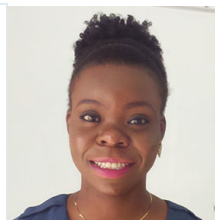




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# Improving Market Efficiency: Low-Income Consumers and the Power Sector Reforms

## Executive Summary

- NIAF provided support to the National Electricity Regulatory Commission (NERC) to find out exactly who poor electricity consumers are; what challenges they face; how much they pay for electricity; and how much they are actually willing to pay.
- With Disco remittances currently averaging 60%, it is clear that an efficient power sector market not only depends on better electricity supply but also on reduced collection losses.
- This intervention is reflective of NIAF's commitment at 2 levels: to be at the forefront of industry best practice; and also to promote inclusive growth through improved infrastructure delivery.
- Working closely with NERC and NOI Polls, NIAF developed a low-income survey model for monitoring the market from a demand perspective.
- The model was tested among a sample size of 536 low-income electricity consumers, 77.5% of which earn less than \$1 a day.



A female Consumer explaining her challenges

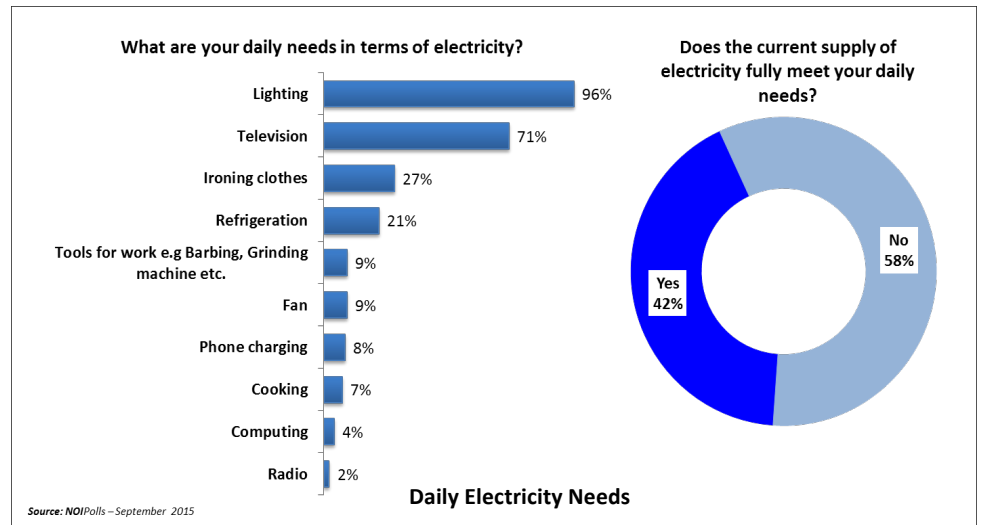
## The Problems

Prior to the low-income consumer survey,

- The regulator lacked the evidence required to develop an overarching pro-poor strategy as part of the reforms.
- There were no institutionalized approaches for collating 'consumer voice', especially among the low income consumers.
- Power sector reforms were predominantly focused on addressing the technical and resourcing deficits with service provision. The anomalies which threaten market efficiency within the 'demand - side' have not received as much attention.
- Many of the said anomalies were either not known or not backed with evidence.

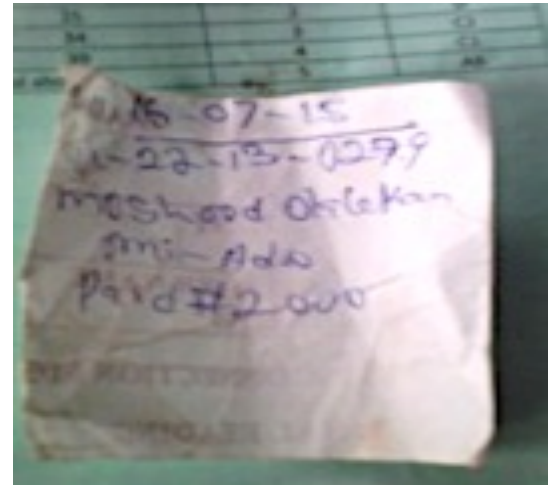
## The NIAF Approach

- NIAF designed a low-income consumer survey leveraging on its credibility within the sector to ensure active engagement of senior management within NERC.
- A professional survey/polling company was recruited as part of the project implementation team along with the NERC focal person and the NIAF team.
- Some of the methodology adopted included: the snowballing sampling method, the Systematic First Seen First Captured (SFSFC) random sampling method and the random route walk method.
- A total of 536 low-income electricity consumers (57% of whom were women) were interviewed within the Ibadan Disco Area.

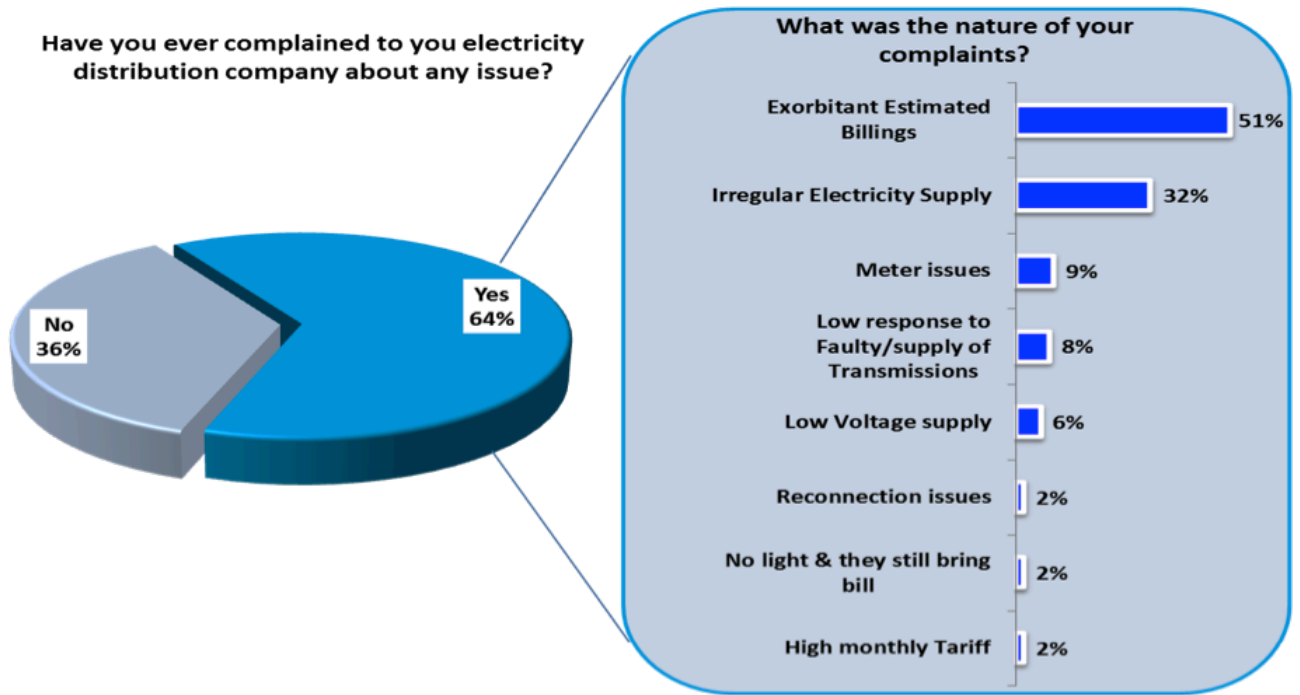


## Findings

- 78% of respondents had experienced an additional 4 – 6 hours of electricity supply especially over the past 5 months.
- 74% did not know the name of their Disco and had never interfaced with them
- 73% indicated a willingness to pay more than the current low-income tariff of ₦4/Kilowatt hour (KWh), for improved power supply.
- Up to 60% were unmetered. Consequently they were wrongly classified and receive estimated bills each month.
- The preponderance of estimated billing has enabled the emergence of an illegal bill collection racket and a number of billing distortions.
- Consequently, 29% opted for voluntary disconnection from the grid.
- None of the 11 Discos have carried out a complete customer enumeration exercise.



Hand written receipt by illegal bill collector



Source: NOI Polls – September 2015

Areas of concern for consumers

## The Outcomes

- Baseline information required by NERC to fulfil the consumer protection aspects of their mandate has been provided.
- NERC is now being supported to
  - define standardized customer enumeration guidelines and tools for the Discos to adopt
  - fine tune the modalities for implementing the Power Consumer Assistance Fund (PCAF)
- The findings from the survey will inform the tariff review process and design of pro-poor guidelines for the tariff structure.
- The survey model has provided NERC with a tool for ensuring active consumer feedback. NERC intends to replicate this survey across the other 10 Disco Areas.

### Section 32 of the Electric Power Sector Reform Act 2005 mandates NERC to:

‘... ensure that adequate supply of electricity is available to consumers, to ensure that the **prices charged by licensees are fair to consumers** and are **sufficient to allow the licensees to finance their activities** and to allow for reasonable earning for efficient operations...’