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FROM ELECTRICITY CORPORATION OF NIGERIA (ECN) TO POWER HOLDING COMPANY OF NIGERIA (PHCN): THE APPROPRIATION OF ADMINISTRATIVELY GENERATED RENTS FROM THE PUBLIC POWER SECTOR IN NIGERIA.

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Abstract
The Nigeria public power sector is characterized by gross inefficiency that is driven in part by large-scale corruption. In the past 50 years despite undergoing several nomenclature and structural changes, corruption has remained a critical variable in this sector. This exploratory paper seeks to dimension the nature and character of the process by which individuals and institutions related to this industry appropriate rents that are generated by the industry and use it for their private purposes. The paper shows that from the evidence available every given sub-sector of the public power industry (i.e. generation, transmission, distribution) serves as a conduit for the transfer of resources from public to private hands.

Keywords: *Electricity, Generated rents, Power Holding Company and Nigeria,*

Background to the Study

The need for power (electricity) in every society is very fundamental. This is basically because power plays a very important role in the socio-economic and technological development of the people. In Nigeria, the understanding of this central role of power has informed the various efforts put in place by successive administrations to make the Nigerian public power sector an effective component of the nation. Despite these concerted efforts, today the Nigeria Public Power sector is undoubtedly characterized by gross inefficiency that is driven in part by large-scale corruption. In the past fifty (50) years despite undergoing several nomenclature and structural changes, corruption has remained a critical variable that has been holding the sector in ransom. How did it all start?

The drive towards the establishment and development of electricity in Nigeria is traceable to the 19th century when the first generating power plant was installed in the city of Lagos

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in 1898. This initial installation has a total generating capacity of 60kw[1]. Subsequently the Nigeria Electricity Supply Company (NESCO) Commenced Operation as an electric utility company in 1929 with the construction of a hydroelectricity power station at Kura near Jos in plateau State of Nigeria. This initial pattern of electricity development was in the form of individual electricity power undertaking scattered in some major area. By 1950, in order to integrate electricity power development and make it effective, the then colonial Government Passed the ECN Ordinance No. 15 of 1950. This led to the establishment of the Electricity Corporation of Nigeria (ECN) in 1951. The ECN became a central body that was established by the legislative council to undertake electricity supply and development.

The company took over power generation projects of the government which were carried out through the Public Works Department and from four native authorities. Between 1952/1953, the country generated 165.2 million kwh (165mw) of power, most of which was provided by ECN. It was noted that, during the following decade, ECN went through an expansion period, increasing transmission lines available in Southern, Nigeria. By 1964, the company had additional power plants including one at Kano, producing 6 megawatts of electricity and another at Ijora, Lagos producing 86.25mw. ECN also opened new plants along the Oji river with 25.5mw as well as in Afam with 20mw. A western grid was created from Lagos-Ibadan-Ilorin with extensions at Abeokuta, Oshogbo, Akure, Benin and Sapele, while an Easter grid extended from Afam-Port Harcourt-Aba and Onitsha-Enugu-Nsukka with additional extension at Nsukka, Calabar and Umuahia[2].

In 1951, ECN commissioned a feasibility survey for the creation of a dam along the Niger River. And it is in the light of this that the Niger Dams Authority (NDA) was established in 1962 with the responsibility for the construction and maintenance of dams and other works on the River Niger and elsewhere. The NDA is to generate electricity by means of water power, improving and promoting dish brines and irrigation. The energy produced by NDA was sold to the ECN for distribution and sales at Utility Voltages[3]. It will therefore be realized that, at this initial point, the ECN was mainly responsible for the distribution and sales, while the NDA has the responsibility to build and run generating station and transmission lines.

Objective of the Study

The objective of this study seeks to dimension the nature and character of the process by which individuals and institutions related to this industry appropriate rents that are generated by the industry and use it for their private purposes.

Literature Review

In 1972, the operation of ECN and NDA were merged in a new organization known as National Electric Power Authority (NEPA) based on the following reasons:

a. It would result in the vesting of the production and distribution of electricity power supply throughout the country in one organization which will assume responsibility for the financial obligations.
b. The integration of the ECN and NDA should result in the more effective utilization of the human, financial and other resources available to the electricity supply industry throughout the country[4].

Form Elericity Corporation of Nigeria (ecn) to National Electric Power Authority (NEPA)

In June 1972 the Federal Government of Nigeria Promulgated decree No. 24, which merged the ECN and NDA to become National Electricity Power Authority (NEPA). The statutory function of NEPA is to develop and maintain an efficient co-ordinate and economical system of electricity supply throughout the Federation. The decree further states that the monopoly of all commercial electric supply shall be enjoyed by NEPA to the exclusion of all other organizations. In 1973 NEPA became operational with the responsibility to generate, transmit and distribute electricity to all parts of Nigeria. This initial phase started with four major power stations namely: Ijora, Delta, Afam thermal

station and Kainji Hydro power stations, with total installed capacity of 532. 6mw mw serving more than tow (2) million customers. The installed capacity systematically grown to 2948 mw in the early 1980s. And with the establishment of additional power stations, namely; Jebba, shiroro hydro power station, Egbin, Sapele, Delta power stations, in 2000, the installed capacity grew to 5958 mw. Between 2001 and 2008, Geregu, Omotosho, and Olorunshogo thermal power stations with a combined generating capacity of 1084 mw, were inaugurated to boost the nation's electricity capacity[5].

It is instructive to note that, the primary reasons for the change in nomenclature from ECN to NEPA, immediately after the civil war, was to combine the generation, transmission and distribution of power in the organization. This is expected to result in the more effective utilization of human, financial and other resources available to the electricity supply industry throughout the country. In this regard, its very evident that, following the merger of the Niger Dam Authority with ECN creating NEPA, the new company had a diversified source of power generation including hudro plants, diesel powered plants, gas powered plants and coal[6].

The largest station of NEPA is located at Egbin with a total installed capacity of 1320 megawatts. However, the total installed capacity was usually higher than the generating capacity. The various generating units of the NEPA were as follows:

1. Kanji Hydro power station is located in Niger state along the River Niger. It is the first Hydro Power Station in the Country. The various units were commissioned thus:
   - i 4 x 80 mw - 1968
   - ii 2 x 10 mw - 1976
   - iii 2 x 120 mw - 1978
2. Jebba Hydro Power Station is located in Kwara state. Its various units were commissioned thus:
   - i 6 x 95 mw - 1986
3. Shiroro Hydro power station is located on the Shiroro Gorge along the Kaduna River. Its generating units were commissioned thus:
   - i 1 x 150 mw - 1989
   - ii 3 x 150 mw - 1990
4. Afam thermal power station is located in the outskirts of Port Harcourt in Rivers State. The generating units were commissioned thus:
   - i 2 x 10.5 mw - 1965
   - ii 2 x 17.5 mw - 1965
   - iii 4 x 23.9 mw - 1976
   - iv 4 x 25 mw - 1978
   - v 6 x 75 mw - 1982
5. Delta thermal Power Station is located in Ughelli, Delta State. The various units were commissioned Thus:
   - i 2 x 36 mw - 1966
   - ii 6 x 20 mw - 1975
   - iii 6 x 20 mw - 1978
   - iv 1 x 100 mw - 1989
   - v 5 x 100 mw - 1990
6. Egbin thermal Power Station is located in the outskirts of Lagos. Its Units were commissioned Thus:
   - i 2 x 22o mw - 1985
   - ii 2 x 220 mw - 1986
   - iii 2 x 220 mw - 1987
7. Sapele thermal power station is located in Ogorode, Delta State. Its Units were commissioned thus:
   - i 6 x 120 mw - 1978
   - ii 4 x 75 mw - 1981

8. Ijora thermal power station is located in Lagos, and it was commissioned thus:
   i 3 x 20 mw - 1978
9. Oji thermal power station is located on the Oji River in Enugu State. Its unite were commissioned thus:
   i 2 x 5 mw -1956
   ii 2 x 10 mw - 1956

These could also be explained as Indicated by the table below

LOCATION	TYPE	CAPACITY
KAINJI	HYDRO	760 MW
SAPELE	OIL/GAS TURBINE	1,020 MW
DELTA I-III	GAS TURBINE	312 MW
AFAM I-III	GAS TURBINE	250 MW
IJORA	GAS TURBINE	60 MW
AFAM IV	GAS TURBINE	450 MW
JEBBA	HYDRO – ELECTRIC	578 MW
SHIRORO	HYDRO – ELECTRIC	600 MW
EGBIN	OIL/GAS TURBINE	1,320 MW
DELTA IV		600 MW[7]

It is quite obvious to note that NEPA has made several efforts in order to expand her capacity over the years. The reason for such expansion is as a result of the increasing demand for electricity which is estimated to be about 9780 mw as at 2005[8]. Despite the expansion, majority of Nigerians were said to have no access to electricity then. According to the Nigerian Energy policy report from 2003, it is estimated that the population connected to the grid system is short of power supply over 60% of the time. And it is stated that, less than 40% of the population is even connected to the grid[9]. This implies that there is simply not enough electricity generated to support the entire population.

It's pertinent to note that the historic gap between the demand of electricity and the available capacity has led to the current wide-spread power shortage and inefficiency and, consequently, self generation of power by both industrial and residential consumers. This has led to a perception of dissatisfaction with the performance of NEPA. This is often symbolized by low capacity generation; high cost; inadequate distribution of electric power, inability to finance new or expanded infrastructure; and inadequate machinery for effective billing and collection of bills [10]. As such, by the end of the 1980s, NEPA was only transmitting about half of its total installed capacity [11].

It is therefore, instructive to note that NEPA which had statutory obligations, and originally designed to be a self financing company, remitting dividends to its owner, and to provide constant electricity to consumers and expand electricity provision to all parts of Nigeria was unable to meet these goals. In response to this perceived failure, the Federal Government of Nigeria adopted the National Electric Power Policy (NEPP) in 2001, whose objectives were codified in the Electric Power Sector Reform Act of 2005 (EPSR), creating a new legal and regulatory framework for the sector, including the elimination of NEPA".

In this regard, the power Holding company of Nigeria (PHCN) became the new government incorporated body that took over all assets and liabilities of the National Electric Power Authority preparatory to the full privatization of electricity generation and distribution in Nigeria.

From National Electric Power Authorithy to Power Holding Company of Nigeria:
The Power Holding Company of Nigeria (PHCN) came into existence in 2005 following the

Federal Electric Power Reform Act intended for the deregulation of the Power Sector. This effort led to the change of name from NEPA to Power Holding Corporation of Nigeria.

In other words, the dissatisfaction with the performance of NEPA has given rise to the change to PHCN. This implies that one should be quite optimistic about the coming of PHCN in terms of addressing the problem of power in Nigeria.

In term of resources and funding, PHCN has been well endowed with both human and mechanical facilities. It should be is noted that the organization has enjoyed government subvention of about N 20 billion per annum. In addition to this, it has generated annually its own internal revenue of about N 25 billion. And also occasionally receive grants/loans put at total sum of N 27 billion from sources within and outside the country. The organization is said to have staff strength of about 38,000 employees[12].

In this regard, one will be right to say that PHCN has been unable to translate the benefits of its huge investment or resources to establish and maintain a reliable supply of electricity nationwide. As such most people came to the conclusion that a monopolistic power company in Nigeria has been literally biting more than it can chew.

After over five (5) years of existence of the PHCN, power shortages, poor operational performance, lack of foreign investment, the absence of a sustained and deliberately deployed long term power development strategy, under-exploitation of the nation's abundant energy endowments etc have continually characterized the power sector in Nigeria. These were clearly conceded by the presidential Road map of 2012[13]. In this regard, despite the attempt at liberalizing the power sector, it has not enjoyed the predicted success. The challenges facing the sector have been aggravated by corruption and inefficiency, amongst others.

A close examination of Nigerian electricity sector reforms suggests that corruption was a major factor in the cycle of failure, inefficiencies and capacity shortage. It is common place knowledge in Nigeria that corruption has invaded every segment of the polity. This has informed the creation of the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices and other related offences Commission (ICPC) to fight this vice. It is instructive to note that it is the endemic corruption within the power sector which partly informed its ineffectiveness that led to the desire for privatization.

Privatization of ohe Power Sector: Implication & Prospects

As a result of the inadequate electricity supply to meet the Nigeria economic growth, the Federal Government enacted the Electricity power sector Reform (EPSR) act on the 11th March, 2005 with a view to making the private sector the leading engine of growth and reintegrate Nigeria into the global economy as a platform to attract foreign direct investment in an open and transparent manner. The reform culminated in the repeal of the National Electricity Power Authority (NEPA) and the electricity act and its restructuring from vertical integration structure into 18 unbundled autonomous companies which consist of one transmission company, six generation and eleven distribution companies respectively[14].

In recent time, about 525 firms have been prequalified to either buy the distribution companies or participate in power generation. The Bureau of Public Enterprises (BPE) notes that of the number, 253 and 272 bids were pre-qualified for distribution and generating companies respectively. The agency is said to have harvested 929 bids for individual successor companies from 331 Expression of Interest, received from prospective investors. Successful bidders for the distribution companies will be responsible for making the necessary investment to improve the distribution network and customer service while as for the generating companies, potential bidders will be

responsible for operating the stations, improving the generation capacity and making the necessary investments in line with the objectives of the Federal Government of Nigeria Set out in the NEPA[15]. The administration, under the leadership of president Gudluck has assured Nigeria that the privatization plan will work.

It is instructive to note that privatization in organized properly and effectively implemented provides the citizens the opportunity of acquiring stakes in the economy of a nation. This is the case where the population has the economic power and institutional incentive to buy shares in privatized firms. But Nigeria has been going through a prolonged state of economic depression which has subjected the majority of its citizens to crushing poverty and hardship. In this case, such citizens rarely see the resources with which to eat on daily basis16. Thus, they lack the economic leverage to partake in the scheming game of privatization even if the doors are kept wide open.

In the case of the Nigerian power sector, the process of privatization does not only dory majority of the populace on the basis of economic leverage but corruption seems to have made the case worst. It was revealed, in 2007 by then president Yar'dua that N 1.2trillion invested in the power sector between 2000 to 2007 had not translated in to power generation, transmission and distribution. With this revelation, the House of Representatives on January 31 during a plenary session, mandated its committee on power and steel to embark on a thorough investigation and conduct a public hearing on how the huge sums of money was expended the committee went into action and opened investigation into the matter with a public hearing in March 2008 [17].

The Elumelu-Led committee allegedly unearthed monumental corruption as most of the contractors were discovered to have collected billions of naira without doing any work. Some of the contractors were also said to have been guilty of over-invoicing and breach of due process. As part of its findings, the panel stated:

The committee identified the brains behind waivers of due process on NIPP disbursements. The Justification at that time was to fast-track the completion of the projects. But rather than fast track or facilitate the completion of the projects as envisaged, waivers of due process became the major plank that facilitated payments to contractors and consultants that have failed to perform, at the expense of the nation and the power industry. These officers need to be thoroughly investigated by the appropriate agencies for economic sabotage to the country[18].

In view of the enormity of the issues entailed in the findings, the Elumel-led committee recommended that former president Olusegun Obasanjo be called to account for recklessness in the power sector during his time.But the committee was soon embroiled in controversy. In what seemed like a reversal of roles, rather than those mentioned in the committee's reports facing trial, Elumelu and some of his men were the ones being investigated for alleged gratification. Thus, the Elumelu power report died on arrival. The question that became pertinent to most people was that, if the government hand is not consumed by this guilt, if they meant have an efficient power supply, why throw away the report and keep on deceiving Nigerians on privatizing PHCN?.

Conclusion

Electricity Power Supply is the most important Commodity for national development. The Power Holding Company of Nigeria (PHCN) is today responsible for generating, transmitting and selling electric Power to the various consumers throughout the country. Although regular power supply is essential to the rapid development of any society, Power Supply in Nigeria is erratic and unreliable. This has made the Nigerian Public Power sector to be characterized by gross inefficiency, as well as one of the most problematic electricity sectors in the world.

It is evident that the poor performance of the electricity power sector in Nigeria is driven in

part by large-scale corruption which occur right from generation to transmission, to wholesale distribution and finally to retail distribution. In the generation phase, corruption has always taken the form of kickbacks to government officials during the processes of issuance and renewal of generation licenses. Also, contracting for power purchases Agreements with state entity including payments for power generation can attract corruption practices. This has been revealed by the Elumelu-led committee.

Individuals and government officials have continually appropriated rents and revenue meant for the public power sector and turn it into personal use without or little impunity. The over #20billion government subvention per annum and over #25 billion internal revenue per annum could not guaranteed reliable supply of electricity nationwide. This and other factors have led to move towards privatization.

Privatization, which is been pursued as an alternative to check corruption and salvage the power sector, does not seem to be providing the antidote. Privatization exercise in Nigeria so far, despite the voluminous work of the former Technical Committee on Privatization and Commercialization (TCPC) and now the Bureau for Public Enterprises (BPE) and the National Council on Privatization (NCP) have shown a tendency towards the hijacking of the firms by powerful and corrupt individuals.

Against this bedrock, persistent and adequate check most be put in place to tackle corruption in the public power sector in all its ramifications. All those implicated in the mis management and appropriation of rent and revenue to the power sector should be brought to book, irrespective of their status. There is therefore, not much than can be done, except if the large scale appropriation of administratively generated rents from the public power sector in Nigeria is contained. This could be achieved if a special unit of the EFCC is dedicated to addressing the appropriation in the Power sector.

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