

# Nigeria's Electricity Supply Industry Highlights

Power Sector Watch | Edition 2021 – Q4

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This edition of the Power Sector Watch highlights some of the recent development in the Nigerian Power Sector:

- **Proposed Increase in Electricity Tariffs**

The Nigerian Electricity Regulation Commission (NERC) informed that effective from 1 September 2021, Nigerians would be required to pay an increased electricity tariff

This is in line with the already designed Service Based Tariff (SBT) structure, which was effected in 2020 by the Government in an attempt to address the electricity subsidy regime, as well as enable the Nigerian Electricity Supply Industry (NESI) generate funds finance the market and attract investments. The introduction of the SBT has resulted in a 50% increase in electricity cost. It is not clear though what impact the earlier moderation in tariffs have had on power supply.

Ayuba Wabba, the Nigeria Labour Congress (NLC) president apprised the Federal Government (FG) of its agreement with the Union to reduce the electricity tariff by ₦15 per KWH by December 2021. He further stated that Organised Labour, under the NLC, may embark on strike if the proposed increased tariffs become a reality. In the same statement, he further demanded a reduction of 40 percent in the gas price to Generating Companies (GenCos) from \$2.50 to \$1.50 per standard cubic feet (scf) whilst stating that the government's approved reduction from \$2.50 to \$2.18 per scf fell short of their expectation, and breached the agreement reached with the NLC.

- **Nigeria Partners Russia to Include Nuclear Power in National Grid**

The FG, through the Nigerian Atomic Energy Commission (NAEC) and the Ministry of Power (MoP), are finalising plans with the Russian Federation to introduce nuclear power into Nigeria's national grid.

According to the Acting Chairman of the NAEC, Professor Ahmed Yusuf, President Muhammadu Buhari on his visit to Russia in 2019 had requested for the peaceful deployment of nuclear energy in Nigeria. The NAEC revealed that the MoP in conjunction with the Ministry of Finance (MoF), are to determine if the national grid can accommodate the contribution of nuclear energy. NAEC disclosed that the MoF has agreed to include the cost of NAEC's feasibility study plan in the 2022 budget.

Ryan Collier, the Vice President of JSC RUSATOM and leader of the Russian delegation, during a recent visit to Nigeria, noted that it was a misconception that countries are phasing out nuclear power as RUSATOM, is currently building 35 nuclear power plants in 12 countries.

- **GenCos sold electricity directly to customers illegally**

NERC in its directive of 7 July 2021, stopped the Transmission Company of Nigeria (TCN) from evacuating power from GenCos directly to customers. The DisCos had also issued a statement that the direct sale of electricity by some GenCos to customers for about four years is illegal.

In 2017, the FG launched the Eligible Customer (EC) Regulation to establish a framework for companies to sell electricity directly to customers who meet electricity consumption requirement of over two megawatts (MWs). Although, this directive appears to conflict with the EC Regulation, NERC noted that certain requirements such as requisite demand of the customers, proof of excess capacity to supply energy by the GenCos, payment of charges and fees to exit the conventional network and confirmation of eligibility status from the NERC are not being met by the GenCos.

Consequently, NERC in its directive, ordered TCN to transfer back to the DisCos, all electricity customers who failed to obtain the eligibility status under its 2017 Regulation (Regulation No. NERC 111).

- **Niger Delta Power Holding Company (NDPHC), Kano Partner on Electricity supply**

The NDPHC and the Kano State Government signed a power purchase agreement for the supply of 20 megawatts to the Kano State Water Board. The agreement is for the supply of about 95% uninterrupted electricity to water treatment plants in the State. Five water treatment plants were selected for the first phase of the implementation exercise. NDPHC has 10 power generating companies, one of which is the Aloaji Power plant which generates 500 megawatts capacity and would be used to supply the 20 megawatts request from Kano state. This contract is expected to be mutually beneficial to both parties.

- **Nigeria's Electricity Sector Records highest GDP growth in Q2 2021**

The Nigeria Electricity sector recorded the highest Gross Domestic Product (GDP) growth in the second quarter (Q2) of 2021. According to the National Bureau of Statistics (NBS)' report, the non-oil sector of the economy was majorly driven by growth in trade, telecommunication, road transport, electricity, food production and crop production.

The electricity sector which also comprises of gas, steam and air conditioning supply recorded a 78.16% year-on-year real GDP growth in the quarter and a 56.58% year-on-year increase on a half-year basis in comparison to a decline of 2.78% recorded in the similar period in 2020. The increase is largely due to the increase in electricity tariff in the country.

- **Independent Corrupt Practices and Other Related Offences Commission's (ICPC) interest in Nigeria's power sector**

Following persistent complaints by consumers, the ICPC has promised to tackle corruption-related matters in the electricity sector.

The ICPC Chairman disclosed that the Commission holds in high regard the values embedded in the National Ethics and Integrity Policy which include human dignity, voice and participation, patriotism, personal responsibility, integrity, national unity and professionalism. He stated that the ICPC was making plans to ensure accountability across the private and public sectors through the implementation of these core values.

- **Ibadan DisCo to spend ₦91bn on network expansion, metering**

Ibadan Electricity Distribution Company (IBEDC) has disclosed plans to spend ₦91billion in five years to improve its network, metering of customers and automate its operations. This was disclosed by the Chief Operating Officer, at the 2021 half year press conference in Ibadan. It was also noted that IBEDC would spend ₦310million in the first year and then scale up to ensure the safety of customers and employees.

On a related note, there are concerns about energy theft/vandalism resulting in a ₦4billion monthly lose to IBEDC. There are also concerns about the failure of about 95% of its customers to pay their bills fully, with the MDAs owing over ₦8.5billion as at last year. Nevertheless, this is an industry wide occurrence and is not peculiar to IBEDC.

- **The Electricity Bill, 2021 passes second reading**

The Electricity Power Sector Reform Act, 2005 (Reform Act) – the principal act for Companies operating in the power industry has been deemed to be unreflective of recent events by the Senate and therefore, inadequate to regulate the activities of the market operators and participants in the post-privatized phase of the industry.

This has therefore led to the Electricity Bill, 2021 which seeks to repeal the Reform Act, consolidate all legislations in the power sector, align regulatory responsibilities and clarity of roles for ease of compliance. In addition, the Bill aims to improve Nigeria's power generation capacity, provide a framework for power diversification using cleaner renewable energy sources (coal, wind, sun etc.), as well as boost investment from private sector participation.

The Bill has been forwarded to the Senate Committee on Power for further review.

- **Power minister tasked on new roadmap for sector**

The Chairman, Momas Electricity Meter Manufacturing Company, Kola Balogun urged the Honourable Minister of Power, Abubakar Aliyu, to chart a new roadmap to address the generation, distribution, and transmission challenges in the power sector. The Chairman proposed the following ways to reposition the sector:

- Decentralize the national power grid to allow states and local governments generate and distribute power within its area. Where the generated power is not enough, they can purchase from the national grid.
- Power generation and distribution should be moved to the concurrent list to enable more franchising and allow Nigerians enjoy more supply.
- Strengthen the Nigerian Electricity Regulatory Commission to carry out its responsibilities.
- Ensure that investors can recoup their funds while their customers get fair bills in line with global best practices.

**For further enquiries on the above and information on how KPMG can assist you, please contact:**

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