

POWER SECTOR

Electricity demand growth remains robust, supported by favourable base

MAY 2024



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Overview



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Growth in electricity demand improved to over 14.0% in the first 28 days of May 2024 from 10.2% in April 2024, led by a favourable base and demand for cooling.



- **Demand growth remains healthy at over 14.0% on a YoY basis in May 2024 as per provisional data from POSOCO, up from 10.2% in May 2024:** All-India electricity demand growth stood at 10.2% (YoY) in April 2024, increasing from 9.4% in March 2024. Further, it improved to over 14.0% in the first 28 days of May 2024 according to the Power System Operation Corporation (POSOCO) data, due to peak summers and a favourable base. The full-year demand growth for FY2024 was healthy at 7.6%. It is expected to moderate to 6.0% in FY2025, slightly below ICRA's GDP growth expectation of 6.5%.



- **Spot power tariffs increased in May 2024:** The average tariffs in the day-ahead market (DAM) of the Indian Energy Exchange (IEX) rose to Rs. 5.3 per unit in May 2024, up from Rs. 5.1 per unit in April 2024. This can be attributed to the rise in electricity demand. In FY2024, the average spot power tariffs remained elevated at Rs. 5.2 per unit, although lower than Rs. 5.9 per unit in FY2023.



- **Coal stock levels declined marginally in May 2024 at power plants; though remained higher compared to May 2023:** The coal stock levels at power plants marginally declined to 16.7 days as on May 28, 2024, from 16.8 days as on April 30, 2024. This is attributed to the continued elevated demand from thermal generation in the peak summer season. While the stock levels remained below the normative level, they are still better compared to a year ago. Earlier, the Government extended the order to blend imported coal and operate imported coal-based plants under Section 11 until June 2024.



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