



# Stakeholder Consultation on The Declaration of Eligible Customers in NESI

September, 2017



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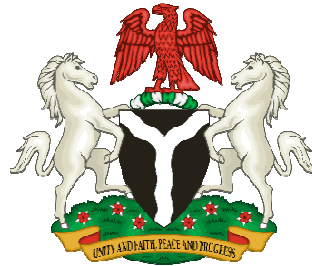
# Background/ Legal Authority

Section 27 of the Electric Power Sector Reform Act 2005 provides that “the Minister may issue a directive to the Commission specifying the class or classes of end-users that, from time to time, shall constitute eligible customers”.

An eligible customer is defined in the EPSR Act as “a consumer that is eligible, pursuant to a directive issued by the Minister under Section 27, to purchase power from a licensee other than a distribution licensee”.

These sources of generation capacity would in principle comprise of generation licensees (successor GenCos and IPPs) and any wholesale electricity trader licensed to buy and sell power.

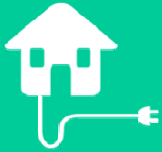
# Declaration of Eligibility...



Pursuant to the Minister’s declaration, the Nigerian Electricity Regulatory Commission (NERC) published a Consultation Paper on the framework for the implementation of the scheme in its website. Notices were placed in major Newspapers inviting stakeholders to visit NERC’S website [www.nerc.gov.ng](http://www.nerc.gov.ng) to view and download the Consultation Paper and also make comments, objections and representations to the Commission within 21 days from the date of publication.

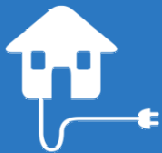


# Ministerial Declaration of Eligible Customer



01

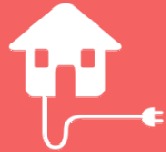
A customer or group of end-use customers registered with the Commission for the purpose, whose consumption is more than 2 MWhr/hr over the course of a period of one month, that is connected to a metered 11kV or 33kV delivery point on the distribution network of a licensee under a distribution use of system agreement with such distribution licensee, for the connection and for the delivery of electrical energy;



02

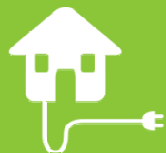
A customer, or group of end-use customers registered with the Commission for the purpose, that is connected directly to a metered 132kV or 330kV delivery point on the transmission network under a transmission use of system agreement for connection and for delivery of electrical energy;

# Ministerial Declaration of Eligible Customer



03

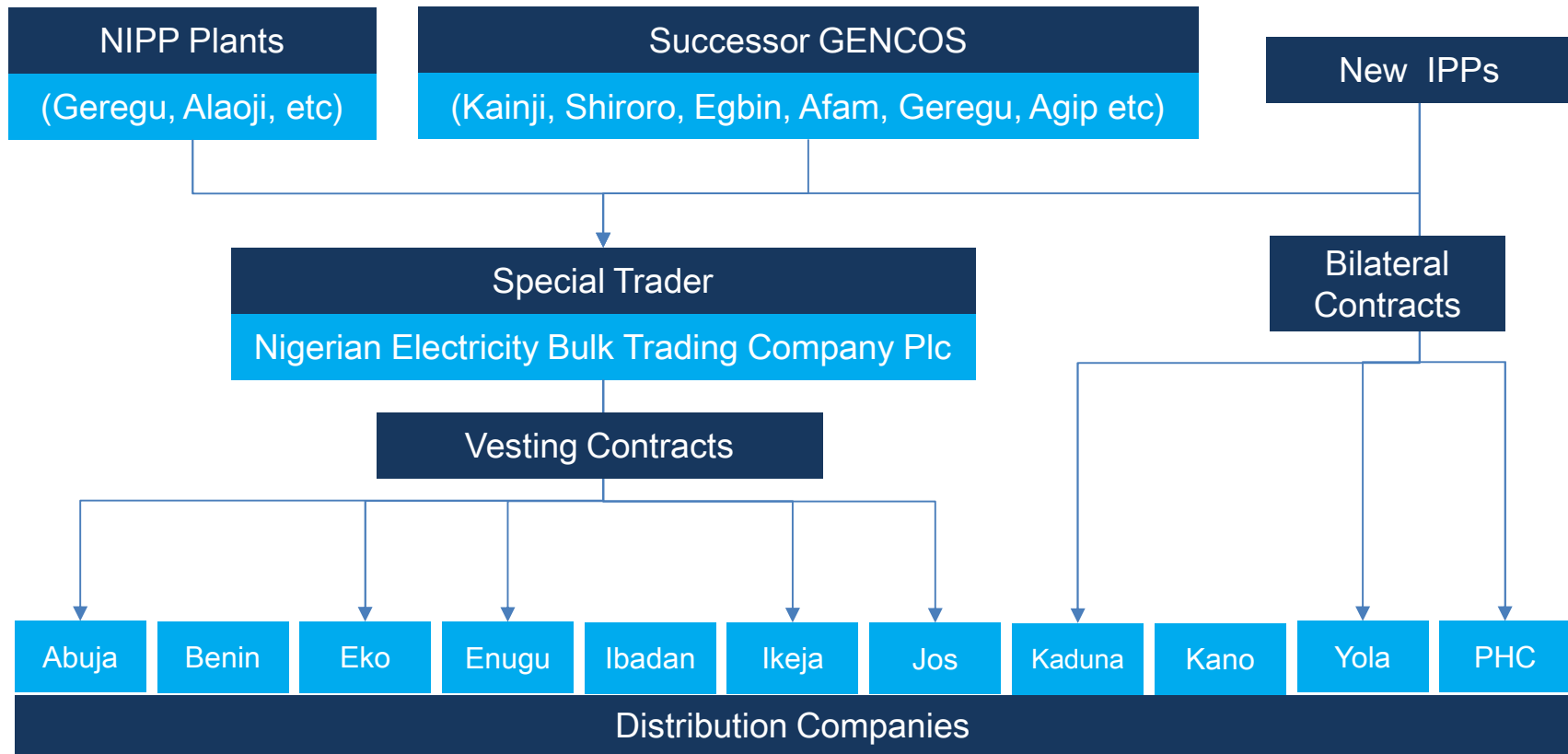
A customer or group of end-use customers registered with the Commission for the purpose, whose consumption is more than 2 MWh/h over the course of one month, that is directly connected to a metered 33kV delivery point on the transmission network of a licensee under a transmission use of system agreement for the construction, installation and operation of the distribution system used to connect the customer to the 33kV delivery point, with the distribution licensee licensed to operate in the location where the customer and the 33kV delivery point are located;



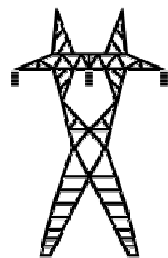
04

A customer or group of end-use customers registered with the Commission for the purpose, whose consumption is more than 2 MWh/h over the course of one month, that is directly connected, through a metered delivery point to the generation facility of a generation licensee it intends to purchase electrical energy from, and has entered a bilateral agreement for the construction, installation and operation of the distribution system used to connect the customer to the generation facility with distribution licensee licensed to operate in the location where generation facility and the customer are located.

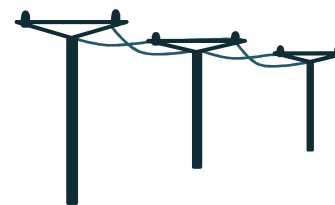
# Present Market Structure-Pre Eligibility



GENCOs Generating Companies



TRANSCO Transmission Company TCN



DISCOs Distribution Companies



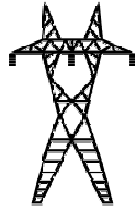
END-USERS

# What is Eligibility?

A framework that permits customers to purchase electricity (Capacity and Energy) from a supplier of their choice through a contract at a price that may be unregulated. It gives the customer access and the discretion to choose from any supplier outside the grid, at a price and terms that may be different from grid power



GENCOs Generating Companies



TRANSCO's Transmission Company  
TCN



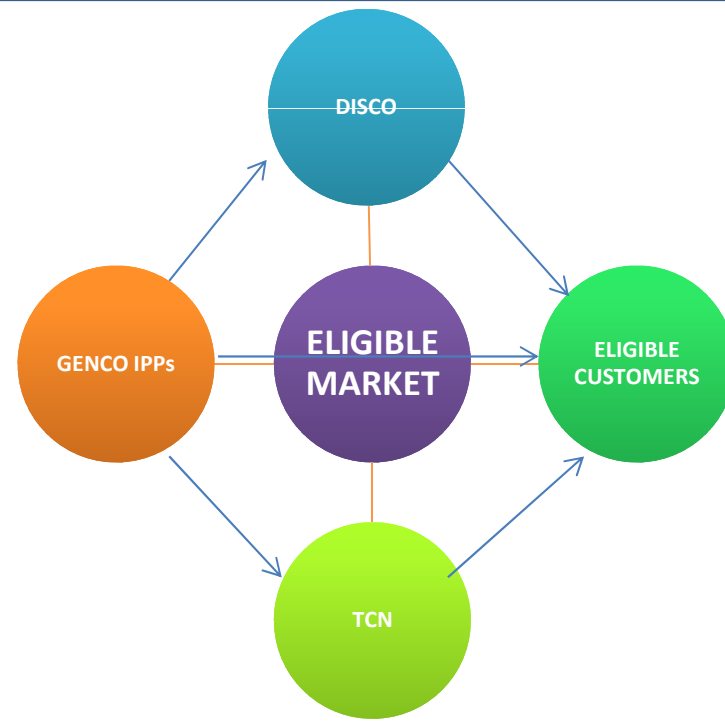
DISCOs Distribution Companies



END-USERS

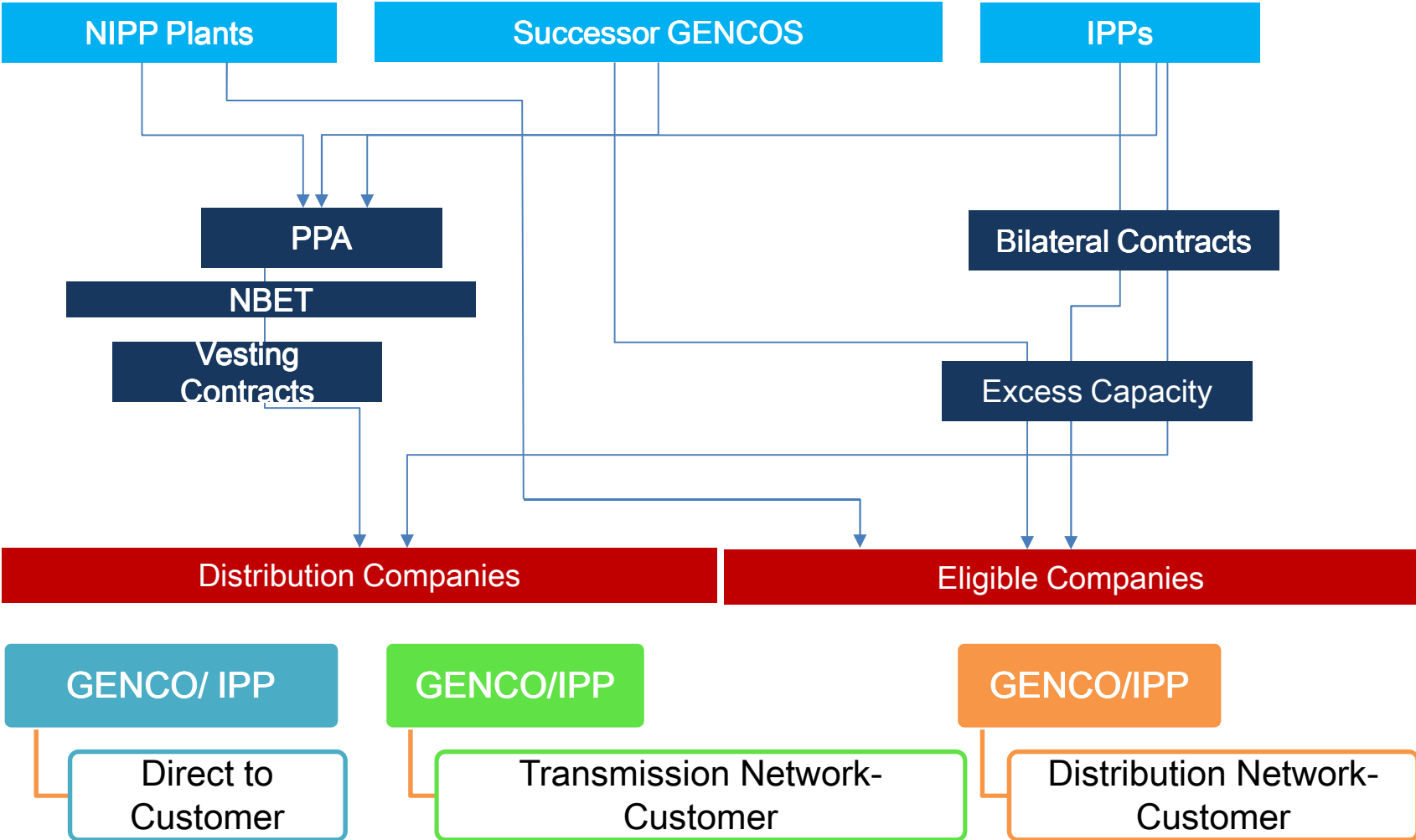
## Eligibility Criteria

- Customers on Above 2MW Capacity
- Connected 132KV/330KV
- Connected Directly on 33KV Network
- Connected directly to the GENCO

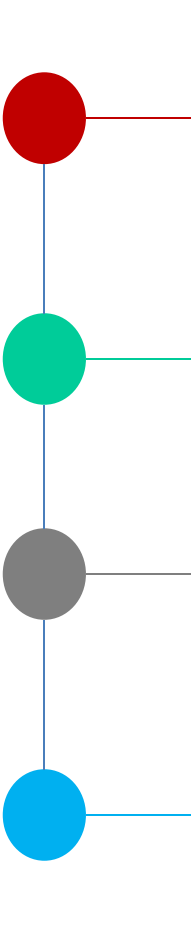




# The New Market Structure



# Objectives

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- The declaration of eligibility of electricity customers is expected to facilitate competition in the supply of electricity, promote the rapid expansion of generation capacity and open up a window for improvement in quality of supply.
  - Eligibility will encourage opening up third party access to transmission and distribution infrastructure as a precursor to full retail competition into the Nigerian electricity market.
  - Generation licensees may benefit from stable operation and efficiency due to the flatter load profiles of eligible customers and possible lower technical losses depending on the required interconnection
  - Eligibility will allow successor GenCos with excess capacity over and above their contractual capacity with Nigeria Bulk Electricity Trading to access underserved customers thus improving the financial liquidity of the industry.

# Issues on the Consultation

Stakeholders comments received covered 16 broad issues as follows:

Third Party Access to networks	Loss of Customers and Revenue	Tariff Rebalancing	Competition Transition Charge ( Section 28 & 29 EPSRA) 2005
Metering Requirements	System Operations	Proposed phasing of implementation	Contracting parties

Appropriateness of the threshold and the implementation timelines;

Appropriate process for exit, notification and switching rules;  
Minimum stay period before exit and re-entry can be approved;

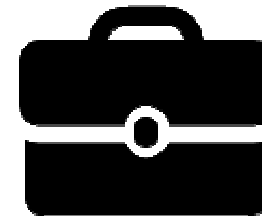
# Issues on the Consultation

	Factors that may be considered in the determination of stranded costs, exit fees and standby charges
	The appropriateness of single load site or an aggregation of multiple load sites
	Provider of last resort, in the event of third party failure be addressed
	Proportion of new generation capacity that may be contracted by eligible customer
	Other criteria that may be applied in the determination of competition transition charges

# List of Commentators



Association of  
Power Generation  
Companies



The Market  
Operator





# Third Party Access

Name of Organization & Individuals	Comments	Recommendation
<p><b>Cummins Power Generation</b></p>	<p>As mentioned under point 6.1 of the paper, (Third Party Access to networks) – we have tried to look on various MYTO versions but cannot find DUoS or TUoS.</p>	<p>We request NERC to also consider fixing a reasonable charge for the right of way payable to the local Discos in the case where the GenCos wish to supply and Eligible Customer wish to buy power through dedicated transmission line. Since the local Discos have geo-graphical monopoly, they tend to charge whatever they like for such transactions. Such charges are called the right of way where by the GenCos / Customer invests in the dedicated transmission line but must pay for the right of way to the Disco. If the charge is fixed by NERC, all parties will be clear on the final cost of power generation. NERC should also consider adding smaller customer (SMEs) in to eligibility criteria. The small-medium customers are key for the economy and add high value to the overall GDP. These customers have limited resources and if they are not provided power, the wider manufacturing and industrial sectors may feel impact as a lot of SMEs are vendors to larger industries.</p>

# Third Party Access

Name of Organization & Individuals	Comments	Recommendations
<b>Odujinrin &amp; Adefulu</b>	Third party access (TPA) is the term used to describe the arrangement by which independent generators or power importers can have their power transported on the transmission and distribution networks for supply to eligible consumers.	We note that for countries that deploy the regulated third-party access model, Tariffs for third party access to the networks is regulated, published and are available to all parties. Whilst for countries that uses the negotiated third party access, the system operators must be involved in the negotiations and must publish an indicative range of transmission and distribution prices on an annual basis. This will help to foster transparency, avoid market distortions and ensure that a fair and equitable charge for utilizing the network is achieved.

# Third Party Access

Name of Organization & Individuals	Comments	Recommendations
<b>OANDO Gas &amp; Power</b>	<p>Under the proposed relationships, generation licensees and Eligible Customers would have contracted energy delivered through transmission and distribution networks owned by the Transmission Company of Nigeria Plc, DisCos or dedicated networks built to facilitate the transaction.</p> <p>A regulated access to the network by third parties would have terms and conditions set by the Commission granting Eligible Customers a right of access, on the basis of published tariffs for use of transmission and distribution networks. The Multi Year Tariff Order as issued by the Commission currently provides for a Transmission Use of System (TUoS) and Distribution Use of System (DUoS) charge.</p>	NERC should consider publishing a formula for determining the applicable regulated pricing.

# Third Party Access

Name of Organization & Individuals	Comments	Recommendations
<p><b>OANDO Gas &amp; Power</b></p>	<p>Where the Commission commits to a negotiated approach for third party access to networks, it shall be non-discriminatory and all discussion based on the premise of good faith.</p> <p>Where disputes exist or the network operator appears to impede competitive supply to such customers, the Commission shall intervene to resolve the situation</p>	<p><b>Dispute Resolution:</b> To aid the speedy resolution of disputes that may arise, NERC should consider stipulating a timeline within which all disputes, submitted to NERC, would be resolved.</p>

# Third Party Access

Name of Organization & Individuals	Comments
<b>Transcorp Power</b>	<p>Effective Monitoring of the network operator using functional real-time systems to ensure non-discriminatory third party access to networks. The sanction for any operator who discriminates against third party users should be more than any financial or commercial benefits which such an operator must have obtained by virtue of any discriminatory practice.</p>
<b>ZKJ Energy Partners Ltd</b>	<p>ZKJ support this provision, however, we propose that prior to the implementation of this trading structure, the issue of charges and terms of the Distribution Use of System (DUoS) agreement, Transmission Use of System (TUoS), Independent System Operator (ISO) services and other charges associated with each DisCo, must be put in place. This is to provide contracting parties a clear view of the basic transactions charges and risk allocation within network contracts.</p>



# Loss of Customers and Revenue

Name of Organization & Individuals	Comments	Recommendations
<b>ZKJ Energy Partners Ltd.</b>	<b>Loss of Customers and Revenue</b>	ZKJ agrees with the point made about a potential loss of revenue for incumbent regulated utilities. One of the ways to address this is to limit the extent of cross subsidization between customer categories. ZKJ proposes that Commission considers a 5% cap as the percentage of utility load that can enjoy cross subsidization. We continue to oppose the idea of compelling a 20% sale to the utilities unless there is a mandatory purchase requirement placed to the DisCos and trading licensee.

# Loss of Customers and Revenue

Name of Organization & Individuals	Comments	Recommendation
<p><b>OandO Gas and Power</b></p>	<p>The potential for loss of some customers may result in lower revenues for the incumbent regulated utilities. This is particularly more so, if there is a significant loss of customers resulting in a customer consumption profile heavily weighted towards the lower end of the tariff class.</p> <p>it is expected that, with the current grossly inadequate supply of power, the exit of some Eligible Customer s may provide an opportunity for the DISCOs to significantly improve the quality of service to other customers that are currently under-served. As a means of enhancing the financial viability of distribution licenses, the declaration of eligibility further provides that, at least 20% of any new generation must be made available to the incumbent operator at a tariff that is no more than the average wholesale price in the industry.</p>	<p>“at least 20% of any new generation must be made available to the incumbent operator at a tariff that is no more than the average wholesale price in the industry.’ We propose 10% because it is unlikely that average wholesale price will be cost reflective. In order to recoup their investments, the Gencos would have to charge a significantly higher tariff for the balance of 80% to the Eligible Customer.</p>

# Loss of Customers and Revenue

Name of Organization & Individuals	Comments	Recommendations
<p>Port Harcourt Electricity Distribution Company</p>	<p>Big customers will come in Clusters and source for a generator who will supply them power as an Eligible Customer. The most likely scenario is for the generator to locate close to the customers since there is the presence of gas very close to most customers of this type. PHED will not only lose the customer cross subsidy but will have nothing as we will not even get DUoS. This will mean the total collapse of our commercial structure. PHED has made massive investments on what we call 24/7 lines to serve this customer. PHED is also on the verge of concluding deals with embedded generation to supply these customers reliably.</p>	<p>On massive exit of our industrial customers, PHED will need a huge amount of investment to meet the loss reduction target. This is because all energy will be focused on rural and residential feeders with high fault, low payment and unpredictable consumption patterns. By Pareto principle, putting investment on 20% of our customers that pay will mean high performance and better revenue to pay our market obligations. The EC declaration will plunge PHED into more market debt</p>

# Loss of Customers and Revenue

Name of Organization & Individuals	Recommendations
<b>Ibadan Electricity Distribution Company</b>	DISCO should be allowed to charge DUoS charges to compensate for loss of cross-subsidy and increase in ATC&C Losses
<b>The Market Operator</b>	Minor review should recognize load reallocations and changes on ATC&C as a result of EC leaving DISCO network

# Tariff Rebalancing

Name of Organization & Individuals	Recommendations
<b>ZKJ Energy Partners Ltd.</b>	ZKJ agrees with the point made about a potential loss of revenue for incumbent regulated utilities. One of the ways to address this is to limit the extent of cross subsidization between customer categories.
<b>OandO Gas and Power</b>	In a situation where the impact of the exit of some Eligible Customer s significantly impacts on the recovery of approved revenues, there may be a need for the Commission to consider tariff rebalancing and the restoration of the conditions for upholding the performance obligation of licensees under their respective Performance Contracts. The impact of the rebalancing may require a slight revision of tariffs for some classes of customers.



# Competition Transition Charges

Name of Organization & Individuals	Comments	Recommendations
<p><b>OANDO Gas and Power</b></p>	<p>Section 28 of the EPSR Act 2005 provides that “If the Minister determines, following consultation with the President, that a directive under section 27 will result in decreasing electricity prices to such an extent that a trading licensee or a distribution licensee would have inadequate revenue to enable payment for its committed expenditures or is unable to earn permitted rates of return on its assets, despite efficient management, the Minister may issue further directives to the Commission on the collection of a competition transition charges from consumers and Eligible Customers; the distribution of the funds collected to the trading licensee described in section 25 (a) and to the distribution licensees; and the duration of the competition transition charge.”</p> <ul style="list-style-type: none"> <li>• The declaration of the Minister further provides a policy directive that such a competition transition charge be capped at no more than 20% of the tariff being paid by the Eligible Customer.</li> </ul>	<p>As a condition precedent to the tariff rebalancing, the distribution companies (“Discos”) must demonstrate the need for a rebalancing and the extent to which it would be necessary. NERC is urged to put in place a clear framework which would guide the tariff rebalancing.</p>

# Competition Transition Charges

Name of Organization & Individuals	Recommendations
<b>ZKJ Energy Partners Ltd</b>	Yes, there may be a need for tariff rebalancing; however, this should be done prior to the implementation of Eligible Customer s regulations. As aforementioned, the impact of rebalancing will be minimized if load to be cross subsidized is capped to five percent (5%) of utility load. Page
<b>The Market Operator</b>	If Competition Transition Charge (CTC) ever clicks-in, the Government should fill the consequent tariff shortfall/gap by way of intervention for the period it will last. This is because it is a fall-out to its declaration of Eligibility transaction to advance the Nigerian Electricity Market

# Metering Requirement

Name of Organization & Individuals	Comments	Recommendations
<b>ZKJ Energy Partners Ltd</b>	Agreed	
<b>OandO Gas and Power</b>	The restructuring of the Nigerian electricity market and the design of the market settlement system requires proper metering at all trading points – this is even more significant with the introduction of eligibility in which energy is delivered to customers over a network not owned by third parties.	It is proposed that appropriate metering with remote reading capability be provided for the measurement of reactive power, peak demand the profiling of real load.

# System Operations

Name of Organization & Individuals	Recommendations
<b>Transcorp Power</b>	The imperative for overall grid stability and economic dispatch should not be a cover for transmission failures which has continues to plague NESI. Transmission network failure need to be squarely addressed and TCN subjected to deserving sanctions from time to time.

# Proposed phasing of implementation

Name of Organization & Individuals	Recommendations
<b>ZKJ Energy Partners Ltd</b>	ZKJ supports the proposal to phase the implementation of the regulation. However, regarding the start of Phase II, we propose that instead of the provision for a start date of nine months after Phase 1 that the Commission establish a checklist of conditions that should be met prior to the introduction of Phase II. Once these conditions are satisfactorily met, Phase II can be introduced. The idle passing of time will not make the market ripe for Phase II
<b>OANDO Gas &amp; Power</b>	Phase II (9 months following successful take off of phase I) A customer or group of end-use customers registered with the Commission for the purpose, whose consumption is more than 2 MWh/h over the course of one month, that is connected to a metered 11kV or 33kV delivery point on the distribution network of a licensee under a distribution use of system agreement with such distribution licensee, for the connection and for the delivery of electrical energy.



# Contracting Parties

Name of Organization & Individuals	Comments	Recommendations
<b>ZKJ Energy Partners Ltd</b>	ZKJ believes that restricting the counterparties to the ECs to GenCos and IPPs is limiting the possibilities for the market. Trading licensees should be allowed to enter the market at this point. Trading licensees are better able to manage the contracting structure, agreements, and market risks that may come to fore and thereby freeing the ECs and GenCos to focus on their core businesses.	As the Commission might note, just a Power Purchase Agreement (PPA) or a Power Sale Agreement (PSA) is not adequate commercial framework for the sale and purchase of electricity. The issues of default service opting out, balancing, re-entry, are issues that will require trading companies with the requisite skills to manage such contracts

# Contracting Parties

Name of Organization & Individuals	Comments	Recommendation
<b>OandO Gas and Power</b>	It is noteworthy that only new generation outside the contracted capacity with NBET shall be available for procurement by Eligible Customers thus ensuring that available supply to distribution licensees is not impaired by the declaration of the Minister.	The counterparty to the Eligible Customers shall be successor GenCos, IPPs, with a minimum of 20% of the new generation capacity made available to the associated network operator at a price that does not exceed the average wholesale price NBET charges the distribution companies in its vesting contracts, or any other such clearing tariff set by the Commission for the purpose.

# Appropriateness of Threshold and Implementation timelines

Name of Organization & Individuals	Comments
<b>ZKJ Energy Partners Ltd</b>	<p>We believe that a threshold of 1MWhr/hr for single site energy consumption is more acceptable if we assume that 1MW of power can serve up to 500 mid-sized homes. Regarding the implementation timelines, as earlier stated, we support the proposal by the Commission on Phase I which is immediate, following the rulemaking. However, regarding the Phase II, ZKJ believe that the Commission, instead of putting forth a period, should establish a checklist of conditions that should be met prior to the implementation of Phase II. Once the conditions are satisfactorily met, Phase II can be introduced.</p>
<b>OANDO Gas and Power</b>	<p>NERC should put in place a framework that would assist in the measurement of the successful take-off of phase 1</p>

# Appropriateness of Threshold and Implementation timelines

Name of Organization & Individuals	Recommendations
<p><b>Benin Electricity Distribution Company</b></p>	<p>The threshold is OK and the Implementation timeline is too optimistic. The Following Condition Precedents has to be met before start of Phase-I</p> <p>3. Regulation for cross subsidy (competition transition charges)</p> <p>DUoS, TUoS and Standby charge are to be framed in discussion with all stakeholders</p> <p>Independent System Operator (ISO) has to be implemented and the function has to be separated from TCN to ensure Guidelines for accessing network and technical feasibility has to be framed in discussion with all stakeholders.</p> <p>Processing fee for application and technical feasibility study needs to be determined</p>

# Appropriateness of Threshold and Implementation timelines

Name of Individual & Organization	Comments	Recommendations
<b>Benin Electricity Distribution Company</b>	<p>The implementation should be in three phases instead of two.</p>	<p>Phase-1 for customers metered at 132kV or 330kV delivery point on the transmission network</p> <p>Phase-2 for customers metered at 33kV delivery point on the transmission network and</p> <p>Phase-3 for customers metered at 11kV or 33kV delivery point on the distribution network and customers metered at delivery point to the generation facility.</p> <p>There should be a gap of 2 years between Phase-1 and Phase-2 and Phase-3, so that all issues identified during Phase one is not repeated in Phase-2</p>

# Appropriateness of Threshold and Implementation timelines

Name of Organization & Individuals	Recommendations
<b>Port Harcourt Electricity Distribution Company</b>	<p>We believe that the threshold of 2MW is too small to be declared as an Eligible Customer as we expect the benchmark to start from single point customers that are taking not less than 15 MW ( size of single HV feeder) or two customers of that combination. Customers of any size less than this (especially at 2MW) could create chaos in the network as one will find multiple Eligible Customer's on LV network mixed with feeders of low reliability. Furthermore, it will also encourage the proliferation of smaller units of reciprocating machines (from various producers) in the market offering self-contained services to these customers. This will frustrate the need for grid generation which will be cheaper in the long run and affect the economy</p>

# Appropriateness of Threshold and Implementation timelines

Name of Organization & Individuals	Recommendations
<b>Port Harcourt Electricity Distribution Company</b>	<p>On the timing, we believe that the Eligible Customer is ill-timed, as every effort should be made to ensure that generation is enough in the system and then the declaration will drive the cost of power down and ensure that the network operators are efficient. However, the way it is declared, it will mean customers disconnecting from the grid due to mostly reliability and quality of power and establishing power plant close to themselves as buying power from the non-reliable network with the DUoS will also be a challenge as they will not be guaranteed supply as expected. This will imply less power off take from the grid. Efforts should rather be channelled to ensuring that Transmission Company of Nigeria (TCN) and the Discos strengthens the network for this class of customer.</p>

# Appropriateness of Threshold and Implementation timelines

Name of Organization & Individuals	Comments
<b>Association of power generation coy of Nigeria</b>	<p>2MW load demand capacity over a period of one month is very high hence only a few entities in the present-day Nigerian economic reality will qualify as Eligible Customer s. If this threshold is not adjusted downwards, there is a potential risk of not realising the motive behind the declaration of eligibility. The nine (9) month timelines for the kick-start of phase II of eligible seem long. We would suggest a six-month time frame for the kick-start of phase II.</p>
<b>OandO Gas and Power</b>	<p>NERC may wish to note that ‘Exit’ from a generation company must be guided strictly by the terms of the relevant power purchase agreement.</p>



# Appropriateness of the threshold & implementation timelines

Name of Organization & Individuals	Comments
<p><b>Manufacturers Association of Nigeria</b></p>	<p>1. The 2MWh/h over a month threshold of aggregate power consumption recommended in the consultation paper as part of the eligibility criteria is appropriate.</p> <p>2. Equally appropriate is the fact that part of the criteria also recognized an electricity consumer or group of electricity consumers that their consumption cumulatively meet the power consumption threshold as eligible customers. Timelines are do-able, given the time needed to sign an EPA (Eligible Power Agreement). This should however be standardised and documentation reduced to the barest minimum (i.e actual PPA with NBET is 140 pages) It is expedient that additional provision should be made in the implementation timeline that would allow eligible customers to migrate to existing Gencos within 3 months. However, the implementation timeline for eligible customers to migrate to new IPPs should be within 9-18 months to accommodate construction, license, conclusion of negotiation and other related transactions with eligible customers.</p>

# Appropriate Process for Exit, Notification and Switching Rules

Name of Organization & Individuals	Recommendations
<b>ZKJ Energy Partners Ltd.</b>	<p>Appropriate process for exit notification and switching rules is that Eligible Customers would sign contracts that are unique to the counterparties involved. The switching rules would be established in each contract.</p> <p>The length of time an Eligible Customer stays with an IPP or GenCo should be defined and determined by the contracts between the two parties. Given the fact that some of these contracts could underpin financing for additional generation capacity, it is not unreasonable to see early contracts as long as ten (10) years.</p>

# Appropriate Process for Exit, Notification and Switching Rules

Name of Organization & Individuals	Recommendations
<b>Benin Electricity Distribution Company</b>	<p>The exact process will depend on the process and calculation of cross subsidy, DUoS, TUoS and Standby charge which is yet to be finalized. Application should be submitted by customer to Disco with following details:</p> <ul style="list-style-type: none"> <li>Source of intended power</li> <li>Quantum of Power to be wheeled</li> <li>Intended Time of exit</li> </ul> <p>Disco will first access for the technical and network feasibility. If the project is not feasible due to technical reason or network constraints, the customer will be notified by Disco within a month.</p> <p>The customer shall clear all outstanding before switching.</p> <p>For all cases found technically feasible, DisCos will calculate cross subsidy, DUoS, TUoS and Standby charge and any other applicable charges and will submit it to the commission for approval. After the Order of commission on all the charges, application can be granted.</p>

# Appropriate Process for Exit, Notification and Switching Rules

Name of Organization & Individuals	Recommendations
<b>Port Harcourt Electricity Distribution Company</b>	<p>While we think EC should not take off now, the process of exit should be a well-documented process peculiar to each disco submitted to the regulator for approval whenever we have fulfilled all required CP's for it. For any customer that wants to exit, the customer must notify the disco, 3 years in advance to ensure that short term planning of network improvement takes their requirement into consideration. Once a customer switches, the customer will have a minimum stay of another three years before the customer can switch back as this allows for proper network planning to take care of re-entry. On re-entry, the customer will pay all network modification charges depending on voltage level that is required to accommodate the customer.</p>

# Appropriate Process for Exit, Notification and Switching Rules

Name of Organization & Individuals	Comments
<b>OandO Gas and Power</b>	<p>OGP proposes that:</p> <ul style="list-style-type: none"> <li>(i) Stranded costs should only apply where a disco has created dedicated facility for a customer that wishes to switch; such stranded cost to be charged where customer chooses not to purchase the facility.</li> <li>(ii) (ii) No standby charges should apply where TUoS and DUoS charges remain applicable</li> </ul>
<b>Benin Electricity Distribution Company</b>	<p>Minimum Stay period before exit should be 6 months subject to time spent on application process.</p> <p>Re-entry can be approved based on technical and network feasibility. Any additional cost incurred by Discos shall be recovered from the customer before re-entry.</p> <p>If a customer decides to re-enter a disco network, he should be barred from exit for next one year.</p>

# Appropriate process for exit, notification and switching rules

Name of Organization & Individuals	Comments	Recommendations
<p><b>Manufacturers Association of Nigeria</b></p>	<p>Paramount to MAN is the need to ensure that the process for exit, notification and switching rules are treated within the context of agreement between the willing buyer and seller. The process should be simple and straight forward</p> <p>Exit for eligibility customer could be tied to the licensee’s duration of license as approved by NERC to stimulate new investment, guarantee effective planning, projections and reasonable stability.</p>	<p>That a fresh 90 days’ notice of exit be written to formally notify the other party. This would enable parties have adequate time to effectively make an exit plan and explore available alternative options.</p> <p>6 months would be reasonable for the switching rules to allow the investors make necessary adjustment to recover or source a replacement off-taker where applicable.</p> <p>There should be flexibility in switching if the service providers’ electricity supply system fails.</p>

# Determination of stranded costs, exit fees and standby charges

Name of Organization & Individuals	Comments
<b>ZKJ Energy Partners Ltd</b>	Factors could include: i. Cross-subsidy lost revenue ii. Loss due to additional marketing and billing cost (substitution of 300 customers for 1 customer)
<b>Association of power generation coy of Nigeria</b>	The regulator set-up a small working group consisting the system operator and representatives of the GenCos, this is with a view to ensure that technical operations of the service providers are not adversely affected.

# Determination of stranded costs, exit fees and standby charges?

Name of Organization & Individuals	Comments	Recommendations
<p><b>Manufacturers Association of Nigeria</b></p>	<p>MAN is of the opinion that these costs, fees and charges should be such that would allow investors recoup 100% of investment either through the sales of electricity or a buy out before the end of the required duration for amortization.</p>	<p>Prepayment for feedstock done by power Gencos to meet up with Eligible Customers' Demand            Investment made at delivery point like transformer, meters, switch gears, breakers et al            Cost related to construction of a dedicated network for the transmission of Power outside the use of TCN or Disco System for Network            Direct related cost for the production of Eligible Customers' Demand on electricity like Equipment etc.            Availability of prepaid meters to all customers;            Provision of enabling environment for the use of short distribution networks to reduce technical losses            Exit fees should be agreed on by both parties at the initial stage of contractual agreement</p>



# Determination of consumption threshold for eligibility criteria

Name of Organization & Individuals	Comments
<b>ZKJ Energy Partners Ltd</b>	ZKJ supports the adoption of a single load site model without an extension of the regulation to aggregation of multiple load sites.
<b>OandO Gas and Power</b>	OGP proposes a consumption threshold of 500kW per hour per month to allow the integration of more Eligible Customers which would ultimately develop the NESI. NERC is urged to permit an aggregation of multiple load sites as long as the end user is the same entity.
<b>Association of power generation coy of Nigeria</b>	The regulator set-up a small working group consisting the system operator and representatives of the GenCos, this is with a view to ensure that technical operations of the service providers are not adversely affected.
<b>Benin Electricity Distribution Company</b>	Single load site should be considered as Eligible Customers and aggregation of multiple load sites should not be considered as this will lead to sub distribution within the licensee area, which is not permissible under the Act.

# Determination of consumption threshold for eligibility criteria

Name of Organization & Individuals	Comments
<b>Manufacturers Association of Nigeria</b>	<p>It is noteworthy to observe that even single load site is a multiple load site = 1 for the determination of consumption threshold in the best interest of stakeholders on the NESI value chain and customers within Industrial Clusters.</p> <p>We accept the Eligibility Criteria for single load and multiple load sites as enumerated by the Minister in his declaration of Eligibility in accordance with the provisions of Part II Section 27 of the Electric Power Sector Reform Act 2005 (the Act).</p> <p>We believe that this would enable a wide and more diverse group of customers to be eligible for consideration.</p>

# Provider of Last Resort in the event of third party failure be addressed

Name of Organization & Individuals	Comments
<b>ZKJ Energy Partners Ltd</b>	This is contract specific, and the contracts that should underpin this are best managed by traders who understand market risks.
<b>OandO Gas and Power</b>	Where the end user remains connected to the Disco, the Disco must be obliged to provide power to such user in the case of Failure of dedicated generation infrastructure.
<b>Benin Electricity Distribution Company</b>	<p>For Disco to be provider of last resort, the Disco has to maintain the network all the times and hence following cost shall be provided.</p> <ol style="list-style-type: none"> <li>1. All fixed cost for resumption/maintenance of service shall be provided</li> <li>2. Cost of network rehabilitation or new construction if required</li> </ol> <p>The provision in the draft consultation paper is fine.</p>
<b>Port Harcourt Electricity Distribution Company</b>	The provider of last resort should not be in the discussion for now as this is also premature. There are still a lot of institutional requirements and milestones that NESI need to reach before we can achieve that.

# Provider of Last Resort in the event of third party failure be addressed

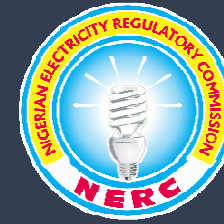
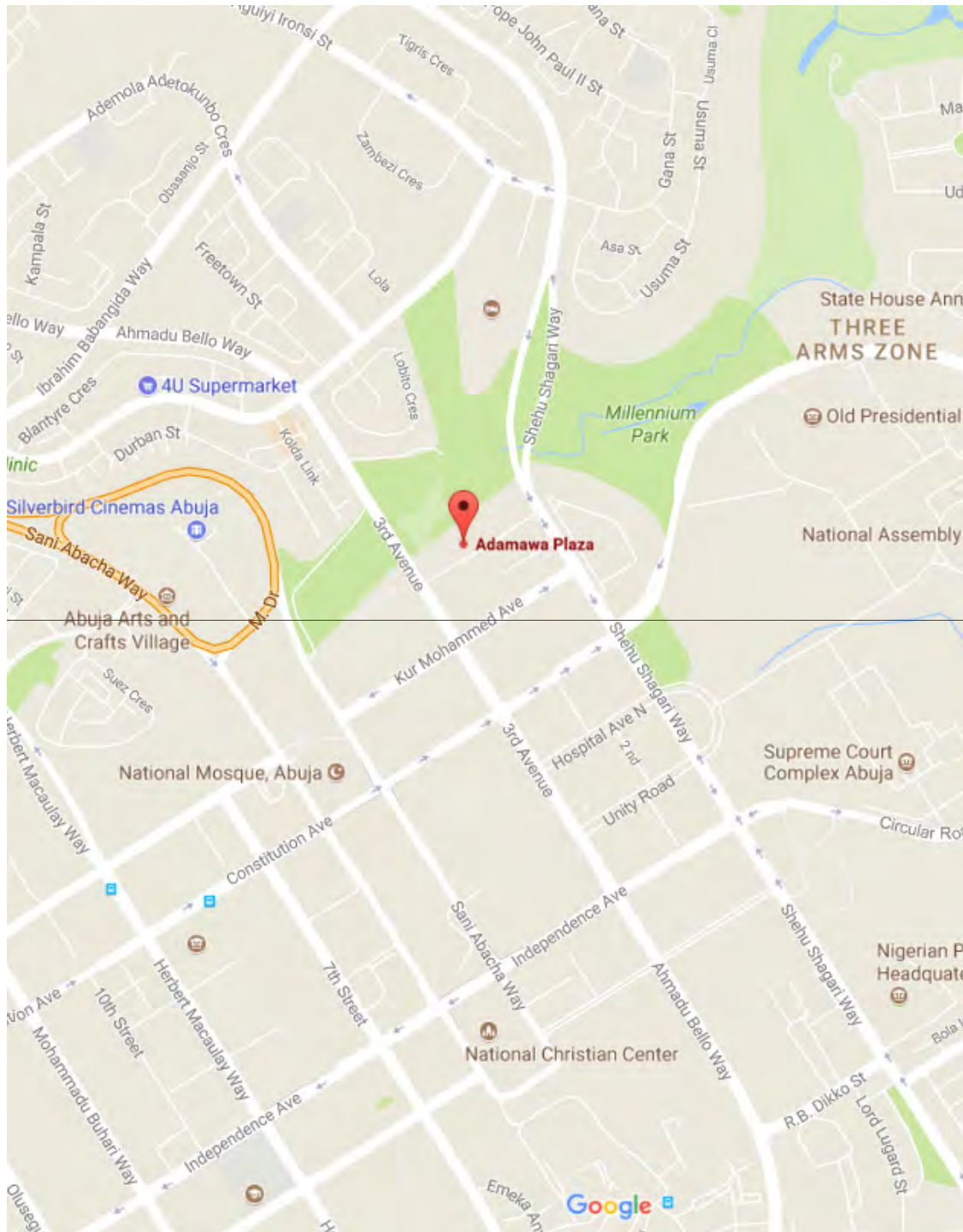
Name of Organization & Individuals	Comments
<b>Manufacturers Association of Nigeria</b>	<p>Provider of last resort should be provided for in the case of insufficiency/collapse of the TCN/Disco System of Network. Therefore <b><i>independent Electricity Distribution Network licenses</i></b> should be encouraged and granted in line with section 96 (I) of the Electric Power Sector Reform Act, 2005.</p> <p>As long as subsisting contractual issues are not resolved, Eligible customers or group should also be able to have recourse to available providers.</p> <p>Therefore, the plausible provider of last resort would be NBET</p>

# Proportion of new generation capacity to be contracted by Eligible Customers

Name of Organization & Individuals	Recommendations
<b>Manufacturers Association of Nigeria</b>	<p>On one hand, the proportion of new generation capacity ideally should be 100% because the Industry needs 100% quantity and quality supply, any kind of mix may however not be sustainable</p> <p>On the other hand, requesting for a minimum of 20% of new generation capacity to be dedicated to the DisCos is a welcome development because we believed this will free up more energy for maximum demand energy users, encourage investment, make more power available to households and pacify the DisCos.</p>

# Proportion of new generation capacity to be contracted by Eligible Customers

Name of Organization & Individuals	Comments	Recommendations
<b>ZKJ Energy Partners Ltd</b>	This requirement is faulty, because the Discos might frustrate the GenCos by declining an offer.	100% of generation capacity can be contracted to Eligible Customers. It is understood that there is a requirement of 20% for sale to the DisCos.
<b>Association of power generation coy of Nigeria</b>	The Lack of contracts in the Nigerian electricity market and the consequent inability of NBET to make GENCOs whole for available capacity and power generated makes predicting supply to eligible customers on new capacity unpalatable and hence an unviable option for the GenCos. What the regulator may consider in this regard, is the determination of six monthly average stranded capacity of each GENCO and declaring same as the available capacity to be contracted by eligible customers	
<b>OandO Gas and Power</b>	We propose that 90% of new generation capacity be permitted to be contracted by the Eligible Customer	



# Thank You

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