

NOTIFICATION OF COMMENCEMENT OF SERVICE REFLECTIVE TARIFF FROM WEDNESDAY, 1ST JULY, 2020 IN AEDC FRANCHISE AREA

THE NEED FOR A TARIFF REVIEW AND REDESIGN

Since the privatisation of the distribution and generation components of the Nigerian power sector in 2013, one fact that has resonated in the conversation amongst different classes of stakeholders of electricity consumers is that customers are not averse to an upward review of tariff that is consistent with improved service in the sector. In line with the persistent demand of our customers to have a service reflective tariff represented in substantial long hours of electricity supply, good quality voltage profile, swifter response to faults clearing, provision of meter, all of which culminate into world class customer service, AEDC is seeking to implement a tariff structure that reflects the stated goals and aspirations of our customers in line with our vision - "To be a World Class Utility Providing Power 24/7".

This new approach to tariff design is necessary to ensure equity and fairness with regard to the cost and investment profile required to serve our customers across all our service areas that currently experience different service levels. The new tariff design also proposes a marginal upwardly adjusted electricity tariff for customers that have such service parameters like longer hours of electricity supply, standard voltage profile etc while customers with lower hours of electricity supply will have tariffs that is proportional to their service level.

Furthermore, the tariff for customers who enjoy power supply for less than 8 hours will be frozen until there is an improvement in the quality of service in their area. This cluster of customers will not have any increase in their tariffs until their hours of supply improves appreciably.

Detailed Proposal: New Tariff Design Philosophy and Customer Service Pact

For the purpose of execution of the new tariff regime, AEDC has identified five bands and has grouped its feeders according to service times based on average daily hours of electricity supplied to each feeder. The new five (5) tariff bands are as shown in the table below:

	TARIFF BAND	HOURS OF ELECTRICITY SUPPLY	TARIFF IMPLICATION
1	Tariff Band A	20 hours and above daily	Highest tariff band
2	Tariff Band B	Minimum of 16 hours but less than 20 hours daily	Second highest tariff band
3	Tariff Band C	Minimum of 12 hours but less than 16 hours	Moderate tariff increase
4	Tariff Band D	Minimum of 8 hours but less than 12 hours	Marginal tariff increase
5	Tariff Band E	Less than 8 hours	Freeze (no tariff increase)

The fundamental difference between the current tariff regime and the proposed tariff is that while in the past, tariffs were generally revised across board, the proposed tariff is based on quality of service as determined by certain service parameters such as the average hours of electricity supply.

AEDC Investment Focus and Business Readiness

Since the institution, sustenance and improvement of the new tariff structure is predicated on a continuous investment culture, AEDC will direct investments to improve service conditions (especially hours of supply) across its network such that, as service improves and customers within tariff bands with lower hours of supply can migrate from their current tariff bands to tariff bands consistent with longer hours of electricity supply. This would, by so doing, create a mutual incentive for improvement of service by AEDC and also foster partnership with our customers and improve their willingness-to-pay for the service enjoyed.

An important component of the new Tariff Design is the proposed freeze of tariff for customers within the **lower than eight (8) hours of supply daily** tariff band. **Customers within this cluster will not experience any form of tariff adjustment until their hours of supply improves.**

Commercial Systems & Customer Complaints Resolution Mechanism

Preparatory to the anticipated service improvement, AEDC had strategically invested in a series of robust customer management systems - the InCMS© as part of an Enterprise Resource Planning (ERP) business strategy to manage our commercial processes as well as a world class 24/7 multi-channel customer contact centre designed to receive and resolve all forms of customers' complaints. These investments will ensure adequate tracking of customer complaints with prompt resolution to support the success of the new tariff proposal. To further strengthen the system, our on-site and off-site customer facing teams are constantly being trained and retrained for empowerment to be able to handle the issues that will arise upon the full implementation of the service reflective tariff.

Meter & Metering

As a utility, we fully understand the important role of meters and metering as a tool for ensuring that our revenue recovery through the bills served on our customers and the electricity token they purchase pass the integrity test. Contrary to what is commonly believed by some sections of the general public, estimated billing is not in our best interest. Estimated billing is not only fraught with numerous challenges, it is also a perfect recipe for the mortality of the business as consistent studies have shown a huge revenue haemorrhage as a result of poor metering infrastructure. In recognition of this fact and demonstration of our commitment to the installation of meters, AEDC has installed almost **over 104,866 meters** under our mobile metering Meter Asset Providers (MAP) scheme making us the best in the country today. Before the commencement of MAP, we had installed a total of 130,649 bringing the total number of meters installed by AEDC to 235,515. To further speed up the metering process, we are currently negotiating with new MAPs to assist with timely provision of meters in order to aggressively close the metering gap across our Franchise area.

Technical

We have also invested in some hi-tech modern technical equipment such as the cable fault locating van, which has the capacity to pinpoint with clinical precision the location of fault on any cable in our network once it is connected to the cable. We have also installed the AQUIVIS high tension fault locating device on some of our feeders as a pilot and are currently discussing with the providing firm for the installation of the device on other feeders within our franchise as strategic business investment to ensure rapid response to faults resolution and other intermittent supply interruption issues on our network. With this device, we have ensured the reliability of our network especially on the medium voltage lines (11kV & 33kV), which can now be remotely monitored and automatically detect faults and send electronic notification to ensure rapid fault detection and incidence reporting. This has helped to bring down our mean-time-to-repair from an average of 10hrs to 1.5 hours. We have also invested in the provision of infra-red cameras that serves as eyes on our lines, portable meter testing equipment and other portable testing equipment used in high voltage engineering work. All of these have enhanced our technical efficiency. We are committed to improving the technical landscape of our business.

Additionally, AEDC is already complementing grid supply availability by entering into partnership with renewable energy solution providers and other generators who are able to provide off-grid supply augmentation solutions in clusters like markets to supplement its 11.5% grid energy allocation based on the MYTO.

What to Expect

Upon approval by the statutory body, AEDC will bring to the attention and knowledge of its valued customers an update on the various tariff. Customers are however to note that the current customer tariff classes have been condensed into the following tariff bands.

New Tariff Class	Old Tariff Categorisation
<i>Lifeline</i>	R1
<i>Non MD</i>	R2, C1, D1, A1
<i>Max Demand -1</i>	R3, R4, C2, C3, S1
<i>Max Demand -2</i>	D2, D3, A2, A3
<i>Max Demand - 3 (C&I Special)</i>	n/a

Commencement date of the new tariff

Based on industry wide guidance, the new tariff architecture is expected to become operational from Wednesday, 1st July, 2020.

Requirement from customers

The Nigerian power sector has no doubt arrived at a very critical juncture as it heads for the point where it can serve as a catalyst for industrial and social economic growth and development of the Nigerian nation. A critical element in this transformation journey is the role of customers, which comes in the form of accurate and consistent payment for energy received. The electricity value chain (GasCo, GenCo, TCN and DisCo) can only improve where investment and recovery are at par and the investor has the opportunity for a marginal compensation for his investment.

Signed:
MANAGEMENT
ABUJA ELECTRICITY DISTRIBUTION PLC