

Power/Mining

TYTW #4: Electricity exchanges – growth returns amidst vortex of uncertainty

Electricity exchanges reported a growth print of 18% in FY24, after a sluggish growth of 2% in FY23. Exchanges volume grew by 2x of demand print of 8% in FY24. IEX reported a decline in market share of 85% (-200bps yoy) as the new exchanges HPX gained 400bps market share in the fiscal. However, the year was characterized by noises around market coupling. Note that the imposition of market coupling can erode the competitive advantages of incumbent. The regulator, directed by central government, initiated discussion on the raison d'etre of market coupling. The last word is yet to be spoken on the market coupling. As a result, the uncertainty will continue to plague the sector. Short term market is ~15% of total market and exchanges comprises 38% of total markets.

Sharp improvement in electricity volume growth at 16%

Electricity volumes on power exchanges witnessed a growth of 16% YoY to 120BU in FY24, after a mere 2% growth in FY23. Power electricity volumes have grown at 17% over FY17-FY23. IEX market share dropped to 85% in FY24 (vs 87% in FY23), PXIL market share dropped to 8% in FY24 (vs 10% in FY23), while HPX gained market share in FY24 to 7% (vs 3% in FY23). (Refer exhibit 1 and 2)

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IEX electricity volumes up 13%; total volumes up 14%

IEX electricity volume grew 13% YoY to 102BU in FY24 which was largely led by 50% growth in TAM volumes to 14.8BU, 26% growth in RTM segment to 30BU; while DAM, GDAM and GTAM volumes grew 4%/-32%/-51% to 53.3BU/2.5BU/0.7BU respectively. REC volumes grew 26% YoY to 7.5BU and ESCERTS volumes grew >2x to 0.9BU thus total volumes grew 14% YoY to 110BU. (Refer exhibit 5)

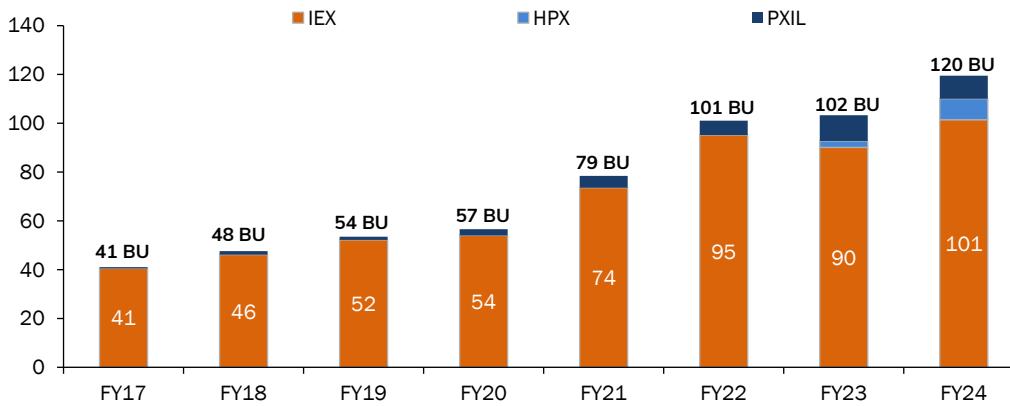
HPX and PXIL benefit too

While PXIL volumes are estimated to have fallen 10% YoY in FY24 to 9.4BU, HPX volume grew >3x YoY to 8.6BU. Note that PXIL and HPX have higher market share in TAM segment and benefited owing to transmission charge arbitrage available in TAM segment over DAM segment.

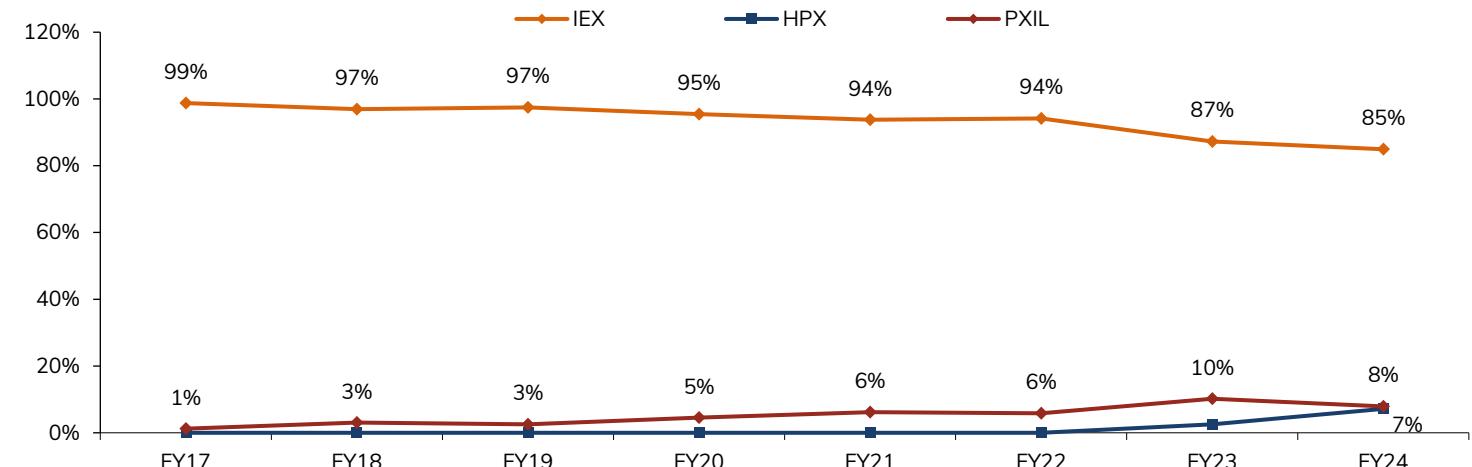
IEX unable to consolidate market share after new GNA regulations

After the implementation of GNA regulations in Oct-23, IEX witnessed improvement in market share to 96% in Dec-23, however the market share dropped to back 85% in Mar-24. (Refer exhibit 3)

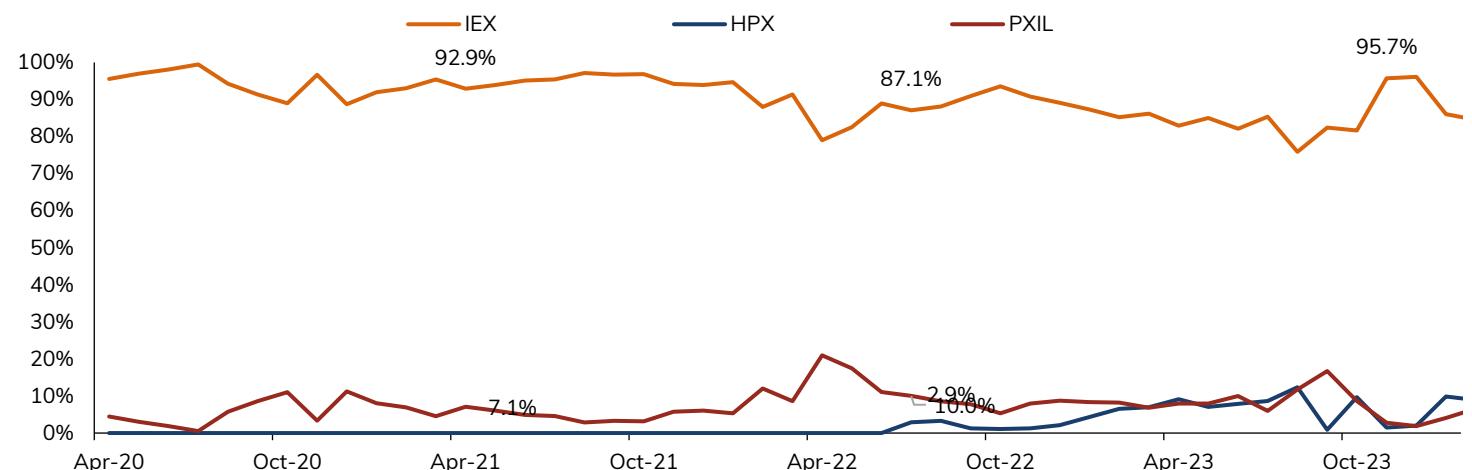
Exhibit 1: Electricity volume trend at power exchanges



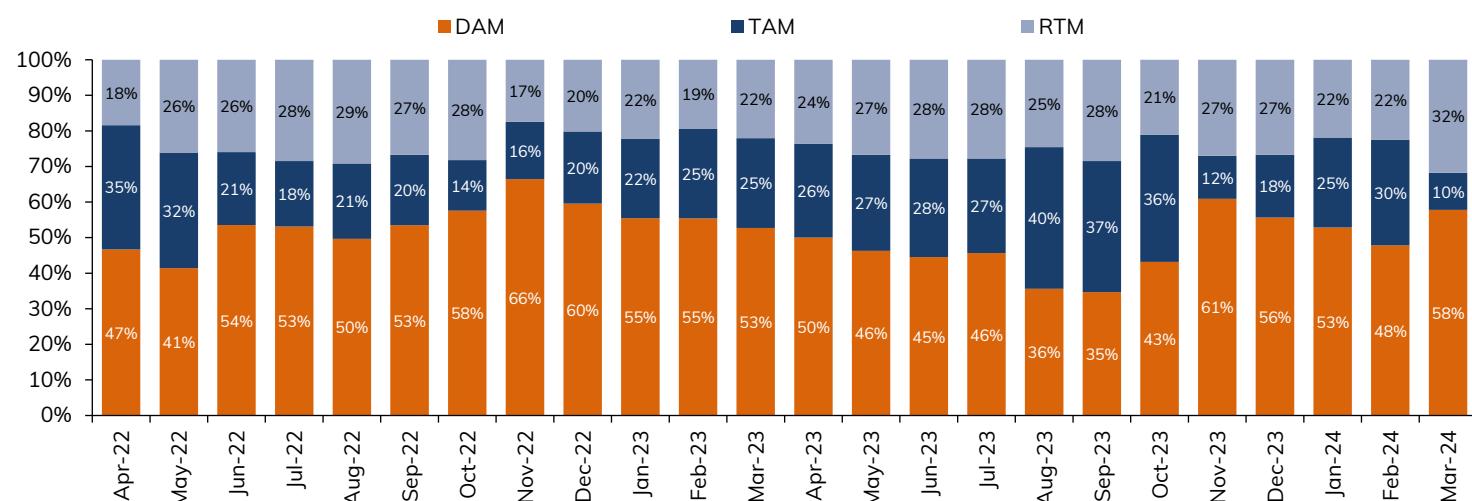
Source: I-Sec research, IEX, HPX, PXIL, CERC

Exhibit 2: Yearly market share trend (%)


Source: I-Sec research, IEX, HPX, PXIL, CERC

Exhibit 3: Monthly market share trend (%)


Source: I-Sec research, IEX, HPX, PXIL, CERC

Exhibit 4: Segment wise volumes trend across power exchanges (%)


Source: I-Sec research, IEX, HPX, PXIL, CERC

Exhibit 5: IEX segment wise volume growth over FY18-FY24

	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Day Ahead Volumes (BU)	44.8	50.06	49.2	60.4	65.2	51.1	53.3
GDAM (BU)	0.0	0	0.0	0.0	0.9	3.7	2.5
TAM (BU)	1.4	2.105	4.8	3.0	5.1	9.9	14.8
GTAM (BU)	0.0	0	0.0	0.7	4.3	1.5	0.7
RTM (BU)	0.0	0	0.0	9.5	20.0	24.0	30.1
Electricity market (BU)	46.2	52.165	54.0	73.6	95.2	90.1	101.5
Sub - Total Growth (%)					29%	-5%	13%
REC (Volume)	9.3	8.9	6.029	0.6	6.1	6.0	7.5
ESCERT Volumes	0	0	0	0.0	0.3	0.4	0.9
Total (BU)	55.5	61.1	60.0	74.1	101.7	96.5	109.9
Growth (%) yoy		10%	-2%	24%	37%	-5%	14%

Source: I-Sec research, IEX, HPX, PXIL, CERC

Exhibit 6: Events around market coupling

Dates	Event around market coupling
Jun-23	Central government directed the regulator to consider implementation of market coupling
Aug-23	The regulator published staff paper and ask for comments
Oct-23	Stake holder submitted comments
Jan-24	Order to run shadow pilot for coupling of 3 exchanges and report its findings within 6 months

Source: I-Sec research

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