

FROM POWER USERS TO POWER SELLERS: APPRAISING THE NIGERIAN ELECTRICITY REGULATORY COMMISSION'S NET BILLING REGULATIONS 2026

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INTRODUCTION

For decades, Nigeria's commercial and industrial electricity consumers have occupied one side of a fixed relationship with the grid. They paid for what they consumed, and any power they generated for themselves, whether from diesel generators or rooftop solar, stayed confined behind the meter. Where the law did contemplate consumer generation, it was built for large-scale players. The Nigerian Electricity Regulatory Commission (Embedded Generation) Regulations 2012 provided a licensing framework for embedded generators seeking to connect to a distribution network, but it was designed around feed-in tariffs and connection agreements suited to utility-scale independent power producers, not the commercial rooftop solar installer.

Similarly, the Nigerian Electricity Regulatory Commission (Permits for Captive Power Generation) Regulations 2008 (the "**NERC Captive Power Generation Regulations**") provided a framework for consumers seeking to generate electricity primarily for their own consumption. While the NERC Captive Power Generation Regulations permitted captive power permit holders to supply surplus power not exceeding 1MW to an offtaker upon obtaining the prior written consent of the Nigerian Electricity Regulatory Commission ("**NERC**") and required a generation licence for surplus power exceeding 1MW, they did not establish a standardised framework for consumers to export excess self-generated electricity to the distribution grid in exchange for credits. Consequently, commercial deployment of distributed renewable energy systems remained limited by the absence of a dedicated net billing mechanism.

The Net Billing Regulations 2026 (the "**Regulations**") issued by the NERC in exercise of the powers conferred on it by Section 226 of the Electricity Act 2023 (the "**Act**"), closes that gap**.** The Regulations establish a structured legal framework through which a consumer's renewable energy installation may be connected to the national distribution grid and surplus generation exported for credit. In doing so, they formalise an entirely new category of electricity user, the "**Prosumer**", defined as a User within the supply area of a Distribution Licensee who has a commissioned Net Billing

Arrangement with the Distribution Licensee.[1] This briefing note appraises what the Regulations offer, the procedural pathway to participation, and the technical requirement that will determine whether that opportunity is commercially significant.

OBJECTIVES OF THE REGULATIONS

The Regulations set out six express objectives. It aims to establish a standard framework for the interconnection of renewable energy installations at customer premises, facilitate the export of surplus power to the grid under a credit-based billing arrangement, provide a clear compensation mechanism for excess power generated by a customer's renewable energy facility, ensure interconnection does not compromise safety or reliability of the distribution network, optimize access to electricity services through renewable generation, and support the implementation of Nigeria's Energy Transition Plan.[2]

SCOPE OF APPLICATION

Without prejudice to Sections 2(2), 63(2)(b) and 230 of the Act, the Regulations apply to renewable energy systems connected to a distribution network with a minimum installed capacity of 50kWp and a maximum installed capacity of 1.5MWp per user.[3] The Regulations are therefore primarily targeted at medium-scale users such as commercial, industrial, institutional, and other significant electricity consumers rather than small residential users. A critical statutory nuance arises, however, regarding systems at the upper end of this capacity threshold. Under Section 63(2)(a) of the Act, generation undertakings are exempt from formal licensing requirements only up to 1MW aggregate capacity. Consequently, while the Regulations accommodate Net Billing Systems up to 1.5MWp, prosumers developing installations between 1MWp and 1.5MWp fall outside this statutory exemption and may be required to obtain a formal generation permit or license from the NERC or the relevant State regulator in addition to net billing registration.

In addition to the installed capacity threshold, the Regulations impose network-related limitations. The aggregate excess capacity injected into a distribution licensee's 0.4kV, 11kV or 33kV network by Prosumers under net billing arrangements must not exceed 30% of the average load of the relevant network asset, and the approved export capacity under any single arrangement generally must not exceed 120% of the customer's Eligible Load Demand.[4] Where a customer demonstrates verifiable and imminent load expansion, a Distribution Licensee may approve export capacity above the 120% threshold, provided the approved capacity does not exceed the customer's projected load demand within twenty-four (24) months.[5] Notably, this capacity ceiling applies to the inverter rated alternating current ("**AC**") export capacity capable of injection into the network; installed direct current generation capacity may exceed the

[1] Net Billing Regulations 2026, Reg. 4(1), definition of "Prosumer".
[2] ibid, Reg 3(1)(a) to (f).
[3] Ibid, Reg 5.
[4] ibid, Reg 6(2) to (4).
[5] ibid, Reg 6(6).

approved AC export threshold, provided export is technically limited through certified inverter settings or export control mechanisms.[6]

A significant qualification to the foregoing, however, is the extent to which the Regulations apply uniformly across Nigeria. While electricity has always been on the Concurrent Legislative List, States previously had limited legislative authority over electricity. Prior to the Constitution of the Federal Republic of Nigeria, 1999 (Fifth Alteration) (No. 17) Act, 2023 (the "**Fifth Alteration**"), States could only legislate on the generation, transmission and distribution of electricity in areas not covered by a national grid system. The Fifth Alteration removed this restriction, thereby expanding the authority of States to legislate on electricity matters within their respective territories.

Following this constitutional amendment, the Act provides a framework for States to establish and regulate intrastate electricity markets. NERC has since commenced the transfer of regulatory oversight to a number of States, including Lagos, Edo, Ekiti, Enugu, Imo, Kogi, Niger, Ogun, Ondo and Oyo. In Lagos State, the transfer of regulatory oversight from NERC to the Lagos State Electricity Regulatory Commission ("**LASERC**") was initiated pursuant to the Order of Transfer of Regulatory Oversight of the Electricity Market in Lagos State from NERC to LASERC (the "**Transfer Order**") dated 5 December 2024.

The practical consequence for a Prosumer seeking to rely on the Regulations in a State such as Lagos is therefore not straightforward. Section 63(7) of the Act provides for NERC to retain regulatory powers in certain circumstances, including where a State lacks a legal and institutional framework for the regulation of relevant electricity services or where the relevant undertaking relies on any part of the national grid. Following the enactment of the Lagos State Electricity Law 2024 and the operationalisation of LASERC, Lagos has established a legal and institutional framework for the regulation of its intrastate electricity market. This is reflected in Paragraph G of the Transfer Order, which vests LASERC with "exclusive responsibility" for determining and adopting the end-user tariff methodology applicable within its area of regulatory oversight. Accordingly, to the extent that the Regulations prescribe tariff parameters for net billing arrangements, their application in Lagos, for instance, may depend on whether the State-level regulator (in the case of Lagos State, LASERC) has adopted or approved those tariff provisions as part of its applicable regulatory framework. The NERC tariff provisions should therefore not be assumed to apply automatically to net billing arrangements in States like Lagos that have enacted a legal framework for the regulation of its intrastate electricity market.

Furthermore, for Prosumers connected to localised Independent Electricity Distribution Networks or estate mini-grids licensed under State law pursuant to Section 63(2)(b) of the Act, the applicable State regulatory framework may govern the relevant arrangements rather than the NERC Regulations.

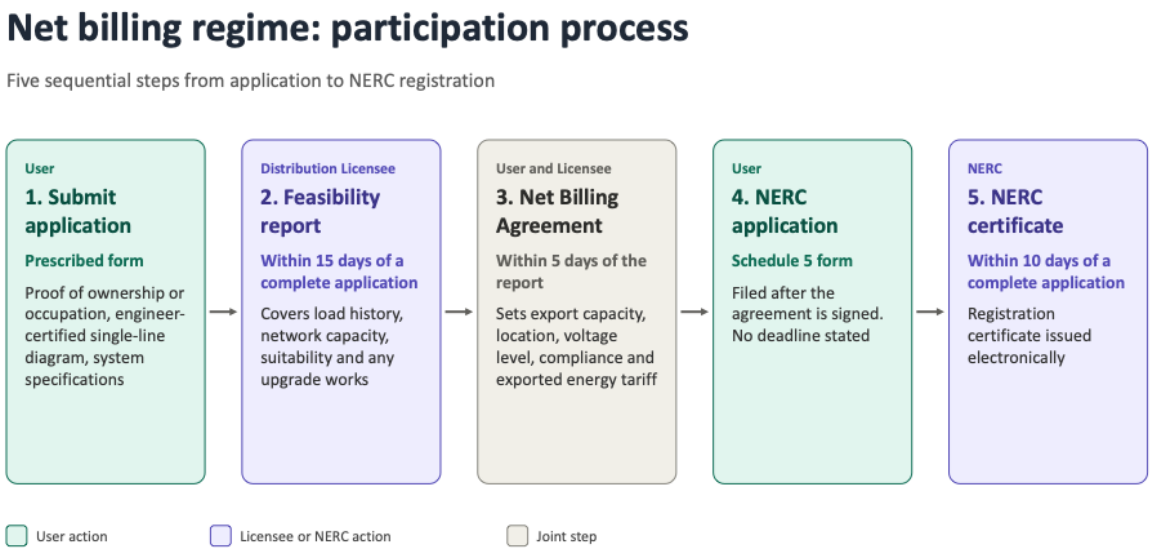
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[6] ibid, Reg 6(7) to (8).

Market participants operating in States where regulatory oversight has been transferred should therefore confirm the applicable tariff, licensing and registration framework directly with the relevant State regulator before relying on the Regulations as the sole governing framework for a net billing arrangement.

ELIGIBLE PARTICIPANTS AND RENEWABLE ENERGY SOURCES

For the purpose of the Regulations, the only recognised renewable energy source is solar energy.[7] The Regulations further contemplate that small wind and hydro energy installations may be incorporated into the net billing framework once the NERC issues the relevant technical standards and updates the applicable schedules.



Application and Approval Process

CONNECTION CHARGES, NETWORK UPGRADE, INSTALLATION AND COMMISSIONING

Upon issuance of the registration certificate, the user is required to pay the prescribed connection charge to the Distribution Licensee. Where no network upgrade is required, payment must be made within fifteen (15) days; where network reinforcement is required, payment is to be made within thirty (30) days.[8] The Distribution Licensee must thereafter complete interconnection works within thirty (30) days of receiving the connection charge, extendable to one hundred and twenty (120) days where major reinforcement works at 11kV or 33kV level is required; where the extended period applies, the Distribution Licensee must notify the NERC within three (3) days. [9]

Installation must accord with the approved technical specifications, and the Distribution Licensee must install the net meter infrastructure only after payment of the Connection Charge.[10] Critically, installation does not authorise energisation; no system may export

[7] ibid, Reg 4(1), definition of "Renewable Energy Sources".
[8] ibid, Reg 11.
[9] ibid, Reg 12.
[10] ibid, Reg 13(1) to (2).

electricity before commissioning approval is granted.[11] The User must apply to the Nigerian Electricity Management Services Agency ("**NEMSA**") for inspection and pre-commissioning testing, and NEMSA, in conjunction with the Distribution Licensee, must conduct the inspection within ten (10) days and thereafter issue an inspection certificate or notify the user of any deficiencies within five (5) days.[12] Commissioning by the Distribution Licensee must follow within three (3) days of a complete request.[13]

Any change in ownership or occupancy of the premises requires formal transfer of the Net Billing Agreement to the new owner or occupier, using the format in Schedule 7 of the Regulations, provided the installed capacity and technical configuration remain unchanged.[14]



TECHNICAL AND OPERATIONAL STANDARDS, AND THE DETERMINATIVE CONDITION

The installation, interconnection, maintenance, and operation of a Net Billing System must be carried out by a certified technician in compliance with the Distribution Code and the Nigerian Electricity Supply and Installation Standards Regulations.[15] A Net Billing System must be designed to supply power from a single point of interconnection and must include protection mechanisms against over-voltage, under-voltage, and frequency deviation.[16] The Prosumer must install a switching or changeover panel capable of both automatic and manual isolation to prevent back-feeding during outages, and the system must include anti- islanding protection and synchronisation mechanisms, with the isolator meeting minimum criteria including visible open or close indication, accessibility to the Licensee's personnel without prior clearance, and a lockable open position.[17] Paralleling devices such as relays and contactors must withstand 220% of the nominal voltage at the interconnection point in compliance with IEC 61727 standards.[18]

[11] ibid, Reg 13(3).
[12] ibid, Reg 14(1) to (2).
[13] ibid, Reg 15(1) to (2).
[14] ibid, Reg 16(1) to (2).
[15] ibid, Reg 17(1).
[16] ibid, Reg 17(2).
[17] ibid, Reg 17(2).
[18] ibid, Reg 17(5)(c).

It is here that the commercial outcome for most prospective Prosumers is substantially decided. Where a Prosumer seeks the Peak Export Tariff, the Net Billing System must include a Battery Energy Storage System ("**BESS**") verified by NEMSA, meeting minimum specifications of usable capacity not less than two (2) hours of rated output at 50% of installed capacity, and capable of independent charge from the renewable system and discharge to the grid.[19] The NEMSA inspection certificate must expressly state whether the system is "Peak Export Premium Eligible" or restricted to the "Off Peak Rate Only"; systems without a qualifying BESS are settled at the Off-Peak Export Tariff for all exports, regardless of when generation actually occurs.[20] For a prospective Prosumer, this is not a peripheral compliance detail. It is the variable that determines whether participation is genuinely lucrative or merely token, and it should inform the initial capital decision rather than be treated as an afterthought.



METERING REQUIREMENTS

The Distribution Licensee must provide a net meter upon payment of connection charges, being a revenue-grade import or export meter or dual-register smart meter, installed in conformity with the Metering Code, and equipped with Time-of-Use capability, separately recording energy imported and exported.[21] Where a Time-of-Use net meter is not available at the time of commissioning, the Distribution Licensee may, with prior NERC consent, provisionally commission the system using a NEMSA-certified bidirectional meter; in that case, all exports are credited at the Off Peak Export Tariff until a Time-of-Use meter is installed, the Prosumer is not entitled to the peak premium

[19] ibid, Reg 17(6)(a) to (b).
[20] ibid, Reg 17(6)(c) to (d).
[21] ibid, Reg 18.

in the interim, and the Licensee must complete the upgrade within twelve (12) months of provisional commissioning.[22]

COMMERCIAL FRAMEWORK: TARIFFS AND SETTLEMENT

Energy imported by a Prosumer is billed at the applicable Retail Tariff approved by the NERC; energy exported is credited at the Export Tariff, calculated by applying the NERC-approved Export Tariff Factor to the Avoided Cost Delivered.[23] The Export Tariff Factor is currently set at 0.55 for off-peak and 0.75 for peak, informed by international benchmarks and local tariff sustainability considerations, and subject to periodic NERC review.[24] Where the calculated off-peak Export Tariff would equal or exceed the Prosumer's applicable Retail Tariff, the Export Tariff is capped by reference to that Retail Tariff.[25]

Distribution Licensees must issue monthly bills clearly stating imported and exported energy, applicable tariffs, monthly import charges and export credits, and opening and closing carried forward balances.[26] Monthly export credit and any carried forward credit are applied only against the Prosumer's import bill; the net billed amount payable can never be negative, and no cash payment is made to the Prosumer except where expressly provided by the Regulations or a NERC order.[27]

CARRIED-FORWARD CREDITS

Carried-forward credits are to be applied solely to offset future import charges and are netted off at the anniversary of the system's connection.[28] Where a Prosumer vacates a premises and the Net Billing Agreement is transferred to a new owner or occupier, the accrued credits are transferred with the premises. However, where the Prosumer relocates the Net Billing System from the premises, the accrued credits are zeroed, and the Prosumer must make a fresh application to the Distribution Licensee[29].

TRANSFER REVIEW, TRANSFER AND ASSIGNMENT

The NERC must review the Net Billing Settlement Parameters at least once every twelve (12) months, or upon a change in avoided reference cost exceeding 20%, or a formal request from a Distribution Licensee or Prosumer association; any revision applies prospectively from the effective date of the revised Order, and parameters fixed at the time of Agreement execution remain in force for a minimum of twelve (12) months from connection regardless of any earlier revision.[30] Where a Prosumer is no longer in control or possession of the premises, the right to use the Net Billing System and its associated credits may be transferred to a new User, subject to the Distribution Licensee's prior approval and confirmation that there is no change in system

[22] ibid, Reg 18(5)(a) to (c).
[23] ibid, Reg 19(1) to (4).
[24] ibid, Reg 19(5).
[25] ibid, Reg 19(6).
[26] ibid, Reg 20(1) to (2).
[27] ibid, Reg 20(5) and (8).
[28] ibid, Reg 21.
[29] ibid, Reg 22.

[30] ibid, Reg 23(1) to (3).

configuration or installed capacity; any change triggers a fresh approval process under Regulation 7 of the Regulations.[31]

MONITORING AND DISPUTE RESOLUTION

Distribution Licensees must maintain an up-to-date register of approved Net Billing Facilities, publish quarterly aggregated and non-confidential data on installed capacity and export volumes, and report quarterly to the NERC on applications received, approvals, rejections, processing timelines and network upgrade works undertaken.[32] As regards dispute resolution, disputes between a Prosumer and a Distribution Licensee are to be resolved in the first instance through mutual negotiation within thirty (30) days. Where unresolved, either party may refer the dispute to the NERC for determination. The NERC's decision is binding, subject to any right of appeal under the Act or any other applicable law.[33]

CONCLUSION

From a legal and regulatory perspective, the framework is particularly significant because it formalises the role of the Prosumer within the Nigerian Electricity Supply Industry and creates a structured pathway for the export of surplus renewable energy to the grid. For commercial and industrial users, the Regulations may offer an avenue for reducing energy costs and monetising excess generation. For the sector more broadly, they represent a practical mechanism for supporting grid decentralisation, energy transition, and increased private sector participation in electricity supply.

Please do not treat the foregoing as legal advice, as it only represents the public commentary views of the authors. All enquiries on this should be directed to the key contacts.

[31] ibid, Reg 24(1) to (4).
[32] ibid, Reg 25(1) to (4).
[33] ibid, Reg 26(1) to (4).