



SIMPLIFIED LEGAL *And* REGULATORY GUIDE:

**Nigerian Electricity Regulatory Commission
(NERC) (Licences and Operating Fees)
Regulations, 2010**





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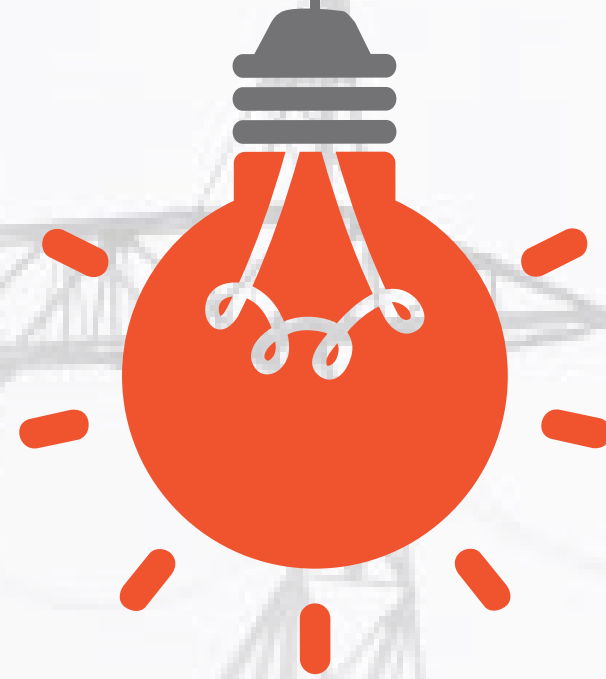
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OVERVIEW

**Nigerian Electricity Regulatory Commission
(NERC) (Licences and Operating Fees)
Regulations, 2010**



The Nigerian Electricity Regulatory Commission Regulation for Licences and Operating Fees (“the Regulation”) was promulgated on the 14th of April, 2010. It distinctly provides important provisions regarding for fees and charges to be paid by Licensees and Users in the electricity industry. It consists of three chapters (3) with a total of eight (8) sections. The Glossary of Terms used in the Regulation and referenced in this guide can be found in the main Regulation¹ and in our [Glossary of Industry Terms](#).



ENABLING LAW

NERC is empowered by the Electric Power Sector Reform Act, 2005 (EPSRA)², as the major agency with the responsibility of formulating regulations, to facilitate the implementation and enforcement of the provisions of the Act. NERC is vested with the authority to develop regulations relating to areas of administration, licensing, market structure, procurement procedures, pricing, and tariffs, etc..³ The Licence and Operating Fees Regulations is one of many Regulations formulated within the ambit of the Commission's powers. [Please refer to EL's guide on the Electricity Act.](#)



OBJECTIVE

Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010



Objective of the Licence and Operating Fees Regulations

The Regulation was enacted for the purpose of:

- Repealing the Regulation for Licence and Operating Fees of 2006
- Providing guidelines on fees and rates charged by the Commission to licensees and users in the electricity industry.



KEY PROVISIONS

**Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010**

KEY PROVISIONS



Licence Fees

Application for licence made to the Commission must be accompanied by a non-refundable application processing fee. This fee must be paid by bank draft or cheque drawn in favour of NERC and once received, the Commission will issue an official receipt.

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When the licence application is approved, the Commission will inform the applicant in writing of the approval and the licence fee to be paid by the applicant for the granting of licence.

Amendment, Renewal and Tenure extension

Application for amendment, renewal, or extension of tenure of an existing licence by a licensee will be accompanied by a non-refundable processing fee.⁵ The licensees will also be required to pay annual operating fees which will be charged based on the rates specified in the Regulations.



KEY STAKEHOLDERS

**Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010**



Nigerian Electricity Regulatory Commission

NERC is the primary agency for the supervision and control of the Regulations as specified in the EPSRA. The Commission was established as a corporate body to regulate the generation, transmission, distribution of electricity in Nigeria through promoting efficiency in industry and market structures, regulating prices, and ensuring safety in the production and delivery of electricity.⁶

NERC is vested with the responsibility of monitoring and overseeing licensing activities to facilitate competition and prevent abuse of market power. In its process of monitoring licensing applications, NERC is entitled to request for information from licensees. Where the Commission determines that there has been an abuse of market power, NERC is vested with the power to issue cease orders and levy.⁷ NERC may amend or repeal the provisions of the Regulation periodically and may also order to add, amend, alter or vary the amount of fees payable as provided in the Regulations.⁸ In addition, the Commission may make Orders as may be necessary in the public interest and it may adopt a procedure that is not consistent with the Regulations if it expedient to do so.

The background of the slide features a faint, dark silhouette of a high-voltage power transmission tower, also known as a pylon, which is a lattice structure. It is positioned centrally and extends from the bottom towards the top of the frame, serving as a thematic backdrop for the text.

PRICING **AND TARIFFS**

**Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010**

PRICING AND TARIFFS



Below are the fees that are payable under the Regulations:

1. For operations connected to the Grid

i. Generation (10 years validity)	Processing fees for application and amendment of Licences (₦)	Licence fees (US Dollars) or Naira equivalent
1-10MW	70,000	\$5,000.00
11-50MW	150,000	\$30,000.00
51-100MW	200,000	\$40,000.00
101-200MW	250,000	\$60,000.00
201-300MW	350,000	\$80,000.00
301-400MW	400,000	\$100,000.00
401-500MW	450,000	\$120,000.00
Above 500MW	500,000	\$140,000.00
ii. Transmission (10 years validity)	1,000,000	\$300,000
iii. System Operations (10 years validity)	1,000,000	\$300,000
iv. Distribution (10 years validity)	1,000,000	\$75,000
v. Trading (10 years validity)	1,000,000	\$75,000



It should be noted that the fees for license renewal and tenure extension is half the processing fees for fresh application and an amendment. In addition, the annual operating fees for electricity generation, transmission, and System Operations is 1.5% of the licensee's charges/kWh; while for distribution and trading, it is 1.5% of the licensee's charges/kWh net the cost of generation and transmission.

2. For operations not connected to the Transmission Grid or Embedded Generation

i. Generation (10 years validity)	Processing fees for application and amendment of Licences (₦)	Licence fees (US Dollars) or Naira equivalent
1-10MW	50,000	\$10,000.00
11-25MW	150,000	\$35,000.00
26-40MW	175,000	\$40,000.00
41-60MW	225,000	\$45,000.00
61-85MW	250,000	\$50,000.00
86-100MW	275,000	\$55,000.00
101-200MW	300,000	\$75,000.00
201-400MW	400,000	\$95,000.00
401-500MW	500,000	\$150,000.00
Above 500MW	600,000	\$200,000.00
ii. Distribution (10 years validity)	100,000	\$20,000.00



It should be noted that the fees for licence renewal and tenure extension is also half of the processing fees for application and amendment. The annual operating fees for electricity generation is 1.5% of the tariff charge/kWh; while for distribution, it is 1.5% of the licensee's charges/kWh net the cost of generation and transmission.



INCENTIVES AND INVESTMENT OPPORTUNITIES

Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010



INCENTIVES AND INVESTMENT OPPORTUNITIES



Due to the nature of the Regulations and its provisions, it does not provide specific opportunities for investment but provides direction as to the costs of obtaining a licence to operate within the electricity value chain.



SANCTIONS AND PENALTIES

**Nigerian Electricity Regulatory Commission (NERC)
(Licences and Operating Fees) Regulations, 2010**

SANCTIONS AND PENALTIES



Where the licence fee is not paid within the time specified the licence terms and conditions, a surcharge will be paid on the amount due at the rate of 1% per week up to a maximum period of twelve (12) weeks after which the licence application will expire.⁹ Likewise, in the event that the operating fee is not paid within the specified time as in the terms and conditions of the licence, a surcharge will also be payable on the due amount at the rate of 1% per week up to a maximum period of twelve (12) weeks, after which the Commission will apply the appropriate penalties in accordance with the terms and conditions of the licence.¹⁰

Referenced Statutory Instruments

- Electric Power Sector Reform Act (EPSRA) No. 6 LFN 2005
- NERC Regulations for the Application for Licence (Generation, Transmission,
- System Operations, Distribution & Trading) 2010

Endnotes

- ¹ NERC Official Website, Available at <https://nerc.gov.ng/index.php/library/documents/func-startdown/669/>
- ² NERC, Electric Power Sector Reform Act (EPSR), 2005. Available at [https://nerc.gov.ng/index.php/component/remository/Regulations/Electric-Power-Sector-Reform-Act-\(EPSR\)-2005/?Itemid=591](https://nerc.gov.ng/index.php/component/remository/Regulations/Electric-Power-Sector-Reform-Act-(EPSR)-2005/?Itemid=591)
- ³ See Section 96 (2) (h) Electric Power Sector Reform (ESPR) Act, No. 6 LFN 2005
- ⁴ Section 3
- ⁵ Section 5
- ⁶ Sections 31-61 of the EPSR Act
- ⁷ Section 82 of the ESPR Act
- ⁸ Section 7
- ⁹ Section 4
- ¹⁰ Section 6

DISCLAIMER

This document titled the “Simplified Legal and Regulatory Guide” of the referenced country is not expected to form the basis of, or be construed as standard legal advice; nor should any of its contents and representations be strictly relied upon for any activities. Electricity Lawyer (EL) will not be liable for decisions whatsoever that are made based on the contents of the document.

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