



**CENTRAL BANK OF NIGERIA**

**FRAMEWORK FOR FINANCING OF NATIONAL  
MASS METERING PROGRAMME  
(NMMP)**

**October 2020**

# FRAMEWORK FOR FINANCING OF NATIONAL MASS METERING PROGRAMME (NMMP)

## 1.0 Introduction

The introduction of the service-based tariff (**SBT**) in the Nigeria Electricity Supply Industry (**NESI**) effective from 1st September 2020 has put increased emphasis on the need to close the metering gap in the NESI. The closing of this gap will enhance efficiency of revenue collection by Distribution Companies (**DisCos**) and thereby facilitate meeting their obligations to other upstream market participants.

According to analysis provided by Nigeria Electricity Regulatory Commission (NERC), the current metering gap in the NESI – based on recent customer enumeration data – is over 10 million, this comprises of unmetered customers as well as customers with obsolete meters that need to be replaced. To deal with this, His Excellency, President Muhammadu Buhari approved the National Mass Metering Program (**NMMP**) implementation.

This Framework outlines the operational modalities of the CBN financing support to the DisCos (Downstream) and Local Meter Manufacturers (Upstream).

## 2.0 Objectives

The key objectives of the NMMP are:

- i) Increase Nigeria's metering rate
- ii) Elimination of arbitrary estimated billing;
- iii) Strengthen the local meter value chain by increasing local meter manufacturing, assembly and deployment capacity
- iv) Support Nigeria's economic recovery by creating jobs in the local meter value chain
- v) Reduction of collection losses and increasing financial flows to achieve 100% market remittance obligations of the DisCos; and
- vi) Improve network monitoring capability and availability of data for market administration and investment decision making.

## 3.0 This framework is sub-divide into three sections namely:

- i) **Section A:** Electricity Distribution Companies
- ii) **Section B:** Local Meter Manufacturers
- iii) **Section C:** Additional Requirements

## **SECTION A: ELECTRICITY DISTRIBUTION COMPANIES**

### **4.0 Definition**

A NERC licensed Electricity Distribution Company (DisCo) or body corporate engaged in:

- i) Bulk purchase of energy and onward retail to electricity customers
- ii) Collection of tariff and charges and remittance of payment to the market
- iii) Collection of retail energy related data for the industry
- iv) Ownership and management of electricity distribution infrastructure including meters and metering infrastructure

### **4.1 Eligible Activities**

The NMMP CBN facility is restricted to the procurement and deployment of meters and the associated infrastructure (software and hardware) to support the metering network. These include, but not limited to:

- i) Procurement of NERC approved meters
- ii) Payments for installation and deployment of meters
- iii) Procurement of other metering infrastructure related production and service provision as may be prescribed by NERC in relevant orders or by prevailing rules and regulations
- iv) Procurement of backend metering platform and data management systems
- v) Procurement of customer enumeration services

### **4.2 Prohibited Activities**

- i) Procurement of fully assembled meters from overseas is prohibited except meters imported by Meter Asset Providers (MAP) already in the country as at September 30, 2020 and verified by NERC; and.
- iii) Importation of related metering infrastructure that are currently being produced in the country is also prohibited.

### **4.3 Participating Financial Institutions (PFI)**

Financial institutions licensed by the CBN to provide banking services in Nigeria.

### **5.0 Modalities/ Types of Facilities**

#### **5.1 Tenor**

The facility granted shall have a maximum tenor of 10 years but not exceeding 2030

#### **5.2 Moratorium**

There shall be a moratorium on the principal amount for a period not exceeding 24 months from date of loan disbursement.

### **5.3 Interest Rate**

The facility shall be administered at an “all-in” interest rate of NOT more than 9 per cent per annum or any other rate as may be specified by CBN.

As part of the Bank’s Covid-19 relief package, the interest rate to be charged up to 28<sup>th</sup> February 2021 shall not exceed 5 per cent per annum.

Interest shall be payable by the loan beneficiaries in accordance with the approved repayment schedule outlined in the Transaction Documents.

The “all-in” interest rate of 9% to be shared as follows:

- |  |   |    |
|--|---|----|
| a) Participating Financial Institution | - | 6% |
| b) Sponsor (CBN)                       | - | 3% |

PFIs are to remit the interest due to the CBN on quarterly basis not later than 10 days after the end of the quarter.

### **5.4 Collateral Requirement**

NERC’s approval of a DisCos loan request as a regulated debt obligation to be charged against all energy collections for the Nigeria Electricity Supply Industry (NESI) as the next line charge in the payment waterfalls of each DisCo below the existing payment to the Nigeria Electricity Market Stabilization Facility (NEMSF), will serve as a collateral for the lending.

### **6.0 The financing of the bulk procurement of Meters by the Electricity Distribution Companies is covered under phase 0 and phase 1.**

#### **6.1 Phase 0 - Financing of orders covered under the Meter Asset Provider (MAP) programme.**

#### **6.2 Amount to be Accessed**

To be determined based on the volume and type of meters to be procured by the DisCo for the contracted MAP.

#### **6.3 Documents Required**

- i) NERC allocation of verified stock assigned to the DisCo under Phase 0.
- ii) Invoice (including account details of the vendor) for the Meters to be purchased
- iii) Evidence of MAP procurement from local manufacturer (where applicable)
- iv) Agreement(s) signed with MAPs
- v) Certification of the meters by Nigeria Electricity Management Services Agency (NEMSA);

- vi) Latest 2 - year audited financial statements;
- vii) Tax clearance certificate.

#### **6.4 Application Procedure**

- i) DisCo apply to its Guarantee Bank (GB) for financing under the programme through RSSF/DCRR.
- ii) The GB conducts due diligence and obtain internal approval for the facility.
- iii) The GB applies to CBN for release of funds attaching the documents specified in section 5.2 above.
- iv) CBN reviews and communicate approval to the GB.
- v) CBN release the funds to the GB after satisfactory confirmation of the fulfilment of the contract by the Disco.
- vi) DisCos will work within the allocation approved by NERC and the AMSL provided by NERC to determine how they plan to meet their allotted volumes. If an MAP is required by a DisCo to supply a volume greater than its declared inventory in the AMSL, the DisCo/MAP must provide evidence that the excess capacity has been procured from a local manufacturer; evidence will be in the form of purchase orders, payment evidence, and evidence of delivery of meters from the manufacturer to the MAP.
- vii) For the purpose of payment to the MAP by each DisCo's Bank Guarantee (BG) bank, DisCos will submit NERC approved Meter Service Agreement(s) signed with MAPs, payment invoice for the Meters to be purchased and a performance bond from the MAP linked to installation of volumes to be purchased.
- viii) The MAP's performance bond will be issued jointly to the DisCo and the PFI
- ix) BG Bank to make payment to MAPs only based on terms contained in the submissions made by the DisCos.

#### **6.5 Phase 1 (CBN funded bulk procurement from local meter manufacturers/assemblers)**

#### **6.6 Amount to be Accessed**

To be determined based on the volume and type of meters to be procured by each DisCo as well as the prices at which meters are bought during the bulk procurement.

#### **6.7 Documents Required:**

- i) Copy of NERC allocation of the quantity of meters to be procured by the DisCo in phase 1;
- ii) Meter Agreement with local meter manufacturer after bulk procurement process;
- iii) Invoice (including the bank details of the vendor);
- iv) Latest 2-year audited financial statements;
- v) Tax clearance certificate.

## **6.8 Application Procedure**

- i) DisCo apply to its Guarantee Bank (GB) for financing under the programme (attaching the signed meter purchase agreement with local meter manufacturer) through Real Sector Support Facility/Differentiated Cash Reserve Requirement (RSSF/DCRR);;
- ii) The PFI conducts due diligence and obtain internal approval for the facility;
- iii) The PFI applies to CBN for release of funds attaching the documents specified in section 6.2 above.
- iv) CBN reviews and release the funds to the GB to be paid to the local meter supplier's account within 3 working days from the date of release.
- v) Respective DisCos will sign Meter Purchase Agreement (MPA) with successful bidders from the procurement exercise; this will be submitted to CBN and each DisCo's BG bank.
- vi) CBN through the BG bank will make payments to the preferred bidders on behalf of the DisCos based on the terms contained in DisCo submissions

## **SECTION B: LOCAL METER MANUFACTURERS**

### **7.0 Definition**

A local meter manufacturer is hereby defined as any company or body corporate engaged in:

- i) Manufacturing of electricity meters and its components
- ii) Assembly of Completely and/or Semi Knock Down components into meters

### **7.2 Eligible Activities**

- i) Procurement of manufacturing or assembly equipment for Meters
- ii) Set up or expansion of manufacturing or assembly facilities
- iii) Procurement of production data management and software systems
- iv) Working capital

### **7.3 Prohibited Activities**

The facility shall NOT be used to finance the importation of fully assembled meters

### **7.4 Eligibility Criteria**

The eligible obligors should demonstrate verifiable evidences of:

- i) Technical capacity:
  - (a) Brownfield - Eligible manufacturers must demonstrate a track record of experience in manufacturing of key meter components up to the quality standards instituted by the Nigerian Electricity Regulatory Commission (NERC) and/or Nigerian Electricity Management Services Agency (NEMSA) and/or Standards Organizations of Nigeria (SON).

- (b) Greenfield – Bankable business plans acceptable to the PFIs.
- ii) Financial capacity: Eligible entities must demonstrate financial capacity to repay the loan through a sufficient debt service current ratio (DSCR).
  - iii) Local content: Eligible component manufacturers are Nigerian-owned entities or consortiums involving a minimum of 70% local ownership.
  - iv) Job creation focus: In line with the program’s job creation objectives, eligible manufacturers must demonstrate commitment to employing local talent with a detailed vocational and technical training plan.

## **7.5 Participating Financial Institutions (PFIs)**

Financial institutions licensed by the CBN to provide banking services in Nigeria.

## **8.0 Modalities/Types of Facilities**

### **8.1 Term Loan**

### **8.2 Amount to be Accessed**

Funding shall not exceed 70 percent of the total cost of the applicable costs/expenses related to meter manufacturing/assembly.

### **8.3 Tenor**

The facilities granted shall have a maximum tenor of up to 10 years as determined by the project’s cash flow profile but not exceeding 31st December 2030.

### **8.4 Moratorium**

The moratorium on principal shall depend on the type and nature of the project but shall not exceed 2 years or the construction/ completion period.

### **8.5 Working Capital**

Working capital facility shall be for one year with provision for roll-over not more than twice (i. e. maximum tenor of 3 years).

### **8.3 Interest Rate**

The facility shall be administered at an “all-in” interest rate of NOT more than 9 per cent per annum or any other rate as may be specified by CBN..

As part of the Bank’s Covid-19 relief package, the interest rate to be charged up to 28th February 2021 shall not exceed 5 per cent per annum.

Interest shall be payable by the loan beneficiaries in accordance with the approved repayment schedule outlined in the Transaction Documents.

The “all-in” interest rate of 9% to be shared as follows:

- a) Participating Financial Institution - 6%
- b) Sponsor (CBN) - 3%

PFI's are to remit the interest due to the CBN on quarterly basis not later than 10 days after the end of the quarter.

## **9.0 Application Procedure**

- i) An eligible company that meets the requirements should submit its request to the Participating Financial Institution (PFI) under the RSSF/DCRR;
- ii) The PFI should conduct due diligence and obtain internal approval for the facility.
- iii) The PFI submits request to CBN for approval and release of funds.

## **9.1 Documents Required**

Required documentation for the obligor to access funding includes:

- i) Written request from the project promoter
- ii) Certified True Copy of Certificate of Incorporation
- iii) Certified True Copy of MEMART
- iv) Certified True Copy of Form CAC 1.1
- v) Business plan including:
  - a. Organizational chart
  - b. Health and safety guidelines
  - c. 3-year financial projections
  - d. Detailed vocational and technical training plan
- vi) Latest three (3) years audited financial statements for existing companies or a 6-months Management Account for new companies;

# **SECTION C: ADDITIONAL REQUIREMENTS**

## **10.0 Responsibilities of Stakeholders**

### **10.1 Central Bank of Nigeria (CBN)**

The Central Bank of Nigeria shall:

- i) Articulate clear guidelines for the implementation of the Facility
- ii) Provide funds for the Intervention
- iii) Monitor and evaluate implementation of the Scheme
- iv) Review the Guidelines of the Facility as may be necessary

### **10.3 Participating Financial Institutions**



The Participating Financial Institutions shall:

- i) Receive and process requests for funding under the Scheme
- ii) Exercise due diligence and care in appraising requests under the Scheme
- iii) Bear the credit risk
- iv) Retain copies in both physical and digital version of the mandate executed by the Borrower.
- v) Disburse funds released from CBN to the approved beneficiaries as provided in the operational guidelines
- vi) Monitor the funded projects and render periodic reports to the CBN.

#### **10.4 Nigeria Electricity Regulatory Commission (NERC)**

NERC shall:

- i) Provide the specification of meters that can be procured in both phases
- ii) Provide Approved Meter Supplier List for Phase 0
- iii) Monitor meter deployment and validate quality and quantity specifications
- iv) Approve the repayment of loans through NESI collections with the requisite seniority as detailed above.

#### **10.5 Borrowers (DisCos and Manufacturers)**

The Borrowers shall, with respect to this Scheme:

- i) Comply with this guideline and the terms and conditions outlined in the Transaction Documents
- ii) Utilize the funds granted under the Scheme for the purpose for which it was granted.
- iii) Insure the project being financed by a reputable Insurance Company
- iv) Adhere strictly to the terms and conditions of the credit facility
- v) Make the project and records available for inspection/verification by the CBN, PFI and NERC
- vi) For the Discos, comply in full, with all conditions for the implementation of the President's accompanying directive on Payment Discipline as determined by the Federal Ministry of Finance and the Central Bank of Nigeria.

#### **11.0 Sanctions arising from Infractions**

- i) Diversion of funds by the PFIs shall attract a penalty at the bank's maximum lending rate at the time of infraction.
- ii) Non-remittance of returns or the remittance of false returns shall attract penalty
- iii) In the event of default in loan repayment (principal and interest), the PFIs shall have the right to charge commercial interest rate on the amount of default
- iv) Unauthorized withdrawals from revenue collection account – the DMB to refund the money within 48 hours of discovery
- v) Banks that flout the Terms & Conditions of the facility would be sanctioned

## **12.0 Discontinuation of Credit Facility**

Whenever a loan is repaid or the facility is otherwise discontinued, the PFIs shall advise the CBN immediately, giving particulars of the credit facility.

### **Enquiries**

The Director, Development Finance Department  
Central Bank of Nigeria, Abuja.

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