

Source: My Republica; 11 June 2017

Locals make 'fresh demands' to Upper Madi Hydropower Project

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Locals of Madi in Kaski district, where 25-MW Upper Madi Hydropower Project is located, have put forth a list of “fresh demands” to the Madi Power Pvt Ltd, the developer of the project. Officials claimed that such demands have created additional financial burden on the developer company. The project located at Madi ward number 6 and 7 came into operation in the last week of December.

Organizing a press meet on Thursday, operation manager of the company Wei Junchao said that the company has faced a double setback of natural disasters and local demands. He said they faced multiple problems in the past two years such as those caused by landslides and earthquakes and subsequent blockade imposed by India and that the “fresh demands” by locals has now further complicated the situation.

“On top of those severe effects, the new demands by the locals have added financial burden on us.”

During the start of the project, the company had signed a 23-point agreement with the people affected by the project including the Stakeholder Co-ordination Committee formed by the locals.

One of the project officials claimed that around Rs 300 million has already been spent to fulfill the locals' demands. “We have already done so much for the affected people. Now please stop asking more from us,” added operation manager Wei. “We are ready to help more if the project earns sufficient profits in the future. But a project in loss can't fulfill all demands.”

He added that they were ready to cooperate with the locals but that the latter should not create financial pressure on the company in the name of cooperation.

The project's Executive Chairman Bijaya Babu Malla claimed to have fulfilled all the 23-point demands. He accused the locals of coming up with the list of fresh demands.

He claimed that the developer company has already provided enough financial support for construction of roads, irrigation, agriculture, environment, schools, temples, health posts and for youth clubs, Aama Samuha [mother's groups] among others.

“We have also promised to provide an ambulance and other additional support to the locals in a month,” he said. “But the locals haven't stopped coming up with new lists of demands.”

He complained that they failed to satisfy the locals even after helping them in various tasks, which in fact should have been done by the government.

“The locals have developed a mindset that they can ask anything from the project developer which they are getting it for free,” he claimed.

President of the local stakeholders' committee Man Bahadur Gurung however said that they have pressurized to implement the demands included in the 23-point agreement.

“The developer is yet to complete some of the tasks as agreed in the past. We aren't putting forth any new demands,” he said.

Gurung claimed that the public has so many concerns in connection with the project being developed in their locality and that the company isn't asked to do all these things.

He, however, maintained that the developer must take responsibility if locals incur any loss or damage due to the project even after completion of the project.

The 25-MW hydropower project that came into operation in the last week of December is now generating 18-MW due to the receding water level in the river.

According to Malla, the project cost reached around Rs 7 billion, out of which China International Water and Electric Corporation (CWE) has invested 80 percent while Malla has 20 percent share.

Source: The Himalayan Times; 12 June 2017

Solu-Dudhkoshi hydel project awarded to Italian firm

An Italian company — CMC Ravenna — has received the contract to construct the 86 MW Solu Khola (Dudhkoshi) Hydropower Project. Sahas Urja Ltd — the operator of Solu Khola (Dudhkoshi) Hydropower Project — and CMC Ravenna signed an agreement to this effect recently, as per a media release.

The project is one of the largest hydro projects being built solely utilising domestic investment.

Speaking during the contract signing ceremony, Him Prasad Pathak, chairman of Sahas Urja Ltd, informed that all pre-construction works of the project have been completed.

“The main objective of the company is to complete this project on time and we are ready to start the construction process,” Pathak said, adding that the construction process of the hydel project will be expedited once the joint delegation of Sahas Urja Ltd and CMC Ravenna inspect the project site and the readiness for project construction.

Sahas Urja Ltd has targeted to generate electricity from the hydel project within three years.

During the agreement signing ceremony, Salvatore Casciaro, director of CMC Ravenna, said that the Italian company is committed to complete the hydro project on time.

“This is our second project in Nepal. We will fully employ our expertise in the Solu Khola (Dudhkoshi) Hydropower Project to develop this project as one of the model projects in Nepal,” Casciaro said.

A consortium of 11 commercial banks, led by Nepal Investment Bank, will provide loan facilities of 73 per cent of the expected cost of Rs 11.86 billion to construct the project. The remaining 27 per cent investment will be in form of equity.

Source: My Republica; 12 June 2017

Melamchi's contractor to build Solukhola Dudhkoshi Project

Italian contractor company Cooperativa Muratori e Cementisti di Ravenna (CMC) has bagged the contract to construct the Solukhola Dudhkoshi Hydropower Project with 86 MW capacity.

The company also has the contract for Melamchi Water Supply Project (MSWP). Sahas Urja Limited (SUL), signed an agreement with the CMC to develop the project as per the Engineering Procurement and Contract (EPC) model on Friday, according to a press release issued by the SUL.

The project is estimated to cost a total of Rs 11.86 billion, and will be built on the confluence of Solu and Dudhkoshi rivers.

The CMC is currently carrying out the project's tunnel work at the cost of Rs 7.72 billion. The Italian contractor company, however, was under scrutiny until August last year for delaying the tunnel construction of Melamchi Water Supply Project.

Speaking at the contract signing program, President of SUL Him Prasad Pathak said construction of the Solukhola Dudhkoshi Hydropower Project would start soon as the initial work had already been completed.

“Our main objective is to complete the construction within the given deadline and start generating electricity produce electricity within September 2020,” said Pathak, adding that the construction will start once the joint team of SUL and CMC observes the project site.

He said the power generated from the project would be connected with Tingla sub-station.

Director of CMC Asia Salvatore Casciaro, said, “This is our second project in Nepal and we are confident about finishing the construction work within the deadline. We are also happy to be able to contribute in the development of Nepal's hydroelectricity sector.”

Advisor at SUL Yuvaraj Khatiwada, who is also the former vice-president of National Planning Commission (NPC), said he had encouraged banks and financial institutions (BFIs) to invest in national hydroelectricity projects while he was the governor of Nepal Rastra Bank (NRB).

“My pleas have turned out to be fruitful. I am hopeful that the CMC will complete the construction work in time and maintain quality,” he added. The project will have investments from a consortium of 11 different BFIs led by Nepal Investment Bank.

Of the total investment, 27 per cent will be equity investment and the remaining 73 per cent will be loan investment. The company has allotted 20 per cent equity share to the general public.

Meanwhile, Chief Executive Officer of Nepal Investment Bank Jyoti Prakash Pandey said the main challenge was timely completion of the project. A 40 meter-long dam and 4.5 kilometer-long tunnel will be built for the project.

The Solukhola Dudhkoshi is the biggest project in the country to be constructed with domestic investment.

Source: The Kathmandu Post; 12 June 2017

CMC awarded Solu Khola hydel project

Sahas Urja Limited, the developer of 86MW Solu Khola Dudhkoshi Hydroelectric Project has awarded the construction contract of the project to CMC Ravenna of Italy. Him Prasad Pathak, executive chairman of Sahas Urja and Salvatore Casciaro, director of CMC Asia signed the contract for their respective organisations amid a ceremony on Friday.

“The entire pre-construction work of the project has been completed and the construction of the project will begin very soon,” said Pathak during the signing ceremony. “The construction of the project will be completed on time.”

The developer is planning to complete the construction of the project by September 2020. The energy generated from the project will be evacuated to Tinla sub-station Nepal Electricity Authority’s (NEA) at Lammane.

Pathak informed that the construction of the project will begin as soon as the joint team of Sahas Urja and CMC inspects the construction site of the project.

Casciaro speaking at the signing ceremony said his company has expertise in infrastructure development will begin the construction in time.

“This is our second project in Nepal and we are happy to be able to contribute towards hydropower development in Nepal,” said Casciaro. “This will be a model project reflecting our expertise.”

The development cost of the project is estimated to be Rs 11.86 billion and it will be financed by Nepali banks and financial institutions. A consortium of 11 banks led by Nepal Investment Bank will arrange 73 percent debt financing required to build the project.

Source: The Kathmandu Post; 12 June 2017

Italian, Chinese companies bid for Tanahu contract

Two international companies have submitted bids for the electro-mechanical and hydro-mechanical contract of the Tanahu Hydroelectric Project which is being developed by Tanahu Hydro Limited (THL), a wholly-owned subsidiary of the Nepal Electricity Authority (NEA).

Only two out of the three prequalified companies, CMC Ravenna of Italy and Sinohydro Corporation Limited of China, tendered for the contract during the final bidding process which ended last week, according to THL.

The winning contractor will implement the second package of the project which includes construction of waterway and powerhouse and installation of related equipment at the 140 MW storage-type scheme being built on the Seti River.

THL has started evaluating the technical proposal of the bidders with the help of project consultant Lahmeyer International.

After completing the technical evaluation, THL will forward it to the Japan International Cooperation Agency (Jica), the lending agency for the construction of the second package of the project.

“We will send our evaluation to Jica within two months for its comment and approval,” said Sachen Gautam, communication expert with the project office. “After evaluating the technical proposal, we will evaluate the financial proposal before awarding the contract.”

Currently, THL is also evaluating the technical proposal submitted by China Gezhouba Group Corporation of China, CMC Ravenna of Italy and Jay Prakash Associates of India for the construction of the first package of the project which includes detailed design and construction of the headworks.

The project is planning to award both contracts soon so that construction work can start in October.

Meanwhile, THL has been issuing compensation payments to private landowners in Tanahu district. It has already distributed more than 50 percent of the land compensation amount to locals.

The project is planning to complete the compensation distribution by the beginning of the next fiscal year. According to an estimate made by the project, it will cost around Rs600 million to acquire 1,200 ropanis of land required to build the project.

The government has allocated Rs2.76 billion for the development of the project in the budget for fiscal 2017-18.

When completed, the Tanahu Hydroelectric Project will be one of the biggest storage-type projects in the country with an estimated annual energy generation capacity of 587.7 GWh for the first 10 years of its operation.

The plant can generate energy for six hours daily during the dry season.

The project is being co-funded by the Asian Development Bank, Jica and European Investment Bank.

Source: The Kathmandu Post; 13 June 2017

Sticking points remain over power purchase agreement

The Nepal Electricity Authority (NEA) and Nepal Water and Energy Development Company (NWEDC), the developer of the Upper Trishuli-1 Hydroelectric Project, are unlikely to sign a power purchase agreement (PPA) within the deadline specified in the power development agreement (PDA).

As per the PDA, the NEA and the NWEDC need to complete the PPA by the end of June, but that does not look like happening as a number of sticking points remain, according to the NEA. NWEDC has asked that a force majeure clause be inserted in the PPA under which the NEA will have to pay compensation. As per this clause, if the developer fails to meet the contractual obligation due to unforeseeable circumstances like war, strikes or blockades, among other mishaps, the NEA will be liable to pay compensation. The NEA is not willing to insert the provision in the agreement as it has already been included in the PDA.

Likewise, the developer has asked the NEA to bear the hydrology risk associated with the hydropower project and include the provision in the PPA.

If this provision is included in the PPA, the developer will not be fined even if it fails to supply the amount of energy pledged at the time of signing the PPA.

The NEA is reluctant to include this provision in the PPA saying that it has already relaxed the hydrology penalty provision under which the developer will not be fined even if it fails to supply up to 50 percent of the pledged energy.

Similarly, both parties have locked horns over the value of the PPA in dollar terms. The NEA has agreed to sign a dollar-denominated PPA covering 70 percent of the total project cost, while the developer has demanded that the proportion be raised to 85 percent.

The NEA has argued that only the foreign debt portion of the total project cost should be taken into account while signing a dollar-denominated PPA.

Similarly, the NWEDC has rejected the NEA's demand to include a provision under which the developer has to pay liquidated damage in case it fails to meet the generation deadline.

The liquidated damage is the compensation amount an aggrieved party should get if the other party breaches certain parts of the contract. NWEDC turned down the NEA's demand saying that it is already included in the PDA.

The NEA, however, is of the view that it should be entitled to receive compensation as it will suffer a substantial loss if the developer fails to meet the generation target.

Source: The Kathmandu Post; 16 June 2017

GMR to pay out land compensation in July Upper Karnali Hydro Power Project

GMR Upper Karnali Hydropower, the developer of the much-awaited Upper Karnali Hydropower Project, is planning to start distributing compensation to landowners in July. The 900 MW project is spread over Dailekh, Surkhet and Achham districts in western Nepal.

Initially, the developer had expected to complete the compensation distribution by June as per the agreement with locals. However, it was postponed due to the second phase of local level elections which is scheduled to be held on June 28.

Sources close to GMR said it had readied the compensation amount required to acquire around 1,000 ropanis in Dailekh and Achham.

“GMR was planning to complete the process by June-end, but it later decided to postpone it by a month after consulting with various government agencies, including the district administration and Investment Board Nepal,” said the source. “There have been many attacks against GMR in the past, and we were warned such events might happen again during election time.”

Locals agreed to postpone the compensation distribution by a month after GMR explained the situation to them.

The developer is planning to deposit the compensation amount directly into the bank accounts of the landowners. Nepal Investment Bank has opened a branch at the project site, and locals have been opening accounts there.

Last November, GMR sealed a land acquisition deal with the residents of Achham and Dailekh after completing the process of pooling private land required for the project.

The company signed an agreement with the residents of Sattalla in Dailekh to pay Rs895,000 per ropani. It has offered to pay Rs805,000 per ropani to locals of Bhairavsthan in Achham and Sigaudi in Dailekh.

Although the private land acquisition process went smoothly, the hydropower developer has been struggling to acquire forest land.

The government recently launched stringent guidelines on forest land acquisition that would significantly increase costs, and the Indian developer has complained about the new rules.

A provision in the forest clearance guidelines launched recently by the Forest Ministry requires developers to provide compensation for the entire area affected by their project.

During a meeting held with developers before publishing the guidelines, the ministry had agreed that they would have to pay compensation only for the land on which permanent structures like powerhouse and dam are built. It was settled that a nominal lease fee would be charged for the rest of the area affected by the project.

Likewise, developers are required to plant 25 new trees elsewhere for every tree that is cut down for the construction of the project. They also have to nurture the saplings for a period of five years, according to the guidelines, a copy of which was obtained by the Post.

However, there had been a verbal agreement between the ministry and developers that they would have to plant only twice the number of trees that are cut down.

The government and GMR signed a project development agreement (PDA) in September 2014 which states that the developer will give 27 percent of the shares in the Upper Karnali

Hydropower Project 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 more than 2,000 jobs and the government is expected to earn Rs300 billion in financial benefits.