



POWER SECTOR

Monthly Update

JULY 2022



1 Overview



2 Trend in Electricity Demand



3 Trend in Capacity Addition and Generation Mix



4 Trend in Renewable Energy Generation



5 Trend in Short-Term Tariff and Thermal PLF



6 Trend in Indonesian Coal Price Index



Agenda

7 Trend in Coal Production and Availability



8 Key Sector Updates



9 Key Rating Actions in Power Sector in June 2022



Electricity demand growth expected to moderate sharply to ~1.0-1.5% in July 2022 from 16.9% in June 2022 with demand slowing down following the heavy rainfall across the states and waning of favourable base effect

Spot power tariffs dipped in Jul'22 from Jun'22 in line with the moderation in demand; however, the tariffs remain higher than the historical average



- **Demand growth stood at 16.9% in June 2022 on a year-on-year (YoY) basis; growth expected to moderate sharply to ~1.0-1.5% in Jul'22 as per provisional data from POSOCO:** The all-India electricity demand increased by 16.9% in Jun'22 on a YoY basis, led by a heat wave across North and Central India and a favourable base. However, the growth moderated from 24.5% in May'22 with cooling down of temperatures. The demand growth is expected to further decline to ~1.0-1.5% in Jul '22 as per the data from POSOCO till July 27th, with the waning of favourable base effect and heavy rainfall across various states. Also, the demand in Jul'22 is expected to be lower by 6.0-6.5% over Jun'22. Nonetheless, the demand growth for FY2023 is estimated to remain healthy at 6.5-7.0%, based on the growth prospects for the economy and the healthy demand growth seen in Q1 FY2023 amid the severe heat wave.
- **Average tariffs in the day ahead spot power market dropped to Rs. 5.3 per unit in Jul'22 from Rs. 6.5 per unit in Jun'22 with moderation in demand:** The average tariffs in the day ahead market (DAM) of Indian Energy Exchange (IEX) reduced to Rs. 5.3 per unit in Jul'22 (as of July 27, 2022) from Rs. 6.5 per unit in Jun'22, with moderation in demand coupled with higher supply from non-thermal sources, such as wind, solar and hydro. However, it remains higher against the historical average due to continued supply-side constraints caused by tight domestic coal supply and high international coal prices.
- **Coal stock levels witnessed an improvement for the third straight month, albeit remaining lower than normative levels:** Coal supply to the power sector increased by 30.4% in Jun'22 on a YoY basis to meet the growing demand from power utilities. The stock level increased to 10.6 days as on July 26, 2022, from 8.2 days as of April 30, 2022, although it remained lower than the normative levels. The improvement is also attributable to the MoP directive to import and blend coal to the extent of 10% of the plant's requirement. However, concerns over the higher cost of imported coal and ability of the generation companies to recover such costs from discoms, impedes the progress.