Registrar

National Electric Power Regulatory Authority
Islamic Republic of Pakistan

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No. NEPRA/DG(Tariff)TRF-100/21805-22 November 06, 2026

Subject: **Decision of the Authority in the matter of Semi-Annual Review of the Incremental Consumption Package for Industrial and Agricultural Electricity Consumers of XWDISCOs and K-Electric**

Dear Sir,

Enclosed please find herewith the subject Decision of the Authority alongwith Dissent note of Ms. Amina Ahmed, Member(NEPRA) and Mr. Maqsood Anwar Khan, Member(NEPRA) and Additional Note as well as Casting Vote of Mr. Waseem Mukhtar Chairman(NEPRA) (total 17 Pages).

2. The Decision is being intimated to the Federal Government for the purpose of notification in the official Gazette pursuant to Section 31(7) of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 within 30 Calendar days from the intimation of this Decision. In the event the Federal Government fails to notify the subject tariff Decision within the time period specified in Section 31(7), then the Authority shall notify the same in the official Gazette pursuant to Section 31(7) of NEPRA Act.

Enclosure: **As above**

Wasim Anwar

(Wasim Anwar Bhinder)

Secretary,
Ministry of Energy (Power Division),
'A' Block, Pak Secretariat,
Islamabad

Copy to:

1. Secretary, Ministry of Finance, 'Q' Block, Pak Secretariat, Islamabad
2. Mr. Shehriyar Abbasi, Deputy Secretary, Cabinet Division, Cabinet Secretariat, Islamabad
3. Chief Executive Officer, Central Power Purchasing Agency Guarantee Limited (CPPA-G), Shaheen Plaza, 73-West, Fazl-e-Haq Road, Islamabad
4. Chief Executive Officer, Independent System & Market Operator (ISMO) of Pakistan, Pitras Bukhari Road, H-8/1, Islamabad
5. Managing Director, NGC, 414 WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore
6. Chief Executive Officer, K-Electric Limited (KEL), KE House, Punjab Chowrangi, 39-B, Sunset Boulevard, Phase-II, Defence Housing Authority, Karachi.
7. Chief Executive Officer, Faisalabad Electric Supply Company Ltd. (FESCO), Abdullahpur, Canal Bank Road, Faisalabad
8. Chief Executive Officer, Gujranwala Electric Power Company Ltd. (GEPCO), 565/A, Model Town, G.T. Road, Gujranwala.
9. Chief Executive Officer, Hyderabad Electric Supply Co. Ltd. (HESCO), WAPDA Offices Complex, Hussainabad, Hyderabad.
10. Chief Executive Officer, Islamabad Electric Supply Co. Ltd. (IESCO), Street # 40, Sector G-7/4, Islamabad.
11. Chief Executive Officer, Lahore Electric Supply Company Ltd. (LESCO), 22-A, Queens Road, Lahore

12. Chief Executive Officer, Multan Electric Power Co. Ltd. (MEPCO), Headquarter, Khanewal Road Multan.
13. Chief Executive Officer, Peshawar Electric Supply Company (PESCO), WAPDA House, Shami Road, Sakhi Chashma, Peshawar.
14. Chief Executive Officer, Quetta Electric Supply Company Ltd. (QESCO), Zarghoon Road, Quetta.
15. Chief Executive Officer, Sukkur Electric Power Company Ltd. (SEPCO), Administration Block, Thermal Power Station, Old Sukkur.
16. Chief Executive Officer, Tribal Areas Electric Supply Company Limited (TESCO), Room No. 213, 1st Floor, WAPDA House, Shami Road, Sakhi Chashma, Peshawar.
17. Chief Executive Officer, Hazara Electric Supply Company (HAZECO), 426/A, PMA Link Road, Jinnahabad Abbottabad

DECISION OF THE AUTHORITY IN THE MATTER OF SEMI-ANNUAL REVIEW OF THE INCREMENTAL CONSUMPTION PACKAGE FOR INDUSTRIAL AND AGRICULTURAL ELECTRICITY CONSUMERS OF XWDISCOS AND K-ELECTRIC

1. Background

1.1. The Ministry of Energy , Power Division (MoEPD) vide letter dated November 06, 2025, filed a Motion with respect to the Incremental Consumption Package (ICP) for industrial and private agricultural electricity consumers of XWDISCOs and K-Electric. The Authority, after considering the Motion and the submissions made during the proceedings, approved the package vide its decision dated December 09, 2025, which was notified in the official Gazette vide S.R.O. No. 2409(I)/2025 dated December 10, 2025 ("Original Decision").

1.2. Under the approved package, eligible industrial and private agricultural consumers, including Time-of-Use (ToU) and Non-ToU consumers, are charged at the rate of PKR 22.98/kWh on eligible incremental consumption over the reference consumption for the period December 2023 to November 2024. The package was approved for a period of three years and operates on a billing-month basis, subject to the terms and conditions set out in the Original Decision.

1.3. The Original Decision, *inter alia*, provided that the package is intended to be subsidy neutral, positive Fuel Cost Adjustments (FCAs) apply to eligible incremental consumption, whereas Quarterly Tariff Adjustments (QTAs), Debt Service Surcharge (DSS) and negative FCAs do not apply to such incremental consumption. It further provides that if incremental consumption of the industrial and agricultural sectors in aggregate exceeds 25% growth above the baseline, a review of the incremental price and scheme is triggered. The Original Decision also addressed the treatment of a difference between actual marginal cost and the approved rate wherein, in case in any month the actual marginal cost exceed the package rate, MoE(PD) shall file a separate request with NEPRA for revision of the marginal cost and that the revised marginal cost shall become applicable once decided by the Authority. Until then, the difference between actual marginal cost and PKR 22.98/kWh is to be borne by all consumers. Semi-annual reviews were also envisaged in the Original Decision to ensure continued cost-revenue alignment with the marginal tariff adjusted as necessary. The package is to be terminated immediately if an upward tariff adjustment is required for two consecutive reviews.

2. Proceedings

2.1. During proceedings relating to FCA and QTA, stakeholders raised concerns that the actual marginal cost associated with incremental consumption might exceed the approved ICP rate and that any such difference could place a burden on consumers who do not avail the package. In response MoE(PD) maintained that the rate of PKR 22.98/kWh incorporated an appropriate contingency margin and that on an overall basis, the cost remained below the approved rate and accordingly did not file any request for rate revision. MOE(PD) further highlighted that after six month the semi-annual review will be submitted to NEPRA and if needed the prices may be revised after processing of semi- annual review.

2.2. In view of the semi-annual review mechanism under the Original Decision, the Authority vide letter dated June 16, 2026, requested MoE(PD) to submit a comprehensive review of the ICP, including the analysis required to assess cost-revenue alignment and to address the concerns raised by stakeholders. MoE(PD) vide letter dated July 29, 2026 furnished certain data and

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information, the submission did not include the required marginal cost assessment or other key information sought by the Authority.

2.3. Accordingly, vide letter dated September 02, 2026 the Authority returned the submission dated July 29, 2026, as incomplete and requested MoE(PD) to submit a comprehensive semi-annual review after addressing the concerns of stakeholders and undertaking meaningful consultation with relevant parties. MoE(PD) vide communication dated September 09, 2026 did not submit any further information and requested that the Authority undertake and conclude the review including holding a public hearing so that the effect of prevailing fuel prices could be reflected in the applicable tariff mechanism.

2.4. Having utmost regards to the need to protect consumer interests and to avoid further delay in assessing the continued cost-revenue alignment of the ICP, the Authority proceeded with the review. A notice of public hearing was published on September 29, 2026 and individual notices were also issued to relevant stakeholders. The public hearing was held on October 05, 2026, at NEPRA Tower, Islamabad. MoE(PD) was represented by its officials along with representatives of the PPMC. Stakeholders and other interested parties also made submissions before the Authority.

2.5. During and following the hearing, the Authority sought detailed workings and recommendations from MoE(PD) on the actual marginal cost and revision required to the marginal price attributable to ICP consumption, the effective date of any upward revision, whether the package should be suspended in light of prevailing circumstances, and responses to the comments received from stakeholders. The Authority issued further communications on October 06 and October 09, 2026. MoE(PD) responded vide letter dated October 15, 2026, but the response did not furnish the specific analysis and recommendations sought. The Authority reiterated its requirements vide letter dated October 16, 2026.

2.6. A meeting with PPMC and the ISMO was held at NEPRA Tower on October 19, 2026, to discuss the methodology and data for working out the marginal cost attributable to ICP consumption. MoE(PD) subsequently furnished further submissions vide letter dated October 23, 2026, including its recommendation regarding the rate revision.

3. Issues for hearing

3.1. For purposes of the present review, the following principal issues were framed:

(i) whether the existing ICP rate of PKR 22.98/kWh requires an upward revision to maintain cost-revenue alignment;

(ii) whether any revision should apply from June 2026, October 2026 or another billing period;

(iii) whether the ICP should be temporarily suspended in view of prevailing fuel prices, supply conditions and the uncertainty in estimating the cost of serving incremental consumption.

3.2. MoE(PD) submitted that the ICP has supported grid consumption and helped mitigate the effects of declining demand, grid defection and the *"duck curve"* associated with increased

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solar penetration. It stated that industrial and agricultural consumers can provide additional and relatively stable demand, improve utilization of existing system assets and support grid stability. MoE(PD) further stated that reductions in grid sales result in under recovery of fixed system costs which can increase the tariff for consumers who remain connected to the grid. It referred to an estimated annual contribution margin impact of approximately PKR 180 billion associated with declining load/sales.

3.3. MoE(PD) also presented aggregate information concerning consumption availing the package and the change in sales across other consumer categories. It submitted that the impact on overall consumer tariffs from January 2026 to August 2026 had remained limited i.e., by Rs.0.65/kW around 1.95% change. It maintained that the ICP should be assessed in light of its broader economic and system objectives as well as its cost-revenue position.

3.4. Mr. Amir Shaikh and other stakeholders raised concerns that the package was resulting in cross-subsidization by non-beneficiary consumers and that the approved rate might no longer reflect the prevailing cost of serving incremental consumption and that higher fuel prices and fuel supply uncertainty could further increase marginal costs. Concerns were also raised that the gas levy and other developments may have induced captive-to-grid migration independently of the ICP and that some consumption receiving the package benefit might therefore not represent genuinely new demand. Some stakeholders sought suspension of the scheme or the introduction of a more targeted incentive for daytime or solar-hour consumption.

3.5. Stakeholders, including Mr. Rehan Javed and the Korangi Association of Trade and Industry (KATI) contended that the first semi-annual review was due in June 2026 and that delay in completing the review had caused the cost difference to be borne by non-beneficiary consumers. They requested that an upward revision be applied from June, 2026, and that the difference already borne by other consumers be recovered from ICP beneficiaries or otherwise credited back through subsequent FCA/QTA adjustments. They relied, inter alia, on the provisions of the original Decision relating to adjustment of losses and unforeseen losses under paragraphs 4(f), 68 and 70(vi).

3.6. Mr. Rehan Javed further argued that the increase in marginal cost was unforeseen, as also acknowledged by ISMO team that RLNG situation was unforeseen, and should therefore be borne only by ICP beneficiaries. He sought suspension of the ICP or alternatively an upward revision of the rate and recovery of the accumulated difference from the beneficiaries. He also raised concerns regarding the reference period, load-factor assumptions, sanctioned-load criteria, captive-to-grid substitution, disclosure of the ICP differential in FCA/QTA proceedings and the operation of the termination clause where upward tariff adjustments are required for two consecutive reviews. He further contended that consumers migrating from furnace-oil-based captive generation are not readily identifiable from DISCO records and, therefore, the possibility of misuse of the package by ineligible consumers cannot be ruled out. In this regard, he submitted that the DISCOs should undertake an appropriate verification exercise. He also claimed that only a selected few consumers had derived a disproportionate share of the benefits available under the ICP and requested that the distribution of package benefits amongst beneficiaries be analysed by the Authority.

3.7. KATI supported the contention that the delayed review should not cause a financial burden to be transferred to non-beneficiary consumers and sought revision from June, 2026, or

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suspension of the package. Other stakeholders, including Mr. Tanveer Bary, Mr. Arif Bilvani, Mr. Haroon Shamsi and Mr. Kamran Abidi, raised concerns about the effect of rising tariffs on industrial demand, migration to solar or other alternative sources, and the desirability of suspending the ICP or replacing it with incentives for consumption during light or solar hours.

3.8. Stakeholders also challenged the reference months from December 2023 to November 2024 and the existing load-factor and sanctioned-load methodology, contending that a substantial part of the consumption qualifying for the package reflected migration from captive generation to the grid rather than new demand. They proposed revisions to the benchmarking criteria.

3.9. MoE(PD) vide letter dated October 23, 2026, responded to the comments forwarded by the Authority. It reiterated that the ICP was approved as a subsidy-neutral mechanism and was not designed to impose a separate subsidy burden on non-beneficiary consumers. It submitted that the semi-annual review mechanism was intended to assess cost-revenue alignment and where necessary, revise the price for the subsequent period. It maintained that the applicable date and treatment of any tariff revision or adjustment were matters for the Authority to determine in accordance with the Original Decision and the applicable legal and regulatory framework.

3.10. With regard to the broader objectives of the package, MoE(PD) submitted that the ICP is intended to make grid electricity competitive, encourage productive electricity use, retain industrial demand on the grid and improve utilization of system capacity. It argued that the effect of the package should not be assessed solely by comparing discounted units with year-on-year growth in sales because it may also help retain demand that might otherwise move to captive or alternative generation. MoE(PD) further stated that global fuel-supply disruptions, including the effect of disruptions to contracted RLNG supplies from Qatar and the possible need for more expensive spot procurement, had affected the operating environment.

3.11. MoE(PD) also responded that the existing benchmark and eligibility conditions had been developed after consideration of consumer-level data, consumption patterns, sanctioned load, maximum demand indicators and load factors. It considered that any changes to the reference period, load factors or other conditions should be based on the Authority's assessment and dealt with under the applicable regulatory procedures. The Authority considered these responses together with the views of stakeholders and the technical record provided by PPMC and ISMO below.

3.12. Regarding stakeholder submissions it has been observed as follows:

3.12.1. The Original Decision had built-in safeguards in the form of semi-annual reviews, however, the efficacy of an effective review process was contingent upon submission of complete analysis within the expected time-frame by MoE(PD). The ICP in anyway remained operative and the ICP mechanism already provides that till the time marginal price is revised, delta would be borne by all consumer through fuel cost adjustments. While ideally this should have been completed latest by mid-June but as the matter has been delayed, due to non-provision of requisite data and analysis, the relevant delta has been paid by all consumers through FCA.

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3.12.2. Further, Captive-to-grid migration appears to have contributed to the increase in grid consumption during the review period. However, the objective of the package was to increase grid sales and improve utilization of available capacity. Accordingly, the source of incremental demand does not, by itself, negate achievement of the package objectives.

3.12.3. The submissions regarding concentration of benefits amongst a limited number of consumers and the potential treatment of furnace oil-based captive consumers have been examined. In this regard, the data available on record indicates that the ICP benefits were availed by several thousand consumers across the eligible categories and were not limited to only a few consumers. Therefore, the available data does not support the contention that the package benefits accrued only to a select number of consumers. With respect to furnace oil-based captive consumers, it has been contended that such consumers may not be readily identifiable from the records currently maintained by DISCOs and may therefore have availed benefits under criteria not specifically intended for captive consumers. While no conclusive evidence has been placed on record, the matter warrants further examination. Accordingly, MOE(PD) should direct the relevant entities to devise an appropriate mechanism for identification of such consumers and, where any misuse of the package terms and conditions is established, take necessary action in accordance with the applicable laws, rules, regulations and approved package provisions. Such an exercise may also assist in improving consumer classification and benchmark design for any future incentive packages.

3.12.4. Furthermore, the concerns related to the design parameters of the ICP are not part of the scope of the semi-annual review.

4. Marginal Cost workings

4.1. During the meeting held on October 19, 2026, PPMC representing MOE (PD) explained the generation mix assumed to meet ICP demand at the time of package design and presented a comparison of the reference generation mix with actual fuel-wise generation. It was further submitted that during the relevant period, certain high-cost fuel-based generation sources, including RLNG, RFO and HSD had been operated below the levels assumed in the reference mix. On that basis, it was considered that the incremental demand attributable to the ICP should primarily be associated with imported coal generation and only a limited proportion of RLNG generation consistent with package design assumptions be considered conservatively.

4.2. It is noted that afore-stated approach retained the generation-mix assumptions applied at the time of the original ICP design/scheme and PPMC representing MOE(PD) updated the relevant fuel-price inputs. On the basis of its analysis of the forthcoming period and expected RLNG prices, PPMC representing MoE (PD) proposed an interim rate of PKR 25.30/kWh from October 2026. In explaining the forward fuel-price assumptions, PPMC representing MOE (PD) referred to a mix comprising 50% spot RLNG cargoes and 50% contracted Qatar RLNG. PPMC representing MoE (PD) recommended maintaining the rate of PKR 22.98/kWh for the earlier period and applying the proposed rate prospectively from October 2026.

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4.3. The methodology underlying the afore-stated analysis has been examined. The PLEXOS modelling undertaken at the time of the original ICP design was based on system conditions, fuel-supply arrangements, generation availability and dispatch economics expected at that time. The subsequent changes in fuel markets, availability of contracted fuels, use of spot RLNG and generation dispatch patterns mean that the original generation mix cannot, without further validation be presumed to represent the actual marginal generation mix or the actual cost of serving incremental demand during the present review period.

4.4. The purpose of the semi-annual review is to determine whether revenues recovered under the ICP remains aligned with the cost of serving the incremental consumption attributable to the package. Accordingly, an assessment based only on the original generation mix with updated fuel prices does not by itself, establish the actual cost attributable to ICP consumption under changed operating conditions. The review needs to factor the actual dispatch conditions and fuel availability into the modelling, and to isolate the incremental generation and associated cost attributable to ICP demand from generation and costs that would have arisen in the base case without the ICP.

4.5. For hourly analysis purposes, ISMO was asked to provide the hourly generation and dispatch data after incorporating the relevant tags as per the market commercial code and same was provided by ISMO. In the absence of hourly consumption data specifically identifying the incremental consumption of ICP beneficiaries, monthly ICP incremental units into an average hourly quantity, assumed to be distributed uniformly over the hours of each month. The estimated incremental demand was adjusted for transmission and distribution losses, including the loss assumptions and mapped against the hourly generation profile and the marginal cost of the relevant dispatched generating units. A weighted hourly marginal cost was calculated and averaged to derive monthly and review-period estimates.

4.6. The ISMO-information based working indicated a notional estimated consumer-end marginal price above PKR 22.98/kWh in a number of months, with especially high estimates for April and May 2026. The reported monthly estimates at consumer end were approximately as follows:

Description	Unit	December	January	February	March	April	May	Total
XWDISCOS								
ICP Ind	GWh	557	619	589	426	522	428	3,141
ICP Agr	GWh	42	47	42	37	59	52	279
		599	**666**	**631**	**463**	**581**	**480**	**3,420**
KE								
ICP Ind	GWh	79	103	85	67	118	96	548
ICP Agr	GWh	0	0	0	0	0	0	1
		79	**103**	**85**	**67**	**118**	**96**	**549**
Total ICP Units	**GWh**	**678**	**769**	**716**	**530**	**699**	**576**	**3,969**
Marginal Cost	**Rs. Mln**	**13,302**	**23,043**	**12,495**	**10,846**	**29,370**	**28,603**	**117,659**
Notional Marginal Price at Generation Level	Rs./kWh	16.99	25.96	15.12	17.72	36.40	43.01	25.68
Notional Marginal Price at Consumer-end Level	**Rs./kWh**	**19.62**	**29.96**	**17.45**	**20.46**	**42.01**	**49.65**	**29.65**
Package Rate	Rs./kWh	22.98	22.98	22.98	22.98	22.98	22.98	22.98
Difference	**Rs./kWh**	**3.36**	**- 6.98**	**5.53**	**2.52**	**- 19.03**	**- 26.67**	**- 6.67**

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4.7. It is noted, however, that the above figures are estimates derived from the data and assumptions as provided by ISMO and are not treated as a final determination of the actual marginal cost attributable to ICP consumption as there have been variances between the hourly generation-cost information and the corresponding FCA workings. The hourly data did not initially include all operational tags under the Market Commercial Code, which was provided subsequently. However, further assessment is still required to to re-run PLEXOS on the basis of actual generation requirements and fuel availability, both with and without ICP demand. Furthermore, adjustment in RLNG rates and other adjustments as subsequently approved in FCAs are not incorporated. ISMO indicated that the PLEXOS-based dispatch results would require additional time and could not be provided within the time available for immediate proceedings. To ascertain the true associated generation for meeting the demand of ICP, PLEXOS based dispatch and validated information reconciled with FCA workings is inevitable.

4.8. MoE(PD), in its letter dated October 23, 2026, based on PPMC's analysis submitted that it had analysed incremental cost for December 2025 to August 2026 by reference to the actual FCA determinations and that its overall incremental cost for that period remained below PKR 22.98/kWh, notwithstanding positive FCAs charged during the period. The analysis for September 2026 was stated to be under process. MoE(PD) proposed an upward revision to PKR 25.30/kWh with effect from October 2026, based on updated fuel-price assumptions, while retaining the generation mix originally assumed for package design.

5. Decision

5.1. The proposal of MOE(PD), the available record and the technical analysis placed on record has been considered. The methodology adopted by PPMC representing MOE(PD) is relevant to the extent that it updates the fuel price inputs used in the original design assumptions of the ICP. However, such methodology does not determine the actual marginal cost of serving incremental consumption as it does not account for the changes in actual generation dispatch, fuel availability and system operating conditions. The analysis based on ISMO provided information indicates that the marginal price may have exceeded the approved rate in several months. Nevertheless, the analysis in its present form has material limitations.

5.2. It is further observed that the ICP was approved as an incentive-based mechanism intended to encourage incremental consumption and enhance the utilisation of available power system capacity. Accordingly, even if the estimated marginal price were subsequently validated, the adoption of a substantially higher rate would require careful assessment against the objectives and design principles of the scheme, so as to ensure that the ICP continues to serve its intended purpose of incentivizing productive consumption rather than discouraging incremental demand. At the same time, the incentive must operate within a framework that maintains appropriate cost-revenue alignment and does not unduly transfer the cost of serving incremental consumption to consumers who do not avail the package.

5.3. The currently available data is not sufficient to conclusively decide the actual marginal cost attributable to ICP consumption throughout the review period. This conclusion does not mean that the existing rate of PKR 22.98/kWh has been demonstrated to remain cost-reflective. Rather, the available analysis indicate the need for a comprehensive and validated assessment taking into account actual fuel prices, fuel availability, dispatch, operational constraints and tags, system conditions, and the incremental demand attributable to the ICP itself. Such

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assessment must to the extent technically practicable distinguish the generation and costs that arise with ICP demand.

5.4. We also note that the comprehensive first review required under the Original Decision has not been completed despite repeated directions for the requisite data, detailed workings and recommendations from MOE(PD). The delay in furnishing the required material has constrained our completion of the review within the envisaged timeframe. Meanwhile, information regarding recent and anticipated fuel procurement, including the increased reliance on higher priced spot RLNG alongside contracted Qatar RLNG, indicates a material change in the forward cost environment, which cannot be ignored. In these circumstances, continued application of the existing rate of PKR 22.98/kWh, without an interim adjustment, may expose non-beneficiary consumers to an increasing cost differential while the comprehensive technical assessment remains outstanding.

5.5. We are mindful of our statutory responsibilities under Section 7 of the NEPRA Act, including the responsibility to safeguard consumer interests and ensure the effective regulation of the power sector. In view of the cost concerns arising from the prevailing circumstances the limitations in the available analysis and the continuing absence of a fully validated assessment, we consider ourselves duty-bound to take an interim measure rather than allow the existing rate to continue indefinitely without reassessment. MoE(PD), being the sponsor of the package and the entity that proposed the revised forward rate, has recommended a rate of PKR 25.30/kWh for the forthcoming period. We consider that rate appropriate for provisional application pending completion of the comprehensive semi-annual review, without treating it as a final determination of the actual marginal cost attributable to ICP consumption.

5.6. Accordingly, on a provisional basis, the proposal of MOE(PD) to revise the ICP rate from PKR 22.98/kWh to PKR 25.30/kWh for eligible incremental consumption with effect from the November 2026 billing month is approved. The rate shall remain applicable for subsequent billing months until a further decision is made following consideration of the comprehensive review directed herein. The adoption of this provisional rate is intended to address the immediate risk of continued cost-revenue divergence while the requisite modelling, reconciliations and technical assessment are completed. It shall not be construed as an endorsement of the original generation-mix assumptions as a conclusive measure of actual incremental cost, nor as a final finding that the cost attributable to ICP consumption for any historical month was PKR 25.30/kWh.

5.7. We note that MoE(PD), vide its letter dated October 23, 2026, proposed application of the revised rate with effect from the October 2026 billing month. However, considering that the billing process for October 2026 has already been substantially completed, we consider it appropriate to apply the provisional rate from the November 2026 billing month, rather than reopen the October billing cycle.

5.8. Several stakeholders have sought temporary suspension of the ICP in view of fuel price volatility, supply constraints and the uncertainty in estimating the cost of serving incremental consumption. We have weighed these concerns, including the potential financial burden on non-beneficiary consumers against the stated objectives of the package, including encouraging productive consumption and improving utilisation of the national grid. At this stage, we consider it appropriate to continue the package on the basis of the provisional rate determined herein, rather than suspend it immediately subject to strict timelines for submission of the

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outstanding data and completion of the comprehensive review. Upon receipt and examination of the required material the matter shall be considered further and the appropriate course of action regarding continuation, revision, modification or termination of the package shall be determined in accordance with the Applicable documents, as the Original Decision did not expressly envisage suspension rather only, termination in case marginal price had to be revised upward in two consecutive reviews.

5.9. It is further emphasized that the comprehensive review for the first semi-annual review period remains outstanding, notwithstanding the data submitted by MoE(PD) on 29 July 2026 and the subsequent correspondence exchanged in this matter. The material submitted to date has not fully satisfied the requirements communicated to MoE(PD), particularly regarding a validated assessment of the marginal cost attributable to ICP consumption, the relevant dispatch conditions and the requisite PLEXOS based analysis.

5.10. Accordingly, MoE(PD), in coordination with other relevant entities is directed to submit the afore-stated information covering both the first review period, from December 2025 to May 2026, and the second review period, from June to November 2026. The submission shall contain a separate assessment and recommendation for each review period.

5.11. The required information and analysis shall be furnished in the following manner:

(a) By 25 November 2026, MoE(PD) shall submit the available data and comprehensive analysis for the period from December 2025 to 15 November 2026, separately identifying the first and second review periods and using the format, scope and methodology required by the Authority for the first semi-annual review.

(b) The remaining data and analysis for the period from 16 to 30 November 2026 shall be submitted by 3 December 2026, so that the complete information may be considered.

(c) The review shall be supported by PLEXOS-based model runs incorporating actual and relevant generation dispatch conditions, fuel availability, applicable fuel prices and operational constraints, together with a comparison of the system with and without ICP demand, to the extent technically practicable. It shall include the data, model runs, assumptions, workings and recommendations necessary to determine the marginal cost attributable to ICP consumption.

(d) The analysis shall include reconciliation with the relevant FCA workings and other applicable cost adjustments, consideration of operational tags under the Market Commercial Code and the requisite plant-wise and operational data for K-Electric, as applicable. Any data limitations, assumptions or unresolved variances shall be expressly identified and their impact on the conclusions explained.

(e) MoE(PD) shall provide its reasoned recommendations on the appropriate ICP rate for each review period, the continued cost-revenue alignment of the package, and whether the package should continue, be revised, suspended, modified or terminated. The recommendations shall also address the concerns raised by stakeholders and the applicable provisions of the Original Decision.

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5.12. For the reasons recorded above, it is decided as follows:

(i) The existing ICP rate of PKR 22.98/kWh is revised on an interim and provisional basis to PKR 25.30/kWh for incremental consumption with effect from the November 2026 billing month and for subsequent billing months until a further decision is made following the comprehensive review directed herein. Any bill already issued for the November 2026 billing month before notification of this decision shall be adjusted in subsequent month in accordance with the applicable statutory requirements and the operative directions contained herein.

(ii) The ICP shall not be suspended at this stage and shall continue at the provisional rate determined in clause (i), without prejudice to the lawful exercise of the relevant statutory powers to make a further decision regarding revision, modification or termination in accordance with the applicable law and the Original Decision.

(iv) MoE(PD), in coordination with other relevant entities, as applicable, shall submit the comprehensive review and supporting information in accordance with the timelines, methodology and requirements specified as stated above. The submission shall include the outstanding assessment for the first review period and the complete assessment for the second review period from June to November 2026.

(v) Upon receipt and examination of the comprehensive review, the matter shall be placed before the Authority for further determination of the appropriate rate and the future course of the ICP on the basis of validated data and the applicable legal and regulatory framework. The provisional rate determined herein shall not constitute a final determination of historical marginal cost or of any claim concerning the allocation or recovery of a difference arising before the effective date of the revised rate.

(vi) The findings for each review period shall be separately assessed for the purposes of paragraph 70(v) of the Original Decision, including whether an upward tariff adjustment is required in each review. Nothing in this decision shall be construed as waiving, suspending or deferring the requirement concerning termination where upward tariff adjustments are required for two consecutive reviews.

6. The Decision of the Authority is intimated to the Federal Government for notification in the official Gazette in terms of section 31(7) of NEPRA Act, 1997.

AUTHORITY

xx Additional Note Attached	Waseem Mukhtar Chairman	Amina Ahmed Member	Engr. Maqsood Anwar Khan Member	Ghullamullah Sheikh Member
		Dissent attached	⊙ Dissent attached.	

DISSENT OF MEMBER (TARIFF AND FINANCE) AND MEMBER (DEVELOPMENT)

1. We respectfully disagree with the decision of the honourable Chairman and Member (Law) to continue incremental sales at a rate of PKR 25.30 per unit. Our reasons for this are detailed below.

Objective of the ICP

2. The objective of the Incremental Consumption Package, prepared by the Ministry of Energy (Power Division) (**MOE**) and approved by the Federal Cabinet on 05 November 2025 (the **ICP** or **package**) was to increase demand / bring consumption back to the grid (particularly industrial consumption to spur growth and economic activity) and utilise the idle generation capacity that consumers are already paying for. NEPRA supported this objective and the Government's effort by approving the ICP on 09 December 2025 (the **ICP Approval Decision**). The objective of the ICP was supported then and continues to be supported by us at the time of this decision.

Fundamental principle at the core of the ICP design

3. The ICP was designed to be cost-reflective, with the incremental rate of PKR 22.98 per unit calculated on the basis of the expected cost of serving a presumed level of incremental consumption while also including therein an appropriate contingency margin. Accordingly, consumers availing the ICP were expected to pay a rate that would remain equal to or higher than the actual marginal cost of serving their incremental consumption, thereby ensuring that the package imposed no financial burden or cross-subsidy on consumers not availing it.

Mandated periodic review for cost-revenue alignment

4. The package was designed to always remain cost-reflective for as long as it remained implemented. To ensure this, the ICP included a mandatory periodic review mechanism to assess the actual cost of serving incremental consumption and, where required, align revenues with such costs through appropriate adjustment of the incremental rate. Para 70(v) of the ICP Approval Decision states that "semi-annual reviews will take place to ensure continued cost-revenue alignment, with the marginal tariff adjusted as necessary." Note that the language relating to the mandatory semi-annual review was in the ICP approved by the Federal Cabinet and was included verbatim by NEPRA in the ICP Approval Decision.

Protection from retrospective rate revisions

5. And whilst the aforementioned provision, mandatory requirement to review and ensure continued cost-revenue alignment / revision of incremental rate was inbuilt to ensure that incremental usage would not place any burden on non-beneficiary users going forward,

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protection was also provided for incremental users from retrospective rate revisions (i.e. any shortfall in revenue recovery under the ICP, arising due to actual marginal cost being higher than PKR 22.98 per unit was to be borne by all consumers until revision of the incremental rate). This leaves no uncertainty for the consumers availing the package so they would not be in a situation where they have used incremental consumption, only to find out later that the rate used for that incremental consumption has been revised.

Balancing Act

6. In effect, ensuring cost-revenue alignment to maintain cost-reflectivity going forward while also providing retrospective protection to incremental consumption is the balance that the ICP not only hoped to achieve but also promised and this is what NEPRA approved in the ICP Approval Decision. The above, however, assumes that the sponsor of the package (MOE) would abide by the terms and conditions of its own package. It has not.

The review that was not submitted

7. The MOE was required to submit a review after expiry of six months, that is, immediately after 31 May 2026. When no review petition/request/motion was filed by MOE by mid-June 2026, NEPRA wrote a letter to MOE on 16 June 2026 directing it to file the review. MOE sent raw data on 29 July 2026 that contained no request, recommendation or even working of the historic actual marginal cost pertaining to incremental consumption of the review period (i.e. the last six months). There was nothing on marginal cost (either related to actual incremental consumption in the review period or assessment of marginal cost for future incremental consumption) at all. NEPRA returned it as incomplete with direction to MOE to submit the comprehensive review. Instead of abiding by its own package, para 70(v) of the ICP Approval Decision, and NEPRA's express directions, on 09 September 2026, MOE asked NEPRA to carry out the review itself and hold the hearing. In effect, the sponsor of the ICP asked the Regulator to carry out a review that was the sponsor's own responsibility[1].

The problem NEPRA faced

8. NEPRA, however, could not remain passive while the non-compliance continued. Despite having neither the requisite review nor any supporting marginal cost analysis from MOE, NEPRA proceeded with the limited information available and carried out its own assessment. For this assessment, NEPRA, however, needed the weighted average actual marginal cost incurred to serve incremental demand during the relevant review period and a forward-looking assessment of the anticipated marginal cost of serving incremental consumption. Since MOE provided neither, NEPRA's tariff team calculated a marginal cost (based on the weighted average marginal cost for the review period duly adjusted for

[1] The obligation to submit a timely and complete review, with a clear request/recommendation/prayer, along with all relevant verifiable and complete data, analysis and workings necessary to assess cost-revenue alignment rested solely with MOE as the sponsor of the package.

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allowed losses) using the available information. This came to approximately PKR 31.83 per unit.

9. During the hearing and subsequent discussions, NEPRA's tariff team itself identified five factors/data constraints that could have overstated the calculated marginal cost: (i) generation dispatched due to transmission or operational constraints; (ii) RLNG generation dispatched under must-purchase obligations; (iii) RLNG price revisions subsequently approved by the Economic Coordination Committee (ECC); (iv) the need for PLEXOS runs with and without ICP demand, to isolate the marginal cost attributable to incremental consumption; and (v) discrepancy between the hourly operational and fuel cost information submitted by the Independent System and Market Operator (ISMO) and the corresponding monthly fuel cost data reflected in the FCA decisions. MOE (including its technical arm) and the ISMO concurred with these factors/data constraints. They were then asked to provide the data needed to adjust for each of these, so that the number could be made realistic to reflect the actual marginal cost related solely to incremental usage. Of the data requested, only ISMO provided the operational and must-purchase tags under the Market Commercial Code, addressing factors/data constraints (i) and partially (ii) and on that basis the number came down to PKR 29.65 per unit. However, complete information regarding RLNG generation dispatched under must-purchase obligations, and the data required to address the remaining factors was not provided despite repeated follow-ups.[2]

10. In sum, although the mandated cost-revenue alignment required the incremental rate of PKR 22.98 per unit to be adjusted as necessary, NEPRA could not revise it to PKR 29.65 per unit, for two reasons: (a) PKR 29.65 per unit is not an accurate reflection of the actual historic marginal cost of incremental consumption, as adjusting for the four outstanding factors/data constraints (which can only be done when it is backed by duly verifiable data), would bring it down further; and (b) PKR 29.65 per unit is higher than the off-peak rate under the normal tariff structure, so adopting it would defeat the very objective of the ICP and would, in effect, penalise the very consumers it was designed to benefit, by charging them more for their incremental consumption than they would pay under the normal tariff.

A random number - 25.30

11. The revised incremental rate of PKR 25.30 per unit proposed by MOE, and allowed by the honourable Chairman and Member (Law), is based on the generation mix apparently assumed at the design stage of the package, with updated fuel prices. This generation mix is not so much as even mentioned in the ICP Approval Decision and the language concerning the mandatory semi-annual review does not account for updating fuel prices of some notional assumed generation mix. To the contrary, the review under para 70(v) of the ICP Approval Decision is concerned with the actual cost of serving incremental consumption under prevailing system conditions, not the recalculation of a package-design

[2] NEPRA has actively and persistently pursued the review of the ICP. In the span of approx. four months, in addition to directing the MOE in the public hearing, NEPRA has written six letters (along with various emails, discussions, meetings etc.) to MOE requiring MOE to submit the review or at the very least provide the missing information.

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assumption using updated fuel prices. MOE's methodology is not only disconnected with but is also contrary to the very purpose of the semi-annual review.

Impact of the delay on other consumers

12. Had para 70(v) of the ICP Approval Decision been adhered to, NEPRA would have some months ago re-assessed the rate of PKR 22.98 per unit and decided whether to leave it unchanged, revise it or suspend the ICP. As this was not done, the package appears to have continued at a rate below the actual cost of serving incremental consumption. The resulting misalignment has had implications for consumers in two ways. First, to the extent incremental consumption increased the system's average fuel cost, the resulting impact was recovered from all consumers through the FCA mechanism. Second, because incremental units are excluded from quarterly tariff adjustments, the exclusion of such units increases the quarterly adjustment borne by consumers not availing the ICP.

The case for temporary suspension

13. The real choice before NEPRA was not between PKR 25.30 and PKR 29.65 per unit. It was whether a package built on cost-reflectivity could carry on without a validated cost-reflective rate. In our view, (i) where the best available estimate of actual marginal cost is both subject to material limitations and indicative of a rate that would undermine the incentive rationale of the package, and (ii) the alternative rate lacks any credible linkage to actual marginal cost, continuation of the ICP ceases to be justified.

14. Accordingly, the only appropriate course, and the one recommended by the case officer, was to suspend the ICP temporarily until MOE submits a complete review (with verifiable working on the actual historic marginal cost of incremental units and a proposed incremental rate) and the Authority determines, on the basis of validated analysis, a genuinely cost-reflective rate.

15. Suspending the package (with ample notice) is the least the Regulator could and should have done to (i). secure compliance, (ii) honour the mandatory requirement of cost-revenue alignment and (iii) protect other consumers, who should not be made to pay for a review that MOE was required to submit five months ago and still has not.

Amina Ahmed
Member (Tariff and Finance)

Engr. Maqsood Anwar Khan
Member (Development)

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ADDITIONAL NOTE

My note is directory in nature, I would urge the agencies working under the Ministry of Energy – Power Division (MoE - PD), to comply with the directions of the Authority contained in the determination.

2. The comments of learned Member (Tariff & Finance) and learned Member (Development) need serious consideration, however, for the sake of continuity of the Incremental Consumption Package (ICP), I have a different view. The suspension of ICP at this stage is not appropriate and we should give the Ministry of Energy one more chance to provide information, solicited in the past by the Authority, and now in the instant determination.

3. First letter in this regard was issued on June 16, 2026, followed by multiple letters to the Ministry to carry out consultation with the stakeholders and provide the Regulator with reliable data in proper form to reach an informed decision. Regrettably, the Ministry never responded in a proper manner to the questions and queries raised by the Regulator, which is unfortunate. The marginal price, in proper form, was not provided to the Regulator by either Independent System and Market Operator (ISMO) or Power Planning and Monitoring Company (PPMC), which were duty-bound to do so. Since the ICP is a flagship project of the Ministry, it should give due consideration to the observations of NEPRA and lack of interagency coordination among the entities working under the Ministry.

4. This determination sets timelines where each entity is required to provide the information. If the information is not provided within these timelines, the outcome of the 2nd review of the program would be adverse, and we may have to either suspend or terminate the ICP. Furthermore, any entity that fails to provide the required information within the stipulated timeline shall lead to initiation of legal proceedings under the applicable legal framework.

5. I once again urge the Ministry to take observations of the Regulator seriously and do whatever is needed for improvement of the

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interagency coordination so that a reliable data set, which is also publicly credible, is provided to the Regulator and presented in the public hearing.

6. In the end, I would request that my note be presented before the Honorable Federal Minister and the learned Secretary, Ministry of Energy, Power Division for consideration and implementation of the same.

(**Waseem Mukhtar**)
Chairman

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Casting Vote

The Authority has not arrived at an unqualified consensus. Therefore, remaining fully cognizant of my duties in the discharge of the functions of the Authority in my capacity as the Chairman of the Authority and guided by the spirit of section 5(4) the NEPRA Act and also having duly considered the overall purpose and intent of the NEPRA Act, the consumer interest that it seeks to protect. I hereby exercise in due and faithful discharge of the functions of the Authority, my second and casting vote envisaged and entrusted to me under the NEPRA Act in favor of the First Opinion, thereby breaking the deadlock in relation to the aforesaid issues. Accordingly, the First Opinion constitutes the Order of the Authority for reasons recorded there on all matters expressed.

Waseem Mukhtar
Chairman