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# Government of India issues the draft National Electricity Policy, 2026 for stakeholder consultation – this is proposed to replace the National Electricity Policy, 2005

On January 20, 2026, the Ministry of Power released the draft National Electricity Policy, 2026 ("**Draft NEP**") seeking comments and suggestions on or before February 19, 2026. The Draft NEP has been issued after 2 (two) decades in light of transformation of power sector and considering the emerging challenges on account of energy transition and viability of distribution sector due to: (a) distribution licensee losses reaching INR 6,90,000 crore (Indian Rupees six lakh ninety thousand crore); and (b) non-cost reflective tariffs and high industrial tariffs.

The key objectives of Draft NEP are to:

1. increase per capita consumption to 2000 (two thousand) kilowatt-hour by 2030 and 4000 (four thousand) kilowatt-hour by 2047;
2. ensure power availability even at peak demand hours;
3. achieve nationally determined contributions targets *via* non-fossil generation;
4. promote competitive pricing for supply of electricity; and
5. strengthen grid resilience for expansive Renewable Energy ("**RE**") generation.

The Draft NEP also aims to align with India's vision of '*Viksit Bharat @2047*' and provides a strategic roadmap for India's energy independence.

Some of the key provisions proposed in the Draft NEP are briefly outlined below.:

1. **Resource Adequacy Planning ("RAP")**: Structured mechanism of RAP to be implemented at both State and National level. The Central Electricity Authority in consultation with States and other stakeholders, will prepare the RAP i.e. the national plan**.** Similarly, the Distribution Companies ("**DISCOMs"**) and State Load Despatch Centre are suggested to provide RAP for each State aligned with the national plan;
2. **Distribution**:
    a) Cost reflective and time of day tariffs are proposed to be determined with timely pass-through of costs, without resort to regulatory assets.
    b) Fixed costs ought to be recovered through demand charges.
    c) Cross subsidies proposed to be progressively reduced, while ensuring that no tariff will fall below 50% of average cost of supply.

d) Subsidy to be paid in advance in accordance with Section 65 of the Electricity Act, 2003, and the provision of free power supply will be avoided.

e) Manufacturing and railways ought to be exempted from cross subsidy and surcharges.

f) Single digit technical and commercial losses will be targeted.

g) Proposed exemption of universal service obligation for >1 (one) megawatt consumers.

h) State-owned DISCOMs will be encouraged to list on stock market for governance and efficiency.

3. **Generation**:

a) RE:

i) Central and State Commissions ("**Commissions**") to support procurement of RE by Commercial and Industrial consumers ("**C&I consumers**") and provide seamless open access.

ii) Renewable consumption obligations will be enforced strictly.

iii) Co-generation of electricity will be promoted and incentivised.

iv) Virtual Power Purchase Agreements ("**PPAs**"), bilateral contract settlement, solar rooftops with storage, peer to peer trading free from surcharges to be promoted.

v) Storage of power by consumer will be promoted in place of banking of power.

vi) Aging RE projects ought to upgraded with advanced technologies.

vii) RE based microgrids proposed to be developed in remote areas for integration with main grid.

viii) Net metering beyond 5 kilowatts envisaged will be discouraged.

ix) Aggregators ought to pool demand and supply.

x) Parity between RE and conventional sources for deviation settlement mechanism sought to be achieved by 2030.

b) Thermal:

i) Coal power to continue for base load demand, with new plants proposed to come up preferably near mines.

ii) Existing plants proposed to be retrofitted with storage. Cost recovery will be initiated through tariffs or ancillary services charges.

iii) Blending of coal and gas with biomass and municipal solid waste-based fuels to be explored.

iv) Phased modernisation of old plants suggested to improve efficiency and operational life. Alternatively, old plants to be retrofitted with storage systems for integration with variable RE.

v) 100% ash in bio-friendly applications to be utilised.

vi) Old thermal plants to be retained for grid and voltage support.

vii) Gas plants suggested to be used for peaking and balancing.

c) Nuclear:

i) 100 gigawatt capacity by 2047 to be targeted.

ii) Private sector will be helped in developing modular reactors, with projects being eligible for green bond funding.

iii) Large C&I consumers suggested to use nuclear sourced power.

d) Hydro:

 

i) Forest clearance processes proposed to be streamlined, in order to expedite projects, and land banks to be created for afforestation.

ii) Hydropower projects proposed to be exempted from competitive bidding.

iii) Projects may be incentivised through staggered free power and tax reimbursement, linked to timely completion.

iv) Development of storage-based hydroelectric projects to be fast-tracked for flood moderation and energy security.

v) Debt financing through back loaded tariffs and monetisation of ramping capability to be explored.

vi) Viability gap funding with capped tariffs to be explored for strategic capacity.

e) Captive: Captive generation to be promoted by facilitating flexible capital structures and simple verification procedures to be prescribed. Cogeneration to be promoted by facilitation of procurement of surplus power.

4. **Energy storage**:

a) Energy Storage System ("**ESS**") to be provided with regulatory framework by Governments and Commissions.

b) Renewable projects to be co-located with Battery ESS ("**BESS**") for expeditious deployment.

c) ESS proposed to be standalone or part of generation, transmission and distribution. Cloud ESS may be explored to provide affordable and on-demand energy storage to consumers.

d) Expeditious environment clearances to be given to Pumped Storage Projects ("**PSP**"). DISCOMs are encouraged to procure PSP capacity by competitive bidding under Section 63 of the Electricity Act.

5. **Power markets**:

a) Creation of regulatory framework for generative capacity through bilateral contract settlement and standardised contracts envisaged for collective transactions.

b) Long term PPAs may be routed through exchanges. Commissions to be conferred with the responsibility to facilitate long-term open access through predictable open access charges, with reduction in cross-subsidy and additional surcharges.

c) Capacity markets to be introduced in phased manner.

d) Ancillary services to be enhanced to maintain grid stability and limit deviations. Competitive procurement of ancillary services to be governed by market-based system.

e) India Energy Stack to be established for interoperable systems and financial settlement.

f) Long-term open access to be facilitated with predictable charges with a progressively reducing cross-subsidy.

g) Risk management options for hedging of price and forward contracts to be administered.

h) Security constrained economic dispatch and security constrained unit commitment to be expanded to intra-State generating companies to optimise procurement costs.

6. **Transmission**:

a) Commissions to establish mechanism to discourage speculative holding of transmission connectivity by entities lacking power.

b) Transmission plans to be developed on a 5 (five) -10 (ten) year rolling basis.

c) Plug and play substations to be developed in industrial and high demand zones.

d) Single window system to be established for connectivity approvals and first time charging.

e) Suitable regulatory framework to be established to maximise RE corridor utilisation especially during non-solar hours and to prevent speculative holding of transmission connectivity.

f) Competitive bidding to be default for all projects, with exceptions for urgent/strategic projects/technically critical projects.

g) Risk sharing and compensation mechanism to be put in place for mismatch in commissioning .

h) Uniform Right of Way ("**RoW**") charges to be applied with RoW corridors optimised through insulated cross-arms, conductors, monopoles, underground cables and reconductoring.

i) Cross-border links to be strengthened.

j) Green hydrogen facilities to be encouraged to source RE from proximal locations to curb transmission costs.

7. **Distribution and consumer specific**:

a) DISCOMs to ensure adoption of solar roof top installations with storage and 24/7 supply of electricity.

b) Service quality data for urban and rural areas to be tracked and shared publicly at distribution level.

c) Consumers to be offered a streamlined mechanism for grievance redressal.

d) Tariff proceedings aiming to be timely concluded within 120 (one hundred and twenty) days.

8. **Grid operation**:

a) Load despatch operations ought to be separated from transmission service providers.

b) Advanced technology for demand and forecasting, to be utilised amid RE penetration.

9. **Cybersecurity and data use**:

a) Utilities suggested to implement systems and controls to ensure cybersecurity.

b) Data localisation principle to be implemented with mandatory storage of power sector data within India.

c) All power sector entities to be making operational/planning and market related data publicly accessible. Central Government may exempt commercially sensitive data.

10. **Technology and indigenous manufacturing**:

a) Critical tech proposed to be secured through foreign direct investment and Government-to-Government partnerships where necessary.

b) Funding ought to be given for research and development.

c) Proposal to establish a framework to encourage adoption of domestically developed technologies.

11. **Energy efficiency and environmental sustainability**:

a) Energy efficiency to be improved across sectors, particularly in agriculture, buildings, appliances and energy intensive industries.

b) Large energy intensive industries suggested to transition to carbon credit trading scheme in a phased manner.

c) E-mobility to be facilitated through expansion of charging infrastructure.

d) Municipal solid waste to energy projects to be established and promotion of refuse derived fuel to be encouraged.

e) Solar and BESS intended to account for waste disposal and recycling.

12. **Other miscellaneous issues**:

a) Capacity building and training to be focused on, through academia and curriculum development.

b) Dedicated budget allocations to be made by utilities for training.

 

c) State Governments in consultation with utilities to develop disaster management plants.

## Conclusion

The Draft NEP is a shift from incremental reform to structural recalibration. It seeks to address long standing issues in distribution, tariff design and subsidies, while enabling further progress in energy/carbon markets, battery storage, easier availability of nuclear power, e-mobility, etc. It is ambitious in seeking to achieve affordability, reliability and sustainability for all stakeholders, particularly in light of India's objectives to be a manufacturing powerhouse while also achieving progressive decarbonisation.

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