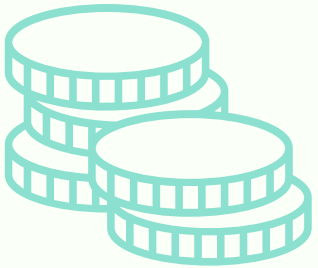
RENEWABLES FIRST

Pakistan's Electricity Tariff Bulletin



Q1 FY 2025

Introduction

Our quarterly tariff bulletin tracks quarterly tariff adjustments (QTAs), including capacity charges, fuel cost adjustments (FCA), and other components impacting electricity tariffs in the country. This document helps businesses monitor ongoing trends, allowing them to plan their activities accordingly. The goal is to assist consumers and stakeholders in understanding the evolving power sector.

Key Highlights

A positive uniform adjustment of PKR 0.19 per kWh was approved in the QTAs for DISCOs and K-Electric for the first quarter(Q1) of FY25; to recover an additional amount of PKR 1.19 Billion (B).

An additional PKR 0.96 B legal charges were claimed as part of the market operator fee (MOF).

Capacity charges amounting to PKR 2.6 B were adjusted in Q1 FY25.

#RFQuartelyTariffBulletin

What are Quarterly Tariff Adjustments (QTAs)?

The financial sustainability of the sector relies on recovering the full cost of service, as much as feasible, through an efficient tariff structure that maintains sufficient liquidity. NEPRA aligns adjustments in generation-end tariffs with consumer-end tariffs, considering both QTAs and monthly FCAs.

At the start of each fiscal year, NEPRA notifies the consumer-end tariff based on power price projections for that fiscal year. On a quarterly basis, DISCOs submit their requests to NEPRA if any variations are observed against the following components:

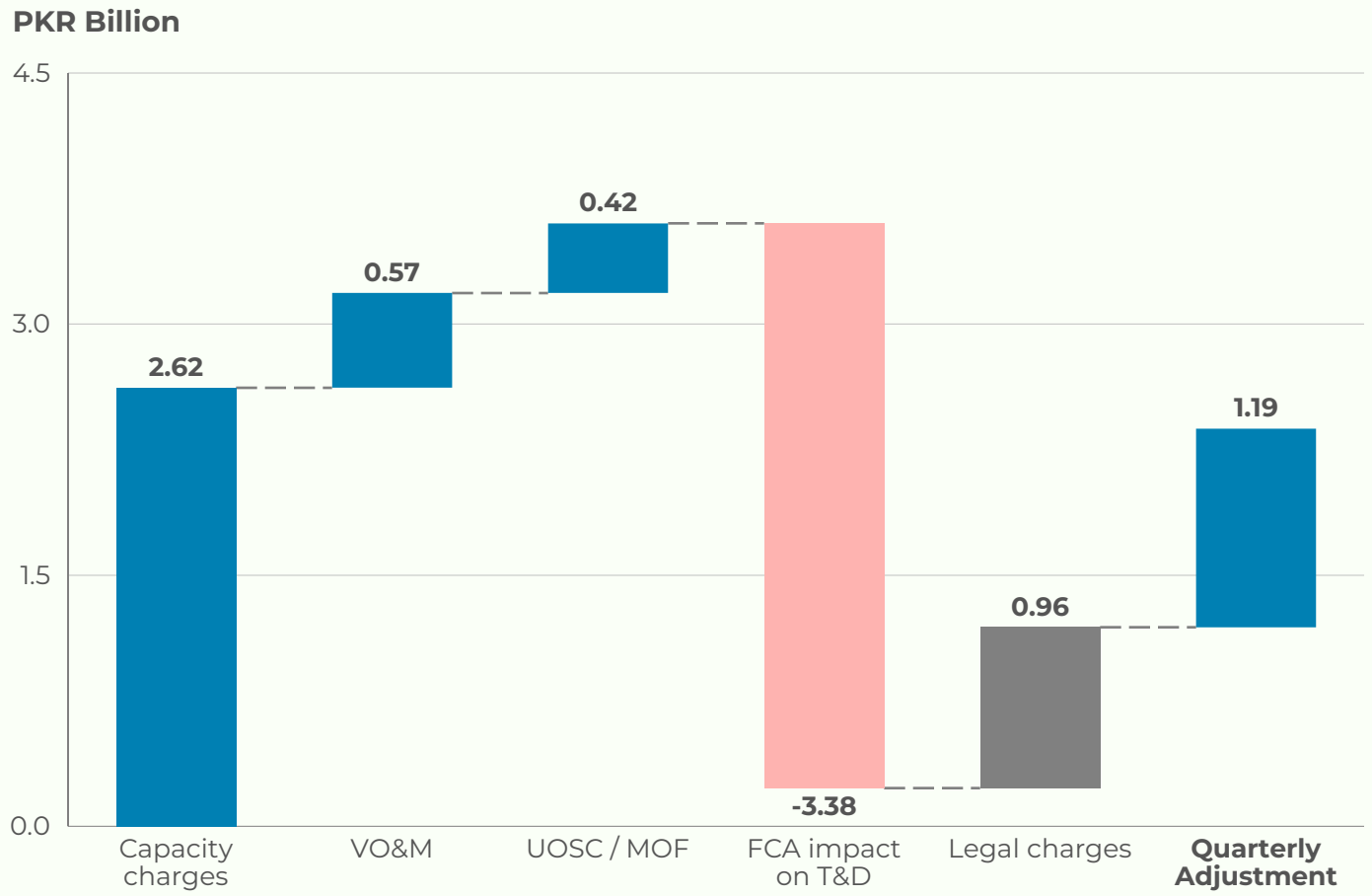
- Capacity charges (notified under Transfer Price Mechanism)
- Use of system charges (UoSC) (notified under Transfer Price Mechanism)
- Adjustment of variable operation and maintenance (V0&M) charges as per actual
- Impact of transmission & distribution (T&D) losses

After verifying the requests made by DISCOs, NEPRA standardizes a uniform tariff adjustment for all DISCOs, including K-Electric as well. These adjustments are then passed on to the consumers during the upcoming months in their electricity bills.

#RFQuartelyTariffBulletin

Quarterly adjustment of PKR 1.19 B was approved for Q1 FY25

Component wise breakdown of quarterly adjustment, Q1 FY25

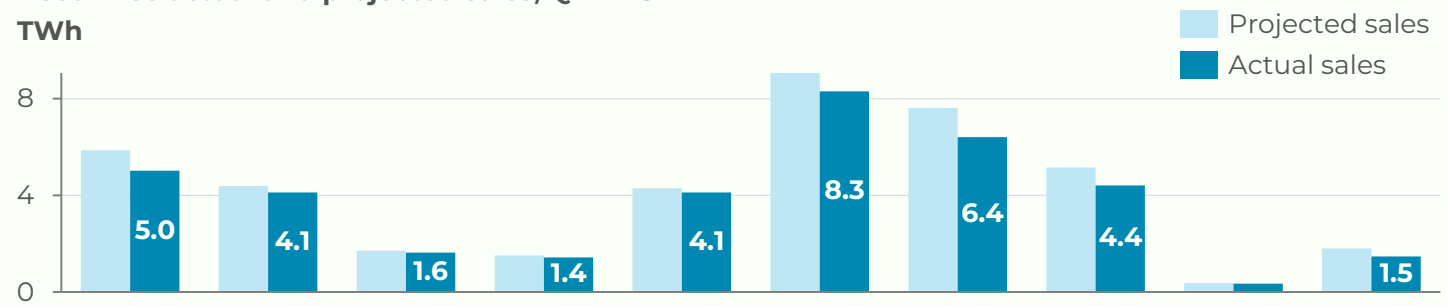


- **Capacity Charges:** Capacity charges are linked to DISCOs' electricity sales volume and are adjusted quarterly if sales deviate from projections. Due to lower electricity sales in Q1 FY25, DISCOs had to adjust PKR 2.62 B against the capacity committed in the projections (maximum demand).
- **VO&M, UoSC and MOF:** Variable O&M, along with the UoSC and MOF, are all tied to the sales volume of each distribution company. Any deviations from the expected sales are adjusted quarterly. In Q1 FY25, PKR 0.98 B was adjusted under these heads.
- **FCA Impact on T&D:** FCA on T&D losses is adjusted on quarterly basis through QTAs. FCA of PKR -2.50 per kWh for Q1 FY25 has led to a quarterly adjustment of PKR -3.38 B.
- **Legal Charges:** In Q1 FY25, CPPA-G requested additional legal charges, separate from the regular MOF. This charge of PKR 0.96 B, stems from a debit note issued to DISCOs for invoice reversal and is not part of the regular QTA.

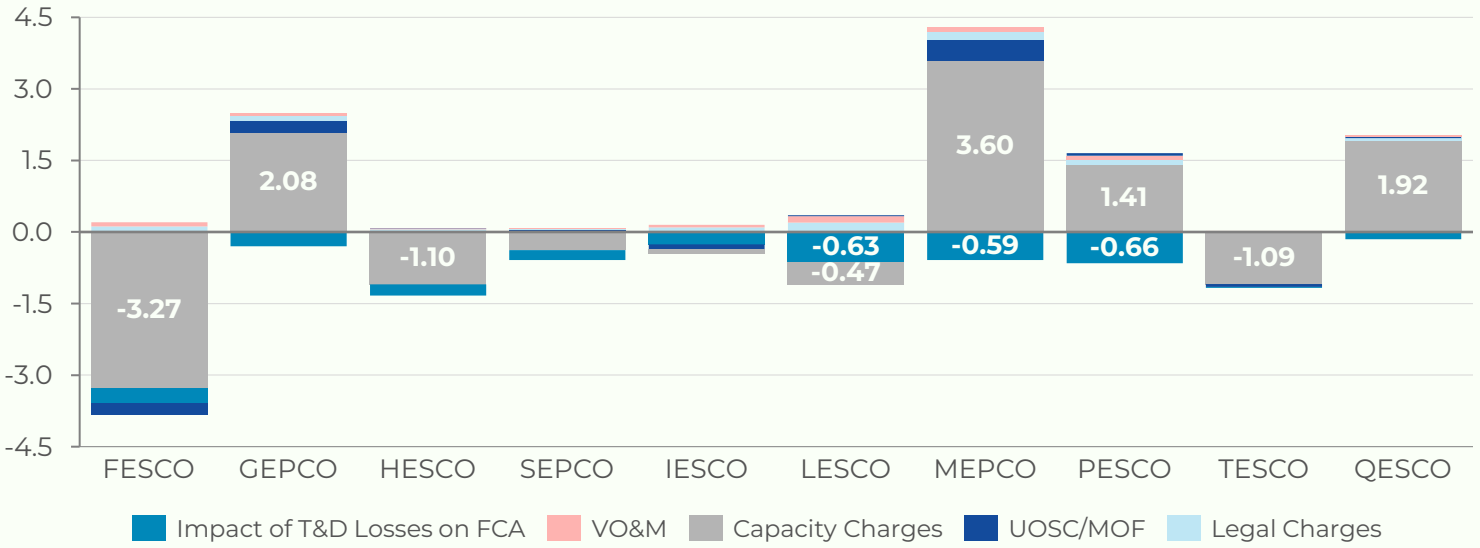
Data Source: NEPRA & Renewables First Calculations

MEPCO electricity sales shortfall led to a higher capacity charge adjustment in Q1 FY25

Disco-wise actual and projected sales, Q1 FY25



Disco-wise quarterly adjustments, Q1 FY25



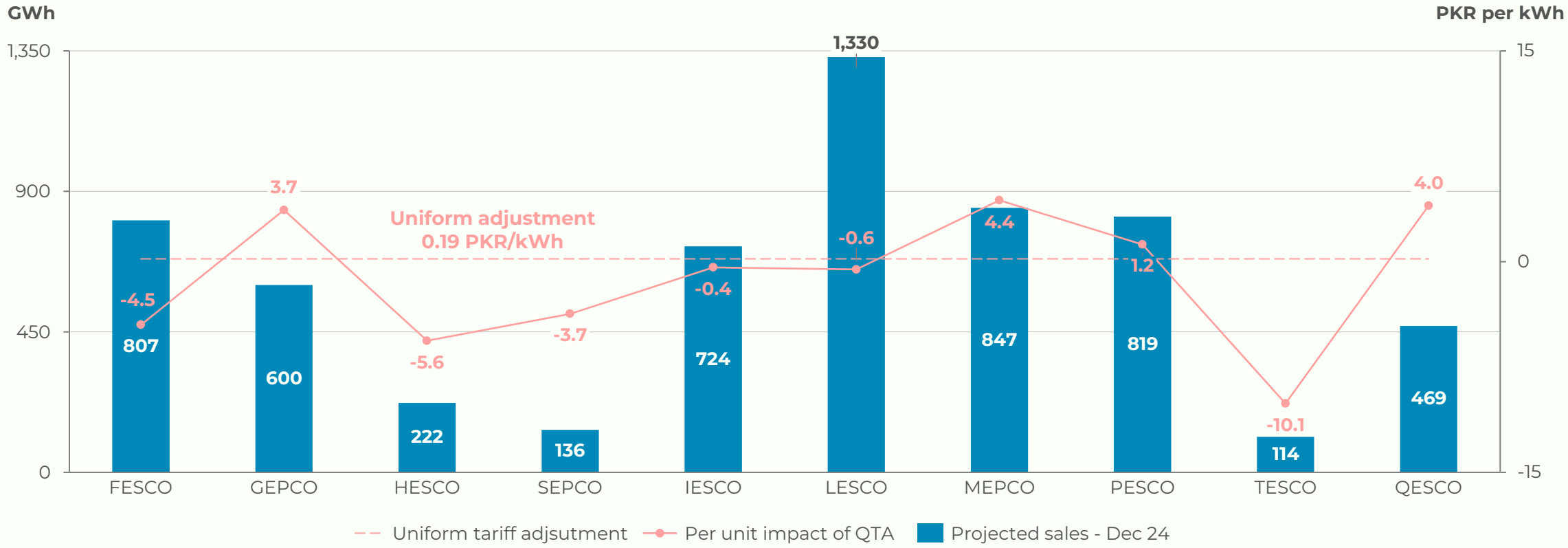
- In Q1 FY25, lower-than-projected electricity sales made capacity charges the major component of QTA. MEPCO saw the largest sales shortfall, purchasing only 6.4 TWh against the forecasted 7.6 TWh, leading to the highest capacity charge adjustment among DISCOs.
- Rapid adoption of distributed energy resources (DERs), particularly rooftop solar installations, either net-metered or non-net-metered, has significantly reduced electricity demand during sunlight hours. This factor has impacted sales of almost all DISCOs.
- Maximum demand indicator (MDI) reflects peak demand, and DISCO-wise capacities are allocated accordingly. Load pattern shifts due to DERs in some DISCOs have impacted the capacity charges, as deviations from allocated capacity can lead to underutilization or excess costs.

Data Source: NEPRA & Renewables First Calculations

Positive QTA of PKR 0.19 per kWh was passed on to consumers for the billing month of Dec 24

The under/over recovery of QTA for each DISCO was adjusted based on projected electricity sales for Dec 24. NEPRA had approved a uniform positive tariff adjustment of PKR 0.19 per unit for DISCOs and K-Electric for Q1 FY25, which was applied in the Dec 24 billing.

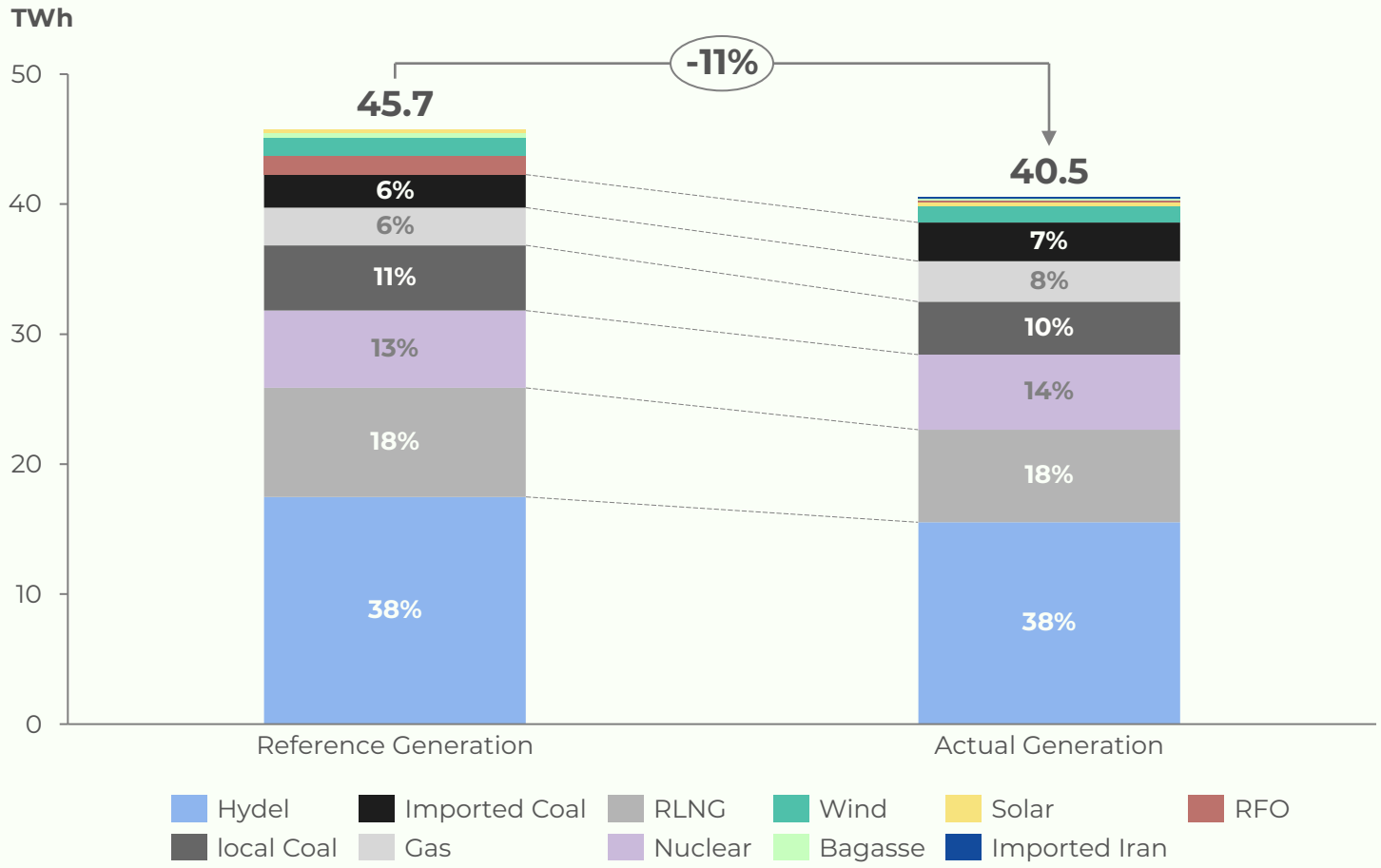
Disco-wise per unit impact of quarterly adjustments, Q1 FY25



Data Source: NEPRA & Renewables First Calculations

Q1 FY25 saw generation fall short of projections, with fossil fuels leading the generation mix

Source-wise generation, reference vs actual Q1 FY25

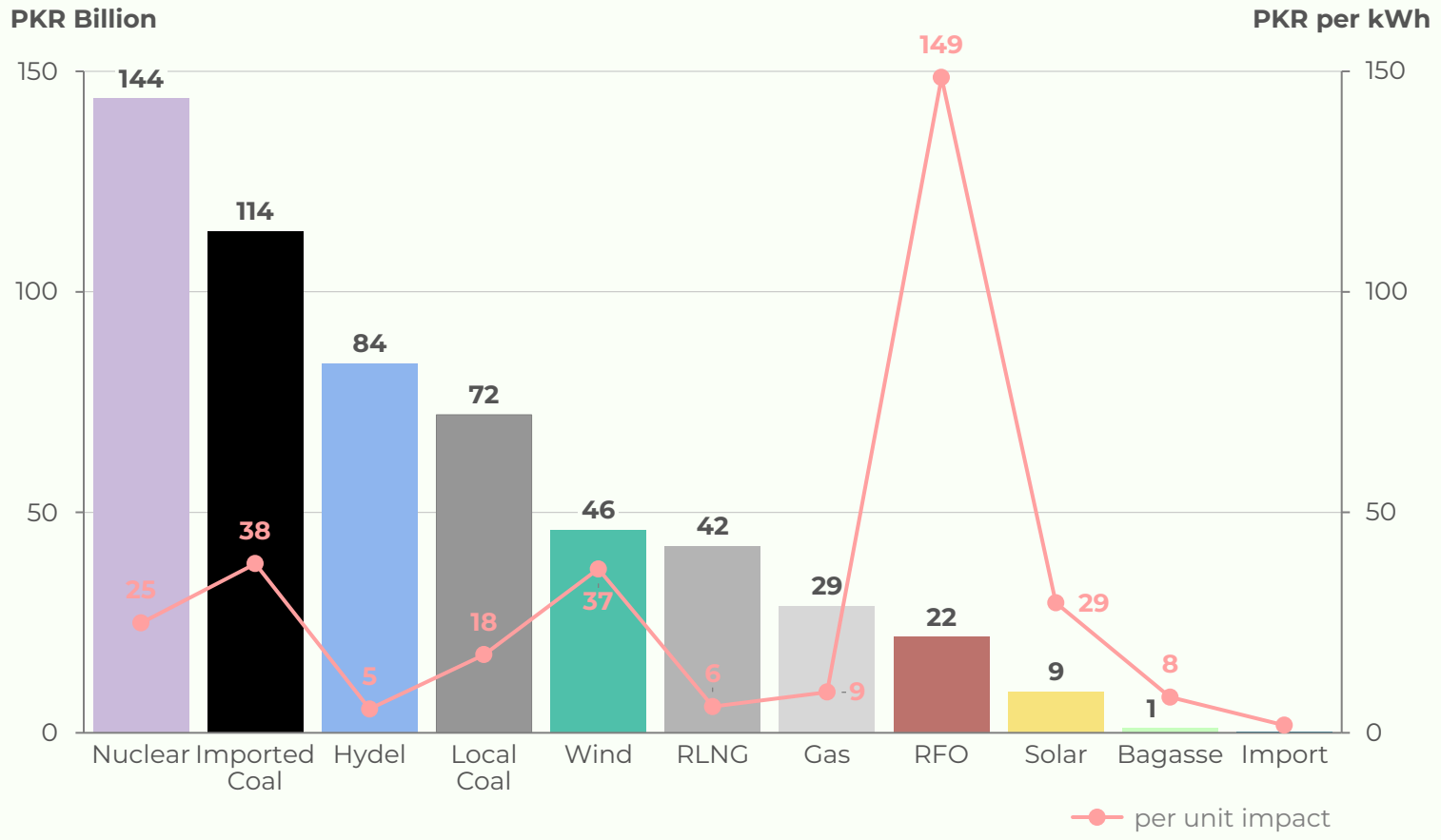


- Due to a decline in electricity demand, generation in Q1 FY25 remained 11% below the reference generation.
- Fossil fuels contributed 58% to total generation, followed by hydropower (38%) and renewables (4%).
- The absence of Neelum Jhelum and Guddu power plants increased reliance on costly alternatives.
- South-North transmission constraints, grid overloading, and delays in K2/K3 transmission lines also led to the underutilization of economical southern plants, necessitating costly operations.

Data Source: NEPRA & Renewables First Calculations

Nuclear plants with PKR 144 B held the highest share in capacity payments in Q1 FY25

Energy source-wise capacity payments, Q1 FY25

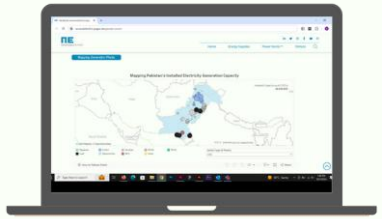


- Electricity generation decline in Q1 FY25 led to under-utilization of surplus capacity and higher per-unit capacity payments.
- Overall, nuclear received the highest capacity payments of PKR 144 B reflecting long-term contracts and fixed capacity charges. In Q1 FY25, among nuclear plants, K3 nuclear power plant received highest capacity payment of PKR 72 B.
- Imported coal power plants received the second highest capacity payments of PKR 114 B, while contributing only 7% to the generation mix.
- Out of the PKR 562 B paid as capacity charges to power plants in Q1 FY25, PKR 63 B was paid to those plants with a monthly utilization factor of less than 10%.

Data Source: NEPRA & Renewables First Calculations

For more power sector-related insights, visit:

Pakistan Energy and Climate Insights Dashboard



Pakistan Energy & Climate Insights

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 2024

#Pakistan Electricity Review 2024

The Pakistan Electricity Review 2024 report aims to improve technical accessibility and awareness of critical aspects of power generation, transmission, and consumption. Focusing on the Fiscal Year 2022-23 (FY23), this thorough analysis also explores key aspects such as K-Electric (KE), Circular Debt, and China-Pakistan Economic Corridor (CPEC) projects. The report utilizes publicly available data for the power sector, with NEPRA's State of Industry Report (SIR) and Energy Yearbook serving as primary data sources.

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 just and inclusive.

RENEWABLES FIRST

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