DUALE, OVIA & ALEX-ADEDIPE

REFLECTIONS ON THE MINI-GRID REGULATIONS 2023

Introduction

Do you remember that Nigerian Electricity Regulatory Commission ("NERC") – the federal electricity regulator in Nigeria- released the Mini-Grid Regulations 2023 (the "Regulations") in December 2023. The Regulations was indeed an update to the 2016 Mini-Grid Regulations – effectively replacing it and marking a significant pivot toward a more robust, forward-looking, and investor-friendly framework for decentralized energy development in Nigeria.

What Changed: Key Innovations introduced by the Regulations

1. Expanded Permit Clarity

Permits are now explicitly available for both isolated and interconnected mini-grids – addressing a long-standing regulatory ambiguity that deterred investments in the electricity sector.

2. Portfolio Approach Introduced

Developers of mini-grids can now file permit and tariff applications for portfolios of mini-grids (isolated or interconnected), rather than doing so on a project-by-project basis. This significantly reduces administrative bottlenecks.

3. Faster DisCo Engagement (15-Day Consent Rule)

DisCos are now required to confirm or deny requests within 15 business days – or consent is automatically deemed granted. This rule aligns with Nigeria's 2023 Business Facilitation Act and directly improves project timelines.

4. Single Tariff Filing Option

Permit holders may now submit a single tariff application for an entire portfolio, or individual filings per site – enabling flexibility and reduced paperwork for operators with multiple mini-grids.

5. Reduction in Loss Caps

Allowable technical losses were reduced from 10% to 4%, and non-technical losses to 3%, pushing for higher operational efficiency and better tariff realism.

6. Protection Against DisCo Encroachment

DisCos must now give 12-month advance notice before expanding their grid into an area already served by a permitted isolated mini-grid. This reduces sudden displacement risks for mini-grid operators.

7. Improved Compensation Mechanism

When there is a DisCos takeover of a mini-grid's service area, operators are now entitled to:

- The book value of their depreciated distribution assets,
- 24 months of pre-tax profit, and
- The right to continue operating until fully compensated.

The foregoing is a notable improvement over the limited 5-year window and unclear metrics in the 2016 framework.

8. Regulatory Oversight for Ownership Transfers

Any sale, transfer, or disposal of a mini-grid business now requires prior NERC approval, including proof of the new owner's technical capacity. This tightens accountability and protects consumers.

9. Mandatory Technical & Investment Proposals

Developers of interconnected mini-grids are now required (not optional) to submit technical and investment proposals to DisCos – formalizing collaboration expectations from the start.

10. Optional Deviation from Metering Code

Mini-grid operators may request to use alternative standards to the NERC Metering Code, granting more flexibility in certain technical contexts, especially for pilot technologies or donor funded sites.

Conclusion

The Regulations have been a positive step forward, particularly in:

- De-risking rural electrification projects,
- Expanding and unlocking the market for private sector participation,
- Streamlining regulatory approvals and authorisations.

Notwithstanding the lofty objectives of the Regulations, practical execution and implementation remains the bottleneck. We therefore believe that continued capacity-building, enforcement clarity, and stakeholder engagement will continue to shape the long-term success of the Regulations.