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## FEATURE STORY

# NARUC Brings Nigerians Together On Cost-Reflective Tariffs



**Regulators and utilities work together to examine the details of their tariff during the simulation in Abuja.**

**“I am now armed with information to deal with problems and can explain better why things are the way they are.”**

**-NERC Manager Dooyum Mchiaga-Tsavsar said following the training.**

Regulators and distribution companies in Nigeria agree that a cost-reflective tariff will help the country attract private investment and increase electricity access. However, while the Nigerian Electricity Regulatory Commission (NERC) has worked to improve the Multi-Year Tariff Order (MYTO) adopted in 2008, stakeholders lack consensus on the best path forward.

Under the Power Africa initiative and with the support of the United States Agency for International Development (USAID), experts with the National Association of Regulatory Utility Commissioners (NARUC) are educating regulators and energy providers on how to accurately reflect the cost of power generation, transmission, and distribution. This effort comes as part of NARUC’s ongoing partnership with NERC.

At a September training in Abuja, NARUC led regulators and distribution companies (DISCOs) through its interactive Cost Reflective Tariff Simulation. This innovative exercise invites participants to explore the real-world impacts of different regulatory choices through a computer-based game. The simulation aims to improve regulators’ ability to review utility rates and provides a platform for dialogue on the importance and range of inputs regulators must consider when setting tariffs.

During the simulation, participants worked in teams to respond to the common challenges facing energy regulators in developing economies. Participants adjusted the generation mix and the transmission and distribution expansion for a range of economic and political scenarios to generate tariffs for commercial, industrial, and residential customers. The simulation also provides feedback on greenhouse gas emissions.

At the training, participants fully immersed themselves in the simulation, drawing important lessons from Nigeria’s complicated and nuanced energy picture. They worked together in teams, with regulators and DISCO officials alike learning more about why their counterparts make the decisions they do.

As a direct result of this activity, NERC has requested more detailed trainings on tariff setting, financial reporting, customer service and loss prevention. These trainings are critical as NERC continues to improve and implement MYTO and other regulatory decisions.

NARUC’s partnership is part of a larger power reform effort in Nigeria which aims in part to foster a stable environment for investment and growth in the region.

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