

Source: My Republica; 24 May 2016

## **Hydro projects still await incentives announced in past budgets**

The budgets of past three fiscal years had announced cash incentives for hydropower projects in a bid to encourage developers to complete projects at the earliest. But the developers, who met all the criteria, have not received any such incentive so far.

As many as two dozen projects met the criteria for cash subsidies. But none of them has received the amount promised by the government.

The announcement meant these projects were qualified to get PPA rates of Rs 4.8 and Rs 8.4 per unit for wet and dry seasons, respectively. Other projects are getting power purchase rates of Rs 4 for wet season and Rs 8 for dry season.

Such additional payments were meant for seven years only. Sources say the additional payment is worth around Rs 2 billion.

Nepal Electricity Authority (NEA) signed agreement with 23 hydropower plants with combined capacity of 141 MW that started generation by mid-April of 2014. These plants received incentives for only few months in 2014.

NEA has told these projects that it could not provide subsidy as it was not getting any reimbursement from the finance ministry.

Similarly, the government had also announced bulk VAT subsidy of Rs 5 million per MW to projects that come into generation before 2024/25. This too was limited to projects as at least three projects, including Sanima Mai (22 MW) and Api (8.5 MW), which were qualified for the scheme, did not get anything from government.

"The government has not kept its words," Khadga Bahadur Bisht, president of Independent Power Producers' Association, Nepal, told Republica.

IPPAN has proposed to the government to implement the subsidy and cash incentive programs effectively.

Government officials agree that the incentives were not a burden to the government compared to the economic value that hydropower generation has brought to the country. "We repeatedly wrote to the finance ministry for reimbursement of incentives. But it neither made reimbursement, nor gave any clear reason on why it was not making reimbursement," Deputy Spokesperson of Ministry of Energy Gokarna Raj Pantha said.

Pantha, however, is hopeful of continuing the schemes in the new fiscal year as the energy ministry has proposed budget for the purpose as prescribed by the finance ministry. Amount

needed for the purpose was not fixed in the previous budgets even though they had clear policy announcements.

"We've proposed Rs 2.4 billion for the purpose in the upcoming budget to be unveiled on May 28," added Pantha.

Of the amount, Rs 400 million is for paying additional amount as per the revised PPA for 23 projects. Similarly, Rs 2 billion is for paying bulk VAT subsidy and the remaining is for other projects that meet the criteria for subsidy and incentives programs.

Pantha also told Republica that Rs 9 billion, including the amount allocated for subsidy and incentive programs, has been proposed to implement the 99-point Energy Development Plan 2016/2026.

Other reform plans like restructuring of NEA and revising laws dating back to as early as 1990s are yet to take off. The new budget is also likely to earmark budget for restructuring of NEA which will make its work performance more efficient.

Of the proposed budget, Rs 2 billion will be utilized to make share investments in four companies namely Grid Company, Electricity Generation Company, Power Trade Company and Engineering Company as part of NEA unbundling plan. Likewise, funds will be allocated to building a substation in Dhalkebar as part of Dhalkebar Mujaffarpur Transmission Line Project, among others.

Source: My Republica; 24 May 2016

## **IPPAN seeks extension to power evacuation cut-off date**

Hydropower developers have called on Nepal Electricity Authority (NEA) to extend power evacuation cut-off date for hydropower projects that were unable to conduct regular works during the border blockade due to shortage of construction materials, petroleum products and labourers.

According to present terms, hydropower developers have to evacuate power from the date mentioned in the power purchase agreement (PPA) signed with NEA. If the developer fails to evacuate power to the grid within the stipulated timeline, NEA levies a fine that is equivalent to five per cent of the total energy cost mentioned in the PPA.

Altogether, 15 projects that are under construction have submitted an application to NEA through the Independent Power Producers' Association – Nepal (IPPAN) — the umbrella body of hydropower developers in the country — seeking an extension to the power evacuation deadline.

NEA, so far, has agreed to provide an extension of 138 days to the developers regarding the power evacuation clause due to the problems faced by the developers. However, projects have suffered for long even after the end of the border-blockade, said Khadga Bahadur Bisht, president of IPPAN.

“Projects under construction have been adversely affected due to the border blockade and this is the reason we have been seeking favour from NEA to extend power evacuation cut-off date as per the request of developers.”

Similarly, IPPAN has asked the government to clear the dues of the power producers. The government, through load-shedding reduction action plan some four years back, had offered multiple rates for electricity. The rates had been set at

Rs 4.80 per unit in wet season and Rs 8.40 per unit in the dry season for five years for projects that were able to commission power by April 13, 2015.

The action plan offered three per cent growth in tariff every year for five years, but NEA has not paid the developers since mid-January of last year. IPPAN has sought clearance of all the dues through the upcoming fiscal budget.

IPPAN has also suggested increasing the share of ‘peaking run of the river’ and ‘run of the river’ types of projects in generation mix so that it could supply energy that is cheaper than that from storage projects. The government aims to increase the share of storage projects to 40 to 50 per cent in generation mix, which is not practical enough, as per Bisht.

“Per unit cost of storage project and run of the river projects has a huge difference. If the government promotes storage projects, it will raise the cost of energy generation,” said Bisht.

IPPAN has suggested the government to increase the share of run of the river-based generation to 60 per cent in energy mix and 20 per cent of storage and 20 per cent of peaking run of the river in generation mix for cheaper energy.

As per the government’s plan of generation mix, the scope for run of the river-based projects is already saturated and there is space of PPA for only 400 megawatt. There is less involvement of private sector players in peaking run of the river and storage projects.

Source: My Republica; 24 May 2016

## **Kaligandaki A to shut for week, load-shedding hours may go up**

With the country already reeling under hours of load-shedding every day, the Kaligandaki A hydropower plant is to be shut down for a week because of a problem with the turbine.

Kaligandaki A, situated near Mirmi of Syangja district, is one of the country's largest hydropower plants now in operation. The plant is going to shut down from 7 am Tuesday for the repair and maintenance. With the halt in operation, the load-shedding hours may increase, according to Nepal Electricity Authority (NEA).

Generation of electricity will be stopped for a week while repair and maintenance of the first unit is underway, according to plant chief Shree Ramraj Pandey. If there is a problem in one unit, all three units have to be closed for the repair work, he informed.

"Currently, around 90 megawatts is being generated by Kaligandaki A. As a problem has occurred in the main inlet valve (MIV), which feeds water into the turbine, we have started on the repairs. For this, the plant will be closed for a week," he said. "We'll complete the repair and maintenance as early as possible."

This is the first time the MIV, which has been in operation since the last 13 years, is going to be repaired. Engineers found corrosion in the MIV because of pressure from the water flow, engineer Deepak KC said. According to him, the MIV determines the amount of water flow into the turbine and any leakage affects the power generation.

Toshiba, the Japanese company, is carrying out the repair and maintenance, engineer KC informed. It is the same company that first installed the valve.

The 144-megawatt capacity Kaligandaki A has three units generating of 48 megawatts each. However, the plant's total capacity has decreased to 90 megawatts with the decrease in the water level.

Meanwhile, Bhawan Kumar Kshetri, director at NEA's load distribution center, said that there may be fluctuations of one hour in the load shedding schedule. "The existing duration of load shedding will remain as it is. If the grid doesn't carry the load, load shedding hours may increase by an hour," he said.

The country may face a loss of Rs 1,100 million during the week-long plant shutdown, according to a high official at NEA.

Source: My Republica; 25 May 2016

## **No increase in power cut despite closure of Kaligandaki A: NEA**

Although the Kaligandaki A hydropower plant shut for a week for maintenance, there will be no change in existing power cut schedule.

Chief of Load Dispatch Center at Nepal Electricity Authority (NEA), Bhuwan Chhetri told Republica Online that the authority will not increase load-shedding hours despite the project is closed since Tuesday. "The increase in water level in rivers has contributed to increased production," he said, "There is no need to hike power outage as production from operation projects is high."

He added that production from Kulekhani Hydropower Project has also been increased to meet the energy demand. Currently, there is a power cut for 70 hours per week. The NEA said the schedule will be kept intact for the time being.

The Kaligandaki A Hydropower Project has an installed capacity of 144 Megawatts. It was currently generating 90 Megawatts electricity.

Source: My Republica; 26 May 2016

## **Economic survey:92 km road blacktopped, 18.49 MW energy generated**

A total of 92 km road has been blacktopped while a 132 km length has been graveled in the first eight months of the current fiscal year. During last year, a 60-km road was blacktopped and 401-km gravelled. The Economic Survey Report tabled in parliament Thursday by the government states that 24 motorable bridges have been constructed this year.

On the power front, a total of 18.49 MW has been connected to the national grid while 368 km of transmission line has been laid during the period, the survey report said. Though hydropower generation remained static, peak hour power demand spiked by 94 MW to reach 1385 MW in the eight months while 50,000 new electricity subscribers were added.

Governments' performance in priority sectors like energy and road infrastructure this year has been weakest in over a decade and this has been blamed to the earthquakes and 20-week-long economic blockade by India. The report has projected that the GDP growth rate this year will contract to 0.77 percent, although the target was 6 percent.

New micro hydropower plants generated 1095 KW, and a total of 14,351 new biogas plants and 23,994 solar power systems (large or small) were installed adding 18.49 MW, in the eight months.

Source: My Republica; 26 May 2016

## **Budhigandaki held up by delays in okaying EIA**

The Budhigandaki Hydroelectric Project Development Committee (BGHPDC) has complained at the delay in getting its environmental impact assessment (EIA) okayed after the Ministry of Energy took nearly 10 months to give the go-ahead even though it's supposed to help expedite hydropower development.

The EIA has now been sent to the Ministry of Population and Environment for its approval. The Cabinet recently decided to slash the processing time for the EIA from 126 days to 40. Lengthy paperwork has often been blamed for the slow implementation of development projects in recent years.

Speaking at the parliamentary Agriculture and Hydro-Resource Committee on Friday, BGHPDC Chairman Laxmi Prasad Devkota blamed the Energy Ministry for being indifferent to moving the project forward.

“The construction of the project has been held up as the ministry delayed carrying out the official procedures besides failing to appoint an adequate number of experts for the project,” he said. Devkota said they had asked the ministry for a team of experts to coordinate and decide the project's modality and alignment. “We have been reporting to the ministry every four months, but it has not been taking our plea seriously.”

The Energy Ministry explained that it had failed to mobilise manpower due to a shortage of experts among its staff. Spokesperson for the ministry Sanjay Sharma said a proper government policy was needed to produce experts in the sector. The 1,200MW Budhigandaki project is expected to cost Rs250 billion. According to the BGHPDC, only Rs94.54 million or 2.8 percent of the Rs3.37 billion budget allocated for this fiscal year has been spent as of mid-May. The project has been in limbo after the government failed to come up with a clear policy regarding the distribution of compensation payment for the land acquired from locals.

According to the committee, 28 km of the project's roads face inundation during the rainy season that could hamper the construction work. Meanwhile, there has been no progress in the distribution of compensation due to delays in the valuation of the land acquired.

The Energy Ministry said it had asked the Finance Ministry to allocate adequate funds to move the project forward.

Sharma said they had demanded Rs43 billion from the government for the next fiscal year. “We will use the money to distribute compensation to landowners.”

Lawmakers said that the government should move ahead with compensating people for their land.

Member of Parliament Keshab Thapa said the local people had been prevented from using their land for the last four years as the project had been moving very slowly.

Lawmaker Rajendra Pandey said the local people were ready to surrender their land to the project if they were paid reasonable compensation on time.

“Besides, the government should finalise the financial modality of the investment,” he said.

Meanwhile, the Finance Ministry has declared that the government will not allow the project to languish due to budgetary issues. “The government has been providing funding as demanded by the project,” said Damodar Regmi, joint secretary at the ministry.

Regmi stressed the need to develop a proper mechanism to spend the allocated budget.

According to him, the government has been discussing adopting a suitable financial modality to manage investment for the project.

**Allocate funds for land compensation: Panel**

KATHMANDU: The Parliamentary Agriculture and Hydro-resource Committee on Friday directed the government to allocate sufficient budget to distribute at least 50 percent of the compensation to owners of land to be acquired by the Budhigandaki Hydroelectric Project. The committee said the delay in the project is mainly due to land compensation issues. The committee also asked the Ministry of Population and Environment to give approval to the project's EIA. It directed the project development committee to immediately conclude rehabilitation of the people from project construction site in coordination with National Reconstruction Authority and Energy Ministry.