

Source: The Rising Nepal, June 29, 2014

## **Why No PPA In Dollar?:Yogesh Pokharel**

There is a hot debate brewing these days. Intellectuals and experts, especially in the hydropower sector, are leading the debate. Recently, the debate has reached the Public Accounts Committee, too. Honourable lawmakers are deliberating on the issue. Actually, the issue is whether we should purchase electricity produced by the hydropower projects in Nepal by signing the Power Purchase Agreement (PPA), an agreement to ensure the purchase of power produced by a hydropower project, in foreign currency or not. The mini House already had a hot discussion on the issue a few days back. The lawmakers were partly divided on the issue. The argument is yet to be settled.

The debate is really interesting for those who have an insight into the story. A few cunning analysts have been opposing the PPA in foreign currency to serve their petty personal interest. However, they have succeeded in attracting the masses to their self-interest without showing any signs of personal benefits to them. The case has become rather a national issue, and many people are now involved in the debate. Even the media is divided on the issue.

However, to his utter dismay, this scribe is totally baffled at seeing the logic and understanding of the people involved in the debate. They say that foreign investment should come into the country, but they simply do not understand in which currency s/he should take the returns. It may be the level of understanding or lack of knowledge that speaks. They argue that the investors should come here to invest, but they cannot take the returns in dollar or other convertible currencies. They are bound to take its return in Nepali currency, as if Nepali currency is universally accepted.

Another astonishing argument is that the PPA in foreign currency will ruin the financial health of the concerned authority, i.e. the Nepal Electricity Authority. We have a huge foreign investment in the telecommunication sector. Ncell has the investment of a Swedish/Finnish group. It alone makes more than Rs. 20 billion in profits every year, and the profit it takes out in US dollars. The financial health of Nepal Telecom Authority (NTA) is sound enough. We import agricultural products worth billions of rupees annually. The import of petroleum products may exceed Rs. 120 billion this year. The import of gold, construction materials, clothes, vehicles and other luxurious items is worth over Rs. 200 billion. Whatever we import, we have to import by paying in dollars. We even have to buy Indian currency by paying in dollars. However, there is no debate and discussion on these issues and no one raises any concern. We never hear of any lawmaker raising these issues in the House, nor does any intellectual, writer, analyst or expert speak about them.

Conversely, the issue of purchasing power in dollars or any foreign currency worries our lawmakers, intellectuals, writers, analysts or experts. When it comes to the issue of purchasing power, they suddenly think of the NEA and its deteriorating financial condition. Many public enterprises are on the verge of collapse due to poor management, over staffing, political interference and other problems. And so is the case with the NEA. However, these issues are never raised.

Electricity is a basic infrastructure. It is essential for the growth and development of any country. The value of electricity is more in the present day, the day of industrialisation and ICT. However, a few self-centered experts are hell bent on opposing foreign investment, especially in the hydropower sector, the most potential sector in the country, over payment in foreign currency. The lawmakers, intellectuals and media should understand the issue and act accordingly. We need foreign investment and should create a conducive business climate for attracting FDI. Else, it will not only keep foreign investment at bay, but also push the country many centuries back in economic and social development.

Source: The Kathmandu Post, June 28, 2014

## Gandak Hydro out of operation since April

[Narayan Sharma](#)

SURYAPURA (NAWALPARASI), JUN 27 -

The powerhouse of the Gandak Hydroelectricity Project has remained inoperational for the last three months resulting in daily losses of Rs 3 million in revenues to the government.

The 15 MW power plant is equipped with three turbines with a capacity of 5 MW each. The first and third turbines have been dead for seven years while the second turbine conked out three months ago.

Shyam Kumar Sharma, supervisor of the project, said that the second turbine stopped working in April. "With the two turbines shut down, the state has lost a total of Rs 66 billion in taxes in the past seven years," he added.

Each turbine at the Gandak Hydro can produce 120,000 units of electricity daily. The Nepal Electricity Authority (NEA) can earn Rs 840,000 per day by selling this energy.

Gandak Hydro, which was constructed three decades ago with Indian assistance, was originally equipped with Japanese machines. The NEA has been criticized for replacing them with Chinese machines in a bid to cut costs.

Maintenance of the powerhouse has never been a priority for the NEA or the government. Although the project can instantly resume operations and begin producing electricity with a small investment, the Energy Ministry has shown no interest in doing so. Last month, Energy Minister Radha Gyawali had made a site visit and pledged to provide the necessary resources immediately to get the powerhouse up and running. However, there has been no progress since then.

According to Sharma, about Rs 1 billion is needed to get all the three turbines back in shape. He blamed the NEA for not paying attention even after repeated requests.

The Gandak Hydroelectricity Project is spread over 32 bighas. The powerhouse, which is equipped with modern and sophisticated physical infrastructure, employs four dozen staff. Narayan Jaisi Tiwari, chief engineer of the project, said that Rs 400 million would be required to repair each turbine.

A turbine produces electricity worth Rs 840,000 daily. "If a turbine is repaired, the income would enable the project to purchase another turbine in the next three years," said Tiwari, adding that he had sent a proposal to the NEA to conduct partial maintenance.

The Indian government built the hydro project after constructing a dam across the Triveni River in Nawalparasi district.

India has been using 16,000 cusecs of the water collected in the reservoir, which is located 19 km from the Indian border, for irrigation on its territory. The staff at the powerhouse receive 132 kV of electricity from India in return.

Source: Republica, June 28, 2014

## **NEA starts publishing public notice to shame defaulters**

**RUDRA PANGENI**

*Over 33k consumers owe NEA Rs 648 billion in outstanding dues*

**KATHMANDU, June 27:**Nepal Electricity Authority (NEA) has found a new way to coax its customers into clearing their outstanding dues. The power utility has started publishing the names of father and grand father of consumers with outstanding dues in different newspapers.

As many as 33,600 consumers owe a total of Rs 648 billion to NEA.

So far, NEA has made public the family details of top 10 to 20 defaulters of its three distribution centers - Kathmandu, Biratnagar and Hetauda - in state-owned Gorkhapatra daily.

Ram Chandra Pandey, chief of the Distribution and Consumer Services at NEA, said they plan to make public the names of top defaulters of other regional offices -- Pokhara, Butwal, Nepalgunj, Attarariya and Janakpur - very soon.

"Many people, including industrialists, have started clearing their outstanding dues after their family details were published in the newspaper," Pandey said.

NEA had published first such notice on May 28. The notice published by NEA's Kathmandu Regional Office contained family details of 125 defaulters.

Similarly, family details of 66 defaulters of Hetauda regional office were published on June 15.

Likewise, family details of 96 defaulters of Biratnagar regional office were published on June 26.

Before that, NEA, publishing a notice in Gorkhapatra daily, had given its consumers 20 days to clear their outstanding dues. It had extended the deadline by another two weeks upon the request of some defaulters.

However, NEA has excluded government offices, temples and municipalities from the list of defaulters.

According to existing rules, NEA disconnects electricity lines if consumers fail to pay bill within 90 days. If the dues are not cleared within six months, such consumers are backlisted by NEA. After a consumer is blacklisted, s/he will get electricity supply only after clearing all outstanding dues along with 25 percent fine. They, however, will need to complete all procedures from the very beginning like the new user.

According to NEA officials, the power utility has blacklisted number of industrialists, businessmen and socially renowned persons. However, they continue to enjoy electricity supply. NEA officials assume that they are getting power supply from other consumers.

"We are preparing to implement Clause 23 of NEA Electricity Distribution By-law 2069 and start disconnecting lines provided in the name of those defaulters and their family members at other places," added Pandey.

NEA has also requested service agencies, including District Administration Office, Land Revenue Office and municipalities, to specify clearance of electricity bills as a criterion to enjoy services provided by them.

NEA officials say that they have forwarded a proposal to the government to incorporate clearance of electricity bills as a mandatory criterion to enjoy public services in the upcoming budget. NEA has consumer base of 2.6 million. It distributes 44 percent of the total energy to domestic consumers and 36.95 percent to industrial sector. NEA supplied 4260.45 GWh of energy in 2012/13.

Source: The Kathmandu Post, June 29, 2014

## NEA revises Chameliya hydropower project cost

Sanjeev Giri

KATHMANDU, JUN 28 -

Nepal Electricity Authority (NEA) has decided to revise up the cost of the Chameliya Hydropower Project by Rs 2.4 billion, considering cost and time overruns. An NEA board meeting chaired by Energy Minister Radha Gyawali on Friday took a decision to this effect. With latest revision, the 30MW project's cost has swelled to Rs 15.06 billion from Rs 12.66 billion.

NEA said the estimated cost was increased after problems were identified in tunnel construction. "The board has revised the cost of the project," said Rajendra Kishore Kshatri, secretary at the Ministry of Energy.

When the project was designed, its cost was estimated at Rs 8 billion. However, the cost was revised up to Rs 12.66 billion five months ago, citing the need for widening the tunnel.

NEA board member Laxman Prasad Agrawal said more than 90 percent of work on mechanical hydro and over 60 percent of steering task has been completed.

NEA's decision to revise the project's cost comes a week after an NEA board meeting decided to give Rs 1.9 billion to China Gezhouba Water and Power (Group) Company in variation claims. The Chinese company has been awarded the contract of the project's main civil works.

The construction, which started in mid-January 2008, was originally scheduled to be completed by mid-June 2011. But the completion date was pushed back by two years until mid-September, 2013 after delays in construction.

After the project failed to complete the construction even within the extended time, the deadline was extended for the second time by one and half years.

As per the latest schedule, the project has to be completed by the next nine months. However, NEA officials say it will take another one and half years to complete the project.

The problems on the tunnel were identified two years ago. An Italian company, which studied technicalities of the tunnel, had recommended redesigning the tunnel. Of the 873m stretch of the tunnel which had narrowed, 470m has been widened.

Friday's meeting also decided to authorise the NEA board to sign power purchase agreement (PPA). "The NEA Act has stated the board should decide on the PPA," said Agrawal. "We have decided as per legal provisions."

Earlier, the NEA managing director had the authority to sign PPA for projects below 25MW capacity. "The process of signing PPA was breached by the former managing director. The new decision is just a continuation of what we had been doing previously," said Agrawal.

Source: Republica, June 30, 2014

## **Marsyangdi Hydropower project ups production**

**TANAHUN, June 30:**Electricity production has been increased at Marsyangdi Hydropower Project at Aabukhaireni-6 in Tanahun district. The power generation was increased with an increase of water flow in the river.

Only 42 megawatt electricity was produced from the project during winter season out of its capacity of 69 megawatt.

Now, the project has started producing 63 megawatt electricity with the increase of water level in the river during rainy season, said junior mason of the project, Durga Prasad Neupane. Power being generated here is linked to the national transmission line via Balajau sub-station, Kathmandu, and Bharatpur substation, Chitwan.

Source: The Kathmandu Post, June 30, 2014

## Ministry to form panel to study PPA in dollar terms

KATHMANDU, JUN 29 -

The government is planning to set up a committee to study whether to sign power purchase agreement (PPA) in foreign currency terms. PPA in foreign currency terms and its impact on the Nepal Electricity Authority (NEA) has long been a hotly-debated topic.

Keshav Dhwoj Adhikari, joint secretary at the Energy Ministry, said on Sunday the study committee would be formed within a couple of days. He said the "question is not whether or not to sign PPA in US dollar terms, but how to minimise the foreign exchange risks" for NEA. "As there is a certain mechanism to hedge foreign exchange risks, signing PPA in dollar terms may not be too risky."

With bitter experiences with Khimti and Bhotekoshi projects, NEA has been reluctant to sign PPA in dollar terms. NEA says it spends around 40 percent of its revenue to pay these two projects. The utility is of the view if it has to sign dollar PPA, it has to be allowed to adjust electricity tariff on its own.

NEA has so far signed dollar PPA with five projects. The debate over dollar PPA heated up once again after Energy Minister Radha Gyawali's statement at a recent Parliamentary Public Account Committee (PAC) that there would be no dollar PPA during her tenure. She had cited NEA's huge losses due to the dollar PPA with Khimti and Bhotekoshi.

However, at an interaction with Independent Power Producers Association of Nepal (IPPAN) here on Sunday, Gyawali softened her stance. "There is a need for a thorough study about the pros and cons of signing PPA in US dollar terms," she said.

Saying foreign investment would not come in the hydropower sector without PPA in foreign currency terms, she stressed on the need for forming a mechanism that would facilitate foreign investors as well as reduce possible risks to the country.

Independent power developers say signing dollar PPA is essential for attracting foreign investment in the power sector. According to them, foreign investors want PPA in foreign currency terms to hedge foreign exchange risks as they have to raise resources abroad and repay the borrowings in foreign currency terms. "Dollar PPA should be looked as an economic issue rather than a political issue," said IPPAN President Khadga Bisht.

Source: Republica, June 30, 2014

## Focus on reservoir projects, PTA with India to address energy woes

**RUDRA PANGENI**

**KATHMANDU, June 29:** The policies and programs for the fiscal year 2014/15 prioritize development of reservoir-type hydropower projects to get rid of chronic power woes.

The document states that Detailed Project Report (DPR) of Budhigandaki, Nalsingadh, Andhikhola, Uttarganga and Naumure will be prepared within this fiscal year. It also states that construction of Budhigandaki Hydropower Project will start within this fiscal year after completing the DPR.

The government has prioritized hydropower development with the slogan 'Bright Nepal, Prosperous Nepal' to address energy crisis.



**Deputy Prime Minister Bamdev Gautam (left) hands over the government's policies and programs to President Dr Ram Baran Yadav in parliament in New Baneshwar, Kathmandu, on Sunday.**(Dipesh Shrestha/Republica)

According to the policy document, the government will initiate study for development of Karnali Chisapani Multipurpose Project, Upper Seti Project and Upper Jhimruk Project in the coming fiscal year. Upper Seti Project, which has now been renamed as Tanahun Hydropower Project, is already being developed in Tanahun district.

The government has also said it would start necessary preparation for export of energy. The document states the government will initiate works to sign Power Trade Agreement with India.

Khadga Bahadur Bishta, president of Independent Power Producers' Association, has welcomed the government's plan of initiating works to sign PTA with India.

The policy is said to be a key departure for solving energy crisis by selling surplus energy in the summer to India and importing winter energy for the short-term. In the long-term, it aims to earn foreign currency by exporting hydropower.

Similarly, the government plans to complete Dhalkebar-Mujaffarpur Cross Border Transmission Line within 2014/15 and initiate construction of two other cross border transmission line projects.

The policy also says the Electricity Bill and Electricity Regulatory Bill will be presented in the parliament to update outdated laws of the electricity sector. The proposed-law will also unbundle production, transmission and distribution works of Nepal Electricity Authority (NEA) to enhance its efficiency.

Similarly, the government has said that it would restructure Water and Energy Commission Secretariat and form Water Resources Commission. Though the policy document does not include details of the proposed commission, officials say it would include experts of water resources sector and would work for integrated development of water resources including electricity and irrigation, among others.

### **AGRICULTURE REVOLUTION DECADE**

The new policy envisages development and transformation of agriculture sector to make the country self-reliant on food grains by announcing 'Agriculture Revolution Decade.'

It says agricultural production and productivity would be increased to ensure food and nutrition security of its citizens by promoting collective farming, through cooperatives, and contract farming.

However, food production cannot be increased by giving emphasis on organic fertilizers alone as mentioned in the policy document, according to Bhola Man Singh Basnet, an agriculture expert. He said focus should be on effective fusion of traditional and modern technology, including the blend of organic and chemical fertilizers, for increasing food production.

Nepal faced paddy deficit of 900,000 million tons this year.

Basnet said production will fall sharply is chemical fertilizer is not used.

The policy document also includes number of subsidy and grant programs to attract youth in agriculture sector. The government believes this will not only promote self-employment but also reduce dependency on imports for milk, meat products, fruits, vegetables and high value agricultural products.

The policies and programs have also given emphasis on ongoing irrigation projects like Sikta, Rani Jamara Kularai and Babai. The plan is to complete canal and headwork in the coming fiscal year.

### **PRIORITY TO EXPORT-ORIENTED INDUSTRIES**

The policy document also aims to promote export-oriented industries to minimize trade deficit by bringing a new bill for Special Economic Zone. Similarly, preparations of Industrial Enterprise Bill are also at the final state. Likewise, a separate law on foreign policy is in the offing to improve investment environment in the country.

The government will support farmers producing exportable goods with lab test, quality improvement programs and product certification, among other facilities.

Source: Republica, June 30, 2014

## **No PPA in USD for projects less than 100 MW: Lawmakers**

**KATHMANDU, June 29:** At a time when debates on signing Power Purchase Agreement (PPA) in USD are yet to be settled, voices are being raised for signing PPA in USD for hydropower projects above 100 Megawatts only.

Speaking at meeting of the Public Accounts Committee (PAC) of the Constituent Assembly (CA) on Sunday, most of the lawmakers agreed that PPA in USD is necessary to attract foreign investment.

They, however, said that it should be implemented in the hydel projects above 100 MW only after formulating a standard.

Almost all lawmakers expressed a uniform voice that foreign investment should not be sought for projects less than 100 MW, as according to them, banking sectors have enough capital for investment.

They also suggested the Energy Ministry and Nepal Electricity Authority (NEA) not to repeat 'wrong' PPA agreements in Bhote Koshi (45 MW) and Khimti (60 MW) hydropower projects.

Saying that the NEA's economic status has failed to improve as it signed expense deal for electricity purchase of Bhote Koshi and Khimti projects, lawmakers suggested the government purchase the projects if the provisions allows it to do so.

Lawmaker Ram Hari Khatiwada said that the government should formulate clear policy for PPA at the earliest than getting itself involved in PPA debates in each hydel projects.

Also speaking lawmaker Top Bahadur Rayamajhi asked the government to review the PPA of Khimti and Bhote Koshi Hydropower projects.

Source: Republica, July 1, 2014

## **PAC halts payment of variation order to Chamelia project contractor**

**RUDRA PANGENI**

**KATHMANDU, July 1:**Public Account Committee (PAC) of legislature-parliament on Tuesday directed the Ministry of Energy (MoE) and Nepal Electricity Authority (NEA) not to go ahead with NEA's earlier decision to pay variation order to the contractor of Chamelia Hydropower Project.

Minister for Energy Radha Gyawali-led NEA's board meet two weeks ago had decided to pay Rs 1.09 billion to the civil contractor China Gezhouba Water and Power of the project for the additional works of the tunnel.

PAC further said that the payment should be halted until it issues another direction after needful study.

Contractor was pressing for the payment of the additional works carried out by the company due to squeezing while digging the tunnel.

Earlier, consultant of the project had recommended to pay Rs 1.23 billion to the contractor. However, a separate foreign expert invited by the government had reduced the amount payment to Rs 1.09 billion.

Squeezing has incurred extra works in about 900 meters of the tunnel.

Project is located at Darchula and is being developed by NEA itself.

Asked by PAC members to clarify why to pay the variation order, Minister Gyawali failed to furnish the clear answer. On the occasion, Minister Gyawali expressed her ignorance over why the project cost of NEA developed project has increased.

Though the initial cost of the project was Rs 8 billion, now it has been projected at Rs 20 billion.

PAC's discussion is undergoing for couple of weeks on whether the Power Purchase Agreement should be signed in foreign currency.

PAC members said they are mulling to form a sub-committee to study the project and provide concrete suggestions on PPA issues.

Source: The Kathmandu Post, July 2, 2014

## Huge wind power potential in West, Far-West: Study

POST REPORT

KATHMANDU, JUL 01 -

The Western and Far-Western regions of the country have vast wind energy resources that could be extracted commercially, according to a study. A preliminary study conducted by the National Atmospheric Resource and Environment Research Laboratory at the Central Department of Physics, Tribhuvan University (TU), showed Dadeldhura, Darchula in the Far-Western region and Mustang, Palpa and Gulmi in the Western region have an immense potential to generate hundreds of megawatts of power through wind farms. The study showed large scale wind farms can be developed in Palpa and Gulmi.

Ram Prasad Regmi, an associate professor who is working on the study, however, said wind power can be extracted only during the dry season to generate electricity and that there is a need of a detailed engineering study on the total capacity of each region and respective districts.

Meanwhile, the study ruled out some energy experts' claim that 20MW wind energy can be generated from the hills surrounding the Kathmandu Valley.

"The Chisapani area located north-east of Shivapuri has a relatively better wind but it is not commercially viable," Regmi said.

According to the Solar and Wind Energy Resource Assessment Nepal report prepared by the Alternative Energy Promotion Centre (AEPC), a total feasibility amount of wind energy in Nepal is 3,000MW. Regmi said that among all areas, Mustang is one of the areas having high wind energy potential in the country. According to the AEPC study, Mustang district alone can generate more than 1,000MW of wind energy.

"If a larger wind turbine is installed for wind extraction in Mustang, it can be operated for maximum four hours a day only and if small turbine is installed, it will be damaged by high winds," said Regmi. "Efforts to harness wind energy in Mustang without detailed engineering study will be risky." Wind becomes stronger during 12pm to 4pm in the area.

The first two wind turbine generators of combined capacity of 20KW were installed at Kagbeni in Mustang in 1989. However, within three months of operation, blade and tower of the wind generator were broken. The AEPC is currently identifying 20 more potential sites and carrying out feasibility study for the implementation of wind-solar hybrid projects.

Source: The Kathmandu Post, July 2, 2014

## PAC stops variation pay to Chameliya contractor

SANJEEV GIRI

KATHMANDU, JUL 01 -

The parliamentary Public Accounts Committee (PAC) on Tuesday ordered the Energy Ministry to hold the decision of the Nepal Electricity Authority (NEA) to pay variation charges to the contractor of the Chameliya Hydropower Project.

An NEA board meeting chaired by Energy Minister Radha Gyawali had decided to pay more than Rs 1.09 billion as variation charges to the project's contractor last Friday. Disagreeing with the NEA's decision, the parliamentary panel had instructed the ministry in writing not to issue payment for the time being.

A Chinese company Gezhouba Water and Power Company is the contractor of the 30 MW project located in Darchula district in the far west.

Most of the lawmakers present at the PAC meeting on Tuesday morning had questioned the NEA board's decision citing possible misuse of funds and insisted that an investigation be made before releasing the money to the contractor.

The project had been originally estimated to be completed at a cost of Rs 8 billion. The price tag was revised to Rs 12.66 billion around five months ago as the tunnel needed to be widened.

With the contractor demanding variation charges for delays caused to the project's construction, the cost has now been inflated to Rs 15.06 billion which is almost double the original figure.

The project's consultant had recommended to the NEA to pay Rs 1.23 billion as variation charges. The figure was whittled down to Rs 1.09 million after the government hired another foreign expert to study if the recommended amount was correct.

Gezhouba asked for the additional money after a problem arose with the tunnel at the project site around two years ago. The problem was identified by an Italian company which studied the technicalities, and it had recommended redesigning it. As per the advice, a 470-metre section of the 873-metre tunnel has been widened.

The issue of variation costs surfaced after Minister Gyawali said she herself was confused and asked for logical justification from the staffers concerned during a meeting held to clarify concurrent issues and the ministry's decisions. "I myself have not received any answers why the cost of the Chameliya and Kulekhani projects has increased," the minister said.

However, lawmakers charged that the ministry had rushed to allot the amount to the contractor. Nepali Congress lawmaker Ram Hari Khatiwada demanded forming a committee to study the issue questioning the logic behind massive variation charge.

The ministry has said that they could not implement the NEA's decision after the formal PAC decision. "We have received a formal decision from PAC and we have to abide by it," said Rajendra Kishor Kshatri, secretary at the Energy Ministry. However, he said that PAC should have thought about the impact of the decision and that the documents submitted by the ministry should have been studied thoroughly before reaching a conclusion.

According to Kshatri, the NEA board had decided to pay the money as the project was being held up due to the issue of the variation charge. "We made a speedy decision since we felt that it was necessary to get the project completed on time,"

said Kshatri. "Over 60 percent of the civil construction works have been finished."

A senior NEA official said that it hadn't received any formal decision as of Tuesday evening, but Kshatri said that the ministry would forward the PAC's decision to the authority on Wednesday.

The construction of the Chameliya Hydropower Project, which started in mid-January 2008, should have been completed by mid-June 2011. The deadline was extended by two years until mid-September 2013 following construction delays. The completion date was pushed back a second time by one and a half years due to further delays.

Source: The Kathmandu Post, July 2, 2014

## Energy and manufacturing should be the mantra

[Pradeep Jung Pandey](#)

JUL 01 -

With the country waiting with anticipation for the next fiscal year's budget, the coalition government has an historic opportunity to produce a financial plan that can stimulate economic growth and bolster private sector confidence.

The upcoming budget should largely focus on the energy and manufacturing sectors. As important stakeholders in the country's economy, the FNCCI has come up with a slogan "Urja ra Utpadan, Hami Sabaiko Ahawan".

The budget should focus on energy development. Along with developing reservoir-type projects, the government should extend facilities to the projects being developed by the private sector. It has targeted ending load-shedding within three years. This might be difficult to fulfil especially during the dry season, but if we can sign a Power Trade Agreement (PTA) with India and erect cross-border transmission lines, the goal can be achieved. The PTA along with the cross-border transmission lines will help Nepal to export and import electricity to and from India as per our requirement.

With our ballooning trade deficit, export promotion is the only way we can arrest the ever widening gap. But for this, there should be a special initiative in the new budget directed at the manufacturing sector.

Import substitution is another means to narrow the trade deficit. The government has declared that it will buy Nepali goods even if they are costlier than imports, but it has not happened. We have become self-sufficient in leather footwear, and if the Nepal Army and Nepal Police were to buy Nepali products, footwear imports can be cut.

Similarly, the government should increase cash incentives to export-oriented products. While neighbouring countries like India and China are providing cash incentives in the range of 10-16 percent, we are getting just 3-4 percent.

Nepal needs to identify its key products to promote exports. Some talk about agricultural products, others talk about natural herbs and still others talk about handicrafts and pashmina. Hence, a specific focus is required.

The second generation reform which Finance Minister Ram Sharan Mahat has been talking about should focus on issues that have been hindering industrial growth in the country.

The government has not been able to get Parliament to pass new acts related to business and the economy. And this has had a big impact on the economy. The acts that have a direct relation with business should be endorsed by Parliament at the earliest. The private sector has lobbied strongly for an Industrial Enterprises Act and it has finally reached Parliament.

The construction of the infrastructure at the Bhairahawa Special Economic Zone (SEZ) has already been completed, however, it has not been operationalized due to lack of a SEZ Act. Likewise, the Income Tax Act, 2002 has become outdated and needs to be amended while labour laws should be revised as per the current scenario.

There is also a need to give fresh impetus to economic diplomacy. The cost of doing business in Nepal should be reduced. A legal framework is compulsory for this.

The government should focus on promoting domestic industry. Foreign investors look for stability and opportunity and the performance of local industry before deciding to invest in Nepal.

Likewise, the budget should not be considered as a political subject, and the government should ensure that the annual financial plan is issued on schedule.

The government has been struggling to expedite capital expenditure, and it should work on increasing the efficiency of government agencies with regard to budget implementation. Nepal should not be made to miss opportunities due to politics. The political parties should remember the promises published in their election manifestos.

(Pandey is President of the Federation of Nepalese Chambers of Commerce and Industry)

Source: Republica, July 2, 2014

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**RUDRA PANGENI**

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Source: Republica, July 3, 2014

## **NEA to include experts in transformer inspection teams**

### **REPUBLICA**

**KATHMANDU, July 2:** Nepal Electricity Authority (NEA) has decided to include an expert from either the Ministry of Energy, Institute of Engineering (IoE) and Nepal Bureau of Standard and Metrology (NBSM) in its inspection team to visit manufacturers of transformers and their testing labs.

“NEA took the decision after its engineers showed reluctance to be a part of the inspection teams saying that they lack expertise and necessary equipment to conduct inspections, Laxman Agrawal, board member of NEA, said.

NEA will soon select half a dozen members for the inspection teams. They will be asked to conduct design test (every part are unfolded and inspected) of sample transformers in Central Power Research Institute of India to gauge the quality of transformers produced by LTC Holdings of Sri Lanka.

The power utility awarded the contract to supply 1,040 units of transformers of different capacities to LTC Holdings on May 30. As per the contract, LTC Holdings will start supplying the transformers from the last week of October. NEA will pay the total amount in US dollar (\$2 million) and local currency (Rs 3.51 million)

This is the first transformer procurement decision made by NEA the Commission for the Investigation of Abuse of Authority (CIAA) filed corruption cases against around a dozen NEA engineers involved in such inspections. Likewise, over a dozen NEA staffers, including former managing director Rameshwar Yadav, are being tried at the Special Court for corruption amounting to millions of rupees.

Officials involved in the procurement told Republica that all the transformers supplied by LTC Holdings would be tested at NEA’s lab station in Hetuada. Previously, there was no practice of testing the quality of transformers in Nepal.

Source: Republica, July 4, 2014

### **Two more projects get license for power production**

**KATHMANDU, July 3:** The government has provided power production license to additional two hydroelectricity projects.

The Department of Electricity Development under the Ministry of Energy provided the power production license to Mayakhola Hydropower Project (15 MW) of Sankhuwasabha district. It is targeted to be completed within the next four years. The estimated cost for the construction of the project is three billion rupees.

Similarly, the government issued license to the Dwarikhola Hydropower Project (4 MW) of Doti district. The Bhugol Energy Development Company has been awarded the contract to construct the project. The estimated cost of this project is Rs. 800 million.

The Department provided license to different 94 power projects so far and as much as 2,440 MW power could be produced from these projects.

Source: The Rising Nepal, July 4, 2014

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Source: The Rising Nepal, July 4, 2014

## **Electricity production halted for lack of transmission line**

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Ilam, July 3: A hydroelectricity project here that is in the final stage of power production has been asked to stop generating electricity for the time being for lack of a transmission line at a time when the nation is facing long power cuts.

The Sanima Mai Hydropower Project (22 MW) has completed all the construction works but has to wait for more time for power production as the construction of the Kabeli Power Transmission Corridor has not been carried ahead.

"Around 98 per cent works of the project are completed and it will be ready for power production within the next one month, but the power production is to be halted until the corridor is constructed," said Basanta Paudel, Administration Officer of the Project.

It is estimated that it will take few other months more to construct the corridor though the government had allocated necessary budget for its timely construction. Around a half dozen projects that were concluded and started power production have not been able to feed to the central transmission grid and therefore bearing a huge loss.

Around 150 MW power including the 22 MW from the Sanima Mai Project in Mechi zone alone is yet to be fed to the central transmission line, it is stated.