

## Why ZESA fears economic recovery

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AN ECONOMIC turnaround could strain Zimbabwe's capacity to generate electricity in a country already relying on imports to meet demand, the chief executive of state-owned power utility Zesa said on Wednesday.

Ben Rafemoyo told an energy forum that Zesa needed to ramp up production at its major thermal plant by more than 500 MW by year-end to cope with expected demand as industrial output slowly rises after years of decline.

The country has not had any major investment in electricity generation since 1998 and relies on ageing equipment which would be unable to cope with increased power supply.

"Our fear is that any slight improvement in economic activity will put tremendous strain on our capacity," Rafemoyo said.

He later told journalists: "If industry peaks up, it means the demand would also increase and .... put more pressure, unless we do something to mitigate that."

Zimbabwe's economy contracted in the past decade with industrial output falling below 10 percent capacity, but a unity government formed between President Robert Mugabe and rival Morgan Tsvangirai, now Prime Minister, has raised hopes of recovery.

The new government expects production at around 60 percent of capacity by the end of this year. But challenges remain, with electricity supply low, coal in short supply and problems of vandalism and a lack of skills.

The country's current peak demand is 1,600 MW but the country only produces 1,000 MW. The peak demand would increase to 2,200 MW once the country's economy recovers.

Rafemoyo said Zesa could increase production by 500 MW by completing refurbishment of four of the six units at its main Hwange thermal power station.

Designed to generate 780 MW, Hwange produces 200 MW from two units. A third unit would be commissioned this week, another one by end of the month and the remaining two by December this year.



"It's not going to wipe out the deficit, but it will go towards narrowing the gap between supply and demand," said Rafemoyo.

Zesa is also considering whether to lease out its smaller thermal plants to independent power producers or to jointly run them with private investors to add another 250 MW.

Rafemoyo said government's decision to allow Zesa to charge economic tariffs and the use of multi-currencies this year made investment in the power sector viable for independent producers.

"In fact, enquiries are coming through to us. Yes, those engagements are yet to be realised, but it's interesting that there is a lot of interest which was not there in the past."

Zimbabwe imports a third of its electricity from Zambia, Mozambique and Democratic Republic of Congo, but has been struggling to pay off its debt to the countries' utilities.

Rafemoyo said Zesa was making small payments towards its debt, which stood at \$57 million in June, and is looking for a bridging loan to refinance the debt. - Reuters