

Erongo Regional Electricity Distributor Company (Pty) Ltd

Reg. No 2004/074

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Namibia

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Reference: ER 10/2/2

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PRESS RELEASE

YEAR END PRESS RELEASE: 2007

1. General

Within the context of Government's National Development Plan, the Ministry of Mines and Energy has formulated an Energy Policy White Paper that, inter alia, provides for the reorganisation of the electricity distribution industry through the formation of REDs as a means of improving service delivery and efficiency within the electricity sector.

In line with the abovementioned policy, the Erongo Regional Electricity Distributor Company (Pty) Ltd (Erongo RED) was established to undertake the supply and distribution of electricity in the Erongo Region of Namibia.

2. Mission and Vision

Erongo RED's **mission** is to:

Distribute and supply electricity to the existing and potential customers of the Erongo RED licensed area by means of an efficiently run RED.

Erongo RED's **vision** is to become:

Erongo RED: The leading Electricity Provider.

Erongo RED's **values** are:

- Integrity
- Commitment
- Teamwork
- Respect
- Professional Behaviour
- Take no bribes, pay no bribes

Please address all correspondence to the Chief Executive Officer

Erongo RED Directors - G Goseb (Vice-Chairperson), P Gurirab, T Kaimbi, D Klazen, R Horsthemke

3. **Late Payment Fee**

After much deliberation Erongo RED came to the conclusion that the late payment fee currently charged is too high for customers with small monthly accounts. It was thus decided to reduce the late payment fee from N\$ 100.00 to N\$ 10.00 with effect 1 December 2007. This amount was determined after considering the ability for the low income customer to pay their monthly accounts and considering similar charges by other utilities such as City of Windhoek, NORED, CENORED and Keetmanshoop Municipality.

A late payment fee is charged to customers who do not pay their accounts on the due date as stated on their accounts. This fee will be charged for three consecutive months, and if the customer remains indebted to Erongo, then such customer is handed over to the Debt Collectors as per Erongo RED's Credit Control Policy;

The **reconnection fee** will be charged

- where customers have already been disconnected due to non-payment of their accounts, and/ or
- where customers' cables have been removed and reconnected after settlement of all outstanding fees and levies.

All customers are encouraged to ensure timeous payment of their accounts and thereby avoid late payment fees and inconvenience in the event of interruption of service due to late- and/or non-payment.

4. **Wind Generator**

The first network-connected wind generator in Southern Africa was commissioned near Walvis Bay on 30 November 2005. The 220 kW wind generator produces between 10,000 and 15,000 units (kWh) of electricity per month. This is a pilot project for evaluation before expansion to a possible 10 Megawatt wind farm in future. The mere fact that a wind generator was set up at Walvis Bay, in the Erongo Region, Namibia has shown its willingness to utilise renewable energy for grid connected power generation. In July 2007 the Cabinet approved, that all new government and parastatal's buildings are required to be provided with solar water heating systems. This also shows the national drive towards renewable energy utilisation.

The wind generator was unfortunately sabotaged when the control board was stolen in August 2006, where after police investigations commenced. Erongo RED managed to source the necessary parts and the wind generator was re-commissioned on 14 September 2007 and with more security systems in place.

After its re-commissioning to date, the wind generator has generated a approximately a total of 42653 kWh, these amounts to an average of 14,217 kWh per month. The wind generator continuously generated electricity throughout the strong wind storms, which have been experienced at the coast during this period without failure.

All the different status and the salient performances parameters are monitored, via a wireless link from the wind generator back to the central point at Erongo RED offices. An intelligent quality of supply meter is installed on site as well and link via wireless network. This meter records a spectrum of power quality parameters, which is required for analysis of the power generated and supplied to the load. Various graphical display have been setup and a display showing these salient performance points of the wind generator has been installed at the Erongo RED Head Quarters for the public to view.

5. Financial Performance

Erongo RED's second year of operation

Over the past two years Erongo RED has grown tremendously, this is evident through its increase in the customer base growth rate of 4 to 5 % annually. Establishing pay points throughout the Erongo Region, taking over all revenue management services, which entails sorting out customer queries, addressing technical problems that existed or which developed in the process, implementation of a centralised prepayment vending system and replacement programme of non-STS pre-payment meters, establishing a control centre for technical operations and many more. It is good to see that development of the Erongo Region has increased and more jobs have been created throughout a spectrum of industries.

Erongo RED is a highly technological company and is striving to improve and or maintain certain standards and services by utilising currently available technologies. To name a few, we have invested in reliable and secure telecommunication networks to all our offices in the Erongo Region. All dispatch units are equipped with some communication devices, cell-phones or handheld radios. The Information management systems are of the latest technology and is Windows based. This ensures that many automated functions are more user friendly, for example the electronic integration to billing system of all electronic banking activities, the implementation of the centralised vending system that also allows 3rd party pre-payment vending, the implementation of half automated Control Centre. We have invested in training and educational workshops for our personnel and customers, to improve the knowledge base in the electrical industry.

In the past two years Erongo RED has been involved in multiple projects and project management pertaining to land developments and consumer connections. This has ensured that the high standards of electrical reticulations and installations are maintained throughout the region. Many of these projects have been completed successfully, within budget, time and to specifications. The current high priority projects are electrical bulk network upgrade to Long Beach, Walvis Bay, the installation of street lighting in Swakopmund, rural-electrification of non-grid connected projects with Erongo Regional Council and the implementation of 3rd party prepayment vending points in Erongo Region. These are only a few of the projects mentioned, but most projects are aimed at increasing our future returns on investments to the benefit of the company and its shareholders.

With a few of these actions mentioned above the company's financial performance has improved substantially. Erongo RED has also honoured all payment obligations towards the Local Authority Surcharges of all Shareholders as approved by the Electricity Control Board (ECB), in the past two years. It is also clear that the Erongo Region is experiencing many developments, over and above the new mines that are being started.

From the unaudited financial figures of the first two financial years, the company has increased its gross profit from 41% to 43%, reduced the impact of Local Authority Surcharges from ~25% to ~19% of Sales and the earnings before interest, depreciation and taxes [EBIDTA] from a loss of ~N\$ 14 million to a profit of N\$ 5 million.

Confidence in the Region is growing and the fact that Erongo RED is in place, allows all developers to have one partner to whom they can talk to for their electricity needs.

6. The emphasis for Erongo RED Activities for 2008 are:

- **Erongo RED – the Provider of Choice**
- **Erongo RED – the Employer of Choice**
- **Erongo RED – the Investment of Choice**
- **Customer relations**
- **Quality of service and supply standards**
- **Accuracy and efficiency of operations throughout the organisation**

7. Seasonal Greetings

As the sun sets on this year the Directors, Management and Staff would like to wish all our customers and clients the very best over the festive season and a blessed 2008!

We would like to express our appreciation for your support, trust and understanding during 2007.

Issued by the Office of the Chief Executive Officer:

Mr. Gerhard Coeln

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