



PORT HARCOURT ELECTRICITY DISTRIBUTION COMPANY

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CONSULTATION PAPER FOR TARIFF REVIEW

BACKGROUND

In line with provisions of the Nigerian Electricity Distribution/Retail Sector Multi-Year Tariff Order, 2012, (MYTO 2), electricity distribution companies, (Discos), carried out a tariff review in 2014. The purpose of the exercise was to establish and revalidate the level of the aggregate energy losses to be considered in the tariff in order to reach a cost reflective tariff. This review resulted in revised tariffs that came into effect in January 2015 through a new tariff order (MYTO2.1). However, following petitions by various consumer groups, the Nigerian Electricity Regulatory Commission (NERC) issued an amendment to tariff order MYTO 2.1 and reduced the new tariffs.

The implementation of amended MYTO 2.1 tariffs has impacted Discos ability to meet their upstream obligations. Recognizing this and in order to restore confidence in the market and ensure sustainability of the power sector, Discos have been requested to apply to the Commission to carry out a new tariff review to reach a workable cost reflective tariff in line with the EPSR Act 2005.

In order to reconcile the requirements of a cost reflective tariff with customer's needs, PHED is considering redesigning of the tariff and the setting up of a long term tariff path that will smoothen tariff changes for its customers.

PURPOSE OF THE TARIFF REVIEW

The purpose of this exercise is to set a tariff that reconciles the requirements for a cost reflective tariff with customer's needs. In doing so, PHED is proposing the following elements to be considered in the tariff review:

EMBEDDED GENERATION

PHED understands customers' frustration with the current power shortage. In as much as PHED is not a generation company but only licensed to distribute energy, the company is willing to

purchase additional energy from embedded generation projects that may be developed within its distribution area. Appropriate tariff reflecting costs of this embedded generation to be established.

RATE DESIGN

PHED is willing to consider different rate designs that may contribute to mitigating possible negative impact of any tariff increase. The rate design could include revising the level of the fixed charge as well as tariff categories.

AGGREGATE ENERGY LOSSES

PHED shall present evidences to NERC, through studies, which show the actual aggregate losses and a loss reduction path to be factored in the tariff. Customers must be aware that the elimination of electricity theft and improved payment of bills will favourably impact energy cost.

TARIFF PATH

PHED is aware that the real actual energy costs may not be borne by all customers, especially low income earners. Actual energy costs, of which 62% are generation and transmission costs that PHED pays to generation and transmission companies, tend to decrease as generation increases. PHED's proposal is to have a long term tariff (7 to 10 years) with a smooth increase path in such a way that the deficit of the tariff in the earlier years is subsidised by the tariff in the later years.

All stakeholders, customers of all categories (Residential, Commercial, Industry, Special Customers), customer associations, other associations, NGOs, local and state governments are hereby invited to present their comments to this consultation paper within the 2 weeks of its publication.

Management

Port Harcourt Electricity Distribution Company