

Source: The Kathmandu Post; 2 July 2016

DAO issues land seizure notice

Arun III hydro project

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Construction of the much-awaited 900MW Arun III Hydropower Project has moved a step ahead, with the District Administration Office (DAO), Sankhuwasabha, on Monday publishing a land seizure notice for acquiring private plots.

The notice has come as relief for SJVN Arun III, the project's developer, as land acquisition is one of the important preconditions for financial closure. According to the Project Development Agreement (PDA), the developer has to complete financial closure by November 2016.

The DAO has also frozen transactions of 49 hectares of private land to be acquired by the project. The notice was issued as per the Land Acquisition Act 1977. The notice has asked the land owners to be present at the DAO within seven days, excluding travel time, to report if there is any satisfactory reason to not acquire the specific land parcel. The notice has also asked the land owners to notify the DAO if there is any case of ownership change of the land parcels.

As part of the land acquisition process, a price determination committee will be formed under the coordination of the Chief District Officer, which will determine the rate of the land to be acquired, according to Investment Board Nepal (IBN).

“Actual negotiations with the ones to be displaced will start within a month,” said an IBN source.

“The Land Acquisition Act has given full authority to such a committee to determine the rate of the land to be acquired. However, as per the international practice, the economic status of the people should not degrade after they relocate,” the source said, adding the price determination process might take as long as two months.

There are 391 private land parcels, including 112 in Diding, 82 in Yaphu, 147 in Num and 50 in Pathivara VDCs. The project will also be acquiring the houses, cowsheds, huts and plants on those land plots.

As the locals to be displaced have agreed on a resettlement action plan put forth by the developer, the land acquisition will be easier, said the IBN source. The tri-party agreement was signed between IBN, SJVN and the locals of Sankhuwasabha in February.

The resettlement plan complies with the Asian Development Bank's “safeguard standard” and the affected people will be compensated as per the international relocation and resettlement standard.

As per the agreement signed between IBN and SJVN on November 24, 2014, the developer will complete the construction of the plant and start energy generation by 2020.

According to IBN, Nepal will receive Rs348 billion over 25 years from the project. SJVN will provide 21.9 percent of the energy generated free of cost, which is worth Rs155 billion, plus another Rs107 billion in royalties.

As per the PDA, the Indian company will allot shares worth Rs1.6 billion to the locals, 50 percent of which will be issued within two years of the project's launch. The rest of the shares will be issued at a later date at a premium.

Source: The Kathmandu Post/ My Republica; 5 July 2016

Private sector opposes tariff hike in electricity

Country's private sector has opposed the electricity tariff hike decision, saying that it would erode competitiveness of Nepali industries.

Talking to Republica, Gyanendra Lal Pradhan, a private sector representative in the Electricity Tariff Fixation Commission (ETFC), said Nepal Electricity Authority (NEA) has implemented nothing that it pledged while increasing power tariff four years ago.

“Tariff hike might look justifiable. But it would neither improve power supply, nor bring about reforms in the power utility,” added Pradhan.

ETFC hiked electricity tariff by an average of 19 percent on June 30. The new tariff will come into effect from mid-September.

Padhan did not attend the meeting.

ETFC had hiked electricity tariff by 20 percent in 2012. At that time, the government had written off NEA's accumulated loss worth around Rs 28 billion. But NEA's accumulated loss has come almost to the same level in the past four years. NEA had pledged to implement various reform measures, including reducing system loss, when tariff was hiked in 2012.

“But nothing was done in this direction,” Padhan added.

NEA has system loss of about 25 percent. Butwal Power Company (BPC), which distributes electricity in several places in the western region, has system loss of only about 17 percent.

Pradhan urged NEA to change its approach of buying expensive electricity from India but not signing power purchase agreement (PPA) with domestic hydropower developers.

Confederation of Nepalese Industries (CNI) has also said that hike in electricity tariff puts more pressure on country's economy as it increases cost of production and degrades competitive strength of domestic industries. Issuing a statement on Monday, CNI said that this will be another constraint in the economy affected by weak infrastructure and political instability.

Similarly, Pashupati Murarka, president of Federation of Nepalese Chamber of Commerce and Industry (FNCCI), said programs to end power cuts should be implemented hand in hand while enforcing new tariff. He also said that expensive energy was sure to further erode competitive strength of Nepali industries.

New tariff is consumer friendly: ETFC chair

Chairman of ETFC Jagat Kumar Bhusal has said that new electricity tariff is consumer friendly as consumers will now have to pay only for electricity consumed by them.

The new tariff regime has eliminated monthly charge and introduced 'pay as you consume' system. As per the existing tariff structure, a household consumer has been paying a minimum of Rs 80 even

though s/he is consuming less than 20 units. Once the new tariff comes into effect, consumers will have to pay a minimum of Rs 30 as service charge plus Rs 3 for every unit consumed.

“The new tariff system will end the existing trend of earning income without providing electricity,” said Bhusal.

Source: The Himalayan Times; 6 July 2016

PDA urges Nepal, India to give feedback on Pancheshwar DPR

The multipurpose project has the capacity to generate around 12 billion units of electricity per year
Pancheshwar Development Authority (PDA), the developer of 4,800-megawatt Nepal-India Pancheshwar Multipurpose Project, has called on governments of both the countries to expedite the process of providing feedback on final draft of the detailed project report submitted earlier by a consultant. Although the PDA has not officially issued a deadline in this regard, its CEO Mahendra Gurung said the PDA was working towards finalising the DPR by the end of October.

“We would highly appreciate if both the governments could review the document and provide feedback at the earliest, so that the DPR could be approved,” Gurung said.

He made this comment during the fourth meeting of the governing body of PDA, which concluded today in Pokhara.

The meeting of the governing body is headed by Nepal’s energy secretary and secretary at the Indian Ministry of Water Resources, River Development and Ganga Rejuvenation (MoWRRDGR). But Indian Water Resources Secretary Shashi Shekhar could not attend the talks this time.

To fill the gap, Additional Secretary at MoWRRDGR, UP Singh, led the Indian team during governing body’s meeting which began on Monday.

“Although Nepali team was headed by Energy Secretary Suman Prasad Sharma, PDA’s statute does not allow anyone other than secretaries of both the ministries to attend the governing body’s meeting. Since the Indian secretary was not present, we have decided to arrange another meeting between Sharma and Shekhar soon to adopt the decisions reached this time,” Gurung said.

One of the main agendas raised during the two-day governing body’s meeting was the need to finalise the DPR at the earliest.

WAPCOS Ltd, an Indian state-owned company hired to prepare the detailed report on Pancheshwar project, submitted the final draft of the DPR in March.

Since then, copies of the draft DPR have been forwarded to both Nepali and Indian governments, seeking suggestions. But delay in submission of recommendations has prevented PDA executive body, led by Gurung, from moving forward.

The Mahakali Treaty, based on which this project is being developed, for instance, says cost of building Pancheshwar Project will have to be borne by both the countries in proportion to benefits they reap. Although the draft DPR says the project will cost around Rs 480 billion, both the countries are yet to determine benefits each will reap from the project.

“Issues such as these need to be sorted out soon. Otherwise, we cannot move ahead. So, we are awaiting responses from both the governments,” Gurung said.

Once these issues are settled, the Pancheshwar Development Authority will start designing funding modalities to build the project.

So far, both the governments have not decided on whether to tap its own financial resources to fund the project or reach out to banks as well for debt financing.

“If decisions are taken on this front, we will have to initiate various processes to arrange the funds for which we will need legal authority. We have asked the governing body to give us that permission. But it has asked us to first discuss the matter with legal experts,” Gurung said.

Pancheshwar Project, including a re-regulating dam at Rupaligad Project, is being built jointly by Nepal and India on the Mahakali River in far-western part of the country.

The project has the capacity to generate around 12 billion units of electricity per year.

Source: The Kathmandu Post; 5 July 2016

PPA Bill seeks to address anomalies

A bill on Public Procurement Act, which was endorsed by the Parliament a few days ago, has made a number of provisions to discourage anomalies prevalent in public procurement and construction.

Anomalies like awarding contracts to the lowest bidder regardless of the viability of the bid and tendency of contractors not doing works despite receiving advance payment are likely to be addressed once the amended Act comes into force.

If a bidder quotes less than the estimated cost by up to 15 percent, 5 percent of the quoted amount should be put as security deposit. And, if the quote is less than the estimated cost by more than 15 percent, say 18 percent, half of that 3 percent value will be added to the security deposit, according to the bill.

The bill, which has been forwarded to the President for approval, has provisioned giving up to 20 percent of the estimated cost in advance payment to the contractor to start works. However, the 20 percent advance payment will be given in two instalments—50 percent initially and the rest based on the progress made in the project.

The contractor must start works within 30 days after receiving the advance payment. “If the advance payment is not used for the actual purpose, the advanced bank guarantee of the contractor will be confiscated,” the bill states. The bill has also provisioned contract termination in the case of misuse of the advance payment.

“It (the amended law) will ease the procurement of goods and services by public agencies,” said Ramesh Kumar Sharma, secretary at the Public Procurement Monitoring Office.

To discourage the awarding of multiple contracts to a single contractor based on the same technical and financial capacity, the bill has provisioned that the bidder has to produce the documents submitted to other implementing agencies.

Source: The Rising Nepal/My Republica; 7 July 2016

Preparations for giving final shape to Pancheshwar DPR by October

Preparations have been made to give final shape to the Detailed Project Report (DPR) of the Pancheshwar Multipurpose Project until October.

It has been agreed in the fourth joint meeting of the Energy Secretaries of Nepal and India that concluded on Wednesday to give final shape to the DPR and finalise all issues, Chief Executive Officer of the Pancheshwar Development Authority Mahendra Bahadur Gurung said.

According to him, agreement has also been reached to hold the secretary-level meeting every three months and resolving the issues by synthesizing the problems.

Gurung stated that the joint meeting prepared the basis also for the benefits and the loss that Nepal and India would get from the project, the use of technology, inundation, rehabilitation and the additional topics that have to be incorporated. He said the DPR was not immediately given the final shape so as to make it more enriched by the coming October.

The Pancheshwar project which had been stalled since the last 23 years was moved forward after the Indian Prime Minister Narendra Modi's visit to Nepal. Four joint meetings on the project DPR have been held so far.

"The decision of the fourth meeting will be formalised within two weeks," Gurung said. The Authority has projected to generate a total of 5,040 megawatts electricity from the project.

Of this projected power to be generated, 4,800 megawatts would be generated from the Pancheshwar project while 240 megawatt from the Rupaligad project. The project will produce 11,885 gigawatts/hour annually.

As has been proposed in the DPR, the proposed cost of the project is Rs 500 billion. Nepal and India will have to make equal investment in the project.

Similarly, the two countries have also come to a common view regarding the sharing of the water of the Mahakali River.

A total of 18 thousand million cubic metres of water is stored in the Mahakali Pancheshwar dam annually. Of this 12 million cubic metres water is being used in various ways and of the remaining 6000 million cubic metres water, Nepal will use 3073 million cubic metres water while India will use 1924 million cubic metres water. One thousand one hundred seventy six million cubic metres water has to be released in the river.

Nepal will get Rs 34.50 billion annually from the project. Similarly, the country can make a significant income by way of fishery, carbon trade, irrigation, tourism, herbs and fruit farming based on the project.

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Source: The Rising Nepal/My Republica; 8 July 2016

String of disasters curtail Upper Bhotekoshi's capacity

The Bhotekoshi River flowed over Upper Bhotekoshi Hydropower dam following the Tuesday' flash flood in the river.

Two large boulders have blocked the spillway gates and floodwaters entered the power generation plant. According to preliminary information, a landslide at a place between Khasa and Nyalum of Tibet on Tuesday night dammed up the river and the flash flood was caused after the blockage gave way.

Turbines and other machineries recently fitted at the powerhouse have again submerged in water and the power house is in a string of disasters and this is the third time it suffered damages since August 2 2014. The 45 MW plant has been important source of electricity for the power-strapped country.

Talking with Republica, Narendra Prajapati, general manager of Bhotekoshi Power Company Limited, said the incident was another set back to the power house that has gone through several unfortunate episodes in the recent past.

"The wall on the right side of the dissenting basin of dam has collapsed and the spillway gates remain blocked by big boulders, rocks and mud," said Prajapati.

Prajapati further said, "We were in the last phase of repairing the damage to the penstock pipes and power house by the earthquake-induced landslides of last year. And now another disaster has struck the plant." The company's officials are yet to make complete assessment of the damage.

They blamed the delay in restoring the power plant on the slow pace of repairing the road that led to the power house and the Indian blockade.

As per plant officials, if the power house remains unoperational for a year, it loses about 236 GWh of energy, which translates into US \$30 million in monetary terms.

Earlier, the company's energy evacuation was affected as its transmission towers were swept away by the Jure landslide in August 2014 and evacuation was disturbed for about five months as locals and political leaders prevented repair works of the transmission line demanding shares in the company.

Hydropower developers have now realized the importance of making disaster resilience power plants to minimize the risks on their investments.

The plant had been built between 1997 to 2000, becoming one of the few major undertaking drawing a huge foreign investments from the US.