

Source: The Kathmandu Post; 17 June 2017

West Seti Hydropower Project in limbo as negotiations drag on lack of progress

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China Three Gorges Corporation (CTGC), the developer of the West Seti Hydropower Project, has been holding back on establishing a joint venture company in Nepal which has delayed construction work on the scheme.

As per the memorandum of understanding (MoU) signed between the government and CTGC, it was supposed to form a joint venture company with the Nepal Electricity Authority (NEA) to develop the project.

Last January, both parties had initialled a joint venture agreement which was to be ratified by their respective boards.

The NEA board immediately approved the agreement, but the Chinese developer has been dillydallying and putting forward new demands repeatedly.

Most recently, CTGC has sought clarification on the tariff structure of the multipurpose project.

“On June 5, we received a letter from the Chinese developer asking us to clarify the rate it would get from the power purchaser if the project is developed as a multipurpose project,” said Madhu Prasad Bhetuwal.

“We have forwarded the letter to the NEA as it is the venture partner of the Chinese developer and the buyer of the electricity generated by the project.” It seems like CTGC is considering turning West Seti into a multipurpose project, he added.

The recently introduced power purchase agreement (PPA) guideline has clearly stated the different rates for different types of projects.

However, in the case of multipurpose projects, the guideline says that separate negotiations should be held to fix the tariff rate.

The Chinese company has recently written to the NEA asking it if it could assure a corporate guarantee from a second party or the NEA itself for a loan for the project.

Responding to the letter, the NEA said it did not need a guarantor to borrow money to implement the scheme.

State-owned power utility NEA said that no corporate guarantee was required to secure a loan as the project itself will be pledged as collateral.

Last April, CTGC had also asked the NEA to clarify several issues before it ratifies the agreement signed between the two.

At that time, the Chinese company sought assurance from the NEA regarding the purchase of the electricity generated by the 750 MW project.

Then too, it had asked about the tariff structure. Similarly, the Chinese developer had expressed concern about the NEA’s financial health, and asked if it would be able to arrange equity financing for the portion of the total cost not covered by loans.

“Every time the Chinese developer asked about the project, we have given a proper explanation,” said a highly placed IBN source. “Since it has been taking such a long time to ratify the JV agreement, we are doubtful that it will start construction and expedite the project soon.”

The reservoir-type West Seti project, which will be spread over Baitadi, Bajhang, Dadeldhura and Doti districts, is being built at an estimated cost of \$1.6 billion.

Source: My Republica; 18 June 2017

PPAs for 5,000 MW in the pipeline

Hydropower producers are waiting for the signing of the power purchase agreement (PPA) with Nepal Electricity Authority (NEA) for various hydropower projects of nearly 5,000 megawatt of electricity.

According to Shailendra Guragain, president of Independent Power

Producers' Association of Nepal (IPPAN), nearly 40 hydropower projects are preparing to sign the PPA with the NEA. Similarly, PPAs for other 70 projects expected to generate a total of 2,838 MW have already been signed and these projects are under construction and will come into operation in the near future, according to IPPAN officials.

Leaders of independent power producing companies are optimistic about the possibility of meeting the government target of 10,000 MW of electricity within 10 years, or by 2026. "So far, we are in the direction toward the target set by the government. The goal of 10,000 MW in 10 years is gettable if we move ahead in speed," Guragain told Republica.

Currently, hydropower projects of installed capacity of 925 MW are already online. He also said that developers are carrying out the feasibility study of various hydropower projects of the total capacity of nearly 4,000 MW. Power producers say that their focus would be now on the export of the surplus energy. However, there are also bottlenecks that may hit the power generation plans.

"The major obstacles have been the forest clearances and the land acquisition in the project areas.

These problems may delay the projects and power generation if they are not swiftly addressed by the authorities," added Guragain.

He also said that they have become optimistic about the possibility of meeting the electricity generation target also due to the availability of financing opportunities in recent years. "As banks have raised their capital in last one or two years, they are more open and willing to finance hydropower projects," he said.

Power producers also urge the government to implement their 99-point memorandum that they had submitted last year to the government. They say that the 99-point memorandum could be a roadmap for the hydropower sector.

Referring to the new target set by the government in the budget speech for the upcoming fiscal year, Khadga Bisht, former president of IPPAN, said that such frequent changes in the target risks diverting the plan pursued to meet the earlier target. While there was a target of 10,000 MW set by the government last year through its Energy Crisis Management Action Plan, the then Finance Minister Krishna Bahadur Mahara announced a new target of 17,000 MW in his budget speech for the upcoming fiscal year 2017/18.

Source: My Republica; 21 June 2017

Survey license of over 150 small hydropower projects scrapped

The Department of Electricity Development (DoED) has scrapped over 150 survey licenses of hydropower projects having capacity of up to 1 megawatt (MW).

Some of the licenses date back to the early 1990s when the government opened power generation sector to the private sector for the first time.

Such survey licenses are valid for only three years and they are issued for the purpose of studying the feasibility of the project. However, the license remained in the ownership of private firms or individuals.

“We repeatedly published public notices, asking them to furnish progress report and apply for generation license. But no action was taken against them,” officials of the DoED say.

A notice posted on the department's website last week states that a total of 154 survey licenses have been terminated.

The department had started the process to scrap idle licenses in the first week of April, publishing a 35-day notice. Responding to the notice, three license holders applied for construction license, while two others filed application to upgrade their capacity. DoED is yet to respond on their applications.

“We couldn't give proper attention to the issue in the past as the projects were of small capacity. Now, we have decided to scrap idle licenses,” Nabin Raj Singh, the director general of DoED, told Republica.

He also said that decision will pave the way for new investors to apply for survey licenses and discourage the trend of holding license without doing anything.

“Most of the licenses that we have scrapped were issued after the political change of 2006,” informed Singh.

Many investors showed interest to invest in hydropower projects following the end of decade-long insurgency.

According to the department, license holders of Gandi Gad (1 MW) in Baitadi, Gulambi Khola (980 KW) in Gulmi and Hadikhola (997 KW) in Sindhupalchowk have applied for construction license. Likewise, license holders of Gwang Khola (Dolakha) and Chyangdi Khola (Lamjung) have applied to upgrade their capacity to 3 MW and 5.1 MW, respectively. Both the projects had capacity below 1 MW when the survey license was issued.

DoED is yet to respond to their applications.

As DoED does not levy heavy penalty on license holders of projects below 1 MW compared to project having capacity of above 1 MW, the tendency of holding license is increasing. The department had scrapped survey license of dozen of projects five years ago due to their failure to pay increased license fees.

At that time, the department had increased licensing fee by up to 30 times depending on the project's capacity.

The department had published a notice to scrap survey license of idle projects having capacity below 1 MW four years ago as well. But no action was taken at that time, according to Singh.

Source: The Himalayan Times; 22 June 2017

Tanahun hydel project construction accelerates

The construction of infrastructure to build the 140 MW Tanahun Hydro Project at Byas Municipality is being accelerated in Tanahun. Several works are in their final stages, said site in-charge Bidur Adhikari. Bridge construction over the Seti River, setting up camp, black-topping of the road from Chapaghat to Jhaputar and construction of the 300-metre tunnel works have been stepped up.

Similarly, technical and financial study of forms applied for the project's package No 1 and 2 which were shortlisted from the global tender has started. Global tenders were called in for the construction of a dam site under package 1 and construction of power house under package 2. "The technical and financial assessment will be completed within two months," said Adhikari.

However, the project is yet to issue the tender for the construction of transmission line under package 3. The estimated budget for the construction of the project is 50 billion rupees. The Government of Nepal will invest 13 billion rupees, while JICA will invest Rs 4 billion, Asian Development Bank Rs 15 billion and European Investment Bank Rs 4 billion for the project.

According to Adhikari, the project is all set to begin its construction from November this year and it is expected to be completed by the stipulated year 2022.

The hydro electricity generated from the project will be distributed through the national transmission line in Bharatpur Sub-station, 36 km from the project site.

Source: The Himalayan Times; 22 June 2017

Stakeholders urge govt to develop Budhigandaki with own resources

Stakeholders have urged the government to scrap the deal of Budhigandaki Hydropower Project with Chinese Company — China Gezhouba Group Corporation (CGGC) — which was signed by the previous government, and develop the project with Nepal's own resources. Speaking during an interaction programme organised by Naya Shakti Party Nepal on development model of Budhigandaki project here today, political leaders, people from project-affected area and experts expressed concern over the previous government's last-minute deal with CGGC without carrying out competitive bidding and also questioned the Chinese company's capacity to develop the project.

A Development Committee model was initiated since 2011 to develop the 1,200-megawatt Budhigandaki Hydropower Project. The Budhigandaki Hydroelectric Project Development Committee (BGHEP) has already carried out detailed design of the project through Tractebel Engineering (France), which has estimated it would cost around Rs 260 billion to build the project. The BGHEP has also already prepared the tender document to award the construction contract.

However, the previous government had signed memorandum of understanding (MoU) with CGGC to develop the project under engineering, procurement, construction and financing (EPCF) model even as the engineering works of the project have already been initiated through the development committee model.

In the programme, Chin Kaji Shrestha, chief whip of Nepali Congress, said the deal is controversial and has pushed the fate of the project towards uncertainty. He stressed that the government should clear the land compensation process at the earliest and develop the project through its own resources.

Citing 456-megawatt Upper Tamakoshi Hydropower Project (UTHP) being developed with Nepal's own resources, Anand Pokharel, who belongs to CPN (UML) party, said that the Budhigandaki could also be developed with the country's resources utilising the experiences of UTHP.

The previous government's decision to handpick the Chinese company to develop Budhigandaki is against the provision of the Constitution. Citing provision of Article 59 (5) of the Constitution, which has ensured certain investment to the local communities in development of natural resources, Pokharel said the EPCF contract with CGGC is against the constitutional provision.

Laxmi Prasad Devkota, former chairman of BGHEP, said that it would be misleading to think the project has been awarded to the Chinese company due to lack of resources within the country. "Capital and expertise are not the constraints for Budhigandaki project because around Rs 50 billion could be borrowed from banks and financial institutions, similar quantum of the amount from the Employees Provident Fund, Citizen Investment Trust and other various funds of the government, around Rs 30 billion from public by issuing shares and around Rs 50 billion to Rs 60 billion from external commercial borrowing or from efficient management of remittances, among others," said Devkota.

Budhigandaki project is in close proximity with load centres like Kathmandu, Pokhara and Chitwan, and will have very low transmission cost, as per Devkota. He terms the deal with the Chinese company 'suspicious' as apart from the fact that the project has been awarded to a Chinese company without any bidding process, 'the previous government has awarded the project to be developed in EPCF, but we don't have any guideline in place for this kind of contract'.

Individuals from project-affected area also sought suitable model to develop Budhigandaki, in which they also could invest in shares.

Source: The Himalayan Times; 23 June 2017

Nalsing Gad, Budhigandaki Dev Committees dissolved

The government has officially dissolved the Nalsing Gad Development Committee and Budhigandaki Development Committee. Issuing a gazette notice recently, government announced the dissolution of both committees, which were set up as special purpose vehicles to develop Nalsing Gad and Budhigandaki hydropower projects.

Both the projects will be developed and operated through Electricity Generation Company or through its subsidiaries, as per the gazette notice. "The government will hand over all the rights, assets and liabilities of these projects to the Electricity Generation Company."

Nalsing Gad Hydropower Development Committee has been defunct since April, as the Commission for the Investigation of Abuse of Authority had filed cases against the senior officials of the project accusing them of engaging in fund embezzlement during the feasibility study of the project.

Likewise, Budhigandaki Development Committee has also been dissolved as previous government had awarded the engineering, procurement, construction and financing contract of Budhigandaki project to a Chinese company — China Gezhouba Group Corporation (CGGC) — on May 23.

Both Nalsing Gad and Budhigandaki are storage projects of 410 megawatts and 1,200 megawatts, respectively.