

10 June 2026

Key contacts



Desmond Ogba
Partner,
Energy and Projects
desmond.ogba@templars-law.com



Joshua Olorunmaiye
Associate,
Energy and Projects
joshua.olarunmaiye@templars-law.com



Nyerhovwo Umukoro
Associate,
Energy and Projects
nyerhovwo.umukoro@templars-law.com

TEMPLARS ThoughtLab

Nigeria’s Net Billing Regulations 2026: *Assessing Commercial Opportunity and Economic Viability*

Introduction: Why the Net Billing Regulations Matter

On 3 June 2026, the Nigerian Electricity Regulatory Commission (**NERC**) issued the Net Billing Regulations 2026 (the “**NB Regulations**”), a long-awaited step for Nigeria’s distributed energy market. The NB Regulations are significant because they create a standardised route for eligible customers with qualifying on-site renewable generation to export surplus electricity to the network of a licensed electricity distribution company (**DisCo**) and receive monetary credits against their import bills, subject to technical approval, metering and registration requirements.

Prior to the NB Regulations, customers were largely unable to derive value from electricity generated beyond their own consumption requirements through a standardised DisCo-administered framework. So, where a factory’s solar array produced more than its daytime load could absorb, there was generally no standardised NERC-regulated mechanism for monetising the excess through the DisCo network.

The NB Regulations address this gap by creating the net billing arrangement (the “**Net Billing Arrangement**”) as a regulated and contractual structure between the customer (termed a “**Prosumer**”) and its DisCo under which exported energy is valued, credited and offset against the Prosumer’s import bill from the DisCo. The Net Billing Arrangement operates principally as a bill-credit framework under which no cash payment is made to the Prosumer except where expressly provided by the NB Regulations or by an applicable NERC order. While the model enables customers to offset their electricity bills, it does not create a standalone cash revenue stream.¹

This article examines the key operational features of the NB Regulations, explains how the model works, assesses its economic viability, and considers its implications for investors, project developers, financiers, DisCos, and commercial energy users operating within Nigeria’s renewable energy sector.

¹ Net billing should be distinguished from both retail net metering and merchant or bilateral export arrangements. Under retail net metering, exported electricity is typically credited at the full retail tariff, effectively allowing the meter to run backwards. By contrast, the Nigerian net billing framework credits exports at a separately determined export tariff, which is generally lower than the applicable retail import tariff. Net billing also differs from merchant or bilateral arrangements, under which a generator sells electricity to a DisCo, eligible customer, or other market participant at an agreed or regulated price and receives cash settlement for the electricity supplied.

Key Operational Features of the Net Billing System

The Prosumer Concept

The NB Regulations define a "Prosumer" as a "User"² within a DisCo's supply area who has a commissioned Net Billing Arrangement with that DisCo. The Prosumer remains, at all times, a customer of the DisCo, continues to import electricity from the grid, and is billed at the applicable NERC-approved retail tariff for every kilowatt-hour consumed. What changes is that the Prosumer may also export surplus eligible renewable energy and receive a credit for that export, provided the system has been approved, registered, metered and commissioned in accordance with the NB Regulations.

The Export Credit Mechanism

A Prosumer's on-site Renewable Energy System (**RES**) will generate qualifying export value only if it is based on a technology recognised under the NB Regulations, which, at present, is limited to solar energy systems, although NERC retains the discretion to extend its application to other renewable energy technologies in the future. Electricity consumed on-site by the Prosumer is not directly relevant to the NB Regulations. What is relevant is the electricity that the system produces in excess of the Prosumer's instantaneous on-site demand and which is injected into the DisCo's network through a bidirectional net meter. That exported energy is recorded separately and valued at the NERC-approved export tariff. The resulting monetary credit is then applied against the Prosumer's monthly import bill from the DisCo.

The Export Tariff Architecture

The NB Regulations establish the compensation and settlement framework governing the relationship between Prosumers and DisCos, including the billing arrangements and settlement procedures.³ The applicable export tariff due to the Prosumer is determined in accordance with NERC's approved methodology derived from the following formula, which is grounded in the concept of avoided cost:⁴

Export Tariff = Avoided Cost Delivered (ACD) × Export Tariff Factor (ETF)

The ACD is itself calculated as: $ACD = (Generation\ Cost + Transmission\ \&\ Admin\ Cost) \div (1 - Transmission\ Loss\ Factor)$ ⁵

The practical consequence of this architecture is that exported electricity is generally valued at a meaningful discount to what the Prosumer pays for imported electricity. The framework credits the Prosumer by reference to costs the DisCo is treated as avoiding, while preserving the commercial sustainability of the distribution business. This means the strongest economic case for distributed solar under the NB Regulations is self-consumption optimisation (i.e., maximising the proportion of generation consumed on-site) rather than an export-led revenue strategy.

Peak and Off-Peak Periods

The NB Regulations prescribe different ETFs for peak and off-peak periods, with a higher factor of 0.75 applying during peak periods and a factor of 0.55 applying during off-peak periods.⁶ The distinction is significant because the peak ETF is materially higher than the off-peak factor, creating an incentive to export during peak hours. For a solar-only system, that incentive is unlikely to be

² Defined in the NB Regulations as a person supplied with electricity for personal, commercial and industrial use by a DisCo.

³ Regulations 19–24 of the NB Regulations.

⁴ The central idea is that when a Prosumer injects electricity into the DisCo's network, the DisCo avoids certain costs it would otherwise have incurred in procuring that energy through the conventional supply chain, particularly generation, transmission and related administrative costs adjusted for transmission losses.

⁵ The Generation Cost, Transmission Cost, and Transmission Loss Factor are taken from the relevant DisCo's prevailing Multi-Year Tariff Order. The ETF is a NERC-approved multiplier applied to the ACD.

⁶ The NB Regulations define the Peak Period as 6 pm to 9 pm, as determined by the Transmission Company of Nigeria. All other hours are Off-Peak.

practically available unless surplus daytime generation can be stored and discharged during the peak window through a qualifying battery system.

Eligibility Thresholds and Capacity Rules

The NB Regulations are limited to RES connected to a distribution network with installed capacity of at least 50 kWp and no more than 1.5 MWp per User.⁷ In practice, that eligibility threshold steers the regime toward commercial, industrial and institutional electricity users as most households and many small businesses are unlikely to meet the thresholds.⁸

This threshold may affect uptake because customers capable of installing systems above 50 kWp are also the most likely to consider alternative surplus-power arrangements that may offer stronger economics than the NB Regulations' discounted bill-credit model, albeit with greater regulatory and commercial complexity.

Beyond the absolute 1.5 MWp ceiling, system sizing is constrained by two further limits. First, at the individual level, the approved export capacity under a Net Billing Arrangement must not exceed 120% of the customer's Eligible Load Demand.⁹ This capacity limit notwithstanding, where a customer demonstrates verifiable and imminent load expansion, the DisCo may approve export capacity exceeding the 120% threshold, provided the approved capacity does not exceed the customer's projected load demand within 24 months and does not require a full network hosting capacity study unless technically justified.

Second, although DisCos are to process Net Billing access on a first-come, first-served basis, the aggregate Prosumer exports on the relevant network asset are capped at 30% of that asset's average load, a limit intended to protect reliability and operational stability.¹⁰

Application, Approval and Commissioning Process

The NB Regulations prescribe a staged process from application to energisation, with defined timelines. The process begins with the User submitting an application to the DisCo, accompanied by certain key requirements. The DisCo is required to publish the application procedure, eligibility criteria and tariff structure on its website and at its business offices.

Upon receipt of a complete application, the DisCo must evaluate it and carry out a technical feasibility study on the distribution system, issuing a Distribution System Technical Feasibility Report within 15 days.¹¹ The feasibility report will, among other things, address the suitability of the distribution infrastructure and whether network upgrades are required.

Where the DisCo rejects an application, it must issue a written notice setting out the reasons for rejection and identifying the modifications required for the application to qualify for approval. Where the application is approved, the User and DisCo must execute, in the prescribed form at Schedule 3, a net billing agreement (the "**Net Billing Agreement**") within 5 business days of issuance of the feasibility report.

After execution of the Net Billing Agreement, the User must apply to NERC for registration and, where the application is complete and compliant, NERC is required to approve the application and issue a registration certificate within 10 days of receipt. After the registration certificate is issued, the User is required to pay the DisCo's connection charge (the "**Connection Charge**") within 15 days if no network upgrade is required, or within 30 days if reinforcement works are required.

⁷Regulation 6(2) of the NB Regulations.

⁸ Manufacturing facilities, industrial estates, universities, hospitals, malls, agro-processing facilities, telecommunications infrastructure and sizeable office portfolios are more likely to fall within the intended user base.

⁹ Defined as the highest average monthly maximum demand recorded over the preceding twelve months, or the contracted load demand where no billing history exists.

¹⁰Regulation 6(3) of the NB Regulations.

¹¹Regulation 8(1) of the NB Regulations provides a 15-day timeline for issuance of the Distribution System Technical Feasibility Report but Schedule 9 appears to reference a shorter 10-day timeline in the application-process flow.

The DisCo then carries out the interconnection works between 30 and 120 days after receipt of the Connection Charge, depending on whether major 11 kV or 33 kV reinforcement is involved. The project then moves to Nigerian Electricity Management Services Agency (**NEMSA**) inspection and pre-commissioning testing, followed by the issuance of an inspection certificate or deficiency notice.

Commissioning is the final gate. After NEMSA issues its inspection certificate, the User requests DisCo commissioning and the DisCo has 3 business days to commission the interconnection point. Until that approval is given, the system cannot export to the distribution network.¹²

Grid Connection and Costs

The Prosumer is required to fund the physical connection to the distribution network through the Connection Charge. The NB Regulations describe the Connection Charge as a NERC-determined, one-off amount intended to recover the reasonable costs of enabling the interconnection, including any necessary grid reinforcement. Once that charge is paid, the DisCo is responsible for providing or procuring the required net metering infrastructure.

Schedule 4 of the NB Regulations sets out four connection-charge bands: 50-100 kWp, above 100-500 kWp, above 500 kWp-1 MWp, and above 1-1.5 MWp, but it leaves the applicable charges unspecified, suggesting that NERC will prescribe them by a subsequent determination or order. Until then, connection cost certainty remains a significant project-budgeting gap.

Monthly Billing and Settlement Rules

The DisCo must issue monthly bills in line with NERC's approved billing cycle, showing imported and exported energy, applicable tariffs, import charges, export credits, carried-forward credit balances, and the net amount due.¹³ This level of transparency should facilitate reconciliation for Prosumers and their stakeholders.

Under the settlement framework, electricity imported from the DisCo is billed at the applicable NERC-approved retail tariff, while exported electricity is credited at the applicable NERC-approved Export Tariff. Where import charges exceed available export credits, the Prosumer pays only the net balance. On the other hand, where export credits exceed import charges, the surplus is carried forward and applied against future bills, with no payment due for that billing period.

Two aspects of the settlement framework are particularly relevant to bankability. First, the net amount payable by the Prosumer cannot be negative, meaning that surplus export credits reduce future electricity bills rather than generate cash payments. This is a fundamental constraint for financial modelling because export value constitutes a non-cash utility bill saving rather than a receivable or revenue stream. Second, no cash payment is due to the Prosumer unless expressly permitted by the NB Regulations or a NERC order.

Carried-Forward Credits and Assignments

Carried-forward credits may only offset future import charges and are netted off annually on the anniversary of the connection of the net billing system (the "**Net Billing System**"). Any unused credits are extinguished at that point, creating a risk of value loss to a Prosumer's system that consistently over-generates relative to import demand. Accordingly, systems should be sized to minimise surplus credits at each anniversary date.

Where ownership or occupancy of participating premises changes, accrued credits transfer with the premises if the Net Billing Agreement is validly assigned to the new owner or occupier. However, if the Prosumer relocates the Net Billing System, all accrued credits are forfeited, and a

¹²Regulation 15 of the NB Regulations.

¹³ Regulation 20 of the NB Regulations.

new application is required. Credits therefore attach to the approved installation and premises, not the individual Prosumer.

Battery Storage and the Peak Premium

The NB Regulations create a potential economic incentive for coupling solar generation with battery energy storage systems (BESS), but the incentive should not be overstated. The peak period of 6 pm to 9 pm falls entirely outside typical solar generation hours. A solar-only system therefore typically earns only the off-peak Export Tariff Factor of 0.55 for daytime exports, with no material ability to export during peak periods. To access the higher peak ETF of 0.75, the Prosumer must store solar generation in a qualifying battery and discharge it to the grid during peak hours.

However, eligibility for the peak export tariff is not automatic upon installation of a battery. The Net Billing System must include a BESS verified by NEMSA as meeting specific minimum specifications. The BESS must have usable capacity of not less than 2 hours of rated output at 50% of installed RES capacity and it must be capable of independent charge from the RES. Systems without a qualifying BESS are settled at the off-peak Export Tariff for all exports, regardless of whether a battery is physically present.

This creates a clear certification gate. From an investment perspective, adding BESS requires weighing incremental capital costs against the uplift from peak credits. Economic viability will depend on battery costs, degradation, warranties, usable capacity, the Export Tariff level, and other critical factors.

Ownership, Allocation and Sale of Carbon Credits and Environmental Attributes

The NB Regulations are notably silent on the ownership, allocation and commercialisation of carbon credits and other environmental attributes that may be generated through a Prosumer's solar installation. This is critical given the growing importance of carbon markets and the increasing role of environmental attributes in the economics of renewable energy projects. One might reasonably have expected the NB Regulations to address whether the environmental benefits associated with electricity generated under the Net Billing framework accrue to the Prosumer, the DisCo, or another participant in the value chain.

For businesses with sustainability targets or operations in jurisdictions where carbon pricing and emissions reporting obligations apply, this is not merely a theoretical concern. The ability to claim, retain, allocate or monetise environmental attributes may represent a significant source of additional value, influencing both project economics and corporate sustainability strategies. The absence of clear regulatory guidance therefore creates some uncertainty and may give rise to competing claims, particularly where projects are financed, leased, or developed through third-party arrangements.

Until further regulatory clarification is provided, parties participating in the Net Billing framework are advised to address the ownership, use, transfer, retirement, reporting and monetisation of carbon credits and other environmental attributes expressly in their contractual arrangements. Failure to do so may result in disputes over valuable environmental attributes that could, over time, become as commercially significant as the electricity generated by the system itself.

Commercial Attractiveness, Bankability and Risk Allocation

The commercial attractiveness of the Net Billing framework varies by stakeholder. For Prosumers, value lies primarily in reduced electricity costs through self-consumption, with export credits as a secondary benefit. For developers and equipment suppliers, the NB Regulations may drive growth in the C&I solar and storage market. For financiers, the key issue is whether the project structure gives lenders reliable access to the economic value of a Prosumer's avoided-cost savings. For DisCos, the framework offers a transparent route to managing embedded generation but adds metering,

billing, data, feeder management, and customer service obligations that must be funded and operationalised.

Overall, the NB Regulations provide a commercially significant framework for extracting value from excess distributed generation, but the following risk categories warrant particular consideration:

- (a) **Revenue Risk:** the fundamental revenue constraint is that credits are not cash. A lender cannot take security over a future cash-flow stream in the conventional sense since the value exists primarily as a reduction in the Prosumer's electricity expenditure. Financial models must therefore be built around cost savings rather than receivables. This factor limits the range of financing structures available for projects seeking to rely on export economics rather than self-consumption savings.
- (b) **Tariff-Reset Risk:** NERC is required to review the settlement parameters at least annually and may also do so if avoided reference costs change by more than 20% or following a formal request by a DisCo or Prosumer association.¹⁴ The parameters in force at the execution of the Net Billing Agreement are locked in for only 12 months from the connection date. This provides limited initial certainty, but the period is short relative to solar and storage asset lifespans. Investors should therefore stress-test returns against potential downward revisions to the Export Tariff Factor and shifts in retail tariffs affecting the value of self-consumption versus export credits.
- (c) **Capacity and Feeder-Hosting Risk:** the 30% aggregate feeder cap operates on a first-come, first-served basis, with no guarantee of available capacity at application. Also, feeder headroom availability depends on the number of prior connections, which is information that may not be readily available at the pre-development stage. While the NB Regulations require DisCos to publish quarterly feeder-level aggregate export capacity data, this should improve transparency and support better site selection and project development sequencing in the medium to long term.
- (d) **Metering Risk:** the DisCos are required to provide a net meter with time-of-use (TOU) functionality upon payment of Connection Charges. Where a TOU meter is unavailable at commissioning, the DisCo may, with NERC's prior approval, provisionally commission using a standard bidirectional meter. In such cases, all exports are credited at the off-peak Export Tariff, no peak premium applies, and the DisCo must upgrade to a TOU meter within 12 months. Consequently, qualifying BESS projects may be unable to realise the peak premium for up to a year where TOU metering is delayed, which is a material consideration in DisCo areas with metering constraints.
- (e) **Regulatory Change Risk:** while Regulation 28 of the NB Regulations provides comfort that amendments do not retrospectively invalidate or materially impair accrued rights and obligations under a duly executed Net Billing Agreement, the ongoing transition to State electricity markets (further discussed below) introduces a layer of uncertainty regarding the long-term regulatory treatment of existing Net Billing Agreements, particularly where a State regulator adopts a different approach to export pricing, metering, interconnection standards or credit expiry.
- (f) **Transfer Risk in M&A and Property Transactions:** Any change in ownership or occupancy requires a formal transfer of the Net Billing Agreement and is subject to DisCo approval and written confirmation before taking effect. The transfer is only permitted where the system configuration and installed capacity remain unchanged; otherwise, the incoming party may need to undergo a fresh approval process. Credits transfer with the premises but are forfeited if the RES is relocated. These requirements have significant implications for M&A, restructurings, and property transactions. Acquirers should incorporate the transfer process into deal timelines and conditions precedent, and diligence key items early, including approvals, credit history, connection charges, metering status, NEMSA certification, and system configuration.

¹⁴ Regulation 23 of the NB Regulations.

Regulatory Oversight and Market Transparency

Each DisCo must maintain an accurate, up-to-date register of all approved net billing facilities, containing at a minimum the Prosumer's name, facility location (feeder and voltage level), approved export capacity, date of connection and applicable Export Tariff. DisCos must also publish on their website, on a quarterly basis, aggregated non-confidential information including the total number of approved facilities, total installed capacity, total approved export capacity, feeder-level aggregate export capacity as a percentage of feeder average load, and total energy exported and imported under Net Billing Arrangements during the reporting period.

Separately, DisCos must submit quarterly reports to NERC containing a summary of applications received, approved, rejected or pending; reasons for rejection; average processing timelines; and network upgrade works undertaken for Net Billing interconnections. NERC retains the power to require additional information where necessary to monitor compliance.

These reporting obligations are designed to promote transparency and enable NERC to identify bottlenecks. From a market participant's perspective, the quarterly publication of feeder-level data is potentially valuable for assessing where hosting capacity remains available. However, the overall record-keeping and reporting requirements imposed on DisCos under the NB Regulations are extensive and may present operational, billing-system, data-governance and administrative challenges. Those challenges matter commercially because delays, incomplete data or inconsistent credit ledgers could directly affect application processing, credit reconciliation, dispute resolution and investor confidence.

State Electricity Market Transition Risk and Outlook

The medium-term question is how the current net billing framework will sit alongside Nigeria's decentralising electricity market. The 1999 Constitution (as amended) and the Electricity Act 2023 permit States to establish and regulate intrastate electricity markets within their territories, while preserving the federal role in matters that remain within NERC's jurisdiction, including interstate and international electricity activities. As States take up that role, intrastate electricity services may increasingly be governed by State institutions rather than by NERC.

As additional States assume regulatory control, the status of the NB Regulations may become less straightforward for purely intrastate projects. A State-specific regime could adopt, adapt or replace the NERC approach and could change the legal, technical or commercial assumptions on which a Net Billing Arrangement was originally approved, including export pricing, credit treatment, interconnection requirements and dispute-resolution procedures.

For investors, financiers and other stakeholders, this uncertainty is particularly acute for longer-lived assets. A solar installation may have a useful life of 25 years or more, while a battery system may have a useful life of perhaps 10 to 15 years. The 12-month tariff protection offered by the NB Regulations provides only short-term certainty. It would be helpful for future NERC orders, State regulations or market-transition instruments to include express savings provisions for existing Net Billing Agreements, including how accrued credits, tariff-review cycles, TOU metering obligations, pending applications, existing registrations and dispute-resolution processes will be treated after State market transition.

Conclusion

The NERC Net Billing Regulations 2026 are an important step in the development of Nigeria's distributed energy market. They give eligible C&I customers and other qualifying users a recognised route to connect renewable generation to DisCo networks and to recover some value from surplus output that might otherwise be curtailed or unused. The framework is also deliberately calibrated to protect DisCo reliability and economics, which explains the discounted export credit, the absence of routine cash settlement and the capacity controls.

The strongest project profiles under the NB Regulations are C&I premises with material daytime load, reliable feeder capacity headroom, compliant TOU metering and, where the economics support it, a qualifying BESS for peak premium access. The framework rewards self-consumption optimisation above all, with export credits serving as a valuable supplement rather than a primary revenue driver.

However, some key implementation questions remain: whether DisCos can process applications on schedule; whether TOU meters are available when needed; how connection costs will be set in practice; how quickly feeder capacity will be taken up; whether the export tariff is high enough to change investment behaviour; how carbon credits and environmental attributes will be allocated; and how State electricity market reforms will affect agreements approved under the NERC framework. These concerns do not reduce the significance of the NB Regulations, but they do define the work still required to turn the commercial opportunity under the framework into an economically viable market in Nigeria.

If you require any further clarification, do not hesitate to contact us.