

Privatization of Power Supply in Ondo State: Consumers' Response

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ABSTRACT: This study examines consumers evaluation of privatization of power supply in Ondo State, Nigeria. The researcher adopted quantitative method. 289 copies of questionnaires were administered to the randomly selected respondents. 50.5% of the respondents disagreed on the regular supply of electricity with the take-over ($X^2= 52.71, p < 0.05$). 69.6% of respondents concurred that prepaid meter has stopped the incessant cutting of electricity cables ($X^2= 126.87, p < 0.05$). The chi square results, show that the public perceived BEDC staff more responsive to customer complaints now than before. The challenges faced by customers after the privatization range from unavailability of recharge cards; delay in the supply of pre-paid meters. malfunctioning of the pre-paid meter when there is low power outage. The following recommendations were made among others: Analog meters should be phased-out for prepaid meters, likewise the recharge cards of different denominations should be made available at the nearest BDEC offices to the consumers. There should be a technological improvement on prepaid meter so as to make it work effectively even when there is low power outage.

Keywords: consumer, power supply, privatization, searchlight.

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I. INTRODUCTION

For Nigeria, electricity is indispensable to national growth and economic development (Oke, 2012), and energy is widely acknowledged by energy experts and scholars as a prerequisite to economic growth and development (Sparrow; Masters and Bowen, 2012). Despite concerted efforts made by the Nigerian government at keeping pace with global trends in electricity governance through the enactment of the Electric Power Sector Reform Act 2005 (EPSR Act, 2005) which aims to bring about privatization of the electricity sector in the country, the pace has been slow and seemingly unattractive to private investors, this is due to the perceived risk connected to the Nigerian electricity sector (Oke, 2012). NEPA was established as a vertically-integrated monopoly responsible for the generation, transmission and distribution of power in Nigeria. By virtue of the National Electric Power Authority (NEPA) Decree, all commercial electric supply was the exclusive preserve of NEPA (NEPA Decree, 1972). This monopoly continued until the regime of privatization and commercialization in 1988.

In 1988, the Nigerian regime of electricity governance subsequently witnessed a major shift towards liberalization of NEPA's monopolistic status in the sector. The Electricity Act of 1990 was amended in 1998 by virtue of a military decree (now Electricity Amendment Act, No 28 of 1998). The amendment stripped NEPA of its monopoly, in terms of power generation, to pave the way for independent power producers (IPPs) in the country (Koleoso, 2012). The slogan of the new regime is liberalization, which gave rise to full-blown reforms that eventually led to repeal of the NEPA (Amendment) Act and regulations made pursuant thereto, as well as dissolution of NEPA and its replacement with the Power Holding Company of Nigeria (PHCN), as part of the large-scale reform in Nigeria's electricity sector under the EPSR Act, 2005. (Electric Power Sector Reform (EPSR) Act 2005, Cap E7, Laws of the Federation of Nigeria (LFN, 2004.) It was an attempt of the Nigerian government to intervene in the strategic sector of the economy that gave "birth" to the National Electric Power Authority now PHCN.

At its inception, Power Holding Company of Nigeria thus remained a vital and almost indispensable public enterprise in the area of electricity generation, transmission and distribution. The Authority was rated fairly well during its few years of existence but its performance deteriorated in the last two decades and since then it has remained the most criticized public enterprise and has thus become the butt of the Nigerian public (Ubi and Effiom, 2013; Omoleke, 2011; Okafor, 2008). PHCN has not been performing as efficiently as the enabling decree envisaged (Ubi and Effiom, 2013). The organisation has failed to rationalize its structure and management. Hence, it has been unable to achieve cost effectiveness in the generation and distribution of

electricity, forcing government to pay huge subsidies to protect Nigerian electricity consumers, despite taking advantage of government's commercialization programme to raise more revenue through increased tariffs.

Statement of the Problem

According to the Nigerian Energy Policy report from 2003, it is estimated that the population connected to the grid system is short of power supply over 60% of the time. Additionally, less than 40% of the population is even connected to the grid. On a fundamental level, there is simply not enough electricity generated to support the entire population (Okoye, 2007). The grid is powered by hydropower and thermal, which itself is composed of fossil fuels. Within each of these sources there are structural problems that detract from the overall efficiency of the energy producing capacity of each type of infrastructure. Although the government has recognised the need for more electricity, it has had great difficulty funding and organising this endeavor. As an attempt to rectify this situation, the government divided the National Electric Power Authority (NEPA) into two sectors in 2005, one in charge of the generation of power and the other in charge of the distribution of power. As part of this division, the government sought to privatize these sectors in an effort to finance and organise the needed development of infrastructure.

The arguments on the side of the government was that the needed infrastructure can only be developed to provide enough energy for the entire country with the financial support of the private sector; the general populous, however, outwardly opposed the prospect of privatizing the energy sector and sabotages most attempts made by the government to do so. In fact, there were suspicions of sabotage by members of the government's own energy sector. Despite the public negative out-cry to privatization of power sector in Nigeria, the federal government of Nigeria went ahead to privatize the sector in 1999. Benin Electricity Distribution Plc (Benin Disco) took over the distribution of electricity in November, 2013 as one of the successor companies created following the bundling of the Power Holding Company of Nigeria Plc (PHCN). Benin Disco is responsible for distributing electricity in Delta, Edo, Ekiti and Ondo States.

Scholars have made several attempts to research on power sector/energy crisis in Nigeria, among these are the works of Ayodele, (2001), where efforts were made at establishing the relationship between energy consumption and economic growth; Adegbulugbe and Akinbami, (2002), investigated the relationship between the energy sub-sector and economic development in Nigeria; Omoleke, (2011). These studies on energy sub-sector tend to be descriptive. There seems not to be enough quantitative work on the reforms in power sector in Nigeria and most especially as this reforms affect the consumers. Therefore, doing a quantitative research on the consumers' perception and response of privatization of power supply in Ondo State, Nigeria would go a long way in accessing the government policy of privatization of power sector, so as to know if it has brought the desired results.

Objectives of the Study

The objectives of this study are:

- i. To investigate the consumers' perception/response to privatization of power supply in Ondo State;
- ii. To know if there is an improvement in the power supply/tariff plan after privatization of; and,
- iii. To identify the challenges faced by the consumers with privatization of power in Ondo State.

II. THEORETICAL FRAMEWORK

Correspondent Inference Theory

According to correspondent inference theory (Jones and Davis, 1965), information about another person's behaviour and its effects are used to draw a correspondent inference, in which the behaviour is attributed to a disposition or personality characteristic. First, there is the issue of whether the effects of someone's behaviour were intended. Correspondent inference is more likely to be drawn if the behaviour appears intentional than when it is unintentional. Second, we are more likely to decide there is a correspondence when the effects of the behaviour are socially undesirable. For example, if someone is very rude in a social situation, we conclude that he/she is an unpleasant person. On the other hand, if someone is conventionally polite, we feel we have learned little about that person. In deciding whether someone's behaviour corresponds to an underlying disposition, we also make use of the non-common effects principle. If the other person's actions have rare or non-common effects not shared by other actions, then we infer an underlying disposition. Correspondent inference theory has various limitations. First, it is assumed that observers decide on the commonality of effects by comparing the actor's actual behaviour with several non-chosen actions. In fact, observers rarely consider non-chosen actions (Nisbett & Ross, 1980). Second, correspondent inferences are often drawn even when we judge someone's actions to be unintentional. As Hogg and Vaughan (2002) pointed out, careless behaviour is unintentional, but often leads us to conclude that the individual concerned is a careless person. Third, as we will see shortly, the processes involved in drawing inferences about others' behaviour are more complex than is suggested within correspondent inference theory.

In relation to the above theory, consumers can have an inference about the takeover of power by BDEC, this perception can be based on the intentions of government towards privatization and experiences recorded with

power supply after the privatization. Meanwhile, Consumers' perception, either positive or negative will be determined by the results which the privatization process brings to consumers and the improvement witness after the privatization of the sector. If there is an improvement in the sector consumers perception is likely to be positive, as this would convince them to see reasons why government embark on such venture and if otherwise (negative), it would be perceived as another process geared toward enriching the pockets of the few.

III. METHODOLOGY

The population of the study consists of the five major towns in Akoko South-west and Akoko North east local government areas of Ondo State. These towns include: Oka-Akoko, Akungba-Akoko, Supare-Akoko (in Akoko South west), while Ikare-Akoko and Arigidi-Akoko were selected from Akoko North east. Akoko South west and Akoko South east local government areas have a population of 229,486 and 175,409 respectively at the 2006 census. There are several quarters in each of these towns, but our focus was on two quarters from each of the selected towns. The quarters are as follows: in Oka-Akoko; Owalagba and Iwaro quarters were selected; Akungba-Akoko has Ibaka and Okusa quarters; while Alfa and Etioro quarters were selected from Supare-Akoko and finally, Alapata and Edo quarters from Ikare-Akoko and Oke-tapa and Ikun quarters from Arigidi-Akoko.

The sample size for this study is Two hundred and eighty nine (289) respondents presently residing in Akoko South west and Akoko North east local government areas of Ondo State, Nigeria. Systematic random sampling method was employed to select five towns from the two local government areas, the selected towns were divided into blocks, based on the number of quarters they have. From each of the selected towns, 2 blocks were randomly selected for this study. This translates to a total of 10 blocks. Houses that fell within the selected blocks were selected systematically using Sample Interval (S.I) of 5.

Questionnaire was employed in data collection. The questionnaire that was administered was divided into sections: Section 'A' contains questions on the socio-economic characteristics of the respondents. Other section covered questions that seek information on the objectives of this study. Two hundred and Eighty-nine (289) copies of questionnaire were administered to electricity consumers who fell under our sample, using simple random sampling method as follows; Oka Akoko (70), Akungba-Akoko (55), Supare-Akoko (50) Ikare-Akoko (70) and Arigidi-Akoko (44). Also, the researcher made use of Secondary data which were sourced from available materials such as textbooks, journals, articles, seminar and conference papers and general library materials, newspaper, internet and other related facilities. Quantitative data was analysed using descriptive techniques, under which, tabulations, cross tabulations, means, simple frequencies, percentages were used; descriptive models, and explanatory techniques which involved Chi-square analysis was also used.

IV. FINDINGS AND DISCUSSION

Demographic Characteristics of the Respondents

From the sample of 289 respondents which constitute the sample frame of this study, 52.9% were males, while 47.1% were females. Their age distribution shows that 56.7% were between the age range of 18-26 years, 27.7% between the range of 27-35 years, 9% between 36-44 years of age and 6.6% were 45 years and above. The findings shows that 221 respondents were Christians (76.5%), 57 were Muslims (19.7%) and 11 (3.8%) practiced traditional religion. Also, 78 (27%) of the respondents were traders, 125 (43.3%) were Civil Servants and 86 (29.8%) had businesses of their own. 197 (68.2%) of the respondents were single, 79 Married (27.3%), while 13 respondents (4.5%) were divorced.

Consumers' Response to Privatization of Power Supply

The consumers' evaluation of privatization of power supply in Ondo State shows that 17% of the respondents strongly agreed and 29.4% agreed that power supply was effective before it was privatized while 48.4% disagreed. ($X^2= 52.23$, $p < 0.05$). In similar manner, 42.6% of respondents agreed that electricity supply was more regular before the takeover of PHCN by BEDC while 49% of participants disagreed with this statement ($X^2= 46.76$, $p < 0.05$). 36% disagreed and 14.5% strongly disagreed with the statement that those that work with electricity on daily basis now enjoy regular power supply with the take-over ($X^2= 52.71$, $p < 0.05$). It was also indicated that (29.1% disagreed and 25.6% agreed) did not confirm the statement that hardly was there a week without power supply for 72 hours ($X^2= 57.73$, $p < 0.05$). Finally, while 14.9% of respondents strongly agreed that there was a reduction in embarrassment experience by customers since the take-over, 34.9% agreed, 18% were undecided, 21.5% disagreed and 10.7% disagreed strongly ($X^2= 49.39$, $p < 0.05$).

Customers' satisfaction with the current tariff is evident in their responses as; 57.1% agreed that the tariff in place is commensurable with the present power supply while 28.4% disagreed ($X^2= 93.20$, $p < 0.05$). Also, 54% of respondents stated that the old tariff was too high while 33.9% disagreed ($X^2= 70.153$, $p < 0.05$). Also, majority of respondents agreed (18% strongly agreed and 48.8% agreed) that the new billing method does not give room for fraud while 21.1% disagreed ($X^2= 157.63$, $p < 0.05$). Similarly, 18% strongly agreed and 42.6% agreed that customers are now billed for what they consume while 16.3% disagreed and 13.5% strongly

disagreed ($X^2= 97.63$, $p < 0.05$). It was also observed from the results above that 69.6% of respondents (27% strongly agreed and 42.6% agreed) concurred with the statement that the prepaid meter has stopped the incessant cutting of electricity cables and also saved the customers of frequent embarrassments which always erupt whenever monthly bills are being distributed ($X^2= 126.87$, $p < 0.05$). On the responsiveness of the staffers, it was observed that 21.1% of the respondents strongly agreed and 39.1% agreed that staffers have become more responsive to customers complaints since the take-over while 21.8 disagreed ($X^2= 93.34$, $p < 0.05$). It was also indicated that 13.1% strongly agreed and 48.5% agreed that customers now had direct access to customer-care services while 24.9 disagreed ($X^2= 164.82$, $p < 0.05$). The results also confirmed that complaints of fraudulent acts are handled with all seriousness by the new corporation ($X^2= 62.82$, $p < 0.05$). This was such that 14.2% strongly agreed, 33.9% agreed, 26% were undecided, 19% disagreed and 6.9% strongly disagreed. The results also implied that 12.8% strongly agreed and 34% agreed that reports of electrical damages now receive prompt attention. Just 38.1% disagreed while 14.5% of respondents were undecided ($X^2= 55.38$, $p < 0.05$). Based on the chi square results, the observed variation in responses were significant, thus it can be concluded that the public perceived BEDC staff more responsive to customer complaints.

The results on the challenges facing customers showed that majority (28% strongly agreed and 36% agreed) concur that recharge cards for the meter are not always available while 23.9 disagreed ($X^2= 91.54$, $p < 0.05$). Results also showed that 58.1% said travelling long distance is a challenge faced by customers while 31.1% disagreed ($X^2= 102.51$, $p < 0.05$). The response on the time of supply of meters indicated that 23.9% strongly agreed, 41.2% agreed while 17.5% disagreed ($X^2= 107.25$, $p < 0.05$). It was also noted that 43.6% of the participants said that it takes time to repair or replace a damaged meter while 10.7% disagreed ($X^2= 144.62$, $p < 0.05$). Finally, majority of respondents (21.13% strongly agreed and 33.9% agreed) indicated that prepaid meters do not work well when there is low power voltage. Just 14.5% disagreed. ($X^2= 54.3$, $p < 0.05$). The result implies that all factors listed above are major challenges confronting customers after the (privatization) take-over by BEDC.

Hypothesis 1: There is no significant relationship in the improvement of power supply and the (privatization) takeover of PHCN by BEDC

The chi-square test revealed that 46.4% disagreed with the statement that there was satisfaction with power supply before the takeover of PHCN by BEDC. 5.2% were undecided, while 48.4% agreed. With the chi square value of 52.228 and df of 4, the p value was less than 0.05 level of significant. This implies that presently, people perceived that there was satisfaction with power supply before the takeover of PHCN by BEDC. A supporting statement was such that majority of the respondents also agreed that electricity supply was more regular before the privatization of power supply. This was such that 49.4% agreed, 8% were undecided, while 42.6% disagreed. The X^2 value of 46.761 and df of 4 was such that p was less than 0.05 level of significant, therefore the observed differences were significant. Based on the findings, it was confirmed that there was a significant relationship between improvement of power supply and takeover of PHCN by BEDC. This was such that the electricity supplies decreased after the privatization of power supply in Ondo State.

V. SUMMARY, RECOMMENDATION AND CONCLUSION

This study focused on consumers' response to the take-over of PHCN by BEDC (privatization) in Akoko South West Local government area of Ondo State, Nigeria. The summary is based on the data collected from the field, and it represents the findings obtained from the analysis made. The summary shows that above fifty percent of the respondents answered in the affirmative that electricity supply was more regular before the privatization of power supply in Ondo State, while 49% of respondents disagreed with the statement. The findings also revealed that the privatization of the power supply has not really impacted positively on the power supply in Akoko South West local government. Even though, the respondents agreed that there has been a reduction in embarrassment experience by customers since the privatization of power supply, this could only be said of customers who have pre-paid meters.

From the discussion of findings stated above, the following recommendation are therefore made; Analog meters should be totally phased-out, those who are presently having it should be made to apply for pre-paid meters. Also, prepaid meters should be made available and the supply should also be timely, likewise the recharge cards of different denominations should be made available at the nearest BDEC offices to the consumers. Customer-care line should be improved upon so that there will not be any intermediary between customers and BDEC. There should also be a technological improvement on prepaid meter so as to make it work effectively even when there is low power outage. More efforts should be geared towards the improvement of electricity generation and transmission technology in Nigeria by BDEC. Government should as a follow up to improvement in technology, also encourage capital formation in power sector as this would boost electricity generation and supply and consequently economic development in Nigeria.

The paper concluded that electricity is the bedrock of socio-economic development of any nation hence priority must be set for its adequate budgetary funding in Nigeria. Furthermore, there is need for a regular 'turn around maintenance' (TAM) of BEDC's installations and acquisition of modern tools if regular power supply is to be guaranteed. There is urgent need for the federal government of Nigeria to continually update the distribution facilities and networks to ensure effective evacuation and delivery of electricity to households and enterprises in Nigeria. Also, the federal government of Nigeria should do a regular review of the privatization policy of the power sector so as to make it beneficial to the masses.

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