



POWER SECTOR RECOVERY PROGRAMME

FACT SHEET

The Challenge

The power sector is critical to Nigeria's economy. But in recent years, the lack of constant electricity supply has driven businesses to rely on expensive and highly polluting off-grid self-generation alternatives. Compounding this problem, losses from energy theft and insufficient end user tariffs have caused significant cash deficits across the power sector value chain, which has made it difficult to attract investment into the sector.

The Solution

The Federal Government Economic and Recovery Growth Plan 2017-2020 sets out the medium-term structural reforms to diversify Nigeria's economy, including expanding power sector infrastructure as one of the top priorities.

In May 2016, the Federal Government initiated the *Roadmap of Incremental, Steady and Uninterrupted Power Supply*. The 2016 Roadmap and related milestones transition into a comprehensive electricity market intervention by the Federal Government – the Power Sector Recovery Programme (“PSRP”).

The Power Sector Recovery Programme is a series of policy actions, operational, governance and financial interventions to be implemented by Federal Government of Nigeria over the next five (5) years to RESET the Nigerian Electricity Supply Industry for future growth.

The objective of the Programme is to renew Nigeria's economy by rebuilding a functioning, fair power system through:

1. Restoring the sector's financial viability;
2. Improving power supply reliability to meet growing demand;
3. Strengthening the sector's institutional framework and increase transparency;
4. Implementing policies that promote and encourage investor confidence in the sector;
5. Institutionalising a contract-based electricity market.

The Power Sector Recovery Programme begins with a plan to put Nigeria's power sector on the right financial path.

- The annual Federal Government budgets will include provisions for fully funding historical and future sector deficits from 2017-2021, but this is only part of the financial plan. The Programme will also ensure Ministries, Departments, and Agencies debts are paid and implement a payment mechanism for future electricity bills.
- Metering of all Government facilities including military and security formations.
- Appropriate and sustainable tariffs will be established across the board over the next 5 years and sooner on a bilateral willing buyer/willing seller basis for premium customers. A review of the tariff setting methodology will be conducted. In the past, distorted energy pricing has led to unsustainable costs to the economy. The responsible thing to do for Nigeria's future is to remove cost distortions while protecting the poorest citizens from the impacts of price increases.
- The Payment Assurance Facility is a N701.9 billion facility provided by the Federal Government to guarantee NBET's payment of generation and gas invoices for 2017-2018, thereby easing the liquidity challenges of the sector. The facility is one of the funding sources structured to ensure power sector companies receive their revenue requirement from 2018 in a timely manner, as the market gradually transitions to appropriate and sustainable tariff levels.

The Programme will also prioritize operational and technical interventions that will ensure the stability of Nigeria's grid.

- Under the Programme, the **minimum** baseline power supply of 4,500 MWH/H will be guaranteed and distributed daily from 2018.
- The performance of distribution companies will also be improved by, among other strategies like customer enumeration, ensuring their financial restructuring and recapitalization, establishing a metering programme, implementing credible Business Continuity Plans and expanding the distribution network.

An equally important step in the Power Sector Recovery Programme is to strengthen the governance of Nigeria's power sector.

- The appointment of qualified Boards to government agencies and qualified government representatives to the boards of distribution companies will be critical to restoring proper sector governance.
- Sector transparency will be improved by establishing data driven processes for decision making across the sector's value chain – and ensuring that Nigerians are aware of the decisions made.

- Fully operational Supervisory Control and Data Acquisition (SCADA).

Finally, the Programme calls for putting the right fiscal and monetary policies in place to enable the improvements needed in Nigeria's power sector and market.

- Promote fiscal and monetary policies relevant to the power sector e.g. duty waivers, pioneer status, capital importation, and foreign exchange policy, in order to encourage private sector investments.
- Electricity access will be increased by actively promoting the use of off-grid renewable energy solutions.
- Private sector investments will be encouraged by clarifying the terms and conditions of government support for private sector investment in generation, transmission and distribution. Importantly, this will include a timetable for transitioning to the competitive procurement of generation.

A dedicated implementation monitoring team (the PSRP IMT) has been set up to coordinate and monitor the implementation of the PSRP and report to His Excellency, The Vice President. The PSRP IMT provides the expertise to deliver the various interventions in the PSRP on behalf of the Federal Government.

Learn more at www.mypower.ng