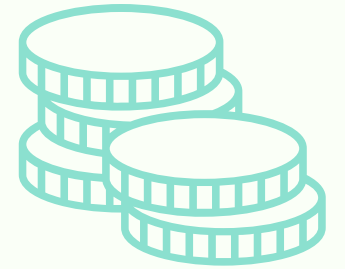




RENEWABLES FIRST

Pakistan's Electricity Tariff Bulletin

Q1 CY2026



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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 are 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

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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.

#RFQuarterlyTariffBulletin

Effective January 1, 2026, tariff-setting moved from a fiscal-year (July–June) to a calendar-year basis under the annual tariff rebasing mechanism. This edition therefore begins the CY series with Q1 (Jan–Mar 2026).

Key Highlights



NEPRA approved a negative QTA of PKR 67 billion (B) for Q1 CY26, resulting in a uniform relief of PKR 1.99 per kWh for the billing period June-Aug 26.



Capacity charges remain the primary driver of the quarterly adjustment, contributing PKR 40 B to the negative adjustment, and incremental package consumption adjustment deepened the relief.



Nearly half of the capacity payments in Q1 went to plants running below 30% utilization.

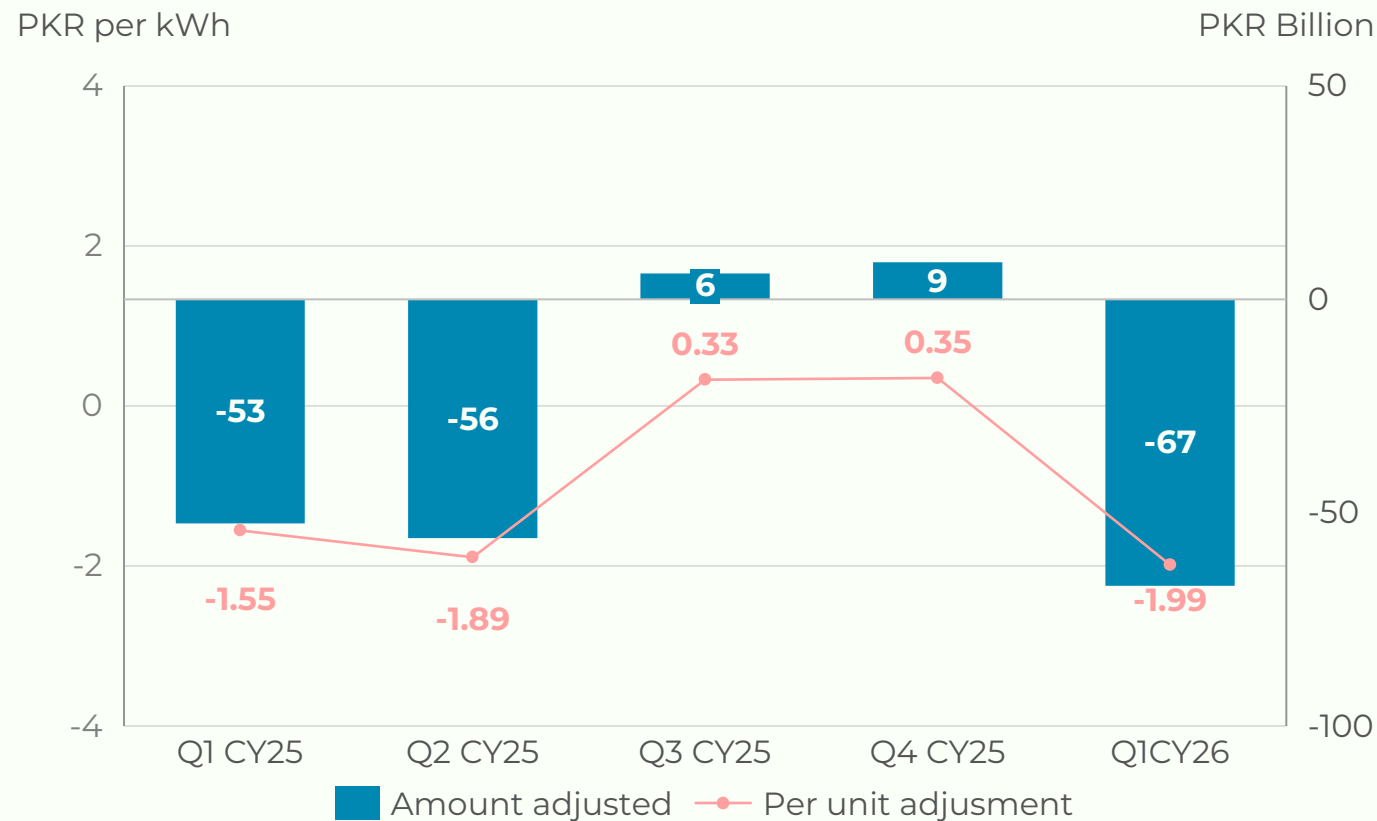


Significant variation across DISCOs persists, with per-unit impacts of the quarterly tariff adjustments ranging from PKR -0.76 to -9.30 per kWh.

#RFQuarterlyTariffBulletin

Q1 CY26 brings the largest consumer relief of the review period at –PKR 1.99 per kWh

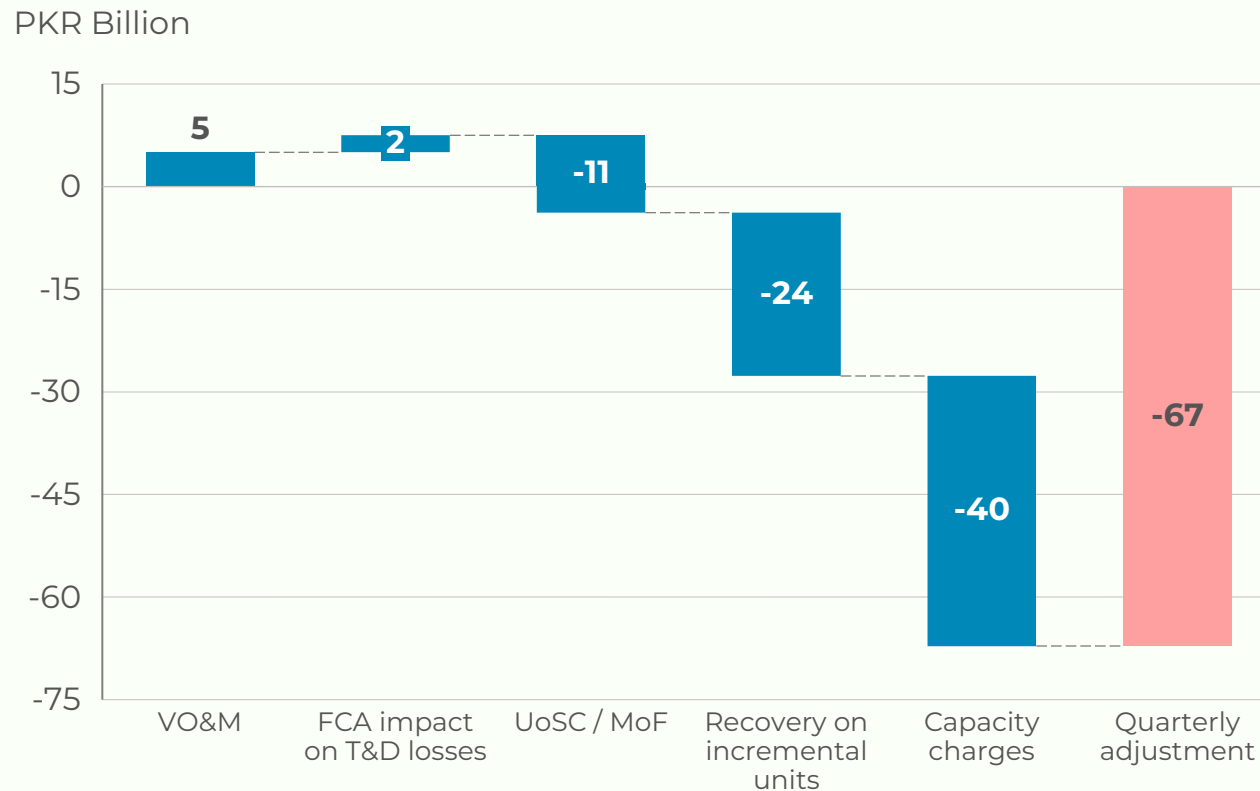
Quarterly tariff adjustments, CY25 – Q1 CY26



- NEPRA has approved a negative QTA of PKR 1.99 per kWh for Q1 (Jan- Mar) CY26.
- This adjustment has translated into a relief of PKR 67 B for all DISCO and K-Electric consumers, except for lifeline and prepaid users, and units billed for incremental consumption package.
- The adjustment will apply to the average projected tariff of PKR 21.4 per kWh for the billing period June to Aug 26.
- This quarter marks the biggest quarterly tariff adjustment between Q1 CY25 and Q1 CY26, both per unit and in total value.

Capacity charges account for 60% of the Q1 CY26 negative adjustment

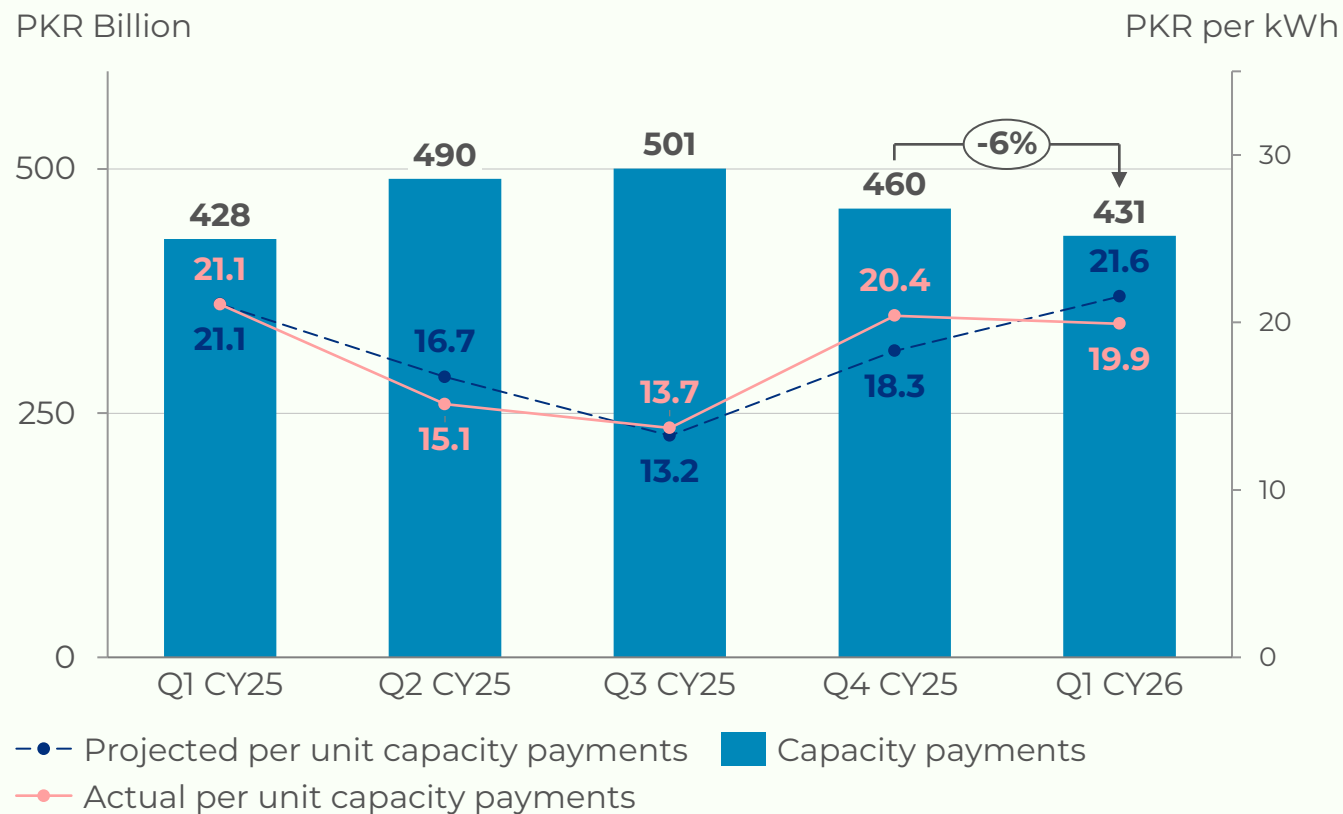
Component-wise breakdown of quarterly adjustment, Q1 CY26



- After capacity charges which contributed the most to the adjustment, recovery on units of the [incremental package consumption](#) at PKR 24B also drove the adjustment negative thus bringing consumers more relief.
- Two components partially offset this relief: variable O&M (+PKR 5B) and FCA impact of T&D losses (+PKR 2B) exceeded reference, as above-forecast generation and nuclear/RLNG underperformance pulled imported coal and RFO into dispatch.

Higher sales spread capacity payments base over more units

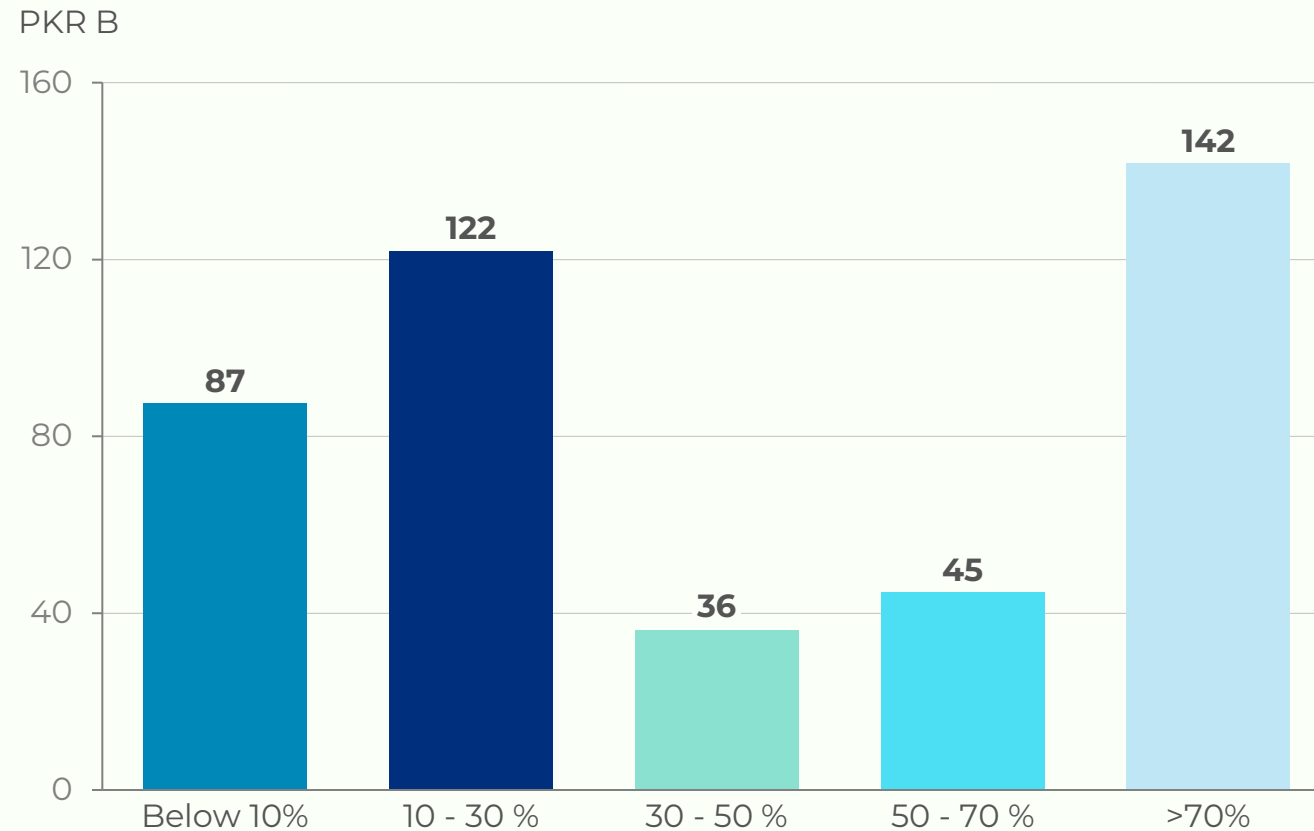
Quarterly capacity payments and per unit impact, CY25-Q1 CY26



- Capacity payments declined 6% QoQ to PKR 431B in Q1 CY26, roughly flat vs Q1 CY25 (PKR 428B), and a real-terms decline once inflation is accounted for. Negative adjustments in total capacity payments for some plants is likely to have contributed to the decline in Q1 as well.
- Actual per unit capacity cost was PKR 19.9 per kWh against PKR 21.6 projected, as almost 8% higher offtake spread capacity payments over more units.
- IPP contract renegotiations are already reflected since the FY25-26 tariff rebasing when power purchase price fell from PKR 27 to PKR 25.98 per kWh (and the calendar year rebasing built on it further).

Nearly half of capacity payments went to plants that ran below 30%

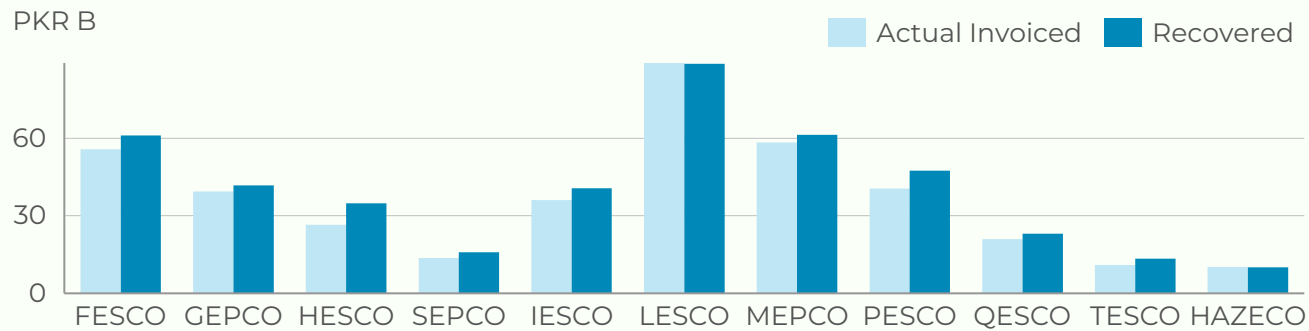
Capacity payments by plant utilization, Q1 CY26 (PKR B)



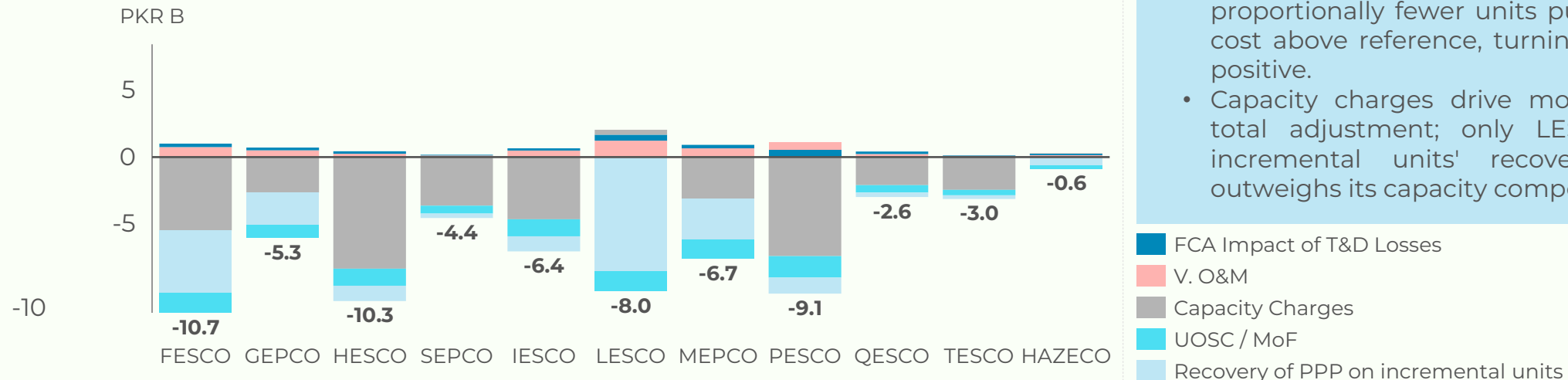
- In Q1 CY2026, plants operating below 30% absorbed PKR 209 B, nearly half the PKR 431 B total.
- Idle imported-coal and RLNG plants remain costly, with plants being paid hefty amounts despite low utilization.
- Hydro plants running below 30% utilization yielded PKR 67 B due to reduced output during winter, indicating a seasonal rather than structural driver.

Capacity cost recovery drives DISCO-level adjustments

Capacity recovered vs invoiced (PKR B), Q1 CY26



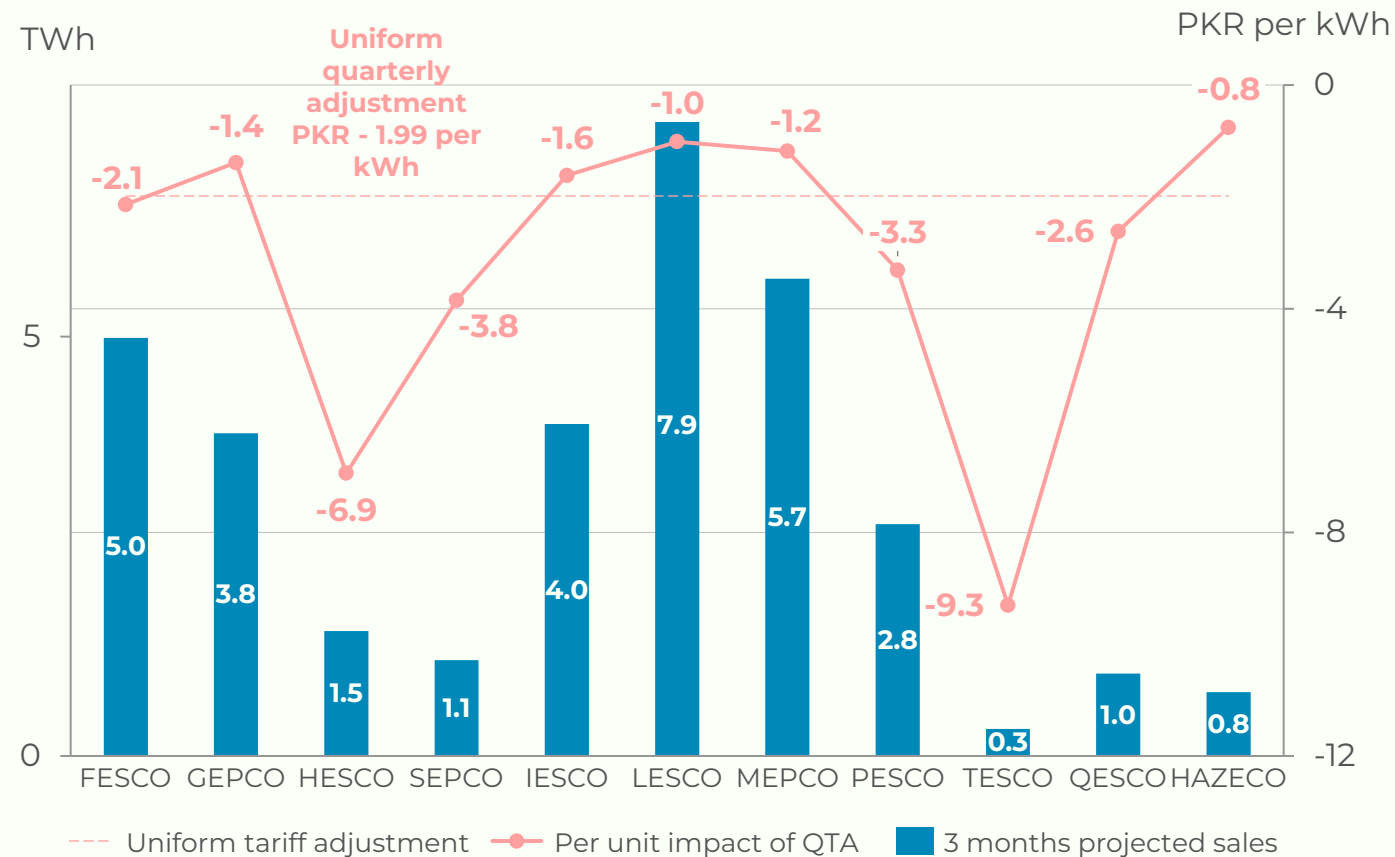
DISCO-wise quarterly adjustment, (PKR B), Q1 CY26



- Each DISCO's capacity adjustment is the gap between what consumers paid at reference tariff and the actual cost invoiced by CPPA-G, reflecting its demand allocation and energy purchases.
- Recovered cost exceeded invoiced for nine DISCOs, meaning consumers overpaid and received relief through negative capacity adjustments.
- LESCO and HAZECO are exceptions: capacity is allocated based on maximum demand, so higher maximum demand while purchasing proportionally fewer units pushed their invoiced cost above reference, turning their adjustments positive.
- Capacity charges drive most of each DISCO's total adjustment; only LESCO differs, where incremental units' recovery (-PKR 8.5 B) outweighs its capacity component.

Uniform tariff masks wide disparities in per-unit impact across DISCOs

DISCO-wise per unit impact of quarterly adjustments, Q1 CY26



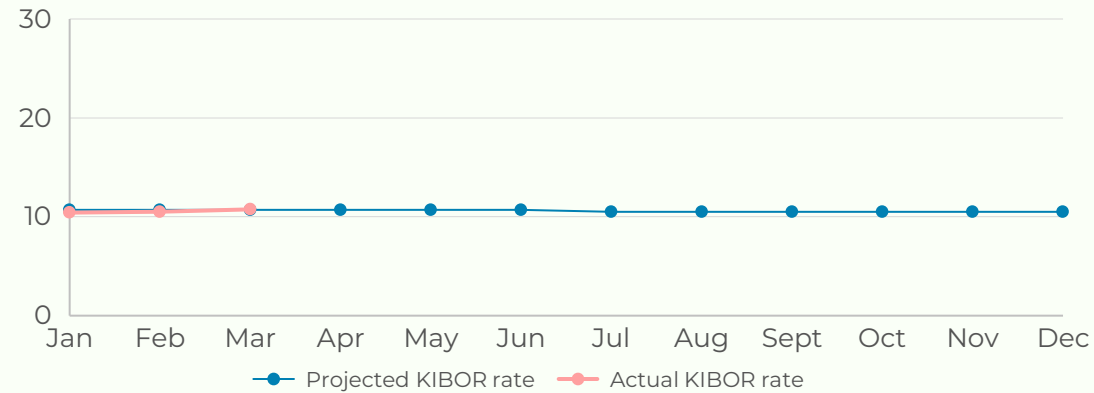
- Per-unit impact ranges from PKR -0.76 per kWh (HAZECO) to PKR -9.30 per kWh (TESCO), though every consumer receives the same PKR -1.99 per kWh.
- High-sales DISCOs like LESCO (7.9 TWh) and MEPCO (5.7 TWh) sit close to the uniform rate, as large volumes spread fixed costs thinly.
- Low-sales DISCOs like TESCO (0.3 TWh) and HESCO (1.5 TWh) swing far below it, since the same costs divide over a much smaller base.
- The uniform rate transfers relief from small DISCOs to large ones, regardless of where the cost actually sat.

MACRO ECONOMIC TRENDS CY26

Q1 macroeconomic indicators held near CY26 references, contributing only marginally to the negative QTA

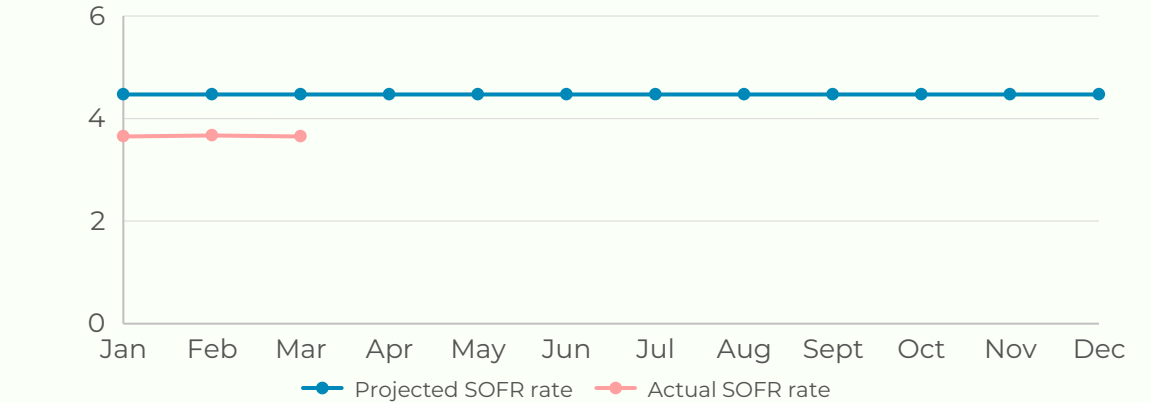
KIBOR (Karachi Interbank Offered Rate) for CY26, projected vs actual

Percentage (%)



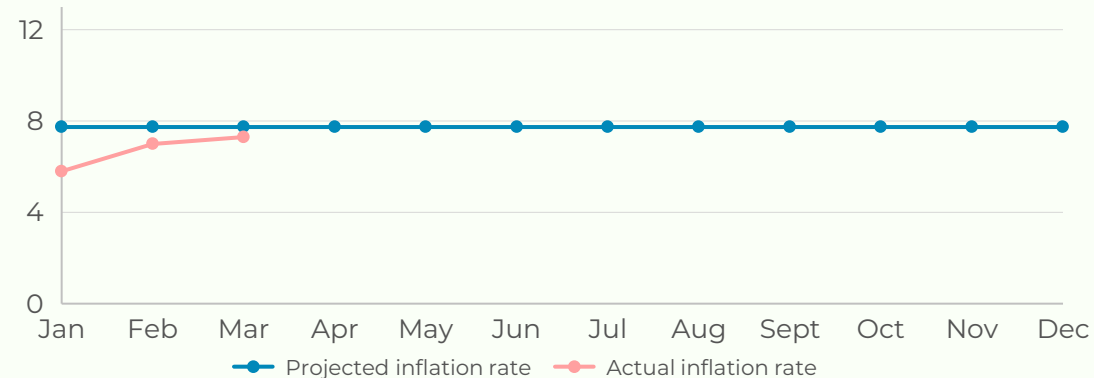
SOFR (Secured Overnight Financing Rate) for CY26, projected vs actual

Percentage (%)



CPI (Consumer Price Index) local for CY26, projected vs actual

Percentage (%)



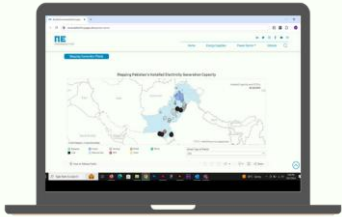
Exchange rate CY26, projected vs actual

PKR



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 impacts 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 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:

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