

Source: Karobar; 6 April, 2014

## **Mistrikhola pushed back by 1.5 years**

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### **Cost rises by Rs 550 m before start of construction "**

KATHMANDU, April 6

Mistrikhola Hydropower Project (42 MW) being constructed by Robust Energy has been pushed back by one and half years due to the delay in construction of transmission line in the Kali Gandaki corridor by the Nepal Electricity Authority (NEA).

Though the promoters and NEA had signed power purchase agreement (PPA) over three years ago to start generation by May, 2016, the project has now been pushed back to January, 2018 on request of NEA as the transmission line looks unlikely to be finished in time. The promoters have even prepared the new schedule for completion of the project. It has accused NEA of not being serious in construction of transmission line even when the country is reeling with daily power cuts of 12 hours. Managing Director of Robust Subrat Dhital claimed that the project cost has increased by Rs 550 million even before start of construction due to the delay. He explained that the estimated cost has already increased by Rs 550 million due to the rise in price of cement, steel rods, and electromechanical and hydromechanical equipment due to appreciation of US dollar, and rise in wages of workers. The increased amount is sufficient to build a 3 MW project.

"Cost has increased even before start of construction and tens of millions of income to be received from selling electricity will also be lost due to the delay. We are suffering due to NEA," he stated. He claimed that the company had started works to complete it by the scheduled period of May, 2016. "We have prepared bid documents for construction after completing all works including financial arrangements, environmental impact assessment (EIA) and procurement of land," he added. He opined that the project will again be affected if NEA were to fail to construct transmission line in the scheduled time. "NEA has to pay compensation of just eight percent to Robust for delay by a year as per the take or pay provision. We will receive only Rs 100 million a year in that fashion even though the annual interest on loans taken by the company from banks and financial institutions is around Rs 500 million," he insisted.

NEA has to construct 115 kilometers of 220 KV transmission line from Dana of Myagdi to Butwal in the Kali Gandaki corridor. But NEA has not been able to construct that in lack of funds. Robust has to construct just four kilometers of

transmission line to connect the generated electricity to Dana Sub-station. The project will be constructed in Narchyang village development committee (VDC) of Myagdi. The Energy Ministry has provided license in 2012 to generate electricity for 35 years. The estimated project cost is Rs 5.65 billion, out of which 70 percent will be loan investment and the rest 30 percent through shares. The promoters have already made equity investment of Rs 1.41 billion in the project. Himalayan Bank, Hydropower Investment and Development Company Limited (HIDCL), Nepal Investment Bank, Nepal Bank, Laxmi Bank, Siddhartha Bank and Ace Development Bank under leadership of Nabil Bank have agreed to make loan investment of Rs 4.24 billion.

The PPA has been signed at Rs 4.66 per unit considering the fiscal year 2067/68 as the base year. NEA has agreed to raise the rate for up to 15 occasions at the rate of three percent every fiscal year. The rate will rise to Rs 5.40 per unit from the date of commercial generation according to PPA. Chairman of IME Group Chandi Prasad Dhakal, and entrepreneurs like Pradeep Jung Pandey, Suhrid Ghimire, Ram Kaji Kone, Shyam Sundar Khetan and others have invested in the project.

Source: My Republica, 9 April, 2014

## **PM for expediting hydropower, infra projects**

Prime Minister Sushil Koirala has said the government would execute mega hydropower and physical infrastructure projects on a fast track mode.

Speaking at the meeting of Investment Board Nepal (IBN) here on Wednesday, Koirala said the board should be more active in implementation of mega projects.

The board handles hydropower projects above 500 MW and mega mega infrastructure projects. Prime Minister chairs the board of IBN.

This was IBN's first meeting after Koirala assumed office.

Issuing a statement, IBN said the PM stressed the need to forge common understanding and consensus for infrastructure development.

The meeting held discussions on different issues including development of Upper Karnali and Arun III hydropower projects, the Second International Airport in Nijgadh, and upgrading of Tribhuwan International Airport.

IBN has also sought commitment from the Ministry of Culture, Tourism and Civil Aviation (MoCTCA) regarding development of Second International Airport in Nijgadh and upgrading of TIA.

According to the statement, the meeting also authorized IBN to call for Expression of Interest (EOI) from interested investors to conduct feasibility study for setting up a chemical fertilizer plant in the country.

IBN CEO Radhesh Panta said they would call EoI for the feasibility study very soon.

Officials say the factory would be instrumental in reducing country's fertilizers import. Nepal imports 700,000 to 800,000 tons of chemical fertilizers annually.

The meeting also decided to form a three-member team led by joint secretary of IB to assess the proposal for the management of solid waste in Kathmandu Valley take appropriate decision on awarding the contract.

Source: Karobar, 9 April, 2014

## **Exim to take back loan if Trishuli 3 A is delayed**

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Investor Export Import Bank (Exim) of China will take back loans if the under-construction Upper Trishuli 3 A is not completed within two years.

The representatives of Exim Bank of China, on a Nepal visit to receive information about the project's progress, have met officials of the Energy Ministry and Nepal Electricity Authority (NEA) and reminded them that the loan period expires on May 18, 2016. Joint Secretary at the ministry Keshav Dhvaj Adhikari revealed that the bank clarified that loan period cannot be extended if the project is not completed within scheduled time. The bank has provided soft loan of US\$ 115.11 million (around Rs 11 billion) for the project. NEA informed that 42 percent of the project has been completed and officials at the ministry concede that there is little chance of the project being completed within two years at the current pace. Construction of the project had started in June, 2011 with an aim of completing it within 35 months. The deadline for completing the project is expiring on April 30.

Project Chief Uttam Bahadur Amatya stated that preparations are being made to extend the deadline by two years as it will not be completed in scheduled time. He revealed that the proposal to that regard has reached the management. He conceded that there is possibility of rise in project cost but added that there has been no discussion about that. The project was stalled for a long time due to the controversy of upgrading it. NEA had taken back the decision to upgrade the project following widespread pressure. Digging of 65 percent of the tunnel has been completed. Amatya claimed that construction of the project has been affected due to the delay in bringing explosives. Civil contractor China Gezhouba Group Company, meanwhile, has made compensation claims for US\$ 90 million (around Rs 9 billion) citing delay in construction due to various reasons. But NEA has refused to pay compensation and stated that decision about the claim will only be made through the Dispute Execution Board. Amatya claimed that construction of transmission line has been delayed due to problems in land acquisition. China Water Electric Corporation (CWE), that has been contracted for construction of 44-kilometer 220 KV

transmission line from the project site to Thankot, has started to bring materials for construction of transmission line.

The affected locals have yet to be compensated. China Gezhouba will do civil, hydromechanical and electromechanical construction of the project to be built in engineering, procurement and construction (EPC) model. The project to be built in Nuwakot will generate 489 million units of electricity a year, according to a study. The 60 MW project is expected to generate 53 MW even during dry season. Another 42 MW will be generated by pouring the water from the project's tailrace on Trishuli 3 B. The company revealed that construction of Trishuli 3 B will also start from the next year. patient