RENEWABLES FIRST

Pakistan’s Electricity Tariff Bulletin

Q2 FY25

What are quarterly tariff adjustments (QTAs)?

NEPRA notifies annual tariffs at the beginning of each fiscal year. Throughout the year, DISCOs submit quarterly adjustment requests for variations in:

- Capacity charges
- Use of system charges (UoSC)
- Variable operations and maintenance (O&M) costs
- Transmission and distribution (T&D) losses

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

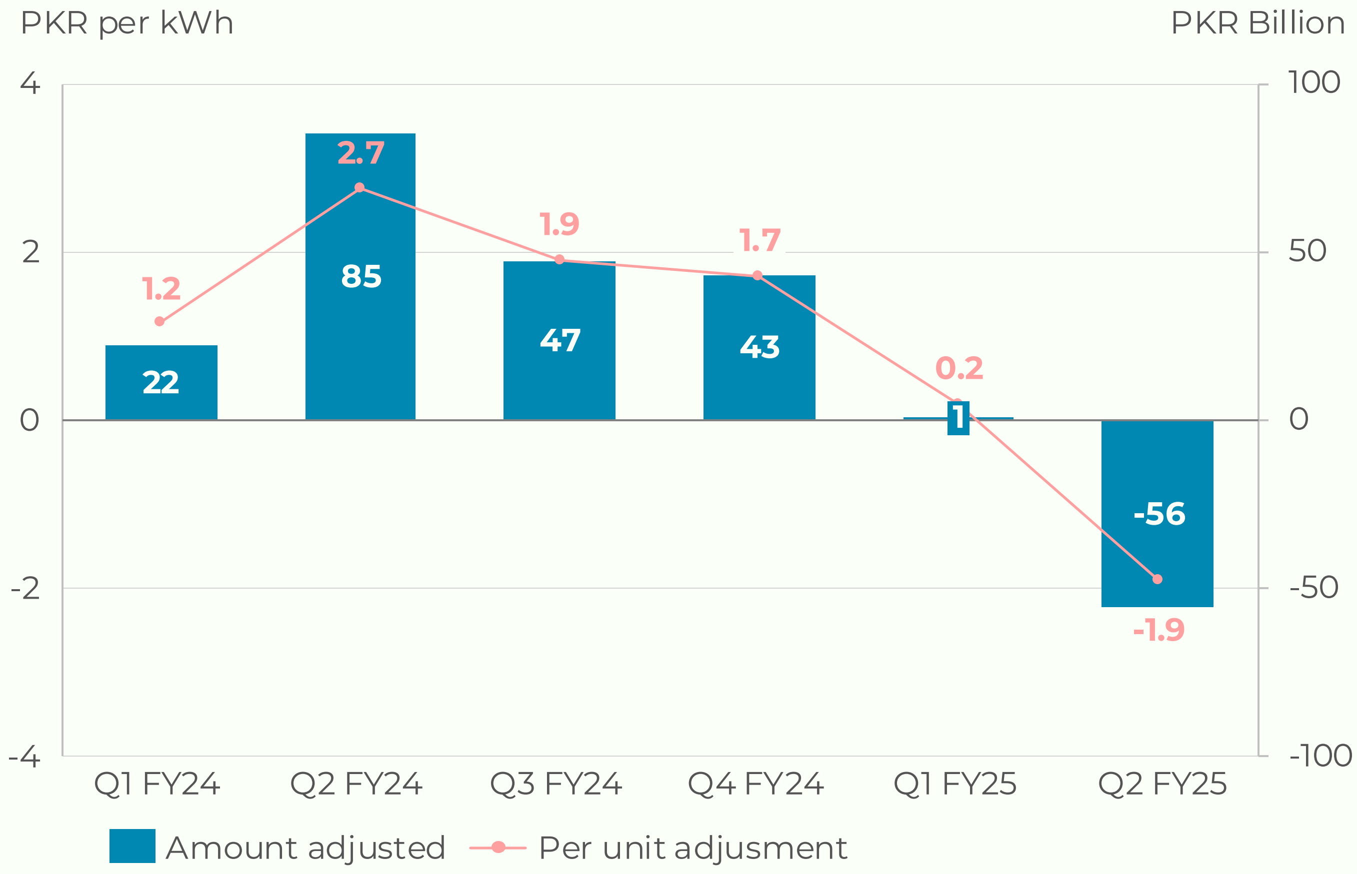
Key highlights

- A negative uniform adjustment of PKR 1.9 per kWh was approved in the QTA for DISCOs and K-Electric for the second quarter(Q2) of FY25, providing relief of PKR 56 billion (B) to consumers.
- Of the PKR 56 B in total adjustments, PKR 52 B resulted from a reduction in capacity charges.
- Improved macroeconomic indicators, coupled with renegotiations with independent power producers (IPPs), were the key drivers behind the decline in capacity payments.

#RFQuartelyTariff Bulletin

Improving macroeconomic indicators and renegotiated IPP contracts yielded a downward adjustment to the tariff in Q2 FY25

Quarterly tariff adjustments, FY24 - FY25



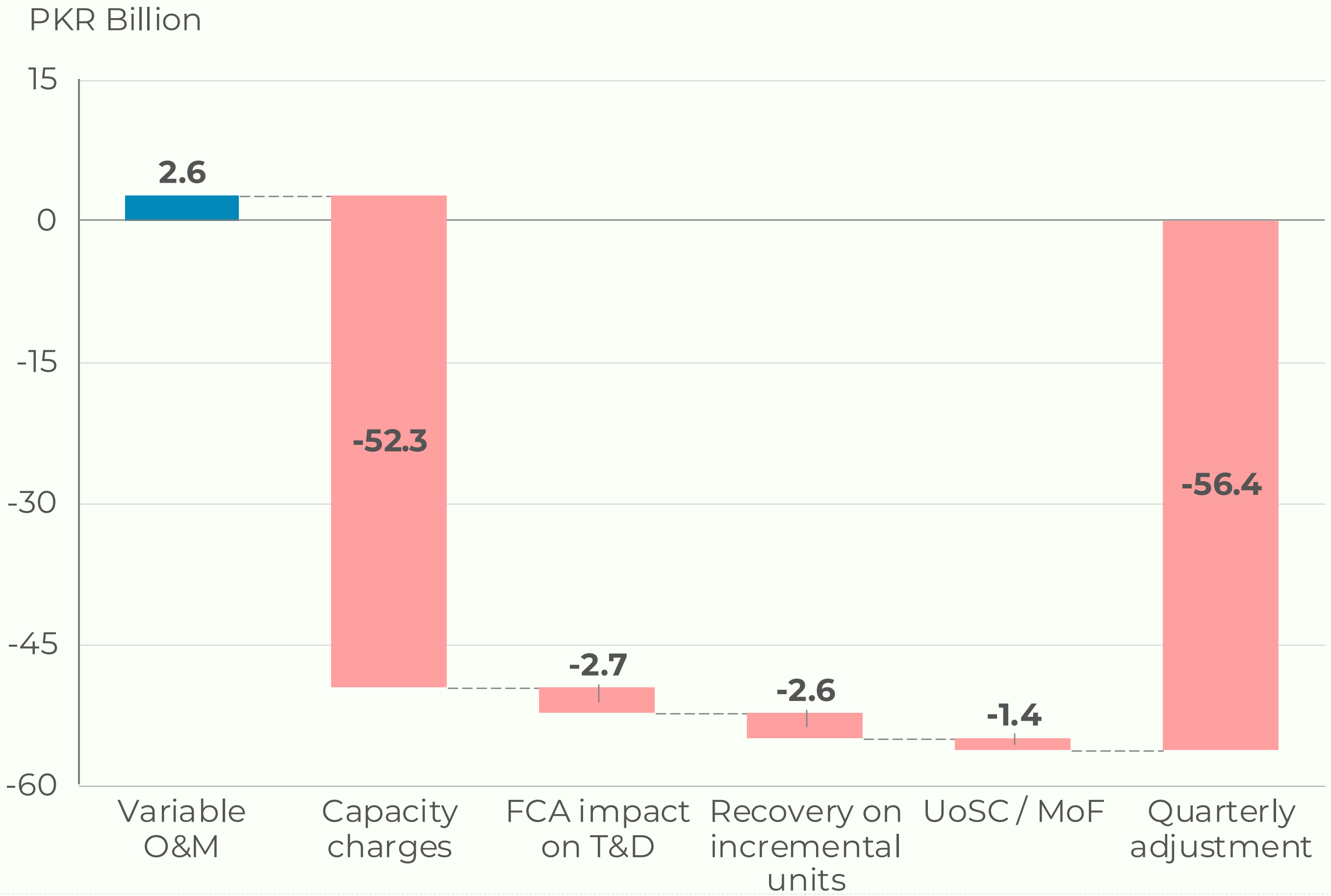
Rebased tariff in FY25: With the aim to reduce persistent upward revisions to the reference tariff, which were visible through FY24, NEPRA revised the reference tariff for FY25 to PKR 35.50 per kWh showing an increase of PKR 5.72/kWh over FY24.

Policy and economic factors: Macroeconomic trends proved to be more favourable in Q2 FY25 than assumed with the lower inflation and interest rates, leading to net savings for the consumer. Similarly, the government's successful renegotiation efforts and debt restructuring for some IPPs proved beneficial as capacity payments reduced due to the newly agreed take-and-pay arrangement.

Data Source: NEPRA & Renewables First calculations

Lower capacity payments drove the quarterly downward adjustment, underlining the role this component could play to reduce consumer tariff further

Component-wise breakdown of quarterly adjustment, Q2 FY25



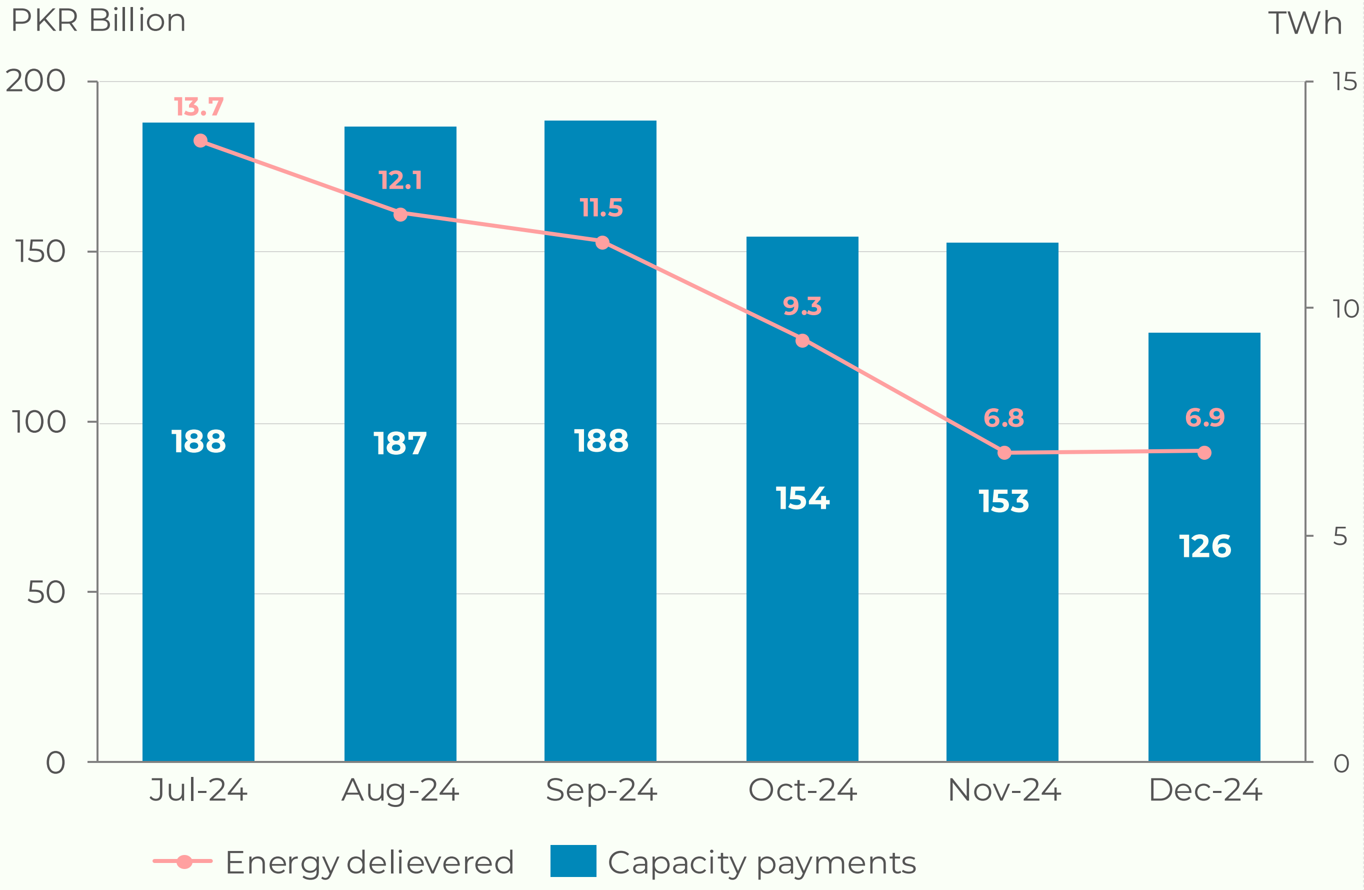
- IPP contract renegotiations and debt restructuring were crucial to lower capacity payments (details on next slide).
- In Q2, inflation trended downward due to improved macroeconomic conditions. It averaged 5.4%— 6.8 percentage points below NEPRA's assumption in PPP.
- Actual KIBOR averaged 14.6%—6.8 points below the projected 21.4%—while SOFR averaged 4.6%, which is 0.7 points under the 5.3% projection.
- Monthly fuel cost adjustment (FCA) values remained negative throughout Q2 of FY25, reducing the FCA impact on T&D recoveries.

PPP: Power purchase price projection
CPI: Consumer price index
SOFR: Secured overnight financing rate
KIBOR: Karachi Interbank offered rate

Data Source: NEPRA & Renewables First calculations

Capacity payments fell from PKR 562B in Q1 to PKR 433B in Q2 FY25 — a 23% decline driven by macroeconomic stability and contractual gains

Monthly capacity payments vs energy delivered, Q1 - Q2 FY25



Low winter demand: Although capacity payments dropped significantly by 23% in Q2, lower winter electricity sales reduced the per-unit benefit of these cuts — with the capacity payment share rising from PKR 15.06 per kWh in Q1 to PKR 18.8 per kWh in Q2.

IPP contract terminations: Terminating contracts with HUBCO, Lalpir, Saba Power, and Atlas Power cut capacity costs by PKR 12 B, reflecting the impact of contract exits.

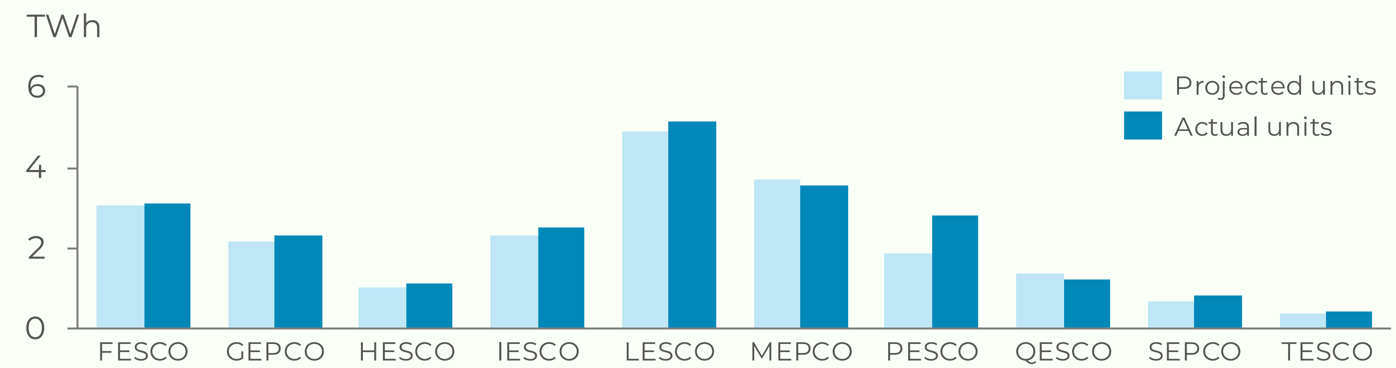
K2 debt reprofiling: Restructuring K2 nuclear plant debt saved PKR 18 B, showing the value of improved financing terms.

Neelum Jhelum downtime: Savings of PKR 18.5 B were realized due to the take-and-pay arrangement, which avoided capacity charges while the plant was offline.

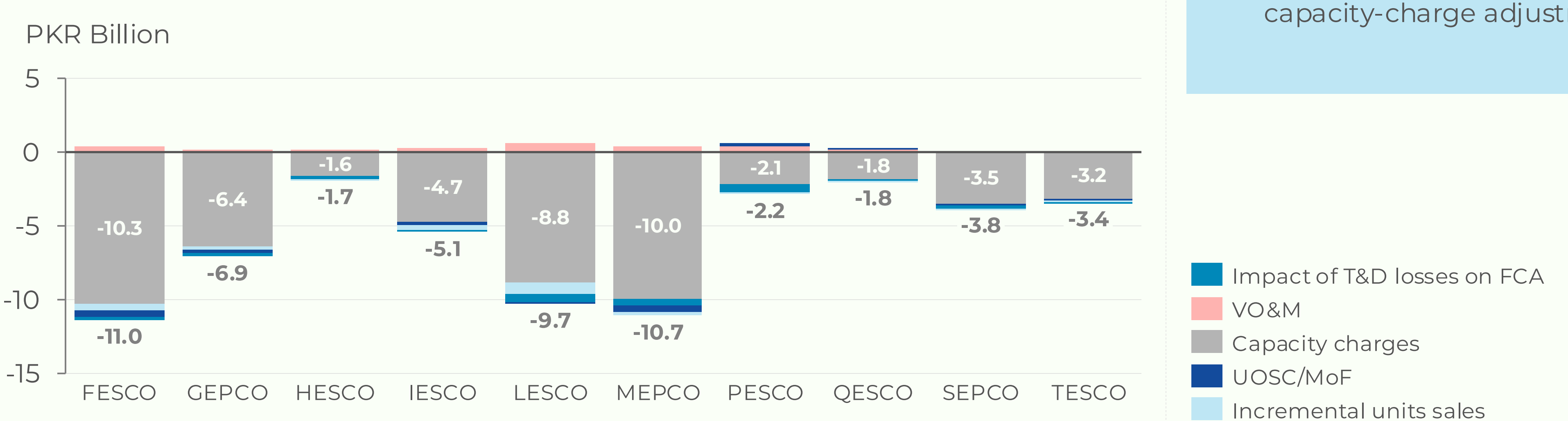
Data Source: NEPRA & Renewables First calculations

Tariff adjustments were influenced by the difference between actual and projected sales

Projected vs actual electricity sales, Q2 FY25



DISCO-wise quarterly adjustment, Q2 FY25



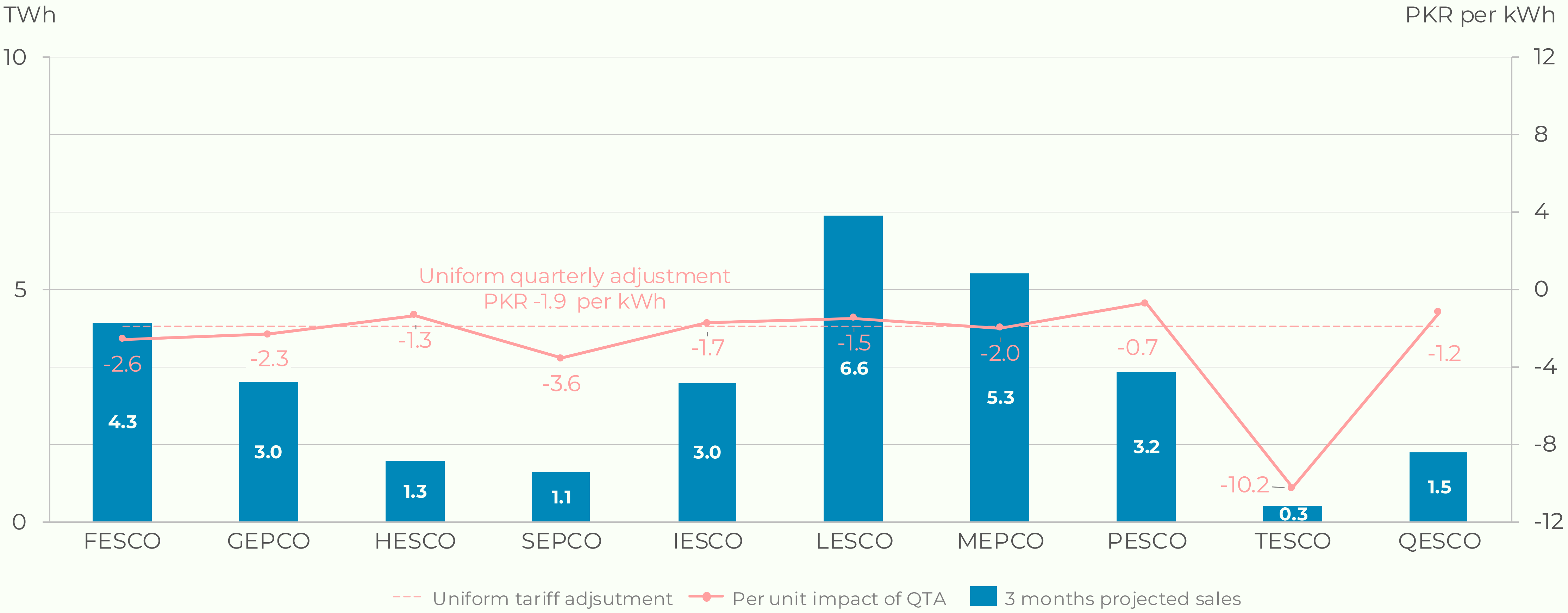
- Actual electricity sales reached 23 TWh, i.e. 2% above the Q2 forecast of 22.5 TWh, resulting in a negative tariff adjustment for the quarter.
- In Q2 FY25, LESCO's adjustment was higher because sales hit 5.2 TWh, exceeding the projected sales of 4.9 TWh.
- DISCO's that surpassed their projected sales faced proportionally larger capacity-charge adjustments.

Data Source: NEPRA & Renewables First calculations

Consumers are set to benefit from a quarterly adjustment of PKR -1.9 per kWh in their electricity bills for April to June 2025

DISCO over-/under-recoveries were assessed against projections, leading to a uniform negative adjustment of PKR 1.9004 per kWh for Q2 FY25, easing bills from April to June 2025.

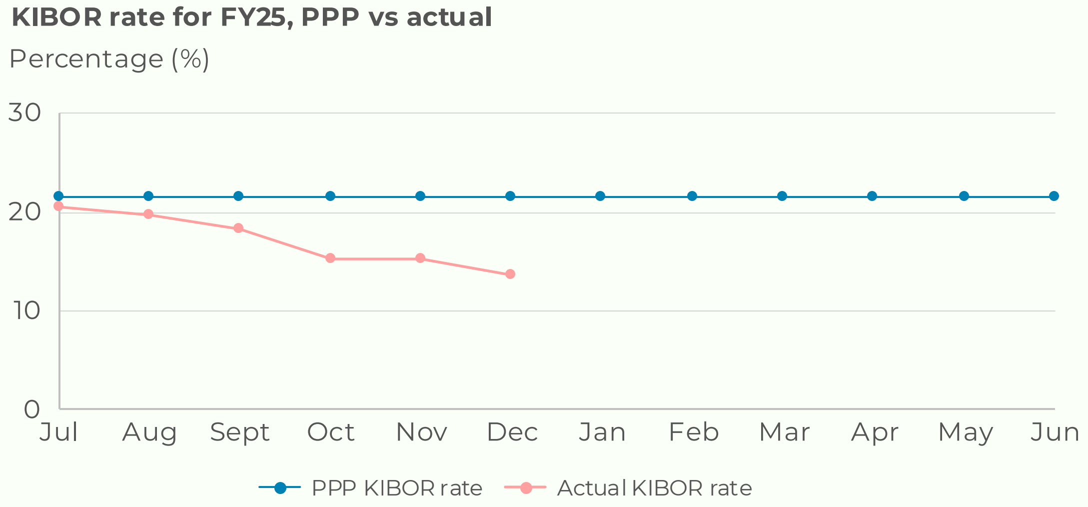
Disco-wise per unit impact of quarterly adjustments, Q2 FY25

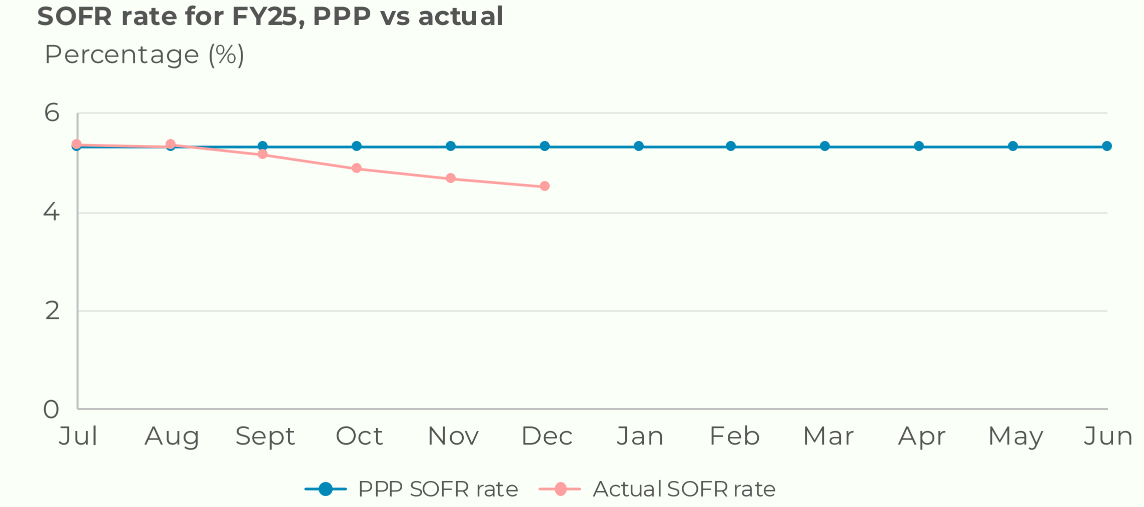


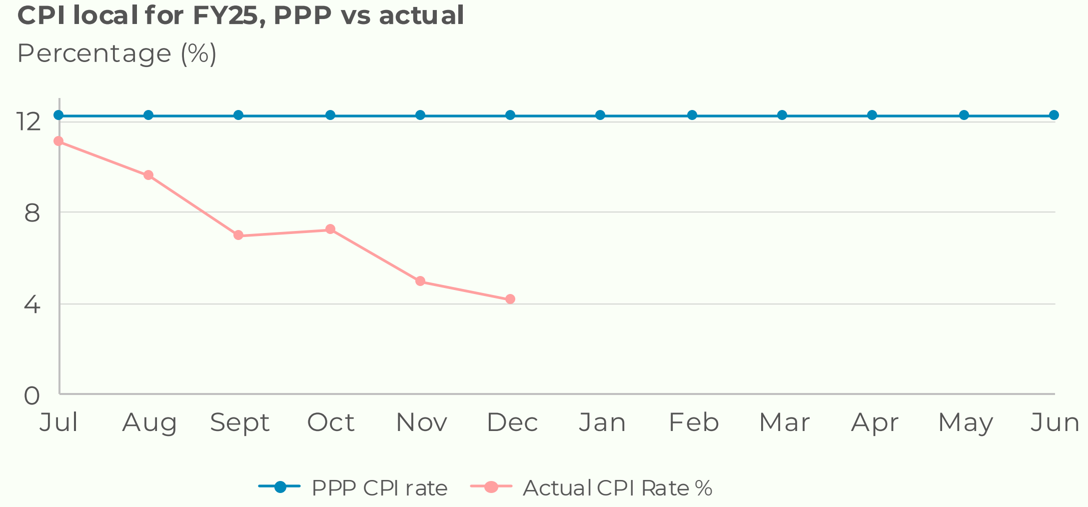
Data Source: NEPRA & Renewables First calculations

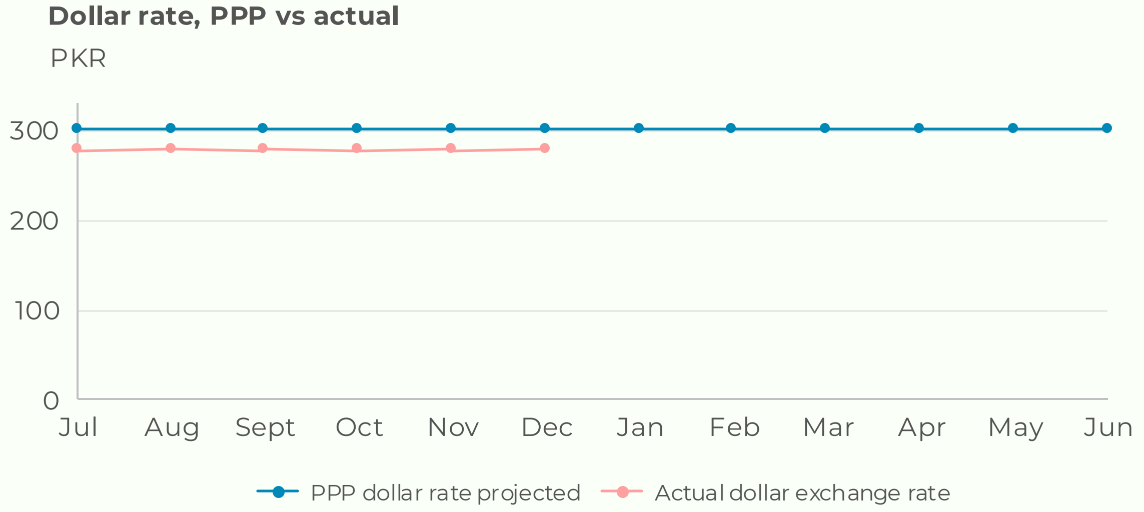
MACRO ECONOMIC TRENDS FY25

Positive trends relative to the reference tariff contributed to the downward tariff adjustment in Q2 FY25





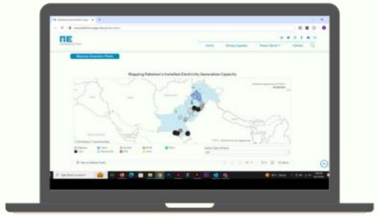




Data Source: NEPRA, State bank of Pakistan & Renewables First calculations

For more power sector-related 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 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 just and inclusive.

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