

# Federal Government Declares Eligibility Transactions in the Power Sector

Operations in the power sector enters a new stage with the Federal Government declaring the much-anticipated eligibility transactions in the power market. This eligibility operation is expected to drive up efficiency, accountability, competition as well as customer-centered orientation among participants in the electricity market. In a major policy directive, the Honourable Minister of Power, Works & Housing, Mr. Babatunde Raji Fashola,

has on May 15, 2017, declared four categories of eligible customers in the Nigerian Electricity Supply Industry (NESI).

The declaration permits electricity customers to buy power directly from the generation companies in line with the provisions of Section 27 of the Electric Power Sector Reform Act 2005 whereby eligible customers are permitted, after complying with the regulatory guidelines, to buy power directly from a licensee other than electricity distribution companies. According to the release published by NERC, the Honourable Minister of Power, Works and Housing, has in consonance with the ESPR Act, directed the Nigerian Electricity Regulatory Commission (the Commission) to permit four categories of customers to buy power directly from a licensee other than electricity distribution companies.

The first category of eligible customers comprises of a group of end-users registered with the Commission whose consumption is no less than 2 MW and connected to a metered 11kV or 33kV delivery point on the distribution network and subject to a distribution use of system agreement for the delivery of electrical energy. The next category of eligible customers are those connected to a metered 132kV or 330kV delivery point on the transmission network under a transmission use of system agreement for connection and delivery of energy.

Another category of customers under the declaration consists of those with consumption in excess of 2MW on monthly basis and connected directly to a metered 33kV delivery point on the transmission network under a transmission use of system agreement. Eligible customers in this category must have entered into a bilateral agreement with the distribution licensee

## **FG declares Eligibility**

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licensed to operate in the location, for the construction, installation and operation of a distribution system for connection to the 33kV delivery point.

The last category are eligible customers whose minimum consumption is more than 2MWhr/h over a period of one month and directly connected to the metering facility of a generation company, and has entered into a bilateral agreement for the construction and operation of a distribution line with the distribution licensee licensed to operate in the location.

The new policy directive is expected to bring into play new and stranded generation capacities which may be contracted between generation companies and eligible customers. The declaration further provides that at least 20% of the generation capacity added by the existing or prospective generation licensee to supply eligible customer must be above the requirement of the eligible customer and is supplied under a contract with a distribution or trading licensee at a price not exceeding the average wholesale price being charged electricity distribution companies by the Nigerian Bulk Electricity Trader Ltd.

The conditions for the declaration of eligible customer is subject to review by the Nigerian Electricity Regulatory Commission (NERC) from time to time. NERC is also expected to publish the detail modalities on how the new policy will be operated and time of commencement.

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