

Source: My Republica; 15 October, 2014

Kulekhani III contractor wants Rs 1 billion in variation claims

Sinohydro Corporation, the civil contractor of Kulekhani III Hydropower Project, has demanded variation payment of Rs 1 billion, stating that has been remaining idle for long due to delay in electromechanical works.

The electromechanical work progress of the project stands at only 40 percent. However, around 90 percent of civil works has already been completed. Jheijian Jialin Company is the contractor for electromechanical works of the project.

The lack of synchronization between the two contractors is not only delaying the project but is also causing Nepal Electricity Authority (NEA), the implementing agency, huge loss.

NEA has already paid Rs 430 million for variation order to the civil contractor. It has also extended construction deadline by 30 months.

Sinohydro has now made claim for another Rs 1 billion and sought deadline extension by 18 months.

Madhusudan Pratap Malla, chief of Kulekhani III Hydropower Project, told Republica that they had been charging Jheijian Jialin Company 0.05 percent of the total contract amount per day since September 21 -- the deadline for completion of electromechanical works.

The total cost of electromechanical works is Rs 800 million.

"I have asked the civil contractor to reschedule the project with a view to completing it by the end of the current fiscal year (mid-July next year)," said Malla.

Malla, however, is yet to receive rescheduled plan from the contractor.

If NEA has to pay the variation claim, the project cost will climb to Rs 3.40 billion. The initial estimated cost of the project was only Rs 1.97 billion -- Rs 1.09 billion for civil contract, Rs 800 million for electro mechanical works and Rs 80 million for the consultant. Similarly, the per megawatt construction cost has jumped by 72 percent to Rs 230 million from initial estimate of Rs 140 million.

The project was initially expected to be completed by December 2012.

Malla said Dispute Resolution Board (DRB) will decide on variation amount claimed by the civil contractor.

Upon completion, the 14-megawatt project will generate 40 million units of energy annually. If the project is delayed by a month, NEA will face loss of around Rs 20 million.

"The electromechanical contractor has recently brought penstock pipes. It has already started

fitting pipes in project sites," Malla said, adding: "The work will gain pace in the coming days."

In another case of cost variation, the generation cost, including the transmission line, of Chameliya Hydropower Project -- another project implemented by NEA -- has crossed Rs 500 million per MW. It was initially estimated to cost Rs 280 million per MW.

After conducting field visit and studying the project, the parliamentary Public Accounts Committee (PAC) concluded that there is massive corruption in Chameliya project. It has submitted files related to variation payments made to the contractors to the Commission for the Investigation of Abuse of Authority (CIAA) -- the constitutional anti-corruption watchdog.

Talking to Republica, PAC Member Ram Hari Khatiwada said variation order has become a bad trend in hydropower projects, particularly those developed by NEA. Khatiwada also said PAC has asked NEA to submit documents of Kulekhani III Hydropower Project to look into the inflated project cost.

Source: My Republica; 16 October, 2014

Upper Trishuli I survey license to be extended again

The Ministry of Energy (MoE) is tabling the proposal for extending generation license of Upper Trishuli I (216 MW) by six months in the cabinet meeting to be held on Thursday.

This will be the third time that the generation license of the project is being extended.

The government has been extending generation license of the project instead of signing Project Development Agreement (PDA) with the developer.

The project is being promoted by Nepal Water and Energy Development Company. The company is a consortium of different South Korean companies.

The cabinet had issued generation license to the company in October 2012, setting out 21-point conditions. Since then, it has already extended the license by two years.

Minister for Energy Radha Gyawali said that they had no option but to extend the deadline as there has been no progress in PDA negotiation.

Energy ministry officials say the developer has fulfilled all the commitments like constructing access road and paying fee for PDA, among others.

Meanwhile, energy ministry officials told Republica that PDA negotiation with the project will begin soon. They said the PDA for Upper Karnali signed with Indian company GMR will guide them in PDA negotiations.

However, the issue of signing Power Purchase Agreement (PPA) in foreign currency as proposed by the developer might be a stumbling block to PDA as the parliamentary Public Accounts Committee, which is studying the pros and cons of signing PPA in US dollar, is yet to take any decision on the issue.

Source: The Himalayan Times; 16 October, 2014

SAARC ministers of energy gather in Delhi

KATHMANDU: The two-day meeting of SAARC energy ministers kicked off in New Delhi, India, today.

The minister-level meeting will discuss ways to strengthen energy cooperation in South Asia.

As the first part of the two-tier meeting, senior energy officials of all eight SAARC member states today reviewed how far the decisions of the fourth meeting of the SAARC energy ministers have been implemented, said Tirtha Raj Wagle, Counsellor at the Embassy of Nepal in New Delhi.

The fourth SAARC energy ministers' meeting was held in Dhaka, Bangladesh in September 2011.

Keshav Dwoj Adhikari, a joint-secretary at the Ministry of Energy, led the Nepali delegation at the senior officials' meeting today.

The senior officials also discussed the outcome document of the ministerial meeting slated for tomorrow. India's Minister for Power, Coal and Renewable Energy Piyush Goyal is scheduled to inaugurate the meeting.

Energy Minister Radha Gyawali has already reached New Delhi for the ministerial meeting, which will take decisions on the recommendations of the senior officials' meeting.

Among the agenda of the ministerial meeting are exploration of various sources of the energy and market for the produced energy, construction of cross-border transmission line as well as fulfilling the severe energy deficit in South Asia with collective efforts, according to Wagle.