

## Zambia

### Energy regulator approves ZESCO's emergency tariff adjustment

- Approval covers three months effective 1 Nov, targets low-income households and SMEs
- Maximum demand customer's tariffs are set to rise by 30% to 115%.
- Load shedding hours are set to reduce from 21 to 17 per day
- Nationwide power deficit currently stands at 1,300MW

The Energy Regulation Board (ERB) has approved ZESCO's reapplication for emergency tariffs for a three-month period, effective from 1 November 2024 to 31 January 2025. This decision follows ZESCO's reapplication on 1 October, targeting Residential, Commercial, and Maximum Demand customer categories for a three-month period. Customers consuming less than 100 kWh monthly will see reductions in their electricity bills by 20% while those consuming between 101 kWh and 200 kWh will get a 5% reduction. The move is aimed to relieve low-income households and ensure access to affordable electricity during a challenging period of rising commodity prices. Additionally, ZESCO plans to reduce tariffs for small and medium-sized enterprises (SMEs) consuming up to 100 kWh by 15% while the tariffs for SMEs consuming 101 kWh and 500 kWh will remain unchanged. This strategy also includes commitments to limit power rationing to up to seven hours of predictable scheduled electricity supply per day, providing much-needed stability for households and businesses.

In contrast, ZESCO plans to increase tariffs for residential consumers consuming between 201 kWh and 500+ kWh by 70% to 162% while commercial customers consuming above 500+ kWh will get a 39% rise in tariff charges. Further, maximum demand customers across all 3 categories will get a tariff increase between 30% and 115%. ERB Chairperson James Banda highlighted the increased power deficit, which has surged from 900 MW to 1,300 MW, raising load-shedding hours from 17 to 21. This escalation has significantly impacted struggling businesses, leading to revenue losses and reduced productivity. The approval of emergency tariffs aims to address these concerns, with ZESCO committing to improve load-shedding schedules for better predictability. Banda further stated that the utility also intends to eliminate capacity charges and implement an all-energy tariff for Maximum Demand customers to provide additional financial relief. Businesses have reported that the costs of running diesel generators far exceed the proposed tariff adjustments, making this change crucial.

#### ZESCO Approved Tariff Adjustment

RESIDENTIAL CUSTOMERS			
Tariff Category	Current Tariff (ZMW/kWh)	Proposed Tariff (ZMW/kWh)	% Change
R1 ≤ 100	0.44	0.35	-20%

R2 > 100 â#¤ 200	1.05	1.00	-5%
R3 > 200 â#¤ 300	1.05	1.78	70%
R3 > 300 â#¤ 400	1.69	2.87	70%
R5 (NEW) > 400 â#¤ 500	1.69	3.21	90%
R6 > 500	2.44	6.39	162%

#### COMMERCIAL CUSTOMERS

Tariff Category	Current Tariff (ZMW/kWh)	Proposed Tariff (ZMW/kWh)	% Change
C1 â#¤ 100	0.78	0.66	-15%
C2 > 100 â#¤ 300	1.35	1.35	0%
C3 > 300 â#¤ 500	2.19	2.19	0%
C4 > 500	2.28	3.16	39%

#### MAXIMUM DEMAND CUSTOMERS

Tariff Category	Current Tariff (ZMW/kWh)	Proposed Tariff (ZMW/kWh)	% Change
MD1	1.06	2.25	112.00%
MD2	1.07	2.30	115.00%
MD3	1.93	2.50	30%

Source: Energy Regulation Board

In addition to the tariff adjustments, the ERB has directed ZESCO to explore alternative revenue sources to support its financial sustainability. These directives include:

**Exploration of Local Power Purchases:** ZESCO is urged to prioritize purchasing emergency power locally if cost-effective compared to the Southern Africa Power Pool (SAPP). **Adherence to Load Management:** ZESCO must follow the published load management schedule, ensuring a maximum of 17 hours of load shedding. **Public Communication:** The utility should enhance public awareness regarding the emergency tariffs and provide updates on energy efficiency measures. **Regular Updates to the ERB:** ZESCO is required to report weekly to the ERB on revenue use and any technical challenges affecting power imports.

We note that in August this year, ERB turned down ZESCO's request for an emergency electricity tariff increase for its domestic customers. The proposed hike aimed to generate USD 14mn per month to procure 300MW of power to compensate for losses during Maamba Energy's maintenance and the Kariba North Bank shutdown scheduled for September 2024. The initial application would have negatively impacted about 44% of residential customers, or approximately 417,365 households, with proposed increases between 50% and 156%.

We further note that emergency tariff adjustments particularly for commercial customers under the maximum demand categories in which all tariffs have been increased are poised to have significant economic implications for Zambia. This move comes amid a backdrop of rising inflation, which reached 15.6% in September 2024, slightly up from 15.5% in Augustâ#¤#. The emergency tariffs, primarily targeting electricity prices, are expected to further exacerbate inflationary pressures by increasing operational costs for businesses and households alike. With food inflation already at a staggering 17.9%—driven by an El Niã

±o-induced drought that has severely affected crop yields—the burden on consumers is likely to intensify. The cost of essential goods, particularly staples such as maize and cooking oil, is anticipated to rise further as businesses pass on the increased costs from tariffsâ##. Consequently, the combination of these factors may dampen consumer spending and overall economic growth, heightening inflation expectations and creating a challenging environment for monetary policy.

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