By ICMA Research and Publications Department

Bijli Sahulat Package

The Government of Pakistan [Power Division] has announced a power relief scheme called the "Bijli Sahulat Package," offering reduced electricity rates to consumers to encourage electricity use during the low-demand winter season. The package offers a special reduced tariff from December 2024 to February 2025. This initiative aims to ease financial burdens, encourage additional electricity consumption, and optimize electricity utilization during the off-peak winter season.

Key Features

- **Reduced tariffs for additional electricity usage:** A flat rate of Rs. 26.07 per unit will be charged for extra electricity used beyond the historical average, allowing households, industries, and commercial entities to save significantly compared to existing rates.
- **Boosting economic growth through industrial incentives:** The government offers discounts of 18% to 37% on standard tariffs for industries that use more electricity than their usual consumption, encouraging growth in industrial and commercial sectors.
- **Illustrative cost savings:** For example, an industry paying Rs. 40 per unit for 100,000 units can lower its average cost to Rs. 37.21 per unit by using an additional 2,000 units at Rs. 26.07, resulting in a 7.5% cost reduction.
- **Support for capacity expansion:** This initiative encourages industries to expand their production capacity by benefiting from lower electricity costs, which improves efficiency and competitiveness.

Eligibility Criteria for the Bijli Sahulat Package

The Prime Minister's Bijli Sahulat Package is designed to ensure broad accessibility, benefiting various categories of electricity consumers. The initiative aims to promote increased electricity usage while making it more affordable for both households and businesses.

Residential Users

- Households consuming over 200 units per month qualify under the package.
- Non-Time-of-Use (Non-ToU) consumers with higher electricity usage can avail discounted rates.

Time-of-Use (ToU) Consumers

To qualify, consumers with ToU meters must have total monthly electricity consumption (including peak and off-peak hours) exceeding their historic benchmark consumption.

Businesses and Industries

Commercial and industrial consumers are also eligible for the package, encouraging production activity and energy utilization.

General Services Consumers

Consumers connected to XW-DISCOs (Ex-WAPDA Distribution Companies) or K-Electric networks can benefit from the package.

Exclusions from the Package

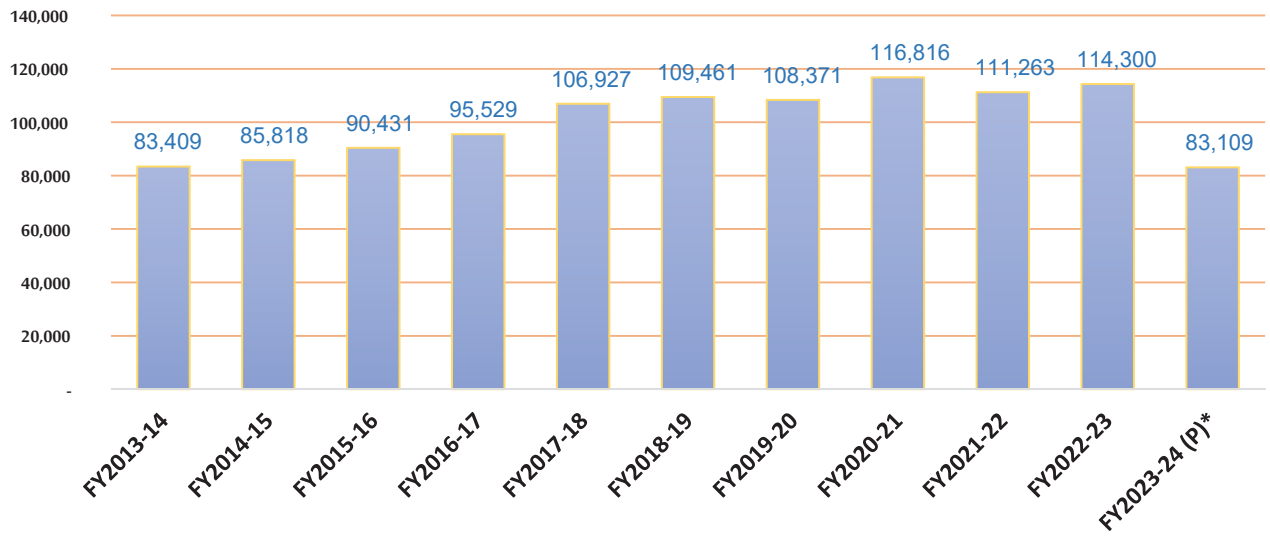
While the package includes a wide range of users, certain exclusions apply:

- **Net Metering Systems:** Consumers with net metering systems are not eligible, except for industrial net metering consumers.
- **Faulty Meters:** Consumers with faulty meters during the applicable month are excluded from the package.
- **Agriculture, Public Lighting, and Bulk Supply:** These categories of consumers are not eligible for the relief under the Bijli Sahulat Package.

Impact on Key Sectors

The winter package will offer a relief for domestic consumers on incremental consumption, up to Rs 22.7 per unit for commercial consumers, and up to Rs 15.05 per unit for the industrial sector. However, the discount will only apply to incremental usage up to 25% above the benchmark, with any consumption exceeding this limit charged at the regular rate, according to the government's notification. As electricity demand typically decreases during the winter months, the package is designed to incentivize higher consumption by providing discounted rates on additional usage, benefiting both households and industries.

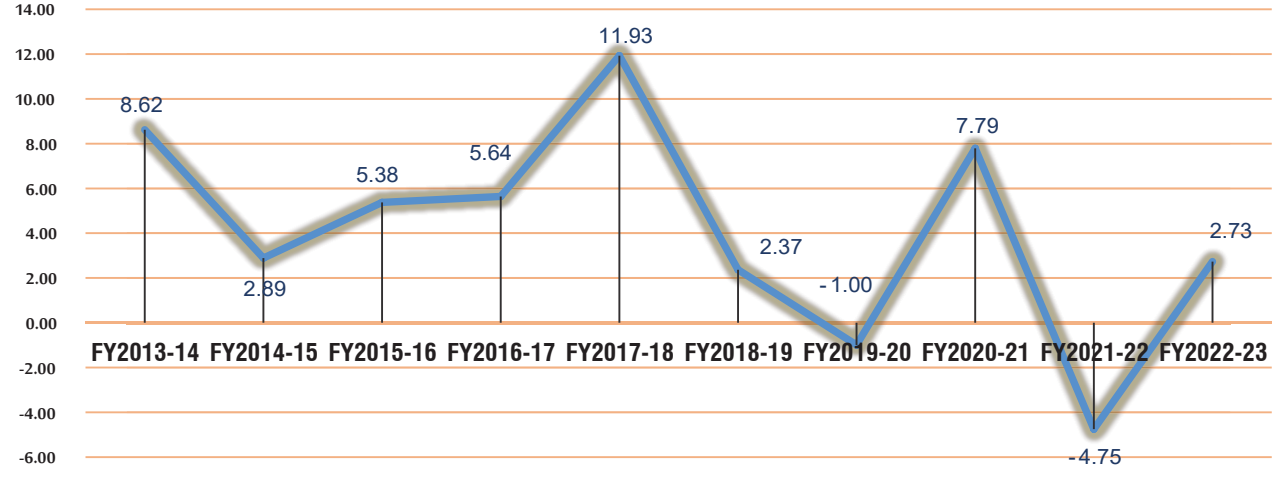
Figure 1: Pakistan Total Electricity Consumption (GWh)



- **Domestic:** Under this package, domestic consumers will be billed at a flat rate of Rs. 26.07 per unit. Standard rates for domestic users usually range from Rs. 37.49 to Rs. 52.07 per unit. Consumers will save between Rs. 11.42 (30%) and Rs. 26 (50%) per unit, depending on their tariff category.
- **Industrial:** This reduction in costs is expected to ease financial pressures and encourage increased production during the lower-demand winter months. Industrial users can save between Rs. 5.72 and Rs. 15.05 per unit, which is a reduction of 18% to 37%. For example, an industrial consumer paying Rs. 40 per unit for 100,000 units could reduce the average electricity cost to Rs. 37.21 per unit by consuming an additional 25,000 units at Rs. 26.07 per unit, achieving a 7.5% reduction in total costs.
- **Commercial:** Commercial users will save between Rs. 13.46 and Rs. 22.71 per unit. These establishments will benefit from savings ranging from 34% to 47% on additional electricity consumption.

Each consumer's baseline usage benchmark is calculated using a weighted average of their electricity consumption over the past three fiscal years, with greater emphasis placed on recent usage—50% for FY 2024, 30% for FY 2023, and 20% for FY 2022. Currently, Pakistan is facing a significant decline in electricity consumption, with demand dropping from a summer peak of approximately 25,000 MW to as low as 8,000 MW during the winter.

Figure 2: Pakistan's Total Electricity Consumption (% Change)



Challenges and Opportunities

The decline in energy consumption presents a challenge, as many consumers, including domestic, industrial, and commercial, have turned to cost-effective alternatives like solar power, while high electricity prices remain unaffordable. The industrial and commercial sectors, which account for 34% of total demand, stand to benefit greatly from the package through reduced electricity costs. This would encourage increased business operations, leading to higher productivity, lower costs, and improved profitability.

Declining Energy Consumption

The Winter Package aims to address the declining electricity consumption trend in Pakistan, as depicted in **Table-1**. After steady growth from FY2013-14 to FY2017-18, reaching a peak of 106,927 GWh with an 11.93% increase, the country experienced fluctuations and declines, particularly in FY2019-20 (-1.00%) and FY2021-22 (-4.75%). The provisional figures for FY2023-24 show a significant drop to 83,109 GWh, emphasizing the need for targeted incentives to boost demand. Many consumers have switched to cheaper alternatives like solar power, while others face high electricity costs, creating challenges for policymakers amid IMF conditions and rising circular debt. This decline in consumption has made future electricity demand forecasts unpredictable. In September, power generation was 9.9% below projections, with a 6.4% year-on-year decrease and a 5.2% decline from August. The first quarter (July-September) saw an 8% decrease in generation compared to the previous year.

Table 1: Pakistan Total Electricity Consumption (GWh) & Percentage change in Electricity Consumption

Year	Electricity Consumption (GWh)	change %
FY2013-14	83,409	8.62
FY2014-15	85,818	2.89
FY2015-16	90,431	5.38
FY2016-17	95,529	5.64
FY2017-18	106,927	11.93
FY2018-19	109,461	2.37
FY2019-20	108,371	-1.00
FY2020-21	116,816	7.79
FY2021-22	111,263	-4.75
FY2022-23	114,300	2.73
FY2023-24 (P)*	83,109	—

*P: Provisional from July-March 2024**

Source: Ministry of Finance- Economic Survey 2023-24

The winter package aims to encourage additional electricity usage during off-peak winter months through discounted tariffs, helping utilize the underutilized generation capacity and stabilize demand.

Impact of Bijli Sahulat Program on Power Sector Circular debt

The Bijli Sahulat Package may have a mixed impact on circular debt:

- **Short-term reduction in circular debt** may occur due to increased revenue from higher electricity consumption during winter months.
- **The reduction in capacity payments** could alleviate some financial pressures on the sector, as increased demand would reduce idle generation capacity.
- **In the long term,** the sustainability of these benefits depends on maintaining demand growth beyond the winter period, as the sector could face renewed challenges in managing capacity payments and debt accumulation if consumption drops again after the winter.
- Additionally, by **increasing electricity usage,** the package could reduce the reliance on costly LNG imports, thereby easing fiscal pressures and contributing to lowering circular debt.

Conclusion

The Bijli Sahulat Winter Power Package is a government initiative aimed at reducing energy costs and addressing power sector challenges. By offering lower electricity tariffs during the winter, it eases financial burdens on consumers, optimizes electricity usage, and reduces underutilized generation capacity. The package also helps manage rising gas demand by reducing reliance on costly LNG imports, balancing electricity demand, supporting industrial growth, and saving foreign exchange.

The initiative can boost demand and reduce circular debt in the short term, but its long-term success relies on sustained demand growth and energy sector reforms. While focusing on increased consumption and reduced LNG reliance is positive, the sector must adapt to future challenges to ensure lasting benefits and a financially stable energy future for Pakistan.