

**ERB PRESENTATION at the PAPUC-
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Pennsylvania**

**Filing Requirements and
Procedures of a Tariff Case**

By

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Presentation Outline

1. Background
2. General Law Requirements
3. New Tariff Guidelines
4. Development of Baseline Data for Test Year
5. Filing Procedure & Initiation of Formal Reviews
6. Issue Analysis and Processing
7. Guidelines for Public Participation at Public Hearing

1.0 Background

- # Since establishment of the Energy Regulation Board (ERB) in 1997, variation of electricity tariffs has been based on "Revenue Requirement" Approach and Automatic Tariff Adjustment Formula (ATAF)
- # Revenue requirement approach allows a utility to earn enough revenue to recover all costs that are deemed **just** and **reasonable**, including a reasonable return on investment
- # ATAF is meant to restate the approved revenue requirement in real terms

1.0 Background

- # Since 1995, the ERB has handled 10 tariff review applications from ZESCO LTD, Zambia's main electricity utility company
- # Five of these (1998, 1999, 2000, 2003 and 2005) have been full tariff reviews based on the 'revenue requirement' approach while the rest have been based on the ATAF. Details are outlined overleaf.

1.0 Background

Period	% Applied For	% Approved
Jan 1998	30	25
October 1998	46	25
April 1999	12	12
October 1999	15	0
April 2000	25	25
October 2000	16	16
October 2001	0	0
July 2001	-50 MD, -20 EC	-50 MD, -20 EC
January 2003	16	5.3
April 2005	15	11

2.0 General Law requirements

- # Variation of electricity tariffs in Zambia is provided for in the Law
 - Energy Regulation Act, Cap 436
 - Electricity Act, Cap 433
- # The law requires an electricity utility to apply to the Energy Regulation Board (ERB) when intending to alter its tariffs
- # The law also requires the utility to give notice to its customers of the intention to alter retail electricity tariffs

2.0 General Law requirements

- # The law further provides for objections from the public
- # However, presently no prescription in the law regarding 'filing requirements' and specific procedures of a tariff case (including appeals procedure)

3.0 New Tariff Filing Guidelines

- # This year, 2005, the ERB is working on Tariff Filing Guidelines that are meant to codify the filing requirements and procedures for a tariff case.
- # The guidelines will have legal force and include:
 - Filing process
 - Data filing requirements and reporting formats
 - Appeals process

3.0 New Tariff Filing Guidelines

Purpose of the guidelines;

- ✓ To ensure a unified and consistent approach to the collection and reporting of information from electricity utilities to the ERB
- ✓ To enable the utility plan its data reporting and align its information systems to conform with or accommodate regulatory requirements
- ✓ To ensure and enforce 'proper filing'

3.0 New Tariff Filing Guidelines

Legal framework for the Tariff Filing Guidelines

- The Tariff Filing Guidelines will be enacted into regulations to be called 'variation or alteration of tariffs and charges regulations'.
- These regulations will stipulate the process for variation of tariffs and the information to be supplied by the applicant.

3.0 New Tariff Filing Guidelines

- # The guidelines will be forwarded to the utility (ZESCO) for comment before submission to the ERB Board later this year

4.0 Development of baseline data for test year

The ERB has been requesting ZESCO to submit financial information for two historical financial years and the test year;

- Corporate Budget for the test year
- Quarterly sales of electricity in units
- Sources and disposition of energy
- Quarterly operating expenses by directorates
- Detailed classification of labour costs
- Annual debt service schedule
- Detailed depreciation schedule

4.0 Development of baseline data for test year

- # It is intended under the new tariff filing guidelines, to make the data requirements more comprehensive and specific in terms of formats

5.0 Filing procedure and initiation of formal reviews

- Utility applies to the ERB
- Utility issues notice to the public
- ERB constitutes a task team to look into the review
- Task team determines its data needs and requests the utility to provide the data

5.0 Filing procedure and initiation of formal reviews

- ERB invites objections, if any, from the general public and other interest groups
- ERB arranges for a public hearing where the utility and the objectors make their case

6.0 Issue analysis and processing

- ✓ Task team analyses all the data from the utility and objectors
- ✓ Clarifications and additional data requested where necessary
- ✓ Based on all the data provided, task team makes its own projection of test year budget;
 - Energy consumption
 - Losses
 - Retail revenue
 - Expenses

6.0 Issue analysis and processing

- # Determination of revenue requirement
- # Corresponding tariff adjustment computed

7.0 Guidelines for public participation

- # Presently, no elaborate guidelines
- # Objectors invited to send their written objections to the ERB and subsequently invited to make presentation at the public hearing
- # Apart from representatives of industry, very few quality objections received from the general public, probably due to,
 - The relatively low level of civic awareness on the rights of the consumer and the role of the regulator

7.0 Guidelines for public participation

- # Looking forward, ERB would like to enhance public participation through;
 - Assisting the public to make valuable contributions e.g. through provision of details of the utility's application
 - There may be need to target specific interest groups that would be more knowledgeable and capable to articulate concerns of the public

7.0 Guidelines for public participation

- However, the risk of being perceived to incite the public against the utility is a limiting factor!
- Current country wide sensitization work on the consumer charter may help generate more active public participation in the tariff process.

8.0 Conclusion

- # The ERB, now more than ever, recognizes the need to consolidate and rationalize its tariff filing requirements and procedures in tariff cases.
- # Legal requirements of procedure as well as technical data specifications need re-enforcement
- # Tariff setting methodology will be progressively improved on in line with the work on the guidelines, cost of service study and other developments in the industry and the economy.

8.0 Conclusion

- # Tariff review experience gained over the last decade, coupled with international best practices being observed from more experienced and accomplished regulatory bodies such as PAPUC, will help guarantee our success in this endeavor.