RE to account for over one-fourth of India's power output by March

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The share of renewable energy (RE) in the country's cumulative power generation will increase to around 26 per cent in FY26 from 22 per cent in FY25. However, aggregate power demand growth is expected to remain muted at 1-2 per cent in the current financial year.

Infomerics Ratings in a commentary said that electricity demand registered a robust compound annual growth rate (CAGR) of 7-8 per cent between FY21 and FY25, broadly in line with the average GDP expansion of around 8 per cent during the period. While the electricity demand growth remained muted in 9M FY26, weighed down by an early and extended monsoon, it is expected to remain healthy over the medium term supported by power intensive growth drivers like manufacturing push, EV adoption, rise in data centres, green hydrogen, etc., it added.

GROWTH ON TRACK

Rohit Inamdar, Chief Rating Officer at Infomerics Ratings, said, "RE capacity additions touched a record 49 GW in the 9MFY26, keeping pace with the national target of 500 GW by FY30. RE accounts for nearly 64 per cent of incremental electricity generation growth during 9M FY26. Consequently, the RE share in overall electricity generation is projected to rise to about 26 per cent in FY26, marking a 4-percentage point increase over FY25."

By FY32, RE, led by solar, is projected to account for around 59 per cent of total installed capacity. To meet the estimated 458 GW of peak demand in that year, particularly during non-solar

hours, the deployment of adequate energy storage systems (ESS) battery energy storage and pumped storage, it said.

COST CONCERNS

Of the planned 236 GWh of BESS capacity by FY32, only 0.2 per cent is operational as of June 2025, with 9.6 per cent (22.6 GWh) at various stages of development. India currently operates 5 GW of pumped storage projects (PSPs), with over 12 GW under construction and around 69 GW under development, it added.

Mithun Vyas, Associate Director at Infomerics Ratings said, delays in signing power purchase agreements (PPAs) for BESS linked REs remains a key challenge in the run-up to FY32, as utilities await further cost corrections in BESS.

The tariff for BESS linked RE currently remains high due to high battery cost.

RE capacities already connected to the grid with purchase agreements remain insulated from off-take risk, owing to the 'must-run' status granted to operational RE projects, under which distribution utilities prioritise procurement from IPPs, it said.