

MINISTERIAL STATEMENT
BY THE
MINISTER OF ENERGY (MR KAPALA), MP
ON THE
**MEASURES PUT IN PLACE REGARDING THE HIGH ELECTRICITY
CONNECTION FEES**

Mr Speaker, I wish to thank you for granting me this opportunity to render a ministerial statement on measures being put in place regarding the electricity connection fees being charged by the national utility company ZESCO. This follows a matter of urgent public importance raised by Hon. Luka Simumba, Member of Parliament for Nakonde.

Mr Speaker, in April 2022, ZESCO Limited applied to Energy Regulation Board (ERB) for an upward revision of connection fees for Standard connections relating to three customer categories namely;

- (a) High density, demarcated and related areas;
- (b) Low density demarcated and reticulated areas; and
- (c) Un-demarcated high density areas.

The application was necessitated due to numerous challenges hindering the provision of quality services including the prompt connection for new applications for electricity. It is worth noting that the connection fees were last revised in 2005, which means that it has been over eighteen years since the fees were adjusted. Over this period, the cost of materials required for connecting customers to electricity as well as labour and transport cost have increased substantially. As a result of these non cost reflective connection fees, ZESCO has had to use funds meant for operations and maintenance to cover this funding gap, which is unsustainable and has over the years compromised service delivery to both existing and would be customers. This funding gap

also resulted in outstanding connection accumulating to over 67,000 paid for connection applications, which is a backlog. As of 31st December 2021, with some paid for application dating as far back as 2014, continuing with the status call entails ZESCO operational and maintenance budgets will be stretched even further and its customers would continue to be subjected to poor service delivery.

Mr Speaker, upon receiving the application from ZESCO, the ERB reviewed it in accordance with the provisions of the Energy Regulation Act, No. 12 of 2019 and Electricity Act No. 11 of 2019. As part of this review process, the board call for public comments in April 2022 and in May 2022 all written submission and comments were reviewed comprehensively during the public hearing. Consequently, the ERB considered and approved the new ZESCO connection fees which came into effect on January 1st of 2023..

Mr Speaker, the Government remains committed to ensuring increased access to sustainable energy services for all. Despite the increase in electricity connection fees, Government has not diverted from this policy position and in this regard ensured that a number of measures were considered to cushion low income households living in rural areas against this increase. These include the following;

- (a) Moderation of upward adjustment from 4 to 20 times higher in ZESCO's application to relatively lower fees ranging from 1.5 to 5times higher as approved connection fees.
- (b) 70 – 30 cost sharing mechanism where the Customer would meet 70 per cent of ERB determined cost of connection while ZESCO would finance the remaining 30 per cent.
- (c) Staggered Payment Options, under this mechanism households living in rural areas who are not able to make a lump sum payment shall be connected to the national grid upon paying 50 per cent of the approved standard charges after which they will be required to complete the full payment within twelve months.

Mr Speaker, with the approved connection fees ZESCO will be able to respond to request for electricity connection within third working days after receiving payment for the connection. This will greatly expedite the connection process for perspective customers. It will also result in improved network performance. Thereby enhancing the quality of service and contributing to the overall sustainability of ZESCO's operations.

Mr Speaker, going forward, Government through my Ministry and alongside the regulator, the utility company and other stakeholders will continue explore ways of stabilizing the financial sustainability of ZESCO Limited and increasing consumer affordability. Among some of the options being considered is the possibility of embedding the connection fees within the domestic electricity tariffs structures.

Mr Speaker, I am sure that the House understands why connection fee in rural area cannot be cheaper than those in town. the cost of materials required for connection are the same and, in many instances, more expensive in rural areas due to logistical reasons and also the fact that most rural dwellings are spacially located. This entails that more equipment such as poles and transmission lines are required to effect a rural connection dwelling as compared to a similar dwelling in urban areas.

Mr Speaker, rural dwellings are charged similar fees to those in high-density areas that is K3,510 for the approved rate. The Government is working with ZESCO Limited and the Energy Regulation Board (ERB), on a concept note aimed at reducing the impact of the high connection fees in rural areas. This will involve the Rural Electrification Authority (REA) undertaking a last mile connection that is as opposed to bringing the main grid infrastructure to the location and letting ZESCO Limited effect the connection upon payment. The authority will include as part of its work connection of rural households in all its projects. The cost of the connection fees will then be recovered through monthly payments over a period of twelve months. ZESCO Limited has also been engaging the Energy Regulation Board (ERB) on the possibility of embedding the connection fee into the tariffs for new customers, the component that will eventually fall off after being repaid.

Mr Speaker, I thank you.
