

Source: Karobar; 1 Feb 2015

## **Investors suffer due to NEA**

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Sanimamai Hydropower Project (22 MW) completed by Sanimamai Hydropower Limited has not come into operation with the Nepal Electricity Authority (NEA) delaying construction of transmission line.

Sipringkhola Hydropower Project (10 MW) constructed by Synergy power in Dolakha has not come into full operation also in lack of transmission line.

Robust Energy has not been able to start construction of Mistrikhola Hydropower Project (42 MW) in lack of transmission line in Kaligandaki corridor.

Lower Solu (82 MW) and Solu (23.5 MW) to be constructed in Solu corridor seem set to be affected with the NEA not paying attention to construct transmission line in the corridor.

Electricity to be generated by Rasuwagadi (111 MW), Lower Sanjen (42.5 MW) and Upper Sanjen (15 MW) to be constructed under Chilime Hydropower Company Limited also looks set to be wasted with work for constructing transmission line in Chilime hub yet to start.

Investment of completed, under-construction and other projects that have signed power purchase agreement (PPA) are under risk with the NEA not expanding necessary transmission lines in time. Investment of billions of rupees made in different projects to be constructed in the coming five years looks set to be lost if the NEA does not immediately take solid steps to expand transmission lines. The NEA will also have to pay compensation of five to 45 percent amounting to billions to the projects whose electricity will be wasted in lack of transmission lines, even as the country will continue to face energy crisis.

Extreme negligence in construction of transmission lines by the NEA and government has been hindering hydropower development in the country in the past few years. The NEA has not completed any transmission line project in time until now while there is little chance of even those under construction being completed in time. Delay in approval from the Forest Ministry, problems in land acquisition, local obstruction and compensation dispute, and delay by the NEA has been affecting expansion of transmission lines.

The NEA has not completed 220 KV Khimti-Dhalkebar Transmission Line 10 years after starting construction. Electricity to be generated by under-construction Upper Tamakoshi Hydropower Project will also be wasted if work for the transmission line is not completed within the coming year. The government has allocated adequate budget for expansion of transmission lines in the recent fiscal years with Rs 13 billion allocated in the current fiscal year alone. There

has been delay in construction of transmission lines due to lack of willpower of the government despite donors like the World Bank (WB) and the Asian Development Bank (ADB) assisting the government in expansion of transmission lines. Projects with combined installed capacity of 1,200 MW are currently being developed by the private sector, NEA and its subsidiary companies.

Sanimamai has not been able to generate electricity losing tens of millions in revenues (at the rate of Rs 650 million a year) as 132 KV Transmission Line from Damak, Jhapa to Godak of Ilam has not been completed in time. Electricity from the project should have been transmitted since last June as per the PPA signed with NEA. Director of the company Dr Subarna Das Shrestha says the new date for completion of the transmission line has yet to be set more than seven months after the deadline. He claims there will be further delay as half of the work has yet to be completed. “Bank capitalizes interest up to mid-January. There will be problems if we do not regularly repay principal and interest after that. The company cannot repay loans without generating electricity and selling it,” he elaborates. Work is being done to connect electricity through 33 KV transmission line near Godak to connect to the national grid in coordination with the NEA after the delay in Damak-Godak transmission line but even that is being delayed.

Similarly, the 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 and Solu 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.

The NEA has not even invited bids even as the promoters have started project work. The 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. Promoters demand that the NEA officials not fulfilling their duty that can ultimately force the NEA to pay the amount in compensation should be punished. They feel that the Commission for Investigation of Abuse of Authority (CIAA) should pay attention toward that. 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.

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 complains that the project will be delayed due to the NEA. “No hydropower and transmission line project constructed by the NEA has been completed in time until now. The current activities also point toward that,” he

says. 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.

Mistrikhola Hydropower Project being developed by Robust Energy will also be delayed by a year in lack of transmission line in Kaligandaki corridor. Promoter Robust had signed PPA with the NEA to complete the project in July, 2016 but a new deadline of December, 2017 has been set after the delay by NEA to construct transmission line in the corridor. The NEA has started construction of transmission line now but there are doubts as to whether it will be completed within the stipulated time. Cost of the project has increased by Rs 500 million due to the delay in transmission line.

Managing Director (MD) of NEA Mukesh Raj Kafle concedes that construction of transmission lines has been delayed due to different reasons. He attributes the delay to the time taken in receiving permission from the Forest Ministry, obstruction by locals, and compensation dispute. “Construction of proposed transmission line projects has gathered momentum. We are committed to completing the transmission line projects in time. There was delay in construction of transmission line until a few months ago. But there will not be such problems now,” he states. He reveals there has been progress in construction of transmission lines in Solu corridor, Kaveli hub, Hetauda-Duhabi, Hetauda-Bharatpur-Bardeghat, Kathmandu-Trishuli, Dhalkebar-Bhitthamod-Muzaffarpur. He says construction of Khimti-Dhalkebar transmission line has not moved forward due to obstructions owing to problems in land acquisition, and forest and environment ministries.

Source: The Kathmandu Post; 4 Feb 2015

# Investment Board gears up for PDA talks on Tamakoshi III hydel project

- SANJEEV GIRI

Fresh from completing project development agreements (PDA) for two 900 MW hydro plants, the Upper Karnali and the Arun III, an elated Investment Board Nepal (IBN) is gearing up to start formal negotiations for the 650 MW Tamakoshi III Hydropower Project.

IBN said the PDA negotiations with Norwegian company Statkraft would start by the third week of February. The board had initially held talks with SN Power which is owned by Statkraft and Norfund. The negotiations will now be conducted with Statkraft as it has been assigned to look after the Nepal business.

An IBN board meeting held last November had decided to extend the project negotiation agreement (PNA) for the Tamakoshi III by six months under which the PDA is negotiated.

A PNA with a validity of 18 months had been signed in April 2013 with the motive of assuring the tenure of the project as the survey licence had expired.

The government had issued the license for the project to SN Power in March 2007. As per the Electricity Act 1992, the tenure of a survey license is automatically terminated if no progress is made within five years from the date of issue.

“We have been holding discussions regarding the project for the past one and a half years. The formal negotiations will start soon,” said Radhesh Pant, chief executive officer of IBN.

According to Pant, IBN is highly optimistic about signing an agreement within the designated time frame of April-end as a landmark power trade agreement (PTA) with India has been sealed.

“The major concern of the Norwegian company, the project developer, was market. Since the PTA has ensured buying and selling of electricity like other commodities between two countries, many of their issues have been addressed,” Pant said.

Since there is also a PDA template in place, the agreement is likely to be sealed soon.

The project’s future was uncertain until the PTA was signed in October 2014. The Nepal Electricity Authority (NEA) had been unable to assure a market for the proposed project thinking that the country would have surplus energy during the wet season by 2017 or 2018.

Meanwhile, IBN has asked the project developers to present a cost estimate. The cost will be adjusted with IBN's financial model and the rate of return from the project will also be calculated.

The hydro project to be developed on the Tamakoshi River situated in Dolkha and Ramechhap districts is estimated to cost around Rs 111.3 billion.

Likewise, a thorough discussion will be held regarding the long-term pricing of the energy produced, keeping in mind the project's completion date. "Every project is different in nature. The Tamakoshi III will require a long tunnel. Hence, the per MW cost of energy will be higher compared to the Upper Karnali and Arun III projects," Pant said.

Issues regarding equity, free energy for Nepal and shares for locals, among others, will be discussed based on the project's financial rate of return.

According to Ghanashyam Ojha, head of external affairs at IBN, a board meeting which is likely to be held in the next two weeks will lay a course for the PDA negotiations.

"We are planning for a board meeting very soon. The meeting will form a negotiation team which will then set a date for starting talks," Ojha said.

The IBN board meeting is chaired by the Prime Minister. More than a dozen meetings between the government and the project developer have failed to yield a concrete result so far.

Source: My Republica; 4 Feb 2015

## **IBN begins PDA negotiations for Upper Marshyangdi**

Investment Board Nepal (IBN) has started Project Development Agreement (PDA) negotiations with GMR for the implementation of Upper Marshyangdi-2 Hydropower Project.

Ghanashyam Ojha, spokesperson of IBN, said that groundwork for PDA negotiations has been started. However, the board of IBN, which is led by Prime Minister Sushil Koirala, is yet to form a negotiation team for the negotiations.

Ojha said that initial talks with a team from GMR is setting the tone for negotiations. It will be formalized only after a team is formed for the negotiations, he added. IBN has already signed PDA with GMR to develop Upper Karnali Hydropower Project.