Power to the Prosumer - With Strings Attached?

What Businesses and Other Players Really Need to Know

Nigeria has new rules that let you sell your spare solar power to the grid. On paper, that sounds like a money-maker. In practice it is something more modest and more useful than it first appears. This guide explains, in plain language, what the Net Billing Regulations 2026 actually do, and the practical points every business, developer, financier and distribution company should understand before acting on them.[1] You should not need to read the regulation itself to follow it.

The big idea, in one line

If you generate electricity from solar at your premises, you can now send the surplus into the grid and receive credit for it. A two-way meter records what you take from the grid and what you send back, and each month the two are set off against each other. NERC, the national electricity regulator, made these rules under the Electricity Act 2023. The term the rules use for a customer who does this is a "prosumer", being someone who both produces and consumes.

The one rule that changes everything

Here is the point that matters most, and the one most easily missed. This is not a fair swap. When you buy power from the grid, you pay the normal retail price which is high. When you sell your surplus back, you are paid a much lower price which is a fraction of the grid's "avoided cost" (roughly the wholesale cost of generating and moving the power), and well below the retail rate you pay.[2] One unit sent out is worth far less than one unit taken in. The slightly better rate is paid only for power exported in the evening peak (6–9pm), and only if you have installed batteries to release it then; everything else is paid at an even lower off-peak rate.

Because solar naturally produces in the daytime, most exported solar earns the lowest rate unless you add storage which strengthens, rather than weakens, the case for sizing the system to your own use.

So the lesson is simple: build your system to power your own building, not to sell to the grid. Size it around what you actually use during the day. Treat money from selling surplus as a small bonus, never as the reason for the investment. Any plan that assumes you will earn the retail price for exported power is wrong, and will make the numbers look better than they are.

Who these rules are for

The rules only cover systems between 50 kilowatts and 1.5 megawatts, and for now only solar (small wind and hydro may be added later, once NERC issues technical standards for them).[3] That floor is high enough to leave out ordinary homes and small shops. In plain terms, this is a framework for factories, shopping centres, office complexes, hotels, hospitals and estates not household rooftops. If you are phasing in capacity, keep an eye on the 1.5MW ceiling, because crossing it pushes you out of the scheme. There is a second sizing limit that matters just as much: the DisCo cannot approve export capacity above 120% of your own measured demand. The scheme is built on the assumption that you generate mainly for yourself, so you cannot register a system sized to sell to the grid.

There is a queue join it early

A power line can only safely absorb so much electricity flowing back into it.

1. Net Billing Regulations 2026 (Reg. No. NERC–R–002–2026), made under s 226 of the Electricity Act 2023; effective on approval by resolution of the Commission (sealed 8 May 2026) and announced for commencement on 3 June 2026.

2. The Export Tariff = Export Tariff Factor × Avoided Cost Delivered, where Avoided Cost Delivered = (Generation Cost + Transmission Cost) ÷ (1 − Transmission Loss Factor). The Export Tariff Factor is set at 0.55 (off-peak) and 0.75 (peak): Regulations, s 19. The peak factor applies only where the system has a NEMSA-verified battery storage system; otherwise all exports settle at the off-peak factor: Regulations, s 17(6). Peak period is 6–9pm.

3. The rules apply to systems of 50kWp to 1.5MWp: Regulations, ss 5–6 and Schedule 4. For now the only eligible source is solar; small wind and hydro may follow once the Commission issues technical standards for them: s 4 (Interpretation). Separately, approved export and installed capacity may not exceed 120% of the customer's Eligible Load Demand, save for verifiable imminent load expansion within 24 months: ss 6(4)–(6), 18(9).

The rules cap the total surplus any part of the network can take at 30% of that line's average load, and hand out access first-come, first-served.[4] This turns space on the line into something you can run out of. If businesses near you have already signed up, the room for your exports may be gone before you begin. Two practical steps follow: ask the distribution company (the "DisCo") to confirm how much room is left on your line before you spend a naira and move early if there is competition nearby an industrial estate is, in effect, a race for a limited allowance.

Your credit is not cash and it is tied to the building

When your exports are worth more than your imports in a month, you do not receive a payment. You receive a credit that reduces your future bills. That credit carries forward from month to month, but it is not a permanent store of value: it is netted off at the yearly anniversary of your connection and can expire (the DisCo must give you at least 30 days' notice first). It is built to be used within the year, not banked for the long term. But it is attached to the building, not to you. If you sell the premises, the credit can pass to the buyer; but only if the net billing agreement is formally transferred to them. A departing tenant, with no one to transfer to, simply loses it; and moving the solar system to a new site wipes it entirely.[5]

For a tenant, this is a real trap and most of the target market rents. You could invest heavily, build up credit, then leave it all behind when your lease ends. So the solar arrangement and the lease must be sorted out together: who owns the system at the end of the lease, who keeps the credit, and what happens if the business moves or is restructured. Decide this in the contract, not on your way out the door.

You pay to connect

The cost of connecting falls on you. That includes a one-time connection charge, any upgrade the DisCo must make to its network to take your power, the special two-way meter, and a qualified engineer to design and certify the installation.[6] None of this is unfair for plugging into a shared grid, but it all belongs in your budget from day one not as a surprise later. Costs and the queue are linked: a line that needs upgrading will cost more and take longer to connect than one with room to spare. Your equipment must also meet NERC's technical and safety standards before it can be switched on in particular the anti-islanding and synchronisation protection that stops your system feeding the line when the grid is down or pushing power back in a way that destabilises it. This is part of what your engineer certifies, and it is not optional: get it wrong and the DisCo simply will not connect you.

The contract leans toward the DisCo

The agreement you sign is largely standard and tilts in the DisCo's favour. You promise to cover them for damage your system causes; they keep wide rights to switch you off and to access your equipment; and they can end the deal on notice if you breach it. You will have limited room to negotiate the wording. Your real protection, therefore, is good engineering, careful compliance, and insurance that matches the risks you are taking on; not red-lining the contract.

Does it make "minimum purchase" deals easier?

A common arrangement is that a developer builds and owns the solar system and simply sells you the power. In those deals the developer usually insists on a minimum-purchase commitment a promise that you will buy, or pay for, a set amount each year because if your use drops, the system over-produces and the developer loses money. Until now, any power you did not use was simply wasted, so this promise was fought over hard.

The new rules soften that fight a little. Because unused power is no longer totally wasted it can now go to the grid for some value there is a fallback that did not exist before, and the minimum commitment should be able to come down somewhat. But because the sell-back price is so low, the amount you can export is capped, and the grid credit often lands on your bill rather than the developer's, you still need a sensible minimum-purchase commitment. The smart move is to set it to cover only the gap between the contract price and the low grid price, and to state clearly, in writing, who keeps the grid credit. It softens the fight; it does not end it.

What it means for the DisCos

The rules are not free for the distribution companies either. They must process applications on a clock, study their networks, manage power flowing the "wrong" way, keep a public register, report to the regulator and hold customers' credits in a separate, ring-fenced account. That last point matters to you: it is worth asking how secure your accumulated credit is if a DisCo's finances are weak. There is also a built-in tension because every unit you generate yourself is a unit the DisCo does not sell you so do not assume every DisCo will run the scheme with enthusiasm. The reluctance can run further up the chain, too: every unit a prosumer makes for itself is a unit the generation companies upstream do not sell, so resistance to the scheme may not stop at the DisCo's gate. In the end, how much these rules deliver will turn less on their drafting than on how willingly the DisCos actually process applications, study their networks and settle credits on time, one that drags its feet can blunt the whole arrangement without breaching a single word of it.

One protection, one gap

First, the protection: the DisCo must hold your credits in a separate, ring-fenced account, which gives you some security if its finances are weak.

4. The 30% cap is measured against the average load of the relevant network asset, with access allocated first-come, first-served: Regulations, s 6.

5. Carried-forward credit offsets future import bills only; it is netted off at the anniversary of connection (with at least 30 days' notice before any expiry), transfers with the premises where the agreement is transferred to the incoming occupier, and is zeroed on relocation of the system or termination: Regulations, ss 21–22 and Schedule 7.

6. Connection charges fall on the customer: Regulations, s 11 and Schedule 4. Safety inspection and certification are by NEMSA (s 14); the single-line diagram and design are certified by a COREN-registered engineer, who must also confirm that the system meets NERC's interconnection and protection standards, including anti-islanding (ss 14, 17).

Second, the gap: unlike earlier drafts and much of the press coverage, the final Regulations say nothing about who owns the carbon credits your system earns.[7] For a business with sustainability goals, or one selling into markets that price carbon, those credits can be real value but because the Regulations are silent, treat ownership of carbon and other environmental attributes as a contract question to nail down in writing, especially where a developer owns the system, rather than something the scheme grants you automatically. And do confirm the ring-fenced account is genuinely in place.

Watch which rulebook applies

One last point, easy to overlook. These are national rules from NERC. But Nigeria's states are increasingly running their own electricity markets with their own regulators.[8] A site connected to a state-licensed network may fall under different rules, a different capacity band, a different price, a different cap. If you operate across several states, do not assume one approach fits everywhere. Check, site by site, which regulator is in charge. This is no longer a fringe scenario. Under the Electricity Act 2023 and the constitutional changes behind it, NERC now regulates only the national and inter-state layer; a state that passes its own electricity law and asks NERC to hand over can take charge of everything inside its borders. Oversight has already passed to around fifteen states, and Lagos where much of the target market for this scheme sits completed its transfer in 2025, with its own regulator (LASERC) now building a distinct market, its own system operator and its own metering and supply rules.

What does that mean for net billing in practice? These NERC Regulations bind the DisCos that NERC still licenses and the networks it still regulates. Where your site sits on a network that has passed to a state like Lagos, for instance, the distribution business now runs through a state-licensed subsidiary. Hence, the state regulator may apply its own net-billing or embedded-generation framework or may not yet have one in place at all.

A state framework could differ from NERC's on almost every number that matters in this guide: the capacity band, the export tariff and the factors applied to it, the 30% feeder cap, the battery requirement for peak rates, how long credits last, and who hears a dispute.

There is a real upside and a real risk here, and it is worth holding both. A state hungry for investment like Lagos, with its 24-hour-supply ambitions, is the obvious example of one which may well offer more generous export terms, faster approvals or higher caps than the national scheme, and tailor the rules to local conditions; competition between regulators could end up working in a prosumer's favour.

The risk is fragmentation and uncertainty: different rules in every state raise the compliance burden for anyone operating across more than one, and a site's rulebook can shift underneath a project when a state activates its market mid-stream and which raises hard questions about whether a Net Billing Agreement signed under NERC, and the credit built up under it, carry over cleanly to the new regime. The discipline is the same either way: confirm, per site and not once but as plans firm up, which regulator is in charge; and write your contracts so that the governing tariff, the credit treatment and what happens on a change of regulator are dealt with expressly, rather than left to be discovered later.

The bottom line

These are good and useful rules. They give larger electricity users a clear, official way to make better use of their own solar power. But the value goes to those who read them clearly: size your system for your own use, secure space on the line early, handle the credit and your lease with care, budget honestly for connection, settle in writing who owns any carbon credits, and check which rulebook governs each site. Treat net billing as a tool to cut your own power costs and not as a scheme to earn money selling to the grid. Used that way, it is a welcome addition. Misunderstood, it will disappoint.

7. The gazetted Regulations are silent on the ownership of carbon credits or other environmental attributes; the earlier draft and some reporting suggested these would vest in the Prosumer, but the final text does not address them, so treat them as a matter for contract and general Nigerian law.

8. State electricity markets are recognised under the Electricity Act 2023, ss 2(2), 63 and 230 (and the constitutional amendment behind it). On a state's request and NERC's transfer order, intra-state regulation passes to the state commission and the DisCo operates through a state-licensed subsidiary. Oversight has been transferred to roughly fifteen states; Lagos completed its transfer in 2025 under the Lagos State Electricity Law and LASERC. A state may adopt its own net-billing or embedded-generation rules, which need not match these Regulations.

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