

# Powering Progress:

## The Enugu State Electricity Policy as a Blueprint for Sub-National Investment

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# Introduction

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Enugu State is strategically located as the administrative centre and commercial hub of the South-East geopolitical zone of Nigeria.<sup>1</sup> Enugu was once a key hub in Nigeria's power sector, especially during the era of the Oji River coal-fired power plant.<sup>2</sup>

Today, building on that strong legacy, the State is advancing toward a more modern and diversified electricity landscape. Currently, electricity supply in Enugu State is steadily improving but has yet to fully meet the growing needs of homes, businesses, and industries, with many consumers complementing supply through self-generation.<sup>3</sup> This situation has created challenges for economic activity, investment, and service delivery across the State. In response, the Enugu Electricity Policy provides a clear framework for improving power supply and building a more reliable, affordable, and sustainable electricity system to support the long-term development goals of the State.<sup>4</sup>

This article will explore how the Enugu State Electricity Policy takes the recent constitutional and statutory reforms and turns them into a practical, investable sub-national power market framework. It will examine the model's legislative reforms, market design, risk, sharing strategies, and the avenues provided for investors, also evaluating its potential to serve as a replicable blueprint for other Nigerian states under the Electricity Act 2023.

# Insights from the Electricity Act 2023 and Enugu State Electricity Law

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The Electricity Act<sup>5</sup> lays down the national legal framework for Nigeria's electricity system, and it also facilitates the ability of the states to enact laws and regulate electricity markets within their territories.<sup>6</sup> The Act, however, mainly delineates broad principles and grants states the freedom to design their institutional and commercial frameworks for running their electricity markets.<sup>7</sup>

The Enugu State Electricity Law is an illustration of the above framework, proposing specific mechanisms that cater to a functioning state electricity market. The main points are:

- **Payment assurance:**  
This will be achieved through a Payment Guarantee Company that can back up Power Purchase Agreements to essentially lower payment risk for generators.<sup>8</sup>
- **Distribution Retail Separation:**  
The medium-voltage distribution networks will be functioning as regulated infrastructure whereas Electricity Retail Companies will be competing to supply customers.<sup>9</sup>
- **Structured Market Contracts:**  
Electricity trading is conducted on the basis of willing-buyer, willing-seller agreements and clear tariff methodologies.<sup>10</sup>
- **Targeted Electrification:** Grants and incentives will be used to motivate electricity provision to the unserved and underserved communities.

# Reconstructing the Enugu Model: Key Legislative Innovations

The Enugu State electricity framework represents one of the earliest attempts by a Nigerian sub-national government to operationalise the decentralisation of electricity regulation, made possible by recent constitutional and statutory reforms. The combined effect of the amendments to the Constitution of the Federal Republic of Nigeria 1999 and the Electricity Act 2023 is to codify the position that State Governments may now legislate on electricity generation, transmission, and distribution within their territories, particularly in respect of retail electricity markets.<sup>11</sup>

Against this background, the Enugu Policy introduces several notable legislative innovations.

The Electricity Act 2023 provides a broad framework for state participation; however, it does not specify mechanisms for revenue security, competition in retail supply, or targeted electrification.

## **Enugu State's policy addresses these gaps by:**

- a. Creating a Payment Guarantee system to reduce payment risk
- b. Separating distribution infrastructure from retail supply to allow competition
- c. Offering grants and incentives to electrify underserved areas

The policy creates a state electricity market run by an independent regulator responsible for licensing, tariffs, consumer protection, and technical standards. This independence builds investor confidence by reducing political interference and revenue uncertainty.<sup>12</sup>

It separates distribution infrastructure from retail supply which keeps the network regulated and allow multiple retail companies to compete. This encourages customer choice without duplicating infrastructure.<sup>13</sup>

Electricity is treated as a tradable commodity, supported by contracts like power purchase agreements and payment guarantees. A willing-buyer, willing-seller model promotes cost-reflective tariffs and financial sustainability.<sup>14</sup>

The policy sets up a clear, rules-based market that reduces risk, attracts private investment, and supports long-term growth.

# Creating Investable Projects: Guarantees, Licenses, and Off-Taker Structures

To attract private investors and ensure the projects are commercially viable, the Enugu State Electricity Market (ESEM) is supported by a structured set of well-defined guarantees, licenses, and off-taker agreements. It establishes a Payment Guarantee Company that secures the revenues of generation companies (Gencos) by providing guarantees for Power Purchase Agreements (PPAs). In the first year, generating 50MW at 90% availability at a tariff of ₦100/kWh would require around \$45,000,000 (Forty Five Million United States Dollars) in guarantees.<sup>15</sup>

This reassures investors and eliminates the risks of payment default. Licences also play a significant role, as the State regulator issues clear, enforceable licences for generation, medium-voltage distribution (MVDC), and electricity retail companies (ERCs).<sup>16</sup> The licence terms ensure that service standards are maintained at a minimum level, access is fair, and financial accounts are separated when there are overlapping corporate holdings. ERCs, through competition, drive efficiency and consumer-oriented service. They also guarantee that all unserved and underserved communities will be broadly covered.

## Projected Key Metrics

# \$45M

Estimated guarantee requirement for the first year of operations.

- 50MW Capacity
- 90% Availability @ ₦100/kWh

Off-taker structures revolve around willing-buyer, willing-seller agreements, which are based on a transparent tariff methodology regulated by the regulator. Both State-licensed and national-market Gencos contribute to the energy supply, which is then delivered through the MVDC to ERCs, thereby ensuring a dependable and financially viable electricity supply.

In addition, the State Electrification Agency provides grants and incentives for projects serving unserved communities, thereby reducing both capital costs and end-user tariffs. Hence, the set of guarantees, licenses, and offtaker arrangements, in general, results in investable, bankable projects that attract private capital, promote competition, and provide universal electricity access in Enugu State.

# Scalability Assessment: Application to Other States and Regions

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The Enugu State Electricity Policy is important because it shows how Nigerian states can move from relying on centrally supplied power to running their own electricity markets.

Under the Electricity Act 2023, states are allowed to create and regulate their own markets, with authority shifting from the national regulator once state systems are established.<sup>18</sup> This statutory clarity reduces the constitutional ambiguity that previously discouraged state-led sector reform.

The Enugu model is most valuable for its structure, not its energy sources. It focuses on clear roles and rules rather than a specific power mix.

The market is organised into key players such as generators, a regulated distribution network, competing retail suppliers, a system operator, and a payment guarantee system that creates a flexible, plug-and-play framework that other states can easily replicate.<sup>19</sup> States with gas reserves, hydro potential, or strong solar irradiation can adopt the same commercial structure while deploying locally appropriate generation technologies.

Equally important is the model's emphasis on financial discipline. The inclusion of a payment guarantee institution and cost-reflective tariff methodologies directly addresses the historic revenue shortfalls that have undermined Nigeria's power sector.<sup>20</sup> For other states seeking to attract independent power producers or mini-grid developers, revenue security is likely to be the single most decisive investment consideration.

Regional scalability is also supported by the framework's compatibility with the national grid. Energy may continue to flow from the wholesale market through the Transmission Company of Nigeria while state-licensed generation progressively expands local supply.<sup>21</sup> This hybrid approach allows states to reduce supply risk without fully disconnecting from the existing federal infrastructure.

# Investor Roadmap: First-Mover Advantages and Strategic Entry Points

The Enugu State Electricity Market offers a highly attractive first-mover scenario for investors to gain early entry into Nigeria's emerging sub-national power markets. The State's policy framework is designed to encourage private-sector ownership and participation across the power value chain. Investors may participate through licensed corporate entities, including equity investments, joint ventures, special-purpose vehicles (SPVs), and strategic, technical, or financial partnerships.

## Roadmap for Investor Participation:

- 1 Market Entry:** Establish a corporate entity (or SPV) and obtain the relevant licence from the State regulator.
- 2 Generation & Supply:** Focus on early opportunities in generation and energy supply through bankable Power Purchase Agreements (PPAs).
- 3 Revenue Security:** Leverage the State Payment Guarantee Company to secure revenue and reduce payment risk.
- 4 Scaling Opportunities:** Take advantage of guarantees planned for up to 50MW in the first year and a structured tariff framework.
- 5 Market Positioning:** Define operational areas and target customer segments, including expansion into underserved communities through the State Electrification Agency (with access to grants).
- 6 Infrastructure & Finance:** Explore opportunities in market infrastructure and financial intermediation, particularly through the Payment Guarantee Company and System Operation Company.
- 7 Capital Participation:** Invest via equity, structured debt, or institutional capital commitments in key market entities.

This structured approach enables investors to move quickly, secure early advantages, and participate across multiple layers of the electricity market.

# Conclusion

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The Enugu State Electricity Policy clearly shows that sub-national electricity markets in Nigeria can move beyond policy ambition to commercially structured implementation. With the unique combination of clear constitutional authority, an autonomous regulator, bankable contracting frameworks, and deliberate private-sector participation, the State appears to have created a credible platform for long-term infrastructure investment. If effectively executed, the policy has the potential not only to improve electricity reliability within Enugu but also to serve as a replicable pathway for other states seeking to unlock capital, reduce dependence on self-generation, and accelerate regional economic growth. For investors, the significance lies less in a single project and more in the emergence of a scalable, rules-based market.

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1. Edmund Amuezuoke Iyi, 'A Review of Enugu (Enugu State, Nigeria) Urban Growth and Development' (2014) 1(3) Journal of Research in Environmental and Earth Sciences 44 <<https://www.questjournals.org/jrees/papers/vol1-issue3/2014/D134451.pdf>> accessed 4 March 2026.
2. Diji CJ, 'A Critical Review of the Nigerian Energy Scenario' (2013) 5(3) IOSR Journal of Electrical and Electronic Engineering 55 <<https://www.academia.edu/download/33646646/K0535567.pdf>> accessed 7 February 2026
3. Enugu State Electricity Policy (Enugu State Electricity Regulatory Commission, signed final version) <[https://eerc.en.gov.ng/eerc\\_assets/documents/Enugu-State-Electricity-Policy-Final.signed.pdf](https://eerc.en.gov.ng/eerc_assets/documents/Enugu-State-Electricity-Policy-Final.signed.pdf)> accessed 7 February 2026.
4. Ibid
5. 2023.
6. Electricity Act 2023, s.2(2)(b).
7. Electricity Act 2023, s.13 and 14.
8. Sections 21 and 22 of the Enugu State Electricity Law empowers the state regulator to develop market rules, codes and contractual frameworks for electricity trading. See generally Part II of the Electricity Law.
9. Sections 23 and 74 of the Electricity Law require operators in the electricity value chain to obtain licences from the state regulator. This framework allows distribution networks to function as regulated infrastructure while enabling competitive retail supply through licensed electricity retailers.
10. Sections 34 of the Law empowers the State Commission to determine tariff methodologies and regulate commercial transactions within the electricity market.
11. Second Schedule, Part II (Concurrent Legislative List) paras 13–14, Constitution of the Federal Republic of Nigeria 1999 (as amended); Electricity Act 2023.
12. Enugu State Electricity Policy (n 3) pp. 16–19.
13. Enugu State Electricity Policy (n 3) p. 21.
14. Enugu State Electricity Policy (n 3) p. 23.
15. Ibid (n2) pp. 11 - 18
16. Ibid
17. Ibid
18. Sections 2, 63-67, Electricity Act 2023.
19. Enugu State Electricity Policy (Enugu State Electricity Regulatory Commission, signed final version) <[https://eerc.en.gov.ng/eerc\\_assets/documents/Enugu-State-Electricity-Policy-Final.signed.pdf](https://eerc.en.gov.ng/eerc_assets/documents/Enugu-State-Electricity-Policy-Final.signed.pdf)> accessed 7 February 2026.
20. ibid.
21. ibid.
22. i.e. generation, distribution, retail, system operations, and payment guarantees.

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