



GUIDELINES FOR CONSUMER CONSULTATION BY DISCOS BEFORE APPLYING TO NERC FOR APPROVAL OF APPLICATIONS FOR REVENUE REQUIREMENT, RATE DESIGN AND CONSUMER RECLASSIFICATION

Introduction:

The Nigerian Electricity Regulatory Commission (NERC) as part of its commitment to democratize regulation by entrenching accountability in the management of electrical services has issued guidelines for consultation by distribution companies that want to review the cost of generation, transmission and supply of electricity, the prices of electricity services and classification of customers. The Guidelines are designed to ensure that such consultations are comprehensive, rigorous open to all relevant stakeholders, meaningful and effective.

NERC will not accept and consider the application of any Distribution Company for Revenue Requirement (RR), Rate Design (RD) and Customer Re-Classification (CR) if it has not completed customer consultation in line with these guidelines.

These guidelines set out the principles and steps the Distribution Companies should adopt for engaging stakeholders before submitting tariff review applications to the Commission. It aims to assist Discos make the right decisions about when, with whom and how to consult. The Consultation process is expected to achieve real engagement rather than merely following a routine or bureaucratic process.

Benefits of the Consultation:

- The consultation will create accountability in the electricity market as customers will know how the operators are serving them and the various costs of service that justify the rates they are paying;
- Consultation will engender trust between operators and customers and help to avert the various conflicts that arise mainly from lack of deep understanding of the operations of the electricity market;

- Consultation will discourage the quick resort to unnecessary applications for review of tariff as operators know that they will confront strong opposition from customer groups if they intend to unfairly and unnecessarily review tariff;
- Consultation will be an opportunity for operators to disclose what investments they intend to make to enhance availability and reliability of electricity in the months and years ahead;

The steps and timelines stated in the guidelines are not exhaustive. They are the minimum required to ensure that there is a robust consultation between operators and customers.

Who to consult

An effective consultation process requires engagement with members of different customer classes within the operator's franchise areas. In the case of Distribution Companies (DISCOs), they should consult with residential, industrial and commercial customers, associations of customers, civil society groups that advocate for consumer interests. Professional groups like Manufactures Association of Nigeria-MAN, Nigerian Bar Association (NBA), etc., should be engaged during the consultation process.

During the hearing of their application by the Commission, the Discos would be required to demonstrate that they have effectively engaged various classes of customer representatives and ensure that the consultation process captures the full range of stakeholders in an effective manner.

In this vein and considering that stakeholders involve the educated, young and old, residential, commercial & industrial group, the nature of communication has to reflect this diversity by using social media, jingles, radio programmes in local dialect etc.

Procedure and Timelines

- Notice of Intention to carry out a tariff review - All Discos are expected to publish on their respective websites and at least two (2) national newspapers their intention to carry out a review of their tariff. The notice should also be aired on at least 2 radio stations that are popular in their franchise area for a minimum of 2 times for 5 days. The notice should also be posted in every business unit and places where consumers vend electricity and the Forum Office in the jurisdiction. The notice should direct the public to a comprehensive consultation setting out every aspect of the application the DISCO will make to NERC and providing persuasive argument and data to justify the proposed application. The notice should give consumers at least 2 weeks to respond in writing to the consultation

paper. As much as possible, the notice should be sent to the public through facebook, twitter and other digital media.

- Consultation Paper – All operators who seek to file an application for review of revenue requirement, tariff review or reclassification of its customer should publish a consultation paper on its website in a downloadable form. The consultation paper shall be simple to understand but elaborate, stating all areas that need to be reviewed with appropriate justifications. Information about the consultation paper should be part of the notice of proposed review issued to the public. Any issue not canvassed in the consultation paper will not be considered by the Commission during the application hearing process.
- Meeting with State Governments: Where state institutions like Ministries Departments and Agencies are customers of the DISCOs, the DISCO wishing to apply to the Commission for a review of its tariff should invite the government ministry, department or agency that is a customer to the public consultation.
- Review of Comments on the consultation paper- The Discos shall review all comments within four weeks after the publication of the consultation paper.
- Notice of Public Consultation – After reviewing the comments of consumers and other stakeholders to its consultation paper, the operator shall publish a notice of public consultation stating the venue, date and time in the same media it published the notice of intention. The purpose of the consultation is to discuss the comments received on the consultation paper and to solicit for more comments from all stakeholders. In the case of the DISCO, the Discos shall hold public consultations with stakeholders in at least 2 locations in each of the states under the Disco's jurisdiction. One of the consultations will be for residential consumers and the other will be for the rest of the consumer groups. All classes of consumers should be invited to the public consultation.
- Report of the Consultation: The application to NERC should be supported by a full report of the consultations with necessary documentations of invitations and opinions expressed by participants.
- NERC shall be notified of each publication of consultation paper and planned public consultation.