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Nigerian Regulator Advances Electricity Reliability and Market Reform through Eligible Customer Rule

With the support of USAID and Power Africa, NARUC assisted the Nigerian Energy Regulatory Commission (NERC) to develop and issue a rule that will improve electricity reliability for large power customers and offer generators more stable revenues.

In November 2017, NERC issued its Eligible Customer Regulations, declaring that certain electricity customers could buy power directly from generation companies after being declared eligible by NERC. These new arrangements are expected to open up the flow of money and electric power in the sector, which has recently been bogged down by monopoly service and inflexible contractual arrangements.

New eligible customers – expected to be mostly large industrial and commercial customers – previously had been required to receive their power through distribution companies without the ability to choose supply or interconnect directly with generators. The regulation seeks to advance power and financial flows by giving eligible customers choice of supply and opportunity to interconnect directly with generators.

This could give these customers a greater quantity of more reliable power, and provide generators



The natural gas-fired AFAM Power Station in the Nigerian delta (pictured above) stands to benefit from a recently issued NERC regulation allowing large electricity customers to buy directly from generation companies. Called the Eligible Customer Regulation, the rule aims to open up the flow of investment in the sector and increase power supply reliability across Nigeria (Photo Courtesy of NERC).

with the opportunity to receive payments from eligible customers directly instead of through the existing distribution company/bulk trader financial arrangement.

Under the new regulation, eligible customers have the choice to interconnect directly with generators and bypass the distribution network entirely.

They also have the option to enter into power purchase agreements (PPA) with the generators and continue to receive power through the existing transmission and/or distribution network.

The regulation marks a key step in enabling growth and investment in the Nigerian electricity sector, which at present is challenged by unused capacity, underserved customers and financial insolvency. The Nigerian power grid has deteriorated significantly due to underinvestment and aging infrastructure, which has hurt reliability and frustrated customers.

This regulation aims to provide a more effective way for key customers to connect to generation and for generators to receive a dependable stream of revenue for that service either by bypassing the grid entirely through

direct interconnection with customers or entering into bi-lateral contracts with customers while continuing to send power through the grid.

In an announcement, NERC said the regulation aims to lay the groundwork for greater competition, generation expansion and improved quality of supply, while at the same time lowering technical losses and encouraging third party access to transmission and distribution infrastructure.

NARUC supported NERC's development of the regulation by providing in-country consulting support to the NERC staff and commissioners working on the rule. NARUC developed a number of reports that explored the issues related to the rule, provided recommendations, and also worked side-by-side with NERC staff as it deliberated and drafted the regulation.

NERC aims to fully implement the regulation in spring 2018 and expects a number of customers to be declared eligible almost immediately. After NERC has declared the first 11 customers across at least six distribution company service territories eligible, Phase II of the regulation will commence, expanding the eligibility criteria to include customers with consumption exceeding 2MW/hour over the course of a month and connected to the distribution network at a metered 11kV delivery point.



Photo Courtesy of NERC

The Eligible Customer Rule aims to lay the groundwork for greater competition and improved supply quality, allowing large customers to access plants like the Egbin natural-gas fired power station (pictured above) near Lagos, Nigeria.

Phase I of the regulation, which commences immediately after implementation, includes four classes of customers:

- 1) **Customers connected to the transmission network at a metered 132kV or 33kV delivery point.**
- 2) **Customers whose consumption exceeds 2MW/hour over the course of a month and are connected to a metered 33kV delivery point on the transmission network.**
- 3) **Customers whose consumption exceeds 2MW/hour over the course of a month and are connected through a metered delivery point directly to a generator**
- 4) **Customers whose consumption exceeds 2MW/hour over the course of a month and are connected to a metered 33kV delivery point on the distribution network.**

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