



Regulating Energy for Sustainable Development

MERA BOARD RESOLUTION ON THE ESCOM BASE TARIFF APPLICATION FOR THE PERIOD 2018 TO 2022

1.0 BACKGROUND

The Malawi Energy Regulatory Authority (MERA) received an application for the third base tariff from Electricity Supply Corporation of Malawi (ESCOM) on 20th April 2018. The proposed electricity base tariff was for the period **2018 to 2022**. ESCOM made the application following the conclusion of its implementation of the second base tariff in June 2018 which covered the period **2014 to 2018**.

This third base tariff application was unique as it was prepared on the basis of the unbundled ESCOM comprising business units of Transmission, Distribution, Single Buyer, System Market Operator as the building blocks to the overall tariff to be paid by electricity users. The charge from the Electricity Generation Company (Malawi) Limited (EGENCO) has in the new framework been accounted for as a power procurement cost to ESCOM.

ESCOM applied for a 60% third base tariff increase covering all the business units which would have moved the average tariff by **K44.07** from **MK73.23/kWh to MK117.30/kWh**.

As mandated by the Energy Regulation Act, 2004, the MERA Board undertook a review and analysis of the ESCOM application and determined the appropriate increase in the base tariff.

2.0 THE BASE TARIFF REVIEW PROCESS AND THE DECISION MADE ON THE APPLICATION

The review process of the electricity base application involved the following activities:

- a) **In May 2018**, MERA undertook a preliminary review of ESCOM's application to identify issues and gaps in the application to ensure the application was complete with all the relevant information and data that was key for the analysis of the application.
- b) In order to validate the information and data provided by ESCOM, MERA held one-on-one meetings with ESCOM Business Units and EGENCO **from 21st to 23rd May 2018**.
- c) **From 3rd July 2018**, the MERA publicised both the abridged and full versions of the base tariff application for comments and observations by stakeholders and the general public.
- d) MERA organised and held public hearings to enable ESCOM present the tariff application to key stakeholders and the general public and provide responses and feedback on the observations made on the application. The public hearings were held from **6th to 10th August 2018**.
- e) MERA undertook a detailed analysis of the application from **13th to 24th August 2018**. The analysis also reflected on the issues and concerns that were raised by stakeholders during the public hearings as summarized in **Appendix 1**.
- f) The Analysis Report and Recommendations on the proposed ESCOM base tariff were considered and approved by the Energy Pricing Committee during its Extra-Ordinary meeting held on **30th August 2018**.

g) The Recommendations of the Energy Pricing Committee on the ESCOM third base tariff for the period 2018-2022 were considered and approved by the MERA Board at its Extra-Ordinary Board meeting held on **7th September 2018**.

h) The MERA Board of Directors resolved that the base tariff be increased by **31.8%** over the four-year period from **2018 to 2022**.

This 31% increase, compared to ESCOM’s requested 60% increase, translates into **K21.92/kWh increase** and an **average tariff of K95.15/kWh** against the average of **MK 117.64/kWh** requested by ESCOM.

i) The MERA Board further decided that the approved tariff be implemented with effect from **1st October, 2018**.

j) The MERA Board resolved that the base tariff adjustment shall be implemented as follows:

Annual Average Tariffs for 2018-2022

		Base Year	2018/19	2019/20	2020/21	2021/22	Average
End User Revenue Requirement	MK '000	-	184,656,399	221,946,523	235,857,210	423,398,784	1,065,858,916
Energy Billed	kWh	-	2,097,938,504	2,347,617,016	2,564,299,746	4,191,933,533	11,201,788,799
End User Tariff	MK/kWh	73.23	88.02	94.54	91.98	101	95.15
Percentage Changes			20%	7%	-3%	10%	31.8%

3.0 SUMMARY OF ESCOM REQUESTED REVENUES AND MERA APPROVED REVENUE FIGURES FOR THE 2018-2022 CUMULATIVE FOUR-YEAR PERIOD.

To arrive at the final decision on the ESCOM base tariff, MERA’s work involved the assessment on the reasonableness of some of the key assumptions which

were driving ESCOM proposed costs, the legitimacy of the costs that needed to be passed on to the consumer and most importantly in -built planned efficiency improvements and cost control measures.

The following are the specific considerations and resolutions that were made by the MERA Board on the ESCOM base tariff application:

Total Allowed Revenues for 2018-2019

The total allowed revenues for ESCOM for the four- year period were adjusted downwards by **MK 206 billion (from MK 1296.54 trillion to MK 1090.37 trillion)** refer to **revenue summary** in **Appendix 4**. More than 70% of the reductions are in the areas of transmission (**MK 27 billion**) and distribution (**MK 120 billion**) costs, **very little in purchase costs**. However, the power purchase cost shall be treated as a pass-through cost to the end user customers at Commercial Operation Date of each plant as approved through the Power Purchase or Power Supply Agreements to ensure that consumers only pay for the power after power is delivered by ESCOM from the various sources.

The major areas where MERA adjusted the allowed revenues are as follows:

Power Procurement costs

Power sales forecast figures were revised upwards to correct the ESCOM computational error on projected losses on power imports. This resulted in an increase in revenues and reduced the unit cost.

Import costs from Mozambique and PPA costs with Ndiza were corrected based on updated information.

Overall, these adjustments resulted in a reduction in the projected power procurement costs for the four-year period from ESCOM's proposed **MK718.9 billion** to MERA's revised figure of **MK706.1** (see Appendix 2).

Reduced Capital Budget and Decreased Regulatory Asset Base

ESCOM proposed a new Depreciated Optimized Replacement Cost (DORC) based on asset values, increased generation, transmission and distribution asset values. This resulted in increased revenue requirement due to increased rate of return and depreciation on the higher asset values. ESCOM's consultant, ECA, previously proposed using an inflation index only to increase asset values. MERA did not agree that ESCOM's proposal is a DORC, and given the infirmities in the ESCOM study, MERA used an average of the ECA inflation adjusted value and the ESCOM proposed DORC value as a compromise to establish new asset values.

MERA also cut capital projects that were duplicative or not modelled properly in system simulation.

In addition, adjustments were made for projects that were built into the previous base tariff period but were not completed during that period and have been carried into the third base tariff. This resulted into the final approved list of new ESCOM funded projects valued at **MK214.172 billion** down from **MK337.1 billion** (see Appendix 3). Correspondingly, this adjustment decreased the allowed revenue requirement.

Decreased Weighted Average Cost of Capital (WACC)

ESCOM proposed a 7% WACC (real pre-tax) for T&D and 7.2% WACC for existing generation assets, using US based index input numbers and some judgment, and 11.4% for new generation assets. MERA used a regional bench mark recently applied by the South African regulator (NERSA) decision as a basis and established a 5.6% WACC (real pre-tax) for T&D and existing generation. As new generation is coming through PPAs, MERA considered that as a matter of principle it is passing through the prudent PPA costs, without having to establish WACC explicitly for generation plants.

Decreased Depreciation

MERA disallowed depreciation for donor funded assets with the rationale that the assets are already paid for, as such consumers do not have to pay for them again. The depreciation amount reduced further because of reduced revaluation of assets and disallowance of some of the proposed capital expenditures. This resulted in a drop in the provision for depreciation costs from **MK140.89 billion** as proposed by ESCOM to **MK56.56 billion** as adjusted by MERA.

Decreased Payroll Costs:

MERA observed a huge increase in Head Office staffing levels after unbundling and proposed increases for staffing levels for the various operational business units which tend to have inherent inefficiencies when bench marked against best practices.

MERA, therefore, used the 2018/2019 ESCOM approved budget figured as baseline figures which resulted in a 10% reduction on labour costs and additionally imputed 1% for labour productivity considering expected increases in labour productivity as more investments are made and staff gain more experience in the new environment. This resulted in a drop in the payroll cost from **MK106.78 billion** as proposed by ESCOM to **MK84.57 Billion** as approved by MERA Board.

The ESCOM approved 2018/2019 budget further provided baseline figure of other components of operation and maintenance (O&M) which resulted in overall reductions of less than 10% as follows:

Services, supplies and sundries

The base line figure for services, supplies and sundries is provided to grow by 5% on an annual basis for the four -year period. This resulted into a drop in this provision from **MK56.5 billion** to **MK9.3 Billion**.

Maintenance

The maintenance provision is provided to grow by 8% on an annual basis, this resulted into a drop in this provision from **MK38.4 billion** as proposed by ESCOM to **MK37.4 Billion** as reviewed by MERA.

Operations

Similar consideration was made on operations where provision is made for an 8% growth on an annual basis. This resulted into a drop in this provision from **MK22.37 billion** to **MK15.65 billion**.

Head-Office

MERA adopted the Head Office cost sharing framework as recommended by ECA, the consultant that developed the revenue requirement model for ESCOM. This resulted in a reduction of shared head office costs from **MK108.08 billion** to **MK69.25 billion**.

MERA resolved to allow for bad debts at 3% in years one and two of the base tariff and to further reduce to 1% in third year and to 0.5% in the final base tariff year. This resulted into a significant drop in the provision for bad debts as ESCOM is expected to move all its customers to from postpaid to prepayment meters over the four-year base tariff period. MERA will closely monitor ESCOM implementation plan on this commitment.

4.0 IMPLEMENTATION ARRANGEMENTS FOR THE BASE TARIFF

The Board further resolved that arrangements and conditions to be followed by ESCOM in the implementation of the new approved base tariff be as follows:

4.1 Revenue Decoupling Mechanism

The new tariff methodology provides for reconciliation adjustment for variances between the allowable regulated revenue for a year and the actual revenue earned in that year. MERA Secretariat will be undertaking a review of the ESCOM's revenues at the end of each year to determine the actual revenues

earned against the approved revenues. The difference will benefit and will be credited to consumers and shortfalls will be paid by the consumers. Depending on the amount of the reconciliation adjustment, MERA may allow some amounts to be wholly factored into the tariff review for the following year.

ESCOM shall, therefore, be required to demonstrate that the variation between actual expenditure and the originally allowed expenditure was prudent. MERA will not allow for any imprudent expenditure incurred by ESCOM. In order to facilitate a transparent and objective reconciliation process, ESCOM will be required to submit to the MERA actual quarterly energy sales (kWh) and the actual revenue realized from such sales. This data will be required to be submitted by the 15th day of the month following the end of a quarter.

4.2 Treatment of Revenues from Revalued Assets

MERA further noted that the proposed base tariff contained significant rate increases associated with revaluing both ESCOM transmission and distribution assets and EGENCO generation assets. This means that these entities would be receiving increased revenues for financing charges and depreciation for their assets even though the assets have not changed. Consumers will essentially be providing cash funding to these entities through paying higher tariffs for receiving the same service as before.

To ensure that that these funds are utilised for the purpose they are intended for, ESCOM will be required to place revenues received as the result of the asset revaluation in a **Specific Fund**, which shall be used only for infrastructure additions, enhancements, and improvements over the next four-year base tariff period. In order to ensure that ESCOM complies with this approach, MERA will require ESCOM to file a plan for approval.

4.3 Treatment of Key Performance Indicators (KPIs)

MERA noted and resolved that ESCOM performance on key performance indicators (KPIs) on quality of service to be achieved through investments allowed for in this base tariff shall form part of licensing conditions for the utility.

Non-compliance to these KPI targets will attract specific penalties divorced from revenue performance under the base tariff. A list of these KPIs and monitoring arrangements will be agreed between MERA and ESCOM at the start of the base tariff implementation and will be monitored throughout the four years of the base tariff.

Signed
Rt. Rev. Dr. Joseph P. Bvumbwe
BOARD CHAIRPERSON
MALAWI ENERGY REGULATORY AUTHORITY
OCTOBER, 2018

Appendix 1: STAKEHOLDER COMMENTS CONSIDERED IN THE BASE TARIFF ANALYSIS

During the public consultation process, stakeholders raised a number of issues that the Authority considered in making its decision on the new base tariff. Some of the key issues that the stakeholders raised were as follows:

- a) The end user tariff is projected to increase from the current average of MK73 per kWh to MK112 per kWh in the current financial year, representing an increase of 53 percent. This huge jump in one financial year represents a major shock and its implications will reverberate throughout the economy.
- b) There is a 50.4 percent jump in energy purchase costs from K29.92 per kwh to K45 per kwh. In the first year the composition of the energy mix will not have changed substantially.
- c) Massive overheads, especially those associated with staff, remained a major component of the costs for each function. These costs should be scrutinized in detail to avoid passing through inefficiencies to end user customers.
- d) Provision for bad debts: The inability of ESCOM to collect debts from Government institutions and some 'private sector players' should not burden end user consumers with a higher tariff. ESCOM to restructure and move to 100% to prepaid metering as a way dealing with bad debts.
- e) ESCOM's proposal to replace 143 vehicles to be reduced and phased to minimize the impact on the consumer tariff.
- f) There is lack of public trust in ESCOM management and the tariff increase would be seen as a means of satisfying alleged corruption, theft and mismanagement.
- g) Consumers are willing and prepared to pay for a reflective cost tariff as long as such a tariff is not loaded with inefficiencies and abuses unlike the current base tariff and that special arrangements be made to deal with vulnerable groups.
- h) The decision of a tariff increase must be subjected to various tests of affordability, economic growth, transparency, consistency and predictability in regulatory decision making.
- i) ESCOM must provide realistic, achievable performance indicators that must be approved and monitored by the Regulator and Consumers. ESCOM to present a postmortem on how it implemented investments projects that were provided in the last four years.
- j) The tariff should support investment in environmental management which will lower the cost of producing power and increase energy reliability over the long-term.

Appendix 2: MERA REVISED POWER PROCUREMENT COSTS

MERA Revised Power Procurement Costs						
Electricity Purchase Cost	MK '000	2018/19	2019/20	2020/21	2021/22	Total
Kapichira	MK '000	17,894,660.77	17,797,030.01	17,580,198.33	17,752,482.97	71,024,372.09
Nkula A	MK '000	5,834,486.24	7,477,418.46	7,427,491.95	7,388,108.59	28,127,505.25
Nkula B	MK '000	18,914,377.36	19,067,620.26	19,077,053.39	18,831,697.21	75,890,748.22
Tedzani	MK '000	15,662,949.80	13,994,708.10	13,878,299.30	14,197,821.98	57,733,779.17
Wovwe	MK '000	4,710,005.64	4,710,005.64	4,710,005.64	4,710,005.64	18,840,022.56
Egenco Diesels	MK '000	2,575,338.90	2,499,000.39	2,492,838.30	2,472,160.32	10,039,337.92
Zambia-Malawi Cross Boarder	MK '000	7,114,653.00	7,114,653.00	7,114,653.00	7,114,653.00	28,458,612.00
Mozambique-Malawi Cross Boarder - Mandimba	MK '000	120,132.45	1,201,324.50	1,201,324.50	1,201,324.50	3,724,105.95
Coal Plant	MK '000	-	-	28,756,692.90	172,540,157.40	201,296,850.30
Solar	MK '000	5,949,266.40	17,252,872.56	17,252,872.56	17,252,872.56	57,707,884.08
AGGREKO Diesel	MK '000	33,340,647.60	33,340,647.60	-	-	66,681,295.20
Natural Gas Plant (Salima)	MK '000	-	-	11,421,432.54	11,992,504.17	23,413,936.71
Ndiza	MK '000	-	2,970,691.20	2,970,691.20	2,970,691.20	8,912,073.60
Gabiz	MK '000	-	6,490,108.80	6,814,614.24	7,155,344.95	20,460,067.99
Mozambique-Malawi-Interconnector	MK '000	-	-	-	25,754,400.00	25,754,400.00
Bua Mbongozi Hydro		-	-	-	8,003,984.63	8,003,984.63
Total	MK '000	112,116,518.16	133,916,080.52	140,698,167.85	319,338,209.12	706,068,975.66

Appendix 3: MERA APPROVED ESCOM CAPITAL BUDGET FOR THE PERIOD 2018-2022

MERA REVISED NEW TRANSMISSION NETWORK PROJECTS							
NEW TRANSMISSION NETWORK PROJECTS	Cost	Funding	2018/19	2019/20	2020/21	2021/22	Total
400 kV, Phombeya-Nkhoma	MK '000	Grant	43,920,742.00				43,920,742.00
Bwengu substation 132/66/33KV	MK '000	Grant	1,993,298.62				1,993,298.62
Bunda substation 132/66KV	MK '000	Grant	1,993,298.62				1,993,298.62
Chingeni 66/33 kv	MK '000	Grant					-
Chintheche rehabilitation and extension	MK '000	Grant	1,900,103.48				1,900,103.48
Chintheche-Luwinga 132KV OHL 80	MK '000	Grant	7,369,204.00				7,369,204.00
Luwinga-Bwengu 132KV OHL 50	MK '000	Grant	4,605,752.50				4,605,752.50
Bunda-Nkhoma 132kv OHL 32 km	MK '000	Grant	2,947,681.60				2,947,681.60
Li longwe 66KV OHL ring 31 km	MK '000	Grant	2,151,456.73				2,151,456.73
New Bwengu-Bwengu 66kVOHL 1.6 km	MK '000	Grant	111,042.93				111,042.93
LLC 66/33	MK '000	Grant	1,453,671.85				1,453,671.85
BWENGU 66/33	MK '000	Grant	1,453,671.85				1,453,671.85
Golomoti 132/33/11 KV (50 MVA)	MK '000	Grant	1,724,385.71				1,724,385.71
Fundis Cross Substation works - World Bank funded	MK '000	Grant	2,389,853.97				2,389,853.97
NCC SCADA	MK '000	Grant	9,121,350.00				9,121,350.00
400 kV, Mozambique - Malawi Interconnector	MK '000	ESCOM			26,862,200.00	-	26,862,200.00
Karonga substation (66/33)	MK '000	Grant	1,453,671.85				1,453,671.85
Kang'oma substation (66/11)	MK '000	Grant	1,154,826.87				1,154,826.87
Kauma 66/11 KV (15 VA)	MK '000	Grant	1,444,072.88				1,444,072.88
Nkula 66/33 kv Substation upgrade - World Bank	MK '000	Grant	1,413,753.39				1,413,753.39
Dwangwa 132/33/11 kV substation - World Bank financed	MK '000	Grant	2,130,529.73				2,130,529.73
Katoto 66/11 KV Substation	MK '000	Grant	2,221,813.13				2,221,813.13
Inter BU metering - ESSP	MK '000	ESCOM	158,495.40				158,495.40
Check MD Meters for IPPs (Ndiza, Mbongozi, JCM)	MK '000	ESCOM	-	-	-	-	-
66 kv Concrete overhead power lines rehab	MK '000	ESCOM	1,050,000.00	4,120,000.00	2,700,000.00		7,870,000.00
Protection system upgrade (has been there since last base tariff 2014-	MK '000	ESCOM	360,000.00				360,000.00
Radio and Communication Equipment	MK '001	ESCOM	-				-
Phombeya 200MVA Transformer & Associated Switchgear	MK '000	ESCOM			5,145,000.00		5,145,000.00
Nanjoka Substation Upgrade	MK '000	ESCOM		-			-
New Blantyre Substation	MK '000	ESCOM			11,833,500.00		11,833,500.00
Eastern Backbone 132kv (central – North)	MK '000	ESCOM			13,402,500.00	18,480,000.00	31,882,500.00
Chintheche 20 MVA Voltage Compesation	MK '000	ESCOM	1,911,000.00				1,911,000.00
66 /33 KV Substation at Nsanama	MK '000	ESCOM		-			-
Chinyama 15 MVA Voltage Compesation	MK '000	ESCOM					-
66 KV Mbongozi Hydro IPP Interconnection	MK '000	ESCOM			5,000,000.00		5,000,000.00
66 KV Nkhota-kota Solar IPP Interconnection	MK '000	ESCOM		-			-
132 KV Salima Solar IPP Interconnection	MK '000	ESCOM					-
132 KV Golomoti Solar IPP Interconnection	MK '000	ESCOM					-
132 KV Kanengo Solar IPP Interconnection	MK '000	ESCOM					-
Reserve IPP	MK '000	ESCOM				-	-
Phombeya – Zomba – New Blantyre 132kv	MK '000	ESCOM					-
Provision for MCA grant funded project to be completed by ESCOM	MK '000	ESCOM	6,650,841.11				6,650,841.11
Additional Assets - Annual							-
Total ESCOM-funded	MK '000		10,130,336.51	4,120,000.00	64,943,200.00	18,480,000.00	97,673,536.51

MERA REVISED NEW DISTRIBUTION PROJECTS							
NEW DISTRIBUTION INVESTMENTS			2018/19	2019/20	2020/21	2021/22	Totals
Lilongwe & Mzuzu Peri-urban (ESSP)	MK '000	ESCOM	2,130,529.07				2,130,529.07
Peri-urban - Center and North (World Bank financed)	MK '000	ESCOM	-				-
Advance Metering Infrastructure (AMI) - ESSP	MK '000	ESCOM	1,516,775.00				1,516,775.00
11 km underground cable rehabilitation for Blantyre - ESSP	MK '000	ESCOM	-				-
33 KV Nkhatabay - Mzuzu reinforcement (15 km)	MK '000	ESCOM	300,000.00				300,000.00
MZUZU SONDA 33/11KV S/S	MK '000	Grant	1,154,826.87				1,154,826.87
Telegraph Hill -Sonda - Katoto - Luwina	MK '000	Grant	643,500.00				643,500.00
Karonga - Songwe	MK '000	Grant	536,250.00				536,250.00
New City Center (33/11)	MK '000	Grant	1,453,671.85				1,453,671.85
AREA 25 33/11	MK '000	Grant	1,154,826.87				1,154,826.87
Marep 8 & 9	MK '000	Grant	18,000,000.00	6,000,000.00			24,000,000.00
Peri Urban Mzuzu & Lilongwe	MK '000	ESCOM	-				-
Dzenza - KIA 11 KV (12 km)	MK '000	ESCOM	120,000.00				120,000.00
Area 49 Substation	MK '000	ESCOM	2,940,000.00				2,940,000.00
4 km Underground cable for LL	MK '000	ESCOM		-			-
Mzuzu City 11kV Upgrade	MK '000	ESCOM		578,995.16			578,995.16
Malosa Substation	MK '000	ESCOM	2,940,000.00				2,940,000.00
Bangwe substation 33/11 KV Substation upgrade - World Bank	MK '000	Grant	901,398.86				901,398.86
Central & Northern Region SCADA	MK '000	ESCOM	4,950,000.00				4,950,000.00
Southern Region SCADA	MK '000	ESCOM	2,940,000.00				2,940,000.00
Electrification (360,000 new connections @ MK220,000 each)	MK '000	ESCOM	19,800,000.00	19,800,000.00	19,800,000.00	19,800,000.00	79,200,000.00
Smart Metering	MK '000	ESCOM			2,500,000.00		2,500,000.00
Lilongwe 33kV Ring	MK '000	ESCOM		882,000.00	1,305,000.00		2,187,000.00
15 km Underground cable for LL	MK '000	ESCOM			-	-	-
MD prepayment metering	MK '000	ESCOM	2,500,000.00	2,500,000.00			5,000,000.00
Prepayment Meter migration and repositioning	MK '000	ESCOM	-				-
Nkula - Chileka 33 KV	MK '000	ESCOM		600,000.00			600,000.00
General system reinforcements	MK '000	ESCOM	1,500,000.00	1,200,000.00	1,000,000.00	1,000,000.00	4,700,000.00
System Development	MK '000	ESCOM	-	-	-	-	-
Sengabay Substation	MK '000	ESCOM	2,940,000.00				2,940,000.00
Relocation of powelines and services in major cities to pave way for developments	MK '000	ESCOM	100,000.00	100,000.00	-	-	200,000.00
Chipata - Mchinji cross boarder	MK '000	ESCOM	650,000.00				650,000.00
33 KV Mulanje mini hydro IPP (8 MW)	MK '000	ESCOM	105,000.00				105,000.00
33 KV Waste to Energy - Blantyre 10 MW IPP	MK '000	ESCOM	-				-
33 KV Kanengo Solar (20 MW with storage)	MK '000	ESCOM	-				-
DSM – (LED bulbs)	MK '000	ESCOM	1,050,000.00	-	-	-	1,050,000.00
Accelerate Electrification	MK '000	ESCOM	-	-	-	-	-
DSM – LED tubes (3.6 Million)	MK '000	ESCOM	-	-	-	-	-
							-
TOTAL							-
Direct Expenses 1			1,050,000.00	-	-	-	1,050,000.00
Customer Contribution from connection charges	MK '000	0.15	2,970,000.00	2,970,000.00	2,970,000.00	2,970,000.00	11,880,000.00
Customer contribution from DSM	MK '000	0.25	262,500.00	-	-	-	262,500.00
							-
Total Grant funded assets	MK '000		23,844,474.45	6,000,000.00	-	-	29,844,474.45
Total ESCOM-funded	MK '000		45,432,304.07	25,660,995.16	24,605,000.00	20,800,000.00	116,498,299.23

Appendix 4: ESCOM PROPOSED REVENUE FIGURES AND MERA APPROVED REVENUE FIGURES

Retail Tariff Component	RR (MK'Bn)		MK/kWh		US cents/kWh		% Component	
	ESCOM	MERA	ESCOM	MERA	ESCOM	MERA	ESCOM	MERA
Purchase Costs	710.00	706.07	64.42	53.05	8.76	7.21	54.8	66.58
Distribution Costs	283.16	159.1	25.69	14.20	3.50	1.93	21.8	15.0
Transmission Costs	126.63	99.47	11.49	7.78	1.56	1.05	9.8	9.38
SB Own Costs	65.16	31.66	5.91	2.22	0.80	0.30	5.0	2.99
MAREP Levy (4.5%)	53.69	45.23	4.87	4.08	0.66	0.55	4.1	4.27
MERA Levy (1%)	11.93	10.05	1.08	0.88	0.15	0.12	0.9	0.95
Bad Debts	37.76	31.8	3.43	2.84	0.47	0.39	2.9	3.0
SMO Own Costs	8.21	6.99	0.75	0.55	0.10	0.07	0.6	0.6
Total	1,296.54	1,090.37	117.64	97.50	16.01	13.26	100	100