

An Interview with Mr. Khadga B. Bisht

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In light of ongoing discourses, at present, on prevailing energy crisis and the hydropower development in Nepal, HYDRO Nepal felt this an opportune moment to review and assess the present energy scenario of Nepal. This time, HYDRO Nepal takes pleasure in presenting an interview with Mr. Khadga B Bisht, President, Independent Power Producers' Association, Nepal with Mr. Upendra Dev Bhatta, Editor-in-Chief of HYDRO Nepal Journal.

First of all, we would like to congratulate IPPAN on successful organization of Power Summit 2016. What are the outcome of the event? How do you assess the event?

Thank you. After the summit, participants and journalist are asking me the same question and wondering what is the output of such a grand summit. Power Summit had three clear objectives 1) we wanted to tell the wider world that Nepal has put a vision of developing 10000 MW in 10 years; 2) we wanted to hear from different speakers, international community, bankers, lenders and experts on their views, what are prerequisites, which projects are there and what are the challenges to attain this lofty goal and of course their contribution to fulfill this goal and lastly 3) we wanted to hear the commitment of the government authority on fulfilling their own set goal. Now we are working on a document which we have called Power Summit 2016: The Road Ahead, that will highlight what government has said in its 99 points program, what speakers from inauguration to the plenary session has said and what are the action points. It will come as a coffee table book and will be made public soon amidst a formal function.

I think Power Summit 2016 was very successful, it was very professionally organized event and highly focused event. Many has commented on the technical glitches and also commented on not covering other topics of interest, but I think the focus of the summit was government's declaration of energy emergency decade and the Power Summit 2016 has done justice to it.

Hydropower development holds strategic importance for overall development in Nepal with its immense possibilities. And IPPAN is an independent entity of hydropower producers. How far IPPAN has been successful on its target achievement?

Our members or power producers are walking hand-in-hand with the government in developing projects. There are immense challenges in developing projects. Long and frustrating political transition has shortened the life of government and top decision maker in the bureaucracy, impunity towards non-decision makers, overly demanding locals in the project areas has made construction of hydropower projects highly vulnerable and challenging. We can name many projects that has surpassed their completion time by 60 to 100% and whose cost has gone higher due to such delay. With these kinds of issues to solve, hydropower costs are becoming

simply non-competitive against the import. But having said this, you know a larger and larger project has closed finance with domestic fund. Government has signed a PDA for Upper Trishuli 1, thus setting benchmark for other FDIs. Banks and financial institutions are more bullish on lending money to hydropower project, so I think we are on the right direction.

Since energy is the backbone of overall economic development of the country and considering the role of new sources of clean energy, an integrated national energy policy comprising energy security seems to be the need of the hour. What do you have to say about this?

I think the role of reliable energy supply as the key element of national security has never been a dimension considered for energy planning. If you look at the priorities of each successive government, it is highly focused on the elimination of the load shedding and few more promises here and there and no discussion is held on energy security or strategic nature of energy supply.

A critical component in every country's strategy for economic growth and national security is to ensure access to reliable and affordable energy. All this was learned in a very hard way during six-month blockade at Nepal-India border in 2015 in which supply of petroleum products was severely curtailed and the Nepalese life grinded to a halt. This incident also sparked a conversation on ways of improving Nepal's energy security, by ensuring a proper fuel mix, increased petroleum storage capacity, an increased investment in hydropower and a national level electricity demand forecast.

I think, role of clean energy such as hydropower will be more and more felt as the climate change impact will severely affect our lives and the recent COP21 commitment for reduction in global warming will force nations to resort to alternative and cleaner source such as hydropower.

Government of Nepal has realized the central role of hydropower in energy security and hence the cabinet on February 18, 2016 approved a National Energy Crisis Reduction and Electricity Development Decade (2016-2026). A document is published in which an elaborative discussion is held on reaching an energy security within 2026 by developing 10000 MW of hydropower generation capacity.

Despite large hydro potential, Nepal has become dependent not only on ever increasing

imports of fossil fuels, but also, recently in electricity. How do you assess this dependency while harnessing its indigenous hydropower potential to serve the country first?

Firstly, any hydropower developer or a hydropower expert should know that, the short-term solution for removing load-shedding is import because projects cannot be built in months but in years; secondly the economic cost of load-shedding is manifold compared to the cost of imports so importing electricity also has an economic rationale. However, making long term electricity import contracts and not doing PPA with developers in Nepal due to import price comparison runs against the spirit of energy security and should be avoided in all our thoughts, plans and actions.

I think there would be no arguments against serving country first but for a large project developer, if NEA does not wish to buy electricity, if government does not make a policy of off taking electricity and if there is no any other buyer in Nepal, a developer has a Hobson's choice dilemma or take it or leave it situation so the only choice for him is export. I think, no developer wants to take big pain of building large transmission line on their own and export power, there is no rationale on this. Government now has said it wants to develop 10000 MW in 10 years and the demand forecast study from National Planning Commission and Investment Board says there is a demand for that quantum, the next step is to develop a mechanism to buy that power if NEA refuses to purchase or if NEA analysis says it cannot take risk of such huge amount of power off-take.

Water and energy are strategic resources with multiple political and economic dimensions. Nepal's geographic location between China and India intensifies these dimensions. How can Nepal use its unique location and resources to maximum benefit?

Water has become very important commodity unlike a "free goods" as it was said before because more and more areas every year remain drier and there is an increasing need of water for irrigation and drinking. Nepal can utilize its water to a maximum but it cannot stop water from flowing south. Nepal can dam its rivers for hydropower development and irrigation but it will not need all water for its own use, so prudence in use and transboundary sharing arrangement is required. Nepal has a National Water Plan, Water Resources Strategy and many other policy documents that need to be understood and owned by the stakeholders. While developing transboundary rivers, and negotiating with the downstream beneficiary, we need to dwell upon our water plan and strategy but at the same time understand the limitations that we have and the limitation that the downstream beneficiary has and come to a win-win solution. There cannot be an exclusivity of right on the transboundary rivers. Mekong commission has done pretty much progress on multilateral water use and Nepal should learn some lessons from there.

The concept of NEA unbundling has been a discourse since long time. And it is quite some time. What is your opinion on NEA unbundling?

I think many utility experts, privatization experts and liberalization experts and believer of market economy promoted unbundling and as a matter of theory and their views still hold ground today. NEA management is seldom free to take its own decisions. In one hand, it is a wholly government owned utility and hence decisions are imposed by governments on the other, NEA has de-facto right to accept or reject it. NEA's management decisions are contested by its own union and paradoxically by its own Board of Directors. So, in an organizational integrity perspective, NEA is in a complete disarray.

Today NEA wants to develop new projects in a company model thus ring-fencing all inefficiencies and politics that are embedded within NEA body politik. It is like government school teachers sending their children to a private school. But frankly speaking, there is no harm on this. I think NEA's company model are good departure from the status quo. Now NEA should do similar with transmission and distribution. It should also put old power stations such as Trishuli, Devighat, Sunkoshi etc. in company model and upgrade it through Rehabilitate, Operate and Transfer (ROT) model.

Now people are tired of talking about unbundling NEA and as you say, it is quite some time no one is talking about it because government and the donor community and private sector and majority of the case NEA itself is trying to find solution outside NEA. Recent firing of NEA board members and court cases the whole trail behind it speaks loud about the fault lines in NEA. NEA as an integrated electricity utility has outlived its useful life. And if it does not change itself may even by taking a middle path, it may one day lose its relevance.

From IPPAN perspectives, what are the major impediment that hinder hydro development in Nepal? What are your suggestion for creating environment for hydropower development?

Volumes are written on barrier and hindrances and I will not repeat them. In summary, Government has come up with a 10000 MW in 10 Year plan. Now, it should take following key actions to fulfill this plan:

- a) Let NEA and all ministries concerned accept the 10000 MW plan;
- b) NEA do PPA for capacity reaching to 10000 MW and if it cannot, government make a fallback mechanism to pay for those PPAs;
- c) Government immediately come with seasonal tariff, storage tariff and peaking tariff;
- d) Government honor all the agreement signed in the past some of which are 50 lacs/MW and posted PPA rates for certain projects;
- e) Government immediately allow private sector to construct transmission line under Build and Transfer (BT) model;
- f) Government setup district level project security committee to safeguard project from anti-social and criminal elements;
- g) District Development Committee or other local bodies take initiative on constructing access road to project in

- which developer will put money;
- h) Remove land ceiling for hydropower project;
 - i) Ease tree-cutting and forest clearance procedure;
 - j) Take out all projects in the government basket for competitive bidding;
 - k) A coordination desk at center (MoEn) and one each in district.

These are not the new issues I have mentioned above. These are what government has promised in its National Energy Crisis Reduction and Electricity Development Decade (2016-2026). It is a matter of implementing them. Action speaks louder than words.

How do you see the current policy of India on importing hydropower from Nepal? Is it a limitation or boon in disguise for Nepal to develop hydropower for its own need first?

Events after Indian Prime Minister Rt. Hon. Narendra Modi's visit to Nepal in August 2014 and the signing of PDA with two large projects from Indian developer followed by signing a Power Trade Agreement between Nepal and India ushered a new era in energy trade between two countries. To be frank, the lack of trust that surfaced after Nepal-India border blockade has been reinforced by recent Guidelines for Cross Border Trade of Electricity published by Ministry of Power, Government of India on 5th December 2016. It is a regressive step if you read the spirit of PTA among two nations. It has helped intellectual extremist who always opposed power trading and who linked power trading with nationalism. Also, it came during the twilight of Power Summit, 2016 and made everyone over conscious. So, I feel, sad as I always promoted power trading, a common power pool at least at a sub-regional level and felt that at least 20-30% of India's total power generation capacity is just a spinning reserve and should not be taken in a strategic domain and Nepal would have some market to play on that quantum. But India is a sovereign nation and an emerging superpower, it has rights to take decision that it fits well, except that we live in a global community and our commitment go beyond borders.

But as you say, there is always a flip side to it if not a boon, Nepal should now focus on internal consumption, it should eliminate import tax and duties on electric vehicles, it should start electric trams in all major cities, it should gradually introduce higher taxes on LPG and diesel and petroleum. We should use more and more ropeway transportation rather than heavy trucks lifting load to 3000m altitudes. Let us increase internal demand of electricity and let use more and more hydropower. Germany has mandated it's all car to be electric driven by 2030. Europe will be 80-90% electric cars within 2050. Similarly, within a decade, we should target for 20-30% of our transportation on electric vehicles, 80% of cooking on electricity and all diesel generators and self-generation eliminated.

Power trade, transmission lines, and regional connectivity are just a few of the issues that require increased attention for Nepal's hydropower development. In your opinion, does

Nepal currently possess sufficient technical, managerial, and regulatory capacities to deal with these issues?

I think, many Nepalese professionals has moved abroad, you will find many good hydropower engineers in Himachal Pradesh in India, in Afghanistan, in Australia, in the US and other countries. If there are opportunities here, there is no reason to queue up for stamping your passport every month, they will come back to their own country and work. There may be capacity mis-match in the beginning but I do not think there will be a dearth of expertise in a longer term. On regulatory capacities, Nepalese need training and more understanding of the regulation. In Nepal, regulation is taken synonymously with control – the perception that all players are corrupt, doing harm to the nation and I am here to police and control them is a self-defeating argument when you talk about regulation. Distributing license and stopping electricity rates revision is not a regulation. We have to come out of this high class “Mandarin” box and play referee rather than a controller.

How should government of Nepal move benefit to the most of its hydro potential engaging in regional *hydromacy* with its neighbors? What would be the best path forward?

I like your work *hydromacy*. For the development of the majority of domestic projects in Nepal, we will not require talking with our neighbors except soliciting fund and other moral support. However, as I said before for transboundary rivers and project with high dam, Nepal should follow international guidelines and also inform its neighbors and take their concern and move ahead, sometime we may have to modify a bit to take their concern. China is one of the largest FDI source in the world and India is one of the largest energy market for Nepal and it would require a balancing act to talk to them both. I think there are many experts in Nepal that has experience in diplomacy and international relations. Each project shall be discussed on merits and benefit to each other and these projects should not be marred with the pre-conception that “we are being cheated” which is often the case with all the agreements Nepal has done since Sugauli Treaty.

Lastly, would you like to convey any final message to the reader of HYDRO Nepal journal?

We just started a new Gregorian New Year, so would like to wish a successful year for the nation and a conclusion of constitutional issues. Also, we have embarked a 10000 MW in 10 years, we all can be critical ridicule this vision - which is very easy but let us all honor commitment made by our country and remind the government to not let it go from its radar.

Finally, I like to remember late Jeewan Prasad Thanju, who was the pioneer of HYDRO Nepal and always walked door-to-door to make this journal a truly quality publication for the hydropower sector of Nepal and wish all the best to the new torch-bearers of HYDRO Nepal.

(This is the Last interview of Mr. Khadga B. Bisht as a president of IPPAN).