

ELECTRICITY >>

Eligibility: Why TCN wants high power users taken from DisCos

...N1.5bn market shortfall may worsen - ANED

By Simon Echewofun Sunday

It was a tense atmosphere recently at a public hearing in Abuja where the Transmission Company of Nigeria (TCN) requested that the Nigerian Electricity Regulatory Commission (NERC) nullified the Transition Electricity Market Supplementary Order (TEM SO) so that high power customers with the 11 Distribution Companies (DisCos) could become eligible customers.

Daily Trust in this piece dissects the various views stakeholders presented at the hearing.

The power sector was privatized in 2013, and NERC launched an Interim Rule for the Nigerian Electricity Market (NEM) to operate shortly after. All the market participants, including the new private firms, were registered by the Operators of the Nigerian Electricity Market (ONEM), a section of TCN also called the Market Operator (MO).

However, in 2015, the then leadership of the Federal Ministry of Power advised NERC to declare TEM, which allocated customers serviced by TCN earlier to the DisCos. TEM was meant to engender 100 per cent payment for energy delivered to customers by DisCos.

The reverse has however been the case as their revenue performance had continued to dip and is presently below 40 per cent monthly remittance for energy delivered to customers, statistics from the Nigerian Bulk Electricity Trading Plc (NBET) shows.

A presentation by the Managing Director of TCN, Mr. Usman Gur Mohammed, at the hearing showed that the Supplementary Order empowered the DisCos to get allocated energy in accordance with the Multi Year Tariff Order (MYTO) which will be 'calculated' to include 330/132 kilovolt (kV) customers directly connected (customers directly connected to the transmission network).

The order however deliberately left out other 330/132kV customers that are in the export and bilateral contract category. Section 19.b categorically states that, "The DisCos shall devise a plan for invoicing and collection of same from 330/132kV customers in their respective licence geographical areas, subject to the approval of the Commission."

But TCN arguing out a part of the order said the DisCos took the money while TCN is asked to disconnect defaulters. "This class of customers, mostly industries, and referred to as special customers who do not pay their bills on time and in full shall be disconnected by the Transmission Service Provider (TSP), another arm of TCN upon a DisCo's request after giving such customer a 30 day grace period."

TEM SO conflicts with superior laws

Experts who agreed with the position of TCN termed this as conflicting because while the DisCos are empowered to collect money from the 330/132kV, 33kV, 11kV and other connected customers, they can disconnect the other categories but have no power to disconnect 330/132kV customers except instruct by TSP to do so.

Basing his argument on this, Mr Mohammed said, "DisCos are made to reap from where they did not sow; while TSP bears the financial burden for anything that goes wrong."

TCN noted that the risk and cost of connecting and disconnecting such defaulting customers was not factored into the order by NERC and further exposed TCN to litigation by those customers who would

argue why they should not be disconnected.

Daily Trust observed that, Section 100 of the Electric Power Sector Reform Act (EPSRA) 2005 explains the Grid Code which is the second highest enforcement law in the power sector. The code sees DisCos as having customers only from 33kV lines downwards.

The TEM SO also deflated itself because in Sections 3 and 4, it said the law shall be read in line with the existing TEM, Market Rule and the Grid Code. Specifically in Section 4, it says "In the event of a conflict between any provision of this Order and the Ruling Documents, the Ruling Documents shall take precedence."

...as eligible customer policy is delayed

TCN suggested that these customers should be converted to eligible customers and allowed to contract power directly from the Generation Companies (GenCos) while the transmission network conveys the power to them.

The Eligible Customer Regulation was unveiled on November 7, 2017 by NERC but since then, the commission has not formally given a permit to any of those customers who have shown interest as legal backing to contract energy from GenCos.

Daily Trust reports that about five companies have been contracting power directly from Kainji and Jebba GenCos since 2018, however officials for the GenCos said NERC has not formally recognized them, making it a source of worry for the industry.

A top official of the Bureau of Public Enterprises (BPE) recently opposed the move saying it had advised NERC to put it on hold because it would further worsen the liquidity situation of the DisCos if such customers are taken to GenCos directly. The official said the action was pending for when BPE and NERC complete work on resetting the power sector, our reporter gathered.

Order repeal could worsen N1.5bn shortfall

At the hearing, the Association of Nigeria Electricity Distributors (ANED) told NERC that amending TEM could plunge the electricity market beyond the current N1.5 trillion operational shortfall.

Regulatory Specialist at ANED, Prince Adetunji Adeyeye, said NERC lacked the power to amend TEM. "TEM itself is not something that NERC can declare null and void because it doesn't come under the review processes under Section 50 which declares what you can actually review," he said, adding that only the court can grant that or an amendment by the National Assembly.

Some of the GenCos told the three-member NERC panel that the amendment of TEM will greatly have impact on the eligible customer regulation that allows GenCos to sell power directly to end users but that is yet to gain fame due to the TEM hiccups.

Disagreeing with the stand of the DisCos, President of MAN, Engr. Mansur Ahmed said, "We support the presentation by TCN because we see in it the opportunity to bring self-improvement and availability in the power we are getting."

NERC to consider all views

Chairman of the panel and Vice Chairman of NERC, Engr. Sanusi Garba, said the commission would consider the various submissions and take a decision on either to retain the TEM SO content or alter it. But until then, the DisCos would keep collecting revenue from those customers while TCN remains responsible for maintaining the lines and services.

CORPORATE IMAGES



■ From left: Managing Director, Aliko Dangote Foundation, Zouera Yousoufou; Chairman/Founder, Aliko Dangote Foundation, Aliko Dangote; Executive Secretary, UN Economic Commission for Africa (UNECA), Vera Songwe; Founder/Chair, Mo Ibrahim Foundation, Mo Ibrahim, and Executive Director, Dangote Industries Limited, Halima Aliko Dangote, at the 2019 Ibrahim Governance Weekend (IGW), a flagship of Mo Ibrahim Foundation, in Abidjan, Cote d'Ivoire at the weekend.



■ From left: Directorate Head, Service Bank/Chief Information Officer, Heritage Bank Plc, Ike Williams; Chief Compliance Officer, Oluwatomi Ojo; Executive Director, Jude Monye; outgoing General Manager/Chief Compliance Officer, Wumi Adeniyi; Directorate Head, South South and South East, Osepiribo Ben-willie; and Regional Executive, Lagos & South-West Office, Dike Dimiri, during send forth of out-going General Manager/Chief Compliance Officer of Heritage Bank Plc at the Bank's head office in Lagos yesterday.

Photo: Heritage Bank



■ The Governor of Enugu State, Ifeanyi Ugwuanyi at National Pension Commission (PenCom) Stall at the ongoing 30th Enugu International Trade Fair being briefed about the Micro Pension Plan, by Carol Alex-Uzomah, Assistant General Manager of Pencom, in Enugu yesterday.



■ From left: Clerk, Senate Committee on ICT/Cybercrime, Mr. Ayoh Ogon; President (CSEAN), Remi Afon; Minister of Communications, Dr. Adebayo Shittu and Vice President (CSEAN), Dr. Ismaila Idris during Cyber Secure Nigeria 2019 conference in Abuja recently.