

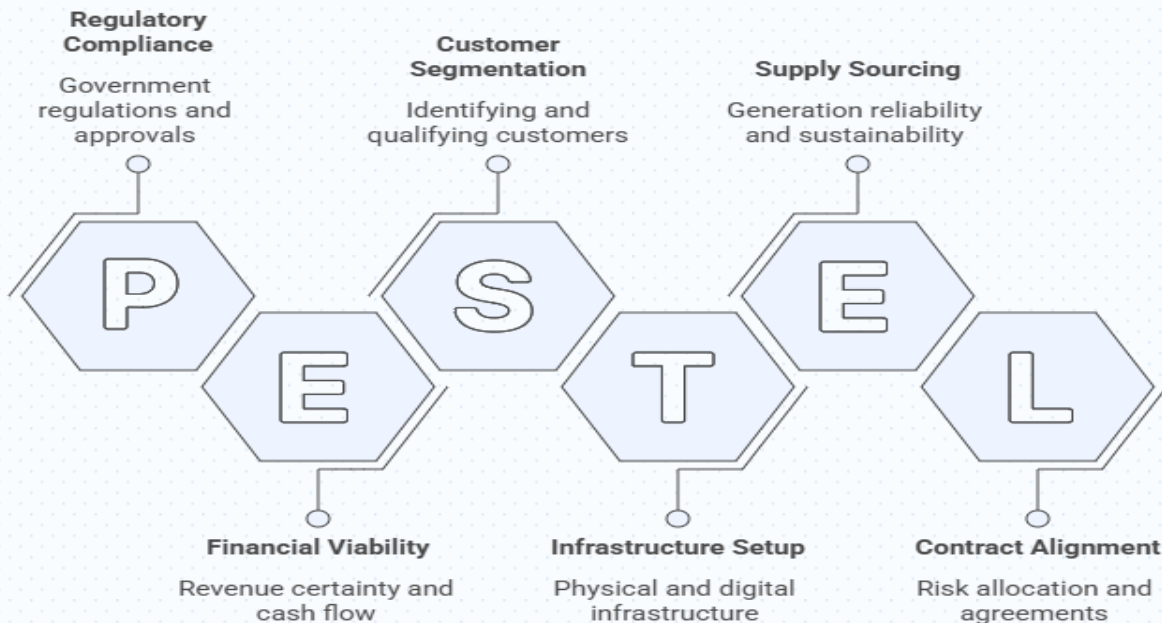
PIIL

Power Investment Incubation Limited

Strategic Energy Guidance.
Legal Precision. Market Insights.

Electricity Trader Market Entry Checklist for Nigeria

Licensing, Regulatory & Compliance Readiness



Power Investment Incubation Limited
No. 62 Newark Avenue, Sun City Estate, Abuja FCT, Nigeria
[+2349037747809](tel:+2349037747809) (Phone/WhatsApp) | info@powerincubation.com
<https://powerincubation.com>

Electricity Trader Market Entry Checklist: *Licensing, Regulatory & Compliance* *Readiness for Electricity Traders*

1. Market Entry Strategy & Positioning

Before engaging regulators or counterparties, clarity of purpose is essential.

- Define trading model (broker, intermediary, structured trader)
 - Confirm target markets (DisCos, Eligible Customers, international buyers)
 - Identify customer segments (C&I, industrial clusters, government, telecoms)
 - Assess demand, tariff environment, and reliability gaps
 - Develop a clear business plan aligned with license scope
 - Determine regulatory jurisdiction (federal vs state framework)
-

2. Licensing & Regulatory Readiness

A trader operates within a tightly regulated market. Early alignment reduces delays.

- Review electricity trading license terms and conditions
 - Confirm applicability of Eligible Customer regulations
 - Identify all required approvals (federal and/or state regulators)
 - Prepare and submit key agreements for regulatory approval (PPA, PSA, SOLR)
 - Register with Market Operator (MO) and System Operator (SO)
 - Confirm participation requirements for scheduling, dispatch, and settlement
 - Secure any franchising or special approvals (where applicable)
-

3. Generation Supply Sourcing

A trader is only as strong as its supply base.

- Identify generation sources (GenCos, IPPs, renewable suppliers)
 - Confirm available capacity (contracted vs uncontracted MW)
 - Assess generation reliability (fuel constraints, outages)
 - Evaluate proximity to load centers
 - Review underlying fuel arrangements (e.g., gas supply adequacy)
 - Diversify supply sources to reduce concentration risk
-

4. Off-taker Identification & Qualification

Revenue certainty begins with the right customers.

- Identify prospective off-takers aligned with trading model
 - Assess load profile and consumption patterns
 - Evaluate creditworthiness and payment behavior
 - Confirm willingness to execute Power Sale Agreements (PSAs)
 - Assess network connectivity (transmission vs distribution)
 - Prioritize clustered customers for risk diversification
-

5. Technical & Commercial Feasibility

A viable trade must work both commercially and physically.

- Conduct load flow and grid impact studies
 - Assess transmission and distribution constraints
 - Evaluate wheeling capacity and network stability
 - Perform infrastructure audit (lines, substations, metering)
 - Validate technical feasibility before contracting
-

6. Contract Structuring & Risk Allocation

The strength of a trader lies in contract alignment.

Core Transaction Agreements

- Execute Power Purchase Agreement (PPA) with generators
- Execute Power Sale Agreement (PSA) with customers
- Secure Seller of Last Resort (SOLR) arrangement (if required)
- Align upstream and downstream contract terms (back-to-back structure)

Supporting Agreements

- Transmission and distribution use-of-system agreements
- EPC contracts for required infrastructure upgrades
- Operations & Maintenance (O&M) agreements

Financial & Risk Instruments

- Establish payment security (LCs, guarantees, escrow structures)
 - Arrange financing (equity/debt, if required)
 - Consider political risk insurance (e.g., MIGA)
-

7. Regulatory Compliance Execution

Compliance is not a milestone; it is continuous.

- Ensure all agreements receive regulatory approval
 - Maintain ongoing engagement with regulator(s)
 - Align operations with market rules and grid codes
 - Establish internal compliance monitoring processes
-

8. Infrastructure & Systems Setup

Trading requires both physical and digital infrastructure.

- Coordinate grid connection (TCN/DisCo interface)
 - Upgrade substations, lines, and protection systems (if required)
 - Install metering systems at delivery and interconnection points
 - Deploy contract management systems
 - Implement energy accounting, settlement, and invoicing platforms
 - Set up Renewable Energy Credit (REC) tracking (if applicable)
-

9. System Integration & Testing

Before revenue flows, systems must work end-to-end.

- Conduct system integration testing
 - Perform energization and commissioning
 - Test full delivery chain (GenCo → grid → customer)
 - Validate metering accuracy and data integrity
-

10. Market Operations & Trading Execution

This is where the trading model becomes real.

- Schedule dispatch with system operator
 - Coordinate real-time operations across all parties
 - Begin physical electricity delivery
 - Monitor supply-demand balance continuously
-

11. Billing, Settlement & Cash Flow Management

Cash discipline determines sustainability.

- Interface with Market Operator for settlement statements
 - Issue invoices in line with PSA terms
 - Process payments to generators under PPA
 - Reconcile transactions using verified meter data
 - Monitor receivables and enforce payment security
-

12. Performance Monitoring & Compliance Reporting

Sustained participation requires discipline and transparency.

- Track reliability and service-level performance
 - Submit periodic compliance reports to regulators
 - Conduct internal audits and technical reviews
 - Continuously optimize portfolio performance
-

13. Critical Success Safeguards

These are not optional; they are decisive.

- Ensure back-to-back contract alignment to avoid stranded risk
 - Validate technical feasibility before commercial commitments
 - Maintain strong payment security structures
 - Diversify customer base and supply sources
 - Engage regulators proactively, not reactively
-

Closing Insight

An energy trader does not create power; it creates structure, discipline, and trust across the value chain. The market rewards those who align contracts, infrastructure, and regulation into a single coherent system.

Power Investment Incubation Limited

62 Newark Avenue, Sun City Estate, Abuja FCT, Nigeria

Registration No. 1129498

<https://powerincubation.com>

+2349037747809 (Phone/WhatsApp)

info@powerincubation.com