

BEDC/REG/NERC/06/23/089

10th July 2023

The Chairman
Nigerian Electricity Regulatory Commission
Plot 1387, Cadastral Zone A00
Off Shehu Shagari Way
Abuja, FCT, Nigeria

Attn: Musiliu O. Oseni, Ph.d (Vice Chairman)

Dear Sir,

RE: FILLING OF APPLICATION FOR RATE CASE BY BEDC

We write in response to the commission's letter dated 21st June 2023 with reference number NERC/REG/BEDC/DSPONMO/6163/T/1 on the above subject. BEDC is expected to submit updates on its customer tariffs and assumptions to the commission with an updated MYTO model and a justification for the proposed tariff changes. The letter outlines the key changes to the tariffs based on energy, load allocation, tariff weightings tariff spread, and the key projects that will be executed to support the tariff changes (This is submitted as a separate document).

By this letter, we wish to communicate our justifications for the new tariffs.

1. Updated Assumptions used in calculating tariffs.

To update our tariffs, we have made changes to several parameters and will highlight and discuss the key parameters in the sections below.

▪ **General Assumptions**

The general input assumptions used for this analysis are provided in the Table below. These assumptions have been obtained from the December 2022 MYTO Model. For the macroeconomic assumptions, local and US inflation have been held constant over the period at 22% and 5.13%, respectively. The foreign exchange rate has also been held constant over the period at the current official CBN rate in the MYTO of 639 USD/NGN

Table 1 – Macroeconomic Indices

Macroeconomics		2023	2024	2025	2026	2027	2028
Nigeria Inflation	%	22.0	22.0	22.0	22.0	22.0	22.0
US Inflation	%	5.13	5.13	5.13	5.13	5.13	5.13
Forex	Naira	639	639	639	639	639	639

▪ BEDC Energy Delivered

The energy delivery used in this justification represents a 14.6% increase from our actual energy received in 2022. The table below shows the energy delivered to BEDC and collected sales used to determine our tariffs.

Table 2 - Energy Delivered and Collected Sales

Parameter	Unit	2023	2024	2025	2026	2027	2028
Delivered to Transco	GWh	3,293	3,721	4,093	4,503	4,911	5,288
Delivered to Discos	GWh	3,055	3,461	3,817	4,210	4,592	4,944
Collected Sales	GWh	2,524	2,860	3,267	3,706	4,042	4,352

▪ Load allocation

The commission projects that 80% of the energy consumed by Disco customers should go to customers in Bands A to C. We have projected to allocate 78% of our energy to customers in bands A-C as we strive harder to ensure we get to 80%. The tables below show the breakdown of the load allocation used in the model to calculate our tariffs.

Table 3 – Service Band Energy Delivered

Category	Unit	2023	2024	2025	2026	2027	2028
Lifeline	GWh	1	1	1	1	1	1
Band A	GWh	598	678	774	878	958	1,032
Band B	GWh	767	869	993	1,127	1,229	1,323
Band C	GWh	567	643	734	833	908	978
Band D	GWh	282	320	365	414	452	486
Band E	GWh	309	350	399	453	494	532
Total	GWh	2,524	2,860	3,267	3,706	4,042	4,352

Table 4 – Service Band Load Allocation

Tariff Band Breakdown		BEDC 2023 Load Allocation
A	A – Non-MD	6.0%
	A – MD1	5.0%
	A – MD2	12.7%
B	B – Non-MD	12.0%
	B – MD1	7.0%
	B – MD2	11.4%
	C – Non-MD	20.0%
C	C – MD1	2.0%
	C – MD2	0.5%
	D – Non-MD	10.2%
D	D – MD1	0.8%
	D – MD2	0.2%
E	E – Non-MD	11.7%
	E – MD1	0.4%
	E – MD2	0.1%
	Total	100.0%

The load allocation was also adjusted to give the non-domestic customers (MD-1 and MD-2) 40% of the total energy delivered, this is up from the 34% allocation in 2022. We expect that by giving more electricity supply and reliability to those customers we can achieve corresponding revenue improvements from these same bands. This will enable us to improve customer satisfaction, boost service delivery, increase revenues, and improve our ability to settle our market invoices.

▪ **CAPEX**

The MYTO CAPEX provisions for BEDC were maintained in determining the tariffs. This is because the CAPEX provisions are in line with our expected CAPEX expenditure plan to achieve increased revenue.

Table 6 - MYTO CAPEX

		2023	2024	2025	2026	2027	2028
CAPEX	Nbn	7.07	7.07	7.07	7.07	7.07	7.07

Funding Plan

Based on the CAPEX programs listed above, the following funding plans will be used to execute the CAPEX.

- DFI’s/donors – World Bank DISREP – **N1bn**
- BEDC IGR- **N1.5bn**
- Vendor financing- **N4.5bn**

Revenue Projection and Market Obligation settlement

Before our tariff redesign above, a review of BEDC's load allocation showed that energy allocation to commercial & industrial customers stood at 34% and 66% to non-commercial customers. This sub-optimal energy allocation mix contributes significantly to BEDC's underperformance. However, we have already activated our plan to increase load allocation to our commercial customers whose collection efficiency is around 97% on the average.

BEDC will ramp up its efficiencies tremendously to be able to make 100% market obligation settlement with the strategies of improving load allocation to commercial customers to the above projection of 40%, reducing OPEX, source for energy at bilateral sources to be sold at a premium and franchise out high losses area to ensure 100% collection efficiencies.

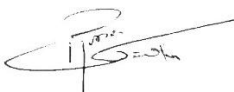
2. Conclusion

Based on the justification outlined in this letter, the presentation of the key assumptions used, and the supporting projects to enable BEDC to achieve incremental revenue and better operational efficiencies, we pray the commission approves the tariffs we have submitted.

The combination of strategic options deployed since the advent of the new management has led to improved operational efficiencies as the disco strives to sustain an upward trajectory in its collection efficiency to enable it to meet its market obligations and achieve sustainable business growth going forward.

Yours faithfully,

For BEDC Electricity PLC



Deolu Ijose
MD/CEO