

Electricity Market and Regulatory Review

June 2018

Summary

- **The MAP Regulation update** – NERC have issued an Order (180/2018, dated 13th June 2018) extending the MAP procurement deadline to be 120 days from the 1st of July 2018, i.e., 29th October 2018. We understand NERC has given their no objection to 22 providers so far and have provided Discos with bid documents for comment.
- **NERC Issues an Independent Electricity Distribution Licence:** This month NERC issued a 9.5MW embedded generation licence and an Independent Electricity Distribution Licence to a developer to serve Ariaria Market in Enugu EDC franchise zone. More of such licenses could be expected to follow. We note that under the Performance Agreement this would constitute an FGN Event of Default (rather than a Force Majeure Event). An FGN Event of Default entitles the Purchaser, in their sole discretion, to exercise a Put Option under the Performance Agreement.
- **Prioritising Distribution Network Expansion Plans:** The issuance of these licenses by NERC has further highlighted the need for Discos to undertake their Distribution Network Expansion Plan studies and identify feeders with low losses and high returns as priority for investments and locations where connecting embedded generation to improve power supply to customers would result in the highest revenue for Discos.
- **A Minor Review still due** – Another 6 monthly MYTO Review is still due. There has so far been no indication that NERC will undertake this nor implement it. This omission would be a potential Force Majeure Event under the Performance Agreement.
- **The end of Estimated billing** – The Minister of Power is putting pressure on NERC to deal with the Estimated Billing Issue.¹ If the Bill to prohibit and criminalise estimated billing is passed then this would be a potential Force Majeure Event under the Performance Agreement as a change of law event. We advise though that a pro-active approach of proposing a better solution² rather than waiting for NERC or the Minister of Power to react to the Amendment Bill might have the best chance of securing a sensible outcome.
- **Current industry statistics** –

¹ Recent press conference in Abuja, reported in the Daily Post, July 11.

² Alternative methods were outlined in our May 2018 issue.

	Industry Average
Cost reflective tariff rebased for forex etc with actual losses	204.8
Cost reflective tariff rebased for forex etc with MYTO losses	107.3
Cost reflective tariff rebased for forex etc with MYTO losses – excluding tariff shortfalls b/f	47.3
Actual average tariff for customers	31
Revenue realised per kWh	13.4
Average cost of power in April per kWh	20.67