
EXCLUSIVE
INTERVIEW
DR JOY
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POWER GENERATION
COMPANIES (APGC)

Editor's Note

"Why are consumers restless and apathetic about paying their electricity bills? Do they not enjoy electricity?"

Dr. Joy Ogaji, MD/CEO of the Association of Power Generation Companies (APGC), Nigeria, delves deep into these critical questions in this exclusive interview with Puttru. With close to two decades of experience in the sector, Dr. Ogaji addresses the most pressing concerns surrounding Nigeria's electricity sector, from private investor sentiments on tariff reviews to the upcoming disbandment of the Nigerian Bulk Electricity Trader (NBET) PLC in line with the new Electricity Act.

She tackles sensitive questions with candor and underscores the importance of confronting complex issues head-on for Nigeria's advancement. As she eloquently states, "Thank you for this question. When I saw it, I thought, 'I hope this won't get me into trouble,' because people who know me know that I speak my mind and tell the truth. I do this, with no offense intended, but to state the facts for the growth of the sector, and because (1) I am a Nigerian, and (2) this is our country."

Dr. Ogaji's insights offer a comprehensive look into the challenges and opportunities within Nigeria's power generation landscape. This interview is sure to leave you pondering, feeling optimistic, and wanting to make a difference. How can an interview achieve all this? Read on to find out.

YOURS TRULY,

MONICA MADUEKWE, FOUNDER, PUTTRU

1. **The Federal Ministry of Power has introduced new tariffs based on consumer bands, moving towards cost-reflective pricing. How did APGC members react to this news? Is this considered a welcome development within the association, and do you believe it will lead to increased investments from power generators? Please discuss the potential impacts and implications.**

"I will start by defining what a tariff is for the sake of clarity. A tariff is the amount charged or paid for electricity use. Essentially, it is the money you pay for using lights or any other electrical appliances. This amount you are charged is called a tariff.

Having said that, the review of the electricity tariff is done by taking into consideration other factors I cannot list out here. It is imperative to state that the current economic situation is not peculiar to Nigeria but also globally, we are very much aware of the ongoing economic downturn. Just before this interview, I was listening to CNN where similar issues were discussed in the US. If you tune into UK news, you will hear about what is happening there and in different parts of the world. Nigeria also has its own challenges.

In Nigeria, tariffs are set using a model of framework called the Multi-Year Tariff Order (MYTO). The Multi-Year Tariff Order is set by NERC, the Nigerian Electricity Regulatory Commission. NERC is responsible for setting tariffs for electricity pursuant to the Electricity Act 2023.

Another fact is that tariff falls into various categories. Generation companies have their own tariff. There is a tariff that is set for the distribution company. They are the collectors of the money for the sector. There is also a tariff for the transmission, which is the wheeling charge. The wheeling of the power from generation to distribution from point 1 to point 2. So, each segment of the electricity value chain has a tariff. There is also a tariff for the gas suppliers and transportation. Although NERC does not set this tariff because the gas suppliers are not in the electricity sector. So, their tariff is set under the Ministry of Petroleum and Gas Resources and this fact is taking into cognisance in setting the electricity tariffs.

Now, let me address your question on if the increase or review of the tariff is a welcome development. Absolutely yes, it is a welcome development for GenCos. However, the question that follows is whether the mere review of the tariff is a silver bullet to all the problems in the power sector. And I would say no, the mere increase may not necessarily lead to an increase in investment because the increase in investment is another kettle of fish giving the illiquid nature of the NESI. **The mere announcement of the tariff review does not guarantee that investors will be paid their dues.** This is because, effective payment, collection and remittance system are determinants of increase in investment which are lacking.

You may have read in the media that generation companies are owed over 2 trillion naira. So, the fact that the tariff has been reviewed does not automatically put money into the pockets of the power generation companies or fully meet the collection requirements for the distribution companies (DISCOs) or the wheeling charges for the transmission companies. Consumers, as you may know, have been arguing vehemently about the lack of desired service commensurate with the bills they receive for electricity supplied from the National Grid. The consumer apathy and restiveness are worth exploring. Why are consumers reluctant to pay? After all, they pay for data for their phones, and they go to petrol stations and buy fuel and pay for other services.

Why are consumers restive and apathetic about paying their electricity bills? Do they not enjoy electricity?

Without trying to represent the consumers' voice here, I am merely repeating what they have said on various platforms, in the media, and in various foras where they have been invited to speak. They have stated that they are not receiving value for the bills they are being given and, as a result, they are not willing to pay for the power provided to them. You know the impact this has on generation companies: if consumers are not paying for the electricity consumed, generation companies' invoices will not be fully paid. This has been a cycle that the sector has been struggling with.

So, what are the implications of this, and how can we get out of this quagmire where generation companies supply power, distribution companies take the power, but the distribution companies complain that it is not being paid for? How do we break this cycle? It is only when a service reflective of the tariffs and transparent payments are achieved that we can be sure of payment from satisfied customers.

To achieve the foregoing, there should be a transparent method of billing and collection. When I say transparent, I mean transparency in customer population, transparency in customer demographics, transparency in energy demand requirements per customer, transparency in billing and collection efficiencies, and transparency in technical analysis and audit of all infrastructure with a view to determining a bankable technical loss factor.

As you may know, the technical loss factor refers to the Aggregate Technical & Commercial (ATC) and Collection (C) losses. You may have heard the Distribution Companies (DISCOs) say that ATC and C losses have not been reduced. Even the government has noted that since privatisation in 2013, ATC & C losses have increased rather than decreased. **Globally, Nigeria has one of the highest ATC and C loss factors.** To address this, we must achieve transparency in understanding customer population, customer demographics, energy demand, billing and collection efficiencies, and technical analysis and audit of all infrastructure (This is a key input for determining ATC and C loss factors). This will help us know how to reduce the ATC & C loss factors.

Achieving billing and collection efficiencies and transparency requires a clear line of sight. Policymakers and regulators must ensure they have a clear line of sight into the billing and collection agents of the distribution companies and whoever is collecting money for the market. We must know from point A to point Z where the money is coming from and where it is going.

Only when we achieve this can we confidently say that an increase in tariffs will lead to improvements in investment. I hope I have answered the question thoroughly."

2. **The high cost of power from the grid is encouraging homes and businesses to seek out their own power solutions – such as rooftop solar installations. Are APGC members concerned about the growing number of clients going off the grid? Discuss.**

"Thank you for that question again. As you know, Nigeria's population is over 200 million according to the World Bank. If you look at the global index for power consumption per capita, we are far below what we should be generating to meet the energy requirements. The global index suggests that for every 1,000,000 people, there should be 1,000 megawatts allocated. Given that arithmetic, **with an installed capacity of over 14,000 megawatts, we should only be adequately serving 14,000,000 people. However, our population is over 200 million**, indicating a massive shortfall in power generation. The fact that over ten years, the power utilisation figure dwindles significantly between 3500MW and 4000MW portends that there is no demand. Given that demand drives production, the utilisation figure does not encourage production or expansion of capacity.

The members of the Association of Power Generation Companies (APGC) are not satisfied with the current situation. Each of them has expansion capacity. For example, Egbin Power Plant has an installed capacity of 1,320 megawatts but has not been able to fully generate that due to various constraints and that applies to all GenCos, both the thermal and hydro. Currently, even the power the GenCos are generating is not fully utilised, meaning it is not being taken up by the distribution companies. There have been issues between the transmission and distribution sectors regarding the ability to handle the power generated which I cannot delve into. Consequently, generation companies are frustrated that they cannot fully utilise their installed capacity.

In addition to the installed capacity of 14,000 megawatts, **each of the generation companies have expansion plans that could collectively increase capacity to over 20,000 megawatts in their first phase alone**. Some companies have plans extending to second, third, and fourth phases, but they have not even been able to utilise the first phase fully. Since privatisation in 2013, the available capacity and utilised capacity have not converged. At best, only about 50% or slightly more of the available capacity is being utilised. This information is available on the system operators' website. As we all know, demand drives production. If there is no demand, why produce more? This results in a lot of stranded capacity.

Despite these challenges, APGC members welcome new investors into the market, and consumers are free to make choices according to their financial capacity. It's not only power that is experiencing high costs; everything in the country is. As we say in Nigeria, you cut your coat according to your size, but in the current economic situation, it's more like you cut your coat according to your material."

3. **The new Electricity Act empowers states to establish their own generation capacities. What is the general sentiment among APGC members regarding this change? Do you foresee this encouraging more private investments from power generators?**

"Thank you for that question. Clearly, the New Electricity Act of 2023 provides many opportunities, and Generation Companies (GenCOs) are happy with it. The Act allows them to operate not only in the federal market but also at the state level, which is a significant development.

However, states need to exercise caution in designing the laws and setting up the market. It is also crucial to create an enabled environment. **But rather than just an enabling environment, which suggests a continuation of the current situation, there needs to be an enabled environment**—one that is fully prepared and supportive of new developments. Many states are eager to jump in, quickly making new laws.

Before any state creates its electricity market, it should ensure this enabled environment is in place. GenCOs are willing to partner with any state that is investor-friendly and has the right laws and policies. We are ready to operate at any level, provided the environment is conducive to sustainable and efficient operations."

4. **In light of this new legislative framework, do you anticipate states will compete to attract power generators? What factors or conditions would make certain states more attractive for private investment in power generation?**

"Thank you again for that question. It ties closely to what I just discussed, but I'll expand on it further.

States that provide an enabled environment will be the ones that can attract power generation companies. Given the challenges GenCOs have faced at the national /federal market since 2013—such as not being fully paid, being owed money, lacking firm contracts, and not having access to the FX window etc (which is crucial because over 90% of their operations are dollarized)—they need assurances before committing to state markets. To carry out their operations and maintenance, GenCOs need access to dollars to meet their financial obligations.

GenCOs considering operating in any state will look for guarantees that they won't encounter the same challenges they currently face. **They will avoid state markets with issues like lack of bankable guarantees, securitization, and non-creditworthy off-takers**. To attract GenCOs, states must provide an enabled environment, including:

- Bankable off-takers
- Investor-friendly policies and regulations
- Knowledgeable and experienced policymakers and regulators
- Apolitical laws and regulations that are favourable to investors

All these factors can make states more competitive and attractive to power generation companies."

5. The impending disbandment of the Nigerian Bulk Electricity Trading (NBET) company as part of the new market rules raises several questions. What are your thoughts on the potential implications of this move? Should states establish similar structures to ensure private investors have confidence?

"Thank you so much for that question. It is very critical to the power generation companies. As you may know, the Nigerian Bulk Electricity Trading (NBET) PLC was established at the behest of the power generation companies in Nigeria. During the privatisation process, the generation companies, looking at the unbankability and illiquid nature of the distribution companies, vehemently requested bankable off-takers, securitization, and sovereign guarantees as conditions for their investment.

The then Minister of Finance and Coordinating Minister of the Economy, Dr. Ngozi Okonjo-Iweala, discussed with the government the possibility of providing a sovereign guarantee and a partial risk guarantee (PRG). However, about six months before privatisation, the government realized the significant indebtedness a sovereign guarantee would bring. Consequently, the government proposed to the generation company investors the establishment of a bulk trader called NBET, which would be capitalized with a revolving capitalisation.

The government assured that NBET would buy power from GenCOs and pay 100% each time. Based on this assurance, the GenCOs agreed and proceeded to invest in the power sector. However, from the time NBET was established until today, it has not met its obligations fully.

The "stay or go" of NBET in the Nigerian Electricity Supply Industry (NESI) is purely a financial or money adequacy conversation. This is because NBET's role is to provide the needed buffer or liquidity and act as an efficient and effective catalyst for investment in NESI, ensuring transparency and guaranteed payments. NBET's mandate includes purchasing electrical power and ancillary services from successor GenCOs and IPPs under long-term power purchase agreements (PPAs) and reselling electricity to successor DISCOs and eligible customers.

A review of NBET's performance shows a clear departure from meeting its licensing terms.

So, should states establish similar structures? The answer depends on the design of the state market, as the success of the Electricity Act largely rests on its effective implementation by the state governments. **If a state wants to establish an NBET-like structure, my advice is not to rely on government funding**. The government is unable to provide the necessary capital, as the national and state balance sheets are in the red.

Any state looking to establish an NBET-like structure should consider a private trader. A private trading licensee who would bear the burden of providing the needed guarantee, provide creditworthiness, and offer a letter of credit to finance the purchase and sale of electricity. It should not be tied to the state government balance sheet. This approach would be more sustainable and effective."

6. **It's been more than 10 years since the unbundling of Nigeria's power sector. How would you rate the speed and effectiveness of the transformation towards a market capable of meeting both current and future energy demands? What are the key factors influencing your assessment?**

"Thank you for this question. When I saw it, I thought, "I hope this won't get me into trouble," because people who know me know that I speak my mind and tell the truth. I do this, with no offence intended but to state the fact for the growth of the sector, and because (1) I am a Nigerian, and (2) this is our country. We cannot run away from it. If Nigeria is not what it should be, we will live to suffer it. Our children will suffer, and our grandchildren will suffer. So, whatever I say on this question comes from a place of patriotic zeal for my country.

As you pointed out, the sector has gone through its first decade post-privatisation. We are now in our 11th year and having gone through a decade of learning what an electricity market should be, we should start applying or implementing those lessons. A child of 10 years should not still be crawling or learning to talk. In current Nigeria, a 10-year-old should be in secondary school. Similarly, we should not expect the Nigerian electricity market to still be crawling. As we progress into the second decade post-privatisation, we must remember that 92 million people are still suffering from energy poverty, as quoted by the Minister of Power in March 2024.

Lack of reliable power leads to annual economic losses estimated at $26.2 billion, according to the World Bank. The Nigerian market size is expected to grow from $391.69 million in 2024 to $483 million by 2029. The electricity market is expected to grow at an average compound annual growth rate (CAGR) of 4.28%, according to a market intelligence and advisory firm based in India. There is also an increasing energy demand influenced by growing industrialisation and urbanisation in Nigeria.

Given this, the key factors we need to focus on, and which influence my assessment of the power sector, are the issues of power generation being caught in the middle of a weak transmission network and a poor commercial market structure. If we can answer the most pressing and pertinent questions, such as:

- Can the generation of power be fully dispatched and paid for?
- Can gas be made readily available?
- Are there bankable and creditworthy off-takers?
- **Is there a framework for transparent billing, collection, and remittance? Can we have apolitical governance and leadership hinged on meritocracy and accountability?**

Then, power supply issues in the nation would be a thing of the past."

7. **How does APGC collaborate with other stakeholders in the energy sector, including distribution companies and regulatory bodies, to ensure a cohesive approach to power generation and distribution?**

"Thank you so much for that question. When I saw it, I smiled. After this interview, just refer to our vision statement. It exactly answers your question because, in our vision, we aim to provide platforms for all stakeholders and experts to unite and share knowledge to drive the industry to higher levels of service performance, and to provide reliable and competitively priced electricity for satisfied customers. That is our vision at APGC.

We do not just stop at stating our vision. We actively engage and collaborate, and I'll give you some examples.

You may have heard of the Nigerian Market Participants and Stakeholders Roundtable held from October 30th to November 1st last year, marking 10 years post-privatisation in Nigeria's electricity sector. This event was not only midwifed by APGC but was also our brainchild. It was largely funded by APGC and other partners like AfDB, Power Africa, and numerous other stakeholders. APGC organized, designed, and collaborated with other stakeholders such as ANED, TCN etc and ensured the success of this program. It brought together distribution companies, the transmission company, gas suppliers, investors, banks, and all related stakeholders, including policymakers. The Minister of Power was there, and NERC was represented.

This year, APGC participated in the just concluded AEMP - Africa Energy Marketplace - organized by the Federal ministry of power in collaboration AfDB and other agencies. It was held in Abuja on the 16th to the 17th of May 2024 at the UBE training centre in Jabi Abuja.

These are just two examples among many. When new policies are introduced, I call my colleague, Mr. Azu Obiaya, the CEO of the Association of Nigerian Electricity Distributors (ANED), to review the policies together and ensure our opinions are heard to move the market forward. We also communicate with the market operator at the Transmission Company of Nigeria (TCN). We have invited the MD of TCN to our monthly meetings of all GENCO CEOs, and he has come with his team for us to discuss solutions. We have met with the National Control Centre head and its staff and had several discussions on improving the sector and grid dispatch.

We continuously collaborate with the World Bank, AfDB, AFC, various stakeholders, CBN, gas suppliers, the Nigerian Gas Association, and regulators in the gas sector like Nigerian Midstream and Downstream Petroleum Regulatory Authority (NMDPRA) and Nigerian Upstream Petroleum Regulatory Commission (NUPRC). These collaborations are essential to advancing the sector."

8. **Looking ahead, what strategic steps should Nigeria take to enhance the sustainability and efficiency of its power generation sector? Are there any specific policies or innovations that APGN advocates for?**

"Thank you so much for that question. I will address it in two segments. First, I'll discuss the strategic steps Nigeria should take to enhance the sustainability and efficiency of the power generation sector.

Currently, as I mentioned earlier, we have over 14,000 megawatts of installed capacity. Unfortunately, due to issues related to payments, inadequate gas supply, and lack of full utilization, we have not been able to fully optimize this capacity. By way of strategy, my first suggestion is to optimize what we currently have.

In English class, we were always taught that "a bird in hand is worth more than two in the bush." We are not optimizing our current installed capacity of 14,000 megawatts on-grid, yet we are heavily focused on off-grid solutions. While off-grid solutions are important, for the short to medium term, we should prioritize optimizing our installed and available capacity. We must ensure we are fully utilizing this capacity while planning for the long term, incorporating renewable energy.

Nigeria has a policy document called Vision 30:30:30, which aims for the country to generate 30,000 megawatts by 2030, with 30% coming from renewable energy sources such as wind, solar, biomass, and tidal energy.

Now, let us look at Vision 2030 or 30:30:30. We are in 2024, and between now and 2030, we have barely six years. We also need to consider the gestation period of power generation, whether on-grid or off-grid. In other countries, it takes about three to four years to establish a power generation company, starting from getting a license, acquiring land, procuring equipment, conducting feasibility studies, performing impact assessments, and complying with licensing and regulatory requirements. In Nigeria, it is estimated to take three to five years or more.

Given that we have barely six years to meet our 2030 vision, we need to prioritize our installed and available capacity as a matter of urgency. How do we do that? By ensuring bankable contracts, investor-friendly policies, and regulations—policies that are stable and supportive, creating an enabled environment for investors to come in. This approach will help us avoid the same problems we faced with Vision 2010 and Vision 2020.

To avoid repeating past failures with Vision 2010 and Vision 2020, we need to prioritize our installed and available capacity. This can be achieved by ensuring bankable contracts, investor-friendly policies, and an enabled environment for investors. Since Azura came in 2017/2018, no other power generation company has set up an Independent Power Producer (IPP). We need to understand why and address those issues to attract more investors.

The second phase should focus on attracting more investors into the sector with investor-friendly policies and regulations and increasing capacity. **We have a dearth of knowledge in the power sector, not because the people there do not know, but because they are aging.** We need to urgently increase capacity and focus on meritocracy. The power sector is a technical and professional field and should not be politicized. Apolitical appointments and decisions are crucial to meeting our Vision 2030.

We also need to increase consumer engagement and education on tariffs and other matters. The more consumers know, the less apathy and restiveness we will encounter. Transparency in how tariffs are set, and the building blocks of tariffs should be explained to consumers.

Electricity bills should show key performance indicators (KPIs) and variables, explaining their movements. This transparency will reduce consumer dissatisfaction and increase willingness to pay.

Furthermore, there should be transparency and monitoring. Nigeria has a lot of laws, as I found out during my master's degree. We have laws for everything, but our problem lies in implementation and enforcement. That's why I suggest transparency, monitoring, and enforcement in all regulations, policies, and cash flows within the market.

We need transparency in the cash flow coming into the market. **For every megawatt (MW), we need to know from where the MW originated, how it was utilized, and who the beneficiaries are of the funds generated by that MW**. We need to follow the money. This transparency is crucial for attracting investors because they want to see where their investment is going. If we can demonstrate clear and accountable financial practices, investors will be more willing to invest.

This transparency should extend across the entire value chain, from generation to gas supply, transmission, distribution, and customers."

9. **Lastly, what message would you like to convey to the policymakers and decision-makers in Nigeria's power sector? What key actions should they prioritize to ensure a stable and thriving power generation landscape in Nigeria?**

"Thank you for that question. My comments or advice as a citizen of this country are to say that the Nigerian electricity industry is a specialized sector, and it underpins the Nigerian economy. **So, if the economy is not working, it is because the power sector is also not working.**

We should see the link between power and the economy. The power sector supports the educational sector, the health sector, the finance sector, the technology sector, and any other sector you can mention. The power sector is the bedrock upon which the economy revolves. If the government can understand this, then we need to start managing the power sector and give it the attention it requires because it is the pivot upon which the economy revolves.

Now, what are the key actions they should prioritize to ensure a stable and thriving power generation landscape in Nigeria? Most of them are already well known to them. It's implementation, as I mentioned earlier, that is our issue.

The sector can only become viable when fuel, which is gas, power generation, transmission, system operation, and distribution are strategically, technically, commercially, and financially in alignment. This is the only time that the sector can become viable. When all these elements—gas to power, power generation, transmission system operation, and distribution—are strategically, technically, commercially, and financially in alignment."

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