

19 July 2023

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

Attention- Engr. Sanusi Garba

Dear Sir,

REVISED JUSTIFICATION FOR UPDATE OF EEDC CUSTOMER TARIFFS

This letter is prepared in accordance with the letter NERC/REG/EEDC/DSPONMO/6163/T/1 dated 21st June, 2023 in accordance to minor review process set for July 2023, and Assessment Criteria subsequently shared by NERC. We have further examined the model, assumptions and justifications to provide an updated model and adjusted End User Tariffs. The updated MYTO model is attached with this letter.

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.

a. General Assumptions

The fundamental assumptions utilized for this analysis are presented in Table 1 below. These presuppositions have been extracted from the MYTO Model dated December 2022. In terms of macroeconomic assumptions, both local and US inflation have been maintained at a steady rate of 22% and 5.13% respectively throughout the projected period. The foreign exchange rate has been preserved at a constant level throughout this period, adhering to the existing forex rate used by NBET in the current month billing found in the MYTO, which stands at 743.27 USD/NGN.

Table 1: Macroeconomic Assumptions for Tariff Review

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	743.27	743.27	743.27	743.27	743.27	743.27

2. Justification for ATC& C Loss Trajectory

The following is a justification for the ATC and C loss trajectory presented in this report. Previously all minor and major tariff reviews were based on the ATC & C trajectory that was part of the Performance Agreement at the time of the DISCO acquisition. Although the case of Mutual Non-performance was established,

various interventions could not cure the deviation from the planned performance trajectory. The continued use of ATC & C loss figures from the performance agreement in the MYTO model meant that in practice EEDC would never earn the required regulated revenue. In the case of EEDC, the use of the 11.2% ATC & C loss figure which was assumed to be a terminal figure at the close of the five was misaligned from reality. This figure meant that the EEDC distribution system had a technical loss that is so low than even TCN a transmission company. In addition, an 11.2%-year tariff meant that there is no billing long loss. This was recognized as an industry-wide problem which led to the proposal in the Power Sector Recovery program for a complete reset of assumptions and targets to realign the industry for sustainable improvement. The expiry of the performance agreement and the need for the current call by the Regulator for the DISCOS to submit their Rate cases provide the opportunity for resetting the ATC & C loss trajectory closer to reality.

Although EEDC had submitted a baseline loss level of 52 % in the approved Performance Improvement Plan (PIP), **in this rate case the company has adopted a more aggressive trajectory that starts at 40% for the year 2023 to provide relief to its customers.**

During the period for which the performance agreement was in force, it was clear that a lot of assumptions were far from reality evidenced by the declared two years of mutual non-performance. The continued use of theoretical ATC&C loss targets from the Performance Agreement meant artificially suppressing the amount of regulated revenue to be earned by DISCOs to continue delivering sustainable quality service.

The submission of the rate case provides an opportunity for EEDC to correct this historical anomaly contributing to sector liquidity challenges that are negatively impacting the electricity industry. The submission is also consistent with the recommendations of the PSRP which it was anticipated that there would be a holistic reset of all performance variables so that the industry can be set on a viable trajectory going forward,

The presented trajectory is dependent on CAPEX provision to support aggressive customer metering, improvement in operational efficiency, and enhancement of supply reliability to increase migration of customers from lower to higher tariff band. The tables below show annual CAPEX amounts, Increased energy intake, Level of metering, and corresponding ATC&C Losses.

EEDC will deepen the use of an already deployed Field Force application known as TOP-UP to improve operational efficiency by real-time monitoring and directing of field operations for the commercial and Customer service Cycles. EEDC is procuring AMI to improve the monitoring of meters and the associated revenue protection activities. Part of the CAPEX will be deployed to refurbish and upgrade networks in addition to the scope that has been funded by the Central Bank of Nigeria.

Table 2: The ATC & C loss trajectory has been reset to a more realistic one.

Year	2023	2024	2025	2026	2027	2028
Loss Reduction Commitment		16.67%	14.29%	10.00%	7.41%	8.00%
ATC&C loss target	40.00%	33.33%	28.57%	25.71%	23.81%	21.90%

3. EEDC Energy Delivered

The energy delivered as presented in our submission is a 34% increase from our actual energy received in 2022. The table below shows the energy delivered to Discos and collected sales used to determine our tariffs.

Table 3: Energy Delivered and Collected Sales

Parameter	2023	2024	2025	2026	2027	2028
Delivered to Transco (GWh)	2,726	3,013	3,485	4,012	4,413	4,813
Delivered to EEDC (GWh)	2,507	2,770	3,204	3,689	4,058	4,426

Improving the reliability of the supply of electricity to customers is an important component of business transformation. Customers' willingness to pay for the service is related to the quality and reliability of the service being supplied to them. EEDC Rate Case has included a component for improving the distribution system so that progressively customers can experience more hours of supply and reduced interruptions.

These improvements will be achieved through the implementation of short-, medium- and long-term plans. In the first year of implementation, which is the Year 2023, the CBN-funded projects which are 113 in number will be completed. In the medium-term covering years 2024 and 2025, EEDC is implementing a high voltage distribution network which will result in the construction of a 66KV reticulation from Alaoji Power Station into the existing network in Anambra of state thereby impacting 40% of EEDC business volume. The new network will create possibilities for importing more power into the EEDC network in Anambra State.

This will be supported by a bilateral contract possibly with NDPH where up to 300 megawatts of power will be procured to result in an average of 20 hours or more in the commercial and industrial hub of Anambra State. This scheme will free part of the current energy being procured from the grid system to be diverted to the remaining four states in the franchise area of EEDC below is a table summarizing the CAPEX for lines and substations being constructed as part of the short-term intervention and medium-term scheme that will tap from the 66KV voltage system.

EEDC attempts to carry out prioritized feeder rehabilitation and DT capacity upgrade through relief transformers concurrently with 100% metering penetrations on upper band feeders and migrating lower band feeders into upper bands.

Table 4: Annual CAPEX and Impact Quantum and Reliability of Supply

	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
METERING CAPEX	47,430,708,020	33,460,302,884	20,252,579,676	12,133,705,933	6,281,650,928.69	7,400,000,000
Network CAPEX	54,118,081,707	51,014,964,006	47,755,957,861	46,957,553,537	46,551,833.134.88	
Imported Energy	2507	2770	3204	3689	4058	4426
Average Hrs of Supply	13 HRS	15 HRS	16 HRS	18 HRS	20 HRS	23 HRS
SAIDI	299	279	248	180	120	30
CAIFI	4.81875	4.41	4.06	3.92	3.79	3.36

4. Load allocation

We have been able to allocate 78.2% of our energy to customers in bands A-C. This is in line with our efforts at optimizing our load allocations to the commission’s projections that 80% of the energy consumed by Disco customers should go to customers in Bands A to C. The table below shows the breakdown of our 2023 load allocation used in calculating our tariffs.

Table 5: Service Band Load Allocation

Tariff Band Breakdown		EEDC 2023 Load Allocation
A	A – Non-MD	8.8%
	A – MD1	6.6%
	A – MD2	7.2%
B	B – Non-MD	19.2%
	B – MD1	3.6%
	B – MD2	0.9%
C	C – Non-MD	28.0%
	C – MD1	3.6%
	C – MD2	0.3%
D	D – Non-MD	16.3%
	D – MD1	0.8%
	D – MD2	0.5%
E	E – Non-MD	3.9%
	E – MD1	0.2%
	E – MD2	0.0%
Total		100.0%

The load allocation was also adjusted to give the non-domestic customers (MD-1 and MD-1) 23.8% of the total energy delivered, this is up from the 16.4% allocation in 2022. We expect that by giving more

electricity supply and reliability to those customers we can achieve corresponding revenue improvements from those same bands. This will enable us to improve customer satisfaction, boost service delivery, increase revenues, and improve our ability to settle our market invoices.

5. Tariff Weightings

The tariff weightings used allowed us to equalize the tariff within the bands. We have adjusted the tariff for MD and NMD consumers within the band to have the same tariff as they are on the same feeder and enjoy the same service band availability. Through our focused efforts on feeder maintenance, we expect to improve the supply availability of feeders on designated A&B bands to be at the top of the band hour. The table below shows the exact weightings used in calculating the tariffs.

Table 6: EEDC Tariff Weightings

	Tariff Band Breakdown	EEDC Tariff Weightings
A	A – Non-MD	1.10
	A – MD1	1.10
	A – MD2	1.10
B	B – Non-MD	1.06
	B – MD1	1.06
	B – MD2	1.06
C	C – Non-MD	1.01
	C – MD1	1.01
	C – MD2	1.01
D	D – Non-MD	0.81
	D – MD1	0.86
	D – MD2	0.86
E	E – Non-MD	0.81
	E – MD1	0.86
	E – MD2	0.86

6. REQUIRED OPEX TO SUPPORT THE RATE CASE

The Nigerian economy is evolving, necessitating changes within our business operations. These adjustments span various sectors of our operations, primarily centered on staff compensation, infrastructure repair, vehicle leasing, insurance coverage, procurement of operational tools, and third-party engagement.

Firstly, it is essential to acknowledge that our staff has not experienced a general salary review since 2013. The realities of the current Nigerian economy have prompted employees' demand for an increase in salaries. This situation signals the anticipated rise in staff salaries, which will affect our financial planning.

Secondly, our distribution network requires comprehensive repair and refurbishment to ensure the improved quality of energy for our customers. A better-quality power supply will not only satisfy our customers but also enhance our revenue.

Thirdly, to ensure comprehensive coverage of our expansive and challenging franchise area, an increase in the number of hired vehicles for our monthly cash drive is necessary. This need arises from the critical requirement to reach all areas during these regular drives. Also, an increased insecurity situations leading to rampant vandalization and attacks on staff by restive communities are risks which need to be addressed through increased expenses and additional security provisions, rapid response teams for fault restoration and emergency maintenance activities.

Fourthly, we anticipate leasing additional operational vehicles to enhance coverage and quick response to faults and damages to facilities. Many of our leased vehicles, over eight years old, require replacement to maintain efficiency.

Fifthly, given the need to refurbish and procure new operational equipment, increasing insurance coverage over personnel and equipment is paramount. This adjustment will inevitably lead to an increase in our insurance expenses.

Next, the procurement of new operational and revenue collection tools is on the horizon. Items such as ladders, safety belts, boots, hard hats, and earthen rods will need to be purchased, thus increasing our financial requirements.

Further, all suspended Health Maintenance Organizations (HMOs) for our staff will be renewed, leading to an increase in our HMO-related expenditures.

Moreover, the anticipated increase in revenue collections will necessitate the engagement of more third-party agents, which will lead to a surge in commissions paid to our collection agents. There would also be an increased expenditure on communication, bandwidth requirements increase due to SCADA, AMI, automation, smart prepaid meters and digital transformation.

Importantly, we also foresee that the current inflationary trend, around 20%, will affect all our operational costs. The repair and refurbishment of our own long-parked, broken-down vehicles, due to lack of funds, will also require attention.

The removal of the fuel subsidy by the Federal Government will inflate fueling costs by over 300%, directly affecting our operating expenses.

Lastly, the convergence of official and parallel foreign exchange rates has led to a further devaluation of the Naira, which will have a significant impact on the operational cost of the company.

In essence, these anticipated changes underscore the need for strategic planning and adept financial management to ensure the company's successful navigation through the changing economic landscape.

Table 7: OPEX breakdown per year

OPEX (NBn)	2023	2024	2025	2026	2027	2028
Staff salaries	7.6	9.1	10.9	13.1	15.7	18.8
Network O&M	2.6	3.2	3.8	4.5	5.4	6.5
Billing & Collection Expenses	2.2	2.6	3.1	3.8	4.5	5.4
Admin & Other Overheads	15.5	18.6	22.3	26.8	32.1	38.5
Total	27.8	33.4	40.1	48.1	57.7	69.3

7. REQUIRED CAPEX TO SUPPORT THE RATE CASE

The committed improvement in the level of supply in the franchise area of EEDC is based on computed CAPEX investments which is one of the input variables in the MYTO model. The CAPEX investment is dimensioned to achieve 100% customer metering by 2026. The CAPEX also includes works meant to improve network reliability through refurbishment of lines, reinforcement of substations upgrades of infrastructure where capacities are inadequate.

Table 8: Historical CAPEX comparison between Allowable and actual

	Allowed CAPEX	Actual CAPEX	Variance	Explanation
2023	5,100,176,296	566,626,906	(-)	In the later years, CBN capex augmented the CAPEX
2022	5,100,176,296	3,306,931,273	(-)	
2021	5,100,176,296	5,577,985,949	(+)	

Table 9: MYTO CAPEX

	2023	2024	2025	2026	2027	2028
CAPEX (Nbn)	15.8	34.5	29.2	20.7	14.8	14.8

Table 10: Summary of Required CAPEX to support the Rate Case

CAPEX	Financed by	Year 2023	Year 2024	Year 2025	Year 2026	Year 2027	Year 2028
Metering	VENDOR/IGR	47,430,708,020	33,460,302,884	20,252,579,676	12,133,705,933	6,281,650,928	7,400,000,000
Lines	VENDOR/IGR	1,792,350,302	2,185,053,228	1,520,413,829	1,571,522,192	1,077,999,641	
Substation Upgrades	VENDOR/IGR	27,419,673,182	27,419,673,183	27,419,673,184	27,419,673,184	27,419,673,184	
Tools and Equipment	VENDOR/IGR	2,780,080,723	1,830,488,714	1,598,528,565	1,308,095,596	1,225,236,647	

8. Revenue Projection and Market Obligation Settlement

Before the Rate Case redesign, a review of EEDC's load allocation showed that energy allocation to commercial & industrial customers stood at 16.3% and 83.7% to non-commercial customers respectively. This sub-optimal energy allocation mix contributes significantly to EEDC's underperformance. This necessitated the need to redesign the weighting between tariff categories during this submission. The tariff weighting proposed is such that 23.8% of energy allocation is allocated to commercial customers and the impact is such that an increase in the energy allocation, will increase monthly expected revenue which will in turn enable EEDC to meet its market obligations.

Notwithstanding the statement above, some factors should be taken into account emanating from how the market has evolved and performed over the years and the impact on meeting market obligations. One key factor is the treatment and impact of NBET interest on EEDC balance sheet. The Supplementary Transitional Electricity Market (TEM) order allows NBET to charge interest at NIBOR plus 4% on unpaid energy bills to the Discos. In determining the Minimum Remittance Order (MRO), NERC takes into account

the ATC&C loss level commitment, the required revenue, the sculpted tariff, etc. The Minimum Remittance Order (MRO) prescribes the percentage of NBET invoice that a Disco must pay. NERC reviewed and reconciled EEDC compliance to minimum market remittance with the Tariff Shortfall for the period 2013 to 2020. Based on this review and reconciliation, NERC has determined that EEDC had overpaid NBET about N30 Billion. This amount has been used to supplement shortfalls in market payments. This is consistent with a **NERC order**¹ issued in 2022 that mandated EEDC's overpayment to be deducted, over time, from NBET's future invoices.

Going forward EEDC has been utilizing part of this surplus to top up on monthly NBET payments in months when the collected cash has been insufficient to meet market obligations consistent with NERC orders.

Despite EEDC meeting its obligation in full according to the NERC order, NBET has been charging interest on the "perceived market payment shortfall".

Since EEDC had overpaid NBET over the analysis period, NBET's interest charges are erroneous, unjustifiable, and inconsistent with the Minimum Remittance Order set by NERC for the years when EEDC payments are deemed to be in surplus. This erroneous liability is currently recorded in EEDC financials until NERC decides to order NBET to correct the error.

There are additional errors observed in NBET bills to the extent that EEDC reconciliations shows that EEDC in surplus of approximately 22bn as at December 2022. Equally EEDC computation shows that the misapplied interest charges to be expunged have grown to 203.5 billion naira as at end of financial 2022. This huge incorrect liability compounds the EEDC challenge to raise the required BG top-up as it increases its power intake.

¹ Order Ref: Order No NERC/ 331/ 2022 dated 1st July, 2022

9. Accelerating Projects & Improvements to Enable Investments

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

1. Liquidating Financial liabilities

The Enugu Electricity Distribution Company (EEDC) has prioritized enhancing its revenue collection and improving its collection efficiency to mitigate liquidity challenges. Since 2022, EEDC has been utilizing an advanced block-chain based technology-based platform along with an online application-TOPUP, that offers real-time visibility into commercial activities conducted by its staff, including marketing personnel, feeder managers, service center managers, and District Business Unit Managers.

TOPUP provides actionable customer data regarding payment behaviors, debt status, and customer-staff interactions. To encourage widespread adoption of the app across all commercial processes, the company has implemented a system where field staff can earn loyalty points for using the application. These points can be converted into cash incentives when targets are met. Field staff can accrue points

by logging their attendance, achieving successful customer payment responses, disconnecting, reconnecting services, and onboarding unauthorized consumers

The implementation of TOPUP has resulted into increase collection efficiency from 77% to 89% between the first and second quarters, resulting in an estimated additional annual revenue of approximately 15 billion. As of now, the execution of this initiative is progressing as planned. This significant boost in monthly collections is expected to generate sufficient cash flow to meet EEDC's market obligations before the depletion of the market payment surplus, anticipated to last until June 2023. The plan's success largely hinges on enhanced visibility and control over field operations.

Apart from Top-Up, EEDC is also implementing the Accelerated Settlement of Arrears Project (ASAP) in 2023 to increase arrear recovery. This project is expected to contribute annually 12.5 billion Naira to the collections this financial year. As of January 2023, EEDC customers owe over 161 billion Naira, offering a significant opportunity for the company's financial turnaround.

Before ASAP, EEDC had been operating the One Time Payment Scheme (OTS) since 2021, which collected arrears of N5.1 billion and N4.5 billion in 2021 and 2022 respectively. However, the declining trend in collected amounts necessitates a new, innovative scheme - ASAP. This redesigned scheme provides a wider scope for revenue collection through graded discounts, redefined qualifying requirements, and employee incentives for successful transactions.

The introduction of employee incentives for promoting the OTS scheme is designed to increase its coverage and throughput. Furthermore, it's intended to extend the arrears recovery drive beyond the limited number of Revenue Recovery Group (RRG) and Revenue Protection Group (RPG) team members. A new performance monitoring application will provide visibility to track the arrears recovery process.

2. Claim /Seek Regulatory Adjustments

Some claims require Regulatory ruling. These include the settlement of liabilities between EEDC and APLE after ceding off two districts to Geometrics. There is an impasse on the sharing of current assets and liabilities. Similarly, Inner Galaxy illegally exited from the EEDC network thereby creating CTC liabilities that are yet to be agreed upon and settled. Finally, the failure of NBET to expunge disputed interest standing as EEDC's liabilities remains unresolved

3. Seek redressal to impact on business due to insecurity in the SE region

Business activities in the region are suspended every Monday due to a mandatory stay-at-home campaign, affecting both EEDC and its customers. Similar disruptions occur whenever there is a court case. Additionally, there are areas where, despite the supply of electricity, revenue collection enforcement is not possible. Regulatory relief could significantly contribute to sustaining the business. EEDC has submitted to the NERC the revenue loss due Sit-at-Home, Vandalism, and the incessant insecurity conditions which have severely impacted business operations and revenue collection of

EEDC. A suitable mechanism of compensation after verification of these losses through joint inspection of the restive and NO-GO areas is expected as support from NERC and FGN.

4. The Rate Case Impact on End-Use Metering

This Rate Case is structured to encompass an ambitious metering initiative, to achieve complete metering in less than 36 months. The metering of customers fosters transparency in electricity payment transactions, which in turn optimizes revenue collection efficacy. The metering strategy of EEDC, which supports this Rate Case, has three essential components: the National Mass Metering Phase One program, the MAP metering, and vendor financing schemes, all targeted specifically toward residential customers.

EEDC is implementing franchising schemes beginning with Anambra, subsequently Enugu, and finally IMO states. The franchising process in Anambra is progressing well, with initial discussions indicating potential procurement of up to 500,000 meters set to be installed in 2024 and 2025. Additional tranches of 250,000 vendor-financed meters each are planned for Enugu and Imo states, with installations slated for 2025, following the implementation of the franchise schemes. These supplementary meters are in addition to MAP meters and those provided via government interventions such as NMMP phases 1 and 2.

Presently, EEDC is increasing its MAP installation rate from 600 to 1,000 installations per day. Furthermore, the company has been assigned 467,000 meters under NMMP 1.

EEDC acknowledges that metering without a solid revenue protection plan cannot yield the desired outcomes. Consequently, the company is procuring Advanced Metering Infrastructure (AMI) to supervise metering system performance and curtail electricity theft via meter bypasses, thereby

minimizing losses. Moreover, the AMI system will feed data into a meter management system, facilitating energy balance, enhancing SBT compliance of the supply system from the interface with TCN, and improving tracking down to individual customers via various feeders and transformers. Any detected anomalies will be promptly identified and rectified.

5. Planning Meters through NMMP-1, DISREP

Table 12: Summary of Metering Plan

Metering Scheme	National Mass Metering Ph- 1	Vendor Franchise (Anambra Region)	Meter Asset Provider (MAP)	Vendor Finance	Total
Non-MD Allocation	467,404	500,000	101,989		1,069,393

Table:13 Metering Suspended Customers and Debulk Communities

Meter Type	Unmetered Active	Unmetered Suspended	Additional Growth	De-Bulked	Total
NON-MD	422835	278304	255254	113000	1069393

Table 14 Metering Plan under NMMP Phase 1

DSITRICT	Metering Plan under NMMP Scheme	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	Total
	ABAKALI DISTRICT	29354	1100	1109	1700	1700	1500	1525	1000	1250	1700	1800	1700	1533	1487	1500	2000	2100	2300	2350
ABAKPA DISTRICT	37768	1800	2369	2311	2395	2795	2395	2395	2395	2395	1622	2375	1711	1712	1596	2369	1369	1369	1369	37768
AWKUNANAW DISTRICT	36266	1143	1143	1429	1911	2000	2300	2200	2100	2000	2200	2300	2110	2429	2429	2143	2143	2143	2143	36266
MBAISE DISTRICT	44223	2000	2251	2563	2200	2188	2300	2200	2700	2600	2200	2300	2350	2429	2429	2900	3079	2823	2711	44223
NEW OWERRI DISTRICT	45035	1251	2300	3000	2188	2952	2188	2188	2188	2000	2230	3110	3000	2600	2567	2600	2251	3222	3200	45035
NSUKKA DISTRICT	25475	701	1700	876	1200	2910	2350	1227	2910	2350	1227	1227	1976	976	876	701	767	800	701	25475
OGUI DISTRICT	29573	1500	1700	1450	1641	1700	1725	1641	1600	1800	1993	1600	1437	1172	1437	1344	1750	1442	1442	29573
ORLU DISTRICT	27278	700	700	1330	2200	1500	1267	2200	1700	1550	1600	1900	1275	1300	1500	1528	1728	1800	1500	27278
OWERRI DISTRICT	103249	4990	4950	5057	5700	5200	6100	5350	5900	5620	4726	5800	6727	5727	5927	6835	5950	6800	5890	103249
UMUAHIA DISTRICT	89183	5921	6030	5905	5701	3300	4550	5670	3922	4900	5060	4900	3907	5589	5900	4300	4806	3800	5022	89183
Total	467404	21106	24252	25621	26836	26986	26675	26155	26706	26715	25238	26852	26853	25685	26012	26040	26537	26807	26328	467404

6. Vendor Financing for Meters

EEDC is exploring vendor financing options through two distinct schemes. Firstly, EEDC as part of its franchise initiative is in discussion with Anambra state to support vendor financing to close the metering gap within the state of Anambra. It's envisaged that several investors will syndicate to close the 500,000-metering gap. The actual framework is yet to be finalized.

Similar Vendor financing metering Schemes are planned as part of franchise arrangements in Enugu, IMO, Abia, and Ebonyi States.

Secondly, EEDC has run a vendor procurement process and is in discussion to engage mini-franchise arrangements in restive clusters under a model of Build-Operate-Transfer where the vendor will install meters and collect revenue on behalf of EEDC.

Table 15 Metering Plan under Vendor Financing

District	Metering Plan under Vendor Franchising Scheme	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	M13	M14	M15	M16	M17	M18	Total
AWKA DISTRICT	82651	4320	4000	4220	4701	3462	4550	5270	3922	4922	5060	4900	3907	5589	5900	4300	4806	3800	5022	82651
EKWULOBIA DISTRICT	75536	3900	3543	4056	3800	4200	4100	4250	4814	4600	4726	3800	3800	3797	3900	4700	3950	5800	3800	75536
NNEWI DISTRICT	105047	4990	4950	5157	5900	6200	6100	5350	5900	5620	5224	5800	6727	5727	5927	6835	5950	6800	5890	105047
OGBARU DISTRICT	55790	3251	3300	4155	4188	4952	2588	3388	2188	2000	2230	3110	3000	3600	2567	2600	2251	3222	3200	55790
OGIDI DISTRICT	108035	6190	6936	5057	5700	5200	6100	5350	5900	5620	6726	5800	6327	5727	5927	6835	5950	6800	5890	108035
ONITSHA DISTRICT	72941	2000	3000	4250	3000	3300	4550	5044	3922	4900	4060	4900	3907	3620	4560	4300	4806	3800	5022	72941
Grand Total	500000	24651	25729	26895	27289	27314	27988	28652	26646	27662	28026	28310	27668	28060	28781	29570	27713	30222	28824	500000

7. Network Projects through FGN

EEDC is implementing CAPEX projects that were carefully designed to increase service band availability reliability and increase the quantum of supplied Enugu in underserved areas. This will boost commercial performance through increased sales and promotion service bands from lower bands to higher bands

8. Exploring Embedded Generation

EEDC is in discussion with several investors such as Phoenix, and Konecia for a 24 MW waste-to-power embedded generation in Anambra and PowerGen to collaborate in the provision of embedded generation in underserved clusters such as Okigwe. The MOUs for collaboration for feasibility studies and technical planning have been signed and are progressing ahead to create a case for investments in selected areas

9. Planning Source power through Bilaterals

EEDC is in discussion with NDPH to agree to procure power for selected key customers including Anambra Airport. Additionally, EEDC is collaborating to source bilaterally, 300 MW of power from the upcoming NDPHC Aloajie Power Plant through a dedicated transmission system at 66kV (HVDN project) sub-transmission system. The project is in an advanced stage for sourcing investments and financial closure approvals. Going forward the relationship will be expanded to procure more power to meet its growing demand

10. Exploring Franchising state geographies

EEDC is exploring the implementation of the NERC-approved franchising model in collaboration with the five states in its franchise area. Starting with Anambra where an MOU has already been signed and discussions are advanced to actualize the franchisee framework. This framework would be implemented in other states as well. We are initiating discussions with Enugu and Imo State Governments to replicate the Anambra Franchisee framework.

11. Funding Plan

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

CAPEX financing will be sourced through EEDC IGR, Vendor financing, FGN-Siemens funding, DFI's/donors – World Bank DISREP and other Institutional Investors

10. Conclusion

Based on the tariffs outlined in this justification letter, the presentation of the key assumptions used, the supporting projects, and improvements EEDC plans to achieve incremental revenue and better operational efficiencies. The submission also includes the MYTO model Excel sheets which contain the detailed computation and proposed End user Tariff. We pray the commission approves the tariffs we have submitted.

The combination of strategic options deployed to date 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: Enugu Electricity Distribution Company

Praveen Chorghade

Managing Director/Chief Executive Officer