



PRESS RELEASE

UPDATE ON THE DISPUTE RESOLUTION BETWEEN ESCOM AND EGENCO ON ELECTRICITY PAYMENT ARREARS

Lilongwe – Tuesday, 25th August, 2020: The Ministry of Economic Planning & Development; and the Public Sector Reforms have facilitated an agreement between Electricity Supply Corporation of Malawi (ESCOM) and Electricity Generation Company (EGENCO) pertaining to the dispute on electricity payment arrears which has existed for a long time consequently choking operations of the two institutions.

The agreement follows a meeting which Vice President Dr. Saulos Chilima held on 7th August, 2020, with ESCOM, EGENCO, Malawi Energy Regulatory Authority (MERA), the Ministry of Finance, the Ministry of Energy and the Public Sector Reforms team to find solutions to the dispute under the ongoing reforms on Parastatal organisations.

It has been agreed that ESCOM should pay K11.7 billion out of the K53 billion which it owes EGENCO by 31st December, 2020. Sixty percent (60%) of the balance equivalent to K25.2 billion to be paid by 31st December, 2021. The Ministry of Finance will also facilitate that EGENCO issues a Credit Note for the remaining 40 percent balance. This means no bail out for ESCOM.

Another bone of contention was the charges for energy transmitted between ESCOM and EGENCO. To this end, it has been resolved that ESCOM and EGENCO should use the existing metering facilities to determine actual energy transmitted between the two entities effective 17th August, 2020.

It has also been agreed that the Ministry of Finance will facilitate the review and amendment of the current Power Purchase Agreement (PPA) and ensure that the new signed PPA is put in effect by 1st November, 2020.

Meanwhile, a Task Team has been set up to drive ESCOM's turn-around strategy. The Task Team members will come from the following ministries: Ministry of Finance, Ministry of Economic Planning and Development, Ministry of Energy, Ministry of Justice and Department of Statutory Corporations.

Once this is done, the turn-around strategy and the roadmap will be made public and monitored under the Public Sector Reforms Programme in the administration of His Excellency Dr. Lazarus Chakwera, President of the Republic.

For further information, contact **Mr. McCarthy Mwalwimba**, Public Relations Officer for Public Sector Reforms on 0999 673 416 or the Chief Director, **Ms. Seodi White** on 0881 969 908.

Pilirani Phiri, Press Office of the Vice President

EDITOR'S NOTE

- *On 22nd July, 2020, Vice President Dr. Saulos Chilima met with the leadership of ESCOM and EGENCO to discuss a two year roadmap for power generation to achieve steady power supply.*
- *During the meeting, EGENCO complained that ESCOM owed them K53 billion in unpaid electricity generation bills and this was chocking their operations.*
- *ESCOM complained that the K1.8 billion average monthly bill which EGENCO charges is wrongly calculated and unsustainable.*
- *On 7th August, 2020, the Vice President chaired a meeting that came up with resolutions on arrears, charges and conclusion of the ESCOM unbundling process.*