



IKEJA
ELECTRIC

IE/REG/001

February 12, 2020

The Chairman
Nigerian Electricity Regulatory Commission
Plot 1387 Cadastral Zone A00,
Central Business District,
Abuja.

Dear Sir,

RE: ADDENDUM TO IKEJA ELECTRIC PLC'S PERFORMANCE IMPROVEMENT PLAN AND APPLICATION FOR EXTRAORDINARY TARIFF REVIEW OF MYTO-2015

We appreciate the Commission for informing Ikeja Electric (IE) of the revised timeline for the review of the Performance Improvement Plan (PIP) and application for extraordinary tariff review. We hereby write to submit our extraordinary tariff application.

The objective for the extra-ordinary tariff review of MYTO-2015 is to ensure Ikeja Electric adjusts its tariff in line with the Commission's directive that current average allowed Disco tariffs shall be grossed-up by 50% from 1st April 2020 in order to meet the tariff shortfall funding target for 2020 by the Federal Government of Nigeria (FGN).

In view of the above, we have designed the tariffs based on the MYTO tariff model contained in the document, '*Ikeja Disco Tariff Model Jan 2020*' shared with IE by the Commission.

In this application, we intend to create a new tariff class, called Bilateral; a class that is being created for customers that IE has a signed Power Purchase Agreement (PPA) with under a willing-buyer-willing-seller arrangement. In order to provide an efficient and reliable service to customers in this tariff class, cost-reflective tariffs are required to cover the cost of service delivery. Our total bilateral energy procured is currently 200MW, however, bilateral sales in this application, is only the portion of the bilateral energy that has been contracted with customers on a willing-buyer-willing-seller arrangement.

The expected MYTO 2020 and bilateral revenue requirement are provided in the table below.

Tariff Summary	MYTO 2020	Bilateral Sales	Total 2020 for IE
Collected Sales (GWh)	3,955	161	4,116
Revenue Required (N mill)	161,988	8,027	170,015
Average Tariff (N/kWh)	40.95	50.00	41.31

The collected energy sales based on the 50% tariff increase in MYTO is 3,955 GWh, while that of the bilateral sales is 161 GWh. The expected MYTO 2020 and bilateral revenue requirement, are N162bn and N8bn respectively, to give a total revenue requirement of N170bn. The 50% tariff increase is expected to raise the average tariffs from the current level of 27.30 N/kWh to 40.95 N/kWh. The addition of the bilateral sales revenue requirement further increases the average

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tariffs to 41.31 N/kWh. Over the next five years (2020-2024), we have assumed the bilateral revenue requirement will be added to our projected MYTO revenue requirement over the same period. The projected average tariffs range from 41.31 N/kWh in 2020 to 44.24 N/kWh in 2024.

We are also proposing to adjust our tariff weightings in order to ensure that the bilateral revenue requirement forms part of the total allowed revenue.

In the table below, we have applied our proposed tariff weightings to our MYTO load allocation and revenue recovered.

Category	Class	Weighting	Customer Tariffs (N/kWh)				
		(2020-2024)	2020	2021	2022	2023	2024
Average MYTO			40.95	43.38	43.91	44.54	44.07
Average MYTO + Bilateral			41.31	43.62	44.12	44.72	44.24
Residential	R1		-	-	-	-	-
	R2SP	0.81	33.46	35.33	35.74	36.23	35.84
	R2TP	0.88	36.35	38.38	38.83	39.36	38.93
	R3	1.20	49.57	52.34	52.94	53.67	53.09
	R4	1.23	50.81	53.65	54.27	55.01	54.42
Commercial	C1SP	1.00	41.31	43.62	44.12	44.72	44.24
	C1TP	1.10	45.44	47.98	48.53	49.20	48.67
	C2	1.25	51.63	54.52	55.15	55.90	55.30
	C3	1.27	52.46	55.39	56.03	56.80	56.19
Industrial	D1	1.12	46.26	48.85	49.42	50.09	49.55
	D2	1.28	52.87	55.83	56.47	57.25	56.63
	D3	1.29	53.29	56.27	56.92	57.69	57.07
Special	A1	0.98	40.48	42.74	43.24	43.83	43.36
	A2	1.02	42.20	44.56	45.07	45.69	45.20
	A3	1.03	42.55	44.93	45.44	46.06	45.57
Lighting	S1	0.75	30.98	32.71	33.09	33.54	33.18
Bilateral	B1	1.21	50.00	52.79	53.40	54.13	53.55

Our proposed load allocation is also presented in the table below

Category	Class	Load Allocation
Residential	R1	0.00%
	R2SP	23.56%
	R2TP	28.80%
	R3	0.64%
	R4	0.11%
Commercial	C1SP	8.02%
	C1TP	10.21%
	C2	6.16%
	C3	2.33%
Industrial	D1	0.55%
	D2	1.54%
	D3	11.31%
Special	A1	1.24%
	A2	0.61%
	A3	1.13%
Lighting	S1	0.02%
Bilateral	B1	3.78%
Total		100.00%

We look forward to reviewing our tariff proposals with the Commission as required in the timeline for the implementation of extraordinary tariff review.

Please accept the assurances of our esteemed regards.

Yours faithfully,
For: Ikeja Electric Plc.



Anthony Youdeowei
Chief Executive Officer