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# IMAS Stakeholder Workshop



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# Interconnected Mini-Grid Framework in Nigeria



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## Outline

Legal and Regulatory Framework for Interconnected Mini-Grids

Contractual Framework for IMAS Program

Land Related Issues



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# 1. Legal and Regulatory Framework

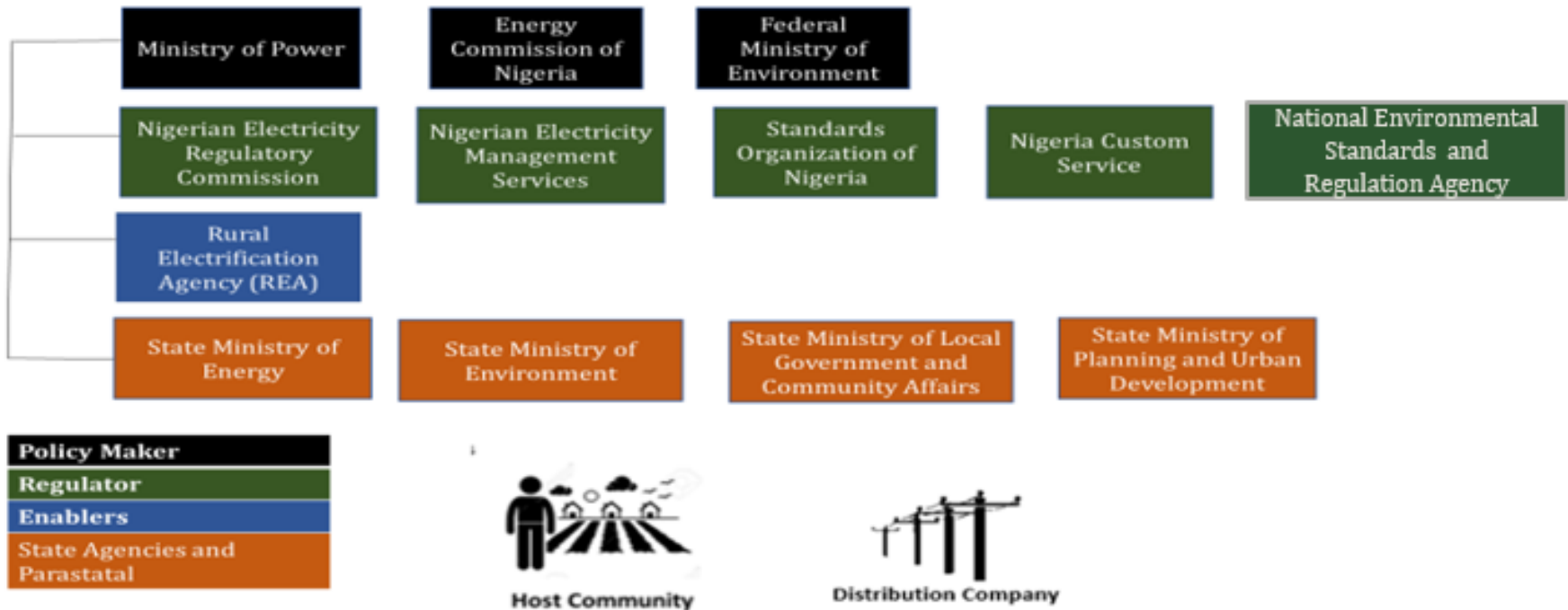


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# 1.1. Key public stakeholders





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## 1.2 Mini-Grid Regulations

### Background

- Provides framework for development and operation of Mini-Grids in Nigeria (Isolated and Interconnected).
- Defines an Interconnected Mini Grid to mean a Mini-Grid which is connected to a DisCo's network

### Objectives

- Increase access to electricity in Underserved Areas
- Incentivize Mini-Grid investment in Nigeria
- Grid extension, reduction of commercial and collection losses and increase in paying customers

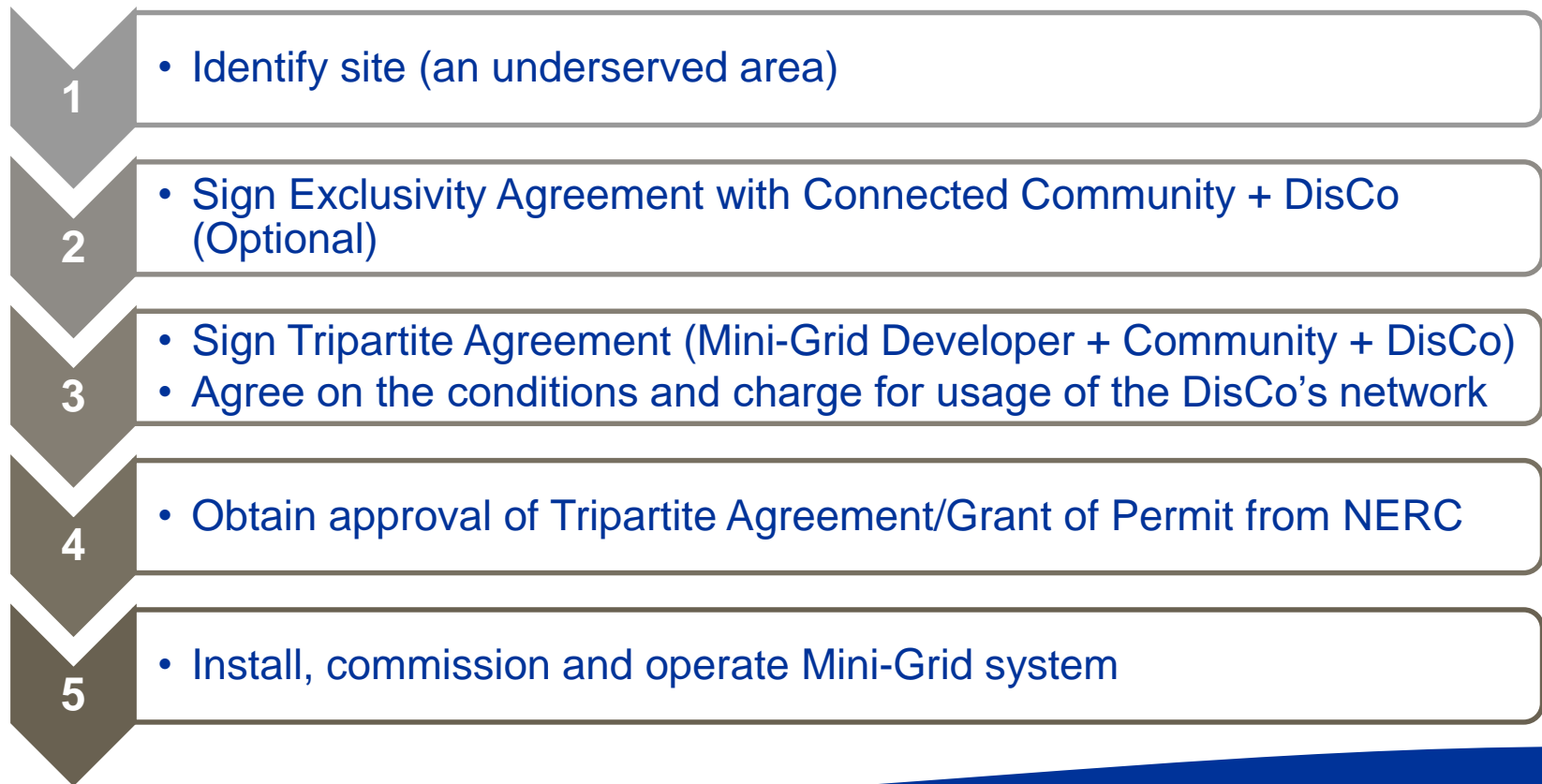


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## 2. Interconnected Mini-Grid Development Process





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### 3. Key Licenses, Permits and Approvals

- **Approval of Tripartite Agreement/Grant of Mini-Grid Permit:** To be procured from NERC in order to commence installation and operation of the Interconnected Mini-Grid System
- **BPE Consent:** BPE's consent is required where a Disco grants usage rights over its network which amounts to a lease or actual license and the infrastructure in respect of which the lease or license is granted has a value exceeding One Million Dollars (\$ 1,000,000.00).
- **Environmental and Social Impact Assessment Certificate:** Procured from the Federal Ministry of Environment (FME).
- **Building/Installation Permit:** Procured from relevant State or Local Government agencies.
- **Factory permit:** Procured from the Director of Factories of the Federation.





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## 4. Compliance Requirements

- Mandatory compliance with the Metering Code, Distribution Code, Nigeria Electricity Supply Installation Standards (NESIS) Regulations and all technical Codes and requirements of NERC.
- Application of the safety guidelines for design, construction, commission, operation and maintenance of the distribution and generation assets (Annex 6 of the Regulation).
- Maintenance of separate accounting records for the Mini-grid business.
- Compliance with existing environmental legislation (this would include EIA obligations)



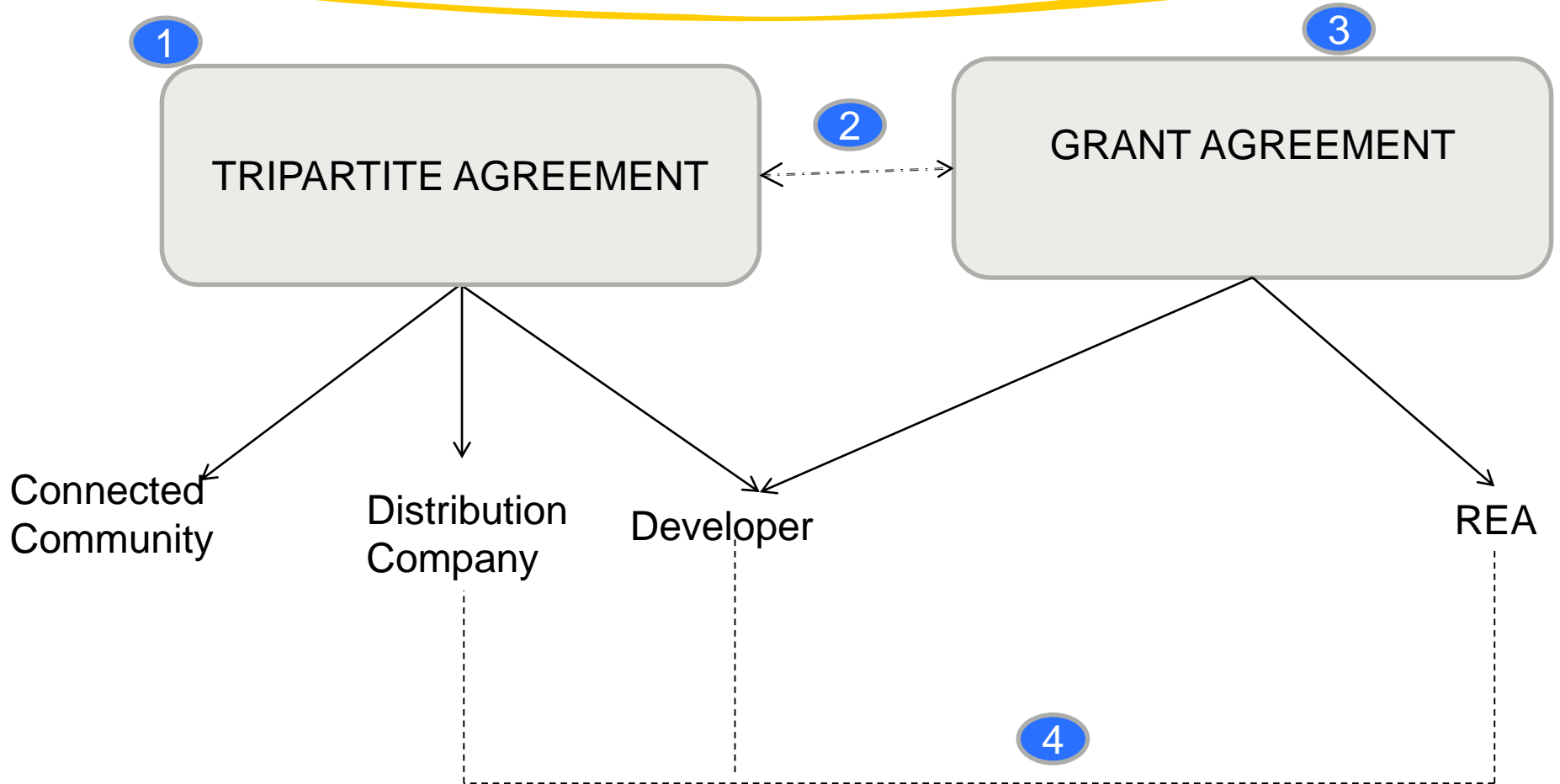
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# CONTRACTUAL FRAMEWORK



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## 5.1. Tripartite Agreement

Issues	Particulars
Parties	Developer; Disco, and Connected Community
Disco Obligations	<ul style="list-style-type: none"><li>• Grant Mini-Grid Developer right of usage over the required portion of the DisCo's network</li><li>• Provide information and required documents to the Developer</li></ul>
Community/ Community Representative Obligations	<ul style="list-style-type: none"><li>• Provide Land</li><li>• Procure payment of tariff by the Community</li><li>• Provide security measures/arrangements</li></ul>



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## 5.2. Tripartite Agreement (Continued)

Issues	Particulars
Mini grid developer obligations	<ul style="list-style-type: none"> <li>• Supply electricity to the Connected Community.</li> <li>• Pay DUoS charges to the DisCo.</li> </ul>
Tariffs	To be fixed using MYTO methodology to be provided by NERC
Ownership of Generation Assets and improvements on DisCo Network	Financing and procurement of the Generation Assets and new installations and improvement on the DisCo network will be agreed by the parties. (Ownership of Grant and Generation Assets with a right of use of Distribution Assets)



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## 5.3 Reintegration and Compensation

- Reintegration can occur in the following circumstances under the Tripartite Agreement:
  - i. Upon expiration of the Tripartite Agreement (provided there is not renewal and subject to notice being given to NERC and the Community's endorsement)
  - ii. Upon termination of the Tripartite Agreement due to a breach (provided that REA does not exercise step-in rights)
- For re-integration to occur, compensation will need to be paid to the Mini-grid Operator for the **Assets** ie generation assets and any improvement made on the distribution network ***outside the grant assets***.
- No compensation will be paid on the grant assets or the distribution network licensed to the Operator. To be transferred to the Disco at no cost



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## 5.3.1 Termination Of The Tripartite Agreement For A Breach By The Mini-grid Developer.

Where the DisCo elects to terminate the agreement due to a breach by the Mini-Grid Developer, the compensation payable shall be either of:

An amount equal to the remaining depreciated value of the Assets as determined during the tariff definition by NERC or

Where the value of the assets have changed since the previous tariff definition by NERC, the Mini-grid operator may initiate an account inspection to determine the depreciated value of the assets. Pending the outcome of the inspection, the Mini-grid Developer shall pay an immediate compensation based on the last tariff definition by NERC and then pay the difference upon conclusion of the inspection.



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## 5.3.2 Termination Of The Tripartite Agreement by the Mini grid Operator For A Breach By The Disco

- Where termination occurs within an initial 5 year period:

Compensation equal to the remaining depreciated value of Assets as defined during the tariff definition by NERC.

+

The revenue the Mini-grid operator generated from the Mini-grid, commencing 12 months prior to the date of termination.





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### 5.3.2 Termination Of The Tripartite Agreement by the Minigrid Operator For A Breach By The Disco (Continued)

- Where the termination occurs after the initial 5 year period:

Compensation equal to the remaining depreciated value of assets as defined during the tariff definition by NERC

+

The revenue the Mini-grid operator generated from the Mini-grid, commencing 12 months prior to the date of termination.



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## 6. Grant Agreement

Issues	Particulars
Parties	<ul style="list-style-type: none"><li>• REA and the Operator</li></ul>
Obligations of REA	Provide grant assets and technical assistance
Obligations of the Developer	<ul style="list-style-type: none"><li>• Achieve Minimum Number of Connections</li><li>• Reach Technical Commissioning</li><li>• Secure sufficient financing for the development of the project.</li><li>• Satisfaction of Conditions Precedent and Subsequent for transfer of license and ownership.</li></ul>



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## 6.1 Grant Agreement (continued)

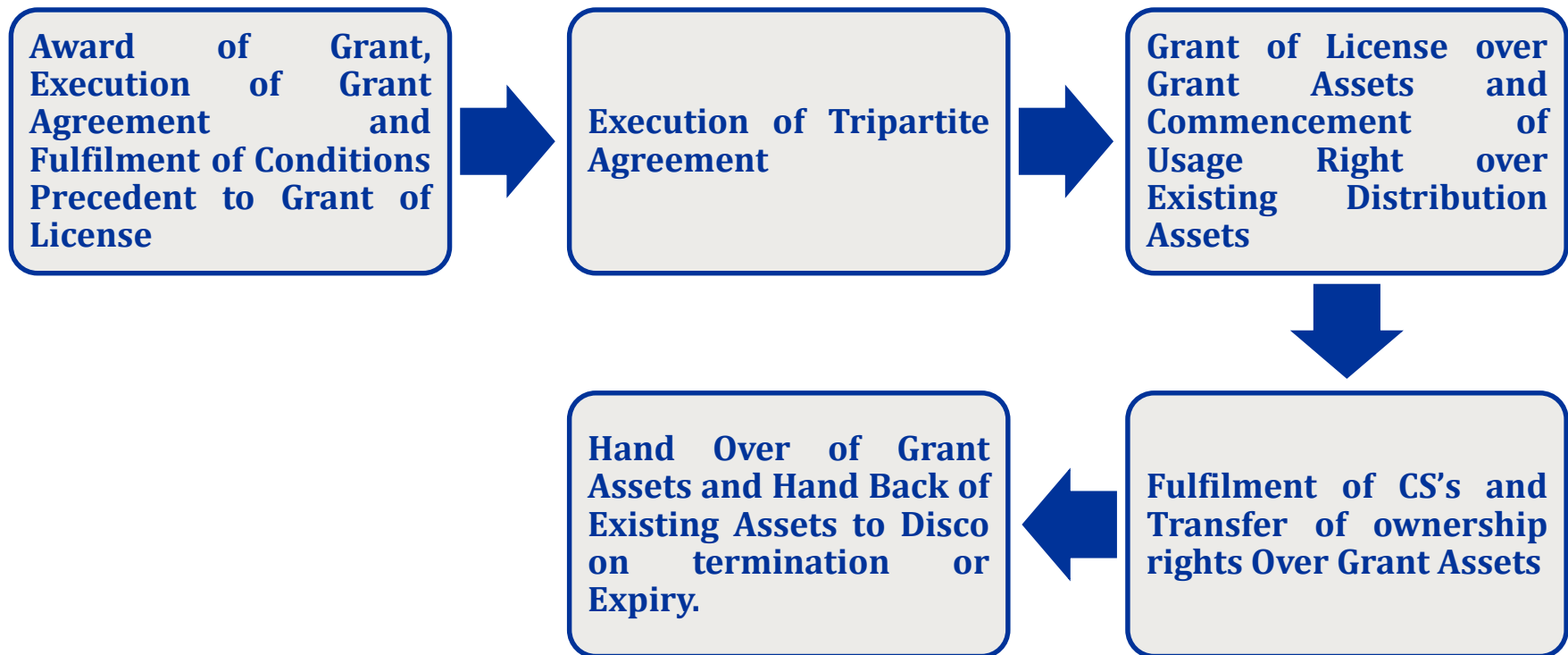
Issues	Particulars
Grant of License and Ownership	The Developer will be granted license and eventual ownership over the grant assets provided the relevant conditions precedent and subsequent are satisfied.
Creating of security	The Developer cannot create security over the grant assets. This is because the grant assets are to be transferred to the Disco who will own the grant assets



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## 7. Flow Chart of IMAS Contractual Framework





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# LAND RELATED ISSUES



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## 8. Acquisition of Land for Mini-Grid Projects

### Land Acquisition Applicable Options

- Outright Purchase Option: Complete transfer of interest in land by a seller to a purchaser for a given price.
- Lease Option: Long Term Lease
- Land as a Gift: Charitable transfer of land made gratuitously to a recipient without any consideration paid

### Preference for Lenders/Investors

- Generally prefer proof of title showing a clear devolution of interest, e.g. Deed of Assignment; Deed of Gift.



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## 8. Acquisition of Land for Mini-Grid Projects (continued)

Can Discos provide land or interest in land to the Developers?



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# QUESTIONS





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**Thank you!**

**Dolapo Kukoyi**  
Partner  
Detail Commercial Solicitors

Detail