RECOMMENDATIONS OF WORKING GROUP **NO. 6**

(POWER, MINING and GEOLOGY, INDUSTRIES and TOURISM)

The Meghalaya State Planning Board Working Group No.6 covering Power, Mining & Geology, Industries and Tourism sectors met at 3.00 PM on Saturday 4th October 2008, in Hotel Pinewood, Shillong. The following members were present:

1. Shri P.J. Bazeley -	Honorary Member, Meghalaya State Planning Board
2. Shri R.V. Shahi -	Honorary Member, Meghalaya State Planning Board
3. Shri B.K. Goswami -	Honorary Member, Meghalaya State Planning Board
4. Shri S.K. Chowdhury -	Honorary Member, Meghalaya State Planning Board
5. Shri B. Akala -	Honorary Advisor, Meghalaya State Planning Board
6. Shri Subodh Menon-	Honorary Advisor, Meghalaya State Planning Board
7. Shri W.M.S. Pariat -	Additional Chief Secretary, Govt. of Meghalaya
8. Shri A.K.Bhalla -	Commissioner & Secretary, Industries Deptt. & Team
9. Shri P.W.Ingty -	Commissioner & Secretary, Tourism Deptt. & Team
10.Shri	Under Secretary, Mining & Geology Dept. & Team.
11. Shri S.Saio -	Member Technical, Me.S.E.B. & Team

The Working Group meeting chaired by Shri P.J.Bazeley discussed the ground realities of the Power, Mining & Geology, Industries and Tourism sectors in the light of the issues highlighted in the key note address of the Hon'ble Chairman MSPB, the inaugural address of the Hon'ble Chief Minister and the deliberations at the second Meghalaya State Planning Board meeting on 03-04 October, 2008. After detailed discussions, the under mentioned observations and recommendations were made by the working group in respect of each of the four sectors -

POWER SECTOR

A. <u>Generation</u>

1. It is estimated that the present electricity demand of Meghalaya is about 610 MW. It was however noted that the estimate of demands is normally on the lower side, not only in Meghalaya but all over the country. This is because states are not able

to project a situation that if proper connectivity is provided, the demands, all over, will go up. Consequently, the estimates of demands normally represent the suppressed demand.

2. Even though the estimate of the State's electricity demand is conservative, the demand met is less than 300 MW, resulting in the State having a high degree of shortage, both in terms of average and peaking shortages.
3. Towards the end of the Eleventh Plan (March 2012) the electricity demand forecast is of the order of 800 MW, and towards the end of the Twelfth Plan (March 2017) it is likely to increase to about 1300 MW. All these projections are conservative. If we make efforts and accelerate the process of economic growth through focus on agriculture (including agro based industries), manufacturing, encouraging new initiatives in the service sector and also work on bridging the present demand-supply gaps, the State can definitely attempt a 10% growth in the electricity sector.
4. The State's internal installed capacity is hardly 185 MW and its dependence on the central sector generation is extensive. The strategy therefore, has to be aimed at enhancing the internal installed capacity. Even if the generating capacities increase as per existing plans dependence on central sector power as also need to access additional power through trading will continue to be necessary. In any case in the short term till the time larger domestic capabilities are put in place, the dependence on bilateral arrangements and on enhanced allocation of central share will have to be depended on.

How do we enhance the internal generation capacity?

(a) Fortunately the State does reportedly have coal reserves of the order of 550 million tones and that too of higher calorific value. These coal reserves can lead to an additional generation capacity of the order 2000 MW. It is therefore recommended that apart from some of the projects which the State Electricity Board may undertake either on its own or in joint ventures with Central Public Sector Undertakings (CPSU's), a few projects could be structured for development by the private sector through the Competitive Bidding Route, on

similar lines as Ultra Mega Projects. This will require a shell company to be formed which can take care of the initial project management activities viz. land acquisition, coal block allocation and environmental clearance etc., so that at the bidding stage, a highly competitive tariff is achieved.

b) The five hydro electric projects (150 MW) under execution must be monitored to ensure completion as per schedule. In the medium to long term about 20 identified Hydro Electric Projects with total capacity of about 2500 MW can be developed, either by the State or through joint venture or through private sector participation. All options need to be pursued. A proper mechanism to ensure this would be necessary.

c) To accord right priority to capacity addition, a Generating Company needs to be set up. This company can start with the existing capacities of the State as a baseline. It can then be asked to add additional hydro and thermal capacities.

(d) On the generation segment, it is necessary to fix a target for power generation through renewable sources of energy which should be a modest percentage initially, but the proportion should rise progressively. The State may avail of the benefit of the existing GOI Scheme on Solar PV, Micro-Hydel, Wind and Biomass systems.

(e) Decentralized Distributed Generation (DDG) particularly in rural areas, could yield faster results.

B. Transmission

1. Meghalaya has suffered, in the past, and continues to do so on account of weak transmission and sub-transmission networks. There have been instances when power is available from central sector but it is not able to reach the destination in view of inadequacies in the State's transmission networks. Adequate strengthening of the state's transmission and sub-transmission systems is recommended and needs to be taken up on priority basis.

2. While larger capacities get established, it is necessary that the State's transmission and sub-transmission systems get connected to the regional and national grids. To mitigate this need suitable advance planning in association with the Power Grid and the Central Electricity Authority (CEA) is recommended.

3. While the existing inadequacies in sub-transmission and distribution infrastructure are known and they need immediate attention it will be important to prepare medium and long term projections keeping in view the forecast of demand. This will ensure that the mistakes of the past are not repeated in the future. It is suggested that the expert services of Power Grid could be availed for formulation of a comprehensive five-year and a comprehensive ten-year Plan of Action for development of commensurate transmission and sub-transmission systems for the State.

C. Distribution

1. For upgradation of the distribution systems in towns and cities, the State should fully utilize the opportunities that are available and can be availed under the Accelerated Power Development and Reform Programme (APDRP) scheme of the Government on India. Full advantage of this scheme can be secured if suitable projects for every town are prepared well in advance. This will not only lead to improved reliability of power supply in these areas but will also drastically reduce technical and commercial losses (reportedly as high as 42% during 2006-2007) thereby improving the financial health of the electricity sector in the State.
2. The Rajeev Gandhi Grameen Vidyutikaran Yojna (RGGVY) of the Government of India is a highly attractive scheme for rural areas. Its success depends on how seriously the State implements it. Project identification including comprehensive surveys and costs estimates with reliable implementation agencies are essential for the effective outcome of this scheme.
3. It is recommended that suitable mechanisms be put in place for formulating and implementing of schemes under APDRP and RGGVY.

D. Energy Conservation

1. In the short term efficient consumption of electricity is the best part-solution to bridge the gaps between demand and supply.
2. Energy efficiency measures are immediately needed to replace conventional lighting system through CFL. This should be done without delay in all government offices, establishments and other institutions.

3. Following this incentivized schemes to popularize the use of CFL by other consumers should also be put in place.
4. Similarly motivational schemes for solar heating will also considerably reduce the electricity demand.

E. Financial Health

1. The financial health of the power sector of the State must be improved. There have been positive changes during 2007-2008 but there is need to generate surplus so that the new schemes could be taken up. Besides adequate and sharply stepped-up budgetary support will be necessary for expanding the generation capacity and augmenting the transmission and distribution systems.
2. The possibility of raising finances for funding new generation projects by resorting to Escrowed Low-Coupon / Zero-Coupon Bonds may be explored and evaluated.
3. All available options of project-funding need to be ascertained and assessed in an open and transparent manner following well established fiscal norms in such regard.

MINING & GEOLOGY SECTOR

1. Meghalaya is rich in mineral resources with as many as 8 (eight) major minerals besides many minor minerals which can be economically exploited.
2. The State Plan for this sector must focus on ‘Action Areas’ to adequately tap and exploit these resources to strengthen the State’s economy.
3. The recommended `Action Areas’ are –

a) Expeditious assessment of the current mineable reserves of major minerals in different areas of the State particularly coal.
b) Continuing exploration to keep upgrading and updating data relating to the State’s mineral reserves. The reserves must be appropriately classified so that the State clearly knows the quantity and quality of its’ mineable mineral reserves for planned extraction. While the existing classification can go on for some more time there is critical need to classify them on United Nations Framework Classification for Energy and Mineral resources (UNFC) basis.

c) Decide the plan-wise and year-wise quantum of exploration keeping the State's mineral resource reserves in consideration and putting in place available state-of-the-art technology to prepare 'Geological Reports' of 'projectisable mineral blocks'.

d) The State can also consider outsourcing exploratory drilling activity and generation of mineral reserve-data bank to hasten a planned development process.

e) The State Mining Policy for Meghalaya which is presently in the draft stage should be finalized and notified for implementation.

f) The Mining Policy should have due regard for the environment and ecology of the State so that continued mining activity does not create further imbalances to the present fragile ecological environment of the State but should be directed towards its' continuing regeneration and improvement.

g) Unscientific coal mining in the State has already caused untold damage to the environment and ecological conservation. Concerted actions need to be taken in a time bound planned manner to correct the damages already caused and to safeguard and prevent such damage in the future.

h) Sustainable corrective steps for control of unscientific mining in the State need to be undertaken by introducing right mining practices involving the land owners as stakeholders in all future mining activity be it for coal or other minerals.

i) The State Department of 'Mining & Geology' should be suitably strengthened, by inducting personnel with required level of expertise. Districts where mining activity is generating income must have District Mining Officers assisted by required technical personnel for planning, supervising and monitoring mining operations.

j) The Director of Mineral Resources should be a professional assisted by technical personnel so that right and timely proposals are brought to the Government for planning and implementation. In order to initiate and pursue right mining practices for coal in particular, Coal India Ltd. and Meghalaya Industrial Development Corporation (MIDC) may consider incorporating a joint venture company to jointly execute mining plans. In doing so the interest of the land

owners should be fully protected by offering them appropriate share(s) in such a joint venture.

k) To set a model, the coal mining lease for Simsang Mines granted to Coal India Ltd. should be renewed so that this mine is planned, developed and exploited in a scientific manner and operated as an integrated complex having all ancillary units including a thermal power station.

l) The State needs to urgently modernize the machinery and equipment of the Department for exploratory mining.

m) In the context of the recent developments for use of nuclear fuel for civil and peaceful purposes the State needs to consider on an urgent basis, to fully exploit its' uranium deposits for generation of cheap nuclear power.

INDUSTRY SECTOR

1. A revised, realistic and sustainable State Industrial Policy should be drawn up and adopted at the earliest after broad based interaction / consultations with all major stake-holders including national and regional level interaction with potential investors and industrial associations and federations. The State may preferably keep in view the framework of the State Industrial Policy of Himachal Pradesh and Uttarkhand which are more or less similar placed states. The proposed revised policy should have a pronounced bias for rural-economy with low investment and high-employment industrial units.
2. Pro-active measures should be incorporated in the revised State Industrial Policy to pre-empt the folding up and flight of industrial units at the conclusion of the period during which tax-concessions and other incentives are available.
3. Proactive steps should be taken to urgently develop a 15 year master plan for comprehensive industrial development of the State fully integrated with ground realities relating to the power generation potential, availability of transmission and distribution systems and its ramifications on the water resources and environment of the State.
4. An Infrastructure Development Corporation (IDC) should be established in the State preferably involving Infrastructure Development Finance Company (IDFC)

and Infrastructure Leasing and Financial Services Ltd. (ILFS) which are reputed national organizations of excellence as partners/stake-holders. The proposed IDC should be headed and manned by professionals and run on a corporate cost-effective basis.

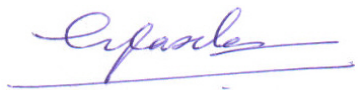
5. The scope and mandate of the State Industrial Corporation needs to be suitably enlarged to catalyze industrial development and facilitate flow of concessional and promotional incentives to encourage balanced intra-state infrastructural growth.
6. Greater attention should be given to the small scale industrial sector of the State to encourage and promote rural artisans following the Integrated Cluster Approach.
7. A negative list of Industries should be drawn up to discourage industries which are neither appropriate nor suitable for sustained long-term development of the State.
8. Tourism and tourism-based activities should be declared an `Industry" and made eligible for all incentives available under the Revised State Industrial Policy.
9. The State Single Window Agency (SSWA) needs to be overhauled and professionalized to ensure that all requisite responses are obtained from all concerned and the SWA decision to approve or turn down a proposal, for good and valid reasons is recorded and communicated within six weeks of receipt of a proposal from an entrepreneur.
10. Advance planning for development of industrial parks with basic infrastructural facilities at suitable locations in the State need to be taken up and completed within a time-bound framework.

TOURISM SECTOR

1. A State Tourism Development master plan should be drawn up availing Government of India funding for such purpose and notified within three months.
2. The IIM Shillong or NEHU or other state-based research organizations of repute be encouraged to undertake a `Study on the State's Tourism Potential – Bridging the Gaps'.

3. Capacity expansion of travel related facilities including transportation boarding and lodging be encouraged and suitably assisted.
4. The private sector should be invited for setting up international-standard `Way-Side Facilities' at suitable locations on all important highways of the State.
5. The development and regular operationalization of existing airports at Umroi and Baljek be taken up. The possibility of establishing an airport in Jaiñtia Hills may be taken-up on priority.
6. Hospitality related training institute(s) may be set up in the State under PPP mode.
7. `Rural-Tourism' and `Bed & Breakfast' schemes be aggressively promoted and encouraged.
8. Broad-based district level Tourism Promotion Councils be established.
9. Organization of local `Fairs & Festivals' be facilitated and promoted. Such fairs & festivals need to be widely publicized with the help of the national and international media as well as organized tour operators.
10. Participation in international tourism festivals should be encouraged for adequate projection of the exotic tourism destinations of the State.

The WG Meeting ended with a vote-of-thanks from the Chair.



P.J.Bazeley
Chairman, Working Group No. 6
Meghalaya State Planning Board