



From Consumer to Prosumer: What Nigeria's 2026 Net Billing Regulations Mean for Businesses Investing in Solar

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Nigeria's renewable energy market has just gained an important new piece of infrastructure not a new solar technology, but a new set of rules governing what happens when a customer generates more electricity than it needs. The Nigerian Electricity Regulatory Commission ("NERC" or the "Commission") has issued the Net Billing Regulations 2026 (Regulation No. NERC-R-002-2026) ("Regulations") to establish a framework under which eligible electricity customers can connect renewable energy systems to a distribution network, use the electricity they generate, and receive credits for eligible surplus electricity exported to the grid.¹

For businesses already investing in solar or considering doing so, this changes an important part of the investment equation. The question is no longer simply: "How much electricity can my solar system generate?". It is also: "What happens to the electricity I do not use?" That is where net billing comes in.

This article provides a practical overview of the new framework for businesses, renewable energy developers, EPC providers, DisCos, lenders and investors, focusing on the key regulatory and commercial considerations that may affect the development, connection, financing and operation of a net billing project

1. The basic idea: use your power first, credit the surplus

The easiest way to understand the new framework is to think of a business that has installed a solar system on its premises. During the day, the system generates electricity. The business consumes what it needs. If the system produces more electricity than the business is consuming at that point, the eligible surplus can be exported through the distribution network. Instead of the DisCo simply paying the business cash for that electricity, the exported electricity is converted into a credit which can be applied against the business's future electricity imports.² This is an important distinction.

Net billing is not a licence for a customer to become a conventional power producer selling electricity into the grid. It is principally a mechanism for offsetting the customer's electricity bill through credits generated from eligible surplus renewable energy. The Regulations therefore create a bridge between two roles: the customer remains an electricity consumer, but can also become a **"Prosumer"** (a producer and consumer of electricity).³

2. Who can actually participate?

Not every rooftop solar installation automatically qualifies. The Regulations apply to Renewable Energy Systems ("RES") connected to a distribution network with an installed capacity of at least 50 kWp and not more than 1.5 MWp per User.⁴ Solar energy is the principal renewable energy source recognised under the Regulations, although small wind and hydro installations may be

¹ Nigerian Electricity Regulatory Commission, *Net Billing Regulations 2026*, Regulation No. NERC-R-002-2026, Regulations 1–3. The Regulations state that their objectives include establishing a framework for interconnection of renewable energy installations, facilitating export of surplus power and providing compensation through a credit-based billing system.

² *Net Billing Regulations 2026*, Regulation 4 (definition of "Net Billing Arrangement" and "Credits") and Regulations 19–21

³ *Ibid.*, Regulation 4 (definition of "Prosumer" and "Net Billing Arrangement").

⁴ *Ibid.*, Regulation 5(1).

incorporated into the framework when the relevant technical standards are available.⁵ There is also an important distinction between installed capacity and export capacity. A business may have a system capable of generating substantial electricity, but the amount it is permitted to export is not simply whatever the system can produce. The Regulations provide that approved export capacity should generally not exceed 120% of the customer's Eligible Load Demand, while also applying feeder-level aggregate limits and other technical feasibility requirements.⁶ This is commercially significant because it means that bigger is not automatically better. A business considering a 1.5 MWp installation should first ask how much electricity it actually consumes, when it consumes it, and how much of the proposed generation can realistically be exported, making load analysis an important part of project design.

3. The real commercial opportunity: design the system around the business

For a business considering solar investment, the most important commercial question may not be the export tariff. It may be self-consumption. The Regulations' structure encourages a business to design its renewable energy system around its own electricity requirements. The more electricity the business can consume directly, the less it depends on the economics of exporting surplus power. The export credit is therefore best viewed as an additional economic benefit rather than the sole reason for installing the system.

This has implications for businesses in sectors such as manufacturing, hospitality, commercial real estate, healthcare, telecommunications, education and large retail facilities, where electricity consumption can be significant and predictable. For these businesses, the investment analysis should consider at least three components:

- a. the value of electricity generated and consumed on-site;
- b. the value of electricity exported to the grid; and
- c. the cost of installing, connecting, maintaining and financing the system.

4. Exported electricity does not necessarily earn the same value as imported electricity

This is one of the most important points for anyone modelling a net billing project. Electricity imported from the DisCo is billed at the applicable retail tariff.⁷ Electricity exported by the Prosumer is credited at an Export Tariff determined under the Regulations. The Export Tariff is linked to the DisCo's Avoided Cost Delivered and an Export Tariff Factor ("ETF").⁸ The Regulations set the ETF at 0.55 for off-peak exports and 0.75 for peak exports, with the peak period defined as 6:00 p.m. to 9:00 p.m.⁹ This means a business should not build its financial model on the assumption that every unit of electricity exported will receive the same value as a unit purchased from the grid. That distinction can materially affect project returns.

⁵ Ibid., Regulation 4 (definition of "Renewable Energy Sources").

⁶ Ibid., Regulation 6(3)–(4), including the 120% Eligible Load Demand limit and feeder-level aggregate limits.

⁷ Ibid., Regulation 19(1).

⁸ Ibid., Regulation 19(2)–(4). The Regulations provide the formula for Export Tariff by reference to Avoided Cost Delivered and the Export Tariff Factor.

⁹ Ibid., Regulation 19(5) and Regulation 4 (definitions of "Peak Period" and "Off-Peak Period").

5. Batteries are no longer just a technical choice

The Regulations create an interesting commercial incentive for Battery Energy Storage Systems (“BESS”). A Prosumer seeking access to the Peak Export Tariff must have a BESS that satisfies the applicable requirements and is verified by NEMSA.¹⁰ The Regulations require the BESS to have sufficient storage capacity and the ability to charge independently from the renewable energy system and discharge to the grid.¹¹ Systems without a qualifying BESS are settled at the Off-Peak Export Tariff for all exports.¹² This changes the conversation around battery storage. Historically, the question for many businesses has been: “Is a battery worth the additional capital cost?”, Under the new framework, another question can be added: “Can the battery improve the commercial value of the electricity we export?” That does not mean every project should install a battery. The additional capital expenditure, replacement cycle, operating profile and financing implications still need to be tested but BESS should now form part of the commercial analysis of a net billing project rather than being treated purely as a technical accessory.

6. The grid connection process is structured but it is not automatic

The Regulations provide a defined process for connecting a Net Billing System. The User applies to the relevant DisCo with the required information, including evidence of ownership or occupation of the premises, a certified single-line diagram and the technical specifications of the renewable energy system.¹³ The DisCo then has 15 days from receipt of a complete application to undertake the technical feasibility assessment and issue its report.¹⁴ If the application is approved, the User and DisCo execute the Net Billing Agreement within five days of the feasibility report.¹⁵ The User then applies to NERC for registration, with the Commission required to issue a registration certificate within 10 days of a complete application¹⁶.

Following registration and payment of the applicable connection charge, the DisCo undertakes the necessary interconnection works. The Regulations provide for completion within 30 days, subject to a longer period of up to 120 days where specified network reinforcement is required.¹⁷ The system must then undergo NEMSA inspection before the DisCo commissions the interconnection.¹⁸ Importantly, the system cannot export electricity before commissioning approval.¹⁹ For developers and businesses, this means that the regulatory process needs to be built into the project programme from the beginning.

¹⁰ Ibid., Regulation 17(6) and Schedule 6.

¹¹ Ibid., Regulation 17(6)(a)–(b).

¹² Ibid., Regulation 17(6)(c)–(d) and Regulation 18(5).

¹³ Ibid., Regulation 7(2). The required application documents include proof of occupation or ownership, a certified single-line diagram and technical specifications of the proposed RES

¹⁴ Ibid., Regulation 8(1).

¹⁵ Ibid., Regulation 9(1).

¹⁶ Ibid., Regulation 10(1)–(2).

¹⁷ Ibid., Regulations 11–12

¹⁸ Ibid., Regulation 14.

¹⁹ Ibid., Regulation 15(3).

7. Technical compliance is part of the business case

A net billing system is not simply a solar installation with an extra meter. The Regulations require compliance with applicable technical standards and introduce specific requirements around protection, isolation, synchronisation and anti-islanding.²⁰ The system must be capable of safely disconnecting from the distribution network when grid conditions require it and reconnecting only when the relevant conditions are satisfied.²¹ The metering arrangement is equally important. The DisCo provides the net meter, which must be capable of separately recording electricity imported from and exported to the distribution network. The Regulations also require Time-of-Use capability.²² In practical terms, this means that engineering design, regulatory compliance and commercial settlement cannot be treated as separate workstreams. They are interconnected. A design decision can affect the connection approval. The connection configuration can affect the metering arrangement. The metering arrangement can affect the tariff available. And the tariff can affect the project's financial returns.

8. What happens if the business produces more credits than it can use?

This is where the concept of a Carried-Forward Credit becomes important. Where the value of exported electricity exceeds the value of electricity imported during the billing period, the surplus is carried forward as a credit for future import charges.²³ It is not ordinarily paid out as cash, and the net bill cannot become negative.²⁴ There is also an important lifecycle consideration. The Regulations provide that carried-forward credits are applied against future import charges and are dealt with at the anniversary of the connection of the Net Billing System.²⁵ The Regulations also require the DisCo to notify the Prosumer at least 30 days before a credit balance is due for expiration and to maintain a monthly credit ledger for each Prosumer.²⁶

For a business, this means the Net Billing Arrangement should not be viewed simply as a technical connection. It is an ongoing contractual and financial arrangement that should be considered alongside the ownership, leasing and operational arrangements for the premises.

9. What if the business moves?

The Regulations expressly address this. Where ownership or occupation of the premises changes, the Net Billing Agreement can be transferred to the new owner or occupier in accordance with the prescribed process, subject to the conditions in the Regulations.²⁷ Importantly, accrued credits can transfer with the premises where the Net Billing Agreement is properly transferred.²⁸ If, however, the Prosumer removes the system from the

²⁰ Ibid., Regulation 17(1)–(2)

²¹ Ibid., Regulation 17(3)–(4).

²² Ibid., Regulation 18(1)–(4).

²³ Ibid., Regulation 20(5)–(7).

²⁴ Ibid., Regulation 20(8).

²⁵ Ibid., Regulation 21(1)–(3).

²⁶ Ibid., Regulation 21(4)–(5).

²⁷ Ibid., Regulation 16 and Regulation 24.

²⁸ Ibid., Regulation 22(2).

premises, the accrued credits are zeroed out and the Prosumer must make a fresh application for the new premises.²⁹

This is an issue that could become particularly relevant in commercial real estate transactions. A solar installation can now have not only an equipment value, but also an associated regulatory arrangement and credit position. For landlords, tenants, investors and financiers, that raises questions about who owns the system, who benefits from the credits, what happens on a lease expiry and how the Net Billing Agreement is dealt with when the underlying property changes hands.

10. There is some protection against sudden changes to the economics

One of the more useful provisions for investors is the treatment of settlement parameters. The Regulations provide that the parameters applicable when the Net Billing Agreement is executed remain in force for a minimum of 12 months from the connection date, notwithstanding an earlier revision by the Commission.³⁰ This does not eliminate regulatory risk. It does, however, provide a degree of visibility for the early operating period of a project and should be considered when modelling the project's revenue and payback period.

11. What the New Net Billing Framework Means for Businesses and Investors

The Regulations create opportunities across the energy value chain. Businesses can reduce their reliance on grid electricity and obtain credits for eligible surplus generation; developers and EPC providers have a clearer framework for serving commercial and industrial customers; DisCos have a structured process for integrating distributed generation; and lenders and investors have greater visibility over the revenue and credit mechanics of these projects. But regulatory clarity does not, by itself, make every project commercially viable. The economics will still depend on factors such as the customer's electricity demand, system size, export limits, battery storage, connection costs, metering, contractual arrangements and financing. The key is therefore to approach net billing as an energy infrastructure investment, rather than simply a solar procurement exercise, and to ensure that the technical design, regulatory requirements and commercial model are aligned from the outset.

²⁹ Ibid., Regulation 22(3).

³⁰ Ibid., Regulation 23(3).

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