



**TERMS OF REFERENCE
FOR
CONSULTANCY SERVICES
FOR IMPLEMENTATION OF
THE POWER CONSUMER
ASSISTANCE FUND (PCAF)**

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BACKGROUND

The Federal Government of Nigeria (FGN) as part of its reform of the electricity sector articulated a step-by step approach to the implementation of the privatization of the electricity industry. The approach included the preparation and adoption of new electricity law and of a corresponding regulatory framework; the establishment of a sector regulator – the Nigerian Electricity Regulatory Commission (NERC); the creation and operation of a new Electricity Supply Industry (ESI) based on wholesale electricity trading; the unbundling of NEPA into separate generation, transmission and distribution entities; and privatization of multiple generation and distribution companies.

This system of unbundling and creation of a regulatory body was reflected in FGN’s National Electricity Power Policy (NEPP) approved by the Electricity Power Implementation Committee (EPIC) in December 2000, and by the Federal Executive Council in April 2001. The purpose of the reform program is to attain a stable and sustainable framework for medium –to-longer term expansion, and improve efficiency and affordability, of power supply, as well as greatly minimizing the requirement for Government funding in the sector.

To ensure that the regulatory framework for the industry is transparent, independent of Government and coordinated within a single regulatory body, responsibility for the regulation of the Power resides with the Nigerian Electricity Regulatory Commission (NERC) pursuant to the Electric Power Sector Reform (ESPR) Act 2005. The ESPR Act arms NERC with the power to issue licenses for generation, transmission, distribution etc; regulate the operations of the sector participation, ensure fair deals to investors and customers, aid and advise government on all aspects of the electricity industry.

The EPSR Act 2005 provides for subsidies to underprivileged consumers and special needs customers. While the Minister is to identify those who qualify, it is required of the Commission to produce codes of practice and procedures to make operational the statutory provisions for assistance to these customers. The key enabling instruments are: **Sections 80, 83-87 of the ESPR Act 2005.**

OBJECTIVES OF THE CONSULTANCY

Generally, the Consultant will assist NERC in developing strategy and operational methodology that would ensure that the Power Consumer Assistance Fund is effectively implemented as required in the EPSR ACT 2005.

SCOPE OF WORK

The consultant will depend on the provisions of the EPSR Act, the Multi Year Tariff Order (MYTO) to provide an understanding of the requirement of the project. In addition, the Consultant is expected to have a broad knowledge of the entire reform programme for the Nigerian power sector and NERC's relationship with other key players such as Federal ministry of Power, the licensed PHCN successor companies, IPPs, residential, commercial and industrial customers and other stakeholders. The key challenges of establishing the PCAF, given the current Nigerian situation are the definition of eligibility, the qualification of beneficiaries, the determination of different classes of under privileged customers and the establishment of an effective and transparent framework for managing the PCAF in conformity with the EPSR Act.. The Consultant will therefore develop strategic, operational and legal services as summarized follows:

STRATEGY

1. Needs Assessment. This is required to estimate the number of customers eligible for PCAF based on general poverty, income, and consumption levels or such other criteria developed for eligibility to PCAF.
2. The consultant should define the "under- privileged, indigent and poor customers" and who, for practical purposes, are "eligible customers" and designated consumers" as in the EPSR Act 2005. The Consultant will also develop simple and workable criteria for eligibility of applicants to access the PCAF that motivates consumers to save and energy and pay their bills. Different classes of beneficiaries including ranges and bands of payment as well as amount due to each class should also be defined.
3. Design a flowchart of the process of application, verification of eligibility and granting of assistance under the PCAF scheme including design of necessary application forms and an automated system to administer and monitor the operations of the PCAF.
4. To determine the effect that geographic clusters in Nigeria have on "intelligent" subsidy application to avoid errors of inclusion or exclusion.

5. To determine the method of registration of under-privileged power consumers in Nigeria including the location and demography and provide an effective template for creating a database of PCAF customers.
6. To determine the energy demand –side policy that will influence affordability and reduce subsidy levels in the long run. This policy will address issues including energy efficiency matters, and the reduction of technical and non-technical losses as they affect PCAF customers
7. To determine the contribution rates by the successor companies, eligible customers and others.
8. To design an appropriate communication interface between the Minister and the Commission concerning beneficiaries of PCAF
9. To define for practical purposes who “designated consumers”, “class of consumers” and “eligible consumers” are in the EPSR Act 2005 required to contribute to the fund
10. To determine for sustainability the contribution rates of Federal government and other contributors to the fund.

OPERATIONAL

11. To develop codes of practice and procedure for the Fund to be compatible with NERC’s enterprise planning platform covering the following key areas:-
 - i. An efficient accounting system and information technology/software to monitor the effective operation and disbursement of the Fund
 - ii. A mechanism for appropriately budgeting for the annual revenue requirements of the fund based on the corresponding cost of meeting the assistance due to eligible beneficiaries.
 - iii. The financial provision in the event of shortfalls in payments into the Fund as well as the handling procedure for default penalties

- iv. The contribution rates by the different Distribution Companies to improve affordability. This will include a consideration of the question whether it is appropriate to specify that a proportion of a utility's profit should be contributed into Commission-approved loss control and energy efficiency projects that affects affordability for under privileged customers
 - v. Methods for confirming identity, electricity access, credit control check, load, and metering status for the selected under privileged customers
12. To build capacity amongst Commission's staff for effective administration of the PCAF. The consultant will conduct specific training seminars and regulatory attachments for the division's staff in any country where a similar Fund fund has been successfully implemented and work with them as one team to ensure administration and oversight of the Fund to ensure the highest levels of transparency and value.
13. To prepare a project implementation plan and strategy for NERC. This should include a detailed action plan on the way in which to implement the recommended plan, indicating deadline for completion of each task, and the person/ position responsible
14. To identify the physical resources and equipment requirements and provide advice on any other issues that would assist in the operation of the Fund.

LEGAL

15. To develop procedures for legal procedures considered relevant or recommended by the Consultant pertaining to the smooth operation of the Fund.
16. Handling procedures for petitions of individuals s claiming eligibility to be paid by the Commission

REPORT AND SCHEDULE OF DELIVERABLES AND TIMEFRAME

The assignment will be for a period of four months. The consultant must submit ten copies of deliverables including a soft copy in Microsoft office software format of the following documents:

ITEMS	DELIVERABLES
1	First Report - on project implementation plan with detailed action plan and deadline for accomplishing each task
2	Second Report on: a) The review of the the EPSR Act which defines all the key stakeholders and their different roles in the implementation of the PCAF; b) The appropriate communication interface between NERC and the Minister of Power on PCAF c) The methodology for registration of under privileged customers and the effect of their settlement cluster on PCAF implementation
3	Third Report on: a) The contribution rates by different contributors to PCAF designed for sustainability; b) The capacity building plan for the operators of the Fund c) Draft code of practice and procedure for the PCAF d) The physical resources, equipment requirement and related issues e) Design and implementation of capacity building to be carried by consultant for the sustenance of the PCAF programme
	Final Report to consist of: a) Final operation code of practice and procedure for PCAF b) Outcome of various activities of the Consultant and impact of overall NERC capacity to act as catalyst for sustainable growth of the electricity industry.

COMPETENCE AND EXPERTISE REQUIRED

The assignment should be carried out by professionals with extensive and international experience in implementing and managing and administration of subsidy to electricity consumers. The team should include specialists from the following fields

1. Development Economics
2. Slum Electrification
3. Accounting
4. Software and information technology development
5. Financial analyst and management
6. Low income consumer behavior and Sociology

All team members must have a minimum of five (5) years of cognate and relevant experience in Accounting, Economics, Finance, Electrical Engineering, Energy Management, Communication, Law, Sociology, Psychology, Information Technology and Project Management with undergraduate and graduate degrees in relevant disciplines. Solid experience in regulatory environment and exposure to interactions between similar agencies and the public is required.

ADMINISTRATIVE/REPORTING ARRANGEMENTS AND RESPONSIBILITIES

For the duration of the assignment, the Consultant will:

- Work very closely with the Market Competition & Rates (MC&R) and Government and Consumer Affairs Divisions at every stage of the assignment
- Report directly to the MC&R Division and will be responsible for alerting the Commission on all major issues pertinent to the successful execution of the assignment.
- The Consultant will draw up the implementation plans in conjunction with the MC&R and GC&A Divisions
- An adviser whose work is satisfactory to NERC may be recalled when necessary to participate in further activities associated with this particular assignment

CONDUCT OF THE CONSULTANT

1. The consultant will, at all times, be expected to carry out the assignment with the highest degree of professionalism and integrity

2. The Consultant will be expected to conduct his duties in an open and transparent manner
3. The consultant will not at any time take any actions or be seen to be taking actions which may hinder or prevent NERC from executing this or any other activities included as part of NERC's regulatory duties
4. The Consultant will not , under nay circumstance, discuss or reveal any information regarding this assignment or any other assignment conducted as part of NERC's regulatory duties without the express written permission of an authorized representative of NERC

OBLIGATION OF THE COMMISSION

The Commission will provide the following:

1. Counterpart Staff
2. Office space
3. Office equipment