



20 YEARS OF POST-PRIVATISATION SUCCESS AS A TRUSTED AND RELIABLE PARTNER IN ENERGY

CEC@20 - A Tradition of Service Centricity

CEC is a **Zambian incorporated power transmission, generation and distribution Company with interests in closely linked businesses, including optic fibre based telecommunications, in Zambia and the Sub-Saharan African region. The privately-owned power utility has been listed on the Lusaka Securities Exchange (LuSE) since 2008, and a full member of the Southern African Power Pool (SAPP) from 2009.**

Originally formed in 1953 by mining companies on the Copperbelt, CEC has historic foundations in providing power to the mining industry. Power supply to the mines in Zambia continues to be CEC's core business and remains the top priority of its service offering. To deliver on this mandate, CEC maintains its US\$750 million network, which spans the entire mineral rich Copperbelt Province, to the highest standards to ensure a consistent supply of quality, safe and reliable electricity to its customers. Most of the mines supplied operate underground below the water table, thus, standby power facilities are a critical value addition service the Company offers to enable continuous pumping of water from the mines in the event of loss of power supply from the national grid. Use of its infrastructure to move electricity from one point to the other on behalf of third parties forms an important part of the core business of the Company. In the last five years, CEC has extended its service offering to the resource rich Democratic Republic of Congo (DRC) market, enabling the mining companies in that country to access reliable power supply from CEC made available in cooperation with the DRC national utility, Société Nationale D'électricité (SNEL). In order to increase power transmission capacity and guarantee a seamless flow of power, CEC successfully commissioned the dual-circuit second 220kV Zambia-DRC interconnection in March 2016, bringing the total capacity of the transmission conduit from 250MW non-firm to 500MW firm.

As an active member of the SAPP, and leveraging on Zambia's central location in Southern Africa, CEC is a recognizable player in the region's power market, well positioned to move power from any location to wherever it is demanded in the region. In this regard, the Company values the mutually beneficial relationships and commercial arrangements that it has developed with other utilities and partners in the SADC region.

The unique insight and experience that CEC has garnered

in powering the mining industry with its many sensitivities and cyclical nature means that the Company has always operated on a strategy focussed on sustainability and continued growth. CEC continues to find ways of adapting to changes in the mining industry while still being able to provide sustainable services to its customers at any given time. At Company level, the focus is on running a lean operation whether it is during boom or bust cycles because maintaining a low-cost operation always sustains performance when times are hard. On the customer side, CEC leverages the good working relationship with its customers and works in close collaboration with other industry players to ensure that it finds solutions that keep the industry going. CEC also seeks opportunities in other markets to ensure the business continues to generate value for its shareholders and the economy at large.

In order to contribute to the country's investments intended to increase power generation capacity and energy mix, CEC is also looking to play a role in contributing to the objective of diversifying power sources by seeking investments in power generation, particularly in renewable sources of hydro and solar. This is also aimed at increasing the resilience of power supply for the benefit of customers. Presently, CEC owns about 80MW of generation, while the rest is purchased from third parties. CEC has, in 2017, commenced the construction of its first solar power plant which will be Zambia's first grid-scale solar power plant when it is commissioned early in 2018. CEC is working to develop the 40MW Kabompo Gorge hydroelectric power project whose strategic location in the north makes it an excellent development opportunity. The Kabompo project is located in very close proximity to the load centres, essentially the northerly regions of the Copperbelt and the North-West, in an area that receives consistent rainfall even during times when the country experiences droughts. Despite having suffered unanticipated delays in reaching financial close, the project remains important and high on the Company's agenda to increase the proportion of own generation in its power sourcing mix.

Looking forward past the first 20 years of CEC, the Company wants to play an increasing role in Zambia's electricity sector and support the Government policy and efforts in attaining a diversified generation mix for Zambia, as well as being able to supply power to other customer categories in addition to the tradition of supplying the mines. These ambitions

are, of course, highly dependent on what market structure the country will seek going forward, guided by Government policy. CEC will also focus more on its role in the Southern African electricity market, particularly in the DRC where the Company sees considerable growth in the country's mining sector, presenting an opportunity to contribute to strengthening and expanding power infrastructure in that country. On the regional front, the key challenge will be developing the transmission infrastructure to transport power in the region as new generation sources come online.

At another level, reforms in the markets are required to enable private sector players, such as CEC and many others, expand their roles to accelerate economic growth. It can be said that overall, markets in the region are becoming more and more receptive and open to private sector investments but more needs to be done.

From an investment perspective, power infrastructure tends to be capital intensive. The mining industry as financially credible offtake partners, can play a critical role in underpinning projects with significant economic impact in the region, enabling the build of new transmission and generation infrastructure that will power and stimulate the next wave of economic growth in the region. The model can be mutually beneficial to the mining sector and the rest of the economy in that the mining sector would gain access to portions of new generation capacity, giving then access to captive power with an element of stable and predictable pricing over the long term. For the rest of the economy, this should promote the availability of adequate electricity resources thus stimulating growth in the key sectors such as manufacturing, agriculture, tourism, etc.

For this to happen, it requires that a stable economic environment continues to be created together with a supportive market structure that enables sector wide efficiency and a robust tariff framework premised on economic principles. Furthermore, there is need for increased partnership and trust between utilities on one side, and mining companies, on the other. Attaining long term sustainability in the way we manage our electricity networks and energy sources will not only enable long term matching of energy and power requirements of the mining sector and indeed the rest of the economy but will support viable economic growth of the country for a foreseeable future.

