



# POLICY BRIEF

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## Protecting the Rights of Electricity Consumers in Nigeria: A Call for Complete Abolition of Estimated Billing and Total Installation of Pre-Paid Meters for Consumers

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### 1.0 Summary

One of the major challenges facing the power sector in Nigeria currently is the inability of the Distribution Companies (DisCos) to live up to expectations to comprehensively bridge the metering gap within electricity consumer circle. With the privatization of the Generation and Distribution aspects of the power sector, expectations were high on hope that the abhorrent billing method of NEPA and PHCN would be over. It is disheartening to note that 15 years after the introduction of the prepayment method, over 60% of electricity consumers are still on estimated billing, even with the introduction of CAPMI, MAP, the capping of estimated billing by NERC amongst other initiatives. This situation continues to generate tension between the consumers who feel unjustly billed and short-changed and the DisCos who are profit driven. This brief therefore concludes and recommends, among others, that there should a formulation of an enforcement policy listing stricter punishment for defaulting DisCos to the extent of having their licences withdrawn, that there should be an Executive Order criminalizing estimated billing as this will stimulate the various DisCos towards ensuring mass metering of electricity consumers.

### 2.0 Introduction

Nigeria remains one of the largest economies in Africa. Ironically though, it has one of the most significant energy deficits in the world. Over time, successive governments have shown commitments towards improving electricity access in the country. These commitments have been

demonstrated through various initiatives, amongst which includes: the Electric Power Sector Reform Act, 2005, the setting up of the Presidential Action Committee on Power (PACP) as well as the Presidential Task Force on Power (PTFP).<sup>1</sup> Majorly, the privatisation of the power sector in 2013, was cardinally aimed at significantly

<sup>1</sup> See Presidential Task Force on Power, (2013). Roadmap for Power Sector Reform - A Customer Driven Sector-Wide Plan to Achieve Stable Power

Supply (Revision 1). pp. 1–82. Retrieved from [Roadmap Launch - Brochure.cdr \(esmap.org\)](http://esmap.org)



improving the power sector efficiency, attract investments as well as increase the volume of electrical power generated which hitherto was characterized by unreliable gas supply, insufficient metering, mismanagement amongst others. This unbundling of the sector into several partially privatized entities equally saw to the establishment of the Nigerian Electricity Regulatory Commission (NERC) with a mandate to regulate, superintend over the functioning of the power sector.

With the establishment of the NERC, concerted efforts were made to close the metering gap. One of such efforts was the criminalization of estimated billing to consumers in order to ensure that all electricity consumers are adequately metered. In spite of this, it seems though that the much envisioned improvement in power supply and efficiency has not been achieved. This is evidenced upon the fact that over 60% of electricity consumers in the country still remain unmetered<sup>2</sup>, hence the continued estimated billing, which is exorbitant and unrealistic for the consumers. It is against this background

that this brief advocates for a stricter enforcement of the relevant policies and regulations guiding the power sector, and severe punishments for defaulting DisCos. This is to ensure that electricity consumers in the country do not continue to pay for services not rendered.

### **3.0 Content**

In Nigeria, pre-paid metering was introduced in the year 2005 in a bid to eradicate unrealistic estimated billing on customers among other related issues. To achieve this, various efforts, such as the following, have been made:

- In the Performance Agreement (PA) entered into by the various investors and the Federal Government of Nigeria, which has a five year life span and renewable upon achieving a high level of efficiency, the DisCos are charged with metering obligation to significantly close the metering gap;
- Capping of estimated bills by NERC. In August 2012, NERC

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<sup>2</sup> *Vanguard*, (6<sup>th</sup> February, 2021). 62.63% electricity Consumers on Estimated Billing, Says NERC.

Retrieved from [62.63% electricity consumers on estimated billing, says NERC \(vanguardngr.com\)](https://www.vanguardngr.com/2021/02/06/62-63-percent-electricity-consumers-on-estimated-billing-says-nerc/)



published a document<sup>3</sup> containing methodology for estimated billing. The document classified 3 categories of consumers who can be issued estimated billing (Customers with faulty meters, Customers whose meters cannot be read and existing customers without meters). This is aimed at deterring DisCos from issuing to consumers arbitrary electricity bills which do not reflect their actual power consumption;

- The introduction of Credited Advance Programme for Metering Implementation (CAPMI). This initiative<sup>4</sup> was introduced in 2013 with the aim of closing the huge metering gap in the Nigeria Electricity Supply Industry (NESI) and help the Discos meet their PA on metering. With this, customers could pay upfront the meter cost and then have the Disco pay back the cost of the meter via electricity supplied to the customer over a period of time. The main idea behind this was to relieve the

Discos of the burden of the huge financial outlay entailed in providing meters for customers by making willing customers provide the needed funding;

- Meter Assets Provider (MAP) Regulation. In 2018, NERC introduced the MAP Regulation (No. NERC-R -112), which equally takes the cost of the meter away from the DisCos and places same on the consumers. Under this scheme, the various licenced MAPs in conjunction with the DisCos are expected to supply consumers with meters and then charge fees of both the meter asset and the electricity tariff for a period of 10 years. This will encourage the development of independent and competitive meter services in the NESI, eliminate estimated billing practices in the NESI, and close the metering gap through accelerated meter roll out in the NESI among others.

The above initiatives are all in the light of the numerous advantages associated with metering and the need to get every

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<sup>3</sup> See Federal Government Official Gazette No. 113 in Volume 99 of 2012.

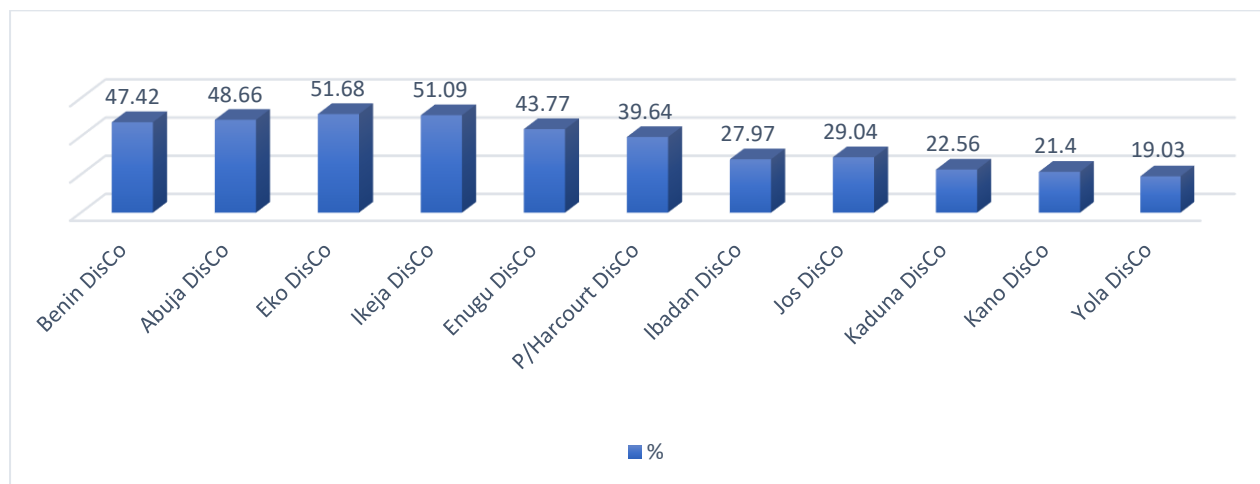
<sup>4</sup> See Order No. NERC/05/0001/13



electricity consumer metered. This has attracted the attention of the President, who ordered that there should be mass metering for electricity consumers so as to end estimated billing.<sup>5</sup> However, all of these have not helped much. This is because, NERC, being the regulatory body, has failed to prevail on the DisCos ensuring that laid down policies and regulations are strictly adhered to. It is worthy of mention that the customer complaint unit of NERC is not functional as it provides dissatisfied customers with phone numbers that never

connect. One may conclude that the DisCos are taking advantage of this ineptitude by NERC hence, their (DisCos) continuous issuance of arbitrary, inconsistent and outrageous estimated bills to customers. Statistics shows that quite a preponderant number of customers are still unmetered. As at September, 2020 a total of 62.63% of electricity consumers in the country were on estimated billing<sup>6</sup> (see Figure 1 below for the overall percentage of metering status so far achieved by DisCOs).

**Figure 1: Overall Metering Status in the Country (%)**



Source: Vanguard, (2021)<sup>7</sup>

The Figure above succinctly suffices to say that, after over 15 years that pre-paid metering was introduced, the number of

electricity consumers that are under estimated billing surpasses the number of those who have been metered. This is

<sup>5</sup> *Premium Times*, (27<sup>th</sup> August, 2020). Electricity: Buhari orders mass metering to end estimated billing. Retrieved from [Electricity: Buhari orders mass metering to end estimated billing \(premiumtimesng.com\)](https://www.premiumtimesng.com/news/local-news/2020/08/27/electricity-buhari-orders-mass-metering-to-end-estimated-billing/)

<sup>6</sup> *Vanguard*, (6<sup>th</sup> February, 2021). 62.63% electricity consumers on estimated billing, says NERC. Retrieved from [62.63% electricity consumers on estimated billing, says NERC \(vanguardngr.com\)](https://www.vanguardngr.com/2021/02/06/62-63-percent-electricity-consumers-on-estimated-billing-says-nerc/)

<sup>7</sup> Op cit.



worrisome especially considering that amongst these unmetered consumers are also those who have made payments for pre-paid meters but for one reason or the other, the DisCos have failed or are delaying the installation of such meters. This practice raises suspicion as to whether it is a deliberate attempt by the DisCos not to deliver such meters to the owners and keep such consumers perpetually on estimated billing. If this is the case, then the question will be, to satisfy whose interest? For whatever reason this persists, it does not flow in tandem with the government's vision of ensuring that all electricity consumers are appropriately metered. However, DisCos' attitude of poor investment in metering has led to the lack of improvement in their efficiencies and in the sector generally. The high level of unmetered customers in over a decade later, makes one wonder if it is still possible to close the metering gap by the end of 2021 as envisioned by NESI. Otherwise, DisCos will not be able to resolve commercial and collection losses in the short term.

#### **4.0 Areas for Legislative Consideration**

- NERC should intensify its regulatory function over the DisCos

by initiating a complete metering enforcement policy, listing stricter punishment for defaulting DisCos;

- Both the CAPMI and MAP schemes should be investigated as most consumers who pay up front for meters either do not take receipt of them at all or within 45 days as required, while majority of those who received the meters never had the DisCos amortize the meter cost via electricity supply to the customer over a period of time;
- NERC should update its Customer Complaint Unit of their website, functional toll-free mobile numbers to ease accessibility as well as periodically carry out mass sensitization of customers especially at the rural areas on their regulatory function;
- The president may wish to consider introducing an Executive Order criminalizing estimated billing.

#### **5.0 Conclusion**

In overcoming the challenge of outrageous billing of electricity consumers in the country today, one of the veritable ways is through mass metering of every consumer.



Its advantages are numerous. While it guards the consumer against unjust billing, which more often than not appears too exorbitant, it also saves the DisCos a lot of

administrative stress as well as exonerates them (DisCos) from the general perception that they are taking advantage of unmetered consumers to maximize their profit.

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