



ZAMBIA'S ENERGY SECTOR:

ENERGY SERIES

Reimagining Bankability: Zambia's Response to the Energy Crisis

Zambia's Journey to Open Access

The enactment of the Electricity (Open Access) Regulations, Statutory Instrument No. 40 of 2024, marked one of the most significant reforms in Zambia's electricity sector in recent decades. The Regulations introduced the legal framework for a more competitive electricity market by permitting qualifying generators, traders, suppliers and consumers to access transmission and distribution networks on a non-discriminatory basis and trade electricity directly with one another.

Almost two years after the Regulations came into force, an important question remains: where exactly is Zambia in its Open Access implementation journey?

The Independent System Operator

When the Open Access Regulations were introduced, much of the discussion focused on the ability of independent power producers to sell electricity directly to mines, industrial consumers and other eligible customers.

While this remains a key feature of the regime, Open Access requires a much broader market framework to function effectively, hence the creation of the Independent System Operator (ISO).

Historically, ZESCO has performed multiple functions within the electricity value chain, including generation, transmission and system operations. Under the Open Access framework, however, the role of operating and managing the Interconnected Power System is intended to be transferred to an Independent System Operator.

The Electricity Act defines the System Operator as the entity responsible for the short-term reliability of the interconnected power system. Its functions include operating the transmission system, balancing electricity supply and demand in real time, dispatching generation resources and ensuring the reliable operation of the grid on a non-discriminatory basis.

The significance of the ISO cannot be overstated. In a competitive electricity market, market participants must have confidence that access to the grid, dispatch decisions and system operations are administered fairly and independently.

The ISO is intended to provide this neutrality and create confidence among generators, traders, suppliers and consumers participating in the market.



The Balancing Agreement

One of the most critical instruments to the ISO's functions is the System Operator Balancing Agreement. The Balancing Agreement is a regulatory instrument which establishes the framework for managing the physical and financial balance of power supply and demand across Zambia's Interconnected Power System.

This agreement is scheduled to become effective on a commencement date to be gazetted by the Minister of Energy. Crucially, this transition is contingent upon the Independent System Operator being legally constituted and having all necessary operational arrangements in place to discharge its statutory duties, at which point the system operator functions will formally shift from ZESCO to the ISO.

In practical terms, the Balancing Agreement, if operationalised, will become one of the foundational documents underpinning Zambia's competitive electricity market.

The Implementation Roadmap

Since the introduction of the Open Access Regulations, significant work has been undertaken by the Energy Regulation Board, the Ministry of Energy and industry stakeholders to develop the supporting market architecture required for its implementation.

At present, the transition is in an advanced stage of regulatory readiness. The ERB has already advanced the drafting of the requisite core documents, including Trading Guidelines and Balancing Mechanisms.

At the same time, market participants have increasingly begun to structure transactions on the assumption that Open Access will become fully operational, particularly in relation to direct supply arrangements involving mines, large industrial consumers and electricity traders.

In summary

While the regulatory advancements of 2025 signal a definitive shift in Zambia's energy policy, the full operationalization of the Open Access regime remains pending.

Until all relevant structures are finalised; including the legal constitution of the Independent System Operator and the collective accession to the Balancing Agreement, the industry persists in a transitional phase.

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