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Are the Discos Complying with their Performance Agreement on Metering the Nigerian Electricity Consumers?

Introduction

Profit is the motive of every business and for any business owner to realize profit from an undertaking the production cost must be less than the sales cost. This is even much more so in a capital-intensive business such as the production and supply of electricity. In the Nigerian Electricity Supply Industry (NESI), the bottom-line is that electricity cost or tariff paid by the final consumer should reflect the cost of production to ensure that the supplier earns a decent profit; otherwise the supplier will not be in business. To generate revenue, the Distribution companies (Discos) must quantify the electricity usage of the consumer and metering the consumer is the only fair way to measure electricity usage. This article discusses the subject of metering customers from the retail side of the NESI alone. We attempt to interrogate the efforts made to bridge the metering gap and how well the estimated billing system has helped the Discos in billing and collecting their revenue from the customers.

History of Customer Metering and the Regulator's Role

Historically, the billing system under the government owned horizontally integrated NESI was laced with socialist-welfare service orientation. There was no emphasis on supply of meters to the final consumers, hence when the private investors took over parts of the NESI

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in 2013; there was a huge metering gap and till now, this still remains a significant problem. Understandably, one of the Key Performance Indicators (KPIs) embedded in the Performance Agreement (PA) for the Discos when they took over was to progressively bridge the metering gap.

Before the private sector invested in the NESI, government owned the industry and the regulator and like most other electricity industries around the world where regulation is either done by a state- or privately-owned natural monopolies; the industry was subject to abuses of market power. The NESI now has its own separate independent regulator, the Nigerian Electricity Regulation Commission (NERC) with clearly defined roles and mandate to always find the delicate balance between what the final consumer pays for the consumption of electricity per kilowatt hour- and the amount the supplier of electricity gets to remain in business. This is where metering to measure the accurate usage of the consumer is very key. The focus of the rules and regulations made pursuant to sections 32(d) and 76(2) of the Electric Power Sector Reform (EPSR) Act by the regulator necessarily centers on the calculation of tariffs in order to attain the overall objective of the legislation on liberalization.

Challenges Militating against Metering by the DISCOS

In this writer's observation, the first and most dangerous challenge is the mindset of most of the Discos that the consumers will always be ready to pay estimated billing, and thus the lethargy in the implementation of the metering measures put in place to bridge the metering gap. The general impression in the NESI remains that the Discos are 'gaming' the system. Other challenges that the Discos themselves have voiced out for their seeming reluctance to meter their customers include the massive unpaid bill at the time of takeover; the lack of proper data on the NESI; the significant electricity theft and meter bypass – mostly orchestrated by ad hoc or regular staff of the Discos or with their collaboration; lack of the required change in orientation of the consumers - a significant number of whom still think the Discos and former 'NEPA'[2] are the same and one does not have to pay or pay accurately for electricity. Again, the Discos have indicated also that the current tariff structure is not cost reflective; the level of the aggregate, technical, commercial and connection loss of each of the distribution companies is still high; the exchange rate is unstable; the inflation rate is high; the generation and transmission capacities are low; and gas price remains high.

Efforts at Metering, curbing electricity Theft, and Ensuring the power is kept on

The NERC continues to monitor and intervene from time to time by setting task forces to monitor the estimated bills being issued to unmetered customers by the Discos in view of several complaints by the consumers who are always served with outrageous bills. Below are some of the measures/programmes implemented so far to ameliorate the situation:

[2] The defunct National Electric Power Authority.

i. **Metering obligations of Discos in their respective Performance Agreement (PA):** The obligation of the Discos to provide a specified number of meters under the terms of the PA executed between the respective core investors and the Federal Government of Nigeria (FGN) remains and all Discos are expected to continue to comply. These PAs have a 5 year lifespan, at the end of which a high rate of efficiency is expected to have been achieved with the metering gap significantly closed. The PAs commenced on 1st January, 2015 for most Discos, and is due for review in December 2019, with the exception of the Kaduna Disco.

ii. **Methodology for Estimated Billing Regulations in August 2012**: This document published as Federal Government Official Gazette No. 113 in Volume 99 of 2012 sets out how the customers without or with faulty meters should be billed with a focus on ensuring that the consumers are not overcharged while the Discos are not cheated.

iii. **Credited Advance Programme for Metering Implementation (CAPMI):** The CAPMI was introduced by **Order No. NERC/05/0001/13** and became effective by **14th May 2013** aimed to close the huge metering gap in the NESI and help the Discos meet their PA on metering. This scheme afforded customers who wanted to pay upfront the meter cost and then have the Disco amortize the cost of the meter via electricity supplied to the customer over a period of time. The main idea behind this was to relieve the Discos of the burden of the huge financial outlay entailed in providing meters for customers by making willing customers provide the needed funding. By that order, any customer whose premises have been assessed and has paid money to the Discos' designated account must be metered within 45 days. The feedback/impression was that the Discos did not quite embrace the scheme as they often asked willing customers not to pay into their designated account or they simply refused to issue the teller for payment into the said account. CAPMI has been discontinued.

iv. **Meter Asset Provider (MAP):** the latest regulation of NERC is the Meter Assets Provider (MAP) Regulations (No. NERC-R -112) - released on 8th March, 2018 made pursuant to NERC's power to make regulations donated by Section 96(2) of the Electric Power Sector Reform Act, (ESPRA) 2005. This totally takes the cost of the meter away from the Discos and placed same on the consumers. This is done through the instrumentality of the Meter Asset Providers, who have been licensed, in conjunction with the Discos, to supply meters to the premises of customers who request for same and then charge fees of the meter asset in addition to the electricity tariff for a period of 10 years. It is through the meter fees that the MAPs recover their investment and profit in providing the meter. It is yet to be seen how this will work out. Will the Discos allow MAPs to share in their business? The implementation timeline for closing the metering gap is within three (3) years.

iv. **Order on Unauthorized Access, Meter tampering and bypass:** An additional measure to curb the challenges is Order No. NERC/REG/41/2017 issued on the 6th December 2017 which seeks to penalize customers who commit any of the infractions indicated in the order and ensure that the Disco is able to recover the lost revenue during the period of the said unauthorized access, meter tampering or bypass. For any residential and commercial customers in single phase meters who commits any of the enumerated infraction, the liability is put at - reconnection fees of ₦50,000 (if first offender) and ₦75,000 (for subsequent offenders) and administrative charge of ₦1,500 for residential and ₦3,000 for commercial single-phase metered consumers. For both residential and commercial consumers on three phase meters, they are liable to pay reconnection fees of ₦100,000 (as first offender) and ₦150,000 (for subsequent offenders) and administrative charge of ₦3,000 for residential and ₦6,000 for commercial three phase metered consumer. For customers classified under MD LV (residential), MD HT(commercial), and MD LV (commercial/industrial) pay ₦7,500 administrative charges while MD HT (commercial/industrial pays ₦15,000 administrative charges.

Under the order, the Disco who has been paid both the reconnection penalty and administrative charge is expected to reconnect such consumer with 48 hours; otherwise the Disco will be liable to pay the customer ₦1000, (if residential), ₦1,500 (if commercial), and ₦2,000 (if industrial or special) customers for each day of failure to reconnect. The Disco is also obliged to pay the customer who is unjustifiably disconnected. What is not clear from the order however, is that if a consumer is unjustifiable disconnected or has paid the penalty and administrative charge for unauthorized access but the Disco refuses to reconnect such a customer for periods of say 6 months after, whether all that the Disco is expected to pay such customer still remains paltry amount indicated in that order.

v. **Smart Metering Regulation No: NERC/REG/4/2017:** This regulation basically targets the quality and standard of meters to be deployed and installed by the Discos to ensure accurate mearsument of usage and bills are generated by the supplying Disco and paid by the customer.

vi. **Consultation Paper on the Capping of Estimated Billing for Unmetered Electricity Customers:** This is the latest effort by NERC to ensure a balance between the interests of the Discos and the unmetered customers. There is no doubt that fast tracking the roll out of meters for both energy accounting and appropriate billing of end-use customers is a key prerequisite for the recovery of NESI. In consideration of the need to mitigate customer apathy about estimated billing, the Consultation Paper has been developed requesting comments and possible options on the determination of the cap on monthly estimated bills from stakeholders by December 10, 2018.

Concluding Remarks.

According to the PA signed with the Bureau of Public Enterprises (BPE), the Discos assured of metering electricity consumers and significantly reducing the collection and technical losses in the sector within five years. As at 2018, the percentage of compliance ranges from 38% to 79% among the Discos[3] – meaning the average compliance is still poor.

The Discos particularly, as the retailer of electricity, need to come to terms with the fact that an average consumer across most of the social strata is willing and able to pay for accurately-measured electricity consumed. The regulator has a statutory responsibility to ensure that the consumer only pays for electricity consumed. The NESI will require robust and reliable data to attain the level of investment required and stability of the market for proper business projections. The Multiyear Tariffs System (MYTO) is a tariff system that thrives and survives only on robust and reliable data. The consumers particularly small business owners and those in urban residential areas spend much more than the tariff can be increased to and are willing to pay even double the current tariff if only they can be assured of at least consistent 10 hours day time or night time supply as the case may be. The financiers and investors can only take investment decision when they can see returns on the resources already invested.

Installing smart meters for the accurate measurement of usage of electricity will have a salutary effect on the NESI. Estimated billing, no matter how much the Discos try, cannot be a 21st century system of billing. The model that works is the prepaid tariff collection method where the consumer pays for electricity before usage, as is obtainable in the telecommunication sector. It is heartening the regulator understands and is constantly driving the system in that direction. It would also be great to amend the statutory provisions and provide robust methods of dealing with electricity thefts. This writer endorses the ongoing discussions with the current owners of the Discos and the government towards a review of the structure of ownership of the Discos to bring in investors with financial and technical capacity to revive the privatization efforts.

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[3] See the Consultation Paper on the Capping of Estimated Billing for Unmetered Electricity Customers issued by NERC. Accessed on 17th December 2018 at http://www.nercng.org/index.php/component/remository/Consultation-Papers/Consultation-Paper-on-the-Capping-of-Estimated-Billing-for-Unmetered-Electricity-Customers/?Itemid=591

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