

Source: My Republica; 14 September, 2014

Upper Karnali PDA document may be okayed today

The Investment Board Nepal is likely to okay Power Development Agreement (PDA) document for Upper Karnali Hydropower Project on Monday.

The board of IBN led by Prime Minister Sushil Koirala held detailed discussions on the content of PDA for the 900 MW project in Singhadurbar on Sunday. But the meeting failed to take any decision on the document.

Speaking at the meeting, Gobind Raj Pokharel, vice chairman of the National Planning Commission (NPC) said the discussion was lengthy as members of board inquired about each and every technical details in the proposed document.

The discussion continued for more than three hours.

Pokharel said the next meeting on PDA, which is scheduled for Monday, was likely to decide on the issue.

In the meeting, Radhesh Panta, CEO of IBN, had made a presentation on the PDA document.

Deputy Prime Minister Bam Dev Gautam and Prakash Man Singh, ministers, Chief Secretary Lila Mani Paudel, and Nepal Rastra Bank Governor Yubaraj Khadiwada were also present in the meeting.

Pokharel said members of the board held discussion on various issues like VAT subsidy and irrigation, among others. However, nothing was decided on Sunday.

A technical committee led by Pokharel had reviewed PDA document prepared by IBN officials and submitted its report with 24-point recommendations to Prime Minister Koirala on August 30.

The committee has recommended that the developer has to carry out a study within six months of the signing of PDA to ascertain the impact that the project could have on downstream irrigation projects.

Ministry of Irrigation had submitted a written suggestion to the committee, stating that water regulated by the project would affect irrigation projects like Rani-Jamara-Kulariya, Rajapur and Suryapatuwa.

Though some members are against the idea of providing taxpayers money to export-oriented projects as subsidy, the committee has recommended subsidy of Rs 5 million per MW to the developer.

Groups opposing the project have been saying that capacity upgradation of the project to 900 MW will affect downstream projects.

The developer, GMR of India, had increased capacity of the project to 900 MW after signing Memorandum of Understanding (MoU) with the government in 2008.

Source: The Rising Nepal; 17 September, 2014

Nepal's PDA With GMR: The Efforts And Loose Ends:Upendra Gautam

My organisation (Jalshrot Vikash Sanstha, JVS in short) organised a policy workshop on "Power Development Agreement in the context of a project on the Karnali River" on September 5, 2014. Radhesh Pant, Chief Executive Officer, Investment Bank-Nepal (IBN) delivered a presentation on the draft PDA's structure and contents at the workshop attended by about 35 luminaries with experience of and interest in water resources and hydropower development in the country.

Pant's presentation was candid and structured. He explained the efforts that have been made in the IBN in about the last two years on the proposed PDA. Rich in theoretical structure and contents, there were though a number of substantive loose ends, which were eloquently identified by the participants in the workshop, and thus contributing to the enrichment of the present PDA draft.

The substantive loose ends identified were associated with optimally defining the benefits to Nepal in operational terms (time, availability, cost) in view of the serious, widespread and outrageous power outage in the country; the optimum use of water resource in the basin that favourably impacts future upstream and downstream development in the basin; the institutional mechanisms to monitor the project development and regulate the power trade; and currency of repatriation by the developer who will in all probability have a foreign loan component in US dollars and sell power in India in Indian currency.

On resource optimisation in the basin, for example, an explanation that was offered in the workshop was that as a private foreign developer was involved, it increased the project capacity from 300 MW to 900 MW. The developer will naturally go for site optimisation as dictated by the huge and power hungry Indian market, and will not care for resource optimisation in the basin. This explanation, on hindsight, underlined the critical need to have a periodic and thorough water resources assessment study in the country's river basin that helps on the whole the project negotiation capability of the government to secure optimum benefits for the country vis-à-vis a private developer's profit optimisation design.

What came out to be the most important learning from the JVS water and energy workshop was perhaps the limited, that too, very selective consultation that the IBN apparently had with the country's water and energy community (including various government units, non-governmental and civil organisations, expert groups) on the draft PDA. Water and energy are sectors that are complex and have many boundary partners, including foreign and defense just to mention some major ones.

Such a limited and also very selective consultation was perhaps most vividly reflected, for example, in the adverse downstream impact of the proposed "GMR project" on the existing, ongoing and planned irrigation schemes. The draft PDA with GMR, at this stage, seemed just to have caged itself to the following loose understanding of the project impact on the downstream irrigation: "Irrigation projects downstream are located 140 km from the Upper Karnali Project.

PDA required GMR to undertake a study and implement the necessary measures to mitigate any negative impacts on downstream irrigation projects including a re-regulating dam, if necessary."

On the contrary, recent information in the media and study of the Nepal Ministry of Irrigation have shown the adverse impact of the project on downstream irrigation in Nepal. And there were also some experts who opined that if GMR is required to construct a re-regulating dam, it will drop the project simply because the project cost will not be economically viable. Hence, in all probability they will try to show that the project will not have any impact on the irrigation downstream.

The workshop had nothing to say on an observation why the Upper Karnali Project with the cheapest per unit cost was not undertaken by the government itself. Nor was there anything in the workshop that could educate one on how the PDA on the project figured in the total energy system of Nepal that is dominated by the extremely unsustainable import of fossil fuel and very hazardous use of firewood.

Source: My Republica; 17 September, 2014

Chameliya hydel project construction begins after four months

Construction of Chameliya Hydropower Project has started Tuesday after four months of disruption.

China Gerjuwa Group of Power Company (CGGC) – which was awarded a contract for civil construction part of the project – had halted construction works for an indefinite time citing Nepal Electricity Authority (NEA)'s non-compliance to make timely payment in line with the contract.

Project Chief Rajendra Manandhar said the construction works begun since Tuesday after NEA cleared payment to CGGC. With grinding halt of civil construction works, the electro mechanical works led by the Korean Company were also affected.

According to the Chameliya Hydropower Project sources, the Chinese Company has completed 95 per cent of the total civil construction works including digging out of around 4.5-km-long tunnel.

The timeline of the project that started construction since 2007 with the investment of around Rs 13 billion has been extended to March 2015 as the target to accomplish the project by 2011 was failed due to several reasons, said Project Chief Manandhar.

The under construction 30-MW Chameliya Hydropower Project is so far the biggest hydel project in the far-Western region.-- RSS

Source: The Rising Nepal; 17 September, 2014

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Source: The Kathmandu Post; 17 September, 2014

IPPAN seeks review of CIAA directive

Independent Power Producers' Association Nepal (IPPAN) on Wednesday asked for a revision of the order given by the Commission for Investigation of Abuse of Authority (CIAA) to scrap survey and construction license of 10 hydropower projects.

On September 6, the anti-graft body ordered the Ministry of Energy to scrap survey licenses of three companies for failing to conduct the survey, and power generation licences of seven companies for failing to carry out construction work despite completing the survey.

The association said a proper study on the projects has to be carried out before imposing such a “harsh” decision.

The ministry has been asked to scrap power generation licenses of 50MW Karuwa Khola, 6MW Buku Khola, 45MW Lower Indrawati, 175MW Chahare Khola, 400MW Lower Arun, 3.4MW Midim Khola, 14.3MW Upper Mailum Khola, 18MW Upper Solu Khola and 6.8MW Upper Khoranga Khola projects. Those facing annulment of survey licences are 36MW Karuwa Khola, 60MW Bhotekosi-5 and 6MW Buku Khola projects.

“The CIAA decision has put these projects under a big trouble. These projects have already made an investment ranging from Rs 60 million to Rs 250 million,” said IPPAN President Khadga Bahadur Bisht. “Such a ‘carpet’ decision should not be implemented.” He said the government should look at the projects categorically and those having positive track record

should be allowed to work. Bisht said the lack of clarity on the development of hydropower projects too is to be blamed for the “improper” CIAA decision.

“Three government agencies—Department of Energy Development, Nepal Electricity Authority (NEA) and Development Committees—are involved in electricity generation, which has made things messy,” he said. CIAA Spokesperson Sridhar Sapkota said there are no legal provisions for the revision of the CIAA decision. “We ordered the government to scrap their licenses as they could not perform their task in time,” he said.

“The measure was taken to end the tendency of ‘occupying rivers’.”

He said the projects were found not doing financial closure in time and not signing power purchase agreement (PPA) with the Nepal Electricity Authority.

Representatives of the companies facing the CIAA action highlighted problems they face to carry out work on the projects. Rameshwor Rijal, promoter of 14.3MW Upper Mailum Khola Hydropower Project said those willing to “capture” their licenses may have influenced the anti-graft body. “Although there is a clear legal provision that hydropower licenses cannot be

transferred to another company once issued to one, we came to know three developers have applied for the licenses of our projects,” said Rijal.

He said before the CIAA started its investigation, the National Vigilance Centre (NVC) had also probed the projects, but it was satisfied with the performance.

“We have already constructed 12km access roads apart from completing several other tasks,” he said.

Article 49 (5) of the Electricity Act has provisioned the survey has to be completed within five years after the issuance of the license. Based on the same legal grounds, the anti-graft body instructed the line ministry to scrap the license.

Legally, hydropower firms have to complete survey-related tasks like environment impact assessment, feasibility study, and design drawing during the five-year period by any means, and those firms with generation license should start the work immediately after the license issuance.

Sthir Babu Ghimire, managing director of Midim Hydropower Project, said his company was scheduled to complete the financial closure by mid-December 2014.

Other project developers were of the view the CIAA has to make a rational decision by studying each and every project separately.

Source: My Republica; 19 September, 2014

PDA with GMR likely to attract more foreign investment in hydropower

RUDRA PANGENI

Endorsement of the preliminary draft of the Project Development Agreement (PDA) for Upper Karnali Hydropower Project (900 megawatts) by the cabinet on Thursday signals better days ahead for investment in the hydropower sector in Nepal.

Economists and some former bureaucrats said endorsement of the preliminary draft of PDA has sent across a positive message and is likely to attract more foreign investment for hydropower development. The project, which is estimated to cost Rs 110 billion, would be the biggest hydropower project in the country.

The PDA document, which is key to project financing, elaborates liabilities of the developer and the government and addresses possible risks and protection from policy-level changes, among others.

Though it would be the biggest project so far to be developed by a foreign investor in Nepal, endorsement of the PDA by the cabinet has opened the gates for foreign investment in other big hydropower projects, said Posh Raj Pandey, an economist. "It also sends across the message that Nepal is ready to invite foreign investors with arms wide open," he added.

Source: The Himalayan Times; 19 September, 2014

Cabinet endorses PDA on 900 MW hydel project

PTA approved

Rupak D Sharma

Kathmandu, September 18

The Cabinet today endorsed the final draft of the much awaited and debated Project Development Agreement on 900MW Upper Karnali hydroelectric project, paving the way for Investment Board Nepal to seal the deal with GMR Group of India.

The IBN, which is overseeing implementation of the project on behalf of the government, and GMR Group, the project developer, may sign the PDA as early as tomorrow, laying the groundwork for development of the largest hydropower project in the country.

Once the deal is signed, the project developer will have to reach financial closure within two years, meaning all the funds to build the project will have to be arranged by then. The construction work will then have to be completed within five years of reaching the financial closure.

This means the project will start generating electricity by 2021.

“If the company defaults on its promise, it will have to pay the penalty,” an IBN source said, without elaborating.

GMR, which was awarded the Upper Karnali project located in Surkhet, Achham and Dailekh districts in 2008 through competitive bidding, has been holding negotiations on PDA since April 2013.

After numerous rounds of meetings, the IBN’s board meeting, chaired by Prime Minister Sushil Koirala, yesterday endorsed the PDA document, on condition

that some amendments be made.

After making necessary changes, the IBN submitted the document to the Cabinet today.

“The approval extended by the Cabinet today has sent a clear message to foreign investors that the country is open for foreign investors who want to develop hydropower projects here,” the IBN source said.

GMR, an Indian multinational company that constructed New Delhi’s Indira Gandhi International Airport, is building the project on build-own-operate-transfer (BOOT) model. It will hand over the project to the government free of cost and in good operating condition after 25 years of electricity generation.

The project’s condition will be inspected by independent handover expert two years prior to actual handover. The project is expected to continue generating electricity for another 50-75 years from the handover date.

Along with the hydropower plant, the project developer will also hand over 400 kV transmission line free of cost to the government after the 25-year concession period.

Throughout the concession period, the project will provide 12 per cent electricity free of cost to the government and export the rest to India – albeit the government holds the right to purchase up to 50 per cent of the power.

The free energy worth around Rs 81 billion will have to be extended during peak hours when the country’s energy demand is the highest.

The project will also offer 27 per cent free equity in the project worth around Rs 9.45 billion to Nepal Electricity Authority. These shares will generate returns

of around Rs 137 billion throughout the concession period.

In addition, the project developer will extend around Rs 118 billion in royalties, around Rs 1 billion in customs duties and around Rs 10 billion in value added tax during the concession period. However, of the Rs 10 billion extended as VAT, around Rs 4.5 billion will be returned to the developer in the form of cash incentive.

KATHMANDU: Cabinet on Thursday endorsed the preliminary power trade agreement signed by Nepal and India. “The government will have to notify the Parliament,” Law Minister Narahari Acharya told The Himalayan Times, adding, “The document does not need Parliament’s ratification.” – HNS