

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
******NEPRA******

DRAFT NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
STANDALONE ELECTRIC POWER SYSTEM (PILOT PROJECTS) REGULATIONS,
2026

DRAFT FOR PUBLICATION UNDER SECTION 47(3) OF THE REGULATION OF
GENERATION, TRANSMISSION AND DISTRIBUTION OF ELECTRIC POWER ACT,
1997 (XL OF 1997)

In exercise of powers conferred under section 47 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997); the National Electric Power Regulatory Authority (NEPRA) is pleased to make the National Electric Power Regulatory Authority Standalone Electric Power System (Pilot Projects) Regulations, 2026. In this regard, the following notification is hereby published for eliciting public opinion. The comments may be sent to the Registrar (NEPRA) on the address given below within 30 days of this publication.

NATIONAL ELECTRIC POWER REGULATORY AUTHORITY
STANDALONE ELECTRIC POWER SYSTEM (PILOT PROJECTS) REGULATIONS,
2026

NOTIFICATION

Islamabad, ____day of____, 2026

S.R.O. _____(I)/2026. In exercise of the powers conferred by section 47 read with section 7 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997) and all other enabling provisions thereof, the National Electric Power Regulatory Authority, is pleased to make the following regulations.—

1. Short title and commencement.— (1) These regulations shall be called the National Electric Power Regulatory Authority Standalone Electric Power System (Pilot Projects) Regulations, 2026.

(2) These regulations shall be applicable for the pilot projects for standalone electric power system.

(3) These regulations shall come into force at once.

2. Definitions.— (1) In these regulations, unless there is anything repugnant in the subject or context, —

- (a) “Act” means the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 (Act No. XL of 1997), as amended from time to time;
- (b) "applicable documents" means the regulations, terms and conditions of any licence, registration, authorization, determination, any codes, manuals, directions, guidelines, orders, notifications, agreement or document issued or approved under the Act;
- (c) “Authority” means the National Electric Power Regulatory Authority established under section 3 of the Act;
- (d) “host distribution licensee" means any person licensed by the Authority to engage in distribution business within whose service territory a scheme is notified by the Federal or Provincial Government under regulation 3 of these regulations;
- (e) “host supplier of last resort” means any person licensed by the Authority to engage in electric power supply business as supplier of last resort within whose service territory a scheme under regulation 3 of these regulations is notified by the Federal or Provincial Government;
- (f) “licensee” where context so permits includes any person licensed by the Authority to engage in distribution business and electric power supply business as supplier of last resort;
- (g) “pilot project” means a project, selected in accordance with regulation 4 of these regulations, for the provision of electric power through standalone electric power systems;
- (h) “scheme” means scheme of a pilot project notified under regulation 3 of these regulations;
- (i) “sponsoring government” means the Federal Government and/or a Provincial Government which prepares a scheme under regulation 3 of these regulations;
- (j) “standalone electric power system” means a self-contained system comprising generation facilities, with or without energy storage, and associated electrical infrastructure, as applicable, for supplying electric power to one premises, without direct or indirect electrical connection to the national or provincial grid.

(2) Words or expressions used but not defined in these regulations shall have the same meanings as assigned to them in the Act and applicable documents.

3. Scheme for Standalone Electric Power System.— (1) Notwithstanding anything contained in any applicable documents, the sponsoring government with the consent of host

distribution licensee may notify a scheme prepared in accordance with these regulations, permitting standalone electric power system within the service territory of the host distribution licensee and upon notification of such scheme, the service territory of that host distribution licensee and host supplier of last resort to the extent of geographical territory mentioned in the scheme shall automatically stand modified and excluded from their respective licences:

Provided that the host distribution licensee may only de-energise connection of an eligible consumer upon installation of the standalone electric power system.

(2) A scheme notified under sub-regulation (1) shall, at a minimum, specify following details:

- (a) objective of the scheme;
- (b) the specific geographical area, feeders and premises covered and statement of compliance with regulation 4 of these regulations;
- (c) technological details, implementation plan, timelines for implementation and the implementing agency;
- (d) details of cost sharing mechanism if any;
- (e) potential public benefit of the scheme;
- (f) safety aspects of the standalone electric power systems;
- (g) evidence of consultation, notice to effected eligible consumers;
- (h) treatment of future eligible consumers in the specified geographical area;
- (i) ownership, operation and maintenance of the standalone electric power systems;
- (j) plan in case the scheme of standalone power system is subsequently discontinued and the affected area requires reconnection to the distribution network;
- (k) the minimum service levels to be provided to consumers, including capacity, energy availability, and timelines for fault rectification and replacement of components, and the complaint handling mechanism (if any);
- (l) engineering, procurement and construction (EPC) arrangements; and
- (m) the cost benefit analysis and mechanism for recovery of cost sharing with regards to implementation of the scheme.

(3) Upon implementation of the scheme, the host distribution licensee may dismantle its existing distribution system in accordance with the applicable documents.

Explanation—The standalone electric power system shall be financed or funded, either in full or in part in case of any sharing mechanism, by the sponsoring government through its grant, subsidy, or any other financial resource and such cost will not in any case form part of revenue requirement of any licensee for the purpose of determination of tariff.

4. Selection of pilot projects.—(1) The sponsoring Government shall limit the number of pilot projects to two (2) per licensee or such higher number as may be determined by the Authority on the request of a sponsoring government.

(2) The pilot project shall only be initiated in areas exhibiting persistently high distribution losses, high recovery loss, poor service quality, remoteness of location, or areas where network cost is not economically justified.

5. Reconnection.—In the event that any area covered under a notified scheme subsequently requires restoration or reconnection to the distribution network, all costs associated with the

restoration, re-installation, augmentation or reconnection of network facilities, including allied infrastructure and equipment, shall be borne by the sponsoring government and such costs shall not form part of any licensee's revenue requirement, shall not be treated as prudent expenditure for tariff purposes, and shall not be recoverable from consumers through tariff.

6. Reporting requirement.— (1) In order to ensure that future regulation is based upon evidence rather than assumptions, the implementing agency shall submit following information and report to the Authority after three (3) months of the implementation of the scheme:

- (a) progress of implementation plan;
- (b) consumer behavior, response and satisfaction;
- (c) administrative feasibility of the pilot project; and
- (d) reliability of standalone electric power system.

(2) After one year of the implementation of the scheme, the Authority will conduct an assessment of the pilot project.

7. Modification of Licence.— Within thirty (30) days of coming into force of these regulations, every licensee shall submit a licensee proposed modification in accordance with the applicable documents to align its licence with these regulations.

8. Obligation of the Licensees.— The licensee is obligated to ensure that:

- (a) the proposed treatment of the existing distribution system and related assets in the geographical area where a scheme is notified, including de-energisation, retention, redeployment, retirement or disposal, regulated asset base and depreciation treatment, and the treatment of investments already made or included in the approved investment programme of the host distribution licensee is in accordance with these regulations and the applicable documents;
- (b) the mechanism for recovery of arrears outstanding is devised in accordance with the applicable documents;
- (c) while according consent to the scheme as per regulation 3 of these regulations, it has assessed the implications of the scheme for the licensed business of the host distribution licensee and the host supplier of last resort, including but not limited to any future or pending privatization transaction.

9. Technical standards, safety and consumer protection.— (1) The implementing agency shall ensure that standalone electric power systems are designed, installed, operated and maintained in accordance with the technical specifications and standards specified in the applicable documents.

(2) The installation, inspection and operation of standalone electric power systems shall comply with the safety requirements of the applicable documents and of the law for the time being in force, including the requirements of the concerned Provincial Government regarding electrical inspection.

(3) No charges shall be recovered from a consumer by the implementing agency other than those specified in the scheme.

(4) The implementing agency and the licensee shall protect the personal data of the consumers collected for the purposes of the pilot project.

10. Removal of Difficulty.— If a difficulty arises in giving effect to any provision of these regulations, the Authority may issue such directions, as it may consider necessary for the removal of such difficulty.

Registrar