ANALYSIS

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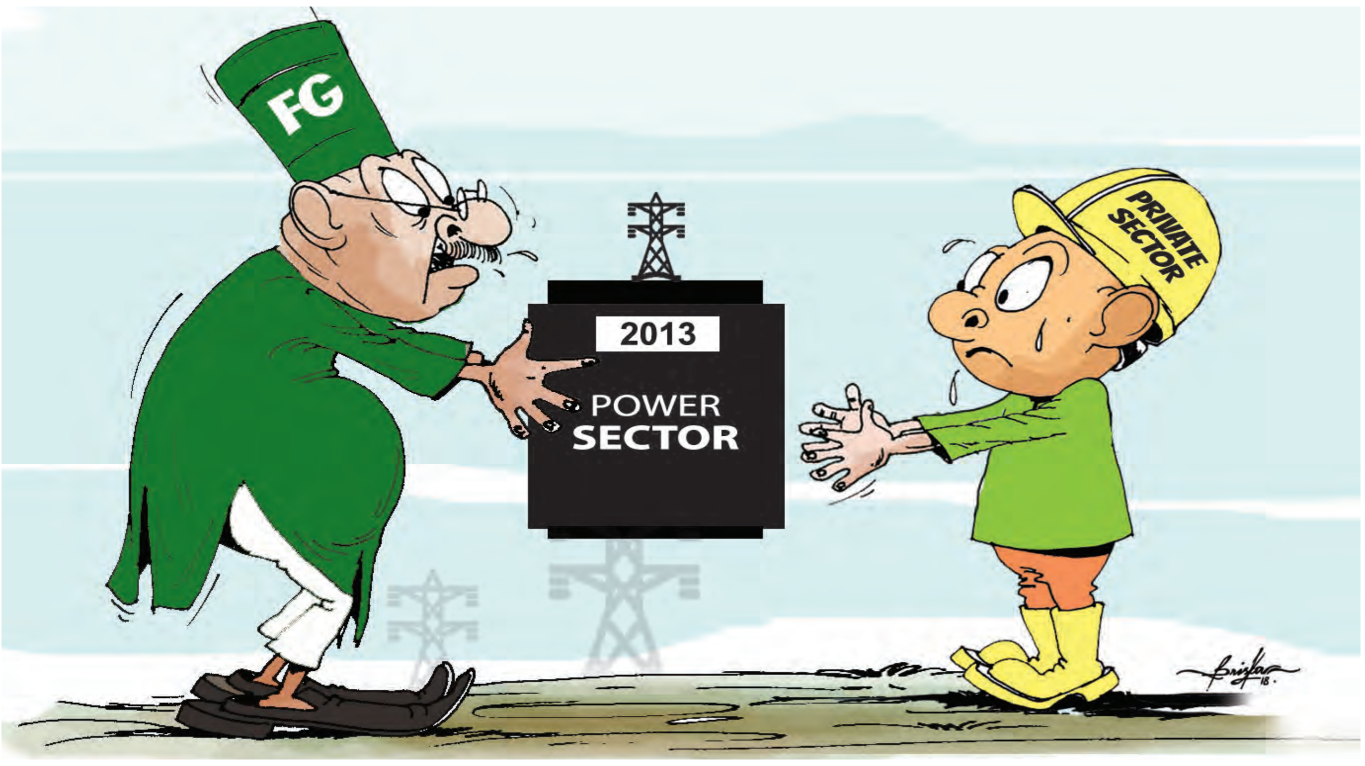

Electricity: Protests, progress as privatised sector clocks 5

...Experts, consumers differ

"Ask yourself if you use your generator longer today than in 2015 or if you spend less on diesel today than in 2015, or if you are getting power supply longer today than in 2015?" This was the poser from the Minister of Power, Works and Housing, Mr. Babatunde Fashola, at the special town hall meeting on infrastructure in Ibadan, Oyo State, recently.

However, some stakeholders, including customers and industry operators, have varied ratings of the privatised power sector which became five years old last Thursday.

Many utility firms were privatised on November 1, 2013.

Many Nigerians had expected the sector to work like magic immediately a former Vice President and Chairman, National Council on Power (NCP), Namadi Sambo, handed over 60 per cent control of 10 Distribution Companies (DisCos) and concessioned six Generation Companies (GenCos) initially after receiving $3bn from private investors.

The Federal Government stripped all public power utilities except for the Transmission Company of Nigeria (TCN) which was then under a three-year management contract by Manitoba Hydro International Nigeria Limited (MHINL).

The transaction, supervised by the Bureau for Public Enterprises (BPE), designed Conditions Precedent (CP), especially on the need for DisCos to reduce the Aggregate Technical, Commercial and Collection (ATC&C) losses and for the GenCos to rehabilitate turbines and raise the actual generation capacity which was around 4,500 megawatts (MW).

The industry regulator, the Nigerian Electricity Regulatory Commission (NERC), pegged the Capital Expenditure (CAPEX) and Operational Expenditure (OPEX), along with the ATC&C for the DisCos in the Multi Year Tariff Order (MYTO) to ensure significant investments were made on metering, in order to reduce estimated billing, among others.

How policies marred sector

NERC started the Interim Market rule to guide the market participants; it reviewed the MYTO 2, a tariff consumers criticised for the Fixed Charge (FC) component that compelled users to pay a certain amount monthly whether they get supply or not.

The MYTO was consistently reviewed every six months and by February 2016, it was heavily criticised by electricity consumers as the tariff rose by an average of 60 per cent.

Fashola who had barely spent three months then defended the tariff, saying it was to boost liquidity in the sector.

However, the tariff implementation skipped January and the DisCos said it caused a N12bn shortfall in the electricity market.

Many consumers faulted Fashola's justification as they felt short-changed because the tariff rose but power generation went down by 50 per cent from 4,000mw in December 2015.

NERC, however, merged the Fixed Charge (FC) component of the tariff with the Energy Cost (EC) so that consumers do not have to compulsorily pay a fixed amount for unused power.

The deficit in power generation resulted in huge collection losses and about N809bn shortfall in the sector as at 2017.

By mid-2018, the Association of Nigeria Electricity Distributors (ANED) said it had reached over N1.3 trillion. The liquidity crises have worsened that DisCos say they encore loses of up 30 per cent of their monthly energy bills.

The DisCos have captured more customers on their database but the investment in meters remain slow. In 2016, NERC ended the Credited Advance Payment for Metering Implementation (CAPMI) with records indicating that electricity users were buying more meters than what the DisCos were investing on.

NERC rolled out the Meter Assets Providers (MAP) in April 2018 by cutting off metering to new entrants to partner with the DisCos. In spite of the urgency of metering and the many complaints of high bills by customers, this MAP process has not begun.

It is reported that the DisCos that claim to be procuring the MAP firms to execute metering plans have slowed down on metering customers.

The attempt by the ministry early this year to add some officials into the board of the DisCos was resisted by the DisCos' investors saying the ministry failed to consult on the policy and that modalities in the Company and Allied Matters Act (CAMA) were not respected.

That partly created a rift, with Fashola ordering NERC to hold the DisCos to strict performance rules. The DisCos matched this pronouncement with several claims of poor regulation, poor tariff, poor CAPEX, and huge market shortfalls and killing interest rates on the Central Bank of Nigeria (CBN) power sector loan.

The tariff, MYTO 2015, in operation, which came up in 2016, was never touched since even when it had six months review period for a downward or upward trend. The DisCos said they were operating at about N35 per kilowatt hour (kwh) deficit.

The Eligible Customer Regulation, a brain-child of Mr. Fashola, is exciting some customers as Kainji GenCo now trades electricity with five industries through TCN, away from the DisCos.

GenCos' pathways in 5 yrs

A month after the takeover, power supply rose to over 4,000MW with many customers having 18 hours supply daily in large cities and towns, but the estimated bills rose sharply.

In February 2014, several pipeline vandalisation brought the national grid to its knees, with multiple systems collapse and generation to below 3,000MW.

For the years, most of the gas-fired GenCos said they raised their capacity by over 50 per cent. The hydro GenCos generation too went up. Mainstream Energy Solutions Limited (MESL) said it raised the capacity of Kainji GenCo from zero at takeover to over 400MW, same with its Jebba GenCo as the firm restored about 920MW capacity of both plants.

The Executive Secretary of the Association of Power Generating Companies (APGC), Dr. Joy Ogaji, in an emailed document to *Daily Trust*, stressed the progress made in the generation section of the power sector value chain.

She said with the privatisation, power generation was no longer an issue but "the ability to distribute the power, and to a lesser extent, the ability to transmit the generated power."

Ogaji decried the high rate of load rejection, a situation where the DisCos could not take more power or TCN cannot transmit the available power.

DisCos' long walk to applause

Although the DisCos claimed to have spent billions of naira in investments since they took over to install transformers, repair lines, establish call centres and roll out meters, many customers still complain of severe outage and high bills.

The issue of rationing power supply in urban areas has not reduced while connections to new areas are rare.

Director of Advocacy at ANED, Chief Sunday Oduntan said billing system of the DisCos have improved while the DisCos are making huge metering investments ahead of NERC MAP.

Daily Trust samples the views of some customers who had rated the privatised sector.

Mr. Ugwu Okey said the rule of disconnection was hardly followed by the DisCos as, "They hardly give you notice before disconnecting you in my area at Unugwan Yelwa, Kaduna."

For Asabe Hassan of Mararaba in Nasarawa State, high estimated billing is pervasive.

She said, "For a one-bedroom house, the bills fluctuates between N7,000 and N9,000 monthly and even when you report this to the business unit, they don't take action."

TCN said the wheeling capacity had risen to over 7,000MW since December 2017, as it had commissioned over 30 transmission transformers through its Transmission Rehabilitation and Expansion Programme (TREP).

The Managing Director of TCN, Mr. Usman Gur Mohammed, who called for more matching investments from DisCos to take transmitted energy, also urged the Federal Government to review the privatisation and ask the investors to capitalise to meet estimated $4.262bn (about N1.549trn) DisCos' investment requirement for new transformers and injection substations.

"Capitalisation will come with new management for efficiency. If government increases the capital requirement of the DisCos, they will go and look for other competent investors and we believe this is our position," Mohammed submitted.

Mr. Fashola, last week, said the National Bureau of Statistics' (NBS) report Q2, 2018 shows that electricity rate of growth is at 7.59 per cent, which he lauded.

At the moment, BPE said the private investors had a pact that allowed them to invest in the utilities for five years to enhance the network. It has pegged its own five-year review of the privatised firms to be October 2019.

The MD/CEO of Copperbelt Energy Corporation (CEC), core investor of Abuja Electricity Distribution Company (AEDC), Engr. Emmanuel Katepa, justified the review shift by BPE to our reporter recently.