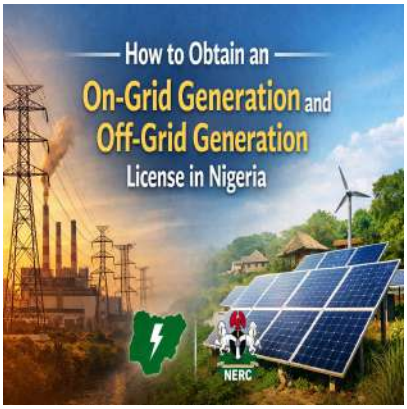


How to Obtain an On-Grid Generation and Off-Grid Generation License in Nigeria: A Complete Regulatory Guide for Power Developers and Investors

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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

- 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.

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1. Regulatory Framework for Electricity Generation in Nigeria

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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

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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.

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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

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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

- Loan commitment letters or term sheets
- 10-year financial model
- Business plan and projected revenue streams

Step 4: Environmental Compliance

Applicants must submit:

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- 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

- 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

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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

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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

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

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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:

- A developer intends to build and operate an isolated mini-grid
- Electricity will be sold to multiple customers
- The system exceeds exempted thresholds

8. Step-by-Step Mini-Grid Permit Process

Step 1: Online Application Submission

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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

- Community engagement agreements

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:

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- Compliance with mini-grid regulations
- Safety standards adherence
- Appropriate tariff methodology
- Consumer protection compliance

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

- Asset integration terms must be agreed

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

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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?

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

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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.

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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

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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

- 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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