

HISTORY OF MARKET OPERATIONS

The FGN, even before the launching of the power policy, was trying to get the private sector into investing in the power industry, especially the international oil companies. The situation of the power industry was so desperate that the government could not bring their investments. Express approvals were granted to some companies to set up their power plants in order to boost the national generation capacity.

ENRON Nigeria barge Ltd, now AES barge Nigeria Ltd, established its power plant in Lagos, in year 2000, while National AGIP Oil Company in joint ventures with the NNPC also established its power plant in 2001. More and more companies were showing interest and were willing to invest in the power industry.

The motive behind every private investment is making profit. There were therefore the need to have a wholesale market and a coordinating body, where the private investors (IPPs) will sell electricity to, and the coordinator will be responsible for insuring that electricity bought from them will at the end of the month be paid for.

The Electricity Power Sector Reform Act (EPSR) provides for the restructuring of the electricity industry, the creation of the Nigerian Electricity Regulatory Commission (NERC), the development of the Electricity Market of Nigeria and private sector participation.

To ensure an efficient and transparent Electricity Market in Nigeria, two special entities have been created: the Market operations and the System Operator. The Market operations is responsible for the administration of the Electricity Market, promoting efficiency and where possible competition. The System Operator is responsible for the planning, dispatch and operation the transmission system, protecting system security and reliability.

Market operation was therefore established in April 2004.

To achieve a sustainable electricity industry, the Electricity Market has been designed with a staged approach, moving from one stage to the next with increasing competition and diversification of trading arrangements as investment and private participation grows.

The Market operations initiated the first stage of the Electricity Market, the Pre- Transitional Market, in January 2005. The Participants are the distribution zones and power stations of PHCN, buying and selling at transfer prices. Transmission is providing wheeling services and the System Operator is providing system operation services