

Source: My Republica; 16 December, 2014

## **'Energy ministry free to decide fate of 14 projects'**

Energy Secretary Rajendra Kishore Kshatri on Monday said he was convinced that a recent direction on 14 hydropower projects by the Commission for the Investigation of Abuse of Authority (CIAA) was not obligatory.

Kshatri made the comment after Prem Kumar Rai, acting secretary of CIAA, told the Agriculture and Water Resources Committee (AWRC) of the legislature-parliament that the anti-graft body had only advised the Ministry of Energy (MoE) and the Department of Electricity Development to take decision on the license of 14 hydropower projects on the basis of existing laws. "The energy ministry is free to decide on the fate of 14 projects," he added.

Secretary Kshatri had been maintaining that CIAA's direction was obligatory. He had also been saying that the ministry was not in a position to decide fate of the 14 projects. Kabeli A, which has loan and equity investment of the World Bank Group, is among the 14 projects.

Earlier, CIAA Chief Commissioner Lok Man Singh Karki had told the parliament's Finance Committee that the anti-graft body had not directed, but advised the ministry. But MoE officials were not in the meeting.

Though the Finance Committee had told MoE officials they were free to take decision on the fate of the 14 projects, Energy Secretary Kshatri had said they were confused by contradictory directions from CIAA and Finance Committee.

In Monday's meeting, Energy Secretary Kshatri sought AWRC's direction on the issue. AWRC Chairman Gagan Thapa told Kshatri that it would take a decision on Tuesday

Source: My Republica; 16 December, 2014

## **Rawa Khola developer courts local investors**

Dudhkoshi Power Company, which is looking to develop Rawakhola Hydropower Project (6.5 MW) under public-private-partnership (PPP) model, has started a campaign to find investors in the district to develop the project.

Prem Lama, chairman of the company, told Republica said they were looking for local investors to develop the project. "Investors from other districts are jostling put their money into the project. But we want the locals of Khotang, including those who are plying their trade in foreign countries, to invest in the project," Lama said. "We are convincing Khotang locals, including those living in Kathmandu, to invest in the project."

Lama said they plan to collect 30 percent of the project cost from the local investors. The estimated cost of the project is Rs 1 billion.

"We are trying to convince locals of the benefits that they would get by investing in the project. We are telling them that they would get 15 percent return on their investments in the first nine years and 25 percent return after 10 years," Lama added.

The company has already started construction works on the project. The plan is to divert the waters of Rawa Khola, which flows between Hauchur and Jalpa village development committees (VDCs), through a 2.3 km canal from Bhainse to the powerhouse in Mangalbare.

The government had issued license to the company in February. The company had signed power purchase agreement (PPA) with Nepal Electricity Corporation (NEA) on January 20, 2013. As per the agreement, it will earn Rs 205 million annually. The company plans to arrange 70 percent of financing through banks and financial institutions. The project will be handed over to the government after 30 years.

Lama had received license for the project some nine years ago. It was later decided that the project would be developed as per the PPP model after the District Development Committee (DDC) Khotang decided to make the district load-shedding free within five years. The 18th District Council Meeting had decided to implement the project under PPP model.

According to conservative estimate, 4.5 MW of electricity would be sufficient for the district.

Lama said power generated by the project will be distributed in Okhaldhunga, Udaypur, Bhojpur, Solukhumbu and other neighboring districts apart from Khotang.

Source: My Republica; 19 Dec, 2014

## **Experts for issuing hydropower licenses through open competition**

Experts say the existing law of providing survey license of hydropower projects on 'first come, first serve basis', which was endorsed in early 1990s, is creating problems in the hydropower sector.

As per the Electricity Act, survey licenses are given initially for two years. They can be renewed by a maximum of three years.

Licenses of over a dozen projects have expired. A recent direction by the Commission for the Investigation of Abuse of Authority (CIAA) to scrap license of such projects landed in controversy.

Two parliamentary committees separately started discussions on the issue, questioning jurisdiction of CIAA. The committees invited both government and CIAA officials for the discussions.

During the discussions, some lawmakers threw their weight behind the developers of hydropower projects whose licenses have already expired. Some license holders are occupying rivers by doing nothing at all. Despite this, their licenses get renewed because of their political nexus. However, not all developers fall in this category.

After a discussion of nearly six weeks, the latest direction of the Agriculture and Water Resources Committee (AWRC) of legislature-parliament has finally settled the dispute. But officials of Department of Electricity Development (DoED), the government agency responsible for issuing hydropower licenses, say the dispute over licenses has just started. As licenses of many hydropower projects are expiring in the next few months, they say the dispute will be bigger this time.

DoED has issued survey licenses for generation of altogether 13,289 MW. Officials say almost every stretch of rivers has been occupied.

"The practice of awarding survey license on 'first come, first served basis' is the root cause of the problem," said Sagar Raj Gautam, information officer of DoED, told Republica.

There are several problems that genuine hydropower developers come across after acquiring survey license. These problems range from hurdles by locals, problems in felling trees and finding investors to convincing Nepal Electricity Authority (NEA) to buy energy generated by the project. Lack of transmission line in the project site also creates problems for the developers.

It takes lot of time to combat these problems. Some developers lose license just because they fail to combat these problems in time. If their licenses are scrapped, they will have face huge loss.

Energy Secretary Rajendra Kishore Kshatri recently told parliamentary committees that survey period of five-year is not practical. "License holders need to do many things. Weaknesses on the part of the government like delay in signing power purchase agreement (PPA) and building transmission lines also affect their works," he added.

At present, many developers have remained idle as NEA is not signing new PPA. Before signing

PPA, projects cannot start construction works.

## **OPEN COMPETITION**

Experts say the existing licensing system and allowing developers to modify projects on the basis of their financing capacity is not relevant in present context where developers are jostling to put their money into hydropower projects. Only a few developers had shown interest to invest in hydropower projects when the government opened doors for private sector investment two decades ago.

Government officials and independent power developers have common view on hydropower development. They say the government should first identify projects and complete preliminary study and award it to the private sector through open bidding.

Dinesh Ghimire, director general of DoED, said discussion on awarding projects through open bidding is underway. "The government should identify the project on its own for optimum capacity utilization of the projects. It can identify the projects on the basis of available infrastructures like access roads and transmission lines," added Ghimire.

However, a draft of the bill to amend the Electricity Act does not include anything about open bidding.

Khadga Bahadur Bisht, president of Independent Power Producers' Association, said open bidding is the best model for project development. "Competition in energy prices will also provide opportunity for the government to purchase cheap energy and keep energy prices at the competitive level, he added.

Gautam is it is high time the government stopped the existing licensing system. "It should analyze the existing hydropower development process, conduct a need assessment analysis, and award the projects to developers through open competition," he added.

Former Energy Minister Gokarna Bista had tried to bring the scrapped licenses in the government basket and award it to interested developers through open bidding. The energy ministry had even issued a directive in 2011 for managing survey licenses and bringing the scrapped licenses in the government basket. However, the directive was amended later on to serve the interest of some groups.

Source: The Kathmandu Post; 19 Dec, 2014

## Locals demand shares in Khimti project

Demands for a stake in hydropower projects in operation by locals refuse to die. Locals of Ramechhap district have asked for shares in the Khimti I Hydropower Project in a move that observers said had been inspired by the campaign for a stake in the Bhote Koshi Hydropower Project being conducted by residents there. The trend of allocating shares to locals is a relatively new practice in hydropower projects in Nepal. There was no such concept for projects that are already in operation. Cadres of the ruling Nepali Congress (NC) are at the forefront in demanding shares in both the cases. According to informed sources, NC cadres have demanded a certain portion of the shares for locals from the 60 MW Khimti I project, warning that they would call a strike if the demand was not met. A senior Khimti official confirmed the demand for shares but refused to divulge how many.

Since the power from the 45 MW Bhote Koshi plant has not been fed to the national grid due to the standoff, load-shedding has been upped by an hour. Observers said that if a similar situation emerged at the Khimti project, the energy crisis would deteriorate further. A prominent NC leader who wished to remain unnamed told the Post that after the news that Bhote Koshi would offer shares to locals was published, the local political leadership in Ramechhap adopted similar tactics to extract shares from Khimti.

Similarly, a high ranking official at Himal Power confirmed the report. “However, the central level leadership of the NC has assured us that they are against the demand put forth by the local leaders,” the official said.

Himal Power’s General Manager Tom Kristian Larsen would not say if there had been a demand for shares, only remarking that the occurrence of such cases in Nepal might affect the development of the energy sector.

“The demand of the locals (if there is any) cannot be fulfilled as per the agreement between Himal Power and the government,” Larsen said. “All eyes are on the energy sector these days. Such issues are detrimental to the government’s objective of becoming more investor friendly and attracting FDI for the development of the country. It simply has no place in the New Nepal.”

Khimti I started commercial operations in July 2000. It is currently being operated by Himal Power. Meanwhile, the government’s repeated attempts to resolve the deadlock at Bhote Koshi have been unsuccessful. The third meeting called by Energy Minister Radha Gyawali has not been held since Monday.

“The meeting was cancelled on the past two days. We are waiting for the meeting to be held so that there can be a positive conclusion,” said Narendra Prajapati, project manager of the Bhote Koshi.

Source: The Kathmandu Post; 19 Dec, 2014

## Energy Ministry told to deal with idle hydel projects

The parliamentary Agriculture and Water Resources Committee (AWRC) on Tuesday ordered the Energy Ministry to decide the fate of the 14 hydropower projects whose licences the Commission for the Investigation of Abuse of Authority (CIAA) had initially ordered be cancelled for non-performance.

After the CIAA relaxed its cancellation order verbally and authorized the ministry to act as it saw fit, the House committee told the government to decide whether their permits should be scrapped after studying the facts.

The future of these projects including that of the World Bank-funded Kabeli-A had hung in the balance after the anti-graft body ordered that their licences be cancelled for failing to conclude the financial closure and power purchase agreement (PPA) on time as per the Electricity Act and Regulation.

When lawmakers vehemently opposed the CIAA's directive and accused it of exceeding its jurisdiction besides questioning the validity of its investigation, the anti-graft body backed down saying that its directive was not obligatory.

The AWRC then directed the ministry to conduct a study, investigate, analyze, monitor and update the status of all the 14 hydel projects and reach a decision by staying within the legal mechanism.

“The ministry can decide which projects need government support and which should have their licences revoked,” AWRC Chairman Gagan Thapa said after the meeting on Tuesday.

Thapa added that a study done by the committee showed that a number of project developers had not initiated any development task while dilly-dallying by government agencies in some cases had affected the development of some projects. The committee directed the ministry to take action against those just holding on to the licence without starting work on the project and present a report about them in the next two months.

The AWRC issued its decision a day after CIAA Acting Secretary Prem Kumar Rai clarified that the anti-graft body's directive was not mandatory in the case of these 14 projects. “Since the CIAA has already clarified that the ministry can make a decision on its own, we have asked the ministry to initiate the process,” Thapa said.

The AWRC's ruling is in line with Clause 12 (B) of CIAA Act 1991 which states, “The commission may write to the concerned authority or department in order to rectify the bad results arising out of the improper action committed by any person holding a public post.

Provided that in case the decision taken by the person holding a public post can be appealed under current laws, the commission shall not write in such a way that it would have an influence on such a decision.”

The Electricity Act has given the final authority to issue licences and terminate survey and generation licences to the energy secretary.

Realizing that a number of projects had failed to conclude the procedures within the designated time, the parliamentary committee has directed the ministry to initiate the required process to make the responsible government agencies stick to a time frame.

Likewise, the committee has directed the ministry to punish the developers who have acquired a licence but have not made any move to develop the project by conducting effective monitoring through its line agencies and submit a progress report to the committee within two months.

Source: The Kathmandu Post; 19 Dec, 2014

## Chinese experts study site

### *West Seti Hydrel Project*

An expert team from the Shanghai Investigation, Design & Research Institute (Sidri), an affiliate of China Three Gorges Corporation, has completed a technical investigation of the West Seti Hydropower Project.

The company said in a press release that seven professionals from Sidri, representatives from Investment Board Nepal and experts from the local partner company carried out a joint technical investment of the project. The aim of the survey is to build a solid technical basis to promote the project.

The group of experts inspected the hydrological station of the Seti River and the proposed sites for the main engineering facilities like the preliminary powerhouse, intake and dam.

The team also examined the local flood record and collected information on the hydrological conditions of the river course, the number of residents in the reservoir area and their living conditions.

After completing the technical investigation, the Chinese professionals reported their findings to the government of Nepal and discussed the work design for the construction of the project.

Source: The Himalayan Times; 19 Dec, 2014

## NEA to import additional 35 MW power from India

Nepal Electricity Authority is planning to import around 35 megawatts of additional electricity from India to limit load-shedding hours as energy production here starts to fall with the advent of the winter season.

“We will start importing around 30 to 35 MW of additional electricity by the end of January if everything goes according to plan,” Bhuwan Chhetri, chief of the Load Dispatch Centre at NEA, told The Himalayan Times.

Currently, the state-owned utility company is importing around 230 MW of electricity from India, up 21 per cent from last year's 190 MW. Despite increased supply from India, NEA increased load-shedding hours from eight to 10 per day in the Kathmandu Valley beginning yesterday due to rising electricity consumption and falling production.

Electricity demand, which hovered around 17-17.20 million units per day till last fiscal year, shot up to around 18-18.20 million units per day this year. To meet this demand, the country needs plants that can generate over 1,300 MW of electricity. But NEA produces around 478 MW of electricity through a number of hydroelectric projects that it owns, around 53.4 MW through thermal plants and around 100 KW from solar plants. Also, hydro projects owned by the private sector generate around 256 MW of electricity and other small hydel plants produce around 4.6 MW of electricity.

With these projects, the country's total installed capacity hovers around 790 MW.

Yet, production from most of the hydro plants does not remain stable throughout the year because most of them are run-of-the-river type. As a result, electricity generation dwindles to around 500 MW during the winter season, when the country receives very little or no rain.

“To meet the electricity demand of the dry season (winter season), we will have to make a lot of investment, which is not possible at the moment. But we can definitely provide some relief to consumers by increasing imports,” Chhetri said. “This way we plan to limit load-shedding to 12 hours per day during winter season.”

Last year too, NEA had limited power cuts to 12 hours per day.

To ensure power cuts do not go beyond 12 hours per day, NEA is planning to make use of two 132 kV transmission lines — Kusaha-Kataiya, Gandak-Ramnagar — to bring in electricity from India.

“We can bring in around 25 MW to 33 MW of additional electricity using each of these transmission lines, as their capacity has not been fully utilised so far,” Chhetri said. “But for that we will have to wait for some time, as the power company on the Indian side is upgrading transformers at the moment. We hope these works will be complete by January-end.”

NEA is importing electricity using 13 cross-border transmission lines, of which three are of 132kV and the rest of 33 kV capacity. However, electricity brought using 33kV lines can only be used in areas in the vicinity of Nepal-India border.

To supply electricity purchased from India to places like Kathmandu, NEA is using three 132 kV Kusaha-Kataiya, Gandak-Ramnagar and Mahendranagar-Tanakpur transmission lines.

### Demand data

- Electricity demand, which hovered around 17-17.20 million units per day till last fiscal year, shot up to around 18-18.20 million units per day this year
- The country's total installed capacity should be around 1,300 MW but hovers around 790 MW
- Electricity generation dwindles to around 500 MW during the winter season

