

POWER SECTOR

Unseasonal rain tempers demand
growth

MAY 2023



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Overview

Electricity demand growth remains flat in May 2023 with unseasonal rains continuing into the first half of the month.

Spot power tariffs decreased in May '23 over Apr '23 amid moderation in demand; nonetheless, continues to remain elevated compared to the historical average.



- **Demand growth remained negative in April 2023; growth flat in May 2023 with marginal decline in demand by 0.3% as per provisional data from POSOCO:** The all-India electricity demand declined by 3.9% in Apr '23 owing to the unseasonal rains in the second half of the month in contrast to a severe heat wave in the previous year, creating an unfavourable base. This continued into the first half of May '23 before rising temperatures improved demand in the latter half. Hence, demand growth remained flat in the first 30 days of May '23 as per data from POSOCO. The full-year demand growth in FY2024 is estimated at 5.0-5.5% factoring in the growth prospects of the Indian economy with expected GDP growth of 6.0%.



- **Average tariffs in the spot power market decreased in May '23:** The average tariffs in the day-ahead market (DAM) of Indian Energy Exchange (IEX) decreased to Rs. 4.7 per unit in May '23 (as on May 30, 2023) from Rs. 5.4 per unit in Apr '23, led by a moderation in daily demand in the first half of the month. ICRA expects the average short-term tariffs to moderate in FY2024 to about Rs. 4.5 per unit, though remaining higher than the long-term average of Rs. 3.0-3.5 per unit.



- **Coal stock movement gradually improves in May '23 from Apr '23:** The stock level has been gradually improving and stands at 13.3 days as on May 29, 2023, compared to 12.9 days as on April 30, 2023, although remaining lower than the normative level of 24 days. The higher coal supply to the power sector and directives to import coal by the Government has helped thermal power plants maintain coal stock levels at a better level compared to a year-ago period.



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