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Electricity changes should be reviewed – report

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THE Financial and Fiscal Commission, which makes recommendations each year on what the Finance Minister should do with the money raised by the revenue service, has made two striking suggestions in its report for the 2011/2012 budget.

The commission proposes that the government goes back to square one and halts moves towards restructuring the electricity distribution industry (EDI).

It also wants to replace the cheerful free-for-all in spending the equitable share of the taxman's product with a more structured block- grant system.

The chairman of the commission, Bethuel Setai, told a media briefing in Parliament yesterday that of the 184 local authorities distributing electricity, 12 distribute 80% of it.

"The legislation is working on a one- size-fits-all (basis)," he said.

"But we know that there are certain distributors that are working efficiently and that there are others who are not working efficiently.

"So we are then saying that a blanket amendment (for example there is the 17th amendment to the constitution) ... we are saying that it is not right to have a one-size- fits-all approach."

The commission report points out not all electricity distributors suffer from the challenges that the restructuring into seven regional bodies intends to overcome.

The report also insists that if the government intends to press ahead with setting up the regional electricity distributors (REDs), it should revisit the blueprint assumptions initially made more than eight years ago.

"The EDI component was informed by restructuring the electricity industry as a whole, including the electricity supply industry.

"The government needs to clarify the policy issue of whether it is necessary to change ownership and structure in order to ensure efficiency, economies of scale, robust regulations and to deal with management challenges in the sector."

It calls on the government to conduct an up-to-date re-evaluation and analysis of the benefits of restructuring the EDI.

"In addition to the political, economic and social changes that have happened in the past eight years ... delaying the implementation of the REDs has generated new costs that require a total re-evaluation against benefits that were perceived at the conception of the

idea." – I-Net Bridge

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