GOVERNMENT OF PAKISTAN
MINISTRY OF ENERGY POWER DIVISION, ISLAMABAD
******

No.4(6)/2022-POLICY-P-001-0004 **Islamabad, the 27th November , 2026**

From

Ehtisham Ul Haq
(O/B) Deputy Secretary (Policy)

To

1- Wasim Anwar Bhinder, Registrar-1, NEPRA, Islamabad

SUBJECT: PETITION FOR FORWARD-LOOKING FUEL CHARGES ADJUSTMENT (FFCA) FOR PERIOD OF OCT-2026 TO DEC-2026 - GUIDELINES OF THE FEDERAL GOVERNMENT

Please refer to Petition dated 27 November 2026 and this Division's letter No. 4(6)/2022-Policy-P-001-0002 dated 26 November 2026 on the Forward Looking Fuel Charges Adjustment. The guidelines of the Federal Government are attached for further necessary action.

2. Forwarded please.

Wasim Anwar Bhinder
Registrar-1
27 November , 2026, 03:24:43 PM

Ehtisham Ul Haq
(O/B) Deputy Secretary (Policy)
Ph:03314721419

Copy for information to:-

1- Mahfooz Ahmed Bhatti, Addl Secretary-II, MOEPWD, Islamabad

Ehtisham Ul Haq
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GOVERNMENT OF PAKISTAN
MINISTRY OF ENERGY POWER DIVISION, ISLAMABAD
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No.4(6)/2022-POLICY-P-001-0003 **Islamabad, the 27th November , 2026**

From

Ehtisham Ul Haq
(O/B) Deputy Secretary (Policy)

To

1- Wasim Anwar Bhinder, Director General (Admin/HR), NEPRA, Islamabad

SUBJECT: PETITION FOR FORWARD-LOOKING FUEL CHARGES ADJUSTMENT (FFCA) FOR PERIOD OF OCT-2026 TO DEC-2026

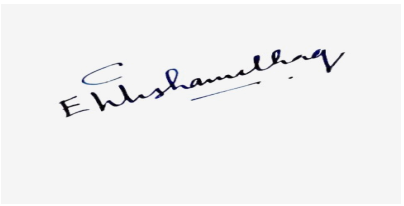
I am directed to refer to the subject cited above and to state that the Federal Cabinet vide its decision No. Case No. 937/Rule-19/2026/1125 dated 26.11.2026 has approved the summary of the Power Division titled "Forward-Looking Fuel Charges Adjustment (FFCA)", including the Policy Guidelines issued vide letter No. 4(6)/2022-POLICY-P-001-0002 dated 26 November 2026.

2. In this regard, a period working has been simulated for October 2026 to December 2026. The projections are based on the assumptions of continued availability of contracted RLNG supplies from Qatar. The details of monthly fuel wise generation and costing, monthly FCAs, Equalized FFCA, assumptions regarding fuel prices, additional local gas allocation and dependance on thermal fuels has been attached as Annex-A .

3. The exercise has been undertaken by the Power Division with the technical support and assistance of Independent System and Market Operator (ISMO), Power Planning and Monitoring Company (PPMC) and Central Power Purchasing Agency (Guarantee) Limited (CPPA-G), who have contributed to the development of the projections, underlying assumptions and proposed mechanism.

4. The Authority is, therefore, requested to take up the matter and initiate the necessary proceedings, in accordance with the policy guidelines and applicable framework for incorporation of the FFCA into the existing monthly FCA mechanism, effective from the FCA of Oct-2026, and accordingly determination of the applicable FFCA for Oct-2026 to Dec-2026. The technical teams of ISMO, PPMC and CPPA-G shall remain available to provide requisite data, technical assistance and clarifications during the proceedings.

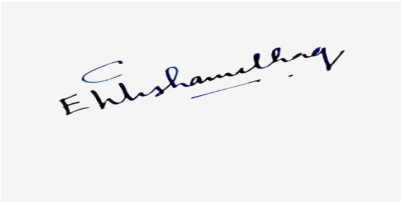
Wasim Anwar Bhinder
Registrar-1
27 November , 2026 09:26:09 PM



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Wasim Anwar Bhinder
Registrar-1
27 November , 2026, 03:26:09 PM

GOVERNMENT OF PAKISTAN
MINISTRY OF ENERGY POWER DIVISION, ISLAMABAD
******

No.4(6)/2022-POLICY-P-001-0002 **Islamabad, the 26th November , 2026**

From

Ehtisham Ul Haq
(O/B) Deputy Secretary (Policy)

To

1- Wasim Anwar Bhinder, Registrar-1, NEPRA, Islamabad
2- Rihan Akhtar, Chief Executive Officer, CPPAG, Islamabad
3- Dr. Masood Ahmad, Chief Executive Officer, ismo, Islamabad
4- Abid Latif Lodhi, Managing Director, PPMC, Islamabad

SUBJECT: FORWARD LOOKING FUEL CHARGES ADJUSTMENT

I am directed to refer to the above subject and to state that the Federal Cabinet, vide Case No.937/Rule-19/2026/1125 dated 26 November 2026 **(Annex-I)**, has approved the Policy Guidelines for Forward-looking Fuel Charges Adjustments **(Annex-II)** pursuant to the Section 31(7)(iv) of the NEPRA Act and NE Plan. The above referred consideration of the Cabinet is hereby conveyed for further necessary action at your end.

Wasim Anwar Bhinder
Registrar-1
27 November , 2026 03:26:27 PM

Ehtisham Ul Haq
(O/B) Deputy Secretary (Policy)
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Copy for information to:-

1- Mahfooz Ahmed Bhatti, Addl Secretary-II, MOEPWD, Islamabad

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Annex-A

Fuel Type	Oct-26			Nov-26			Dec-26		
	Energy Units (GWh)	Fuel Cost (Mln. Rs)	Fuel Rate (Rs/kWh)	Energy Units (GWh)	Fuel Cost (Mln. Rs)	Fuel Rate (Rs/kWh)	Energy Units (GWh)	Fuel Cost (Mln. Rs)	Fuel Rate (Rs/kWh)
Hydel	2,818	0	0.00	2,895	0	0.00	1,422	0	0.00
Wind	316	0	0.00	97	0	0.00	249	0	0.00
Solar	99	0	0.00	48	0	0.00	57	0	0.00
Baggase	42	483	11.43	52	566	10.88	100	1,093	10.88
Coal- Local	1,360	13,592	9.99	1,361	20,909	15.36	1,289	20,171	15.65
Coal- Imported	1,569	25,707	16.38	108	2,254	20.87	1,312	23,845	18.18
Nuclear	2,090	7,175	3.43	1,872	5,553	2.97	1,791	5,314	2.97
Dedicated Gas	1,090	13,629	12.50	837	9,024	10.78	1,196	14,891	12.45
RLNG	757	21,751	28.74	598	16,486	27.59	1,175	35,412	30.14
RFO	351	16,292	46.43	0	0	0.00	193	11,483	59.63
HSD	198	13,811	69.59	0	0	0.00	0	0	0.00
Adjustments	-339	-1,143		-220			-246		
Total	**10,352**	**111,296**	**10.75**	**7,648**	**54,792**	**7.16**	**8,538**	**112,208**	**13.14**
Reference	**10,360**	**81,529**	**7.87**	**7,783**	**48,599**	**6.24**	**7,621**	**61,091**	**8.02**
FCA		**29,833**	**2.88**		**7,039**	**0.92**		**43,764**	**5.13**
FFCA	**3.04**								

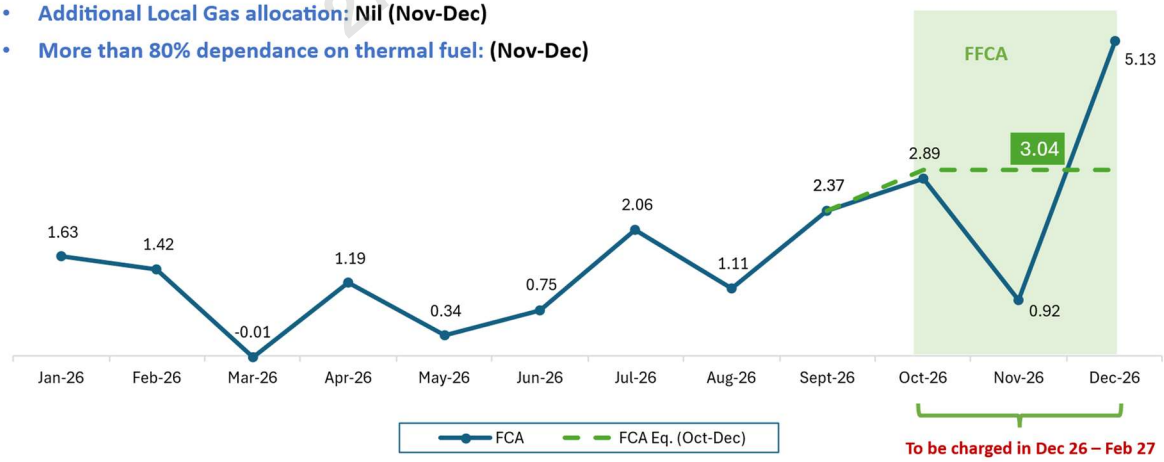
Wasim Anwar Bhinder
Registrar
27 November 2026 03:26:15 PM

Forecasted Variation in Monthly FCAs

Major Reasons for Increased FCAs (Oct-Dec) to be charged in (Dec-Feb) consumer billing

- **Brent Prices:** USD 70 --> USD 93/barrel
- **Imported Coal:** USD 85 --> USD 125/ton
- **RLNG Prices Contracted:** USD 11/mmbtu --> USD 16/mmbtu
- **Additional Local Gas allocation:** Nil (Nov-Dec)
- **More than 80% dependance on thermal fuel:** (Nov-Dec)

- Oct-Dec 26: Load Management (1.5 – 2 hrs)



Policy Guidelines for Forward-looking Fuel Charges Adjustments

1. By way of Regulation of Generation, Transmission and Distribution of Electric Power (Amendment) Act, 2021 (**"the Act"**) and National Electricity Policy, 2021 (**"the Policy**"), framework for uniform tariff has been prescribed. Such framework enshrines the principles of price-equalization and socio-economic elements, stability and predictability.

2. These principles are also enshrined in the Act and Policy developed by the Federal Government and approved by Council of Common Interests (**CCI**) which aim at striking a balance between the interest of consumers and the interest of providers of capital. The Policy provides under Clause 5.6.1 that 'financial sustainability of the sector is premised on the recovery of full cost of service, to the extent feasible, through an efficient tariff structure, which ensures sufficient liquidity in the sector' and vide Clause 4.2.1, it states that transparency will be ensured through a predictable policy framework, uniform application of regulatory framework, elimination of institutional conflict of interest, automation & digitization of processes and adopting best practices for dissemination of authentic, timely information to all the stakeholders and tariff should provide the stability and predictability of such tariff for customers for timely budgeting and economic decisions.

3. Accordingly, on the basis of national average power purchase price and the overall revenue requirement of XWDISCOs, NEPRA determined the uniform tariff per Section 31(4) (the **"Uniform Tariff Decision"**). The latest Uniform Tariff was duly notified by the Federal Government vide SRO No. 279(I)/2026 dated 12th February 2026 (the **"Notified Uniform Tariff").**

4. Evidently, around 87% of the overall revenue requirements of XWDISCOs pertain to the Power Purchase Price (PPP), which is required to offset the costs of the generation and transmission companies' fuel, operations and maintenance, debt service etc.

5. As per the existing Tariff Methodology, references adopted for PPP are subject to adjustment on monthly and quarterly basis. The adjustment on account of variation in fuel cost component of PPP is undertaken on monthly basis and reflected uniformly in the consumers' monthly bill as Fuel Charges Adjustment. Further, Section 31(7)(iv) of the NEPRA Act envisages that NEPRA may make monthly adjustments in the approved tariff on account of any variations in the fuel charges keeping in view policy guidelines, if any, as the Federal Government may issue and accordingly the notification of tariff so adjusted in the official Gazette.

6. The monthly fuel charges adjustment mechanism (the **"FCA Adjustment Mechanism"**) determined by NEPRA and notified by the Federal Government is summarized below:

FUEL PRICE ADJUSTMENT MECHANISM

The actual variation in fuel cost component against the reference fuel cost component for the corresponding months will be determined according to the following formula:

Fuel Price variation = Actual Fuel Cost Component - Reference Fuel Cost Component

Wasim Anwar Bhinder
Registrar
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Where:

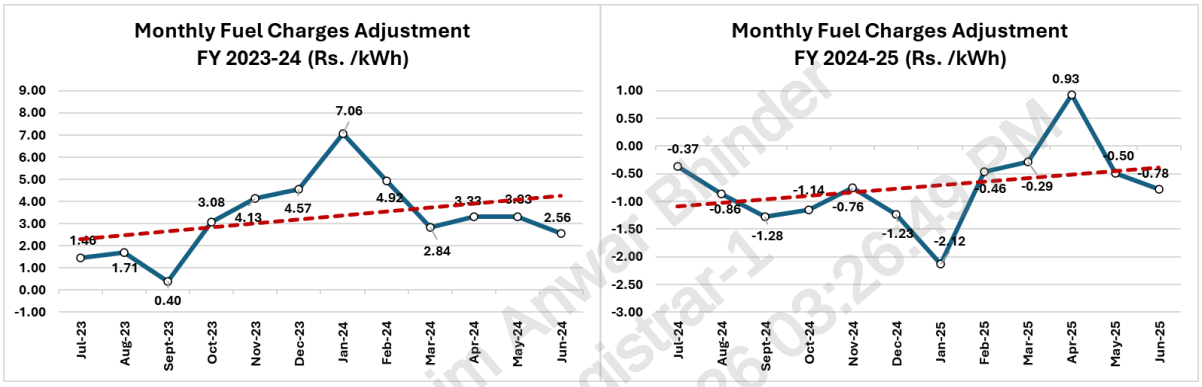
Fuel Price variation is the difference between the actual and the reference fuel cost component.

Actual fuel cost component is the fuel cost component in the pool price on which the DISCOs will be charged by the CPPA and for fuel cost of energy procured through bilateral contracts, in a particular month; and

Reference fuel cost component is the fuel cost component for the corresponding month projected for the purpose of tariff determination.

The fuel price adjustment determined by the Authority shall be shown separately in the bill of the consumer and the billing impact shall be worked out based on consumption by the consumer in the respective month.

7. The historical trends of monthly fuel charges adjustments on account of the above mechanism are shown through the following charts:



Wasim Anwar Bhinder
Registrar-I
27 November 2026 03:26:49 PM

8. The high and low values of FCA by year along with its annual average are tabulated below:

Financial Year	High Value of FCA (Rs. / kWh)	Low Value of FCA (Rs. / kWh)	Average (Rs. / kWh)
2023-2024	7.06	0.40	3.28
2024-2025	0.93	-2.12	-0.74
2025-2026	1.63	-1.79	0.13
2026-27 (till Sep)	2.37	1.11	1.84

9. It is important to highlight that as per the mechanism in field, fuel charges adjustment is recovered with 2 months lag. Hike in fuel prices and change in economic parameters result in heavy fuel charges. Due to delay in recovery of these variations, power sector faces huge liquidity crisis.

10. The recent regional conflict has triggered a sharp increase in international fuel prices and disrupted fuel supply chains following the closure of the Strait of Hormuz. Consequently, Brent crude oil prices surged beyond USD 120 per barrel against the benchmark of approximately USD 70 per barrel assumed during the base tariff determination. Amid the force majeure declared by Qatar, Pakistan has continued to manage its RLNG requirements through available contracted supplies and additional spot cargoes, wherever necessary. Similarly, International coal markets have also been affected, resulting in increased coal prices and heightened uncertainty in global supply chains. Consequently, the cost of imported coal has increased to USD 123 per ton against the benchmark of approximately USD 85 per ton assumed during the base tariff determination, with potential implications for the fuel cost of imported coal fired power generation.

11. It is importantly highlighted that Section 31(3)(i) of the NEPRA Act, read with Rule 17(xii) of the Tariff Rules, provides that tariffs should seek to provide stability and predictability for customers. The National Electricity Plan 2023-2027 (the Plan) also stipulates under Strategic Directive No. 76 that "To ensure stability & predictability in the tariffs of end consumers, the Regulator shall revisit existing fuel cost adjustment mechanism to ensure financial viability of the sector and equity of the consumers on account of price volatility. Accordingly, Regulator may formulate the Forward Fuel-Cost Adjustment (FFCA) mechanism based upon historical and / or future fuel price adjustments with the predetermined control period and appropriate tolerance bands".

12. Given the prevailing stressed economic conditions, including persistent inflationary pressures, elevated energy costs, and affordability concerns for consumers couples with predictability issues in monthly tariff variation, there is a need to minimize volatility and enhance predictability in electricity tariffs. Under the existing FCA mechanism, fluctuations in fuel prices are passed through to consumers with a time lag, often resulting in significant and unpredictable variations in electricity bills. Such variations place additional financial burden on households and businesses and may adversely affect budgeting of consumers and economic activity. In this context, the introduction of a mechanism which will be based upon historical and / or future expected fuel price adjustments with the predetermined control period called as Forward Looking Fuel Cost Adjustment (FFCA) mechanism, as envisaged under the Plan and section 31(3((i) of Act, has been examined to smooth the impact of fuel price volatility, provide greater tariff stability and predictability for consumers, and ensure the financial sustainability of the power sector.

13. In view of the above facts and keeping in view the representations made by each sector of the economy to the Federal Government, the following policy guidelines pursuant to the Section 31(7)(iv) of the NEPRA Act read with NE Plan SD 76 are developed so as to promote stability, sustainability, predictability and timely recovery of electricity tariff, while accounting for adjustments on account of variations mentioned above. Accordingly, to maintain such stability, sustainability and predictability for

Wasim Anwar Bhinder
Registrar
27 November 2026 08:25:19 PM

consumers and sustainability of companies providing electric power services the following policy guidelines are being framed, and the arrangement is called as FFCA:

a. A forward-looking fuel charges adjustment component on a per unit basis (FFCA) may be determined by NEPRA to remain in field for a period of three months (Oct-26 to Dec-26 to be charged in Dec-26 to Feb-27 respectively) and thereafter every six months (the "FFCA Control Period").

b. NEPRA may determine FFCA keeping in view previous trend and future outlook for the FFCA Control Period to be charged from the consumers for each month of the FFCA Control Period, subject to its adjustment as per principles specified below.

c. This FFCA shall be shown separately in the bill of the consumer, and the billing impact shall be worked out based on consumption by the consumer in the respective month.

d. During the FFCA Control Period, NEPRA shall continue to assess the variation in fuel charges per the FCA Adjustment Mechanism, provided that any under or over recovery on account of such variations for the FFCA Control Period, shall be accounted for going forward during the subsequent FFCA Control Period under the head of prior period adjustment for fuel variation per this policy guidelines per section 31(7)(iv) of the NEPRA Act read with NE Plan SD 76.

e. The same methodology shall continue to be adopted by NEPRA to determine FFCA based on the working including the assumption thereto, submitted by entity designated by Power Division for next FFCA Control Periods, till such time a fresh policy guideline to revise the same is issued by the Federal Government.

f. The Policy Guidelines shall take effect from Dec-26 billing month.

g. In order to maintain uniform tariff across the country, NEPRA shall determine application of FFCAs of XWDISCOs on KE consumers, with same application period, keeping in view financial sustainability of the sector and uniform tariff policy of the Federal Government.

h. Any difference between the monthly FCA rate determined for K-Electric and notified FFCA be made available to K-Electric by way of subsidy or cross-subsidy.

14. In this regard, a possible scenario **(Annex-IIA)** has been simulated for the period October 2026 to December 2026, considering the availability of contracted RLNG supplies from Qatar. The simulation assesses the anticipated load management requirements and corresponding Forward-looking Fuel Charges Adjustment (FFCA). Entity designated by Power Division shall submit the petition before NEPRA for due consideration and determination.

15. In view of the foregoing, NEPRA may consider the above scenario, including the underlying assumptions and projected fuel costs, to determine the FFCA for incorporation in existing FCA mechanism pursuant to above mentioned policy guidelines consistent with the applicable policy and regulatory framework.

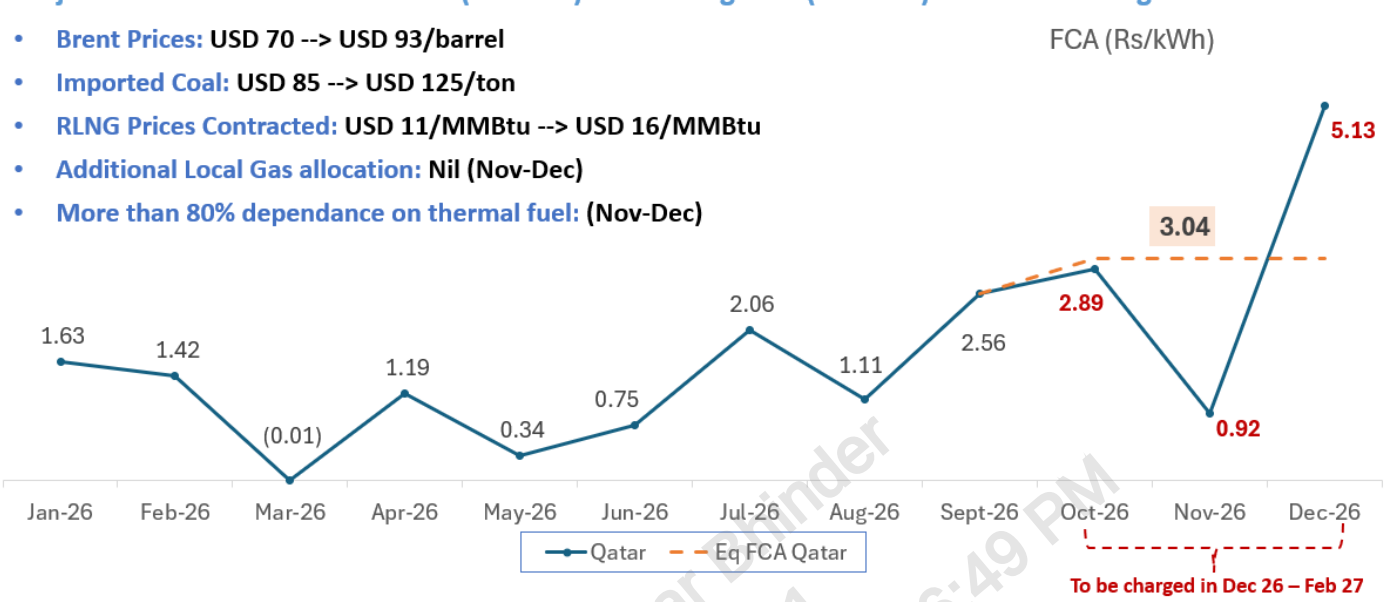
Wasim Anwar Bhinder
Registrar
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Annex-IIA

Forecasted Variation in Monthly FCAs

Major Reasons for Increased FCAs (Oct-Dec) to be charged in (Dec-Feb) consumer billing

- **Brent Prices:** USD 70 --> USD 93/barrel
- **Imported Coal:** USD 85 --> USD 125/ton
- **RLNG Prices Contracted:** USD 11/MMBtu --> USD 16/MMBtu
- **Additional Local Gas allocation:** Nil (Nov-Dec)
- **More than 80% dependance on thermal fuel:** (Nov-Dec)



Decision Required:

- **FFCA for 3-Months** (Dec 26 – Feb 27 Billing month)
- Continuation of FFCA methodology based on **6-Months** period thereafter.
- Oct-Dec 26: Load Management (1.5 – 2 hrs)

Wasim Anwar Bhinder
Registrar-1
27 November 2026 03:26:49 PM