Draft National Electricity Policy 2026: A Critical Evaluation

Access, Scarcity, Privatisation and the Persistence of a Failed Reform Model

The Draft National Electricity Policy, 2026 presents itself as the map to reliable 24x7 quality power for Viksit Bharat at 2047. Its first political act is historical. Access and scarcity, it says, are solved. What remains is DISCOM finance, industrial tariffs, and a green transition that private capital and markets will deliver. That is why the draft pushes cost-reflective tariffs, exemption from Universal Service Obligation for large consumers, surcharge-free open access for manufacturing, capacity markets, competitive bidding inside the states, listing and public-private partnership in distribution, private nuclear power, and public money to de-risk private finance.

Those founding claims have to be tested first. Official definitions inflate access. Peak supply, evening supply and fuel-backed supply are still scarce. Private ownership of about half the capacity did not end shortage. It changed who captures the rent when shortage appears. DISCOM stress is not only theft. It is power purchase cost, tariffs postponed as regulatory assets, and the exit of paying consumers. The draft then applies more tightly the same model that produced that stock.

This note therefore does two things. First, it tests the claims on access, scarcity, private generation as success, and DISCOM failure as mere inefficiency, against official data. Second, it reads the draft section by section. The standpoint is simple. Electricity is infrastructure. Without social control it will not serve national development. Profit-seeking capital builds where returns are contracted and underwritten. Rural feeders, lifeline supply and universal quality remain leftover jobs unless the state pays separately. Green language does not cancel that ownership design.

1. The founding claims

1.1 Access has not been universally achieved

The draft says all villages and willing households are connected. Three devices produce that sentence.

Village electrification is not household electrification. Since 2004 a village is declared electrified if there is a distribution transformer and lines in the inhabited area, including the Dalit basti or hamlet; if there is electricity in public places such as the school, the panchayat and the health centre; and if at least 10 percent of households are connected. An high-tension line, a panchayat bulb and a tenth of the houses are enough. All inhabited census villages were declared electrified by 28 April 2018 on that definition. That is some infrastructure on paper. It is not a connection in every home. It is not usable supply around the clock.

Willingness is not a right. Saubhagya covered all willing rural un-electrified households and all willing poor urban households. Anyone who does not apply is counted as unwilling. After the scheme closed on 31 March 2022, ordinary Supply Codes apply. The household needs identity and occupancy proof. In most states it also needs an installation test report from a Licensed Electrical Contractor. It also needs internal wiring beyond the single light point that Saubhagya itself provided. The free service-line length is short. It is commonly 30 to 40 metres, sometimes 100 metres, and for agriculture often 500 metres. Beyond that length the

applicant pays for poles and conductor. Distance, poverty and inability to wire the house are written down as lack of willingness.

The 100 percent figure was made by shrinking the target. The guidelines spoke of about 300 lakh unelectrified households. An earlier figure in the same guidelines was 517 lakh. The dashboard later used 248.48 lakh. CAG Report 17 of 2025 found that 100 percent coverage by March 2019 was declared after that revision. Actual Saubhagya connections by March 2019 were about 151.60 lakh. That was under 58 percent of the original 300-lakh target. Seven states still reported 19.10 lakh unelectrified households in March 2019. About 11.64 lakh remained unelectrified in March 2021. The Centre now cites 2.86 crore connections over the whole scheme period, including DDUGJY and state works. That is not the same as saying nobody is left without electricity. The Revamped Distribution Sector Scheme has sanctioned grid works for another 13.65 lakh households among PVTG, tribal, Scheduled Caste and border families. NFHS-5 in 2019-21 put household electricity at 96.8 percent, not 100 percent. Later work still finds access skewed toward urban, richer and more literate households.

Access improved. The draft’s claim that access is closed is a definitional victory. It is not a finished public job.

1.2 Scarcity has not been solved

Small annual energy-deficit percentages are not abundance.

The Central Electricity Authority’s Load Generation Balance Report for 2026-27 still projects a Southern peak deficit of about 9.6 percent, or 8.1 GW. It also projects an Eastern peak deficit of about 16.2 percent, or 6.0 GW. These sit next to a thin all-India surplus on paper. Peak demand met reached about 270.8 GW on 21 May 2026. In April and May 2026 the grid fell short on 36 of 61 days at the non-solar-hour peak. It fell short on only 6 of 61 days in solar hours. After hydro generation fell about 12 to 14 percent in a weak monsoon, September 2026 night shortfalls reached about 7.7 GW. That was worse than the summer heatwave. Daily shortages were above 20 million units early in the month. States still impose peak restrictions. The scarcity people live with is evening ramps, agricultural and cooling load, limited hours and poor voltage. It is not a year-book figure of 0.1 percent energy deficit.

Prices measure tightness. The Central Electricity Regulatory Commission capped the day-ahead and real-time markets at Rs 10 per kWh. In the first 20 days of September 2026 the day-ahead average rose from about Rs 3.42 to Rs 7.77 per kWh year on year. From 6 pm to 11 pm the clearing price sat on the Rs 10 ceiling. On stressed evenings purchase bids ran to about 1,03,450 MWh against sell bids of about 2,418 MWh. The cap does not cap high-cost power. The High-Price Day Ahead Market exists so that gas and imported-coal plants can sell above Rs 10. In April 2026 that segment averaged about Rs 19.6 per unit. El Niño and hydro shortfall are real. They do not explain a structural evening cliff after a decade of private capacity addition.

Coal at the plant is a coordination failure. Mid-September 2026 thermal stocks were about 7 to 9 days. That was a three-year low. On 19 September, 74 of 190 monitored plants were marked critical. Rail-fed plants held only about a third of normative stock. Mine-head and Coal India inventories can look comfortable while stocks at the plant collapse. That is a problem of rake priority, monsoon loading, and three ministries. Coal, Railways and Power each chase their own commercial target. Linkage committees meet. A planned, power-first fuel and rake system does not follow.

Evening, peak and fuel-backed scarcity is not over.

1.3 Private generation is not proof of success

As on 31 March 2026 the official split was Central 23.3 percent, State 24.4 percent and Private 52.3 percent. That is 2,78,632 MW out of 5,32,740 MW. Private capital dominates new renewable capacity and a large merchant and independent power producer thermal slice. Adani is a major incremental name in both renewable energy and thermal power. Tata spans generation and Delhi retail supply. Reliance is stronger in renewable energy and distribution than as a national thermal major.

Private plants run when the power purchase agreement or the exchange pays. They have no social duty to dispatch. Second, the design of the market needs no conspiracy. Capacity payments, the High-Price Day Ahead Market, and a Rs 10 ceiling with an escape hatch for high-cost plants turn tightness into revenue. Capacity rose. Evening scarcity, coal failure at the plant gate, and exchange prices stuck at or above the cap remain. Deepening that market is not public adequacy. The claim that delicensing and private investment ended shortages turns the evidence upside down.

2. DISCOM finance: not only inefficiency

The draft treats distribution as the leftover failure of 2003. It points to losses, tariffs that do not cover cost, and monopoly. Aggregate technical and commercial losses and theft exist. They are not the main fiscal engine.

Power purchase is 70 to 80 percent of DISCOM cost. National average procurement was about Rs 5.38 per kWh in 2024-25. Median approved purchase cost in large states for 2024-25 was about Rs 5.4. Actuals were near Rs 5.7 in 2022-23, when imported coal and short-term prices spiked. Generators recover two-part tariffs, change-in-law claims and late payment surcharge. In the short-term market they recover scarcity rent. Late Payment Surcharge rules improved generator cash. DISCOM dues to generating companies fell from about Rs 1.40 lakh crore in 2022 to about Rs 4,927 crore by January 2026. That is a shift of liquidity toward generation. It is not proof that purchase prices fell.

The stock, not one year’s profit, is the verdict on reform.

Indicator	Latest official or rating range
Accumulated DISCOM losses	about Rs 6.47 to 6.90 lakh crore
Outstanding DISCOM debt as on 31.03.2025	Rs 7.26 lakh crore
FY25 profit after tax of the whole distribution sector	Rs 2,701 crore
of which private DISCOM profit	Rs 12,138 crore
ACS-ARR gap, FY21 to FY25	about Rs 0.69 to Rs 0.06 per kWh, accrual after subsidy
AT&C losses, FY21 to FY25	about 22 percent to 15-16 percent
Regulatory assets	about Rs 1.74 to 3 lakh crore
State tariff subsidy, order of 2025	about Rs 2.6 lakh crore

FY25 profit after tax of the whole distribution sector means the profit after tax of every DISCOM added up for 2024-25. It does not mean every DISCOM became profitable. Private profit after tax of Rs 12,138 crore pulled the all-India total to a plus of Rs 2,701 crore. State DISCOMs still lost about Rs 9,437 crore. On a stricter Power Finance Corporation cut, which counts subsidy received but excludes regulatory income and UDAY-type grants, the sector

can still show a loss. The 6-paise gap between average cost of supply and average revenue realised is usually measured on accrual after subsidy. It is not cash collected from consumers.

Eight states hold most of the loss and debt stock. ICRA put regulatory assets near Rs 3 trillion. These are concentrated in Tamil Nadu, Uttar Pradesh and Rajasthan. Supreme Court timelines imply tariff hikes of 20 to 40 percent in those systems. Delhi alone has regulatory assets of about Rs 38,500 crore. A regulatory asset is this year's unpaid cost of supply parked for a future tariff shock. It grows with carrying cost.

No single official series of average cost of supply, average revenue realised and debt from 1991 is published as one table. Power Finance Corporation and Central Electricity Regulatory Commission figures from the late 2000s already show the pattern after liberalisation and the Electricity Act 2003. Average cost rises with fuel and purchase cost. Realisation lags. Bailouts follow. These include the 2001 dues scheme, the Financial Restructuring Plan of 2012, UDAY in 2015, the Atmanirbhar package of 2020, and the Revamped Distribution Sector Scheme of 2021. Debt and regulatory assets rebuild after each clean-up. UDAY put DISCOM debt on state budgets. The debt came back.

That cycle is design. Generation was unbundled on cost-plus terms. Retail tariffs stayed politically capped. Paying industry was invited to leave through open access. Painting the public DISCOM as permanently broken, and then offering public-private partnership, listing and multiple licensees as the cure, is the same prescription. The draft tightens it. There are to be no new regulatory assets from 2026-27. There is to be automatic monthly pass-through of purchase cost. There is to be exemption from Universal Service Obligation above 1 MW. Industry is to be free of cross-subsidy and surcharge. Paying load walks out. Households and agriculture keep the social obligation. The next shock falls on whoever cannot leave.

3. What the draft proposes

3.1 Objectives and planning (Sections 1 to 3)

Financial turnaround and competition in supply sit above public ownership. The draft sets per-capita targets of 2,000 kWh by 2030 and 4,000 units and more by 2047. It does so without a public provision model. That describes a dual system. Those who can contract buy for themselves. The rest stay on residual public supply. Resource Adequacy Plans are needed as engineering. Here they are investment signals and a prelude to capacity markets. They are not a public programme to add capacity.

3.2 Tariffs, Universal Service Obligation and industry (Section 4)

This is the core political chapter. The draft wants full cost-reflective tariffs from 2026-27. It wants no new regulatory assets. It wants automatic indexation if no tariff order is issued. It wants monthly pass-through of purchase-cost increases. It wants more recovery of fixed cost through demand charges. It wants a cross-subsidy floor at 50 percent of average cost of supply. Free power is to be avoided. Subsidy is to be paid only if it is released in advance under Section 65. Agri-feeder solarisation with storage by 2030 is framed as cutting the state subsidy burden. It is not framed as a public programme for farmers. Private investment is to come through Section 63 bidding and predictable returns. Private entry into distribution and transmission is to be promoted. Regulators may exempt DISCOMs from Universal Service Obligation for consumers of 1 MW and above who can buy for themselves. Manufacturing, Railways and Metro should be exempt from cross-subsidy and additional surcharge.

Large industry and railways leave the common pool. DISCOMs keep households, agriculture and small users. They lose the cross-subsidy base. Industrial competitiveness is placed above social tariff design. Competition here means the profitable load exits.

3.3 Generation (Section 5)

On renewables the draft wants a least-cost mix. It wants renewable consumption obligations with buyout and attributes. It wants Virtual Power Purchase Agreements, settlement of bilateral contracts, and seamless open access and captive supply for industry. It wants hybrid variable renewable energy with storage, rooftop systems with storage, peer-to-peer trading and aggregators. Net metering is to be discouraged above 5 kW. Storage is to replace banking. Plants are to be sited near load. Green capacity is required. The owner the draft prefers is private and industrial capital. Rolling back net metering and replacing banking with consumer-owned storage shifts cost onto prosumers. It also leaves small consumers dependent on DISCOM storage whose tariff treatment is not guaranteed as a social service.

On thermal power, coal remains critical baseload. The draft wants flexibility retrofits and storage on coal plants, with costs recovered through tariff or ancillary markets. It wants co-firing. It wants gas peaking with capacity markets. Public thermal assets become flexible servants of a market-dominated renewable build-out. A planned public phase-down with just transition is not the frame.

On nuclear power, the target is 100 GW by 2047. The draft wants private collaboration on modular reactors and Bharat Small Reactors, green bonds, and industrial offtake. Capital-intensive, long-lived and strategically sensitive plant is opened to private return. Risk and regulation remain social.

On hydro power, the draft wants streamlined clearances, land banks, exemption from mandatory bidding, viability gap funding, and monetisation of ramping and carbon attributes. Hydro is water, flood control and energy together. It is public infrastructure. The draft’s tools are bankability and incentives.

On captive power, the draft wants easier capital structures and verification. Captive supply has always been industry’s exit from the common system. The draft widens that exit.

3.4 Storage and markets (Sections 6 and 7)

Storage is essential for variable renewables. The default in the draft is private and market deployment. That includes competitive bidding for pumped storage, manufacturing incentives for batteries, cloud storage, and bilateral settlement of capacity. Public bulk storage as a system reservoir is not the model.

On markets the draft wants standardised exchange contracts. It wants routing of long-term power purchase agreement energy through exchanges. It wants phased capacity markets, market ancillary services and demand response through aggregators, and an India Energy Stack. It wants long-term open access with a one-way declining path for surcharge. It wants forwards and hedging, wider security-constrained dispatch, and fewer interventions as liquidity grows. This is financialisation. Capacity markets pay for availability. Routing power purchase agreements through exchanges weakens planning. A market that already clears evenings at Rs 10 and high-cost segments near Rs 20 is not an instrument of public adequacy.

3.5 Transmission and grid (Sections 8 and 11)

Intra-state strengthening, plug-and-play bays, FACTS devices, synchronous condensers, dynamic line rating, published commissioning timelines and a check on speculative connectivity are necessary engineering. Then comes the political turn. Competitive bidding is to be the default inside the state as well as between states. Planning is to proceed without prior agreement of beneficiaries. Dedicated green feeders are to serve those who can contract 100 percent renewable power. One Sun One World One Grid is treated as cross-border market space. An independent State Load Despatch Centre is good operations. The draft ties unbundling of the state transmission utility, the load despatch centre and the transmission service provider to promoting intra-state competitive bidding. The state grid is prepared for private bidders.

3.6 Distribution and consumer centricity (Sections 9 and 10)

The draft wants multiple licensees in the same area. It wants public-private partnership and listing of utilities. It wants shared wires. It wants a distribution system operator at DISCOM level for distributed resources, vehicle-to-grid and aggregators. Prepaid meters are to come first for government, then for industry and commerce. Time-of-use tariffs are to start with industry and commerce. The draft wants N-1 redundancy and undergrounding in large cities, SAIDI and SAIFI benchmarks, and outside experts on boards. Quality standards and compensation are written in. Underneath, a public service becomes competing suppliers on a common or shared wire. Choice is written for those who can go to open access or captive supply. Small consumers get an app, a compensation clause, and a residual DISCOM.

3.7 Cyber, data, technology and skills (Sections 12 to 15)

Onshore control systems and data sovereignty are necessary. They do not change who owns generation and wires. Open operational data can serve planning. Exemptions for commercially sensitive information protect private positions. Make in India and indigenous SCADA by 2030 are in the national interest. The route is foreign direct investment, government-to-government deals, industry-academia public-private partnership, and relaxed eligibility so that private innovation becomes bankable. Skill policy trains the workforce for that market structure.

3.8 Disaster, efficiency, environment and finance (Sections 16 to 19)

The draft lists resilience standards, tighter efficiency norms for pumps and appliances, building codes, carbon trading for large industry, electric vehicle charging, pellet co-firing, recycling of panels and batteries, and waste-to-energy. These can be public-interest measures. They can also be new private offtake streams. They are not a public just transition. They are not a public programme to replace inefficient agricultural pumps and household appliances at public cost.

Financing makes the political economy plain. The draft projects Rs 50 lakh crore by 2032 and Rs 200 lakh crore by 2047. The state will not primarily invest. It will supply stable predictable revenue, platforms at NaBFID and NIIF, first-loss and multilateral guarantees, a climate-finance taxonomy, and unrestricted industrial access to clean power through open access and captive supply. Public money takes the risk. Private capital takes the asset.

4. Political meaning

Read as a whole, the National Electricity Policy 2026 does four things. They are not separate

chapters. They are one design.

It rewrites history. The draft opens by saying the old twin problems, lack of access and scarcity of power, have been largely addressed. Once that sentence is accepted, everything that follows looks technical. The tasks appear to be tightening DISCOM accounts, making tariffs cost-reflective, deepening markets, and inviting private capital into what is left. The rewrite is necessary for that shift. If access is still incomplete, the first duty of policy is public last-mile supply, affordable connection, wiring support and quality hours. It is not willingness tests and leftover lists under the Revamped Distribution Sector Scheme. If peak, evening and fuel-backed scarcity are still real, the first duty is planned capacity, coordinated coal and rail, and social dispatch. It is not a tighter exchange and a capacity market. By declaring both problems solved, the draft converts a public infrastructure question into a reform-and-discipline question. DISCOM losses and industrial tariffs become the main story. Deeper markets become the answer.

It completes the unfinished business of 2003 in supply. The Electricity Act delicensed generation and opened the door to trading, open access and independent regulation. Inter-state transmission has already been shifted, in large part, to tariff-based competitive bidding. What remained under public and state control was intra-state transmission, the distribution wire and supply function, bulk storage as a system resource, and nuclear power. The draft moves on those remaining pieces. Competitive bidding is to become the default inside the state as well as between states. Distribution is to see multiple licensees, public-private partnership and listing. Storage is to be a market product and a privately bid pumped-storage or battery asset. Nuclear power is opened to private collaboration on modular reactors. At the same time, consumers of 1 MW and above may be taken out of Universal Service Obligation. Manufacturing, Railways and Metro are to be freed of cross-subsidy and additional surcharge. That is the common pool being dismantled from both ends. Private capital enters the remaining monopoly segments. The paying load is invited to walk out. Households, agriculture and small users stay with the residual public DISCOM.

It socialises risk and privatises return. The green and adequacy language is expensive. The draft does not meet that cost with public ownership of the new assets. It meets it with public underwriting of private revenue. Viability gap funding, green bonds, first-loss covers, multilateral and platform guarantees, and a climate-finance taxonomy are ways of making private projects bankable. Recovery of old regulatory assets through future tariffs, automatic monthly pass-through of purchase cost, and recovery of coal-plant flexibility costs through tariff or ancillary charges are ways of moving cost onto the remaining captive consumers. Late payment rules have already improved cash for generators. Capacity markets will pay for availability whether or not the plant is needed every hour. In each case the pattern is the same. The state, the regulator or the small consumer takes the residual risk. The contracted investor takes the predictable return. Public money de-risks. Private capital owns.

It treats electricity as a commodity. Resource adequacy plans, 24x7 language, SAIDI and SAIFI benchmarks, compensation for poor service and consumer apps sit on top of that commodity logic. They do not replace it. A commodity is produced where the contract pays and sold where the price is highest. Capital will add renewable plants, storage and merchant capacity where offtake is signed and risk is underwritten. It will not treat a weak rural feeder, a lifeline household, quality supply in a deficit hour, or just transition in a coal region as a first-order duty unless a separate public payment is attached. That is not a moral complaint about individual firms. It is how profit-motivated investment works. Once electricity is organised as a

set of market products, such as energy, capacity, attributes, ancillary services, green feeders and open-access contracts, the social uses of power become add-ons. They survive only as subsidy, viability gap funding, or a residual Universal Service Obligation after the profitable load has left.

Without social control over energy resources, energy remains an input for accumulation. It does not remain infrastructure for the overall development of the nation. The draft's green targets can still be written into that commodity frame. Public investment staying low, and private capital being invited to own the transition, is not an accident in the text. It is the policy.

5. What the draft refuses

A public infrastructure alternative is not obscure. The following path is available, and the draft does not take it.

The first element is public and publicly owned cooperative investment in renewables, storage, intra-state grids and nuclear power, with intellectual property and manufacturing kept as far as possible in public hands.

The second is Universal Service Obligation for every consumer. There should be no exit above 1 MW without compensating the common pool.

The third is distribution as a publicly owned, socially accountable service. Listing and multiple private licensees should not be the default.

The fourth is planning that sets the generation mix rather than attracting it. Social dispatch, not scarcity pricing, should be the tool of adequacy.

The fifth is public banks funding public assets. Taxonomies and first-loss guarantees that dress private projects as climate finance should not be the main route.

The sixth is agri-feeder solarisation and pump replacement as a public programme for farmers, not only as a device to cut subsidy.

The seventh is coal, rail and power run as a planned chain with priority for the power sector, not as three commercial silos.

The eighth is access defined as a wired, affordable, adequate household connection. Access should not be defined as 10 percent of a village plus willingness.

The draft does not consider that path. It extends a reform model whose own evidence is already on the table. That evidence includes leftover household lists under the Revamped Distribution Sector Scheme, evening prices stuck at the cap, 74 plants critical on coal, Rs 7.26 lakh crore of DISCOM debt, and regulatory assets running into lakhs of crores waiting to become tariff shocks.

The access and abundance claims are overstated. The privatisation of generation that the draft treats as the cause of success is part of the structure of failure. The National Electricity Policy 2026 proposes to apply that structure more thoroughly.