

The Rocky Road to REDs – A Perspective from Namibia

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Abstract

The process of electricity industry restructuring in Namibia has come along for a good ten years by now. One of the more public parts of this process has been the establishments of REDs (Regional Electricity Distributors). This paper reviews the general restructuring process followed, the results achieved so far in the RED establishment path and seeks to identify some lessons learned during the process.

ESI restructuring in Namibia formally started with the development of the White Paper on Energy Policy which was published in 1998 and provided the mandate for the steps to follow. The ensuing restructuring study proposed among others the establishment of a small number of REDs in Namibia to take over the function of the more than seventy local authority distributors as well as NamPower distribution. This recommendation was accepted by Parliament and an implementation process was started, driven by the Ministry of Mines and Energy. This process was strengthened through the promulgation of the Electricity Act of 2000 and the establishment of the ECB (Electricity Control Board, the regulator) shortly afterwards.

As for the entire restructuring process a very consultative and inclusive process has been followed, giving all stakeholders ample opportunity to make themselves heard and to understand what is being planned. Committees were established for each proposed RED with representatives from relevant Government Bodies as well as prospective RED shareholders (i.e. the existing distributors), and these were tasked with working out the details of the change and obtain the necessary political and corporate consensus needed between the prospective shareholders in order to create and operationalise the RED companies.

In 2002 the first RED (NORED) was established in the north of the country, although it did not encompass the entire area earmarked for the Northern RED as intended in the restructuring study. CENORED and Erongo RED followed in 2006. The Central and Southern REDs are still being delayed pending the resolution of some legal and commercial issues which have been identified and which the stakeholders in these areas have used as motivation to stall the RED process. The ECB is busy resolving both the legal and commercial hurdles through a revision of the Electricity Act and some associated processes. It is envisaged that the remaining REDs should become operational during 2007 or 2008.

This paper describes the above process in more detail and draws out some lessons regarding the successes, failures and challenges of the process which could be useful for others who intend to follow similar paths.