

# **An Analysis of the Electricity Industry in Nigeria One Year after Privatisation**

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## **Introduction**

On Monday, September 30, President Goodluck Jonathan handed over share certificates and licences in Abuja to representatives of the local investors and their foreign partners who took over the ownership of 15-state-owned electricity companies. It was the climax of a \$2.5 billion privatisation process involving the transfer to the new owners of 10 distribution companies (DISCOs) and five generating companies (GENCOs). The president sounded a very optimistic note, saying: "To the Nigerian people, who have demonstrated such great patience and confidence, putting up often with darkness, noisy power generating sets, the related pollution and the daily disruption in their lives, I say better days are coming." [1]

The objective of this paper is to present an analytic report on the status of the electricity industry after one year of privatization, and it comprises the following:

1. To investigate the performance of the industry since privatisation
2. To explore suggestions for improvement of the industry by the practitioners
3. To analyse the performance and make recommendations
4. To make concluding remarks

### **1. Performance of the industry**

At privatisation, Nigeria had an average generation capacity of about 3,200 MW. This figure shows the very low electricity generation capacity of Nigeria with a population of about 170 million when it is compared with 40,000 MW capacity generation capacity of South Africa which has a population of about 53 million. It has been observed that one year after a reportedly successful privatisation, 30 million households in Nigeria are still without access to electricity and some problems have been observed in various parts of the country [2].

On a brighter note, on August 30, 2014, Professor Chinedu Nebo, the Minister for Power, was quoted as follows: "I would say we rejoice that for the first time in a long time we have been averaging over 4,500 MW when we include nearly 300 MW of spilling reserve which is always put there to make sure that the reliability and stability of the grid is ensured at all time" [3]. In other words, one year after privatisation, the generating capacity has increased to 4,500 MW. The main drawback is that this is not consistent. It is predicated on the availability of natural gas.

This inconsistency and other problems in the industry were discussed at the 4th Annual World stage National Electricity Power Conference held on Thursday, October 23, 2014, at the Lagos Lagoon Restaurant. The conference brought together the main players in the electricity industry and government officers. It provided an opportunity for

them to discuss the performance of the industry, one year after privatisation and to suggest solutions to the major problems[2].

In subsequent paragraphs, some of the major and recurring problems in the industry will be highlighted. Some of these were stated before and during the conference by different key federal and state government officers and leaders in the private sector. The problems include the following:

1. Increasing incidents of vandalism consisting of the following:
  - a. Destruction of gas pipelines and other power transmission equipment;
  - b. High level of power theft and by-passing of metering;
2. Limitation in the supply of natural gas;
3. Limited transmission capacity;
4. Lack of accurate data on power demand of the entire country;
5. Non-alignment of the national power generation activities,
6. Inadequate transmission and distribution capacities;
7. Insecurity of power systems and facilities.

A table showing an analysis of the problems .

S/No	Problems	Places mostly affected	Examples and Comments
1	Inadequate power supply	All over the country	<p>The Managing Director, Eko Electricity Distribution Company, Ramesh Narayanan [4] pointed out that Nigeria, with a population of about 170 million people has such little power supply that, only five per cent of the population has access to electricity available in the 11 Distribution Companies (DISCO) in the country</p> <p>-----</p> <p>Mr. Adeleye, the President/CEO of World Stage, stated that: “.. about 30 million households in Nigeria (are) still without access to electricity”.</p> <p>-----</p> <p>A third example is in Yenagoa, capital of Bayelsia State in the Niger Delta area. The Public Affairs Manager of Port Harcourt Electricity Distribution Company (PHEDC), Mr John Onyi, complained that the expected 24-hour uninterrupted power supply has not been achieved in the city yet. He explained that: “ Yenagoa receives between 34 and 50 megawatts of electricity out of the load demand of 60 megawatts, which translates into 13 to 19 hours power supply on a daily basis. The power they receive from the national grid is not enough and this has necessitated load shedding in the city.”[5] (NAN).</p> <p>-----</p> <p>The Managing Director of Ikeja DISCO, Mr. Abiodun Ajifowobaje, explained that Ikeja DISCO resorted to power rationing due to inadequate</p>
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	<p>-----                  Vandalism:                  Destruction of                  gas pipelines                  and other power                  transmission                  equipment;                  -----</p>	<p>-----                  The Niger                  Delta area                  -----                  -----                  In different                  parts of the                  country                  -----</p>	<p>supply from the national grid, which has not augured well with their customers. He argued, "Well, in the face of inadequate allocation, we have to ration power supply to our customers. We resort to what we technically call load-shedding. "Let me explain better; our daily maximum power demand is about 1,250MW, while what we have gotten between the day we took over and now, on the average is about 400MW. What we have to put in place is a sustainable effective load management to ensure that there is equitable power allocation to all levels of our customers."</p> <p>-----</p> <p>This leads to frequent capacity shortfalls. Mr. Segun Adeleye, President and Chief Executive Officer of World stage Group Limited, who organised the conference lamented that the poor electricity supply across the country in the third week of October was blamed on 1,000MW drop in power generation due to the sabotage of three wellheads of Shell operated Okoloma gas plant</p> <p>-----</p> <p>An example is in Yenagoa, capital of Bayelsia State in the Niger Delta area. The Public Affairs Manager of Port Harcourt Electricity Distribution Company (PHEDC), Mr John Onyi, complained that in Yenagoa, 10 of its 200kva and 250kva transformers were vandalised in the city in recent months. He was speaking to the Nigerian News Agency (NAN)[5].</p>
<p>2b</p>	<p>Vandalism:                  High level of                  power theft and                  by-passing of                  metering, and                  poor metering</p>	<p>This happens                  all over the                  country.</p>	<p>It was one of the problems highlighted by Mr. Adeleye. In addition, he lamented the inability of the investors to install 1,078,927 new meters in the first year at a cost of N26.97 billion and install 6,517,998 meters over the next five years at a projected cost of N150 billion. According to him, this was partially planned for in the annual budget of N60 billion for the 11discos for the years 2014 to 2019.</p> <p>-----</p> <p>Mr. Onyi, the Public Affairs Manager of Port Harcourt Electricity Distribution Company (PHEDC), also highlighted this problem.</p> <p>-----</p> <p>The Managing Director, Egbin Power Plc, Mike Uzoigwe also decried the lack of meters in the distribution system. He emphasised that: "there is no way to do commercial distribution of electricity without metering". He explained that as a result of</p>

			the poor metering, some customers “connive with staff or thugs to bypass electricity meters thereby making power to be consumed free and the supplied energy is unaccounted for”. He stated that with the current situation, there will be factors that will militate against well-structured metering even when the meters are available. He stressed that “there has to be a lot of clean-up before meters could be installed properly”.
3	Corruption and incorrect bills	This happens all over the country	As the DISCOs and GENCOs are grappling with their numerous challenges of poor cash flow, electricity consumers have continued to accuse them of corruption and insensitivity. For example, consumers allege that they are being extorted monthly through estimated bills, exorbitant tariff and non-supply of meters, while electricity supply has not yet improved. Estimated bills are forced on consumers monthly even where the power supply has been cut off. Sadly, the DISCOs apparently are more concerned about recouping their investments in the earliest possible time [6]
4	Corruption and negative union power	Many regions in the country	The Deputy Managing Director of Ibadan Electricity Distribution Company, IBEDC, Mr. John Darlington, commented that the prepaid metering scheme was yet to kick-off for consumers under the network. He explained that the company is not yet convinced that the local technology deployed for its production is foolproof. He noted that foreigners did not invest in the DISCOs due to the complicity that trailed government-labour relationship. He stated: "We bought the distribution companies without doing due diligence because the union did not allow anybody to come into this company. But Nigerians took the risk. That is why there is no foreign investor in any of the DISCOs today." [6]
3	Inadequate exploitation of, and Investments in, natural gas and Limitation in the supply of natural gas;	Thermal power generating plants	<p>The Minister of Power, Professor Chinedu Nebo. confirmed that there is a problem of inadequacy of gas supply agreeing that the production capacity is low and not just because of disruption of supply by vandals and infrastructure. He added that as a result of low price the domestic gas market is presently unattractive for gas producers.</p> <p>-----</p> <p>The Managing Director of Ikeja DISCO, Mr. Abiodun Ajifowobaje, explained that although his company is not able to meet the expectations of Nigerians, gas supply has remained a hindrance to their operations. He said, "What Nigerians</p>

		<p>expected after private take-over was 24-hours power supply; but that has not happened. The issue is that it will take time to correct the imbalances we inherited.</p> <p>"The Federal Government is building power stations in several places, but the issue of availability of gas to power the stations is there.</p> <p>"It is also just unfortunate that some "rascals" have seen vandalism of gas pipelines as their legitimate business. This is the major problem militating against power supply reliability."[6]</p> <p>-----</p> <p>Also the Director General, National Power Training Institute of Nigeria, NAPTIN, Mr. Reuben Okeke, explained that gas supply from the Nigerian Gas Company, NGC, was not sufficient to meet the nation's electricity supply need. He noted that gas supply shortage was delaying the activation of 224 distribution substations built by the Federal Government to boost electricity supply.</p> <p>"Though the stations are ready to help move the country from its current 4, 500MW supply level to 20,000MW in the next few years, it has been impossible to achieve this feat due to gas shortage. Shortage of gas has stalled the various projects initiated by the government to wheel electricity into the national grid," Okeke said.[6]</p> <p>-----</p> <p>According to The Chairman, Chartered Institute of Bankers of Nigeria, Lagos State Branch, Mr. Abolade Agbola, we have had problems in the power sector because we have been "too reliant on hydro sources of power and we neglected the thermal stations, which use gas"[3]. He continues: "... we are the largest oil producer in Africa and we are not generating sufficient electricity from gas". He expects that: "there will be an accretion (growth) in investment infrastructure (on gas). This has to do with gathering these gases from all the oil wells and then using them to produce energy". He continues: "there would be a huge demand for gas and the development of gas and basic infrastructure. I think in one or two years, those things could be a thing of the past, ... if we have continued peace in the Niger Delta". He submits: To us as a people, it is better we get the gas infrastructure in place so that we can power those thermal stations and have uninterrupted power supply. This is the constraint that has been</p>
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			identified and I believe that we have the capacity to deploy resources there. Also, I think banks still have to do more in funding this gas infrastructure, which is critical for uninterrupted power supply in Nigeria”.
4	Inadequate electricity transmission and distribution capacity	All over the country	<p>Mr. Adeleye highlighted this problem as he described it as “Transmission evacuation constraints”.</p> <hr/> <p>Professor Adeola Adenikinju, Professor of Economics and Director, Centre for Petroleum, Energy Economics and Law, University of Ibadan, a contributor to the conference listed one of the challenges facing the industry as inadequate transmission and distribution infrastructure</p> <hr/> <p>Professor Nebo, the minister of Power also stated that the problem of inadequate electricity transmission is due to obsolete and inadequate infrastructure, vandalism, and lack of investment framework for transmission.</p> <p>-----</p> <p>-----</p> <p>Managing Director, Eko Electricity Distribution Company, Ramesh Narayanan [4], observed that the transmission lines are inadequate, providing inadequate transmission capacity. He observed: “Even today at 4000 Megawatts, the transmission lines are not able to absorb the capacity”, this means that they need to be overhauled and expanded. In this situation, a lot of work needs to be done to develop the necessary capacity that will provide Nigerians with adequate capacity for power transmission. He added that this has to be done not only by the federal government but also by the private sectors making their contribution.</p>
5	Poor revenue and cash flow	All over the country	<p>The poor revenue is due to the following practices:</p> <ol style="list-style-type: none"> <li>1. Persistent corruption despite the new management at the various Discos and Gencos.</li> <li>2. Leakages in revenue collections still persist despite the change of ownership in the power generation and distribution chains.</li> <li>3. Many consumers are not still paying for the energy consumed as they conspire with some of the marketing staff of the distribution companies.</li> <li>4. Illegal connection into the power distribution system such that those consumers do not pay for their consumption. This is a major drain on the revenue of the power companies.</li> <li>5. Non-payment of electricity bills: An example</li> </ol>

		<p>was highlighted by Mr John Onyi, the Public Affairs Manager of Port Harcourt Electricity Distribution Company (PHEDC), who disclosed that the company was faced with the problem of non-payment of electricity bills by consumers. He said the business unit had recorded about 65 per cent loss of revenue in the state since it started operation in November, 2013. According to him, only 2,585 of the 12,350 registered customers in the state capital paid their electricity bills for the month of July. Further, he condemned the harassment of the company's field workers by some consumers, noting that the company could not remain in business if consumers refused to settle their bills.</p> <p><b>Poor Cash flow:</b> Banks financed the privatisation of power sector, but there are challenges in the sector now in terms of getting revenue due to gas-to-power issue and other matters. There are also concerns that the loans might go bad[4].</p> <p><b>Problem of Debt Repayment burden on Power Distribution (Discos) and Generating Companies (Gencos) [4].</b> These companies are struggling to meet their debt repayment obligations. Many financial institutions which provided finance for the buy-over of the unbundled electricity entities are not being repaid by the new owners. In addition, suppliers of gas to the power generating firms are also complaining of the debt owed them by the Gencos.</p> <p>Power companies complain that they are not generating adequate revenue to enable them to meet their debt obligations. They submit that the current electricity tariff cannot sustain cost of generations and distribution and certainly cannot make for break even. They suggest an urgent upward review of tariff to enable them to recoup cost, break even and then be able to meet their obligations to their creditors.</p>
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## 2. Suggestions for improvements

A number of suggestions for improvement were made by various persons as summarised in this section.

- **Increased Investment in the Power Industry**

It is suggested that the country needs to make “a yearly investment of \$4 billion within the next 10 years in the energy sector” in order to “move the sector from the doldrums and make it globally competitive”. This was the view of the Managing Director, Eko Electricity Distribution Company, Ramesh Narayanan [4]. He explained that the investment will cover the following: Generation, distribution and transmission would gulp about 70 per cent investment into plant machinery while the other 30 per cent will be into construction”. He pointed out that Nigeria, with a population of about 170 million people has such little power supply that, only five per cent of the population has access to electricity available in the 11 Distribution Companies in the country.

- **Increased Investment in Power transmission and distribution capacities and Infrastructure**

Mr. Narayanan also observed that the transmission lines are inadequate, providing inadequate transmission capacity. He said: “Even today at 4000 Megawatts, the transmission lines are not able to absorb the capacity”, this means that they need to be overhauled and expanded. In this situation, a lot of work needs to be done to develop the necessary capacity that will provide Nigerians with adequate capacity for power transmission. He added that this has to be done not only by the federal government but also by the private sectors making their contribution.

Speaking in the same vein, the Managing Director, Egbin Power Plc, Mike Uzoigwe stated that “the most worrisome issue of power development in the country is the nation's inability to transmit generated power.” He explained that some of the new National Independent Power Plants (NIPP) projects have been completed but no evacuation capabilities to get power to the grid. Continuing, he stated that “there are lots of bottlenecks that inhibit efficient evacuation of power”. They include “overloaded distribution feeders; inadequate power transformer capabilities; undersized conductors; single circuit transmission lines, radial network type instead of the closed grid systems and the likes”.

Minister of Power, Professor Chinedu Nebo also confirmed the problem of inadequate electricity transmission. He explained that it is due to the following factors: obsolete and inadequate infrastructure, vandalism, and lack of an investment framework for transmission.

- **Optimisation of the location of power plants:**

Professor Adeola Adenikinju, Professor of Economics and Director, Centre for Petroleum, Energy Economics and Law, University of Ibadan who was represented by Dr. Joseph Omojolaib of the same department suggested that new power plants should be located between access to the source of natural gas, the currently preferred fuel for electricity plants, and the consumption centres.

Minister of Power, Professor Chinedu Nebo also stated that locating gas power plants near gas sources is essential. His ministry is trying to collaborate with the

Ministry of Petroleum resources to locate gas power plants near gas sources in marginal fields and in the inland basins to reduce risks and costs of gas transportation over long pipelines.

- **Increased Investments in natural gas**

According to the Chairman, Chartered Institute of Bankers of Nigeria, Lagos State Branch, Mr. Abolade Agbola, we have had problems in the power sector because we have been “ too reliant on hydro sources of power and we neglected the thermal stations, which use gas”[6]. He continues: “.. we are the largest oil producer in Africa and we are not generating sufficient electricity from gas”. He expects that: “there will be an accretion (growth) in investment infrastructure (on gas). This has to do with gathering these gases from all the oil wells and then using them to produce energy”.

He continues: “there would be a huge demand for gas and the development of gas and basic infrastructure. I think in one or two years, those things could be a thing of the past, ... if we have continued peace in the Niger Delta”. He submitted that: “To us as a people, it is better we get the gas infrastructure in place so that we can power those thermal stations and have uninterrupted power supply. This is the constraint that has been identified and I believe that we have the capacity to deploy resources there. Also, I think banks still have to do more in funding this gas infrastructure, which is critical for uninterrupted power supply in Nigeria”.

Minister of Power, Professor Chinedu Nebo, confirmed that there is problem of inadequacy of gas supply agreeing that the production capacity is low and not just because of disruption of supply by vandals. He added that as a result of low price the domestic gas market is presently unattractive to gas producers[7].

- **Need to diversify energy sources**

Professor Adeola Adenikinju spoke of the need to diversify the energy sources. He observed that natural gas being the overwhelming fuel presents a lot of risks in terms of stability of electricity supply. He emphasized the need to promote a balanced electricity generation mix in order to improve energy security. He explained that the overwhelming reliance on gas-thermal from the Niger Delta area, a relatively volatile part of the country, increases the risks and puts the whole supply in jeopardy and at the mercy of vandals. He submitted that investors should be given incentives to enable them to participate in renewable energy and other energy sources to diversify the electricity supply base for the country and provide more energy security and access[2].

- **Rural Electrification to promote economic development:**

Professor Adeola Adenikinju also suggested that access to electricity should not be restricted to the urban centres alone; rather, electrifying the rural areas should be made using small hydro, wind, solar PV, biogas, and others. He stated that China relied heavily on small hydro power to connect the rural and isolated communities with electricity.

### **3. An Analysis of the performance and recommendations**

From research, it has become clear that the present Federal Government and its agencies have been making investments in the electricity industry. It has also been possible to identify problems in the industry. These problems are not new as most of them have existed for many years. For example, corruption, theft of revenue through the bypassing of meters, vandalism of pipelines and equipment have been in the industry for many years.

However, investing fund in the industry without making efforts to address its problems will not resolve the situation and engender progress. It has been the case that the more the fund invested, the greater the thefts and leakage of fund through the various loopholes.

In this section, we shall analyse the performance of the industry by doing the following:

- Review the problems and highlight some of their impacts on the economy.
- Suggest how the problems could be addressed.
- We shall then make recommendations for enterprise management and resolution of the problems and management of the industry

**Review of the problems:** The starting point is an analysis of the poor gas supply and its impacts.

#### **1. Poor gas supply and its impacts on the economy[6]**

Gas shortage has not only hampered the operations of the GENCOs and DISCOs, it has equally taken its toll on companies operating in Nigeria. An example is the experience of Dangote Cement Plc, arguably Nigeria's biggest cement company. Mr. Edwin Devakumar, the Group Managing Director, complained that its first-half year profit has been reduced by 11 percent as operating costs increased on gas supply challenges resulting in use of heavy oil for its plants. Continuing he said: "We appeal to the government to do something about the problems of gas and LPFO (Low Pour Fuel Oil) supply. If we don't have power and fuel, businesses cannot survive. If not resolved urgently, the situation will compound the problem of unemployment and insecurity in the country. It will impact on companies' profitability. We have already lost about 10 per cent of our capacity and that means less cement in the market"[8].

It has also been reported that the cumulative cost of sales for the four major cement companies: Dangote Cement, Lafarge WAPCO, CCNN, and Ashaka Cement increased by eight percent in half-year 2014 to N120.17 billion, from N111.73 billion in the 2013 corresponding period [8].

#### **Flaring of Gas**

Nigeria, has gas reserves of more than 187 trillion cubic feet, most of which are flared. According to the Ministry of Petroleum Resources, at least \$3 billion in revenue is lost annually due to gas flaring. Converting gas into a form that it could be used in industry

should save the country the colossal waste of money by gas flaring. Sadly, the prospects of immediate building of more gas infrastructure such as pipelines and plants have been dimmed by the current government's control of the gas pricing mechanism. This makes it unattractive to investors.

### **Suggestion for Resolution of Problem**

However, it appears that the government is trying to resolve the problem by increasing the price of natural gas. In August, the Chairman of the Nigerian Electricity Regulatory Commission (NERC), Dr. Sam Amadi, stated that NERC will seek compact gas supply commitment from gas producers [7]. Improved electricity generation profile is expected from the generation companies because of the new price review. More gas will boost electricity production. The new gas-to-power pricing benchmark makes for an increase from about \$1.50 per million cubic feet per day (mcf) of gas supplied to \$2.50/mcf and \$0.80/mcf as transportation costs for new capacity.

Dr. Amadi also reportedly said: "I think we should understand that why we don't have enough power today is because we don't have enough gas supplied to power plants." Continuing he said: "If an increase in the price of gas makes gas more available..... it means that we can grow more (electricity) capacity and with more capacity the average cost of power will be lower and consumers will have a better deal," he said.

As clearly stated, the new price of gas is aimed at stimulating increase in the gas supply and hence investment in gas production and its infrastructure.

### **2. Corruption, incorrect bills, by-passing of metering, and poor metering**

As the distributing companies (DISCOs) and generating companies (GENCOs) are grappling with their numerous challenges of poor cash flow, electricity consumers have continued to accuse them of corruption and insensitivity. For example, consumers allege that they are being extorted monthly through incorrectly estimated bills, exorbitant tariff and non-supply of meters, while electricity supply has not yet improved. Estimated bills are imposed on consumers monthly even where the power supply has been cut off. There is a case, known to this writer, in which the electricity had been cut off, yet estimated bills were still being sent to the customer who had been disconnected for over one year. It is the case that no effort was made to check the supply to the customer rather fictitious bills were being sent when no electricity consumption had been made for almost two years. The sad situation is that the local power supply company is insisting that those estimated bills have to be paid. Their interest is to collect money from customers whether or not the customer is being supplied with electricity.

Recently, the Deputy Managing Director of Ibadan Electricity Distribution Company, (IBEDC), Mr. John Darlington, said that the prepaid metering scheme was yet to kick-off for consumers under the network. This is because the company is not yet convinced that the local technology deployed for its production is fool proof. Darlington also noted that foreigners did not invest in the DISCOs due to the complicity that trailed government-labour relationship. "We bought the distribution companies without doing due diligence because the union did not allow anybody to come into this company. But

Nigerians took the risk. That is why there is no foreign investor in any of the DISCOs today," he added.

### **Suggestion for Resolution of Problem – Use of smart meters**

It is unfortunate that there are so many problems in the industry and there is no structured and approved procedure for addressing them. As a result, it may be difficult to quantify the effect and financial losses created by any of them. This is not the case in some other countries. For example, in Zimbabwe; the power theft is reportedly causing the nation “a staggering sum of US\$10 million per month” It will be an achievement and a step in the right direction if our power distribution executives in Nigeria can quantify and give a figure of the losses they suffer monthly because of power theft.

It is when we define a problem correctly that we can apply objective solutions to eliminate it. The Zimbabwean electricity providers, ZESA, is now installing smart meters which are said to have the ability to track where power is being fed to and from making it possible to track the sources of consumption and theft. This provides the possibility to identify and eliminate any power consumed through bypassing of the meters. ZESA cancelled all pre-paid meters with immediate effect and started adopting smart meters as a solution to the utility’s revenue protection [10].

### **Enterprise Solution of Industry Problems**

So far in this analysis, two of the problems have been discussed. Going forward, the problems of the privatised electricity industry cannot be resolved by piece-meal analysis. The best we can do is to suggest solutions to the various management of the industry. The purpose of making such suggestions is to demonstrate the fact that solutions for each of the problems can be found if efforts are made to find and implement them. Moreover, piece-meal solutions are not the best because as a solution is being considered, its effect on other problems and the operation of the industry need to be taken on board. As a result, enterprise solutions are recommended. We wish to consider an example as we touch on Enterprise Risk and Issue Management.

### **Enterprise Risk and Issue Management**

In our article in August 2013 entitled: “A Critique of the Risk Management Strategy in a major Government Programme in a Developing Economy - The Nigerian Electricity Privatisation Programme, we wrote that: “national risk management for a national government organisation should facilitate its understanding and response to the uncertainties and opportunities it has to grapple with in its operations. The proactive study, planning and implementation of an effective national risk management strategy are intrinsically tied to success in a large government organisation operating in the risk-prone environment of a developing economy such as Nigeria”.

Risk management is planned to prevent many risks from occurring. In spite of the efforts when some risks are not identified and properly managed, they become issues when they occur. We should then resort to Issues Management. This is the process of identifying and resolving issues quickly in a project. Using this process, issues can be

resolved so that they do not degenerate to major problems. The process comprises a set of procedures that help manage issues as they occur.

### **Suggestions on how to resolve problems in the privatised electricity industry**

We would recommend the following procedure:

- Establish a project management office (PMO) to oversee all projects
- Implement an enterprise risk management system
- Implement an enterprise issue management system
- Use the two systems to address the problems

The project management office (PMO) should have industry-wide responsibilities to oversee the privatised electricity industry. Its scope should include monitoring projects and operations in generation, transmission, distribution, and all ancillaries. It should enable the use of consistent project management, issues and risk management methodologies.

An approved risk management methodology should be installed industry-wide. This should help protect the industry from unforeseen events and occurrences which could the achievement of the project objectives.

An enterprise issue management should then be established. This should engender the methodical study and resolution of the identified problems in the industry. Each of the identified problems in the industry should be studied and resolved. Probably, a research group or a think-tank could be set up to study and recommend solutions for the problems.

Even as these suggestions are being made, the question that arises is whether the Federal Government is able to take these measures since the control of the privatised industry has been passed on to the new owners. Alternatively, will each generating company or distribution company carry out these recommendations? It is not clear to this writer how this can happen. However, one thing that is clear is that doing nothing proactively to eliminate the problems will not help the situation because some of the entrenched problems will not just disappear if deliberate measures are no taken to eliminate them.

#### **4. Concluding Remarks.**

It is instructive that one year after privatisation, the industry is still saddled with the pre-privatisation problems. The experience is a clear pointer to the fact that privatisation as a process without the introduction of the check-and-balance and discipline of market forces will not make any difference. We make the following remarks:

1. What the industry needs are well researched, properly planned and effectively implemented measures that will help eliminate the corruption and ills that have damaged the industry and perpetuated its problems. Some of these and how they can be carried out have been suggested in this paper.

2. Further, the new owners should have their vision of progress transcribed into business plans that will make them profitable and at the same time enhance the quantity and quality of the power supply to the country. The courage and discipline to execute such plans will make the difference between progress and stagnation. Folding hands and drifting and failing to take deliberate measures to identify and eliminate the problems will yield no progress. Objective and well thought-out actions, and not sentiments and maintaining the status quo of corrupt practices and systems, will lead to gradual and consistent improvement in the electricity industry in our country.
3. It may be necessary to study the practices in other countries, learn from their experience and have the courage and free hand to implement such helpful systems. It is certainly the case that private organisations should not be encumbered by bureaucracy and other inefficient baggage of inactions from the public service that could prevent bold and productive actions.
4. Lastly, it is clear that both the government and the private companies need to work together to build the capacity of the electricity industry from the present 4,400 Megawatts to 130,000 Megawatts. This is the minimum installed capacity that should be aimed at for the country to have a comparable capacity like South Africa. This is certainly below the standard of the developed countries for a country with a population of 170 million. This should be achieved over some years. However, there are some non-negotiable measures that the companies need to take to clear-up the corruption, thefts and ills that they have inherited from the pre-privatised industry. They need to take decisive actions to eliminate such problems because doing that will help provide them with a clean “spring board” for the successful take-off of their operations.

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## About the Author



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Dr. O. Chima Okereke, Ph.D., MBA, PMP is the Managing Director and CEO of Total Technology Consultants, Ltd., a project management consulting company working in West Africa and the UK. He is a multidisciplinary project management professional, with over 25 years' experience in oil and gas, steel and power generation industries. Before embarking on a career in consulting, he worked for thirteen years in industry rising to the position of a chief engineer with specialisation in industrial controls and instrumentation, electronics, electrical engineering and automation. During those 13 years, he worked on every aspect of projects of new industrial plants including design, construction and installation, commissioning, and engineering operation and maintenance in process industries. Chima sponsored and founded the potential chapter of the Project Management Institute (PMI®) in Port Harcourt, Nigeria, acting as president from 2004 to 2010.

Dr. Okereke has a Bachelor of Science Degree in Electrical Engineering from the University of Lagos, and a PhD and Masters in Business Administration (MBA) degree from the University of Bradford in the UK. He also has a PMP® certification from the Project Management Institute (PMI®) which he passed at first attempt. He has been a registered engineer with COREN in Nigeria since 1983. For many years, Total Technology has been a partner for Oracle Primavera Global Business Unit, a representative in Nigeria of Oracle University for training in Primavera project management courses, and a Gold Level member of Oracle Partner Network (OPN). In the UK, the company is also a member of the Herefordshire and Worcestershire Chamber of Commerce. He is a registered consultant with several UN agencies. More information can be found at <http://www.totaltechnologyconsultants.org/>.

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