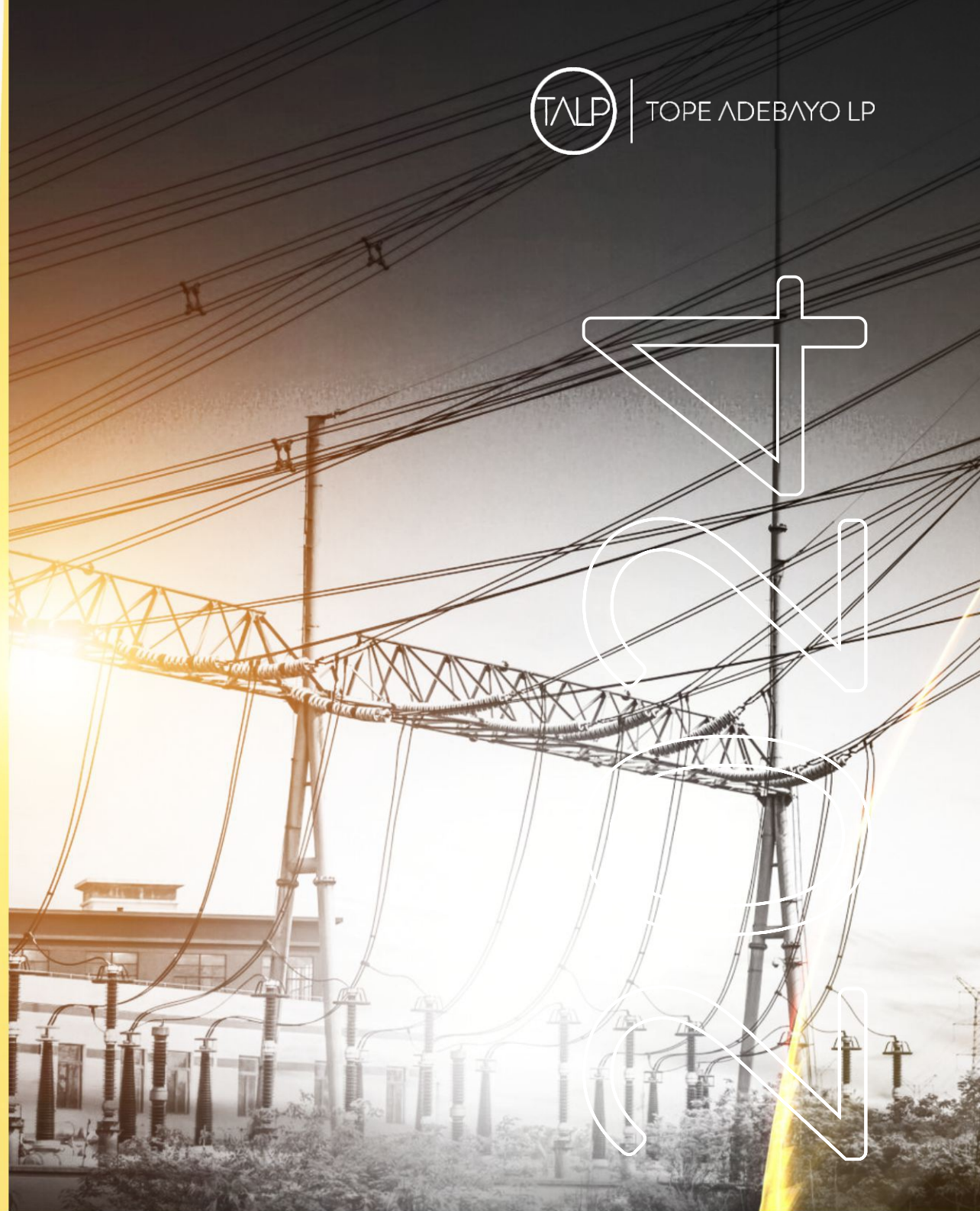




TOPE ADEBAYO LP

2024 POWER SECTOR MID-YEAR REPORT

VOLUME 2



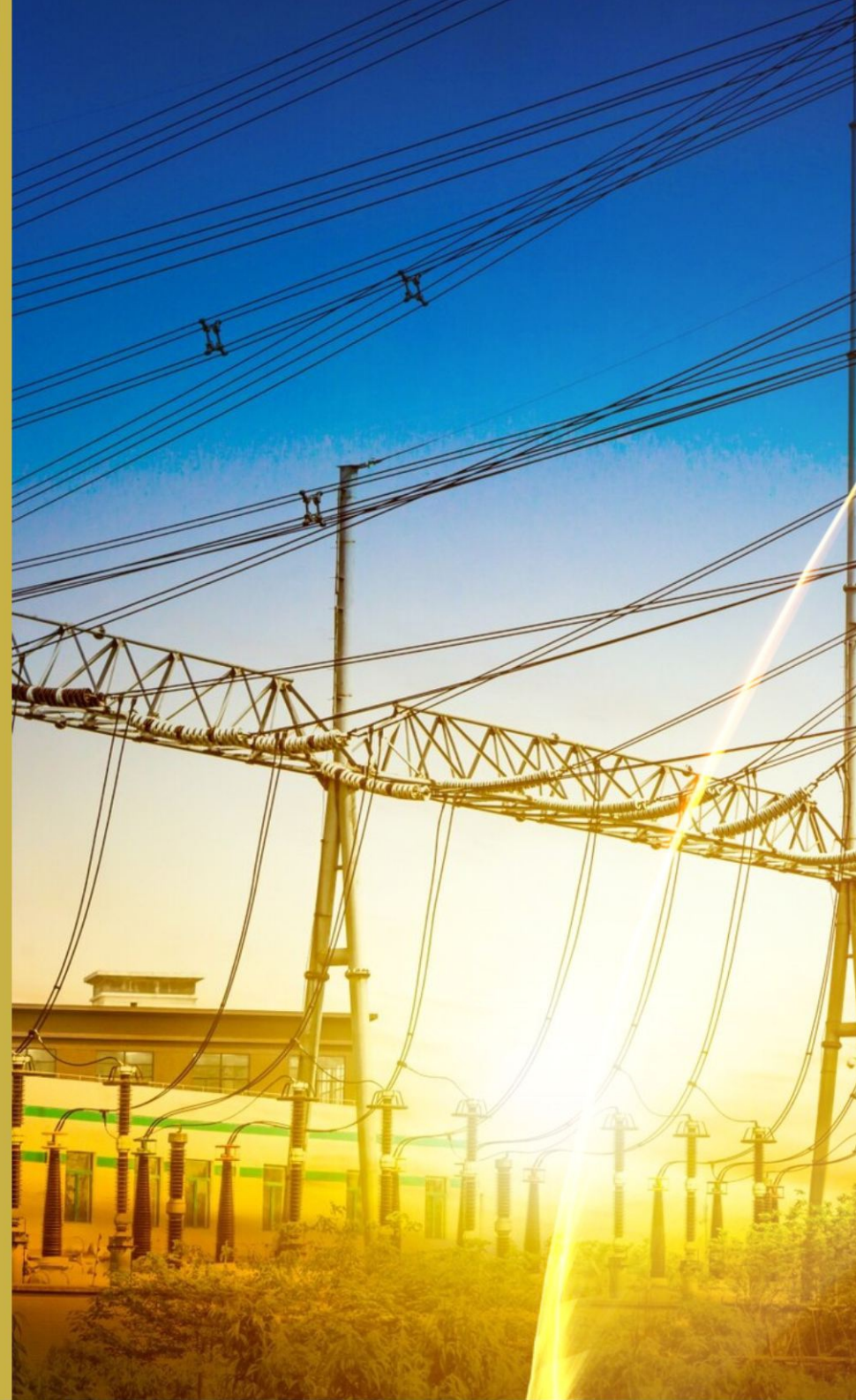
02 ----- THE NIGERIAN ELECTRICITY SUPPLY
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In our [2023 Report](#),¹ we analyzed the level of electricity deficit in Nigeria and examined various initiatives, policies, regulations, and laws aimed at leveraging renewable energy to enhance energy access. This encompassed an evaluation of the Nigerian Energy Transition Plan (NETP) and the Electricity Act 2023. We also made projections on industry and regulatory developments to watch out for in 2024. In this 2024 Power Sector Mid-Year Report (“Mid-Year Report”) we provide updates on industry developments and projections for the second half of the year.

¹[2023 Power Sector Industry Overview](#)

Generation

The transgenerational challenges within the NESI continue to manifest over a decade after privatization. According to a Report² from the Nigerian Electricity Regulatory Commission (“NERC” or the “Commission”),

2023

The average hourly generation from grid-connected plants in the 4th quarter of 2023 was 4,433.82 MWh/h.

2024

Despite achieving a peak power generation of 5,000 MW in May 2024,³ a decline to 4,723.30 MW was observed by early July 2024,⁴ which is not much of a significant improvement from 2023.

Transmission

Given the dilapidated state of infrastructure at the transmission level which already presents a substantial challenge in wheeling generated power across the grid, the recent surge in vandalism⁵ over the past months has severely undermined the efforts, and investments of the Federal Government in rehabilitating the Sector. According to Engr. Oluwagbenga Emmanuel Ajiboye, Executive Director of the Transmission Service Provider (“TSP”), the Transmission Company of Nigeria (“TCN”) has spent more than NGN5 billion repairing vandalized infrastructure in the last five months.⁶ The increasing adoption of explosives in vandalism operations also raises significant security and safety concerns.⁷

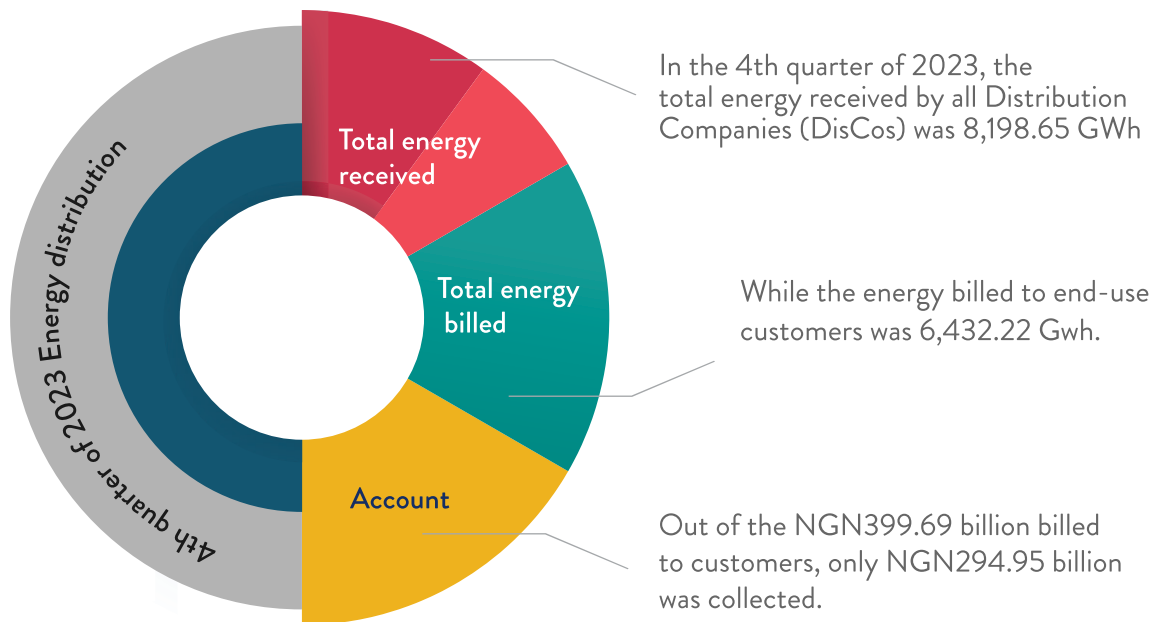
²https://nerc.gov.ng/wp-content/uploads/2024/04/2023_Q4_Report_Final-1.pdf (Last accessed July 11, 2024)

³<https://www.channelstv.com/2024/05/24/nigeria-generated-5000mw-in-may-says-power-minister-adelabu/#:~:text=Nigeria's%20electricity%20generation%20reached%205%2C000,present%20administration%20holding%20in%20Abuja.> (Last accessed July 11, 2024)⁴ <https://dailypost.ng/2024/07/05/nigerias-electricity-generation-declines-to-4723-30mw-peak/> (Last accessed July 11, 2024)

⁵ https://tcn.org.ng/blog_post_sidebar213.php (Last accessed July 11, 2024)

⁶ <https://www.tcnnews.ng/2024/07/ajiboye-tcn-spends-n5b-in-five-months.html?m=1> (Last accessed July 11, 2024)

⁷ Ibid



Distribution

Distribution continues to face significant operational and liquidity challenges. According to NERC,⁸ in the 4th quarter of 2023, the total energy received by all Distribution Companies (DisCos) was 8,198.65 GWh, while the energy billed to end-use customers was 6,432.22 GWh. Out of the NGN399.69 billion billed to customers, only NGN294.95 billion was collected. It is quite disconcerting that government Ministries, Departments, and Agencies (MDAs), along with military formations continue to contribute to collection challenges within the Sector. In June 2024, the Abuja Electricity Distribution Company threatened to disconnect 23 MDAs over outstanding bills.⁹

⁸ https://nerc.gov.ng/wp-content/uploads/2024/04/2023_Q4_Report_Final-1.pdf (Last accessed July 11, 2024)

⁹ <https://theelectricityhub.com/abuja-disco-threatens-to-disconnect-23-mda-electricity-debtors/> (Last accessed July 13, 2024)



Divestment of Federal Government Shares in DisCos

In our [2023 Report](#), we had discussed the Federal Government's intention to divest its remaining 40% interest in DisCos in 2024. This is however yet to materialize.

According to media reports, in April 2024,¹⁰ the Honourable Minister of Power (the “Minister”) disclosed plans to restructure DisCos along State lines and to encourage franchising arrangements as a medium of addressing operational inefficiencies. The Minister also disclosed intentions to ensure

the sale of all DisCos under receivership to reputable technical power operators by July 2024.¹¹

Intervention in Failing Licensees

As highlighted in our [2023 Report](#), at the commencement of 2024, NERC issued an Order dissolving Kaduna Electricity Distribution Company (“KAEDC” or the “Company”)’s Board and appointing Dr. Umar Abubakar Hashidu as the Administrator and de facto CEO¹² due to KAEDC’s inability to service its accumulated debt of over NGN110 billion.

¹⁰ <https://www.arise.tv/nigeria-seeks-new-buyers-for-distressed-power-discos-within-three-months/> (Last accessed July 11, 2024)

¹¹ Ibid

¹² <https://www.vanguardngr.com/2024/01/electricity-nerc-dissolves-kaduna-discos-board-over-n182-16bn-debt/> (Last accessed July 11, 2024)

In a recent media publication by KAEDC,¹³ during a working visit by the Minister of Power to Kaduna State, Dr. Umar Abubakar Hashidu reported significant operational improvements since the interim management took over in January. According to Dr. Umar, under his leadership, ATC&C losses have been reduced by 7%, with market remittance significantly improved from 13% to 46%.

Furthermore, on the 12th of July 2024, KAEDC announced that ASI Engineering Limited (ASI) had successfully acquired a 60% equity stake in the Company.¹⁴ This strategic acquisition is expected to significantly enhance the management and operational efficiency of KAEDC.

Implementation of the Electricity Act

As anticipated in our [2023 Report](#), 2024 has witnessed significant momentum in implementing the Electricity Act. In the first half of the year, we have recorded an amendment to the Electricity Act, the commencement of the transition to State Regulation, and the establishment of the Independent System Operator.

1. Amendment of the Electricity Act

Shortly after the enactment of the Electricity Act 2023, a bill addressing host communities' developments concerns within the Power Sector passed the Second Reading.¹⁵ By February 2024, this Bill amending the Electricity Act was passed into law.¹⁶ The Amendment Act revises the parameter for contributions and administration of contributions of Generating Companies (GenCos) to the National Hydroelectric Power Producing Areas Development Commission (N-HYPPADEC) for the benefit of host communities within the Power Sector.

Prior to the Amendment Act, 5% of all revenue accrued by the various GenCos from power generation in member States of the N-HYPPADEC was to be allocated for host community development¹⁷ and managed by N-HYPPADEC.¹⁸ There had however, been some ambiguity stemming from the combined reading of Section 95(2)(a),(c), (d) and (e) of the Electricity Act 2023, on the applicability of this 5% deduction to the revenue of Hydro Electric Power Generating Companies realized from generation operations within these States and its potential to

¹³ <https://x.com/kadunaelectric/status/1810719668992123171?s=46> (Last accessed July 11, 2024)

¹⁴ <https://x.com/kadunaelectric/status/1811802757185114528?s=46> (Last accessed July 11, 2024)

¹⁵ <https://x.com/housengr/status/1682828066727362563?s=46> (Last accessed July 11, 2024)

¹⁶ <https://www.premiumtimesng.com/news/more-news/667028-tinubu-signs-electricity-act-amendment-bill-into-law.html?tztc=1> (Last accessed July 11, 2024)

¹⁸ Section 95 (2)(d) of the Electricity Act 2023



create onerous financial obligations for Hydro Electric Power Generating Companies.

While the Amendment provides no clarity on this issue, it revises the requisite contribution in Section 95(2)(c) and (d) to “5% of the actual annual operating expenditure for the preceding financial year” of the various GenCos within these States. Additionally, these contributions must now be managed by a reputable Trustee, jointly appointed by GenCos and representatives of the host communities, to implement identified infrastructural development projects within the host communities.

While this amendment is commendable for promoting transparency and ensuring that host communities are directly involved in their development, the current framework may not be sufficient for its proper implementation. It is anticipated that NERC will introduce regulations or guidelines to delineate the process for appointing and removing trustees, evaluating and approving host community development plans, and resolving disputes between GenCos and host communities. It is also hoped that the much-desired clarity on the application of Sections 95(2)(a), (c), (d) and (e) to the Hydro Electric Power Generating Companies will be provided.

2. Transition to State Regulation

In a previous article,¹⁹ we had outlined the procedure for the transfer of regulatory oversight to State Regulators under the Electricity Act 2023. As anticipated in our [2023 Report](#), the transition to State Regulation commenced in 2024.

In April 2024, NERC issued Orders transferring regulatory oversight to State Electricity Regulators in Enugu,²⁰ Ekiti,²¹ and Ondo State.²² Contrary to media reports suggesting that the Federal Government had suspended the transfer of regulatory oversight to interested States, on July 1, 2024, NERC issued an Order transferring regulatory authority to the State Regulator in Imo State.²³

According to Section 230(2) of the Electricity Act, the transition process must be completed within six months from the date of formal notification to NERC of:

- a. the enactment of a State Electricity Law and
- b. the establishment of the State regulatory authority.

Pursuant to NERC's Order,²⁴ it is anticipated that by the end of November, Enugu State, among others, will have completed its transition process and effectively commenced State Regulation.

3. Order on the Establishment of the Independent System Operator

In April 2024, pursuant to Part IV of the Electricity Act 2023 and following stakeholder consultations and public hearings, NERC issued the Order on the Establishment of the Independent System Operator²⁵ ("Order"). This Order directs the transfer of system and market operation functions from the TCN to a private company limited by shares, to be incorporated by the Bureau of Public Enterprises ("BPE") and named the Nigerian Independent System Operator ("NISO"). According to the Order, the initial subscribers of NISO will be BPE and the Ministry of Finance Incorporated ("MOFI"), with the final shareholding structure to be determined after further consultation with the Government and industry stakeholders.

¹⁹ Power Sector Regulation in Nigeria: The Validity of the Lagos State Electricity Policy 2021 in the Context of Recent Legal Developments

²⁰ <https://nerc.gov.ng/wp-content/uploads/2024/04/Order-on-the-Transfer-of-Regulatory-Oversight-of-the-Electricity-Market-in-Enugu-State-from-NERC-to-EERC.pdf> (Last accessed July 11, 2024)

²¹ [https://www.ekitistate.gov.ng/wp-content/uploads/2024/Order%20%20-%20Ekiti%20State%20Regulatory%20Bureau%20\(IBEDC\).pdf](https://www.ekitistate.gov.ng/wp-content/uploads/2024/Order%20%20-%20Ekiti%20State%20Regulatory%20Bureau%20(IBEDC).pdf) (Last accessed July 11, 2024)

²² https://www.linkedin.com/posts/nercng_nerc-electricity-nesi-activity-718857762837759745-PcGz?utm_source=share&utm_medium=member_desktop (Last accessed July 11, 2024)

²³ <https://nerc.gov.ng/wp-content/uploads/2024/06/IMO-ORDER-OF-TRANSFER-OF-REGULATORY-OVERSIGHT-.pdf> (Last accessed July 11, 2024)

²⁴ <https://nerc.gov.ng/wp-content/uploads/2024/04/Order-on-the-Transfer-of-Regulatory-Oversight-of-the-Electricity-Market-in-Enugu-State-from-NERC-to-EERC.pdf> (Last accessed July 11, 2024)

²⁵ <https://nerc.gov.ng/wp-content/uploads/2024/05/Order-on-the-Establishment-of-the-Independent-System-Operator-for-NESI-1.pdf> (Last accessed July 11, 2024)

Key Timelines for Implementation

No later than,

1

May 31st, 2024:

Incorporation of the NISO by the BPE.

June 30th, 2024:

Submission of the schedule of market and system operations assets and liabilities to NERC and BPE.

2

3

August 31st, 2024:

Completion of the transfer of market and system operations assets and liabilities from TCN to NISO ("Completion").

7 days post-Completion:

TCN shall relinquish the System Operation Licence.

4

Over the years, the unbundling of TCN has been a focal point of discussions and recommendations aimed at improving performance within the Power Sector. While some stakeholders view the incorporation of NISO as a positive step towards promoting transparency and efficiency, particularly in grid control and coordination, others question the impact of retaining 100% government ownership in NISO.

The unbundling of TCN holds potential for improved service delivery. However, it is important to note that the efficiency of NISO as system operator is largely dependent on TCN, which remains responsible for grid infrastructure. TCN currently faces numerous challenges including the deteriorating state of infrastructure, and high rates of vandalism. This places the transmission aspect of the supply chain in a precarious position.

Deregulation of Meter Prices for Meters Deployed under the Meter Asset Provider Scheme (MAPS)

In response to appeals from Meter Asset Providers (MAP) and the rising rate of inflation and exchange rates, in April 2024, NERC issued an Order on the Deregulation of Meter Prices for Meters Deployed under the Meter Asset Provider Scheme (the "Order").²⁶ This move was key to realizing the effective implementation of the MAP scheme aimed at closing the wide metering gap and phasing out estimated billing for efficient collection within the Sector. Prior to the deregulation, NERC was responsible for reviewing and approving meter prices under the

²⁶<https://nerc.gov.ng/wp-content/uploads/2024/04/Order-on-Deregulation-of-Meter-Prices-under-the-MAP-Scheme.pdf> (Last accessed July 11, 2024)



MAP scheme. With the new Order, meter pricing is now to be determined through competitive bidding among MAP permit holders.

The Order also lifts previous restriction on MAPs, permitting them to provide services to any DisCo nationwide as long as they meet specified requirements of the DisCo.²⁷ The Order further allows for the deployment of various types of meters, including basic electronic meters, Internet of Things (IoT) meters, DIN Rail meters, and Current Limiters, subject to the provisions of the Metering Code and DisCo specifications.²⁸ DisCos are required to include links on their websites for end-use customers to apply for MAP meters.²⁹ Customers now have the right to choose their preferred MAP and select meter types that suit their premises, as specified by NERC. This deregulation is expected to drive competition in this Sector, attract private sector investment, and foster the implementation of the MAPs

Scheme.

NESI Interim Order on Transmission System Dispatch Operations, Cross-Border Supply and Related Matters 2024

Following the review of electricity tariffs in April 2024 and the implementation of the Service Based Tariff (SBT) regime, NERC observed that one key factor impacting the ability of DisCos to meet committed service levels under the SBT regime was the issue of low generation.³⁰ This was further aggravated by the System Operator's practice of limiting DisCos load off-take towards managing recurring grid imbalances, thereby prioritizing allocation to international off-takers and Eligible Customers.³¹

²⁷ Paragraph B of the Order on the Deregulation of Meter Prices for Meters Deployed Under the Meter Asset Provider Scheme

²⁸ Paragraph H of the Order on the Deregulation of Meter Prices for Meters Deployed Under the Meter Asset Provider Scheme

²⁹ Paragraph vi of the Order on the Deregulation of Meter Prices for Meters Deployed Under the Meter Asset Provider Scheme

³⁰ <https://nerc.gov.ng/wp-content/uploads/2024/05/Interim-Order-on-Transmission-System-Dispatch-Operations-Cross-Border-Supply-and-Related-Matters.pdf> (Last accessed July 16, 2024)

³¹ Ibid

In April 2024, NERC issued the NESI Interim Order on Transmission System Dispatch Operations, Cross-Border Supply, and Related Matters 2024 (the "Order")³² to address this issue. Considering that most contracts between GenCos and international off-takers and Eligible Customers are based on "best endeavours" and not as stringent as the minimum contract standards within the NESI,³³ this Order places an interim cap on load allocation to international customers for a period of six months in order to increase the availability of supply to meet domestic obligations. The Order limits the aggregate capacity that can be nominated by a generating plant to service international customers to a maximum of 10% of its available generating capacity unless otherwise permitted by NERC.

To ensure compliance and monitoring, the System Operator and the TCN were directed to, among other things, immediately begin installing integrated IoT meters at all offtake and delivery points of bilateral and international customers, as well as on outgoing 33kV feeders of DisCos. This will provide real-time data on offtake by grid customers.

Directive to Independent System Operator for the Utilization of Zungeru Hydro Electric Generation Company LTD for Managing Grid Imbalances Caused by Insufficient Generation

As a follow-up to NERC's NESI Interim Order on Transmission System Dispatch Operations, Cross-Border Supply, and Related Matters 2024, and to address issues of low generation, NERC issued the Directive to the Independent System Operator for the Utilization of Zungeru Hydro Electric Generation Company LTD for Managing Grid Imbalances Caused by Insufficient Generation ("Directive").³⁴ This Directive orders the continuous operation of the recently commissioned and concessioned Zungeru Hydro Power Plant pending the finalization of contracts with potential off-takers.³⁵ The plant, which concluded its initial capacity testing in May 2024, is to continue injecting power unto the grid, for an initial period of 105 days starting from May 16, 2024.

According to the Directive, the Independent System Operator of the TCN (ISO-TCN) is to enter an interim energy sales agreement with Zungeru Hydro Electric Generation Company LTD (ZHEGC) for up to 450MW to be delivered on the national grid. The ISO-TCN will also assume responsibility for the administration of power settlement from the Zungeru Power Plant. It is anticipated that this, along with other initiatives by NERC and the Federal Government, will enhance electricity supply in Nigeria.

³²<https://nerc.gov.ng/wp-content/uploads/2024/05/Interim-Order-on-Transmission-System-Dispatch-Operations-Cross-Border-Supply-and-Related-Matters.pdf> (Last accessed July 16, 2024)

³³Ibid

³⁴<https://nerc.gov.ng/wp-content/uploads/2024/06/Directive-to-ISO-on-procurement-of-Power-from-Zungeru.pdf> (Last accessed July 16, 2024)

³⁵Ibid



Regulations

Eligible Customer Regulations 2024

Section 27 of the repealed Electric Power Sector Reform Act (EPSRA) was one of the many provisions intended to promote a competitive market of willing buyers and sellers within the Power Sector. By this section, the Minister was empowered to initiate the establishment of an eligible customer arrangement by specifying the class of customers to be deemed as "eligible customers."

Following the Minister's declaration³⁶ and the issuance of the Eligible Customer Regulations in 2017, the eligible customer arrangement was formally established. This arrangement permitted end-use consumers within the specified connection³⁷ and a minimum load demand exceeding 2 MW/h over a one-month period to contract directly with GenCos and Independent Power Plants (IPPs).³⁸

The introduction of the Eligible Customer arrangement in 2017 met significant pushback from DisCos, as it provided an avenue for large power consumers, who were willing and able to pay for electricity, to

³⁶[https://nerc.gov.ng/media/fg-declares-eligibility-in-the-power-sector/#:~:text=In%20a%20major%20policy%20directive,Electricity%20Supply%20Industry%20\(NESI\).](https://nerc.gov.ng/media/fg-declares-eligibility-in-the-power-sector/#:~:text=In%20a%20major%20policy%20directive,Electricity%20Supply%20Industry%20(NESI).) (Last accessed July 13, 2024)

³⁷Regulation 5 of the Eligible Customer Regulation 2017 cessed 14th December.

³⁸Regulation 5 of the Eligible Customer Regulation 2017

bypass the DisCos. This they feared would result in a loss of revenue for DisCos, impacting their ability to meet obligations under long-term Power Purchase Agreements.³⁹ Although the 2017 Eligible Customer Regulations recognized the Competition Transition Charge (CTC)⁴⁰ as provided under the EPSRA,⁴¹ intended to mitigate revenue losses incurred by DisCos as a result of the eligible customer regime, the 2017 Eligible Customer Regulations offered no guidance on the application or computation of the CTC. Nevertheless, the 2017 Eligible Customer Regulations remained in force and was embraced by bulk power consumers and GenCos, enabling GenCos sell stranded power directly to eligible customers, thereby improving liquidity.

In March 2024, following stakeholders' consultations, NERC issued the Eligible Customer Regulations 2024, which amongst other things, revises the categories of "Eligible Customers".⁴² Some stakeholders expressed concerns about the Regulations being "DisCo-centric," stating that the revised provisions could undermine the major purpose of the eligible customer arrangement.⁴³ For example, under the 2024 Eligible Customer Regulations, the minimum load demand threshold for eligible customers has been increased from 2 MW/h to 6 MW/h,⁴⁴ potentially affecting the eligibility of smaller power consumers to participate under the arrangement.

A recurring theme within the 2024 Regulations is the precondition for suppliers to have uncontracted capacity in order to participate under the eligible customer arrangement.⁴⁵ This essentially ensures that the operation of the eligible customer regime does not jeopardize the ability of GenCos to fulfill their existing market obligations.

The 2024 Eligible Customer Regulations also makes provision for the application, computation, and duration of the Competition Transition Charge (CTC) which will be charged to eligible customers to mitigate any loss of DisCos' revenue occasioned by the operations of the arrangement⁴⁶ and empowers NERC to issue directives on the collection of the CTC.⁴⁷

Sanctions

1. DisCos Non-compliance with Capping Estimated Billing

Despite various efforts and initiatives by the Federal Government to assist DisCos in bridging the metering gap within the Power Sector, there remains a significant disparity between the total number of metered customers and the growing number of registered electricity consumers. To incentivize metering

³⁹<https://www.thecable.ng/bpe-tells-discos-cant-declare-force-majeure/>
(Last accessed July 13, 2024)

⁴⁰Regulation 29 of the Eligible Customer Regulations 2017

⁴¹Section 28 of the EPSRA

⁴²Regulation 6 of the Eligible Customer Regulations 2024

⁴³<https://guardian.ng/firms-gencos-in-fresh-crisis-over-eligible-customer-policy-review/>
(Last accessed July 13, 2024)

⁴⁴Regulation 6 of the Eligible Customer Regulations 2024

⁴⁵Regulation 10, 12, 16 of the Eligible Customer Regulations 2024

⁴⁶Regulation 29 of the Eligible Customer Regulations 2024

⁴⁷Regulation 29(1) of the Eligible Customer Regulations 2024

efforts, provide a more systematic approach to billing unmetered customers and establish a standardized billing cap for unmetered customers, NERC issued the Order on the Capping of Estimated Bills in February 2020, which was subsequently amended in October 2020.⁴⁸

Towards ensuring adherence with the Order, compliance with the prescribed cap on estimated billing was also listed as one of the key performance indicators (KPIs) under the Order on Performance Monitoring Framework for DisCos issued in 2022 (the “Framework”). According to the Framework, where a DisCo fails to meet monthly compliance with the capping of estimated billing at first instance, it will be issued a rectification directive (“RD”).⁴⁹ However, where non-compliance persists and the DisCo fails to meet the monthly compliance target for three months over two consecutive quarters, NERC is empowered to implement further enforcement actions.⁵⁰

Following the review of DisCos' performance between January to September 2023 by NERC, and even after the issuance of RDs, it was determined that all 11 DisCos had failed to comply with their monthly caps on estimated billing.

In March 2024, in response to the flagrant disregard of the RDs, NERC issued an Order on Non-Compliance with Capping of Estimated Bills for the period of January to September 2023, directing the following:

- DisCos were to effect credit adjustments for customers overbilled between January and September 2023 and publish the list of beneficiaries of the credit adjustment in two national dailies and on their website no later than March 31, 2024.
- A deduction of 10% of the Naira value of the total over-billing by DisCos for the period of January to September 2023 from the Operating Expenditure of the DisCos over a rolling 12-month period (amounting to a combined total of **NGN10,505,286,072**) during the next tariff review.

While some DisCos immediately implemented the directive on the publication of the list of beneficiaries of the credit adjustments, Ibadan Electricity Distribution Company (IBEDC) appealed against the penalty imposed by NERC, requesting a defense hearing before the Commission.⁵¹ Entertaining the

⁴⁸<https://nerc.gov.ng/wp-content/uploads/2020/12/EEDC-Reviewed-Caps.pdf> (Last accessed July 13, 2024)

⁴⁹Paragraph 5 of the Order on Non-Compliance with Capping of Estimated Bills 2024

⁵⁰Paragraph 7 of the Order on Non-Compliance with Capping of Estimated Bills 2024

⁵¹<https://nerc.gov.ng/media/ibedc-makes-defence-hearing-on-non-compliance-with-capping-of-estimated-billing/> (Last accessed July 13, 2024)



hearing, NERC noted that IBEDC's appeal had been filed out of time. Nevertheless, the Chairman of the hearing panel, also Vice Chairman of NERC, Dr. Musiliu Oseni, stated that both the Commission and IBEDC would work together towards a resolution.⁵²

The Federal Competition and Consumer Protection Commission (FCCPC) commended NERC's decisive action in imposing sanctions on all DisCos as a deterrent to arbitrary billing of unmetered customers.⁵³ It is hoped that this regulatory action, coupled with the recent deregulation of meter prices and all other ongoing initiatives around metering within the Sector will provide the much-needed incentive to close the metering gap.

2. Violation of the April 2024 Supplementary Multi-Year Tariff Order

Further to the Multi-Year Tariff Order effective from January 2024,⁵⁴ NERC issued the April 2024 Supplementary Order to the Multi-Year Tariff Order 2024 ("**April 2024 Supplementary Order**").⁵⁵ This Order introduced a 235% tariff increase for Band A consumers,⁵⁶ resulting in a new tariff rate of NGN206. This tariff review was deemed necessary to promote the sustainability and viability of the Sector in response to prevailing macroeconomic factors such as rising inflation rates in Nigeria and the USA, exchange rate fluctuations, and increased wholesale gas prices which impacted the cost of generation and supply.

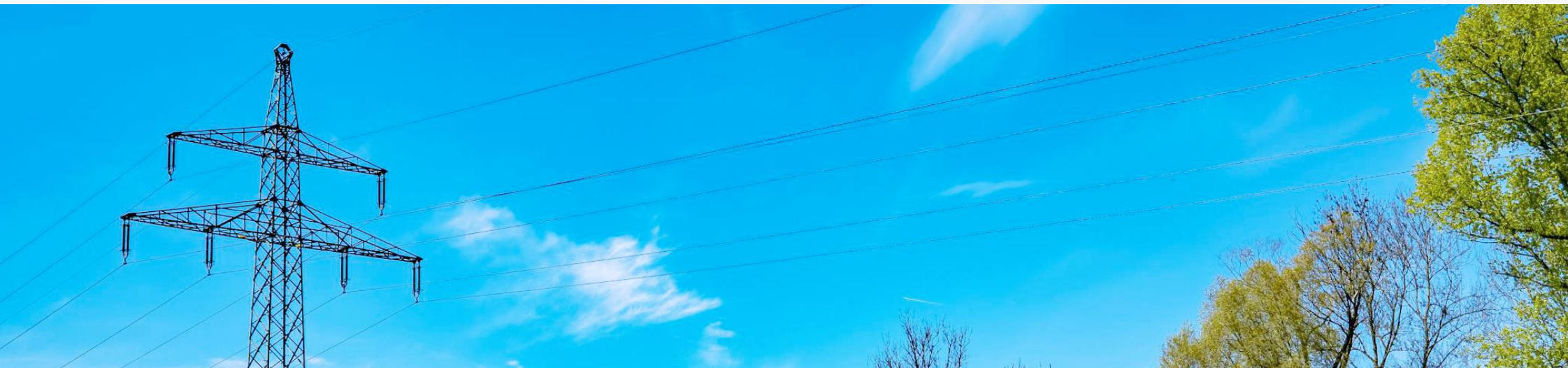
⁵² Ibid

⁵³ <https://fccpc.gov.ng/fccpc-welcomes-nercs-action-against-discos-over-arbitrary-billing-of-unmetered-customers/#:~:text=We%20stand%20in%20solidarity%20with,FCCPC%20fully%20supports%20its%20enforcement>. (Last accessed July 13, 2024)

⁵⁴ <https://nerc.gov.ng/wp-content/uploads/2024/01/AEDCMYTO2024-1.pdf> See Paragraph 23 of the Order (Last accessed July 13, 2024)

⁵⁵ <https://nerc.gov.ng/wp-content/uploads/2024/04/April-2024-Supplementary-Order-to-MYTO-BEDC.pdf> (Last accessed July 13, 2024)

⁵⁶ <https://www.linkedin.com/company/nercng/posts/?feedView=all> (Last accessed July 13, 2024)



The tariff review, resulting in the removal of subsidies for Band A consumers, was also deemed necessary to reduce Federal Government expenditure on electricity subsidies. According to NERC, subsidies across all bands in 2024 would have cost the Federal Government an estimated NGN 3.2 trillion which was 12.2% of the total Federal budget for 2024.⁵⁷

The April 2024 Supplementary Order represents a step towards implementing the Federal Government's policy directive aimed at transitioning to a subsidy regime focused on mitigating the impact of macroeconomic factors on electricity tariffs for vulnerable customers only.⁵⁸

The tariff review for Band A customers was based on the DisCos' commitment to providing a minimum of 20 hours of power supply per day under the Service Based Tariff (SBT) regime initially introduced in 2020.⁵⁹

⁵⁷ <https://www.linkedin.com/company/nercng/posts/?feedView=all> (Last accessed July 13, 2024)

⁵⁸ https://www.linkedin.com/posts/nercng_nerc-electricity-pressconference-activity-7181349425888247808-WBAd?utm_source=share&utm_medium=member_desktop (Last accessed July 13, 2024)

⁵⁹ https://nerc.gov.ng/wp-content/uploads/2021/01/JEDC%20MYTO%20Nov%202020_Effective%20Nov%201,%202020.pdf (Last accessed July 13, 2024)



MINIMUM SUPPLY COMMITMENT

The SBT regime stipulated minimum power supply requirements for Bands A, B, C, D, and E as 20, 16, 12, 8, and 4 hours of electricity per day, respectively.

Despite NERC's directive on the application of the April 2024 tariff review to Band A consumers only, the Abuja Electricity Distribution Company Plc ("AEDC") applied the reviewed tariff of NGN206 across all customer bands contrary to the SBT framework. In response, NERC issued a press release on April 5, 2024, announcing the imposition of a Two Hundred Million Naira (NGN200,000,000) fine on AEDC for non-compliance with the April 2024 Supplementary Order.⁶⁰ Additionally, AEDC was directed to refund the overbilled customers with energy tokens equivalent to the amount overbilled.

3. Hearing of the Petition of CCETC Suk Power Company Limited on Sanction for Operating without a License

In May 2024, NERC heard the petition of CCETC Suk Power Company Limited (the "Company") regarding its earlier Order sanctioning the Company for operating an electricity generation and distribution business in Nigeria without a license.⁶¹ CCETC Suk Power Company Limited admitted liability and requested a review of the fine imposed to allow for continued operations. The panel stated that CCETC Suk Power Company Limited would undergo all regulatory checks, including an Environmental Impact Assessment, to ensure compliance with applicable laws. The panel's ruling is to be communicated after a thorough review of the extant legal framework.⁶²

⁶⁰ https://www.linkedin.com/posts/nercng_nerc-electricity-compliance-activity-7181979069524164609-XQj2?utm_source=share&utm_medium=member_desktop (Last accessed July 13, 2024)

⁶¹ https://www.linkedin.com/posts/nercng_nerc-electricityregulation-petition-activity-7194036786099064832-v8wa?utm_source=share&utm_medium=member_desktop (Last accessed July 13, 2024)

⁶² https://www.linkedin.com/posts/nercng_nerc-electricityregulation-petition-activity-7194036786099064832-v8wa?utm_source=share&utm_medium=member_desktop (Last accessed July 13, 2024)



Energy Transition

The Nigeria Energy Transition Plan (NETP) aims to achieve net zero emissions by 2060 through targeted decarbonizing efforts in 5 Sectors namely



Power



Transportation



Oil and Gas



Cooking



Industry.

In the last six months, while there has been stakeholder meetings, initiatives and policies geared towards the implementation of the NETP—such as the introduction of the National Clean Cooking Policy 2024,⁶³ closing of renewable energy deals, stakeholder meetings on e-mobility, and sensitization campaigns at the primary school level⁶⁴—the effective implementation of the NETP cannot be realized without substantial investments. As highlighted in our [2023 Report](#), in November 2023, the Minister of Power, Adebayo Adelabu, announced that there were \$23 billion investment opportunities linked to energy transition projects in Nigeria. However, over the past six months, there has been limited media coverage and official communications on the extent of financing raised for energy transition projects. In May 2024, the Federal Ministry of Information and National Orientation⁶⁵ and the Federal Ministry of Innovation, Science and Technology⁶⁶ reported that the Minister of Innovation, Science, and Technology, Chief Uche Geoffrey Nnaji, disclosed that the Federal Government had floated two Green Bonds, valued at \$10.6 billion and \$15 billion respectively, to finance climate and energy transition projects in Nigeria. Again, media coverage and official communication on this development have been relatively low.

To drive investment in energy transition projects in Nigeria, availability and access to comprehensive data on renewables and transition minerals are crucial, just as is the necessity for synergy, collaboration, and cohesion among policies of Federal Government ministries, including the Ministry of Power, the Ministry of Mines and Steel Development, and other key stakeholders essential to the realization of the NETP.

Energy Projects

Highlighted below are some developments on energy transition projects and power projects within the past six months:

1. Commissioning of 300KWp Solar PV Pilot Project in Niger State:⁶⁷

In January 2024, the Federal Government commissioned a 300KWp Solar PV Pilot Project with 675KWh Battery Energy Storage System in Kanji, Niger State to boost energy access.

2. Five Projects Commissioned under Phase 1 of the Presidential Power Initiative (PPI):⁶⁸

In February 2024, the Minister of Power commissioned five

⁶³https://fscluster.org/sites/default/files/2024-05/National%20Clean%20Cooking%20Policy%20v2_113112.pdf (Last accessed July 13, 2024)

⁶⁴https://www.linkedin.com/posts/nigeriaenergytransitionplan_imagine-this-your-6-year-old-excitedly-activity-7203276334318460930-ynsV?utm_source=share&utm_medium=member_desktop (Last accessed July 13, 2024)

⁶⁵<https://fmino.gov.ng/fg-floats-2-green-bond-of-10-6-billion-dollars-nnaji/> (Last accessed July 13, 2024)

⁶⁶<https://scienceandtech.gov.ng/fg-floats-2-green-bond-of-10-6-billion-dollars-nnaji/> (Last accessed July 13, 2024)

⁶⁷<https://theelectricityhub.com/fg-commissions-300kwp-solar-pv-project-with-bess-in-niger/> (Last accessed July 13, 2024)

⁶⁸<https://fgnpowerco.ng/hon-minister-of-power-commissions-five-projects-under-phase-i-of-the-presidential-power-initiative-ppi/> (Last accessed July 13, 2024)



transformer installation projects under the PPI in Kogi State, Delta State, Yobe State, Edo State, and Abuja. These projects are expected to enhance transmission wheeling capacity by 272MW.

3. Federal Government Hands over Zungeru Hydroelectric Power Plant to Penstock Limited:⁶⁹

In February 2024, the Federal Government officially handed over the Zungeru Power Plant to Penstock Limited, a subsidiary of Mainstream Energy Solutions Limited, which emerged as the approved bidder for the Zungeru concession in 2023.

4. Sappers Engineering Nigeria Limited (SENL), a Subsidiary of the

Nigerian Army Engineers, Contributes to Power Infrastructure Development in Nigeria:

SENL successfully completed the construction of the 5 Nos Tower 134KV double circuit transmission lines in Niger State. Initially awarded to the China National Electric Engineering Company, the construction of the Tower was contracted to SENL in 2023 due to security challenges at the time.

5. SE4All Signs Grant Agreement with 19 Clean Energy Developers:⁷⁰

SE4All signed grant agreements with 19 clean energy developers to deploy high-capacity solar and battery storage systems in

⁶⁹<https://bpe.gov.ng/fg-hands-over-zungeru-power-plant-to-concessionaire/> (Last accessed July 13, 2024)

⁷⁰<https://www.seforall.org/news/universal-energy-facility-signs-grant-agreements-with-19-clean-energy-developers-in-nigeria> (Last accessed July 13, 2024)

Nigeria, aiming to enhance energy access for businesses and institutions. These projects are expected to be completed and operational by the end of 2024.

6. REA Signs MOU with Five Renewable Energy Developers to Scale Up Energy Access:⁷¹

In July 2024, the Rural Electrification Agency (REA) signed MOUs with five developers for the delivery of Distributed Renewable Energy Projects, including isolated and interconnected mini-grids, commercial & industrial (C&I) projects, and power usage effectiveness (PUE) projects with a combined capacity of 1,265MW, to improve energy access in rural and peri-urban areas.

7. REA Signs MOU with Husk Power to Deploy Up to 250MW DRE Projects:⁷²

Contributing to energy transition efforts, REA signed an MOU with Husk Power to deploy 250MW of power generation and distribution DRE projects in rural and peri-urban areas. The MOU also includes provisions for collaboration on e-mobility, clean cooking, and agricultural processing.

8. Nigerian Automobile Company, Okafor Motors, Announces Plan to Mass Produce Solar Powered Tricycles:⁷³

In the e-mobility sector, Okafor Motors announced a partnership with Sustainable Communities Corporation (SCC) to mass-produce solar-powered tricycles for the Nigerian market. The project will be financed by SCC, and hemp battery technology developed by WinBat, an SCC associate, will be deployed for the solar-electric tricycles.

9. Nigeria Sovereign Investment Authority (NSIA)'s Renewables Investment Platform for Limitless Energy (RIPLE) Signs JVA with North South Power Company Ltd (NSP) for the Establishment of the Shiroro Generating Company:⁷⁴

The Shiroro Generating Company project is a joint venture between NSIA and NSP to establish a pioneering 20MW on-grid solar-hydro project in Niger State. This project complements ongoing Federal Government efforts on energy transition.

⁷¹<https://rea.gov.ng/rea-signs-mou-five-renewable-energy-companies-scale-electricity-access-nigeria/#:~:text=Energy%20Database-,REA%20Signs%20MoU%20with%20Five%20Renewable%20Energy%20Companies,Up%20Electricity%20Access%20In%20Nigeria&text=Abuja%2C%20Nigeria%20%2D%20The%20Rural%20Electrification,Thursdays%20July%202024>. (Last accessed July 13, 2024)

⁷²<https://rea.gov.ng/rea-seals-250mw-deal-husk-energy-deliver-sustainable-electricity-underserved-communities/>. (Last accessed July 13, 2024)

⁷³https://guardian.ng/solar-powered-tricycles-quadracycles-nigeria-auto-maker-partners-us-group/#google_vignette. (Last accessed July 13, 2024)

⁷⁴<https://nsia.com.ng/the-nigeria-sovereign-investment-authority-and-north-south-power-company-limited-sign-joint-venture-agreement-to-co-invest-in-nigerias-pioneer-20mw-on-grid-solar-hydro-hybrid-project/>

Implementation of the Electricity Act

1. Transition to State Regulation:

With the issuance of Orders transferring regulatory oversight to State Regulators, it is anticipated that State Regulation would have effectively commenced in Enugu, Ekiti, Ondo, and Imo States by the end of the year. Additionally, we may witness more States initiate the transition process over the next couple of months.

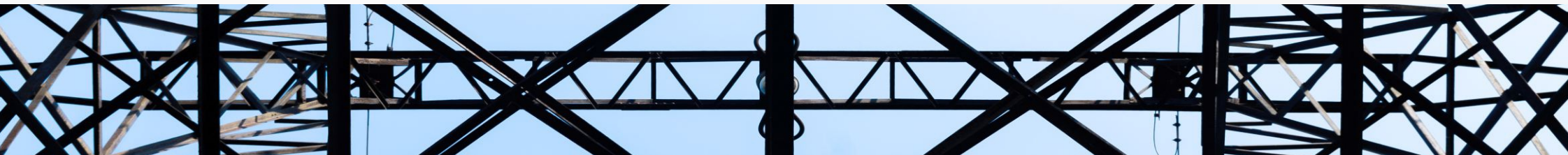
2. Transfer of Market and System Operation Assets and Liabilities to NISO:

It is expected that the transfer of market and system operation assets and liabilities from TCN to NISO would be completed by the end of the year.

3. Development of the Integrated National Electricity Policy and Strategic Implementation Plan:

As highlighted in our [2023 Report](#), Section 3 of the Electricity Act mandates the Ministry of Power to develop





an Integrated National Electricity Policy and Strategic Implementation Plan (“Plan”) aimed at, amongst other things, harnessing renewable energy to address Nigeria’s electricity deficit. We anticipate initiatives around the development of this Plan before the end of the year.

4. Incentives for Renewable Energy:

Section 166 of the Electricity Act provides for the introduction of incentives for renewable energy generation and consumption following the enactment of the Act. This is yet to be implemented. We expect to see activity around the development and introduction of these incentives to attract investors and support the realization of the NETP.

● Tackling Operational Inefficiencies of DisCos:

As previously discussed, the Minister of Power has indicated the potential for a surge in franchising arrangements as a medium to

effectively manage the Distribution subsector. Additionally, there appear to be plans underway for the sale of underperforming DisCos. We anticipate the development of policies and measures designed to catalyze franchising activities and other measures the Federal Government would put in place to address the operational inefficiencies of DisCos within the Sector.

● Exit of Nigerian Bulk Electricity Trading Plc (NBET):

With the trading license of the Nigerian Bulk Electricity Trading (NBET) set to expire in November 2024,⁷⁵ questions have arisen regarding NESI’s preparedness for NBET’s exit and the possibility of a license extension. These and other related concerns are expected to be addressed as the year draws to a close.

⁷⁵<https://punchng.com/is-electricity-sector-ready-for-nbet-exit/#:~:text=NBET's%20licence%20as%20the%20exclusive,to%20expire%20by%20November%202024.> (Last accessed July 13, 2024)

OUR TEAM



ADEREMI OGUNBANJO
PARTNER

a.ogunbanjo@topeadebayolp.com

+234 809 992 7408

**OLUWASEUN
FAPOHUNDA**
SENIOR ASSOCIATE

s.fapohunda@topeadebayolp.com

**SANDRA
OSINACHI-NWANDEM**
ASSOCIATE

s.osinachi-nwadem@topeadebayolp.com

EYITAYO AJISAFE
ASSOCIATE

e.ajisafe@topeadebayolp.com



CONTACT US