

## POWER

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### Expert call – Power shortage to persist near term

- India's ongoing power crisis stems from a coal shortage due to inadequate planning; situation to continue till hydropower ramps up
- Long-term, renewables' share in the power mix must rise from the current 9%; critical to address issues of battery and supply storage
- No viable near-term solution for distribution woes given socio-political challenges to distribution reforms

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We hosted a call with power sector expert Arun Kumar to discuss the current challenges facing the sector. Key takeaways:

**Power deficit to continue in short term:** India's current power shortage has arisen because coal production has not kept pace with the growing demand – FY21 production levels were similar to those in FY17. Power demand had been weak since 2019 owing to reduced economic activity during two years of Covid-19 lockdowns. However, with the economy reopening in full swing, heatwaves across various regions of India and no new coal plant additions, supply is falling short of demand. Spot prices have soared amid the current shortage, with the regulator intervening to cap prices at Rs 12/unit. This deficit will continue till June when the monsoon begins and hydro capacities enter into the mix. With normal monsoons forecast this year, hydro output is expected to be healthy.

**Higher renewables in the mix the only way forward:** From a medium-to-long-term perspective, the share of renewables in India's power mix must rise from the current 9%. Solar currently dominates the green energy mix with a 48% share followed by wind at 38%. The key challenge with renewables is the variable supply curve, even as load patterns have changed from evening peak load to peaks during the day. Hence, it is critical to address the issues of battery and supply storage to ensure uninterrupted power supply.

**No near-term solution for distribution woes:** Despite a series of revival schemes and bailout packages, distribution remains a problem area for the power sector as it lacks payment discipline. This is primarily because states don't want to cede control and there is a lack of political will to reform the segment. Moreover, previous privatisation and PPP attempts have often failed to meet desired parameters as, political will aside, public support is also lacking for many of the changes needed in the distribution space.

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