

Power Sector Updates

Power Sector Watch | Q1 Updates

KPMG in Nigeria | January 2024

NERC orders DisCos to reimburse MAP customers¹

The Nigerian Electricity Regulatory Commission (NERC or “the Commission”) has ordered electricity distribution companies (DisCos) to reimburse customers who had paid for the acquisition of meters under the Meter Asset Provider (MAP) Scheme. According to number 31 of the Frequently Asked Questions on NERC’s website, the Commission has recently released an Order for the commencement of repayment of the cost of meters under MAP to customers. Therefore, all customers who paid for meters under the MAP Scheme shall be eligible for the repayment through energy credits. The effective date noted by the NERC for commencement of the repayment is 1 April 2023.

The Meter Asset Provider Regulation (the Regulation), which became effective on 3 April 2018, provided for the supply, installation and maintenance of end-user meters by other parties approved by the Commission. The main objective of the Regulation was to address the metering gap, minimise energy theft and improve collection in the sector.

Section 8(f) of the Regulation provides that DisCos are obliged to reimburse customers who pay for meters under the MAP Scheme through equal instalments of energy credits, at the time of vending, with the cost of the meter amortised over a maximum period of 36 months, i.e., 3 years. This also applies to upfront payment made by customers upon commencement of the MAP framework in 2018.

Based on the Regulations, the DisCos should have

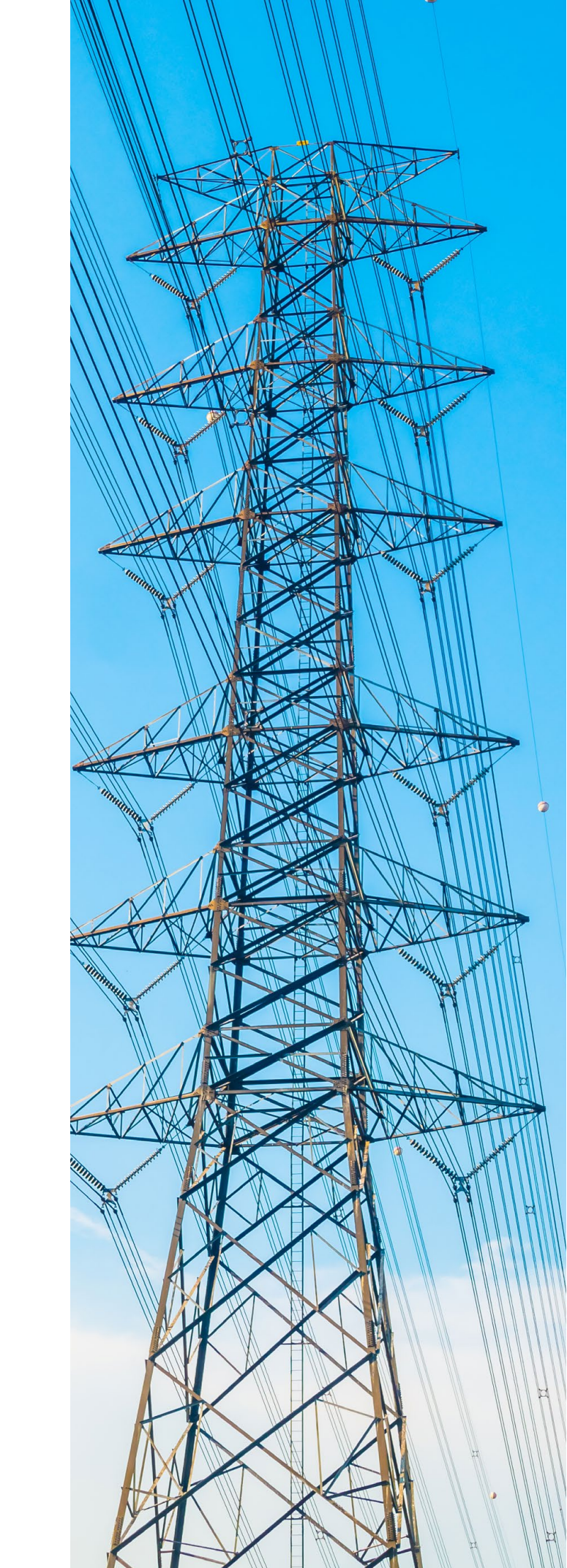
commenced the repayment of the cost of the meters purchased under the MAP Scheme to the relevant customers through energy credits over the period approved by the Commission. However, it was noted that most customers are yet to receive the cost reimbursements, primarily due to the difficult financial positions of most DisCos. NERC has therefore, through the recent Order, revised the commencement date and reimbursement period to 1 April 2023 and 10 years respectively. The Commission noted that the revision of the reimbursement timeline and tenor was based on their evaluation of the DisCos financial positions and aligns with the average useful life of pre-paid meters and the current term sheet adopted by the Central Bank of Nigeria and other financial institutions for meter acquisition loans. This revision will also ensure fairness, transparency and accountability of the metering process under the MAP framework and provides a fair mechanism for the reimbursement of meter costs to customers under the Scheme.

WAPP appoints Transcorp Power as an Executive Board Member²

Transcorp Power Limited (TPL or the “Company”), one of the power subsidiaries of Nigeria’s leading conglomerate, Transnational Corporation Plc (TRANSCORP), has been appointed a member of the Executive Board of the West African Power Pool (WAPP). The appointment was announced at the 18th session of the WAPP general assembly held on November 10, 2023, in Nouakchott, Mauritania.

1. <https://theelectricityhub.com/nerc-orders-discos-to-reimburse-map-customers/>

2. <https://theelectricityhub.com/wapp-appoints-transcorp-power-as-executive-board-member/>



WAPP is a specialised agency of the Economic Community of West African States (ECOWAS) comprising 14 out of the 15 countries of the regional economic community. The WAPP aims to integrate the national power systems into a unified regional electricity market with the goal of providing in the medium and long term, regular and reliable energy at competitive cost to the countries in the ECOWAS region. This will be achieved through promoting and development of power generation and transmission infrastructure as well as coordinating power exchange among the ECOWAS Member States.

As a member of the Executive Board, TPL will, in collaboration with other Board members, be responsible for the implementation of the decisions of WAPP General Assembly, the organisation's highest decision body, and to ensure that the objectives and mission of the WAPP are realised.

The appointment of TPL is a welcome development and marks a significant step towards regional collaboration and progress in the energy sector, and positions Nigeria as a key player in shaping the future of West African electricity initiatives.

FGN signs a deal to build 1GW solar PV plant factory³

The Federal Government of Nigeria (FGN), through Infrastructure Corporation of Nigeria (InfraCorp), has signed an agreement with Solar BV Netherlands and Africa Green Infrastructure Investment Bank for the establishment of a 1 Gigawatts (GW) Solar PV manufacturing plant in Nigeria. The project aligns with the FG's commitment to providing reliable and clean energy to Nigerians and will focus on improving local manufacturing, green manufacturing and renewable energy, equipment manufacturing, and climate-resilient infrastructure.

With the current challenges faced by the traditional power sector, including dilapidated transmission infrastructure and limited distribution capacity, investments in renewable energy, which has provided the backbone for an ever-increasing base of mini grids across the country, have become a present necessity towards addressing Nigeria's energy supply and infrastructure deficit. It is therefore expected that the establishment of the solar PV manufacturing plant will help to address Nigeria's various socioeconomic challenges, provide the catalyst for improving energy infrastructure, support economic and energy sustainability objectives and bring about positive impact across the different sectors of the economy.

³[FG signs deal to build 1GW solar PV plant factory - Businessday NG](#)

World Bank Funds Clean Energy in Nigeria⁴

The World Bank has approved US\$750 million facility for the Distributed Access through Renewable Energy Scale-up (DARES) initiative. The DARES project aims to provide financing solutions to scale-up private-sector led projects to deploy clean electricity to over 17.5 million Nigerians, support the closing of electricity access gap and accelerate Nigeria's transition towards sustainable, efficient, and economically viable electricity supply.

The facility will be provided through the International Development Association (IDA) – World Bank's fund for critical infrastructure development projects in developing countries. The DARES is expected to build on the successes achieved under the World Bank-financed Nigeria Electrification Project (NEP) which supported the development of 125 mini grids and the sale of over a million Solar Home Systems to unserved and underserved communities in Nigeria. It will also enable the FG to coordinate and finance all off-grid electrification efforts, allow States to access technical assistance to develop institutional capacity and policy framework especially for rooftop solar.

NERC issues revised Regulations for mini-grid operations in Nigeria⁵

The NERC has released revised regulations for the development and operation of mini-grids in Nigeria. The Mini-Grid Regulations, 2023 (MGR or "the Regulations"), which replaces the erstwhile Regulations for Mini-Grids 2016 (REGULATION NO: NER/R-110/17), was approved by the Commission on 29 December 2023 and applies to all mini-grids with generation capacity of up to 1 Mega Watts (MW) per site, the owners, mini-grid permit holders, mini-grid operators, customers served by the mini-grids and other private or public stakeholders (such as distribution licensees).

The Electricity Act, 2023 ("the Act") provides for the development of a framework to improve access to electricity in rural, unserved and underserved areas using conventional sources and renewable energy off-grid and mini-grid solutions. The Act also empowers the NERC to issue regulations for the installation, metering, billing and other requirements for renewable energy mini-grid systems in Nigeria.

Some of the key provisions of the MGR, which was issued pursuant to the Act, include guidelines for the categorization of mini-grids based on generation capacity and distributed power, registration and application of permits for the different categories of mini-grids, installation, maintenance and operations of mini-grids

by permit holders, general provisions for connections to customers, tariff and billing models for mini-grids operated under a permit, procedures for interconnection with a DisCos network, commercial arrangements for Distribution use of System (DUOS) charges by the DisCos for use of their distribution network by a mini-grid permit holder and dispute resolution mechanism, amongst other things.

The MGR is a significant step towards creating a robust framework for mini-grid development and operations in Nigeria. The revised Regulations addresses some key gaps/ gray areas in the earlier regulations and incorporated progressive changes based on inputs received from the relevant stakeholders in sector through several public consultations and engagement conducted by NERC. It is hoped that the revised Regulations will improve the confidence of mini-grid investors and developers in Nigeria and help to scale the deployment of mini-grid systems to the key areas as identified in the Act.

FGN transfers its 40% stake in DisCos to MoFI⁶

The FGN recently transferred all its stake in the successor DisCos to the Ministry of Finance Incorporated (MoFI). It will be recalled that the FGN had maintained 40% stake, in the privatised DisCos through the Bureau of Public Enterprises (BPE) and MoFI, following the unbundling of the erstwhile Power Holding Company of Nigeria.

According to the Minister of Finance, Mr. Wale Edun, the transfer of the shares held by BPE to MoFI aligns with the FGN's mandate to consolidate its investments in the existing successor DisCos in order to improve administrative efficiency and corporate governance. He explained that the legislative intent of the MoFI Act is to constitute the MoFI as the holder and manager of all assets acquired through debt or equity capital from the funds of the FGN. Further, the recent amendment of the MoFI Act by Finance Act, 2023, has reformed and restructured the MoFI to become a full-fledged public sector asset management corporation in order to realise its objectives in line with the MoFI Act.

The Minister therefore issued an order to the Board of Directors of MoFI to terminate the Power of Attorney granted to BPE in 2012 to hold shares on behalf of the FGN. Consequently, the MoFI will assume full ownership, control and management of FGN's equity in all the existing electricity successor companies. It is hoped that the takeover will help to drive improved operating efficiency and corporate governance practices in the affected DisCos.

4. <https://nigeriannewsdirect.com/world-bank-finances-nigerias-renewable-energy-sector-with-750m/>

5. [Electricity Act: NERC Sets New Rules for Mini-grids Operations, Pegs Technical Losses at 4% - THISDAYLIVE](#)

6. [MOFI clarifies FG's 40% shares take-over in DISCOs - Vanguard News \(vanguardngr.com\)](#)

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