

**BEDC CUSTOMER SURVEY:
DEVELOPING MUTUAL
ACCOUNTABILITY
TO TACKLE ELECTRICITY**

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Summary

Research from a survey conducted for customers in selected Benin Electricity Distribution Company (BEDC) business districts has found widespread inadequacy in the reliability of the electricity supply to households and businesses in the area. Insufficient electricity supply stunts the growth of micro, small and medium enterprises, limiting the creation of employment opportunities for the large unemployed and underemployed population in Nigeria. This, in turn, has implications for tackling insecurity in areas such as the Niger Delta, and boosting regional and national growth and development. Whilst this survey and report are limited to the operations, and operating area, of the BEDC, many of the problems highlighted here are indicative of those experienced across Nigeria.

Key findings:

- At present, 40% of those interviewed are not receiving any electricity at all due to grid failure in the area.
- Half of those who do get electricity have it for less than four hours a day.
- Three quarters of those interviewed do not feel that they are treated as a valued customer by BEDC.
- In the last year, 50% of respondents have been asked for monetary gratifications by BEDC officials to fix faulty facilities and restore power.

Recommendations

1. BEDC should work closely with its customers to increase understanding of its services, billing and metering systems, and the importance of taking stewardship over its facilities to curtail vandalization and boost grid supply.
2. Improve customer service and communication to build trust between BEDC and its customers, and improve the complaints system so that issues are resolved quickly. The BEDC existing customer service system is saddled with limitations such as poor customer services and relations; and complaints response time. BEDC should endeavour to incorporate into their communications strategy the characteristics and preferences of customers in reaching out to them for prompt resolution of issues and improved service delivery. For example, with regards to customer feedback channels, the BEDC should revamp its online platforms – website, Facebook, Twitter, etc. to enable it provide real time response to consumer complaints/inquiry.
3. Price electricity fairly so that customers are likely to be more willing to pay for the electricity that they receive. Electricity price must be seen to be fair to customers, especially those whose bills are based on estimation. There is also need for effective implementation of the billing system introduced by BEDC – the Electricity Billing Management System (EBMS)
4. Tackle corruption and electricity theft by introducing anti-bribery and anti-corruption policies at BEDC and making this part of training for new and existing members of staff. This should include communicating messages to communities about the dangers of tapping lines and how it makes power less reliable and lower quality, the help in tackling electricity theft.

Context

Nigeria is Africa's most populous country and largest exporter of oil, yet it produces less than one tenth as much grid electricity as South Africa¹. An inadequate electricity supply for citizens and businesses is stalling economic and human development. Providing affordable, reliable electricity can help tackle both the symptoms and causes of poverty. The lack of a reliable supply and constant blackouts are causing economic damage to the growth of micro, small and medium enterprises considered to be the engine of local and national growth. It also means that households and businesses are having to rely on costly fuel generators, which are four to five times more expensive than mains electricity². These generators are high in greenhouse gas emissions and contribute significantly local to air pollution. A reliable supply of mains electricity will help Nigerian businesses compete internationally. According to the president of the Manufacturers Association of Nigeria, Chief Kola Jamodu, 40% of the production cost of manufacturers goes into the provision of electricity, compared to 5-10% in other similar economies³.

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- 1 Supporting the privatisation and regulatory reform of the Nigerian power sector'. Adam Smith International <<http://www.adamsmithinternational.com/explore-our-work/west-africa/nigeria/power-sector-reform-in-nigeria>>
 - 2 Michael Pooler. 'Diesel supply bedevils investments in Africa's internet'. The Financial Times. 10th July 2014
 - 3 The Revolution of Nigeria's Power Industry Needs Funding'. Engerati <<https://www.engerati.com/article/revolution-nigeria%E2%80%99s-power-industry-needs-funding>>

Introduction

The research conducted for this report seeks to better understand customer insight into their electricity supply and service delivery for Benin Electricity Distribution Company's (BEDC) business districts. The research drew on the customer's electricity experiences; the reliability and frequency of electricity supply; effectiveness of metering services and billing system; the customer service relationship; and issues surrounding corruption and theft. The analysis takes into account how, in some instances, consumers may play a role in reducing the efforts of electricity providers in delivering an effective service through tapping electricity lines, vandalising BEDC's sites, or failing to pay bills.

This research forms part of a wider project being implemented by SDN, aiming to reduce electricity sector corruption in the BEDC operating area. The analysis derived from the findings of this survey will be used to inform responses to improving the service delivered by electricity providers. Through SDN's engagement with BEDC, it is expected that the research findings can benefit BEDC in scaling up its interventions for better customer service delivery and improved communications.

SDN's project also forms part of a wider MacArthur Foundation-funded programme aimed at improving the mutual accountability between electricity providers and consumers in Nigeria, with the over-arching aim to reduce electricity sector corruption.

BEDC is responsible for retail distribution of electricity in Delta, Edo, Ekiti, and Ondo States, with geographical coverage of 55,770 square kilometers. The company has 25 business districts across the four states, with about 13 million people and about four million households. Business districts are the administrative and operational subsets of BEDC, created for easy access to its customers for prompt service delivery and complaints resolution. The unbundling of the Nigeria's electricity value chain (specifically, the separation of distribution and generation functions), from which BEDC benefitted, was aimed at creating efficient and transparent customer service delivery, which is market-driven and economically viable. The selected BEDC business districts for this survey were: Ado Ekiti, Auchi, Asaba, Akure, Warri and Benin GRA. The percentage distribution of respondents was 34%, 34%, 18%, and 14% from Delta, Edo, Ondo, and Ekiti States respectively. The distribution ratio was informed by the number of electricity customers in each of the sample States.

The findings of this survey cover electricity supply; pricing; the metering and billing system; customer service; and electricity corruption and theft. Recommendations and conclusions are provided at the end of the report.

Demographics

The survey was conducted with 522 participants selected at random to cover both households and businesses. 49% of interviewees were female and 51% male. The majority of the participants (66.3%) were aged between 21 and 49. One third of respondents (33.1%) described themselves as self-employed or a business person. The BEDC Customer Survey was facilitated and conducted by SDN in Delta, Edo, Ekiti and Ondo States from October 9 to 14, 2016. These States are the operational business outlets of BEDC.

Methodology

The exercise aimed to generate data from BEDC customers relating to issues of corruption, transparency, poor customer service delivery, intermittent power supply, and lack of mutual accountability among the stakeholders in the electricity sector.

Out of the 25 business districts that are under the jurisdiction of BEDC, six of them were covered by the survey exercise: Warri, Asaba, Auchi, Benin (GRA), Ado-Ekiti and Akure.

Survey coordinators and enumerators drawn from the four States of Delta, Edo, Ekiti and Ondo, were mobilized and trained on questionnaire administration (soft and hard copies). Smart phones installed with survey software were used in the administration of questionnaires and the collation of data generated from the field.

The survey was targeted at five hundred (500) households and businesses, setting a minimum ratio of 40:60 female to male respondents, to ensure good representation among women, who typically play key roles in small-scale economic activities and household management that require daily electricity supply.

Findings

Electricity supply

More than half of the respondents, 68.6% said that they currently have electricity from BEDC. Unfortunately, the majority of them are not enjoying steady electricity supply due to grid transformer failure, power cuts, low voltage, and disconnection among others. 39% of those not using electricity from BEDC attribute this to grid failure, whilst 25% said that their power had been cut off. There are an array of reasons as to the grid failure and supply being cut off: from poor maintenance of the lines, failure to pay for bills, to sabotage of infrastructure.

If you are not using electricity from BEDC, it is because of:

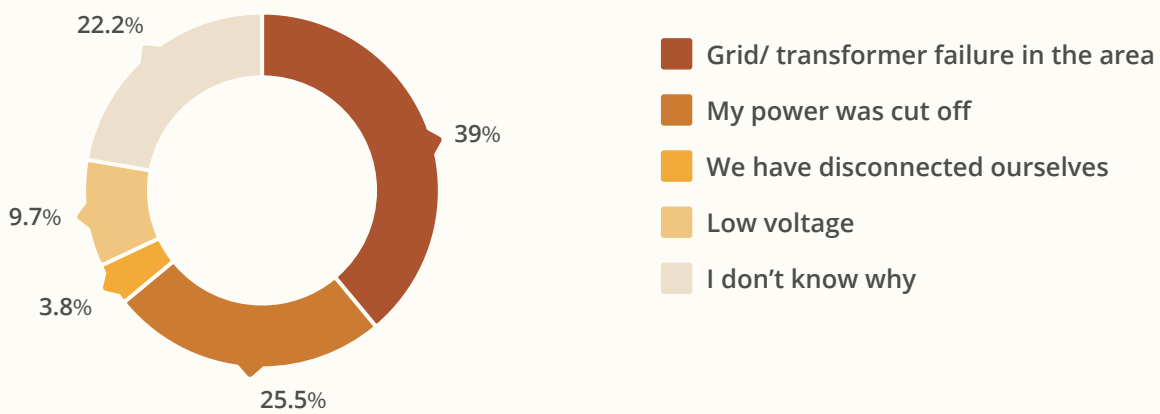


Figure 1

Even for those receiving electricity, the supply remains startlingly inadequate. The majority of customers have access to electricity for less than four hours a day. Only 12% report having access to electricity for more than nine hours a day. Those that do receive electricity also experience regular interruptions to supply.

BEDC is entitled to 9% of whatever is generated by the National Grid on a daily basis. BEDC uses a Load Shedding Management Arrangement to distribute the little power they receive among its customers in the four franchise states – especially those that are paying. In state allocation, Edo state got 40%, Delta got 35%, and Ondo and Ekiti share 25%. The load shedding arrangement allocates an average of four to six hours of electricity supply daily to the various locations⁴.

⁴ This precludes areas with unresolved faulty electricity transmission and/or distribution equipment like poles, lines, and transformers

How much electricity supply do you receive from BEDC (daily average)?

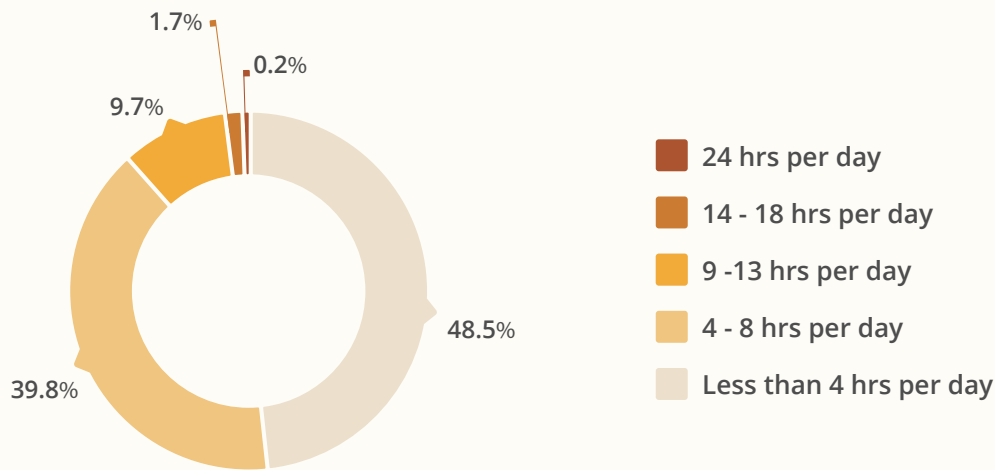


Figure 2

Pricing

The majority of customers – nearly three quarters – felt that their electricity bills were priced too high. This perception seems to be informed by the opaque bill estimation methodology being used by BEDC for its unmetered customers. Average BEDC bills are in the region of N5,000 - N50,000 per month. Despite this, however, most customers would be happy to pay more in order to receive a reliable service.

Metering and Electricity Billing System

The research gathered in this survey indicates that many customers find the metering and billing system unclear and difficult to use. A very high number of customers, 80% in total, did not understand how their electricity was calculated, nor know when their meter was being read. Over two thirds of consumers faced difficulty with buying and loading units for prepaid meters.

Only 11% of customers polled found that their electricity bill and meter readings corresponded, pointing to inaccuracy inherent in the billing or metering system.

Customer Service

Poor customer service has underpinned the experience of most BEDC customers, with 85% of interviewees noting their dissatisfaction. Three quarters felt that they were not treated as a valued customer by BEDC. There appears to be a number of issues in the context of a poor customer-provider relationship, ranging from complaints not being dealt with, to no contact with BEDC. Despite the availability of customer care number, some customers call the number without positive response from BEDC customer care officer and their electricity issues remain unresolved.

Do you think BEDC treats you like a valued customer?

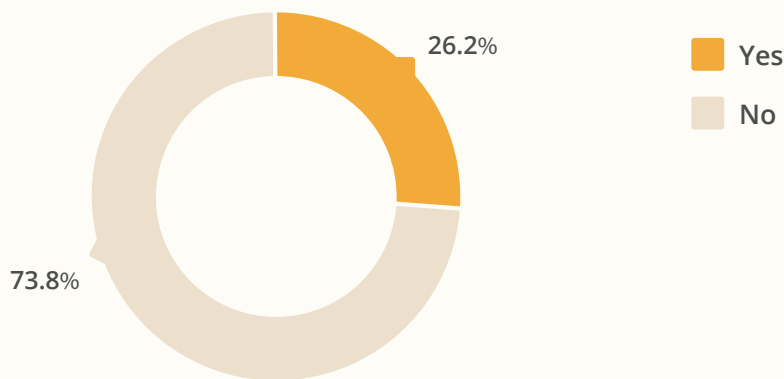


Figure 3

How satisfied are you with bedc customer service?

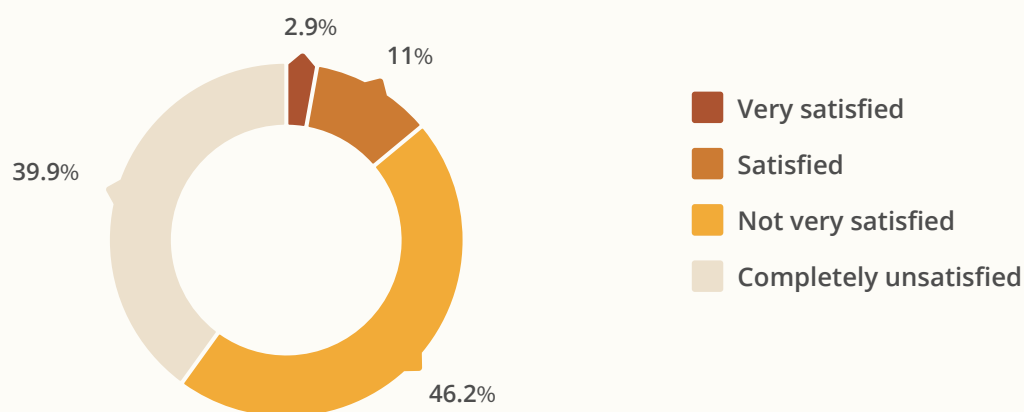


Figure 4

Over two-thirds of customers felt that they did not receive adequate information from BEDC about their services. As previously indicated, lack of understanding about bills and metering also points to a poor level of communication from BEDC.

Electricity Corruption and Theft

The survey indicates the dominant perception of respondents that both corruption and theft of electricity are prevalent within BEDC's business districts. The survey indicates that customers feel that the main reason for problems with the power supply is corruption among BEDC and its staff, with 36% of respondents naming this as the primary cause. Another 28% suggest that it is due to illegal connectivity by BEDC customers, whilst 14% attribute poor power supply to the vandalizing of BEDC facilities.

What do you think is the most frequent source of corruption in your area

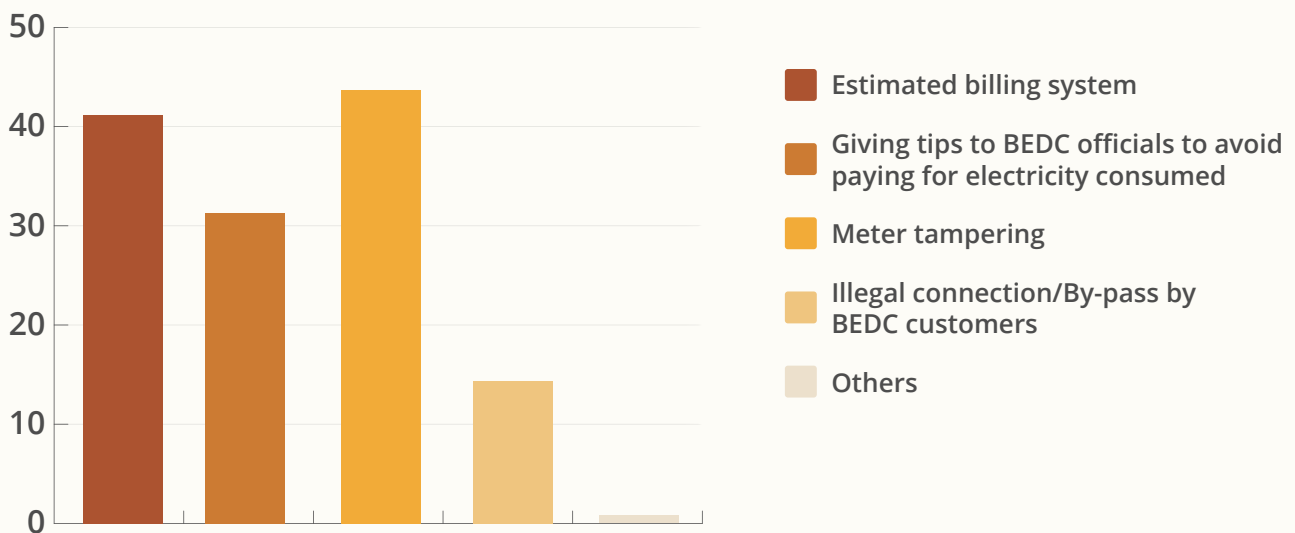


Figure 5

The majority (85%) felt that the way BEDC distributes electricity is not fair (i.e. some receiving more hours than others) and 36% of respondents believe this is due to the bribing of BEDC staff. Based on responses to the survey, there seems to be diverse sources of corruption. The estimated billing system, giving tips to BEDC staff to avoid paying for the electricity consumed and providing illegal connections to electricity lines were most chosen options by respondents in the survey. Over half of the customers surveyed for this research reported that in the last 12 months BEDC staff had asked for a form of monetary gratification for faulty facilities to be fixed.

The research also indicates that individuals are accessing electricity without paying for it, by tapping power lines or paying either an electrician or BEDC staff member to do it for them. As engaging in this type of activity would likely to remain covert, it is difficult to ascertain the extent of this problem from this survey alone. However, we can reasonably infer that tapping of power lines is taking place, and is a relatively common practice. Many participants (40%) said that they would report tapping to BEDC if they witnessed this activity being engaged in.

Who do you think is the most responsible for the problems with power supply in your area?

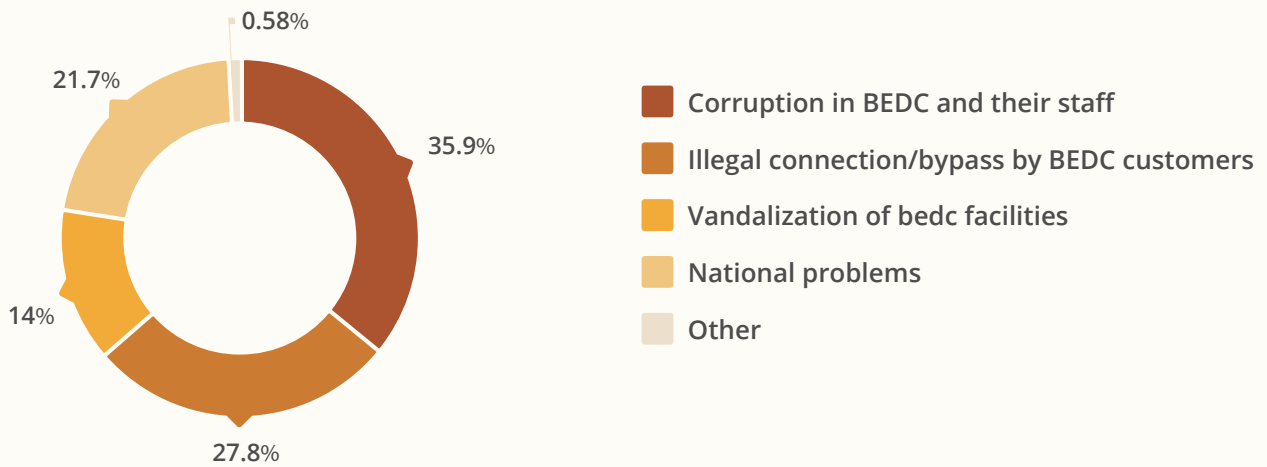


Figure 6

Recommendations

1. Work closely with customers

Work more closely with customers to develop an understanding of the advantages of a mains electricity supply over petroleum fueled generators – which are more expensive and have a greater impact on health and the local environment. Increased communication with customers on the importance of taking stewardship over meters, transformers and cables, and paying for services is also necessary.

The survey showed that many of BEDC's customers found the metering system complicated and did not understand how their electricity bill was calculated. Creating informational materials and assisting customers with understanding their service is an important step to promoting transparency and building customers' confidence in BEDC and its operations.

2. Improved communication

Improving the quality of customer service from BEDC would ensure that its customers feel valued; build trust between BEDC and its customers; and most likely boost customer willingness to pay for the electricity supply.

Poor communication with BEDC staff and the inadequacy of responses to complaints means that faults with the electricity supply are not being resolved quickly and sometimes not at all. BEDC must ensure a process to log and deal with faults rapidly so that power can be restored without unnecessary delay.

3. Fair pricing

The Nigerian Electricity Regulatory Commission (NERC) ensures that the prices charged by licenses are fair to customers and sufficient to allow the licenses to finance their activities and obtain reasonable profit for efficient operations. The Commission established a methodology for determining electricity tariff in the Nigerian Electricity Supply Industry and subsequently issued a Tariff Order called the Multi –Year Tariff Order that set cost effective tariffs which allow the power sector to be properly funded and functional. NERC regulates the activities and operations of all players, especially distribution companies. There are certain factors that are considered to determine an appropriate tariff for customers, such as exchange and inflation rates. Estimated billing was also approved for all distribution companies by NERC in a situation where a customer is not metered. Unfortunately, customers often receive unfair billing from BEDC and pay for what is not consumed.

Electricity pricing must be transparent and correspond to the quality and reliability of the service. Customers are currently paying for an unpredictable supply and are unsurprisingly reluctant to pay the current tariff. Ensuring a better service and using revenue to improve it, whilst also raising the tariff, can suit both the provider and customer.

4. Tackle corruption and electricity theft

Corruption and theft of electricity is prevalent among BEDC’s business districts. Efforts to work with the community to increase understanding of the advantages of a reliable electricity source will help dissuade electricity theft. Electricity theft is dangerous and makes the power service less reliable and lower quality for paying customers. Creating town hall meetings for BEDC customers and materials to communicate this would improve the customer-provider relationship and help in tackling theft. A fairer pricing system, where customers are paying for a reliable service, will also mean that customers are more willing to pay for the electricity that they receive.

BEDC's own staff are implicit in corruption. For instance, they take bribes to illegally connect individuals to power lines and request money to restore power. Raising awareness of corruption and helping staff to recognise it must be part of the training for new and existing staff. Introducing the means to anonymously report instances of corruption – whistleblowing policies – should be set up. BEDC should update its anti-bribery and anti-corruption policies, based on staff consultations and learning from best practice elsewhere in the sector. Paying staff a fair wage is also important in tackling workplace corruption.

Conclusion

The results of this survey show that many of BEDC's customers have a poor, unreliable supply of electricity. BEDC needs to focus its efforts on working with communities to enhance understanding of the importance of paying for electricity and taking stewardship over electricity poles, transformers, cables and meters. Similarly, BEDC must work with its own staff to communicate the importance of electricity for the wider development of the Niger Delta, which means working together to develop and adhere to anti-bribery and anti-corruption policies. BEDC has a poor track record of customer service, improving this relationship will mean improved trust between staff and customers and quicker resolution of faults.

We cannot afford to be complacent about the implications of a poorly run electricity distribution company. It is hindering the ability of businesses and communities to flourish. Yet, it must be a two-way process, with accountability also placed on the customer to pay for the electricity they consume and take practical steps to protect electricity installations from vandalism and theft. Poor electricity supply remains endemic in Nigeria and is not unique to BEDC. It is therefore likely that these recommendations hold relevance to other distribution companies in Nigeria and those working to improve their operations.