Nigeran Electricity Supply Industry Highlights

Power Sector Watch | Edition 2021 – Q3

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The third edition of the 2021 Power Sector Watch highlights some of the recent developments in the Nigerian Power Sector:

- **Metering**

  The Central Bank of Nigeria (CBN), in response to the liquidity challenge faced by distribution companies (DisCos) in Nigeria, had in 2015, set up a Nigerian Electricity Market Stabilization Fund (NEMSF) through which DisCos could access loan facilities under certain conditions. However, the challenge remained largely unresolved and has affected their ability to meet their financial obligations to players in the Nigerian Electricity Supply Industry (NESI).

  Consequently, the CBN, in conjunction with relevant Regulators, set up a process to drive monetary discipline in the electricity market. The CBN delegated oversight of electricity bill collections to Deposit Money Banks (DMBs) and required all DisCos to retain collection accounts with the DMBs. Deductions for specific financial obligations are taken as first line items from the monies in the collection account while the balance is transferred to the respective DisCos to fund operations. Based on recent data provided by the Presidential Power Sector Working Group (PPSWG), revenue from the NESI increased by 33.93% to ₦184.26 billion as at February 2021 – with a total revenue of ₦137.57 billion for the first three months of implementation of the new collection structure (September to November 2020) and ₦184.26 billion for the next three months, December 2020 to February 2021.

  There is concern from the DisCos though, that the amount transferred to them after the deductions is not sufficient to meet their operational needs and facilitate investment in much needed distribution infrastructure. The measure may not also directly address the metering gap and energy theft issues which have contributed to poor collection.

- **NERC approves Extraordinary Tariff Review application for DisCos**

  The Nigeria Electricity Regulatory Commission (NERC) has approved new Extraordinary Tariff Review applications, Performance Improvement Plan (PIP) and Capital Expenditure (CAPEX) for electricity DisCos effective from 1st July 2021 to 30th June 2026.

These policy adjustments are expected to manage foreign exchange and inflation in the tariff computations and increase the sector's efficiency. The adjustments also require the DisCos to commit to service improvement programs that will ensure availability of services, reduction of Aggregate Technical, Commercial and Collection losses (ATC&C), and implementation of effective billing and payment structure, including improved customer metering.

Funds were approved for each of the DisCos under the PIP in separate orders based on engagements with NERC for justification of the associated costs and resulting tariffs. Based on information published by NERC, the highest amount was approved for Ikeja Electricity Distribution Company (IKEDC) while Yola Electricity Distribution Company (YEDC) got the lowest. The allocated amounts are expected to assist the DisCos with their growth initiatives in their respective service improvement investment programs.

Following the approval, some of the DisCos have announced interventions to improve service delivery to customers over the next five years. IKEDC noted that the new regulatory instruments will allow it to increase the total energy supplied across its network from the 2019 levels of 4,469Gwh/year to 5,263GWh/year by December 2022. The Company also plans to reduce the average duration of interruptions from 12 hours to 8 hours per month by December 2022. Relatedly, YEDC proposed to increase total energy supply across its network from 2019 levels of 1,161,359MWh/year to 1,226,710Mwh/ year by December 2022.

Abuja Electricity Distribution Company (AEDC) also noted, that the fund will enable the Company to achieve 100% metering of customers by installing 698,606 meters over the next three years, and reduce its ATC&C from the current level of 45% to 19%, increase customer safety and accidents, embark on network expansion, rehabilitation, and network upgrade projects, and scale the number of its customers from 1.214 million to 3.450 million over the next five years.

- **NERC proposes compensation for under supply of electricity to customers**

  NERC stated that electricity consumers in Nigeria may finally begin to receive compensation for under supply of power from July 2021. This is as a result of complaints by the consumers that the Service-Based Tariff (SBT), which has increased their electricity bills, only places obligations on the customers without any appropriate sanctions for DisCos when they under supply.

  Based on the SBT, consumers are required to pay for electricity based on the quality of service offered, minimum average hour of supply and other metrics. Currently, consumers are divided into five bands from A-E - with consumers in band A receiving up to 20 hours of power daily, band B consumers receiving up to 16 hours, band C receiving up to 12 hours, and band D and E receiving 8 and 4 hours per day respectively.

  According to the Deputy General Manager of Market Competition and Rates, the process would become fully automated and the commission would migrate DisCos to a monthly compensation arrangement. Customers that do not get the quality and quantity of supply expected will get a refund and will be downgraded to a new band as well as have an adjustment made to their tariff levels.

  It is expected that there would be a process to initiate a monthly refund for energy for customers who do not get the minimum service required over a period of six months.

- **Nigerian government at 85% of its 1-million-meter rollout plan**

  The Minister of Power has directed the NERC to inform The Nigerian Federal Government has received 656,752 prepaid metres as part of the National Mass Metering Program (NMMP). Under Phase 0 of the central Bank of Nigeria- funded meter rollout, the Federal Government had promised to supply one million metres to Nigerians whose bills are still being estimated.

  As at 30 April 2021, the FG noted that 656,752 metres have been disbursed, with the DisCos in receipt of around 85% of the funded metres. However, only 305,962 out of the 656,752 prepaid metres have been installed for customers. It is expected that all Phase 0 installations would be completed by the end of June 2021.

- **Improvements in the Power Sector**

  The Niger Delta Power Holding Company (NDPHC) contributed over 3,400 megawatts to the national grid while delivering twenty-two (22) substations. This information was contained in a report issued by the NDPHC which covered 2015 to 2021. The report also indicated that the NIPP is currently in its second phase where it is set to consider transmission projects, power distribution framework and renewable energy.

  For the years covered in the NIPP report, several projects which have been completed include six (6) power plants that generate about 3,400 megawatts (MW) of electricity to the national grid. The NDPHC completed 2,194 kilometers (km) of 330 kilovolt (kV), and 887km of 132kV transmission lines, respectively, from 2015 to 2021. Consequently, Nigeria now has ten (10) new 330/ 132kV substations and eight (8) 132/33kV substations connected to the national grid. These completed projects have added 5590MVA/330kV and 3493MVA/ 132kV capacity levels, respectively. Further, the NDPHC's transmission department completed four new substations (Awka and Nkalagu substations) boosting the national grid's capacity by 180MVA. While the Ihiala and Orlu GIS substations have been completed with a total of 120MVA capacity, the NDPHC has decided that other associated projects should be completed before the substations can be connected to the national grid.

  The Federal Executive Council, on 5 May 2021, also approved more than US$8.29 million and ₦3 billion to facilitate execution of sundry electricity projects in the country. These projects are aimed at procurement of equipment, designs, and manufacture, to ensure an upgrade of the nation's electricity facility and improve general power supply.

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