

# Text of Press Conference by Dr. Sam Amadi, Chairman/CEO of Nigerian Electricity Regulatory Commission (NERC) on Monday, June 18, 2012 at NERC Headquarters, Abuja

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Thank you for your support to NERC in our efforts to improve power supply and service delivery in the Nigerian electricity industry.

As you know the new tariff regime came into effect on June 1, 2012. NERC had proposed the new tariff as part of strategic regulatory initiatives to increase generation capacity, improve network and enhance quality of service in the industry. We had argued that with the state of disrepair in the industry the financial viability of the industry was critical to encourage investment in the electricity supply value-chain. This financial viability requires a tariff that reflects the actual costs of generating, transmitting and distributing electricity. As part of ensuring that the new tariff does not become a windfall for the distribution companies while inefficiency continues in the system, we promised that these distribution companies will supply meters to every consumer within 18 months starting from June 1, 2012. We also promised that we will sanitize the methodology for estimation such that unmetered consumers are estimated accurately for the amount of electricity they use and new customers pay minimal connection fees.

As a regulator, NERC's commitment is to regulate the industry in a manner that guarantees sustainable expansion of capacity and improvement of customer service. We understand that the grave crisis of the sector is caused by the absence of good corporate practices and ineffective regulation for many decades. The premise of the Electric Power Sector Reform Act 2005 is the establishment of a new electricity industry that is effectively regulated to provide Nigerians access to adequate, stable and reliable electricity. At this stage of the electricity industry, visible improvement in service delivery is a clear and pressing need.

Since the commencement of MYTO 2, many journalists and consumers have called NERC to either report some alleged violations of the conditions of MYTO or inquire about meters. We have received reports of some illegal billing in a few business centers where customers were prevented from vending electricity tokens until they pay illegal fixed charges. One particular instance involved residents of Victoria Garden City (VGC) in Lagos who were individually metered and therefore ought to be on Residential 2 class and pay fixed charge of N500 monthly and energy charge of N12.87/kWh, but were asked to pay N21, 256.30 before they were allowed to vend at the Eko Electricity Distribution Company (EEDC) VGC Business Center. There are also reports of customers being asked different fixed charges or being

required to pay for fixed charge for every time they want to recharge their prepaid meter. All such practices are fragrant breaches of MYTO 2.

NERC is determined to ensure that under the new tariff no electricity consumer will be exploited by distribution companies. As soon as we received the report of overbilling of VGC consumers we quickly investigated and wrote to the CEO of the Eko Distribution Company for the immediate stoppage of the illegality. The consumer who raised the complaint has confirmed that residents are now allowed to vend under the proper tariff arrangement. Because the Eko Distribution Company case involved possible forgery of NERC's order and criminal behavior, we have address a request to the Chairman of the EFCC to investigate the matter and prosecute Eko Distribution Company officials who may be liable for criminal prosecution. We are making available the relevant documents to underscore the importance NERC attaches to accurate billing of customers.

It is important to clarify the situation to the public in order to empower them to demand quality service from providers and reject any form of exploitation. We want to restate that under the new tariff, consumers on Residential Class 1 (the so-called rural and urban poor) will not be charged any fixed charge and will pay only N4 per KWH. Every distribution company will provide NERC its total number of customers on R1 so we can effectively monitor to ensure that no lifeline customer is made to pay fixed charge or billed more than the approved lifeline tariff. Fixed Charges are paid only once a month irrespective of how many times a customer recharges her prepaid meter. Any CEO of a distribution company who allows its business units to charge consumers fixed charge more than once a month violates the MYTO and is liable for sanction and possible criminal prosecution by the appropriate authority. In case of estates and other residential buildings where all the flats are bulk-metered either on high or low voltage, the fixed charge for that bulk-metered estate will be shared between all the flats. It is double billing to ask every flat to pay the fixed charge on that meter.

We have also received several queries on meters and estimated billing. NERC has been consistent in stating that under the new tariff the cost of meters has been included in the revenue requirement which is covered by the retail tariff. This means that no consumer is required to pay additional fees for meters. We also stated that we will regulate connection fees in line with the requirement of the regulation on consumer protection. We have already completed the methodology for standardizing connection fees. We will be meeting the CEOs of the distribution companies on Wednesday, June 20, 2012, to agree on the connection fees for every distribution company. It is important to note that only new customers will be charged connection fees. It is not the cost of meter. The cost for meters is already part of the tariff. But the cost for connecting new customers is not in the tariff.

On the issue of meter deployment, we recognize that the metering gap is huge and would need quick and vigorous action to close. It is a core condition of the new tariff. The commitment of everybody in the sector, starting from Mr. President, is to complete metering of consumers within 18 months after June 1, 2012. We can report that we have received the metering plans of most distribution companies within the two weeks set in the MYTO. We are reviewing the plans. So far, we are not satisfied with the specifics of the plan. Our desire is to have metering plans which will be clear on the cost of meters, the number of meters to be deployed monthly and the location of deployment so that the Civil Society

Stakeholder Group to be set up soon can monitor compliance with the plans. We have also completed work on the methodology for estimated billing based on submission from the distribution companies.

At the Wednesday meeting we will on the metering plans and methodology for estimated billing with the distribution companies. Thereafter, we will invite civil society groups, consumer networks and the public to a hearing on the metering plan, methodology for estimated billing and the requirement of disclosures on electricity management under the Freedom of Information Act.

Let me also state that NERC has formally adopted the report of the Committee to Conduct Public Inquiry on Metering in the Nigerian Electricity Supply Industry chaired by Mr. Bamidele Aturu. We adopted the recommendations and are developing implementation plans. The report has also been sent to Mr. President and the Minister of Power for their considerations and action.

Ladies and gentlemen, I thank you for the support you have given NERC in this assignment. I urge you to continue in your critical but balanced reportage of the sector to ensure that the objective of Mr. President's power sector reform is achieved.

Thank you