

# Electric power sector reform in nigeria business essay



**ASSIGN  
BUSTER**

## **Electric Power Sector Reform in Nigeria: What should form the fundamental reforms?**

### **Background/Introduction**

The power catastrophe is one of the prime brakes on the economic growth of Africa's most densely inhabited nation-Nigeria. The Nigerian economy needs at least 10, 000MW of electricity. But since the commencement of the Umaru Musa Yar'Adua led administration in May 2007, power generation has alternated between 1, 700 megawatts and 3, 000 megawatts.

Nigeria's electric power sector requires extensive reform if the country's economic development and poverty mitigation program is to be realized. This perception is behind the reform programme in recent times initiated by the Nigerian government by means of the goal of privatizing the national electric power monopoly, (Power Holding Company of Nigeria) PHCN. At present, the country faces serious energy crisis due to declining electricity creation from domestic power plants which are basically obsolete, unreliable and in an appalling state of disrepair, reflecting the poor maintenance culture in the country and gross inefficiency of the public utility provider. Minister of Power, Dr. Lanre Babalola, disclosed on the 17th of March 2010 that the full implementation of the Federal Government's ongoing power sector reform process, delayed the privatization of the planned financial and administrative autonomy of the PHCN. The Federal Government has agreed that, indeed PHCN needs a more scrutinized reform and not privatization due to the attempts and failures of reforms established in the past. If Nigeria implements its national utility reform programme, there is therefore the

opportunity to consider what objectives are best to establish a transformational reform.

It is hoped that this review will benefit policy makers and emerging managers and providers of electricity service in the country.

## **Literature Review**

### **Nigeria's Electric sector**

The National Electric Power Authority (NEPA) presently known as Power Holding Company Nigeria (PHCN) was formed in 1972 when the Electricity Company of Nigeria (ECN) and Niger Dams Authority (NDA) was merged (Ighodalo, 2006). For several years despite consistent perceived cash investment by the Federal Government, power outages have been the standard for the Nigerian populace, and are now seen as customary by the citizens of the country. The power sector reform of 2005 including its objectives, some regulatory bodies are discussed below.

### **Objectives of the Power Sector Reform**

In order to attract private sector investment and sustain the development of the power sector to ensure uninterrupted and efficient power supply in the country, the NCP defined the objectives for power sector reform as follows:

#### **Table 1: Objectives**

§ To promote competition to facilitate more rapid provision of service throughout the country;

§ To create a new legal and regulatory environment for the sector that establishes a level playing field, encourage private investment and expertise, and meet social goals;

<https://assignbuster.com/electric-power-sector-reform-in-nigeria-business-essay/>

§ To restructure and privatise the National Electric Power Authority (NEPA);  
and

§ To encourage the successors to NEPA to undertake an ambitious investment programme.

Source: BPE (2010)

## **Reforms**

### **Nigerian Electricity Regulatory Commission**

NERC is the main regulatory body of the electric power sector. It acts as an independent body with seven full time commissioners to be chosen from both public and private sector (BPE, 2010). The skill sets and selection criteria for the commissioners is expressly stipulated in the power sector reform act. The responsibilities of NERC, which is currently under review, include licensing of successor power companies, establishment of electricity tariffs, enforcement of performance standards, and the protection of consumer rights (BPE, 2010).

### **Electric Power Sector Reform Act 2005**

The Electric Power Sector Reform (EPSR) Act 2005 was drafted to provide a legislative framework for the reform of the Nigerian power sector in accordance with the policies set out in the National Electric Power Policy. The Act removes operational and regulatory responsibilities of the electricity industry from the FG. It provided the legal backing for the unbundling of PHCN and formation of successor companies to take over the various functions, assets, liabilities and staff. In addition, the Act provides for the determination of tariffs and provide for other related matters. Further, the

Act repealed the Electricity Act and the National Electric Power Authority Act. With the passage of the EPSR Act by the enactment on 11th March 2005, BPE took necessary steps to incorporate the initial holding company called Power Holding Company of Nigeria, Plc (PHCN).

June 28 2005 saw the World Bank Board of Executive Directors approving an International Development Association (IDA) credit of \$172 million to support the Nigerian government energy sector reform effort (World Bank Website). The allocated credit was also in a bid to facilitate the sectors smooth transition to the new market and institutional structure. BPE has in a bid to attract investors issued an invitation for Expressions of Interest (EOI) for core investor / concessions of electricity Distribution Company. The privatisation enterprise has recently announced that it has received 414 EOI by investors wishing to manage the electricity sectors all based on the implementation of the EPSR Act.

With regards to the title and the reform policy the government is embarking on, several researches has been carried out on the problems of the sector and various efforts made by the government on eliminating them. Recently the EPSR Act has been dubbed the new policy that will reform the sector. The research gap is the challenges facing the implementation of the EPSR Act and attracting foreign direct investment to the sector. The research question is what are the challenges, cost and benefits facing all stakeholders (investors, both local and international, distributors and service users) in the country. This research work is going to be carried out using exploratory research method and making use of qualitative data for analysis.

In addition to the challenges of the present electricity reform, this research will look at other issues like, permission planning, human resources, route plans way leaves and union actions that arise as a result of the EPSR Act in order to have a good insight of relevant previous trends and research that have emerged to suggest suitable objectives for a better reform that would solve Nigeria's power-supply issues.

### **Research Question**

Distinctively, this research proposes to research the following question:

1. What key objectives should Nigeria's Power Sector Reform adopt to tackle the never ending electricity supply issues in the Nigerian Economy?

### **Research Objectives:**

- i. To examine power supply sector and the regulatory frame work that will bring about a better in order to make for competitive markets.
- ii. To understand the reason for the inefficient and irregular electric power supply in Nigeria.
- iii. To make recommendations for the successful operation of the EPSR Act that will make for sustainable electricity supply.

After researching the above objectives, attempts will be made to explain the effects an prominent power sector reform in the Nigerian economy and the road map for sustainable economic development. The study will focus mainly on the challenges encountered and solutions that can be given as to correct the EPSR Act.

**Research method**

Research population: this will consist of top government officials in the power-supply sector as well as knowledgeable few individuals in separate focus groups.

**Data collection:**

This research will be carried out by using both primary and secondary data sources. This is due to the fact that over reliance on one source of data could lead to inaccurate conclusions. More so, with the nature of this research topic, feedback is also needed.

For primary data, 6 focus group interviews of 10 will be used making the total number of interviews 60. The method would enable the individuals elaborate more their opinions and data received interpreted better with the help of recorded conversations during the interview process. Reason for 60 individuals being that, past researchers have chosen larger groups thereby turning interviews into forums and board meetings. At the end, they are not able to draw a reasonable conclusion due to too much information.

Secondary data collected from reliable sources will be used to identify and conduct a proper literature review and to compare and contrast answers with the primary data. This will include data all available and published documents from the International Monetary Funds (IMF) reports and databank, The World Bank, academic Journals, Nigerian Official Statistics Bulletins, World Development Reports, selected sources on the World Wide Web and other related sources. It is however, important to note that secondary data has certain limitations. These include the risk of data

biasness and the possibility of errors being introduced during the interpretation of the analyzed data. However, to check the issue of biasness of data, the same type of data will be collected from different secondary sources and diligently compared; also where possible information from the government agencies will be avoided since this is prone to have some level of bias. Great care will be taken during the data analysis to avoid introducing errors.

**Data Analysis:**

The study will be carried out by conducting a quantitative and qualitative analysis of secondary data. A qualitative analysis method will be used to analyze and ascertain the impact of certain foreign investment incentives put in place by the government which may be difficult to quantify. Relevant theories will be used in interpreting the results.

**Resources:**

I have access to both computer hardware and software. I also have a contact with representatives of World Bank, IMF subject to confirmation who has agreed through several communications using email to provide all additional and relevant research to the Nigerian electric power sector.

**Timescale:**

February: Develop ideas and brief literature review and submit research synopsis

April 2th - May 23 Prepare research proposal, meet with supervisor and Literature research

May 14th - May 28th: Contact with supervisor and start chapter 1  
<https://assignbuster.com/electric-power-sector-reform-in-nigeria-business-essay/>



June 1st - June 20th Additional research review

June 22nd - June 26th Applying knowledge from relevant modules

July 4th - July 30th Write chapters 2-4

August 1st - August 3rd Meet with supervisor, Review conclusion and recommendations

August 5th - August 25th Review and okay research project

August 21st Submit project for printing and binding.

**References:**

BPE (2010) [http://bpe.dev.bsh-bg.com/en/companies/power/power\\_status.htm](http://bpe.dev.bsh-bg.com/en/companies/power/power_status.htm) [Accessed 22/04/2010]

Ighodalo, A 2006 Reform and Evolution: The New Nigerian Electricity Power Industry, Ighodalo & Banwo, Lagos. PHCN WEBSITE: <http://phcnikejazione.org/home.html>