

Source: The Himalayan Times, December 30, 2019

Electricity demand up at record 1,338 megawatts

AS POWER TRIPPING INCREASES, NEPAL ELECTRICITY AUTHORITY SAYS ISSUE WILL BE RESOLVED AT THE EARLIEST

As the winter season sets in Nepal Electricity Authority (NEA) has started facing a problem in its distribution system due to the increasing power consumption across the country especially in Kathmandu valley.

General consumers have started facing frequent power cuts of late during times of high demand.

According to NEA, the distribution system is overloaded and feeders are tripping due to record high demand of 1,338 megawatts. Transformers especially in Kathmandu valley are facing problems of overload and distribution cables are catching fire.

Meanwhile, NEA has said it is managing supply by repairing the problematic feeders and distribution lines.

Kul Man Ghising, managing director of NEA, said most of the transformers, feeders and cables are overloaded at present due to high demand. “We are trying to address the issue of electricity tripping by upgrading and replacing the local distribution system.”

As per Ghising, NEA’s technical teams have been mobilised in problematic areas and are working round the clock.

Even though the rolling blackouts of the past have ended in the country, frequent electricity tripping has been troubling consumers in recent times.

Electricity tripping, or power fluctuations in layman’s terms, has equally affected the household consumers, industries and other businesses.

“We don’t have any issue with the major transmission lines. Problems being witnessed are related to the local distribution systems, which are being affected by the rain and other technical issues,” Ghising said, adding that the authority has already replaced all the transformers in the Valley to ease the situation.

Prabal Adhikari, spokesperson for NEA, informed that the demand for electricity has risen due to the increasing cold weather, especially in Kathmandu valley, and subsequently due to the increase in the use of electrical appliances like air-conditioners and electric heaters. “The demand has soared in Kathmandu valley but is normal in other areas and we have been working to eliminate this problem as soon as possible,” he said.

As per Adhikari, Kathmandu valley’s demand has surged to above 400 megawatts at present. In normal times peak demand hovers between 250 and 325 megawatts. He informed the problem is gradually spreading across the country owing to low load handling capacity of the existing distribution system coupled with increased demand for electricity.

Ironically the government is planning to promote the use of electric vehicles as well as electric stoves for cooking to increase the consumption of electricity in the country.

Adhikari further said that they have been facing such problems mainly at the Balaju and Minbhawan substations.

“The work to replace the transformers in these areas has already been initiated and the problem will soon be resolved.”

Currently, NEA is replacing the local distribution system at Ratnapark and Maharajgunj load areas by installing the power lines underground.

The power utility has said it has given top priority to augment the transmission and distribution system and is installing double-circuit high-capacity transmission network to enhance the quality of power supply.

Adhikari informed that similar distribution problems have been witnessed in some areas outside the Valley as well and NEA is continuing to replace the transformers across the country. “We replaced almost 7,000 transformers in the last fiscal and 1,041 in the first four months of this fiscal across the country,” he said.

“The process to replace over 6,000 transformers across the country is ongoing at present, which will increase the capacity of the distribution system by 20 per cent,” Adhikari said.

As an immediate solution to the electricity tripping problem, NEA is upgrading 100 substations across the country, particularly in the major load centres and other major problematic areas, he informed, adding that the authority will upgrade the transmission and distribution system to handle additional 1,000 megawatts of power next year.

“We are now faced with the challenge of an additional 5,000 megawatts of electricity being connected to the national grid by 2024,” said Adhikari, adding that NEA will have to instal 15,000 new transformers by then.

The country’s peak demand currently stands at 1,338 megawatts, while NEA has been generating 508 megawatts and independent power producers are generating 332 megawatts.

The import from India stands at 498 megawatts, while Nepal has also been exporting 40 megawatts to Bihar in India, informed Adhikari.

Source: The Kathmandu Post, December 31, 2019

[Nepal's power trade plan faces hurdles aplenty](#)

Nepal launched its Hydropower Development Policy in 2001 that envisioned developing hydropower as an exportable commodity. But two decades on, the country has yet to realise sufficient gains from trading electricity in regional markets of India and Bangladesh. Besides, despite putting an end to severe power outages, the domestic electricity consumption has not increased substantially and substituted imports of fossil fuel. Here are five key elements that are pegging Nepal back from expanding and trading electricity.

Unreliable power sources

Nepal managed to sell electricity worth Rs634 million to India in four months of the current fiscal year, saving nearly Rs2 billion in import bills, but the country has not yet become self-reliant on power generation. Almost all of the country's power plants are run-of-the-river type, as such power production falls sharply between mid-December and mid-January when the water levels in the rivers recede, prompting Nepal Electricity Authority to import electricity.

In the last fiscal year, the country imported 37.25 percent of total electricity to fulfil domestic demand of 1,300 megawatts. The authority imported power worth over Rs22 billion, while its exports stood at just Rs29.07 million that contributed a mere 0.48 percent to the total revenue of the power utility.

As per the projections of the Load Dispatch Centre, in a worst-case scenario, the output from independent power projects with a combined capacity of 653 megawatts falls to 250 megawatts during winter, and generation by state-owned plants will drop to 350 megawatts from 634 megawatts.

It has been projected that Nepal will witness a generation of an additional 1,150 megawatts of electricity from a batch of power projects, including the much-touted Upper Tamakoshi (456 megawatts) in the current fiscal year. But that depends on timely completion of the projects, a rare occurrence in the country.

“We are heading towards self-sufficiency in electricity generation, and that might materialise within a year. The fall in electricity imports during monsoon this year is solely due to the rise in power output,” said Kulman Ghising, managing director of the Nepal Electricity Authority.

“Despite the fall in output in peak winter, imports will not be as high as they were last year,” said Ghising. “We expect electricity imports to go down by 30 percent this winter compared to last year as a slew of power projects are nearing completion.”

Time and cost overruns



Kiran Panday/TKP

In the face of the run-of-river projects’ inability to meet the domestic demand, let alone export electricity, at a time when the country was reeling under a severe power crisis, the government floated the ambitious plan of Electricity Development Decade 2016-2026 aiming to develop a 10,000MW project and 11 storage-type projects totalling over 5,000MW in 10 years. Three years after the announcement, selected projects such as 762MW Tamor; 800MW Dudhkoshi; 1,110MW Sunkoshi II and 536MW Sunkoshi III; 1,200MW Budhigandaki; 828MW Uttar Ganga; 870MW Kali Gandaki II; 410MW Nalgad and 750MW West Seti have failed to get off the drawing board. In the meantime, the government has allocated over Rs110 billion in hydropower projects without anything concrete to show for.

According to the Energy Ministry, on the one hand, there is uncertainty over the construction period of the identified storage projects and on the other, it is becoming more and more challenging to halt planned and haphazard town and settlement construction in proposed project areas.

The government has levied infrastructure tax on petroleum products to fund the Budhigandaki reservoir scheme. But the project is being dragged into a political quagmire, leaving officials in a fix over developing a modality to execute the project.

Despite announcements that the 456MW Upper Tamakoshi hydroelectric project, whose construction began in 2011, would start evacuating power from the fiscal year 2018/19, the plan did not materialise owing to poor work execution and technical mishaps at the site. As a result, the cost of the domestically funded project has ballooned to Rs74 billion from Rs49 billion. It is incurring losses amounting to Rs40 million in interest expenses and power sales per day.

The government, in its Hydropower Development Policy 2001, had targeted to develop hydropower as an exportable commodity. Nearly two decades on, Nepal is still importing electricity and the state-owned 144 MW Kaligandaki 'A', which came into operation a decade ago, remains the largest power plant.

According to the World Bank, a two- to four-fold increase in public and private investment is needed to meet the projected demand in the country and utilise the energy sector's export potential. "Electricity sector investments will need to accelerate substantially to an average of \$1.3 billion to \$2.1 billion annually between 2018 and 2040," said the multilateral donor agency.

Non-implementation of agreements and legal reforms



Kiran Panday/TKP

Nepal and India entered into a historic Power Trade Agreement in 2014. But neither side has fully implemented the terms and reforms they vowed in the document because of political, legal and technical delays.

Despite an agreement on providing non-discriminatory access to power producers in electricity markets, it was only in 2018 that India relaxed its rigid provisions on cross-border trade of electricity while Nepal is yet to amend its Electricity Act.

“The parties shall cooperate on various aspects of policy harmonisation for the realisation of cross-border interconnections, grid connectivity and power trade,” states the agreement. “The parties shall allow the authorised/licensed electricity producers/buyers/traders of each country to engage in cross-border electricity trading, including that through power exchanges, and to seek cross-border transmission access as per the laws of the respective country.”

Four months after rejecting a request for permission by independent power producers to engage in cross-border energy trade through a separate power trading company in the spirit of the agreement, the Energy Ministry has done little to make good on its assurances to pass legislation, which will allow them to do so.

At present, Nepal and India are exercising energy banking through mutual agreements under the purview of the Nepal-India Power Exchange Committee. Indian energy officials agreed to formalise energy banking through cross-border power trade regulations of India in 2019, four years after the power trade agreement was signed.

Also, a planned tripartite meeting between Nepal, India and Bangladesh to fix transmission modalities and commercial terms for the use of the Indian grid to enable Nepal and Bangladesh to engage in direct power trade is nowhere in sight.

Talk of tripartite discussions had surfaced four months ago after Nepal and Bangladesh decided to explore the possibilities of using Indian transmission lines passing through the Siliguri corridor, also known as Chicken's Neck, following amendments to cross-border energy trading regulations by India.

Independent power producers, who visited Dhaka in May to lobby for their market interests and concerns in the bilateral meetings between Bangladesh and Nepal, said the meeting of the tripartite mechanism should be held soon as it is the only way the country can secure a market for surplus electricity that Nepal is expected to produce.

According to the Energy Ministry, it is imperative to sell Nepal's surplus electricity in the regional market by implementing SAARC Framework Agreement, BBIN Forum, BIMSTEC and other bilateral and multilateral electricity trading models.

Also, the country lacks a proper risk-sharing mechanism between foreign investors and the government in energy projects.

According to Kumar Pandey, vice president of the Independent Power Producers' Association, foreign investors have expressed interest to bridge the existing funding gap in energy projects by channelling investments in the sector. "But the country lacks a proper risk-sharing mechanism between investors and the government," he said.

Differences have also surfaced between the Energy Ministry and the Finance Ministry over terms of the hedging mechanism of dollar-dominated Power Purchase Agreement (PPA) with foreign developers dissuading potential investors of multiple projects.

Poor transmission infrastructure



Beeju Maharjan/TKP

Officials agree that before the country starts exporting large amounts of power for trade on the Indian power exchange, it has to ensure that the country's power grid is reliable and fully synchronised with that of India's.

There have been suggestions that the country was committed to grid synchronisation but without concrete results to show for.

Nepal and India began trading power through the Dhalkebar-Muzzafarpur cross-border transmission line only in 2018. But the power lines are yet to be charged to the optimum capacity of 400kV that would allow the country to export a maximum of 800 megawatts of electricity.

Although the Nepal Electricity Authority had targeted to upgrade the Dhalkebar connection and operate the power grid by synchronous mode with India's within December, upgradation works are yet to conclude.

While Nepal's internal grid is yet to be operated with power levels higher than 220kV, the Energy Ministry records show that Nepal and India are currently trading electricity through 12 low-voltage interconnection points across the southern plains and can only relay a combined capacity of 488 megawatts.

Low domestic consumption

Nepal is among the economies with the lowest rate of electricity consumption. While the government has targeted to increase annual per capita consumption from 245-kilowatt hours to 400-kilowatt hours in a year, the country is witnessing a decline in the import of electrical appliances including induction cookers, ovens, toasters, coffee and tea makers.

“Nepal’s low per capita usage of electricity has its roots in traditional consumption patterns of households and poor rate of industrialisation. It is evident from the fact that we got rid of power crisis with the availability of just over 1,100 megawatts,” said Gyanendra Adhikari, an economist.

According to Adhikari, there is a need to promote the use of electric vehicles and reduce tariff surcharges, ensure reliable supply and electrification to displace imported fossil fuel with hydropower and discourage rural households from using traditional power sources, if the country is to realise maximum consumption of domestically produced clean energy.

Source: The Himalayan Times, January 1, 2020

Arun-III to ink financial closure in February

With the completion of nearly 30 per cent of construction work of India-backed 900-megawatt Arun-III hydroelectric project, the developer company is scheduled to ink the financial closure of the project by February.

Hareram Subedi, residential representative of SJVN Arun-III Power Development Company, informed that the company has almost finalised the necessary documents for the financial closure. “We have already forwarded the necessary documents to Investment Board Nepal (IBN) for its final approval. After we get a goahead, we will ink the financial closure with IBN by February.”

SJVN is a subsidiary company of Satluj Jal Vidyut Nigam Ltd, India, which has been tasked with building the project.

As per him, IBN has said that they are holding consultations with Nepal Rastra Bank before granting the approval.

“IBN officials have said they will complete the necessary approval work by the end of January and finalise a mutually convenient date for the financial closure.”

Subedi informed that the project has achieved 30 per cent progress in physical work and 11 per cent in financial work till date.

“At present, we are executing the construction work through our equity investment, which is worth Rs 27 billion. After our equity investment crosses at least 50 per cent, we will ink the financial closure with different banks and financial institutions, including two Nepali banks.”

Arun-III is an export-based project, which will bring the largest-ever government-to-government level foreign direct investment (FDI) from India worth \$1.2 billion.

He informed that Everest Bank has pledged to invest Rs 10.5 billion and Nabil Bank has committed to invest Rs five billion in the project.

The company has said they have accelerated the civil, hydromechanical and electromechanical works simultaneously.

The company had awarded the aforementioned works to an Indian firm called JP Construction, which has already started executing the construction work. “We plan to start construction of transmission line by the beginning of March, for which the process of awarding the tender has been finalised,” he informed.

Earlier, the government had expressed commitment to facilitate the firm in case it faced any problems related to construction of the project.

IBN and SJVN had inked a pact in November of 2014 for the power development agreement of Arun-III hydropower project. The project was supposed to start generating energy by 2020 as per the earlier agreement.

However, IBN and SJVN reached an agreement later to complete the construction of the project by 2023.

Subedi said that there has been noticeable momentum in major works of the hydropower project, such as construction of headrace tunnel, audit tunnel and powerhouse, among others.

Apart from shares being allocated to the locals and free energy to the affected areas, the government will get Rs 330 billion as royalty in a period of 20 years and the project will also provide 21.9 per cent of the generated energy free of cost.

The project will generate 400 million units of power every year.

As per the agreement with IBN, the developer will hand over the ownership of the project to the government of Nepal after 20 years of commercial operation.

Source: My Republica, January 1, 2020

[20 development projects that will be watched in 2020](#)

In 2020, two national pride projects – Upper Tamakoshi Hydropower Project and Gautam Buddha International Airport project – are set to be completed. The construction of some other promising projects will kick-off. Authorities will have to expedite works for some projects amid their looming deadlines. Even the current pace of the progress of few development projects will bring them closer toward the completion. Here are 20 development projects that will be watched closely in the year 2020.

1. Kathmandu-Tarai Expressway: Construction work of Kathmandu-Tarai Expressway has gained momentum after Nepal Army took over this national pride project popularly known as 'Fast Track' in April 14, 201. The 76.4 KM mega highway project will connect Nijgadh of Bara to Kathmandu. This expressway is not only of strategic interest, but also holds a potential to become a boon for the country's economic development. Estimated to cost Rs 175.19 billion, the project is scheduled to be completed in February 2024.

2. Nijgadh International Airport: In 2020, the government is likely to pick a company to develop second international airport (SIA) in Nijgadh. Tourism Minister Yogesh Bhattarai has put the project in his priority list and vowed to lay the foundation stone for the project to start construction in 2020. The Investment Board of Nepal (IBN) has already shortlisted the Zürich Airport International AG to construct the airport that will be built in three phases. With an estimated total cost of US\$ 6.57 billion, this will be the biggest and the busiest airport in South

Asia. Following the completion of all three phases, the airport is projected to handle 60 million passengers annually.

3. Upper Tamakoshi Hydropower Project: If everything goes as planned, the biggest hydropower project with a capacity of 456 megawatt will come into operation in 2020. The construction cost of the run-of-the-river project developed by the government by mobilizing local funds is expected to swell to Rs 73 billion. It is of significant economic importance to Nepal because the generation of electricity will make Nepal an energy surplus country and end the energy reliance on import from India during dry season.

4. Melamchi Water Supply Project: The much-awaited mega drinking water project is considered to be the most viable long-term alternative to ease the chronic water shortage that exists within Kathmandu Valley. After a halt of over a year after the Italian contractor abandoned the project, Sinhydro, a Chinese construction firm, was awarded the contract to complete the remaining works by mid-July 2020. The Chinese firm has reportedly assured the government to complete the project before the deadline. If the Chinese firm follows through its commitment, the government will be able to supply over 170 million liters drinking water daily to households in Kathmandu.

5. Upper Trishuli 1: The hydropower project located in Rasuwa district will have a total installed capacity of 216 MW. International Finance Corporation (IFC), an investment arm of the World Bank Group, and a consortium of other international lenders, have agreed on \$453 million debt financing package to construct the project that will increase Nepal's electricity supply by one-third from current levels. The construction of the project is going to begin in 2020

with a target of completion in 2024. Finance Minister Yuba Raj Khatiwada has termed the Upper Trishuli 1 Project a model project for foreign investment in Nepal.

6. Huaxin Cement: This is the second largest cement manufacturing project with foreign direct investment (FDI). Huaxin Cement Narayani Pvt. Ltd, a joint Nepali-Chinese venture with the FDI amount of \$140 million (equivalent to Rs 15 billion) will set up cement plants at Dhading. Through the establishment that is currently under construction, the company plans to produce 3,000 tons cement daily in the first phase with the creation of 1,000 job opportunities. The joint venture company has bagged the contract of limestone mine by paying Rs 600 million to the government through a competitive bidding process. A project investment agreement (PIA) was signed between the IBN and Huaxin Cement of China during the Prime Minister Khadga Prasad Oli's visit to China last year.

7. Sikta Irrigation Project: With estimated cost of Rs 25 billion, this will be the largest irrigation project in the country. Project officials say that over 60% works of the project has been completed and will be completed by 2020. The quality of the works of the national pride project, however, has come into question as the main canal has broken down repeatedly. Once this project is completed, 42,766 hectares of arable land will have irrigation facility.

8. Gautam Buddha International Airport (GBIA): The project was scheduled to be completed by the end of this year. However, the project officials are seeking yet another deadline to complete the project. Now, the international airport being constructed with the financial support of the Asian Development Bank is expected to be ready for the test flight by the first quarter of 2020. The

international airport is expected to serve 760,000 passengers annually by 2030, including 280,000 visitors to Lumbini which lies 20 kilometers west of the GBIA. The completion of GBIA will enable airlines to establish direct air services from countries like India, Sri Lanka, Thailand, and Myanmar, which have a high Buddhist population, and from China, South Korea and Japan in the medium term.

9. Pokhara Regional International Airport: This airport which has drawn appreciation for the fast progress in the construction is likely to be completed within the next one and half years. Flight operations are planned to begin in April, 2021. Official said all the remaining works of the much-awaited regional international airport will be completed by December 2020 and flights will start soon afterwards. It is estimated that Rs 21.47 billion will be required to complete the construction works. The airport, with 45 meters wide and 2,500 meters long runway, can operate aircraft as big as Boeing 757. Construction works had started after agreements between Nepal's Ministry of Finance and China's Export-Import (EXIM) Bank for loans and Civil Aviation Authority of Nepal (CAAN) and Chinese company CMMC Engineering for construction.

10. Rani Jamara Kulariya Irrigation Project: The project going to be built with an estimated cost of Rs 27.7 billion aims to irrigate 38,300 hectares of arable land round the year. The government has set a target to complete this project by fiscal year 2023/24. By rebuilding farmer-managed canals, develop mechanisms to protect the irrigated areas and improve the village agriculture road, the main purpose of this project is to increase the production and productivity of not only the main irrigated crops, but also vegetables and fruits,

by introducing improved technologies and practices and better use of irrigation water.

11. Bheri-Babai Diversion Multipurpose Project : Nearly 51,000 hectares of land in Bardiya and Banke districts is estimated to get irrigation facility from this multipurpose project that will also generate 48 megawatt of electricity. Tunnel boring machine was used for the first time in Nepal to construct the tunnel of this mega project. The construction of 12.2-kilometer long tunnel, a major component of the national pride project, was completed in April, a year before the deadline and within the allocated budget. The project is expected to be completed by Fiscal Year 2022/23. The project's estimated cost is Rs 33.19 billion.

12. Pushpalal (Mid Hill) Highway: This highway is expected to serve as alternative to the existing East-West Highway that mainly runs through the tarai region. Pushpalal Highway runs through the hilly region of the country from Chiyo Bhanjyang of Panchthar district in the far-east to Jhulaghat of Baitadi district in the far-west. Nearly 10 million Nepalis will benefit upon completion of the highway, a national pride project. The 1,776 kilometer highway connects 215 settlements of 26 districts. To complete the project by the end of the fiscal year 2020/21, the government will have to intensify the construction work in 2020. The project cost is estimated to be Rs 79.18 billion.

13. Tanahu Hydropower Project: Located in Damauli in Tanahu district, this will be medium-sized hydropower plant (140 MW) with water storage to make power supply available throughout the year and meet the country's peak demand in particular for the dry season. The project is estimated to cost Rs

50.50 billion and expected to be completed in the next five years. Tanahu Hydropower Ltd, a subsidiary of Nepal Electricity Authority, has already signed power purchase agreement (PPA) with the NEA with a plan to bring the project into commercial operation by April 2024. The project with an estimated cost of \$505 million (including transmission line, rural electrification and interest payment of construction period) is being developed with the funding of the Asian Development Bank, JICA and European Investment Bank.

14. Upper Karnali Hydropower Project: In 2019, GMR Energy, the developer of 900 MW Upper Karnali Hydropower Project (UKHP), concluded negotiations with Bangladesh over tariffs, terms and conditions of the power purchase agreement for selling 500 MW of electricity. The deal between the developer of the mega hydropower project and the government of Bangladesh marks a breakthrough in the project whose deadline for financial closure had expired last year. An agreement that is likely to be signed in 2020 will also help in ending uncertainty over the fate of the mega hydropower project. Nepal will receive 27% free equity and 12% free energy from the Upper Karnali project. This amounts to 108 MW of electricity, approximately equal to 15% of the current installed capacity in Nepal.

15. Arun-3 Hydro Electric Project: India's SJVN Arun III Power Development Company is developing the 900 MW run-of-the-river type project on Arun River in Sankhuwasabha district. The construction of the project has gained momentum after the Prime Minister Khadga Prasad Oli and Indian Prime Minister Narendra Modi laid the foundation stone of the project remotely during Modi's Nepal visit in May last year. The project was awarded to SJVN Limited

on build-own-operate-transfer (BOOT) basis for a period of 30 years. The project will provide 21.9% free electricity to Nepal. Although the project was supposed to start generating energy by 2020 as per the earlier agreement, the company has later negotiated to complete the construction of the project by 2023.

16. Nagdhunga-Naubise Tunnel Road: This tunnel project will connect Sisnekhola and Basnetchhap. The 2.7-kilometer-long double lane road is expected to reduce the time to clear Nagdhunga Pass by one-third. With construction beginning in mid-November, the construction of the project is expected to complete in 42 months. The construction of the tunnel under the Nagdhunga pass is expected to ease the current traffic congestion along the Nagdhunga-Naubise section of the Prithvi Highway. The Japanese government is providing Rs 16 billion in concessional loan for the project.

17. Budhigandaki Hydropower Project: The government has initiated construction of the 1,200 MW storage project in the Budhi Gandaki River that flows between Gorkha and Dhading districts. As of now, the government has finalized its detailed project report (DPR) and has been providing compensation to the people affected by the project construction. The government so far has distributed Rs 26 billion in compensation for land acquisition. To build the national pride project through domestic resources, the government has been collecting infrastructure development tax in the import of petroleum products. In 2020, the land acquisition could be completed along with the government finalizing the development modality of the hydro project.

18. Hulaki Rajmarga (Postal Highway): Hulaki Rajmarga, commonly known as Postal Highway, is a 1,792-kilometer road project important not only for east-west connectivity in Tarai, but also to build north-south road network. The project is estimated to cost Rs 25 billion. The Indian government is providing Rs 8 billion in grants to build this project. But the project has seen inordinate delay due to non-performance of contractor, among other factors. The project is expected to be completed by Fiscal Year 2020/21. Upon completion, it will connect 20 districts between Jhapa in the east and Kanchanpur in the west. The project includes 125 bridges.

19. Nepal-China Eco Industrial Park: The industrial park located at Damak in Jhapa district is going to be built with a total investment of nearly Rs 64 billion from Chinese investor, Lhasa Economic and Technology Development Zone Jing-Ping Joint Creation Construction Project Development Co Ltd. Spread over an area of 1,600 hectares, the industrial park will be built in public-private partnership (PPP) model. The project is a part of China's ambitious Belt and Road Initiative. The industrial park will have to capacity to house 700 industries manufacturing products ranging from electrical appliances to readymade garment, automobiles, foods and agriculture products from domestic as well as multinational corporations.

20. Millennium Challenge Corporation Compact Program: The government is preparing to implement several road maintenance and transmission line projects under the Millennium Challenge Corporation (MCC) Compact Grant of the US government worth US\$ 500 million. The MCC grant will support construction of 312-kilometer 400 KV transmission lines in Lapsipedi-Galchhi-

Damauli-Sunawal Corridor as well as three substations. It will also support maintenance of over 99 kilometers of roads in various segments of the East-West highways. The US support is aimed at improving regional connectivity, spurring private investment, driving growth and reducing poverty.

Source: The Kathmandu Post, January 2, 2020

Ministry panel to be formed to resolve row between the electricity authority and industrialists

The state-owned utility says 25 factories owe more than Rs10 billion for electricity supplied to them through dedicated feeders.

The Energy Ministry is preparing to form a committee to resolve a row between the Nepal Electricity Authority and industrialists over outstanding electricity bills that has been dragging on for nearly a year, officials said.

The state-owned utility maintains 25 factories owe more than Rs10 billion for electricity supplied to them through dedicated feeders and trunk lines since 2015.

The dispute [intensified in May](#) after the power utility presented bills to the factories for the overdue payments.

The unhappy factory owners went to court accusing the Nepal Electricity Authority of charging them illegally and questioning the motive behind levying such huge amounts. They claimed that the utility had billed even those factories that had not signed any agreement to buy power at a premium.

According to an official close to the situation, both the power utility and the industrialists are at fault in this case because of conflicting provisions, the power utility's negligence in record-keeping and supplying direct electricity and the industrialist's reluctance to pay what they genuinely owe to the state.

“There is talk of giving a discount for the time difference in implementing the decision to supply regular electricity to factories at premium rates during the power crisis and after the end of load-shedding,” said the official who asked not to be named.

In June 2015, a board meeting of the electricity authority had set premium charges for factories using electricity through dedicated feeders from August that year.

A separate meeting of the now-dissolved Electricity Tariff Fixation Commission had decided in January 2016 to set premium charges for factories using direct electricity from dedicated feeders and trunk lines.

The power utility has billed them from August 2015 and not January as per the dissolved board's decision. And it was also found that in a bid to end load-shedding and manage the power load, around 16 factories were supplied regular power through trunk lines even though they had not applied for it and were charged premium rates.

As per the provisions of the billing bylaws, any factory that wishes to receive electricity through a trunk line for 20 or more hours like a dedicated feeder system has to pay the charges applicable to dedicated feeder users. Such factories must get approval from the electricity authority board and cannot consume electricity for more hours than the outage schedule set for them.

"Any industry found to have used electricity for more than the permitted hours under the load-shedding schedule will be charged under the Electricity Theft Control Act 2002, and is liable to pay regular premium rates and compensation charges for unauthorised use of electricity," state the bylaws.

After the power utility sent the bills, the industrialists filed petitions at multiple district courts and Patan High Court.

The High Court rejected petitions filed by more than a dozen firms ordering them to take the matter to the power utility's appeals committee and resolve it there, citing that the issue of electricity bills did not fall under the court's purview.

The power utility amended the provisions in its billing bylaws and said that if the firms fail to make regular payments after being allowed to pay in instalments, the utility can seek regular monthly instalments and an additional amount as fines for deferral or cut their electricity connections.

After talk of cutting their electricity connections surfaced, the industrialists took the matter to Prime Minister KP Sharma Oli who called for a meeting with officials of all stakeholder agencies.

"At the meeting, it was decided to seek a middle path by forming a committee through the cabinet and give a discount for around a year and a half after the end of load-shedding starting June 2018, and for the gap period between the

date the power utility board issued its decision, and the date the decision of the dissolved tariff commission came into effect,” said the official.

Energy Secretary Dinesh Ghimire confirmed the development and said that discussions were being held to form the proposed committee.

When asked about the monies owed legally by the industrialists to the state and talk of discounting billions of rupees, Ghimire said that the issue of tariffs and discounts fell under the purview of the Electricity Regulatory Commission, declining to comment further.

According to Ram Prasad Dhital, a member of the Electricity Regulatory Commission who oversees legal and external affairs, it received around 10 applications from the industrialists to prevent the power utility from cutting off their electricity, but as the cases are in court, the commission cannot go beyond its jurisdiction and make a statement on the matter.

“As far as the issue of hefty charges levied on industrialists despite the end of load-shedding is concerned, the commission is working to revise the electricity tariffs in line with the application received from the power utility,” said Dhital.

Earlier, the electricity authority said that 298 consumers were being supplied with electricity through dedicated feeders and trunk lines. Among them, 184 pay premium rates and around 25 factories have not paid their electricity bills since 2015.

The factories had secured 315 megawatts of 24-hour electricity supplied directly through dedicated feeders and trunk lines when the rest of the country was reeling under a severe power crisis.

After talk of halting payment collection from industries until the proposed committee reaches a solution surfaced, the government also faced criticism.

“Why does the government want to stop the electricity authority from legally collecting the amount from industries?” said Prakash Chandra Lohani, former finance minister. “Also, this neo-feudalist government cannot do anything about industries who owe money to poor sugarcane farmers, and it wants to discount the bills of some big and near industrialists. This makes it clear whose government it really is.”

A sub-committee of the parliamentary Public Accounts Committee formed to probe the issue has also prepared an unfinalised report pointing to the electricity authority’s grave negligence in handling matters related to state

revenue and seeking officials to recoup the money in arrears and launch an anti-graft investigation.

Source: The Rising Nepal, January 3, 2020

Nepal Must Not Lose \$500m MCC Grant

The US government's Millennium Challenge Corporation (MCC) has provided \$500 million (approximately Rs 52 billion) in grants to Nepal for building electricity transmission lines and road. It is the biggest grant assistance the US approved for Nepal, with the latter chipping in \$130 million to boost the MCC project. The MCC has offered grants to over 50 developing countries. Established in 2004 by the US congress, the MCC helps the developing nations to reduce poverty through financial aid.s

MCC's Nepal Compact mainly seeks to increase the availability of electricity and lower the cost of transportation, thereby helping the government better deliver critical services to the people, ease the movement of goods and open up new opportunities to investors.

Controversy

But the assistance, which is expected to put Nepal's economy on robust growth trajectory, has been dragged into controversy because of its association with US global strategy known as the free and open Indo-Pacific Strategy (IPS). Leaders of ruling Nepal Communist Party (NCP) have expressed their serious reservation about the motive of the MCC grants.

The argument remains that the lawmakers, who are supposed to ratify the MCC in parliament are divided over it. Some agree that it is only an economic aid aimed at building infrastructure inside the country, while others doubt that it falls under IPS which would allow the American security forces to gain easy access to the Nepali territory.

Phanindra Gautam, Joint Secretary at Ministry of Law, Justice and Parliamentary Affairs, said that all confusions regarding the MCC were raised due to the lack of proper study on it by the concerned authorities. The responsible persons should do proper research on the relevance of MCC in Nepal.

"All donors, who provide loans or grants, put forward various conditions before providing them to the nations. Similarly, MCC Nepal Compact has also certain provisions such as taking permit from India for building transmission lines in its territory and it needs to be endorsed by the parliament before starting the works here," said Gautam.

He said that such a provision was adopted to make the project credible because of very unstable political system that Nepal had in recent past. "Once the project is endorsed by parliament, it moves smoothly even if there is a change in government."

The grant will be spent on the Kathmandu-Hetauda- Butwal 400KV

transmission line which will supply electricity generated from hydropower plants in the Budi Gandaki, Trisuli, Kali Gandaki, Marsyangdi, Koshi and Tamakoshi corridors. The rest will be used to upgrade roads and highways.

“Eighty per cent of grant will be used to build transnational hydroelectric transmission lines and the remaining 20 per cent on improving the road infrastructure. If Nepal loses this opportunity, our diplomacy with the USA will automatically be strained. Our international credibility will also be damaged and our donors will doubt the ability of government and the leaders before providing any kind of loans or aid to Nepal,” added Gautam.

While the main opposition Nepali Congress is for ratifying the MCC in the House, some prominent NCP leaders have objected to the MCC on the grounds that the US has not clarified whether or not the grant falls under the US Indo-Pacific strategy.

Foreign policy expert Geja Sharma Wagle believes that the politically motivated forces were active to obstruct the endorsement of the MCC in the parliament.

“Some leaders from the ruling party are saying that MCC is part of IPS, which will allow the US military forces to be actively present in Nepal. But I think this is an unnecessary attempt to politicise the issue to make the government and the prime minister weak”, Sharma claimed.

Sharma further added that such hindrance by the members of ruling party would hamper in getting foreign aid by numerous other countries and organisations.

“Nepal will lose its trustworthiness in the international market and will always be questioned by other countries before providing economic aid if it diplomatic ties with the US suffer a setback,” Sharma said.

Minister for Foreign Affairs Pradeep Gyawali and Minister for Communications and Information Technology Gokul Prasad Baskota have said that the House would approve the MCC.

A host of lawmakers said MCC was a part of IPS unveiled to counter China’s Belt and Road Initiative in Nepal. Several high profile American officials including the Indo-Pacific Commander Philip A. Davidson, Deputy Assistant Secretary Joseph Felter, and Deputy Assistant Secretary of State for South Asia David J Ranz visited Nepal last year.

Last June, a report by the American Department of Defence identified the Indo-Pacific Strategy as a military move to project American power in the Pacific and Indian Ocean and a pillar of American foreign policy in the region. Only two agreements related to the land acquisition and ratification by the parliament stands in the way of implementing of this project in Nepal. The USA has already said that the project could be dropped if the winter session of parliament failed to ratify it.

Ideological posturing

Former vice chairman of National Planning Commission, Swornim Wagle, says that the implementation of MCC hit a snag owing to the ideological posturing of ruling party leaders. “This large scale of transformative infrastructure project should be implemented to bolster Nepal’s economy. If this project is withdrawn by the USA due to our political disputes then the reliability of Nepal will be damaged,” Wagle noted.

The MCC compact states that if the project is not finished in five years, the money will go back to the US treasury. Such grants which would economically lift the face of the underdeveloped countries like Nepal should not be politicised. MCC is an opportunity and must not be let it slip through our fingers.

(Bhusal is a TRN journalist)