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NIGERIAN ELECTRICITY REGULATORY COMMISSION

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GUIDELINES ON DISTRIBUTION FRANCHISING IN  
THE NIGERIAN ELECTRICITY SUPPLY INDUSTRY

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## 1. PURPOSE

The purpose of this document is to provide regulatory guidance to distribution licensees ("DisCos") on obtaining the Commission's consent in compliance with section 69(1) of the Electric Power Sector Reform Act ("ESPRA") for franchise arrangements for part of a DisCo's public utility function with the franchisee operating under the terms and conditions of the DisCo's distribution licence. The objectives of these guidelines are to:

- (i) Provide a light-handed framework for approving franchising arrangements of DisCos.
- (ii) Ensure that franchise arrangements of DisCos are designed to improve service to end-use customers.
- (iii) Ensure that the obligations of DisCos under its licensing terms and conditions are not compromised by the franchise arrangement.
- (iv) Ensure that the customer care standards are strictly complied with within the franchise area.

The Commission shall, upon consideration and review of a franchise proposal, issue a "No Objection" to the DisCo to proceed with the franchising arrangement.

## 2. BACKGROUND

The privatisation of DisCos in the Nigerian Electricity Supply Industry ("NESI") had, amongst many objectives, a specific key performance indicator of an agreed level of reduction in technical and commercial losses. With the core investors held accountable for the achievement of the loss targets, the DisCos have to a limited extent adopted some level of outsourcing of activities primarily in the area of revenue collection and distribution system operation. The prevalence of long rural feeders in the distribution systems exacerbated by community challenges in some areas have stimulated business decisions and the evolution of revenue protection schemes and community aggregation models for load clusters that may otherwise remain underserved. The possible benefits of granting a distribution franchise by a DisCo, where feasible, are to:

- (i) Stimulate investments in addressing funding and infrastructure deficits in the distribution sub-sector.
- (ii) Provide investment opportunities for third parties in the distribution sub-sector of the electricity value chain.
- (iii) Improve the quality of service for customers in the provision of adequate and reliable supply of electricity.

