

REVIEW OF THE NIGERIAN ELECTRICITY REGULATORY COMMISSION'S MINI-GRID REGULATIONS 2026: NEW ARCHITECTURE, MARKET OPPORTUNITIES AND IMPLICATIONS

1. Nigerian Electricity Regulatory Commission, *Mini-Grid Regulations 2026 (Regulation No NERC-R-001-2026) chs I-VI, especially sections 4, 9, 11, 21, 23 and 24.*

2. World Bank Data, "Access to electricity (% of population) - Nigeria" (2023 data). (World Bank Open Data)

3. NERC, *Mini-Grid Regulations 2026, section 4(5)-(7) on the federal-state interface and avoidance of duplicative approvals.*

4. World Bank, "Nigeria to Expand Access to Clean Energy for 17.5 Million People" (15 December 2023). (World Bank)

5. NERC, *Mini-Grid Regulations 2026, section 4(1); definitions of "isolated mini-grid" and "interconnected mini-grid".*

Introduction

The Nigerian Electricity Regulatory Commission's Mini-Grid Regulations 2026 represent one of the most commercially significant reforms in Nigeria's distributed electricity market in recent years. Their importance lies not merely in the fact that they update an existing regime, but in the fact that they reposition mini-grids from a narrow rural electrification tool into a broader market instrument for access, reliability, feeder rehabilitation, productive use, and local economic growth.¹ In a country where electricity access stood at 61.2% in 2023, the continuing challenge is not only that millions remain unconnected, but also that a large number of connected consumers still experience weak, unstable, and commercially inefficient supply.² That wider context matters, because the 2026 Regulations appear to recognise that Nigeria's electricity deficit is both an access problem and a quality-of-service problem.

Seen properly, the new Regulations are not just procedural amendments. They represent a structural attempt to make distributed power more scalable, more bankable, and more interoperable with the wider electricity market. They expand project size, improve the legal framework for interconnected projects, introduce more detailed commercial arrangements between mini-grid developers and distribution companies, provide simplified pathways for some solar and battery projects, and try to reduce duplication in a post-Electricity Act environment where state electricity regulators are beginning to assume more prominent roles.³ In other words, the Regulations are trying to solve a deeper issue: how to move mini-grids from the world of demonstration projects into the world of serious infrastructure deployment.

That shift has direct implications for programmes such as DARES and for broader electrification efforts supported by the Rural Electrification Agency, development financiers, and private investors. The real question is no longer whether mini-grids work. Nigeria has already demonstrated that they do. The more pressing question is whether the legal framework can support mini-grids at the scale required for meaningful market transformation. On that point, the 2026 Regulations are clearly an effort to answer in the affirmative.⁴

2.0. A Regulatory Shift from Small Systems to a Scalable Distributed Market

Perhaps the most obvious change introduced by the 2026 Regulations is the substantial increase in the size threshold for regulated mini-grids. The framework now applies to isolated mini-grids of up to 5 MW per site and interconnected mini-grids of up to 10 MW per site.⁵ That matters because it changes the commercial imagination of the sector. Mini-grids are no longer treated as very small, exceptional systems sitting at the margins of the power market. They can now be configured as serious local networks serving clusters of households, commercial users, agro-processing zones, industrial layouts, universities, estates, and under-served feeder areas.

This is not a cosmetic revision. Scale changes economics. Larger projects can spread fixed development costs across more customers, support more productive uses of electricity, and become more attractive to institutional capital. In many infrastructure markets, it is not the technical feasibility of a project that determines whether it proceeds, but whether the project is large enough and stable enough to justify transaction costs.



6. NERC, Mini-Grid Regulations 2026, section 4(1); definitions of "isolated mini-grid" and "interconnected mini-grid".
7. NERC, Mini-Grid Regulations 2026, section 4(3)-(4).
8. Nigerian Electricity Regulatory Commission, Mini-Grid Regulations 2026, section 4(5).
9. NERC, Mini-Grid Regulations 2026, section 6(5)-(7) and section 9(3)-(4).
10. NERC, Mini-Grid Regulations 2026, section 9(8)-(11) and Schedule 15.
11. NERC, Mini-Grid Regulations 2026, interpretation section, definition of "Approved Operating Mode", and Schedule 15.
12. NERC, Mini-Grid Regulations 2026, section 7(2)-(3).
13. NERC, Mini-Grid Regulations 2026, section 7(4)-(7).
14. NERC, Mini-Grid Regulations 2026, section 9(12)-(18).
15. NERC, Mini-Grid Regulations 2026, section 11(3)-(6).

A framework capped too low may allow pilots, but it rarely supports a mature pipeline. Nigeria's new thresholds, therefore, signal a clear policy choice: mini-grids are now expected to operate as part of the serious electricity market, not simply as donor-backed access interventions.⁶

The Regulations reinforce this shift by stating that additional requirements for mini-grids above 1 MW apply only where expressly stated, and that nothing in the Regulations creates a separate licensing regime for mini-grids above 1 MW where they still fall within the prescribed thresholds.⁷ That clause is more important than it first appears. It reduces the risk of a regulatory cliff edge. Developers are not automatically pushed into a heavier licensing regime simply because a project grows beyond the old comfort zone of the sector. From a market perspective, that is one of the most investment-friendly parts of the instrument.

Where, pursuant to applicable law, a State Electricity Regulatory Commission (SERC) has assumed regulatory oversight over intrastate electricity activities within a State, these Regulations shall apply within that State only to the extent of matters remaining within the jurisdiction of the Commission or otherwise expressly reserved to the Commission by law.⁸

3.0. Key Changes Introduced by the 2026 Regulations

Although the tripartite structure for interconnected mini-grids is not entirely new, the 2026 Regulations develop that framework more deliberately and place it within a wider, more operationally detailed interconnection regime. The Regulations do not merely preserve the requirement for a tripartite agreement among the mini-grid developer, the distribution licensee, and the connected community; they also reinforce that framework through new provisions on Hosting Capacity Information, simplified interconnection pathways for eligible projects, timelines for technical responses, system impact studies where applicable, and clearer rules on commercial arrangements, export capability, and network use. The real significance of the 2026 Regulations, therefore, is not that they invented the tripartite model, but that they make interconnected mini-grids easier to structure as a more bankable and technically coordinated market segment.

The Regulations also require every distribution licensee to publish feeder-level Hosting Capacity Information, feeder maps, approved network expansion plans, and project status reports, and to maintain public registries of unserved and under-served areas. This is one of the most analytically important reforms in the entire framework. Information asymmetry has long been one of the hidden costs of mini-grid development in Nigeria. Developers often spend considerable time and money identifying sites, testing load assumptions, and trying to determine whether a proposed location is likely to face utility encroachment, network conflict, or technical rejection.

By requiring public feeder-level data, the Regulations attempt to shift part of that information burden back to the network operator, where it should ordinarily sit.

That said, the value of this reform will depend almost entirely on implementation quality. Hosting Capacity Information that is outdated, incomplete, or strategically withheld will not materially reduce development risk. So, while the legal reform is promising, the commercial outcome will depend on whether distribution companies treat data disclosure as a real regulatory obligation rather than a formal box-ticking exercise.

Another important change is the introduction of a simplified interconnection pathway for eligible interconnected solar photovoltaic and battery mini-grids of 1 MW or below. For such projects, where published Hosting Capacity Information shows adequate available capacity and the project satisfies the applicable standard technical conditions and operating mode, the need for a full System Impact Study may be satisfied by a Short-Form SIS Confirmation.¹⁰ The Regulations also recognise approved operating modes such as non-export, limited export, and managed export.¹¹

The Regulations also try to deal with delay, which is often one of the most serious barriers to infrastructure delivery. In the case of isolated mini-grids, a distribution licensee that is required to provide confirmation, objection, consent, or no-objection must respond within fifteen business days, failing which a deemed no-objection applies.¹² Even where an objection is raised, it lapses for the purpose of blocking a mini-grid permit if physical construction has not commenced within twelve months (12 months) or energisation or substantial completion has not occurred within twenty-four months (24 months), unless extended for good cause.¹³ That is a notable improvement. It reduces the risk that utilities will reserve areas indefinitely through vague expansion claims that never crystallise into real projects.

For interconnected mini-grids, the Regulations likewise prescribe timelines for procedural responses and allow failures to respond to count as deemed no-objection at the relevant procedural stage, though not as deemed energisation approval or safety clearance.¹⁴ That distinction is sensible. It prevents administrative silence from paralysing projects, while still preserving the technical integrity of energisation and safety decisions.

The framework also introduces portfolio filing. A mini-grid developer may submit one application for a portfolio of sites located within the same regulatory jurisdiction and, in the case of interconnected mini-grids, served by the same distribution licensee.¹⁵ This is commercially useful because scale in distributed energy often depends not on a single large project, but on repeatable multi-site deployment. Portfolio treatment reduces repetitive administrative cost and allows developers and financiers to think in terms of pipelines rather than isolated sites.



16. NERC, *Mini-Grid Regulations 2026*, section 19(2).
17. NERC, *Mini-Grid Regulations 2026*, section 19(3)-(5).
18. NERC, *Mini-Grid Regulations 2026*, section 24(2).
19. NERC, *Mini-Grid Regulations 2026*, section 24(3)-(7).
20. NERC, *Mini-Grid Regulations 2026*, section 24(8)-(10).
21. REA/NEP market study cited in public reporting indicates that Nigeria's Integrated Electrification Plan projected the need for approximately 108,000 mini-grids and about 9.1 million connections over time, underscoring the scale of the market opportunity. (NEP)
22. NERC, *Mini-Grid Regulations 2026*, sections 7, 9, 11 and 21.
23. NERC, *Mini-Grid Regulations 2026*, definitions of "underserved area" and section 6(1)(b).
24. NERC, *Mini-Grid Regulations 2026*, section 4(5)-(7).
25. World Bank, "Nigeria to Expand Access to Clean Energy for 17.5 Million People" (15 December 2023). (World Bank)

On the environmental side, the Regulations adopt a more proportionate approach. For solar photovoltaic or battery-supported mini-grids of up to 10 MW, the Commission requires environmental screening and an Environmental and Social Management Plan, but not a full Environmental and Social Impact Assessment solely because of installed capacity within that threshold.¹⁶ Full ESIA requirements remain for hydro, biomass, thermal projects, resettlement cases, material land-use impacts, and environmentally sensitive areas.¹⁷ This is analytically sound. It distinguishes between projects by actual risk profile rather than by blunt size alone. It should lower development cost for lower-impact renewable projects while preserving stricter safeguards where the environmental footprint is more serious.

The Regulations also introduce a clearer commercial framework for interconnected mini-grids. They expressly recognise commercial arrangements involving the takeover, use, operation, rehabilitation, or upgrade of distribution licensee assets, as well as the supply of energy by the distribution licensee at the point of common coupling.¹⁸ These arrangements may include a Network Asset Use Fee and a Cost of Energy charge.¹⁹ In addition, an interconnected mini-grid of at least 1 MW, and smaller systems where the Commission approves, may apply for export capability at the point of common coupling, with the distribution licensee required to approve, conditionally approve, or reject the request within thirty business days on documented grounds.²⁰

This is a serious development. It means the Regulations are no longer treating mini-grids simply as isolated substitutes for weak grid infrastructure. They are beginning to treat them as market participants that can coexist with and, in some cases, reinforce the distribution network itself. That is a much more mature view of distributed energy.

4.0. Opportunities for Nigeria's Electricity Market

The opportunities created by the 2026 Regulations are substantial. The first is obvious but still important: bigger projects mean bigger impact. Nigeria's electrification challenge is vast. According to the World Bank and related market studies, the country still has one of the largest electricity access gaps in the world, and its own integrated electrification planning has projected the need for tens of thousands of mini-grids and millions of distributed connections over time.²¹ A market of that scale cannot be served effectively through a framework designed mainly for very small systems.

The second opportunity is commercial and financial. Mini-grids have often struggled not because investors doubt the need for them, but because development pipelines are too slow, site risk is too opaque, utility interfaces are too uncertain, and regulatory pathways are too bespoke. The 2026 Regulations directly address each of these concerns. They improve data availability, formalise utility-developer relationships, create clearer timelines, enable portfolio treatment, and preserve compensation rights on grid arrival.²²

None of that eliminates risk, of course. But it converts some unknown risks into knowable and therefore financeable ones. In infrastructure finance, that is often the difference between concept and closure.

The third opportunity lies in productive use and under-grid deployment. Mini-grids are often discussed as if they exist only in remote off-grid villages. That has never been the full story, and the new Regulations quietly move the market further away from that narrow framing. Similarly, the concept of deploying mini-grids in underserved areas within a distribution licensee's network predates the 2026 Regulations. The real advancement lies in the fact that the new framework better equips developers to intervene in such areas at scale. The increased capacity thresholds, feeder-level data disclosure requirements, simplified pathways for certain interconnected projects, and more detailed commercial arrangements together create a stronger legal basis for addressing poor-quality supply in grid-connected but underserved communities.²³ That is critical for MSMEs, commercial clusters, cold-chain facilities, agro-processing hubs, schools, health centres, and other productive loads that need reliable electricity more than they need formal grid status.

The fourth opportunity is institutional. The Regulations expressly recognise the reality that state electricity regulators may now assume oversight over intrastate electricity matters, and they aim to avoid duplicative approvals where materially equivalent state processes already exist.²⁴ That is consistent with the wider restructuring of Nigeria's electricity sector following the Electricity Act 2023. If handled well, this can improve regulatory efficiency and create a more competitive distributed energy market across states. In practice, investors will likely gravitate toward states where the federal-state interface is coherent, approvals are predictable, and technical and commercial standards are not in conflict.

5.0. Implications for DARES and Other Power Scale-Up Schemes

The Distributed Access through Renewable Energy Scale-up programme, DARES, is perhaps the clearest lens through which to assess the significance of the 2026 Regulations. The World Bank has described DARES as a programme intended to provide over 17.5 million Nigerians with new or improved access to electricity services through distributed renewable energy solutions.²⁵ That scale is enormous. It means DARES is not a pilot. It is a scale instrument. And scale instruments require law to be designed for replication, speed, and commercial flexibility.

That is precisely why the 2026 Regulations matter. DARES is intended to catalyse private sector-led distributed energy deployment for households, communities, and micro, small, and medium enterprises.



26. NERC, *Mini-Grid Regulations 2026*, sections 4, 9 and 11.

27. NERC, *Mini-Grid Regulations 2026*, interpretation section and section 6(1)(b).

28. World Bank, “Expanding Nigeria’s mini grid market” (7 March 2025). (World Bank)

29. NERC, *Mini-Grid Regulations 2026*, sections 14, 17, 20, 23 and Schedule 12.

30. NERC, *Mini-Grid Regulations 2026*, section 23(2)-(7).

31. NERC, *Mini-Grid Regulations 2026*, section 4(5)-(7).

A regulatory framework that allows larger isolated projects, more sophisticated interconnected projects, simplified interconnection for certain eligible systems, and portfolio filings is far more compatible with that ambition than a framework centred mainly on smaller stand-alone deployments.

The logic is simple. DARES and similar programmes do not only need legal permission to build projects. They need legal conditions that allow repeated project development across multiple sites with manageable transaction costs. The portfolio filing provisions, the clearer treatment of projects above 1 MW, the publication of Hosting Capacity Information, and the formalisation of utility-facing commercial arrangements all contribute to that objective.²⁶ They make it easier to build pipelines rather than one-off interventions.

The impact of the Regulations on DARES is especially important in under-grid and interconnected contexts. Earlier mini-grid policy in Nigeria was heavily shaped by rural electrification logic. DARES, by contrast, sits within a broader market reality in which underserved communities inside the grid footprint are also major candidates for distributed renewable energy. The 2026 Regulations reflect that reality. They recognise “underserved areas” as areas within a distribution licensee’s network with existing but dysfunctional supply, and they provide a more robust framework for interconnected delivery in those locations.²⁷ That alignment between programme design and regulatory design should improve the chances of meaningful scale.

The same logic extends to other scale-up schemes beyond DARES. The Nigerian Electrification Project has already shown the developmental value of distributed energy. According to the World Bank, that programme supported 125 mini-grids, over 1 million solar home systems, more than 5.5 million beneficiaries, and over 5,000 green jobs.²⁸ Those are not trivial results. They prove that distributed energy can deliver real economic and social outcomes in Nigeria but they also show why the next phase requires stronger market architecture. If the first generation of reforms helped demonstrate viability, the 2026 Regulations are an attempt to create the legal conditions for replication at larger commercial scale.

6.0. Risks, Tensions, and Areas of Caution

Even so, the Regulations should not be romanticised. Good regulatory drafting does not automatically produce market success. Several risks remain.

The first is implementation risk by distribution companies. A large portion of the new framework assumes timely responses, credible network data, transparent Hosting Capacity Information (HCI), and a degree of constructive engagement with developers. That assumption may prove optimistic. If distribution companies delay, under-disclose, or use technical review processes as informal barriers, some of the most promising features of the Regulations may be weakened in practice.

The second is the challenge of tariff legitimacy. Mini-grids usually require tariffs that are more explicitly cost-reflective than conventional grid tariffs. The Regulations try to address this through the mini-grid tariff model, account inspection powers, customer contracts, and customer service charters.²⁹ They also set default benchmark assumptions for losses, while allowing project-specific adjustments under defined conditions.³⁰ That helps. Still, public acceptance of higher tariffs depends heavily on perceived service quality. Where customers experience visibly better reliability, stronger complaint handling, and clear billing transparency, tariff legitimacy improves. Where those things are absent, resistance will grow, whatever the law says.

The third is coordination risk in the federal-state transition. The Regulations are sensible in trying to avoid duplication and accommodate state regulators.³¹ But coordination on paper is easier than coordination in administration. Some states will likely move faster than others. Some may develop high-quality technical and commercial processes. Others may produce overlapping or inconsistent requirements. That unevenness could create a geography of regulatory confidence in which distributed energy investment clusters in better-governed jurisdictions while lagging elsewhere.

7.0. Recommendations to Stakeholders

a. Recommendation to NERC

NERC should move quickly to issue implementation guidance on the most commercially sensitive aspects of the Regulations, particularly Hosting Capacity Information templates, simplified interconnection procedures, export capability applications, and the mechanics of Network Asset Use Fee and Cost of Energy charges. It should also actively monitor whether distribution companies are complying with disclosure and response obligations. The Regulations will only matter if the Commission treats data transparency and procedural discipline as core enforcement priorities, not peripheral ones.

b. Recommendation to the Rural Electrification Agency and DARES Programme Managers

The REA and programme managers should treat the 2026 Regulations as a basis for rethinking project pipeline design. The enlarged thresholds and improved interconnected framework mean that future programme windows should not focus only on access numbers. They should also optimise for productive use, feeder rehabilitation potential, MSME impact, and commercial sustainability. The law now gives enough room for a more ambitious portfolio strategy. Programme design should catch up with that.

c. Recommendation to Distribution Companies

Distribution companies should view the new framework not as a threat to their franchise, but as a chance to monetise weakly served areas more efficiently.



32. NERC, Mini-Grid Regulations 2026, sections 4, 9, 11, 21, 23 and 24.

33. World Bank, "Nigeria to Expand Access to Clean Energy for 17.5 Million People" (15 December 2023). (World Bank)

Interconnected mini-grids can support asset rehabilitation, reduce technical and commercial losses in specific zones, and improve customer outcomes in feeders that the utility is currently unable to serve well. DisCos that embrace partnership models will likely extract more value from the Regulations than those that default to obstruction.

d. Recommendation to Developers and Investors

Developers and investors should stop approaching Nigerian mini-grids only as small rural projects. The 2026 Regulations support a wider asset class. There is now more room for larger isolated sites, under-grid reliability projects, feeder-based interventions, commercial clusters, and portfolio development. But that wider opportunity also requires stronger project preparation. Load studies, network analysis, community engagement, tariff design, and environmental compliance will need to improve as project size and market complexity increase.

e. Recommendation to State Governments and State Electricity Regulators

State actors should use this moment to create coherent distributed energy frameworks that complement federal processes rather than duplicating them. States that align land, permitting, local approvals, and electricity oversight in a predictable way will become more attractive to mini-grid investment. States that merely add extra procedural layers may find that investors quietly go elsewhere.

f. Recommendation to Communities and End-Users

Communities and customers should take seriously the accountability mechanisms built into the Regulations. Customer charters, complaint procedures, tariff review triggers, and transparency obligations are all important tools.

A sustainable mini-grid market depends not only on capital and regulation, but also on user confidence. In practice, communities that understand their rights usually help produce better projects.

Conclusion

The Mini-Grid Regulations 2026 are best understood as a structural upgrade of Nigeria's distributed electricity framework. They expand the size of projects that can operate within the mini-grid regime, strengthen the framework for interconnected systems, reduce some of the procedural choke points that have historically slowed development, formalise more bankable commercial relationships with distribution companies, and begin to reflect the reality of a decentralising electricity market under the Electricity Act 2023.³²

Their wider significance lies in timing. Nigeria has moved beyond the stage where mini-grids need to prove that they can work. That has already been shown. The challenge now is scale, and scale requires a legal framework that is commercially legible, technically flexible, and institutionally coordinated. The 2026 Regulations move the market in that direction.

For DARES and similar scale-up initiatives, that is especially important. A programme designed to reach over 17.5 million Nigerians through distributed renewable energy cannot succeed on the basis of regulatory improvisation.³³ It needs a framework that is built for repeatability and growth. The new Regulations provide a much stronger basis for that than before.

Still, the true test will not be in the text alone. It will be in enforcement, data quality, utility cooperation, state-federal coordination, and the willingness of developers and financiers to use the new framework intelligently. If those pieces fall into place, the 2026 Regulations could become one of the most important electricity market reforms of the decentralisation era in Nigeria. If they do not, then the reforms may remain impressive in drafting yet thinner in practical effect. That, really, is the hinge on which the future of Nigeria's mini-grid market now turns.

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