Standing Committee Report Summary

National Hydroelectric Power Corporation Limited

- The Committee on Public Undertakings (Chair: Mr Baijayant Panda) presented its report on the 'National Hydroelectric Power Corporation Limited (NHPC)' on August 6, 2026. NHPC is a public sector undertaking that develops and operates hydropower projects. The Committee examined NHPC's operations and related issues affecting the sector. Key observations and recommendations of the Committee include:
- **Improving commercial viability of projects:** The Committee noted that factors such as high capital costs, absence of power grid at construction sites, and free power demands by state governments erode the commercial viability of hydropower projects. State governments also impose water cess even though water use in these projects is non-consumptive and such levies are outside their jurisdiction. The Committee further noted that provisions relating to free power and water cess have been included as modifications after agreements were signed. The Ministry of Power noted that new hydro projects will cost around Rs 7-8 per unit unless strong cost control is exercised. This makes conclusion of power purchase agreements challenging. The Committee recommended: (i) a structured viability gap funding framework for new hydropower projects, (ii) ensuring the availability of power grid before commencing peak construction, and (iii) a standard model implementation agreement with structured dispute resolution clauses, change-in-law protections, and a viable and mutually agreeable water cess framework.
- **Rationalising consent threshold:** Under the Forest Rights Act, 2006, 100% consent of the relevant gram sabha is required as part of forest clearance (i.e. approval to use forest land for non-forest purpose). The Committee noted that some projects are indefinitely stalled because of the delay in consent from a small minority of gram panchayats. It recommended adopting a consent threshold between 70%-75% for large hydropower infrastructure projects of national importance. Further, it recommended initiating the clearance process at the pre-feasibility stage, rather than at later stages, to prevent delays.
- **Creation of a digital land bank:** Rules under the Van (Sanrakshan Evam Samvardhan) Adhiniyam, 1980 requires afforestation by project developers in lieu of diversion of forest land for non-forest use. In the absence of suitable land for such compensatory afforestation (CA), degraded forest land can be used. The Committee noted the absence of suitable degraded forest land in states such as Arunachal Pradesh. It further noted that searching for a suitable land prolongs the clearance process. The Committee recommended creating a digital land bank of degraded forest land for CA. It also recommended the CA sites be allocated within six months from application to prevent delays.
- **Framework to prevent overlapping compensation:** The Committee noted that in states such as Arunachal Pradesh, NHPC has to make dual compensation for use of unclassified state forest land. It has to pay local tribal communities for loss of their customary rights over the land. It also has to pay the state government, which raises compensation claims over the same land. It observed that dual compensation increases projects costs. The Committee recommended forming an inter-ministerial group at the national level to develop a uniform framework for unclassified state forest land compensation.
- **Strengthening hydropower and pumped storage construction ecosystem:** The Committee noted that against a potential of 280 gigawatts (GW) of pump storage, around seven GW has been installed as of April 10, 2026 (2.5%). It observed that PSPs can be used for power generation as well as cost-effective grid-scale storage for intermittent solar and wind power. It recommended supporting PSP development through: (i) expedited site allotments, (ii) prioritised clearance, and (iii) dedicated mechanisms to guarantee the purchase of electricity generated by PSPs.
- The Committee also noted that the hydropower and the PSP sector in India is supported by a network of four to five contractors. When multiple projects are executed simultaneously, the low number of contractors adversely affects project lifecycles. It also noted that private sector does not possess specialised skills and equipment at the scale required to develop such projects. It recommended the development of a dedicated policy framework to grow the contractor ecosystem, which would include pre-qualification incentives, mentorship between experienced and emerging contractors, and skill development in specialised areas.

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