

HOW MO CAUSES MARGINAL IMPROVEMENT IN NIGERIA ELECTRICITY MARKET

*The Nigeria Electricity Market performance has been a cause of concern to participants and stakeholders in the Power Sector. **Eric Ephraim Ene**, write on the actions taken so far by the Market Operations (MO), of TCN to address the dwindling fortune of the market.*

Since the commencement of the Transition Electricity Market (TEM), stakeholders have counted more losses than gains as the market performance declined. Specifically, the market fell, after the coming in of the private investors and declaration of Transitional Electricity Market (TEM) in February 2015. The downward trend has caused some investors to engage in buck passing without adherence to the Market Rules and TEM order. However, the recent Market Operator's Reports at the 21st, 22nd and 23rd Sectorial Meeting of the Nigerian Power Sector, indicated some signs of marginal improvement in market settlement.

Some Power sector experts have attributed this marginal improvement on Return on Invoice to better understanding of the sector by the operators and the newly introduced to interest charged on outstanding payments of some Distribution Companies (DISCOS).

Reviewing the performance of the market, the Market Operator, Mr. Moshood Saleeman at the stakeholders meeting presided over by the Hon. Minister of Power, Works and Housing, Mr. Babatunde Fashola (SAN), rolled out the dash board summary of energy delivered to DisCos, the status of settlement, payment, shortfall and associated interest. He disclosed that the last three months of September, October and November 2017, witnessed marginal improvement in the market performance from 25 per cent up to 3rd quarter of 2017 to 37 per cent in the last quarter of 2017.

According to him, the improvement in settlement payment by DisCos was driven by the implementation of Market Rules, which stipulate penalties for defaulting market participants. The implication of this measure is that any Disco who failed to remit 100 per cent monthly settlement payments, in accordance with the Market Rules is charged interest on the balance brought forward. Hence, defaulters are penalized in order to guarantee efficient and optimum performance of market administration.

Expectedly, the Market Operations (MO) saddled with the responsibility of ensuring a fair playing field and non-discriminatory market administration to all Market Participants, has demonstrated enormous will to get things right in the system. The enforcement of this law will motivate DisCos to devise means of improving their revenue profile and by extension, boost the market performance.

Unlike the Generation Companies (GENCOS), that have the Nigerian Bulk Electricity Trading Company (NBET) as their off-taker, service providers do not have this privilege, hence they experience set back in capital investment, due to low remittance from DisCos.

Cursory look at the performance of the service provider's monthly invoices and DisCos remittances point to the fact that the market has not lived up to expectation, especially since the privatization and declaration of Transitional Electricity Market (TEM) in February 2015. The performance may be attributed to some factors that are inimical to the full enforcement of Market Rules by the Nigerian Electricity Regulatory Commission (NERC) and non-attainment of 100 per cent performance by participants.

Figure1

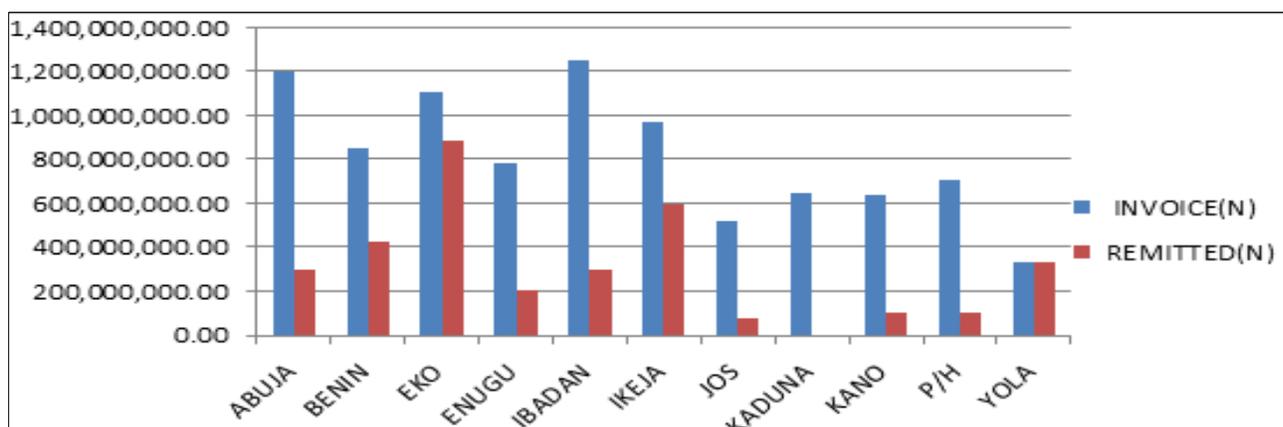
SUMMARY OF OCTOBER 2017 SHORTFALL AND ASSOCIATED INTEREST WITH RESPECT TO SERVICE PROVIDERS PAYMENT

DISCOS	TOTAL OUTSTANDING NET INVOICE AS AT OCT. 2017 N	*ACCUMULATED INTEREST AS AT OCT. 2017 N	TOTAL N
ABUJA	3,024,498,775.64	155,765,498.39	3,180,264,274.03
BENIN	1,122,125,569.84	56,333,319.88	1,178,458,889.72
EKO	859,521,588.91	45,321,712.57	904,843,301.48
ENUGU	1,931,510,923.39	99,438,117.55	2,030,949,040.94
IBADAN	3,158,475,389.36	158,501,684.04	3,316,977,073.40
IKEJA	1,580,229,245.04	81,730,169.49	1,661,959,414.53
JOS	1,562,424,137.29	80,129,503.25	1,642,553,640.54
KADUNA	1,870,646,179.06	95,104,477.23	1,965,750,656.29
KANO	2,068,969,086.95	108,020,068.75	2,176,989,155.70
P/H	2,225,045,146.15	111,668,796.90	2,336,713,943.05
YOLA	-	-	-
TOTAL	19,403,446,041.63	992,013,348.04	20,395,459,389.67
NOTE:			
* INTEREST RATE APPLICABLE-NIBOR+10%			

According to the chart, the total outstanding Net Invoice of the Eleven Distribution Companies (DISCOS) as at October 2017, is put at N19, 403,446,041.63 billion, the accumulated interest, N992,013,348.04 million while the total amount stand at N20,395,459,389.67

In November 2017, the Dash Board Summary from MO indicated that a total of 2,289,359.26Mwh energy delivered to Distribution Companies (DISCOS), while 189,779.48Mwh was delivered to international and directly connected customers, transmission loss factor was 209,806.63Mwh (7.80%). The Invoice to DisCos for Service Providers charges was N9,721,300,803.43, the amount remitted by DisCos to MO was N3,309,791,446.07 and the amount remitted to Service Providers by MO was N3,309,791,446.07 (34%), while the shortfall for the month was N6,411,509,357.35 and the interest accrued on DisCos outstanding balance was put at N992,013,348.04 respectively.

Figure 2: **DISCOS INVOICE AND REMITTANCE PERFORMANCE**



Although the growth recorded in the last quarter of 2017 was marginal and influenced by interest charge factor, most of the investors and stakeholders were equally attracted by the strategy introduced and executed by the MO aimed at enhancing the market performance.

Looking ahead for 2018, indications of a more positive market assured. NERC should however enforce the implementation of the Market Rules by all participants without external interference, so that the ultimate goal of service delivery to Nigerians can be achieved.