

PRESS RELEASE

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Transmission sector set to witness multi-year upcycle in capex, supported by Government's plan to evacuate power from over 900-GW non-fossil fuel capacity by 2035-36: ICRA

- Renewable energy projects continue to face significant grid curtailment to the tune of 33% as of May, 2026 as the transmission infrastructure addition lags capacity enhancement

ICRA expects a significant uptick in capacity addition in the power transmission sector as the country gears for integrating the upcoming renewable energy (RE) capacity in the grid. The rating agency projects the sector to witness capex of Rs. 5-6 trillion between 2026-27 and 2031-32. However, it cautioned that execution related challenges persist, especially related to land acquisition and right of way (RoW), which result in delays in the completion timelines of these projects. Further, these delays translate into grid curtailment related issues for the RE developers, thereby impacting their returns.

Ankit Jain, Vice President and Co-Group Head, ICRA Limited, said: *"The projected transmission capex of Rs. 5-6 trillion entails strengthening of the existing infrastructure, adding evacuation capacities as well as new transmission routes to support the generation centres. Further, the upcoming capex will be driven by the Government's plan to evacuate power from over 900-GW non-fossil fuel capacity by 2035-36, out of which ~548 GW is towards solar and wind capacity. ICRA estimates that to reach close to the targeted level set by the Government in its earlier National Electricity Plan-II, the sector requires a significant upsize in the transmission line and sub-station capacity additions of about 20,000 circuit kilometres (ckm) and 120 gigavolt-amperes (GVA), respectively, on an annual basis. This entails an investment opportunity of at least Rs. 5-6 trillion between 2026-27 and 2031-32 in the sector."*

Outstanding orders and order inflows for key equipment suppliers to the transmission sector in 2025-26 have also more than doubled since 2021-22. A surge in transmission capex over the coming years is expected to lead to healthy order inflows for these players. However, supply-side constraints stem from limited capacity of equipment manufacturers and skilled manpower, constraining execution timelines, which could cause delays in transmission capacity additions unless these players scale up their capacities. Moreover, such a significant scale-up in capacity addition requires the need to address execution-related challenges, which the sector is facing.

Commenting on the execution challenges, **Jain** said: *"Power transmission projects continue to face significant execution risks owing to challenges in acquiring land, ROW related issues and regulatory approvals, leading to delays in timely implementation. Most transmission projects awarded by the central nodal agencies through the tariff-based competitive bidding (TBCB) route have been delayed beyond their scheduled commissioning date (SCOD) due to these challenges. Out of the total projects commissioned by March 2026 under this route, only ~12% was done within the scheduled timeline, while the balance was commissioned with a lag of two months to three years, with the median delay of over 10 months. This delay in the transmission capacity addition impacts the risk of power evacuation for the RE players, resulting in curtailment related episodes."*

Since the last fiscal, in high RE penetration regions where transmission evacuation infrastructure build-out is yet to fully operationalise, the generators have faced significant capacity curtailment. RE curtailment in the interstate transmission system (ISTS) network is largely driven by transmission constraints or inadequate temporary general network access (T-GNA) margins, resulting in non-scheduling of power.

"Out of the recently commissioned total RE capacity of 54.8 GW, ~33% is being evacuated under T-GNA route at an all-India level as of May 2026. Further, the curtailment under TGNA is the highest during solar hours and has

remained in the range of 50-60% during the same period. These instances are more prominent in Rajasthan and Gujarat, while curtailments in the southern region remain limited even in the solar hours. A large pipeline of projects of ~107 GW across solar, wind, hybrid, hydro, pumped storage and thermal segments, which already have been granted connectivity, are planned to be integrated into the ISTS network between 2026-27 and 2030-31. As seen in the past, slippages in achieving timely commissioning of the upcoming transmission infrastructure cannot be ruled out, which could impact RE capacity additions or result in continued grid curtailment episodes for the RE players, materially impacting the return metrics of the RE projects,” concludes Jain.

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