Restructuring the South East Electricity Distribution Company (EEDC)

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Where We Are

Across the developed world, constant electricity has played significant role in the industrialization and technological development of the region. Access to power has constantly raised productivity to the highest level, which has transcended into economic and political growth. This is not the case in Nigeria. For the past 60 years in Nigeria, low access to electricity and insufficient quantity and quality has been indoctrinated into everyday life. Children are being born in darkness and raised in darkness.

It is a wide known truth that majority of the Nigerian population still do not have access to electricity. Various rural areas and semi-urban areas are still living in constant darkness. One might ask, what is the implication of this? As already stated above, economic development, which encompasses, income generation, job creation, foreign exchange, technology-know how, research and skills development are all lost due to this pertinent issue. As of 2016, Nigeria generates only 5,000MW of electricity. This is a far cry from South Africa, which generates 34,000MW.

Access to power provides an 80% increase in productivity, according to a report in 2015 in doing business; SMEs in Nigeria rated lack of constant electricity as the second hindrance to business growth after access to finance. According to Business Environment and Competitiveness Across Nigerian States III (An initiative of African heritage Institution), the manufacturing sector in Nigeria incur an additional 16% in indirect costs and a whooping 10% is related to poor power outages while 6% is shared between poor transportation and taxation. This highlights the importance of electricity, not just in the economic sense of it but also in the personal space. Having lack or epileptic power can reduce productivity, which can affect all sectors of the economy (health, agriculture, education, entertainment, etc.)

In a bid to solving this issue, the federal government decided to privatize the power system and created Gencos and DisCos in which EEDC is a DisCo. Nonetheless, the government kept the transmission lines, which are the transporter of electricity.

In a bid to reform the Electricity industry, the Electricity Reform Act of 2005 necessitated the transformation and unbundling of PHCN into eleven Distribution companies across the nation, including the Enugu Electricity Distribution Company (EEDC). The EEDC's primary function is to effectively distribute and market electricity in the five (5) South Eastern (SE) States of Nigeria, namely; Abia, Anambra, Ebonyi, Enugu and Imo State. Since 2013, power supply shifted from the public sector (NEPA) to the private sector with the expectation that power supply will improve.
Other responsibilities of the Discos include providing last mile services in the electricity supply value chain, providing the connection between customers and the electricity grid, transforming or stepping down electricity from the high voltage of 132 kV at the transmission level, to a lower voltage level of 33kV/11kV/0.415kV depending on the category of customer. They are also responsible for the marketing and sale of electricity to customers. As they are the cash-boxes of the entire electricity value chain.

Challenges

Two years after the conclusion of the privatization process, the Discos are faced with huge operational challenges, which are clearly visible in their operations and service delivery. Some of the challenges include lack of sufficient power supply from the grid; old, obsolete networks; lack of maintenance of network equipment; poorly trained manpower; poor customer data; low meter penetration; health, safety and environmental issues; and a near absence of investments due to poor revenues, inadequate tariffs and external funding constraints.

These challenges are not peculiar to EEDC but it seems they are not able to manage the situation as their colleague in other regions. December 2016, saw the beginning of the tug of war between residents of the SE and EEDC. Various complaints were laid, protests were made, and the Enugu State House of Assembly summoned the EEDC due to the increment of bills with low or no light. Residents in the SE have constantly accused the EEDC of tampering with their meters, intentionally refusing to supply the prepaid meters to homes, insisting on issuing of bills as opposed to pre-paid meters, which can allow consumers control their electricity usage, over bloated bills, etc. Residents in Anambra state have also issued an ultimatum to the EEDC to either end the black out or leave the state. With these spade of incessant complaints from the consumers, the Enugu State House of Assembly passed a vote of no confidence on EEDC, boycott payment of bills, asked management to shut down and vacate the state and summoned the chairman of the company Sir Emeka Offor to appear before a six man committee to explain their activities. Currently in the region, EEDC is performing below standard and this will make their already difficult task of providing good services more difficult.

While these challenges may have severely constrained the operations of Discos and thus, led to non-realisation of the supposed gains of the privatisation of the power sector, it is important to state that these challenges were precisely the reasons why the privatisation of the power sector was done in the first place. The broad objective of the privatisation was for the private sector to address these challenges that plagued successor Discos.

Economic Implication

This epileptic power, which is provided to this region, has very serious economic implication in their economy. Three sectors, which will bear the brunt of this are manufacturing/business, education and health. The region is known for diverse businesses not only within the region but also at the national level. They do business at both retail and wholesale level. In terms of manufacturing also, prominent manufacturing companies are domiciled in places like Aba, Nnewi, Onisha, etc. Without adequate power, this will have a very drastic effect on the economic development of the region. Asides from the current inflation, which already reduces growth by more than 15%, loss of adequate power will cause losses running in millions of naira daily. For instance, Onitsha and Aba markets are amongst the biggest markets in West Africa, and both are located in the SE. On a daily basis, more than 2 million people pass through these markets to do business and in cases where there is no power, many factories and shops will be forced to either close down or increase price, which will drive away customers. Going further, the SE houses more than 20 higher education institutions (both private and public). Without adequate light, students cannot perform optimally. The health sector, in Nigeria is in a degenerating mode and in the SE this is magnified. It has been documented that most babies are born between the hours of 11pm and 5am, due to the black outs and low power it becomes difficult for the hospital staff to effectively carry out their work. This is because issues such as cost of diesel/petrol will be transferred to the consumer, which in turn will lead 50% of consumers to compensate the quacks who they think, are more affordable. The inconveniences from the constant sound and smoke of generating machines (which is extremely hazardous to health) all constitute a menace.

Solution

In trying to proffer solutions, it is imperative to understand that the first problem is how to fairly and suitably distribute the low quantity of electricity, to accommodate more than 180 million people. However, old and obsolete networks should be replaced; maintenance of network equipment should be done as at when due; work force should be trained or re-trained; customer data should be accurate; low meter penetration should be addressed; and inadequate tariffs should be addressed.

This brief is excerpted from the paper “Electricity: Key Ingredient for Nigeria’s Economic Development and Unity” presented by Prof. Barth Nnaji at the 29th June Big Ideas Podium organized by AfriHeritage.

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African Heritage Institution
54 Nza Street, Independence layout
P.O.Box 2147, Enugu, Nigeria
+234 706 209 3690
www.afriheritage.org