

Source: The Kathmandu Post; 17 April 2016

Budhigandaki to seek commitment from top leaders

Bid to avoid disruptions

BIBEK SUBEDI

Budhigandaki Hydroelectric Project Development Committee is planning to invite top political leaders to the project site, seeking national-level political commitment for the development of the much-awaited 1200MW hydropower project.

The move is aimed at avoiding any possible disruption at the local-level during the project development, the committee said, adding the event will be held within the next 10 days, in which the leaders will sign a commitment letter. A meeting of the committee with lawmakers from Dhading and Gorkha—where the project is based—on Monday had decided to seek the highest-level political commitment to avoid any possible disruptions guided by political interests. Officials of the committee said such a commitment will bind all the top leaders and any change in the government will not affect the project. “Since this is a national pride project, we want to make sure its development is not affected by political factors like change in the government,” said Laxmi Prasad Devkota, chairman of the committee. “We believe after such a commitment, the entire national-level politicians will have the ownership on the project.” He said it will also make it easier for the project to gather financial support from foreign Exim banks and multilateral lenders.

Currently, the project is in the process of land acquisition. Survey Office and Land Revenue Offices in Dhading and Gorkha, under the leadership of the project, have identified and marked the places to be affected by the project as per the directive of the Ministry of Land Reform and Management.

District administration offices (DAOs) of Dhading and Gorkha have already published land acquisition notices, freezing transaction of about around 59,900 ropanis of land to be acquired. The notice has asked the land owners to present themselves before the DAO to claim compensation by April-end.

More than 8,000 households will be affected by the project, according to the latest report by the project development committee. The report states the reservoir of the storage-type project will completely submerge 3,560 households and they need to be resettled to alternative location with proper compensation. A total of 4,557 households will be partially affected by the project requiring proper compensation.

According to Devkota, a four-member committee will be formed under the leadership of the chief district officer, which will determine the rates of the land to be acquired. The project plans to start the compensation distribution process by mid-June. The project development committee is preparing to demand budget for the project to distribute the compensation from the upcoming fiscal year.

A 263-metre-high dam will be built for the Budhi Gandaki project which will create a lake that could become a tourist attraction. The project is expected to cost around Rs200 billion.

Source: The Kathmandu Post; 17 April 2016

NEA, ADB agree to set up 'central safeguard unit'

Nepal Electricity Authority (NEA) and Asian Development Bank (ADB) have agreed to establish a "central-level safeguard unit" to deal with stakeholders over land acquisition, forest clearance, and right of the way, among others, in electricity transmission line projects under the ADB-funded South Asia Sub-Regional Economic Cooperation (SASEC) Power System Expansion Project.

Such units are presently formed at project-level, but they have not been effective, leading to disruption of projects by government agencies and local stakeholders.

Under the SASEC Power System Expansion Project, there are four transmission line projects and a project to upgrade grid substations.

The projects are Samundratar-Trishuli 3B 132kV Transmission Line, Marsyangdi Transmission Corridor Project, Marsyangdi-Kathmandu 220kV Transmission Line Project, Kaligandaki Corridor 220kV Transmission Line Project and Grid Substation Capacity Expansion Project.

Officials at both NEA and ADB confirmed the two sides have agreed to establish such units under Project Management Directorate (PMD) at NEA which was established at the NEA Organogram to facilitate ADB-funded projects.

Kanhaiya Kumar Manandhar, chief of NEA's Transmission Line Division, said the move will help take coordinated approach to settle any problems that projects face at local-level. "It will also help cut costs," he said.

ADB Country Director for Nepal Kenichi Yokoyama said the lender proposed setting up of the central-level unit to develop the capacity of human resources to enable them to deal with the issues related to right of way, land acquisition and forest clearance.

Given many transmission line projects have remained incomplete due to disruption by locals and forest authorities, ADB believes a team of professionals and experts could help tackle these constraints. "If you leave it to engineers to solve such constraints, they may not be able to convince the stakeholders due to confusion over the government's policies on this issue," said Yokoyama. "There should be professional people to handle the issues and the stakeholders should be provided consistent information about these issues so that they will stay informed."

The SASEC Power System Expansion project is expected to be completed by Dec 31, 2021. The total cost of the project is \$440 million. ADB has signed an agreement with the government to provide financial assistance of \$191.2 million, most of the amount in loan, for the project.

The project will also receive Norwegian grant assistance of \$60 million and loan worth \$120 million from European Investment Bank, according to the Finance Ministry. The government and the beneficiary community have to contribute \$68.8 million for the project.

Energy Secretary Suman Sharma said improved social safeguard measures have become necessary to save energy projects from being disrupted on various pretext. "The latest agreement with ADB could help us move forward systematically on issues like land acquisition," he said.

With energy projects facing hindrances, disbursement of the budget stands at just 10 percent, which is very lower compared to other projects, according to NEA. It has planned to award con

Source: The Kathmandu Post; 18 April 2016

NEA to have veto power in West Seti JV company

The Nepal Electricity Authority (NEA) will have the right to veto any resolution passed by China Three Gorges Corporation (CTGC) through the joint venture company to be formed to build the West Seti Hydropower Project even though the Chinese company will have a majority stake in it.

CTGC will hold 75 percent of the shares in the proposed joint venture company and the Nepal government will hold the rest as per the memorandum of understanding signed between the Chinese company and Investment Board Nepal (IBN) in August 2012.

The government has decided to allow the NEA to hold a 25 percent stake in the joint venture company. Since the Chinese company owns the majority of the shares, it will have the full right to run the joint venture company unilaterally by passing special resolutions.

“We had initially proposed that the NEA’s share should be increased slightly from the 25 percent stake it had been allotted so that it would also have some say in the operation of the joint venture company,” Sher Singh Bhat, deputy managing director of the NEA, told the parliamentary Agriculture and Water Resources Committee on Sunday.

“As the issue of shares had already been settled, we agreed on the NEA’s holding the right to veto any special resolution passed by CTGC.”

The NEA was concerned about its marginalization despite having a significant stake in the proposed company. Shares will also be sold to the general public from the NEA’s allotment. According to Bhat, the NEA had submitted a list of conditions under which CTGC would be allowed to pass special resolutions. “The two sides subsequently agreed that the NEA would have the right to veto these resolutions,” he said. CTGC subsidiary CWE Investment Company had sent a draft joint venture agreement to the NEA for its perusal about nine months ago, but it had made no move to sign the pact until last month.

The state-owned power utility had cited lack of resources and a need to study the country’s projected power demand when the hydro plant is scheduled to come online. As the NEA is the sole power buyer, it is worried about possible losses due to surplus electricity.

Recently, the NEA has shown greater interest in the project. Just before Prime Minister KP Sharma Oli’s trip to China last March, the NEA and CTGC had discussed whether an accord to build the 750 MW West Seti project could be signed during the visit.

A CTGC delegation led Yao Sexiong, general manager of its investment department, and Sylvia Li, business manager, had visited Nepal and discussed the possibility with NEA officials.

During the meeting, the Chinese side had pledged to help find lenders to finance the NEA’s equity portion. The cash-strapped NEA has been suffering losses for a long time.

In April 2014, the Finance Ministry had written to the Chinese government asking for \$400 million in soft loans to allow the NEA to be an equity partner in the joint venture company and build a transmission line to evacuate the power generated by the plant.

According to Bhat, different regulations related to foreign direct investment in Nepal and China have also delayed the signing of the joint venture deal.

The two sides are expected to hold another round of meetings soon. “We have invited them for further talks through IBN,” said Bhat. The West Seti project is estimated to cost \$1.6 billion.

Source: My Republica; 18 April 2016

Damaged hydropower plants yet to bounce back

RUDRA PANGENI

Status of hydropower plants affected by earthquake	
Upper Bhotekoshi (45MW)	Yet to be restored
Hewa Khola (14.9 MW)	Yet to be fully restored
Baramchi (4.2 MW)	Yet to be restored
Charnawati (3.52 MW)	Restored
Jiri khola (2.4 MW)	Restored
Mailung (5 MW)	Yet to be restored
Siurikhola (5 MW)	Restored
Sipring Khola (10MW)	Yet to be restored
Lower Modi 1 (10MW)	Restored
Sunkoshi Small (2.6)	Restored
Chhotekhola (1 MW)	Not known
Lower Chaku Khola	Restored

A year after earthquake

Last year's earthquakes, aftershocks and quake-induced landslides damaged up to 15 hydropower plants, reducing power generation for the national grid by 120.22 MW. This is 15 percent of the total installed capacity at the 49 power plants in the country.

All the damaged projects except one belong to independent power producers (IPPs).



Upper Bhotekoshi hydro power plant damaged by earthquake-induced landslide. (Photo courtesy: IPPAN)

Eight of the projects, including the 45 MW Upper Bhotekoshi Hydropower, have not yet been restored even a year later and the energy loss amounts to millions of rupees in total. Loss of energy generation at Upper Bhotekoshi alone has amounted to 236 GWh, or US \$ 30 million in monetary terms. Project officials say it might take another six months for the restoration work to be completed.

Earthquake-induced flashfloods and landslides during last monsoon further damaged some already damaged projects as well as some new ones. The energy crisis led to power outage of up to 14 hours per day.



Upper Bhotekoshi hydro power plant damaged by earthquake-induced landslide. (Photo courtesy: IPPAN)

Narendra Prajapati, general manager of Bhotekoshi Power Company Limited, said that repair work on the penstock pipes following the monsoon and on the powerhouse that remained submerged in water for over six months was affected by supply constraints and the fuel shortage caused by the Indian blockade. The company is the promoter of Upper Bhotekoshi. All the machinery has to be replaced and it might take another six months to bring the plant back into full operation, added Prajapati.

"Over a tenth of the total energy generation capacity was damaged by earthquake," added Amrit Nakarmi, a professor at the Center for Energy Studies, Institute of Engineering.

Nakarmi added, "The government should have facilitated restoration of the hydropower plants, particularly in view of the shortage of LPG."

Shailendra Guragain, vice-president of Independent Power Producers' Association Nepal, said they had sought government help for subsidized credit in order to restore the damaged projects, but there was no response. "We have not even gotten the price promised for our electricity," complained Guragain.

"I saw the IPPs running from pillar to post to get diesel for carrying out repair work during the Indian blockade, but the government paid them no heed," added Nakarmi.

"Nepal can at least replace diesel and LPG by generating enough electricity and the savings would be worth Rs 50 billion per annum, or nearly 40 percent of the amount the country spends on import of petroleum products," Nakarmi further said.

After relations with India improved, Nepal added 80 MW in power imports from India to make for a total of 315 MW. India did not cut off the electricity supply to Nepal during its blockade.

The effects of the earthquake and Indian blockade are still visible at several power plants that are under construction, including Upper Tamakoshi. This 456 MW project has had to revise its power generation plans. Upper Tamakoshi would be the largest to connect to the national grid.

Pressed by the energy crisis caused by the Indian blockade and the mounting demand for electricity, the government in February announced an energy development plan to end loadshedding fully in two years and develop 10,000 MW of electricity in 10 years.

Source: Karobar; 18 April 2016

Investment in 3 hydroprojects under risk

BABURAM KHADKA

Investment in three under-construction hydropower projects in Rasuwa is under risk with the Nepal Electricity Authority (NEA) not constructing transmission line in time. The NEA has said there will be a four-year delay in construction of the 220 KV transmission line from Chilime hub in Rasuwa to Trishuli 3 B.

Not even preliminary work of the transmission line has been started. Similarly, construction of 220 KV transmission line from Trishuli 3 B to Matatirtha, Kathmandu has also been delayed in lack of approval by the forest authorities and land acquisition. Electricity generated by the projects in the Trishuli corridor cannot be supplied until these two transmission lines are completed.

The NEA should complete the transmission lines by the end of 2017 as per power purchase agreement (PPA) signed with the projects. Work has been delayed by a year due to the earthquake and Indian blockade. Chief of Sanjen Hydropower Project Giri Raj Adhikari said the NEA has now provided a working schedule saying the transmission line in Chilime hub will be completed only in 2020.

“The generated electricity will go in waste and the project will have to pay installments to the Employees Provident Fund (EPF) in lack of timely construction of the transmission lines. The NEA should pay attention toward that,” he added. Land owners moved the Supreme Court seeking a higher rate for compensation during land acquisition for sub-stations in the Chilime hub, according to him, and the case is sub judice for a year.

KfW Development Bank of Germany and European Investment Bank (EIB) have signed agreement to provide Rs 8 billion in loan and grant for the transmission lines. He claimed that the NEA was late even in appointment of consultant for the transmission lines. “No transmission line constructed in Nepal has been completed in the scheduled time. It will not be possible even in this project,” he added.

He stated that it will be very hard to meet the standards required by KfW and EIB. Chiefs of Sanjen and Rasuwagadi claim that the projects will be completed by December, 2018 even if the earthquake affected construction for a year.

Deputy Managing Director of the Transmission Line Directorate at the NEA Kanaiya Kumar Manandhar conceded that there has been delay in construction of transmission lines. “The process of appointment of consultant is in the final stage,” he claimed. He argued that construction was affected due to different reasons even though the action plan was prepared in a way to complete the transmission lines in 2017. Rasuwagadi (111 MW), Upper Sanjen (14 MW) and Lower Sanjen (42 MW) are being developed by Chilime Hydropower Company Limited under the NEA. The three projects will generate 950 million units of electricity a year. The two Sanjens will cost Rs 7.24 billion and Rasuwagadi Rs 13 billion. The EPF is the main investor of the projects.

Source: Karobar; 20 April 2016

1500 MW to be added in three years

The Energy Ministry has prepared the 14th Three-Year Sectoral Plan for Energy to increase access of people to electricity generation. It has submitted the plan for generation, transmission and distribution of electricity for the fiscal year 2073/74 to 2075/76 to the National Planning Commission (NPC).

The NPC has already started discussions to include the programs related to the energy sector in the 14th Plan which has projected that the country will become self-dependent in electricity and be in a position to export within the next 14 years. All the energy related goals of the 13th Plan, that ends this July, have not been achieved. These programs will be continued even in the 14th Plan.

The ministry has prepared a plan to generate 1500 MW and start construction of projects with installed capacity of another 2000 MW within the next three years. Similarly, 4,000 kilometers of transmission lines with varying capacity will be constructed to transmit the generated electricity.

Similarly, electricity leakage will be reduced from 24 percent to 21, and the proportion of people using electricity will be raised by 12 percentage points to 70 percent. It also mentions that electricity will be expanded to 105 more VDCs. electricity will be provided to 750,000 households from the national grid during the plan period and per capita electricity consumption will be raised to 160 units from current 132.

Under Secretary at the ministry Gokarna Pantha said the 14th Plan has been developed as a plan for development of energy as per the Concept Paper on National Energy Crisis Prevention and Electricity Development and action plan. "The government has adopted the strategy of increasing public private partnership (PPP) and cooperative investment to meet the targets. We will meet the targets through massive improvement in electricity generation, transmission and distribution systems, and by creating investment friendly environment to bring foreign investment for big and multipurpose projects," he added.

He revealed that power purchase agreement (PPA) will be reviewed and new rates for peaking and reservoir-based projects will be set to bring in more domestic investment. PPA rates have been set only for the run of the river projects until now.

The target of 1500 MW will be achieved, according to the ministry, by completing Upper Tamakoshi (456 MW), Kulekhani III (14 MW), Chameliya (30 MW), Trishuli 3 A (60 MW), and more projects from the private sector. He added that construction of Budhi Gandaki (1200 MW), Tanahu (140 MW), Nalsinghad (410 MW) and West Seti (750 MW) will also be started during the period.

Detailed study of Sunkoshi II (1100 MW), Sunkoshi III (530 MW), Andhikhola (180 MW), Uttar Ganga (300 MW), Dudhkoshi (300 MW), Kali Gandaki (660 MW) and Naumure (245 MW) will be completed and master plan prepared within the three years. The 10-year electricity development plan aims to generate 5000 MW. The government has already announced to rid the country of load-shedding from Nepali calendar year 2074 starting mid-April 2017.

Targets of 13th Plan and Achievements

Indicators	Targets	Achieved	Difference
Per capita consumption (in units)	140	132.65	- 7.35
Installed Capacity (in MW)	1426	829	- 596
Transmission Line (in km)	2940	2884	- 91
Access of Population (%)	67	61.97	- 5.03
Additional Beneficiary Households	3.339m	2.868m	- 471,000
33 KV Line (in km)	5000	4100	- 900
11 KV Line (in km)	27500	29274	1774
Number of VDCs	3000	2895	- 105

Source: My Republica; 21 April 2016

Solu Corridor Transmission Line entangled in controversy

The 132-KV Solu Corridor Transmission Line being constructed by the Nepal Electricity Authority (NEA) has been mired in controversy.

The dispute related to the process of selecting the contractor for the project has now reached the Public Accounts Committee (PAC) of the Legislature-Parliament from the Commission for the Investigation of Abuse of Authority (CIAA) and the Supreme Court.

The then Energy Minister Radha Gyawali and other NEA officials had to face the music after the CIAA pronounced that the process of selection of the contractor for the project was faulty.

However, the Supreme Court on March 16 decided that the CIAA's decision was wrong.

Following the Supreme Court's decision, another contractor company which was denied the contract because of the apex court's latest decision has been expressing its dissatisfaction.

The parliamentary committee has decided to take more information from Energy Secretary Rajendra Kishor Chhetri who wrote a note of dissent against then decision process for appointing the contractor.

The meeting of the PAC today discussed this issue and concluded that it will take the appropriate decision on the matter only after holding further discussions, saying the then Minister and the Energy Secretary were in dispute regarding the process of selecting the contractor and that the project works were also halted.

The NEA will have to cough up Rs 1.38 billion in compensation after two years in case the transmission line project is not completed.

One of the bidders filed a complaint at the CIAA after the NEA Board of Directors' meeting on 21 August 2015 approved the bid of Mohan Energy which had bid Rs 270 million more.

In today's PAC meeting, Deputy Prime Minister and Minister for Energy Top Bahadur Rayamajhi urged PAC to take appropriate decision so that the project could be taken forward while making those who took wrong decision liable for punishment.

Secretary at the Ministry of Energy Suman Prasad Sharma also asked the PAC to make the required decision regarding the project as there was no question of halting the project altogether although different sorts of comments were made regarding the NEA Board of Directors' decision.

Executive Director of NEA Mukesh Raj Kafley said there was nothing wrong in the contractor selection process and that they were waiting for the PAC's appropriate decision in this regard.

Lawmakers Dr Minendra Rijal, Ram Hari Khatiwada, Bikash Lamsal, Sarbendra Nath Shukla, Jaya dev Joshi, among others, speaking in the committee meeting today, demanded action against those making erroneous decision regarding the selection of the contractor for the project.

The meeting was chaired by PAC chairman Janardan Sharma. RSS

Source: The Kathmandu Post; 21 April 2016

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Source: Karobar; 22 April 2016

46% of FDI in energy

Hydropower sector has received 46 percent of total foreign direct investment (FDI) in Nepal. Investment commitment for Rs 87.56 billion has been received in the sector out of the total FDI commitment of Rs 190 billion received by the end of ninth month in the current fiscal year ending in mid-April, according to the Department of Industry.

“Hydropower has become the main sector for investment. It has increased as the sector is big and the prospects for return are also attractive,” Director at the Department Bipin Raj Bhandari said. Commitment of Rs 54 billion was received for five projects in the last fiscal year. “This year only two projects have been added probably due to the earthquake and Indian blockade. Investment is also low,” he added. A total of 74 projects have been established in Nepal until now and they have expressed commitment to provide jobs to 10,000.

Foreign investors are attracted toward the sector as the government has prioritized the sector, simplified the process for acquiring license, ease bank finance and brought provision to sign power purchase agreement (PPA) in US dollar. The Investment Board, Nepal chaired by prime minister has been formed to bring in foreign investment. The government has also already signed project development agreement (PDA) with promoters of Upper Karnali and Arun III. Power trade agreement (PTA) has already been signed with India to create investment environment while the government is also providing grant of Rs 5 million for every MW, full tax waiver for 10 years and 50 percent waiver for the next five years.

President of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) Pashupati Murarka said foreign investment is necessary for energy sector. He stated that everyone including commoners and entrepreneurs is affected by extreme load-shedding. “We must increase investment in hydropower sector and become self-dependent in it for transformation of the country. Political parties must come together for that through commitment and action,” he opined. He added that investment will rise significantly if the government were to create investment environment. The government has already unveiled the Concept Paper on National Energy Crisis Prevention and Electricity Development Decade to increase investment in the sector.

Manufacturing sector follows hydropower sector in terms of FDI commitment, according to the department. A total of 968 manufacturing projects have been established in Nepal by the end of ninth month of the current fiscal year. Commitment of Rs 35 billion (19 percent) has been received for the sector. Investment has also significantly increased in tourism sector. A total of 1,167 projects have been started to invest in the tourism sector. “FDI commitment for Rs 36 billion has come through the projects,” Bhandari revealed.