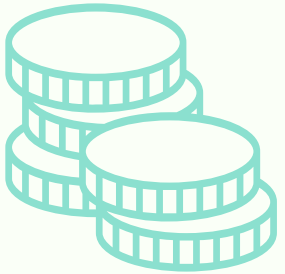
RENEWABLES FIRST

Pakistan's Electricity Tariff Bulletin

Q1 FY2026



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Acknowledgement:

We would also like to acknowledge Herald Analytics for their valuable time and contribution to the review.

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Disclaimer:

All the information and analysis provided in this document is accurate and to the best of our knowledge and understanding. In case you identify any error, feel free to reach out to us at: info@renewablesfirst.org

What are quarterly tariff adjustments (QTAs)?

NEPRA notifies annual tariffs at the beginning of each fiscal year. Over the course of the year, adjustments are made under the quarterly tariff adjustment (QTA) mechanism to account for variations in different cost components:

- Capacity charges
- Use of system charges (UoSC)/ Market operator fees (MoF)
- Variable operations and maintenance (O&M) costs
- Fuel charges adjustment (FCA) impact on transmission and distribution (T&D) losses

NEPRA verifies the submissions made by DISCOs and then notifies a uniform adjustment applicable to all DISCOs and K-Electric.

#RFQuartelyTariffBulletin

Key Highlights

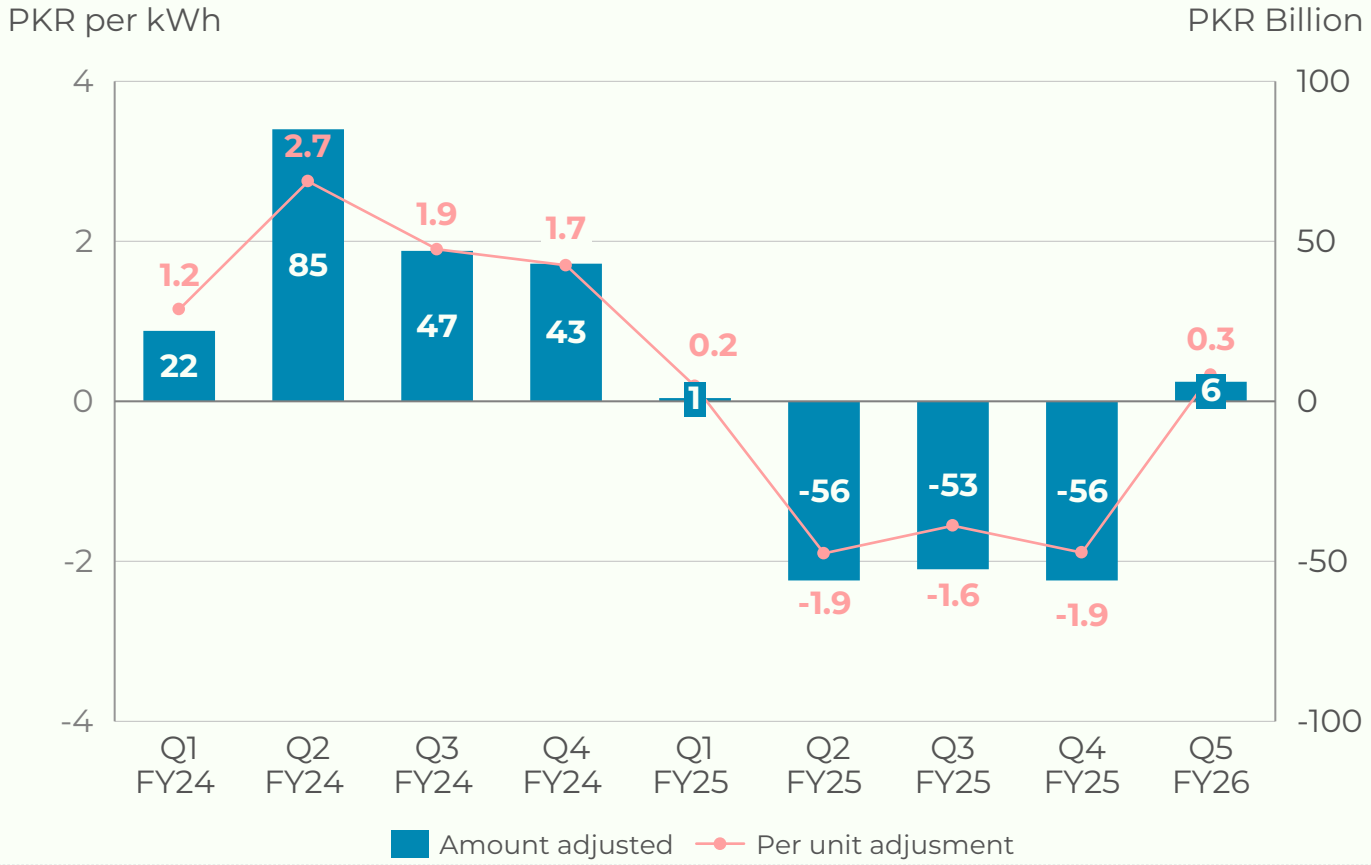
- NEPRA approved a PKR 6 B (billion) QTA for Q1 FY26, resulting in a uniform PKR 0.33 per kWh increase for the billing period Dec 25 – Feb 26.
- Capacity payments drove the adjustment positive, even as power generation fell 5% below the projections; fixed costs remain elevated due to take-or-pay obligations.
- DISCO-level costs vary sharply, but a uniform national adjustment applies, shifting costs from high-loss DISCOs with load-shedding to more efficient ones.

#RFQuartelyTariffBulletin

Note Fiscal year (FY) 2026 refers to July 2025 – June 2026.

NEPRA approves PKR 6 B QTA, ending three-quarter streak of negative adjustments

Quarterly tariff adjustments, FY24 – Q1 FY26



- NEPRA has approved a QTA of PKR 6 B for Q1 FY26, translating into a positive adjustment of PKR 0.33 per kWh for all DISCO and K-Electric consumers, except lifeline and prepaid users.
- The adjustment will apply to the average projected tariff of PKR 32.04 per kWh for the billing period Dec 25 to Feb 26.
- It marks a sharp QoQ reversal after three consecutive quarters of negative adjustments driven by one-off IPP contract renegotiations and terminations.

Data Source: NEPRA & Renewables First's calculations

Capacity payments dominate QTA, pushing adjustments positive despite earlier IPP savings

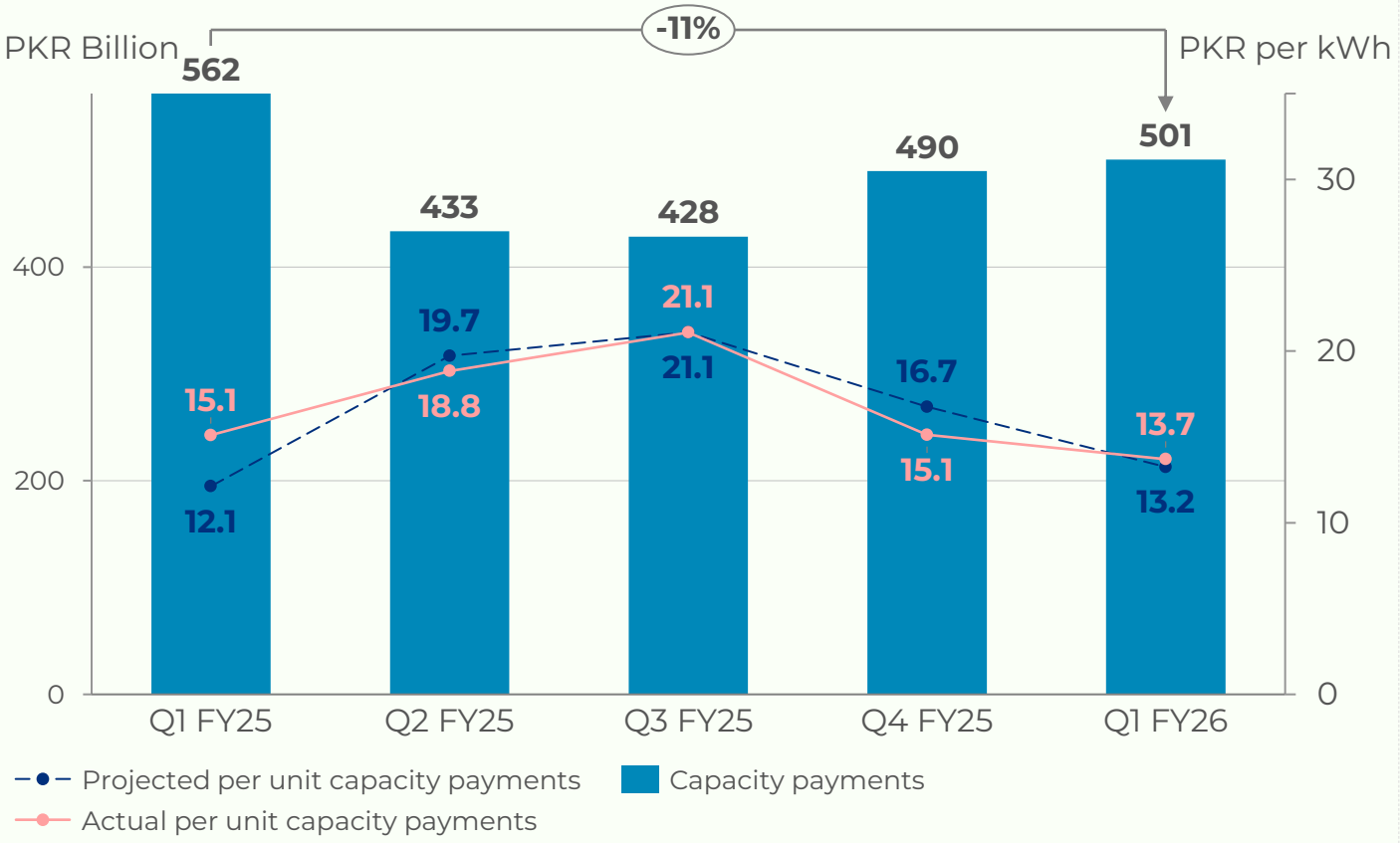
Component-wise breakdown of quarterly adjustment, Q1 FY26

- Capacity payments account for the largest adjustment at PKR 20 B, driving the overall QTA into a net increase. Without the offset from the remaining components, the adjustment would have been substantially larger.
- Despite IPP contract renegotiations and terminations, the QTA remains positive because these savings have already been embedded in the rebased FY26 tariff reference. Since these changes occurred mid-FY25 and were not reflected in FY25 projections, they had earlier resulted in negative quarterly adjustments.

Data Source: NEPRA & Renewables First's calculations

Idle capacity and merit order deviations drive rising capacity payments

Quarterly capacity payments and per unit impact, FY25 - Q1FY26

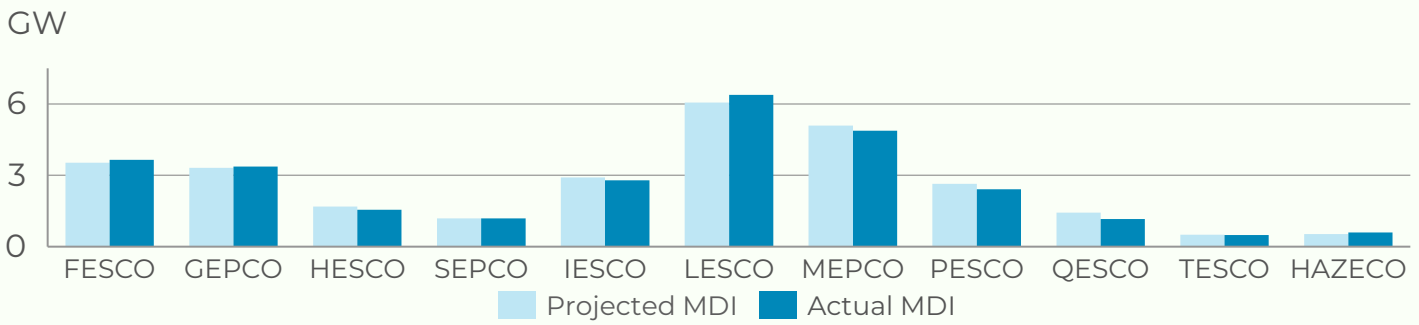


- Generation in Q1 was 5% lower than projected, reflecting weaker-than-expected demand conditions.
- Despite the 11% YoY dip, capacity payments are up 15% since Q2 FY25, indicating a rising fixed-cost burden due to take-or-pay contracts and violations of economic merit order.
- Low utilization of thermal plants under weaker demand conditions increases per-unit capacity payments over projections, as fixed costs are recovered over fewer dispatched units, sustaining tariff pressure.

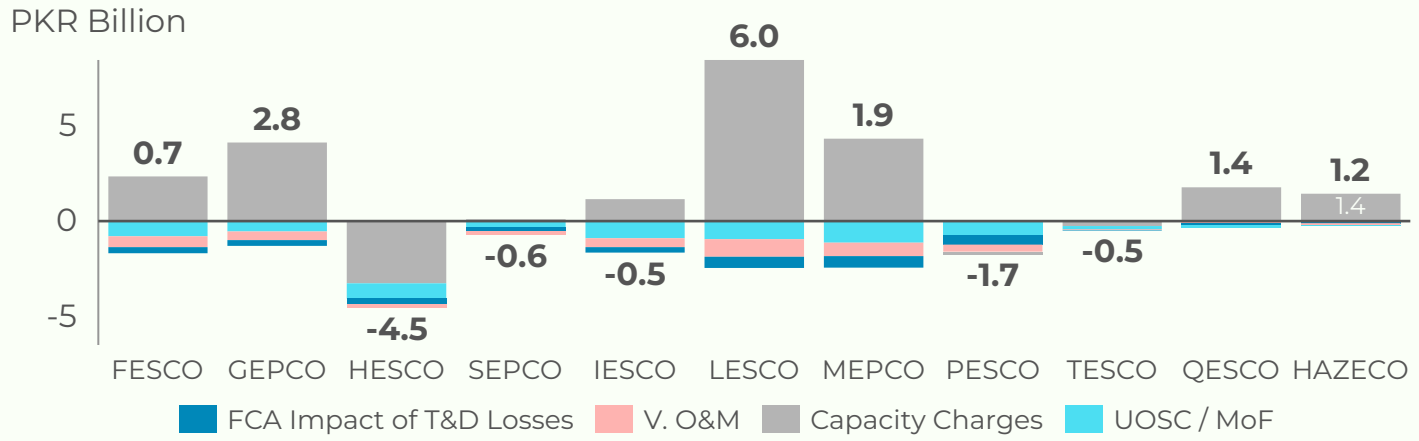
Data Source: NEPRA & Renewables First's calculations

Efficient DISCOs face higher QTAs while load-shedding shields high-loss utilities

Projected vs actual MDI, Q1 FY26



DISCO-wise quarterly adjustment, Q1 FY26



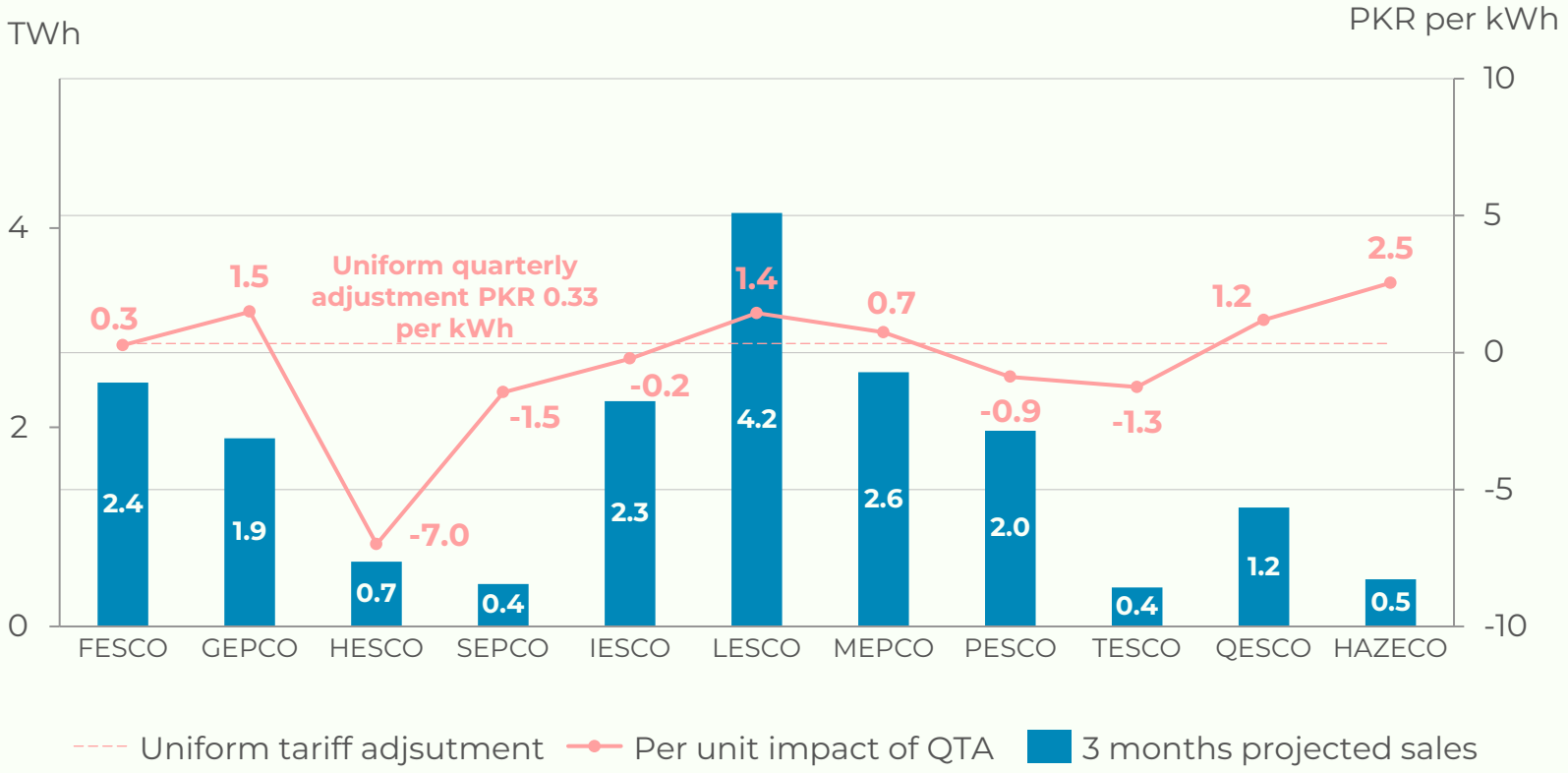
- Quarterly adjustments differ sharply across DISCOs. LESCO, GEPCO and MEPCO showing large positive adjustments driven mainly by capacity charges.
- High-loss DISCOs like HESCO and PESCO show negative adjustments.
- The negative capacity-charge adjustments for HESCO, TESCO and PESCO stem from extensive load-shedding, which lowers their Maximum Demand Indicator (MDI)* and therefore reduces their allocated share of capacity charges.

Data Source: NEPRA & Renewables First's calculations

*MDI of a DISCO represents the highest level of electricity demand recorded on the distribution network during the specific period.

Uniform nation-wide QTA averages mask regional variations in DISCO performance

DISCO wise per unit impact of quarterly adjustments, Q1 FY26



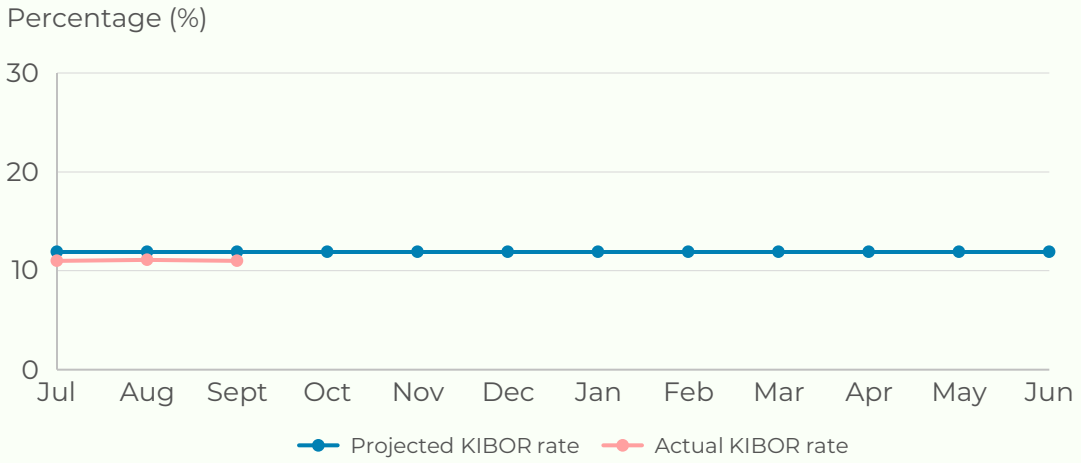
- Despite these differences in DISCO-wise patterns, a uniform quarterly adjustment of PKR 0.33 per kWh will apply nationwide, meaning regional performance does not translate into differentiated tariffs.
- As a result, consumers in efficient DISCOs pay more than their local cost burden, while those in high-loss or load-shedding areas pay less. For consumers of HESCO, TESCO and PESCO, this creates a double jeopardy: receiving less electricity but still paying the same nationalized charge.
- Positive QTA (and likely positive FCA in these winter months) could push consumers further away from using grid electricity depending on how the proposed prosumer policy is adopted.

Data Source: NEPRA & Renewables First's calculations

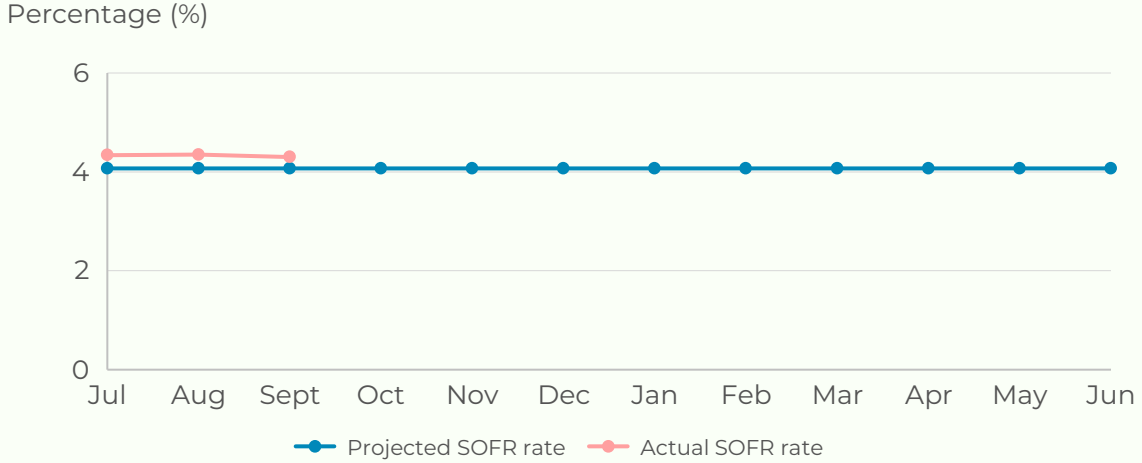
MACRO ECONOMIC TRENDS FY26

Despite relief from lower-than-projected KIBOR and inflation, modest exchange rate and SOFR pressures contributed to positive QTA

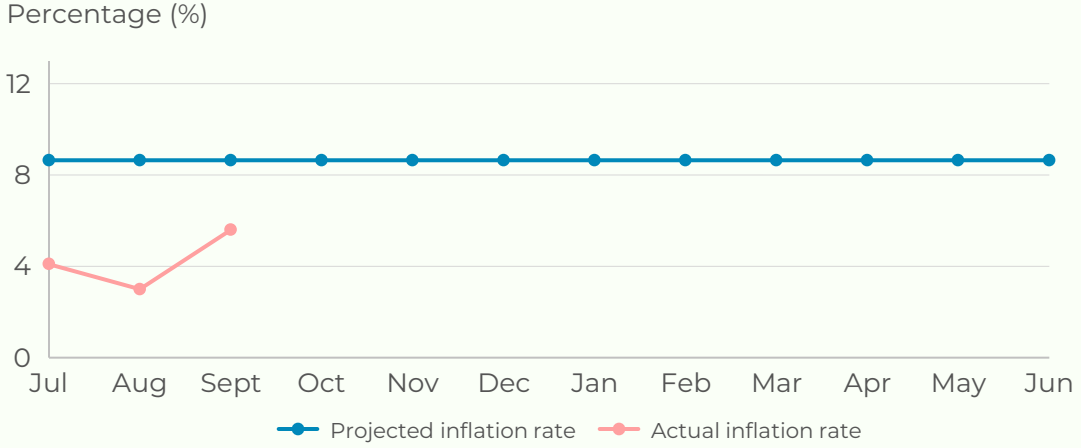
KIBOR rate for FY26, projected vs actual



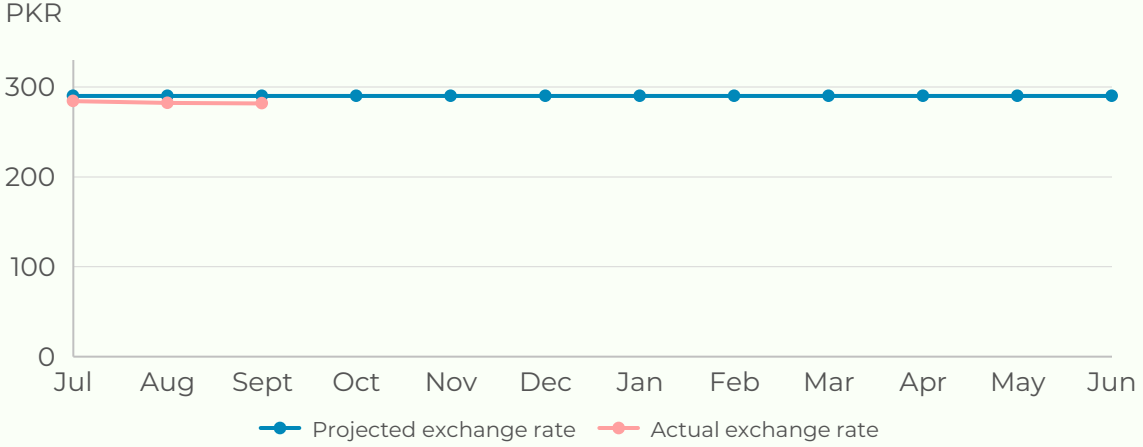
SOFR rate for FY26, projected vs actual



CPI local for FY26, projected vs actual



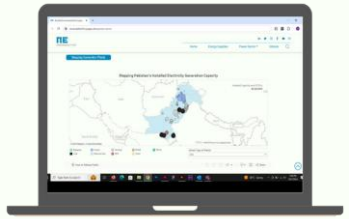
Exchange rate FY26, projected vs actual



Data Source: NEPRA & Renewables First's calculations

For more insights, visit:

Pakistan Energy and Climate Insights Dashboard



www.peci.renewablesfirst.org

PECI, an initiative of Renewables First, is an innovative platform that consolidates fragmented energy data from various agencies, supporting informed decision-making across Pakistan's energy sector. By centralizing critical energy and climate data, PECI improves accessibility and clarifies environmental impact and emissions for stakeholders. RF's collaboration with Herald Analytics led to the development of the PECI Dashboard, which drives insights and offers robust analytics for energy data.

Pakistan Electricity Review 2025

https://uploads.renewablesfirst.org/Pakistan_Electricity_Review_2025_80753f62aa.pdf

The Pakistan Electricity Review 2025 report aims to improve technical accessibility and awareness of critical aspects of power generation, transmission, and consumption. It presents a comprehensive analysis of key trends and challenges that shaped Pakistan's power sector during the fiscal year 2024 (FY24). The report utilizes publicly available data for the power sector, with NEPRA's state of industry report (SIR) serving as the primary data source.

Pakistan Energy Market Review 2025

https://uploads.renewablesfirst.org/Pakistan%20Energy%20Market%20Review%202025.pdf

The Pakistan Energy Market Review 2025 offers a concise overview of Pakistan's energy sector in FY24, drawing on the HDIP Energy Yearbook and OGRA's calculations. It highlights key trends in primary energy supplies showing how increasing solarization, LNG contract dilemma, gas circular debt and shifting consumption patterns are reshaping the country's energy market.

Renewables First (RF) is a think and do tank for energy and environment. Our work addresses critical energy and natural resource issues with the aim to make energy and climate transitions fair and inclusive.

Disclaimer:
All the information and analysis provided in this document are accurate and to the best of our knowledge and understanding. In case you identify any error, please email: DataTeam@renewablesfirst.org

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