

EmPOWERing Lagos:

An Analysis of the Lagos
State Electricity Law 2024

📍 LAGOS | ABUJA | CALABAR

INTRODUCTION



Lagos State recently embarked on the journey to solve its perennial energy shortage crisis with the enactment of the **Lagos State Electricity Law 2024 (The Law)**. The Law a milestone for Nigeria's commercial hub, empowers the state to generate, *transmit, and distribute electricity* hopefully paving the way for reliable power supply for over twenty-four million residents and fostering economic growth.

The article seeks to analyse key provisions of the Law while comparing same with the approach of other sub-national electricity regulations.

BACKGROUND: A NEW ERA OF STATE ELECTRICITY REGULATION IN NIGERIA

For decades, Nigeria's electric power sector was centrally regulated, leaving state little autonomy on how to address their energy deficits and grow economically. In 2023, however, policymakers recognized that this one-size-fits-all approach to electricity regulation had fallen short of delivering a fully functional and efficient electricity supply industry. Changes were therefore introduced vide a constitutional amendment and passage of a new **Electricity Act 2023 (The Act)**. These changes have led to constituent states of the federation being able to enact legislation on generating, transmitting, and distributing electricity within their domain, thereby developing their own electricity markets.

For constituent states to assume regulatory control, the Act mandates a transition process which requires notification to and approval from the federal electricity regulator - Nigerian Electricity Regulatory Commission (NERC)¹. Upon compliance with these statutory requirements, NERC issues transition orders, requiring distribution companies ("Distcos") operating within such states to incorporate subsidiaries for intrastate operations within two (2) months². This collaborative step is critical in ensuring that the transfer of authority is orderly, avoiding regulatory overlaps or conflicts with the national grid operations.

KEY HIGHLIGHTS OF THE LAW

1. **Establishment and Administration of the Lagos Electricity Market³**: Central to the reform is the creation of a Lagos Electricity Market – a regulated marketplace for multiple players to generate, trade, and sell electricity within the state. This allows the State to operate *independent of the national grid* and attract private sector participation. The Law encourages competition by breaking the monopoly of the existing Distcos and allowing for additional Distcos and retailers to serve areas where existing Distcos are underperforming.

Establishment of the Lagos State Electricity Regulatory Commission: The Law establishes a regulator for the state electricity market in the form of the Lagos State Electricity Regulatory Commission ("**Commission**")⁴. The Commission's core functions includes regulating market conduct including tariff design and implementation that promotes competition, fairness, and efficiency in the market⁵, licensing people engaged in regulated activities in the electricity market, ensuring market efficiency including approving negotiated

¹ Section 230 of the Electricity Act 2023

² Section 230(4)(a) of the Electricity Act 2023

³ Section 3 of the Lagos State Electricity Law 2024

⁴ Section 5 *ibid*

⁵ Section 104 *ibid*

transactions between licensees and specific classes of consumers, as well as tariffs and charges based on contracts between licensees, and preventing abuse of power. The regulator under the Law is empowered to conduct public hearings on matters relating to licensing, tariffs, and other regulatory decisions and to ensure due process by providing notice and opportunity for representation to all interested parties⁶. In addition to its powers, the regulator is also required to produce an annual "Lagos Electricity Market Report" no later than 30th April of each fiscal year.

2. **Lagos Independent System Operator (ISO):** the Law establishes a state-level grid management entity to operate the electricity system for reliability and efficiency of electricity supply. The ISO is to oversee the wholesale electricity market, including trading and settlement systems, and the management of the integration of the state grid with the national grid or other state systems⁷. Its operations will be guided by market rules, which the ISO is to develop and modify, subject to approval by the regulator. During the transitional period between when the ISO becomes fully operational, the regulator is to establish a system operations unit to perform its functions⁸.
3. **Lagos State Electrification Agency:** the Law establishes a dedicated agency focused on extending electricity to rural and underserved areas. Its mandate includes executing projects for communities not connected to the grid, utilising off-grid solutions such mini-grids and micro grids to provide energy access. By institutionalizing this function, Lagos aims to close the urban-rural energy gap

and ensure the benefits of the reform are broadly shared.

4. **Special Funds – Electrification Fund & Host Community Trust Fund:** The Law creates financing mechanisms to support its objectives. The **Lagos Electrification Fund** will pool resources (from budget allocations, donor funds, or market participant fees) to invest in grid expansion, off-grid renewable projects, and infrastructure upgrades in priority areas. Meanwhile, the **Host Community Trust Fund** compels licenced power generators to contribute a portion of their operating expenses to local community development. This ensures that host communities benefit directly – for instance through improved local amenities or social programs – thereby fostering public support for new power projects. Such funds are innovative tools to finance electrification and mitigate social impacts.
5. **Power Enforcement Unit:** To protect the integrity of the electricity network, the Law establishes a unit dedicated to preventing electricity theft and vandalism of power infrastructure. Electricity theft (illegal connections, meter bypassing) has plagued Nigeria’s power sector, undermining utility finances and grid stability. Lagos States’ power enforcement unit will work with law enforcement agencies to crack down on these practices. Its inclusion signals a tough stance against electricity theft and vandalism will be taken seriously under the new regime.

⁶ Section 20 *ibid*

⁷ Section 99(1)(k) *ibid*

⁸ Section 97(6) *ibid*

6. **The Development of the Lagos Integrated Electricity Policy and Strategic Implementation Plan:** Within six (6) months from the commencement of the Law, the state’s Ministry of Energy (“Ministry”), in collaboration with the regulator and stakeholders, is required to develop and publish the first edition of the Lagos Integrated Electricity Policy and Strategic Implementation Plan (“Plan”)⁹. This Plan, to be approved by the Executive Governor of the State¹⁰ and spanning at least ten years with a five-year periodic review¹¹, is to guide market's development, inclusive of market structure, resource utilization (including renewables), demand management, and infrastructure expansion¹². The Ministry is to oversee the implementation of the Plan and provide annual progress reports to the Governor¹³, and must ensure all electricity market activities comply with the Plan and the Lagos State Public Procurement Law¹⁴. The Plan is to be published online by the Ministry, regulator, and the ISO¹⁵.
7. **Licensing Regime:** The licensing regime under the Law requires all operators within the electricity supply chain (generation, transmission, distribution, trading, supply, and system operation) to obtain a license within three (3) months of the commencement of the Law¹⁶. Owners and operators of electricity generating plants exceeding 1 MW are required to procure a licence from the regulator to be able to operate, and maintain power plants, sell electricity or ancillary services, and connect to transmission or distribution networks for

dispatch. Owners and operators of power plants with a capacity of 1MW or less are exempt from the licencing requirement though they are required to obtain a permit¹⁷.

Transmission system operators are required to procure a licence to be able to construct, own, operate, and maintain transmission systems¹⁸. This licence category allows connection to other transmission, distribution, or electricity systems, including the national grid¹⁹. The Law also allows for bulk electricity trading and mandates the regulator to grant and issue trading licences to individuals or companies who wish to engage in bulk electricity trading within the State²⁰.

For operators of distribution networks, they are required to procure distribution licences from the regulator to build, operate, and maintain electricity distribution systems, connect to other systems, and supply electricity to homes and businesses²¹. Similarly, electricity suppliers are to procure supply licences to engage in the provision of electricity supply within the State²². Holders of electricity supply licenses are not permitted to sell electricity to a person who purchases electricity for the purpose of resale.

8. **Consumer Protection:** The regulator is required to issue regulations and standards on issues such as service standards, complaint handling, billing practices, disconnections, compensation for service failures, and the establishment of consumer forums for

⁹ Section 45 (1) and (2) *ibid*

¹⁰ Section 45(3) *ibid*

¹¹ Section 47 *ibid*

¹² Section 46 (1) *ibid*

¹³ Section 46(2) *ibid*

¹⁴ Section 48 *ibid*

¹⁵ Section 47(3) *ibid*

¹⁶ Section 49 (1) and (2) *ibid*

¹⁷ Section 49(4) *ibid*

¹⁸ Section 75 *ibid*

¹⁹ Section 76 *ibid*

²⁰ Section 79 *ibid*

²¹ Section 83 and 84 *ibid*

²² Section 85 *ibid*

voicing concerns²³ to protect the consumer. The regulator, in collaboration with the Lagos State Consumer Protection Agency, is also required to establish efficient complaint resolution processes, provide timely updates to consumers until grievances are resolved, and ensure transparency, safety, and fairness in electricity services²⁴.

A notable clause in the Law is the outright ban on estimated billing – it is now illegal for any electricity provider in Lagos to bill customers without an accurate meter reading. Under the new regime, all electricity consumption must be properly metered, forcing utilities to install meters for their customers. The Law also targets low-cost energy solutions for consumers, with the state aiming to source cheaper generation options (such as renewables or embedded generation) to drive down tariffs.

CHALLENGES AND OPPORTUNITIES



The Law clearly presents opportunities for new private investment in electricity infrastructure across the value chain that can help foster competition in the nascent state electricity market and growth of the state’s economy. For instance, the experience of Victoria, a state in Australia underscores the importance of sustained infrastructure investment during market reforms. In the 1990s, Victoria privatized and broke up its state-owned electricity utility,

which led to efficiency gains and an influx of capital for network improvement.

As Lagos takes charge of electricity regulation within its domain, there is potential for regulatory overlap or conflict with federal authorities, chiefly NERC as is presently the case based on the newly introduced Lagos Electricity Order, issued by the state regulator on June 6, 2025, which mandates that all electricity operators in Lagos State acquire new licenses when the Transfer Orders issued by NERC are yet to be deemed satisfied for the regulatory oversight to be fully transferred to the state regulatory authority. It is important for the state regulator to continue to collaborate with NERC to ensure sustainability of its electricity market. The state of Texas in the USA offers an example of both the benefits and risks of subnational electricity regulation. Texas operates an independent grid (ERCOT) with its own state regulator, largely outside federal oversight. This allowed Texas to craft unique market rules and rapidly build infrastructure like the Competitive Renewable Energy Zones (CREZ) – a state-led transmission expansion that integrated 18,500 MW of wind power and saved consumers billions in energy costs²⁵. However, Texas’s independent path also meant less outside oversight and support. Notably, Texas did not mandate sufficient reserve margins of capacity, unlike other U.S. grids, contributing to a severe power crisis during a 2021 winter storm. The lesson for Lagos is to *balance* asserting its autonomy to innovate (as Texas did to become a renewable energy leader) with ensuring rigorous reliability standards and coordination mechanisms to avoid isolation-induced vulnerabilities. In practice, Lagos should maintain ties with the national grid for emergency support and follow best practices (e.g., reserve requirements, reliability monitoring) even if not compelled by NERC rules. The ongoing

²³ Section 113(1) *ibid*

²⁴Section 113(5) *ibid*

²⁵ Texas Comptroller – CREZ transmission project and wind integration in Texas. Accessed at <http://texaslawreview.org/wp-content/uploads/2015/08/Staine-93-2.pdf>.

collaboration between NERC and state regulators to harmonise technical standards will help in charting a clear path for existing and new investors.

Ensuring the financial viability of the Lagos electricity market must be paramount. Power infrastructure is capital-intensive – it costs about \$1 million for every kilometer of high-voltage line and \$500k–\$1.5M per MW of generation capacity. Attracting these kinds of investment requires that the business be profitable, however it is unlikely that consumers within the state (many of whom are low-income) will be able to afford exorbitant tariffs. The regulator in tariff design must strike a delicate balance with tariffs that are transparent, cover costs and incentivize investors, while keeping electricity affordable. Tariffs in the Nigeria Electricity Supply Industry have often been kept artificially low, leading to utility losses and dilapidated networks. Conversely, rapid tariff hikes could provoke public backlash or burden the economy. There will be a need for periodic tariff reviews that will adjust tariffs in line with inflation, fuel costs, and system improvements. To protect the poor, Lagos can implement lifeline tariffs or targeted subsidies (for example, the first certain kWh per month at a discount, or direct financial assistance to low-income households). Cross-subsidization of tariffs by charging the more affluent with slightly higher tariffs to allow vulnerable residential users to pay lower tariffs. This must however be carefully designed so as not to deter the more affluent from paying.

Another financial aspect is how to manage subsidies or support mechanisms. The Law’s Host Community and Electrification funds show some willingness to subsidize social goals (like rural electrification and host community development), but these funds need steady revenue streams. Reducing losses (both technical

and commercial) provides a “hidden” source of funding: if theft is curbed and all energy is billed, more revenue is collected without raising tariffs. The anti-theft enforcement and metering drive must be aimed at this.

A sophisticated electricity market such as that contemplated under the Law requires substantial technical expertise – from grid engineers and system operators to regulatory economists and legal experts. Lagos state will require skilled personnel to staff the office of the new regulator and ISO, as well as to run new power companies entering the market. There will likely be capacity constraints if not for Lagos state given its status as a commercial hub, there will certainly be for other constituent states who have introduced their own electricity laws. Building a power sector essentially from scratch at the state level is an enormous administrative task and without the right investment in human capital, the development of the market may falter. To address this challenge, Lagos state can leverage its status as a talent magnet in Nigeria to develop the required workforce. Public-private training partnerships are one solution. For example, the government can partner with local universities and engineering schools to create specialized programs in power systems engineering, renewable energy, and energy economics. In Texas USA for instance, the state invested in creating institutions like ERCOT and the PUC of Texas with highly skilled specialists; their expertise was key to managing a competitive market that integrated over 30 GW of wind power (Texas leads the U.S. in wind capacity)²⁶. Scholarships and internship programs could encourage graduates to enter the electricity sector, and international development agencies can also assist with capacity-building initiatives. Like the state of Victoria in Australia, where during privatization, the state had to establish a new regulator and market operator; it brought in

²⁶ Stanaland, Les, et al. "Protecting the Texas electric grid: A cybersecurity strategy for the Electric Reliability Council of Texas

(ERCOT) and the Public Utility Commission of Texas (PUC)." *Risk, Hazards & Crisis in Public Policy* 13.4 (2022): 322-336.

global experts and developed local capacity over time. Lagos state can do the same, by drawing on the Nigerian diaspora or international experts to fill certain roles in the short term, while grooming local successors.

The Law places heavy emphasis on renewable energy and sustainability – a forward-looking stance that aligns with global climate and green growth agendas. Implementing this vision means ensuring that as Lagos state scales up its power supply, a sizable portion coming from clean energy sources like solar, wind, and waste-to-energy, rather than diesel generators or gas plants. The challenge here is twofold: developing renewable projects at scale and integrating them reliably into the grid. Solar and wind are intermittent; managing their variability will be a new task for the ISO. Additionally, renewable projects often face higher upfront costs and require enabling policies (e.g., feed-in tariffs or net metering) to take off. The Law’s incentives for renewables (such as potential preferential licensing terms or inclusion in the integrated resource plan) will encourage private proposals. The state can also launch competitive tenders for solar power supply to the grid, much like **Germany** eventually did with auctions for renewables. Ensuring grid readiness will involve investing in battery storage systems or other technologies to smooth out supply and partnerships can help bring in technology and financing for clean energy. Decentralized solutions such as mini-grids and solar home systems can also be deployed in riverine or rural parts of Lagos where extending the main grid will likely be costly – aligning with the Law’s off-grid promotion.

CONCLUSION

EmPOWERing Lagos is an apt description of what the Law seeks to do. By taking control of its energy destiny, Lagos is empowering its government, its entrepreneurs, and ultimately its

people to solve a problem that has long stifled the state’s potential.

The Law provides the legal and institutional framework for a modern electricity market – one that is dependable, sustainable, and inclusive. It establishes a regulatory commission, system operator, and policies needed to attract investment and promote innovation in the power sector. If successfully implemented, this could herald a new era where Lagosians enjoy stable power supply, businesses flourish without the burden of diesel generators, and the state’s economy becomes even more competitive.

If the Lagos state electricity market succeeds, it will become the model for other constituent states to adopt and indeed a global case study of how sub-national entities can drive inclusive energy access.

CONTACTS



OLA ALOKOLARO
ola.alokolaro@advocaat-law.com



HASSAN SHERIF
hassan.sherif@advocaat-law.com



VICTORIA OBI
victoria.ob@advocaat-law.com



INIMFON EKPENYONG
inimfon.ekpenyong@advocaat-law.com

LAGOS OFFICE

13 Norman Williams Street
Off Ribadu Road
South West, Ikoyi
Lagos Nigeria

ABUJA OFFICE

Nigerian National Merit Award House Enspire
1st Floor Room 3
Plot 22 Aguiyi Ironsi Way
Maitama Abuja
Nigeria

CALABAR

Akom Building
15 Murtala Mohammed Highway Calabar
Cross River State
Nigeria

TELEPHONE (LOS)+234 02014547932 (ABJ)+234 7061847205

EMAIL: info@advocaat-law.com

WEBSITE: www.advocaat-law.com