



NIGERIAN ELECTRICITY REGULATORY COMMISSION

CONSULTATION PAPER ON THE PROPOSED EXTRA-ORDINARY TARIFF REVIEW OF THE MYTO-2015 TARIFF ORDER FOR THE NIGERIAN ELECTRICITY SUPPLY INDUSTRY

This Consultation Paper is presented as follows:

- Section 1: General introduction
- Section 2: The Power Sector Recovery Program
- Section 3: Submission of the eleven (11) DisCos
- Section 4: The rate review for Ancillary Services
- Section 5: Response to Consultation

SECTION 1

1. BACKGROUND

The Nigerian Electricity Regulatory Commission (“NERC”) was established by the Electric Power Sector Reform Act (EPSRA) to regulate the Nigerian power sector. The Act provides the legal and regulatory framework for the Nigerian Electricity Supply Industry (NESI) in Nigeria and empowers the Commission to regulate all facets of the industry including generation, transmission, system operations, distribution and trading.

One of the core objects of the Commission as enshrined in section 32(d) of the Act is to “*ensure that the prices charged by licensees are fair to consumers and are sufficient to allow the licensees to finance their activities and to allow for reasonable earnings for efficient operation*”. Section 76(1) of the EPSR Act stipulates that the following activities are subject to tariff regulation:

- (i) *Generation and trading, in respect of which licences are required pursuant to this Act, and where the Commission considers regulation of prices necessary to prevent abuse of market power, and*

- (ii) *Transmission, distribution and system operation, in respect of which licences are required under this Act.*

Section 76 (2) of the EPSRA further requires the Commission to adopt appropriate tariff methodology/methodologies within the general principles established in the Act, which:

- (i) allows full recovery of efficient cost including a reasonable rate of return;
- (ii) provide incentives to operators for sustaining improvements in efficiency and quality of service;
- (iii) send economically efficient signals to customers on costs imposed on the system arising from their consumption of electricity service;
- (iv) gradually phase out or reduce cross subsidies

Pursuant to the provisions of section 6.3 of the MYTO methodology, the following licensees have applied to the Commission for a review of their tariff.

- (i) Transmission Company of Nigeria Plc
- (ii) Abuja Electricity Distribution Company Plc
- (iii) Benin Electricity Distribution Company Plc
- (iv) Eko Electricity Distribution Company Plc
- (v) Enugu Electricity Distribution Company Plc
- (vi) Ibadan Electricity Distribution Company Plc
- (vii) Ikeja Electric Plc
- (viii) Jos Electricity Distribution Company Plc
- (ix) Kaduna Electricity Distribution Company Plc
- (x) Kano Electricity Distribution Company Plc
- (xi) Port Harcourt Electricity Distribution Plc
- (xii) Yola Electricity Distribution Company Plc

The request for rate review is premised on the need to incorporate changes in macroeconomic parameters and other factors affecting the operational efficiency

of DisCos and Transmission Company of Nigeria Plc (“TCN”). This Consultation Paper sets out the proposed rates submitted by the licensees for public comments. In line with section 47(1) of EPSRA and Regulation 8(b) of the “Regulations on Procedure for Electricity Tariff Reviews in the Nigerian Electricity Supply Industry”, the Commission hereby invites the general public to submit comments on the proposed rates review submitted to the Commission by the licensees. In submitting comments, interested stakeholders are advised to review and take into consideration the Performance Improvement Plans (PIPs) submitted to the Commission by the respective licensees. The PIPs for the DisCos may be downloaded from the Commission’s website at www.nerc.gov.ng

The issues set out for stakeholder consultation are:

- (i) Rate Design: This refers to the proposed tariffs payable by different customer categories. Tables 2 - 18 in this Consultation Paper present the proposed rates for different customer classes of each of the DisCos. The general public is hereby requested to comment on the proposed rates and justify their position on the proposed rates while taking cognisance of the prevailing macroeconomic parameters and the proposed improvement in quality of service to customers.
- (ii) Load Allocation: The energy procured by the Nigerian Bulk Electricity Trading Plc (“NBET”) pursuant to its Power Purchase Agreement with generation companies (“GenCos”) is shared amongst DisCos in accordance with its Vesting Contract with the utilities. The allocation of the energy amongst the DisCos underpins one of the key parameters in the tariff computation by the

Commission. During the intervening period since the privatisation of the utilities, changes have occurred due to load growth and changes in the capacity of the transmission and distribution networks with indications of unacceptable levels of load management and claims for imbalance compensation.

This Consultation Paper seeks for comments on the need for a review of the current load allocation with the objective of ensuring that DisCos are only allocated with the appropriate level of energy that is technically feasible for distribution to end-use customers while incentivising other DisCos to off-take more energy to serve the socio-economic needs of the country.

- (iii) Ancillary Service Charge: The provision of Ancillary Services is a key requirement for the stability of the national grid and an obligation on the generation companies in the respective Power Purchase Agreements. TCN has submitted an application to the Commission for the review of the current charge for the provision of spinning reserve by GenCos, one of the critical ancillary services for power system stability. The request of the TCN is anchored on the need to incentivise the adequate provision of the service hence reducing the incidence of system collapse.

2. OBJECTIVES

The Extraordinary Tariff Review filed by the eleven (11) successor DisCos and the TCN seeks to achieve the following:

- (i) Ensure that utilities recover their full efficient costs with reasonable return on the assets invested in the business;
- (ii) Ensure the recovery of the DisCos revenue requirement through rates that are fair, just and reasonable to consumers and based on costs that the customer class impose on the network and level of service provided to customers;
- (iii) Provide clarity and eliminate all ambiguity in tariff classification for DisCos;
- (iv) Ensure that the load (energy) allocation to DisCos is fair and reflects the current capacity of DisCos to off take load and prevent load rejection;
- (v) Incentivise electricity distribution companies to off-take energy in excess of their MYTO allocation whenever available in the market; and
- (vi) To provide appropriate rates for the provision of Ancillary Services so as to incentivise the GenCos to make required investments for grid stability thereby reducing the incidence of system collapse.

The objectives of this Consultation Paper are to obtain stakeholder input in respect of the extraordinary tariff review application submitted by the licensees with particular reference to the following:

- (i) The application by DisCos for a review of their rate design including the creation of new tariff classes that are associated with the quality of service provided to consumers. The proposals submitted include load reallocation among customer classes, redistribution of cross subsidy and tariff reclassification;
- (ii) The impact of amending the MYTO load allocation amongst DisCos and possible unintended consequences of any proposed changes; and
- (iii) The request for a rate review for the provision of Ancillary Services (Spinning Reserve) submitted by the Transmission Company of Nigeria Plc.

The Commission shall take into consideration responses to this document and other submissions that may be provided at the wider Public Hearing prior to a final decision on the applications by the Commission.

SECTION 2

3. The Power Sector Recovery Program (PSRP)

The Power Sector Recovery Program (PSRP) is a series of policy actions, regulatory, operational, governance and financial interventions to be implemented by the Federal Government of Nigeria (FGN). It was approved in 2017 by the Federal Executive Council with its major object of restoring the NESI to financial viability and reset it for future growth.

The FGN commenced the restructuring of the NESI in 2001 with the process culminating in the enactment of the Electricity Power Sector Reform Act 2004 ("EPSRA"). As part of the reform process, the Power Holding Company of Nigeria Plc, was unbundled and the successor utilities in distribution and generation business were privatized through outright sales, divestment of majority shareholding and concession while the FGN retained the ownership of the transmission business.

However, the expected efficiency gains from privatisation were not fully achieved with the sector still facing significant infrastructural, liquidity and governance challenges. Arising from series of complaints and dissatisfaction of the sector's performance by the citizens, the FGN realised the need for its specific strategic and regulatory intervention to reset the market.

In developing the sector recovery plan, one of the significant challenges identified was the lack of sufficient revenues to cover the requirements of the sector arising from suppressed end user tariffs that are below rates approved by the industry regulator.

With allowed tariffs charged by DisCos consistently lower than prudent cost reflective levels since takeover by core investors, the GenCos have over the years

been significantly underpaid in the settlement of their invoices. This remained the situation until the FGN provided a loan to NBET (“Payment Assurance Facility”) to enable the electricity trader honour its invoices for energy and capacity, pursuant to the Power Purchase Agreements executed with the GenCos. In this respect, the FGN had provided a sum of ₦701bn for the period 2017-2018 and a further sum of ₦600 billion approved to cover the period January 2019 - March 2020. While the intervention so far represents an unsustainable fiscal burden on the Nigerian treasury, the total tariff-related revenue shortfall for all market participants for the period 2015 – 2019 is in the sum of ₦1.72trillion. Table 1A below provides the historical perspective of the tariff regime and difference thereof from the year 2015 to date.

Table 1A:
Average National Cost Reflective Tariff (CRT) and
Allowed Tariff (AT) 2015-2019

Year	UNIT	2015	2016	2017	2018	2019	Jan 2020
Approved	₦/kWh	33.7	45.7	47.5	50.4	59.3	53.4
Allowed	₦/kWh	25.0	29.0	30.8	30.7	30.7	30.7

The PSRP has proposed the elimination of tariff support in the electricity market by end of 2021 except for the less privileged customers who would continue to be supported under the Consumer Assistance Fund or any other intervention. With the gradual withdrawal of FGN intervention on tariff support, it is planned that tariffs would gradually be increased to allow the utilities to, in line with the provisions of the EPSRA, recover their efficient cost of operation and a reasonable return on investment while freeing up the subsidy funds for government’s

utilisation in other critical sectors of the economy. However, the proposed rate increase would only be on the basis of a full understanding of the Performance Improvement Plans being proposed by the companies, with sanctions for failure to deliver on the said plans. Noting that the core investors in DisCos are under contractual obligations to reduce the loss levels in the industry, it is expected that tariffs would eventually come down as a result of the efficiency gains and increased energy throughput. In order to mitigate the impact of rate shock on consumers, it is proposed that the gradual increase shall commence on April 1, 2020.

Table 1B: Average National Cost Reflective Tariff (CRT) and Allowed Tariff (AT) April 2020-2021

Year	UNIT	April – December 2020	Jan – December 2021
CRT	₦/kWh	53.4	50.3
AT	₦/kWh	46.0	50.3

It is noteworthy that Tables 1A and 1B refer to national average tariffs with actual tariffs for each DisCo dependent on its operating parameters and targeted efficiency levels as contractually provided in the Performance Agreements with the BPE. The details of the various DisCos proposed tariffs are available on the Commission’s website (www.nerc.gov.ng)

SECTION 3

ABUJA ELECTICITY DISTRIBUTION COMPANY PLC (AEDC)

AEDC has proposed a redesign of its tariff classification. Table 2A below shows the current tariff classification and load allocated to each tariff class while Table 2B and 2C respectively present and describe the proposed reclassification, load allocation and end-user tariffs.

Table 2A

AEDC - Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	1.49	39	4.00
	R2	53.80	1,422	24.30
	R3	3.43	91	47.09
	R4	1.48	39	47.09
Commercial	C1	8.70	230	37.39
	C2	9.93	262	47.09
	C3	16.27	430	47.09
Industrial	D1	0.38	10	36.07
	D2	0.22	6	47.09
	D3	0.11	3	47.09
Special	A1	1.17	31	35.74
	A2	0.26	7	35.74
	A3	0.85	22	35.74
Street lighting	S1	1.86	49	27.14
Total	14	100	2,641	32.66

Table 2B: AEDC – Proposed Tariff Classification & Load Allocation

New Tariff Class	End-user Tariffs (N/kWh)	Load Allocation (GWh)
R1	4.00	39.29
R2SinglePH -prime	37.65	63.82
R2SinglePH -core	33.61	598.54
R2SinglePH -others	31.26	529.90
R2ThreePH -prime	39.98	57.77
R2ThreePH -core	35.38	169.32
R2ThreePH -others	33.61	3.07
R3 - prime	67.23	71.92
R3 -core	63.42	40.21
R3 -others	60.88	17.53
C1SinglePH -prime	53.50	31.50
C1SinglePH -core	47.77	85.65
C1SinglePH -others	44.42	76.30
C1ThreePH -prime	56.82	17.91
C1ThreePH -core	50.28	16.95
C1ThreePH -others	47.77	1.35
C2 -prime	67.86	359.97
C2 -core	63.42	181.97
C2 -others	60.88	52.61
D1SinglePH -prime	51.59	-
D1SinglePH -core	46.07	0.23
D1SinglePH -others	42.84	9.83
D1ThreePH -prime	54.79	-
D1ThreePH -core	48.49	0.00
D1ThreePH -others	46.07	-
D2 -prime	67.86	0.15
D2 -core	63.42	0.12
D2 -others	60.88	8.30
D3 (C&I Special)	50.57	97.45
A1SinglePH -prime	50.86	0.53
A1SinglePH -core	45.41	15.43
A1SinglePH -others	42.23	10.50
A1ThreePH -prime	54.01	0.80
A1ThreePH -core	47.80	3.25
A1ThreePH -others	45.41	0.39
A2 -prime	55.25	5.73
A2 -core	48.04	9.87
A2 -others	46.60	13.59
S1	38.61	49.09
Total		2,640.87

Table 2C: Description of Proposed Tariff Classes by Jurisdiction

S/N	Tariff Block	Proposed Tariff Profile	Proposed Tariff Jurisdictions	Unique Characteristics
1	Block 1	Premium on Block 2 Tariff (8-25% premium)	<ul style="list-style-type: none"> FCT Prime: phase 1 FCT Development plan (Maitama, Garki, Wuse, Asokoro and Central Business District) 	<ul style="list-style-type: none"> Surplus of 18 hours of supply on average High meter penetration (over 95%-meter penetration) Relatively good and stable network with comparably higher cost to maintain.
2	Block 2	Normal Tariffs (no adjustment)	<ul style="list-style-type: none"> FCT Core: All other areas within the FCT not included as prime 	<ul style="list-style-type: none"> Less hours of supply compared to FCT prime Lower meter penetration (about 50% average meter penetration)
3	Block 3	Discount on Block 2 Tariffs (5% - 7.5% discount)	<ul style="list-style-type: none"> Other States: Kogi, Nasarawa and Niger States 	<ul style="list-style-type: none"> Less hours of supply compared with FCT core Much lower meter penetration (lower than 50% average meter penetration)

BENIN ELECTRICITY DISTRIBUTION COMPANY PLC (BEDC)

BEDC proposed to retain its existing tariff classification and load allocation to various tariff classes. Tables 3A and 3B below present its existing and proposed tariff classification, load allocation and end-user tariffs.

Table 3A:

BEDC - Existing MYTO 2015 Tariff Classification, Load allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.52%	10	4.00
	R2S	69.43%	1,406	31.27
	R2T	2.89%	59	34.40
	R3	0.22%	5	40.46
	R4	0.09%	2	40.46
Commercial	C1S	4.03%	82	34.90
	C1T	0.88%	18	36.27
	C2	5.68%	115	38.11
	C3	0.14%	3	38.11
Industrial	D1S	0.61%	12	35.62
	D1T	0.17%	4	37.94
	D2	0.82%	17	39.29
	D3	0.30%	6	37.71
Special	A1S	0.74%	15	33.00
	A1T	0.98%	20	33.97
	A2	5.62%	114	35.27
	A3	6.85%	139	35.27
Street lighting	L1	0.01%	0	36.26
Total	18	100.00%	2,025	32.50

Table 3B:**BEDC - Proposed Tariff Classification, Load allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.52%	10	4.00
	R2S	69.43%	1,406	48.29
	R2T	2.89%	59	51.60
	R3	0.22%	5	50.00
	R4	0.09%	2	50.00
Commercial	C1S	4.03%	82	52.36
	C1T	0.88%	18	54.42
	C2	5.68%	115	49.98
	C3	0.14%	3	49.98
Industrial	D1S	0.61%	12	53.43
	D1T	0.17%	4	54.50
	D2	0.82%	17	45.00
	D3	0.30%	6	45.00
Special	A1S	0.74%	15	51.60
	A1T	0.98%	20	51.60
	A2	5.62%	114	49.98
	A3	6.85%	139	49.98
Street lighting	L1	0.01%	0	49.98
Total		100.00%	2,025	48.75

ENUGU ELECTRICITY DISTRIBUTION COMPANY PLC (EEDC)

EEDC has proposed a redesign of its tariff classification. Table 4A below shows the current tariff classification, load allocated to each tariff class and end-user tariffs while Table 4B presents and describes the proposed re-classification, load allocation, and end-user tariffs.

Table 4A:

EEDC - Existing MYTO 2015 Tariff Classification, Load allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariff (N/kWh)
Residential	R1	0.01	0	4.00
	R2S	45.51	962	30.93
	R2T	22.32	472	34.28
	R3	0.53	11	48.12
	R4	0.94	20	46.08
Commercial	C1S	3.83	81	34.28
	C1T	6.23	132	39.25
	C2	7.06	149	45.24
	C3	1.33	28	45.85
Industrial	D1S	0.23	5	40.37
	D1T	0.30	6	42.56
	D2	1.60	34	45.67
	D3	4.25	90	46.83
Special	A1S	0.04	1	34.16
	A1T	0.35	7	39.25
	A2	1.94	41	45.26
	A3	1.54	32	45.06
Street lighting	L1	1.99	42	32.86
Total	18	100	2,114	35.30

Table 4B:
Proposed Tariff Classification, Load allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariff (N/kWh)
Residential	R1	0.05	1	4.00
	R2S	51.90	1,097	46.41
	R2T	12.05	255	51.44
	R3	0.36	8	72.21
	R4	0.29	6	69.15
Commercial	C1S	8.63	182	51.44
	C1T	2.34	49	58.90
	C2	5.54	117	67.89
	C3	1.82	38	68.80
Industrial	D1S	0.42	9	60.58
	D1T	0.38	8	63.87
	D2	1.60	34	68.53
	D3	9.51	201	70.27
Special	A1S	0.46	10	51.26
	A1T	0.32	7	58.90
	A2	1.77	37	67.91
	A3	2.40	51	67.61
Street lighting	L1	0.05	4	49.31
Total	18	100	2,114	52.95

IBADAN ELECTRICITY DISTRIBUTION COMPANY PLC (IBEDC)

IBEDC proposed to split its tariff classes to differentiate between single phase and three phase customers. Tables 5A and 5B below show the current and proposed tariff classification, load allocation to customers and end-user tariffs.

Table 5A:

IBEDC - Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	3.44	106	4.00
	R2	54.67	1,688	24.97
	R3	0.49	15	44.66
	R4	0.00	0	44.66
Commercial	C1	7.54	233	29.91
	C2	3.71	114	42.03
	C3	1.41	44	42.03
Industrial	D1	0.15	5	33.70
	D2	1.12	35	45.40
	D3	20.76	641	45.40
Special	A1	0.12	4	32.26
	A2	1.30	40	32.26
	A3	5.14	159	32.26
Street lighting	S1	0.13	4	24.93
Total	14	100.00	3,088	30.55

Table 5B:**IBEDC - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	1	40	4.00
	R2Sp	47	1,597	37.51
	R2Tp	17	570	37.51
	R3	0	10	67.09
	R4	0	1	67.09
Commercial	C1Sp	7	236	44.93
	C1Tp	3	115	44.93
	C2	4	142	63.13
	C3	2	52	63.13
Industrial	D1	0	11	50.63
	D2	2	80	68.20
	D3	10	356	68.20
Special	A1	0	11	48.47
	A2	1	28	48.47
	A3	5	161	48.47
Street lighting	L1	0	1	37.45
Total	16	100	3,412	45.83

JOS ELECTRICITY DISTRIBUTION COMPANY PLC (JEDC)

JEDC proposes to split their tariff classes to differentiate between single phase and three phase customers. Table 6A below shows the present tariff classification, load allocation and end-user tariffs while Table 6B indicates JEDC’s proposal.

Table 6A:

JEDC - Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariff

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	1.34	13	4.00
	R2	66.98	663	29.81
	R3	0.41	4	45.76
	R4	0.04	0	45.76
Commercial	C1	12.22	121	42.64
	C2	3.56	35	45.55
	C3	0.34	3	45.55
Industrial	D1	1.08	11	42.64
	D2	0.44	4	41.54
	D3	6.48	64	40.40
Special	A1	0.63	6	44.65
	A2	1.45	14	44.65
	A3	4.41	44	44.65
Street lighting	S1	0.64	6	44.98
Total	14	100.00	990	33.79

Table 6B:**JEDC - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Special	A1	0.63	6.19	46.88
	A2	1.45	14.31	46.88
	A3	4.41	43.62	46.88
Commercial	C1-1	9.27	91.74	47.12
	C1-2	2.95	29.21	50.33
	C2	3.56	35.22	51.02
	C3	0.34	3.41	51.02
Industrial	D1	1.08	10.69	47.12
	D2	0.44	4.31	45.90
	D3	6.48	64.19	28.97
Residential	R1	1.34	13.26	4
	R2-1	63.44	628.05	32.94
	R2-2	3.54	35.05	38.68
	R3	0.41	4.07	50.56
	R4	0.04	0.40	50.56
Street lighting	S1	0.64	6.32	49.70
Total	16	100	990	50.68

KADUNA ELECTRICITY DISTRIBUTION COMPANY PLC (KAEDCO)

KAEDCO has proposed a redesign of its tariff classification. Table 7A below indicates the current classes, load allocation end-user tariffs and Table 7B presents its new proposal.

Table 7A:

KAEDCO - Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.15	3	4.00
	R2S	45.53	860	26.37
	R2T	17.35	328	28.05
	R3	1.66	31	42.74
	R4	0.03	1	45.76
Commercial	C1	11.36	215	31.20
	C2	3.60	68	37.88
	C3	1.30	25	44.22
Industrial	D1	0.86	16	36.95
	D2	0.47	9	39.13
	D3	2.61	49	44.22
Special	A1	1.76	33	33.17
	A2	3.88	73	38.56
	A3	6.63	125	39.13
Street lighting	L1	2.81	53	30.30
Total		100.00	1,889	30.27

Table 7B:**KAEDCO - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	1.50	28	4.00
	R2-SP	50.91	962	38.67
	R2-TP	17.04	322	45.63
	R3	0.86	16	60.32
	R4	0.01	0	68.83
Commercial	C1	10.10	191	44.03
	C2	3.01	57	56.07
	C3	0.89	17	66.51
Industrial	D1	1.49	28	48.14
	D2	0.81	15	56.84
	D3	2.73	52	66.51
Special	A1	1.29	24	49.88
	A2	3.16	60	58.00
	A3	5.90	111	66.51
Street lighting	L1	0.30	6	58.00
Total	15	100.00	1,889	45.40

KANO ELECTRICITY DISTRIBUTION COMPANY PLC (KEDCO)

KEDCO has proposed to maintain its tariff classification with modification on the load allocation to various classes of customers. Table 8A below shows KEDCO's current rate design while Table 8B presents its proposed rate design.

Table 8A:

KEDCO - Existing Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	3.56	66	4.00
	R2A	33.85	624	22.50
	R2B	18.22	336	29.61
	R3	1.09	20	42.63
	R4	0.01	0	42.63
Commercial	C1A	2.16	40	23.69
	C1B	1.70	31	29.62
	C2	4.62	85	40.27
	C3	1.60	29	40.27
Industrial	D1	0.04	1	31.98
	D2	9.34	172	41.45
	D3	15.32	282	41.45
Special	A1	0.35	6	31.98
	A2	3.42	63	31.98
	A3	4.63	85	31.98
Street lighting	S1	0.09	2	24.87
Total		100	1,843	30.08

Table 8B:**KEDCO - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.23%	3.43	4.00
	R2A	52.79%	770.47	38.56
	R2B	7.26%	106.01	43.60
	R3	0.59%	8.68	49.47
	R4	0.05%	0.75	52.82
Commercial	C1A	3.45%	50.41	41.26
	C1B	1.36%	19.82	46.63
	C2	2.34%	34.22	47.27
	C3	1.94%	28.27	49.05
Industrial	D1	0.81%	11.87	46.07
	D2	5.14%	75.08	53.55
	D3	19.40%	283.19	63.28
Special	A1	0.31%	4.52	38.02
	A2	1.22%	17.79	39.90
	A3	3.00%	43.80	40.78
Street lighting	S1	0.08%	1.22	45.17
Total		100.00%	1,459.53	45.13

EKO ELECTRICITY DISTRIBUTION COMPANY PLC (EKEDC)

EKEDC proposed to retain its existing tariff classification and load allocation to various tariff classes. Table 9A presents EKEDC’s current Tariff Classification, Load Allocation and end-user tariffs and Table 9B shows its proposed rate design.

Table 9A:

EKEDC - Existing Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.00	-	4.00
	R2S	37.44	1,081	24.00
	R2T	9.02	260	25.79
	R3	3.56	103	29.00
	R4	5.37	155	29.00
Commercial	C1S	9.42	272	24.00
	C1T	1.10	32	30.00
	C2	13.04	376	36.00
	C3	11.76	340	36.00
Industrial	D1S	0.04	1	24.00
	D1T	0.00	0	30.00
	D2	0.77	22	36.00
Special	D3	4.36	126	36.00
	A1S	0.38	11	24.00
	A1T	0.01	0	24.28
	A2	2.11	61	24.28
	A3	1.57	45	24.28
Street lighting	L1	0.06	2	23.52
Total		100	2,887	28.28

Table 9B:**EKEDC - Existing Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.00	-	4.00
	R2S	37.44	1,081	32.00
	R2T	9.02	260	45.16
	R3	3.56	103	47.00
	R4	5.37	155	47.00
Commercial	C1S	9.42	272	35.41
	C1T	1.10	32	44.50
	C2	13.04	376	55.00
	C3	11.76	340	55.00
Industrial	D1S	0.04	1	32.10
	D1T	0.00	0	33.22
	D2	0.77	22	55.00
	D3	4.36	126	55.00
Special	A1S	0.38	11	30.30
	A1T	0.01	0	30.50
	A2	2.11	61	46.74
	A3	1.57	45	46.74
Street lighting	L1	0.06	2	30.31
Total		100	2,887	42.41

KEJA ELECTRIC (IKEDC)

IKEDC has proposed to maintain its tariff classification with modification on the load allocation to various classes of customers. Table 10A below shows IKEDC's current rate design while Table 10B shows its proposed rate design.

Table 10A:

IKEDC's - Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.00	-	4.00
	R2SP	49.94	1,975	21.30
	R2TP	3.79	150	21.80
	R3	0.41	16	36.49
	R4	0.05	2	36.92
Commercial	C1SP	14.08	557	27.20
	C1TP	1.13	45	28.47
	C2	5.23	207	37.74
	C3	1.39	55	38.14
Industrial	D1	0.19	7	28.68
	D2	1.68	67	38.38
	D3	19.19	759	38.85
Special	A1	0.54	21	26.82
	A2	1.29	51	30.20
	A3	1.05	42	30.36
Street lighting	S1	0.03	1	19.42
Total		100.00%	3,955	27.30

Table 10B:**IKEDC's - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0	0	4.00
	R2SP	24	1,000	31.95
	R2TP	28	1,203	32.70
	R3	1	27	54.72
	R4	0	4	55.38
Commercial	C1SP	8	341	40.80
	C1TP	12	531	42.70
	C2	6	262	56.61
	C3	2	99	57.21
Industrial	D1	1	24	43.01
	D2	2	65	57.57
	D3	11	480	58.27
Special	A1	1	53	40.22
	A2	1	26	45.29
	A3	0	48	45.53
Street lighting	S1	0	1	29.13
Total		100	4,246	40.95

PORT HARCOURT ELECTRICITY DISTRIBUTION COMPANY PLC
(PHEDC)

PHEDC has proposed a redesign of its tariff classification. The current rate design is indicated in Table 11A while the revised proposal is presented in Table 11B.

Table 11A:
PHEDC - Existing Tariff Classification, Load Allocation and End-User Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	0.01	0	4.00
	R2	74.50	1,006	30.23
	R3	1.11	15	48.39
	R4	0.19	3	50.76
Commercial	C1	8.57	116	38.96
	C2	6.19	84	46.72
	C3	3.57	48	48.39
Industrial	D1	0.15	2	41.81
	D2	0.23	3	46.72
	D3	1.91	26	48.39
Special	A1	1.20	16	40.60
	A2	1.14	15	45.58
	A3	1.18	16	49.07
Street lighting	S1	0.07	1	40.62
Total		100	1,351	33.82

Table 11B:**PHEDC - Proposed Tariff Classification, Load Allocation and End-user Tariffs**

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	1	8.8	4.00
	R2 SP	60	810.6	48.50
	R2 TP	12	159.6	50.01
	R3	1	11.2	55.00
	R4	0	6.2	57.00
Commercial	C1 SP	4	55.6	53.00
	C1 TP	3	40.5	55.00
	C2	7	96.4	57.00
	C3	4	54.7	59.00
Industrial	D1 SP	0	0.8	50.00
	D1 TP	0	0.7	52.00
	D2	0	4.0	52.00
	D3	2	33.6	52.00
Special	A1 SP	0	6.1	52.00
	A1 TP	0	4.7	54.00
	A2	2	27.2	63.00
	A3	2	30.3	66.00
Street lighting	S1	0	0.3	63.41
Total		100	1,351	52.38

YOLA ELECTRCITY DISTRIBUTION COMPANY (YEDC)

YEDC is maintaining its current customer classification. Table 12A below indicates YEDC’s current rate design and Table 12B is the proposed revised tariffs by YEDC:

Table 12A:

Existing MYTO 2015 Tariff Classification, Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	7.93	63	4.00
	R2SP	52.21	412	23.25
	R2TP	6.13	48	24.75
	R3	2.10	17	41.22
	R4	0.00	-	0.00
Commercial	C1SP	2.97	23	32.44
	C1TP	2.32	18	34.30
	C2	5.00	39	43.78
	C3	2.95	23	44.88
Industrial	D1S	0.22	2	33.60
	D1T	1.00	8	34.76
	D2	0.09	1	44.46
	D3	3.32	26	45.32
Special	A1S	2.68	21	29.49
	A1T	0.17	1	31.75
	A2	5.03	40	34.02
	A3	5.89	46	37.43
Street lighting	S1	0.00	0	33.39
Total		100.00	789	26.83

Table 12B:
Proposed Load Allocation and End-user Tariffs

CATEGORY	CLASS	Load allocation (%)	Load Allocation (GWh)	End-user Tariffs (N/kWh)
Residential	R1	7.93	63	4.00
	R2SP	52.21	412	35.01
	R2TP	6.13	48	37.27
	R3	2.10	17	62.07
	R4	0.00	-	0.00
Commercial	C1SP	2.97	23	48.86
	C1TP	2.32	18	51.65
	C2	5.00	39	65.94
	C3	2.95	23	67.59
Industrial	D1S	0.22	2	50.60
	D1T	1.00	8	52.35
	D2	0.09	1	66.96
	D3	3.32	26	68.26
Special	A1S	2.68	21	44.41
	A1T	0.17	1	47.82
	A2	5.03	40	51.24
	A3	5.89	46	56.36
Street lighting	S1	0.00	0	50.28
Total		100.00	789	40.25

4. CUSTOMER CATEGORIES – SCOPE & GENERAL DEFINITION

The Commission has approved five (5) categories of customer classes which have been in use since the inception of the Multi Year Tariff regime in the year 2008.

The categories were clearly defined in MYTO-2015 as follows:

Table 13: Tariff Class Descriptions

	Customer Classification	Description	Remarks
1	Residential		A consumer who uses his premises exclusively as a residence- house, flat or multi- storeyed house where people reside.
	R1	Lifeline (50 kWh per month)	
	R2	Single and 3-phase	
	R3	LV Maximum Demand	
	R4	HV Maximum Demand (11/33 KV)	
2	Commercial		A consumer who uses his premises for any purpose other than exclusively as a residence or as a factory for manufacturing goods.
	C1	Single and 3-phase	
	C2	LV Maximum Demand	
	C3	HV Maximum Demand (11/33 KV)	
5	Industrial		A consumer who uses his premises for manufacturing goods including welding and ironmongery.
	D1	Single and 3-phase	
	D2	LV Maximum Demand	
	D3	HV maximum Demand (11/33 KV)	
4	Special		Customers such as agriculture (agro-allied enterprises involving processing are excluded), water boards, religious houses, Government and teaching hospitals, Government research institutes and educational establishments.
	A1	Single and 3 Phase	
	A2	LV Maximum Demand	
	A3	HV Maximum Demand (11/33 KV)	
5	Street Lighting		

In the light of recent industry experience, stakeholders are requested to comment on the following questions:

Consultation Question:

Upon consideration of the submission of the DisCos and to guide the Commission in decision making, stakeholders are expected to comment on the proposed application for the creation of new customer classes, re-allocation of load amongst the customer classes, and the proposed rate review by DisCos, while taking cognisance of the submitted plans for improvement of service level.

Q1. Should the Commission consider the creation of additional customer categories that may not have been fully captured under the current classification?

Q2. Is there any ambiguity in the current customer categorisation to warrant the modification and/or further elaboration on the above narrations so as to reduce the possible incidence of misclassification?

5. LOAD ALLOCATION TO DISTRIBUTION COMPANIES

The provisions of the Market Rules and the Vesting Contracts executed with NBET provide for the predetermined allocation of the total grid energy to the distribution companies. Over the years, some of the DisCos have consistently taken energy from the national grid at levels significantly at variance from their respective MYTO load allocation. The Commission is considering an equitable rebalancing of the load allocation in alignment with load growth over the years and the capacity of the transmission and distribution networks. Table 14, 15 and 16 present the actual energy delivered to all the DisCos, MYTO load allocation and actual percentage of energy taken by the DisCos for the years 2017, 2018 and January to November 2019.

Table 14: Year 2019 Actual load delivered to the Discos (Jan-Nov 2019)

Load Participants	Energy Delivered			MYTO Load Allocation	Differential
	kWh	MWh/h	%	%	%
ABUJA	3,482,063,470	434	13.95%	11.5%	2.45%
BENIN	2,140,119,600	267	8.57%	9.0%	-0.43%
EKO	3,057,283,640	381	12.24%	11.0%	1.24%
ENUGU	2,084,806,450	260	8.35%	9.0%	-0.65%
IBADAN	3,235,173,660	404	12.96%	13.0%	-0.04%
IKEJA	3,486,333,970	435	13.96%	15.0%	-1.04%
JOS	1,155,084,030	144	4.63%	5.5%	-0.87%
KADUNA	1,837,510,380	229	7.36%	8.0%	-0.64%
KANO	1,642,542,300	205	6.58%	8.0%	-1.42%
P/HARCOURT	1,792,225,460	224	7.18%	6.5%	0.68%
YOLA	1,055,592,100	132	4.23%	3.5%	0.73%
TOTAL	24,968,735,060	3,115	100.00%	100.0%	0.00%

Table 15: Year 2018 Actual Load Delivered to the Discos

Load Participants	Energy Delivered			MYTO Load Allocation	Differential
	KWh	MWh/h	%	%	%
ABUJA	3,638,404,477	415	13.52%	11.5%	2.02%
BENIN	2,530,642,324	289	9.40%	9.0%	0.40%
EKO	3,229,179,484	369	12.00%	11.0%	1.00%
ENUGU	2,263,004,630	258	8.41%	9.0%	-0.59%
IBADAN	3,459,943,026	395	12.85%	13.0%	-0.15%
IKEJA	3,526,140,370	403	13.10%	15.0%	-1.90%
JOS	1,251,210,262	143	4.65%	5.5%	-0.85%
KADUNA	2,142,316,940	245	7.96%	8.0%	-0.04%
KANO	1,947,124,178	222	7.23%	8.0%	-0.77%
P/HARCOURT	1,949,376,952	223	7.24%	6.5%	0.74%
YOLA	979,824,440	112	3.64%	3.5%	0.14%
TOTAL	26,917,167,084	3,073	100.00%	100.0%	0.00%

Table 16: Year 2017 Actual Load Delivered to the Discos

Load Participants	Energy Delivered			MYTO Load Allocation	Differential
	kWh	MWh/h	%	%	%
ABUJA	3,380,117,223	386	13.22%	11.5%	1.72%
BENIN	2,323,317,195	265	9.09%	9.0%	0.09%
EKO	3,013,979,028	344	11.79%	11.0%	0.79%
ENUGU	2,379,757,439	272	9.31%	9.0%	0.31%
IBADAN	3,410,312,187	389	13.34%	13.0%	0.34%
IKEJA	2,894,726,084	330	11.32%	15.0%	-3.68%
JOS	1,395,149,409	159	5.46%	5.5%	-0.04%
KADUNA	2,032,912,079	232	7.95%	8.0%	-0.05%
KANO	1,809,776,342	207	7.08%	8.0%	-0.92%
P/HARCOURT	2,089,811,810	239	8.17%	6.5%	1.67%
YOLA	836,892,039	96	3.27%	3.5%	-0.23%
TOTAL	25,566,750,834	2,919	100.00%	100.0%	0.00%

Consultation Question

Should the Commission re-allocate the total grid energy among the Distribution Companies in line with their current load offtake pattern?

SECTION 4

6. REVIEW OF RATES FOR ANCILLARY SERVICES

The TCN has applied for the review of Ancillary Services rates to enable the System Operator procure adequate spinning reserves from GenCos. Spinning reserve is the excess amount of online available generation capacity over the amount required to supply load and available to respond to sudden load changes or loss of a generator. TCN stated that the current Ancillary Services rates under the MYTO model are insufficient to incentivize the provision of the service. As a result, GenCos are not willing to provide Spinning Reserve services that will guarantee grid stability.

To ensure transparency and guarantee that only efficiently incurred cost is passed down to the end-users in the tariff, the Commission directed TCN to undertake a competitive procurement process for Spinning Reserve. The Commission has reviewed the procurement process carried out and has determined its compliance with due process and the extant procurement guidelines.

The outcome of the procurement process has been reviewed by the Commission with primary focus on optimizing the cost of providing the ancillary service, availability of sufficient revenues from the market to fund the contracts, readiness of the plants to ramp up generation at the required rates and availability of fuel to guarantee the providers state of readiness to support the national grid.

The Commission hereby propose to incorporate the prudent costs of providing “spinning reserve” as a means of improving grid stability and mitigating the risk of system collapse. The revised rates have the potential of adversely impacting on rates payable to the Market Operator. It is also noteworthy that, on account of the importance of the provision of ancillary services, amounts payable for ancillary services are “first charge” on the revenues of the Market Operator.

Stakeholders are therefore invited to make general contributions on the application for rate review for the provision of spinning reserves submitted by the Transmission Company of Nigeria Plc.

SECTION 5

7. RESPONSE TO CONSULTATION

The Commission has prepared this consultation document to facilitate stakeholder participation in this regulatory process. Accordingly, the Commission has fixed a closing date of 21 working days from the publication of this Notice on its website for the submission of comments and representations on the review of rate design and spinning reserve from all stakeholders and the general public.

Respondents may submit their input in response to the consultation questions in this document. The submission may include a modification or alternatives to the proposals for further consideration by the Commission. A Public Hearing on the extraordinary tariff review would be held at venues within the franchise areas of all the licensees applying for the review.

The Commission's decision on these proposals shall be incorporated in the MYTO model and an Order issued accordingly upon completion of the consultation process. All reactions, comments, queries and further enquiries should be sent for consideration by the Commission to info@nerc.gov.ng with copies to:

Sharfuddeen Mahmood

General Manager, Market Competition and Rates Division
Nigerian Electricity Regulatory Commission
Plot 1387 Cadastral Zone A00
Central Business District - Abuja
sharfuddeen.mahmoud@nerc.gov.ng

And

Aisha Mahmud

Assistant General Manager- Tariff and Rates
Nigerian Electricity Regulatory Commission
Plot 1387 Cadastral Zone A00
Central Business District - Abuja
aisha.mahmud@nerc.gov.ng