



2026

The December Mandate

Navigating TCN's 6.5% Loss-Reduction Order

What the mandate requires.

What it will cost the industrial sector to ignore it.

How A4S builds the resilience architecture between.

REGULATORY
COMPLIANCE



FINANCIAL
RESILIENCE



INSTITUTIONAL
ADVANTAGE

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List of Tables

SECTION 1: THE REGULATORY REALITY CHECK

Table 1.1 Compliance Gap Matrix: NERC/2026/026 vs Current Performance..... 4

SECTION 2: THE INDUSTRIAL “RESILIENCE GAP”

Table 2.1 Financial Leakage Ledger: The Cost of Grid Unreliability 5

Table 2.2 Comparative Industrial Downtime: Nigeria vs Peer Markets 6

SECTION 3: THE A4S INSTITUTIONALIZATION FRAMEWORK

Table 3.1 ISO 50001:2018 Clauses Mapped to Grid-Risk Failure Modes..... 7

Table 3.2 Strategic Mapping Matrix: ISO 50001 Stages vs NERC Cadence 7

SECTION 4: THE 2026–2027 RESILIENCE ROADMAP

Table 4.1 The July-to-December C-Suite Checklist 9

List of Abbreviations

A4S	Audit, Advisory, Assurance & Assessment Services (A4S Limited)
CBN	Central Bank of Nigeria
EnMS	Energy Management System
EnPI	Energy Performance Indicator
ISO	International Organisation for Standardisation
kWh	Kilowatt-hour
MAN	Manufacturers Association of Nigeria
MW	Megawatt
MYTO	Multi-Year Tariff Order
NERC	Nigerian Electricity Regulatory Commission
NISO	Nigerian Independent System Operator
NMDPRA	Nigerian Midstream and Downstream Petroleum Regulatory Authority
QMS	Quality Management System
TCN	Transmission Company of Nigeria
TLF	Transmission Loss Factor

THE REGULATORY REALITY CHECK

The December Mandate

Navigating TCN's 6.5% Loss-Reduction Order under NERC/2026/026

NERC Order No. NERC/2026/026, dated 8 April 2026 and effective 13 April 2026, redraws the accountability map for Nigeria's transmission grid. It ends the era of national-average reporting and replaces it with region-level exposure, a shift the Board must treat as structural, not administrative.

8.71% National TLF, 2024 baseline SOURCE: NISO / NERC statement, Apr 2026	7.24% National TLF, 2025; still non-compliant SOURCE: NISO / NERC statement, Apr 2026	6.5% Mandated per-region ceiling, Dec 2026 SOURCE: Order NERC/2026/026	0 Grace periods or averaging exemptions SOURCE: Order NERC/2026/026, Reg. 2–3
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1.1 Decoding the Mandate

Three structural moves define the Order, and each removes a place where TCN and dependent industrial users could previously hide:

- ▶ **From national to regional accountability.** TCN can no longer rely on a blended national figure; performance is now scored region-by-region.¹
- ▶ **Hard deadline, hard number.** TCN must cap Transmission Loss Factor (TLF) at **≤6.5%** in every transmission region by **31 December 2026**.²
- ▶ **Enforcement infrastructure, not paperwork.** NISO must install smart meters at all regional interconnection points and file **quarterly regional TLF reports**; TCN must file a **corrective action plan by 31 July 2026** for any region above benchmark.^{1,3}

This is a transparency mechanism engineered to expose underperformance at the facility level, not a routine compliance refresh.

1.2 The Failure of the Status Quo

National-average reporting has functioned as a shield, not a scorecard:

- ▶ National TLF fell from **8.71% (2024) to 7.24% (2025)** Error! Bookmark not defined.⁴ A headline improvement industry voices have used to claim progress.
- ▶ That figure still **breaches the 7% MYTO benchmark** that NERC itself approved.^{2,3}
- ▶ Averaging **masks regional failure**: a well-performing region can offset and conceal a chronically leaking one. Regional disclosure ends that concealment.
- ▶ Grid-edge inefficiency (ageing equipment, transformer degradation, suboptimal switching) has been invisible in national statistics precisely because it is diluted across regions.³

¹ Tauna, A. (2026). NERC introduces new rules to reduce electricity transmission losses. Daily Post Nigeria. <https://dailypost.ng/2026/04/13/nerc-introduces-new-rules-to-reduce-electricity-transmission-losses/>

² Addeh, E. (2026). NERC Orders TCN To Cut Transmission Loss To 6.5%, Issues New Mini-Grid Regulation. Arise News, <https://www.arise.tv/nerc-orders-tcn-to-cut-transmission-loss-to-6-5-issues-new-mini-grid-regulation/>

³ Olawin, D. (2026). NERC orders TCN to cut losses. Punch Newspapers. <https://punchng.com/nerc-orders-tcn-to-cut-losses/>

⁴ Nigerian Electricity Regulatory Commission. (2026, January). Commercial performance of distribution companies (DisCos) [Factsheet]. https://nerc.gov.ng/wp-content/uploads/2026/04/Commercial_Factsheet_Jan-2026-merged.pdf

1.3 Compliance Gap Matrix

Metric	2024	2025	MYTO Benchmark	New Regional Mandate
National Avg. TLF	8.71% ^{1,2}	7.24% ^{1,2}	7.00% ^{1,3}	6.5% per region ^{1,2}
Reporting Basis	National average	National average	National average	Regional / per-zone
Disclosure Cadence	Annual / ad hoc	Annual / ad hoc	Annual	Quarterly ^{1,3}
Accountability Owner	TCN (aggregate)	TCN (aggregate)	TCN (aggregate)	TCN per-region + NISO metering ¹

Table 1.1 · Compliance Gap Matrix: NERC/2026/026 vs Current Performance

Figures reflect verified NERC/NISO disclosures.

KEY TAKEAWAY

The 0.74-point gap between the 2025 national average and the MYTO benchmark looks small on paper. It is not. It must now be closed **at the level of the worst-performing region**, under quarterly public disclosure, with a corrective plan due in **under four weeks of this briefing's issue date**. A firm citing "national improvement" as evidence of readiness is measuring the wrong variable.

1.4 Financial Risk Mitigation: The "So What"

- ▶ **Disclosure risk is now structural, not cyclical.** Any region breaching 6.5% is quarterly visible to the regulator, and, by extension, to credit assessors and industrial off-takers who read NERC filings.
- ▶ **The action-plan deadline (31 July 2026) is a de facto credibility test.** Firms without a defensible, documented reduction pathway by that date enter H2 2026 already flagged.
- ▶ **Early, evidenced compliance is a market signal.** In a tightening credit environment, demonstrable regional-level grid discipline becomes a differentiator in financing and off-take negotiations, developed fully in Section 4.

THE INDUSTRIAL “RESILIENCE GAP”

The Cost of Standing Still

What grid loss actually costs the industrial users who can least absorb it

Transmission loss is not an abstract engineering statistic. For industrial power users, every percentage point translates directly into diesel spend, downtime, and eroded margin. This section converts the regulatory gap in Section 1 into balance-sheet language.

2.1 Economic Impact: From “Transmission Loss” to “Financial Leakage”

Grid unreliability has already forced Nigerian industry into a parallel, self-funded power system, and the ledger is now measured in trillions of naira, not megawatts:

Line Item	Figure	Source
Manufacturers' spend on alternative energy, 2025	₦1.11tn	MAN, 2026; up 42.3% YoY from ₦781.68bn ⁵
National diesel spend by manufacturers, Mar–Apr 2026 (2 months)	₦1.83tn	NMDPRA data, reported May 2026
Power-related costs as a share of operating costs	~40%	Manufacturers Association of Nigeria (MAN) ⁶
Cost premium of self-generated vs grid power	≈3×	World Bank study: \$0.47/kWh self-gen average ⁷
Nigerian firms are reliant on diesel generators	80%+	World Bank Enterprise Survey, 2024 ⁷

Table 2.1 · Financial Leakage Ledger: The Cost of Grid Unreliability

Every point of unresolved transmission loss is a direct subsidy industrial users pay to diesel importers instead of to their own margins.

2.2 Operational Risk: Grid Volatility and Industrial Survival

The link between grid instability and industrial viability is now a matter of comparative record, not conjecture:

- ▶ **Nigeria's grid collapsed 12 times in H1 2024 alone**, with continued failures reported into 2026.⁸
- ▶ **Nigeria's industrial clusters regularly exceed 200 outage-hours per month** against a Sub-Saharan African average of 56 hours.⁸
- ▶ **Nigeria posts the worst downtime record surveyed on the continent**: 190 of 365 days affected by outages, versus 2 days in South Africa.⁷

⁵ Nwafor, A. (2026). Manufacturers Spent ₦1.34tn on Alternative Energy in 2025. MAN. *Punch Newspapers*, <https://punchng.com/manufacturers-spent-n1-34tn-on-alternative-energy-in-2025-man/>
⁶ The Whistler Nigeria. (2026). Manufacturers Spent ₦1.83tn On Diesel Amid Rising Energy Costs. (NMDPRA data).

⁷ Awodipe, T. (2025). Manufacturers Lament as Nigeria Tops 2025 Power Outage. *The Guardian Nigeria*. <https://guardian.ng/business-services/industry/manufacturers-lament-as-nigeria-tops-2025-power-outage/>

⁸ Energy Transition Africa. (2026). Nigeria's \$14 Billion Generator Economy. (Central Bank of Nigeria; Afrobarometer, 2024).

Market	Annual Downtime	Position
Nigeria	190 days / 365 ⁷	Worst-ranked, 2024 survey
Kenya	11 days ⁷	—
Zambia	8 days ⁷	—
Senegal	6 days ⁷	—
South Africa	2 days ⁷	Best-ranked, 2024 survey

Table 2.2 · Comparative Industrial Downtime: Nigeria vs Peer Markets

The regulatory response to this risk is already visible: over 250 manufacturers, tertiary institutions, and large commercial entities have partially or fully exited the national grid, and NERC-approved captive power permits exceeding 130 MW in Q4 2026 alone, a direct erosion of the load base against which TCN's transmission-loss metrics are calculated.

A4S RESILIENCE ESTIMATE: PLANNING METRIC

Every 0.5-point reduction in regional transmission loss narrows the reliability gap that currently drives Nigerian industrial users toward diesel dependency.

At today's >200 hours/month of industrial-cluster outages and a ~3× self-generation cost premium, closing the 0.74-point gap to the MYTO benchmark is directionally worth single-digit percentage points of recovered grid-supplied uptime per industrial user, the margin between running a shift on grid power and running it on diesel.

This is a directional planning estimate derived from NISO/NERC loss data and World Bank outage benchmarks, not a certified empirical finding. A4S recommends commissioning facility-level metering data to convert this into a client-specific uptime model.

2.3 The “So What”: Competitive Advantage or Terminal Cost Drag

- ▶ **This is not a cost line; it is a competitiveness gap.** Firms absorbing a 3× power-cost premium cannot price competitively against regional peers on stable grids.
- ▶ **Grid-exit is a rational but costly hedge.** Every large user that exists to capture power removes revenue from the base TCN needs to fund grid-wide loss reduction, a feedback loop that compounds the mandate's urgency.
- ▶ **Board exposure is now quantifiable.** The financial leakage and downtime figures above are the numbers a credit committee or institutional investor will ask for; firms without them are negotiating blind. Section 3 sets out the framework that converts this exposure into a governed, auditable resilience posture.

THE A4S INSTITUTIONALISATION FRAMEWORK

From Audit to Architecture

Engineering ISO 50001 as the operating system for regulatory resilience

Section 1 established the mandate. Section 2 priced the cost of ignoring it. This section sets out the operational engine that converts compliance from a recurring liability into a governed, standing competitive asset.

3.1 The ISO Engine: ISO 50001 as Operational Architecture

ISO 50001:2018 is not a certification target; it is a monitoring and control architecture. Applied deliberately, its clauses map directly onto the mechanics of NERC/2026/026:

ISO 50001:2018 Clause	Operational Function	Grid-Risk Failure Mode: It Prevents	NERC Alignment
Cl. 6.3: Energy Review	Identify significant energy uses and loss exposure across facilities	Blind exposure to regional TLF breaches before they appear in NERC filings	Feeds regional baseline
Cl. 6.4: EnPIs	Set energy performance indicators tracked against a fixed baseline	Inability to demonstrate an improvement trajectory to the regulator	Mirrors NISO's TLF metric
Cl. 6.5: Energy Baseline	Establish a defensible reference point for measuring improvement	No credible before/after evidence for the July action plan	Anchors corrective action plan
Cl. 9.2: Internal Audit	Independently verify energy/loss data before external disclosure	Filing errors or overstated progress discovered by the regulator, not the firm	Pre-validates quarterly filings
Cl. 10.2: Corrective Action	Root-cause and close out non-conformances on a documented cycle	Recurring breaches with no institutional learning between quarters	Structure the July 31 plan

Table 3.1 · ISO 50001:2018 Clauses Mapped to Grid-Risk Failure Modes

Globally, disciplined ISO 50001 implementation is associated with measured energy performance gains of 15–20% on average, with leading single-site cases documenting reductions above 35%.

3.2 Strategic Mapping Matrix: ISO 50001 Stages vs NERC Cadence

The A4S model is sequenced to land ahead of, not behind, each regulatory checkpoint between now and the December deadline:

Window	ISO 50001 Implementation Stage	NERC/NISO Requirement Due	Strategic Outcome
Jul 2026	Energy review + significant-use mapping (Cl. 6.3)	TCN corrective action plan due 31 Jul ¹	Plan is evidence-based, not aspirational.
Q3 2026	Baseline + EnPI design (Cl. 6.4–6.5)	First quarterly regional TLF filing window ¹	Internally verified numbers before filing

Window	ISO 50001 Implementation Stage	NERC/NISO Requirement Due	Strategic Outcome
Q4 2026	Internal audit cycle live (Cl. 9.2)	NISO smart-meter rollout at interconnection points ¹	Metered data reconciled ahead of NISO
Dec 2026	Corrective action + management review (Cl. 10.2, 9.3)	Hard deadline: ≤6.5% regional TLF ceiling ¹	Compliance demonstrable, not asserted
KEY TAKEAWAY The firms that treat ISO 50001 as a certification project will be scrambling for documentation in November. The firms that treat it as operating architecture will walk into each NERC filing window with verified numbers already in hand. That gap is entirely a function of when engagement begins, not of resources or scale.			

Table 3.2 · Strategic Mapping Matrix: ISO 50001 Stages vs NERC Cadence.

3.4 The “So What”: Compliance as Competitive Advantage

- ▶ **Verified numbers outrun asserted numbers.** An internally audited TLF trajectory is a stronger credit and investor signal than a narrative claim of progress.
- ▶ **Institutionalisation outlasts personnel change.** Because the architecture is procedural, not person-dependent, it survives leadership transitions where certificate-only compliance historically has not.
- ▶ **The gateway effect compounds.** An operational ISO 50001 system is the fastest path to ISO 27001-grade data integrity for NISO's metering interface, positioning early movers for the next layer of regulatory scrutiny before it is mandated.

THE 2026–2027 RESILIENCE ROADMAP

The Window to Act

From regulatory mandate to governed advantage, on a fixed six-month clock

Everything in Sections 1–3 converges on one operating question for the Board: what happens between now and 31 December 2026. This roadmap answers it.

4.1 Immediate Action: The July-to-December Checklist

A single governance cycle, sequenced against the mandate's own checkpoints, not a generic ESG calendar:

Month	C-Suite Action	Regulatory Trigger
Jul 2026	Commission energy review; nominate internal QMS/EnMS owner	Corrective action plan due 31 Jul ¹
Aug 2026	Approve energy baseline and EnPI methodology at the Board level	Baseline period should predate Q3 filing
Sep 2026	Train internal audit team; run first dry-run of TLF data reconciliation	First quarterly regional filing window ¹
Oct 2026	Reconcile facility metering against NISO interconnection data	NISO smart-meter rollout in progress ¹
Nov 2026	Close out non-conformances; brief lenders/investors on verified trajectory.	Pre-empt Q4 credit review cycles.
Dec 2026	Management review: publish compliance evidence ahead of the deadline	Hard deadline: ≤6.5% regional TLF ¹

Table 4.1 · Key gaps in Nigerian institutional quality governance versus documented international outcomes.

4.2 Strategic Advantage: Credit and Investor Confidence in a Tightening Market

- ▶ **Capital is expensive and selective right now.** Manufacturers face average prime lending rates of 27.45%, with maximum rates reaching 35.6% as of May 2026. Borrowing for long-term capex is, in MAN's own terms, “financially unviable” without a stronger credit story.⁹
- ▶ **Nigeria's power sector has a documented credibility gap.** A June 2026 DataPro rating brief found that investors “struggle to accurately assess risks” in a market with uncertain revenue streams and identified credit ratings and transparency as the direct fix.¹⁰
- ▶ **Capital is already rotating toward verifiable, hard-asset energy credits.** Energy-linked issuers now dominate Nigeria's corporate bond market as investors reward tangible, dollar-linked revenue over narrative-based risk.¹¹

KEY TAKEAWAY

A verified TLF trajectory, an internally audited EnMS, and a documented corrective-action record are precisely the artefacts DataPro and institutional lenders are asking the sector to produce. **Firms that walk into 2027 with this evidence already in hand will price capital differently than firms that walk in with a narrative.**

⁹ H1 2026: High interest rates, credit crunch remain disincentives to private-sector investment. (2026). *Nigerian Tribune*. In *The Free Library*. Retrieved July 20, 2026, from <https://www.thefreelibrary.com/H1+2026%3a+High+interest+rates%2c+credit+crunch+remain+disincentives+to...-a0895026031>

¹⁰ Bello, O. (2026). Nigeria's power sector needs credit ratings to attract long-term investment – Report. *LEADERSHIP*. <https://leadership.ng/nigerias-power-sector-needs-credit-ratings-to-attract-long-term-investment-report/>

¹¹ Naija247news Intelligence Desk. (2026, June 7). *Energy credits dominate Nigeria's corporate debt market as investors rotate into hard-asset backed yields*. Naija247news. <https://naija247news.com/energy-credits-dominate-nigerias-corporate-debt-market-as-investors-rotate-into-hard-asset-backed-yields/>

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