ENERGY MARKET AND RATES CONSULTANTS

Electricity Market and Regulatory Review

July 2018

Summary

- **Network Islanding to achieve financial stability –** In this edition we include our thoughts about how small parts of a Disco network might be "islanded" and then restructured to achieve good power delivery and 100% metering.
  - For this island, once it has been restructured and performance improved then cost reflective tariffs could be acceptable to consumers in the "island" and at least would be a start to break the present impasse between government and Discos.[1]
  - We have spoken to 3 potential financiers who have a focus on providing development finance to African energy projects and all 3 expressed interest in being able to support an islanded network that would be structured to be bankable.
  - EMRC is strongly positioned to assist a Disco with the planning, implementation and refinancing of the "islanding" of a part of its network.
- **MAP Procurement -** NERC have issued draft Contract and Bid Documents for the procurement of a Meter Asset Provider (MAP). They are not fit for purpose and would strongly advise against using these documents as they are presently drafted. A summary of some of our principal concerns are included in this report.
- **CTC and DUoS under the EC Regulation -** if Eligible Customers are to appear then both the amount and the recovery mechanism for DUoS and any CTC will be critical to minimising the impact; it has proven better to set out a case for this rather than challenging NERC proposals after the event. Our thoughts are included in this report.
- **Minor Review –** BPE has written to Discos informing them that NERC is about to conduct a Minor Review. They have indicated that *"this review will affect both the ATC&C Loss levels, as well as electricity retail tariffs."* We suggest Discos use the report we prepared for the Minor Review in early March and write to BPE on the treatment of ATC&C losses and the status of the Performance Agreement.[2]

[1] On the one hand, FGN will not accept higher tariffs while customers are strongly dissatisfied about Estimated Billing and power shortages. On the other hand, Discos cannot invest in meters and pay for power without higher tariffs.

[2] The Performance Agreement has a duration of 10 years. However, the two principal obligations in Discos Performance Agreements will come under scrutiny by 31st October 2018.