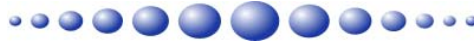


Maintaining the Equilibrium in the Electricity Industry



THEME OF CONFERENCE:
"ENERGY : SUSTAINABLE ACCESS FOR ALL"

TITLE :
**"ZERC - UPHOLDING ELECTRICITY
CONSUMERS' RIGHTS AND OBLIGATIONS"**

**A Paper presented by ZERC at
the 2006 World Consumer Rights Day**



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1. **Background**

The power sector reforms have resulted in the unbundling of ZESA into successor companies. The reforms have also seen the formation of the Zimbabwe Electricity Regulatory Commission (ZERC).

The Zimbabwe Electricity Regulatory Commission (ZERC) is a statutory body established in terms of the Electricity Act (Chapter 13:19) of 2002 as amended by the Electricity Amendment Act No. 3 of 2003. The Commission's primary function is to regulate the electricity supply industry (ESI) in Zimbabwe and to, among other things, create an enabling environment for competition and thus promote an efficient electricity supply industry. The Act confers upon ZERC the authority to operate independently in regulating the electricity supply industry. The Act also provides that no entity can generate, transmit or distribute electricity without a licence from ZERC. The Commission is also the only legal authority that can approve a tariff increase.

The unbundling process has seen the creation of the Zimbabwe Power Company (ZPC) and the opening up of the generation sector to allow independent power producers (IPPs) and embedded generators to produce power for sale. On the transmission side, the reforms have seen the formation of the single buyer - the Zimbabwe Electricity Transmission Company (ZETCO). ZETCO is mandated under the provision of the Electricity Act to plan, construct and operate the Transmission Grid. ZETCO has also the additional functions of buying power from local and external generation entities and performing the system operations functions. The distribution and retail business has been mandated to the Zimbabwe Electricity Distribution Company (ZEDC). Each of the successor companies is required to manage and improve accountability, profit levels, efficiency, reliability and product and service quality.

The activities of the core subsidiaries are carried out within a regulatory framework prescribed by the Zimbabwe Electricity Regulatory Commission (ZERC). The reforms also saw the formation of non-core companies namely Powertel Communications and ZESA Enterprises whose operations are divorced from the regulated electricity utilities.

2. Core Purpose of ZERC

The ZERC was created to license, regulate and promote an efficient Electricity Supply Industry by creating an enabling environment and level playing field for competition.

3. Values

- ❖ Transparency
- ❖ Accountability
- ❖ Professionalism
- ❖ Team Work
- ❖ Fairness
- ❖ Independence

4. Objectives of the Commission

- √ To create, promote and preserve **efficient industry** and market structures for the provision of electricity services and to ensure the **optimal utilization of resources** for the provision of such services;
- √ To maximize access to electricity services by promoting **consumer connections to distribution systems in both rural and urban areas;**
- √ To ensure that an adequate supply of electricity is available to **consumers;**
- √ To ensure that the **prices charged by licensees are fair** in the light of the need for prices to be sufficient to allow licensees to

finance their activities and obtain reasonable earnings for their operations;

- ✓ **To ensure safety, security, reliability and quality of service in the production and delivery of electricity to consumers;**
- ✓ To ensure that regulation is fair and balanced for licensees, consumers, investors and other stakeholders in the electricity industry.

5. Functions of the Commission

- Promote and implement **competition** and private sector participation, when and where feasible;
- Establish or approve appropriate **operating codes, grid codes and safety, security, reliability and quality standards;**
- **Establish appropriate consumer rights and obligations regarding the provision and use of electricity services;**
- **License** and **regulate** persons engaged in the generation, transmission, distribution and supply of electricity;
- Aid and advise stakeholders in the electricity sector in matters related to the generation, transmission, distribution and supply of electricity;
- **Advise consumers regarding the efficient use of electricity;**
- Advise the Minister on matters related to electricity systems and services;
- Participate internationally in matters related to electricity services;
- **Arbitrate and mediate disputes** among licensees and between **licensees and consumers;**
- Issue guidelines on such matters within its sphere of competence as it determines will be in the public interest;

- Undertake such other things it considers necessary or convenient for the better carrying out of or giving effect to the objects of the Commission.

6. ZERC and Consumer Rights

Out of the functions and objectives of the Commission, key issues to do with consumer rights are:

Right to guaranteed security of supplies

This is to be achieved:

- a. Through the promotion of investment and private sector participation in the generation sector
- b. Anti monopoly practices through the conditions of the licensing framework
- c. Utilizing all available energy sources including renewable energy sources for generation
- d. Prescribing appropriate planning framework for integrated resource planning
- e. Monitoring supply and demand situation and engaging and licensing investors when capacity exceeds demand
- f. Development of system development plans in liaison with the government and the single buyer
- g. The promotion of efficient usage of energy (energy efficiency and demand side management) through:
 - Regulation of appropriate tariff pricing tools applicable to licensees
 - Accreditation of energy auditors and energy service companies.
 - Accreditation of energy auditors certification institutes.
 - Liaison with other stakeholders to develop appropriate syllabus for energy auditors
 - Public dissemination of information on energy efficiency and demand side management

Right to acceptable power quality and reliability

This is guaranteed through the development and review of appropriate codes and standards to be complied with by the licensees. Compliance to codes and standards is enforced through auditing of obligatory data returns and information exchange, regular inspections and field tests. Different penalties apply for infringement

Sustained access of electricity in both rural and urban areas

Relevant codes and standards for access to the grid have been development. This is to ensure fair and non discriminatory access the power service. The codes and standards are monitored for their compliance.

Data submissions by licensees on electrification performance are reviewed and appropriate action taken to ensure that targets specified during license applications are met. ZERC also carries out policy studies on sustainable electrification schemes engages other stakeholders such as REA and Government for the implementation of sustainable policy recommendations. Excess funds from ZERC's levies are surrendered to REA for rural electrification.

Right to Health and Safety

ZERC is developing standards and procedures for improved consumer safety practices. The implementation of consumer safety standards and procedures will be complemented by field inspections. Appropriate databases for consumer safety infringements is being created and analyzed. The findings will be used to take remedial action for improved health and safety. Included in consumer safety issues are environmental complaints. ZERC will investigate consumer complaints on environmental complaints and enforce the remedial actions

Special provision for the disabled, elderly and disadvantaged groups

ZERC ensures that the distribution and retail licensee develops provision for the disabled, elderly and disadvantaged groups. The compliance of the provisions is monitored.

Right to efficiency provision of services

The industry is being licensed and regulated to ensure that industry delivers services on sound efficiency principles. Appropriate sustainable performance indicators for the industry have been developed. These are constantly reviewed. The development of the indicators is compared against international benchmarks. ZERC will soon be publishing data on the performance of the industry for public dissemination. Licensees are through the developed compliance framework being engaged to improve on efficiency and where appropriate penalties are applied. ZERC carries out independent investigations of all major grid incidences and safety infringements. Appropriate remedial action is prescribed where shortcomings are identified.

The Right to fair and transparent electricity pricing

Tariff applications are thoroughly scrutinized to ensure that inefficiencies are not inbuilt in tariff applications by licensees. Where such inefficiencies are detected, they are excluded from the tariff offer. In addition, remedial action for their removal is prescribed and monitored.

Right to information especially but not limited to efficient use of electricity.

ZERC educates customers on efficient usage of electricity. Consumers are also educated on the rights and obligations. Other public information dissemination programmes cover the areas of electrically safety and complaints handling procedures. ZERC also requires licensees to develop programmes on consumer education. These programmes are monitored for compliance.

7. How does ZERC uphold Consumer Rights?

As the regulator of the Electricity Sector Industry (ESI), the Commission has at its disposal a number of mechanisms through which it ensures customer protection. The main mechanisms are listed below.

7.1 Licensing of Electricity Utilities

The Electricity Act (13:19) provides that no company shall generate, transmit, distribute and supply an electricity service in Zimbabwe without a license issued by the Commission. As such, all electricity utilities have to go through a thorough vetting process before they are issued with a license. The assessment process involves ascertaining that the prospective license-holder is able to provide a safe, high quality service to consumers in an environmentally friendly manner. Thus, ZERC ensures that only deserving cases are licensed.

License holders found not to be adhering to license conditions and upholding the expected standards of performance may have their licenses suspended or cancelled altogether.

7.2 Codes and Standards

The Commission has developed codes and standards to be complied with by the licensees. The codes contain minimum technical procedures and standards that should be implemented by the license holders to ensure system efficiency, consumer protection and safety.

Licensees are also expected to develop consumer protection standards and performance standards that should be approved and enforced by ZERC. The standards include considerations for special needs groups such as disabled. Where ZERC feels that a utility's standards do not meet certain quality levels, such standards and codes are not approved and the utility is expected to develop better standards in order to meet customer expectations.

Some of the typical consumer rights contained in the various codes relate to:

Service Category	Service Type	REQUIRED PERFORMANCE
QUALITY OF SUPPLY	Restoring supplies after fault	Within 24 hours of notification.
	Notice of normal planned interruption of supply	48 hours before scheduled maintenance.
	Voltage Complaints investigations	Within 10 working days.
QUOTATIONS AND CONNECTIONS	New Connections	Standard domestic point within 45 meters of reticulation within 30 working days of the customer being ready to take supply.
	Quotations for new supplies	Within 30 working days of availability of all relevant information.
QUALITY OF SERVICE	Investigations of Meter Accuracy	Within 10 working days of request.
	Account queries	Resolve query within 7 working days.
	Reconnection of supply following disconnection for non-payment of account	Within 24 hours of payment except for payments made on a Friday when reconnection can be delayed up to 56 hours.

7.3 Inspections and Adherence Performance Standards and Codes

The Electricity Act empowers the Commission to inspect facilities and premises of licensed utilities. The inspections are meant to provide the Commission with important information on the operations of the licensed utilities as far as adherence to codes and performance standards. Utilities violating codes and standards are deemed unfit to hold the licenses and can be deregistered or applicable penalties imposed.

The inspections are supported by random field compliance audits to test and monitor information submitted by licensees. Based on the audits, the Commission may direct the license holder to address any shortcomings observed during the audits. The Commission also carries out incident and accident investigations to ensure that such events did not occur out of negligence, inadequate risk programmes or lack of skills.

7.4 Approval of Utility Tariffs

The Electricity Act also provides that no prices or tariffs in connection with the provision of an electricity service shall have effect unless the Commission in consultation with the Minister has approved such prices or tariffs. Electricity utilities are therefore expected to apply for tariffs to the Commission.

In consideration of tariff applications from electricity utilities, the Commission makes a thorough analysis to ensure that consumers of electricity are not loaded with costs emanating from:

- ❖ Inefficiency in the electricity utility;
- ❖ Unnecessary investments;
- ❖ Irrelevant costs;
- ❖ Non-transparent transactions;

- ❖ Corrupt activities;
- ❖ Irrelevant transactions.

When granting a tariff increase, ZERC therefore ensures that customers are not unfairly treated.

7.5 Dispute Resolution and Arbitration

Another very important function of the Commission is to arbitrate where there is a dispute between a provider of an electricity service and a consumer or between a utility and a group of consumers of electricity.

Although the Commission will only arbitrate where parties have failed to resolve the problem, dispute resolution is a key function that the Commission exercises with the objective of making sure that consumers of electricity are not unfairly treated as far as the electricity service is concerned.

Some of the common disputes include:

- The right to be supplied.
- The quality of such supply and the provision of services in connection with the service e.g. incorrect bill calculation, poor billing facilities, attitude of staff, connection-waiting time.
- Service charges.
- The condition on and prices at which electricity is supplied.
- The installation and functioning of meters.
- The suitability of the equipment of the licensee.

- Delays in or refusal to supply by the licensee.
- Service outage.

8. Customer Education Workshops

The Commission also undertakes customer education forums that are aimed among other things at:

- √ Enhancing relationships between electricity utilities and users of electricity.
- √ Provide a platform where information can be exchanged.
- √ Facilitate customer education in terms of customer rights and obligations.
- √ Discussion of customer complaints and concerns.
- √ Facilitate better understanding of the functions of the Commission.
- √ Providing more insight into the operations of the electricity industry and the roles of different players.
- √ Providing education to consumers on electrical energy efficiency in the home, in the factory and in all the other working environments (Demand Side Management).

All customer categories i.e. domestic, commercial, industrial, agriculture and government attend the customer education workshops and these workshops are supposed to culminate in the formation of Electricity Consumer Regional Committees (ECRC).

The Electricity Consumer Regional Committees are grassroots structures that are supposed to spearhead electricity consumer rights in each province of the country. These are permanent

structures that enhance interaction between suppliers of electricity, suppliers of electrical equipment, and users of electricity.

9. **Consumer Obligations**

While the Electricity Act recognizes the need for consumer protection it is also necessary to point out that consumers are also obliged to play their part to ensure that there is complimentary role playing. Consumers are therefore expected to:

- ❖ Timeously pay electricity bills;
- ❖ Refrain from theft of electricity;
- ❖ Refrain from illegal electricity connections;
- ❖ Jealously guard infrastructure from being vandalized - tempering with meters, draining of oil from transformers, stealing power cables;
- ❖ Observe safety standards when using electricity;
- ❖ Refrain from unsafe connections;
- ❖ Be part of efforts to save electricity.

10. **Zimbabwe Electricity Regulatory Commission (ZERC) and Consumer Council of Zimbabwe (CCZ)**

It is very clear from the above that there are common interests between the mandate of CCZ and ZERC in terms of upholding of consumer rights and protecting consumers. Continued excellent relations between the two organizations will go a long way in assisting consumers enjoy their rights in society.