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BETWEEN RESTRUCTURING AND PRIVATISATION OF PUBLIC ENTERPRISES IN NIGERIA: A CRITIQUE OF POWER SECTOR PRIVATISATION

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Abstract

The abysmal state of the nation's electricity sector in delivering on its mandate of uninterrupted power supply has been affecting the spate of development in the country. Effective electricity services delivery has the potential of driving development in all sectors. This study, therefore, assessed the nature of the country's federalism and the effect it has on the power sector performance. It examined its implication on the power sector's privatisation; investigated the factors behind visible better performances in the electricity sector of other countries. It further evaluated the pivotal role of the Nigerian Electricity Regulatory Commission (NERC). The study adopted Rational Decision-Making model, to explain decision-making roles for performance of organisational functions and the process. The use of content analysis method helped the study to apply and analyse the secondary data it collected. The findings revealed that privatisation of the power sector have not made any meaningful impact on the society, nor has it provided an enabling environment for businesses to thrive and grow the country's GDP. There is no significant distinction between the pre-privatisation and the post-privatisation experiences. Instead, the failure of the power sector privatisation in Nigeria reflects the lopsided structure in the nation's polity and governance. The efforts to reposition the sector have not improved its performance either; it failed to address some fundamental defects in the system. There is persistence of centralised electricity generation, overbearing influence of the government at the centre on the sector, the lack of independence of the regulator, inadequate funding of the sector, operational imbalance among the sub-sectors of the industry, ulterior motive in the prosecution of the privatisationprogramme, among others. To achieve a viable and effective electricity sector in Nigeria, the study recommends pragmatic steps to facilitate a result-oriented electricity delivery system.

Keywords: Restructuring, Privatisation, Power Sector, Electricity Value-chain

1. Introduction

The clamour for privatisation and debates on restructuring in Nigeria has been on the front burner in national discourse for some time now (Ikemang, 2017). Although privatisation took the first leap, restructuring that overhauls the entire system has not fully materialised. The quest for restructuring draws its essence from the lopsided structure that affects every aspect of Nigeria's public institutions and corporate existence (Amadi, et al, 2017). Due to poor performance, most public enterprises have become comatose and moribund and government has resorted to privatising them for perceived better performance, while workers union's agitations, opposition and resistance against the policy have escalated (Okafor, 2014).

Proponents of restructuring have argued that the sure way to fixing the country's public institutions or enterprises and overcome its diverse challenges that had led to its seeming backwardness and underdevelopment in the comity of nations was to restructure it for better results in service delivery (Odubajo, 2011). However, emphasis seems to dwell more on political restructuring, which provides a gateway for restructuring the other sectors. In essence, restructuring is the defining issue and answer to the existential threat that confronts Nigeria (Okoli, 2012; Olu, 2017).

Since the emergence of the restructuring programme, the proposal and component of how to achieve the project divides Nigerians, more than it rallies united support for its implementation. While some prefer convocation of a national conference for all-inclusive and a comprehensive exercise on restructuring, others preach subtle approach through the Legislative Assembly (Rousseau, 1998; Ikemang, 2017), which has the powers to amend the Constitution, and incorporate all the provisions needed to be therein (Tam-Eremie, 2014).

Restructuring debates present the subject in different perspectives in Nigeria that align with the lopsided arguments, which politics dominate. Of course, restructuring is not limited to political considerations but includes the socio-economic sectors, in order to accelerate peaceful coexistence, achieve increased productivity and quality service delivery to the public. The different opinions on the concept aggregate what is restructuring in this context.

Generally, the major focus on restructuring has always been on issues relating to resource allocation and control, power devolution, fair revenue allocation between the national and sub-national governments, resolution of minority issues, ethnicity and religious questions. The proponent of these political and socio-economic issues solidly canvass their import in hindering institutional administration and relationship among diverse interest groups in a society (Thomas, 1995), thus making restructuring both pertinent and justified.

The audacious advocacy, which those in the corridors of power sometimes rebuff and other times support, superficially prioritizes political jingles being played by government and those in their hiring. It tends to suppress other key national issues like reorganisation of public institutions for optimal performance. It also skips intrinsic factors that retard the country when compared with other nations on the development index table. To that extent, it is apposite to discuss imperatives of restructuring in Nigeria by analyzing the implementation of privatisation policy in the power sector, in order to establish how it meets its objectives.

2. The Underlying Conceptual Issues

Certain concepts appear germane in this study and need scholarly discourse and clarification. A review of literature on restructuring, power sector, and privatisation provides illuminating insight for understanding how the concepts are strategic in this study.

2.1.Restructuring

Restructuring is a substitute term for adjustments, alterations and cosmetic manipulation aimed at changing the formula on which the Nigerian elite share or distribute economic resources and political power among themselves (Amadi, et al, 2017). The foregoing description of restructuring presents a bourgeoisie perspective that may lack universal validity; hence, it is apparent that restructuring generally is more encompassing. It denotes an existence of deficient structure in a system or organisation that needs some levels of alterations to strengthen its composition, the operation, performance and productivity. The idea is to improve what is in existence that no longer meets its performance expectations.

Politically, Nigeria operates a federal system (Alubabari, 2012) and some form of mixed economy that recognises or allows public-private participation in wealth creation in the country. The essence of political and socio-economic restructuring in Nigeria is to ensure a balanced geographical cum political arrangement of the component units (Okoli, 2012). The idea is to facilitate unity in diversity, equal representation, federal character and quota system (Gbadegesin, 2017). It is under such arrangement that the polity, its institutions and resources will not be subject to unilateral control by the central government, to the disadvantage of the component units. In a federal system, the political, socio-economic and coercive powers of government become a disservice when concentrated at the center as though it is a unitary system. It makes nepotism to replace the principle of federal character and quota system.

With this principle, incompetent managers who have no iota of knowledge of what it takes to manage public corporation have mismanaged and ran down most of government companies (Okafor, 2014). Notable establishments in this category include; Nigerian Telecommunication (NITEL), Power Holding Company of Nigeria (PHCN), Nigerian Airways, Steel Companies, Automotive Industries, Nigerian Refineries and so on. Federal Government privatised and sold some of these companies at give away price for only a paltry sum while interest driven internal politicking halted others at various stages of privatisation.

To restructure public enterprises or institution would mean to remove any acts of nepotism, centralised structure like unitary system or to prune the several powers of control that the centre presently exercises in the polity (Chairs & Massimo, 2011). In situations where government control over public enterprises emasculates the power sector, restructuring implies a deliberate attitudinal change in the system of recognising the diversity of the system (Ikemitang, 2017; Goodman &Loveman, 1991). The aim is to concede to each party in the system what rightfully belongs to it without meddling. It makes privatisation to underscore how restructuring promotes or hinders institutional capacity, performance and productivity.

2.2.Power Sector

Power sector in Nigeria refers to an institution created for the purposes of organising and coordinating activities relating to generation, distribution, supply, utilisation and management of electricity infrastructure. Globally, the commercial distribution of electricity started in 1882 when electricity was for electric lighting (Ifedi, 2005). In the 1880s and 90s, growing economy and the need for safety led to the regulation of the industry. By the mid 20th century, electricity was seen as a natural monopoly (Ifedi, 2005). Nigeria started generating electricity in the Lagos colony with two small generators in 1886. A 60 KW generator was introduced to power Lagos in 1896, after fifteen years of electricity introduction in England (Sambo et al, 2010).

The power sector is a critical sector of the nation's economy because, to a reasonable degree, other sectors depend on it. The state of a nation's power sector is directly proportional to the spate of development of such nation. Thus, when power sector of a country lacks capacity to work effectively, it translates to incapacity to compete favourably among its peers on the ladder of development.

In the case of Nigeria, the poor state of electricity infrastructure and general decay in the system fuel demands for restructuring as the exit option. Part of the reasons is that Nigeria has one of the most problematic electricity sectors all over the world, with an estimated installed electricity generation capacity of 8,644Megawatts and available capacity of just approximately 3,718Megawatts, to cater for the electricity needs of a population of over 170 million people (Ayanruoh, 2013; Popoola &Mokuye, 2018). When this figure compares with that of South Africa, the result is that with a less than 50 million people, South Africa generates over 52,000Megawatts. Comparatively, on a per capita consumption bases, Nigeria ranked 178th with 106.21kw/h per head, well behind Gabon (900kw/h), Ghana (283.65kw/h), Cameroon (176.01kw/h) and Kenya (124.68kw/h) (Ayanruoh, 2013).

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In essence, there has been a wide gap between demand for and supply of electricity, resulting in present widespread power shortages and inefficiency in deliverables. As a result, industrial, commercial and residential electricity users resort to self-generation of power. It causes frequent lamentation by the Manufacturers Association of Nigerian (MAN) and the National Association of Small-Scale Industrialists (NASSI) about the huge expense they incur on self-generation of power, which hit a whooping ₦2billion (about $12million) per week (Ayanruoh, 2013). In spite of the privatisationprogramme, the poor performances of the Nigerian power sector have been a significant barrier to private investments, overall development and economic growth of the country (Nigerian Power Sector Report, 2013).

Scholars identify quite a good number of challenges confronting the power sector, such as lack of regular Turn-Around Maintenance (TAM), lack of political will to restructure the sector for optimal performance by government, weak regulation, inadequate supply of natural gas to thermal generation stations, inadequate funding of the sector, among others (Okafor, 2014). In addition, the problem of operational imbalance among the sub-sectors results in altercations and strained relationship among them (Popoola &Mokuye, 2018).

The first concern which intractable challenge of poor power supply and decay in national infrastructure poses to development of the economy and the nation generally is rooted in the characteristics of the nation's political structure, which from the inception of power sector establishment, led to a centralised power generation regime and unified control over the sector by the federal government. The second problem that accompanied the privatisation revolves around the status of the Transmission Company of Nigeria (TCN), which the federal government neither sold out nor unbundled in the privatisationprogramme.

The subsisting inherent systemic problems emanating from the conflicting policies and action plans contribute to the failure of privatisationprogramme in the power sector. In consonance, the study presents a perspective on the misfortunes of the sector and explains how restructuring of the system to plug the missing links in its operation networks is a potent factor that would address several challenges of electricity industry in Nigeria.

2.3.Privatisation

Privatisation, generally, is concerned with selling public businesses to private establishments for better management and improved economy of scale. The idea of power sector privatisation was borne out of the need to inject efficiency and effectiveness into the moribund public electricity sector through serious business and profit driven initiatives, (which are trademarks of the private sector). Retrospectively, the dissatisfaction with the performance of public enterprises has fuelled the debate on the theoretical and empirical justifications of the government's continued involvement in some sensitive sectors of the economy. The clarion call became the driving force behind privatisation (Ayanruoh, 2013; Okafor, 2014), and the establishment of Bureau of Public Enterprises (BPE) for that purpose.

However, legislation and the implementation of enabling policy on privatisation is quite a different thing. At conception, legislation on privatisationprogramme sought to revolutionise the power sector that was non-performing but the implementation seems to compound the problems that it initially sought to solve. In the instance of the implementation, National Electric Power Authority (NEPA) transformed to Power Holding Company of Nigeria (PHCN). The transition from NEPA to PHCN midwifes a problematic privatisation that aggravates different degrees of frustration occasioned by incessant power cuts and outages experienced by Nigerians. Just five years into the privatisation experiment, the situation deteriorated more. Neither the NEPA nor the PHCN performed well to meet the expectation of delivering uninterrupted power supply to the different electricity users.

The faltering brought about the need to institute legal control of the power sector that formally belonged to government. Government created the Nigerian Electricity Regulatory

Commission (NERC) to enforce certain measures and policies but the arrangements were not too clear (Ojoye, 2019). Despite the monitoring and control, the performance of the sector has remained very different from what Nigerians expected of a privatised power industry.

Goodman &Loveman (1991) argue that developing countries are quick to jump on the privatisation bandwagon, sometimes as a matter of political and economic ideology and to raise revenue. In essence, the developing countries have the wrong motive for privatisation; as such, the interest is not the people. To buttress the perspective, the Chairman of Egbin Power disclosed how the power sector privatisation failed for lack of proper alignment to deliver services as desired. The sector is a value chain that involves many players, which needed a proper alignment to deliver electricity constantly to consumers (Olowookere, 2018).

It demands that those that are in charge of gas supplies and the corporations responsible for electricity generation, transmission and distribution companies as a whole cannot work in isolation but collaborate to play complementary roles in the industry and thereby enliven the services provided by each other. Effective operation of the stakeholders depends on alignment of functions predicated on restructuring of the system. It facilitates quick and useful decision-making process and mitigates the stringent control mechanisms.

Apart from the problem of motive and wrong alignment of the system, the issue of the disposition of the implementers of the privatisation policy is a problem. Most times, the political class is not favourably disposed to satisfying popular demands, but to satisfying personal, group and party interests. The subject of interest is quite fundamental in the discourse on privatisation of public enterprises. For example, the administration that carried out the power sector privatisation was accused of selling the companies to the cronies of the past administration. The process was for the few privileged elites (Ojoye, 2019).

In fact, virtually all privatisation in Nigeria capitulated to class interests against national interests; hence, nepotism triggers agitation that has potential to threaten security of national assets. A related example of public displeasure with the privatisation of power sector to cronies of government in power, manifested when the Coalition for Affordable and Regular Electricity, called on the Federal Government to reverse the power sector privatisation and once again nationalise the sector, invest massively in it and introduce democratic and transparent management (Asu, 2018).

The call for the reverse of the privatisation exercise across the affected public enterprises generally and in the power sector in particular, lends credence to loss of public confidence in the programme and corroborates the pronounced abysmal poor performance of electricity industry. It further highlights absence of proper restructuring in the sector when government privatised it. Thus, privatisation not anchored on adequate restructuring does not relieve government of undue roles it plays in the economy. Restructuring the power sector that the ill-fated privatisation policy castrated will make Nigeria to meet her electricity needs.

3. Theoretical Framework

The study adopted decision-making theory to explain how and what nature of decision and the orientation of decision makers that influenced privatisation of the power sector in Nigeria. Richard Snyder, Chester Barnard and Herbert Simon were the chief proponents of the theory (Smriti, 2015). The theory plays descriptive roles by defining what leaders or managers do in a system and the process of decisions that determine what they do. Decision-making is a process or sequence of activities involving stages of problem recognition, search for information, definition of alternatives and the selection of an action from two or more alternatives consistent with the ranked preferences (Krabuanrat& Phelps, 1998).

Simon (1977), Arsham (2010) observe that a decision usually involves three steps: (i) recognition of a need (ii) a decision to change and (iii) a conscious dedication to implement the decision. These steps underscored the privatisation process in Nigeria, specially the

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rational decision making model, which anchored this analysis because of its relatedness to the study. The decision-making that midwifes privatisation appears to be rational and taken to salvage a deteriorating situation. In Nigeria, government engaged the decision makers of their choice to proffer solution to problems of public enterprises, which it was a principal party.

By implication, decision-making is rational when the decision fills any existing gap in the thinking sphere. The decision makers know the background of the originating problem, and the nature of decision or policy that had been in place. In same vein, they know their alternatives; their outcomes; their decision criteria; and they have the ability to make the optimum choice and then to implement it (Chase, Hertwig&Gigerenzer, 1998). In other words, Kreitner& Kinicki (2001), Russo &Schoemaker (2002) share similar views on six levels of activities that the rational model of decision-making process observe, which include:

- Identifying the problem
- Generating alternative solutions
- Evaluating alternatives
- Choosing an alternative
- Implementing the decision
- Evaluating decision effectiveness

There has been a recurring separating line between decision and the outcome during implementation. Most times, the result of the decision is contrary to the popular expectation, and other times; it conforms to expectation by producing desired results. The margin of error, omission or commission reduces every decision to a product of uncertainty, trial and error, despite that the rational model would ascribe mastery knowledge of the circumstances necessitating decision, to the decision maker. The case of power sector is a vivid example.

The decisions taken by the federal government to privatise some ailing public enterprises in Nigeria birthed uncertainty. Many Nigerians applauded the gesture and looked up to it as a viable and most inspiring answer to public sector reforms for efficiency and effectiveness in service delivery. Mismanagement of the decisions during the implementation confirmed the uncertainty. It became evident that government was not eager to restructure the public enterprises but merely privatised them to their cronies for economic gains.

The process contradicts the recommendations by Smriti (2015) that such decision making must involve rational thinking, follow a concise process, be selective in choosing alternative cause of action, be purposive and positive in planning and execution, elicit commitment of all the stakeholders and undergo regular evaluation for necessary review. Conversely, when the Nigerian Electricity Regulatory Commission (NERC) claims to evaluate post-privatisation performance of the power distribution companies, it takes no proactive action to mitigate the consequences of many shortfalls observed in the operations of the power sector. The systemic and regulatory lapses create a big vacuum that beckons for proper restructuring in the power industry in Nigeria, to benefit the masses and the economy.

4. Power Sector Structure in Nigeria

The power sector as it is today is structured along the line of the existing patchy federalism, which favours some part of the country and shortchanges others. As the federal structure is debated, so does the privatisation of power sector. It began with the Electric Power Sector Reform, (EPSR Act 2005) that introduced certain reforms into the electricity industry in Nigeria, including the idea of privatisation and a resultant division of the Power Holding Company, (PHCN) into three major sub-sectors along functional lines of operation. They include Generation (GenCos), Transmission (TransisCo, later simply referred to as Transmission Company of Nigeria (TCN), and Distribution (DisCos). The GenCos, which was unbundled into six (6) companies – Afam, Egbin, Kainji, Shiroro, Sapele, and Ughelli, produced the electric currents at the upstream level in the electricity value chain (Ifedi, 2005).

The TCN is the midstream sector that government refused to unbundle - a decision, which portrayed the desire of government to exert supervisory control over the benefitting companies and manipulate the sector amid the privatisation. Sometimes, observers construe the government action on TCN as a tacit protection of class interest and the lopsided political structure in place. The duty of the transmission sub-sector is to transport the already produced electric current from GenCos to DisCos through its transmission lines (Ojoye, 2019).

Meanwhile, government initially contracted the TCN to Manitoba Hydro International Ltd for a five years' period and it returned to the Federal Government as agreed when the tenure of the contract elapsed. Government unbundled the distribution companies (DisCos), which is the downstream sector, into eleven (11) semi-autonomous business units with their operation and administrative locations at Kaduna, Kano, Yola, Jos, Abuja, Ibadan, Eko, Ikeja, Benin, Port-Harcourt and Enugu (Nigerian Power Sector Report, 2013). This was in recognition of the fact that adequate power supply is an unavoidable prerequisite to any nation's development, and electricity generation, transmission and distribution are capital-intensive activities requiring huge resources of both funds and capacity (Sambo, Garba, Zarma, Gaji, 2014).

In the spirit of giving legislative effects and functional enablement to the emergent power distribution companies, government provided for their operational capacities and distinct areas of jurisdiction, which contain in the Electricity Power Sector Reform Act 2005. Section 67 of the Act stipulates that, "A distribution license shall authorise the licensee to construct, operate and maintain a distribution system and facilities including but not limited to the following activities as may be specified in the license:

a. The connection of customers for the purpose of receiving supply of electricity.
b. The installations, maintenance and funding of meters, billing and collection, and
c. Such other distribution service as may be prescribed for the purposes of this section."

By virtue of the section aforecited, the distribution companies supply the generated current to the Nigerian public as industrial, commercial and residential users with different ownerships, customer base and percentage net tax returns to national treasury, which the table succinctly illustrates.

Table 1: Power distribution companies sequel to privatisation that sought for restructuring

S/N	**Distribution Company**	**Coverage Areas**	**Customer Capacity**	**Percentage of Power Revenue Tax Generation**
1	Kaduna Distribution Company	Kaduna State Zamfara State Sokoto State Kebbi State	490,000	1.8%
2	Kano Distribution Company	Kano State Jigawa State Katsina State	1.9m	3.78%
3	Yola Distribution Company	Taraba State Adamawa State Yobe State Borno State	3m	Nil
4	Jos Distribution Company	Benue State Gombe State Bauchi State Plateau State	2.1m	1.83%

5	Abuja Distribution Company	Niger State FCT Abuja Nassarawa State Kogi State	2.16m	1.89%
6	Ibadan Distribution Company	Kwara State Oyo State Osun State Ogun State	1,136,593	19%
7	Eko Distribution Company	Lagos State Ogun State Agbara Area	400,000	21%
8	Ikeja Distribution Company	Ikeja Area	800,000	9%
9	Benin Distribution Company	Delta State Edo State Ondo State Ekiti State	5.5m	18% and 87% customer debt service compliance
10	Port Harcourt Distribution Company	Cross River State Akwa Ibom State Rivers State Bayelsa State	14.6m	17%
11	Enugu Distribution Company	Abia State Anambra State Ebonyi State Enugu State Imo State	15.8m	19.62% of tax with 91% consumer bills compliance

Source: Adapted from online articles published in the Internet

The table shows that the power sector privatisationrecognises the principles and systems of quota, federal character, the geo-political division of the country, and equal representation. It conforms to the usual bogus claim of achieving national unity in the midst of its diversity (Tam-Eremie, 2014). The sharing arrangement of the distribution companies portrays the beneficiaries as proxies of elite class in government (Ojoye, 2019), including surrogates of powerful stakeholders either in the industry or in the business sectors. The obvious consequences of the privatisation and the takeover of the various unbundled units are marginal outputs in power generation and distribution, which dovetails into poor service delivery to the public. This is in addition to challenges of consumer protection and provision of basic infrastructure to support proper billing system on power consumption.

The foregoing experience falls short of the unique legacies exemplified in other countries that have taken similar policy measures in restructuring public institutions and other forms of business concerns (Johari, 1982; Miltra, 2004; Dye, et al, 2005; Palekar, 2009), either under the umbrella name of privatisation or commercialisation. The power sector privatisation and sub-division of the benefiting firms into GenCos, DisCos and TCN, prioritised neither expertise nor professionalism in the sectoral operational technical requirements, which supposed to serve as a yardstick for prequalifying bid applications. Instead, Bureau of Public Enterprises (BPE) shared the business units among the elites and loyalists of the ruling government.

In other climes where privatisation occurred in the power sector, the division sought to ensure that there was a synergy and collaboration among the sub-sectors and thus results in

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efficiency in electricity services delivery. However, rather than operate purposefully and thereby defeat the several maladies of the sector in Nigeria, the sub-sectors operate on a cross-purpose (Popoola &Mokuye, 2018). Their activities mirror the drifts in the freedom that the controlling authority granted, which significantly ridicules the concept of ownership.

Meanwhile, the refusal of federal government to unbundle TCN preserves this undue control over the power sector. It aims at catering for interests, which are more sectional than national. This is the distinctive feature of the present federal arrangement, where the federal government continues to usurp powers conferred on the states over electricity generation, transmission and distribution.

A typical example is the abandoned and decaying Oji-River Power Station, which the Enugu State government lack powers to reactivate on excuses of federal control. The control makes the power sector privatisation to lack in clear operational structure, where only the federal government looms large in the control chain without recognising the state and other private investors as critical stakeholders in the power industry.

Nonetheless, several legal frameworks debunk such exclusive control by the center. The fact is that the 1999 Constitution consigns the electricity matters to the concurrent list, whereby both the federal and the state governments have powers to legislate on the subject. In particular, Section 14 of Part 11 of the Second Schedule (1999 Constitution, as amended), provides that Houses of Assembly may make laws for the State with respect to issues on:

- Electricity and the establishment in that State of electric power stations;
- The generation, transmission and distribution of electricity to areas not covered by a national grid system within that state; and
- The establishment within that state of any authority for the promotion and management of electric power stations established by the State.

The federal powers sideline states in the system, such that whenever government claims that it was reforming and privatising power sector, there is massive centralisation in its operation because of lack of proper restructuring in the sector. This is regardless of the fact that striping other stakeholders of the powers to participate in the power sector is inimical to industrial growth and national development. This is not the case in some African countries like Gabon, Cameroon, Ghana, Kenya and South Africa, which perform excellently in the management of their power industry, devoid of centralisation in power generation and distribution (Osuagwu, 2018). These countries generate power from different sources and through different means. Some generates through solar, others generate through coal and other sources of energy. The primary aim is to sustain uninterrupted power supply and usage.

In Germany and US for instance, the huge energy generated is mainly because government allows private sectors to generate electricity through countless sources (Dye, et al, 2005). It is a similar case in the United Kingdom, where someone can both generate and transmit, and neighbours may not even be using the same power source (Ikemitang, 2017). The situation in Nigeria is a centralised system where the federal government through the National Control Centres (NCC) of the Transmission Company of Nigeria that scattered all over the country, confines everyone to the same source of power (Osuagwu, 2018).

The unified policy favours sectional, political and self-interests. Unfortunately, the present clamour for restructuring seems not to prioritise the removal of parochial interests that manifest through the application of jaded federal character principle, quota system, and party consideration among others. Government favours the practice without minding that proper management of power sector is critical to national development; hence, restructuring.

5. Between Restructuring and Power Sector Privatisation

Nigeria electricity industry comprises a mix of hydro electricity stations and gas fired thermal plants (Cole, 2004; Sonibare, 2010). The first generations of power stations in

Nigeria were commissioned between 1965 and 1990 and these include Afam Thermal (971 MW, Rivers); Delta Thermal (912 MW, 1966); Kainji Hydro (760 MW, 1968); Sapele Thermal (1020 MW, 1978); Lagos Thermal (1320 MW, 1985); Jebba Hydro (576 MW, 1986); and Shiroro Hydro (600 MW, 1990) (Sambo et al., 2010). Increase in population, infrastructural development, industrial and small and medium enterprises growth among other reasons have necessitated the need for additional power generations (Cole, 2004), and by extension, building additional power plants in Nigeria.

To close the existing gap in the location of power plants for enhanced generation, it became expedient that the political system or ideology in place had a direct bearing on the operation of the electricity value chain. Attention began to shift to areas that do not have power plants, as parts of efforts to decentralise the concentration of power plants in the South-South and South Western states. The policy of the ruling government started dictating the pace, and it tied the implementation of the programme to the whims and caprices of the decision-making and policy implementing authorities (Russo &Schoemaker, 2002).

The decentralisation policy gave rise to heavy investments in the sector to boost generation through large, medium and small hydrostatic power plants sited in the North with a total capacity of over 6,024 MW. New power plants emerged in the process, including Mambilla (3,050 MW); Zungeru (700 MW); Gurara 11 (360 MW); Lokoja (750 MW); Makurdi (1,000 MW); Small Hydropower (84 MW); Itisi (40 MW) and Kashimbila (40 MW). Accordingly, the Electricity Power Sector Reform Act (2005) provided for the sharing of operational functions and roles among three major subsectors – generation, transmission and distribution/marketing. However, the structures lack in clear ownership and control.

However, two out of the three (Generation & Distribution/marketing) were unbundled but the process appeared more political in implementation because of the sharing formula. The Transmission subsector remains a federal asset, although it formerly contracted the unit to Manitoba Hydro Int’l Ltd for an initial period of 5years. The Generation component was unbundled into six (6) generation companies (GenCos), namely Afam, Egbin, Kanji, Shiroro, Sapele, and Ughelli respectively (Nigerian Power Sector Report, 2013).

Similarly, the distribution/marketing was unbundled into eleven (11) electricity distribution companies (DisCos) as semi-autonomous business units located in Abuja, Benin, Eko, Enugu, Ikeja, Ibadan, Port Harcourt, Kano, Kaduna, Jos and Yola respectively (Nigerian Power Sector Report, 2013). Government retained 100% ownership of the Transmission Company of Nigeria (TCN) as part of a wider strategy to reform the sector and stimulate growth. In other words, it remained a single body and federal government agency, with monopoly status over every other in the category (Ojoye, 2019).

Sequel to this disjuncture in the lopsided structure that characterisesprivatisation of the power sector, the public often blames the failure and poor performance of the electricity distribution and supply services on the idea of not privatising TCN that enables government to exercise control over the power sector. This can be considered from both operational and the structural perspectives. From the operational viewpoint, the function of TCN is to transport electric current from generation where it is produced to distribution where it is used. The TCN serves as the midstream linking electricity production and use (consumption). The major challenge here is that of inadequate and weak infrastructure which has hampered effective movement (wheeling) of current from generation to distribution.

Adewale (2017) corroborates the frosty nature of power sector privatisation that lacks in proper restructuring by quoting the observations made by the Managing Director (MD) of Egbin Power Plc, (Mr. Dallas Peavey). It asserts that 70% of electricity generated by his company could not be evaded (meaning ‘transmitted’) to the grid system due to weak transmission lines. Despite divides in discourse on privatisation, scholars hold the view that

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non-unbundling of TCN was in response to the existing political structure that promotes class interests disguised in federal character principles, quota system, and party consideration.

According to Osuagwu (2018), the biggest problem in Nigeria is its political structure that maintains the exclusive legislative list, which empowers Federal Government (FG) to exclusively legislate and exercise control over 68 items provided in the 1999 Constitution, to the disadvantage of the federating units. It has made the FG to possess enormous powers and as such exert control on so many issues. Not privatising TCN is for the purposes of ensuring subtle regulation and control of the sector by government to protect some sectional interests.

The intendment is to cater for the interests of northern parts of Nigeria, which did not house the generation stations or power plants that concentrated in the South-South and South Western states of the geo-political divides (Ojoye, 2019). This has made it possible for unsavoury manipulation of the power sector privatisation. Oppositions to restructuring of the power sector are poised to maintaining the status quo, which favours the north both in consumption and in service charge for electricity infrastructure. It has negative consequences on the performance of the sector in driving the economy and growing businesses in Nigeria.

6. The Challenges and Prospects in Restructuring Power Sector

Nigeria has potential to becoming one of the world’s largest economies, but it will remain just an aspiration without restructuring the electricity industry, which is a necessity for pursuit of aggressive industrialisation, including the revitalisation of moribund local industries. Admittedly, the challenges in the privatisation of power sector are unwholesome and needed incremental restructuring to be able to tackle the problems head-on. They include,

- Inadequate gas supply
- Non-cost reflective electricity tariff and liquidity constraints
- Limited transmission lines
- Operational inefficiencies
- Poor water management at hydropower plants, and
- Inadequate and obsolete distribution infrastructure (Nevin et al., 2019).

In other words, it beckons for a constant modification of any preferred approach to the desired restructuring, given the emerging technologies and the growing complexities of the problems confronting the sector. Restructuring the power sector is a necessity for overcoming the crisis identified in the industry with a view to expediting action on the delivery of constant electricity to the consumers. Such gesture will end the unwarranted billing system and make the customers to pay appropriate tariffs for the electric power they consume.

However, restructuring is the catalyst and institutional requirement for achieving this goal. It will create a more conscious, people-oriented and purposive power industry. It is evident that government usually sacrifices well-intended ideas on the altar of lopsided political structure and most times wittingly serves surreptitious ethno-religious interests. Various privatisationprogrammes illustrate this scenario. The unbundling of the power infrastructure without painstaking efforts to restructure the operation, management, funding, billing policies and control along ownership lines, appears burdensome to the sector. Although government intervenes through public funds frequently committed to fixing the sector both in power generation and in supply chain, it has not yielded the desired results.

The consistent failure in the overhaul attempts for better performance indicates a lacuna in proper restructuring of the power sector. It results in a scenario of many motions with no movement in the privatisation saga. The power sector privatisation lack clear path to the interests catered for or pursued during clamours for restructuring the sector. Yet, the power industry is important for government to relegate or subject it to political manipulation.

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Apart from the behind the scene bargains, the visible evidence of manipulation that occurred in the privatisation process was the reluctance of federal government to undertake proper restructuring in the Transmission Company. The whole essence of restructuring is to allow investors unfettered access to management of the power sector, to drive innovation that supports excellent performance, and internally solve problems of funding and infrastructure. This is in addition to placing the established subsectors of the electricity value chain on equal pedestal. More importantly, restructuring makes the power sector to become free from the crippling centralised system that the nation's federalism imposes on public institutions.

Having a restructured privatised power sector will undoubtedly increase megawatts generation, with power plants operating at their installed capacities. It will also facilitate effective and efficient electricity supply due to efficiency in transmission. On a macro-economic level, industries, which had all along been grappling with the frustration associated with self-generation, will begin to blossom. The advantages inherent in the restructuring of the power sector are enormous. The productive and service sectors will receive a boost, prices of commodities will reduce and it will usher Nigeria into an improved standard of living.

7. Summary and Recommendations

The emerging realisation that government privatisationprogramme in the power sector wrongly structured the electricity industry with latent consideration given to parochial rather than national or people's interests, brings to the fore, the urgent need for proper restructuring exercise in the sector. Although the privatisation is a desideratum, the modus operandi was bereft of clear purpose in the implementation due to factors that the political system in place precipitates. Restructuring the power sector will remove the elements of control and subsequent centralisationof power generation; and engender high prospects of rapid development in Nigeria, once there is adequate supply of electricity to the consumers.

As the debate and discourses for the nation's restructuring is ongoing, this study considers that proponents of political restructuring should equally set up a think tank to examine the operation of the privatisation policy in the power sector. It should consider why the core objective of privatisationprogramme has failed, how politics has affected power sector, and what measures to adopt in order to overcome the challenges.

There is no alternative to restructuring the power sector for better performance; the same way restructuring the country ought to spur the process of enthroning justice, equity, inclusiveness in nation building and peaceful coexistence among the diverse cultures, religion, languages and ethnicity. This measure will visibly underline the nation's governance architecture, mode of resource distribution and development, devoid of prejudice. It is hoped that implementation of the above recommendations will actualise the restructuring that government mismanaged during the privatisation of the power sector in Nigeria. In taking a holistic view of the lapses in the privatisation, the study therefore recommends that:

- Decisions and policies that concern the power industry should not be politicised. The excessive power concentration in the centre should be pruned to accommodate the interests of sub-national governments (component states and local governments)
- Certain aspects of the concurrent powers should be conceded to sub-national governments (devolution), especially power generation, transmission and distribution.
- The three subsectors of the power sector should be fully privatised.
- The regulatory framework should be strengthened, and in this case, the NERC should be an independent regulator and not a subject of politicisation.
- Power generation stations should be sited where the energy powering them are available. For instance, government sited Omotoso and Olorunsogo thermal plants where there are no gas deposits, maybe, to settle certain political equations.

- Expertise, not political patronage, nepotism or cronyism, should be a criterion for prequalification to participate in the management of the power sector. This will reducethe involvement of persons whose sole interest in the sector is to make financial gains without commensurate services that justify such bumptious appetite.

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