

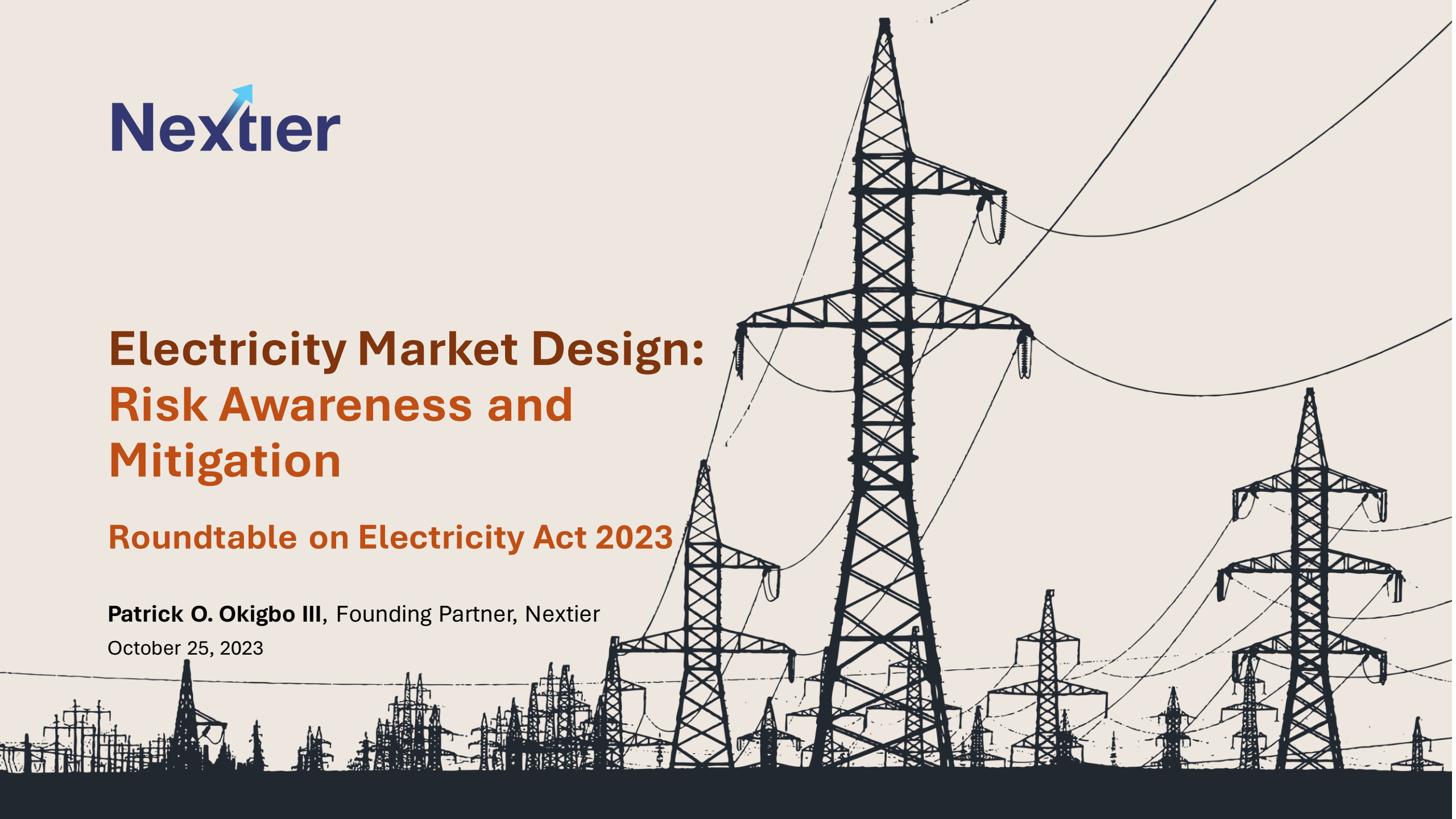


Electricity Market Design: Risk Awareness and Mitigation

Roundtable on Electricity Act 2023

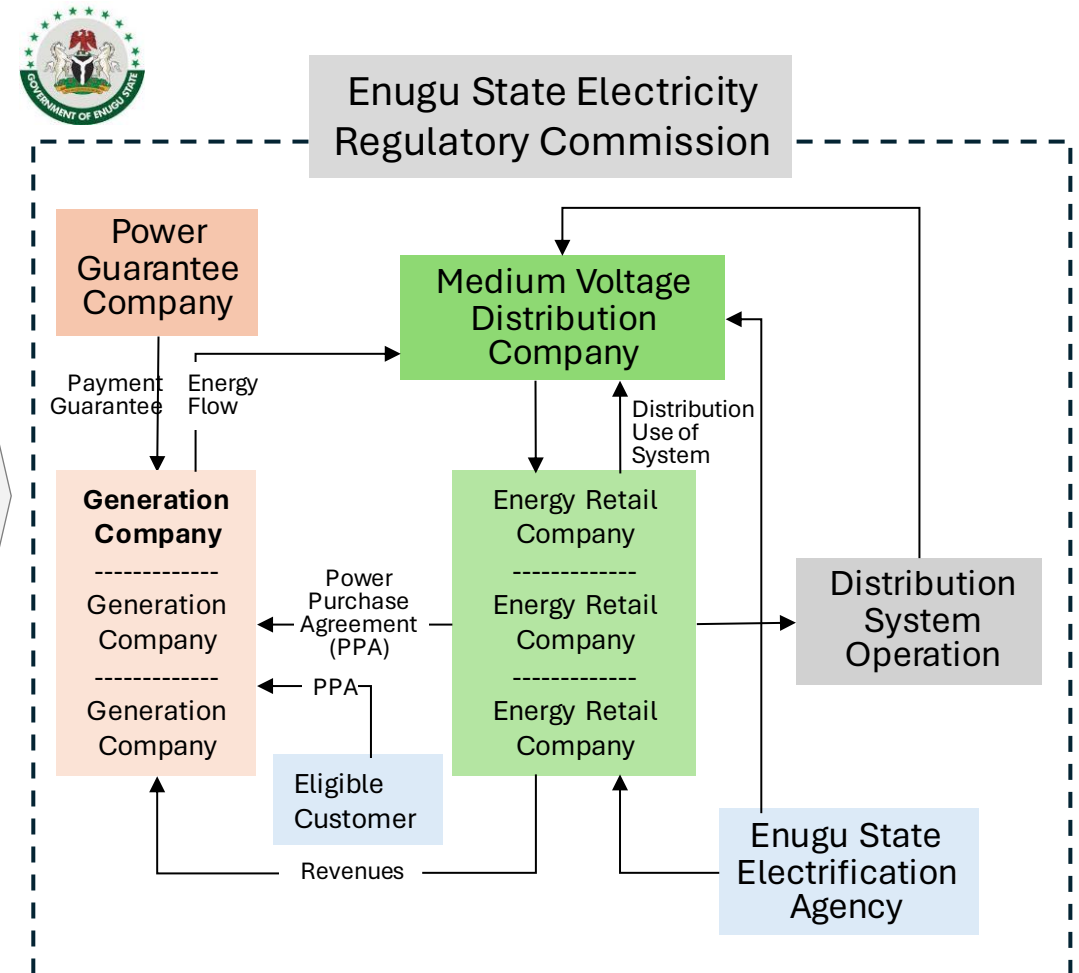
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EPSR (2005) challenges necessitated the Electricity Act, 2023 with Enugu State taking a lead with the opportunities.

- **Distorted market design** → market indiscipline → Paucity of funds to pay suppliers, build out the market
- **Failure to fully operationalise** the frameworks → distorted pricing, transmission misallocation, debts
- **Market failure to signal investments** → inefficient financing → market unviability
- **Reform failure** → unserved/underserved customers, inability to support national development



Subsisting challenges with Nigeria's electricity market point to potential market design risks.

- **Market failure** triggered by part or the whole system collapse
- **Economic and financial risk** with failure to recoup investment leading to funding dry-up or failure (Disco restructuring)
- **Regulatory inconsistency** with poor clarity in regulatory instruments
- **Fuel availability risk** given physical insecurity and pricing challenges
- **Inadequate technology and infrastructure** resulting from paucity of investments

Risk mitigation lies in the market design guided by proven success principles.

Design Principles

- Strengthen the regulatory and commercial framework
- Integrated resource planning
- Vertical separation of competitive and regulatory segments
- Horizontal separation of generation segment
- Ensure retail competition
- Innovative and market-adaptable technologies and competencies

Enugu Case Study

- Enabling constitutional and legal framework with autonomous, credible regulatory body
- Enugu Integrated Energy Resource Plan
- Competitive and transparent procurement of generation resources
- Well-funded, well-managed operators (yet to be licensed)
- Bankable commercial framework
- Proactive search for and adoption of innovative technologies



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