THE MERGER THAT NEVER WORKED: HISTORICIZING ELECTRICITY FAILURE IN NIGERIA, 1972 – 2005

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Abstract
Undoubtedly, electricity has become a major energy source for industrial, commercial and even domestic activities in the modern world. However, in most of the sub-Saharan African countries, including Nigeria, supply-demand gap has remained embarrassingly far too wide. This has left consumers with flickering, epileptic power supply with concomitant underperformance of industries and businesses. This paper traces Nigeria's electricity ordeal to a decreed merger of the Electricity Corporation of Nigeria (ECN) which was practically in charge of electricity supply in the country, with the Nigeria Dam Authority (NDA), which was in charge of electricity generation in 1972. The merger produced a monopoly called National Electricity Power Authority (NEPA). A historical analysis of NEPA's performance up to 2005 when the Power Sector Reform Act was passed, vis-a-vis its given task, forms the kernel of this paper. It argues that NEPA, whose ubiquitous poor performance earned it a new satirical description, - 'Never Expect Power Always,' was a merger that never really worked. In sync with this thesis, the paper concludes that monopolistic power utility is not just inconsistent with modern best practice, but also a wrong approach to power management. Apart from showing what never worked, the paper also makes case for what will work - further separation of functions in the transmission sub-sector. A historical method, which employs the use of primary and secondary sources of information, is adopted for the study.

Key words: Merger, Worked, Historicizing, Electricity failure, Nigeria

Introduction

Prior to the Second World War, electricity was produced in tropical Africa only on a very small scale.[1] After the war however, electricity production rose, and the rise was tremendous between 1951 and1960 when it more than doubled.[2] The rise showed the dawn of an era of economic development driven by electricity. Today, a sound, efficient and well managed network of electricity infrastructure is fundamental to rapid and sustained economic growth and development.[3] However, the function of electricity is not limited to economic. It helps to achieve social cohesion and environmental sustainability by reducing the use of firewood and other forms of energy that pollute the air. It also makes health care service available among other functions, sustainability.[4] The consequences of deficiency in reliable and sufficient energy sources within the country range from economic barriers to growth, environmental hazards, and substandard living conditions. For example, a study in 1998 found that the opportunity cost to Nigeria's economy due to poor quality electricity service exceeded $900 million.[5] This figure will be much larger today as economic condition has continued to deteriorate.

Nigeria, a country with over 200 million people is still grappling with the problem of poor accessibility to electricity. Not only that the actual electricity generation capacity is abysmally low (13,000M), but a worse reality is that out of this, only 5,500MW (representing less than 50%) is actually supplied to Nigerians.[6] What is more, over sixty percent of the Nigerian population is without access to electricity.[7] This has earned the country the bad reputation of having the lowest electrification per capita in the whole of Africa.[8] Inadequacy of power supply has driven many people and businesses away from the country or to the use of off-grid system of electricity generation, mainly the use of petrol/diesel powered generators, which is much more costly and environmentally hazardous.

According to the World Bank, power cuts in Nigeria slow down annual growth by an average of three to four percent, and this has no doubt affected development.[9] The prolonged dismal electricity industry performance has been the most intractable infrastructural problem and policy challenge in the last half a century. The sector has gulped a lot of money, and yet has defied all solutions applied. In the past, many suggested that the generation capacity was small and needed to be expanded. Government even tried this solution but found that the wrong medication had been given to the sick power sector. Several billions of dollars invested into capacity expansion did not yielded significant results. Merely investing huge amounts of money in capacity expansion may not solve the problem as it is the **shoot** approach. The solution lies in understanding the history - the root approach.

Understanding the root or historical background of the matter, will help in fashioning out the best solution. It is against this background that this paper analyses the history of electricity in the country, with special emphasis on NEPA, as the merger that never worked. Based on the historical analysis of the development of the electricity industry in the country, the author argues that the power policy makers got it wrong when they merged the ECN and the NDA in 1972 to form the National Electric Power Authority (NEPA). It is argued and shown that NEPA although made some efforts, was a merger that in the overall, never worked for the country's power industry. The problem of the Nigerian power industry began with its establishment and the consequent introduction of monopoly into the industry and the relegation of private participation to the very background. The paper thus argues that over-concentration of functions on one body is counter-productive, and that the generation sub-sector of the country's power system needs to be further unbundled to make room for efficiency.

The paper is divided into four sections. While the first assesses the history of electricity supply in the country before the merger and the consequent emergence of NEPA, the second examines the formation and rationale for the merger. In the third section, the performance of NEPA in the light of its mandate is considered, and in the fourth, the paper concludes with lessons from the merger that never worked.

The History of Electricity in Nigeria before the Merger and Creation of NEPA

The history of electricity development in Nigeria can be traced back to the colonial era, towards the end of the 19th century. Specifically, it was introduced into the country in 1896, fifteen years after it was introduced in London. The first power station in Nigeria was built in 1896 by the Public Works Department (PWD) of the Government of Southern Nigeria.[10] The total capacity of the generators used then was 60KW, consisting of two thirty kilowatts hour generation sets. In other words, the maximum demand in 1896 was less than 60Kw. Only the colonial government house and the immediate vicinities were supplied with electricity; and that was from 6pm to 11pm daily.[11] Thus the generation capacity then was sufficient for the demand of that time. This was how the country's electricity system began, and from that modest beginning, was gradually expanded, as demand increased. By the end of the 1930s, electricity had been extended to the major towns in the country in the following order: Port Harcourt in 1928, Kaduna in 1929, Enugu in 1933, Maiduguri in 1934, Yola in 1937, Zaria in 1938, Warri and Calabar in 1939.[12]

The Native Administrations (NAs) also made moves to introduce and expand electricity in their various areas of jurisdictions.[13] Apart from the government however, a number of private power undertakings sprang up to produce power mainly for industries and by extension to domestic users around the industries. Prominent among these private power undertakings is the Nigerian Electricity Supply Company Ltd (NESCO), established in 1929, mainly to provide the power needs of the mining

industries.[14] It became the first electricity supply and utility company in Nigeria. Others include the Cameroon Development Corporation (CDC), African Timber and Plywood Company (ATPC) etc. These undertakings produced electricity and sold to the Public Works Department for onward distribution and sale to the public in the outlying districts.[15] The supplies from each of these undertakings were distributed to different areas. The supply from NESCO for example was distributed in Jos, Vom and Bukuru, while Sapele Township was the recipient of the supply from the CDC.[16]

The development of electricity supply infrastructure generally took the dual form of individual or private electricity power undertakings scattered all over the towns, and government undertakings featuring as players. Only few of these undertakings however, were owned by the Federal Government under the control and supervision of the PWD, few by NAs and few others by the Municipal Authorities (MAs).[17] Due however to the numerous duties the PWD was saddled with, and the hastily expanding electricity demand in the country, it became obvious that it could no longer effectively supervise electricity supply and generation in the country. Hence the government's and NAs' undertakings, which were hitherto under the supervision of PWD were brought under the control of a new unit i.e. the Nigerian Government Electricity Undertakings (NGEU) in 1946, which operated as an arm of PWD.[18] This new body too could not effectively single-handedly manage electricity generation and supply. The heavy work-load, red-tape and other eccentricities of government set ups could not allow for fast development of the industry.

In 1950, the then-colonial government felt it would be more effective to harmonize power development in the country. The control of electricity supply and development was therefore transferred to a central body called the Electricity Corporation of Nigeria (ECN). This was done through the passing of the ECN

Ordinance No. 15 of 1950.[19] With this development, the electricity department of the government and all those undertakings which were controlled by private individuals came under the sole control of the ECN. There were however some private producers especially in outlying areas, far from the easy reach of the ECN, but the large-scaled ones like the NAs and the NESCO had to be licensed by the ECN.

In the early 60s, most African countries started generating electricity from water. Consideration for hydroelectric generation actually started in the late 1950s, but throughout the 1950s, electricity was basically generated thermally. The new trend would increase the work load of the ECN. There was therefore a need to create a special body which would be responsible for building and maintaining infrastructures for hydroelectric generation like dams. The government, in 1962, through the Act of Parliament, therefore established the Niger Dam Authority (NDA). The NDA was to primarily take care of hydroelectric and other forms of generation, and thus relieved the ECN of generation duties. The NDA was given the mandate to generate electricity from the River Niger, and it was to also control the generation and transmission sub-sectors of the country's electricity industry.[20] It sold the power generated to the various undertakings, which were then controlled by the ECN, which then distributed to the end users. So, while ECN was in charge of electricity distribution and sales, NDA was in charge of electricity generation and transmission.[21] This reduced the enormous power of the ECN and made the industry to be run in a non-monopolistic manner.

The first work of NDA was the construction of Kainji Dam, which was kicked off in 1962,[22] and completed in 1968.[23] The period witnessed the commissioning of energy projects such as the Kainji Dam and the Ugheli thermal plants.[24] Also, the vast nature of the country's grid power transmission system started operation in 1966. The transmission system linked Lagos with

Kainji, Kainji with Kaduna, Kaduna with Zaria and Zaria with Kano. In the south, Osogbo was linked with Benin and Ugheli; Benin was linked with Onitsha and Afam.[25] With this, a great foundation was laid for the transmission system which was later linked. Later, the capitals of the thirty six states of the federation and the Federal Capital Territory (FCT) Abuja were also linked.[26]

Although the separate operation of the ECN and the NDA produced great results, there were issues like overlapping and sometimes conflicting functions due to lack of proper co-ordination between the roles of the NDA and the ECN, which transcended into operation deficits and sometimes affected power supply.[27] This challenge, rather than being addressed became the excuse for the scraping of the two-body power system, thereby throwing away the baby with the birth water.

The Merger and Analysis of its Rationale

The military government decided on April 1st 1972 to merge the NDA and the ECN to form one body. It appointed a Canadian Consultant firm "Showment Ltd" to look into the technical details of the merger. The report was submitted to the government in November 1971.[28] With no time to waste, a decree came, sounding a death knell for the individual existence of the ECN and the NDA, and announcing their merger. The National Electric Power Authority (NEPA) was the product of the official hybrid of the NDA and the ECN in 1972.[29] Although the official merger of the ECN and the NDA took place in 1972, the actual merger was however only achieved on 6th January 1973 when the first general manager was appointed.

It is pertinent to find out the rationale for the creation of NEPA. What motivated the merger and the consequent creation of NEPA will be seen in two major perspectives. These are the push and pull factors. In considering the push factors, the economic as well as political factors are focused on. Also, the mandate given to NEPA, that is, what was hoped that NEPA would achieve will

be focused on in considering the pull factors. From the results of these inquiries, the propriety or otherwise of labeling NEPA, a merger that never worked would become obvious.

The rationale behind the merger has been argued to be the determination to achieve a coordinated and harmonized utilization of all resources and the recognition of one entity as being responsible for financing electricity production and distribution.[30] This is the economic argument for the merger. The period the merger was carried out was one during which the country enjoyed enormous wealth from oil revenues. Nigeria got the status of one of the leading oil-exporting countries of the world in the early 70s. The country had enough oil and that meant more disposable income for the government. Thus, it could afford to take over full charge of the electricity industry instead of depending on private capital. More importantly, the period of the merger was the period of the Second National Development Plan (1970-74). During the period, a noticeable shift in policy from private to public sector-led industrialization was witnessed. Government's direct investments in the industries led to their direct involvement too in the management of the industries. It was also argued that Nigerian entrepreneurs, apart from lacking technical capacity to establish and manage industries did not also have the finance.[31] Monopoly also found support from the then existing ideology that electric power supply was a social service and thus required government's intervention and control.[32]

According to *Niger Power Review series of 1989*, two reasons led to the creation of NEPA by the merger of the ECN and NDA: First, "It would result in the vesting of the production and the distribution of electricity power supply throughout the country in one organization which would assume responsibility for the financial obligation." Second, 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, through the principle of economy of scale.[33] A close look at these reasons will reveal that the government saw the possibility of resolving financial challenges facing power development through the merger by making the new body responsible for raising finance for maintaining and expanding power infrastructures in the whole country. Since government had enough funds, it saw it as an excuse to edge out competitors. Secondly, it shows that the government envisaged a more effective and harmonised utilization of resources for power supply in the country, through the utilization of scale economy. Scale economy was undoubtedly an attraction. Competition was sacrificed on the altar of scale as the merger was effected, a choice that favoured the military juntas' whims and caprices.

Although the merger has been popularly explicated on economic ground, without significant emphasis on the political motives, it needs to be emphasized that there is a political dimension to the decision. The country was under military rule. Military governments especially in Africa are known to have knack for monopoly. Monopolies, which would be under their firm control, are preferred by military governments to competition or the division of industries into smaller entities. With the reality of severe consequences for opposition, the government enjoyed free hands in making policies whether beneficial or detrimental to the economy. Military power was therefore one of the push factors for the merger.

The pull factor for the merger is reflected in the mandate given to NEPA. The mandate given to NEPA was spelt out in the legal document (Decree No. 24 of 1972) that created it. The Decree gave NEPA the mandate to "maintain, co-ordinate an efficient and economic system of electricity supply for all part of the federation."[34] This mandate has two main sides if well analyzed. It has the **obligatory** and the **objective** parts. The obligatory part is the **role** NEPA has to play and the objective part is the

result that the government wanted to see NEPA realize. On the obligatory side, NEPA was to ensure the maintenance and co-ordination of power supply in an economic and efficient way. On the objective side, it was to supply efficient electricity for all part of the federation. This second part or side is the one that concerns all Nigerians. It is how it turns out that will determine how the people will judge NEPA's performance in the first part of its mandate. Indeed, it goes without saying, that, if NEPA did well in the first, then it would automatically reflect a good result in the second part of the mandate; and the converse is also true. In the next session of this paper, the author turns to examine the performance of NEPA firstly in the light of this double-sided mandate and secondly in the light of general expectation.

Electricity Supply Situation after the Merger (during NEPA Era)

As earlier noted, although the Decree for the merger came in 1972, actual merger did not take place until January 6th, 1973 when the first manager of NEPA was appointed by the government.[35] It was in 1973 that the first manager of NEPA was appointed by the government. Thus it could be said that the entity called NEPA came into proper existence in 1973. From 1972 to 2005, NEPA controlled about 94% of the generation capacity and 100% of the transmission and distribution sector of the industry.[36] This monopoly and vertical integration of the power sector would turn out to be the government's undoing, and would become its greatest albatross in the move to develop the power sector in the following decades.

Five years after its existence, NEPA was able to build only one power station, the Ogorode thermal power station, located in Sapele, built in 1978.[37] Even in terms of finance, NEPA could not stand tall, it had to depend on government bail-outs. The 70s particularly witnessed increased government investment and consequent growth in generation capacity. For instance, with the

completion of Delta 11, the total capacity of the Delta power station rose from a mere 72MW in 1966 to 192MW during the second development plan (1970 – 1975).[38] There were also some improvements around the period of the Third National Development Plan (1975-1980), during which oil boom was at its peak. Even the Third National Development Plan (1975-1980), during which there were also some improvements, was launched at the height of the oil boom. In 1980, the Ogorode thermal station which was the most important achievement of NEPA was commissioned, seven years after its establishment.[39]

It must be stated, moreover, that it was with government assistance that NEPA achieved these modest feats. The revenue of the federal government increased phenomenally in the 70s, caused majorly by the increase in petroleum and mining taxes. Total federal revenue grew from N306.4 million in 1966 to N7, 791.0 million in 1977, a twenty fivefold increase in current income in eleven years. Petroleum revenue as a percentage of the total went from 26.3 percent in 1970 to more than 70 percent by 1974-77.[40] However, NEPA was only being propped by the massive oil revenue of that time.

But from the early 80s, the sun of NEPA began to set. The signal was already clear to those in power by the very late 70s, that NEPA, the product of the 1973 merger, did not have what it takes to move the power industry forward. It was becoming clear that the merger was not going to work, and so needed to be reformed or changed. Government began to set up panels of enquiry to look into the matter of the merger. Between 1978 and 1983, a period of five years, the federal government had sponsored two panels of enquiry to fashion out models for reforming NEPA.[41] Although there were some improvements in the 80s, they were not very impressive. The phase four of Afam Power station was commissioned in 1982 (raising the installed capacity to 427.5MW), the 578MW Jebba hydro – electric station and Egbin

power station in 1986 and the Shiroro hydro-electric dam with 600MW capacity in 1989. The oil revenue of the late 70s and the early 80s used to push the power sector, continued to give a false impression of the true state of NEPA.

Despite these, by the 80s, the sun of the power sector began to go down. Oil boom brought a major challenge to the power sector which began to reflect more during the 80s. Oil boom increased power consumption, and people to be served with electricity increased. Between 1981 and 1985, during the fourth National Development Plan, power demand growth rate was over 10 per cent, as a result of the ripple effect of the oil boom of the 1970s and early 80s.[42] The availability of oil and its revenues during the boom however, could have been used to generate more electricity to conquer this challenge, and even produce extra. NEPA could not achieve this. The much boasted- of- scale-muscle of NEPA was put to test for the first time, and it shrank and cracked under this minimal weight of 10% demand increase. Despite the adequate availability of oil in Nigeria, which the managers of NEPA could have used to generate more and better electricity, and improve on the reliability of power supply, things went worse. Generation capacity fell to 7.5% in the 80s.[43]

Electricity generation capacity continued to grow worse and dropped further in the following decade. By this decade, i.e. the 90s, it had fallen to 2.5% all the way from the 7.5% of the 80s.[44] Although by this time, the glut had started, yet, if the managers of NEPA had done their homework well during the boom, generation capacity shouldn't have dropped to this extent. In 1993, the energy generated was only 1,669 MW.[45] Actually from 1990, government stopped making any investment in the power sector. After the commissioning of the Shiroro hydro-electric dam in1989, investment was discontinued, and the sector saw no addition to generation capacity. The all-the- while-spoon-fed NEPA could not stand alone financially.

For more than 20 years prior to 1999, there was very little substantial investment for infrastructure development into the power sector,[46] and it really began to show in the electricity condition of the country. During this period, new energy plants were not constructed and the existing plants were not well maintained. This means that from the late 70s, even when the country was still enjoying the enormous revenue from oil boom, significant investment was not made into the electricity industry. This is also in spite of the fact that the amount mapped out for government investment spending increased phenomenally during the boom. For example, the Third Development Plan (1975 to 1980), envisaged an investment outlay of 42 billion NGN. This is far more than the 3.2 billion NGN budgeted for same purpose in the Second Development Plan.[47]

The reality of the ineffectiveness of monopoly had dawned on the government and NEPA as a merger was not working; a move to begin the gradual breaking of that monopoly was considered necessary. Reform policies became necessary as power supply and delivery services deteriorated. Between 1988/89, the National Electric Power Authority (NEPA) was partially commercialized, supported by an upward review in tariffs to make NEPA self-supporting, financially.[48] In September 1990, the partial commercialization of NEPA was continued with the appointment of a managing director/chief executive to oversee it. NEPA was equally divided into four autonomous divisions namely: Generation and Transmission; Distribution and Sales; Engineering; Finance and Administration. Each of these divisions was headed by an executive director.[49] This reform policy adopted, unfortunately however, was a cosmetic one, which had no fundamental effect on monopoly, the main problem of NEPA.

The 1990 reform helped to reduce monopoly, though not in a much significant way, because the de-concentration of monopoly did not affect ownership. Again, the oil glut of the 1980s had

affected government revenue badly because of government's heavy dependence on oil starting from the 1970s. This made government unable to significantly invest in the electricity industry. Investment in the monopolized power sector had seriously diminished by the early 1990s, with maintenance budgets greatly reduced and no new capacity added.[50] This applies to both the national grid and the fleet of power stations the country had. As an author puts it, "lack of adequate funding and managerial strategies has resulted in the steady decline in the performance of the utility." [51] Private capital that could have been used to run the industry remained hedged out. Even though the commercialization idea was a well-meaning one, it practically did nothing radical to alter the balance of power between public and private participation. Though the move pruned the stems of monopoly, it left its root untouched. Also, although distribution was separated to form a different department with sales, generation and transmission remained lumped together. In sum, the monopoly of NEPA remained unchallenged in any way, and private participation remained excluded, while power supply continued its downward journey.

Eight years after, i.e. 1998, the then existing Electricity and NEPA Acts were amended by the passing of the Electricity and NEPA Amendment Decrees, which terminated the monopoly status of NEPA and opened the door for eventual private sector participation in the electricity sector.[52] What the decrees did was to set in motion the reform process, which gradually led to significant changes in the power sector. But this remained largely on paper, and private participation remained very minimal if at all it existed. The reform set no agenda or practical steps to achieve the goal of privatization. By the time the civilian administration took over in 1999, power generation was already in the region of about 1,700 megawatts out of an installed capacity of 5,906 MW, having been completely neglected for nine years. Thus, generation capacity was at the lowest level in its 100-year history.[53] Of the 79 generation units in the country, only 19

units were operational, and average daily generation was 1,750 MW. No new electric power infrastructure had been built between 1989 and1999. The youngest plant was completed in 1990 and the last transmission line was built in 1987; whereas an estimated 90 million people were without access to grid electricity.[54] The gap between the name-plate (installed) capacity of the power stations in the country and the actual generation capacity widened constantly by the end of the 1990s.[55]

Upon being sworn-in as Nigeria's President and Commander-in-Chief of the Armed Forces on May 29, 1999, Obasanjo raised the hope of Nigerians by promising to quickly fix the lingering terrible electricity supply problem facing the country. At the beginning of year 2000, power supply plummeted to 1,500 megawatts, amounting to 25.3 per cent of installed capacity.[56] Due to years of neglect and lack of maintenance, the power stations were no longer functioning at full capacity and so delivered to the country far lesser than expected from them. In 2001, installed capacity for electricity was around 5,600 MW while actual generation was only at an average of 1,750 MW.[57] There was also a considerable problem with substantial electricity losses during transmission and distribution.

In a move by Obasanjo to redirect the transformative process of the power sector, and in a bid to see positive changes faster in line with his avowed promise to Nigerians, NEPA witnessed a change of baton from Bola Ige to Lyel Imoke and from Bello Suleiman to Joseph Makoju respectively. This change of managers in the power sector as would be seen soon, also brought with it a change in the name of NEPA to a new one: Power Holding Company of Nigeria (PHCN).

To address the twin issues of NEPA's poor operational and financial performance, the Federal Government of Nigeria (FGN) had amended the then prevailing laws (Electricity and NEPA Acts) in 1998 to remove NEPA's monopoly and encourage private

sector participation, though without a road map to realize it. In other word, the 1998 reform, introduced reform formally, but set no agenda to achieve it. The National Electric Power (NEP) Policy of 2001, specified the reform agenda. It is however believed that as far as energy is concerned, the most notable advancement by the Nigerian government was in 2003 when the NEP policies were approved by the Energy Commission of Nigeria (ECN).[58] The NEP outlined the government's policies, strategies and objectives in regard to energy use and development. The NEP set the goal of providing 75% of the population of Nigeria with electricity by 2020.[59] These good policies were not implemented immediately however, i.e. practical steps towards achieving them was lacking. The major problem was that there was no legal backing to kick-start the actual reform process as spelt out in the NEP.

Total actual electricity generation capacity in Nigeria as at 2004, a year after the NEP was approved by the Energy Commission of Nigeria, stood at around 2,000 MW while demand was estimated to be over 6,000 MW.[60] The gap between supply and demand remained very high. There was a shortfall in supply of 4,000 MW. Meanwhile, a lot of money had been invested in the electricity industry from the 2000s, but there was almost nothing to show for it. In 2004, the National Integrated Power Project (NIPP) was initiated as part of the NEP's goal to increase generation capacity.[61] But generation remained significantly low as the unfruitful tree – NEPA, was not yet rooted out. It was still cumbering the ground. However, signal was clear that the tree would soon be formally rooted out as an unprofitable tree. The executioners were waiting for the legal backing to commence execution as NEPA dangled on the line. Already PHCN had been created in January 2004 in preparation for the winding up of NEPA, from which it will take over the management and operation of electricity in the country.[62] The legal backing to that effect was what remained.

In 2005, that legal backing came. By February of that year, The Electricity Power Sector Reforms (EPSR) bill that was meant to provide the legal backing to the power sector reforms was adopted by the Senate and the House of Representatives and signed into law by President Olusegun Obasanjo. Consequently, the ESPR became Electricity Power Supply Reform Act (EPSRA). EPSRA provided the legal basis for the unbundling of NEPA, the formation of successor companies and the privatization of the latter. The Act actually called for the unbundling of the national power utility company into a series of 18 successor companies: six generation companies, 12 distribution companies covering all 36 Nigerian states, and a national power transmission company, with an independent regulator. PHCN was to act as the Initial Holding Company (IHC) for the new companies emerging from the unbundling process. The fundamental objective of the reform is to "ensure that Nigeria has an electricity supply industry that can meet the needs of its citizens in the 21st century."[63] Other objectives are to "modernize and expand electricity coverage" to support national economic and social development.

The adoption of the Act also brought a change in terms of regulation. In October of that year, the power to regulate the industry was transferred to a newly created body – Nigerian Electricity Regulatory Commission (NERC). Before the enactment of the Electricity Power Sector Reform Act (EPSRA, 2005), the FGN was responsible for policy formulation, regulation, operation, and investment in the Nigerian power sector.[64] Regulation of the sector was conducted by the Federal Ministry of Power (FMP), with operations handled by the National Electric Power Authority (NEPA), a wholly state-owned entity responsible for power generation, transmission and distribution. This means that from 1972 to 2005, the government single-handedly controlled the electricity industry, with NEPA controlling about 94% of the generation capacity and 100% of the transmission and distribution sector of the industry.[65] By playing

both regulatory and operational roles in the industry, the government was like both the referee and the player in the same game. NERC, an independent body, had the charge to monitor the quality of electricity services in the country by issuing licenses to market participants and ensuring compliance with market rules.

Actually, the EPSRA was to be implemented in phases to strategically guide and move the electricity market into a competitive one based on clear regulatory frameworks and market rules. Therefore, the evolvement of the Nigerian Electricity Supply Industry (NESI) was designed to follow several stages**,** viz**:** Pre-Transition Stage, Transition Stage, Medium-Term Stage and Long Term Stage**.**[66] These stages eventually culminated in the division of the PHCN into separate entities called Local Electric Distribution Companies or Local Distribution Companies (LDC), each of which became responsible for handling electricity distribution in specific geographical areas (state or region) eight years after. These LDCs include Abuja Electricity Distribution Plc; Benin Electricity Distribution Plc; Eko Electricity Distribution Plc; Enugu Electricity Distribution Plc; Ibadan Electricity Distribution Plc; Ikeja Electricity Distribution Plc; Jos Electricity Distribution Plc; Kaduna Electricity Distribution Plc; Kano Electricity Distribution Plc; Port Harcourt Electricity Distribution Plc and Yola Electricity Distribution Plc.[67]

Conclusion and Recommendations

The decision to merge the ECN (the electricity distribution utility) and the NDA (the generation utility), and to phase out all private generators and distributors took the country's electricity industry off the good track it was toeing – the path of a free market. This was a path where both government bodies and private companies were free to participate, and where government's electricity body in the industry was in an

unbundled state (distribution and generation facilities being managed by different entities). NEPA took over the whole of government's interest and that of the private companies with the effect of the merger in 1973. The hope of the government was that economies of scale will accrue to the country and efficiency in power supply will be realized.

Unfortunately, NEPA disappointed the country, it proved to be a merger that never worked. It failed in its given mandate, which expected it to "maintain [and] co-ordinate an efficient and economic system of electricity supply for all part of the federation."[68] Its mandate required it to maintain an efficient and economic electricity supply that will reach all parts of the federation. NEPA however witnessed an era of deteriorating and inefficient electricity supply. The failure of NEPA became un-concealable with the coming on stream of the PHCN.[69] Power situation deteriorated so much that sometimes, the country was in near darkness. The country got used to darkness to the point that when light was restored temporarily for some minutes or hours, NEPA was hailed as a hero with a loud "Up NEPA!" As if it had accomplished an extra-ordinary feat. That ignoble impact is yet to leave the country. When all the efforts put up to make NEPA work proved abortive, reform became inevitable.

As a revered authority on electricity management hinted in his inaugural lecture, the merging of the ECN and the NDA by the military government of Nigeria in 1972, was a technical error; if the NDA and the ECN were left to run concurrently, the story of electricity in the country would have been totally different from what it is today.[70] NEPA was a creation that did not achieve the purpose of its creation. Hence it has been described in this paper as a merger that never worked. It was an unnecessary merger, a capitalist cum military creation. It was a policy that took the electricity industry in the country off the right path. The failure of NEPA, as a scholar has noted, "epitomizes the utter failure of state monopolies in the power sector."[71] It was not to adjust to

what was in vogue that NEPA was sacked. It was not to conform to modernity but to correct abnormality. Like a fruitless tree, its failure attracted the axe to its root. Scholars are well agreed on this. This is how another scholar put it: "NEPA is largely an inefficient program which has struggled to properly fund and orchestrate the energy sector as a whole. This inefficiency and lack of capacity was what led to the desire to privatize the industry."[72]

Since NEPA has failed to provide a regular supply of electricity and achieve the purpose of its creation, it lost reputation and became an object of caricature as locals jokingly interpreted the acronym 'NEPA' to mean "Never Expect Power Always'[73] From this acronym, Nigerians voice out the lesson they had learnt from the failure of NEPA – that monopoly was not reliable, and they would no longer rely on it. It was this lesson that made many people to make their private arrangements for power generation by means of private generators. NEPA had not worked for the country, and there was no need holding on to what was not working. Economic decisions have far-reaching impact on the citizens of a country. Such decisions, like the decision to form NEPA, should be made after wide consultations.

In the light of the above narrative, monopoly, especially in the power industry, must be avoided. Although a lot of progress has been made in the distribution sub-sector, the transmission unit is not yet in its simple, ideal state. It needs to be unbundled and private hands have to be brought in to make it more efficient. It is commendable that there is a plan in the reform programme to further break it down to simpler units. This must however be fast-tracked to address supply deficit.

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