

Source: The Himalayan Times; 22 February, 2014

IFC plans stake in Upper Karnali hydro project

Rupak D Sharma

The International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, has formally started holding talks with India-based GMR Energy to acquire a stake in the 900-megawatt Upper Karnali hydropower project, at least two people with knowledge of the matter said.

The revelation comes at a time when Electricité de France SA (EDF), a state-owned power company in France, is said to be in talks with GMR Energy to buy a stake in the same project.

“Yes, the IFC is interested in acquiring a stake in GMR's Upper Karnali hydro project because the company can be trusted and it has carved a niche for itself in the sector,” a reliable source said. While he did not mention the stake that the IFC was planning to acquire in the project, another source said the IFC was seeking to acquire `10 per cent stake in the project'.

The Himalayan Times tried to confirm the matter with IFC and GMR.

But IFC resident representative Valentino S Bagatsing said he would have to confirm with his headquarters in Washington, while assistant vice president at GMR Group Rajib Misra hung up the phone saying he was `not the concerned official to discuss the issue'.

However, the sources that THT talked to said that at least two rounds of talks have been held between IFC and GMR officials on the matter.

If the deal goes through, it will be the second time that the IFC and GMR will be entering into partnership to develop hydroelectric project in Nepal.

Earlier in December, the IFC had signed an agreement with GMR Energy, the energy arm of the GMR Group of India, to jointly develop the 600MW Upper Marsyangdi-2 hydropower project.

The Upper Karnali project is being developed by a consortium comprising GMR Energy, GMR Infrastructure and Italian-Thai Development Project.

Once ready, developers of the export-oriented project will give away 12 per cent of power free of cost to the government. Also, the developers have to hand over the project to the government for free within 30 years of the date of commencement of power generation.

Despite these benefits, the country has not been able to put construction of the project on a fast track. And lately negotiations on Project Development Agreement between the government and project developers have also stalled. This was because of demands for income tax concession placed by the project developers. The government has said such discounts can be extended only at the beginning of the fiscal year when the fresh Financial Act is introduced.

My Republica; 23 February, 2014

Ridi Hydropower's IPO oversubscribed by 92 times

SAGAR GHIMIRE

The Initial Public Offering (IPO) of Ridi Hydropower Development Company has been oversubscribed by 92 times.

Bhisma Raj Chalise, CEO of Civil Capital Market - the issue manager for the IPO, said they have received around 90,000 applications for 1.17 million units of primary shares with face value of Rs 100. "We have collected approximately Rs 11 billion from the applicants," added Chalise.

Crowd had thronged six collection centers in Kathmandu on all four days beginning February 16. The application was closed on Thursday after the IPO was oversubscribed. Some investors had even complained that they could not get application forms from the issue manager.

Chalise, however, termed such reports baseless. "We spared no effort to ensure that people apply for shares in a hassle-free manner," he added.

Ridi Hydropower is the sixth hydropower company to go public. So far, Arun Valley Hydropower Development Company, Butwal Power Company, Chilime Hydro Power Company, National Hydro Power Company, and Sanima Mai Hydropower have issued primary shares. Similarly, Upper Tamakoshi Hydro Power (UTHP) has sought permission from the Securities Board of Nepal (Sebon) to float 25.42 million units of shares to public, while Barun Hydropower Company has applied for permission to issue 243,000 units of shares to the people in the project affected area.

Analysts attribute the growing interest of investors toward IPOs to the rising stock prices in the secondary market. "People are interested toward IPOs as they expect the price of primary shares bought at Rs 100 each would go significantly once they are listed in the second market," Narendra Sijapati, president of Stock Brokers Association of Nepal (SBAN), told Republica.

Chalise echoed Sijapati and underlined the need to introduce OpenIPO to allocate primary shares in a more systematic manner.

ICRA Nepal, a credit rating agency, has assigned an "[ICRANP] IPO Grade 3", to the IPO of Ridi Hydropower. ICRA Nepal assigns IPO grading on a scale of Grade 1 through Grade 5, with Grade 1 indicating strong fundamentals and Grade 5 indicating poor fundamentals.

the himalayan times; 25 February, 2014

NEPAL Hydel works halted

LAMJUNG

Workers at the 50-megawatt Upper Marsyangdi-A Hydro Project at Bhulbhule VDC in Lamjung have halted work from Monday. The project, which began a year ago, has already lost about a month and a half in the past due to protests from different sides. Arjun Gurung, an official at the project, said workers on Monday resorted to strike again, just weeks after work resumed. The agitating workers are demanding insurance of up to Rs 2 million and employment to local youths. About 700 labourers, including 200 Chinese, are working at the project, which is expected to be completed in three years. - HNS

Karobar; 26 February, 2014

1756 MW of electricity to be added in seven years

Installed capacity of 1756 MW will be added in the country through 117 projects being constructed with government and private investment in the coming seven years if they were to be completed in time. The total installed capacity of Nepal will reach 2590 MW, excluding the thermal plants in Duhabi and Hetauda with combined installed capacity of 53 MW, which is higher than the projected demand of 2000 MW after seven years.

There will be no load-shedding during the rainy season and only a few hours of power cuts during the winter if the projects were to be completed in scheduled time. The promoters of these 117 projects have signed power purchase agreement (PPA) with the Nepal Electricity Authority (NEA). The total installed capacity is currently 700 MW from 38 projects developed by the government and private sector. NEA has projected that 3 billion units of electricity will go in waste during the rainy season after seven years.

All of these under-construction and to be constructed projects will be completed if the proposed transmission lines were constructed and there were no obstruction at the local level. NEA and subsidiary companies under the Energy Ministry will develop projects with installed capacity of 862 MW while the rest will be developed by the private sector. Another 136 MW will be generated from projects constructed by NEA including 60-MW Trishuli 3 A, 32-MW Rahughat, 30-MW Chameliya, and 14-MW Kulekhani III. The promoters of 83-MW Lower Solu, 50-MW Upper Marsyangdi A and 54-MW Likhu IV are bringing in foreign investment. Likhu IV, to be constructed to export electricity to India, has done a fall-back PPA with NEA for a limited time. Khimti (60 MW) and Bhotekoshi (45 MW) have already been constructed with foreign investment.

Upper Tamakoshi (456 MW) will be completed by June, 2016, Rasuwagadi (111 MW) and Mid Bhotekoshi (102 MW) by June, 2017, and Sanjen (42 MW) to be completed by December, 2015 are the bigger projects to be completed within seven years. The promoters of five of the six projects given to the private sector for construction by the government through free competition have expressed commitment to complete construction by December, 2019. Mistrikhola (42 MW) is scheduled to be completed by May, 2016, 27-MW Dordikhola and 30-MW Khanikhola by April, 2016 and Lower Solu by July, 2018. Seven

different small projects will be completed and 40 MW of electricity will be added to the national grid during the current fiscal year, according to NEA.

The promoters have been complaining about problems in financial arrangements due to lack of construction of transmission line in time. President of the Independent Power Producers, Nepal (IPPAN) Khadga Bahadur Bista states that there will be problems of transmission lines even if only 80 percent of the proposed projects were to be completed in time. "There is possibility of completion of 80 percent of the projects whose PPA has been done even if all cannot be completed. Many projects will be completed in time if the problem of transmission lines were to be resolved. Lack of transmission lines has become a big problem in electricity development," he added.

NEA Spokesperson Sher Singh Bhat claims that PPA has already been done in a way that can meet the demand during peak load period. Conceding that lack of transmission lines is the main problem he adds, "The banks do not invest on projects if the transmission lines are not completed in time and the projects are not constructed." He also concurs that many projects will be completed in time if attention were paid to construct transmission lines in time. The promoters have to pay compensation at an annual rate of five percent to NEA if the projects are not completed in scheduled time as per the agreements. Similarly, NEA also has to pay compensation of five percent to the promoters if it fails to construct transmission lines in time.

The government has issued generation license for 2150 MW to the promoters until now while 38 projects with combined installed capacity of 700 MW have already been completed.

Lack of transmission lines main problem

Though NEA is rapidly signing PPA with promoters in recent times, the projects are likely to be affected due to uncertainty about timely completion of transmission lines. Projects are likely to be delayed due to lack of construction of transmission lines in Koshi, Kabele, Solu, Kaligandaki and other corridors. The government is preparing master plan for transmission lines targeting the additional projects to be completed in the coming days and the Electricite de France (EDF) has already won the contract for the master plan that will be constructed within one and half years of start of work as per the agreement.

Electricity generated during the monsoon is being wasted in lack of construction of big transmission lines. Even the identified projects do not look feasible while NEA has also not been able to sign PPA with private promoters in lack of construction of transmission lines. Electricity generated by the Sipringkhola Hydropower Project (10 MW) developed by Synergy Power has not been connected to the national grid due to lack of transmission line. Similarly, there is no certainty about whether the 22-MW Sanimamai Hydropower Project being constructed by Sanimamai Hydropower Limited will be connected to the national grid this year as the transmission lines in the Kabeli corridor do not look likely to be completed in time.

The Kathmandu Post; 26 February, 2014

Employees obstruct construction of Upper Marsyangdi 'A' Hydropower Project

The construction works of Upper Marsyangdi 'A' Hydropower Project based in Bhulbhule of Lamjung have been disrupted since Tuesday.

The under construction project has witnessed obstruction with the project employees staging protest demanding hike in their perks and benefits.

Nepali workers serving with the hydel project have staged sit-in protest and handed over a memorandum to Chief District Officer after the project management did not heed their demands.

The agitating employees under the leadership of Nepal Indigenous Nationalities District Coordination Council launched the protest programme including sit-in and submission of memorandum to district administration office.

While submitting the memorandum, the employees have demanded daily wages of Rs 600, eight hours work provision, leave arrangement and minimum monthly salary of Rs 20,000.

The employees have also demanded life insurance of Rs 2 million, risk allowance and provident fund. Among other demands presented to the management are the construction of well-equipped health centre and ambulance in project site/.

The employees have also blamed the management for discriminating between Nepali and Chinese workers in the project in terms of incentives and benefits.

The project construction being undertaken on the joint venture of a Chinese company Sino Hydro and Sagarmatha Power Company of Nepal is said to be completed within a couple of years.

Source: The Himalayan Times; 28 February, 2014

Hydro projects to be launched in Lamjung

Preparations are on to launch at least four new hydro-projects within a year along the Dordikhola corridor in Lamjung.

The cost of the four hydro-projects, with a total capacity of 112 MW, is estimated at Rs 18 billion.

Liberty Hydro (25 MW), Tallo Dordi (27 MW), Super Dordi (49.6 MW) and Ledko (10.3 MW) are in the pipeline. Of the four, the 25 MW Liberty Energy Hydro power Pvt Ltd completed the PPA a year ago. The project has completed all financial closure worth Rs 4 billion, whereas the PPA preparation for Super Dordi kha Hydro-project is on. The estimated cost of the project is Rs 8.29 billion and national investors will be involved in its construction.

Keshav Bahadur Rayamajhi, Managing Director of People's Hydro power Company, said construction of the project will start within a year.

Likewise, preparations are on to start construction of Tallo Dordi Khola Hydro-project. The project was granted licence in 2012 and the estimated cost of the project is Rs 4.3 billion.

Lamjung Electricity Development Company, is preparing to start work on construction of Dordi-1 hydro project within a year. The PPA of the project will be completed within a few months, said Managing Director of the project Binaya Bhandari. The project is estimated to cost Rs 1.8 billion.

Meanwhile, district folks have put forward their demands, including skill and development training, priority in job employment, maximum use of local resources, construction of road and drinking water facility in the locality, support for mothers' groups, local youth clubs and schools, among others, before the projects are launched.

Dordikhola locals have warned they will not allow the projects to be launched unless their demands are addressed.

They have demanded investment of at least 3 per cent of the total investment in developmental activities of the area along with free 10 per cent share of the hydro-project to locals, training management for youth of the locality, and employment for them.

The investors have vowed to fulfil all feasible demands.