



NIGERIAN ELECTRICITY REGULATORY COMMISSION

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INVITATION FOR COMMENTS ON A PROPOSED CONSULTATION PAPER ON ELECTRICITY DISTRIBUTION FRANCHISING REGULATION.

The Nigerian Electricity Regulatory Commission ("NERC" or the "Commission") is created by the Electric Power Sector Reform Act (the "EPSRA" or the "Act") to, among other things, license and regulate legal persons engaged in the generation, transmission, system operation, distribution, and trading of electricity. In giving effect to the provisions of section 32, 62, and 67 of the EPSRA, the Commission licensed Eleven (11) Distribution Companies (herein called the "DisCos") to undertake, but not limited, to the following regulated activities:

1. Connection of customers for the purpose of provision of electricity supply;
2. Installation, maintenance and reading of meters, billing and collection; and
3. Wide ranging functions contained in the electricity distribution license terms and conditions issued to the 11 DisCos.

The provision of these services by DisCos on a non-discriminatory basis is a fundamental requirement arising from the natural monopoly they enjoy as distribution network service providers. The sustainability of this traditional regulatory framework is increasingly becoming difficult due to continued technological improvements and advancement in the capabilities of Distributed Energy Resources (DER). Additionally, since the commencement of the power sector reform in 2005, the DisCos in Nigeria have failed to meet stakeholder expectations in the provision of access to safe and reliable electricity services to all customers within their franchise territories, especially those areas that are not considered to be economically viable.

Accordingly, introducing sub-franchising of DisCos' operations and coverage areas is expected to improve quality of supply of electricity to customers through investment in metering,

billing, collection and network rehabilitation and expansion.

Sub-franchising (referred to as Distribution Franchising for this purpose) means the business model applied by a DisCo to authorise a third party to provide electric distribution utility services on its behalf in a particular area within the DisCo's area of supply. Proposals for the franchising arrangement can either be initiated by DisCos or customer groups (community) within a specified geographical boundary. The community, through a registered association, may formally approach the DisCo to declare its interest and initiate franchising arrangements in the areas of supply, metering, billing and collection including additional investment in the distribution networks where appropriate. Additionally, any unserved or underserved community have the option of exploring the provisions of NERC's Regulation on Independent Electricity Distribution Network (IEDN) in finding solutions to their supply challenges as may be applicable.

Consequently, the Commission has put forward a consultation paper to elicit comments from stakeholders in the Nigerian Electricity Supply Industry. The document entitled- Consultation Paper on the Development of a Regulatory Framework for Electricity Distribution Franchising in Nigeria is posted on the Commission's website for comments from electricity customers, electricity distribution companies, consumer advocacy groups and members of the general public.

Comments on this Consultation should be submitted to: distribution.franchising@nerc.gov.ng not later than May 6, 2019.

Signed
Management