



SWAZILAND ENERGY REGULATORY AUTHORITY

PRESS STATEMENT

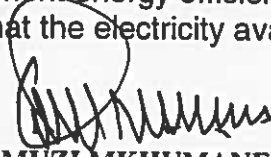
SWAZILAND ENERGY REGULATORY AUTHORITY (SERA) DECISION ON THE 2016 APPLICATION FOR A TARIFF REVIEW BY THE SWAZILAND ELECTRICITY COMPANY(SEC)

1. The Swaziland Energy Regulatory Authority (SERA) has reviewed the tariff application from the Swaziland Electricity Company (SEC) in terms of the provisions of the Electricity Act of 2007, Electricity Regulatory Act of 2007 and the Swaziland Tariff Methodology.
2. SEC's application was for an average tariff increase of 20.19% for each of the next two financial years 2017/18 and 2018/19
3. In terms of Section 5 (1) (F) of the Energy Regulatory Act as read with Section 32 of the Electricity Act, together with Section 5 and 6 of the Tariff Methodology Regulations the SERA undertook the tariff review process, having received the request on November 1st, 2016.
4. As part of the tariff review process, SERA conducted consultations with various stakeholders which included both domestic and business consumer groups as well as other stakeholders. The consultations were done through public hearings, individual written submissions including direct meetings and presentations by the various stakeholders during the meetings.
5. Having duly considered the tariff application, taking into consideration the written and oral submissions from various consumer groups and stakeholders as well as facts and evidence provided by SEC, the SERA Board met on the 20th of January 2017 and approved that:
 - An average tariff (energy and Demand charge) increase of 15.% be awarded to SEC for the 2017/18 financial year and 2018/19 financial year with effect from the 1st April each year, resulting from a corresponding revenue requirement of E2.055 Billion for SEC for the 2017/18 financial year and a revenue requirement of E2 .340 Billion for SEC for the 2018/19 financial year.
 - All other fixed charges including fixed and access charge be the charge be increased by 6.8% for 2017/18 and then by 6.4% for 2018/19, being the projected inflation rates for the respective years.
 - SEC, in her quest to balance the tariff increase of 15% should ensure that no one customer category increases or decreases by more than 3% of the approved tariff.

6. In coming up with the decision to increase the current tariff levels, the following parameters were considered:

- The performance of the utility in the past two years as a result of drought, which lead to a shutdown of generation power stations, necessitating substantial imports of electricity from outside the country.
- Due to cash-flow challenges, SEC was unable to implement a number of new projects in the financial year 2015/16 and some of the projects were deferred to the financial year 2016/17.
- The need for the utility to implement projects geared towards local generation to reduce overreliance on imports.
- A rate of return of 11.60% has been approved for SEC for each of the financial years 2017/18 and 2018/19.
- The need for the utility to improve efficiency levels as well as implement cost cutting measures while anticipating growth in customer numbers in the next two financial years.
- Views and concerns from various stakeholders consulted during stakeholder meetings.
- SEC is expecting an import tariff escalation of 12% for both the years 2017/18 and 2018/19.
- Based on the 2014/15 and 2015/16 approval, SEC made an under-recovery of E110.279 million and E198.310 million respectively in the allowed revenues. The total under recovery amounts to E308.590 million.
- The under-recovery amount of E308.590 million will be distributed over 3 years in a ratio of 1:2:1. This means that 25% will be included in 2017/18, 50% in 2018/19 and 25% in 2019/20 financial years.

7. SERA urges consumers of electricity to act responsibly through payment of bills fully and timeously as well as implement energy efficiency and demand side management programs to ensure that the electricity available is used productively and prudently.



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