

Source: Karobar; 14 Jan 2014

## **Transmission line delay to cost NEA Rs 2b**

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KATHMANDU, Jan 13

The Nepal Electricity Authority (NEA) will have to pay Rs 2 billion to two hydropower projects alone to be constructed in Solu corridor after four years as it has not started construction of transmission line in time. Under construction Lower Solu (82 MW) and Solu (23.5 MW) will have to be compensated by the NEA as it has yet to start construction of the 90-kilometer 123 KV transmission line from Mirchaiya, Siraha to Lamane of Solukhumbu.

Promoters of these two projects claim that they will complete construction within the scheduled deadline of 2018 even as the transmission line is set to be delayed by a year. Future of the projects has also become uncertain due to the delay in construction of transmission line. The compensation amount, that has to be paid in case of delay, will be equal to the cost of constructing the transmission line.

Promoters of the two projects are investing Rs 17 billion on the projects, and have already made financial arrangements for investment. Solu will be developed by domestic investors while Lower Solu will be constructed by Essel Energy of India in joint investment with Nepali investors. The power purchase agreement (PPA) signed between the NEA and the promoters state that the NEA will have to pay 45 percent in compensation if it fails to construct transmission line in time while the promoters will also have to compensate the NEA at the same rate if they delay construction of projects. Lower Solu will generate annual income of Rs 2.60 billion and Solu Rs 760 million.

Construction of transmission line looks set to be further affected due to delay in approval by forests and environment ministries, and the problems faced in land acquisition. But the NEA management has yet to show seriousness even though they have to pay around Rs 2 billion a year in compensation. India has provided soft loan for construction of the transmission line.

The 22 MW Mai Hydropower Project has also yet to come into operation with the NEA failing to construct transmission line in time. Promoters of the project are losing tens of millions in revenue due to that. Transmission line for Sipring Hydropower Project also remains unconstructed for a long time. There was no provision of compensation in the PPA signed for these two projects. Under construction Upper Tamakosh Hydropower Project is currently buying electricity generated by Sipring. The NEA board has only recently given permission for inviting bids for construction of transmission line. The NEA decision has yet to reach the project office.

Managing Director of NEA Mukesh Raj Kafle, however, claims that the process of constructing transmission line for Solu has already started. "We will invite bids for construction of transmission line within a few days," he states. Chief of Solu Corridor Transmission Line Project

Janardan Gautam concedes there has been delay of a year in construction. He doubts that it will be completed in time as bids have yet to be invited.

Chief Executive Officer (CEO) of Upper Solu Hydroelectric Company Shashi Sagar Rajbhandari says investment on the project is under risk as the transmission line will not be completed in time. “The 45 percent of compensation will not even suffice to pay bank interest. There are other administrative expenses and investment on top of that,” he says. “There is no meaning of constructing the project in time if the NEA does not complete the transmission line in time,” he adds. Director of Essel Clean Solu Hydropower Ashish Garg also points that no project constructed by the NEA has been completed in time. “The current activities also point toward that,” he says.

Essel Clean had received generation license for Lower Solu and Upper Solu for Solu only after paying advance of tens of millions in fee through free competition. The promoters had aimed to start construction in 2011 and complete them this year. They had to waste three years to prepare working plan for the projects and PPA due to negligence of the NEA. Rajbhandari claims that the project cost rose by 30 percent during the period.

### **NEA relaxes criteria for contractors**

The NEA, meanwhile, has relaxed qualification criteria for contractors to take part in the bidding process at a time when construction of the transmission line is delayed raising doubts about completion of the project in time. Environment has been created to allow inexperienced contractors to take part in the bidding process by relaxing the criteria set by consultant Lahmeyer India.

The NEA board has removed essential provisions including requirement of the competing companies to have completed two 90-kilometer 110 KV transmission line projects, and requiring the selected company to design and construct transmission-line towers itself. The selected company can now get other companies to design and construct the transmission-line towers. The promoters of the companies state that possibility of further delay in construction of the transmission line has increased as removal of the provisions from qualification criteria has made selection of inexperienced companies likely.

Source: The Himalayan Times; 2 Jan 2014

## **NEA increases power cut to 75hrs/week**

Nepal Electricity Authority (NEA), the power monopoly in the country, has decided to increase power outage hours to 75 hours a week effective from Sunday.

Issuing a notice on Thursday, the NEA said that it has decided to increase the loadshedding hours as the Mid Marsyangdi Hydro Electricity Project has to be shut down for repair and maintenance.

Currently, the people are bearing the brunt of 70 hours of loadshedding a week.

With the new schedule, the Valley denizens will be compelled to endure 11 hours of loadshedding for six days and nine hours for one day.