

Nigeria: Regulation and Power Sector Reform

Power Sector Reform Restructuring and Regulation Policy Module

Abuja, May 19 - 23, 2003

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Policy Module Key Issues and Objectives of Reform

**Abuja, May 19th 2003
(Morning: 11:00 a.m.)**

Main Problems

- ◆ High incidence of interruptions and curtailments
 - Availability of generation plants
 - Weaknesses in transmission and distribution networks
 - Problems in system dispatch and control
- ◆ Many programs to improve supply
 - PPAs, ROTs, EPPs
 - High cost?
- ◆ Due to unreliability of supply, heavy reliance on expensive self-generation
- ◆ Tariffs below costs of supply, particularly to households
- ◆ Losses
- ◆ Low level of electrification
 - Some regions worse than others

Policy Objectives

- ◆ Increase access
 - Not necessarily through the grid
 - Rural electrification
- ◆ Increase reliability of supply
 - Support economic growth and social well being
- ◆ Affordable and cost-effective prices / tariffs
- ◆ Increase trading with neighbouring systems / region
 - Interconnectors, West African Power Pool
- ◆ Environmental protection
- ◆ Modernise the system
 - Rehabilitation and upgrades
 - Management
- ◆ Efficient and transparent regulatory frameworks to attract private participation
 - Restructuring with separation of natural monopolies (transmission and distribution) from potentially competitive (generation and sales/retail)
 - Competition and private participation

Core Aspects of the Reform

- ◆ The unbundling of NEPA into:
 - a number of competing, privatised generation companies
 - a number of privatised distribution companies also responsible for retail sales (trader)
 - Independent transmission company
 - System operation and dispatch entity.
- ◆ Independent Regulatory Commission
- ◆ Competition in new generation entry
- ◆ Later competition in trading and retail sales

New Institutional Arrangements

- ◆ Government
 - Responsibilities for off-grid rural electrification
 - Role (with Federal Government) on establishment of generation

- ◆ Ministry of Power and Steel:
 - Energy policy (electricity, fuel)
 - Establishment of an effective regulatory framework
 - Rural electrification strategy
 - Gradual opening retail competition

- ◆ Independent Regulator = NERC (Nigerian Electricity Regulatory Commission)
 - Promote competition
 - Implement, monitor, review the regulatory framework

- ◆ Protect interests of consumers
- ◆ Approval of Rules and Codes amendments
- ◆ Setting, monitoring and enforcing national technical - quality standards.
- ◆ Licences: issue, renew, amend, cancel and and monitor / enforce conditions
- ◆ Regulation on prices / revenues
 - Financial viability of efficient firms in the sector
- ◆ Set electricity tariffs
- ◆ System expansion plan
- ◆ Open access
 - Regulation of connections, access rights and fair tariffs / charges
- ◆ DistCo - regulated Trader Competitive procurement
 - Procedures / guidelines and supervision
- ◆ Appeals body in the case of accusations or complaints on tenders

Governance

- ◆ NERC has Panels for experts and Participants :
 - Dispute Resolution Panel
 - Dispute Resolution Counsellor
 - Includes arbitration
 - Stakeholder Advisory Panel
 - Expertise and knowledge in system operation and competitive power markets
 - Monitor rules, analyse amendment proposal and approve amendments to be submitted to NERC for authorisation
 - Market Surveillance Panel
 - Monitor Market behaviour
 - Investigate complaints
 - Identify flaws In rules or Grid Code, and make recommendations