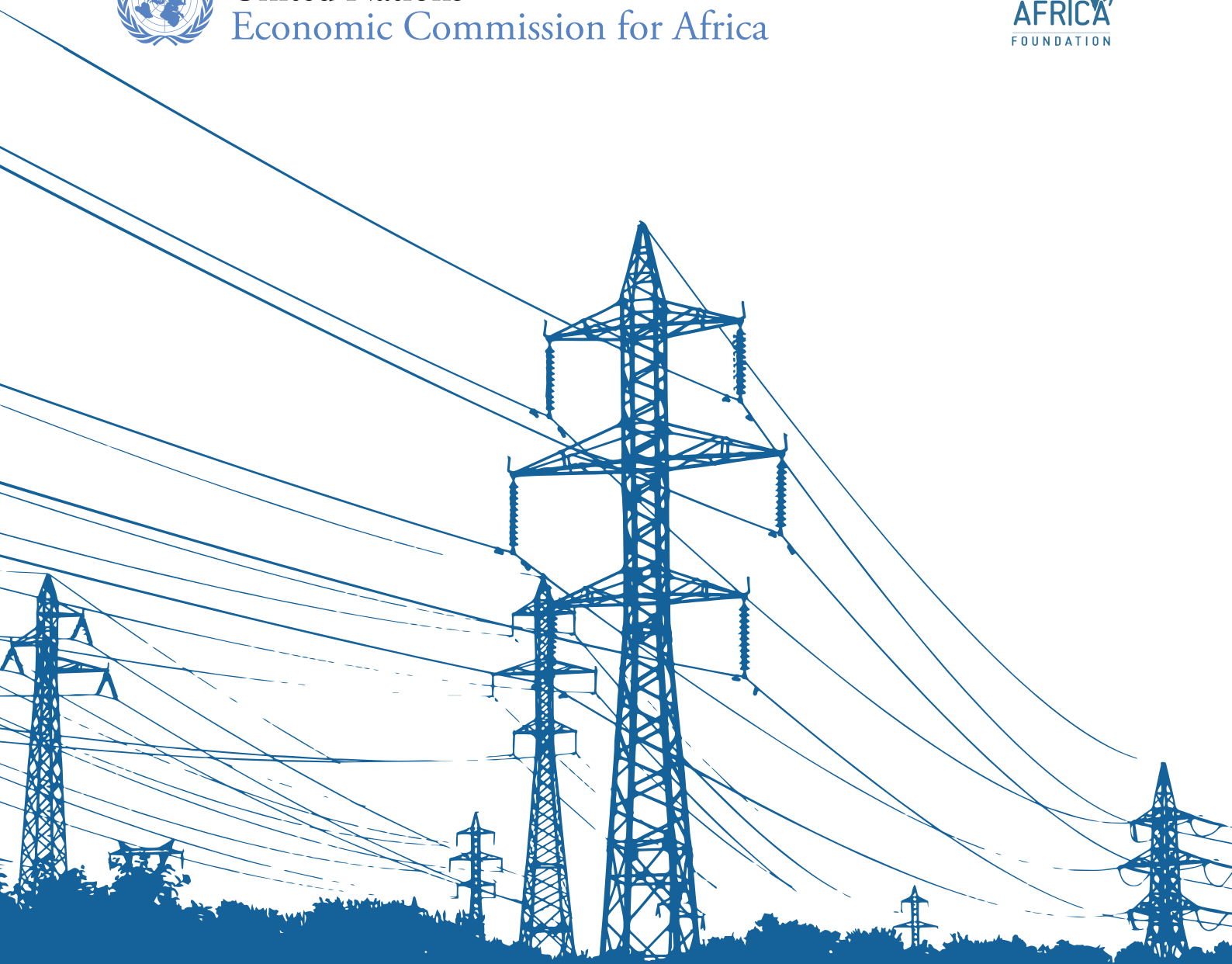




United Nations
Economic Commission for Africa



Regulatory Review of the Electricity Market in Zambia:

**Towards Crowding-in Private
Sector Investment**





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Executive Summary

This report provides an analysis of the Zambian electricity sector policies, laws, and regulations in relation to crowding-in private sector participation in developing national electricity infrastructure. The report is part of the United Nations Economic Commission for Africa and RES4Africa Foundation joint program on *Regulatory Review of the Electricity Sector in Africa: Towards Crowding-in Private Sector Investment*.

Since 1991, which marked the beginning of a liberalization phase for Zambia's economy, and the adoption of a new National Energy Policy in 1994, private sector participation in the development of electricity infrastructure was encouraged, and the power sector was moving towards restructuring and liberalization. After the second wave of reforms in 2010, the way was paved for independent power producers to enter the market. Reforms such as the Renewable Energy Feed-in-Tariff Strategy in 2017 kick-started the development of the national renewable energy sector. Coupled with the adoption of the Rural Electrification Master Plan in 2008, Zambia was able to expand access to electricity from about 20 percent before 2010 to above 40 percent in 2019.

The review of the National Energy Policy in 2019 marked the beginning of the third wave of sector reforms. The new policy acknowledged the need to reform sector governance and the regulatory framework behind it. The diversification of the energy mix through the development of non-hydro renewables, the expansion of electrification efforts, including off-grid technologies, and the need to ensure the financial sustainability of the sector with tariff revisions were drivers behind electricity sector reforms.

Zambia has been able to successfully attract private participation in every segment of the electricity market. Nevertheless, the market retains its single-buyer model, dominated by the vertically integrated state-owned utility ZESCO. It owns about 75 percent of generation capacity, as well as the majority of transmission and distribution assets. The generation assets owned by ZESCO are almost exclusively hydropower plants, as a result, droughts have had significant impacts on the reliability of electricity supply. In recent years Zambia has suffered from weather induced electricity deficit, notably between 2015/2016 and 2019/2020, being obliged to introduce severe load shedding measures. The remaining 25 percent of generation assets are owned by Independent Power Producers and spread across hydro, thermal, and renewable resources. A peculiarity of Zambia's electricity market model compared to other African markets is the involvement of two private players in transmission

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