

NIGERIA ELECTRICITY MARKET INSIGHTS

The big numbers for the industry

Power delivered to Discos for May-19 was

2309
Gwh

Average cost of power in May per kWh

27.3
₦/kWh

Compared to an average tariff of 31.2 ₦/kWh



1 Headlines for July

A Power Sector Policy document with directives and timelines dated June 2019 is in circulation. It is unclear if the Ministry of Power Works and Housing (MOPWH) issued it for immediate implementation or it is still a draft being discussed.

Annexed to the June 2019 dated Policy document is the Power Sector Recovery Plan (PSRP) policy statement (March 2019) which is described as a:

“transition in policy focus from incremental power to steady power for target customers”

In general, this policy focus makes sense given the inability to dispatch more generation on the transmission and distribution network. It provides a context for the June 2019 policy directives and policy statements.

Key implications of the change in policy focus are:

- Reducing role of Nigeria Bulk Electricity Trading (NBET) Plc – migrating capacity currently contracted via NBET to bilateral contracts with electricity distribution companies (Discos) and eligible customers.
- More focus on eligible customers, franchising and ringfencing to deliver reliability to specific groups of customers.
- Introduction of escrow arrangements on Disco collections like the CBN - Nigeria Electricity Market Stabilization Facility (NEMSF) for remittance to Industry participants.

MOPWH place a significant portion of the blame for the liquidity crisis on Discos, and therefore a few of the proposals seek to exert greater control on Discos:

- Minimum payments to NBET and MO (possibly escrowed);

- The issuance of the Business Continuity Regulation, which has been in draft form since 2016; and
- NERC to specify the minimum capital required to operate a distribution licence.

There are a few positives, including a recognition of the need for major and minor reviews to be correctly implemented.

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