RENEWABLES FIRST

Pakistan’s Electricity Tariff Bulletin

Q2 FY2026

Author:

Nabiya Imran | Renewables First

Acknowledgement:

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

Designer:

Talha Ahmad | Renewables First

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

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. For Q2 FY26, impact of incremental package has also been taken into consideration.

#RFQuartelyTariffBulletin

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

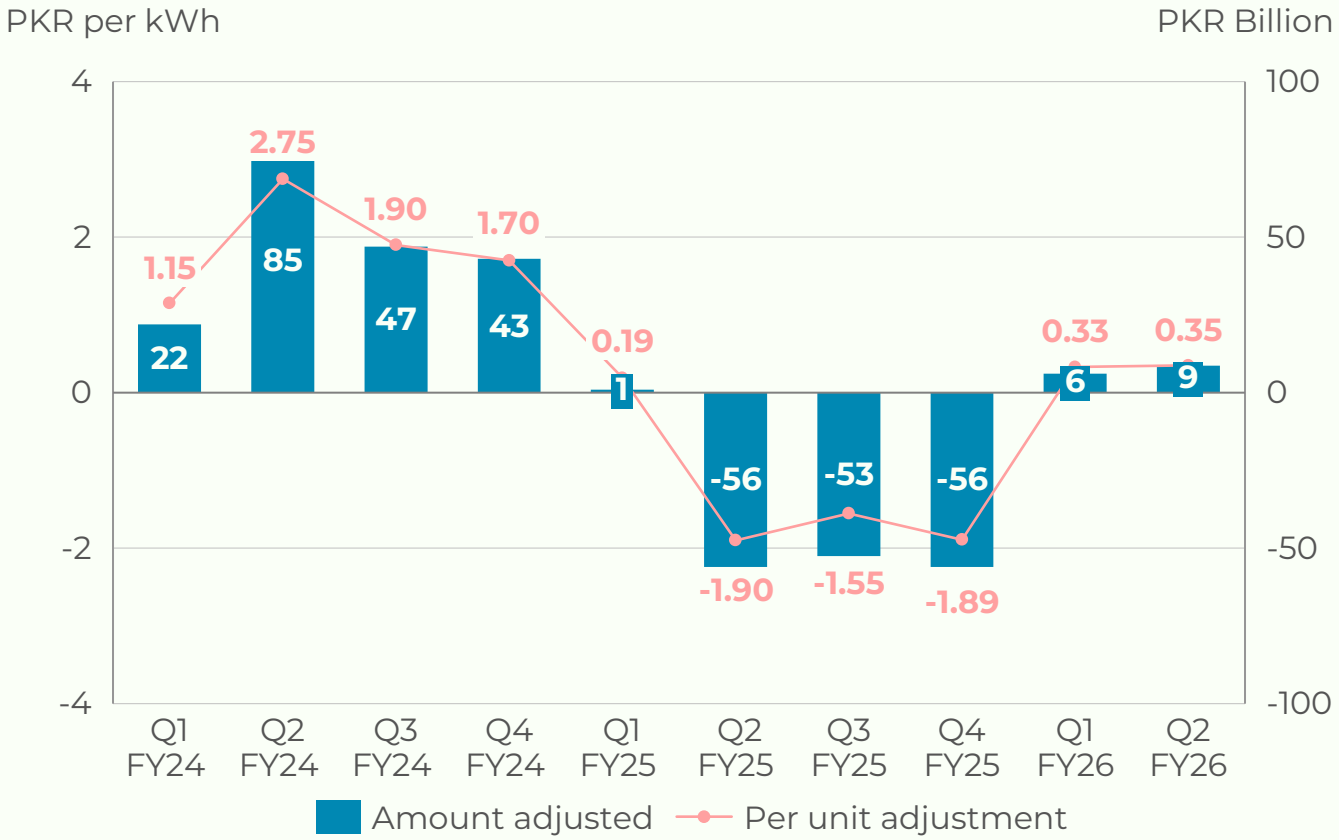
Key Highlights

- NEPRA approved a PKR 9 B (billion) QTA for Q2 FY26, resulting in a uniform PKR 0.35 per kWh increase for the billing period Mar-May 26.
- Capacity payments remain the primary driver, contributing PKR 22 B to the adjustment, while recovery through incremental units (PKR 8 B) provided only partial offset.
- Significant variation across DISCOs underscores uneven cost recovery dynamics, with demand levels and system inefficiencies driving divergent tariff impacts.

#RFQuartelyTariffBulletin

Q2 FY26 records another positive quarterly tariff adjustment after FY25's large negative QTAs

Quarterly tariff adjustments, FY24 – Q2 FY26

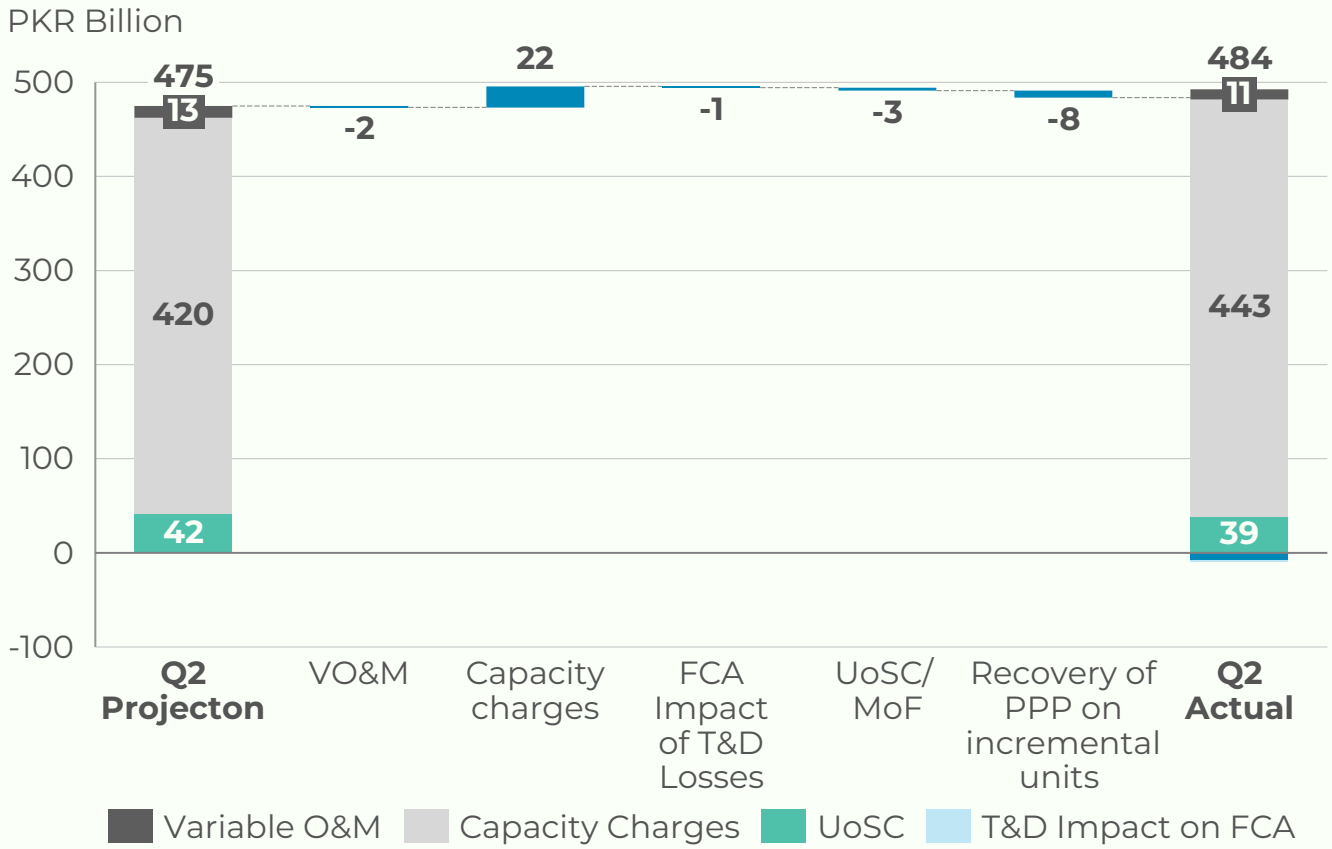


- NEPRA has approved a QTA of PKR 8.7 B for Q2 FY26, translating into a positive adjustment of PKR 0.35 per kWh for all DISCO and K-Electric consumers, except for lifeline and prepaid users, and units billed for incremental consumption package.
- The adjustment will apply to the average projected tariff of PKR 27 per kWh for the billing period Mar to May 26.
- This continues the trend of positive QTAs in FY26 as the one-off savings from IPP contract renegotiations and terminations that supported earlier negative adjustments were largely realized in FY25.

Data Source: NEPRA & Renewables First's calculations

Capacity charges dominate Q2 FY26 adjustments, outweighing limited cost relief elsewhere

Component-wise breakdown of quarterly adjustment, Q2 FY26



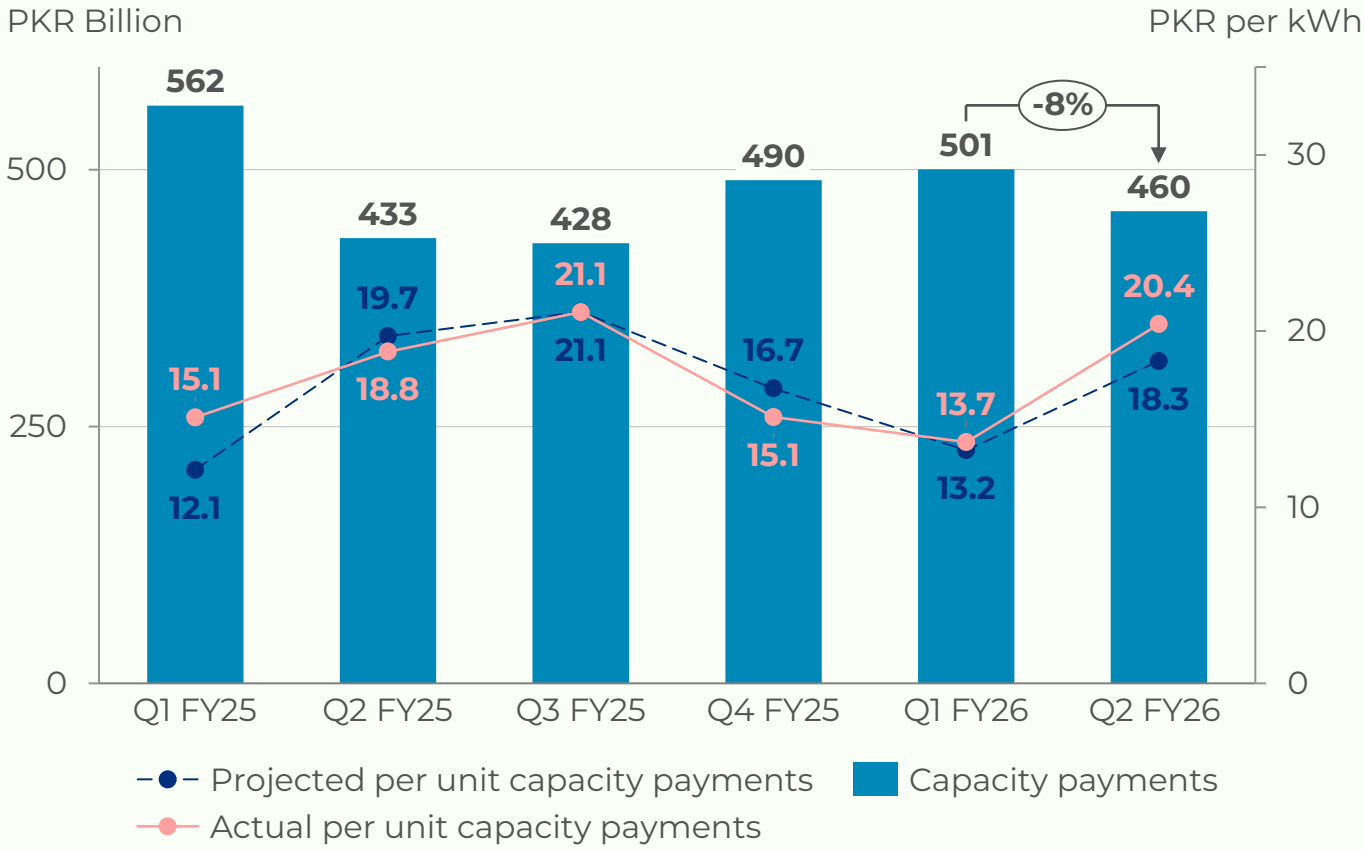
- Capacity charges remain the primary driver of the adjustment, adding ~PKR 22 B and outweighing reductions from all other components, reflecting continued under-recovery of fixed costs.
- FCA impact and system charges (UoSC/MoF, VO&M) provided cumulative downward pressure, indicating some relief from lower variable costs and operational factors.
- Cost recovery through incremental units* helped offset the adjustment by about PKR 8 B, but not enough to counterbalance capacity payments, underscoring the system's reliance on demand to dilute fixed costs.

*Refers to recovery of costs through additional electricity consumption under the incremental consumption package, as a result of which higher sales volumes help spread fixed costs across more units.

Data Source: NEPRA & Renewables First's calculations

Despite slight ease in Q2 FY26, capacity payments remain a key anchor for tariff outcomes

Quarterly capacity payments and per unit impact, FY25-Q2FY26

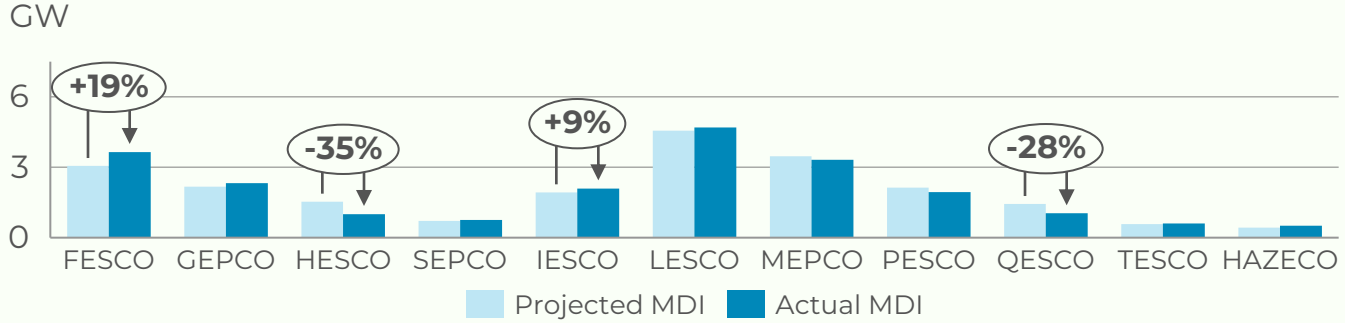


- Total capacity payments declined to PKR 460 B in Q2 FY26 (–8% QoQ), reducing the overall fixed cost burden on the system.
- Per-unit capacity cost surged to PKR 20.4 per kWh, driven primarily by 35% reduction in electricity generation QoQ as seasonal demand changed in the winter months.
- Despite the QoQ decline, capacity payments were up by 6% YoY. This, coupled with 3% YoY increase in units generated led to 8.5% increase in per unit capacity payments YoY.
- Capacity payments remain structurally high in power purchase costs, continuing to anchor tariff adjustments and limit the impact of variable cost reductions.
- Capacity Purchase Price (CPP) accounted for 68% of total power purchase costs in Q2, highlighting the burden capacity payments place on consumers.

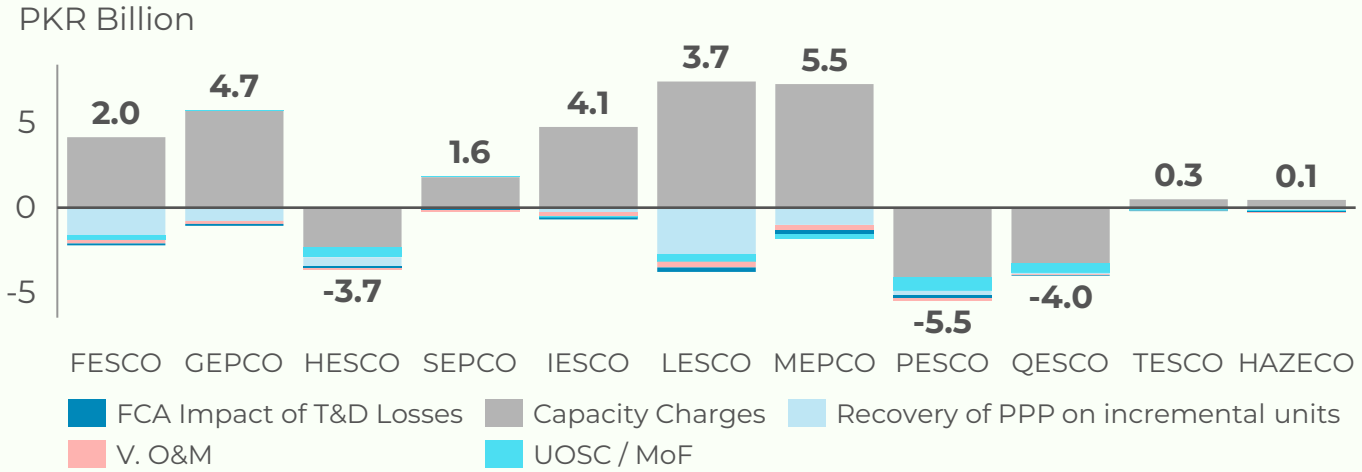
Data Source: NEPRA & Renewables First's calculations

Wide variation in DISCO adjustments reflects both MDI deviations and uneven cost recovery across the system

Projected vs actual MDI, Q2 FY26



DISCO-wise quarterly adjustment, Q2 FY26



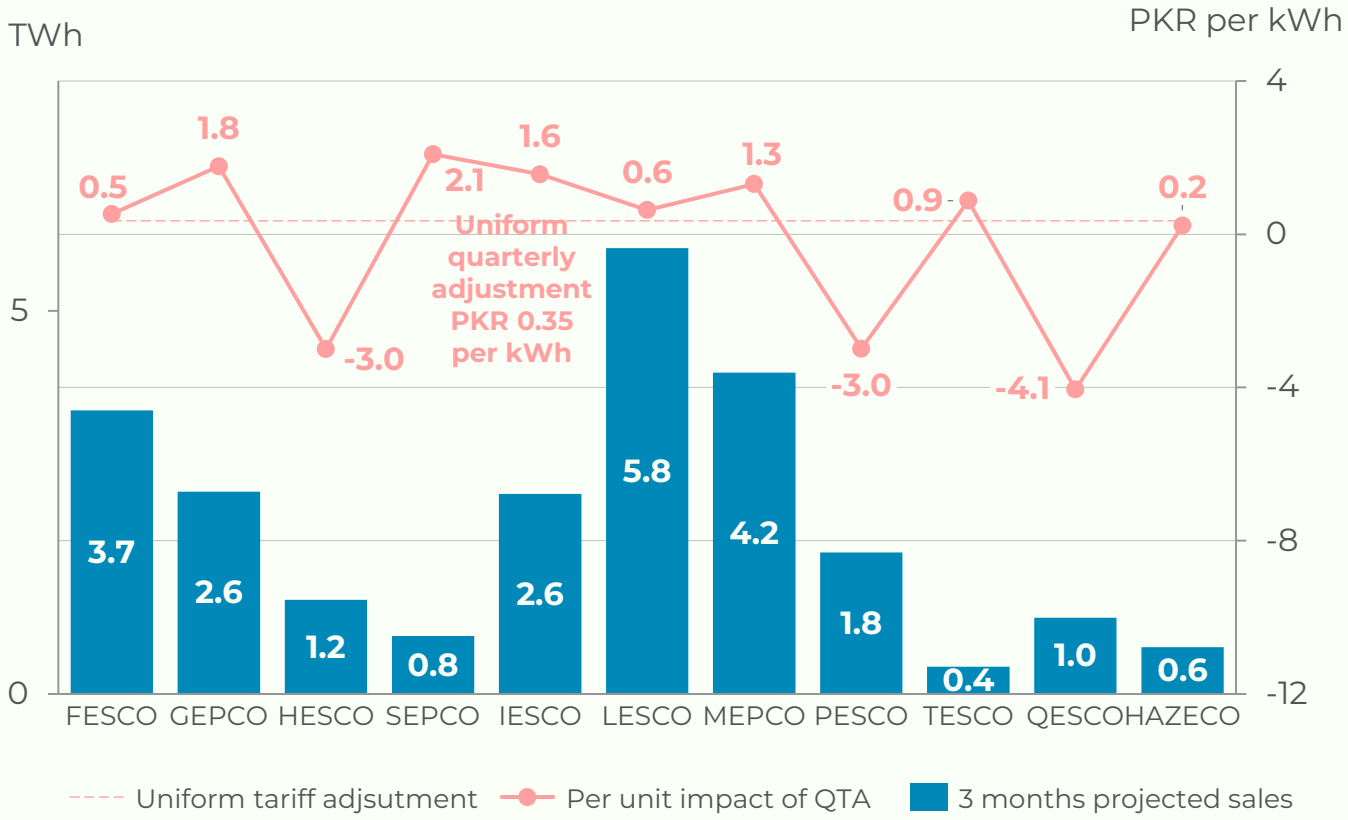
- Actual MDI deviates from projections across DISCOs, most notably FESCO (+19%), IESCO (+9%), and GEPCO (+7%), indicating higher-than-expected capacity allocation, while HESCO (–35%) and QESCO (–28%) show significant downward deviations.
- Despite this, adjustments vary sharply. MEPCO and LESCO record large positive adjustments (PKR 5.5B and PKR 3.7B), while PESCO and HESCO show significant negative adjustments (–PKR 5.5B and –PKR 3.7B).
- The divergence suggests that similar MDI or sales outcomes can translate into very different tariff impacts, driven by DISCO-specific cost recovery dynamics rather than demand variation alone.

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 tariff masks wide disparities in per-unit impact across DISCOs

DISCO-wise per unit impact of quarterly adjustments, Q2 FY26



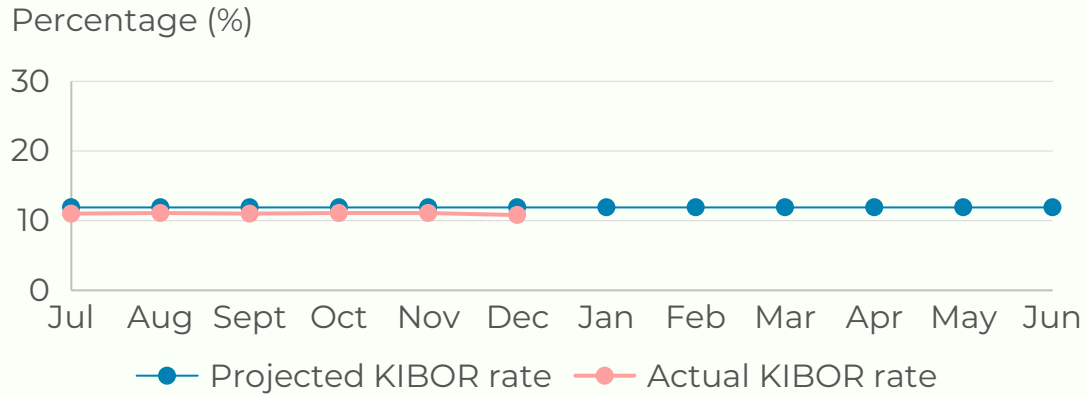
- Per-unit impact of QTA varies significantly across DISCOs, ranging from +1.8 PKR per kWh (GEPCO) to –4.1 PKR per kWh (QESCO), despite a uniform tariff adjustment of PKR 0.35 per kWh.
- High-consumption DISCOs such as LESCO (5.8 TWh) and FESCO (3.7 TWh) show moderate per-unit impacts, indicating better dilution of fixed costs over larger sales volumes.
- Low-sales DISCOs including QESCO (1 TWh) and HESCO (1.2 TWh) exhibit extreme per-unit impacts, highlighting the sensitivity of tariff outcomes to demand levels and cost recovery capacity.

Data Source: NEPRA & Renewables First's calculations

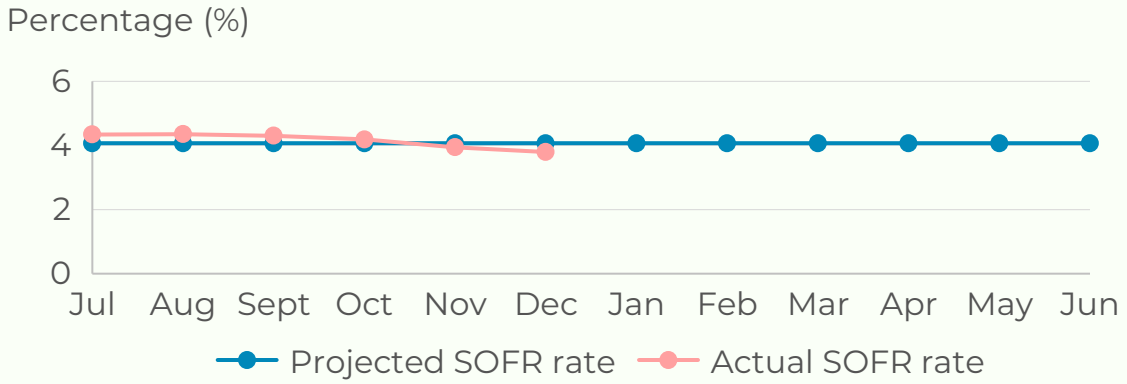
MACRO ECONOMIC TRENDS
FY26

Higher inflation offset relatively stable exchange rates and lower interest rates, keeping Q2 adjustment positive

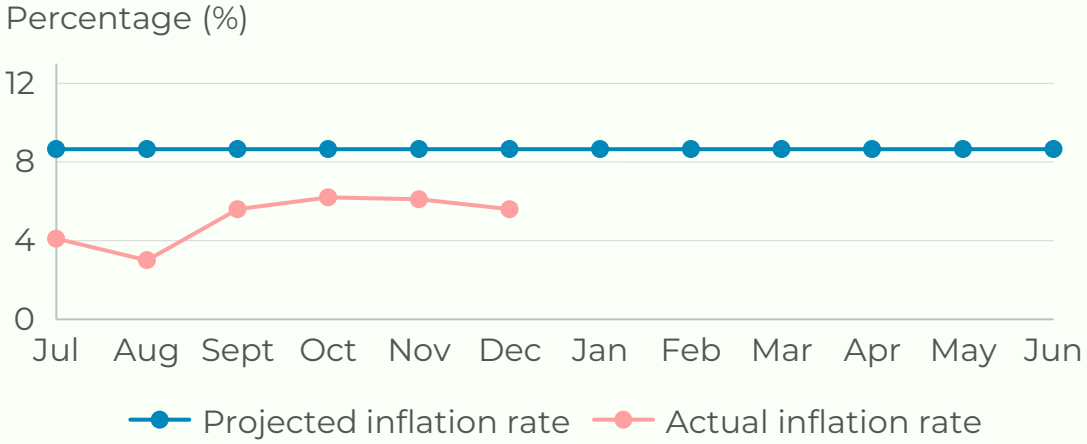
KIBOR rate for FY26, projected vs actual



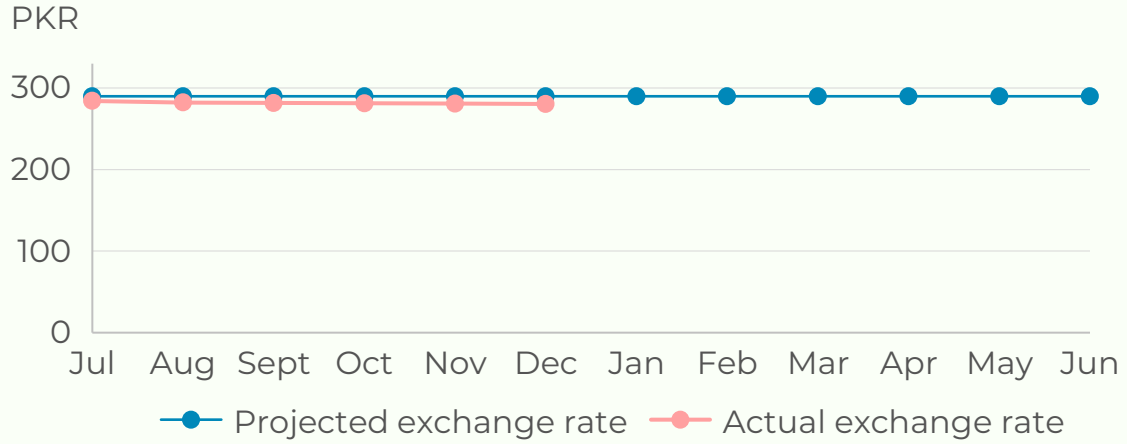
SOFR rate for FY26, projected vs actual



CPI local for FY26, projected vs actual



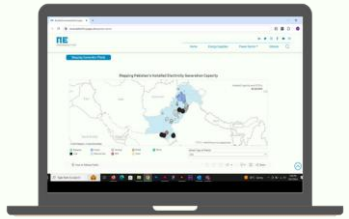
Exchange rate FY26, projected vs actual



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 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 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

RENEWABLES FIRST

10 - 11, 3rd Floor, Executive Complex,
G-8 Markaz, Islamabad
+92 51 - 8773676
info@renewablesfirst.org