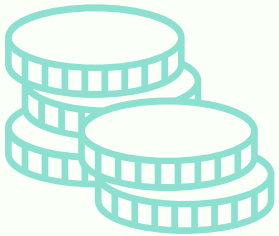
RENEWABLES FIRST

Pakistan’s Electricity Tariff Bulletin



Q4 FY2025

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)
- Variable operations and maintenance (O&M) costs
- 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

- Q4 FY25 delivered the third consecutive quarterly tariff cut, with a PKR 56 billion (B) adjustment that will lower consumer bills from August to October 2025 at PKR 1.89 kWh.
- Industrial sales rose 46% year-on-year in Q4 FY25, supported by captive power plant integration, although the long-term boost to DISCO demand may be limited as many pending plants could possibly shift to solar.
- Capacity payments declined compared to Q1 due to IPP reforms and debt reprofiling, but seasonal demand pressures resulted in a 14% quarter-on-quarter increase.

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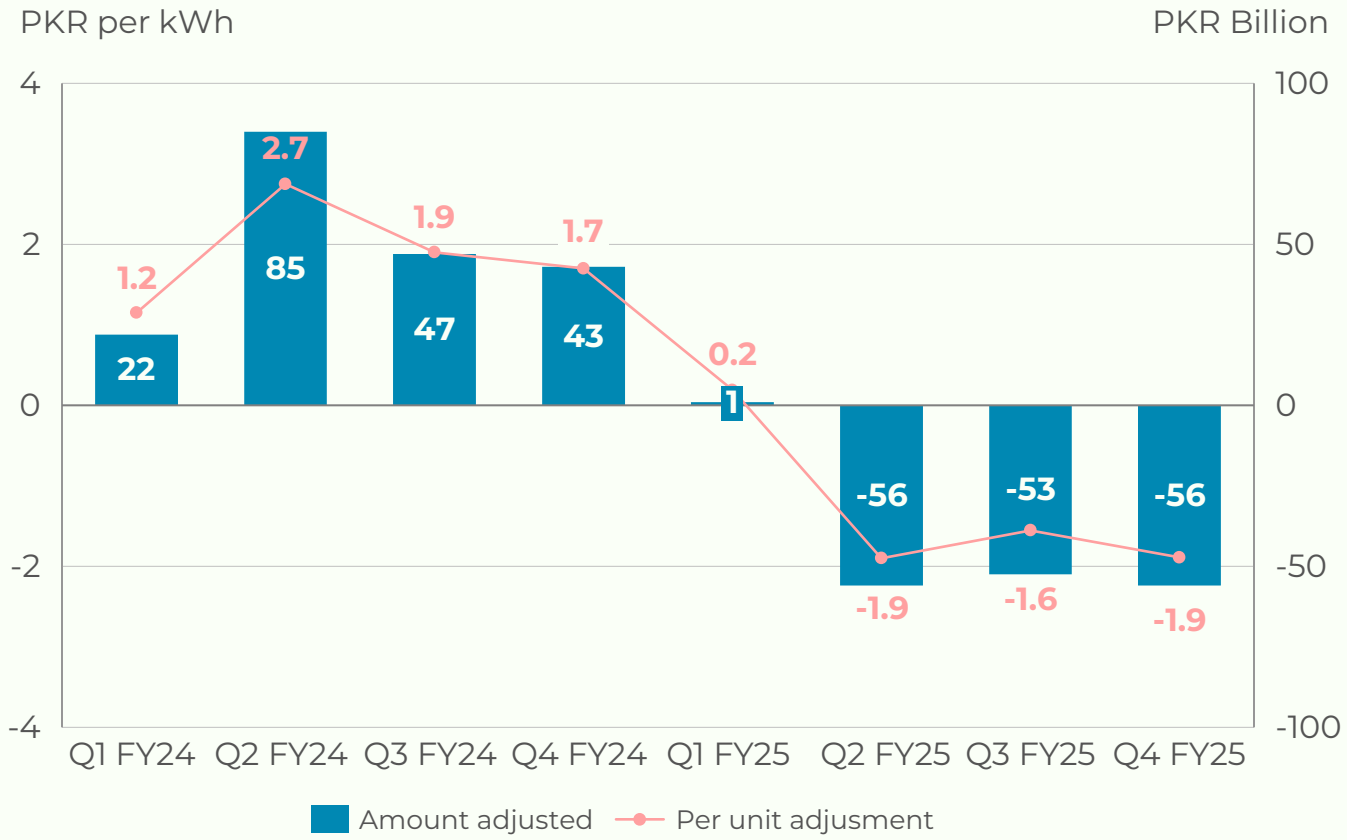
Note: Fiscal year (FY) 25 refers to July 2024 – June 2025.

Q4 of FY25 marks the third consecutive quarter to record a downward adjustment – amounting to PKR 56B

Quarterly tariff adjustments, FY24 - FY25

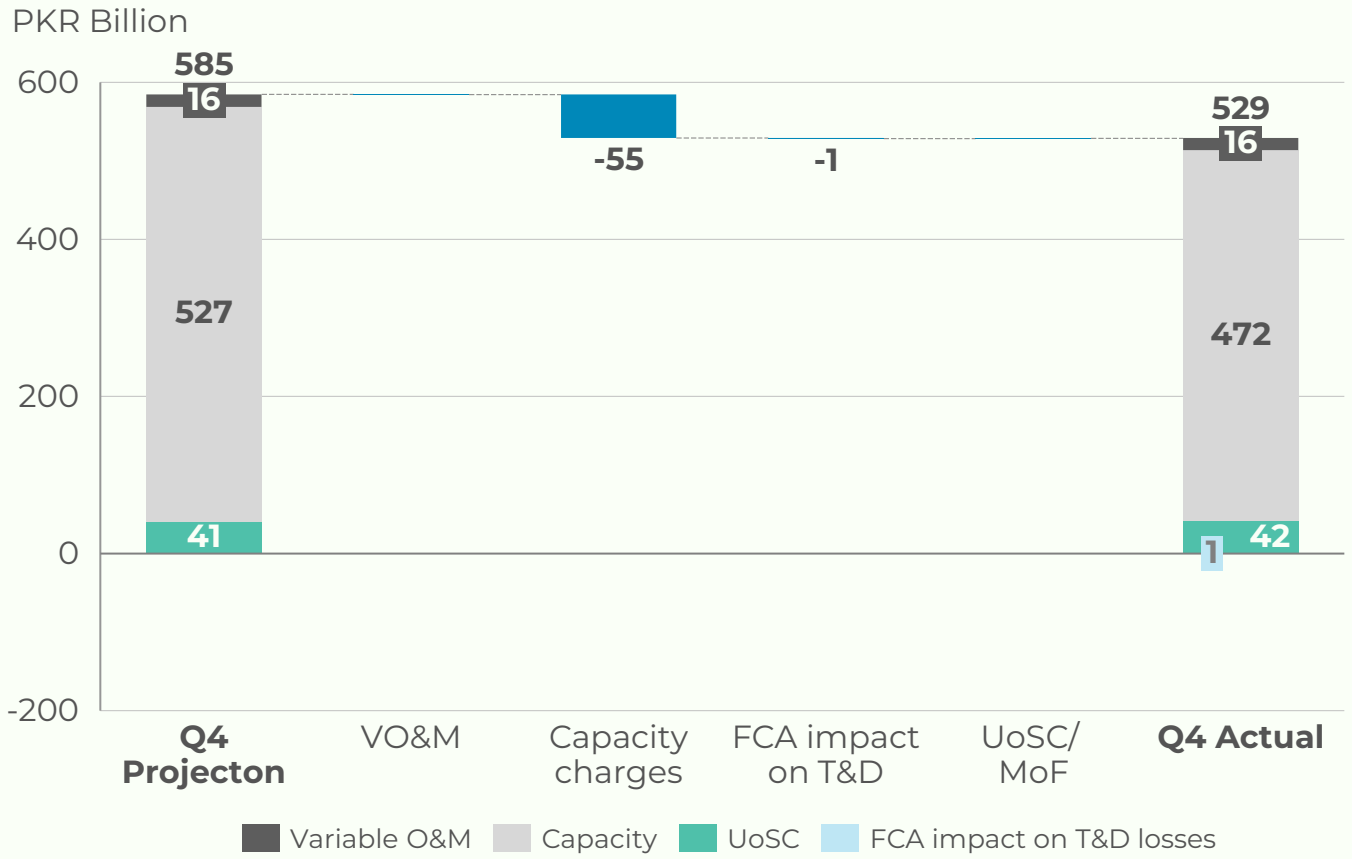


- In FY24, electricity tariffs saw an upward adjustment of PKR 197 billion (B), translating to an average increase of PKR 1.9 per kWh in consumer bills. Conversely, FY25 recorded a negative adjustment of PKR 164 B, leading to an average reduction of PKR 1.3 per kWh in consumer bills.
- Q4 FY25 saw a negative adjustment of PKR 1.89 per KWh against the projected average monthly price of PKR 23.1 per KWh for this quarter.
- The negative adjustment of Q4 FY25 will be passed on to electricity consumers through the billing period from August to October 2025.

Data Source: NEPRA & Renewables First calculations

Capacity charges drive PKR 55 B cost reduction in Q4 FY25, delivering PKR 1.89 per kWh negative tariff adjustment across all DISCOs and K-Electric

Component-wise breakdown of quarterly adjustment, Q4 FY25

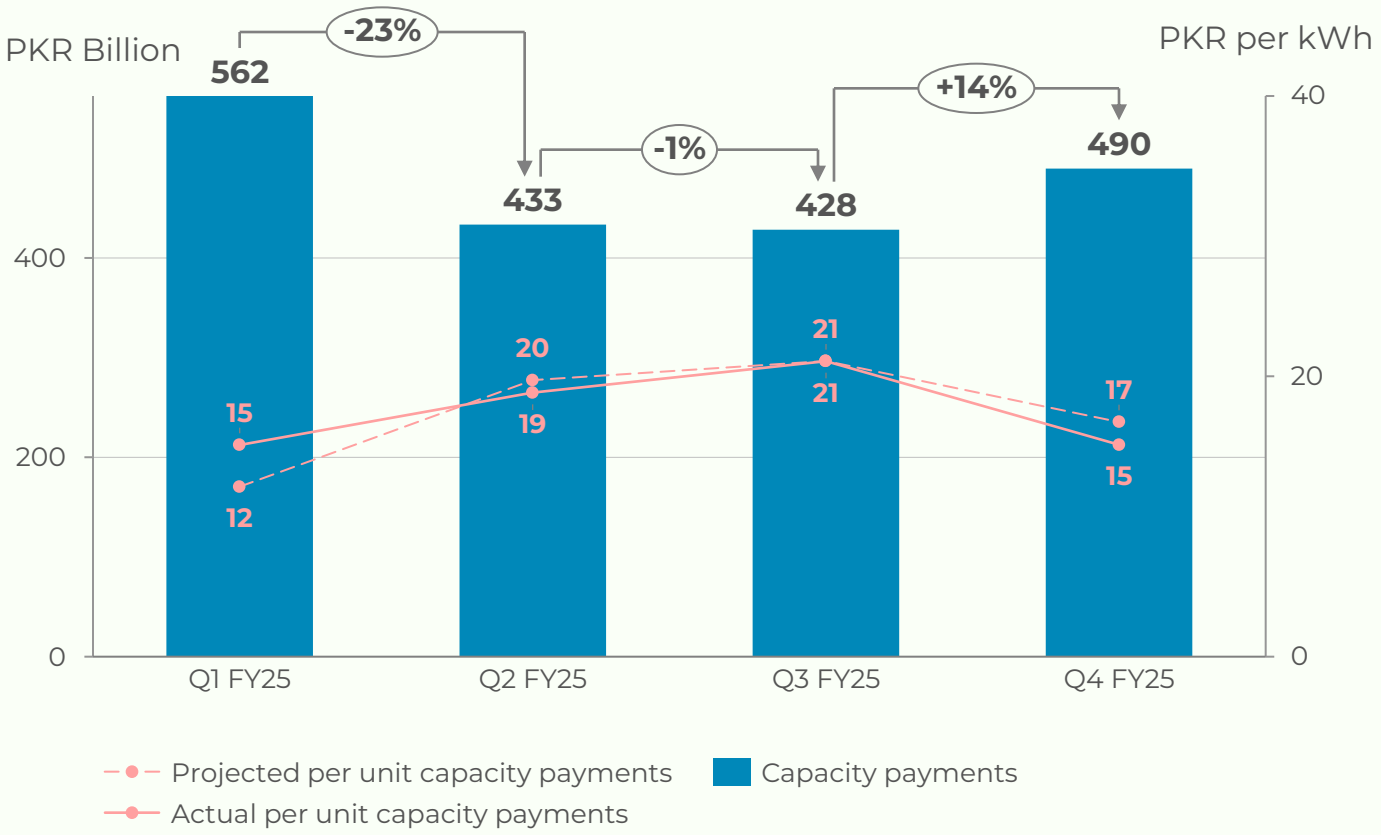


- Adjustment in capacity charges amounting to PKR 55B was driven primarily by debt reprofiling for K-2 & K-3 nuclear plants (PKR 34B), non-availability of Neelum Jhelum Hydro (PKR 19B), and termination of IPP contracts (PKR 17B).
- IPP contract renegotiations yielded an additional capacity cost reduction of PKR 4B in Q4.
- These structural cost reductions, combined with minimal impact from other components (variable O&M and UoSC), resulted in a PKR 1.89 per kWh uniform tariff reduction across all DISCOs as well as K-Electric (except for lifeline and pre-paid consumers).

Data Source: NEPRA & Renewables First calculations

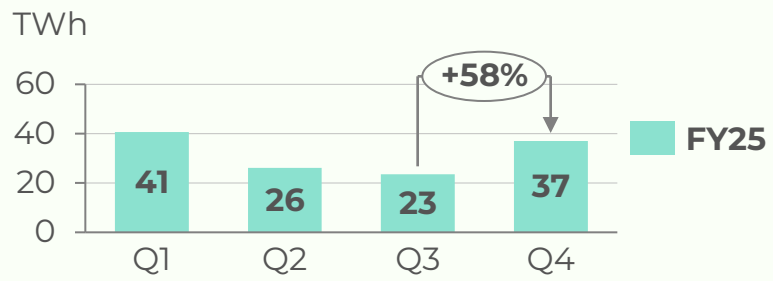
Q4 FY25, with a 14% QoQ rise in capacity payments, reflected higher seasonal hydel power demand and a reduced impact of IPP reform savings

Quarterly capacity payments and per unit impact, Q1 – Q4 FY25



- Q4 capacity payments rose 14% QoQ due to increased seasonal demand and reduced impact of capacity savings.
- Some plants (mainly hydel plants) had higher capacity payments this quarter such as Karot Power Company Limited and WAPDA Hydel (PKR 15 billion higher each in Q4 than Q3) due to increased seasonal electricity demand in Q4.
- A secondary factor was the reduced impact of capacity savings, which fell from PKR 80.67 B in Q3 to PKR 74 B in Q4 as IPP reform benefits plateaued.

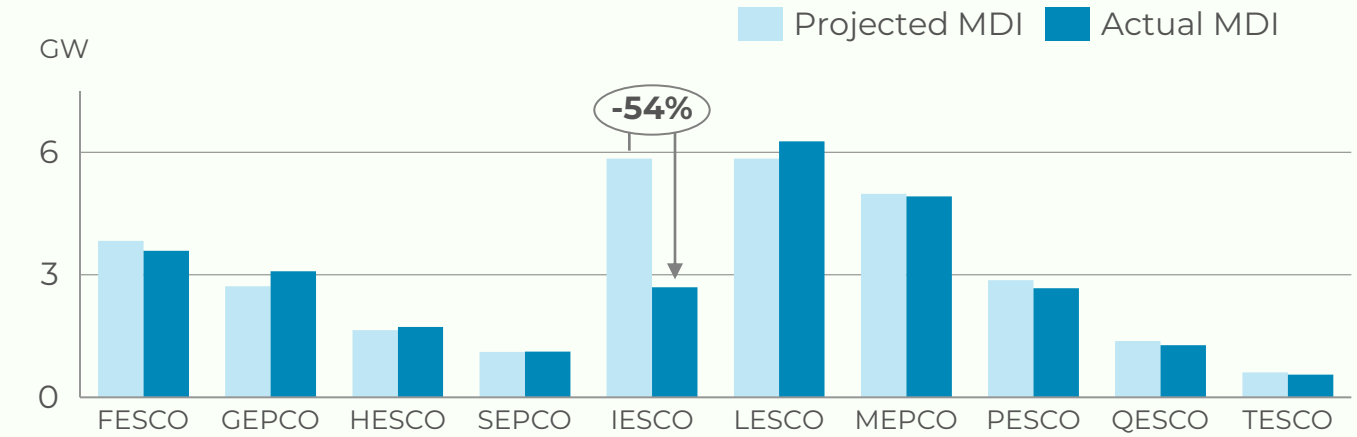
Quarter-wise electricity generation in FY25



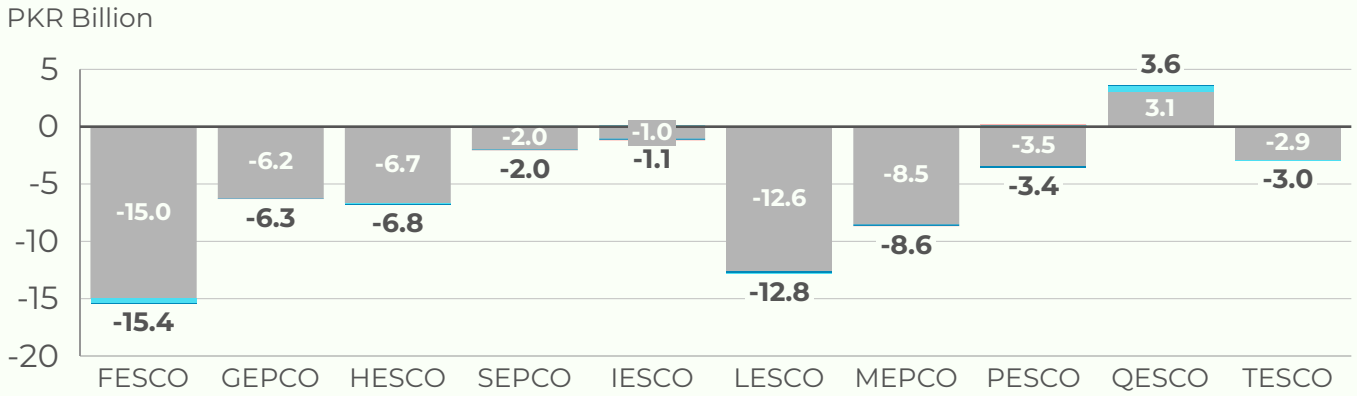
Data Source: NEPRA & Renewables First calculations

Most DISCOs saw higher summer MDIs, while IESCO lagged; on the contrary, QESCO stood out with a positive tariff adjustment

Projected vs actual MDI, Q4 FY25



DISCO-wise quarterly adjustment, Q4 FY25



- Maximum demand indicator (MDI) was higher than (GEPCO, HESCO, SEPCO and LESCO) or close to projected for many DISCOs, reflecting peak seasonal demand in these areas during early summer months.
- The significant drop in IESCO's MDI compared to projections can be attributed to a combination of seasonal demand adjustment, a stagnating industrial base, unfulfilled new connections, deliberate load curtailments (such as during extreme weather events), and rising solarization.
- QESCO recorded the only positive quarterly tariff adjustment due to declining agricultural sales as solar adoption has reduced demand in its widely-agricultural consumer base.

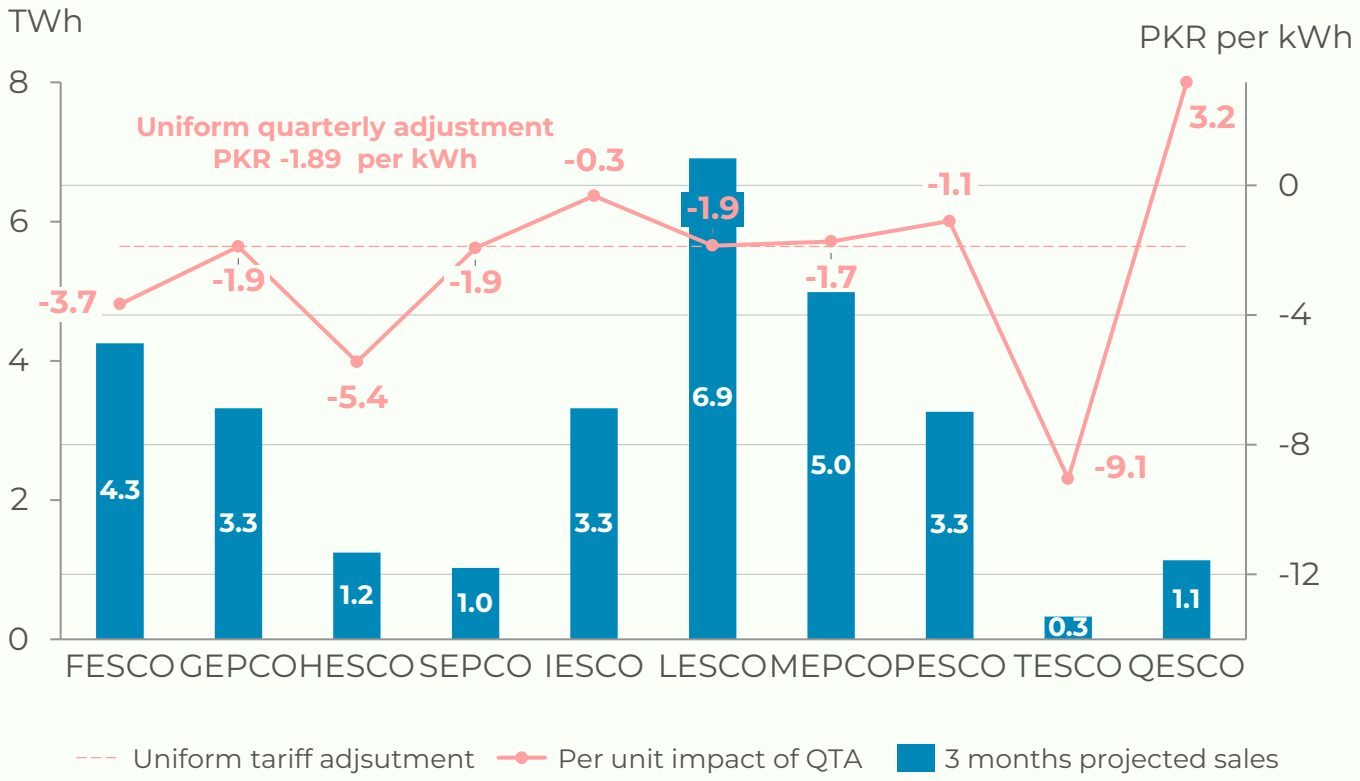
MDI of a DISCO represents the highest level of electricity demand recorded on the distribution network during the specific period.

Impact of FCA on T&D losses
VO&M
Capacity charges
UoSC/MoF

Data Source: NEPRA & Renewables First calculations

Higher industrial sales drive negative quarterly adjustments across most DISCOs, but the sustainability of captive plant integration remains a question

Disco-wise per unit impact of quarterly adjustments, Q4 FY25



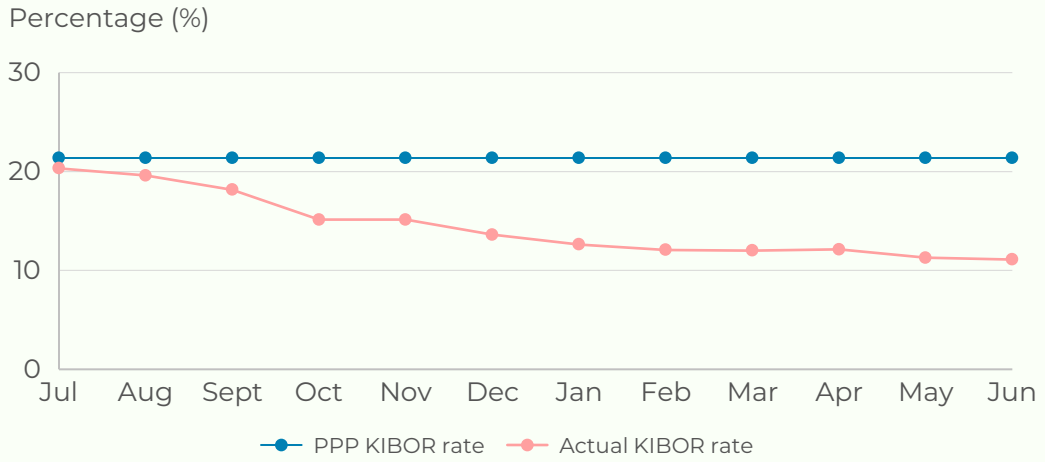
- Industrial sales increased 46% in Q4 FY25 vs Q4 FY24, especially for GEPCO, HESCO, LESCO and FESCO, due to integration of 281 captive power plants following the "Off the Grid Levy Bill."
- Higher sales spread fixed capacity costs over more units, resulting in primarily negative adjustments across DISCOs.
- However, the integration of more than 300 captive plants remains pending, and depends on economic incentives vs. alternatives like solar, making this relief potentially temporary.

Data Source: NEPRA & Renewables First calculations

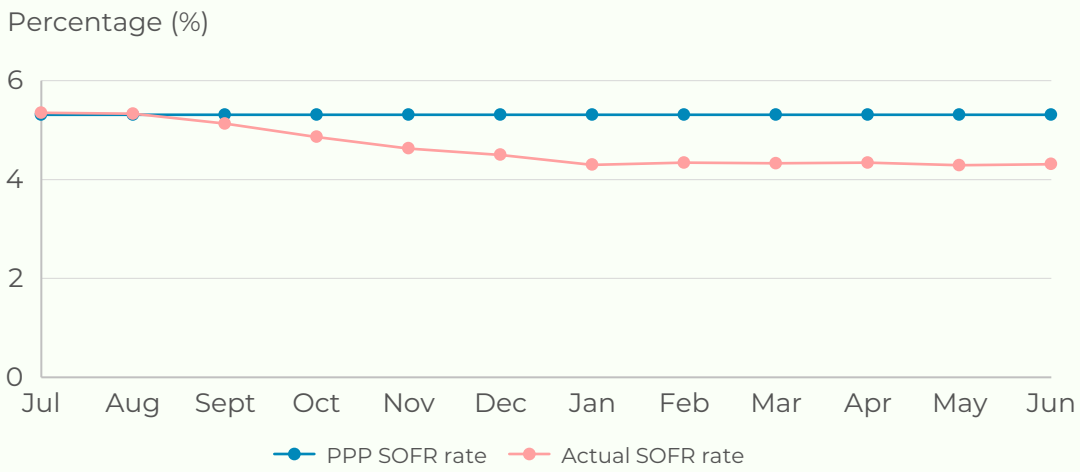
MACRO ECONOMIC TRENDS FY25

Positive trends relative to the reference tariff contributed to the downward tariff adjustment in Q4 FY25

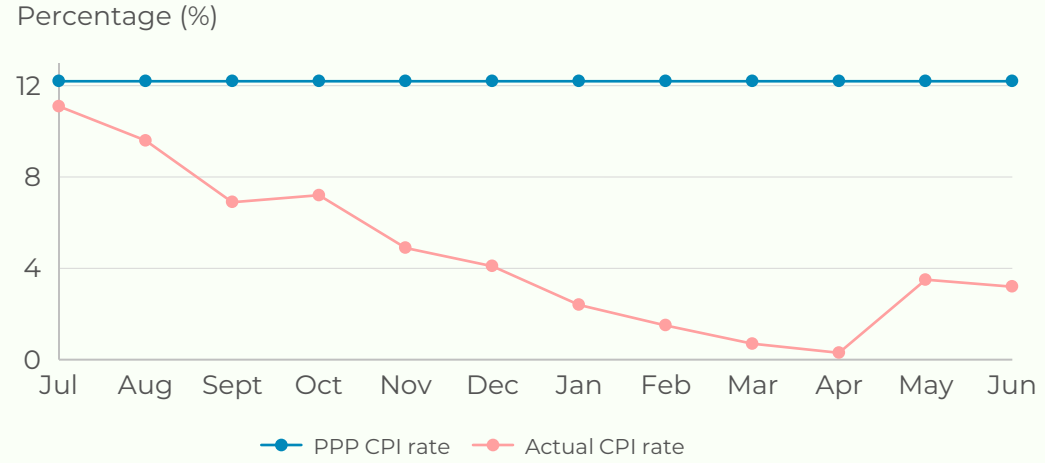
KIBOR rate for FY25, PPP vs actual



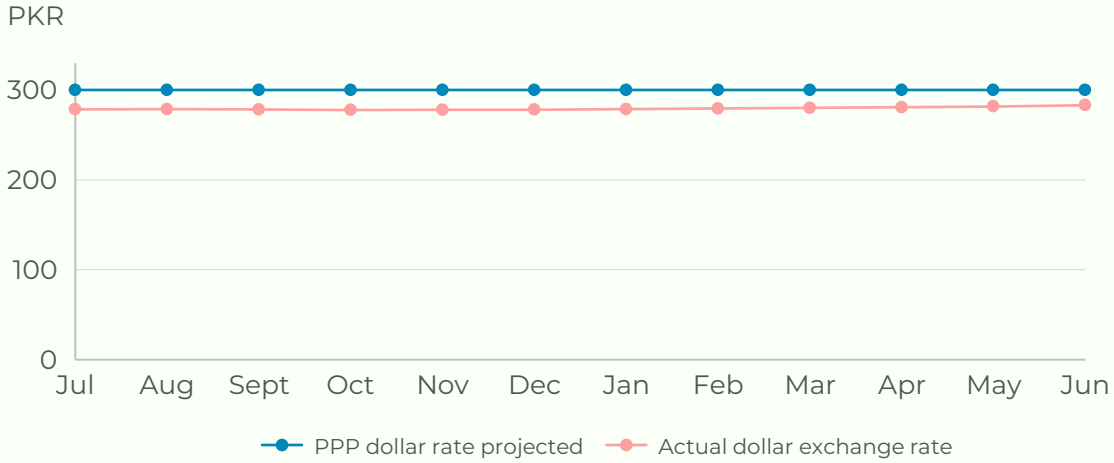
SOFR rate for FY25, PPP vs actual



CPI local for FY25, PPP vs actual



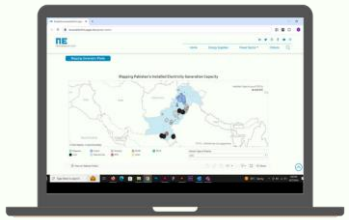
Dollar rate, PPP vs actual



Data Source: NEPRA & Renewables First calculations

For more power sector-related insights, visit:

Pakistan Energy and Climate Insights Dashboard



https://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 stakeholder. 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

Pakistan Electricity Review 2025aims 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 a primary data source.

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:
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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