

SectorVector

Reading the topical trends

October 2024

Wet blanket

Power demand wanes as key states get surplus rainfall; share of hydro power improves

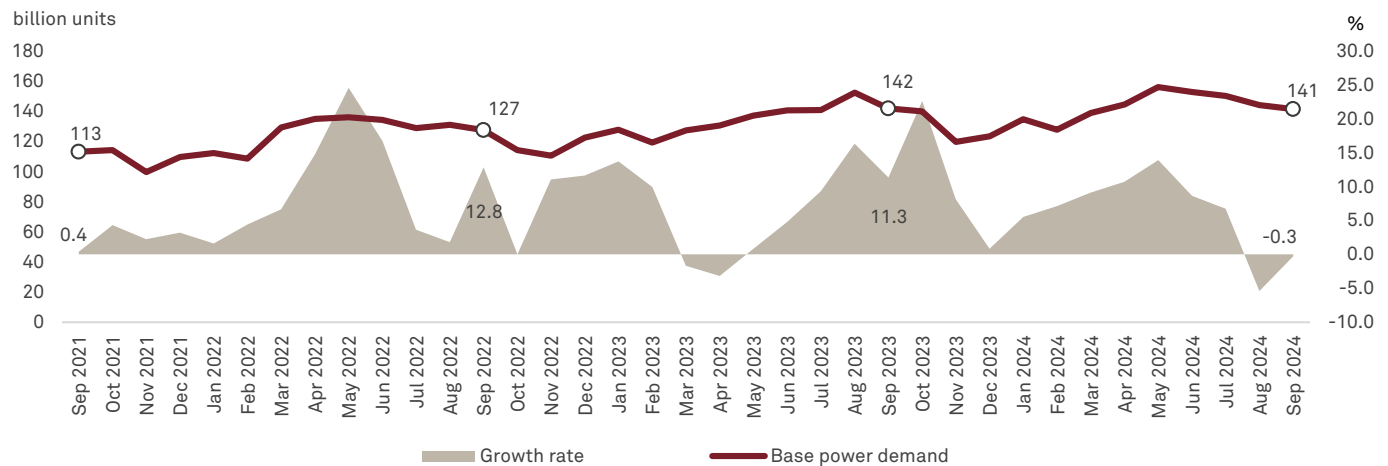
Power demand in India declined for the second month in a row in September to an estimated ~141 billion units (BUs), down 0.3% on-year.

Meanwhile, 20 key states and Union Territories, which together account for ~75% of the power demand pie, received rainfall 37% above normal in September.

The on-year decline in power demand, though, was lower compared with August.

For the April-September period, power demand has increased ~5.4% on year.

Slower decline in power demand during September



Note: September 2024 data from Grid India is provisional
Source: CEA, Grid India, CRISIL MI&A Research

Peak power demand also cools, tracking temperatures

GW	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
FY23	216	206	212	192	197	200	187	188	206	213	210	209
FY24	217	221	224	208	238	243	221	204	213	223	222	221
FY25	224	250	245	226	217	230						

% Dev from peak
 ■ Less than 0%
 ■ > 0% and <=5%
 ■ > 5% and <=10%
 ■ More than 10%
 ■ Peak demand for respective fiscal

Note: September 2024 data from Grid India is provisional
Source: CEA, Grid India, CRISIL MI&A Research

Peak power demand is likely to have declined to 230 GW in September compared with 243 GW a year ago, which was also the annual peak.

Interestingly, however, the peak power demand for September this year is estimated to have been higher than the 217 GW demand a month ago. This can be attributed to the lower rainfall in September compared with August, resulting in higher cooling requirement. Long period average (LPA) for August is 254.9 mm, while that for September is 167.9 mm.

Change in regional power demand has closely followed the rainfall pattern along with the impact of the state-specific consumer basket.

Given rainfall was in excess in the western and northern regions in September (25% and 20%, respectively), power demand moderated by ~4% and ~2% on-year, respectively.

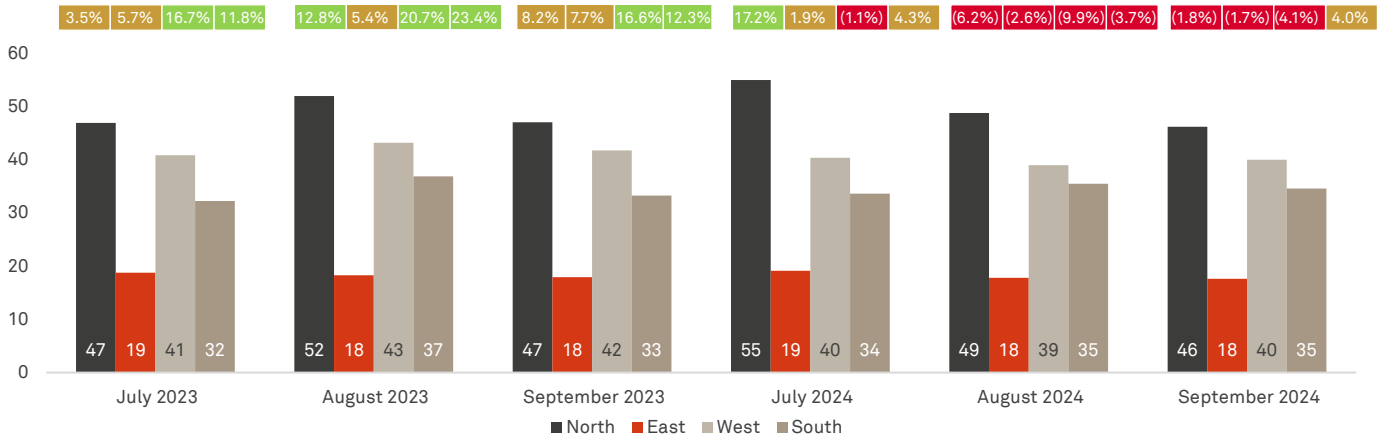
The southern region, on the other hand, received 16% below-normal rainfall, reflected in an estimated rise of ~4% on-year in power demand.

The same story plays out on a state level as well.

Power demand is estimated to have declined ~6% on-year in Rajasthan as the state received 121 mm of rainfall vis-a-vis the normal 63.5 mm in September. Conversely, Punjab received 42.4 mm of rainfall compared with the normal 77.7 mm, resulting in an estimated 8% on-year growth in power demand.

Southern surge beats the trend

billion units



Notes:

- 1) September 2024 data from Grid India is provisional
- 2) % above the bar indicates on-year power demand growth
- 3) Red: <0%; yellow: 0-10%; green: >10%
- 4) North: Chandigarh, Delhi, Haryana, Himachal Pradesh, Jammu and Kashmir, Ladakh, Punjab, Rajasthan and Uttarakhand; West: Chhattisgarh, Gujarat, Madhya Pradesh, Maharashtra, Dadra and Nagar Haveli and Daman and Diu, and Goa; South: Andhra Pradesh, Telangana, Karnataka, Kerala, Tamil Nadu, Puducherry and Lakshadweep. East: Bihar, Damodar Valley Corporation, Jharkhand, Odisha, West Bengal, Sikkim, and Andaman and Nicobar Islands

Source: Central Electricity Authority (CEA), Grid India, CRISIL MI&A Research

Generation increases by only ~2% on-year in September

Power generation is estimated to have increased ~2% on-year to ~152 BUs this September, more than meeting monthly demand.

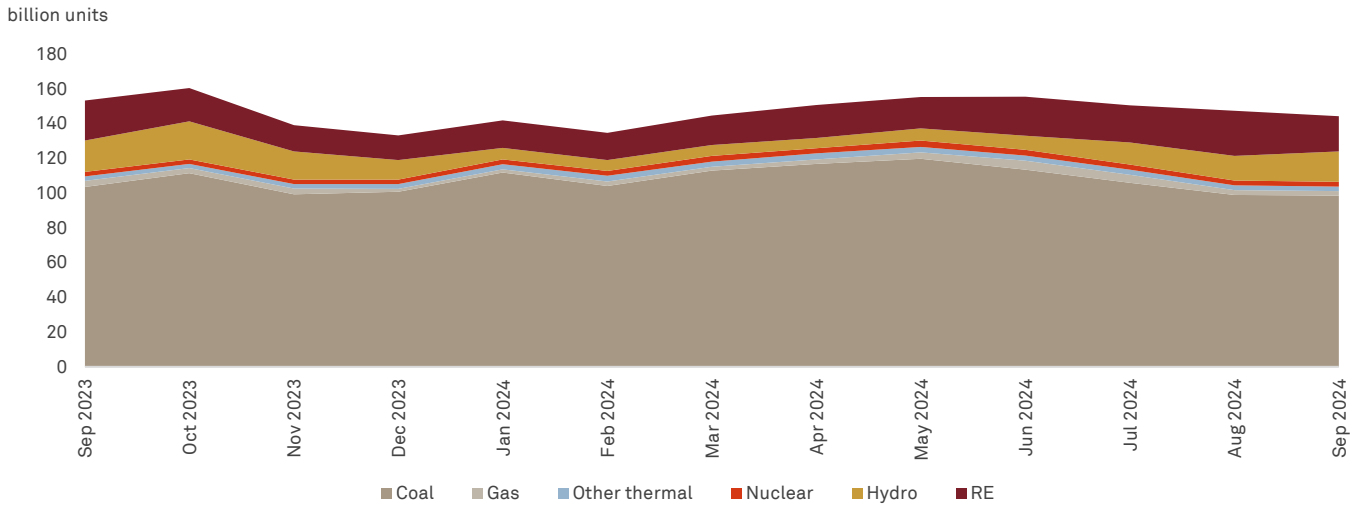
Coal and gas generation declined during the month at ~5% and ~15%, respectively.

On the other hand, generation of hydro, nuclear and renewable energy increased 40%, 9% and 7% on-year, respectively.

Higher hydro generation also rode on base effect considering it had declined 26% in September 2023.

Consequently, the share of hydro generation jumped to 15% in September from 11% in the corresponding month last year, whereas the share of coal power declined to 65% from 69%.

Coal and gas cede turf to hydro in generation



Note: September 2024 data from Grid India is provisional
Source: Grid India, CEA, CRISIL MI&A Research

Coal stocks improve as hydro does the heavy lifting

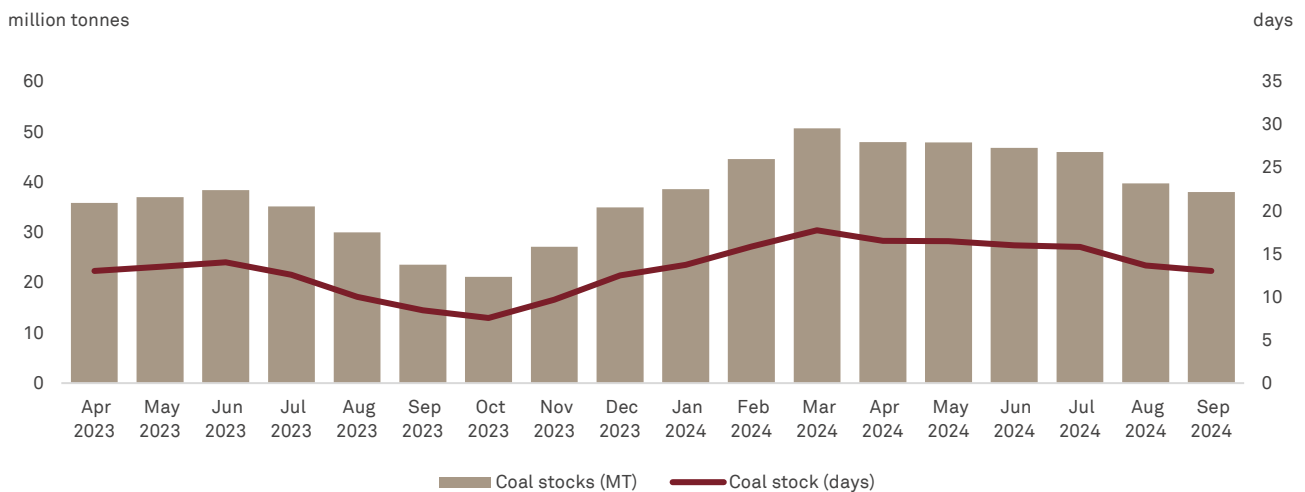
Coal remains the key source of electricity in India. To ensure uninterrupted generation, dispatch of coal to power plants surged 3% on-year in the second quarter (July-August) of this fiscal, thereby increasing coal stocks.

As on September 29, thermal power plants had 37 million tonne (MT) of coal as against 25 MT during

the same period last year. To recall, in 2023, higher temperatures brought on by El Nino, along with lower rainfall, had led to a significantly higher dependence on coal back then; as a result, coal power generation had surged 17% on-year in the month.

With the reverse playing out this year, the coal stock situation has improved, as indicated by 13 days of stocks at power plants as of September 29, 2024, compared with 8 days last year.

Coal stocks sufficient on steady dispatches



Source: National Power Portal

To avoid supply issues during the monsoon, the government has extended blending of imported coal for domestic coal plants till October 15. It has, however, revised the blending weightage to 4% from 6% to ensure sufficient coal supply to power plants.

Despite the decline, power demand to track economic growth this fiscal

For this fiscal, overall, CRISIL MI&A Research projects power demand to rise 6.5-7.5%. The spurt is due to the vagaries of the weather,

including the severe and prolonged heatwaves seen in the first quarter and insufficient rainfall in July in northern India.

Strong economic activity, with estimates pointing to the country's gross domestic product expanding 6.8% on-year this fiscal, is boosting demand, too.

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