Source: The Kathmandu Post; 14 Aug 2016

Ministry set to sign PDA

Upper trishuli-1 project

BIBEK SUBEDI

The Ministry of Energy (MoE) is all set to sign Project Development Agreement (PDA) with Nepal Water and Energy Development Compa-ny (NWEDC) for the development of 216MW Upper Trish-uli-1 Hydroelectric Project.

Ministry officials said negotiations with the NWEDC have reached final stages and that an agreement will be signed soon. “The negotiations have been completed and the final PDA draft is ready,” said the official. “We are all set to sign the agreement. It will probably be signed within a couple of weeks.” MoE Spokesperson Dinesh Kumar Ghimire said: “The deadline to sign the PDA is on mid-October, and we will complete it by then,” he said.

Since the project is being developed for domestic consumption, the PDA has to cover the Power Purchase Agreement (PPA) too. “The PDA will authorise Nepal Electricity Authority (NEA) to sign the PPA in US dollar terms,” said the official.

In the draft PDA, NWEDC has been given two years to complete the project’s financial closure, and five years to complete the construction and go online. After the construction is complete, the developer will operate the project for 30 years and hand it over to government in working condition.

NWEDC is a joint venture company with stakes from three Korean firms (Korea South East Power Company, Daelim Industrial Corporation and Kyeryong Construction Industrial Corporation), International Finance Corporation (IFC) of the World Bank Group, and Nepali investors.

The run-of-river-type project will generate power through three turbines of 72MW capacity each. The project is expected to generate 1456.4 gigawatt hours of net electricity per year, of which 1149.7 gigawatt hours would be generated in the wet season and 306.7 gigawatt hours would be generated in the dry season. The project site is near Dhunche, the headquarters of Rasuwa district.

Source: The Kathmandu Post; 15 Aug 2016

Upper Tamakoshi Hydropower Project: 80pc works done; to complete in 2 years

RAJENDRA MANANDHAR

Around 80 percent construction works of 456MW Upper Tamakoshi Hydropower Project has been completed.

The project was scheduled to be completed by mid-July 2016, by events like last year's earthquakes and India's blockade, and other technical and social issues, pushed back the completion date.

Nepal Electricity Authority (NEA) has said it will take two more years for the project to complete. "Upper Tamakoshi will go online by July 2018," said NEA Managing Director Mukesh Raj Kafle.

After multiple amendments, the total project cost has been estimated at Rs35.29 billion. As of now, around Rs 30 billion has been spent and as per the estimation.

However, the cost is expected to increase, according to the project's progress report as of mid-June 2016. The report has attributed the earthquakes and blockade for the delay. "Frequent floods during the monsoon affected the prescheduled work of the project," said Bigyan Prasad Shrestha, project chief.

The project has categorised the development works into four categories -- civil, hydro mechanical, mechanical electrical, transmission line and supervision work.

According to Ganesh Neupane, spokesperson for the project, they have started digging 60 metre-long tunnel at Kavre Bhir and it is expected to complete by October.

Out of six units in the powerhouse, construction of four units is underway. Also, the construction of a 47 km–long 220 kva transmission line is also underway.

Source: The Kathmandu Post; 16 Aug 2016

Upper Madi Hydro project to come online by Dec

LAL PRASAD SHARMA

The Upper Madi Hydroelectric Project has planned to come online by December as most of the construction work has been completed.

Around 98 percent of the construction work of the 25 MW power plant located in Kaski district has been finished, according to the project. The construction of the dam has been completed, and the electromechanical equipment has been installed.

The project is currently engaged in diverting the river water towards the powerhouse. For this purpose, a 4,200-metre-long tunnel has been constructed and workers are presently concrete lining it.

Two turbines of 12.5 MW capacity each and other related equipment have already been installed in the powerhouse.

“Cable insulation as well as control panel installation has also been completed,” said Raj Kumar Baral, project coordinator. “Altogether, around 98 percent of the total work has been completed. Once the remaining work is done, we will conduct a test generation and then start commercial generation.”

The construction of a canal to divert water from the dam to the tunnel is being done on a war footing. The project aims to complete the remaining 20 metres of the canal very soon.

Earlier, 600 labourers used to work in the project. With most of the job finished, the workforce has been reduced to 250.

In order to transmit the electricity generated to the substation located 10 km away at Lekhnath, 32 transmission towers have been erected, and cables have been installed on 27 of the towers.

The project faced some difficulties due to a number of landslides. The 2015 earthquake, Indian blockade and floods in the Madi River also delayed the construction of the project. The cost of the project has increased to Rs6.6 billion from the initial estimate of Rs5.80 billion.

Project Director Bijay Babu Malla said the cost could go up further. “The blockade halted the construction work for five months,” said Malla.

“We were supposed to complete the development by April, but it was not possible.”

China International Water & Electric Co (CWE) has bankrolled the project under the build-operate-transfer model (BOT). The company has an 80 percent stake in the project while Malla holds the remaining 20 percent of the shares.

CWE, a wholly-owned subsidiary of China Three Gorges Corporation (CTG), is also developing the 750 MW West Seti Hydropower Project. Chinese contractor Sino Hydro started the construction work in December 2012.

Source: The Kathmandu Post; 16 Aug 2016

IBN may not extend closure deadline for Upper Karnali

BIBEK SUBEDI

With the deadline for the financial closure of the Upper Karnali Hydropower Project fast approaching, Investment Board Nepal (IBN) appears to be reluctant to agree to the developer's request for more time.

The 900 MW project's Indian developer GMR has asked for a one-year extension of the deadline to complete the financial closure. GMR has written to the board saying that supply disruptions due to the Tarai agitation and Gorkha Earthquake seriously affected the project's work schedule.

However, a highly placed source at IBN told the Post that it was in no mood to extend the deadline by one year. "As GMR has asked for a one-year extension under political force majeure, the board appears reluctant to do so," said the source.

As per the project development agreement (PDA) signed between GMR and IBN in September 2014, the Indian company has to complete the financial closure by September 18, 2016.

According to IBN sources, there is no need for a deadline extension as the PDA itself has given the developer a cushion of one year to complete the financial closure in case it fails to do so within two years after signing the PDA.

"The PDA signed between the board and GMR clearly states that if the developer fails to complete the financial closure by the prescheduled time limit of two years, an extra year is automatically granted," said the source. "Therefore, it is unnecessary to provide an extension as demanded by the developer."

IBN sources said that if the board gives a one-year extension, GMR will effectively get two extra years, that is, till September 2018, to complete the financial closure. "GMR could say that the PDA automatically gives a one-year extension till September 2017, and a one-year extension means the deadline will be pushed back till September 2018," said the source.

IBN CEO Maha Prasad Adhikari, however, said that the board had made no decision on GMR's request for an extension. "Currently, we are holding internal discussions on the issue," said Adhikari. "We are evaluating whether the earthquake and supply disruptions caused difficulties for GMR to conduct the financial closure by the stated date."

Also, the board has asked the developer to provide adequate evidence regarding the disturbances that prevented it from completing the closure, he added.

Another IBN source said that the board would grant a deadline extension if GMR manages to sign a 'term-sheet' with its lenders. The term-sheet in commercial lending is a non-binding document where the lender commits to provide a loan under certain conditions.

The project developer requested the extension immediately after a team of more than half a dozen prospective lenders visited Kathmandu to conduct an appraisal of the project. In April, the project appraisal team of the Asian Development Bank (ADB), International Finance Corporation (IFC), International Bank for Reconstruction and Development (IBRD), Commonwealth Development Corporation (CDC), DEG, a subsidiary of the German Development Bank, Japan International Cooperation Agency (JICA) and OPEC Fund for International Development (OFID) held a trilateral meeting with IBN and GMR in Kathmandu.

A green signal from these multilateral lenders is crucial for GMR to complete the financial closure. Although multiple sources have confirmed that the group of aforementioned lenders have already given expressions of interest (EOI) to provide loans totalling more than $1 billion to finance the project, the actual decision to award the loans may take some time.

Similarly, the developer needs to complete the land acquisition process before the financial closure. The land acquisition process, however, has hit a snag after the developer and locals failed to agree on the compensation amount for privately owned land to be acquired by the project.

The project affected people have demanded Rs1 million for a ropani of land while the project developer has offered Rs760,000 per ropani.

The project is spread over three districts—Surkhet, Dailekh and Achham. The developer will give 27 percent of the shares to the government and the country will also receive 12 percent (108 MW) of the total energy produced for free.

Similarly, the project is expected to provide jobs to more than 2,000 people and the government is projected to earn Rs300 billion in financial benefits. The project will be acquiring 48.85 hectares of private land and 207.75 hectares of government-owned land. It will affect an estimated 239 households.

Source: The Himalayan Times; 16 Aug 2016

Disputes stall Chameliya project

China Gezhouba Group Corporation (CGGC), the Chinese contractor of 30-megawatt Chameliya hydroelectric project, has said civil works of Chameliya project would be complete once all 'disputes are settled'. Around 96 per cent of civil works at the Chameliya hydro project site has been complete, says a statement issued today by CGGC.

"The remaining work would be complete once disputes are settled," adds the statement.

CGGC halted construction of the project after it was denied payment of over Rs one billion in variation costs. Because of this and other cost overruns, Chameliya project is likely to be the most expensive one in the country in terms of installed capacity, with per MW construction cost likely to hover around Rs 500 million.

"Project cost of Chameliya went up as the tunnel was hit by mud slide. But delay in release of payments related to deployment of additional human resources and equipment has deferred project completion," says the statement.

CGGC, which has also won contract for construction of 60MW Upper Trishuli-3A project, has said works at the site of Trishuli-3A project have been stalled because of damage caused to access road by devastating earthquakes of last year. Around 65 per cent of the works of Trishuli-3A project have been complete, says the statement.

Sourec: My Republica; 16 Aug 2016

China Gezhouba shows willingness to build Budhigandaki project

China Gezhouba Group Corporation (CGGC) has expressed willingness to develop Budhigandaki Hydropower Project (1200 MW).

The project is expected to be the turning point for the country's development, the Chinese company said in a press statement on Monday. "We have ample examples of projects executed from our technical and financial capacity in China and across the world," the company said, adding that it was confident that the government and the people of Nepal will provide it the needful support to translate the people's aspiration for economic development into action.

CGGC has also said that it has completed 96 percent of the civil works of the Chameliya Hydropower Project (30 MW).

Chameliya's project cost has escalated due to tunnel squeeze caused by mud slide. “Lingering in release of payment that accrued for additional human resource and equipment delayed the completion of the project,” the company said, adding that the remaining works of the projects will be completed at the earliest once the dispute is settled.

CGGC has also owned EPC (Engineering, Procurement and Construction) construction contract of the 60-MW Upper Trishuli-3A project from international bidding, according to the statement. "Around 65 percent of the work of the Trishuli-3A project has been completed so far. However, work has been stalled since the devastating earthquake of last year as the access road has been damaged."

Source: The Rising Nepal; 18 Aug 2016

Report shows NEA's losses mounting

Nepal Electricity Authority (NEA), the country's power utility, incurred an estimated loss of Rs 11.794 billion in fiscal year 2015/2016 due to the imbalance between the electricity purchasing and selling price.

According to the NEA's Financial Report, it paid Rs 16.50 billion to India in fiscal year 2015/16 towards electricity import. This is 51.56 percent of the NEA's total income of Rs 32 billion.

Overall, NEA paid Rs 24.50 billion in electricity purchase from within and outside the country. Nepal at present imports 315 megawatts power from India. NEA will have to pay more than 70 percent of its total profits to Indian company when it imports approximately 600 megawatts electricity from India next year.

The report states that NEA's accumulated loss has touched Rs 36 billion. Moreover, it is also suffering losses due to the electricity leakage which is said to be 25.78 percent.

It is stated that the NEA will make an additional income of five billion rupees when it raises electricity tariff at 19 percent on the recommendation of the Electricity Tariff Fixation Commission.

Likewise, the state power utility has Rs 4.896 billion longstanding loans. NEA's operational expenditure has reached Rs 1.46 billion towards production, Rs 684.3 million towards transmission, Rs 6.267 billion towards distribution and Rs 1.409 billion towards administrative expenses.

This has put the NEA into financial difficulty. The fact that the accumulated losses of the NEA had reached Rs 36 billion within just four years from Rs 27 billion in 2068 BS has pointed out weakness in its management part.

Saying that losses of the NEA could be reduced once under -construction hydropower projects are completed on time, Energy Minister Janardan Sharma stresses on the need of focusing on this matter.

Linking the under-construction 1047 megawatt hydropower projects with the national transmission line could reduce load- shedding and help elevate economic status of the NEA, a matter which should be focused, the Energy Minister suggests.

Source: The Himalayan Times; 18 Aug 2016

Increase in power purchase cost doubles NEA's loss to Rs 11.79bn

Nepal Electricity Authority's annual loss more than doubled in the last fiscal to reach a staggering Rs 11.79 billion as compared to the previous fiscal year due to increase in power purchase cost of the government-owned entity. NEA — the single power off-taker of the country — spent Rs 24.24 billion to purchase electricity from independent power producers and India in fiscal 2015-16, as compared to Rs 19.21 billion in the fiscal before. NEA generated Rs 31.55 billion from sales of electricity in last fiscal. However, it paid 75.24 per cent of its net sales revenue to its suppliers, according to NEA.

NEA's balance sheet has been splattered in red since fiscal 2007-08 as its power purchase cost started to rise. NEA had faced total loss worth Rs 5.13 billion in fiscal 2014-15.

According to NEA, its loss will be minimised slightly in this fiscal as the Electricity Tariff Fixation Commission has hiked the electricity tariff by an average of 19 per cent since the beginning of this fiscal. Adjustment in electricity tariff is expected to contribute Rs five billion to NEA's revenue.

This may help lessen the gap in selling and purchasing price of energy, including the electricity being imported from neighbouring India. NEA is making preparations to import more electricity from India to minimise load-shedding hours in the country.

Currently, the country has total installed capacity of 802 megawatts. However, since the generation capacity of run-of-river projects declines in winter season, the country has been facing severe power crisis during the dry season.

Along with the completion of Dhalkebar-Muzaffarpur cross-border transmission line project, NEA is preparing to import additional 120 MW of electricity on top of around 80 MW at present. NEA is also expecting the 30 MW Chameliya Hydroelectric Project and 14 MW Kulekhani III Hydroelectric Project to start commissioning power by the end of this year and beginning of 2017, respectively.

NEA's consumer base went up by around five per cent in last fiscal to 2.97 million, of whom 94.18 per cent are domestic consumers. In terms of revenue generation, 31.13 per cent of its revenue is generated from industrial sector, 45.96 per cent from households and remaining 22.91 per cent from other sectors, as per NEA.

NEA has requested the government to compensate the loss accrued due to wide gap in purchasing and selling price of electricity imported from India.

Maintain efficiency, says minister

KATHMANDU: Minister for Energy Janardan Sharma has stated that NEA will not be able to continue its operations for long, considering its status quo of ballooning losses every passing year. He instructed NEA to maintain efficiency, control rampant leakage of electricity and adopt other possible means to minimise its loss. Speaking during the 31st anniversary function of NEA, Minister Sharma also directed the authority to stop supplying power to big customers who have huge dues with NEA.

Source: My Republica; 18 Aug 2016

New energy minister vows to make NEA profitable

Newly appointed Minister for Energy Janardan Sharma has vowed to turn Nepal Electricity Authority (NEA) into a profit-making entity.

Addressing the 31st anniversary of NEA in Kathmandu on Wednesday, Sharma, who assumed office recently, also expressed commitment to control leakage, accelerate works of hydropower and transmission line projects, and curb corruption associated with procurements, among others.

The power utility has been piling up losses over the past decade. It posted annual loss of Rs 11.74 billion in 2015/16. The annual loss ballooned from Rs 4.74 billion in 2014/15, mainly due to import of additional 390 million units of electricity from India, according to NEA officials.

NEA has been suffering loss of Rs 3 per unit in distribution of electricity imported from the southern neighbor. The power utility had increased power imports from India after generation of its plant fell drastically due to poor monsoon and energy demand increased significantly due to blockade.

Sharma also accused NEA officials of wasting energy generated by domestic plants and import power from India.

The minister seemed to be unaware of the plan to increase energy imports from India as part of the 10-year Electricity Development Plan unveiled in February.

At the program, Minister Sharma also directed Energy Secretary Suman Sharma and NEA Managing Director Mukesh Raj Kafle to submit progress report of sick projects regularly.

NEA's under construction projects like Chameliya, Kulekhani III and Upper Trishuli 3A have remained near to idle in the past fiscal year.

Minister Sharma also indicated that he was in favor of unbundling NEA into different units even though NEA's employees have resisted the reform initiatives. The energy ministry has already started unbundling process.

NEA has around 11,000 staffers.

Sharma also hinted that he would be strict toward independent power producers (IPPs). “The ministry will terminate Power Purchase Agreements (PPAs) of such companies which have not made progress in project site,” he added.

He also said the ministry should not stop signing PPA with IPPs as there is a huge demand for electricity in the market.

'Cut power supply to defaulting consumers'
Energy Minister Janardan Sharma has directed officials of Nepal Electricity Authority (NEA) to cut power supply to top ten consumers in terms of outstanding dues within three days.

Sharma has announced different reform measures to improve financial health of the power utility. He also directed the NEA management to provide electricity meters to discourage electricity theft at the earliest.

NEA's system loss increased to 25.78 percent in the last fiscal year compared to 24.44 percent of the previous year.

Source: My Republica; 19 Aug 2016

185 MW of electricity likely to be added to national grid this fiscal year

Nepal Electricity Authority (NEA) hopes to add 185 MW of electricity to the national grid in the current fiscal year. This amount of electricity is likely to be added to the national transmission grid as various projects being constructed by private producers are in the final phase.

During the last fiscal year, only 30.97 MW of electricity was added to the national grid. With the construction of the 14 MW Kulekhani- III Project by the Nepal Electricity Authority, 30 MW Chameliya Hydropower, 60 MW Upper Marsyangdi -3 'A' and of 32 MW Rahughat Hydropower are under construction at present.

"On an average 50 to 100 MW of electricity produced by private producers is added to the national grid every year which has helped to reduce load shedding hours. However, the projects still look difficult to be completed within this year," says an official at the Ministry of Energy.

NEA has predicted that the demand of electricity is going to rise to up to 1,423 MW this winter. But with the delay in construction process and the internal production of only 200 MW along with the import of 600 MW of electricity from India is still insufficient to reduce the load shedding to 7 hours per day, as per the plan, according to the officials of NEA.

Source: My Republica; 19 Aug 2016

Another distressing year at NEA for power generation

Nepal Electricity Authority augmented its power supply by only 3 million units in a 12-month period ending mid-July, while the demand increased multifold. NEA is the country's electricity monopoly.

Only six small new power plants with a total capacity of 34 MW
started generation over the year when citizens experienced the worst ever fuel crisis during the 20-week Indian blockade. There was a strong realization of the need to harness domestic rivers and generate enough electricity to replace LPG as a cooking fuel and encourage electric vehicles. But NEA's performance in the past year remained bleak and 'distressing'.

NEA, which just marked its 31st anniversary, has nothing new to report for last fiscal year. Its annual report unveiled Wednesday states, "NEA experienced another distressing year in terms of energy generation at its own hydropower plants due to the unfavorable impact caused by the massive earthquake of April 2015."

NEA has said the shortfall in internal generation burdened it with a loss of Rs 11.74 billion in fiscal year 2015/16 compared to Rs 4.74 billion in 2014/15. "NEA has experienced yet another year of deteriorating operational and financial status," reads the report.

NEA has an accumulated loss of Rs 37 billion. It imported an additional 390 million units while annual generation in the country declined by 292 million units.

As in past wasted years, nothing substantial has happened in the sector in the review year, said Amrit Man Nakarmi, professor at the Center for Energy Studies at the Institute of Engineering, Tribhuvan University. At least two power plants with a total capacity of 44 MW that were being developed by NEA were expected to come on stream last fiscal year. But contractor inaction and corruption stalled both plants.

The Nepal-India cross-border transmission line that connects Dhalkebar and Mujaffarpur was completed but there is uncertainty over the setting up of a substation at Dhalkebar and this is sure to impact the plan to import 300 MW more in the current fiscal year.

No progress has so far been made with about a dozen transmission line projects, without which efficient electricity supply has become a big hurdle. "I have come to know that there is no room in the existing transmission lines to bring more electricity into Kathmandu Valley," new Energy Minister Janardan Sharma told a gathering of NEA staff.

"Electricity demand is increasing, particularly with households switching away from cooking even though the LPG supply returned to normal earlier this year," said Nakarmi.

However, he also sees light at the end of the tunnel with two recent government reports.

"Plans to generate 10,000 MW in 10 years as well as a recent energy demand forecast of 10,000 MW by 2030 show that the country is headed in a right direction," he added.

Minister Sharma has announced a number of reform plans, including NEA unbundling into three separate entities for generation, distribution and transmission. This, however, is not a new plan as it was envisioned in the hydropower development policy of 2001. Nakarmi is of the view that delays in NEA's unbundling is a major factor behind lack of new generation despite the huge demand.