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Debureaucratization of Power in Nigeria

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Synonyms

Commercialization; Cut-back management; Electricity; Energy; Managerialism; New Public Management; Nigeria; Privatization; Reforms

Definitions

Debureaucratization	A complex set of reforms in the public sector, bringing changes especially to the ownership and management of public enterprises.
Power	The source of electrical energy used for socio-economic development.

Introduction

Electricity is a major source of power, a critical infrastructure that is strategic to a nation's socio-economic development. Therefore, this provides a rationale for most government involvement in its ownership or management. In Nigeria, the Federal Government (FG) merged Electricity Company of Nigeria (ECN) and Niger Dams Authority (both were established to distribute and generate power respectively before independence in 1960) to establish National Electric Power Authority (NEPA) with the task of producing and distributing electricity (Tinuoye 2017).

However, NEPA's inability to live to its responsibility of meeting customers' (household and commercial) electricity demands sparked criticism from stakeholders. Ajumogobia and Okeke (2015) identified various challenges to the delivery of quality service such as: inadequate power generation, low connection rate, inefficient usage of capacity, limited access to infrastructure, insufficient transmission, and distribution facilities, among others. Meanwhile, many of the public service reform commissions set up by FG to review public service efficiency suggested the following options: merger, downsizing, privatization, or commercialization of public enterprises. Thus, debureaucratization, an omnibus concept, depicting incremental changes to fast-changing post-industrial society in public administration

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occasioned by an ideological shift from monistic to pluralism perspectives or closed to open systems, and technological progress (Argyriades 2010), of the power sector was considered a veritable option, specifically, privatization.

It becomes imperative that government had to opt for NEPA privatization, especially after its initial commercialization in 1989 made negligible impact on effective and efficient service delivery to its increasing customers. Hence, the Power Sector Reform Bill (PSRB) was initiated and signed into law in 2005 under President Obasanjo's administration. This was done with the intent of ending NEPA's monopolistic operation and providing a legal framework for the reform in a non-competitive market, in order to ensure efficient and effective power sector Consequently, the bill enabled participation of the private sector in the generation, transmission, and distribution of electricity while floating the Power Holding Company of Nigeria (PHCN) as successor to NEPA with provision for its unbundling into eleven distribution companies (DISCOs), six generating companies (GENCOs), and one transmission company (TCN), and establishing National Electricity Regulatory Commission (NERC) as the sector's overseer alongside Nigerian Bulk Electricity Trading Plc (NBET) serving as bulk buyer/intermediary between the GENCOs and DISCOs (Enoche et al. 2015).

Therefore, this entry's central objective is to offer insights into the structural composition of the Nigeria's power sector reform; examine the reform's theoretical underpinning; and descriptively analyze the post-reform experience upon which the current position of the sector's reform is anchored.

Underpinning Theory

Privatization is a concept that has metamorphosed to acquiring a theoretical status currently due to its increasing popularity, acceptance, and application by many countries as a public sector reform instrument. This begins from the 1970s after the United Kingdom (UK) and United States of America (USA) adopted, and championed its global promotion. Privatization theory is pivoted on liberal economy tenets, notably, a total disengagement of the public interest for active involvement of private firms in a country's production and service industries, and government active facilitator's role in the economic management. This emphasizes the promotion of effective and efficient service and productivity if employed by a state predicated on a liberalized operating environment (Muogbo 2013).

The anticipated improved performance of the public enterprise via privatization informed its choice for Nigeria's electricity sector's reform, and the altruistic and faithful implementation of the reform implies that the lackluster performance of NEPA would become history. However, by and large, the essence of privatization policy as a prime among other tools of New Public Management (NPM) in Nigeria has not yielded the desirable results (Ibietan 2019). While the post-privatization performance of the power sector is a subject of debate among scholars, stakeholders, and operators, the submission seems to reflect the picture of its current position, especially based on a cross-country performance comparison. The next section highlights the structure and features of the power sector reform in Nigeria.

Structure and Features of the Power Sector Reform in Nigeria

The unbundling of NEPA's into 18 units characterized by 11 DISCOs and 6 GENCOs with the TCN operating under a management contract agreement, "described as one of the boldest initiatives globally" (Tinuoye 2017, p. 2). The distribution companies are Abuja, Benin, Ikeja, Eko, Ibadan, Enugu, Jos, Kano, Portharcourt, Kaduna, and Yola, while the generating companies consist of Egbin, Kainji/jebba, Shiroro, Sapele, Geregu, and Afam, and the TCN was initially managed by Manitoba Hydro International (MHI) but was reverted to the government in 2016 after the expiration of the contract without stating any clear-cut basis. Moreover, it is important to note that a DISCO covers an average of three states within the country, except Eko and Ikeja, that operate within Lagos State with extension to adjoining cities in the neighboring Ogun State. Of the six GENCOs, only Kainji/Jeibba and Shiroro are hydro-power stations but others generate electricity through gas thermal technology with Egbin having the highest installed capacity of 1320 MW (Tinuoye 2017).

Furthermore, the size of the country largely accounted for the adoption of a horizontal unpacking separating the DISCOs and GENCOs into the regional operational bases, differing markedly from what is obtainable in other African countries. As such, the structural and institutional designs are tailored to meeting the vast space and high population features of Nigeria. Also, to increase power supply, the PSRB provides for government's establishment of National Integrated Power Projects (NIPP), and Independent Power Producers (IPP), owned and managed by the private power generating firms to complement the GENCOs' capacity (Okafor et al. 2015). In this sense, aside from increasing the generation capacity, the participation of the IPPs is also a strong indication of the existence of a liberalization regime affording competition in the sector, to some extent.

It is also interesting to note that though the overarching objective of the power sector privatization is to achieve maximum efficiency in the sector's value chain, the measure equally generated revenue for the government. This was coordinated by the National Council on Privatization (NCP) that warehoused the privatization exercise, while the Bureau for Public Enterprises (BPE) discharged administrative duties. However, since 2013 that the private companies took charge of the DISCOs and GENCOs operations, and noting that government retains 40% and 20% ownership shares, respectively, service delivery is still low and continue to ebb, with complains and criticism being unleashed on both the government and power sector operators, most especially, the DISCOs interfacing with the electricity end-users. This calls for urgent and more robust actions or strategy for effective reform outcomes.

The Post-reform Experience

The power sector is naturally interdependent and runs on the network of a tripod, namely: generation, transmission, and distribution. This systemic operation makes disruption at a point to interrupt the effectiveness of the other binary. In other words, an increase in the power generation without a commensurate capacity for wheeling would not only make the energy wasted (because it cannot be conserved), but also deprive the distribution end of electricity for the customers. Therefore, it is difficult to isolate the consequential effects of the challenges at any of the treble value chain from one another.

Although, the entrance of the private investors in the generation and distribution ends have raised the sense of responsibility to customers, unlike the pre-reform era characterized by negligence of duty and other bureau pathologies that exacerbated poor service delivery, there are ticklish and unabating issues highlighted in this issue and proactive measures canvassed to redress the palpable state of affairs through a more effective power sector reform.

Operators' Capacity

It is noteworthy that the power sector is capital intensive. However, the reform is yet to provide lasting solutions to the challenges of the huge cost of generation, weak transmission, and efficient distribution according to Enoche et al. (2015). Implicitly, the new operators are yet to manifestly display financial adequacy, managerial and technical capabilities required to optimize the facilities bequeathed to them for improved service delivery. Additionally, the "legacy debt" (debt of the government Ministries, Department, and Agencies (MDAs)) to DISCOs worsen their illiquidity, making the DISCOs to continually clamor for government's funding support despite the Central Bank of Nigeria (CBN) intervention fund received in 2016. The criticism by civil society organization on government subsidy to private firms, and government's justification of its action as necessary to stabilize the sector, are quite illuminating here, even as NERC threatens to cancel eight DISCOs licenses due to 30.1 billion debts to NBET (Simon 2019), are poignant evidences of the shortcomings of the power sector reform.

A related study shows that customers' assessment of some DISCOs using the electricity supply, load shedding, pricing/metering, response to customers, and coverage area indices affirms gross underperformance (Idowu et al. 2019). Hence, it is instructive that a collaborative synergy of resources and efforts between the government and new managers of the sector to recalibrate the processes leading to enhanced performance is urgently required.

Similarly, the current level of technical losses to electricity generation via differences between the installed and generation capacity; loss to distance in the course of power transmission; and theft by customers at the distribution end demand a review to minimize its adverse effects on the network. Furthermore, the national grid system appears to be a burden on the efficiency drive of the value chain. Tinuoye (2017, p. 4) posits that in Nigeria, 90% of electricity output is supplied through the national grid. The negative consequences of this on the national life can be colossal in the event of grid collapse or hitches. Thus, alternative grid methods such as mini-grid or off-grid system are imperative to, first, minimize chances of national power outage and, second, entrench some degree of stability in the power network.

Regulatory Environment

The regulatory environment is a crucial and irreducible requirement for the operation of electricity business, more importantly in a liberalized regime. NERC is empowered by ESPRA to regulate the sector operators, protect customers, mediate between the DISCOs and customers, and between operators, and ensure fairness to all stakeholders. Nonetheless, with the prevalence of estimated billing system inflating the cost of energy consumed by customers to the advantage of the DISCOs, and recorded cases of energy pilfering, bypassing of meters, and similar indecent practices by customers, the business environment can be said to be poorly regulated. To inject sanity into the sector, NERC needs to improve its supervisory role and be more proactive in attending to stakeholders concerns, more importantly by making customers' access to prepaid meters and ensuring that punishment for infractions are strong to act as deterrent to real and potential offenders.

Political Considerations

The conflict between the national and individual or sectional interests is an albatross to transparency, credibility, and sanctity of both the pre- and post-privatization process and management, respectively. This is typified by overbearing influence of political considerations in the decision making before the unpacking of the electricity sector and post-reform regimes, observed and lampooned by the civil society groups, interest groups, and some of the citizens. For instance, the liberal precept of market determination of electricity price in the post-privatization era is restrained because the government regulate retail price, making the tariff to be lower than the economic reality. Consequently, the non-economic reflective price is characterized by poor return on investment for the private operators, specifically, the DISCOs.

As a corollary, political considerations and graft tendencies of political leaders and bureaucrats account for the non-transparency of the bidding and award processes of DISCOs and GENCOs, manipulations of rules and disregard for extant laws, prevalence of inexperienced operators in the power sector, and Bureau of Public Enterprises' (BPE) permission to defer payments and manipulation of payment terms, contravening the bidding rules to the disadvantage of co-bidders (Socio-Economic Right and Accountability Project (SERAP) 2017) are emblematic of the reform process. In light of this, it is discernible that the pre-reform trajectory largely accounts for the current weak position, and contributes (to some extent) to the post-privatization poor regulatory environment.

Conclusion

This entry highlights the debureaucratization of the power sector in Nigeria. The failure of NEPA as a public enterprise to effectively provide quality power supply to the residential and commercial customers not only attracted criticism but impacted negatively the nation's social and economic development. Thus, privatization of the power sector value chain was considered as panacea to epileptic electricity supply. This step led to the private ownership and management of the 6 GENCOs and 11 DISCOs in 2015 while TCN operates under a management contract until 2016 when it expired making the FG to regain its management. This was accomplished with the aid of the PSRB act that provides the legal framework, the establishment of NERC as the sector's regulator, and NIPP and IPP to complement the generation capacity of the GENCOs. It is noted that while the reform raised the current operators' sense of responsibility, the systemic failure of the value chain circumscribed optimum performance.

Moreover, the post-reform analyses reveal the sector's inadequacies, jeopardizing effective, and efficient network functioning. The GENCOs and DISCOs' financial, technical, and management incapacity as private entities conjoin to adversely affect stable electricity experience by customers. And, the GENCOs, TCN, and DISCOs inability to minimize their technical losses further aggravates their technical deficit, while the inability of NERC in curbing the prevalence of estimated billing system with the provision of pre-paid meters, and bringing to the barest minimum the unwholesome behaviors of consumers, compounded the operators' challenges, presenting the regulatory environment as uncertain and deprived stakeholders' of confidence. Also, undue politicization in the pre- and post-privatization regimes resulted in the emergence of inexperienced bidders and unsound management decisions, respectively. The culmination of these deficiencies is poor service delivery by the network operators manifesting in the current poor quality power supply to consumers.

Cross-References

- ▶ Administrative Reforms
- ▶ Governance Reform
- ▶ New Public Management
- ▶ Public Enterprise Transformation

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