



REPUBLIC OF MOZAMBIQUE

Minister of Energy

DIRECTIVE

Defines for the period 2006-2009, the instructions for the operationalization of CNELEC, including the regulatory functions for should special attention should be given

Subsequent to Law nr. 21/97 of October 1 (Electricity Law), the National Electricity Council (CNELEC) was established as a body with a consultative function, to defend the interest of the public and also to serve as a forum to obtain the public opinion on issues relevant to the national policy on electrical power and the application of the provisions of the Electricity Law and its regulations.

CNELEC has the powers, amongst others, to: express its views on the policies and objectives of electrical power supply; and to issue its opinion on proposals for new projects and applications for concessions to supply electrical power as well as the conditions of sale of electrical power to be used by the concessionaire.

CNELEC also has as its functions the conciliation, mediation and arbitration on litigation matters related to issues that may arise between different concessionaires and between these and consumers, pertaining to the supply of power, quality and reliability of the electrical power service, conditions of sale of electrical power, and wheeling fees.

The energy policy approved by Resolution No. 5/98, of 3 March, defines as one of the pillars the extension of the national grid in order to improve the living conditions of the Mozambican population, the provision of technically reliable services at costs compatible with the economic needs, including a tariff policy for domestic consumption that considers sustainable criteria of a social nature, weighed based on consumption levels.

In order to materialise the Energy Policy, the Energy Strategy was approved through Resolution No. 24/2000, of 3 October, which defines the need to ensure the efficient management of the sector through the interim taking up of the responsibilities for the regulation of the operators in the existing State institutions, especially in price setting, service quality control, protection of consumer

interests and awarding of concessions of electricity areas, promotion of a more efficient, dynamic and competitive business sector; ensure reliable power supply, at the lowest cost possible, so as to meet the current consumption levels and the economic development needs; and the quality and efficiency of power supply at fair and reasonable prices.

Taking into account the need to ensure greater efficiency of the sector, in particular, concerning the performance of Electricidade de Moçambique (EDM), there is a need to strengthen the monitoring of EDM, and CNELEC should play an important role.

Considering that the conditions to establish CNELEC are already in place, including staff recruitment and the definition of a capacity building programme for this body's administrative and technical staff, as well as for the definition of the functions it will be carrying, it is regarded as important that it starts its functions by middle 2007.

Under these terms and pursuant to the powers vested on me by Decree No. 25/2000, Article 31, of 3 October, which approves the organic statutes of CNELEC, I hereby determine:

Article 1 – Without prejudice to other prerogatives and powers defined by Law No. 21/1997, of 01 October, over the 2006-2009 period, CNELEC should especially carry out the following actions:

- 1- Monitoring the contract programme between the Government and Electricidade de Moçambique, (EDM, EP);
- 2- Provide recommendations in respect of the technical and commercial quality of the service provided by EDM and by other electric power distribution concessionaires; and
- 3- Issue opinions with recommendations for the review of the current EDM tariff calculation methodology, with emphasis on the definition of the thresholds for operation costs, as well as recommendations on the principles and methodologies to be used for applying cross subsidies between the different categories of both present and future consumers.

Article 2 – CNELEC should in as much as possible, make use of public consultation with entities representing the productive sector and consumers with a stake in EDM's efficiency and in electric power supply, and it should carry out at least three public consultations within the time schedules and under the terms presented below:

- 1- May 2007 – public consultation on service quality, in Maputo and in one or two provinces from the Northern and Central region of the country, to get the opinion of stakeholders representing the productive sector and consumers in respect of the technical and commercial quality of the service provided by EDM.
- 2- April 2008, public consultation on EDM's efficiency, in Maputo and in one or two provinces from the Northern and Central region of the country, where the representatives from the productive sector and consumers will have the opportunity to comment on the findings of the EDM report on efficiency with respect to indicators established in the contract programme with the Government; and
- 3- April 2009, public consultation on EDM's efficiency, in Maputo and in one or two provinces from the Northern and Central region of the country, where the representatives from the productive sector and consumers will have the opportunity to comment on the findings of the EDM report on efficiency with respect to indicators established in the contract programme with the Government.

Article 3 – Public consultations referred to in Article 2 will be preceded by various actions under the following timelines:

- 1- March 2007 – submission of the 1st study of the evaluation of EDM's efficiency, to be prepared by the company itself, with focus on job description and planned methods for evaluating its efficiency under the terms of the contract programme. The study should be submitted to CNELEC 3 weeks before the public consultation referred to in Article 2, No. 1. Within a period not exceeding 3 months after the public consultations, CNELEC will prepare a report to the Government containing its observations and recommendations taking into account the EDM report and the comments from the public consultations, as well as the future reforms to be undertaken by the Government.
- 2- March 2008, submission of EDM's 1st report on efficiency, to be prepared by the company itself, relative to the objectives set in the contract programme with the Government. The report will be submitted to CNELEC three weeks before the public consultation established in Article 2, No. 2. Within a period not exceeding three months after the consultation, CNELEC will prepare a report on EDM's efficiency evaluation to the Government, based on EDM's report and on the comments from the public consultation, as well as the future reforms to be undertaken by the Government.

- 3- March 2009 – submission of EDM's 2nd report on efficiency, to be prepared by the company itself, relative to the objectives established in the contract programme with the Government. The report will be submitted to CNELEC three weeks before the public consultation established in Article 2, No. 3. Within a period not exceeding three months after the consultation, CNELEC will prepare a report on EDM's efficiency evaluation, based on EDM's report and on the comments from the public consultation, as well as the future reforms to be undertaken by the Government.

Article 4 – Two weeks before the public consultation, CNELEC, in consultation with the Ministry of Energy and EDM will define the public consultation format.

Article 5 – CNELEC can do without the public consultations mentioned in Article 2, for the purposes of the preparation of the reports as referred to in Article 3 if, in this regard, it considers that the findings of the public opinion surveys carried out by EDM, to be submitted to CNELEC, together with the reports referred to in Article 3 were carried out objectively and that the Government and the public at large had trust in them.

Article 6 – The terms of reference for the opinion surveys referred to in Article 5 shall be approved by CNELEC and developed by March each year, as from 2007.

Article 7 – CNELEC shall, over same period, and in as much as possible carry out public consultations on the technical and commercial quality of the service and efficiency of other electric power distribution concessionaires.

May this be published.

Maputo, 28 July 2006

The Ministry of Energy

Salvador Namburete