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POWER SECTOR UPDATES

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INTRODUCTION

This update highlights recent regulatory and industry developments within Nigeria's power sector, including the commencement of the **Net Billing Regulations 2026** and the Nigerian Electricity Regulatory Commission's ("NERC") directive on special compensation for Band A customers affected by grid generation constraints between February and March 2026.

The update also examines recent initiatives undertaken by the NERC to strengthen regulatory compliance and enhance the protection of critical electricity infrastructure within the Nigerian Electricity Supply Industry ("NESI").

Collectively, these developments demonstrate the NERC's continued commitment to facilitating the integration of distributed renewable energy resources, strengthening consumer protection, enhancing regulatory oversight and improving the operational resilience of the Nigerian electricity sector.

We will continue to monitor these and other developments within the NESI and provide further updates in our July 2026 edition.

1. Commencement of the Net Billing Regulations 2026

Following stakeholder consultations on the Draft Net Billing Regulations 2025 (the "**Draft Regulations**"), the Nigerian Electricity Regulatory Commission ("NERC") issued the **Net Billing Regulations 2026**¹ (the "**2026 Regulations**") on 3 June 2026.

The 2026 Regulations establish a comprehensive framework governing the interconnection of eligible renewable energy systems with electricity distribution networks. They also enable eligible users with commissioned net billing arrangements ("**Prosumers**") to generate electricity primarily for self-consumption while exporting surplus electricity to distribution licensees in exchange for energy-based credits. The Regulations apply to renewable energy systems connected to distribution networks with a minimum installed capacity of **50kWp** and a maximum installed capacity of **1.5MWp** per eligible user.

The 2026 Regulations prescribe a structured framework governing the application, approval, registration, interconnection, commissioning, operation and settlement of net billing arrangements. Under the framework, eligible users are required to obtain

¹ Nigerian Electricity Regulatory Commission, Regulation on Net Billing Regulation (Regulation No: NERC-R-002-2026) <https://nerc.gov.ng/wp-content/uploads/2026/06/Net-Billing-Regulation-2026.pdf> accessed 24 June 2026.



technical feasibility approval from the relevant distribution licensee, execute a Net Billing Agreement, register the arrangement with the NERC, obtain the requisite safety certification from the Nigerian Electricity Management Services Agency ("NEMSA"), and complete commissioning before exporting electricity to the distribution network.

In addition, the Regulations prescribe detailed technical, metering, monitoring and reporting requirements applicable to both Prosumers and distribution licensees, with the objective of ensuring the safe, reliable and efficient integration of distributed renewable energy systems into Nigeria's electricity distribution networks.

Key Developments

(a) System Capacity and Load Alignment

The 2026 Regulations introduce stricter limits on system capacity and align renewable energy installations more closely with actual electricity demand.

The maximum installed capacity per user is limited to **1.5MWp**.

In addition, while the Regulations retain an aggregate network loading limit of **30%**, they introduce a further user-specific restriction under which a Prosumer's approved export capacity must not exceed **120% of its eligible load demand**, calculated based on the preceding 12 months' billing history².

(b) Scope of Eligible Renewable Energy Sources

The scope of eligible renewable energy sources has been narrowed under the 2026 Regulations.

The 2026 Regulations currently restrict eligible technologies under the net billing framework to **solar energy systems only**.

Small wind and hydro energy installations may only be incorporated into the framework following the issuance by the NERC of applicable technical standards and an updated Schedule to the Regulations³.

² Section 6(4) of the 2026 Regulations



(c) Tariff Methodology and Export Compensation

The methodology for compensating exported electricity has shifted from a benchmark-based model to a more cost-reflective framework.

The 2026 Regulations replace this benchmark approach with a methodology that links compensation for exported electricity to its economic value to the relevant distribution network.

The Regulations also introduce differentiated export tariff factors applicable during peak and off-peak periods.

To qualify for the higher peak-period export tariff, Prosumers are required to install a battery energy storage system with at least **two hours of usable storage capacity at 50% of the system's rated output**.

(d) Management of Excess Credits

The treatment of excess energy credits has shifted from an indefinite carry-forward model to a time-bound regime. Under the 2026 Regulations, all unused credits must be netted off at the anniversary of the relevant connection date.

Distribution Licensees are also required to provide Prosumers with at least **30 days' written notice** prior to the expiration of any accumulated credits⁴.

(e) Technical Timelines and Interconnection Process

Procedural timelines and technical requirements have been revised under the 2026 Regulations.

The timeframe for issuing a technical feasibility report is currently **15 days** under the 2026 Regulations⁵.

Where no significant network reinforcement is required, the timeframe for completing interconnection works has been set at **30 days** following payment⁶.

⁴ Section 11(2)(c) of the Draft Regulations

⁵ Section 8(1) of the 2026 Regulations

⁶ Section 12(1) of the 2026 Regulations



(f) Technical, Metering and Safety Requirements

The 2026 Regulations introduce detailed technical and operational requirements for net billing systems.

These include compliance with the Distribution Code, Metering Code and NERC's Regulations, as well as requirements relating to anti-islanding protection, synchronisation, grounding standards and isolation arrangements, all of which are designed to ensure safe operation and network reliability.

The Regulations further require the installation of bi-directional or time-of-use meters capable of separately recording imported and exported electricity⁷.

(g) Monitoring and Reporting Obligations

The 2026 Regulations impose ongoing monitoring and reporting obligations on distribution licensees.

Distribution licensees are required to maintain a register of approved net billing facilities, publish quarterly information on approved installations and export capacity, and submit periodic reports to the NERC detailing applications received, approvals granted, network upgrades undertaken and processing timelines.

The Regulations also establish a dispute resolution framework under which disputes arising under a net billing arrangement may be referred to the NERC for determination where the parties are unable to resolve such disputes through negotiation.

Key Implications

The 2026 Regulations represent a significant development in the integration of distributed renewable energy generation within the Nigerian Electricity Supply Industry (NESI). By establishing a formal framework for net billing arrangements, the Regulations seek to balance the increasing deployment of customer-owned renewable energy systems with the need to maintain network stability, operational efficiency and consumer protection.

⁷ Sections 17 and 18 of the 2026 Regulations



The Regulations enhance regulatory certainty for distributed renewable energy projects and provide a clearer pathway for the integration of customer-owned generation into electricity distribution networks.

From a market perspective, the framework is expected to support increased deployment of commercial and industrial solar projects, battery energy storage systems and other distributed energy solutions.

At the same time, the Regulations introduce additional technical, operational and compliance obligations for Prosumers and distribution licensees, particularly in relation to system sizing, interconnection requirements, storage deployment, metering, monitoring and credit management.

Overall, the Regulations are expected to support more efficient network planning and facilitate the structured expansion of distributed renewable energy within the NESI.

2. Special Compensation for Affected Band A Customers

The NERC has issued a directive on the Special Compensation of Band A Customers Affected by grid generation constraints between February and March 2026⁸ (the “**Directive**”). The Directive was issued in response to significant generation shortfalls across the Nigerian Electricity Supply Industry (“NESI”), largely attributable to inadequate gas supply and the vandalism of critical gas and transmission infrastructure. It is intended to ensure that Band A customers, who are subject to premium tariffs linked to prescribed service levels, receive compensation where those service levels are not met due to generation constraints within the NESI. Under the Directive, the NERC provides as follows:

- a. Compensation for Feeders with 18–20 Hours of Supply: Where a Band A feeder records an average daily supply between 18 and 20 hours, compensation is to be applied in accordance with Addendum No. NERC/2024/003 for both Maximum Demand (MD) and Non-MD customers.
- b. Compensation for Feeders with Less than 18 Hours of Supply: Where average daily supply falls below 18 hours, eligible customers are entitled to compensation

⁸Nigerian Electricity Regulatory Commission, *Directive No. NERC/2026/002 on the Special Compensation of Band A Customers Arising from Grid Generation Constraints (2026)* <https://x.com/NERCNG/status/2062414046092198115> accessed 17 June 2026



equal to 20% of the approved February 2026 energy cap for Non-MD customers, or 20% of the average energy billed per MD customer in February 2026 .

The Directive further provides that compensation shall be implemented through token credits for prepaid customers and bill adjustments for postpaid customers. Distribution companies are prohibited from applying such credits toward the settlement of outstanding customer debts and are required to clearly communicate the details of the compensation to affected customers.

The Directive reflects the NERC's continued focus on enforcing service delivery standards for premium customers and ensuring accountability where supply commitments are not met due to system constraints. The Directive also reinforces the service-based tariff framework by linking premium tariffs to measurable service obligations and requiring compensation where such obligations are not met. In addition, the framework imposes operational and compliance obligations on distribution companies in implementing compensation measures, while promoting consumer protection, transparency, and accountability in service delivery within the NESI.

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