



POWER SECTOR UPDATES

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Introduction



This update highlights recent regulatory and policy developments in Nigeria's power sector, including the Nigerian Electricity Regulatory Commission's ("NERC") issuance of the Mini-Grid Regulations 2026, the Order on Regional Transmission Loss Factor Reporting for Enhanced Grid Transparency and Efficiency, and recent Federal Government interventions aimed at addressing legacy sector debts through the Presidential Power Sector Financial Reforms Programme.

These developments reflect a continued regulatory focus on enhancing grid transparency and operational efficiency, while addressing liquidity constraints and restoring financial stability across the power sector value chain.

We will continue to monitor these developments and issue our next monthly update in May 2026.



Key updates

1. **Mini-Grid Regulations 2026**

Pursuant to its powers under the Electricity Act 2023, NERC issued the Mini-Grid Regulations 2026¹ (the “Regulation”) on 10 April 2026. The Regulation introduces a revised framework for mini-grids, covering capacity thresholds, tariff design, loss allowances, reporting obligations, coordination with Distribution Companies (“DisCos”), and exclusivity arrangements.

a. **Capacity Thresholds**

The Regulation applies to isolated mini-grids with installed capacity of up to 5 MW per site and interconnected mini-grids of up to 10 MW per site². These fall within the mini-grid regime and are subject to registration or permitting requirements (depending on capacity), rather than the licensing regime applicable to utility-scale generation.

b. **Tariff Setting and Loss Allowances**

Tariffs are to be determined using the Multi-Year Tariff Order (“MYTO”) methodology. The Regulation sets allowable technical and non-technical loss caps at 4% and 3%, respectively³.

Operators may apply to NERC for adjustments to these caps where justified by evidence, subject to defined upper limits and a requirement to reduce losses over time in accordance with regulatory expectations.

¹ Nigerian Electricity Regulatory Commission, Mini Grid Regulations 2026, Regulation No: NERC-R-001-2026 <https://nerc.gov.ng/resources/mini-grid-regulations-2026/>

² Nigerian Electricity Regulatory Commission, *Mini Grid Regulations 2026 (NERC-R-001-2026)*, s. 4

³ *Mini Grid Regulations 2026*, s.23



c. Reporting Obligations

The Regulation introduces a tiered monitoring and reporting framework. Mini-grids below 1 MW are subject to annual reporting, while those above 1 MW must submit quarterly reports⁴.

Operators are also required to submit milestone reports throughout the project lifecycle, including at financial close, procurement, construction, commissioning, energisation and commercial operation stages. NERC retains the authority to inspect accounts for tariff review and to determine depreciated asset values⁵.

In addition, NERC may publish aggregated data on permits, registrations, exclusivity status and operational performance to support market transparency and planning.

d. Grid Arrival, Transition and Compensation

The Regulation establishes a comprehensive framework governing grid arrival and its impact on mini-grid operations⁶. DisCos are required to provide at least 12 months' written notice before extending the grid into areas served by isolated mini-grids.

Upon notice, parties must negotiate a transition arrangement, which may include conversion to an interconnected mini-grid, asset transfer, continued operation under a commercial framework, or decommissioning. Where no agreement is reached, NERC may determine the appropriate outcome.

A structured compensation framework applies to asset transfers, based on defined cost components and subject to NERC approval. Compensation excludes speculative profits and may be paid either as a lump sum or in instalments.

Operators may continue operations pending approval of transition arrangements and payment (or secured payment) of compensation.

⁴ Mini Grid Regulations 2026, s.22

⁵ Mini Grid Regulations 2026, s.14

⁶ Mini Grid Regulations 2026, s.21



e. Exclusivity Agreements

The Regulation permits communities and DisCos to grant developers exclusive development rights for up to 12 months, subject to extension by NERC where sufficient progress is demonstrated⁷.

Exclusivity agreements must be registered with NERC and are non-transferable. The Regulation prescribes documentation requirements, including executed agreements, site details, evidence of community engagement, and project timelines.

Once registered, competing agreements over the same site are prohibited during the exclusivity period. Developers are required to submit periodic progress reports, and failure to do so may result in revocation. NERC is also empowered to enforce compliance and maintain a public exclusivity registry.

f. Permitting Framework

Projects below 100 kW may be registered, while those above this threshold require permits. Interconnected mini-grids must operate under NERC-approved tripartite agreements.

NERC is required to process complete applications within 30 business days. The Regulation also allows for amendments and portfolio filings covering multiple sites within a single jurisdiction.

g. Coordination with State Regulators

The Regulation reflects the decentralised framework under the Electricity Act 2023 by clarifying the relationship between NERC and State Electricity Regulatory Commissions (“SERCs”)⁸.

⁷ Mini Grid Regulations 2026, s.25

⁸ Mini Grid Regulations 2026, s.4 (5)-(7)

Where a SERC has assumed jurisdiction, NERC's role is limited to matters reserved under federal law. To reduce regulatory duplication, the Regulation allows NERC to rely on state-level approvals and exempts operators from duplicative requirements where equivalent obligations have been satisfied.

h. Interconnection and Hosting Capacity

The Regulation introduces a more structured interconnection framework supported by enhanced transparency. DisCos are required to publish Hosting Capacity Information ("HCI"), including feeder-level capacity data and network maps, to support project planning⁹.

A simplified interconnection pathway is available for eligible projects, including streamlined technical reviews and, in certain cases, a Short-Form System Impact Study in place of a full assessment.

Timelines are prescribed for DisCo responses, with escalation to NERC where delays occur.

i. Transfer of Permits

The transfer or assignment of a mini-grid permit or business requires prior NERC approval. Applications must include evidence of the transferee's technical and operational capacity, ensuring continuity and reliability of operations¹⁰.

j. Technical and Compliance Requirements

The Regulation strengthens technical, operational, health, safety and environmental requirements. Operators must comply with applicable technical codes and project-specific conditions, with additional obligations for projects above 1 MW.

These provisions reinforce standards for safe design, construction, operation and maintenance.

Collectively, the Regulation expands the scope of the mini-grid framework, strengthens oversight, and provides greater clarity on permitting, commercial arrangements and operator obligations.

⁹ Mini Grid Regulations 2026, s.6, s.9

¹⁰ Mini Grid Regulations 2026, s.15



2. Order on Regional Transmission Loss Factor (“TLF”) Reporting for Enhanced Grid Transparency and Efficiency

NERC has issued the Order on Regional Transmission Loss Factor Reporting for Enhanced Grid Transparency and Efficiency¹¹ (the “Order”), introducing a framework for improved monitoring of transmission losses.

Transmission Loss Factor (TLF) measures the proportion of electrical energy lost between injection and off-take points on the grid. As grid operations become more complex, NERC has identified the need for more granular and transparent monitoring of transmission losses.

Data from the Nigerian Independent System Operator (“NISO”) indicates that national TLF levels have exceeded approved benchmarks. The Order therefore introduces regionalised reporting to improve visibility, identify loss-intensive areas, and support targeted interventions.

Key Provisions

- **Regional Reporting:** Transmission losses must be measured and reported on a regional basis.
- **Metering Infrastructure:** NISO is required to install smart meters at regional boundaries.
- **Transformer Monitoring:** Energy flows through transformers must be tracked to assess compliance.
- **Quarterly Reporting:** NISO must submit periodic reports to NERC.
- **Loss Reduction Plans:** TCN must implement action plans in high-loss regions.
- **Performance Target:** TLF must not exceed 6.5% by 31 December 2026.
- **Enforcement:** Non-compliance may attract regulatory sanctions.

¹¹ Nigerian Electricity Regulatory Commission, Order on Regional Transmission Loss Factor Reporting for Enhanced Grid Transparency and Efficiency, Order No. NERC/2026/026 (8 April 2026) <https://nerc.gov.ng/wp-content/uploads/2026/04/Order-On-Regional-Transmission-Loss-Factor-TLF-Reporting.pdf>

Market Implications

The Order enhances transparency and accountability in the transmission segment by enabling more precise tracking of losses across the network. It also reinforces NERC's focus on operational efficiency and system performance, with clear expectations for loss reduction and compliance.



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