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AN APPRAISAL OF THE KEY CHANGES IN THE NERC MINI-GRID REGULATIONS 2026

The new regulation applies to the Federal Capital Territory, Abuja, intrastate mini-grid projects, all states of the Federation that have not assumed regulatory control of their State Electricity Markets, and in the case of states that have assumed control, to the extent of mini-grid matters remaining within the jurisdiction of the NERC, or otherwise expressly reserved to the NERC by law.

INTRODUCTION

Nigeria's mini-grid framework has evolved alongside broader power sector reforms. The Nigerian Electricity Regulatory Commission (NERC) Mini-Grid Regulations 2016 established the regulatory foundation for mini-grids in Nigeria. The 2023 update to the regulation refined this framework by expanding its scope, clarifying processes, and aligning more closely with sector realities. Together, these regulations have improved access to electricity and encouraged private investment in the off-grid sector of the Nigerian Electricity Supply Industry (NESI).

However, practical and commercial gaps persisted under the 2023 framework, particularly regarding coordination with distribution companies. These gaps have necessitated further reform. The NERC Mini-Grid Regulations 2026 has introduced targeted amendments aimed at enhancing the scalability of mini-grid projects and their commercial viability.

This article analyses the key changes and new provisions introduced in the 2026 Mini-Grid Regulations and their implications for mini-grid project development in Nigeria.

2026 Mini-Grid Regulations vis-à-vis State Electricity Regulations

The 2026 regulation applies to the Federal Capital Territory, Abuja, and to all states of the Federation that have not assumed regulatory control of their State Electricity Markets. However, for states that have assumed regulatory control, Regulation 4(5) of the 2026 Mini-Grid Regulations provides that the regulations will apply within that state to the extent of matters remaining within the jurisdiction of the NERC, or otherwise expressly reserved to the federal regulator by law. Such a situation may arise in practice where a State Electricity Regulatory Commission (SERC) and relevant state electricity law defer control over certain matters to NERC or where the regulated activity in question relates to interstate operations.

Capacity of Isolated and Interconnected Mini-Grids

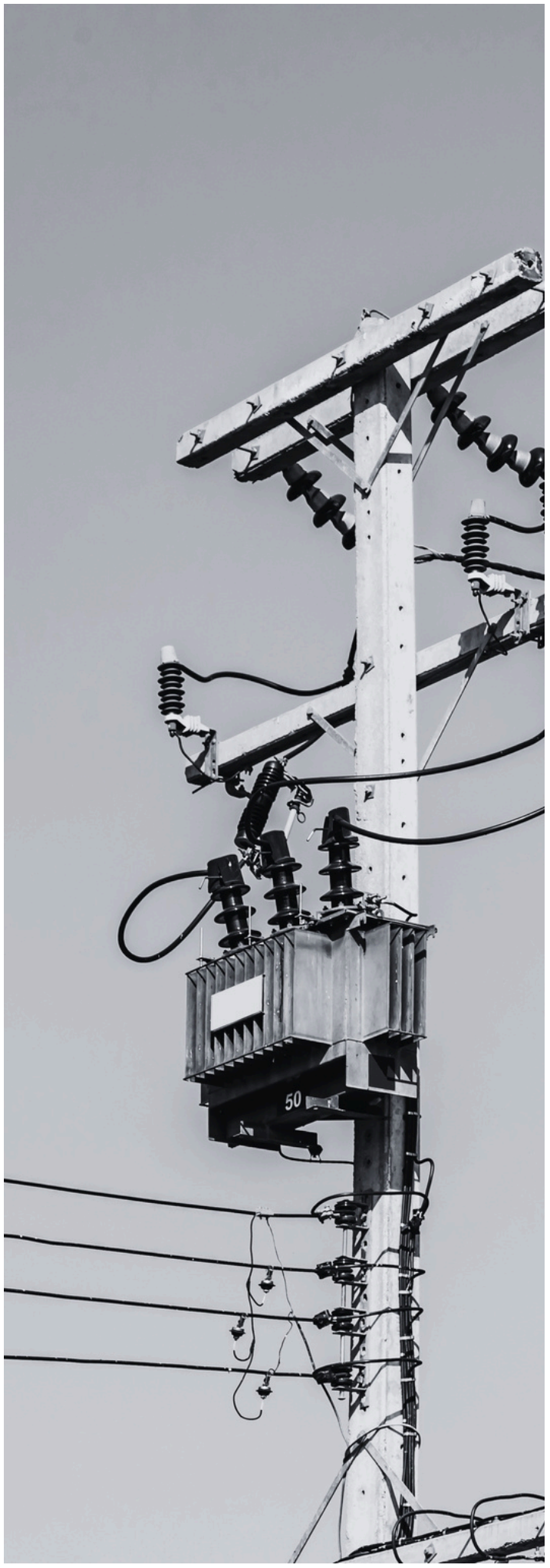
The Mini-Grid Regulations 2023, in defining a mini-grid, indicated that the generation capacity per site ranged from 0 to 1MW. This capacity requirement implied that the maximum generation capacity for a mini-grid for which a permit or registration approval could be obtained from NERC was 1MW. However, under the 2026 regulation, the maximum installed generation capacity for isolated mini-grids is now 5MW per site, and 10MW per site for interconnected mini-grids. This significantly increases the capacity for mini-grid projects in Nigeria, allowing project developers more flexibility to develop projects that meet greater consumer demand.

Furthermore, the 2026 regulation makes an additional requirement for applicants for mini-grids with intended capacities exceeding 1MW. Such applicants are required to submit health, safety and technical compliance information, alongside a simplified technical package consisting of the single-line diagram, protection philosophy, basic equipment ratings, site layout, and any other proportionate technical information that NERC may reasonably require. Therefore, developers must note that there are additional considerations and requirements for projects exceeding the previous 1MW cap.

Distribution Licensee's Objection

The 2026 mini-grid regulation provides greater clarity on the content of an objection issued by a Distribution Licensee to an application to develop an isolated mini-grid in an unserved area that is expressly covered by a Performance Improvement Plan, an investment plan, or other NERC-approved network expansion plan of the Distribution Licensee. Whereas the 2023 Regulations provided that an applicant must obtain the written consent of an electricity Distribution Licensee to develop a project in such areas and addressed deemed consent of the Distribution Licensee, the 2026 regulation now mandates that an objection by the Distribution Licensee to such an application must include fundamental details of the network expansion project, including the project area covered by the expansion plan, the planned commencement date, the planned energisation or substantial completion date, and any other documentary evidence as may be required by NERC.

The new regulation also provides that where an objection is raised, such objection will be construed as blocking a mini-grid permit and lapse, if (a) physical construction on the network expansion has not commenced within 12 months of the date of the objection; or (b) energisation or substantial completion has not occurred within 24 months of the date of the objection, unless NERC grants an extension upon an application supported by evidence of good cause. Ultimately, NERC has the power to grant a permit in these circumstances if 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 Distribution Licensee.



New Provision for Amendments

The 2026 regulation expressly provides for the amendment or conversion of existing mini-grid registration approval or mini-grid permit. Such amendment or conversion will be necessary where a mini-grid developer proposes any expansion, design modification, change in technology, change in point of common coupling, or capacity increase to a permitted or registered mini-grid. This means that an operator with mini-grid registration approval can convert from the registration regime to obtaining a permit after modifications that will increase capacity.

This amendment provision shows a nimbler approach by NERC, as it helps developers avoid duplication of efforts and unnecessary costs that would otherwise arise if they had to reapply for new permits when changes are made to an existing mini-grid project.

Public Disclosure

The new regulatory framework has introduced two requirements for the public disclosure of key information to aid pre-feasibility studies and other assessments by potential mini-grid project developers. Firstly, Distribution Licensees are now required to publish feeder-level Hosting Capacity Information (HCI) on their websites and other platforms designated by NERC, indicating feeders on which interconnected mini-grids may be proposed. The HCI is to be updated not less than once every 12 months, or within 60 days of any material feeder change, or within such period as NERC may direct. The HCI is indicative only and does not of itself constitute an approval to connect, nor relieve the developer or the Distribution Licensee of the obligation to confirm project-specific compliance with applicable technical requirements.

Distribution Licensees are also required to maintain and update a publicly accessible registry of unserved or underserved areas. The registry is required to be cross-referenced with feeder identifiers, approved expansion plans, expected energisation windows, and HCI relevant to mini-grid planning. These requirements enhance transparency and data accessibility, enabling developers to make informed siting and investment decisions while reducing uncertainty in project development.

Environmental Obligations

The new regulation reinforces environmental obligations for mini-grids. It provides that no mini-grid will be allowed to commence operation unless the developer has submitted to NERC evidence of compliance with the environmental pathway applicable to the project. With regard to environmental compliance, the regulation provides for various types of projects, each with its own requirements.

For a solar photovoltaic or battery-supported mini-grid of up to 10 MW, NERC requires

evidence of environmental screening and an Environmental and Social Management Plan. On the other hand, a full Environmental and Social Impact Assessment is required if the proposed project involves hydro, biomass, thermal generation, resettlement, material land-use impacts, or is otherwise subject to special environmental controls under applicable law or specific designated areas under the regulations.

CONCLUSION

By addressing key gaps around jurisdictional clarity, commercial viability, technical integration, and stakeholder alignment, the 2026 Mini-Grid Regulations responds directly to the practical challenges that have constrained the growth of mini-grids within the NESI. Ultimately, the effectiveness of the new regulation will be measured by how well it is implemented. NERC has an obligation to enforce these innovations, as do Distribution Licensees, mini-grid operators, and applicants, who have a duty to comply. If properly enforced, the regulation has the potential to transform mini-grids from a supplementary solution into a central pillar of Nigeria's evolving electricity market.

To maximise impact, we recommend the following (1) stronger federal-state regulatory coordination between NERC and SERCs to prevent regulatory arbitrage or conflicting directives, and (2) sensitisation of key stakeholders in the NESI on the updates made in the 2026 Mini-Grid Regulations, particularly regarding compliance obligations.