



UDO UDOMA &
BELO-OSAGIE

POWER SECTOR UPDATES

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INTRODUCTION



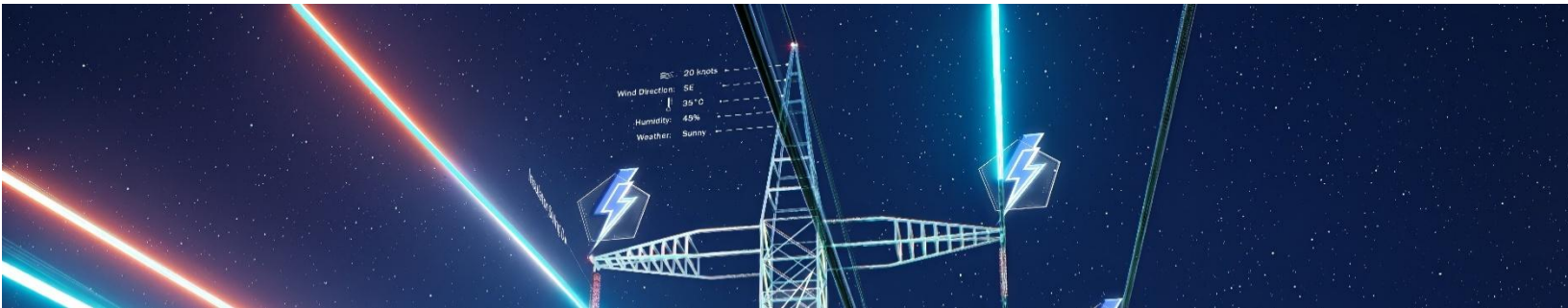
This update highlights key regulatory and industry developments in Nigeria's power sector during September 2026. Notable developments include the Nigerian Electricity Regulatory Commission's ("**NERC**") Revised Order on Successor Distribution Companies' Utilisation of Earned Non-Admin Operating Expenditure, Order No. NERC/2026/062A; the Federal Government's completion of the ₦728.9 billion Series 2 bond issuance under the Presidential Power Sector Financial Reforms Programme ("**PPSFRP**"); the operationalisation of the Edo State Electricity Market by the Edo State Electricity Regulatory Commission ("**ESERC**"); and the commercial launch of Nigeria's US\$300 million Distributed Renewable Energy ("**DRE**") Fund.

Taken together, these developments reflect the continued emphasis on financial restructuring, infrastructure investment and market decentralisation within the Nigerian Electricity Supply Industry ("**NESI**"). We will continue to monitor these and other developments and provide further updates in our October 2026 edition.

1. NERC Issues Revised Order on Successor DisCos' Utilisation of Earned Non-Admin Operating Expenditure

On 4 September 2026, NERC issued Order No. NERC/2026/062A (the "**Revised Order**") to revise the framework governing the utilisation of earned Non-Admin Operating Expenditure ("**Non-Admin OpEx**") by Successor Distribution Companies ("**DisCos**"). The Revised Order is intended to ensure that available revenues are applied towards network rehabilitation, reinforcement and expansion, while supporting efficient cost recovery and continuous improvement in the quality of electricity supply.¹

¹ Nigerian Electricity Regulatory Commission, *Revised Order on Successor Distribution Companies' Utilisation of Earned Non-Admin Operating Expenditure*, Order No. NERC/2026/062A, 4 September 2026, paras. 2, 10 and 13, available at: https://nerc.gov.ng/wp-content/uploads/2026/09/Amended-order-on-nonadmin-opex_04092026171143.pdf



a. Regulatory Context

Under the Multi-Year Tariff Order (“**MYTO**”) framework, a DisCo’s revenue requirement comprises several building blocks, including Administrative Operating Expenditure (“**Admin OpEx**”), Non-Admin OpEx, depreciation and return on investment. These allowances are subject to prudence and “used and useful” tests, and NERC retains the authority to conduct retrospective reviews and claw back amounts where appropriate.

Against this background, NERC conducted an open-book review in April 2026 of DisCos’ utilisation of earned Non-Admin OpEx during the 2025 market cycle. The review revealed varying levels of revenue recovery across the DisCos. While several DisCos had not recovered sufficient revenues to meet their upstream market obligations, others had recovered revenues in excess of those obligations and were able to recover substantial portions of other approved revenue requirement components. NERC also noted the difficulties faced by DisCos in accessing external financing. Against this backdrop, the Revised Order seeks to ensure that earned Non-Admin OpEx is deployed towards essential CapEx projects, particularly in light of the difficulties faced by DisCos in accessing external financing.

The issue identified by NERC was therefore not merely whether Non-Admin OpEx was being recovered through tariffs, but whether tariff-derived revenues were being translated into the network investments required to improve and sustain distribution services. The Revised Order seeks to address this concern by directing a defined portion of earned Non-Admin OpEx towards Capital Expenditure (“**CapEx**”) and imposing controls on the utilisation of those funds.

b. Key Features of the Revised Order

The Revised Order establishes a dedicated CapEx Provision Account into which specified portions of earned Non-Admin OpEx must be transferred after payment of applicable upstream market invoices and Admin OpEx.

For the August 2026 to January 2027 market cycle, debt-free DisCos are required to allocate 50% of the applicable amount to the CapEx Provision Account, with the remaining 50% available for operational purposes. From February 2027, the allocation to CapEx increases to 60%, leaving 40% available for operations.

For DisCos with outstanding market obligations, the August 2026 to January 2027



allocation is divided equally, with 25% each allocated to NBET, the Market Operator, the CapEx Provision Account and operational purposes. From February 2027, the CapEx allocation increases to 30%, while the operational allocation reduces to 20%. Where a DisCo is indebted to only NBET or only the Market Operator, the amount that would otherwise have been allocated to the other party must instead be transferred to the CapEx Provision Account.

The Revised Order further restricts the use of CapEx funds to eligible end-to-end network projects and requires NERC approval at specified stages, including the issuance of a “No Objection” for eligible projects and approval prior to contract award. DisCos are also required to submit quarterly reports on project implementation. In addition, DisCos with outstanding market obligations must complete reconciliation exercises with NBET and the Market Operator and agree payment plans, subject to NERC approval, within 180 days.

c. Implications for the Distribution Sector

The Revised Order introduces a more direct link between tariff-derived revenues and the capital investment obligations embedded in DisCos’ tariff orders. Rather than relying solely on the ability of DisCos to raise external financing or independently determine the deployment of earned Non-Admin OpEx, the framework establishes a ring-fenced funding source for specified distribution infrastructure projects.

The phased allocation structure is also significant. The initial six-month period requires debt-free DisCos to dedicate 50% of the relevant revenues to CapEx, increasing to 60% from February 2027. For indebted DisCos, the framework seeks to balance settlement of upstream obligations, capital investment and operational requirements through a prescribed allocation hierarchy.

The success of the framework will ultimately be measured by whether the ring-fenced funds translate into completed infrastructure projects and demonstrable improvements in network capacity, reliability and service quality. An important issue to monitor will be whether the reduced operational allocations remain sufficient to enable DisCos to maintain their networks, support service delivery and meet day-to-day obligations as CapEx allocations increase.

More broadly, the Revised Order reflects NERC’s increasing willingness to exercise direct oversight over the deployment of tariff-derived revenues to



ensure that approved revenue requirements are translated into tangible network investments and service improvements contemplated under the MYTO framework.

2. Federal Government Completes ₦728.9 Billion Series 2 Bond Issuance Under the Presidential Power Sector Financial Reforms Programme

In September 2026, the Federal Government, through NBET Finance Company Plc, the special purpose vehicle of NBET, completed the ₦728.9 billion Series 2 bond issuance under the Presidential Power Sector Financial Reforms Programme (“**PPSFRP**”).² The Series 2 issuance follows the ₦501 billion inaugural Series 1 transaction completed in January 2026, bringing total issuances under the PPSFRP to approximately ₦1.23 trillion and advancing the implementation of the Federal Government’s ₦4 trillion Power Sector Multi-Instrument Issuance Programme.

The transaction is intended to address the longstanding stock of verified but unpaid receivables owed to Generation Companies (“**GenCos**”) for electricity supplied between February 2015 and March 2025. By financing the settlement of these legacy obligations, the PPSFRP seeks to inject liquidity into the electricity market and enable GenCos to meet obligations further along the value chain, including payments to gas suppliers, while supporting the maintenance and investment required to sustain generation capacity.

The Series 2 issuance also expands the programme’s coverage, with eleven GenCos participating compared to eight under Series 1.³ It is expected to address receivables associated with approximately 5,398MW of generation capacity and 290,644.84GWh of electricity billed during the relevant period. Accordingly, the transaction represents more than a debt-settlement exercise; it is intended to alleviate one of the most significant liquidity constraints within the NESI.

Nevertheless, the retirement of legacy receivables alone is unlikely to resolve the structural drivers of liquidity deficits within the electricity market. The longer-term success of the PPSFRP will depend on whether

² Africa Finance Corporation, “AFC Supports Successful Close of ₦729 Billion Series 2 Bonds to Advance Nigeria’s Power Sector Reforms”, 23 September 2026, available at: <https://www.africafc.org/news-and-insights/news/afc-supports-successful-close-of-729-billion-series-2-bonds-to-advance-nigerias-power-sector-reforms>

³ Premium Times, “Nigerian government raises ₦729 billion bond to tackle power sector debt”, 15 September 2026. <https://www.premiumtimesng.com/business/business-news/909528-nigerian-government-raises-%E2%82%A6729-billion-bond-to-tackle-power-sector-debt.html>



the increased liquidity is accompanied by improved payment discipline, reductions in technical and commercial losses, sustainable tariff-supported cost recovery and measures to prevent the recurrence of significant market debts.

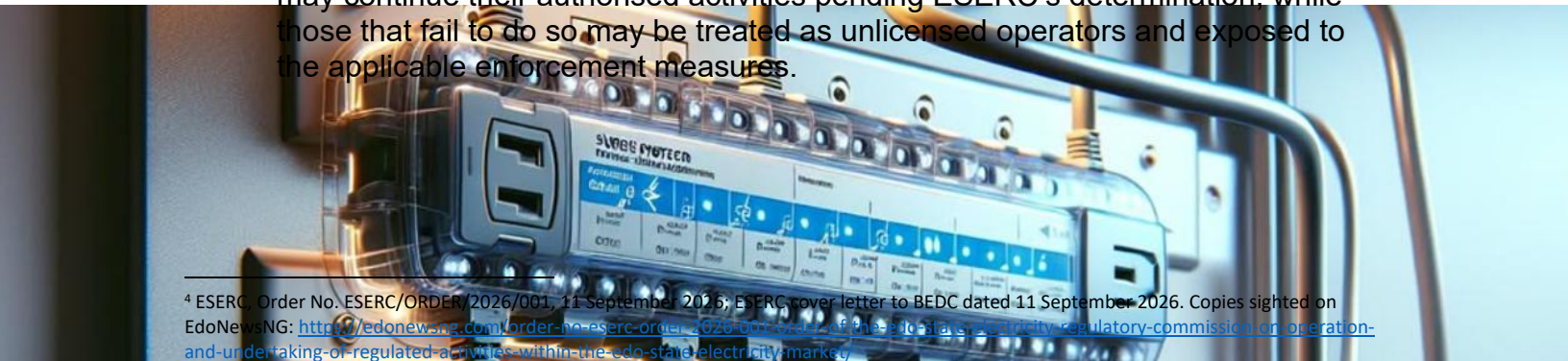
The Series 2 issuance is therefore best viewed as an important component of a broader market reform and financial restructuring programme rather than a comprehensive solution to the sector's liquidity challenges.

3. Edo State Commences Operationalisation of State Electricity Market

In September 2026, the Edo State Electricity Regulatory Commission (“**ESERC**”) commenced the operationalisation of the Edo State Electricity Market following the issuance of Order No. ESERC/ORDER/2026/001 on the Operation and Undertaking of Regulated Activities within the Edo State Electricity Market (the “**ESERC Order**”). The development follows the transfer of regulatory oversight of Edo State's intra-State electricity market from NERC to ESERC pursuant to NERC Order No. NERC/2024/111.⁴

The ESERC Order establishes the foundational regulatory framework for the operation of the Edo State electricity market. It prohibits any person or entity from undertaking a regulated activity, including generation, transmission, distribution, supply, trading and system or market operation, without an ESERC licence or permit.

Importantly, the Order makes clear that a NERC licence alone does not authorise the holder to undertake regulated activities within Edo State, except where transitional protections apply. Existing NERC licensees are required to apply for regularisation, revalidation and re-issuance of their licences and other regulatory instruments within 30 days. Licensees that comply within the prescribed period may continue their authorised activities pending ESERC's determination, while those that fail to do so may be treated as unlicensed operators and exposed to the applicable enforcement measures.



⁴ ESERC, Order No. ESERC/ORDER/2026/001, 11 September 2026; ESERC cover letter to BEDC dated 11 September 2026. Copies sighted on EdoNewsNG: <http://edonewsng.com/order-no-eserc-order-2026-001-grants-af-the-edo-state-electricity-regulatory-commission-on-operation-and-undertaking-of-regulated-activities-within-the-edo-state-electricity-market/>.

The Order also seeks to ensure that the regulatory transition does not disrupt the provision of electricity services. Existing regulatory instruments, including tariff orders, technical and metering codes, and consumer protection standards, remain in force and are deemed to have been issued by ESERC until amended or replaced. Existing tariffs similarly remain applicable until alternative arrangements are introduced by ESERC. The Order further provides exemptions for specified small-scale captive generation, renewable energy projects and mini-grid activities, while directing ESERC to develop and publish detailed market rules and licensing procedures.

The transition has already begun to produce practical consequences for market participants. In its covering letter to BEDC, ESERC confirmed that the regulatory transition had been completed and directed BEDC to incorporate an Edo subsidiary and, following incorporation, transfer the relevant assets, liabilities, employees and contractual rights and obligations associated with its Edo operations to that subsidiary. The subsequent issuance of a provisional electricity licence to BEDC Electricity Edo Ltd further demonstrates the progression from regulatory transition to implementation of the State-level licensing framework.

The importance of the ESERC Order lies not merely in the transfer of regulatory jurisdiction from NERC to ESERC, but in the creation of the operational and regulatory architecture required for a functioning State electricity market. The immediate challenge will be ensuring an orderly migration of existing operators into the State regulatory framework while simultaneously developing the market rules, licensing processes and institutional capacity required to support ESERC's expanded mandate.



4. Launch of Nigeria's \$300 million Distributed Renewable Energy Fund

On 22 September 2026, the Nigeria Sovereign Investment Authority (“**NSIA**”), Africa50 and Sustainable Energy for All (“**SEforALL**”) announced the commercial launch of the US\$300 million Nigeria Distributed Renewable Energy (“**DRE**”) Fund, marking the transition from fund structuring to active capital deployment.⁵ The Fund, which is co-managed by NSIA and Africa50, is designed to scale distributed renewable energy investments across Nigeria and contribute to the expansion of reliable, affordable and sustainable energy access.

The Fund is intended to support the deployment of distributed renewable energy solutions, including mini-grids and standalone solar systems, particularly in communities and businesses that remain underserved by traditional energy infrastructure. The World Bank is a founding partner and has made an initial US\$25 million IDA contribution to the Fund.

The commercial launch is significant because it creates a dedicated investment platform for scaling distributed renewable energy projects in Nigeria and provides a structured mechanism for blending development finance with private capital. The Fund also aligns with the broader Mission 300 initiative aimed at accelerating access to electricity across Africa.

Ultimately, the Fund’s impact will be measured by its ability to deploy capital into bankable projects that expand electricity access and improve the availability of reliable power in underserved communities and productive economic clusters. More broadly, the Fund represents another step towards mobilising long-term capital for energy infrastructure and supporting Nigeria’s transition towards a more diversified and resilient electricity sector.

⁵ Nigeria Sovereign Investment Authority, “NSIA, Africa50 and SEforALL Announce Commercial Launch the USD300 Million Nigeria DRE Fund – A Model for Scaling DRE Investment Across Africa”, 22 September 2026. <https://nsia.com.ng/nsia-africa50-and-seforall-announce-commercial-launch-the-usd300-million-nigeria-dre-fund-a-model-for-scaling-dre-investment-across-africa/>