



VARDHAMAN CAPITAL

National Electricity Policy (NEP) *Key Highlights of NEP 2026*



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Note on National Electricity Policy

The Ministry of Power has released the draft National Electricity Policy (NEP) 2026, aimed at improving the financial health, efficiency, and sustainability of India's power sector. The policy is highly relevant for investors as it focuses on revenue stability, risk reduction, and long-term growth.

- **Automatic Tariff Revision:**
Proposes an index-linked annual tariff revision mechanism to ensure timely price adjustments and reduce regulatory uncertainty.
- **Full Cost Recovery:**
Mandates tariffs that fully reflect the cost of supply, avoiding regulatory assets and improving financial discipline.
- **Reduction in Cross-Subsidies:**
Limits cross-subsidies for manufacturing and railways, enhancing competitiveness and demand stability.
- **Nuclear Power Expansion:**
Encourages private sector participation, advanced nuclear technologies, and small modular reactors, creating long-term investment opportunities.
- **Renewable Energy & Storage Push:**
Supports large-scale renewable capacity addition and energy storage integration, benefiting battery and hybrid project developers.
- **Domestic Battery Manufacturing:**
Promotes local manufacturing to reduce import dependence and strengthen the clean energy supply chain.
- **Transmission & Distribution Reforms:**
Introduces shared networks, utilisation-based connectivity, and targets single-digit AT&C losses.
- **Digitalisation & Cybersecurity:**
Focus on technology adoption and infrastructure security to reduce operational and systemic risks.
- **Addressing DISCOM Financial Stress:**
With DISCOM losses at ₹6.9 lakh crore and debt at ₹7.2 lakh crore, the policy enforces timely tariff revisions and subsidy discipline.
- **Climate & Energy Goals:**
Aligns with India's net-zero 2070 target, higher per capita electricity consumption, and emission reduction goals, supporting ESG investments.

-source: The Times of India

Conclusion:

The draft NEP 2026 provides a strong policy framework to address structural inefficiencies in India's power sector by improving tariff transparency, ensuring full cost recovery, and enforcing financial discipline at the DISCOM level. These measures are expected to reduce regulatory uncertainty and strengthen the overall financial health of the sector. At the same time, the policy's emphasis on renewable energy, energy storage, nuclear power expansion, and domestic battery manufacturing supports long-term capacity addition and aligns with India's climate and net-zero ambitions. Over the next 3–5 years, the energy sector is well positioned for stable growth, with energy-related stocks and NSE Energy Index-linked ETFs and thematic funds offering investors diversified exposure to this evolving opportunity set.

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