

Management Discussion and Analysis

Industry overview

A robust power sector is the backbone of a country’s development. The power sector in India has come a long way, serving as a catalyst for economic growth and improving lives of millions. With the Government’s commitment, industry advancements and sustainable practices, the sector is well-positioned to meet the challenges of the future. By ensuring reliable and affordable electricity access for all, promoting renewable energy and embracing technological and structural innovations, the Indian power sector is driving the inclusive development of the nation.

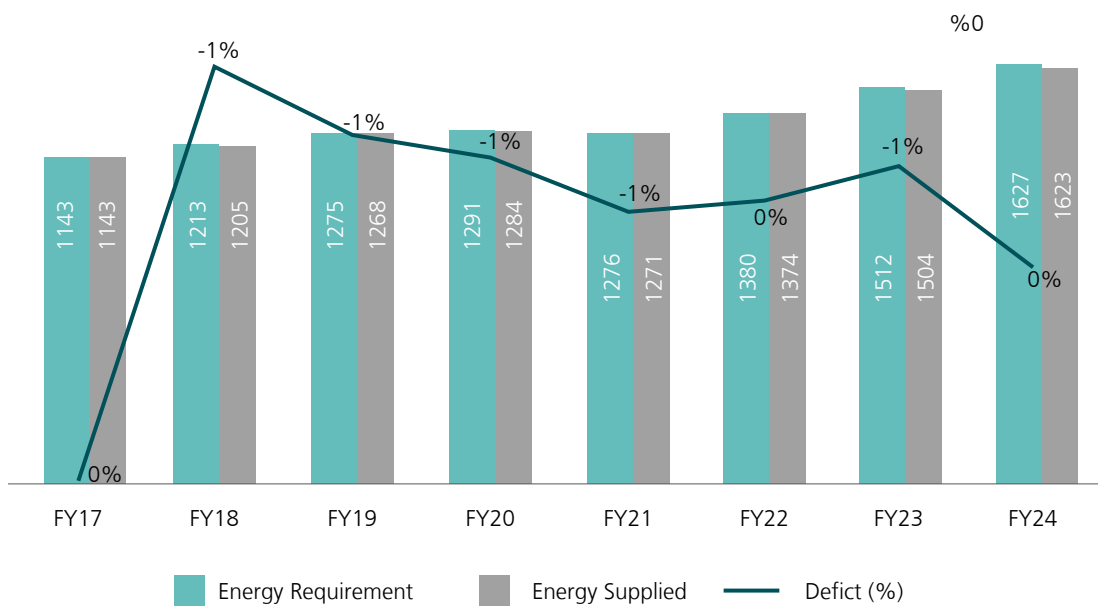
Steady growth in demand

Surging demand, universal access to electricity and the transition towards electric vehicles have transformed the power sector into a key driver for economic growth. It has become a catalyst for various other sectors, including manufacturing, agriculture, healthcare and education, fostering economic development and a better quality of life.

India’s power consumption continues to grow, reflecting a robust economy and increasing demand due to summer temperatures. In FY2023-24, demand reached a healthy 1627 Billion Units (BU), a 7.6% increase compared to FY2022-23. This growth aligns with India’s impressive 8.2% GDP growth for the same period. Looking ahead, high GDP projections for FY2024-25, coupled with the Government’s focus on uninterrupted power supply, rising electric vehicle (EV) adoption and strong industrial activity, suggest robust power demand in the coming years.

Even in the long-term, demand growth is expected to surge and reach 1908 BU by FY2026-27 and a staggering 2474 BU by FY2031-32 (Source: 20th Electric Power Survey of India).

Steady growth in demand¹ (BU)



Major policy initiatives to address the ongoing issues and provide new opportunities in the sector

Enforcing financial discipline in power sector through payment security mechanism

To address issue of high receivables from the Discoms, Ministry of Power in 2022, issued Late Payment Surcharge Rules. These rules provided for a time bound EMI plan for payment of outstanding dues. Further, to regularise future payments for power procurement, discoms are required to maintain adequate payment security mechanism (PSM) or make advance payments. Implementation of these rules has streamlined payments' process and is helping to bring down the receivables from the Discoms. Since the implementation of these rules in June 2022, as on March, 2024, Discom's dues have significantly reduced from 1.2 lakh crore to 0.8 lakh crore, reflecting a drop of 34%.

Uniform Renewable Energy Tariff (URET) has been introduced where in Discoms shall procure RE power at pooled average tariff of multiple bids:

Ministry of Power (MoP) introduced a uniform renewable energy tariff (URET) for RE procurement. Under URET mechanism, Discoms

will procure the power from a central pool at a uniform tariff which will be computed as average of tariff from all sources which are part of the pool. All new capacity under the bids by REIA will be part of such pool. Central pool for Solar Power and Solar-Hybrid has been started for projects bid after 15th Feb 2024. This will help avoid issues where Discoms delay or renegotiate PPAs due to tariff discrepancies. Eventually URET will help in boosting the renewable energy capacity by creating a single rate for Discoms, which can remove barriers to signing agreements.

Bidding Trajectory for Renewable Energy Projects:

MNRE issued bidding trajectory for Renewable Energy Projects as per which RE procurement bids for 50 GW per annum shall be issued till FY28, with at least 10 GW per annum of Wind energy capacity. The bids for aforesaid trajectory may consist of Solar, Wind, Solar-Wind Hybrid, Round-the-Clock (RTC) or any other combination, based on the assessment of Renewable Energy market or as per the directions of Government. A structured bidding trajectory for RE projects can help developers plan their finances, business plans and supply chains more efficiently. It will also help Discoms to manage their RE procurement plans.

