



NERC
Meter Price Review 2023:
Implications for MAPs and
Consumers in Nigeria

INTRODUCTION

One of the objectives of electricity sector reform in Nigeria is the provision of meters at affordable prices for end-users in the Nigerian Electricity Supply Industry (NESI). Meters measure the amount of electric energy consumed by residences, businesses, or electrically powered devices. Meters are important for Distribution Companies (**DisCos**) because they provide an accurate means of assessing energy consumed, hence aid in the recovery of revenue invested in the distribution and supply businesses. From a consumer perspective, meters assist consumers to be energy efficient. In Nigeria, post-paid or electromechanical meters had been used before the liberalization of NESI in 2005. This approach to metering required that, at the end of each billing month, officials of the then National Electric Power Authority (**NEPA**) make physical visits to premises where meters had been installed, undertake reading of the meters based on energy consumed and issue electricity bills to end-users.

With the liberalization of NESI and the unbundling of NEPA, the unbundled and privatized DisCos were by the provisions of the Electric Power Sector Reform Act 2005 (**EPSRA**) and the terms of their licences empowered to procure meters for their customers. This was the first step towards liberalizing the metering sub-sector and introducing pre-paid meters in Nigeria. Over the years, due to the metering gap experienced in NESI, DisCos were by the Meter Asset Provider and National Mass Metering Regulations 2021 (**MAP and NMM Regulations 2021**) permitted to collaborate with third parties, known as Meter Asset Providers (**MAPs**), to install meters for electricity consumers, and the Nigerian Electricity Regulatory Commission (**NERC**) determines the pricing of these meters.

On the 5th of September 2023, NERC announced an upward review of the price of meters pursuant to the Order on the Price Review of MAP Meters 2023¹ (**Meter Review Order**), with the main objective of ensuring a fair and reasonable pricing of meters to both MAPs and end-users in the NESI. In this Newsletter, we discuss the Meter Review Order, and the likely market implications on MAPs as well as consumers.

ORDER ON THE PRICE REVIEW OF MAP METERS 2023

The Meter Review Order was issued on the back of the MAP and NMMP Regulations 2021 which stipulates four (4) arrangements approved by NERC for the provision of meters to end-users in NESI. The four (4) arrangements are the Meter Asset Provider (**MAP**) framework, National Mass Metering Programme (**NMMP**), Vendor financing, and Meter financing by DisCos' own funds.² Following President Muhammadu Buhari's mass metering directive, the Central Bank of Nigeria (**CBN**) approved guidelines for funding the NMMP on 18th October 2020. The guidelines required that all meters under the scheme be locally sourced, resulting in the emergence of local manufacturers and others.³

Under the MAP arrangement, DisCos are required to collaborate with their respective MAPs approved by NERC by virtue of a MAP Permit, to install meters for electricity consumers. And while the cost of single phase and three phase meters for MAPs are to set by NERC, the prudent cost of these meters are required to be adjusted to align with the outcome of the competitive NMM procurement process.⁴

1. Order No: NERC/2023/020- Order on the Price Review of MAP Meters 2023

2. Meter Asset Provider and National Mass Metering Regulations 2021

3. F. M. Dahunsi¹, O. R. Olakunle, A. O. Melodi, "Evolution of Electricity Metering Technologies in Nigeria" (2021) 18(2) Nigerian Journal

4. Regulations 8 & 9 of the Meter Asset Provider and National Mass Metering Regulations 2021

Prior to 6th September 2023, procuring single-phase and three-phase meters cost N58,661.69 (fifty-eight thousand six hundred and sixty-one thousand, sixty-nine Kobo) and N109,684.36 (one hundred and nine thousand and six hundred and eighty-four Naira, thirty-six Kobo) respectively under the MAP scheme. Given macroeconomic conditions such as rate of inflation in the country and changes in foreign exchange rates, NERC has determined that an upward review of these amounts has become necessary. Accordingly, NERC has ordered that a single-phase meter will now be sold at N81,975.16 (eighty-one thousand, nine hundred and seventy-five thousand Naira, sixteen Kobo) and a three-phase meter at N143,863.10 (one hundred and forty-three thousand eight hundred and sixty-three Naira, ten Kobo).⁵

The foregoing costs are exclusive of value added tax (VAT), but inclusive of the revised prices approved by the Nigerian Electricity Management Services Agency (NEMSA) for single-phase and three-phase meters.⁶

OUR THOUGHTS

The focus of the Meter Review Order is the upward review of the cost of meters procured by MAPs for consumers in DisCos' franchise areas, thus it is important to understand if these prices are fair from a consumer and supplier perspective. The increments in the price of meters represent a N23,313.47 (twenty-three thousand and three hundred and thirteen thousand Naira, forty-seven Kobo) and N34,178.74 (thirty-four thousand one hundred and seventy-eight Naira, seventy-four Kobo) rise in the cost of single-phase and three-phase meters respectively. In our assessment, these increments are fair considering the free fall of the Naira and noting that NERC had reviewed the prices based on relevant data from the Central Bank of Nigeria (CBN) and the National Bureau of Statistics (NBS).⁷

As economic regulator, NERC is required to balance the interests of suppliers and consumers in NESI such that prices fixed are fair from a supplier and consumer perspective and will permit suppliers to earn reasonable returns on their investments and reinvest in the metering business. Whether these increments are fair on consumers given macroeconomic conditions in the country at this time is a separate issue and certainly a difficult one that has broader political implications given the high rate of energy poverty in the Country.

As earlier hinted in the introductory comments, pre-paid meters were introduced during the post reform period of the NESI and have several advantages including providing more accurate measurement of electricity consumed as postpaid billing systems were subject to human errors, permitting consumers to pay for the actual amount of electricity they use, reducing disputes over billing accuracy, assisting with energy efficiency and conservation, and reducing theft of energy.⁸

Notwithstanding the above benefits, if the people who lack access to energy are unable to finance the upfront cost of meters, the Meter Review Order would have defeated the purpose for which it was issued. In this regard, it is proposed that various financing options should be made available to end-users for the procurement of meters supplied to them by MAPs.

5. Order A. *Ibid* (n 1)

6. *Ibid*. See Orders B & C.

7. *Ibid*. Order 9

8. On the benefits of prepaid meters see: F. M. Dahunsi¹, O. R. Olakunle, A. O. Melodi (n)

9. See: Order No: NERC/2023/001

We note however that in accordance with MAP and NMM Regulations 2021 and the Order on the Reimbursement of Meter Costs 2023, DisCos are obligated to reimburse customers who pay for meters under the MAP framework through equal instalments of energy credits, at the time of vending, with the cost of the meter amortized over a maximum of 120 months (10 years).⁹ While this does provide some level of comfort, it does not address the core issue which is whether consumers can raise the upfront capital for financing meters. It also does not account for the time value of money seeing that the cost of procuring meters will be repaid over a 10 (ten) year period by DisCos.

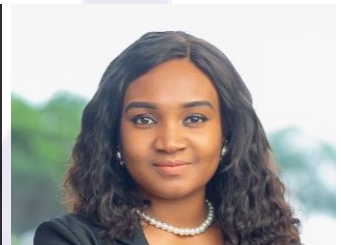
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