

Nextier Power Dialogue

COMMUNIQUE FEBRUARY 2019

Bridging the Collection Gap:

Meter Asset Provider Regulations and Industry Outlook

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LAWAL LAWAL
HEAD, CONTROL COMPLIANCE
AND REGULATORY, KADUNA
DISCO

WEDNESDAY

27

FEBRUARY, 2019

VENUE

Thought Pyramid Art Centre
18 Libreville Crescent,
Off Aminu Kano, Wuse II, Abuja

TIME

17:00 - 20:00

Nextier
POWER
Advisory, Investment, Services

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ELECTRICITY
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Turbo Energy

Kaduna
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Detconl
Lagos, Nigeria



Preamble

Still focused on closing the metering gap in Nigeria's Electricity Supply Industry, NERC introduced the Meter Asset Provider (MAP) Regulation in March 2018 to enable more efficient meter deployment to bridge the current metering gap in Nigeria.

The MAP regulation stipulates that NERC shall licence pre-qualified Meter Asset Providers (MAP) who will finance, install, maintain and where necessary, replace end-user electricity meters. This regulation is expected to address the financial and operational challenges faced by electricity distribution companies (DisCos) in supplying meters to customers.

Nextier Power, with support from the John D. and Catherine T. MacArthur Foundation, convened the February 2019 Nextier Power Dialogue themed "Bridging the Collection Gap: Meter Asset Provider Regulations Industry" to:

- Affirm the nature of agreement among relevant participants of the MAP Regulation.
- Address unclear areas and potential challenges associated with MAP implementation.
- Discuss details of the regulation including penalties that ensure all relevant parties perform.

- Discuss appropriate strategies to ensure proper communications of MAP across all customer classes.

The topic was extensively discussed by a panel of senior industry leaders including:

- Dolapo Kuloyi – Partner, Detail Commercial Solicitors [Moderator]
- Engr. Peter Ewesor – MD/CEO/CEIF, Nigerian Electricity Management Services Agency [Panellist]
- Engr. Lawal Lawal – Head, Control, Compliance and Regulatory, Kaduna Electricity Distribution Company [Panellist]
- Engr. Samuel Dangana – Director, Operations and Technical Services, MERON Nigeria Ltd [Panellist]
- Nathan Shatti – Commissioner, Finance and Market Services, Nigeria Electricity Regulatory Commission [Respondent]

Discussion Points

Perspective, Constraints & Outlook

Contributors: Engr. Dangana, Dolapo Kuloyi, Engr. Ewesor, Engr. Lawal, Nathan Shatti

Against the backdrop of MAP Regulation implementation, AEDC and MERON have a subsisting agreement for the procurement,

installation and management of 227,000 meters within AEDC franchise area since May 2018 over a 10-year period at the value of about ₦10billion.

The challenges encountered by MERON on the course of contract execution include access to finance, inadequate customer information from DisCos, lack of skilled meter installers, (about 30 – 40%) meter rejection by consumers, poor distribution network and inferior quality of electricity.

The lack of skilled meter installers could further hamper the successful implementation of MAP. To that effect, MERON had to source and re-train about 380 installers over a significant period. Consumer engagement and enlightenment on the overall impact of MAP Regulation is further required for optimum cooperation with the MAPs. The quality of electricity and the overall distribution network needs to be fully upgraded to guarantee accurate energy accounting and safety of the network assets.

NEMSA is an agency in the electricity market saddled with the responsibility of enforcing the Nigerian metering code as issued by NERC and uphold all electrical standards and specifications across the value chain including meters.

In line with her statutory requirements, NEMSA conducts 'type' and 'routine' tests on all new meters to be deployed in the Nigerian market after which the meters are re-certified after 2 years. The cost of re-certification of meters after 2 years was identified as a factor that should be further considered to ensure proper programme fiscal regime. This cost must be a component of the overall tariff to entrench sustainability. Furthermore, DisCos and MAPs were urged to jointly assess the nature of the overall distribution network to be metered to fully understand relevant complexities to be resolved, and also, ensure accurate metering of consumers.

It was observed that the performance of installed meters is largely consequent on voltage of power, accuracy of meter, earthing system and electrical installations. These observations further underscored the vital nature of meter installers in ensuring that appropriate energy connections are made to avoid consumer apathy and electrical damage to the meters which could potentially crash the programme due to insolvency.

NEMSA clarified that the certified meters bear a seal and test label for identification. However, a system is currently under works to allow consumers verify their meters via feedback from calls and text messages.



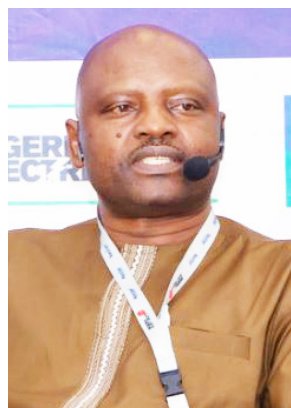
Dolapo Kuloyi



Lawal Lawal



Peter Ewesor



Samuel Dangana

The process of 'No Objection' by NERC was petitioned by some other potential MAPs who felt that they were seemingly disenfranchised from the procurement process. This amongst many other technical impediments led to an initial extension of the entire process. Several stakeholder engagements have been initiated by NERC amongst potential MAPs and DisCos to streamline concerns, responsibilities and expectations towards a successful 3-year programme. Currently, NERC has issued 'No Objection' to about 121 potential MAPs with expectations that more MAPs will be considered to provide more meters for the ever-increasing number of consumers validated through the final report of the consumer enumeration exercise.

Consumer perception & Market Projections

Contributors: Emeka Nwabueze, Segun Adaju, Joy Ogaji, Gloria, Engr. Williams, Francis, Engr. Dangana, Dolapo Kuloyi, Engr. Ewesor, Engr. Lawal, Nathan Shatti, Patrick Okigbo III

The MAP Regulation came into effect on 3rd April 2018 with a maximum provision of 120 days for all DisCos to conclude their procurement process and forward outcomes to NERC for approval. Due to operational setbacks, the process was adjusted till 1st of July 2018 with procurement process timeline up until 31st October 2018.

This projection was not met by any of the DisCos due to technical challenges with the potential MAPs. NERC further engaged with both stakeholders to identify and resolve all grey areas around the programme after which a deadline was set at 31st January 2019. As at 27th February 2019, all DisCos have concluded and submitted the outcomes of their procurement processes to NERC for approval and issuance of permits. It is expected that by April – May 2019, meters will be procured and installed across the Federation by the licensed MAPs.

To guarantee improved collection efficiency, only smart meters will be employed in this programme to enable the DisCos have real-time communication access for accurate energy accounting. DisCos may decide on the number of MAPs to engage to achieve maximum level of installations in all their franchise areas within the allotted time. Enlightenment campaigns including radio programmes, jingle, social media interactions and advocacy information on electricity bills were identified as viable means to increase consumer awareness and buy-in towards the programme.

Re-occurring cases where the meter continues reading whilst the customer is using off-grid solutions were highlighted for clarification. This situation inflicts double charge on the customer based on the utility meter reading alongside that of the off-grid energy solution. Consumers were encouraged to ensure the quality of electrical connections within their building through the engagement of certified electrical engineers to ensure high quality of electricity and eliminate cases of double charge.

Local meter manufacturers have advocated for an increase in local content quota (30%) in the MAP Regulation in relation to their improved operational capacity. Consequently, NERC reserves the right to review the local content quota at her discretion relative to market realities.

Furthermore, it was clarified that smart meters delivered under the MAP Regulations will bear a cost – Meter Service Charge. The cost will be borne by the consumer payable within a maximum of 10 years with provisions for one-off payment or structured payments within a peculiar period for each consumer. This cost, however, does not directly warrant the consumer, for any reason, to dismantle the meter and take to another location. The consumer should notify the DisCo and MAP on a change of location within the franchise area for provision of another meter at the prevailing credit status.

Consumers who paid for meters under CAPMI but were not supplied will be provided with meters under the MAP Regulations without any further payment upon confirmation and verification of data from NERC. Such affected consumers are advised to forward all relevant data to NERC for validation.

The concept of Net metering was discussed as NERC further reassured the audience that the net metering regulation, since 2018, is under development in order to provide guidelines for sale of excess energy from production points to the grid or consumers alike.

Recommendations and Action Points

- NEMSA to demonstrate improved capacity to guarantee the quality of meters deployed under the MAP Regulations.
- NEMSA to initiate and launch a system for ease of verification of certified meters by consumers.
- DisCos to complete accurate consumer enumeration.
- NERC and DisCos to conduct nationwide consumer programmes to improve consumer participation.
- NERC to ensure that consumers who paid for meters under CAPMI get meters for free under the MAP Regulations.
- NERC to foster the sustainability of MAP Regulations across all stakeholders.
- Consumers to recruit the services of only certified electrical service providers for electrical installations.
- NERC to engage consumers on the payment and ownership

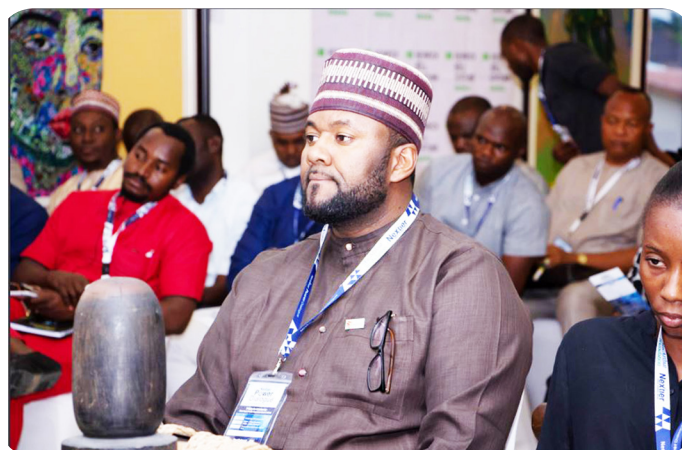


of MAP meters and provide more clarity on the processes for change of location within or outside a DisCo franchise area.

- A risk assessment analysis to be conducted on the MAP Regulations to ensure efficient allocation of potential risks to all stakeholders.
- NAPTIN to recognise the massive capacity deficit and develop a nationwide programme to develop meter installation, handling and maintenance skills for seamless implementation of the MAP Regulation.

The MAP Regulation recognises the recurrent liquidity crisis affecting the Nigerian Electricity Supply Industry due to low revenue collection efficiency. The successful implementation of MAP Regulation presents a huge prospect for increased job opportunities and specialisation pursuant to a revenue-assured sector that can attract more capital investment for economic development.









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