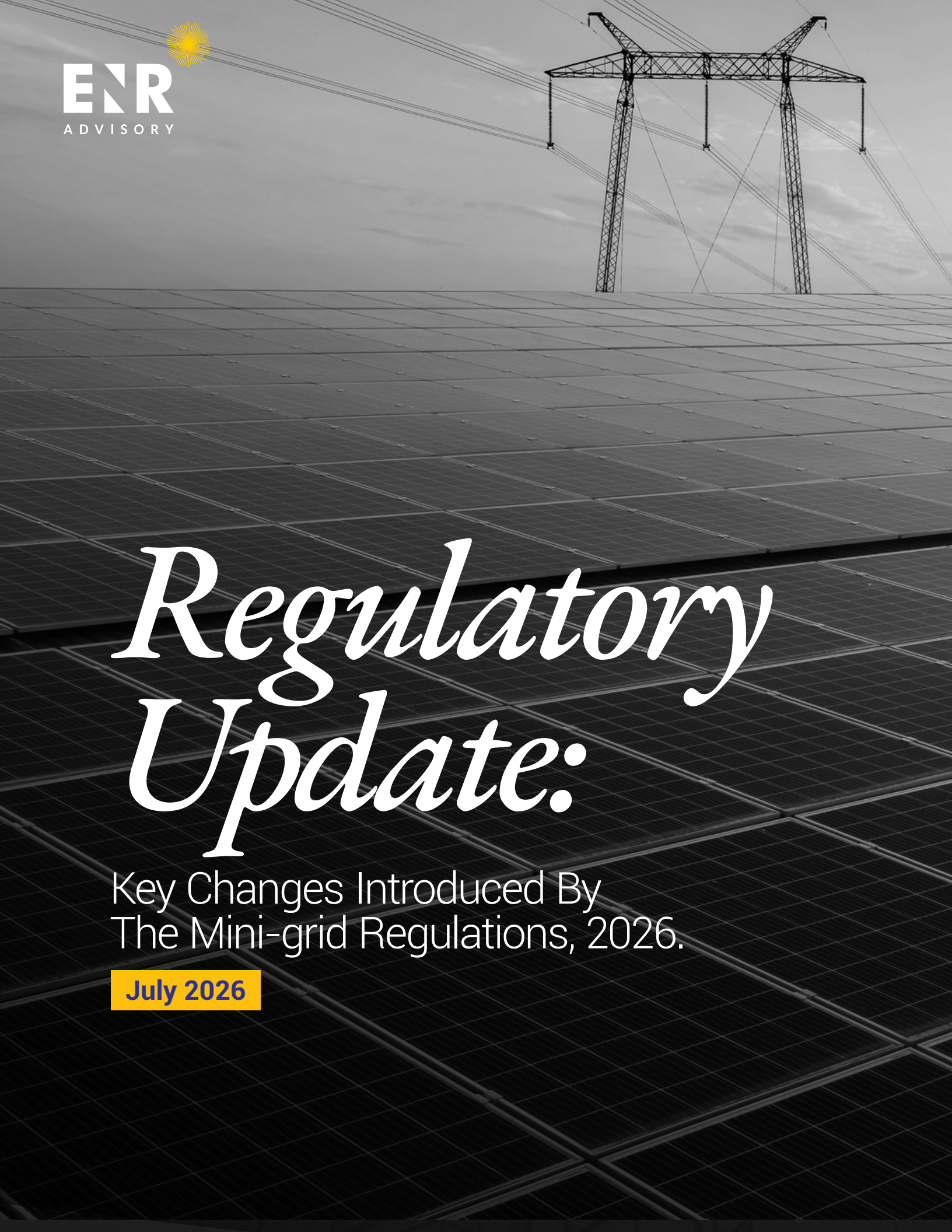




Regulatory Update:

Key Changes Introduced By
The Mini-grid Regulations, 2026.

July 2026

Introduction

Pursuant to its powers under the Electricity Act, 2023,¹ the Nigerian Electricity Regulatory Commission (NERC) has formally issued the Mini-Grid Regulations, 2026 ("2026 Regulations"), replacing the Mini-Grid Regulations, 2023 ("2023 Regulations"). The 2026 Regulations build on and seek to further refine the operational relationship between Distribution Companies ("DisCos") and mini-grid operators while aligning with the decentralised electricity market structure in Nigeria.

The 2023 Regulations marked a significant step in promoting mini-grid development by introducing a permit-based regulatory framework in place of a full licensing requirement for eligible projects. They also streamlined approval processes, clarified the engagement framework between DisCos and mini-grid operators, strengthened

compensation mechanisms, and enhanced operational and compliance requirements, thereby improving regulatory certainty and supporting electricity access in unserved and underserved communities.

Building on this framework, the 2026 Regulations introduce several important reforms affecting the development, operation and commercial viability of mini-grid projects. These include changes to the capacity threshold for mini-grids, a more structured regime governing DisCo objections, revised compensation arrangements upon asset transfer, enhanced environmental compliance obligations, and other operational and commercial matters. This Regulatory Update examines some of the key changes introduced by the 2026 Regulations.



¹ Section 226 of the Electricity Act, 2023.

Key Highlights Of The 2026 Regulations



Expanded Capacity Limits and Scope of Application

One of the most significant changes introduced by the 2026 Regulations is the expansion of the capacity thresholds for projects that qualify as mini-grids. Under the 2023 Regulations, both isolated and interconnected mini-grids were generally limited to an installed capacity of 1 megawatt (MW) per site.² The 2026 Regulations substantially increase these limits by introducing separate capacity thresholds of up to 10 MW for isolated mini-grids and 10 MW for interconnected mini-grids.

This increased capacity thresholds significantly broaden the range of projects that may be developed under the mini-grid framework. They enable operators to develop larger and more commercially viable electricity supply systems without transitioning to the licensing regime applicable to larger electricity undertakings.

Export Capabilities for Interconnected Mini-Grids

Another notable innovation under the 2026 Regulations is the introduction of a regulatory framework permitting interconnected mini-grids to export electricity to a DisCo's network. While the 2023 Regulations did not provide a detailed framework for such exports, the 2026 Regulations expressly recognise bidirectional energy flows at the Point of Common Coupling (PCC) – the point at which an interconnected mini-grid connects to a DisCo's network³ – and prescribe the conditions under which electricity may be exported.

Under the new regime, an interconnected mini-grid with an installed capacity of at least 1 MW, or such smaller capacity as NERC may approve, may apply to a relevant DisCo for export capability at the PCC.⁴

The DisCo, upon receipt of such application, is required to approve, conditionally approve, or reject the request within 30 business days.⁵ Importantly, the 2026 Regulations impose clear limits on the grounds upon which a DisCo may reject an application. Any rejection must be supported by documented technical, operational, safety, reliability, protection-coordination, or market-settlement reasons and is subject to review by NERC upon appeal by the mini-grid operator. Where an application is approved, electricity export must be governed by appropriate contractual arrangements, including an interconnection agreement, power purchase agreement, or such other NERC-approved agreement as may be required.⁶

The 2026 Regulations strengthen the commercial viability of interconnected mini-grids by enabling operators to monetise excess generation capacity through electricity exports. This extends the operational role of interconnected mini-grids within the Nigerian Electricity Supply Industry (NESI), positioning them to function as distributed energy resources capable of supplying local demand and, where permitted, exporting surplus electricity to the DisCo's network.

Operating Modes for Interconnected Solar Photovoltaic and Battery Storage Mini-Grids

The 2026 Regulations introduce a structured classification of the operating modes for eligible interconnected mini-grid projects, particularly those utilising solar photovoltaic (PV) generation and battery energy storage systems (BESS). Under Regulation 9(10) of the 2026 Regulations, interconnected mini-grids with a capacity of 1 MW or below that utilise solar PV generation and BESS are classified according to prescribed operating modes and the standard technical conditions set out in Schedule 15 of the 2026 Regulations.

² Regulation 3 of the 2023 Regulations.

³ The PCC is also the point at which the ownership, operational, protection, metering, and commercial boundaries of the interconnection are identified.

⁴ Regulations 24(8) of the 2026 Regulations.

⁵ Regulations 24(9) of the 2026 Regulations.

⁶ See Regulation 24 and Schedule 8 of the 2026 Regulations

The applicable operating mode determines the manner in which eligible interconnected mini-grid projects may interact with the relevant DisCo's network at the PCC.

The 2026 Regulations establish three distinct operating modes for eligible interconnected mini-grid projects:

(a) Non-Export Interconnected Projects – These projects may generate electricity using solar PV generation and BESS and may import electricity from the DisCo network, but are not permitted to export electricity during normal operation unless approved by NERC.⁷

(b) Limited Export Interconnected Projects – These projects may supply electricity to their own customers and are permitted to export electricity to the DisCo's network up to an approved export limit.

(c) Managed Export Interconnected Projects⁸ – These projects may export electricity subject to variable or dynamically controlled limits, operating windows, communications requirements or other control instructions approved by NERC.⁹

This framework provides greater regulatory certainty for operators by aligning technical requirements with the operational capabilities of different categories of interconnected mini-grid projects. It also enables NERC and DisCos to manage network integration more effectively while facilitating the increased deployment of distributed renewable energy resources.

Publication of Registry for Unserved and Underserved Areas and Hosting Capacity Information

The 2026 Regulations introduce a more transparent framework for mini-grid planning by requiring every DisCo to maintain and update a publicly accessible registry of unserved or underserved areas for the purposes of mini-grid development.¹⁰ To the extent reasonably practicable, the registry must be cross-referenced with feeder identifiers, approved network expansion plans, expected energisation windows, and Hosting Capacity Information (HCI)¹¹ relevant to mini-grid planning.¹²

In addition, the 2026 Regulations require DisCos to publish feeder-level HCI for feeders where interconnected mini-grids may be proposed.¹³ At a minimum, the published HCI must identify the feeder's name or code, voltage level, supplying substation (where applicable), indicative available capacity, unserved or underserved classification, expected energisation windows, and any known technical limitations or standard interconnection conditions relevant to mini-grid developers.¹⁴ This information must be published on the DisCo's websites and any NERC-designated platform, and updated at least once every 12 months or within 60 days of any material change affecting the feeder.¹⁵

These disclosure obligations are intended to improve transparency in network planning by providing operators with greater visibility into network conditions and planned network. By reducing information asymmetry between DisCos and mini-grid developers, the 2026 Regulations should facilitate more informed project siting decisions, reduce avoidable project conflicts, and improve the efficiency of the interconnection process.

Strengthening the DisCo Consent and Objection Framework

Under the 2023 Regulations, where a proposed isolated mini-grid fell within the area covered by a DisCo's performance improvement plan, investment plan, or NERC-approved network expansion plan, the developer was required to obtain the DisCo's consent or no-objection as part of the application requirements for a mini-grid permit. Consent was deemed if the developer's request was not responded to within 15 business days.¹⁶ The 2026 Regulations preserve the deemed consent mechanism but go further to prescribe the form and content of any objection. Specifically, Regulation 7(4) requires that an objection be made in writing and supported by prescribed information, including the exact project area covered by an approved expansion plan, the relevant plan or implementation programme, key implementation milestones (such as commencement or energisation timelines), and any other supporting documentation required by NERC.



⁷ Regulation 3(1) of the 2026 Regulations; Paragraph 5.2 of Schedule 15 of the 2026 Regulations.

⁸ Regulation 3(1) of the 2026 Regulations; Paragraph 5.1 of Schedule 15 of the 2026 Regulations.

⁹ Regulation 3(1) of the 2026 Regulations; Paragraphs 5.3 & 5.4 of Schedule 15 of the 2026 Regulations.

¹⁰ Regulation 6(5) of the 2026 Regulations.

¹¹ HCI is a technical information showing the indicative ability of a feeder or network segment to accommodate an Interconnected mini-grid without material adverse effect on safety, stability, voltage,

protection, or power quality.

¹² Regulation 6(6) of the 2026 Regulations.

¹³ Regulation 9(3) of the 2026 Regulations.

¹⁴ Regulation 9(4) of the 2026 Regulations.

¹⁵ Regulation 9(3) of the 2026 Regulations.

¹⁶ Regulation 7(2) of the 2023 Regulations.

The 2026 Regulations also place time limits on the effectiveness of a DisCo objection. An objection will cease to prevent the grant of a mini-grid permit where physical construction of the DisCo's expansion project has not commenced within 12 months or energisation or substantial completion has not occurred within 24 months from the date of objection, unless NERC grants an exemption on application supported by evidence of good cause.¹⁷ Notwithstanding the foregoing, NERC retains the discretion to grant a permit where it is satisfied that the proposed mini-grid better serves timely electrification, customer welfare, and efficient network development than the projected expansion relied upon by the DisCo.¹⁸

Collectively, these reforms strengthen the integrity of the objections process by requiring DisCos to substantiate their objections, tying those objections to demonstrable implementation progress, and preserving NERC's ability to prioritise projects that better advance the public interest in advancing energy access.

Adoption of the Mini-Grid Tariff Model for End-User Tariff

Under the 2023 Regulations, end-user tariffs for mini-grids were determined using the Multi-Year Tariff Order (MYTO) methodology as approved by NERC, subject to caps on allowable technical and non-technical losses at 4% and 3%, respectively.¹⁹ The 2026 Regulations replace the MYTO methodology with a dedicated Mini-Grid Tariff Model in Schedule 14,²⁰ reflecting a more tailored approach to tariff determination and cost recovery for mini-grid projects. However, Schedule 14 of the 2026 Regulations does not prescribe a fixed tariff methodology, instead, it requires the applicable tariff model to be the most up-to-date tool communicated by NERC from time to time. It is noteworthy that NERC formally adopted the African Forum for Utility Regulators Mini-Grid Tariff Tool, with effect from 16 December 2024, and as of the date of this publication, no subsequent tariff tool has been published by the Commission.²¹

Further, while the default loss assumptions remain at 4% for technical losses and 3% for non-technical losses under the 2026 Regulations,²² the Commission is now expressly empowered to approve higher project-specific loss allowances where justified by factors such as location, remoteness, line length, customer density, brownfield conversion, inherited asset condition, metering status or other demonstrable project characteristics.²³ However, any such uplift is generally capped at 8% for technical losses and 5% for non-technical losses and must be reduced within a period not exceeding 36 months from the commercial operation date, unless otherwise approved by the Commission.²⁴

Expanded Transition Arrangements and Compensation Framework

The 2023 Regulations required a DisCo intending to extend its network to an isolated mini-grid to notify the operator in writing no later than 12 months prior to the expected grid arrival into the mini-grid areas.²⁵ Upon such extension, the mini-grid operator had an option to either convert into an interconnected mini-grid or transfer all of its distribution assets to the DisCo in return for compensation.²⁶ The 2026 Regulations retain the 12-month notification requirement,²⁷ but significantly expand the transition arrangements available to the operator as follows:²⁸

1. Conversion into an interconnected mini-grid;
2. Transfer of all distribution assets of the mini-grid to the DisCo or another approved operator;
3. Continued operation under a service, franchise, energy supply, or other commercial arrangement agreed by the parties and approved by the Commission;
4. Orderly decommissioning and exit in accordance with an approved transition plan; or
5. Adopt such other transition arrangement as may be approved by the Commission.



17 Regulation 7(5) of the 2026 Regulations.
18 Regulation 7(7) of the 2026 Regulations.
19 Regulations 22(3) of the 2023 Regulations.
20 Regulation 23(1) of the 2026 Regulations.
21 <https://nerc.gov.ng/media/nerc-adopts-afur-mini-grid-tariff-tool-for-nigeria/>.
22 Regulation 23(2) of the 2026 Regulations.

23 Regulation 23(3) of the 2026 Regulations.
24 Regulation 23(5) of the 2026 Regulations.
25 Regulation 20(2) of the 2023 Regulations.
26 Regulation 20(3) of the 2023 Regulations.
27 Regulation 21(2) of the 2023 Regulations.
28 Regulation 21(3) of the 2026 Regulations.

The 2026 Regulations also overhaul the compensation framework applicable where an operator elects to transfer its assets to the DisCo or another approved operator. While the 2023 Regulations compensated operators primarily on the basis of the book value of depreciated network assets and an equivalent of the pre-tax profits earned within twenty-four months prior to the handover date, the 2026 Regulations introduce a more comprehensive methodology where the base compensation is anchored on "Compensable Transfer Value", defined as the higher of the indexed historical cost of compensable assets (net of

depreciation and excluded contributions) or their net depreciated replacement cost.²⁹ The base compensation is supplemented by transition-related costs, including preservation, handover, removal, reinstatement, and decommissioning expenses.³⁰

In addition, the 2026 Regulations introduce a tiered structure for additional entitlements, determined by the timing of grid arrival and asset transfer relative to the mini-grid's commercial operations date as set out below:³¹

Timing of Grid Arrival and Asset Transfer	Additional Compensation Entitlement (in addition to Base Compensation)
Within the first 5 years of commercial operation date of the mini-grid.	Unrecovered development and construction costs, plus revenue generated in the 12 months immediately preceding the date of transfer.
After 5 years but before 10 years of commercial operation date of the mini-grid.	Revenue generated in the 12 months immediately preceding the date of transfer.
10 years or more after commercial operation date of the mini-grid.	No additional entitlement beyond base compensation, unless the Commission determines that exceptional unrecovered prudent capital remains and additional protection is necessary in the interest of fairness and investment stability.

The 2026 Regulations further prescribe detailed valuation principles, payment arrangements, and other mechanisms intended to provide greater certainty to investors and support the long-term bankability of mini-grid projects.

Reporting, Monitoring and Evaluation Framework

Under the 2023 Regulations, monitoring and evaluation (M&E) obligations were limited to a general requirement for mini-grid operators to conduct M&E activities and file reports using a prescribed template or as specified under permit conditions.³² The 2026 Regulations expand this framework by introducing a tiered and more structured reporting obligation based on the project size or installed capacity. Accordingly, mini-grid operators with capacity below 1 MW are required to submit annual operational and commercial reports, while those with capacity above 1 MW must submit reports quarterly or as may be required by the Commission.³³

Additionally, the 2026 Regulations introduce milestone-based reporting obligations covering key stages of project development and construction, including financial close, procurement of major equipment, commencement of site works, completion of construction, commissioning, energisation, and commercial operation.³⁴

Environmental Protection and Compliance

Under the 2023 Regulations, mini-grid operators were simply required to comply with applicable environmental laws, with any breach constituting grounds for suspension or termination of the permit.³⁵

The 2026 Regulations expand the environmental compliance framework by distinguishing between different types of projects and their environmental impact. Solar PV and battery-supported mini-grids of up to 10 MW are generally subject to environmental screening and an environmental and social management plan rather than a full environmental and social impact assessment (ESIA) unless required by the competent environmental authority based on site-specific environmental or social circumstances.³⁶ However, a full ESIA is required for higher-impact projects involving hydro, biomass, thermal generation, resettlement, or operations in environmentally sensitive or restricted areas, as defined under applicable law.³⁷

In addition, the 2026 Regulations expressly impose pre-commissioning compliance requirements, such that no mini-grid is allowed to commence commercial operation without evidence of compliance with the applicable environmental assessment pathway.³⁸

²⁹ Regulation 21(5)(b) of the 2026 Regulations.

³⁰ Regulation 21(5)(a) of the 2026 Regulations.

³¹ Regulation 21(5)© of the 2026 Regulations.

³² Regulation 21 of the 2023 Regulations.

³³ Regulation 22(3) & (4) of the 2026 Regulations.

³⁴ Regulation 22(5) of the 2026 Regulations.

³⁵ Regulation 18 of the 2023 Regulations.

³⁶ Regulation 19(2) of the 2026 Regulations.

³⁷ Regulation 19(3) of the 2026 Regulations.

³⁸ Regulation 19(5) of the 2026 Regulations.



Conclusion

The 2026 Regulations represent a significant step forward in the regulatory framework governing mini-grid development in Nigeria. They introduce greater precision and clarity across key areas, and collectively reinforce the role of mini-grids as an integral component of Nigeria's evolving electricity supply architecture, rather than merely a transitional solution for unserved and underserved

communities. As the sector continues to evolve, stakeholders across the value chain, including developers, investors, and distribution licensees, should review their existing arrangements and project pipelines in light of these developments and seek appropriate legal and regulatory advice where necessary.

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Disclaimer: This Regulatory Update is not a legal opinion neither is it legal advice. The purpose of this publication is merely to inform the public on the changes in law and regulations as it pertains to mini-grids development in Nigeria.

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