

Power Sector Q2 Updates

June 2024 | KPMG in Nigeria

US\$500M Loan Approved for Metering Access Improvement¹

The Nigerian Senate recently approved a US\$500 million loan request by His Excellency, President Bola Ahmed Tinubu (GCFR) for the metering of electricity consumers in Nigeria in line with the Nigeria Distribution Sector Recovery Program (DISREP). The loan will be utilised to improve metering infrastructure in order to enhance revenue collection, efficiency, and service delivery standards in the Nigerian Electricity Supply Industry (NESI), as part of measure to address financial and technical challenges faced by the electricity Distribution Companies (DisCos).

Only 5,842,726 (44.39%) out of the 13,162,572 registered electricity customers are metered as at 31 December 2023², according to the report issued by the Nigerian Electricity Regulatory Commission (NERC) for the fourth quarter of 2023. DisCos have continued to rely on estimated billings to recover revenue from unmetered customers.

The metering of electricity consumers has been one of the key challenges facing the NESI since the privatisation of the sector in 2005. There have been several Federal Government (FG) initiatives to address the metering gap, such as the Meter Asset Provider and National Mass Metering Programme, but the problem continues to persist. NERC has therefore, also taken a significant step towards deregulating meter access in Nigeria to allow customers to procure meters from Meter Asset Providers (MAPs) based on competitive open market prices determined through transparent bidding frameworks.

The desired loan programme is expected to complement NERC's initiative in addressing the metering challenges in the sector.

NERC Unbundles TCN into two Independent Operators³

The NERC (or "the Commission") has officially unbundled the Transmission Company of Nigeria (TCN) into two entities namely the **Nigerian Independent System Operator Nigeria Limited (NISO)** and the **Transmission Service Provider (TSP)**, in line with the provisions of the Electricity Act, 2023.

The unbundling was communicated by NERC via *Order No: NERC/20204/45* dated 30 April 2024 which was jointly signed by the Chairman and Vice Chairman of the NERC. Based on the Order, the TCN will transfer all market and system operation responsibilities to the newly formed NISO.

Paragraph 10B of the Order, provides for the TCN to conclude the identification and mapping of the assets and liabilities for the system/ market operation portion of its business and forward same to the Commission and the Bureau of Public Enterprise PE not later than 30 June 2024.

You would recall that Section 15 of the Electricity Act, 2023 requires the TCN to incorporate an **Independent System Operator (ISO)** to take-over the administration of the market and system operation functions while retaining only the transmission license.

The **recent development** is in line with one of the objectives of the Electricity Act, 2023 which is to reform the Power sector by providing a clear guide and legal basis for a phase-wide development of the NESI. The unbundling of the TCN's transmission and system/ market operation functions to improve efficiency and effectiveness is a key part towards achieving a robust and self-sustaining NESI. This is expected to help unlock the potentials in the transmission value chain and attract the investments required to revamp the subsector.

¹ [senate-approves-tinubus-500mn-loan-request-for-mass-metering \(icirnigeria.org\)](https://www.icirnigeria.org/senate-approves-tinubus-500mn-loan-request-for-mass-metering)

² Page 62 of the NERC 2023_Q4_Report_Final-1.pdf

³ [NERC unbundles TCN into two operating entities \(icirnigeria.org\)](https://www.icirnigeria.org/nerc-unbundles-tcn-into-two-operating-entities)

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