

Source: Karobar; 26 April, 2014

NEA not to sign PPA with new projects

The Nepal Electricity Authority (NEA) will not sign Power Purchase Agreement (PPA) with new projects stating that electricity will be wasted during the rainy season after five years.

NEA has taken the decision stating that billions will be lost with a surplus of 775 MW in the system during the rainy season after 2018 while there will still be load-shedding during the dry season. NEA, however, will procure electricity during the dry season. It has projected that there will be a surplus of 775 MW during the rainy season due to completion of 456 MW Upper Tamakoshi Project and a few other projects constructed by the private sector. The investors are disappointed after NEA said that it will procure electricity from mid-November to mid-April but not during the rest of the year. NEA has projected that there will be load-shedding of six to eight hours a day during the dry season even though there will be surplus electricity during the rainy season as all the completed and under-construction projects apart from Kulekhani are run of the river (ROR) types. Generation in ROR projects fall to up to 30 percent of the installed capacity during the dry season due to fall in water level.

The NEA decision will ensure that new projects will not be constructed. Over three dozen projects with combined installed capacity of over 1000 MW are waiting for PPA with NEA. NEA has a monopoly over transmission and distribution of electricity in Nepal and also generates most of the electricity. "We have taken the decision to not sign PPA with new projects as there will be a state of imbalance with surplus electricity during rainy season and scarcity during the dry season," Director at the Power Trade Department of NEA Hitendra Shakya said. "We will now sign PPA only with the promoters of projects with whom we have signed power connection agreement and not with new projects," he added. He claimed that the decision has been taken under recommendation of the System Operation Department of NEA. NEA has signed power connection agreement with 20 projects with combined capacity of around 750 MW. Shakya stated that NEA will no longer sign PPA on take or pay basis and PPA will only be signed with new projects once market for electricity is ensured following construction of transnational transmission line.

“This decision of NEA is a matter of concern for the private promoters,” President of the Independent Power Producers’ Association, Nepal (IPPAN) Khadga Bahadur Singh said. “Investment will not arrive for projects to sell electricity only during the dry season. Domestic and foreign investment in the hydropower sector will be stopped if the decision is implemented,” he added. He recommended that demand and supply of energy should be projected by establishing an independent energy consumption projection unit, and electrification should be intensified to increase electricity consumption. “To refuse to sign PPA due to projection that there will be surplus energy during the rainy season is to bring energy development in the country to a grinding halt. Demand of electricity will rise if it is supplied regularly by maintaining a balance between demand and supply,” he claimed. Joint Secretary at the Energy Ministry Keshav Dhwoj Adhikari, however, argued that NEA has not said it will not sign PPA and claimed that it plans to sign PPA only with projects whose construction is certain.

Promoters state that the policy of procuring electricity only during the dry season will not make projects financially lucrative and stop flow of investment. NEA has signed PPA with 153 projects with combined installed capacity of 2000 MW until now. Installed capacity will rise to 1700 MW by 2016 if all the projects with whom PPA has been signed are completed in time. Though these projects will generate 1700 MW during the rainy season, it will fall to around 800 MW during the dry season due to receding water level as all of them are ROR projects. Demand of electricity rises by around 10 percent every year, according to NEA. The ministry has issued license to 86 promoters for generation of 2229 MW until now.

Source: Karobar; 27 April, 2014

Promoters of 5 projects want PPA in US dollar

Baburam Khadka

" NEA refuses to oblige "

KATHMANDU, April 27

Promoters of five projects, that have submitted proposals to sell electricity to the Nepal Electricity Authority (NEA) only during the dry season, have demanded that the Power Purchase Agreement (PPA) be signed in US dollar.

The promoters have demanded that PPA be done in dollar and price escalation at least until the payback period. NEA, however, is refusing to do so as the bid documents did not mention PPA in dollar. NEA had sought proposals from export-oriented hydroprojects to address the energy demand during the dry season six years from now. "The promoters have asked for PPA in dollar and also price escalation. We are not in favor of both as we did not mention so while inviting bids," Director of the Power Trade Department of NEA Hitendra Shakya said. NEA management is not willing to sign PPA in dollar due to controversy of PPA with Khimti, Bhotekoshi and recently Marsyangdi A.

Chairman of SC Power Harish Chandra Shah said PPA in dollar has been demanded as foreign investment has to be brought for constructing the project. "We have not demanded PPA in dollar for ever and only during the payback period," he stated. He argued that domestic investment is not enough to construct big projects and foreign investment cannot be attracted unless PPA is done in dollar. Shah, who is a former managing director of NEA, said the problem will be resolved only if the state, and not NEA, adopts the policy of doing PPA in dollar. He is preparing to bring foreign investment for construction of Tila I and II in partnership with KSK Energy of India.

Only five export-oriented projects with combined installed capacity of 1724 MW had submitted proposals to sell electricity during the dry season. Proposals have been submitted by 440 MW Tila I and 420 MW of Tila II, developed jointly by KSK Energy of India and SC Power, Nepal, 282 MW Manang Marsyangdi, 182 MW Upper Marsyangdi and 400 MW Lower Arun. The license of Brass Power, Brazil for Lower Arun is expiring on May 15 and the license will be automatically cancelled if it fails to make financial arrangements within the period. GMR Energy Limited, India that is constructing 900 MW Upper Karnali

and 600 MW Upper Marsyangdi, Sutlej Hydro Power Corporation, India that is developing 900 MW Arun III, did not submit proposals. Statkraft International Hydro, Norway that is developing 650 MW Tamakoshi III had proposed for PPA two years ago.

NEA has determined a base rate for the first time to procure electricity from export-oriented projects at up to Rs 10.60 per unit during five months of the dry season (December to April).

Extension of 26 months for Trishuli 3 A

The NEA board extended deadline for completion of Trishuli 3 A by 26 months to June, 2016 on recommendation of consultant North West Hydropower. Only 42 percent of the project has been completed until now. Investor Export Import Bank (Exim) of China has already said that it will take back loans if it is not completed within the scheduled time. The bank has provided soft loan of US\$ 115.11 million (around Rs 11 billion) for the project. Construction of the project had started in June, 2011 with an aim of completing it this month.

Source: My Republica; 27 April, 2014

Upper Trishuli 3A term extended by 26 months

Nepal Electricity Authority (NEA) has extended the construction time of Upper Trishuli 3A Hydropower Project by 26 months.

The project was scheduled to complete by the end of this month.

The board meeting of NEA held on Sunday took the decision as per the request of China Gezhouba Group Corporation (CGGC) - the developer of the project. The meeting, however, could not decide on the developer's claim for additional Rs 9 billion from NEA.

The project was awarded in engineering, procurement and construction (EPC) model under which the developer cannot make claims for cost and time variation.

Talking to Republica, Minister Gyawali said the decision was taken to allow the developers to continue the work. "We will decide on claim for additional cost in the next meeting," she added.

The Chinese developer came into controversy in June last year when it attempted to upgrade capacity to 90 MW from 60 MW without doing any works for months.

CGCC had pushed forward the time table of additional 28 months but the consultant North West Consulting Engineering had suggested to extend the time by only 26 months.

Uttam Amatya, chief of the project, said efforts were on to form dispute settlement mechanism which will also decide the additional cost of the project.

Source: My Republica; 28 April, 2014

Upper Madi hydro project may miss deadline

SANTOSH POKHAREL

Officials of Upper Madi Hydropower Project have said the project won't be completed within the stipulated deadline because of the loss incurred in Friday's landslide.

Ram Raj Koirala, coordinator of the project, said they were yet to ascertain impact of the landslide on the project. Three laborers had died in the landslide, while 13 others were rescued after being trapped in the debris for 15 hours.

The project was supposed to complete by mid-April next year.

According to Koirala, this is not the first time that the project has faced disturbance. A laborer was killed by the landslide in August last year.

Construction of the 25-MW capacity project started in January 2012. China International Water and Electric Corporation has 80 percent stake in the project.

The remaining stakes are held by Nepal investors. The estimated cost of the project is Rs 6 billion.

Around 400 Nepalis and 150 foreigners are working in the project site.

Koirala said geologists would study geological structure of the project before resuming tunnel digging work. He further added that technical officials from China are arriving in the incident site soon to conduct necessary studies.

Source: The Himalayan Times; 29 April, 2014

Hydro-project puts human settlement in peril

Human settlements near the under construction Upper Madi Hydropower project are under great risk of landslip with regular blasts at Sildajure of Kaski.

"We get scared of frequent explosions just below our house. It feels like a quake is shaking our houses. We have complained many times, but in vain. How can we live in such a situation? This question remains unanswered," said Fundri Gurung, 80, of Sildajure

VDC in Kaski district.

The country has been launching various hydro-projects to ensure electricity to the people. But Sildajure folks are terrified with the prospects of landslide caused by the blasts at the tunnel construction site of the 25WM hydropower project. "We may escape if the disaster occurs during daytime but what about at night?" asked Shree Prasad Gurung, another local.

Landslip at the entrance of the tunnel almost touched Shree Prasad Gurung's house yard. There are several cracks and holes around his house.

Landslides are occurring almost every day and there is no sign they will stop.

Landslide has already encroached Gurung's land below his house. Shree Prasad had sold some land to the project for Rs 20, 000 per ropani. "I thought the remaining land would be saved, but I was wrong. Now, where to I evacuate?" asked Gurung.

A goat shed belonging to Chetnath Baral has also cracked due to the blasts. Likewise, houses belonging to Dhan Bahadur Gurung, Chetb hakta Baral, Gangadhar Baral, Bamdev Baral, Damu Baral, Dhaknath Baral, Chetnath Baral, Subash Gurung, Lekh Bahadur Gurung, Raj Kumar Baral and Tej Bahadur Gurung, among others, are said to be at high risk, said Madi River Wetlands Coordination Committee member Ram Gurung. He said, "Pieces of boulders from the blasts hit and make holes in the stone roofed ceiling causing the roof to leak." said Gurung.

"The area is dusty and children can neither play nor study," said Subash Gurung. Birjaman Gurung, Nepali Congress Kaski Constituency No 1 president, said various environmental problems were seen in the area due to the project, which was launched without an environment impact assessment.

Bijaya Babu Malla, Madi Hydro-electricity Executive Chairman, said they would compensate the locals. The locals complained that they were not provided sufficient compensation.

Laxmi Baral, a local, said officials said their houses were not damaged so they couldn't be compensated.

Liu Jian, deputy project manager of the Chinese contract company Sino Hydro Bureau, said people's grievances have been reported to the main office of the project as these could not be resolved from here.

The project was launched aiming to generate power within 28 months four years ago in the lake city. The Chinese company Three Gorges and a Nepali private company have jointly invested in the project. Fifty-five per cent work has been completed.

Source: Karobar; 30 April, 2014

Load-shedding not reduced due to fall in generation

The Nepal Electricity Authority (NEA) stated that it has not been able to reduce load-shedding from 12 hours a day this season in lack of precipitation and melting of ice even after the onset of summer.

Generation has fallen by 1.10 million units a day in comparison to the corresponding period last year with the water level in rivers yet to rise while the demand has also increased by the same amount. "There is a difference of 2.20 million units in the gap between demand and generation in comparison to the last year.

We are, therefore, facing problems to reduce load-shedding," Chief of the System Operation Department

Bhuvan Kumar Chhetri said. Load-shedding was reduced from the end of April last year.

He added that one may have to wait until end of May for reduction in load-shedding if the situation were to continue. He revealed that 1.10 million units can be enough to reduce load-shedding by four hours at current situation. The daily demand of electricity now is 11.60 million. NEA has been importing 4 million units from India. There is still deficit of 5.80 million units in the system, according to NEA. There will be six hours of load-shedding a day even during the upcoming monsoon, according to NEA.