

**An Interview with Mr. Sriranjana Lacoul,
Director General, Department Of Electricity Development (DOED),
Government of Nepal**



*Mr. Sriranjana Lacoul granted an interview to Mr. Jeewan P. Thanju,
Editor in-chief of HYDRO Nepal. Excerpts from an interview:-*

As Director General of DOED, what challenges and opportunities do you perceive to develop the electricity in Nepal?

Developing the vast hydro potential of Nepal is in itself a big challenge. The first and foremost challenge in the development of hydropower of the country circles around, amongst others, the recent political transition, current political scenario, and the degree of perception of the country risk. At this juncture, when democracy has been established and the security situation gradually improving, the perception of country risk might be reducing. Nevertheless, the growing conceptual dispute on the division of ownership of natural resources between the state and the local/ provincial authorities could be a challenge in very near future. We may need to solve this critical challenge before the country can make a headway leap in hydropower development. There are also opportunities. Since April 2006, when democracy was established, there is a surge of prospective developers vying for licenses to develop the potential hydropower projects. This is a clear indication that investors and developers could definitely take advantage of the opportunities once long lasting peace is established in the country.

The Government of Nepal has set an ambitious target to develop 10,000 MW of electricity in the next 10 years. How will the government implement this decision and which projects will be developed?

The DOED feels that this target is ambitious; nevertheless, we think it is achievable, if we plan our development strategy with utmost care on goal oriented and investment friendly programs. We need to create an environment that is conducive to investors in terms of legal provisions, financial terms/ provisions, etc. At the same time, investment models such as public-private partnerships should also be implemented, in addition to the current modality of private investment and government funding in undertaking the power projects.

The government has formed a Committee of Experts to identify a roster of projects and their implementation modalities. Let us wait until the committee completes its report.

Despite the issuance of licenses, desired hydropower development has not taken place yet. Shouldn't the DOED be actively involved in removing the hurdles for the development of electricity?

The DOED realizes that its role in developing hydropower

does not end at the issuance of licenses. Issuance of licenses is only the first step. Actual development of hydropower projects depends on various other factors. The government is exercising all its efforts to remove the hurdles. A new legislative arrangement has been formulated and is awaiting final approval from the competent authority prior to promulgation. The government is also actively engaged in formulating a central level 'One Window' service provider and also in putting into place a committee to provide required services, coordination and security at district level.

Despite DOED's diverse mandate, many people see it as the provider of licenses only. Will you please comment?

Let me clarify here that the DOED receives applications along with required documents for licensing power projects. On behalf of the Secretary of the Ministry of Water Resources, DOED scrutinizes the documents. In addition, the DOED also provides services to the licensee such as coordinating with other institutions of the government. At the same time, the DOED has a role to promote hydropower projects in the private sector. DOED has also undertaken feasibility studies of some projects on its own. Currently, the DOED is preparing a roster of medium sized projects whose feasibility studies have been completed. These projects will be made available to the private sector for development on a competitive basis. We are looking forward to soliciting several projects within this fiscal year.

What efforts has the DOED made to increase the PPA rates of the NEA considering price increases for construction materials compared to the then price and no escalation clause for 25 years, especially for small hydropower projects?

Power Purchase Agreement (PPA) is entirely a commercial dealing between a seller and a buyer, and it relies on various factors. At present, the NEA (Nepal Electricity Authority) is reviewing the 'posted rates' that are applicable to projects up to 5 MW capacity. NEA will declare its buy back rate, terms and conditions and the threshold of the size of projects in the near future. This will take into consideration various factors including market price of construction materials.

(PPA Rates for upto 25MW has been announced. The rate is Rs. 4.00 for wet season and Rs. 7.00 for dry season-Editor)

The Water Resources Minister has said that the West Seti project is the test case for Nepal to develop 10,000 MW. What roles and responsibilities will the DOED play in this regard?

The West Seti Hydroelectric project is attempting to 'break ice' to develop the hydropower project in Nepal and to export electricity to India. In this sense, it is really a test case. The government has decided to develop this project as a public-private partnership. The government intends to stake 15% equity partnership in this project along with other investors such as the Asian Development Bank (ADB) and investors/ developers from Australia, China and India. Financial institutions in Nepal and a certain quarter of the general public are also projected as potential investors. The DOED's role in development of the project will be two-fold: i.e. as a service provider to the developer and as the partner, as well.

One of the issues in this project is that of relocating the displaced people from the project area. Arrangements for this are being formulated. The Government will facilitate in acquiring land and reallocate them in the Terai. The Government will also see that the displaced people are properly compensated and that their living standard after relocation is suitably enhanced.

Many project developers perceive that the NEA is reluctant to sign the PPA. How you see the role of the DOED in this respect?

Rather than saying that the NEA is reluctant to sign the PPA with developers, I would like to review the situation related to supply/ demand, affordability, willingness to pay, obligation to serve, subsidy policy of the government, etc. Within such contraries, NEA has been able to sustain itself during adverse situation. The government will take necessary initiatives to step out of the vicious circle in the near future.

We read in the media that the DOED cancels licenses without warning and without giving companies a chance to defend themselves. Could you please comment on that?

Let me correct you here. The DOED does not have the authority to issue or cancel licenses. The DOED scrutinizes the documents on behalf of the Secretary of the Ministry of Water Resources. Yes, the DOED is also a part in the collective decision making process of issuing and renewing licenses. It affirms that the government's decisions on the extension of validity of licenses is done strictly according to the terms and conditions stipulated in the licenses.

Since some of the developers whose licenses have not been renewed have appealed in the Supreme Court, I must refrain from commenting further.

How does the DOED keep tab on projects such as Arun-III, Upper Karnali, West Seti and Naumure regarding progress?

The projects mentioned are being developed in different modalities and the role of the DOED will be different for different projects. The DOED will provide services and regulate these projects as needed.

What plans and model does the DOED plan for licensing the Budhi Gandaki project?

The Budhi Gandaki Project is a prime project for Nepal, be it for domestic consumption or an export oriented project. No response from prospective promoters in the last bidding process of Budhi Gandaki has necessitated reviewing the scenario. The government is reviewing it, and will come up with a new strategy in near future.

The ever increasing painful load shedding in the country may be taken as the failure of Nepal's power sector. Could you comment?

Load shedding is indeed painful to all. Moreover, it is a big hurdle for the economic development of the country. Let us understand that load shedding is the product of mismanagement of the sector and/ or political turmoil of the country during the last decade. If we don't correct it now, the situation will not improve in the next five years; rather, it could worsen beyond imagination.

Finally, what message would you like to give to hydropower entrepreneurs and other stakeholders?

The backbone of our nation's future social-economic prosperity is proper development of hydropower. Everyone needs to understand that without enough power, no other development sector can make progress. Only with the availability of affordable, sustainable, reliable power supply can other sectors develop. The power sector, however, should not be correlated as a money-spinning machine, but rather as a backbone of development whose own development is associated with streamlining the other sectors in generating economic prosperity of the nation.

Shriranjan Lacoul, BE, ME (McGill University, Canada) joined the Electricity Department in 1979. Since December 2007 he has been serving as the Director General of the Department of Electricity Development (DOED), Government of Nepal.