

Source: Karobar
2nd February, 2014

HIDCL garnering equity fund for hydroprojects

Baburam Khadka

The Hydropower Investment and Development Company Limited (HIDCL) is set to bring investment from foreign banks and financial institutions through equity fund to garner investment for energy even from abroad with its own fund proving inadequate for hydropower projects.

It has taken initiative for soft loans from the Asian Development Bank (ADB) and the World Bank (WB) to bring more investment in projects. The company currently has Rs 8.77 billion that can build only a project of 55 MW. "We are facing problems to garner our own capital for hydropower projects," Chief Executive Officer (CEO) of HIDCL Dipak Rauniyar stated. We are bringing hydro equity fund of US\$ 50 million to invest up to 15 percent. We are holding discussions with banks and financial institutions of different countries for that. We need equity capital of 30 percent to generate investment of 70 percent. The equity fund aims to garner that," he elaborated.

He revealed that two foreign banks have expressed interest to invest on the fund to be operated by HIDCL. He added that OPG Power and Infrastructure of Britain is ready to directly invest Rs 1 billion on the project as equity capital. "OPG has given words to invest Rs 1 billion immediately after we give a financially lucrative project. We have also started discussions with ADB and WB for soft loans. The institutions are positive about soft loans," he claimed.

HIDCL has signed investment agreement of Rs 1.70 billion in three hydropower projects of up to 15 MW in co-financing with different banks. It is also investing 14 percent in equity capital on Power Transmission Company Nepal Limited (PTCN) to construct 40-kilometer 400 KV Transmission Line from Dhalkebar to Bhattamode as part of the Nepal-India Transnational Transmission Line. The amount of investment has not been finalized for this project as the investment structure has yet to be decided. HIDCL has also signed loan agreements with promoters to invest Rs 1 billion in 42 MW Mistrikhola Hydropower Project, Rs 500 million in 27 MW Dordikhola Hydropower Project, and Rs 200 million in 23.5 MW Upper Solu Hydropower Project. A few other projects are in the pipeline for investment. It will invest the balance amount in the projects through co-financing.

HIDCL has invested in projects of at least 15 MW in co-financing with banks and financial institutions by expanding the scope of investment. It has taken a decision of investing a minimum of Rs 200 million on projects of 15-25 MW by expanding the investment structure. It earlier had the provision of investing at least Rs 250 million in projects of up to 25 MW.

HIDCL has already received Rs 8 billion from those owning promoter shares. It has collected Rs 5 billion from finance, energy, and law ministries and the Office of the Financial Comptroller General, and Rs 3 billion from the Employees Provident Fund, Rastriya Beema Sansthan and Citizen Investment Trust. HIDCL is selling 2 million shares of Rs 1,000 per unit worth Rs 2 billion to the commoners. It is doing internal preparations.

Source: The Himalayan Times
3rd February, 2014

Expedite work at Tamakoshi: Govt

Says the hydropower project won't face shortage of budget or staff

Government has called upon developers of Upper Tamakoshi to expedite the processes of constructing powerhouse and land acquisition to build transmission lines so as to bring the 456-megawatt hydroelectric project into operation within the deadline of mid-July 2016.

The instruction was given by secretary at the Office of the Prime Minister and Council of Ministers Krishna Hari Baskota during a visit to the project site today.

"Since Upper Tamakoshi is a project of national pride, it won't face shortage of budget or staff. The project developers should, therefore, focus on completing the construction work on time, especially construction of penstock shaft, powerhouse, transmission lines and sub stations," secretary Baskota said, urging staff members to stay in touch with consultants and contractors, and address contentious issues then and there.

The run-of-the-river project, being financed by domestic financial institutions and companies, is located at Lamabagar village development committee of Dolakha district.

The largest shareholder in the project is Nepal Electricity Authority (NEA) with a stake of 41 per cent. Other shareholders include: Nepal Telecom (six per cent), Citizen Investment Trust (two per cent), Rastriya Beema Sansthan (two per cent), public (15 per cent), locals of Dolakha (10 per cent), and clients of Employees Provident Fund, and employees of Tamakoshi Hydropower Company, NEA and lending institutions (24 per cent).

The project, which is being built at a cost of Rs 35.29 billion, has so far utilised Rs 16.29 billion of the total budget. With this money, works are underway on all four fronts of civil construction, hydromechanical and electromechanical equipment designing and installation, and building of transmission lines and substations.

According to Baskota, almost 51 per cent of work on building concrete structure at headworks is complete. Similarly, construction of main tunnel is 58 per cent complete, building of tailrace tunnel is 77 per cent complete, and construction of other tunnels is almost 90 per cent complete.

Among others, a 68-km road has been constructed to reach the site where the intake is located. The project's headworks -or the diversion point from the waterway -is also being built at Lamabagar and the work is expected to be completed by next winter.

Currently, the project's civil construction works are being carried out by China-based Sino Hydro Company. It has bagged a contract of Rs 13.37 billion to build dam, intake, de canter, main tunnel, search 2 tank, penstock, underground 2 powerhouse and tailrace tunnel, among others. The Chinese 3 company is expected to complete these works by mid-April 3 next year. 3 Similarly, the work of design 3 ing, testing and installing hy 3 dromechanical equipment has 3 3 been contracted out to India 3 based Texmaco Rail and Engi 4 neering Ltd, and works related 4 to designing, testing, installing 4 and commissioning electro 4 mechanical equipment have 4 been outsourced to Austria 4 based Andes Hydro GMBH. 4 Among others, works related 4 to building and testing 47-km 4 transmission line from Gongar 4 -where the powerhouse is located -to Khimti substation 5 have been handed over to India-based KEC International. 5 Once the project is complete, 5 it will sell per unit of electricity 5 at a cost of Rs 3.63 during wet 5 5 season and Rs 6.98 during dry 5 season to NEA.

Source: My Republica

3rd February, 2014

NEA may remove 'take or pay' provision in new PPAs

The Nepal Electricity Authority (NEA) is mulling over removing the provision of 'take or pay', from the new Power Purchase Agreements (PPAs), for power generated during wet seasons for five years starting 2016/17.

NEA Spokesperson Sher Singh Bhat said such a move was necessary to prevent NEA from facing huge loss as the state-owned energy monopolist will enjoy power surplus during wet season after energy generated by Upper Tamakoshi comes into the national grid.

"As per our demand projection, power generated during five months of wet season will go to waste due to low consumption and lack of infrastructures to export power to India," added Bhat.

A recent study of NEA shows that its load system will have surplus in wet season after the 456-megawatt Upper Tamakoshi Hydropower Project starts generation in 2016. Energy generated by Madhya Bhotekoshi (102 MW), Rasuwagadhi (111 MW) and Sanjen (42.5 MW) will be connected to the national grid soon after. Most of these projects are run-of-river projects and operate in full capacity during wet months. Still the nation will face power shortage during dry season.

Power developers say investors will be discouraged if NEA decided not to buy all energy generated by hydro power projects throughout the year. President of Independent Power Producers Association (IPPAN) Khadga Bahadur Bisht said the decision will affect small and medium-scale projects that are currently under survey.

NEA has so far PPA with projects having installed capacity of 2000 MW. Similarly, DoED has issued license to 200 projects with total installed capacity of 10,300 MW. A total of 58 projects with total installed capacity of 3,600 MW are currently under construction.

Source: My Republica

4th February, 2014

NEA facing shortage of transformers, meter boxes

The Nepal Electricity Authority (NEA) has stopped installing new electricity lines to small and medium scale factories for the past couple of months citing shortage of transformers.

After a long delay, NEA recently initiated procurement of transformers as its officials were hesitant to place fresh orders after the earlier procurement process fell into controversy. According to officials, transformer procurement process takes at least five months.

The process of procuring transformers and other auxiliary equipments including, meter boxes, was disrupted for 18 months due to the controversy. Investigations were launched after the previous supplier delivered substandard transformers. Tenders to procure these transformers were conducted between 2008 and 2011.

"The shortage of transformers has affected the process to install electricity lines in new industries, especially small and medium scale industries," Ram Chandra Pandey, chief of Distribution and Consumer Services Department of NEA, conceded.

NEA provides transformers to industries requiring power up to 50 KVA. Firms that need power higher than 50 KVA have to manage transformers on their own.

At present, the state-owned power monopoly has only used transformers in stock.

NEA generates around 38 percent of its total revenue from the industrial sector.

"We are forced to postpone the process of connecting new lines for industries due to shortage of transformers," said Pandey. He also said NEA would be able to distribute line for industries only after mid-June when new transformers start to arrive.

In the fresh procurement plan, NEA has placed order for 1,200 transformers.

NEA officials say they have been receiving demand for transformers from at least two dozen factories every month.

"Small and medium scale factories aren't getting power connections in time," Bhaskar Raj Rajkarnikar, senior vice-president of Federation of Nepalese Chambers of Commerce and Industries (FNCCI), said.

The Industrial Policy 2010 envisages supporting industries by providing power in a convenient manner. However, entrepreneurs complain that the government has failed to live up to the commitments made in the policy.

Pandey also said the shortage of transformers has affected the ongoing community electrification programs launched in different parts of the country. NEA has also been failing to provide electricity for household purpose due to shortage of meter boxes.

Several distribution offices of NEA in Kathmandu valley and eastern region have already published public notice, requesting consumers to put their applications on hold for the time being.

NEA initiated the process to procure meter boxes only recently.

Source: The Himalayan Times
5th February, 2014

Ridi to be sixth listed hydro firm at Npse

The stock market will soon list a sixth hydropower company, as Ridi Hydropower's public offering has received the green signal from the regulator.

Securities Board of Nepal (Sebon) has approved Ridi Hydropower Development Company Ltd to float 1.1 million units of ordinary shares to the public within the next two months.

Back in October, the hydropower company had issued 300,000 unit shares to locals of Palpa and Gulmi, who had been affected by the 2.4 MW Ridi Khola Small Hydropower Project, from October 4. The project is promoted by Arun Valley Hydropower, among others and has projected 10 per cent appreciation of net worth in the next three years, according to a letter published for local offering.

Regulation requires hydropower companies to float a minimum of 10 per cent of issued capital as shares to locals before they open their issue to the general public.

Nepal's only credit rating agency — Icra Nepal — has assigned 'IPO Grade 3' credit rating to the IPO, indicating average fundamentals for the company. The company has been operating the 2.4 MW Ridi Khola Hydropower project since October 2009. It earned Rs 21.2 million profit last fiscal year.

At present, there are five hydro companies listed at Nepal Stock Exchange (Npse) — National Hydropower Company, Butwal Power Company, Arun Valley Hydropower Company, Chilime Hydropower Company and Sanima Mai Hydropower. The most recent listing was that of Sanima Mai two weeks back and its share price has crossed Rs 500 as of now.

The total market capitalization of the hydropower subgroup stands equivalent to seven per cent of total market capitalization.

Source: The Himalayan Times
5th February, 2014

Eight projects pledge to add 170.47MW of electricity **NEA calls for development of reservoir-type hydro plants**

Eight hydroelectric project developers have entered into power purchase agreement (PPA) with Nepal Electricity Authority so far this fiscal year, expressing commitment to add 170.47 megawatts of electricity to the country's energy grid in the years to come.

With the signing of these contracts, the total number of projects to take part in the country's power production race has topped 153.

If the developers of these projects are able to live up to their promise, the country may start generating 2002.21 MW of electricity within the next five years — the estimated time taken to complete the project from the date of PPA signing.

Power Purchase Agreements signed this fiscal

Company	Project	Location	Capacity (KW)
Manakamana Engineering Hydropower	Ghatte Khola	Dolakha	5,000
Essel Clean Solu Hydropower	Lower Solu	Solukhumbu	82,000
Conrorium Power Developer	Khare Khola	Dolakha	24,100
Upper Solu Hydroelectric Company	Solu Khsola	Solukhumbu	23,500
Singati Hydro Energy	Singati Khola	Dolakha	16,000
Maya Khola HP	Maya Khola	Sankhuwasabha	14,900
Idi Hydropower	Idi Khola	Kaski	975

"We aren't sure whether all developers that have signed PPA will be able to complete their projects on time, but if they do, country may be able to meet the electricity demand forecast for the year 2018-19," NEA spokesperson Sher Singh Bhat said.

As per NEA's forecast, power

demand will reach 1,906 MW by 2018-19. The demand for electricity currently stands at 1271.70 MW against the actual production of around 762 MW. "But even if the supply meets the demand in the next five years, power cuts may not be a history in the country," Bhat warned. This is because the projection on electricity generation has been made on the basis of power that can be produced during the wet season.

This means the country may have the capacity to generate 2002.21 MW of electricity in the next five years, but this production will be limited to around eight months every year when there is rain. And during dry seasons, the country will continue to reel under power outages as electricity production capacity of hydro projects will go down.

"This calls for the need to build more reservoir-type hydro plants, which can collect rain and use it to generate

electricity during the dry season,” Bhat said, without elaborating how many reservoir-type projects are required for the country to end the power crisis.

Currently, all hydro plants in country are run-of-the-river, except for 60-MW Kulekhani 1, which is the only reservoir-type hydro project. The government is currently planning to build another reservoir-type hydro plant— 600-MW Budhi Gandaki — but it may take years to complete.

Even if this project is complete, NEA is worried that power generated through run-of-the-river projects may go to waste during off-peak hours when country’s power generation capacity is expected to hit 2,002 MW. NEA has identified 11:00pm to 5:00am as off-peak hours, 5:00am to 5:00pm as normal hours and 5:00pm to 11:00pm as peak hours.

“As per the power demand forecast for 2019-20, the country will need 1,906.90 MW of electricity during peak hours, whereas installed capacity will top 2,002 MW if hydro project developers fulfil the commitment expressed while signing the PPA. This means a lot of power will go to waste during off-peak hours and normal hours,” Bhat said. “Considering this situation, it would be wise if government starts building more transmission lines to export power to India.”