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POWER SECTOR UPDATES

NO.8 AUGUST 2026

INTRODUCTION

This update highlights key regulatory and industry developments in Nigeria's power sector during August 2026, including NERC's intervention in Kaduna Electricity Distribution Plc and commencement of a process for the appointment of a new core investor; the transfer of regulatory oversight of the Akwa Ibom electricity market to the Akwa Ibom State Electricity Regulatory Commission; the default by Geregu Power Plc on its ₦40.09 billion Series 1 Senior Unsecured Bond; the licensing of the Lagos Independent System Operator by the Lagos State Electricity Regulatory Commission; and the launch of the Renewable Asset Management Company by the Rural Electrification Agency in partnership with the Ministry of Finance Incorporated and the Infrastructure Corporation of Nigeria.

Collectively, these developments demonstrate the continuing implementation of Nigeria's decentralised electricity market framework, increased regulatory intervention in distressed distribution businesses and growing efforts to strengthen the financial, institutional and asset-management structures supporting investment and reliable electricity market operations. They also highlight the evolving allocation of regulatory responsibilities between federal and state institutions and the importance of credit, governance and operational considerations to investment across the power sector.

We will continue to monitor these and other developments within the Nigerian Electricity Supply Industry and provide further updates in our September 2026 edition.

1. NERC Intervenes in Kaduna Electricity Distribution Plc and Commences Process for Appointment of a New Core Investor

On 10 August 2026, the Nigerian Electricity Regulatory Commission ("**NERC**") issued the *Order on Regulatory Intervention in Kaduna Electricity Distribution Plc, Order No. NERC/2026/086* (the "**Order**") under sections 75–79 of the Electricity Act 2023 (the "**Electricity Act**"). The Order follows NERC's determination that Kaduna Electricity Distribution Plc ("**KAEDC**") was in a "grave situation" following prolonged regulatory and market defaults, inadequate investment and weak operational and commercial performance[1]. As of May 2026, KAEDC had accumulated approximately ₦456.5 billion in market obligations and recorded ATC&C losses of 71.88% in 2025.

The Order dissolves KAEDC's existing board, appoints an interim board and Administrator, requires the implementation of a 12-month stabilisation plan and commences a competitive process for the appointment of a replacement core investor within 12 months. The intervention is intended to preserve KAEDC as a going concern while addressing its financial and operational deterioration and facilitating a change in control.

Key Features of the Order

i. **Interim Governance and Administration:** The Order dissolves KAEDC's existing board and appoints an interim board of special directors and an Administrator to oversee KAEDC during the transition period. The Administrator is responsible for KAEDC's day-to-day management and for implementing the directives of NERC and the interim board. Material corporate and financial decisions, including borrowing, asset disposals, related-party transactions and changes to senior management, are subject to enhanced regulatory oversight. This structure is intended to prevent further deterioration while NERC implements the stabilisation and investor-transition process.

ii. **Stabilisation Plan:** The Administrator is required to submit a costed 12-month stabilisation plan addressing KAEDC's key financial and operational weaknesses, including cash-flow management, market remittances, collections, metering, loss reduction, service reliability, capital expenditure and legacy liabilities. The plan must include measurable milestones and identify responsible officers and funding sources, providing a framework against which NERC can assess KAEDC's progress towards financial and operational recovery.

iii. **Replacement Core Investor:** A central feature of the Order is the commencement of an open and competitive process for the appointment of a replacement core investor. Afreximbank has been mandated, in coordination with NERC, to lead an open and competitive process to secure a replacement

[1] Nigerian Electricity Regulatory Commission, Order on Regulatory Intervention in Kaduna Electricity Distribution Plc, Order No. NERC/2026/086 (10 August 2026), available at: https://nerc.gov.ng/wp-content/uploads/2026/08/ORDER-ON-REGULATORY-INTERVENTION-IN-KEDC.pdf

core investor and present the preferred investor to NERC for approval[2]. The process is expected to be completed within 12 months, subject to any extension granted by NERC for demonstrated cause. The investor transition is intended to provide a credible pathway for KAEDC's recovery while preserving it as a going concern.

iv. **Investor Qualification and Funding Requirements:** Prospective investors are required to demonstrate adequate working capital, transparent beneficial ownership, technical capacity to turn around a failing utility, credible financial support and a five-year business plan addressing service delivery, metering, network investment, loss reduction, market remittances and legacy liabilities. The preferred investor must also provide funding and financial security to support the approved performance improvement and capital expenditure programme and meet specified guarantee requirements to market counterparties. These requirements indicate that NERC is seeking an investor with the capacity to fund and implement a sustained turnaround, rather than an investor seeking merely to acquire an interest in KAEDC.

v. **Liability Reconciliation and Financial Controls:** The Order requires KAEDC's material liabilities to be reconciled and a liability-management plan submitted to NERC. It contemplates the lawful treatment or warehousing of liabilities, subject to the requisite approvals and without prejudice to creditor rights, with any such arrangements to be disclosed to prospective investors. KAEDC's collections and revenues are also subject to enhanced financial controls and regular reporting to NERC. The treatment of KAEDC's substantial legacy liabilities will therefore be an important consideration in assessing the viability and structure of any replacement investment.

vi. **Consumer and Service Protection:** During the transition, KAEDC is required to maintain safe and uninterrupted electricity distribution to the extent technically available and comply with applicable service quality and customer protection standards. This is intended to ensure that the intervention and transition process does not compromise continuity of electricity supply to end-use customers.

c. Key Implications of the Order

NERC's authority to take the steps outlined in the Order is expressly grounded in sections 75 to 79 of the Electricity Act which set out its statutory intervention powers and authority to address a distressed distribution licensee without immediately revoking its licence. By placing KAEDC under interim governance and commencing a process for the appointment of a new core investor, NERC is seeking to preserve the business as a going concern while addressing its financial and operational deterioration.

In particular, section 75(1) of the Electricity Act empowers NERC to inquire into the conduct or functioning of a licensee, while section 75(2)(a) permits NERC,

[2] Order, s. G.

where, following such inquiry, it determines that the licensee is in a "grave situation", to issue an interim order dissolving and removing the board and appointing administrators and special directors to manage the affairs of the undertaking for a specified period, notwithstanding anything contained in any other written law or the company's constitutional documents. The statutory circumstances triggering intervention include where the licensee informs NERC that it is unable to discharge its obligations under the Electricity Act or its licence; prolonged default in carrying out anything required under the Electricity Act, regulations, NERC directives or the licence; a protracted management crisis detrimental to shareholders, consumers or the overall operations of the undertaking; or insufficient assets to cover its liabilities to lenders and an imminent risk of receivership.

In KAEDC's case, NERC identified prolonged regulatory and market defaults, significant outstanding market obligations and weak operational and commercial performance as the circumstances underpinning its determination that KAEDC was in a "grave situation".

The Order also signals heightened regulatory expectations for investors in distressed distribution companies. The financial and technical requirements imposed on prospective investors, together with the proposed reconciliation and treatment of KAEDC's legacy liabilities, indicate that a successful investment will require both substantial financial capacity and a credible operational turnaround strategy.

The effectiveness of the intervention will ultimately depend on whether the stabilisation plan and new investor can address KAEDC's underlying operational and financial weaknesses. The outcome may also provide an important indication of how NERC intends to approach other distressed distribution licensees under the Electricity Act.

2. NERC Commences Transfer of Regulatory Oversight of the Akwa Ibom Electricity Market to AKSERC

On 18 August 2026, NERC issued the *Order on the Transfer of Regulatory Oversight of the Electricity Market in Akwa Ibom State from the Nigerian Electricity Regulatory Commission to the Akwa Ibom State Electricity Regulatory Commission, Order No. NERC/2026/087* (the "**Order**"), commencing the transfer of regulatory oversight of Akwa Ibom's intrastate electricity market to the Akwa Ibom State Electricity Regulatory Commission ("**AKSERC**"). The Order gives effect to the decentralised electricity market framework under the Electricity Act and provides for the transition of regulatory responsibilities from NERC to AKSERC.[3]
A key component of the transition is the restructuring of Port Harcourt Electricity Distribution Company Plc ("**PHED**")'s Akwa Ibom operations. PHED

[3] Nigerian Electricity Regulatory Commission, Order on the Transfer of Regulatory Oversight of the Electricity Market in Akwa Ibom State from the Nigerian Electricity Regulatory Commission to the Akwa Ibom State Electricity Regulatory Commission, Order No. NERC/2026/087, available at: https://nerc.gov.ng/wp-content/uploads/2026/08/Transfer-Order-of-Regulatory-Oversight-AKSERC.pdf

is required to incorporate a subsidiary within 60 days, obtain an AKSERC licence for intrastate supply and distribution, and carve out its Akwa Ibom network as a standalone network. PHED must also identify and transfer to the new subsidiary the relevant assets, liabilities, contractual obligations and employees attributable to its Akwa Ibom operations. Boundary metering will be required where the network crosses into neighbouring States.

Upon completion of the transfer, AKSERC will assume exclusive regulatory responsibility for electricity activities conducted wholly within Akwa Ibom State, including end-user tariff methodology, final end-user tariffs, customer complaints and consumer protection. NERC will retain responsibility for activities involving the national grid and interstate electricity transactions, including generation and transmission arrangements involving grid-connected or interstate sources.

The Order is significant because it moves electricity decentralisation beyond the establishment of a statutory framework towards the practical separation of distribution operations and allocation of regulatory responsibilities between State and federal institutions. For market participants and investors, the restructuring of PHED's Akwa Ibom operations and the distinction between intrastate and interstate activities provide greater clarity on the regulatory framework applicable to electricity businesses operating in the State.

The transition is to be completed by 17 February 2027. Its effectiveness will depend on the timely establishment and licensing of the new PHED subsidiary, accurate allocation of its assets and liabilities and clear arrangements for activities involving the national grid or interstate electricity flows.

3. Geregu Power Plc Experiences Payment Default on its ₦40.09 Billion Series 1 Senior Unsecured Bond

Geregu Power Plc ("**Geregu**") recently experienced a payment default in respect of its ₦40.09 billion Series 1 Senior Unsecured Bond issued in July 2022. FMDQ Securities Exchange had classified the Bond as being in "Credit Default" following the non-payment of the eighth coupon and fourth scheduled principal repayment. The Bond carries a fixed coupon of 14.5% and is scheduled to mature in July 2029[4]. The outstanding coupon and principal repayment have since been made, and the payment default has therefore been cured.

Geregu operates the 435 MW Geregu Power Plant in Kogi State and sells its output to the Nigerian Bulk Electricity Trading Plc ("**NBET**") under a long-term Power Purchase Agreement. The Bond is a senior unsecured obligation, with Geregu's operating cash flows pledged as the primary source of repayment.

[4] FMDQ Securities Exchange, Geregu Power Plc Series 1 Bond, available at: https://fmdqgroup.com/exchange/listed-bonds/geregu-power-plc-series-1-bond/

Notwithstanding the subsequent payment, the default has resulted in increased scrutiny of Geregu's financial position. Agusto & Co. withdrew the "A-" rating assigned to Geregu and the Bond following the default and its conclusion that it no longer had sufficient reliable information to maintain a credit rating opinion[5]. Geregu's previously issued financial statements are undergoing an independent verification process, pending which Agusto has been unable to provide an opinion on Geregu's creditworthiness. GCR subsequently downgraded Geregu and the Bond from "A(NG)" with a stable outlook to "D(NG)" on 10 August 2026, and subsequently suspended both the long-term and short-term issuer ratings on 31 August 2026[6].

Although the payment default has been cured, the development remains significant for creditors and investors because it highlights the importance of reliable financial information, predictable cash flows, and effective financial controls in supporting the financing of Nigerian generation assets. The event also demonstrates that the existence of generation capacity, PPAs and receivables does not, by itself, eliminate the risk of short-term liquidity or debt-service challenges.

The subsequent settlement of the outstanding amounts provides some mitigation and demonstrates Geregu's ability to cure the payment default. However, the continuing review of Geregu's financial statements and the rating actions taken following the default are likely to remain relevant considerations for lenders and investors assessing the creditworthiness and bankability of generation assets in Nigeria.

The development may therefore increase the scrutiny applied by lenders and investors to the financial reporting, governance, cash-flow and risk-management arrangements of generation companies and reinforce the importance of reliable financial information and predictable payment structures in supporting private-sector investment in the sector.

4. LASERC Licences Lagos Independent System Operator as Lagos Electricity Market Moves Towards Operationalisation

On 6 August 2026, the Lagos State Electricity Regulatory Commission ("**LASERC**") issued a System Operator Licence (the "**Licence**") to the Lagos Independent System Operator ("**LAISO**"). The issuance of the Licence represents a further step towards the implementation of the Lagos Electricity Market established under the Lagos State Electricity Law 2024 (the "**Lagos Electricity Law**"). LASERC described the Licence as one of the means of strengthening the institutional framework required for a secure, reliable and efficiently coordinated electricity system in Lagos State.

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[5] Agusto & Co., Agusto & Co. has withdrawn the "A-" rating assigned to Geregu Power Plc and its ₦40.09 billion Bond, available at: https://www.agusto.com/ratings/agusto-co-has-withdrawn-the-a-rating-assigned-to-geregu-power-plc-and-its-%E2%82%A640-09-billion-bond/

[6] Global Credit Rating Co. Limited, Geregu Power Plc – Ratings History, available at: Ratings History – GCR Ratings

The Lagos Electricity Law provides for LAISO to perform system operation activities within the Lagos Electricity Market. Its functions include generation scheduling and dispatch, transmission scheduling, generation outage coordination, congestion management, real-time monitoring of the State grid, procurement and scheduling of ancillary services, and administration of the wholesale electricity market, including trading and settlement systems. LAISO is also responsible for managing the connection of the State grid to the national grid or the electricity system of another State.[7] The licensing of LAISO is significant because it moves Lagos beyond the establishment of a statutory framework towards putting in place the institutional infrastructure required to operate the State electricity market. For generators, distributors, traders and investors, a functioning system operator should provide greater clarity around scheduling and dispatch, outage and congestion management and wholesale market administration and settlement. Greater predictability in these areas should, in turn, support the bankability of electricity projects in Lagos.

The licensing does not, however, mean that the Lagos Electricity Market is fully operational. LAISO is required under the Lagos Electricity Law to develop and modify the market rules governing the safe, reliable and efficient operation of the State electricity system, subject to LASERC's prior review and approval[8]. LAISO will also need to coordinate the Lagos electricity system with the national grid and other relevant electricity market institutions while the systems remain interconnected.

The issuance of the Licence should therefore be viewed as an important institutional step towards operationalising the Lagos Electricity Market rather than the completion of that process. The effectiveness of the new market structure will depend on the development and implementation of the applicable market rules and operational arrangements and LAISO's ability to perform its functions independently and reliably.

5. REA Launches Renewable Asset Management Company to Strengthen Management and Financing of Renewable Energy Assets

On 26 August 2026, the Rural Electrification Agency ("**REA**"), in partnership with the Ministry of Finance Incorporated ("**MOFI**") and the Infrastructure Corporation of Nigeria ("**InfraCorp**"), launched the Renewable Asset Management Company ("**RAMCO**") to provide an institutional platform for managing Nigeria's renewable energy infrastructure assets.[9]

RAMCO is intended to provide a dedicated framework for the management, governance and long-term stewardship of publicly funded renewable energy

[7] Lagos State Electricity Law 2024, s. 99.
[8] Lagos State Electricity Law 2024, s. 101.
[9] Rural Electrification Agency, #ActivatingRAMCO – Powering Sustainable Growth: Launching Nigeria's Renewable Asset Management Company, LinkedIn post, 26 August 2026, available at: https://www.linkedin.com/posts/rural-electrification-agency-of-nigeria_activatingramco-activity-7495802142071533568-JILU.

assets. According to the REA, the immediate next step is a detailed evaluation of the assets that may be transferred to RAMCO, including their condition, performance, revenue potential and operational requirements.[10]

The establishment of RAMCO is significant because it introduces a dedicated institutional structure for managing existing public renewable energy assets beyond their initial deployment. Its stated objectives of improving asset sustainability, unlocking capital recycling and creating opportunities for further private-sector participation could support more commercial management of these assets and facilitate additional investment in renewable energy infrastructure.

The effectiveness of the framework will, however, depend on the assets ultimately transferred to RAMCO, their financial and operational performance, and the governance and management arrangements adopted to preserve their value and support further investment.

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 at uubo@uubo.org.

[10] Abba Aliyu, Managing Director/Chief Executive Officer, Rural Electrification Agency, LinkedIn post on the launch of RAMCO, 26 August 2026, available at: https://lnkd.in/p/e8NdXs67