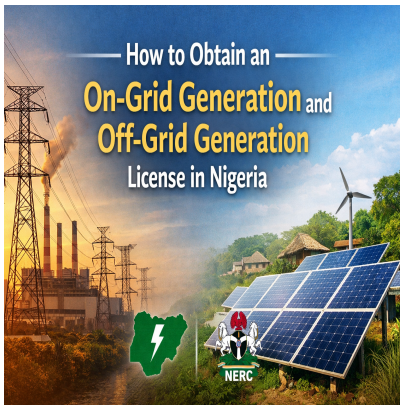




How to Obtain an On-Grid Generation and Off-Grid Generation License in Nigeria: A Complete Regulatory Guide for Power Developers and Investors

Description

Introduction

Nigeria's electricity market is regulated, structured, and compliance-driven. Any entity seeking to generate electricity for commercial purposes, whether through a grid-connected power plant or an off-grid/mini-grid system, must obtain the appropriate license or permit from the statutory regulator, the Nigerian Electricity Regulatory Commission (NERC).

This guide provides a comprehensive, step-by-step explanation of:

- The regulatory framework governing generation licenses in Nigeria
- Requirements for On-Grid (Grid-Connected) Generation Licenses
- Requirements for Off-Grid / Mini-Grid Permits and Licenses
- Official fee structure and statutory timelines

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- Application procedures and compliance expectations
 - Frequently asked questions and common misconceptions

This article is designed for energy investors, project developers, legal practitioners, EPC contractors, and infrastructure financiers seeking clarity on Nigeria's power licensing regime.

1. Regulatory Framework for Electricity Generation in Nigeria

Electricity generation in Nigeria is governed primarily by:

- The Electric Power Sector Reform Act (EPSRA)
- NERC Licensing Regulations
- NERC Schedule of Fees and Licensing Requirements
- NERC Mini-Grid Regulations (for off-grid systems)

NERC is empowered to issue licenses for:

- Generation
- Transmission
- Distribution

- Electricity trading
- Mini-grid permits
- Captive generation permits

No entity may legally generate and sell electricity in Nigeria without appropriate authorisation from NERC.

2. Overview: On-Grid vs Off-Grid Generation

Criteria	On-Grid Generation License	Off-Grid / Mini-Grid Permit
Grid Connection	Connected to national transmission grid	Operates independently or partially interconnected
Target Market	Bulk power sale to NBET/DisCos	Rural, underserved, or isolated communities
Regulatory Instrument	Generation License	Mini-Grid Permit (and possibly license depending on size)
Capacity	Typically larger scale (multi-MW plants)	Small to medium scale
Tariff Structure	Regulated or contracted PPA	Mini-grid tariff framework
Public Notice	Required	Required where applicable

PART A: HOW TO OBTAIN AN ON-GRID GENERATION LICENSE IN NIGERIA

3. Who Requires an On-Grid Generation License?

A Generation License is required where:

- Electricity will be generated for sale
- The plant will connect to the national grid
- Power will be supplied to NBET, TCN, DisCos, or eligible customers

Captive generation (for internal consumption only) follows a different permit regime.

4. Step-by-Step Process for Obtaining an On-Grid Generation License

Step 1: Incorporate a Nigerian Company

The applicant must be a legally registered Nigerian entity with:

- Certificate of Incorporation
- Memorandum & Articles of Association
- CAC Forms showing directors and shareholders
- Tax Identification Number (TIN)

Foreign investors typically incorporate a Special Purpose Vehicle (SPV) in Nigeria.

Step 2: Prepare Technical Documentation

The application must include detailed project information such as:

- Plant location and site maps
- Generation technology (solar, gas, hydro, wind, etc.)
- Installed capacity (MW)
- Single-line diagrams
- Grid interconnection details
- Fuel supply arrangements (where applicable)
- Project implementation schedule

Step 3: Prepare Financial Documentation

Applicants must demonstrate financial capability through:

- Audited financial statements (last 3 years)
OR
- Parent company financials (if newly incorporated)

Additional financial documentation includes:

- Bank reference letters
- Evidence of equity contribution

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- Loan commitment letters or term sheets
 - 10-year financial model
 - Business plan and projected revenue streams
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Step 4: Environmental Compliance

Applicants must submit:

- Environmental Impact Assessment (EIA)
- Evidence of approval from the Federal Ministry of Environment (where required)
- Evidence of land rights or title
- Community consent where applicable

Failure to provide environmental documentation may delay or invalidate the application.

Step 5: Complete NERC Generation License Application Form

The official NERC Application Form must be completed in full.

Submission requirements:

- Three (3) hard copies
 - One (1) soft copy
 - All attachments clearly indexed
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- Sworn declaration by the applicant

Incomplete submissions are not processed.

Step 6: Pay Processing Fee

Processing fees are capacity-based as outlined in the official Schedule of Fees.

Official Processing & License Fees for Grid-Connected Generation

Capacity (MW)	Processing Fee (₦)	License Fee (USD Equivalent)
1-10 MW	₦75,000	\$5,000
11-50 MW	₦150,000	\$30,000
51-100 MW	₦200,000	\$40,000
101-200 MW	₦250,000	\$60,000
201-300 MW	₦350,000	\$80,000
301-400 MW	₦400,000	\$100,000
401-500 MW	₦450,000	\$120,000
Above 500 MW	₦500,000	\$140,000

Note: Annual operating fees may apply based on a percentage of revenue.

Step 7: Public Notice & Objection Period

NERC will:

- Publish the application or require the applicant to publish a notice
- Allow members of the public to file objections
- Conduct hearings where necessary

Transparency is a statutory requirement.

Step 8: Technical & Financial Evaluation

NERC evaluates:

- Technical viability
- Financial capability
- Grid impact
- Compliance with the Grid Code
- Environmental and statutory approvals

The Transmission Company of Nigeria (TCN) may be consulted for interconnection studies.

Step 9: Decision Timeline

NERC must communicate its decision within **six (6) months** of acknowledging a complete application.

If approved:

- Applicant pays the license fee
 - License document is issued
 - License conditions become binding
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5. Estimated Timeline (Practical View)

Stage	Estimated Duration
Documentation Preparation	1–3 months
Regulatory Review	Up to 6 months
Total Average Timeline	3–9 months

Complex projects may take longer depending on objections or missing documentation.

PART B: HOW TO OBTAIN AN OFF-GRID / MINI-GRID GENERATION PERMIT IN NIGERIA

6. What Is an Off-Grid / Mini-Grid System?

A mini-grid is a localised electricity system that:

- Generates electricity
- Distributes power within a defined area
- Operates independently of the national grid (or later interconnects)

Mini-grids are commonly deployed in rural or underserved communities.

7. When Is a Mini-Grid Permit Required?

A permit is required when:

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- A developer intends to build and operate an isolated mini-grid
 - Electricity will be sold to multiple customers
 - The system exceeds exempted thresholds
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8. Step-by-Step Mini-Grid Permit Process

Step 1: Online Application Submission

Applications are submitted via the NERC mini-grid portal.

Step 2: Provide Required Documentation

Key documentation includes:

- Project feasibility study
 - Site location map
 - Installed capacity details
 - Customer demand projections
 - Tariff methodology
 - Financial model
 - Environmental and social safeguards
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- Community engagement agreements
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Step 3: Site Exclusivity

Upon preliminary review, NERC may grant site exclusivity, allowing the developer time to complete project requirements without competition in that location.

Step 4: Technical Compliance Review

NERC ensures:

- Compliance with mini-grid regulations
 - Safety standards adherence
 - Appropriate tariff methodology
 - Consumer protection compliance
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Step 5: Permit Issuance

Upon satisfaction, NERC issues a Mini-Grid Permit subject to conditions.

9. Interconnected Mini-Grids

Where a mini-grid later connects to a DisCo network:

- A tripartite agreement is required
 - Compensation mechanisms may apply
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- Asset integration terms must be agreed
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10. Cost Considerations Beyond License Fees

Developers should budget for:

- EIA processing costs
- Legal and regulatory advisory fees
- Engineering studies
- Grid interconnection studies
- Land acquisition costs
- Community engagement programs
- Performance guarantees or bonds

11. Frequently Asked Questions

How long does it take to obtain a generation license in Nigeria?

Statutorily, NERC must decide within six months of acknowledging a complete application.

Can a foreign company apply directly?

Foreign investors must typically apply through a Nigerian-registered entity.

Is an EIA mandatory?

Yes. Environmental compliance is a core requirement for both on-grid and off-grid projects.

Does payment of fees guarantee approval?

No. Approval depends on technical, financial, environmental, and regulatory compliance.

What is the difference between a captive generation permit and a generation license?

Captive generation is for self-use only. A generation license is required when electricity is sold commercially.

12. Common Misconceptions

Misconception 1: Mini-grids are unregulated.

Mini-grids are fully regulated under specific NERC regulations.

Misconception 2: Small capacity plants do not require permits.

Even small systems may require a permit depending on structure and sale of power.

Misconception 3: License approval is automatic once documents are submitted.

NERC conducts substantive evaluation before approval.

13. Compliance After License Issuance

Obtaining the license is not the end of regulatory obligations. Licensees must:

- Comply with license conditions
- Submit periodic reports
- Pay annual operating fees
- Adhere to safety and technical codes
- Maintain consumer protection standards

Failure to comply may result in sanctions or revocation.

Conclusion

Obtaining an On-Grid or Off-Grid Generation License in Nigeria requires structured planning, regulatory diligence, and strict compliance with NERC's statutory framework.

On-grid generation licenses involve comprehensive financial, technical, and environmental scrutiny, while off-grid mini-grid permits provide a streamlined pathway for rural electrification projects.

Success depends on:

- Complete documentation
- Financial credibility

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- Environmental compliance
 - Technical robustness
 - Adherence to regulatory timelines

Developers and investors are advised to engage experienced regulatory and legal professionals to ensure seamless navigation of the licensing process.

Category

1. Industry Insights

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