

**Third Party Evaluator's Opinion on
Umiam Hydro Power Station Renovation Project**

Subrata K Mandal
Senior Economist

National Institute of Public Finance and Policy, New Delhi

Relevance

The objectives of this hydro power project are to increase power and energy production as well as to improve power generation efficiency in the state of Meghalaya, through the renovation and modernization of Umiam Power Station Stage I. The objectives are consistent with national policy of India on electric power generation, which allocated highest share of budget during the 8th and 10th Five-Year Plans when the project was accepted and evaluated. The project is conforming with one of the objectives of the National Perspective Plan of 2000 formulated by the Central Electricity Authority (CEA) to fill the power shortage by rehabilitating and modernizing the existing hydro power stations by the 11th Five-Year Plan (2007–2012). The National Electricity Policy (2006), which was established on the basis of the Electricity Act adopted in April 2003, indicated that electricity was an important infrastructure for the social economic development of the nation. In particular, hydro power was emphasized as a clean and renewable source of energy. In addition, the “50,000 MW Hydro Power Initiative” was launched in May 2003 with a view to developing hydro power generation.

Umiam Power Station Stage I and Stage II constituted important power stations in Meghalaya accounting for 26% of the state's entire electric power production. However, given that 30 years had already elapsed since the two power stations went into operation and due to the aging of the facilities, the need for this project which involved thorough renovation and modernization of Umiam Power Station Stage I was very high.

In the state of Meghalaya, electricity consumption increased by about 10 fold from FY1997 to FY2005 as a result of the adoption of the Industrialization Policy by the government of India in FY1997. Consequently, Meghalaya, which had been beset by power shortages since FY2001, saw its rate of peak demand power shortage increase to 37.8% after a five-month hiatus in FY2006 (April – August), and rehabilitation of existing electrical power facilities and development of electric power resources continued to be regarded as important issues. This shows that the relevance of the project has still been maintained.

Impact

Umiam Power Station Stage I accounts for 20% of the total electricity generation capacity of the Meghalaya State Electricity Board, and it serves as a third important power station in the state of Meghalaya after Umiam Power Station Stage III and Stage IV. Thus it can be said that the project is valuable in a sense that it ensured the stable production of 36 MW of electricity through the renovation of a power plant that was about to go out of commission due to aging.

In addition, considering the economic development plan based on the Industrialization Policy in 1997 and the subsequent increase in the demand for power, the impact of the project on the industrialization and modernization of the state of Meghalaya is significant.

Judging from the fact that a community with a market, a school, and a medical facility had developed around Umiam Power Station Stage I, and that the executing agency and local residents stated that their living conditions improved, it can be said that the project made a significant contribution in that area, albeit indirectly.

The executing agency appointed an officer in July 2006 specifically to look after all matters related to the environment including the submission of the progress reports every six months to the Ministry of Environment and Forests as required for the Environmental Clearance of August 21, 1996. Thus a clear improvement can be seen in the executing agency's response to environmental matters. However, in recent years, the problem of reservoir sedimentation due to accumulation of silt as well as increase in solid waste and water pollution has become serious issues and needs to be rectified urgently.

The renovation of a power station that was highly likely to be put out of commission due to aging, the effective handling of the growing demand for power, and the positive impact of this project that had on the living conditions of the local people are evident. Therefore, the project can be considered to have a significant beneficial impact to a large extent.