CENTILL ATTORNEYS

UPDATES ON THE NATIONAL INTEGRATED ELECTRICITY POLICY AND NIGERIA INTEGRATED RESOURCE PLAN.

Introduction

The Electricity Act, 2023 (the “Act”), is a landmark legislation that introduces a series of critical reforms in the Nigerian Electricity Supply Industry (“NESI”). It provides key action points and implementation guidelines aimed at securing Nigeria's energy future. Among the most fundamental provisions is the requirement for the Federal Government of Nigeria, through the Ministry of Power (“MoP”), to issue the National Integrated Electricity Policy and Strategic Implementation Plan (“NIEP-SIP”) within one year of the Act's enactment. On Thursday, February 27, 2025, this mandate was fulfilled with the official presentation of the National Integrated Electricity Policy and the Nigeria Integrated Resource Plan (“NIEP-NIRP”) to the Minister of Power and the public.

Experts have described the NIEP-NIRP as pivotal in restoring investor confidence and attracting much-needed capital to revive the NESI. However, the success of these policies will depend on their implementation, as the effectiveness of any policy is measured by its tangible impact.

The unveiling of the NIEP-NIRP also provided an opportunity for the Minister of Power, Chief Adebayo Adelabu, FCA, FCIB, OFR, to update the public on the Federal Government's strategic focus for the electricity sector and the expectations for 2025.

Summary of the NIEP

The NIEP consists of eight chapters, each addressing key aspects of the electricity sector:

Chapter One provides a historical background to the NIEP, tracing the developments that led to its issuance, particularly the amendments introduced by the Act and the Fifth Alteration of the 1999 Constitution of the Federal Republic of Nigeria.

Chapter Two emphasizes the importance of adequate capitalization in achieving universal electricity access and reliability. It acknowledges the infrastructure deficit in the electricity sector, particularly in transmission and distribution, and underscores the need for significant capital investment to bridge these gaps. The ultimate goal is to achieve universal electricity access by 2030.

Chapter Three discusses the electricity market design framework. It reaffirms the Act's stance on transitioning from a centralized to a decentralized market, highlighting the challenges of operating the National Wholesale Electricity Market (“NWEM”) alongside State Electricity Markets (“SEM”). It offers recommendations for overcoming these challenges and emphasizes the need for a robust market governance framework

Chapter Four stresses the importance of investing in renewable energy, given Nigeria's commitment to achieving net-zero emissions by 2060. A key recommendation is to accelerate the deployment of renewable energy solutions for underserved and unserved areas.

Chapter Five focuses on human resource and capacity development within the NESI. It highlights the need for technological advancements and the establishment of training facilities to maintain a motivated workforce.

Chapter Six addresses gender equality in the NESI, emphasizing the need to eliminate energy poverty, promote women’s participation, and ensure inclusivity for persons with disabilities.

Chapter Seven advocates for the promotion of local content and research and development. It calls for the creation of a 10-year strategic roadmap for Nigerian content in the NESI, recognizing its potential to positively impact key economic indicators, particularly on electricity tariffs.

Chapter Eight outlines the commercial, legal, and regulatory frameworks necessary for implementing the NIEP. It details the transition from a solely Federal Government-driven electricity market to a multi-tier structure involving both Federal and State Governments.

Summary of the NIRP

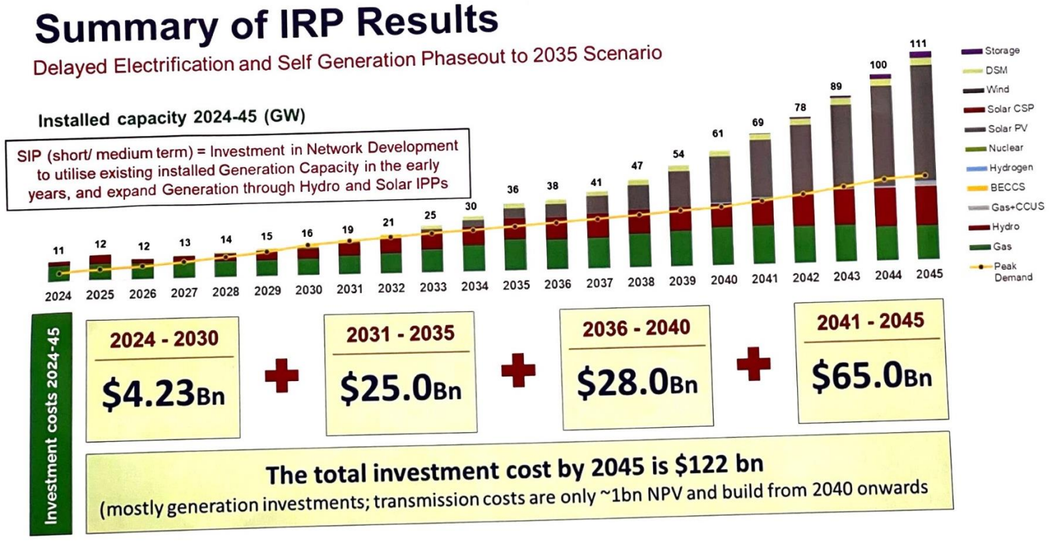
The NIRP serves as a comprehensive planning framework that identifies the least-cost combination of supply and demand measures to achieve universal energy access. Recognizing that attaining universal electricity access by 2030 is unrealistic, the NIRP extends the target to 2035 while acknowledging the challenges associated with this goal.

A central focus of the NIRP is aligning investments in the generation, transmission, and distribution value chains to ensure cost-effective development. The plan highlights investment misalignments and offers strategic solutions to address them.
Integrated Resource Planning (IRP) modeling was conducted to forecast electricity demand and supply and to estimate investment requirements. The below summarises the outcome from the modelling.

Summary of results – IRP scenario

	Unit	2024	2030	2040	2045
Peak demand	GW	5	12	31	45
Installed capacity (incl. storage)	GW	11	16	61	111
RES capacity	GW	2	6	37	83
Storage capacity (incl. solar CSP storage)	GW	-	-	-	3
Storage energy capacity (incl. solar CSP storage)	GWh	-	-	-	11
Average storage duration	hrs	-	-	-	3
RES capacity	% of total	18%	37%	61%	75%
Energy demand	TWh	30	78	209	301
Storage demand	TWh	-	-	-	4
Generation	TWh	31	86	220	308
Share of RES	%	29%	34%	54%	73%
Short run marginal costs	$/MWh	27.8	23.4	15.4	36.1

		2024-45	Cost %
NPV of total costs	bn$	63	100%
NPV of capex	bn$	40	63%
NPV of transmission costs	bn$	0.3	0%
NPV of fuel costs	bn$	9	14%
NPV of variable O&M	bn$	7	11%
NPV of fixed O&M	bn$	8	12%
LCOE	$/MWh	49.3	
LCOE	c$/kWh	4.93	
Total emissions	mtCO2eq	644	



Further, the following short- to medium-term targets were identified:

- The timely completion of ongoing transmission projects is essential to unlocking existing installed capacity and facilitating generation expansion.

- An additional 2.8GW of hydro capacity (including Mainstream's Zungeru) should be added by 2030, followed by a further 6GW by 2035. Additionally, the 14 solar IPPs (with a total capacity of 1.2GW) under NBET PPAs should be connected to the grid by 2030, with a further 5GW added by 2035.

- Demand-side management measures should be implemented to reduce demand. Further, an additional 300MW of gas-fired capacity should be added by 2030, with a further 8GW by 2035.

MINISTRY OF POWER
OFFICE OF THE MINISTER

Updates from the Minister of Power on the Power Sector

Metering Initiative

The Federal and State Governments have earmarked NGN 700 billion for nationwide meter deployment. Three million meters are expected to be rolled out by the first half of 2025.

Tariff and Customer Classification

There will be no immediate tariff increases. Instead, efforts will focus on improving service delivery and migrating more customers to Band A. Additionally, a potential reclassification of customers is being considered to ensure fairness and transparency in electricity service delivery.

Strategic Implementation of the NIEP-NIRP

The MoP will play a central role in ensuring the strategic implementation of the NIEP-NIRP. The priority is to align the value chain to achieve least-cost electricity supply and demand solutions.

Subsidy Reform

The Federal Government can no longer sustain broad-based electricity subsidies. Instead, subsidies will be targeted at those who genuinely require financial support for electricity consumption. A new subsidy model is being developed to achieve this.

National and Sub-National Electricity Market Alignment

As of now, NERC has transferred regulatory autonomy to 11 States. To ensure the efficient operation of the SEMs, the Federal Government, particularly NERC, will provide necessary guidance. Additionally, the MoP is developing a crisis management framework to prevent disruptions to the National Wholesale Market.

Independent System Operator (“ISO”) Update

The unbundling of the Transmission Company of Nigeria (“TCN”) to establish the ISO is 99% complete, pending approval from the National Council on Privatization. Once approved, the ISO will become fully operational.

Mission 300

Mission 300 is a joint initiative by the World Bank (“WB”) and the African Development Bank (“AfDB”) aimed at providing electricity access to 300 million Africans. The WB has pledged USD 25 billion, while the AfDB has committed USD 5 billion.

Nigeria presented its compact at the Mission 300 conference that was held in Tanzania earlier this year. Nigeria’s participation in this initiative focuses on improving supply reliability through infrastructure upgrades and interconnected mini-grids. The expectation is to ensure that 150 million Nigerians have reliable access to electricity.

Focus on DisCos

The Federal Government will intensify oversight of Distribution Companies (“DisCos”) to ensure they meet investment and operational expectations. Potential reforms in 2025 may include setting minimum capital adequacy thresholds for DisCos and mandating network franchising to third parties to improve efficiency.

The Big Question?

While the NIEP-NIRP provides a commendable roadmap for achieving universal electricity access, its success hinges on strategic implementation. Effective integration across the value chain is necessary to eliminate investment mismatches, a key concern highlighted by the NIRP. Given that distribution and generation operations are largely privatized, the question remains: have market participants fully bought into the implementation framework to ensure seamless investment deployment? This will be a crucial factor in determining the long-term impact of these reforms.

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