

Power demand to rise 1.5-2% in FY26 due to prolonged monsoons

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India's power demand in the current financial year is expected to grow 1.5-2 per cent year-on-year, from the earlier estimate of 4.5-5 per cent, due to the early and prolonged monsoons that impacted electricity consumption. Demand also weakened during peak summers (April-June) as rain in early May cooled temperatures, leading to a lower requirement for energy.

Electricity demand improved 5.5 per cent year-on-year in the first 10 days of December 2025, reversing the 0.6 per cent decline seen in November 2025, as per POSOCO data, said Ankit

Jain, Co-Group Head of Corporate Ratings at ICRA.

"While demand growth has remained muted in FY26 due to prolonged monsoon and high base effect, seasonal recovery during winter is evident, though full-year growth is still expected to stay modest at 1.5-2 per cent, in line with ICRA's forecast," he added.

India added 29.8 gigawatt (GW) of net generation capacity in April-October 2025, more than double of last year's addition, driven by renewable energy projects commissioned ahead of the transmission charge waiver expiry. Full-year capacity addition is projected at 45-50 GW, significantly higher than FY25, said Jain.

Coal inventories at power



plants rose to 16.1 days as of December 12, up from 15.8 days at November-end, remaining near normative levels despite monsoon-related supply disruptions. This signals stability for the thermal sector, though some State utilities still face shortages.

Spot power tariffs on IEX averaged ₹3.8 per unit as of December 12, up from ₹3.1 in November 2025, but slightly below December

2024 levels, continuing the y-o-y decline trend amid improved supply and subdued demand, Jain pointed out.

CONSUMPTION FALLS

India's energy consumption fell 6 per cent y-o-y to 132 billion units (BU) in October 2025. Similarly, energy consumption in November 2025 fell by around 1 per cent y-o-y to 123.4 BU.

The September quarter in FY26 also witnessed moderation in consumption. IEX 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.

In Q2 FY26, increased hydro, wind and sustained supply from coal-based generation resulted in higher

supply liquidity on the exchange platform to a substantial drop in DAM and RTM prices.

The market clearing price in DAM fell 12.5 per cent y-o-y to ₹3.93 per unit in Q2 FY26. Similarly, the RTM price fell 16.1 per cent y-o-y to ₹3.51.

A similar scenario played out in Q1 FY26. Widespread rains kept temperatures lower, leading to lower-than-expected electricity demand in the summer months, IEX pointed out. Simultaneously, increased hydro, wind and sustained supply from coal-based generation resulted in higher supply liquidity on the exchange platform, which led to a substantial drop in DAM and RTM prices, it added.