

ANALYSIS OF THE NERC NET BILLING REGULATIONS OF 2026

INTRODUCTION

Following the public exposure of the draft net billing regulations and subsequent stakeholder consultations in line with the Electricity Act, 2023 (the “**Act**”), NERC, on 3 June 2026 formally issued the Net Billing Regulations 2026 as a refined regulatory framework for net billing taking into account various industry proposals in exercise of its powers under Section 46(2) of the Act.

A net billing system (“**Net Billing System**”) is an arrangement under which an electricity consumer (“**User**” or “**Prosumer**”) within the supply area of an electricity distribution licensee (“**DisCo**”) with a renewable energy system (“**RES**”) may export excess electricity to the distribution network of the DisCo and receive energy-based compensation for such exports (“**Credits**”). These Credits are netted against the User’s electricity bill (for the energy imported from the distribution network of the DisCo) over a given period. [1]

The objectives [2] of the Regulations include to:

- establish a standardised framework for the interconnection of renewable energy installations at customer premises to an electricity distribution network;
- facilitate the export of surplus power from the Prosumers’ premises to the grid under a credit-based billing system;
- provide a clear compensation mechanism for the utilisation of excess power produced by a Prosumer with a renewable energy facility installed at its premises; and
- ensure that the interconnection of a renewable energy facility to a distribution network is implemented without compromising safety and overall network reliability.



This newsletter therefore analyses the Regulations by examining its key provisions and their impact on the future of Nigeria's power sector.

KEY PROVISIONS OF THE NET BILLING REGULATIONS 2026

Application of the Regulations

The Regulations apply only to renewable energy systems that are connected to a distribution network, with a minimum installed capacity of 50kWp and not exceeding 1.5MWp per Prosumer in Nigeria [3].

The only renewable energy source covered under the net billing arrangement is solar energy. However, small wind and hydro energy installations may be incorporated into the net billing arrangement upon NERC issuing applicable technical standards and an updated schedule to the Regulations [4].

Scope and Administration

Under the Regulations, DisCos are required to enter into net billing arrangements with Users/Prosumers on a first-come, first-served, and non-discriminatory basis [5].

It should be noted that the aggregated excess capacity that can be injected into a DisCo's network (i.e. 0.4kV/11kV/33kV) by Prosumers, must not be more than 30% of the average load of such network [6].

Also, the approved export electricity under a net billing arrangement must not exceed 120% of the Prosumer's eligible load demand, subject to the 30% of the average load of the distribution network.[7] A DisCo may however approve an export capacity exceeding 120% where the Prosumer demonstrates verifiable and imminent load expansion, in the following instances:

- Where the approved capacity will not exceed the Prosumer's projected load demand within twenty-four (24) months; and
- Where the DisCo's approval will not require a full network hosting capacity study unless there is a technical justification.[8]

The Regulations impose capacity limits on both the DisCo and the Prosumer. At the DisCo's level, aggregate Prosumer injections for a network must not exceed 30% of the network's average load. At the Prosumer level, approved export capacity is capped at 120% of the Prosumer's eligible load demand with possible expansion in the instances listed above.

It is pertinent to note that this capacity limitation of 120% only applies to alternating current ("AC") export capacity provided by a Prosumer to the DisCo's network. [9] Therefore, the installed generation direct current ("DC") capacity of a Prosumer may exceed the approved export capacity, where the amount of exported electricity from the Prosumer to the DisCo's network is limited to the approved threshold, through certified inverter settings or export control mechanisms.[10]



Application Procedure for Net Billing Arrangement

A Prosumer wishing to enter into a net billing arrangement with a DisCo, would be required to undergo a 3-step application process.[11] This 3-step application process is as follows:

a) Application to the DisCo

The Prosumer would submit an application to the DisCo. Upon receipt of the application, the DisCo would carry out a technical feasibility study on the distribution system and issue a Distribution System Technical Feasibility Report (the “**Report**”)[12] within fifteen (15) days [13] to the Prosumer. Where the DisCo approves the application, the Prosumer must execute a net billing agreement with the DisCo within five (5) days of receiving the Report. [14]

b) Application to NERC

Further to the above, the Prosumer applies to NERC for a registration certificate which would be issued to the Prosumer within ten (10) days of NERC’s receipt of the completed application.[15] The Prosumer is expected to pay a connection charge to the DisCo within fifteen (15) days where no network upgrade is required, and within thirty (30) days where network upgrade is required.[16]

Upon receipt of the connection charge, the DisCo will complete the interconnection works within thirty (30) days. However, where the interconnection requires major reinforcement works at the 11kV or 33kV network level, the DisCo is permitted a longer completion period of up to one hundred and twenty (120) days. Where the DisCo is unable to complete the interconnection within the applicable timeframe, it must notify NERC within three (3) days.[17]

c) Application to NEMSA

Thereafter, the Prosumer applies to Nigerian Electricity Management Services Agency (“**NEMSA**”) for an inspection and pre-commissioning test. NEMSA will then conduct an inspection within ten (10) days of receiving the inspection application and issue an inspection certificate within five (5) days after a successful test to the Prosumer.

Further to this, the Prosumer applies to the DisCo for the commissioning of the renewable energy facilities, and the DisCo will commission the interconnection point within three (3) days.[18] The Regulations further provide that renewable energy systems are prohibited from exporting electricity to the distribution network prior to obtaining commissioning approval from NEMSA.[19]

Technical and Operational Standards

The Regulations set high technical and operational standards to be complied with by the relevant parties to the net billing arrangement. Some of which include:

- a) execution of the installation, interconnection, maintenance and operation of Net Billing Systems by a certified technician in compliance with the Distribution Code and the Nigerian Electricity Supply and Installation Standards (“**NESIS**”) Regulations.
- b) integration into a distribution network and power supply from a single point of interconnection and inclusion of protection mechanisms against over/under-voltage and frequency deviations in accordance with the provisions of the Distribution Code and the NESIS Regulations.
- c) installation of a switching/changeover panel capable of providing automatic and manual isolation and proper disconnection to prevent back-feeding during grid outages and upon restoration of supply.
- d) paralleling devices such as relays and contactors must withstand 220% of the nominal voltage at the interconnection point in compliance with IEC 61727 standards; [20]
- e) the use of a NEMSA-verified Battery Energy Storage System (“**BESS**”) with a usable capacity of not less than 2 hours of rated output at 50% of installed RES capacity and capable of independent charge from RES and discharge to the grid for peak export tariff eligibility; [21]
- f) interconnection arrangement for a Prosumer must provide for separate neutral conductors for the DisCo’s supply and the Prosumer’s renewable energy system;[22] and
- g) the approved design must ensure that the two (2) neutrals are not paralleled, intermingled, or otherwise combined in a manner that may compromise safety, metering, fault detection, or system protection.[23]



Applicable Tariffs and Settlement Under Net Billing

The energy consumed by the Prosumer from the DisCo must be charged at the applicable retail tariff approved by NERC. The energy exported by the Prosumer to the DisCo must be credited at the applicable Export Tariff (“**ET**”) approved by NERC. The ET will be determined by applying the Export Tariff Factor (“**ETF**”) to the Avoided Cost Delivered (“**ACD**”)[26].

The ETF is set at 0.55 and 0.75 for off-peak and peak electricity export respectively informed by international benchmark and local tariff sustainability considerations and may be reviewed by NERC from time to time. The ACD is the estimated cost of electricity supply avoided when electricity exported by a Prosumer substitutes for electricity that would otherwise have been generated, transmitted, and delivered through the DisCo’s network, as determined in accordance with NERC’s approved methodology.[27]

The ETFs for off-peak and peak electricity export are different as electricity supplied to the distribution network is more valuable during peak periods than during off-peak periods. Peak period supply helps the DisCo meet higher demand. Notwithstanding, the Net Billing System helps the DisCo reduce generation and transmission costs when electricity is exported by the Prosumer to the DisCo’s network. Such cost is then factored into the tariff as the ACD.

Where the ET for off-peak electricity export is greater than or equal to the applicable Retail Tariff of the Prosumer, the ET applicable is capped by applying the Retail Tariff to the ETF.



The requirement for certified installation and maintenance personnel, together with mandatory protection mechanisms against voltage and frequency deviations, seeks to minimise operational risks and ensure that interconnected systems do not adversely affect the stability of the distribution network.

These requirements are intended to prevent unsafe back-feeding during outages, protect utility personnel and equipment, maintain power quality, and facilitate accurate fault detection and system protection. In particular, the requirement for separate neutral conductors for the DisCo and the Prosumer's renewable energy system reflects a deliberate effort to avoid metering inaccuracies, protection failures, and safety hazards that may arise from interconnected neutral systems.

Metering Requirement

The DisCo is required upon the payment of connection charges by the Prosumer to provide a net meter with a revenue-grade import/export or dual-register smart meter and Time-of-Use (“**TOU**”) capability, that is installed and conformed with the Metering Code.[24]

Where a TOU net meter is unavailable at the time of commissioning, the DisCo may, with the prior approval of NERC, provisionally commission the system using a standard NEMSA-certified bidirectional meter. During such period, all exported electricity will be credited at the off-peak export tariff, regardless of the time of export and the Prosumer will not be eligible for the peak export tariff premium; and the DisCo will upgrade the metering system to a TOU net meter within twelve (12) months of a provisional commissioning.[25]



Billing and Monthly Settlement

The DisCo is required to issue monthly bills to the Prosumers in accordance with NERC's approved billing cycle, clearly showing:

- Imported energy (kWh);
- Exported energy (kWh);
- Applicable import and export for tariffs (NGN/kWh);
- Monthly import charge (NGN);
- Monthly export credit (NGN);
- Opening and closing carried-forward credit balances (NGN); and
- Net billed amount for the billing period (NGN).[28]

The energy imported by the Prosumer from the DisCo's network will be billed at the applicable retail tariff approved by NERC, while the energy exported by the Prosumer to the DisCo's network will be credited at the applicable ET approved by NERC.[29]

The monthly export credit and any available carried-forward credit will be applied only as credit against the Prosumer's monthly import bill. Where the monthly import bill exceeds the monthly export credit and any opening Carried-Forward Credit, the Prosumer will pay the net billed amount to the DisCo within the applicable settlement period. Where the monthly export Credit and any opening Carried-Forward Credit exceed the monthly import bill, no payment will be due from the Prosumer for the billing period, and the excess amount will be recorded as Carried-Forward Credit.[30]

The net billed amount payable by the Prosumer must not be negative, and no cash payment will be made to the Prosumer except where it is expressly provided by the Regulations or any applicable NERC Order.[31]

Carried-Forward Credit

Carried-Forward Credit means the monetary value accrued to a Prosumer when the value of the energy exported to the grid exceeds the value of the energy consumed from the grid in a billing cycle[32].

Carried-Forward Credits may only be applied to offset future import charges under the Net Billing System. The Regulations also provide that the Carried-Forward Credits will be netted off at the anniversary of the connection of the Net Billing System.[33]

The annual netting off may involve reconciliation of the Carried-Forward Credits against any outstanding import charges payable by the Prosumer. The Regulations do not expressly state what happens to any excess balance after the netting exercise. However, a combined reading of the provisions relating to annual netting-off and the requirement for a DisCo to notify a Prosumer at least thirty (30) days before the expiration of any credit balance,[34] suggest that the intention of the Regulations is for the Credits to accumulate during the year, carried forward throughout the year as applicable and any unused balance at the anniversary of the Net Billing System may expire or be reset.

A Prosumer's Carried-Forward Credit will be transferred with the premises or extinguished upon relocation of the net billing system or termination of the net billing agreement.[35] It is transferred with the premises where the Prosumer vacates a



premises with an installed Net Billing System with accrued credits and the relevant net billing agreement is transferred to the new occupier.[36] It is extinguished (becomes zero) where the Prosumer relocates the Net Billing System from the premises used to enter into the net billing arrangement, and the Prosumer will be required to initiate a fresh application to the DisCo.[37]

It should be noted that the DisCo is expected to maintain a designated account or a different accounting ledger for the credits of the Prosumer to manage settlement liabilities.[38]

COMMENTARIES AND ANALYSIS OF THE REGULATIONS

The Regulations currently contemplate only solar energy as the eligible renewable energy source for participation in the net billing framework. Other renewable energy technologies, such as small-scale wind and hydro systems, may be incorporated into the framework at a later date upon the issuance by NERC of the requisite technical standards and an updated schedule to the Regulations. While this phased approach may facilitate implementation and regulatory oversight, the exclusion of other renewable energy sources narrows the scope of the Regulations and may limit participation by consumers capable of deploying alternative distributed renewable energy technologies.

The Regulations apply only to renewable energy systems connected to a distribution network with a minimum installed capacity of 50kWp and a maximum installed capacity of 1.5MWp per Prosumer. Although the maximum eligible capacity has been reduced from the 5MWp threshold proposed in the draft Regulations to 1.5MWp, the minimum threshold of 50kWp remains relatively high. Consequently, the framework appears primarily targeted at commercial and industrial Prosumers.

In addition, the Regulations cap the aggregated excess capacity which Prosumers can inject into the DisCo's network at 30% of the average load of such network. It is unclear whether this cap is based on a technical study conducted across all the

DisCos' networks in Nigeria. Given the varying technical conditions and capacities of individual distribution systems, a more flexible approach based on network-specific assessments may better accommodate distributed generation while preserving network reliability and operational stability. Such an approach could also allow Prosumers willing to fund network reinforcement or upgrade works to inject additional capacity where the relevant network can safely accommodate it.

The 120% limit on export electricity for a Prosumer as contemplated in the Regulations is to prevent prosumers from installing excessively large systems designed primarily to export electricity under the net billing system. These provisions seek to balance open and equitable access to the net billing framework with the need to protect network stability and prevent individual Prosumers from disproportionately loading the distribution infrastructure.

We consider the 3-step application process under the Regulations administratively complex and cumbersome, capable of discouraging participation and slowing the implementation of net billing projects. The process requires separate engagements with the DisCo, NERC and NEMSA, which may increase project costs. We suggest that the application process be collapsed with some of the processes eliminated or merged with the others. For instance, the process that requires the Prosumers to apply to NEMSA and then go back to the DisCos to continue a commissioning process should be merged, such that the Prosumers, DisCos and NEMSA are all part of the inspection and commissioning process. An alternative approach would be for NERC to develop a one-stop application platform through which a Prosumer can initiate the process, and all subsequent steps requiring the involvement of NERC, the DisCos and NEMSA would be seamlessly executed and tracked on the same platform, without the need for separate applications or manual follow-ups by the Prosumer.

The Regulations prescribe a 120-day timeline for major reinforcement works at 11kV or 33kV level of the distribution network. Whether this timeline would be sufficient in practice remains to be tested. In comparison, the Kenyan Energy (Net-Metering) Regulations, 2024 [38] provides an interconnection timeline of up to six (6) months, and this may better accommodate the technical, procurement, and construction requirements often associated with network reinforcement works. While the Regulations provide that the DisCo should notify NERC where it requires an extension of time to carry out its reinforcement works, it does not specify additional requirements for the extension, or the prescribed maximum duration of an extension. This may create uncertainty for Prosumers awaiting interconnection.

Furthermore, the Regulations do not describe what constitutes "**major reinforcement**". The absence of a definition or objective criteria for determining what constitutes major reinforcement may create uncertainty regarding the circumstances in which the longer 120-day timeline applies. However, it could be argued that since the Regulations are silent regarding the meaning of "major reinforcement", any reinforcement to be done with respect to a network, would constitute major reinforcement.

The Regulations require compliance with the Distribution Code and NESIS Regu

Regulations, thereby aligning Net Billing Systems with established national technical standards.

Notably, the Regulations link eligibility for the Peak Export Tariff to the installation of a NEMSA-certified BESS meeting prescribed technical specifications. This requirement appears designed to encourage the deployment of energy storage solutions capable of supplying electricity during peak periods which are outside the optimal generation periods of RES. However, the requirement may also increase the capital cost of participation in the Net Billing regime, particularly for small commercial Prosumers, who may be unable or unwilling to incur the additional expenditure associated with battery storage systems. Consequently, while the technical standards are likely to enhance network reliability and operational safety, they may also create higher compliance costs and technical barriers to entry that could affect the rate of adoption of Net Billing Systems.

In relation to the tariff methodology, the Regulations reflect the fundamental objective of net billing, namely, to encourage Prosumers to consume a substantial portion of the electricity they generate while permitting the export of excess electricity to the distribution network. The tariff structure ensures that export credits do not exceed the value of electricity imported by the Prosumer and prevents the net billing framework from becoming a mechanism for commercial electricity trading. In effect, the framework is designed to offset electricity costs rather than create an independent revenue stream for participating Prosumers.

The Regulations further provide that where a Prosumer relocates its Net Billing System, the accrued Credits will be extinguished. Accordingly, this requirement for the Prosumer to lose all credits accrued simply because the Prosumer is relocating, works hardship for Prosumers and does not encourage potential Prosumers to key into the Net Billing System. It is proposed that a relocation involving a new DisCo should trigger a refund of the accrued credits in cash. However, where the relocation involves the same DisCo, such relocation should simply trigger a notification and amendment process to the existing documentation and adjustments of the accrued credits, taking into consideration the peculiarities of the new location.

On a related note, the provision permitting the transfer of Carried-Forward Credits together with a premises may prove difficult to implement in practice. In many cases, a Prosumer vacating a premises may seek compensation for the RES and the accrued Credits, while the incoming owner or occupier may be unwilling to acquire or continue operating the Net Billing System. Where the RES is removed from the premises upon relocation, any associated transfer of credits becomes extinguished. Consideration may therefore be given to introducing alternative mechanisms that preserve the value of accrued Credits independently of the continued occupation of the premises.

The Regulations provide that any dispute arising between a Prosumer and DisCo which is not resolved amicably within thirty (30) days shall be referred to NERC for adjudication. NERC is required to determine such dispute within thirty (30) days or a longer period if justified in the circumstances. While NERC's decision is binding on the parties, the Regulations preserve the right of appeal under the Act and any other applicable law. It is noteworthy that the filing of a dispute does not suspend the performance of obligations under a net billing agreement unless otherwise directed by NERC.



CONCLUSION

The Regulations represent a significant step towards promoting distributed renewable energy generation and expanding consumer participation in Nigeria's electricity sector. By establishing a formal net billing framework, the Regulations create a mechanism through which eligible consumers can generate electricity for their own use, export excess generation to the distribution network, and receive credits for such exports. In doing so, the Regulations support broader policy objectives relating to energy transition, grid decentralisation, improved electricity access, and increased private sector participation in the electricity value chain.

END NOTES

1. Section 4 of the Regulations
2. Section 3 of the Regulations
3. Section 5 of the Regulations
4. Section 4 of the Regulations
5. Section 6 (1) of the Regulations
6. Section 6(3) of the Regulations
7. Section 6(4) of the Regulations
8. Section 6(6) of the Regulations
9. Section 6(7) of the Regulations
10. Section 6(8) of the Regulations
11. Section 7 of the Regulations
12. Section 8 of the Regulations
13. All references to days in the Regulations are business days unless expressly stated otherwise.
14. Section 9 of the Regulations
15. Section 10(2) of the Regulations
16. Section 11 of the Regulations
17. Section 12 of the Regulations
18. Section 15(1) and (2) of the Regulations

19. Section 15(3) of the Regulations
20. Section 17(5)(c) of the Regulations
21. Section 17(6)(a-d) of the Regulations
22. Section 17(10) of the Regulations
23. Section 17(11) of the Regulations
24. Section 18(1) of the Regulations
25. Section 18(5) of the Regulations
26. Section 4 of the Regulations
27. Section 19 of the Regulations
28. Section 20(2) of the Regulations
29. Section 20(3) and (4) of the Regulations
30. Section 20(5-7) of the Regulations
31. Section 20(8) of the Regulations
32. Section 4 of the Regulations
33. Section 21(1) and (2) of the Regulations
34. Section 21(4) of the Regulations
35. Section 21(3) of the Regulations
36. Section 22 (2) of the Regulations
37. Section 22(3) of the Regulations
38. Section 22(4) of the Regulations
39. Section 8(5) of the Kenyan Energy (Net-Metering) Regulations, 2024



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