



# The Nigerian Electricity Act 2023: An Overview

The impact of electricity in the growth of an economy cannot be overemphasized. Over the years, the Nigerian electricity sector suffered from diverse inefficiencies including inadequate infrastructure, legal and regulatory framework as well as limited private sector participation. To tackle these challenges, the Nigerian Government set up a comprehensive reform plan to address key issues related to the generation, transmission, and distribution of electricity. The Nigerian electricity sector has undergone significant reforms over the past two decades, moving from a state-owned monopoly to a privatized and liberalized market. The Electric Power Sector Reform Act 2005 was a major milestone, unbundling the national utility into generation, transmission, and distribution companies. The latest Electricity Act 2023 (Act) builds on these reforms, aiming to address lingering problems and catalyze further growth. This article summarizes its key features and implications.

### **Market Structure**

The Act provides for a continued separation of the generation, transmission, distribution, and trading segments. Generation and distribution are fully privatized and operated by private companies, while the federal government retains full ownership and control of the transmission network through the Transmission Company of Nigeria (TCN) [1]. The Act has been able to demonopolize electricity generation in the country.

An Electricity Market Operator, responsible for administering the wholesale electricity market, has been established. This aims to promote competition and transparency in electricity trading between generators and distributors [2].

## **Licensing & Competition**

The Act requires licenses for all market activities including generation, distribution, trading, as well as captive power production [3]. The objectives are to enhance the seriousness and accountability of market participants. Strict license conditions and revocation for non-compliance should improve sector discipline.

The National Electricity Regulatory Commission (NERC) is empowered to issue multiple licenses in each segment to foster competition [4]. Current high market concentration is addressed by limiting license duration and mandating regular competitive bidding. This will progressively reduce domination by first-mover electricity generators and distributors.

## **Rural Electrification**

A new Rural Electrification Fund (the Fund) which is financed through a mandatory percentage of electricity revenues has been created [5]. Rural communities can access the Fund to implement electrification projects in partnership with licensed distributors. This promotes off-grid and mini-grid solutions for unserved and underserved areas through community involvement.

## **Renewable Energy**

The minimum renewable energy targets which have been set indicate that at least 30% of the national installed capacity must comprise of organic waste, biomass, solar, wind and hydro by 2030 [6]. NERC can create differentiated licensing and tariffs to incentivize renewables. Preferential dispatch of renewables is also mandated. These provisions aim to expand clean energy and enhance Nigeria's climate change mitigation.

## **Tariff Regulation**

Electricity tariffs will continue to be regulated by NERC but based on more transparent and flexible tariff principles [7]. Allowed tariffs shall reflect reasonable costs and returns for operators, avoiding problems with previous tariff regimes. Tariffs can be adjusted monthly to track changes in gas prices, inflation, exchange rates and other variables.

## **Customer Rights**

Distribution companies must meet minimum service levels covering hours of supply, metering, billing accuracy, fault resolution and customer service [8]. Customers can procure power from alternative sources where distribution companies fail to provide adequate

supply. This is to alleviate the major concern of every customer, supply. Operators also face fines for failing service standards. A customer complaints mechanism is established within NERC. These strengthen customer protection from arbitrary treatment.



## **Grid Discipline**

TCN is empowered to sanction electricity generators and distributors for practices that destabilize the national grid, such as unauthorized power withdrawal [9]. Fines are imposed for frequency, voltage, and safety standard breaches. Enforcing grid discipline should reduce system collapse incidents.

The Act also provides for improved health, safety, and environmental regulation [10]. Overall, the Nigerian Electricity Act 2023 aims to build on past reforms so as to make the power sector more efficient, sustainable, pro-poor and customer oriented. Effective implementation will be key to translating its objectives into reality. With the right policies and incentives, the Nigeria's electricity industry can still achieve its abundant potential.

Do you require help with your electricity transactions, or you are looking at investing in the Nigerian electricity sector, why not [contact us](#) today.

## **References**

[1] Nigerian Electricity Act 2023, Section 67

[2] Ibid., Section 32

[3] Ibid., Sections 62-65

[4] Ibid., Section 70

[5] Ibid., Section 76

[6] Ibid., Section 23

[7] Ibid., Sections 26-29

[8] Ibid., Sections 45-47

[9] Ibid., Sections 40-41

[10] Ibid., Sections 85-91