



Watt's Happening: NERC's Tariff Revision for Band A Consumers

On April 4, 2024, the Nigerian Electricity Regulatory Commission (NERC) pursuant to the Supplementary Order to the Multi-Year Tariff Order 2024 for the respective distribution companies, implemented a significant rate adjustment for Nigeria's premium electricity consumers, Band A. This adjustment sees a sharp rise in electricity tariffs by over 240%, elevating the cost from N68 to N225 per kilowatt-hour (kWh).

Identifying Band A Customers:

Band A consumers represent the highest tier within Nigeria's electricity market, receiving between 20-24 hours of power supply daily. This group, accounting for about 15% of all consumers, is served by 17% of the nation's distribution infrastructure and falls under NERC's service-based tariff structure.

Rationale Behind the Rate Hike:

This significant rate increase aims to catalyze improvements within Nigeria's energy sector, fostering investment, reducing government subsidies reliance, and paving the way for a sustainable energy future against the backdrop of rising natural gas prices. It is crucial to highlight that subsidies will remain in place for consumers in Bands B to E, ensuring continued support for a significant portion of the population.

Clarifying Electricity Service Bands:

Recent developments have shown the confusion over service bands among consumers. Notably, some Band A customers have reported receiving less electricity than their designated supply, prompting a reassessment and reclassification of service bands in places like Abuja.



In a notable response to the tariff adjustments, on April 5, 2024, NERC penalized the Abuja Electricity Distribution Company (AEDC) with a N200 million fine for incorrectly billing lower band customers at the increased Band A rate. The AEDC is now required to reimburse the overcharged amounts to affected consumers in Bands B to E. This enforcement by NERC ensures that charges align with the actual service provided, maintaining transparency and fairness in billing practices.

Implications for Stakeholders:

There is a growing concern that the tariff increase could worsen electricity scarcity, with distribution companies prioritizing Band A customers, potentially reducing supply for Bands B through E. The situation calls for a nuanced approach by all stakeholders:

- **Consumers:** Consumers should be aware of their service bands and utilize available legal and regulatory mechanisms to address any service disparities or billing inaccuracies.
- **Distribution Companies:** Distribution companies must ensure full compliance with NERC's updated tariff regulations, including accurate classification of consumers according to their service bands, billing, and equitable distribution.

- **Businesses:** Operational costs are likely to rise; businesses must innovate to reduce energy consumption without compromising operational efficiency.
- **Investors:** Investors must navigate the legal framework with due diligence, understanding regulatory requirements and the broader implications for energy sector investments.

How SimmonsCooper Partners Can Help:

As these developments unfold, SimmonsCooper Partners offers legal support to navigate the complexities of the evolving energy sector. From contractual reviews and regulatory compliance to dispute resolution and strategic advisory, our team is equipped to guide consumers, businesses, distribution companies and investors through this transition. Visit www.scp-law.com or contact info@scp-law.com for our expert support.