Early, prolonged rains douse power demand in FY26

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India's power demand in the current financial year has been on the lower side as early and prolonged monsoon rain impacted electricity consumption. Demand also weakened during peak summers (April-June) as rain in early May 2025 cooled temperatures, leading to a lower requirement for energy.

Besides, the June to September monsoon season witnessed heavy and widespread rain cooling temperatures, thereby leading to lower electricity demand.

"The early and prolonged monsoon and high base effect have kept demand growth muted throughout FY26, with overall flat growth for the first seven months. Reflecting this slowdown, the full-year demand growth forecast has been revised down sharply to 1.5-2 per cent from the earlier 4-4.5 per cent, with expectations of some seasonal recovery during winter," said Ankit Jain, Co Group Head of Corporate Ratings at ICRA.

India's energy consumption fell by 6 per cent y-o-y to 132 billion units in October 2025

Coal inventories at power plants increased to 16.6 days as of November 10, compared to 15.6 days at the end of October. While stocks remain slightly below normative levels due to monsoon-related mining disruptions, they are higher than September 2024 and 2023 levels, ICRA said.

"Average spot power tariffs on the Indian Energy Exchange (IEX) stood at ₹3.1 per unit as of November 10, 2025, up from ₹2.7 per unit in October. However, prices remain lower than the November 2024 levels of ₹3.3 per unit, continuing the year-on-year decline seen since May 2025. This trend reflects subdued demand and improved supply conditions, supported by higher renewable generation," Jain added.

MODERATING DEMAND

The current fiscal has been an outlier so far in terms of power demand and consumption. India's electricity demand fell by 3 per cent y-o-y in the first 10 days of November 2025, according to the Power System Operation Corporation (POSOCO) data.

India's energy consumption fell by 6 per cent y-o-y to 132 billion units (BU) in October 2025. Enhanced hydro, wind and solar generation, combined with a steady supply from coal-based generation led to higher supply liquidity on the IEX, dragging down Day Ahead Market and Real Time Market prices.

TWO QUARTERS HIT

Market clearing Price in DAM fell 32 per cent y-o-y to ₹2.67 per unit last month. Similarly, RTM prices fell by almost 28 per cent y-o-y to ₹2.73, the IEX added. The September quarter in FY26 also witnessed moderation in consumption. It said the cumulative all-India electricity demand stood at 449 BU, up 3.4 per cent y-o-y and 0.8 per cent q-o-q.

In Q2 FY26, increased hydro, wind and sustained supply from coal-based generation resulted in higher supply liquidity on the exchange platform. The Market Clearing Price in DAM fell by 12.5 per cent y-o-y to ₹3.93 per unit and the RTM price fell by 16.1 per cent y-o-y to ₹3.51.

A similar scenario played out in Q1 FY26. Widespread rain kept temperatures lower, leading to lower-than-expected electricity demand in the summer months, the IEX pointed out.

The Market Clearing Price in the DAM fell 16 per cent y-o-y to ₹4.41 per unit during Q1 FY26 and RTM prices declined 20 per cent y-o-y to ₹3.91. Notably, during the quarter, on May 25, 2025, heavy rain pushed RTM prices down to ₹1.53 per unit, with near-zero prices during several time blocks (9.15 am to 2.30 pm).