



DRAFT NATIONAL ELECTRICITY POLICY (NEP), 2026 RELEASED FOR PUBLIC CONSULTATION WITH STAKEHOLDERS

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The Ministry of Power announced the release of a new “Draft National Electricity Policy (NEP) 2026”. The Draft NEP 2026 aims to transform the power sector for meeting the vision of *Viksit Bharat @2047*. The policy, once finalised, intends to replace the existing NEP which was notified in 2005..

The first National Electricity Policy, notified in February 2005, addressed fundamental challenges of the power sector, including demand–supply deficits, limited access to electricity, and inadequate infrastructure. Since then, India’s power sector has witnessed transformational progress. Installed generation capacity has increased fourfold with significant private sector participation; universal electrification was achieved by March 2021; a unified national grid became operational in December 2013; and per capita electricity consumption reached 1,460 kWh in 2024–25. Power markets and exchanges have improved flexibility and efficiency in power procurement across the country.

In spite of these achievements, persistent challenges remain, particularly in the distribution segment like high accumulated losses and outstanding debt. Tariffs in several segments remain non–cost reflective, and high cross-subsidisation has resulted in elevated industrial tariffs, adversely affecting the global competitiveness of Indian industry.

Against this backdrop, the Draft NEP 2026 sets ambitious yet necessary goals. The Policy targets per capita electricity consumption of 2,000 kWh by 2030 and over 4,000 kWh by 2047. It also aligns with India’s climate commitments, including reduction of emissions intensity by 45 percent below 2005 levels by 2030 and achievement of net-zero emissions by 2070, necessitating a decisive shift towards low-carbon energy pathways.

Draft NEP 2026 includes following major interventions:

1. Resource Adequacy (RA):

- To ensure required capacity expansion through decentralized advance planning, DISCOMs and SLDCs shall prepare RA plans at utility and state levels, in accordance with the regulations of State Commissions. CEA will prepare a corresponding national plan to ensure adequacy at the national level.

2. Financial Viability & Economic Competitiveness:

- Tariffs must be linked to a suitable index for automatic annual revision which operates if no tariff order is passed by the State Commission.
- Tariffs should progressively recover fixed costs through demand charges to avoid cross-subsidisation between the tariff components as well as among various categories of consumers.

- Exemption of cross-subsidies and surcharges on manufacturing industry, railways and metro railways to increase the economic competitiveness of Indian goods and reduce logistics cost.
- Regulatory Commissions, in consultation with Appropriate Governments, may exempt the distribution licensees from the Universal Service Obligation in respect of consumers having a contracted load of 1 MW and above.
- Strengthening of dispute resolution mechanism to reduce burden on Regulatory Commissions, enable faster dispute resolution and reduce financial burden on consumers.

3. Renewable Energy Generation & Storage:

- RE capacity addition through market-based mechanisms and captive power plants.
- Installation of storage by distribution licensee on behalf of small consumers to get benefit of economies of scale and by bulk consumers themselves to facilitate adoption of Distributed Renewable Energy (DRE) sources.
- Trading of surplus energy from DRE as well storage by consumers themselves (P2P) or through aggregators.
- Parity between RE and conventional sources in scheduling and deviation by 2030.
- Market-based deployment of storage, use of emerging Battery Energy Storage System (BESS) technologies, domestic manufacturing of cells and other components of BESS and demand side incentives like VGF for BESS and pumped storage projects.

4. Thermal Generation:

- Integration of storage, and repurposing of older units for grid support to enable greater renewable energy integration.
- Exploring possibility of direct utilization of the steam generated from thermal plants for applications such as district cooling or industrial processes for optimum utilization.

5. Nuclear Generation:

- In line with the provisions of SHANTI Act, 2025, adoption of advanced nuclear technologies, developing Modular Reactors, setting up Small Reactors, and use of nuclear energy by commercial and industrial consumers to achieve 100 GW by 2047.

6. Hydro Generation:

- Accelerated development of storage-based hydroelectric projects for flood moderation, irrigation, and water as well as energy security.

7. Power Markets:

- A strong regulatory framework for market monitoring and surveillance to prevent collusion, gaming, or market dominance.

8. Transmission:

- Adoption of latest technologies and suitable compensation for land use to address Right of Way (RoW) challenges.
- Parity of transmission tariff with conventional power by 2030 for all types of new RE capacity.
- Utilization-based framework for allocation of transmission connectivity, along with appropriate regulatory mechanisms to ensure optimal use and prevent speculative holding of connectivity.

9. Distribution:

- Measures to achieve single-digit AT&C losses.
- Shared distribution networks to enhance competition and efficiency, while eliminating the requirement of duplication of network.

- Establishment of a Distribution System Operator (DSO) to facilitate sharing of network and integration of distributed renewables, storage, Vehicle-to-Grid (V2G) systems.
- N-1 redundancy at distribution transformer level in all cities with population more than 10 lakh by 2032. Such cities to be considered for undergrounding of distribution network in congested areas.

10. Grid Operations:

- Functional unbundling of State Transmission Utilities (STUs) and creation of independent state-level entities to manage SLDC operations and transmission planning functions.
- Alignment of State Grid Codes with Indian Electricity Grid Code specified by CERC

11. Cybersecurity:

- Establishment of Robust cybersecurity framework.
- Mandatory storage of power sector data within India to ensure data sovereignty and system resilience.

12. Data Sharing:

- Sharing of operational and market data under a framework prescribed by the Central Government.
- Ensuring real-time visibility of Distributed Energy Resources to DISCOMs and SLDCs.

13. Technology & Skill Development:

- Transition to indigenously developed SCADA system by 2030.
- Development of domestic software solution for all critical applications in the power system.

With the various new provisions, the Draft NEP 2026 provides a comprehensive blueprint for a **future-ready, financially viable and environmentally sustainable power sector to provide reliable and quality power at affordable price** to meet the goals of Viksit Bharat @ 2047.

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