH FLOW FROM INVESTING ACTIVITIES		(212 297)	(77 462)
Insurance proceeds on property, plant and equipment		3 400	8 756
Acquisition of property, plant and equipment (expansion)		(215 697)	(86 218)
CASH FLOW FROM FINANCING ACTIVITIES		(153 765)	54 916
(Decrease)/increase in Trust Funds -MME Projects		(153 765)	54 916
Net increase in cash and cash equivalents		8 548	7 523 414
Cash and cash equivalents at the beginning of the year		14 250 334	6 726 920
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		14 258 882	14 250 334

NOTE:

A. Reconciliation of (deficit)/surplus before taxation to cash (utilised by)/generated from operations

	2009	2008
(Deficit)/surplus before taxation	(2 518 387)	7 280 641
Adjusted for:		
Depreciation	359 785	461 078
Loss/(profit) on disposal of fixed assets	-	5 791
Insurance proceeds	(3 400)	(8 756)
Interest received	(1 288 729)	(875 399)
	(3 450 731)	6 863 355
Working capital changes	2 536 612	(192 794)
Decrease/(increase) in trade and other receivables	692 302	(1 121 866)
Increase in trade and other payables	1 844 310	929 072
CASH (UTILISED BY)/ GENERATED FROM OPERATIONS	(914 119)	6 670 561

1. BASIS OF PREPARATION

The annual financial statements are prepared on the historical cost basis, except for financial instruments which are carried at fair value. The principal accounting policies, which have been consistently applied in all material respects, comply in all material respects with International Financial Reporting Standards ("IFRS").

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards and interpretations effective in the current year

In the current year the company adopted IFRS 7: Financial instruments: Disclosure and the consequential amendments to IAS 1: Presentation of Financial Statements.

The impact of the adoption of IFRS 7 and the changes to IAS 1 has been to expand the disclosures provided in these financial statements regarding the financial instruments and management of capital of the company. Comparative figures have been restructured to enhance the disclosure as required by IFRS 7. No restatements have been affected.

Three interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are:
- IFRIC 13: Customer Loyalty Programmes
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation

The adoption of these interpretations has not resulted in any changes in the company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Revenue

Revenue comprises levies; licence and registration fees collected in terms of the Electricity Act No 2 of 2000 (repealed by Electricity Act No 4 of 2007) to defray costs necessarily incurred by the Control Board and are recognised on an accrual basis.

3.2 Property, plant and equipment

Property, plant and equipment are accounted for at historical cost less depreciation. Depreciation is calculated on a straight-line basis to write off assets to their estimated residual values over their anticipated useful lives as follows:

-	Buildings	25 years (4% p.a.)
-	Furniture and equipment	5 years (20% p.a.)
-	Computer equipment	3 years (33.3% p.a.)
-	Motor vehicles	4 years (25% p.a.)

Land is not depreciated.

Useful lives and residual values are reviewed annually.

3.3 Retirement benefits

Contributions to retirement funds are charged against income in the year in which they become payable.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Provisions

Provisions for liabilities are recognised when the Board has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

3.5 Impairment of assets

At each balance sheet date, the Board reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount and the impairment losses are recognised as an expense immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss.

3.6 Cash and cash equivalents

Cash and cash equivalents are measured at fair value and comprise cash on hand, deposits held on call with banks and investments in money market instruments, net of bank overdrafts and call loans. In the balance sheet bank overdrafts are included in current liabilities. Interest-bearing bank overdrafts and other short-term borrowings are recorded at the proceeds received, net of direct issue costs.

For the purpose of the cash flow statement, the Board considers all bank balances and cash with a maturity of less than one year and bank overdrafts to be cash and cash equivalents.

3.7 Financial instruments

Initial measurement
Financial assets and financial liabilities are recognised on the balance sheet when the Board has become a party to the contractual provisions of the instrument. Financial instruments carried on the balance sheet include bank and cash balances, trade and other receivables and trade and other payables.

Subsequent measurement
Fair values and the recognition methods of the different financial instruments are disclosed in the notes to the annual financial statements. Fair value represents an approximation of the year end value, which may differ from the value that will be finally realised.

De-recognition
Financial instruments are offset when the Board has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

3.8 Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit and loss or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.9 Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the rights and rewards of ownership to the lessee. All other leases are classified as operating leases and rentals are charged against trading profit as they become due.

The Board as a lessee

Assets held under finance lease are recognised as assets of the Board at fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of interest on the remaining balance of the obligations for each period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

3.11 Judgements by management

There were no material judgements made by management that could have a significant effect on the amounts recognised in the financial statements.

3.12 Key sources of estimation uncertainty

There are no key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year.

3.13 Trust Funds-Ministry of Mines and Energy Project

The Board undertakes a project on behalf of the Ministry of Mines and Energy (“MME”). The funds received are accounted for as monies held in trust and all expenditure incurred on this project are accounted for separately from the Board’s transactions.

	2009 N$	2008 N$
4. REVENUE		
Revenue comprises the following:		
- Levies income	17 441 432	19 517 192
- Licence fees	122 000	80 250
- Registration fees	14 250	53 250
	17 577 682	19 650 692
5. (DEFICIT) / SURPLUS BEFORE TAXATION		
Interest received	1 288 729	875 399
Insurance proceeds	3 400	8 756
Expenditure:		
Auditor's remuneration:		
- audit fees - current year	79 200	71 830
- prior year	10 775	65 300
Depreciation	359 785	461 078
- land and buildings	97 119	97 082
- motor vehicle	80 225	155 343
- computer equipment	89 610	49 716
- furniture and equipment	92 831	158 937
Loss on disposal of fixed assets		
Staff costs	-	5 719
	9 564 007	7 121 327
Operating leases		
- office equipment	221 639	244 328
6. MEMBERS EMOLUMENTS		
- services as members	102 000	65 000
- other services	2 000	2 822
	104 000	67 822

7. TAXATION

The Board is exempt from income tax in terms of section 16(1) (e) (i) of the Namibian Income Tax Act.

8. PROPERTY, PLANT AND EQUIPMENT

	Land & buildings N$	Motor Vehicles N$	Computer equipment N$	Furniture & equipment N$	Total N$
2009					
Cost					
At 01 April 2008	3 727 940	550 118	648 490	918 600	5 845 148
Disposals	-	-	(220 028)	-	(220 028)
Additions during the year	-	-	154 899	60 798	215 697
At 31 March 2009	3 727 940	550 118	583 361	979 398	5 840 817
Accumulated depreciation					
At 01 April 2008	347 861	469 890	561 533	773 597	2 152 881
Disposals	-	-	(220 028)	-	(220 028)
Depreciation during the year	97 119	80 228	89 610	92 828	359 785
At 31 March 2009	444 980	550 118	431 115	866 425	2 292 638
Net book value at 01 April 2008	3 380 079	80 228	86 957	145 003	3 692 267
Net book value at 31 March 2009	3 282 960	-	152 246	112 973	3 548 179
2008					
Cost					
At 01 April 2007	3 727 940	550 118	652 201	880 006	5 810 265
Disposals	-	-	(51 335)	-	(51 335)
Additions during the year	-	-	47 624	38 594	86 218
At 31 March 2008	3 727 940	550 118	648 490	918 600	5 845 148
Accumulated depreciation					
At 01 April 2007	250 779	314 547	557 362	614 660	1 737 348
Disposals	-	-	(45 545)	-	(45 545)
Depreciation during the year	97 082	155 343	49 716	158 937	461 078
At 31 March 2008	347 861	469 890	561 533	773 597	2 152 881
Net book value at 01 April 2007	3 477 161	235 571	94 839	265 346	4 072 917
Net book value at 31 March 2008	3 380 079	80 228	86 957	145 003	3 692 267

Land and buildings comprises Erf 714, on 8 Bismarck Street, Windhoek.

	2009 N$	2008 N$
9. TRADE AND OTHER RECEIVABLES		
Trade receivables	1 309 662	2 288 097
Sundry debtors	10 721	-
Staff loans and advances	173 812	14 005
Provision for doubtful debt	(90 948)	(206 553)
	1 403 247	2 095 549
Past due but not impaired		
Past due for 1 – 30 days	-	-
Past due for 31 – 60 days	-	742 162
Past due for 61 – 90 days		
Past due for more than 90 days	-	165 948
	-	206 553
	165 948	948 715
Movement in provision for doubtful debt		
Balance at the beginning of the year	(206 553)	(130 000)
Increase in provision recognised in profit or loss	(2 081 544)	(141 112)
Amounts written off during the year	2 379 045	64 559
Balance at the end of the year	(90 948)	(206 553)

The Board's main customer is Nampower, for which the credit terms are 30 days and no interest is charged on the trade receivable balance at year end. The Board, therefore, believes that the trade receivables are not impaired and the above provision for doubtful debt sufficiently covers the risk of default.

	2009 N$	2008 N$

10. TRADE AND OTHER PAYABLES

	2009 N$	2008 N$
Sundry creditors	229 370	826 737
Accruals	4 167 274	1 725 597
	4 396 644	2 552 334

The average credit period on purchases of goods is 30 days and no interest is charged on the trade payables balance as at year end. The Board has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

11. TRUST FUNDS - MME PROJECTS

	2009 N$	2008 N$
Balance at beginning of year	593 361	538 445
Funds received	55 097	400 388
Disbursements	(208 862)	(345 472)
Balance at end of year	439 596	593 361

MME Projects consist of various projects that are administered by the Board on behalf of the Ministry of Mines and Energy.

12. RETIREMENT BENEFITS FOR EMPLOYEES

Retirement benefits are provided for employees through an independent retirement fund known as Namflex Pension Fund. The retirement fund is governed by the Namibian Pension Funds Act and is a defined contribution plan. All permanent employees qualify for the retirement benefits. Current year contributions to retirement benefits amounted to N$ 845 695 (2008: N$ 743 361).

The total value of contributions to the fund during the year amounted to:

	2009 N$	2008 N$
Employee contributions	291 257	256 014
Employer contributions	554 438	487 347
	845 695	743 361

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

13.1 Categories of financial instruments

	2009 N$	2008 N$
Financial assets		
Trade receivables	1 403 247	2 095 549
Bank balances and cash	14 258 882	14 250 334
Loans and receivables	15 662 129	16 345 883
Financial liabilities		
Trade payables	4 396 6442	552 334
Trust funds	439 596	593 361
Liabilities at amortised cost	4 836 2403	145 695

13.2 Interest rate management

As part of the process of managing the Board's interest rate risk, interest rate characteristics of new borrowings and the refinancing of existing borrowings are positioned according to expected movements in interest rates.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all the other variables were held constant, the Board's:

- (deficit)/surplus for the year ended 31 March 2009 would decrease/increase by N$142 589 (2008: N$142 503).
This is mainly attributable to the Board's exposure to interest rates on its variable rate instruments.

13.3 Credit risk management

The Board only deposits cash surpluses with major banks and investment houses of high quality credit standing.

The granting of credit is made on application and is approved by management. At year-end the Board did not consider there to be any significant concentration of credit risk which has not been adequately provided for. The Board has minimised its liquidity risk by ensuring adequate facilities and reserve borrowing capacity.

13.4 Liquidity risk management

The Board has minimised its liquidity risk by ensuring adequate facilities and reserve borrowing capacity.

13.5 Liquidity and interest risk tables

The table below summaries the Board's exposure to liquidity and interest rate risk:

2009

	Average effective Interest rate	1-3 moths N$	3 months - 1 year N$	1-5 years N$	Total N$
Financial Assets					
Trade and other receivables	0%	1 403 247	-	-	1 403 247
	9.59%				
Bank balances and cash		14 258 882	-	-	14 258 882
		15 662 129	-	-	15 662 129
Financial Liabilities					
Trade and other payables	0%	4 396 644	-	-	2 638 475
Trust funds	0%	439 596	-	-	439 596
		4 836 240	-	-	3 078 071

2008

	Average effective Interest rate	1-3 moths N$	3 months - 1 year N$	1-5 years N$	Total N$
Financial Assets					
Trade and other receivables	0%	2 095 459	-	-	2 095 459
Bank balances and cash	9.37%	14 250 334	-	-	14 250 334
		16 345 883	-	-	16 345 883
Financial Liabilities					
Trade and other payables	0%	2 552 334	-	-	2 552 334
Trust funds	0%	593 361	-	-	593 361
		3 145 695	-	-	3 145 695

13. FINANCIAL INSTUMENTS AND RISK MANAGEMENT (continued)

13.5 Liquidity and interest risk tables (continued)

Fair value

The directors are of the opinion that the book value of financial instruments approximates their fair value, as the items are of a short-term nature.

13.6Maturity profiles of the financial instruments

2009

	1-3 moths N$	3 months – 1 year N$	1-5 years N$	Total N$
Financial Assets				
Accounts receivables	1 403 247	-	-	1 403 247
Bank balances and cash	14 258 882	-	-	14 258 882
	15 662 129	-	-	15 662 129
Financial Liabilities				
Trade and other payables	4 396 644	-	-	2 638 475
Trust funds	439 596	-	-	439 596
	4 836 240	-	-	3 078 071

2008

Financial Assets				
Accounts receivables	2 095 459	-	-	2 095 459
Bank balances and cash	14 250 334	-	-	14 250 334
	16 345 883	-	-	16 345 883
Financial Liabilities				
Trade and other payables	2 552 334	-	-	2 552 334
Trust funds	593 361	-	-	593 361
	3 145 695	-	-	3 145 695

13.6 Capital risk management

The Board manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders by ensuring that economic value is added throughout. The capital structure consists of accumulated funds and cash and cash equivalents.

13.7 Market risk management

The Board's activities expose it primarily to the financial risks of changes in interest rates. Refer note 13.2 for detail on how the Board manages interest rate risk. There has been no change to the Board's exposure to market risks or the manner in which it manages and measures risk.

	2009 N$	2008 N$
14. COMMITMENTS		
At the balance sheet date, the Board had outstanding lease commitments under non-cancellable operating lease for its office equipment, which fall due as follows;		
Within one year	36 645	52 981
In the second to five years	-	20 861
	36 645	73 842

15. RELATED PARTIES

The Board regards RERA, Government and other parastatals as related parties. The following were the transactions entered into during the year:

	2009 N$	2008 N$
Regional Electricity Regulator of Southern Africa (RERA)		
Subscription fees (membership)	415 145	300 000
	415 145	300 000
Compensation of key management personnel		
Short-term benefits	1 798 025	952 595
Post-employment	304 526	491 904
	2 102 551	1 444 499

16. Recent amendments

Changes in International Accounting Standards ("IAS")

The following table contains effective dates of new statements / IAS and recently revised statements which have not been early adopted by the Board and that might affect future financial periods:

Standard	Effective
IFRS 1 (AC 138) - First-time Adoption of International Financial Reporting Standards	1 January 2009
IFRS 5 (AC 142) - Non-current Assets Held for Sale and Discontinued Operations	1 July 2009
IAS 1 (AC 101) - Presentation of Financial Statements	1 January 2009
IAS 16 (AC 123) - Property, Plant and Equipment	1 January 2009
IAS 19 (AC 116) - Employee Benefits	1 January 2009
IAS 20 (AC 134) - Accounting for Government Grants and Disclosure of Government Assistance	1 January 2009
IAS 27 (AC 132) - Consolidated and Separate Financial Statements	1 January 2009
IAS 28 (AC 110) - Investments in Associates	1 January 2009
IAS 29 (AC 124) - Financial Reporting in Hyperinflationary Economies	1 January 2009
IAS 31 (AC 119) - Interests in Joint Ventures	1 January 2009
IAS 32 (AC 125) - Financial Instruments: Presentation	1 January 2009
IAS 36 (AC 128) - Impairment of Assets	1 January 2009
IAS 38 (AC 129) - Intangible Assets	1 January 2009
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 January 2009
IAS 40 (AC 135) - Investment Property	1 January 2009
IAS 41 (137) - Agriculture	1 January 2009
IFRS 2 (AC 139) - Share Based Payments	1 January 2009
IFRS 3 (AC 140) - Business Combinations	1 July 2009
IFRS 8 (AC 145) - Operating Segments	1 January 2009
IAS 1 (AC 101) - Presentation of Financial Statements	1 January 2009
IAS 23 (AC 114) - Borrowing Costs	1 January 2009
IAS 27 (AC 132) - Consolidated and Separate Financial Statements	1 July 2009
IAS 28 (AC 110) - Investments in Associates	1 July 2009
IAS 31 (AC 119) - Interests in Joint Ventures	1 July 2009
IAS 39 (AC 133) – Financial Instruments: Recognition and Measurement	1 July 2009
IFRIC 13 – Customer Loyalty Programs	1 July 2008
IFRIC 15 - Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	1 October 2008
IFRIC 17 - Distributions of Non-cash Assets to Owners	1 July 2009
The board members anticipate that the adoption of these statements and interpretations will have no material impact on the financial statements in future periods.	

DETAILED INCOME STATEMENT
for the year ended 31 March 2009

	2009 N$	2008 N$
INCOME		
Levies received	17 441 432	19 517 192
Licence fees	122 000	80 250
Registration fees	14 250	53 250
Interest received	1 288 729	875 399
Other income	3 400	8 756
TOTAL INCOME	18 869 811	20 534 847
EXPENDITURE		
Advertising	387 736	287 024
Audit fees- current year	79 200	71 830
- prior year	10 775	65 300
Provision for doubtful debt	2 081 544	141 112
Bank charges	29 208	18 800
Bursaries	45 275	87 897
Computer expenses	82 033	61 648
Computer software expenses	66 510	2 885
Conference and seminar expenses	194 215	175 232
Depreciation	359 785	461 078
Members' fees	104 000	67 822
Donations	3 800	51 493
Entertainment	125 351	71 322
Insurance	79 436	80 077
Legal and professional fees	3 280 052	2 126 707
Licences and permits	10 773	17 477
Light, heat and water	102 988	146 364
Maintenance	191 005	61 903
Loss on disposal of fixed assets	-	5 791
Office expenses	64 587	42 861
Penalties	330	-
Postage and couriers	5 782	2 756
Printing and stationary	165 042	187 589
Recruitment and staff training	698 813	445 975
Rent – equipment	221 639	244 328
Salaries and other staff costs	9 564 007	7 121 327
Security services	67 287	63 352
Sponsorships	80 364	12 600
Subscriptions	441 717	325 109
Subsistence and travelling – staff members	1 573 875	596 121
– board members	25 570	38 138
Telephone and fax	196 847	105 803
Vehicle expenses	113 884	66 485
TOTAL EXPENDITURE	21 388 198	13 254 206
(DEFICIT)/SURPLUS FOR THE YEAR	(2 518 387)	7 280 641

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