

INFORMATION FACT SHEET

Regional Electricity Distributors (REDs) – Part 1

Background and Introduction

Namibia's electricity sector can be divided into the following main categories:

1. **Generation** - production of electricity
2. **Transmission** - transport of bulk electricity over high voltage lines
3. **Distribution** - bringing electricity to the customers
4. **Supply** - selling of electricity to customers.

The main distributors in Namibia are the Regional Electricity Distributors (REDs), Local Authorities (LAs) and Regional Councils (RCs) supplying the residents and businesses in their areas. These entities distribute and supply electricity to the final consumers after purchasing it in bulk from NamPower. NamPower supplies mainly farms, private farmers' utilities and mines.

Situation before the creation of REDs

There were over 70 distribution licensees in Namibia before the creation of REDs. This resulted in uneven quality of service and supply to customers. These challenges have to a large extent been addressed by the existing REDs.

However, challenges persist in many LAs and RCs that do not belong to a RED, hence the need for restructuring with the creation of REDs. The main aim of the REDs establishment is to improve efficiency, service delivery and viability of the industry.

What is a RED?

A RED is a regional electricity distributing company tasked with supplying electricity to the residents in a specific region. A Restructuring Study completed by the Ministry of Mines and Energy (MME) in 1998 recommended that Namibia be divided into five areas and that a single electricity distributor be established for each area, solely responsible for electricity distribution in that area. All the then existing distributors in the respective areas should then join the RED. The Namibian Cabinet approved the establishment of REDs in Namibia in 2000.

What are the benefits of the consolidation of distribution businesses?

- Economies of scale – duplication of costs and

systems will be avoided and electricity can be supplied at lower prices

- Uniformity of standards, tariffs, service etc. within a RED area
- Improved capacity - the RED will be able to solely focus on its core business (i.e. electricity) and will be able to employ sufficient and suitably qualified people and systems
- It will not be necessary for Government to continue subsidising loss-making electricity distributors
- Promotion of electrification
- Improved efficiency and financial viability of the whole distribution industry
- Improved customer service
- Creating conducive conditions for the attainment of Vision 2030
- Uplifting the standard of living of Namibians in rural areas through improved electricity service delivery.

Who are the actual shareholders of the existing REDs?

The owners/shareholders of the RED are the distributors in the RED's geographic area. The various distributors undertake to transfer their electricity networks and customers to the RED. In exchange for such transfer, they receive a shareholding in the RED.

Thus, the REDs are owned by public entities (LAs, RCs and NamPower).

Is the RED just another structure added to the industry at additional cost?

No. The RED is the consolidated business of existing licensees. Once all anticipated 5 REDs have been established, the number of distribution licensees in Namibia will be reduced from approximately 70 to 5.

In fact, due to its very nature (economies of scale and sharing of resources), it saves cost and does not add cost to the distribution of electricity.

(For further clarification on the establishment of REDs, please contact the ECB at info@ecb.org.na or 061-374 300)