

NIGERIA ELECTRICITY MARKET INSIGHTS



1 Headlines for May

NERC has published a consultation Paper on the Competition Transition Charge (CTC). NERC's recognition of the need for these charges and the comprehensive list of items to be included should be welcomed. Key features of NERC's proposed approach are:

- **Manually intensive CTC calculation**

The methodology NERC are proposing involves a very onerous process of documentary evidence (33 items) and ad hoc calculation for each eligible customer who applies.

We propose that a standard calculated eligible customer CTC for each Disco area would give certainty to Discos and eligible customers. The CTC calculation could be part of a major tariff review process.

- **Recognition of deferred revenues due to substantial tariff shortfalls and of CBN-NEMSF debt**

It is very positive to see tariff shortfalls and the CBN-NEMSF debt recognised in the consultation.

As a further improvement, EMRC recommend that ideally this process could be part of a major tariff review, so that the distribution of the tariff shortfall between different classes of customers would form part of a tariff review consultation process.

- **Recognition of cross subsidy – but only for 5 years**

NERC recognises that under the current tariff design, some classes of customers subsidise other Disco customers. However, NERC are proposing that the payment of CTC for cross subsidy should only be for a maximum period of 5 years and on a declining basis. It is not clear on what basis NERC has chosen 5 years as the maximum period especially when recent tariff reviews have included significant and increasing cross-subsidy.