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# NERC'S GUIDELINES ON THE REGISTRATION AND ENGAGEMENT OF THIRD-PARTY COLLECTION SERVICE PROVIDERS

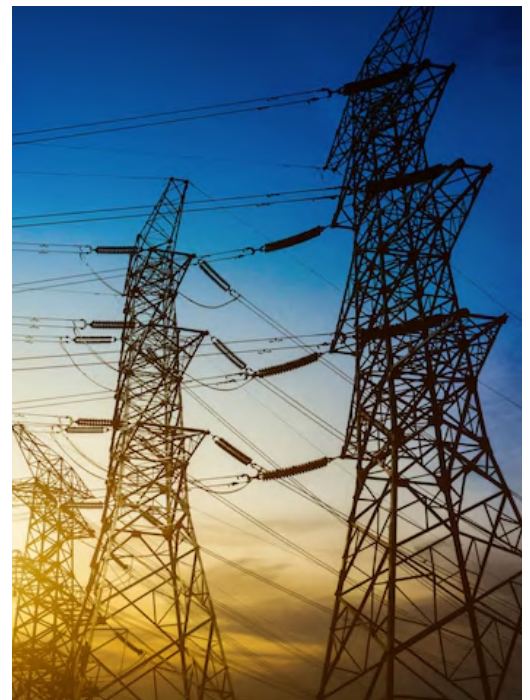
## INTRODUCTION

In furtherance of the implementation of the Nigerian Electricity Regulatory Commission ("NERC")'s Order No. NERC/183/2019, which

mandates the migration of Industrial, Commercial and R3 (now Maximum Demand Residential) customers to cashless payment platforms and registration of collection agents and service providers in order to reduce collection losses within the Nigerian Electricity Supply Industry ("NESI"), NERC issued the Guidelines on the Registration and Engagement of Third-Party Collection Service Providers (the "Guidelines") on May 27, 2025.

The Guidelines introduces a clear framework for the engagement of Third-party Collection Service Providers ("CSPs") by Distribution Companies ("DisCos") and the registration of CSPs with NERC. CSPs are agents engaged by DisCos to facilitate billing and payment collection from the sale of electricity to non-Maximum Demand end-users. These include Super Agents, Sub-Agents, Payment Solution Service Providers, and Payment Terminal Service Providers.

In this Newsletter, we examine the key highlights of the Guidelines as well as implications for relevant stakeholders.



## SCOPE AND APPLICABILITY

The Guidelines apply to DisCos and CSPs operating within States where NERC still exercises regulatory oversight. Thus, the application of the Guidelines does not extend to any entity operating exclusively within States that have assumed regulatory control over their respective electricity markets pursuant to Section 230 of the Electricity Act 2023 (as amended).<sup>1</sup>

## REGISTRATION REQUIREMENT OF CSPS

Under the Guidelines:

- CSPs are required to be registered with NERC prior to being eligible to render services within the NESI.<sup>2</sup>
- DisCos shall only engage CSPs licensed by CBN and registered with NERC.<sup>3</sup>

<sup>[1]</sup> Paragraph 7(3) of the Guidelines

<sup>[2]</sup> Ibid

<sup>[3]</sup> Paragraph 8(3)(a) of the Guidelines

## REGISTRATION OF THE COLLECTION SERVICE CONTRACTS BETWEEN CSPS AND DISCOS

In addition to the mandatory registration of CSPs, the Guidelines further require that all Collection Service Contracts (“CSC”) executed between CSPs and DisCos be submitted to NERC for approval and registration prior to commencement.<sup>4</sup> It is the responsibility of the DisCos to present the CSC to NERC for approval and registration, alongside the following documents.<sup>5</sup>

- a. Valid License or Permit issued by the Central Bank of Nigeria;
- b. Executed Agreement between the parties;
- c. Certificate of Incorporation;<sup>6</sup>
- d. Reference letter from the CSP’s banker;
- e. Valid Tax Clearance Certificate for the last three years;<sup>7</sup>
- f. VAT Registration Certificate;<sup>8</sup>
- g. List of sub-agents (if any);
- h. API System Integration Agreement with the Nigerian Inter-Bank Settlement System (“NIBSS”); and,
- i. Payment of a non-refundable registration fee of N100,000 to NERC.



Each CSC submitted for NERC's approval must clearly state the collection channel and the transaction account details. Any subsequent changes to such account information must also be duly filed with NERC.<sup>9</sup>

## APPROVED COLLECTION CHANNELS

The cashless collection channels available to DisCos recognised by the Guidelines<sup>10</sup> are categorized as follows: Unstructured Supplementary Service Data (“USSD”), Banking service such as payment through Automated Teller Machines, NIBSS, Switching Companies like Flutterwave and Paystack etc., Mobile Payment Services including payment through mobile transfer, electronic channels, chat (such as WhatsApp) and other approved digital payment systems, Agency banking such as payment through POS machine, vending kiosk etc., and Rural services which involves payment through agency in rural communities within the licensees franchise area.



<sup>[4]</sup> Paragraphs 7(4) and 8(3)(b) of the Guidelines

<sup>[5]</sup> Paragraph 7(2) of the Guidelines

<sup>[6]</sup> The Guideline did not specify whose Certificate of Incorporation is required

<sup>[7]</sup> Ibid

<sup>[8]</sup> Ibid

<sup>[9]</sup> Paragraph 8(3)(f) of the Guidelines

<sup>[10]</sup> Paragraph 8 of the Guidelines



## COMMISSIONING AND COMMISSION CAPS

CSPs are entitled to commissions based on a percentage of the total amount collected from end-users,<sup>11</sup> provided that such commissions shall not exceed commission caps prescribed per transaction. The approved commission caps are provided below:

NO	SERVICES	CAPS PER TRANSACTION (NGN)
01	USSD ( $\leq$ NGN 5,000)	20
02	USSD ( $\leq$ NGN 5,000)	50
03	Banking services	1000
04	ATM	2000
05	Agency banking	2000
06	Rural Services	2000



## DEADLINE FOR EXISTING CONTRACTS

The Guidelines require all DisCos to regularise their existing contracts with CSPs within 90 days from the effective date of the Guidelines, i.e., on or before August 27, 2025.

## CONCLUSION

The Guidelines support the Federal Government's overarching objective of significantly reducing collection losses, improving transparency and efficiency in revenue collection across the NESI and ensuring that only credible CSPs operate within the Sector. DisCos must ensure that all CSPs are duly licensed by CBN before engaging them. DisCos are also required to collate and verify all necessary documentation including the CSPs' CBN permits and other relevant compliance documents, to facilitate proper registration with NERC.

In order to sustain their engagement with DisCos, CSPs must obtain and maintain all requisite licenses and permits, and at all times comply with applicable guidelines and directives that may be issued by NERC and the DisCos respectively.

<sup>[11]</sup> Collection from MD customers shall attract no commission to third-party collection agents



## PRACTICE KEY CONTACTS



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Do you need to get in touch with us, to know more on how we can help you and your business? Kindly contact us by using any of the details provided below:

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