

Source: Karobar; 24th August, 2014

Problem in PTA negotiation

[Baburam Khadka](#)

The Nepali team of representatives will face problems to hold dialogue as the three main political parties have set limits for the power trade agreement (PTA) to be signed with India.

Coordinator of the negotiating team and Energy Secretary Rajendra Kishor Chhetri says there are problems to move the dialogue forward after Nepali Congress (NC), CPN-UML and UCPN (Maoist) verbally instructed to not go beyond the proposed draft during the dialogue. “The three parties have verbally set limits for PTA even though they have not issued instructions in writing. How can we sit for dialogue when we don’t have rights?” he questions. He argues the negotiating team should have full authority. There are only 23 days remaining of the deadline of six weeks the two countries had set to sign PTA.

“There is no meaning of going to India spending hundreds of thousands if we cannot negotiate beyond the draft. What is the need of going to India when we can decide through correspondence if we are to hold dialogue within the limits?” he asks. Speaking at the meeting of the Agriculture and Water Resources Committee of the parliament he demanded full rights for dialogue. “Negotiation involves give and take. How can we negotiate without authority? Negotiation will not succeed in such a situation,” he opines.

The Energy Ministry sent its final draft to India through the Foreign Ministry on August 1 after the three parties forged consensus on PTA. India has then requested India to set a date for negotiation for PTA. Nepal also wrote a week ago urging to sit for negotiation only after identifying the points of disagreement. India is yet to send any response to that. The Nepal government is preparing to move forward only after internal discussions if India does not respond within stipulated time. Secretary Chhetri claims the ministry has completed all preparations and only drafting the proposal remains.

He reveals that the Indian Energy Ministry has already given permission to promoter of Upper Karnali GMR Energy Limited and that of Arun III Sutlej Hydropower Corporation Limited to sell electricity generated in Nepal to India and reasons that PTA is necessary for projects developed by non-Indian promoters to export the generated electricity to India. Indian companies have received generation license for projects with combined installed capacity of 6000 MW out of that issued for generation of 13000 MW. He says investment will arrive only after signing of PTA.

Reminding that PTA could not be signed in 1997 when both power trade and generation were kept in the same basket he adds, “We should separate power trade and generation, and the proposed Nepali draft has done that.” Signing of PTA will end trade of power at the government level only and it can be done with around half a dozen power trading companies like Tata, Reliance and others instead of just depending on Power Trading Corporation Limited. Nepal has

proposed PTA for 25 years and it can be reviewed after that depending on necessity. He clarifies that electricity will not be exported without fulfilling domestic demand and claims that GMR has proposed to sell electricity generated from Upper Karnali to Nepal. The government plans to buy electricity even from Arun III if necessary.

Former energy minister Prakash Sharan Mahat opines that limits should not be set for the negotiating team. Stating that negotiation will not succeed when all the limbs are tied, he says the negotiating team should be given complete rights. Nepal has strongly raised the issues like being allowed to trade power without any discrimination, no imposition of tax, customs and quotas on trade of electricity, and easy export of power to the third countries through India in the draft proposal.

Source: The Rising Nepal; 24th August, 2014

MPs for power trade only after fulfilling internal needs

Kathmandu, Aug. 24: Lawmakers participating in the meeting of the Agriculture and Water Resources Committee of the parliament have suggested signing Power Trade Agreement (PTA) as per the national interest and needs.

They suggested paying attention on all aspects as we have to attract investment though the agreement was a need of the country, as the main issue was internal consumption.

Some MPs said the agreement was not a need for the time being and it will not be useful for resolving energy crisis of the country.

They also drew the attention of the government and political parties while pointing out the tendency of signing the agreement and not implementing it, which is wrong in the context that we could not link to national grid the power generated in the country for lack of construction of internal transmission lines.

MPs speaking for and against it were Gagan Thapa, Bhawani Prasad Khapung, Bikram Khanal, Dambar Dhoj Tumbahamphe, and Dilli Prasad Kafle.

On the issues raised by MPs, Energy Secretary Rajendra Kishor Chhetri said PTA was urgent to open the doors of economic development of the country.

He said we should focus on reservoir-based multi-purpose projects and no one should fear the issue of agreement.

He also informed that the ministry had discussed the proposal of the task force of leaders of three major parties and it was sent to India on August 19.

Chhetri also said internal consumption was the prime priority of the government and the agreement was urgent for making investment-friendly environment.

Nepal can trade remarkable amount of power in a few years as Dhalkebar-Mujaffarpur international transmission line was started and other projects are moved ahead.

There was an understanding during the Nepal visit of Indian Prime Minister Narendra Modi to sign an agreement within 45 days.

Source: The Rising Nepal; 24th August, 2014

Chilime in troubled waters

By Ramesh Lamsal, Kathmandu, Aug. 24: The dispute over withdrawal of managing director of Chilime Hydro Power Project Kulman Ghising by the Nepal Electricity Authority (NEA) is getting embroiled in debates rather than getting an outlet.

Losses of Rs. 7.7 million daily have been incurred as people are divided over the issue. Four out of the five staff unions of the NEA are in favor of Ghising and the one closer of CPN-UML is in support of the NEA decision.

Dispute would not have been so grave if Ghising who had completed four year term was withdrawn in a smooth manner by a meeting of the Chilime Board of Directors, but that did not happen.

Chilime model is taken as a role model when NEA's most projects had increased costs, and could not complete in time.

The project identified in 2052 BS and started construction in Magh, 2053 BS is taken as a good example of public private partnership. But Energy Minister Radha Gyawali called him back without informing the board and the decision was disputed. Rasuwa people have not found a way how to move ahead the project in a smooth manner.

Minister Gyawali has been urging not to affect the project in favor of NEA's tenth level staff. She urged the staff unions and Rasuwa people not to put the project in anarchy by waging an unnecessary agitation. But they are not inclined to agree to her. The Chilime hydro project has now constructing the Mid-Bhotekoshi, Rasuwagadhi, Sanjen and Upper Sanjen. Their combined power generation capacity is 270 mw.

NEA's former board member Mohanraj Pant says there was interference in the project with an intention of making the Chilime and Upper Tamakoshi model which could make Nepal self reliant, unsuccessful.

There has been unnecessary politics in Chilime to establish the fact that Nepalese can not make hydel projects and only foreigners can do it.

Chilime generating 22 mw has given a ray of hope to the Nepalese people. NEA had moved ahead the project after World Bank withdrew from the Arun Third project. Its shares in stock market are valued at Rs. 2449. The value of share which was per share Rs.3,000 has come down and is decreasing day by day. NEA has sent different chairmen in all four projects.

Earlier, only one person oversaw the overall management. Now the tradition has been ended. NEA has given the responsibility of deputy executive director to Ram Gopal Shiwakoti and other subsidiary projects have separate persons. The Rasuwa people are not in favor of agreeing to NEA decision, said Rasuwa's former CA Member Prem Bahadur Tamang. 'We can not accept a staff against the sentiments of the people putting Rasuwa people in terror, there is no alternate to reinstatement of Ghising as per the local's needs and desire,' he said.

The Energy Ministry is not ready to correct its decision and NEA staff unions and Rasuwa people are taking the stance of correcting the decision immediately, which has made the episode more complex. NEA Employees' Association Chairman Janardan Bhattarai said if all the four projects of Chilime are not completed, then the Energy Ministry and NEA should take its responsibility.

NEA's Nepal National Employees Organization and National Employees Organization of conspiracies to fail the Chilime model and if the decision is not corrected, they warned of agitation.

On the other hand, NEA's Employees' Union Chairman Ram Prasad Rimal urges not to politicize the Chilime issue unnecessarily. Employees' Provident Fund (EPF) and the Citizens' Investment Trust (CIT) have invested in the projects under the Chilime. RSS

Source: The Kathmandu Post; 25th August, 2014

Panel for signing PDA with GMR

- **Members are, however, divided over whether export-oriented projects should be provided Rs 5m per MW in grant**

[SANJEEV GIRI](#)

A technical committee formed to review the document of the Power Development Agreement (PDA) between the Investment Board of Nepal (IBN) and India's GMR-ITD Consortium to develop the 900MW Upper Karnali Hydropower Project has recommended signing the agreement with a few revisions in the document.

The committee, headed by National Planning Commission Vice-chairman Govinda Raj Pokharel, plans to submit the review report to Prime Minister Sushil Koirala on Monday. With differences among members over a few points in the documents, the scheduled plan to submit the report on Sunday was cancelled.

According to a member of the committee, the members are still divided over whether export-oriented projects like Upper Karnali should be provided Rs 5 million per megawatt in grant as announced in the budget. The 13th IBN board meeting had decided to provide the subsidy to GMR and it was included in the agreed PDA document between IBN and GMR. A source said two members of the committee have opposed providing the grant, arguing that the facility is only meant for projects producing power for domestic consumption. "Those dissatisfied with the provision are of the view that we have to try to convince GMR to seal a deal without the incentive," said a committee member.

Another committee member, who is against the incentive, said he was not against the PDA signing, but the national interest should be considered. "In the name of promoting a project, we should not let go all the benefits that should have come to the nation."

The budget for the current fiscal year talks about providing a lump sum of Rs 5 million per megawatt to producers that connect the generated electricity to the national grid. The budget has talked about providing an additional 10 percent of such a grant to producers that connect the generated electricity to the national grid within fiscal year 2017-18.

Another contentious topic is "force majeure". A few committee members have sought reduced liability to the government. The committee has recommended the "force majeure" provision is applicable only to the company, but not to the contractors.

According to an IBN official, the incentive will be provided only after the completion of the project, which is why providing incentive isn't against the national interest. "By the time GMR completes the project, it will be spending Rs 140 billion. Rs 5 million per megawatt means the government has to provide just Rs 4.5 billion," the official said, adding since the Agriculture and

Water Resource Committee (AWRC) of the Parliament and the technical committee has given a go ahead to the project, the PDA might be signed within a month.

On the project's impact on downstream irrigation projects, the technical committee has recommended that within six months after the agreement, the generation company should undertake and conclude a study, under the direction and upon the acceptance of the Nepal government, to ascertain the impact on all existing projects downstream as well as river training works, river banks and settlements.

The downstream projects include Rani-Jamara-Kulariya and associated hydropower scheme, Rajapur project, Suryapatuwa irrigation project and other scheduled projects.

The report has also recommended that based on the study report, the generation company should take measures, including a re-regulating dam to the extent feasible to ensure designed flows of water to the irrigation projects, including other planned projects, and ensure no negative impacts are incurred on river banks, settlement and existing river training works by consulting with Ministry of Irrigation.

The committee is preparing two reports—a review of the agreement document prepared by the IBN and a new PDA agreement document which incorporates the ideas of other stakeholder agencies of the government. With the current PDA talking about delivering 2MW riparian release power station meant for the local community, the committee has recommended GMR to explore possibilities of increasing the generation capacity of the power station without harming the environmental commitments.

While IBN's PDA report had stated 12 percent of "free energy" will be made available to Nepal, the committee has recommended mentioning it as 12 percent of "free energy and power".

Nepal yet to decide how to proceed with planned PTA

Two weeks after receiving an invitation for negotiations, Nepal has still not decided how to proceed with the planned power trade agreement (PTA) with India as it is unsure about the leeway granted by the cross-party committee.

A top Energy Ministry official said they were confused about "how much to give and take" during the talks since the cross-party committee led by Finance Minister Ram Sharan Mahat has asked the ministry to make the draft prepared by the committee the bottom line for negotiations.

Unable to decide what should be discussed during the negotiations, the ministry has written to the Indian side asking for feedback on the draft sent by Nepal.

"The cross-party committee has directed us to take the agreed document among the political parties as the bottom line and strike an agreement only," said Energy Secretary Rajendra Kishore Kshatri at the meeting of the Agriculture and Water Resources Committee (AWRC). "As there is no ground for flexibility, we are in a dilemma on how to do 'give and take' during the negotiations."

He added that they had sent a letter seeking comments on the draft PTA sent by Nepal to first test the waters before setting the date for negotiations. “The ministry will wait for a week for the Indian side to reply on the issue. It will then think about setting the date for the meeting,” Kshatri said.

The new draft says that the power tariff will be determined by the market while third parties will not be barred from making power deals in Nepal and India.

According to the new draft PTA sent by Nepal, the PTA will be valid for 25 years and it can be extended through mutual consent. Even though the joint communiqué released by Nepal and India at the end of Indian Prime Minister Narendra Modi’s visit to Nepal has directed that power trade negotiations should be concluded within 45 days, the delay in fixing the country’s agenda has raised doubts whether the PTA will be signed within the stipulated time. According to Kshatri, the Energy Ministry is currently busy sketching the possibilities of how to deal with the Indian side and the possible questions they might have to defend to keep the planned agreement within the terms and conditions set by the political committee.

Asked about the details regarding the agreement, Kshatri said that they were trying to incorporate several aspects like the Investment Operative Guideline 2009 of the World Trade Organisation that states that the companies established in the two countries should get equal facilities. Likewise, the provision of Non-Discriminatory Access, which bars the Indian side from giving priority to Indian companies, is being considered.

Stressing the need for signing the PTA now, Kshatri said that many hydropower projects having a capacity more than 5,000 MW have been awarded to Indian companies, and not signing the PTA means these projects would return to Nepal’s basket without being developed.

The government has given construction licences to varied projects with a combined capacity of more than 13,000 MW.

Source: The Himalayan Times; 25th August, 2014

Energy Secy for signing PTA pronto

Nepal, not India, needs Power Trade Agreement

Ram Kumar Kamat

Energy Secretary Rajendra Kishore Kshatri told a parliamentary committee today that if Nepal failed to ink Power Trade Agreement with India now, it could be delayed for another 20-25 years.

Responding to queries of parliamentarians in the Agriculture and Water Resources Committee of the Parliament today, Kshatri said Nepal should have signed PTA with India 17-18 years ago. "If we fail to ink the deal this time, it could take another 20-25 years to do so," Kshatri added.

He said licences had been issued to generate up to 13,000 MW of hydro power and if PTA was not signed, the licence holders could abandon the projects and it would be difficult to win their confidence back.

He argued that bureaucrats should be given a range while fixing the bottom-line for negotiating with a sovereign country but in this case a three-party task force fixed the bottom-line, which has put the bureaucrats in a difficult position to negotiate with the Indian authorities.

"The three-party task force has told us not to sign the deal if India does not agree to our conditions. This is the reason why we chose to communicate with Indian authorities in writing rather than sit for talks," he added. Kshatri said signing of PTA could facilitate construction of transmission lines and power trade. He said the draft of the agreement that Nepali side had sent to India talked of abolishing tariff and non-tariff barriers. He said all three proposed power trade agreements prepared in 1997, 2010 and 2014 talked of power

generation in Nepal. “We should not panic just because there is a mention of the word ‘generation’ in the proposal,” he said.

He spoke against deletion of some words in the Indian proposal. “India used the phrase ‘cooperation in power sector’, but we expressed our skepticism on this. Can trade be possible without cooperation,” he wondered. Kshatri said Bangladesh had signed a deal with India using the same phrase.

“India had used the words ‘traditional ties’, but we deleted the phrase. Don’t we share traditional ties? What can we say if India wants to know the reason for the deletion of such words?” Kshatri wondered.

Lawmakers of the committee wanted to know whether or not the government would be able to sign PTA with India in the next 25 days.

Gagan Thapa, Gyanendra Bahadur Karki, Prakash Sharan Mahat, Laxmi Prasad Pokhrel and Bikram Khanal highlighted the need for PTA with India. Thapa and Karki said Nepal, not India, needed PTA. Thapa said India could not accept Nepal’s revised proposal sent to India in response to the latter’s power trade proposal.

A few days ago, the committee had directed the government to immediately reach Power Trade Agreement with India.

– Gagan Thapa, Nepali Congress lawmaker

Source: My Republica; 25th August, 2014

PDA study team divided over cash subsidy proposal

RUDRA PANGENI

KATHMANDU, Aug 25 : Members of a technical committee formed to advise the government on the Power Development Agreement (PDA) document for Upper Karnali Hydropower Project (900 MW) are divided over a proposal to provide subsidy of Rs 5 million for each megawatt of electricity generated instead of VAT subsidy to the developer.

The committee led by vice chairman of the National Planning Commission Gobinda Raj Pokharel is yet to forge consensus on subsidy and the probability of adverse impact on downstream irrigation projects downstream in Tarai. Some members have strongly opposed the idea of paying subsidy to the project, arguing that subsidy was only for local developers. “

"We are collecting opinions on PDA document from all concerned ministri"s," Pokharel said, adding that the committee was awaiting suggestions from the finance ministry.

The committee, which comprises of secretaries of all concerned ministries, will submit its report to Prime Minister Sushil Koirala.

Highly-placed sources said the committee was likely to present suggestions on the subsidy issue by attaching the opinion of the finance ministry. Some, however, say the subsidy issue should be finalized by negotiating with the developer.

In the budget for fiscal year 2014/15, Finance Minister Ram Sharan Mahat announced in bulk subsidy in lieu of subsidy on VAT to all hydropower projects, including the export-oriented ones, that begin generation by 2021/22.

Upper Karnali is an export-oriented project. If the government ultimately decides to provide subsidy in bulk, GMR - the developer of the project - is entitled to receive Rs 4 billion if the project starts generation before 2021/22.

Some are against giving subsidy on VAT to foreign developers, saying that the policy was meant for encouraging domestic investors by providing assistance in the form of viability gap funding.

Likewise, the developer will also receive 100 percent income tax holiday for the first ten years and 50 percent discount in income tax for next five years if the project starts generation before 2021/22.

The government had formed the technical committee after studying a presentation on PDA document made by the Investment Board Nepal in the run up to Indian Prime Minister Narendra Modi's Nepal visit. Concerned government agencies had started preparations on a war footing to sign PDA with GMR and sign Power Trade Agreement with India during Modi's visit. But it couldn't materialize.

Meanwhile, the technical committee has suggested institute a third-party independent body for studying impact on downstream irrigation projects. The body will be asked to suggest measures within six months to overcome the impacts.

Ministry of Irrigation had drawn the attention of the Investment Board Nepal and technical committee toward the issue, saying that the mega project will severely affect downstream irrigation projects as it will only run in peak hours during dry months.

Speaking at the meeting of Agriculture and Water Resource Committee of legislature-parliament a week ago, Irrigation Minister Narendra Saud had said the project would affect downstream irrigation projects like Ranijamara-Kularia Irrigation Project, Rajapur Irrigation Project and Surya Patuwa Irrigation Project during dry months as the water flow will be far lower than required 322 cumec (cubic meter per second).

Source: The Himalayan Times; 27th August, 2014

'PDA signing would be game changer'

Finance Minister Ram Sharan Mahat today said signing of Project Development Agreement (PDA) on 900MW Upper Karnali hydroelectric project would be a 'game changer' for the country's energy sector.

His statement comes at a time when there have been delays in sealing deal due to ongoing debate over whether government should extend cash incentive of Rs five million for every megawatt of electricity generated by export-oriented hydro projects like Upper Karnali.

"There are those who are creating hurdles in the development process of the country. I urge everyone not to politicise issues related to water resources, as we have already suffered ample losses in the past," Mahat told an interaction organised by the Federation of Nepalese Chambers of Commerce and Industry in Kathmandu.

Investment Board Nepal, a government agency, had started negotiations on Upper Karnali PDA with GMR Group, the developer of the hydroelectric project, in April 2013. GMR was awarded the project, located in Surkhet, Achham and Dailekh districts, in 2008 through competitive bidding.

A deal in this regard was supposed to be sealed during Indian PM Narendra Modi's visit to Nepal in first week of August. However, after some political parties raised objections, government decided to put the process on hold.

Then on August 4, Prime Minister Sushil Koirala and Indian Premier Modi agreed to conclude the PDA within 45 days. Around this time, a committee under National Planning Commission Vice Chairman Govind Raj Pokharel was formed to find out pros and cons of the draft PDA. Committee was given a deadline of three weeks to submit report to PM Koirala.

The deadline expired last Sunday, but the report is yet to be submitted as some of the committee members are against the proposal to provide cash incentive to export-oriented hydro projects, despite knowing the commitment was made through latest fiscal policy.

These senior government officials are arguing that cash incentive should only be extended to project developers who generate electricity for domestic purpose and not to projects like Upper Karnali, which is planning to sell 88 per cent of the electricity generated here to India.

Other officials, on the other hand, are of the view that the government should be considerate of income of Rs 5.51 billion that it would make in royalties from Upper Karnali, Rs 3.10 billion in income taxes and Rs two million in other taxes per year.

Meanwhile, there has been a delay in report submission as the committee is awaiting written comments from Finance Ministry, which would elucidate its stance on proposal to extend cash incentive to export-oriented hydro projects. As the debate is going on, the committee is expected to recommend to the government to provide the incentive as per the provisions in the 'law of the land'.

This means fiscal policy, which is currently under discussion in the Parliament, should be endorsed without any change to provision on cash incentive. Many say this is possible as two ruling parties, Nepali Congress and the CPN-UML, have voiced support to extend the cash incentive even to export-oriented hydroelectric projects.

Source: The Kathmandu Post; 27th August, 2014

Army to invest in hydro if legal hurdles removed

The Nepal Army (NA) said on Tuesday that it would be willing to invest money from its welfare fund in the hydropower sector if legal barriers were removed.

The Army Act bars the NA from becoming a promoter to any development project or business firm as the Army Welfare Fund is a non-profit making body.

If the army is to invest in hydropower projects, the act will have to be amended, it said.

The NA said that it had prepared a number of plans for making investments in the hydropower sector, but it didn't divulge the details. The army has been scouting for opportunities to diversify investments as the Army Welfare Fund is flush with cash. Currently, it has assets amounting to Rs 26.88 billion deposited in various banks and financial institutions.

The welfare fund's main sources of income are interest on bank deposits and contributions by the UN Peacekeepers deployed in various countries. The Army Act also bars the army from investing in shares.

The NA said it is currently doing study to prioritize the possible areas in the civilian sector for the investment after the removal of legal hurdles. It said that consultations were underway with the concerned bodies for the possible investment, particularly with the government.

The NA said that it needed to spread out its investments to make the welfare fund sustainable and long-lasting.

"We have prepared a plan to invest in the hydropower sector, and consultations are being held at various levels," said Brigadier General Dhani Das Karki, director of the welfare fund, on Tuesday.

Considering the large amount of money in the welfare fund, the NA has been diversifying its investments in various areas in recent days. One of its latest projects is the construction of a hospital to provide health services to the general public.

The NA has been providing health services to incumbent and retired army officials, but the upcoming hospital will serve the general public too. The NA said the services would be a little more expensive than government hospitals and cheaper than private hospitals. Meanwhile, the NA has started providing training to retired personnel.

Source: The Himalayan Times; 28th August, 2014

‘I am confident PTA will be signed soon’

Foreign Minister Mahendra Bahadur Pandey is confident that power trade agreement with India will happen soon. He spoke to THT’s Ram Kumar Kamat and Lekhanath Pandey on a host of issues. Excerpts:



[Enlarge Image](#)

Is Power Trade Agreement with India finally being signed?

There is no reason for not having a PTA with India. We need to adjust a few things and we are working on this. A deal is possible but we need to intensify our efforts to make it happen. I believe that we will finalise the PTA soon.

Several Nepali missions have been rudderless for long. Why so?

Ambassadorial appointments have been long overdue. The government wants to send more competent envoys, who can represent the country effectively.

Are there differences between you and the Prime Minister over names of would-be envoys?

We have no difference on the conduct of our foreign policy but we are yet to finalise some technical things. We have decided to have 50 per cent nominees from among career diplomats and 50 per cent from outside the Foreign Service. We are trying to appoint envoys to all vacated missions.

What is happening on the review of Nepal-India Peace and Friendship Treaty?

This is not a problem but an issue. We need to take stock of the context in which the treaty was signed, what its contents are and in which context we are in. We have suggested modifying the treaty as per the new context. We need to go for a win-win deal.

How are the preparatory works for the upcoming SAARC Summit going on?

As far as logistics is concerned, the venue is getting ready, improvement of roads and beautification of the city are under way. We are procuring vehicles for the Summit. We are also trying to fix a venue for the dignitaries' retreat for informal discussion. Pokhara, Dhulikhel or Kathmandu itself could be the venue. We are about to finalise the theme of the Summit revolving around connectivity.

Do you think SAARC will ever transform into, say, the EU?

The Indian PM's invitation to the leaders of SAARC countries in his swearing-in ceremony was a good beginning. I believe SAARC will grow further given the positive ambience between India and Pakistan. By the way, if we think EU is problem-free, then we are wrong. There are a lot of problems within the EU but it has very good mechanisms to respond to these issues.

Both you and Prime Minister Sushil Koirala are taking part in the upcoming UN General Assembly. What will Nepal focus on?

We will raise the issue of climate change impact. This year we have witnessed increased loss of lives and property due to natural calamities. In previous years, we used to witness heavy rainfall in eastern parts of the country, but this time, we see this happening in the western parts. Has climate change something to do with it? Similarly, we will raise issues of population and urge friendly countries to invest in Nepal. As we are trying our best to graduate

from LDC to a developing country by the year 2022; we will seek support and cooperation from friendly countries.

Any take on the modus operandi of our diplomatic missions to achieve the goal of economic diplomacy?

Change in working style and thinking is a must to achieve the goal of economic diplomacy. The performance of our missions do not correspond with general expectations. Sending one monthly report is not enough. Details of all work, how and why were the adopted strategies beneficial to the country should be clearly mentioned. Our missions have not met the government's expectations, but we are trying to improve.

Source: The Himalayan Times; 28th August, 2014

Chinese team to arrive in Sept to discuss West Seti hydro project

Chinese developer of 750MW West Seti hydropower project is visiting Nepal in the first week of September to discuss issues related to signing of power purchase agreement, development of transmission line and land acquisition, among others.

The delegation led by president of CWE Investment Corporation (CWEI), the development of the hydro project is expected to arrive in Nepal by September 3, a reliable source with knowledge of the matter told The Himalayan Times.

“We have received a letter from the company (which is a subsidiary of China Three Gorges Corporation) stating that it wishes to discuss issues related to power purchase agreement, development of transmission line and land acquisition,” the source said.

“We hope discussions on establishment of a special purpose vehicle to implement the project and initiating negotiations on project development agreement would also be held during the meeting.”

Earlier, the government had expressed commitment to facilitate the process of acquiring land required to build the \$2.5-billion project. It has also agreed to build the transmission lines to evacuate electricity generated by the plant.

West Seti project is located in the far-western region of the country and will spread in four districts of Doti, Dadeldhura, Baitadi and Bajhang. The project has the capacity to generate electricity for 24 straight hours throughout the year, except in dry season when power generating capacity is expected to dip to eight to nine hours a day.

Although the power project is expected to give a lift to the economy of

relatively underdeveloped far-western region, issues related to relocation of people from the project site and acquisition of land for the development of the project are likely to come in the way of smooth implementation of the project.

A study conducted by a parliamentary committee before the dissolution of the Constituent Assembly had found that the project will affect over 16,000 people of 2,125 households in 20 village development committees of four districts. Of these, close to 12,000 people of 1,393 households will have to be relocated, the study showed.

However, these estimates were based on 2008 population census and many more people may be affected by the time works begin at the project site, forcing project developers to foot a bill of billions of rupees.

Earlier, the parliamentary committee had suggested that the people, who stand to lose their land and houses, be relocated to Kanchanpur, Kailali and Bardiya. But whether this recommendation would be heeded is not known.

Along with this, problem of land acquisition is also expected to be tough nut to crack, as only around 20 per cent of land required for project is owned by government. Since a large portion of land is owned by locals, land prices are expected to rise, compelling project developers to fork out a huge sum.

Source: The Rising Nepal; 28th August, 2014

Seven projects demand license for production

Seven hydel projects have applied at the Department of Electricity Development demanding production license during the past five months since April.

The projects which completed survey and are to start construction process, demanded the license as per the provision of final approval.

The total capacity of the said projects is 230 mw. The largest of them is 140 mw Lower Manang Marsyangdi to be developed by Butwal Power, among them.

The site is Manang district and it is the largest to be built by Butwal Power so far.

Others are Sanjen 78 mw by Salusange Power, which is below the Upper Sanjen being developed by Chilime Power Project. It is another important project in Rasuwa. Chilime is now developing Rasuwagadhi, Sanjen, and Upper Sanjen.

Likewise, others demanding license are 4.7 mw Piluwa Khola, 1.25 mw Thamekhola, 1.5 mw Theuli Khola, 3.5 mw Seti Khola and Madhya Tara Khola.

Some 83 projects have demanded licenses for production of 322 mw so far, said Information Officer of the Department Gokarnaraj Pantha.

The Department has so far provided licenses for 90 projects for 2, 455 mw.

Most projects have already done PPA at Rs. 8.80 per unit in winter and Rs. 4.40 per unit in summer.

Although licenses taken, some projects have not started works, and the Department has urged them to start immediately.

Source: The Rising Nepal; 28th August, 2014

[Four hydel projects in the offing in Myagdi](#)

Babiyachaur (Myagdi), Aug. 28: Construction of four hydropower projects has begun in the district with the objective of expanding power supply to the remote areas.

The projects are being constructed through the National Rural and Renewable Energy Programme.

The four projects with a total capacity of 84.5 KW will be completed within the next seven months, according to senior sub-engineer at the Dhaulagiri Community Resource Development Centre Ganga Prasad Acharya.

The projects include 42 kw in Malkwang, 20 kw in Kuinemangale, 11.5 kw in Kuinekhani and 11 kw in Mudi-9 of the district.

The four hydropower projects would cost a total of Rs. 31.39 million with 10 per cent of the investment from the concerned VDC and five per cent from the DDC. Likewise, the local consumers will also be contributing in cash and voluntary labour, said Acharya.

A total of around 500 households are expected to be benefited from the projects. RSS

Source: The Kathmandu Post; 29th August, 2014

NEA spends half of its total income on buying power

The Nepal Electricity Authority ([NEA](#)) spends more than half of its total income on buying electricity from other producers. In the fiscal year 2013-14, the state-owned power utility paid Rs 16.38 billion to independent power producers (IPPs) and India.

Managing power purchases has become a great challenge for the [NEA](#) . On the one hand, its power purchase costs have been increasing significantly annually while it is under pressure from IPPs to sign new power purchase agreements (PPAs).

The [NEA](#) has attributed the rise in power purchase costs to factors such as an increment in the number of IPPs in its system, higher power imports from India, provision for annual hikes in the power rates and depreciation of the Nepali currency vis-à-vis the US dollar that affects PPAs stipulating payment in dollars. Of the total amount of power purchased by the [NEA](#) , 46 percent is imported from India and the rest comes from local IPPs.

Hitendra Dev Shakya, head of the business division at the [NEA](#) , said its power purchases were likely to rise as demand for electricity is bound to increase in the days to come. “Demand for electricity is increasing compelling the [NEA](#) to sign PPAs with IPPs and increase imports from India. The trend is likely to continue in the coming years as well,” added Shakya.

As of the end of the fiscal year 2013-14, the state-owned power utility had completed PPAs with 148 projects that would generate nearly 2,000 MW upon their completion. In the fiscal year 2013-14, a total of six projects developed by IPPs with a combined capacity of 23,558 kW were commissioned. The [NEA](#) had made PPAs with Lower Chaku Khola, Ankhu Khola 1, Bhairav Kunda, Radhi Khola, Mailung Khola and Chhote Khola projects in the previous fiscal year.

With this, the number of IPP-owned projects that are in operation has reached 39 with a combined installed capacity of 255.65 MW. During the previous fiscal year, nine new PPAs for a total capacity of 175.47 MW were signed.

Khadga Bisht, president of the Independent [Power](#) Producers Association (IPPAN), said that the financial health of the [NEA](#) was unlikely to improve unless it adjusts the electricity tariff. “The [NEA](#) needs to increase the power tariff by 5-7 percent. This way, its financial health can be smooth and the impact on the general people too won’t be that severe,” Bisht said.

The annual peak power demand of the Integrated Nepal [Power](#) System (INPS) in the fiscal year 2013-14 was estimated to be 1,201 MW, with 410 MW of power estimated to have been shed. Out of the 791 MW of power actually supplied, 436.4 MW was contributed by [NEA](#) hydro, 22 MW by [NEA](#) thermal, 216.4 MW by IPP hydro and the rest 116.2 MW was imported.

Of the total energy volume, 3,559.28 GWh or 76.8 percent, was contributed by domestic generation and 1,072.23 GWh or 23.2 percent was imported from India.

In the previous fiscal year, the [NEA](#) increased power imports from India by 35.7 percent as compared to the previous year to minimize load-shedding especially in the dry season. Nepal

imported 1,072.23 GWh of energy in the previous fiscal year. [Power](#) purchases from IPPs in Nepal also increased to 1,258.94 GWh.

[Power](#) Purchase Expenditure

Year	Amount
2014	Rs 16.38 billion
2013	Rs 13.57 billion
2012	Rs 11.94 billion
2011	Rs 10.49 billion
2010	Rs 9.74 billion
2009	Rs 7.69 billion
2008	Rs 7.43 billion
2007	Rs 6.96 billion
2006	Rs 6.39 billion

PPA Commissioned in FY 2013-14

Project	Capacity
Lower Chaku Khola	1,765 kW
Ankhu Khola	18,400 kW
Bhairav Kunda	3,000 kW
Radhi Khola	4,400 kW
Mailung Khola	5,000 kW
Chhote Khola	993 kW
Total	23,558 kW