



THE ELECTRICITY REGULATOR

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THE EDITOR'S NOTE:

This Newsletter entitled "The Electricity Regulator" is an in-house publication of the Commission. This edition is the third publication as it is intended to be published on a monthly basis.

The essence of this is to provide helpful and technical articles on how the Commission can help improve customer satisfaction and operational efficiency within the NESI. It also provides high-value information and regular communication channel for staff.

This edition contains insight on the MAP Regulation and Estimated Billing; Matters arising amongst other interesting stories.

We take responsibility for the contents and imports of this Newsletter.

"2019- OUR YEAR OF IMPROVED CUSTOMER SATISFACTION IN THE NESI" - Prof. James Momoh.

The Chairman of the Nigerian Electricity Regulatory Commission (NERC)- Prof. James Momoh has described the year 2019 as the year of improved customer satisfaction in the Nigerian Electricity Supply Industry (NESI). He made this assertion while addressing the management and staff of the Commission during the New year NERC Academy Lecture delivered by him on the theme: **"GET ON BOARD"**.

He stated that 2019 shall usher in improved customer satisfaction, and allow investors in the NESI a return on their investment, expressing hope that the "GET ON BOARD" shall assist the Commission in her quest for

efficient regulation.

Prof. Momoh also gave the Message of hope which he categorized into five (5) as viz:

- 1.Support Customers – "To satisfy our electricity customers through timely service and allow investors a return on investment."
- 2.Employees –"The Commission cares about its human resources and shall encourage your growth."
- 3.Management – "The Commission will manage by facts, commitment, communication and passion".
- 4.Quality –"The Commission shall deliver quality service to its clients.
- 5.Integrity –"The Commission is committed to the highest standards of integrity and accountability"

He commended his colleagues, the Vice Chairman and Commissioners for their commitment and cooperation.

Responding, the Vice Chairman – Engr. Sanusi Garba, and commissioner, market competition & rates in turn lauded Prof. Momoh's passion for the power sector, which according to him is apt given the place of the Commission in the NESI and pledged their continued cooperation. He also advised staff to cue into the "Get on Board" for efficient regulation of the electricity industry.

By Sam Ekeh





NIGERIAN ELECTRICITY REGULATORY COMMISSION

CUSTOMER ENUMERATION EXERCISE

Nigerian Electricity Regulatory Commission has directed all electricity Distribution Companies (DISCOs) in the country to conduct customer enumeration in their respective franchise areas and to complete the exercise by MARCH 31, 2019.

The Commission hereby urges all electricity consumers to co-operate with the DISCOs in this exercise. This is very important and it is in the interest of consumers as it would improve metering and help DISCOs to respond to customer complaints more efficiently.

The enumeration exercise is geared towards achieving the following objectives:

- To promote the metering of existing and new customers
- To improve the accuracy of billing
- To improve the quality of supply and quicker fault response time
- To identify obsolete and damaged equipments such as meters, transformers, poles etc. for upgrade or replacement.
- To reduce power interruptions
- To improve customer service delivery
- To make identification of customers much easier
- To ensure proper planning for potential service expansion

The public is also informed that the exercise is mandatory and all customers shall be provided with unique Customer Identification Number (CIN). The CIN will become a requirement for identifying genuine customers in transactions with the DISCOs.

For further enquiries, please visit our website www.nerc.gov.ng

MANAGEMENT

NERC - Assures Emir Sanusi - We Have No Problem Licensing Qualified Applicants

By Michael Faloseyi

The Nigerian Electricity Regulatory Commission has assured the Chairman of Black Rhino Group and Emir of Kano, His Highness, Muhammadu Sanusi II, that it has no problem issuing licence to any applicant who meets her licensing conditions. The foremost traditional ruler on Tuesday, January 15th, 2019 led some senior members of Black Rhino, an infrastructure investment company to the Commission seeking regulatory intervention to ensure that a \$1.7 billion power sector investment does not elude Nigeria .

The Emir informed the commission that the requirement for domiciling that volume of investment in Nigeria will include issuance of licence to the proposed Kano Bulk Electricity Trading Company by the Commission, signing of power purchase agreement between the company and Nigerian Bulk Electricity Trading Plc for the delivery of the 540 MW electricity; use of Kano Electricity Distribution Company and Transmission Company of Nigeria Networks. Emir Muhammadu Sanusi II said that most of the risks associated with the investment have been adequately mitigated including revenue collection which would be eased with passage of a law criminalizing electricity theft as well as profiles of eligible customers

who are able and willing to pay for that volume of electricity for production activities in the real sector.

He disclosed that commitment of Siemens AG has proposed to fix the electricity distribution networks of Kano Electricity Distribution Company (KEDCO) while Transmission Company of Nigeria (TCN) is concluding work on transmission projects to wheel that volume of energy from the generation point to consumption point in Kano.

He said " Kano State Government has the greatest stake to assuming PPA risks and provide enough incentive to make the project work". The Vice Chairman, Sanusi Garba and Commissioner, Legal Licensing and Compliance, Mr. Dafe Akpeneye assured that the Commission has no problem to issue licence to any applicant who meet the regulators conditions. Meanwhile, the Commission is yet to receive application for the Kano Bulk Electricity Trading Ltd.



NERC, NEMSA WILL RAISE THE BAR ON REGULATION

Agency collaboration has been strengthened by the Nigerian Electricity Regulatory Commission (NERC), and the Nigerian Electricity Management Agency (NEMSA), are set to raise the bar on regulation of the power sector. The Commission, whose core

mandate is to regulate the Electricity Supply Industry by being firm as it monitors total compliance of its rules by the industry players, namely the electricity agencies, NEMSA will complement NERC'S efforts in the area of technical inspection,

including the testing of meters to ensure such equipment meet standards set by the Commission. NEMSA is charged to enforce technical standards and conduct, inspections, testing and certification functions in the NESI. This team spirit initiative by the

ESTIMATED BILLING: MATTERS ARISING...

Prof. James Momoh, Chairman/CEO.

Definition of Estimated Billing.

The Regulation on Meter Reading, Cash Collections and Credit Management (2007) states that estimated billing shall only occur where a Distribution Company is unable to obtain a meter reading at a customer's premises. It will then estimate the customer's usage for the period and require the meter reading to be done at a later date or for the customer to provide the reading. The Distribution company is expected to ensure that the estimate accurately reflects the Customer's expected usage. The Utility is not expected to under any circumstance, artificially inflate the estimated usage of a customer.

This definition presupposes that the Customer is metered. This is what the ideal situation should be. However, what obtains now is that a lot of new and existing customers are connected to electricity supply without a meter. Customers whose meters become faulty are also not replaced. Both categories of customers are then

charged monthly "Estimated bills". A lot of customers complain that estimated bills of monthly consumption of unmetered customers are issued with no clear scientific basis on how the billed amount was computed. Where a customer is billed on guess work, elements of corruption are introduced.

Background of Metering Gap and Current Data on Estimated Billing in the NESI.

Since the privatisation of the power sector by virtue of the EPSR Act of 2005, there has been a constant decline in the metering of existing customers by the Discos while new customers have been added steadily to their networks, contributing to a significant metering gap. As at May 2012, investigations by the Commission revealed that a total number of 5,172,979 customers were registered in all Distribution Companies as Electricity Customers. Out of this number, 2,893,701 or 55.94% were metered, while 2,355,045 or 45.53% were

unmetered.

The Discos then signed performance agreements with the Bureau for Public Enterprises in 2013, which was to see the injection of 1,640,000 meters annually over the next five years. These agreements were supported with provisions for CAPEX in the MYTO 2015 Order and the Credited Advance Payment for Metering Initiative (CAPMI) which was a loan given by Customers to Discos in exchange for Metering.

However, the Discos failed to abide to the Performance Agreement terms and also failed to effectively meter customers under the CAPMI Arrangement. This setback meant that by December 2018 the number of customers had risen to 8,342,880 with 3,558,692 metered and a total of 4,784,188 unmetered and billed on estimates as at December 2018 (See breakdown below).

METERING STATUS AS AT DECEMBER 2018					
S/N	DISCO NAME	TOTAL CUSTOMER NUMBER	TOTAL METERED CUSTOMERS	TOTAL UNMETERED CUSTOMERS	PERCENTAGE METERED
1	ABUJA	977,707	468,180	509,527	48%
2	BENIN	887,966	548,261	339,705	62%
3	EKO	493,639	235,140	258,499	48%
4	ENUGU	935,860	325,526	610,334	35%
5	IBADAN	1,688,989	687,652	1,001,337	41%
6	IKEJA	950,338	447,299	503,039	47%
7	JOS	486,198	170,409	315,789	35%
8	KADUNA	543,630	149,588	394,042	28%
9	KANO	508,640	126,539	382,101	25%
10	PORT-HARCOURT	523,693	318,518	205,175	61%
11	YOLA	346,220	71,580	274,640	21%
	TOTAL	8,342,880	3,548,692	4,794,188	43%

The Discos at various times have lamented that the tariff granted by virtue of the MYTO 2015 Order remains insufficient for them to carry out the required investments in electricity infrastructure comprising metering, network clean up, customer enumeration and improvement to network assets.

What is the Commission's position on estimated billing?

The Commission's position on Estimated Billing is that where it occurs, there must be a scientific method of estimating the usage of the customer. The Commission pursuant to its mandate issued a Methodology for Estimated Billing which was a scientific method to

estimate consumption in instances where there are no meters.

The methodology aimed at bringing fairness to unmetered customers so that their bills are computed. The methodology however has not been effectively implemented by the Discos because provisions of the methodology required that all Distribution transformers are metered so as to have a scientific means of deducting the consumption of customers who are metered from the Distribution transformer meter and then shared appropriately. The Discos failed to do distribution transformer (DT) metering which the methodology was heavily dependent on for fairness hence the source of

in-accuracy in estimated billing.

The Commission tried several interventions to promote metering in the past such as the Credited Advance Payment for Metering Initiative (CAPMI) which was financing provided by customers to Discos to meter them.

Why is Estimated Billing Wrong?

Arbitrary -

Estimated billing is wrong because electricity consumed by a customer ought to be measured in order to have an accurate record of what is expected to be paid at the end of the billing cycle. Where this is not done, elements of guess work and

arbitrariness is introduced. In this instance, the Utility or the customer may be cheated.

It is expected that where a customer is billed an unrealistic amount or crazy bill, he or she should pay the last estimated bill that he is comfortable with and then make a formal complaint to the customer complaints office of the Disco. This complaint is expected to be resolved within 15 days. Where this is not done or the customer is unsatisfied with the resolution by the Disco, they may escalate the matter to the NERC Forum office. This is an independent avenue for the Customer to seek redress. Further complaints may be communicated to the Commission where the customer exhausts these options and is still left unsatisfied.

What is the implication of Estimated Bills on Discos and Customers?

Cost of tariff-

The tariffs charged by the Discos are regulated by the Commission. Where the Discos estimate customers unscientifically, then they are likely to charge more than they should and in the process inflate revenues far and above what is permitted by the market. To combat this, the Commission has maintained the implementation of the methodology of estimated billing and in some instances, has had to sanction some Discos for over billing. They were made to refund over billed amounts to Customers and equally made to apologise to the Customers. It would however be noted that the ultimate solution to estimated billing is for customers to be metered.

What is the Commission doing to address this?

1. In this regard, the Commission has put in place a Regulation that seeks to closed the metering gap in the NESI known as the Meter Asset Provider Regulation (MAP) - 2018. This Regulation is designed to create opportunities for investors to invest in metering, acting as partners with the Discos to provide meters. As at December 2018 a total of 115 firms were granted "No-Objections" by the Commission to participate in the Discos procurement process and were free to quote their cost of providing metering services. However, the Commission is currently reviewing the procurement process in the Discos, having

appointed Tender Auditors to audit the Discos and ensure that the MAPs appointed are the outcome of a transparent, cost effective process that will guarantee Nigerians best price of qualitative meters. The Commission is presently reviewing all submissions by Discos on the procurement of their Meter Asset Providers. The MAPs will work with the Discos to ensure that the metering gaps is closed.

A. The MAP Regulation is expected to take the responsibility for metering away from the Discos and place it in the hands of private investors who will provide cheap, affordable, quality meters in quick time to relieve customers of the pains of estimated billing.

B. Employment: The MAP Regulation will see new investors licensed and these would provide meters and metering services at reasonable cost. This will lead to opportunities for meter manufacturers, installers and data analysts.

The MAP Regulation further provided for CAPPING OF ESTIMATED BILLS. Customers who are on the R2, C2 and A2 tariff categories which are residential and small businesses will have a cap placed on the maximum allowable bills the utility can charge them where there is no meter. This cap will be placed in such a way that existing customers who now fall above the capped amount will have their bills reduced to the level of the cap while those beneath the cap will have theirs remain as it was till they are metered.

a. CAPPING is designed to steer Discos towards a fast roll out of meters.

b. Proper Tariff: The Discos will have a basis to demand and charge a cost reflective tariff that is free from distortions. The market will have liquidity and investors will feel more secure in placing funds in the electricity market.

3. The Commission is currently superintending over Customer Enumeration in the NESI. It is expected that this exercise will be concluded by March 31, 2019. This will assist the Disco eliminate illegal customers and thus ensure that people who steal energy are stopped

and made to pay for what they consume. Not everyone is ready to be enumerated however due to a combination of social and economic factors as well as mistrust of the utilities. However, with adequate publicity by the Commission in the following mediums:

- *Newspaper
- *Online
- *Social Media
- *Radio
- *Television

It is expected that the enumeration will contribute to solving the problem of estimated billing by having an accurate number of customers to be catered for by the NESI.

Expected Benefits to Nigerians: Better Network and Finances-

With a combination of the interventions listed above, MAP, Capping and Customer Enumeration, Nigerians will have the benefits of

- a. Elimination of estimated billing in the NESI
- b. Reduce cost of meters by having inexpensive meters installed in their homes and business
- c. Reduction in the cost of estimated billing until they are metered
- d. Utilities will benefit from reduction in losses through proper enumeration.

There are many secondary benefits and the Commission is well poised to achieve turnaround of the current situation of prevalent estimated billing through the combination of the solutions listed above.

NERC - COMMENDED FOR ENCOURAGING LOCAL CONTENT IN THE POWER SECTOR.

By Sam Ekeh

The Nigerian Electricity Regulatory Commission (NERC) has received commendations from critical stakeholders and the general public for encouraging the local content in the power sector. This followed the workshop organised by the Commission on local content regulation which took place at the Commission's head office in Abuja, on the 24th & 25th of January 2019.

The Minister of Power, Works and Housing, Mr. Babatunde Fashola SAN, represented by the Director of procurement, Engr. Ahmed Abdul, lamented that the electricity sector has remained vulnerable to the vagaries of foreign services, especially with regards to transactions often executed in the United States Dollars against the Naira. The Minister commended the Commission for her giant strides in providing opportunities for local investors to key into the power sector.

According to the Minister, it is necessary for Nigeria to begin to develop local capacity in the sector to cut down its dependence on foreign equipment and services. In his words: "The Nigerian Electricity Supply Industry is heavily dependent on imported human resources, material,

equipment and services. It is consequently vulnerable to foreign exchange availability and rates, to the extent that contracts for gas and generation are denominated in foreign currency." He expressed confidence on the Commission's ability to drive the process within the power sector.

Accordingly, the Hon. Minister of Science and Technology, Dr. Ogonnaya Onu represented by Mr. Ibiam Oguejiofo (PS) applauded the Commission for the workshop and stated that the local content regulation will create wealth and jobs for Nigerians as it was in support of the Executive Order No. 5 of 2018.

In his opening remarks, the Commission's Chairman Prof. James Momoh welcomed participants to the workshop on Minimum Specification of Nigerian Content & Requirement for Labour with the theme: "Boosting Nigeria's Economy Through National Content Development in The Power Sector". He stated that the workshop serves as an avenue towards complementing NERC's commitment and that of the Federal Government towards a better Nigerian Electricity Supply Industry (NESI). The Chairman

expressed high regards to the Administration of President Muhammadu Buhari, GCFR for choosing to give National Content priority as a major driving force towards the successful realization of its economic development plans and for signing the Presidential Executive Order No.5 of 2018.

He noted that the opportunity for local manufacturers and businesses with direct and indirect link to the electricity supply industry to thrive, is linked to the Regulation on National Content Development for the Power Sector (2014). He stressed that it can only be sustainable through its effective implementation and identified the existence of a gap in the sector. According to him, three variables namely: Location for market/services, Price being affordable/competitive and Desire/ability to pay are the essential ingredients required in closing the gap. Therefore, there must be a deliberate commitment of all stakeholders towards the successful implementation of the Nigerian Content.



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NERC, NEMSA WILL RAISE THE BAR ON REGULATION

By Christiana Iliya

Commission is in line with the core values of the regulatory body, according to Chairman, Professor James Momoh. He made the statement when he paid a scheduled visit to the headquarter of NEMSA, in Abuja. He said that he has been studying the system and convinced that agency support of like- purposes was the right way to go towards realizing compliance and enforcement.

In his remark, MD/CEO of NEMSA, Engr. Peter Ewesor, who gave

kudos to Prof. James Momoh for the part he played in the formation of the agency; and for taking the initiative to visit and urged for collaboration, stating that he had always supported NERC's stance on regulations even before the set-up of NEMSA. He said that working alongside NERC to enforce rules in the sector was good move in the right direction. He revealed that NEMSA has made it a policy to ensure that it inquires and confirms the generating license of any

company it goes to monitor. In which case, NEMSA and NERC will be sharing information, communication strategy and data, to help tackle challenges in the power sector.

Meanwhile, it is the Commission's deliberate plan to get all the agencies involved in the NESI, on board the aspirations of the commission.

"So how is NERC? What is NERC doing about the issue of meters"? This was a question thrown at me at a private function I attended during a recent weekend. I had only just been introduced, workplace and all and had to provide a suitable and factual answer. After all, as a staff of NERC, I am also its ambassador, never mind that there was a little voice challenging my new acquaintance. "Why should he ask me? Did I tell him I am the Chairman or Commissioner or that I work with the Consumer Affairs Division"? The little voice asked. Thankfully, my big voice was louder than the little one and I discussed the scope of issues with metering (or the lack of it) and the steps being taken by the Commission to remedy them through the Meter Asset Provider (MAP) Regulations 2018 with him.

My new acquaintance called me again recently and took off from where he stopped the last time. "So about the metering issue and the introduction of 3rd party financing through the MAP regulations, what assurances are in place to ensure good governance, robust communication and effective enforcement? What is the assurance that steps have been taken to bridge the gaps identified with the enforcement of the defunct CAPMI"? My little voice on the inside sprang up again! "Me? Enforcement? Did I tell him I am in the Enforcement Unit or did I maybe inadvertently reveal my educational background?" My big voice overpowered the little one again and I assured him of NERC's steps to ensure good governance as well as effective

communication and enforcement of the MAP regulations.

The example illustrated above is just one of many, to reiterate the experiences every staff of NERC has, regardless of area of specialisation. We all have our audience in our homes, markets, places of worship and leisure. We have the responsibility to satisfy their quest for answers in the interest of growing the confidence of Nigerians in the power sector - From different perspectives maybe, but nonetheless, with a common goal.

With respect to the MAP regulations, it is true that for as many times as Nigerians gather to discuss, formally or informally, the dearth of meters has for too long, remained the focus. My acquaintance raised specific questions on the governance, communication and enforcement measures put in place to ensure the effective implementation of the MAP regulations and therefore, those are the thoughts shared in this short essay. The procurement process for MAPs is still on-going and the outcome will therefore not be pre-empted. We will just assume for the present purpose that the procurement process went as it should. But then, post procurement, what next?

Governance:

Governance refers to the establishment of policies, laws or regulations and the continuous monitoring of their proper implementation. A good corporate governance framework requires explicit and implicit contracts between parties, processes for reconciling conflicting interests

as well as procedures for proper supervision, control and information flow.

Pre-MAP regulations, the opportunity for robust representation by all stakeholder groups was provided by NERC. The divergent interests by groups were mediated by the regulator in accordance with its rule-making process and the MAP regulations drafted and executed with the overriding public interest as the paramount consideration. Post procurement, successful MAPs and concerned DisCos will be expected to enter into binding contracts defining their rules of engagement and dispute resolution.

Post-MAP regulations and with the pending grant of permits to successful MAPs following the procurement process, NERC must also take necessary steps to ensure adequate supervision, monitoring and sustenance of core good governance principles among which are:

- The responsiveness of MAPs and Distribution Companies (DisCos) in their obligations to customers as well as the corresponding responsiveness of the customers.

- The effectiveness and efficiency of processes laid out in the regulations and the contracts between the parties to ensure the expected outcomes within the limits of the MAP framework.

- Accountability to the public, transparency and the free flow of information. These corporate governance measures are already provided for in the regulations. Their implementation as provided for

however requires adequate supervision and monitoring.

Communication:

The provision of meters and metering services to customers at the most competitive price is a core objective of the MAP regulations. Once the most competitive price is determined, the greatest lever for the successful buy-in of customers is in its communication. The DisCos have strong levers and significant influence over customer behaviour.

The DisCos must therefore be seen to walk the talk in terms of their customer enlightenment strategy. The message to their customers should be broken down in the simplest of ways to ensure that it is understood by all categories of customers. NERC should ensure that customers do not receive conflicting messaging from the DisCos, MAPs, NERC or the Federal Government – Different perspectives maybe but nonetheless, with a common goal. It is important that the message is customer-centric. The focus of the strategy should not be to lower cost but to deliver value. DisCos have the greatest leverage and NERC has to ensure that they really take

seriously the fact that their income depends largely on how well they use their leverage to achieve positive customer behaviour.

Enforcement:

The success of this process will also be the regulator's success. Therefore, after ticking off the boxes of ensuring and monitoring good governance and ensuring strategic communication by DisCos, NERC's enforcement strategy has to be water-tight. The price of dropping the ball is simply too high. A firm enforcement strategy is necessary to resuscitate the already beaten industry credibility. It is these credibility issues that make the MAP regime such a hard sell but yet, the regulations, monitored properly, provide a great opportunity to change the course of this narrative.

This opportunity cannot be yet another missed one. Why do good laws sometimes fail? Maybe because pushing good initiatives to the very end depends on many factors, mostly requiring hard decisions. This is the time for NERC to take hard decisions, if necessary, to enforce these regulations in order to move away from the inefficiencies, illiquidity and

general indiscipline which the sector suffers from. The scope and extent of enforcement action in the event of breaches should be reiterated to the DisCos so that they can proactively and pre-emptively take measures to guard against them before they occur.

Conclusion:

The MAP regulations signify renewed hope for an accelerated closure of the wide metering gap, the elimination of estimated billing practices, the promotion of fair and transparent billing and the enhancement of revenue assurance in the Nigerian Electricity Supply Industry.

The procurement process for the engagement of MAPs is being finalised. Good governance, a comprehensive communication strategy and the effective enforcement of the MAP regulations are key components to its successful implementation. As influencers of our own audience, we all have the responsibility to ensure that our audience receive the right message on the MAP regime. This unity of purpose is important to ensure that the light we see at the end of the tunnel is not that of an on-coming train.

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