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POWER SECTOR UPDATES

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This update highlights recent regulatory and market developments in Nigeria’s power sector, including Lagos State’s ongoing transition towards a cost-reflective electricity market and the key implications for electricity sector participants. The update also captures recent regulatory interventions by the Nigerian Electricity Regulatory Commission (“NERC”), including the revised Health and Safety Code for the Nigerian Electricity Supply Industry and the revised Metering Code, both aimed at strengthening safety practices, metering compliance, and accountability across the electricity value chain.

These developments reflect the broader transition within Nigeria’s electricity sector as states assume a more active role in regulating intrastate electricity markets and implementing reforms aimed at improving the financial sustainability and operational efficiency of the sector.

We will continue to monitor these developments and provide further updates in our June 2026 edition.

1. Health and Safety Code for the Nigerian Electricity Supply Industry Second Edition

NERC issued the revised Health and Safety Code for the Nigerian Electricity Supply Industry (“HSC”) pursuant to Sections 34(1)(e) and 34(2)(b) of the Electricity Act 2023.

Key developments:

i. Scope and Application

The HSC applies to all NERC licensees and persons engaged in activities within the electricity value chain, including generation, transmission, distribution, embedded generation, captive generation, construction, and workplace safety activities. The Code expressly excludes nuclear power generation and coal mining activities¹.

ii. Clarified Compensation Framework

The revised HSC provides a more detailed compensation framework for electrical accidents within the Nigerian Electricity Supply Industry (“NESI”). Article 5.3.1 prescribes minimum compensation thresholds enforceable through mandatory comprehensive insurance arrangements, including: (a) NGN15,000,000 for loss of life; (b) NGN15,000,000 for disability exceeding 60%; (c) NGN7,500,000 for disability between 40% and 60%; (d) NGN750,000 for hospitalisation exceeding one week; and (e) NGN250,000 for hospitalisation

¹ Article 1.1 of the Health and Safety Code for the Nigerian Electricity Supply Industry (“HSC”).



below one week. The HSC also requires all medical treatment costs arising from electrical accidents to be borne by the relevant licensee.

Article 5.3.2 further requires insurers to settle compensation within six months from the date of the accident, failing which an additional 5% monthly charge applies on the outstanding amount. The revised HSC also includes compensation provisions relating to the loss of animals arising from electrical accidents and provides for annual inflation-based adjustments to compensation thresholds.

iii. Power Line Right-of-Way and Structures

The revised HSC prescribes mandatory right-of-way (“RoW”) clearances for overhead power lines, including: (a) 50 metres for 330kV lines; (b) 30 metres for 132kV lines; and (c) 11 metres for 33kV and 11kV lines.

Licensees are prohibited from extending electricity supply to structures erected in violation of the prescribed RoW requirements. The HSC further requires Licensees to disconnect structures located under or too close to power lines, with failure to do so attracting a penalty of NGN1,000,000 per connection point. In addition, where a right of occupancy is revoked on account of overriding public interest and used for RoW purposes, the Licensee shall ensure prompt payment of compensation to the title holder in accordance with Section 28 of the Land Use Act.

iv. Strengthened Enforcement Framework

The revised HSC expands the administrative penalty framework for non-compliance with health and safety obligations within NESI. Notable penalties include: (a) up to NGN2,000,000 and/or three months’ imprisonment for failure to maintain a safe work environment²; (b) up to NGN3,000,000 and/or six months’ imprisonment for failure to implement a permit-to-work or lockout/tagout system³; (c) NGN10,000,000 for failure to establish an Occupational Health and Safety Office or Management Committee⁴; and (d) up to NGN20,000,000, where non-compliance results in death, injury, or property loss⁵.

The HSC also clarifies that imprisonment-related sanctions require action by a competent court, while administrative penalties remain within NERC’s enforcement powers.

² Article 1.5(b) of the HSC

³ Articles 2.35.12 and 2.35.14 of the HSC.

⁴ Article 5.4.1 of the HSC.

⁵ Article 5.4.6 of the HSC.



v. **Enhanced Incident Reporting Framework**

The revised HSC introduces a requirement for notification to NERC within 24 hours of accidents resulting in, or likely to result in, loss of life or injury to humans or animals and shortens the deadline for submission of a detailed investigation report from four weeks to three weeks. The framework also requires the submission of a preliminary investigation report within 72 hours.

The HSC also requires self-reporting of incidents, safety gaps, and unsafe occurrences, as well as quarterly public enlightenment programmes on safety compliance and awareness.

2. Metering Code for the Nigerian Electricity Supply Industry Third Edition

NERC has issued the Third Edition of the Metering Code for the Nigerian Electricity Supply Industry (“Metering Code”) pursuant to the Electricity Act 2023. The revised Metering Code builds on the existing metering framework under Version 02 and includes more detailed operational, technical, and compliance requirements applicable to metering services within NESI.

Key Developments

i. **Expanded Smart Metering and Advanced Metering Infrastructure Framework**

The revised Metering Code further develops the regulatory framework for smart metering and Advanced Metering Infrastructure (“AMI”) deployment within NESI. The Code contains more detailed provisions relating to remote meter reading, remote connection and disconnection, multi-tariff billing, outage management system integration, demand-side management, tamper detection, and real-time communication capabilities between utilities and end users. The revised framework also places greater emphasis on interoperability, cybersecurity, communication standards, and data management requirements for smart metering systems.⁶

ii. **Restrictions on Estimated Billing**

The revised Metering Code reinforces existing regulatory restrictions on estimated billing through provisions relating to meter installation, replacement, and metering obligations applicable to distribution licensees. The Code also provides that where an obsolete or faulty meter is removed, the Distribution Licensee shall provide urgent

⁶ Sections 1.2.3 and 1.2.4 of the Metering Code

metering services to repair or replace the meter, and the customer shall not be placed on estimated billing pending such repair or replacement.



iii. **Expanded Technical and Operational Metering Requirements**

The revised Metering Code contains more detailed technical specifications relating to meter accuracy, communication systems, testing procedures, calibration requirements, interoperability standards, and metering data management. The Code also contains additional provisions relating to meter certification, communication protocols, smart metering functionality, data security, remote communication systems, and the integration of metering infrastructure with modern grid management technologies⁷.

iv. **Strengthened Compliance and Operational Framework**

The revised Metering Code expands compliance obligations applicable to distribution companies, Meter Asset Providers, Meter Service Providers, and other market participants involved in metering services within NESI. The Code also prescribes more detailed inspection, testing, certification, reporting, and operational requirements relating to metering systems and metering data management⁸.

Key Implications

The revised Metering Code reflects NERC's continued focus on improving metering accuracy, reducing estimated billing, and supporting the gradual transition towards more digitally integrated electricity networks within NESI. The revised framework may also increase operational, technical, and compliance obligations for distribution companies and other market participants involved in metering services.

3. Lagos State's Electricity Market Reform Agenda

Lagos State, through the Lagos State Electricity Regulatory Commission ("LASERC"), has indicated its intention to operate a subsidy-free, cost-reflective electricity market as part of its transition towards an autonomous state electricity market framework. During LASERC's maiden stakeholders' engagement held on 8 May 2026, the Lagos State Commissioner for Energy and Mineral Resources stated that electricity consumers in Lagos would be required to pay the full cost of electricity supply without government subsidy, subject to any future policy direction from the State Government⁹.

The proposed approach reflects Lagos State's broader ambition to position itself as a leading subnational participant in Nigeria's evolving post-reform electricity landscape.

⁷ Sections 2.3, 2.4 and 2.5 of the Grid Metering Code

⁸ Sections 3.1, 3.3 and 4.1 of the Grid Metering Code, and Sections 2, 3 and 5 of the Distribution Metering Code

⁹ Lagos rules out subsidy for electricity consumers available at <https://punchng.com/lagos-rules-out-subsidy-for-electricity-consumers/>

Under the proposed framework, tariffs are expected to more closely reflect the underlying costs of generation, transmission, distribution, gas supply, and metering. The State Government also indicated that the framework is intended to attract private sector investment, improve supply reliability, expand metering infrastructure, and support a more stable electricity supply for residential, commercial, and industrial consumers.

During the engagement, LASERC also outlined several market reform initiatives aimed at addressing Lagos State's estimated 11,000MW electricity supply deficit and facilitating the development of a commercially sustainable electricity market within the State¹⁰.



Key Developments

i. Criminalisation of Estimated Billing:

LASERC highlighted the provisions of Section 89(2) of the Lagos State Electricity Law 2024, which criminalises the supply of electricity without a meter. The provision underscores the importance of customer metering and compliance with electricity metering obligations within the Lagos Electricity Market.

The position also aligns with broader regulatory efforts to improve metering compliance, strengthen consumer protection, and reduce disputes over estimated billing practices between distribution companies and consumers.

ii. Licensing of New Market Participants:

LASERC also disclosed that it had approved licences for 14 electricity operators across off-grid generation, metering, and distribution-related segments of the electricity market.

The approvals reflect Lagos State's intention to encourage broader private sector participation in the electricity value chain beyond the incumbent distribution companies, namely Eko Electricity Distribution Company and Ikeja Electric.

Notable licensees identified during the engagement include Axxela Limited (5.8MW off-grid generation for Cadbury Nigeria Plc), Isolo Power Gen Limited (9MW embedded generation), and Daybreak Power Solutions Limited, which reportedly received multiple off-grid licences covering industrial facilities operated by companies including Seven-Up Bottling Company, Nigerian Breweries Plc, and Promasidor Nigeria Limited¹¹.

¹⁰ The Guardian Nigeria: LASERC unveils reforms to tackle 11,000MW Lagos Power Deficit available at [LASERC unveils reforms to tackle 11,000MW Lagos power deficit](#)

¹¹ Nairametrics: Lagos Approves 14 Electricity Operators Across Off-Grid, Metering and Distribution Markets available at [Lagos approves 14 electricity operators across off-grid, metering, distribution markets - Nairametrics](#)



iii. Electricity Franchise Zones:

LASERC also announced plans to introduce designated 24-hour electricity franchise zones within Lagos State by Q4 2026¹².

According to LASERC, licensed operators within the proposed franchise zones would be required to maintain a continuous electricity supply within designated service areas, with performance expectations tied to defined service standards. LASERC further indicated that distribution companies that fail to meet prescribed service obligations in underserved areas could be required to sub-franchise portions of their operations or cede operational responsibility to more efficient operators. The initiative appears intended to improve accountability and service delivery within the Lagos Electricity Market.

Key Implications

The reforms announced by LASERC reflect the increasing role of states in electricity market regulation following the enactment of the Electricity Act 2023. The developments reflect increased regulatory focus on customer metering and greater state-led participation in generation, metering, and electricity distribution activities within Lagos State. Lagos State's proposed transition towards a cost-reflective electricity market may also influence electricity sector reforms and investment discussions in other states seeking to establish independent electricity markets.

For more information about our Energy and Infrastructure practice, or any of our other practice group offerings, please visit www.uubo.org or contact us at Energy&InfraAssociates@uubo.org or uubo@uubo.org

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¹² Nairametrics, "LASERC to launch 24/7 electricity franchise zones in Lagos by October 2026 <https://nairametrics.com/2026/05/08/laserc-to-launch-24-7-electricity-franchise-zones-in-lagos-by-october-2026/>