SEFTON FROSS
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NERC ORDER ON CAPPING OF ESTIIMATED BILLING IN THE NIGERIAN ELECTRICITY SUPPLY INDUSTRY- AN OVERVIEW

INTRODUCTION

Data from enumeration exercise by electricity distribution companies in Nigeria (DisCos) indicates that unmetered customers increased from 5 million to 10 million between 2012 and 2019. Indeed, 65% of the complaints received from these unmetered customers centered around unrealistic billing and unavailability of meters.

On 20 February 2020, as a step towards bridging the metering gap, the Nigerian Electricity Regulatory Commission (NERC) released an Order which placed energy caps on estimated consumption of electricity in the Nigerian Electricity Supply Industry (NESI).

It is our view that the goal of this regulatory intervention is to accelerate the deployment of meters under the Meter Asset Provider (MAP) scheme or other funding arrangements approved by NERC. It is also expected that this would reduce the significant revenue collection losses within the NESI. We have attempted to summarize the highlights of the Order in the following paragraphs.

Repeal of Estimated Billing Methodology Regulation 2012:

With this Order, the Methodology for Estimated Billing Regulation 2012 which was based on the statistical analysis of historical information to determine the weighted class average of electricity consumption for estimated billing purposes, was repealed. According to NERC, this methodology produced inaccurate data and resulted in unrealistic billing for unmetered customers.

Mandatory Order to Meter A1 Customers:

For this class of customers, the Order mandates that there should be compulsory metering by 30 April 2020. It is expected that Ministries, Departments and Agencies of government (MDAs) which fall under this category and account for significant collection losses would all be metered by 30 April 2020 as a result of the implementation of this Order.

Energy Cap for Unmetered R1, R2 and C1 Customers:

For these categories of customers, the Order seeks to protect them from unrealistic billing by DisCos. The Order stipulates for R1 customers no more than 50KWhr at NGN4/KWhr as energy cap, while the methodology deployed for arriving at the energy caps for R2 and C1 customers is based on the average consumption of metered customers within the same business unit of the unmetered customers. Indeed, DisCos have been directed not to bill them beyond the prescribed estimated energy consumption until they are metered.

Mandatory Metering of All other Higher Tariff Class Customers:

The Order requires the metering of this category of customers by DisCos, no later than 30 April 2020. It further provides that such customers shall not be liable to pay any estimated bill beyond the stipulated date in the event of failure by DisCos to meter them. To ensure accountability of energy flow and elimination of revenue leakages across this class of customers, the Order further requires the compulsory migration of this set of customers to cashless settlement platforms by 31 December 2020. .

Estimated Billing Below the Energy Cap:

This intervention applies only to R2 and C1 Customers in the NESI who are subject to the energy caps and prohibits any upward adjustment of estimated billing where the current estimated billing of these customers is less than the prescribed cap. This further reinforces the need for meter installation for these categories of customers.

Effect of Rejecting Meter Installation:

The Order makes it mandatory for DisCos to disconnect customers who reject meter installation and reconnect them to the network only upon meter installation.

Effect of Non-replacement of Faulty Meters:

Under the Order, where DisCos are unable to replace faulty meters within two working days, they are required to bill the customers on the average of the last three (3) months of billing/vending in accordance with section 16 of MAP regulations until the meter is replaced.

CONCLUSION

In light of the foregoing, it is our view that the new Order which became effective on 20 February 2020 will accelerate meter deployment across the NESI and prevent significant revenue losses from customers. In addition, it would also eliminate the incidences of estimated billing as customers would no longer be liable to pay any estimated billing after 30 April 2020.

Furthermore, with the introduction of energy caps for R2 and C2 customers, the Order may have addressed the issue of fairness in the billing process such that customers will now pay for energy commensurate with their consumption. This is expected to result in fewer complaints and elevated customer satisfaction.

Finally, it is our view that this intervention will deliver significant revenue collection efficiencies for DisCos and accelerate the recovery path for the NESI.

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