UDO UDOMA &
BELO-OSAGIE

POWER SECTOR UPDATES

NO. 1 (JANUARY 2026)

This update provides an overview of some recent regulatory and market developments in Nigeria's power sector, including the decentralisation of regulatory oversight to state regulators, emerging and proposed frameworks for distributed generation and interconnected mini-grids, developments under the Nigerian Bulk Electricity Trading Plc ("NBET") bond programme, and ongoing metering interventions. Together, these developments reflect a continued shift towards financial stabilisation, decentralised regulation, and clearer commercial frameworks across the electricity value chain, marking a recognised turning point in the evolution of Nigeria's power sector. We will continue to monitor these developments and share further updates on a monthly basis.

1. NBET Bond Programme – Settlement of Legacy Liabilities

On 27 January 2026, the Nigerian Bulk Electricity Trading Plc ("NBET") announced the issuance of a bond aimed at settling legacy liabilities within the Nigerian power sector. These liabilities largely arise from historical revenue shortfalls, tariff shortfalls, and unpaid obligations owed to generation companies ("GenCos") and other market participants in the Nigerian Electricity Supply Industry ("NESI").[1]

The bond issuance forms part of the Federal Government's broader efforts to address persistent liquidity challenges in the power sector, particularly those affecting GenCos, whose cash flow constraints have had knock-on effects on gas supply, plant availability, and overall grid reliability. By ringfencing funding for the settlement of verified legacy debts, the bond is intended to restore confidence in the ecosystem, particularly among lenders and investors, reduce systemic credit risk, and stabilise contractual performance across the NESI.[2]

While the issuance represents a positive development, its long-term impact will depend on several factors, including:

- the scope of liabilities covered;
- the robustness of verification, settlement, and payment mechanics;
- the sustainability of complementary reforms, including cost-reflective tariffs and improved revenue collection; and
- the effective application of lessons learned from the implementation of previous government-led liquidity support programmes in the power sector.

[1] "Federal Government N501 Billion Inaugural Tranche Under Power Sector Bond Programme Records 100% Subscription" https://statehouse.gov.ng/federal-governments-%E2%82%A6501-billion-inaugural-tranche-under-power-sector-bond-programme-records-100-subscription/
[2] ibid

2. Transfer of Regulatory Oversight to the Gombe State Electricity Regulatory Commission

Effective 7 January 2026, the Nigerian Electricity Regulatory Commission ("NERC") formally transferred regulatory oversight of the intrastate electricity market in Gombe State to the Gombe State Electricity Regulatory Commission ("GOSERC")[3].

This transfer is enabled by the Electricity Act 2023 (as amended), which introduced a decentralised regulatory model allowing states to assume responsibility for intrastate electricity generation, distribution, and supply, provided they meet prescribed legal, institutional, and technical conditions. NERC retains jurisdiction over interstate and international electricity activities, including grid operations and cross-border power trade.

Pursuant to the transfer order:

- Jos Electricity Distribution Plc ("JED") is required to incorporate a wholly owned subsidiary ("JED SubCo") dedicated to intrastate operations in Gombe State.
- The transfer of relevant assets, liabilities, personnel, and operational responsibilities must be completed by 6 July 2026.
- JED SubCo must apply for and obtain a distribution and supply licence from GOSERC and comply with applicable state-level regulatory requirements within 60 days.

This transition mirrors similar processes already implemented in Enugu, Imo, Ondo, Ekiti, Plateau, and Abia States.

---

[3] Order Transferring Regulatory Oversight to Gombe State Electricity Regulatory Commission (GOSERC) https://nerc.gov.ng/media/order-transferring-regulatory-oversight-to-gombe-state-electricity-regulatory-commission-goserc/

3. Lagos State Electricity Regulatory Commission - Strengthening Governance and Consumer Protection

Governor Babajide Sanwo-Olu has appointed Mrs. Temitope George as the new Chief Executive Officer ("CEO") of the Lagos State Electricity Regulatory Commission ("LASERC"), which has been confirmed by the Lagos State House of Assembly.[4] Governor Sanwo-Olu's approval of Temitope George as LASERC's CEO represents a strategic intervention in Lagos State's electricity sector. This appointment is a strategic milestone in the operationalisation of the Lagos State Electricity Law 2024 and signals Lagos State's efforts at institutionalising a stable, commercially viable electricity market.

4. Draft Net Billing Regulations, 2025 – Expanding Distributed Generation and Prosumer Participation

On 4 September 2025, the NERC published the Draft Net Billing Regulations, 2025 (the "Draft Regulations") as part of its broader strategy to deepen distributed generation and integrate prosumers into Nigeria's evolving electricity market structure. Public consultation sessions were held in Lagos and Abuja in October 2025, alongside technical consultations with distribution companies ("DisCos"), renewable energy developers, financiers, and development partners.

The Draft Regulations apply to grid-connected renewable energy systems, primarily solar photovoltaic and small wind installations, with installed capacities ranging from 50 kWp to 5 MWp per customer. The framework is designed to enable eligible consumers to generate electricity for self-consumption and export surplus energy to the distribution network under a regulated, credit-based settlement mechanism.

Key features of the Draft Regulations include:

- a mandatory net billing agreement between the prosumer and the relevant DisCo;
- registration with NERC as a prosumer;

[4] "Lagos Assembly Confirms Governor's Nominees for Key Agencies, steps down Parking Authority Nominee" https://ekofm897.com/2026/01/23/lagos-assembly-confirms-governors-nominees-for-key-agencies-steps-down-parking-authority-nominee/

- compliance with applicable technical, metering, safety, and grid codes; and
- a regulator-approved process for interconnection, commissioning, billing, and settlement.

Unlike traditional net metering models, the Draft Regulations adopt a credit-based net billing approach, under which electricity exported to the grid is credited at a NERC-approved injected energy tariff, which is distinct from retail tariffs. Credits may be carried forward across billing cycles and are tied to the premises where the Net Billing System is installed. Such credits may be transferred with the premises, subject to compliance with the prescribed transfer procedure and Distribution Licensee approval. However, credits are extinguished upon relocation of the Net Billing System or termination of the Net Billing Agreement. To mitigate network congestion and settlement risk, the Draft Regulations introduce:

- feeder-level capacity caps;
- escrow arrangements to support the timely settlement of prosumer credits; and
- dispute resolution mechanisms aligned with existing consumer protection frameworks.

Once finalised, the Draft Regulations are expected to improve the commercial bankability of behind-the-meter and distributed renewable energy projects, while providing DisCos with clearer visibility over network impacts and settlement obligations.

5. Guidelines on the Commercial Framework for Interconnected Mini-Grids, 2025 – Clarifying DisCo–IMG Commercial Arrangements

On 1 December 2025, NERC issued the Guidelines on the Commercial Framework for Interconnected Mini-Grids, 2025 (the “Guidelines”), which took effect on 11 December 2025. The Guidelines establish a standardised commercial framework governing transactions between Interconnected Mini-Grid (“IMG”) operators and Distribution Licensees (“DisCos”), addressing long-standing commercial and operational uncertainties in grid-connected mini-grid arrangements.

The Guidelines apply to IMG developers and operators, DisCos, and other stakeholders involved in the planning, construction, operation, and commercialisation of interconnected mini-grids. They formalise core principles relating to tariff structures, settlement mechanics, legacy debt treatment, and dispute resolution mechanisms. It also seeks to resolve longstanding pricing, settlement, and operational uncertainties that have historically constrained investment in grid-connected mini-grids.

A key innovation under the Guidelines is the introduction of a two-part pricing framework, comprising:

- a Fixed Rental Fee, intended to allow DisCos to recover capital costs associated with their distribution assets; and
- a Variable Cost of Energy, reflecting pass-through energy costs.

The Guidelines also address the treatment of legacy debts owed by customers within IMG service areas. In this regard, DisCos and IMG operators are required to enter into a Debt Recovery Agreement, which specifies the proportion of debtor-customers' vending revenues to be applied towards the settlement of verified legacy debts. Importantly, the Guidelines cap legacy debt recovery at no more than 10% of vending or energy purchases by debtor customers, subject to notification requirements and applicable consumer protection rules.

By standardising commercial terms and limiting exposure to legacy liabilities, the Guidelines are expected to improve revenue predictability and investor confidence in interconnected mini-grid projects, while balancing consumer protection considerations.

6. Meter Acquisition Fund – Accelerating Metering Deployment and Revenue Assurance

NERC's metering interventions continue under the Meter Acquisition Fund ("MAF"), a targeted regulatory initiative aimed at closing Nigeria's persistent metering gap and reducing estimated billing practices. Following the closure of Tranche A, NERC approved the release of ₦28 billion under Tranche B of the MAF scheme for the procurement and installation of prepaid meters at no cost to unmetered Band A and Band B customers.

Funds under Tranche B are allocated to DisCos based on their respective market settlement shares and are strictly ringfenced for meter procurement and installation. DisCos are required to engage approved Meter Asset Providers through transparent procurement processes and meet defined installation and reporting timelines.

Early implementation of Tranche B has resulted in accelerated meter deployment, with NERC reporting improvements in metering coverage and reductions in customer complaints toward the end of 2025. For consumers, the programme enhances billing accuracy and transparency. For DisCos,

compliance with installation, monitoring, and reporting obligations is critical, as delays or misuse of funds may attract regulatory sanctions.

Beyond immediate consumer benefits, the MAF supports broader sector objectives, including improved revenue assurance, enhanced customer confidence, and increased liquidity within the distribution segment.

Conclusion

Taken together, these developments point to a maturing regulatory landscape in Nigeria's power sector, characterised by decentralised oversight, clearer commercial frameworks, and targeted interventions designed to address structural weaknesses in the distribution segment. As more states assume regulatory control over their respective intrastate electricity markets, the sector is effectively entering a phase that will require heightened regulatory capacity and effective coordination between federal and state regulators.

In parallel, frameworks such as the Draft Net Billing Regulations and the IMG Guidelines are likely to shape the pace, scale, and bankability of distributed and embedded generation projects. In the near term, sector progress will depend less on the introduction of new rules and more on consistent implementation, enforcement, and commercial discipline across the electricity value chain.
