



ELECTRICITY LICENCING GUIDELINES AND REQUIREMENTS 2017



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1. BACKGROUND

The Zimbabwe Energy Regulatory Authority (ZERA) is a statutory body established in terms of the Energy Regulatory Authority Act (Chapter 13:23) of 2011. The mandate of ZERA are provided in the Energy Act as read with the Electricity Act (Chapter 13:19) of 2002 and the Petroleum Act (Chapter 13:22) of 2006. ZERA's primary function is to regulate the entire energy sector in Zimbabwe. In the electricity sub-sector, ZERA seeks to create an enabling environment for competition and thus promote an efficient electricity supply industry. The Electricity Act confers upon ZERA the function to license all undertakings who are into generation, transmission, distribution and supply of electricity in excess of 100 kW.

These guidelines are done in terms of the Energy Regulatory Act, the Electricity Act and the electricity sector regulations.

2. PURPOSE

The purpose of the Electricity Licensing Guidelines is to provide a framework for the licensing of electricity undertakings intending to invest into the regulated activities of generation, transmission, distribution and supply of electricity in excess of 100 kW.

3. SCOPE OF THE FRAMEWORK

The licensing guidelines focus on the electricity undertakings to be licensed in terms of the Electricity Act.

4. ELECTRICITY LICENSE UNDERTAKINGS

4.1 Types of Licences

The Act defines three categories of licensees, namely **generation licensee**, **transmission and bulk supply licensee**, and the **distribution and retail licensee**.

4.1.2 Generation Licence

A generation licence authorises the licensee to construct, own, and operate and maintain a generation station for the purposes of the generation and supply of electricity.

A generation licensee may supply electricity to any transmission licensee, distribution and retail/supply licensee who purchases electricity for resale and, with the approval of the Authority, to any one or more consumers.

A holder of a generation licence includes a generating company outside Zimbabwe that is entitled, under an agreement ideally a power purchase agreement (PPA) which must be approved by the Authority or permitted by a licence issued to another licensee to sell power to Zimbabwean licensees or consumers without a licence from the Authority.

4.1.3 Primary Transmission Licence

The transmission licence authorises the licensee to engage in grid construction, operation, and maintenance of transmission facilities. It also authorises the licensee to carry out system operations including generation scheduling, commitment and dispatch, management of congestion, ancillary services scheduling and power pooling. Other activities include operation of a power exchange, energy accounting.

4.1.4 Independent Transmission Licence

An independent, transmission Licence shall authorise the licensee to construct own operate and maintain independent transmission facilities. The license prohibits the license from carrying out system operations activities.

4.1.5 Bulk Supply Licence

A bulk supply licence authorises the licensee to purchase electric power for the purpose of reselling it in bulk to one or more transmission or other licences and to engage in the purchasing, selling and trading of electricity.

4.1.6 Primary Distribution Licence

A primary distribution license authorises the licensee to construct, operate and maintain a distribution system including connection of customers, installation, maintenance and reading of meters, billing and collection.

4.1.7 Independent Distribution Licence

An independent distribution license authorises an entity to construct, maintain and operate an independent network separate from the network operated by the primary distribution license holder.

4.1.8 Retail Supply Licence

A retail supply licence authorises the licensee to supply electricity to its customers and for that purpose to engage in purchasing, selling and trading of electricity.

The licensee purchases power for resale from a bulk supply licensee and with the approval of the authority may purchase power from other sources.

5. LICENCE CONDITIONS

Every license is issued with general and specific conditions. The general conditions are those to do with the requirements of the Act and particular regulations. These generally spell out all the legal expectations and obligations towards standards. The specific conditions are peculiar to each project and pertain to the implementation of the specific project.

The specific conditions provide the basis of the assessment of progress in the implementation of the project. Failure to accomplish the milestones as specified in the specific license conditions results in the review/cancelation of license.

An important license condition is the submission of quarterly reports on the implementation of the project. The quarterly reports are measured against the implementation program which is contained in the license conditions.

6. REQUIREMENTS FOR LICENCE APPLICATION

An application form is an integral part of the license application. All the different application forms are available on the ZERA website www.zera.co.zw. The application form is however only a small part of the application document. Other very important documents are listed below:

6.1 General Requirements on Application

- a) ZERA Application Form
- b) Business Plan
- c) Certificate of Incorporation/Articles of Association
- d) Company registration documents – CR2, CR14
- e) Particulars of Shareholders and Directors of the company
- f) Board Profile and Shareholding Structure/Shareholders Agreement
- g) Proof of Financial capability (Equity, Debt Financing/loan/grant/etc)
- h) Audited Financial Statements for past 3 years (if any)
- i) Investment Authority license
- j) Tax Clearance Certificate
- k) Technical capacity to carry out the project

6.2 Generation Licence Requirements

- a) Generation Capacity
- b) Buyer/Off-taker arrangements
- c) Electricity Generation Cost
- d) Grid Impact Assessment
- e) Fuel Supply Arrangement(s)/Agreement(s)
- f) Proposed Power Purchase Agreement
- g) Proposed interconnection point to the transmission system
- h) Prefeasibility/Feasibility Study report
- i) Maps indicating the location of the generating plant
- j) Land Use Permit
- k) Water Extraction Permit
- l) Environmental Impact Assessment prospectus/Certificate
- m) Project Time Line /Gantt Chart/Implementation

The Authority may at its entire discretion issue a conditional licence subject to confirmation on fulfilment of any conditions that may have been outstanding at the time of submission and consideration of the licence application.

6.3 Transmission Licence Requirements

- a) Map indicating route of the transmission lines
- b) Information relating to the transmission system

- i. Line specifications– capacity, voltage, length, conductor type, configuration, etc.
- ii. Points of supply
- iii. Contractual arrangements (where applicant intends to operate transmission facilities not owned by the Applicant)
- iv. Single line Diagram
- v. Methodology for fees and tariffs for Distribution use and Connection charges.
- vi. Guidelines on non-discriminatory open access by third parties to transmission facilities (in case of primary licensee)
- vii. Environmental impact assessment prospectus/Certificate

6.4 Distribution Licence Requirements

- a) Map indicating location of the distribution lines
- b) Information relating to the distribution system
 - i. Line specifications – (Capacity, voltage, length, conductor type, configuration, etc.
 - ii. Points of supply
 - iii. Contractual arrangements – O & M
 - iv. Metering arrangements, billing arrangements
 - v. Connection charges/agreements
 - vi. Client services standards
 - vii. Applicable tariffs
 - viii. Single line Diagram
 - ix. Transformers and transformer sizes
 - x. Proposed agreements for distribution network connections and use of system
 - xi. Environmental Social Impact Assessment and Environmental Management Agency approval
 - xii. Number and types of customers per voltage level.

6.5 Retail/Supply Licence Requirements

- a) Maps indicating the proposed area for supply of electricity
- b) Proposed tariff model
- c) Power purchase agreements

- d) Commercial agreements (Supply/customer side)
- e) Metering and billing systems
- f) Proposed customer categories for the supply of electricity; and
- g) Transmission/Network access agreements

The Authority may at its entire discretion issue a conditional licence subject to confirmation on fulfilment of any outstanding conditions.

7. LICENSE FEES

7.1 Application Fee

An application fee of US\$2 500 plus 15% value added tax shall be paid on submission of an application form together with the supporting documents. This application fee is not refundable.

7.2 Licence Fees

Licence fees are meant to reflect the costs incurred by the Authority in administering the Act. The fees are set to reflect the costs of regulation that each licensee imposes on the Authority. Small operators impose lower administration costs on the Authority as compared to large operators. The fee paid by an operator therefore also reflects the size of the operator.

The basis of determining the licence fees is provided in statutory instrument 55 of 2015 as follows :-

- The installed capacity of the project for the electricity generation licence
- Flat rate for transmission licence
- Energy distributed for electricity distribution licence.

7.3 Applicable licence fees

Licence fees are determined based on Statutory Instrument 55 of 2015 Electricity (Licencing) (Amendment) Regulations, 2015 (Number 1)

The following conditions apply:

- a) Licence fees are denominated in USD
- b) 15% value added tax shall be levied on the licence fees. Licence fees are determined by licence type and the fees are as follows :-

7.3.1 Generation Licence Fees

7.3.1.1 Greenfield Projects

LICENSE CATEGORY	LICENSE FEES (USD)
1 – 10 MW	10 000 Fixed
11 MW AND ABOVE	20 000 fixed plus 10 000 per 25 MW or part thereof

7.3.1.2 Brownfield Projects

For brownfield projects 50% of the licence fee for green field projects would be charged.

7.3.2 Transmission Licence

A fixed licence fee of USD120 000 for electricity transmission

7.3.3 Distribution Licence

The licence fees for electricity distribution is USD20 000 fixed plus USD10 000 per 1 000 GWh.

8. DURATION OF LICENCE

The term/duration of the licence is based on the lifespan of the equipment that is used in the provision of the service. The table below reflects the duration of different licences issued by ZERA for new licensees.

Type of license	Term of license (maximum)
Generation	30
Transmission	30
Distribution	30
Electricity supply	5

9. HOW TO APPLY

An application should be submitted in triplicate and should be accompanied by all the requirements as stated in Section 4. The application should also be accompanied by a Compact Disk or soft copies of all the supporting documents.

Applications should be submitted at:

Zimbabwe Energy Regulatory Authority

14th Floor, Century Towers

45 Samora Machel Avenue

HARARE

Or

Zimbabwe Energy Regulatory Authority

P.O. Box CY 308

HARARE

Or online using admin@zera.co.zw

Applicants are encouraged to familiarise themselves with the Electricity Act (Chapter 13 : 19), Electricity (Licencing) Regulations, Statutory Instrument 103 of 2008, Electricity (Licencing)(Amendment) Regulations, 2015, Statutory Instrument 55 of 2015 and other relevant codes before submitting their application.