

The Lagos State Electricity Law, 2024: A Synopsis



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INTRODUCTION

On 3rd December 2024, the Governor of Lagos State, Babajide Sanwo-Olu signed the Lagos State Electricity Bill into law, thereby enacting the Lagos State Electricity Law, 2024 (the "**Law**"). This landmark legislation aligns with the Fifth Alteration Act No. 33 of the 2023 Constitution of the Federal Republic of Nigeria, (the "**Constitution**") and the Electricity Act, 2023 (as amended) (the "**EA**"), which empower states to legislate on the generation, transmission and distribution of electricity within their territories.

The Law repeals the Lagos Electric Power Sector Reform Law, 2018 and introduces a comprehensive framework for creating and regulating the Lagos Electricity Market (the "**Market**"). It aims to ensure reliable and uninterrupted power supply, prioritise sustainable energy solutions, and attract investment to the Market.

WHY LAGOS STATE NEEDED ITS OWN ELECTRICITY LAW

As Nigeria's commercial hub, Lagos State contributes approximately 30% of the national Gross Domestic Product ("GDP") and 50% of the non-oil GDP¹. The state's economic activity is largely powered by less than 1,000 Megawatts (MW) of electricity supplied from the national grid to the two electricity distribution companies (Discos) operating in the State. In practice, however, Lagos is almost entirely reliant on a fleet of over 15,000 MW of backup generator capacity, fuelled by expensive and highly polluting distillates such as fuel oil, petrol, and diesel.

This dependence on unreliable and costly power sources impedes economic growth and undermines the state's ambition of becoming a globally competitive metropolis.

With an estimated population of approximately 16.5 million people², Lagos State's demographics position it as the most populous city in Nigeria and

¹ [Lagos Electricity Policy.pdf](#)

² <https://worldpopulationreview.com/cities/nigeria/lagos>

one of the largest urban centers in sub-Saharan Africa.

Consistent power supply is, therefore, critical to Lagos State's burgeoning population and the city's economic success for several reasons, including infrastructure development, economic growth, competitiveness, job creation, environmental sustainability, social development, and urban planning and expansion. As Lagos State continues to urbanise, reliable electricity serves as a cornerstone for supporting infrastructure development and stands as a linchpin for the State's economic resilience, environmental sustainability, and overall progress.

Recognising that no progressive and modern economy in the world has flourished in the face of a combination of electricity inadequacy and supply imbalance, Lagos State enacted the Lagos State Electricity Law, 2024. The Law aims to, amongst other things:

- a. create a commercially and technically sound Market that is well-funded and financially viable;
- b. facilitate the delivery of affordable, reliable, sustainable and modern public electricity access to consumers in the State;
- c. facilitate investment and innovation within the Market;
- d. incentivise the behaviour of licensees, electricity consumers, investors and other market participants, ensuring the delivery of constant, reliable and cost-efficient electricity supply to consumers in the State; and
- e. promote the provision of off-grid solutions for households, and micro, small and medium scale enterprises in the State³.

The Lagos State Electricity Law, 2024, aims to electrify underserved areas, support sustainable development, and ensure reliable interconnection between the Lagos and National Electricity Markets. It encourages adopting diverse and sustainable

energy sources, promoting energy efficiency, and integrating modern, clean technologies for electricity access. Additionally, the law seeks to foster competition within the Market to enhance innovation and service delivery.

The newly enacted Lagos State Electricity Law is anticipated to establish a robust and commercially viable electricity market, ensuring the provision of reliable, affordable, and sustainable electricity to all consumers across the State.

THE PATH TO STATE-LEVEL ENERGY AUTONOMY

An amendment to Nigeria's constitution in 2023 granted Nigerian states the authority to generate, transmit, and distribute electricity within their respective states. This legal development enabled Lagos State to take direct control of its energy future by creating its own electricity market framework.

The provisions of the Constitution and the EA both set the stage for state-level electric power supply autonomy in Nigeria. Since the decentralisation of the electricity market, some states⁴ have enacted their own electricity laws to establish legal and regulatory frameworks for their respective markets. These states will undergo a transitional process during which the regulatory authority for intra-state electricity activities will shift from the Nigerian Electricity Regulatory Commission (NERC) to state-level regulators.



³ Section 2 of the Lagos State Electricity Law 2024.

⁴ Lagos State, Kaduna State, Edo State and Enugu State.



In contrast, states without statutory frameworks will continue to rely on NERC for regulating activities relating to electricity generation, distribution and transmission until they set up statutory frameworks.

Under the new regime, states are empowered to regulate their electricity markets by issuing licenses to project sponsors and/or developers to operate mini-grids and power plants independently of the national grid. This approach enables states to customise energy solutions to meet their specific needs.

It is important to note, however, that the NERC retains its role as the central regulator for inter-state electricity generation, transmission, and supply. Furthermore, entities licensed by state-based regulatory commissions that rely on any part of the national grid will remain under NERC's oversight and regulation for their grid-dependent operations.

KEY PROVISIONS OF THE LAW

a. The Lagos State Electricity Regulatory Commission

The Law establishes the Lagos State Regulatory Commission (the "Commission") as an independent body responsible for regulating the Market⁵. The Commission's independence is crucial for ensuring that it can carry out its functions without undue influence, maintaining objectivity and fairness.

To enhance operational efficiency, the Commission is empowered to operate through various departments, which it may consider necessary to discharge its responsibilities effectively⁶.

The Commission holds extensive powers vital to the regulation and development of the Market, including regulating the Market in accordance with the provisions of the Law and the Lagos Integrated Electricity Policy and Strategic Implementation Plan; overseeing licenses for all regulated activities; setting and reviewing tariff methodologies; and promoting the adoption of environmentally friendly and climate efficient electricity solutions in the State⁷.

The Commission is empowered to hold hearings on matters concerning licensees, tariffs and any other issues arising from its decisions under the Law⁸.

In line with the Lagos State Public Procurement Law, the Commission is also required to adhere strictly to procurement processes under the Lagos State Public Procurement Law⁹ in order to foster transparent and fair procurement processes.

⁵ Section 5 of the Lagos State Electricity Law, 2024.

⁶ Section 5(4) of the Lagos State Electricity Law, 2024.

⁷ Section 18 of the Lagos State Electricity Law, 2024.

⁸ Section 20 of the Lagos State Electricity Law, 2024.

⁹ Section 40 of the Lagos State Electricity Law, 2024.

Beyond its regulatory and oversight duties, the Commission is tasked with monitoring the performance of licensees and other market participants to ensure compliance with regulatory standards and support the overall growth of the electricity market. To promote transparency and provide critical market insights, the Commission is mandated to publish an annual report titled “*The Lagos Electricity Market Report*” by April 30th each year¹⁰. This report serves as an essential tool for evaluating market conditions, informing policy decisions, and keeping stakeholders well-informed.



b. The Lagos Integrated Electricity Policy and Strategic Implementation Plan

The Lagos Integrated Electricity Policy and Strategic Implementation Plan (the “**Policy**”) is a cornerstone of the regulatory framework established by the Law, aimed at ensuring a structured, sustainable, and efficient electricity market in Lagos State. The Policy mirrors the provisions of the EA at the federal level, which mandates the Minister responsible for power to prepare and publish an Integrated National Electricity Policy¹¹. In this case, the Lagos State Ministry of Energy and Mineral Resources (the “**Ministry**”), in consultation with the Commission and relevant stakeholders, is charged with developing and publishing the first edition of the Policy within six months of the Law’s commencement¹². The issuance of the Policy is subject to the approval of the Governor of Lagos State before it is publicly available¹³.

The Policy is designed to address several critical aspects of the electricity sector in the State. These include the creation of a clear and functional structure for market operations, promoting decarbonisation by encouraging renewable and sustainable electricity generation, and developing the entire electricity value chain. The Policy will ensure that the expansion of generation, transmission, distribution, and supply infrastructure is aligned for reliability and efficiency, minimising losses. Additionally, it will incorporate energy efficiency measures, demand-side management strategies, and arrangements for public-private partnerships to maintain the security, reliability, and affordability of electricity supply in the Market¹⁴.

The Ministry is tasked with overseeing the implementation and monitoring of the Policy¹⁵, ensuring that its objectives remain aligned with the Market’s evolving needs. Each edition of the Policy is set with a planning horizon of at least 10 years, providing a long term strategic vision for the Market. To adapt to emerging challenges and opportunities, the Policy is subject to a periodic review every 5 years¹⁶, allowing for necessary adjustments and updates.

¹⁰ Section 44 of the Lagos State Electricity Law, 2024.

¹¹ Section 3 of the Electricity Act, 2023.

¹² Section 45(1) of the Lagos State Electricity Law, 2024.

¹³ Section 45(3) of the Lagos State Electricity Law, 2024.

¹⁴ Section 45(2) of the Lagos State Electricity Law, 2024.

¹⁵ Section 46 of the Lagos State Electricity Law, 2024.

¹⁶ Section 47 of the Lagos State Electricity Law, 2024.



c. The Lagos Independent Service Operation (the “Lagos ISO”)

The establishment of the Lagos ISO is another key highlight of the Law.

Similar to the EA, the Law provides for the establishment of the Lagos ISO, with the responsibility for overseeing the operation and licensing of electricity supply with the State¹⁷. The Lagos ISO, upon its establishment is required to obtain a system operation licence from the Commission for its operation¹⁸.

A unique feature of the Lagos ISO is the structure in which the entity is expected to take. The Law provides that the entity is to be established as a company limited by guarantee. In addition to this, the Law specifies that the Lagos ISO shall be structured as a non-profit entity and any profit made by the entity shall not be distributed to its members but utilised for the purpose of carrying out its objects, thereby ensuring its continued sustainability and efficiency¹⁹.

Also, the Law stipulates that prior to the establishment and commencement of operations by the Lagos ISO or during the transitional period, the Commission shall put in place a system operations unit which shall have

the responsibility for performing system operation activities in the Market until the Lagos ISO is fully operational²⁰. This provision ensures that there is no disruption to the Market’s activities prior to the establishment of the Lagos ISO and during the transition period.

A core responsibility of the Lagos ISO is the development and modification of market rules²¹. These rules are vital for ensuring the safe, reliable, and efficient operation of the Market. The market rules, once developed or amended, are legally binding, and they operate as a contract between the Lagos ISO, market participants, and licensees. This contractual framework ensures that all parties, that is, licensees, market participants, and the Lagos ISO are bound by the terms and conditions set out in the rules, fostering accountability and adherence to best practices in the Market.

d. Electricity Licences and Permits Under the Lagos State Electricity Law

In consonance with the EA, the Law mandates that individuals or entities engaged in the generation, transmission, distribution, trading, or supply of electricity within the State must obtain the relevant licenses or permits in accordance with the Law or any regulation made pursuant to it²². The Law allows activities involving production capacities not exceeding 1 megawatt (MW) to be exempt from licensing requirements, thereby fostering smaller electricity generation initiatives without regulatory burdens²³.

A notable distinction between the Law and the EA is in the licensing threshold for distribution of electricity. While the EA allows electricity distribution of up to 100 kW without a license²⁴, the Law sets the minimum licensing threshold at 1 MW for all types of licenses.

¹⁷ Section 96 of the Lagos State Electricity Law, 2024

¹⁸ Section 99 of the Lagos State Electricity Law, 2024

¹⁹ Section 97 of the Lagos State Electricity Law, 2024.

²⁰ Section 97(6) of the Lagos State Electricity Law, 2024.

²¹ Section 101 of the Lagos State Electricity Law, 2024.

²² Section 49(1) of the Lagos State Electricity Law, 2024.

²³ Section 49(4) of the Lagos State Electricity Law, 2024.

²⁴ Section 63(2a) of the Electricity Act, 2023.

The Law also introduces flexibility, allowing the Commission to grant exemptions from licensing requirements through regulations²⁵. These exemptions, along with the criteria for eligibility, will be publicly disclosed on the Commission's website to ensure transparency. However, the lack of specified eligibility criteria in the Law may lead to under regulation if exemptions are not promptly published.

Additionally, the Law clearly outlines the application process for obtaining, renewing, and revoking licenses, as well as restrictions on the assignment or transfer of licenses. Licensees are prohibited from transferring or assigning their licenses without prior approval from the Commission. Any unauthorised transfer will be deemed void²⁶.

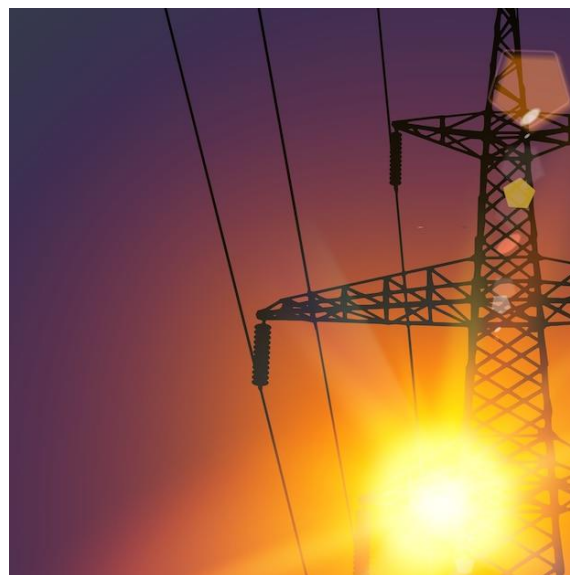
Additionally, persons carrying out regulated activities are required to apply for a license within three months of the Law's enactment²⁷, and any licenses issued will be valid for up to 10 years²⁸.

e. Generation Licence under the Lagos Electricity Law

The Law authorises the Commission to issue generation licenses to individuals or entities seeking to engage in electricity generation within the State²⁹. The license allows the licensee to construct, own, operate and maintain generating stations, sell electricity and connect to transmission or distribution systems³⁰.

A key feature of the Law is the provision of a single license for multiple generating plants with a combined capacity exceeding 1MW³¹, as opposed to the previous requirement for

separate licenses for each plant under the Electricity Act (EA). This streamlined approach to the licensing process reduces administrative burdens and encourages investment in larger or multi-plant generation projects, ultimately promoting an increase in electricity supply in Lagos State.



Additionally, the Law addresses captive generation by mandating that any person or entity owning a captive generation plant with a capacity exceeding 1MW and not solely for personal use, must obtain a permit from the Commission³². This ensures that larger-scale captive generation, which could impact the broader electricity market, is subject to regulatory oversight.

f. Transmission Licence under the Lagos State Electricity Law

A Transmission Licence is granted by the Commission to entities engaged in the transmission of electricity within Lagos State³³. The Law clearly separates transmission operations from trading activities by

²⁵ Section 50 of the Lagos State Electricity Law, 2024.

²⁶ Section 62 of the Lagos State Electricity Law, 2024.

²⁷ Section 49(2) of the Lagos State Electricity Law, 2024.

²⁸ Section 60 of the Lagos State Electricity Law, 2024.

²⁹ Section 71 of the Lagos State Electricity Law, 2024.

³⁰ Section 72(1a) of the Lagos State Electricity Law, 2024.

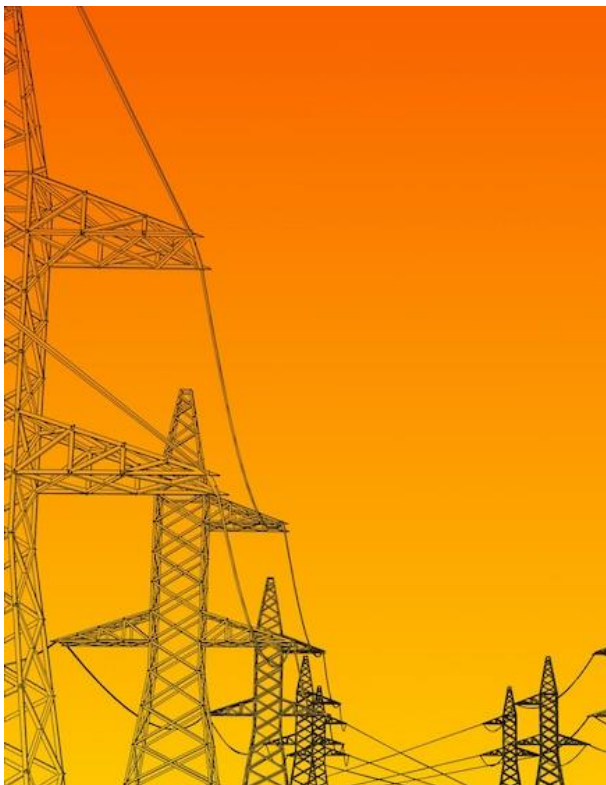
³¹ Section 72(2) of the Lagos State Electricity Law, 2024.

³² Section 74 of the Lagos State Electricity Law, 2024.

³³ Section 75 of the Lagos State Electricity Law, 2024.

prohibiting transmission licensees from engaging in electricity trading³⁴.

A distinctive feature of the Law is that transmission licensees are allowed to use their assets for other business ventures, subject to the Commission's approval. However, income generated from these additional business activities must be partially allocated to lowering the charges for transmission and wheeling services³⁵. This provision promotes the efficient use of transmission assets, encourages financial sustainability for transmission operators, and ensures that the benefits of additional earnings are passed on to consumers by reducing transmission and wheeling costs. The balance of commercial incentives for licensees and affordability for consumers supports the creation of a more efficient and cost-effective electricity market in Lagos State.



g. Trading Licence under the Lagos State Electricity Law

³⁴ Section 77(2) of the Lagos State Electricity Law, 2024.

³⁵ Section 78 of the Lagos State Electricity Law, 2024.

³⁶ Section 79 of the Lagos State Electricity Law, 2024.

A Trading Licence may be granted by the Commission to individuals or entities that wish to engage in the bulk trading of electricity within Lagos State, in line with the provisions of the law and any relevant regulations³⁶.

A trading licence allows the holder to engage in the bulk purchase and resale of electricity within the State. The licence authorises the holder to buy electricity from generation licensees, including those outside Lagos, and resell it to distribution or supply licensees, or bulk consumers³⁷.

The scope of this licence is broad, given that it permits the holder to procure electricity not only from generation licensees within Lagos State but also from entities licensed by other regulators outside the State. This flexibility supports the seamless integration of electricity from various sources into the Market, ensuring a stable and diverse supply, while also encouraging competition amongst market participants.

Trading licensees have several key obligations:

- They must publicly disclose their rates, charges, and service terms.
- They are required to coordinate with other licensees and market participants as needed.
- They must comply with instructions from the Lagos Independent System Operator (ISO) and adhere to the Market Rules and Grid Codes.
- They are also expected to meet the service and performance standards specified in their licence and any relevant regulations or directives from the Commission³⁸.

³⁷ Section 80 of the Lagos State Electricity Law, 2024.

³⁸ Section 81 of the Lagos State Electricity Law, 2024.

h. Distribution Licence and Supply Licence

The Law establishes a framework for the grant of both distribution and supply licenses within Lagos State.

A **Distribution Licence** authorises entities to engage in the distribution of electricity within the State. The distribution licensee is responsible for developing, operating, and maintaining a reliable, efficient, and environmentally responsible distribution system. The licensee must also publicly disclose its rates and provide non-discriminatory, open access to its distribution system for use by other licensees or market participants in accordance with the Law³⁹.



A **Supply Licence**, on the other hand, is granted to entities providing electricity supply within the State. Supply licensees can sell electricity to both domestic and non-domestic

premises, or exclusively to non-domestic premises. However, supply licensees are required to source the electricity they supply only from generation or trading licensees and are prohibited from selling electricity to entities intending to resell it⁴⁰. This restriction ensures that supply licensees focus on serving end users directly.

i. Tariff Regulation

The Lagos State Electricity Law, 2024, establishes a framework for fair, transparent, and efficient tariff regulation in the Market⁴¹. The Law empowers the Lagos State Regulatory Commission (the "Commission") to develop and enforce tariff methodologies that balance the interests of electricity consumers and service providers.

Additionally, the Commission has the discretion to approve negotiated transactions between licensees and electricity consumers to improve supply or performance⁴². A central feature of the tariff regulation framework is the adoption of a standardised tariff methodology designed to enable licensees to recover reasonable costs and deliver quality services.

Key principles guiding this methodology include;

- a. Encouraging market competition and minimizing reliance on price caps or similar regulatory mechanisms.
- b. Allowing efficient licensees to recover reasonable costs and earn a fair return on capital investment.
- c. Providing consumers with clear information about how their electricity consumption affects costs and promoting efficient energy use.

³⁹ Section 84 of the Lagos State Electricity Law, 2024.

⁴⁰ Section 86 of the Lagos State Electricity Law, 2024.

⁴¹ Part XII of the Lagos State Electricity Law, 2024.

⁴² Section 106(3) of the Lagos State Electricity Law, 2024.

- d. Promoting the adoption of clean energy sources to mitigate climate change and environmental degradation.
- e. Ensuring operational efficiency and discouraging unnecessary expenditure by licensees⁴³.

To facilitate inclusivity and stakeholders' buy-in, the Law mandates that the Commission consult with licensees, electricity consumers, market participants, and other relevant stakeholders before adopting or amending a tariff methodology. This consultative approach fosters transparency and broad-based acceptance of tariff-related decisions.

j. Market Oversight and Consumer Protection Under the Lagos State Electricity Law, 2024

Oversight of the Lagos Electricity Market

The Lagos State Electricity Law, 2024, grants the Lagos State Regulatory Commission (the "Commission") extensive powers to oversee the Lagos Electricity Market by formulating rules, codes, and practices to ensure its safe and reliable operation. These regulations apply to all market licensees and are aimed at safeguarding the rights of electricity consumers in the State.

Clarifying Ambiguities Through Guidelines⁴⁴

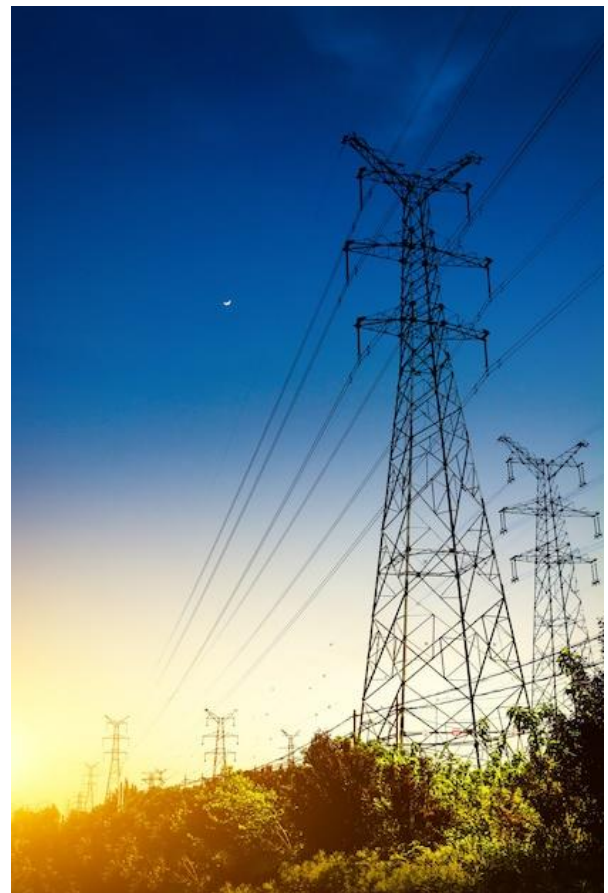
To address uncertainties within the Law, the Commission is authorised to issue guidelines that clarify ambiguous provisions. These guidelines aim to provide market participants with clear interpretations and directions, enhancing compliance with regulatory requirements and fostering a more predictable operational environment.

Proactive Compliance Mechanisms

The Law introduces a proactive compliance framework, allowing parties involved in agreements or transactions to seek the Commission's guidance on potential regulatory issues before proceeding⁴⁵. This mechanism helps parties identify and resolve compliance concerns early, reducing the risk of legal or operational conflicts.

Adoption of International Standards⁴⁶

The Commission is tasked with adopting and implementing international best practices, technical standards, and guidelines applicable to the electricity market including the renewable energy sector. These standards are expected to improve the reliability, efficiency, and safety of electricity generation, transmission, and distribution, while encouraging innovation within the Market.



⁴³ Section 104 of the Lagos State Electricity Law, 2024.

⁴⁴ Section 111(6) of the Lagos State Electricity Law, 2024.

⁴⁵ Section 111(7) of the Lagos State Electricity Law, 2024.

⁴⁶ Section 112(3) of the Lagos State Electricity Law, 2024.

Consumer Protection Measures⁴⁷

The Law places a strong emphasis on consumer protection as a key priority. It directs the Commission to establish regulations defining procedures and standards to safeguard the interests of electricity users. In collaboration with the Lagos State Consumer Protection Agency, the Commission must establish an efficient complaint-handling process to address consumer grievances. Regular updates are to be provided to consumers throughout the resolution process, ensuring transparency and accountability.

k. Off Grid Electrification and Related Matters

The Lagos State Integrated Resource Plan (IRP), with support from the Power Africa Nigeria Power Sector Program (PA-NPSP)⁴⁸, provides insights into the state's electricity landscape. It states that as of 2022, approximately 31% of households in Lagos State were connected to the national grid. Despite this connectivity, the electricity supply remains insufficient to meet the growing demand driven by the State's increasing population and economic activities. The IRP highlights that Lagos State's electricity demand is projected to grow by about 50% over the next decade, reaching approximately 66 terawatt-hours (TWh) by 2030.

This anticipated growth underscores the pressing need for substantial investments in generation, transmission, and distribution infrastructure to ensure a reliable and adequate power supply for the state's residents and businesses.



Despite the proximity of most residents to grid infrastructure, grid electricity supply remains insufficient to meet demand as the state allocation is grossly inadequate for its increasing population and economic activities⁴⁹.

The implication of the above is a substantial population of unserved and underserved customers across residential, industrial, and commercial sectors. These individuals and businesses are either entirely off-grid or rely heavily on self-owned electricity generators, kerosene lamps, and other fossil fuel-based energy sources.

This reliance not only increases the cost of electricity for consumers but also contributes to environmental pollution and inefficiencies in energy usage.

⁴⁷ Section 113 of the Lagos State Electricity Law, 2024.

⁴⁸ <https://lagosmemr.com/wp-content/uploads/2023/02/Lagos-State-MEMR-IRP-Report-2022-A.pdf>

⁴⁹ <https://lagosmemr.com/wp-content/uploads/2023/05/New-update-Double-Page-View-THE-LAGOS-STATE-OFF-GRID-ELECTIFICATION-STRATEGY-AND-ACTION-PLAN.pdf>

Incentives for the Deployment of Off-Grid Solutions

To bridge the gap in electricity supply, the Lagos State Electricity Law, 2024 establishes a comprehensive framework for promoting off-grid electrification in the State. The Ministry is tasked with fostering an investment-friendly environment by implementing various incentives, programs, and schemes to support the deployment of off-grid solutions⁵⁰.

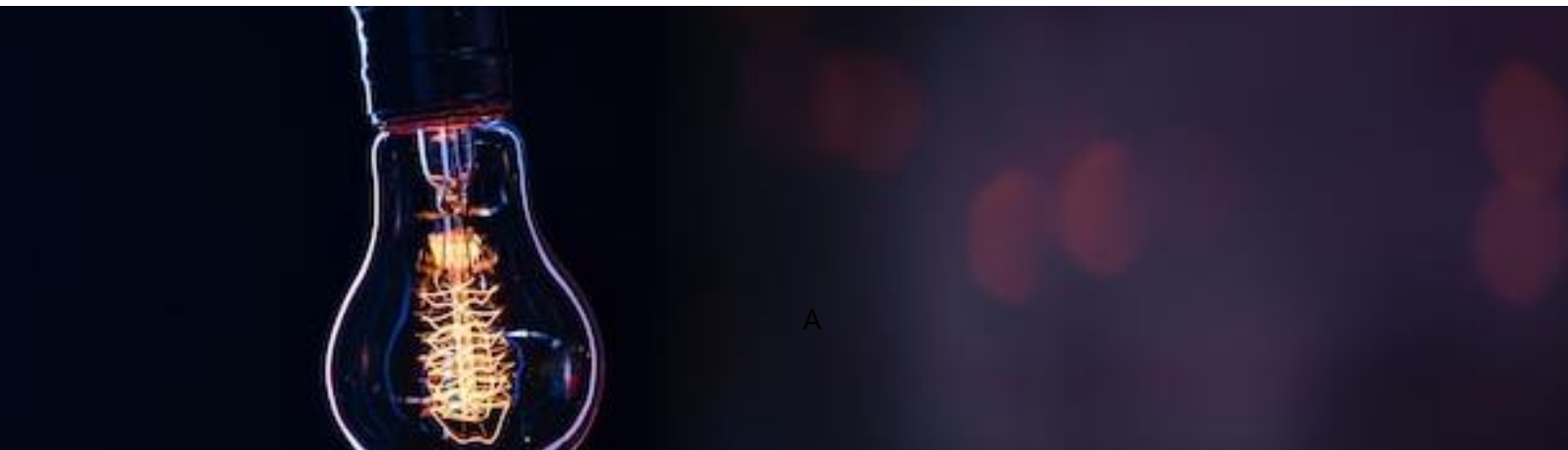
Potential Incentives to Encourage Investment

While the Law does not explicitly specify the types of incentives that will be provided by Lagos State, it is anticipated that these could include tax holidays on state-level taxes, concessional financing options, or grants for renewable energy projects.

Collaboration with the private sector is critical to identifying and implementing financial incentives that align with market needs. These measures will not only promote investment in off-grid electrification but also contribute to the long-term sustainability of the Market by diversifying energy sources and improving access to reliable power.

Off Grid Electrification Strategy and Action Plan⁵¹

The Ministry is tasked with establishing and publishing the criteria for identifying all unserved and underserved areas in Lagos State within 6 months of the Law’s commencement. This provision aims to direct resources and investments to areas with significant electricity deficit.



The Ministry is encouraged to engage with the Federal Government to negotiate potential relief on applicable federal taxes and levies, further enhancing the attractiveness of off-grid projects.

Importance of Private Sector Collaboration

Additionally, within 18 months, the Ministry must develop an Off-Grid Electrification Strategy and Action Plan for the State. This plan will outline the State's short-, medium-, and long-term targets for off-grid solutions, detail the role of the State in incentivizing and creating an enabling environment for private sector investment, and highlight the programs,

⁵⁰ Section 119 of the Lagos State Electricity Law, 2024.

⁵¹ Section 120 of the Lagos State Electricity Law, 2024.

projects, and activities to be implemented to promote off-grid solutions.

I. **Host Communities Development Trust Fund**⁵²

The Law reflects the growing expectation that companies should contribute actively to the development and well-being of the communities where they operate. To address this, the Law establishes the Host Communities Development Trust Fund (the "Fund") and mandates all power-generating companies⁵³ licensed by the Commission to contribute 2% of their annual operating expenditure to the Fund.

This initiative ensures that host communities, defined by the Law as those located within or adjacent to the areas of operation of power-generating companies, receive direct benefits from the operations of these companies. The establishment of the Fund, designed to support the development of these host communities, plays a crucial role in balancing the interests of the communities and the companies operating within them. By focusing on areas directly impacted by power generation activities, the Law promotes localised, impactful development, driving sustainable growth and improving living standards.

For generation companies, this provision strengthens their social license to operate, encouraging stability and minimising potential disruptions caused by community grievances.

To ensure transparency and accountability, the Fund will be managed by a reputable trustee, jointly appointed by power generating companies and host community representatives. This appointment follows a consultation and recommendation process by

the Commission, ensuring that both parties have a say in how the Fund is governed.

m. **Transition to the Lagos Electricity Market**⁵⁴

The Law outlines a transition process from the broader Nigerian electricity industry to the Lagos Electricity Market. To facilitate a seamless transition, the Commissioner⁵⁵ and the Commission are mandated to engage with the NERC, the Nigerian Electricity Management Services Agency (NEMSA), and other relevant federal government entities, as well as any pre-existing licensees. This collaborative approach



is designed to ensure alignment and coordination across all levels of governance and industry stakeholders, paving the way for a smooth and effective integration into the Lagos Electricity Market.

Notably, the Lagos State Electricity Law, 2024 does not explicitly relieve licensees from their obligations to the NERC. The Law addresses the transition process for licensees operating under the previous national framework, indicating that:

1. **Pre-existing Licenses:** Licenses, permits, and authorisations issued prior to the commencement of the Lagos State Electricity Law remain valid for their original term. These licenses will continue to be in effect until they are modified to comply with the State's new electricity

⁵² Section 174 of the Lagos State Electricity Law, 2024.

⁵³ There is no clarity in the Law regarding what constitutes a "power-generating company" or how broad this description is to be construed

⁵⁴ Section 178 of the Lagos State Electricity Law, 2024.

⁵⁵ According to the Law, Commissioner is defined as the Commissioner for Energy and Mineral

policies, and the licensees will remain under the oversight of NERC until they obtain a new license from the Commission.

2. **Regulatory Transition:** After obtaining a new license from the Lagos State Commission, pre-existing licensees will then become subject to the regulatory oversight of the Commission, and their activities will be aligned with the State's electricity objectives.

During the transitional phase, therefore, licensees are still expected to comply with federal regulations (including those of NERC) until they are fully integrated into the Market. Once the transition is complete and new licenses are issued by the Commission, the responsibility for oversight and compliance will shift to the state-level Commission, while previous federal obligations may cease.

This process emphasises the gradual shift of regulatory authority from NERC to the Commission but does not explicitly release current licensees from their existing obligations to NERC until they transition to the new framework.

With regard to tariffs, prices, and levies, the Law specifies that all charges applicable before its commencement will remain in effect until the Commission establishes new provisions. This transitional provision ensures stability in electricity pricing, mitigating uncertainty for consumers and reducing potential resistance to the changes. By temporarily maintaining existing rates, the Law protects consumers from sudden tariff increases and helps build public trust in the newly established market structure.

Industry participants are strongly advised to familiarise themselves with their obligations under the Lagos State Electricity Law, 2024. It is crucial that they closely monitor their existing

licenses, including tracking the expiration dates of such licenses, to ensure they are prepared for a smooth and efficient transition within the framework of the new Law when their current licenses expire. This proactive approach will enable a seamless adaptation to the regulatory changes and ensure compliance with the requirements of the Lagos State Electricity Market.

FOCUS ON RENEWABLE ENERGY

Nigeria's renewable energy potential is vast, with the country having an estimated solar energy potential of 427,000 MW, wind energy potential of 11,000 MW, and hydropower potential of 14,750 MW. Despite this potential, the country's energy sector remains heavily reliant on fossil fuels, contributing to over 80% of its energy mix⁵⁶.

In recent years, the Nigerian government has made significant strides toward diversifying its energy sources and promoting renewable energy through a range of policies and legislative measures. A notable example is the Renewable Energy Master Plan (REMP) developed by the Energy Commission of Nigeria. The plan aims to increase the contribution of renewable energy to the national energy mix, with targets of 23% by 2025 and 36% by 2030. Additionally, the Electricity Act (EA), the primary legislation governing the regulation of electricity in Nigeria, provides a comprehensive regulatory framework for the promotion, development, and utilization of renewable energy. This framework is designed to support the country's transition to a more sustainable and diversified energy sector.

Similarly, the Lagos State government has also taken proactive measures to promote the use of renewable energy within the State, with a reported target of achieving 1GW of solar

⁵⁶ Energy Commission of Nigeria, Federal Ministry of Science, Technology and Innovation, Federal Republic of Nigeria.

(2022). https://www.energy.gov.ng/Energy_Policies_Plan/AP'PROVED_NEMP_2022.pdf.

generation capacity by 2030⁵⁷. One of the key steps in this direction is the inclusion of a regulatory framework for the implementation of renewable energy policies in the newly enacted Lagos State Electricity Law. This framework aims to guide the development and integration of renewable energy solutions into the state's energy landscape, supporting the achievement of its ambitious renewable energy goals.



The Lagos State Electricity Law reflects the state government's commitment to tapping into its renewable energy potential and aligns with Nigeria's broader renewable energy goals. Much like the Electricity Act (EA), the Law establishes a legal framework for renewable energy within the State, emphasizing the transition from distillates to cleaner energy sources, such as gas and renewable energy, for electricity generation.

One of the central provisions of the Law is the mandate for the Ministry to develop, within 18 months of its commencement (or any other period approved by the Lagos State Governor), a Renewable Energy, Energy Efficiency, and Demand Side Management Strategy and Action Plan (the "**Action Plan**") for the State. The Action Plan is designed to:

- Set short-, medium-, and long-term renewable energy, energy efficiency, and demand side management targets, alongside associated incentives.

- Outline the role of the State in incentivizing and creating an enabling environment for renewable energy adoption, as well as promoting energy efficiency and demand side management practices.
- Introduce programs to support the utilization of renewable energy for electricity generation and encourage the adoption of energy efficiency and demand side management measures.
- Establish a monitoring system for data collection and impact tracking, including the specification, collection, storage, and supply of data on renewable energy, energy efficiency, and demand side management efforts.
- Provide for annual reviews, audits, and reporting on the measures introduced by the State.

The Law mandates that the Action Plan be reviewed, amended, and modified at least every five years.

Additionally, the Law grants the Commission the authority to prescribe emission standards and limits for electricity generation plants. Any plant exceeding these limits must obtain a permit from the Commission. The Commission is also empowered to introduce incentives or penalties to encourage the adoption of the cleanest available fuel sources, directly addressing the reduction of carbon emissions in the sector and contributing to climate change mitigation and better air quality in Lagos.

To further support the growth of the renewable energy sector, the Ministry is tasked with creating an enabling investment environment to attract significant private sector investments.

⁵⁷ <https://lagosmemr.com/wp-content/uploads/2023/05/New-update-Double-Page-View-THE-LAGOS-STATE-OFF-GRID-ELECTIFICATION-STRATEGY-AND-ACTION-PLAN.pdf>

The Law encourages these investments through targeted measures, strategies, and schemes aimed at stimulating the renewable energy sector. A key aspect of the Law is its directive that state-owned buildings, as well as those occupied by the State or its agencies, must utilize renewable energy. This move demonstrates the government’s commitment to leading by example and is expected to drive the growth of renewable energy infrastructure, promote job creation, and provide businesses with more sustainable energy alternatives.



THE ECONOMIC IMPACT OF THE LAGOS STATE ELECTRICITY LAW

Lagos State plays a pivotal role in Nigeria's manufacturing sector, accounting for over

53% of the country's manufacturing sector employment. This sector alone contributes approximately 7% to the national GDP. Overall, manufacturing makes up 29.6% of the GDP of Lagos State⁵⁸, highlighting its significant impact on both the state and national economies.

Notwithstanding these numbers, industrial capacity utilisation in Lagos has hovered for over a decade below 50%, indicating huge potential for growth. The primary reason for the underutilisation of Lagos State's manufacturing potential is not the lack of market demand, but rather the inadequate supply of electricity to the State. The Manufacturers Association of Nigeria estimates that its members in Lagos experience an average of 6 power outages per day, with only approximately 4 hours of electricity supply on a daily basis⁵⁹. This instability has significantly stifled the State’s economic growth, causing businesses to rely heavily on expensive self generated power.



The Market, as envisioned by the Law, has the potential to address these challenges and promote economic growth. If properly implemented, the Law promises to transform the state's power sector by ensuring a more reliable and sustainable electricity for its residents and businesses that drive its economy.

⁵⁸ [https://lagosmemr.com/wp-content/uploads/2023/05/Lagos Electricity Policy.pdf](https://lagosmemr.com/wp-content/uploads/2023/05/Lagos_Electricity_Policy.pdf)

⁵⁹ [https://lagosmemr.com/wp-content/uploads/2023/05/Lagos Electricity Policy.pdf](https://lagosmemr.com/wp-content/uploads/2023/05/Lagos_Electricity_Policy.pdf)

The Law is strategically designed to position Lagos as a hub for energy investments. By creating a regulatory framework that encourages and incentivizes renewable energy and off-grid solutions, the sector is set to attract both private and public investments. This will facilitate the deployment of cleaner, more sustainable energy systems, as well as innovative off-grid solutions tailored to unserved and underserved communities. For investors, the promise of a structured, localised electricity market presents an attractive opportunity to participate in a growing and dynamic energy ecosystem.

Beyond economic growth, the enhanced electricity supply anticipated under the Law will greatly improve the welfare of Lagos residents. Access to consistent and affordable electricity boosts living standards, supports small businesses, and fosters innovation across various sectors. Ultimately, the Law represents a transformative framework, unlocking Lagos State's economic potential while addressing long-standing power supply challenges that have impeded its progress.

CONCLUSION

The Lagos State Electricity Law represents a significant step forward in addressing the State's long-standing power challenges and unlocking its economic potential. By establishing a localised regulatory framework that promotes renewable energy, off-grid solutions, community engagement, and private sector involvement, the Law provides a solid foundation for a more reliable and sustainable electricity supply industry.

The success of the Law will, however, largely depend on its effective implementation and the regulatory agencies' ability to enforce its provisions. A key challenge will be managing potential conflicts or inconsistencies between federal and state regulations. Overcoming this will require coordinated efforts between the Federal Government, Lagos State, and relevant regulatory bodies.

Ultimately, the Law represents a significant contribution to the growing landscape of state-level electricity laws in Nigeria, reinforcing the decentralisation efforts within the sector.