



Electricity

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Recommendations

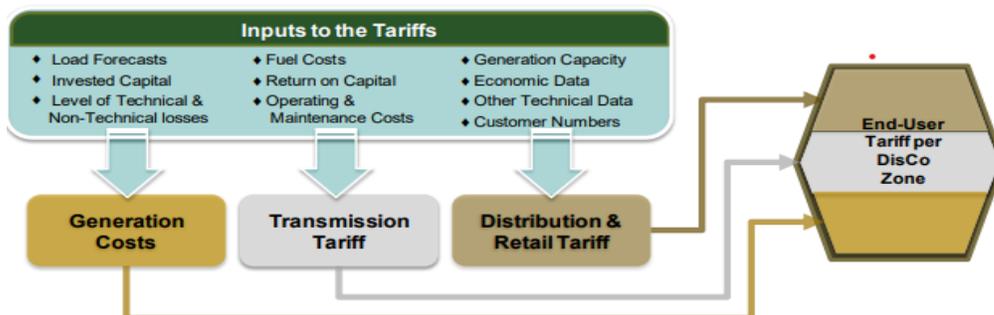
Nigeria's 11 DisCos file application for electricity tariff review

According to the Nigerian Electricity Regulatory Commission (NERC), eleven electricity distribution companies (DisCos) have filed an application for rate review with the commission. The request for rate review is premised on the need to incorporate changes in macroeconomic parameters and other factors affecting the quality of service, operations and sustainability of the companies. Accordingly, the commission invited the general public for comments on the rate review applications by the distribution licensees.

On 25 June, Daily Trust reported that DisCos, in a note to their customers, had informed them of an increase in electricity tariff effective 1 July. The DisCos suggest that the proposed tariff increase is in response to the depreciation of the Naira which has effectively changed costs. Consequently, to ensure that the electricity industry remains financially viable and sustainable, there is a need for an increase in tariffs. Under the MYTO 2022 guidelines, the previously set exchange rate of N441/1 dollar may now be revised to approximately N750/1 dollar. For customers within bands B and C with supply hours ranging from 12 to 16 per day, the new base tariff is expected to be N100 per kWh while Bands A with (20 hours and above) and B (16 to 20 hours) will experience comparatively higher tariffs.

A recurrent glaring problem with the power sector is its uncommercial tariff plan. It has been difficult to align the cost of producing and supplying electricity and the tariff charged to the customer. To compound the matter, billing and cash collection remains grossly inefficient due to poor metering. The Multi-Year Tariff Order (MYTO) was intended to set electricity tariffs for consumers over a 15-year period, from 2008 to 2023. There were to be minor reviews of the industry's pricing structure twice a year (announced on 1 December and 1 June) and major reviews every five years. Minor reviews can only consider 4 variables namely: the rate of inflation, gas prices, foreign exchange rates and actual daily generation capacity. There have been adjustments to the MYTO II tariff since 2014, when the first adjustment was announced but discos still note that the tariffs are still not cost reflective. The current technical devaluation of the Naira against the U.S dollars should necessitate a review.

Tariff Structural Inputs



Source: CSL Research

MARKET UPDATE

Indicators	1 year	30-Dec-22	1 day
NSE - Index*	50,370.25	51,251.06	65,056.39
Naira / US\$	416.68	461.50	775.76
Brent, US\$/bbl	110.01	85.91	84.99
MPR %	13.50	16.50	18.75

Source: NGX Exchange, Central Bank of Nigeria, Bloomberg. *NGX Exchange All-Share Index.

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News headlines:

Currency in circulation hits N2.26tn, says CBN: Currency outside banks rose to N2.26tn at the end of June 2023, according to the latest figures from the Central Bank of Nigeria. According to figures obtained by The PUNCH from the CBN, the currency outside banks rose by 185.68 per cent (N1.47tn) between January 2023 (N792.18bn) and June 2023 (N2.26tn). The PUNCH also learnt that currency in circulation in the country rose by 87.05 per cent (N1.21tn) from N1.39tn in January 2023 to N2.6tn in June 2023. It had earlier dipped by 235.03 per cent to N982.09bn at the end of February from N3.29tn at the end of October 2022, on the back of the naira redesign policy of the CBN. Figures obtained from the CBN revealed that N2.3tn was mopped up from circulation during the period under review.. Source: Punchng.com <https://punchng.com/currency-in-circulation-hits-n2-26tn-says-cbn/?amp>

Global petrol price rises by 20%: Price of petrol may to rise further as international market data gathered by The PUNCH revealed that the commodity has gained 20 per cent. At the beginning of 2023, Brent crude traded around \$78 per barrel. However, last week, the international benchmark hit \$83 per barrel. On the other hand, petrol prices started the year at less than \$2.50 per gallon. Last week, it hit \$2.90 per gallon, and analysts said it could reach \$3 in the new week. A weak currency and inflation had caused a rise in the dollar against the naira to as much as N820/\$1 recently, before dropping to N776/\$1 as of Saturday. In Nigeria, petrol price had risen from between N198/N200 per litre, to around N617 per litre since deregulation of the downstream sector by President Bola Tinubu on May 29. Due to lack of functional refineries. Source: Punchng.com <https://punchng.com/global-petrol-price-rises-by-20/?amp>

Insecurity threatening crude oil export, say petroleum engineers: Petroleum engineers have said crude oil exports will continue to dwindle until the Federal Government addresses security of pipelines. Chairman, the Society of Petroleum Engineers Nigerian Council, Felix Obike, said this while briefing journalists on the upcoming 2023 SPE conference to hold in Lagos, starting from Monday through Wednesday. Although, exploration for more oil was ongoing, he said, many oil firms were no longer transporting their oil for exports. "The oil is there and we are currently exploring but a lot of companies are not transporting their crude oil for exports due to insecurity challenges disturbing movement of oil," he said. The PUNCH had on Thursday, reported how NNPC said it discovered a total of 162 illegal pipeline connections and illegal refineries in the Niger Delta. Source: Punchng.com <https://punchng.com/insecurity-threatening-crude-oil-export-say-petroleum-engineers/?amp>

Nigeria loses \$15bn to seaports bottlenecks: Nigeria is said to be losing an estimated \$15billion annually due to congestion and other maritime related issues at the nation's seaport. This is even as port users lamented mounting refuse dump on Apapa port access roads recently reconstructed by Dangote Group. The major bottlenecks at the port largely known as gridlock, multiple taxation, cargo diversion, delays and slow cargo delivery, high demurrage charges, cumbersome clearance processes and procedures, high business failure, have arguably led to revenue losses by the Nigeria Customs Service (NCS). Speaking with Daily Sun, a United Kingdom based-maritime expert, Amodu Adewale, said Nigeria loses about \$15 billion annually to port congestion. Source: Sunnewsonline.com <https://sunnewsonline.com/nigeria-loses-15bn-to-seaports-bottlenecks-2/?amp>

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Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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