

Source: Karobar; 6 April 2015

NEA to buy energy only when needed

BABURAM KHADKA

The Nepal Electricity Authority (NEA) will sign power purchase agreement (PPA) with hydropower projects with a condition that it will procure electricity only when needed. Stating that hundreds of MW will be wasted during the rainy season after 2017, the NEA has started to sign dispatchable PPA with condition of procuring only on the basis of necessity.

The NEA says the decision has been taken on the basis of Grid Impact Study (GIS) that has showed almost 800 MW will be wasted during the night in rainy season after 2017. The NEA, that had earlier been signing PPA on take or pay basis, has signed dispatchable PPA with half a dozen projects until now. PPA will, however, be signed in take or pay basis with projects with whom connection agreement was signed before the GIS was implemented.

Director of the Power Trade Department of NEA Anil Rajbhandari says PPA is being signed on the basis of necessity by changing the policy of take or pay PPA as there will be surplus energy during the rainy season even when there will be load-shedding during the dry season. “The NEA will now procure electricity from projects only if demand rises and there is need for it,” he states.

He says the new provision has been brought as the majority of current projects are designed in exceedance flow (Q40) and generate more energy during the four rainy months while generation falls in the dry season when demand is high. The NEA states that it cannot sell surplus electricity during the rainy season due to problems in transmission lines.

Capacity of the under-construction 400 KV Nepal-India Transnational Transmission Line has already been booked. The transmission line, that will transmit 1,200 MW of energy, will be completed within coming July. The NEA projects loss of billions of rupees due to surplus energy as another big transnational transmission line like that faces uncertainty.

The private sector has condemned the NEA decision stating it has been made with an intention of sinking promoters. Chairman of the Hydropower Committee of the Federation of Nepalese Chambers of Commerce and Industry (FNCCI) Gyanendra Lal Pradhan has called dispatchable PPA a suicidal decision. “It is wrong to put a condition of procuring only a certain amount at a time of energy crisis. Attraction toward projects will reduce due to such decision while banks may also hesitate to invest in projects,” he adds.

He stresses that PPA should be signed on take or pay basis. He has also put the blame on promoters who are making rounds of the NEA to sign dispatchable PPA. “The NEA has taken this decision on the basis of projection that there will be surplus energy after 2017. The situation will continue until there is a single buyer. A company, therefore, must be formed immediately for power trade,” he reasons and adds that the private sector is ready for formation of a power trading company.

The NEA has signed PPA with 155 projects for 2,100 MW until now. Dozens of projects are still waiting for PPA. It has been signing PPA with projects of installed capacity up to 100 MW at a single flat rate. The NEA has been signing PPA with private promoters for 25 years. The flat rate earlier being given to projects with capacity of up to 25 MW is now being offered up to 100 MW.

The NEA has been signing PPA at Rs 4.80 per unit for eight months including rainy season and Rs 8.80 per unit for the rest four months during dry season. PPA for the bigger projects will be signed through mutual agreement of the NEA and promoters concerned.

Source: The rising Nepal; 7 April, 2015

Cooperative to develop Khimti-2 of 48.8 megawatt

The Khimti-2 Hydropower Project of 48.8 megawatt is to be constructed on cooperatives modal. The project at a border point of Dolakha and Ramechhap districts would be constructed by the People's Hydro Cooperatives.

This is the biggest project to be constructed on cooperative modality in the country.

The project has signed a preliminary proposal for Power Purchase Agreement (PPA) with the Nepal Electricity Authority (NEA), said, chairman of cooperatives Krishna Acharya.

The total cost of the project is estimated Rs 7 billion rupees. There are 290 shareholders in the cooperatives at the beginning and more members would be welcomed in the future, it is said. The project is also preparing to issue limited initial public offering to the people of the affected area.

Source: Karobar; 7 April 2015

SJVN to borrow from Nepali banks for Arun III

BABURAM KHADKA

Satluj Jal Vidyut Nigam Limited (SJVN) of India will also borrow from Nepali banks to construct the 900-MW Arun III Hydropower Project. SJVN has written to 30 commercial banks of Nepal and the government-owned Hydropower Investment and Development Company Limited (HIDCL) and asked them to submit proposal by this Friday.

It, however, has not revealed the amount of money that it wants. Country representative of SJVN Hariram Subedi says banks have been asked to submit the amount they can invest, interest rate and loan period. He adds discussions will be held with banks after they submit their proposals. He reveals SJVN has started the process of taking loans from Everest, SBI and Standard Chartered banks that said they are ready to invest on Arun III. “We have asked for proposal for gap loan from 30 commercial banks and HIDCL feeling that we should borrow from everyone. We are awaiting their proposals,” he states.

SJVN will take bridge loan of around Rs 4 billion from Nepali banks. The project cost, according to study, is Rs 196 billion including the cost of constructing transmission line. SJVN will make equity investment of 25 percent (Rs 29 billion) and loan investment of 75 percent (Rs 87 billion) as per the investment structure for the project.

SJVN is also holding discussions with Power Finance Corporation (PFC) of the Indian government for loan investment. PFC has already agreed in principle to invest Rs 75 billion. Subedi says discussions are also being held with State Bank of India and Punjab National Bank. He argues there will not be any problem in making investment arrangements and finding market for the generated electricity as SJVN is a government institution.

Prequalification of companies bidding for construction of dam under the first lot of civil construction will be done from coming September. SJVN has already started acquisition of 180 hectares of land in cooperation with the Investment Board (IB). The project development agreement (PDA) signed between the IB and SJVN states that the government will assist in land acquisition. SJVN will have generation license for 25 years. Nepal will receive benefits worth Rs 348 billion during those 25 years through free electricity, tax and other benefits.

SJVN aims to make investment arrangements within two years of signing PDA, complete pre-construction works including making market arrangements for the electricity to be generated, and complete the project by 2021. The locals affected by the project will be allocated six percent (8 million units) shares. The company will also carry out free electrification of six village development committees (VDC) affected by the project.

Nepal will receive 21.9 percent (118 MW, 860 million units a year) of free electricity from the project. The detailed project report (DPR) has showed that the project will generate 3.92 billion units of electricity annually. The company will get value-added tax (VAT) grant of Rs 4.50 billion, complete waiver of taxes for 10 years and 50 percent waiver for the next five years if the project is completed by 2023.

SJVN was awarded the project in 2008 after a free competition when it proposed to give the highest quantity of electricity. It has already prepared the DPR and the environmental impact assessment (EIA) and submitted them to the government in the six years. Resettlement will be done as per the standards set by the World Bank (WB) and the International Finance Corporation (IFC). The project will be developed on Arun river that separates Sankhuwasabha and Bhojpur districts. The dam will be built in Num and Pathibhara VDCs, and the power house in Dijing VDC. An 11-kilometer tunnel will be constructed from the dam to power house.

