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COMMERCIAL & ENERGY LAW PRACTICE

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# **Nigeria's Mini-Grid Regulations 2026: A New Regulatory Foundation for Bankable Distributed Energy**

# NIGERIA'S MINI-GRID REGULATIONS 2026: A NEW REGULATORY FOUNDATION FOR BANKABLE DISTRIBUTED ENERGY

*An analysis of the Nigerian Electricity Regulatory Commission's restructured mini-grid framework and its implications for developers, investors, lenders and distribution licensees.*

The Nigerian Electricity Regulatory Commission (“NERC”) has issued the Mini-Grid Regulations 2026, the most comprehensive overhaul of Nigeria’s mini-grid regulatory framework to date. The Regulations replace the earlier regime and introduce a restructured architecture covering permitting, interconnection, tariff-setting, grid-arrival compensation, environmental compliance, and — for the first time — explicit support for portfolio-scale development.

This is not an incremental revision. The Regulations represent a considered policy decision to treat mini-grids as a durable, investable component of Nigeria’s electricity infrastructure, rather than a transitional off-grid workaround. For developers, sponsors, lenders, and DFIs active in Nigeria’s distributed energy market, the implications are immediate and material. For distribution licensees, the obligations are significantly more demanding than before.

This Newsletter sets out the key reforms, their practical significance, and the steps that market participants should be taking now.

## AT A GLANCE

**What has changed:** NERC has issued a fully restructured mini-grid regime with clearer rules on permitting, interconnection, tariff-setting, grid-arrival compensation, and monitoring — replacing the earlier framework in its entirety.

**Why it matters:** The Regulations move mini-grids decisively into the mainstream of Nigeria’s electricity architecture, with a framework designed to reduce development friction and support private investment at scale.

**Bankability:** More supportive of project finance than anything that preceded it. But the framework is also more compliance-demanding — documentation, tariff evidence, and regulatory process discipline will be critical.

**Critical reform:** Distribution licensees must now publish Hosting Capacity Information, feeder maps, and network expansion plans on a prescribed timeline — a structural improvement in siting transparency that changes how projects are developed.

**Grid-arrival risk:** A tiered, structured compensation methodology now addresses what has historically been the hardest risk to price in Nigerian mini-grid project finance.

**Immediate action:** Developers, investors, and DISCOs should be auditing project pipelines, siting assumptions, transaction documents, and tariff models against the new framework now.

## KEY REFORMS AND THEIR COMMERCIAL SIGNIFICANCE

### 1. CLASSIFICATION: THE DISTINCTION THAT DRIVES EVERYTHING ELSE

The Regulations preserve the fundamental distinction between isolated mini-grids — operating independently of a distribution licensee's network, capped at 5MW per site — and interconnected mini-grids, which operate in coordination with the distribution network and may be permitted up to 10MW per site. This is not a technical formality. Classification determines the applicable permitting route, the interconnection process, the commercial framework, the tariff methodology, and the compensation consequences if and when the grid arrives. Getting this decision right at the outset of project development is foundational to everything that follows.

### 2. HOSTING CAPACITY INFORMATION: THE MOST COMMERCIALY SIGNIFICANT REFORM

Every distribution licensee is now required to publish Hosting Capacity Information ("HCI") — feeder-level and network-level technical data indicating the capacity of the network to accommodate an

interconnected mini-grid without material adverse effect on safety, stability, voltage, protection, or power quality. Licensees must also publish feeder maps, approved network expansion plans, and project status information in a NERC-approved standard format. This data must be updated at least annually and within 60 days of any material feeder change.

The significance of this obligation cannot be overstated. It transforms project siting from a process dependent on anecdotal intelligence and protracted information requests into one that can be grounded in published, verifiable data. For developers, it should reduce avoidable rework and accelerate feasibility assessments. For lenders and investors, it provides an independent reference point against which technical representations can be assessed. Where a licensee fails to publish the required information, NERC retains the power to direct compliance — a meaningful enforcement backstop. The practical value of this reform will ultimately depend on the quality and timeliness of DISCO compliance, but the obligation is unambiguous and the enforcement mechanism is clear.

### **3. INTERCONNECTION: FROM DISCRETION TO PROCESS**

Interconnected mini-grids now operate under a Tripartite Agreement between the developer, the distribution licensee, and the connected community — a three-party structure that creates documented, NERC-approved obligations from the outset. For eligible solar PV and battery projects at or below 1MW that satisfy the applicable standard technical conditions and the published HCI, a simplified pathway applies: rather than a full System Impact Study, the developer may rely on a Short-Form SIS Confirmation issued by the distribution licensee against published feeder data and the project's single-line diagram. This is a meaningful reduction in cost and timeline for smaller projects.

For projects above 1MW, a System Impact Study will generally be required. However, the scope of that study is now explicitly limited to matters reasonably necessary for safe interconnection — a direct regulatory response to the practice of using open-ended technical reviews as a blocking mechanism. Time-bound response obligations are imposed on licensees at each stage of the interconnection process. Where a licensee fails to respond within the applicable timeline, the default consequence is a deemed no-objection for that procedural step, with the ability to refer persistent inaction to NERC for direction or interim determination. This is the most direct regulatory intervention yet to address DISCO-induced delay, which has historically been one of the most intractable barriers to mini-grid deployment in Nigeria.

#### **4. ISOLATED MINI-GRID PERMITS: DISCIPLINING THE OBJECTION PROCESS**

The Regulations introduce important discipline around the DISCO objection process for isolated mini-grid permits. A licensee seeking to object on the grounds that the proposed project area falls within its approved network expansion plan must do so within 15 business days and must substantiate the objection with specific evidence: approved plans, committed financing, procurement milestones, and planned energisation dates. Critically, an objection lapses if physical construction has not commenced within 12 months of the objection, or energisation has not occurred within 24 months.

This is a significant protection against speculative objections designed to block project areas without genuine intention to serve them — a practice that has frustrated developers and deterred investment across multiple DISCO territories. NERC retains an overriding power to grant a permit where it is satisfied that the mini-grid better serves timely electrification and customer welfare than the projected expansion relied upon in the objection.

#### **5. TARIFFS: REGULATED, BUT MORE TRANSPARENT AND AUDITABLE**

The Schedule 14 tariff model remains the primary instrument for tariff determination. Default benchmark assumptions set allowable technical losses at 4% and non-technical losses at 3%. NERC may approve project-specific allowances above those benchmarks where justified by demonstrable site characteristics — including remoteness, line length, customer density, or inherited asset condition — but any higher allowance must include a phased reduction trajectory toward applicable long-run targets and must be expressly reflected in the tariff model.

Portfolio tariff filings are expressly permitted: a sponsor may submit a single application covering all sites in a portfolio, which is a meaningful efficiency gain for scaled developers. The tariff control period is five years by default. For registered operators below 100kW, tariff determination may alternatively be agreed between the operator and the community, provided customers consuming at least 60% of the mini-grid's output are represented in the agreement — with the agreement filed with NERC and subject to its inspection and review powers.

The overall architecture is a regulated regime with flexibility at the margins, not a market-based model. Project economics will remain sensitive to tariff assumptions. Developers and their financial advisers should treat tariff evidence-gathering — site-specific documentation of the factors that justify any above-benchmark assumptions — as a critical early project activity, not something to be assembled under pressure at the permitting stage.

## **6. GRID ARRIVAL AND COMPENSATION: THE REFORM THAT MATTERS MOST FOR FINANCE**

Grid-arrival risk — the risk that a distribution licensee extends its network to a mini-grid's service area, stranding the developer's investment — has historically been the most difficult risk to structure, price, and finance around in the Nigerian mini-grid market. The Regulations address it more comprehensively than any previous framework.

Where a licensee intends to extend its network to an isolated mini-grid's service area, it must give at least 12 months' advance written notice to the operator. Within that period, the parties must negotiate in good faith one of five prescribed transition options: conversion to an interconnected mini-grid, transfer of assets to the licensee at a regulated price, continued operation under a commercial arrangement, orderly decommissioning, or such other arrangement as NERC approves. Failure to agree within 60 business days entitles either party to refer the matter to NERC for determination.

The compensation methodology is now tiered and structured. The base element is the Compensable Transfer Value of prudent, efficiently incurred, used and useful assets, determined as the higher of verified indexed net book value or verified net depreciated replacement cost. For grid arrivals within the first five years of commercial operation, the developer is additionally entitled to recovery of unrecovered development and construction costs plus a revenue equivalent equal to the preceding 12 months of operation. Between years five and ten, the additional element is the 12-month revenue equivalent. After year ten, compensation is limited to asset value, unless NERC determines that exceptional unrecovered prudent capital justifies additional protection. Speculative future profits and imprudent expenditure are expressly excluded.

This structure will not eliminate grid-arrival risk. But it provides a materially more credible basis for modelling that risk in project finance structures — and a more transparent framework for negotiating with lenders and equity sponsors who have historically treated grid-arrival provisions as too uncertain to underwrite with confidence.

## **7. PORTFOLIO DEVELOPMENT: SCALE IS NOW EXPRESSLY SUPPORTED**

The Regulations contain explicit portfolio provisions that should be of immediate interest to sponsors seeking to deploy capital at scale. A developer may submit a single application for a portfolio of sites within the same regulatory jurisdiction, with consolidated developer and financing information supported by site-specific annexes. NERC may issue a single portfolio decision with separate conditions

per site. Portfolio exclusivity filings are also contemplated, with six-monthly progress reporting obligations — covering development activities, community engagement, financing status, procurement, and revised milestones — built in as a condition of maintaining exclusivity. These provisions reflect a more commercially sophisticated approach to pipeline management than Nigeria's mini-grid framework has previously offered.

## **8. ENVIRONMENTAL REQUIREMENTS: PROPORTIONATE, BUT NON-NEGOTIABLE**

For solar PV and battery-supported mini-grids up to 10MW, the Regulations require evidence of environmental screening and an Environmental and Social Management Plan (ESMP). A full Environmental and Social Impact Assessment (ESIA) is not required solely on the basis of installed generation capacity at this scale, but remains mandatory for projects involving hydro, biomass, thermal generation, resettlement, or material land-use impact, or where the competent environmental authority requires one on site-specific grounds. No mini-grid may commence commercial operation without submitting evidence of compliance with the applicable environmental pathway. Developers and lenders should treat environmental compliance as a parallel workstream from the earliest stages of project development.

# **IMPLICATIONS BY STAKEHOLDER**

## **FOR DEVELOPERS AND SPONSORS**

The Regulations materially improve the development environment. Published HCI reduces information asymmetry, the simplified interconnection pathway reduces technical review costs for smaller projects, time-bound process obligations reduce the risk of indefinite DISCO-induced delay, and the portfolio provisions enable efficient deployment at scale.

The trade-off is a more demanding compliance framework. Project documentation — community agreements, exclusivity arrangements, tripartite agreements, technical annexes, tariff submissions, and monitoring reports — must be prepared to a higher standard, with all workstreams aligned from the outset of project development. The Regulations reward developers who are organised, disciplined, and well-advised. They create significant exposure for those who are not.

The practical priority now is to audit current and pipeline projects against the new classification rules, capacity thresholds, permitting conditions, interconnection requirements, and environmental obligations — and to identify the gaps.

## **FOR LENDERS, DFIS, AND INVESTORS**

The new framework is more supportive of bankability than anything that has existed in the Nigerian mini-grid market before. The material improvements are: greater siting certainty through HCI publication and feeder disclosure; more predictable interconnection timelines through deemed no-objection provisions and NERC referral rights; a more structured and tiered grid-arrival compensation methodology; and explicit recognition of portfolio-scale development.

For lenders pricing grid-arrival risk, the tiered compensation structure provides a more credible contractual basis for modelling downside scenarios than was previously available. It is not a guarantee, but it is a framework — and that distinction matters when structuring project finance.

Implementation risk remains the key variable. The Regulations are only as effective as the discipline with which NERC and the distribution licensees apply them. We would encourage clients to build NERC referral rights and regulatory monitoring provisions into their project documents, and to structure transactions to preserve remedies where DISCOs fail to meet their obligations under the framework.

## **FOR DISTRIBUTION LICENSEES (DISCOS)**

The Regulations impose materially greater transparency and process obligations on distribution licensees than any previous framework. HCI publication, feeder map disclosure, network expansion plan updates, and time-bound responses to mini-grid submissions are now mandatory, with deemed no-objection consequences for non-compliance and the risk of NERC intervention where failures cause project delays. Licensees will need to invest in the systems, processes, and personnel to meet these obligations consistently and on time.

The framework is not adversarial toward DISCOs. It preserves network planning primacy and maintains technical safety oversight. But the era of using information asymmetry and procedural delay as a de facto barrier to mini-grid entry has been substantially curtailed. DISCOs that engage constructively and publish the required information promptly will be better positioned to manage the DISCO-developer interface efficiently, and to avoid regulatory intervention.

## IMMEDIATE STEPS

Market participants should consider the following actions without delay:

- Audit current and pipeline projects against the new classification rules, capacity thresholds, permitting conditions, interconnection requirements, and environmental obligations to identify documentation gaps and development assumptions that need to be revisited.
- Incorporate published HCI and feeder data into project siting, feasibility, and interconnection planning as soon as distribution licensees publish the required information — and monitor whether they do so within the prescribed timelines.
- Update all project documents — community agreements, exclusivity arrangements, tripartite agreements, technical annexes, tariff submissions, and monitoring frameworks — to reflect the requirements of the new regime.
- Stress-test project finance models for grid-arrival scenarios using the tiered compensation structure, including sensitivity analysis for the timing of grid arrival relative to the commercial operation date.
- For projects above 1MW, review interconnection strategies to ensure System Impact Study scope is appropriately framed and that DISCO response timelines are being monitored against the Schedule 5 milestones, with referral rights to NERC reserved in all project agreements.
- For portfolio sponsors, engage with the portfolio filing provisions early to ensure that the structure of exclusivity arrangements, permitting applications, and tariff submissions is aligned with the new regime from the outset.

## CANDELP VIEW

The Mini-Grid Regulations 2026 are the most significant development in Nigeria's distributed energy regulatory landscape in over a decade. They reflect a deliberate and considered policy decision: mini-grids are no longer a residual or experimental solution for communities that the main grid cannot reach. They are a recognized infrastructure asset class, capable of attracting serious capital, supporting energy access at scale, and integrating meaningfully with the wider electricity system.

For our clients, the opportunity is real. The framework creates stronger foundations for project development and project finance than Nigeria's mini-grid market has previously had. It rewards investors and developers who are disciplined, commercially rigorous, and properly advised. It creates meaningful new protections — on interconnection timelines, on siting certainty, and on grid-arrival compensation — that should support stronger transaction structures and more credible investment cases.

At CANDELP, we advise clients across the mini-grid value chain — from developers structuring early-stage projects under the new permitting regime, to sponsors and DFIs reviewing transaction documentation and bankability assumptions, to distribution licensees navigating their new transparency and process obligations. If the Regulations raise questions relevant to your pipeline, your portfolio, or your transaction, we would welcome the opportunity to discuss them with you.

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