

POWER SECTOR REFORM IN NIGERIA: THE NIGERIAN ELECTRICITY REGULATORY COMMISSION MUST CONSIDER METER ASSET PROVIDERS

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Overview

The Nigerian Electricity Regulatory Commission (**NERC**) has announced that taking effect from 1 April 2020, it will be implementing reviewed electricity tariffs in line with its Multi-Year Tariff Order (**MYTO**) which reflects increases that were supposed to have been implemented between 2016 and 2018 but were not.

The Energy Tariff Review and Meter Access Providers

The recently concluded upward review of energy tariffs under MYTO-2 has proved necessary due to the illiquidity issues plaguing the Nigerian power sector. However, as NERC reviews energy tariffs for retail kwh, it must consider and address the effects of deleterious policies on the business of meter asset providers who play a key role in Nigeria's power decentralization policy/ agenda. With the retail price of meters fixed at the regulatory level, including any financing options available to consumers, the [35%] increase in import tariffs for meters has left meter asset providers holding the short end of the stick as they navigate the energy supply market.

The import tariff increase was implemented by the Ministry of Finance [in July 2019, with a backdated effect] without any stakeholder engagement and was unsupported by any policy statements or plans defending the policy and explaining its rationale and effect. This has resulted in stranded meters at Nigerian ports and the rush by MAPs and meter suppliers to refinance their assets for the new tariff costs. Despite the perilous state of the meter supply business, NERC's upward review of electricity tariff ignores the MAPs and only considers the illiquidity concerns of the Power Generation Companies (**GenCos**) and the Nigerian Bulk Electricity Provider Plc (**NBET**). GenCos and NBET are important stakeholders for this purpose but are not the only variable to be considered when reviewing tariffs, especially where the MYTO-2 review is being sold as an upward review to reflect some of the market cost of supplying electricity.

The situation with the meters is made even more urgent by the fact that Nigerian consumers of electricity prefer metered billing to estimated billing. Recently, news reports highlighted the residents and civil society



protest in Enugu over the alleged decision of Enugu Electricity Distribution Company to remove residents of the South East region from the prepaid metering system. It is without doubt that estimated billing is an untenable and untransparent way to measure and sell energy and Nigerian consumers have rejected it in favour of metered bills. However, if meters are out of consumers' reach due to the unavailability of meters and/ or meter asset providers in the market, electricity supply in Nigeria will revert to estimated billing, a system which benefits the DisCos to the detriment of the consumers.

NERC, as an agency of the Federal Government and a regulator protecting consumer interests, should engage with the Ministry of Finance concerning a reconsideration of the increased import tariff policy and its implementation. The Ministry of Finance is responsible to the Federal Government and the Nigerian citizenry, [more than half of whom] are purchasers of electricity from the grid, to defend any policy move it makes, especially where such policy action directly impacts Nigerian consumers as this import tariff increase does.

The MAPs have also dropped the ball in the level of consumer engagement and public relations they have undertaken on this issue. As a service provider on the distribution end of

the Nigerian Electricity Supply Industry, consumers' may view the MAPs as a part of the Discos, even if their interests are distinct from that of the DisCos. Furthermore, with DisCos under scrutiny, the issues surrounding the provision of meters will be subsumed in all other DisCo issues, with DisCos who have no interest in pushing the meter supply agenda. MAPs and their representatives are responsible to bring these issues to the forefront of the public consciousness and keep them there with regular consumer engagement.

Conclusion

In the end, for all Nigerians to be metered successfully, all participating government ministries and agencies need to consider the MAP as an equally important player in Nigerian power space and create a viable environment for them.

* **Brooks & Knights Legal Consultants (BKLC)** is a law firm established in Lagos, Nigeria to provide bespoke legal advisory and policy consulting services to individuals, corporates, government agencies and NGOs.

