Source: My Republica; 30 July 2017

Construction of Upper Trishuli 3 'A' resumes

The construction of the Chinese Gejuwa Group of Company – the contractor of the Upper Trishuli 3 A Hydropower Project – has resumed.

The contractor company along with a team of experts has started preliminary study at Faletar of Manakamana in Nuwakot – the dam area of the project.

Project Chief Fanindra Raj Joshi informed that the Company has started technical tests and assessment of loss caused to the project by the 2015 earthquake.

The Contractor Company has started reconstruction of the project after carrying out technical test in the project site.

Currently some 80 Nepali and 20 Chinese workers are mobilized in the project construction area.

The construction of the 60-MW capacity project that started from June 2011 was supposed to be completed on 31 May 2014. *RSS*

Source: The Kathmandu Post; 1 August 2017

Kulekhani 3 hydel misses deadline

The Kulekhani 3 Hydropower Project, which has been in construction since 2008, has missed its fourth completion deadline set for July as the Chinese contractor for the hydro and electro mechanical works has been taking its time.

The project's civil contractor Sino Hydro has completed 98 percent of the construction, but there has been little progress in the installation of the turbine, water gate and transmission lines to evacuate the electricity generated by the plant.

Jheijian Jialin Company, the contractor hired by the Nepal Electricity Authority (NEA) to implement the hydro and electro mechanical works, has so far completed only 50 percent of the task. The NEA is the owner of the 14 MW hydropower project located south of Kathmandu in Bhainse, Makwanpur.

"The contractor is working at a snail's pace, and the work does not look like being completed any time soon," said Subash Mishra, the NEA appointed project chief of Kulekhani 3.

Currently, Mishra is in Kathmandu to report the project's status to the NEA head office and prepare a roadmap to expedite progress. "We are planning to take up the matter with the Chinese Embassy in Kathmandu via the Foreign Ministry in order to build pressure on the Chinese contractor to start working seriously," Mishra said.

The NEA is likely to grant a deadline extension to the civil contractor, but it won't be able to do so for the hydro and electro mechanical contractor. The NEA has fined Jheijian Jialin Rs80 million for delaying construction work, so there is no way it can extend the deadline.

The state-owned power utility cannot terminate the contract with Jheijian Jialin as it will be difficult to find another hydro and electro mechanical contractor during this late phase of the construction.

"The Chinese company has imported more than 80 percent of the equipment required for the project," said Mishra. "If we bring another contractor, it will not take responsibility for the quality of the equipment imported by others."

The civil contractor and the hydro and electro mechanical contractor had agreed to complete the project by July-end during a meeting with the then energy minster Janardan Sharma on December 25.

The project's completion deadline has been extended four times since construction began in April 2008. It was originally scheduled to be finished by 2012. When the project missed the deadline, it was extended by 30 months. When that deadline too passed without the project nowhere near completion, the target was pushed back once again till the end of the fiscal year 2015-16.

The then prime minister Pushpa Kamal Dahal had also directed project officials to expedite the construction and complete it on time during his visit to the project site last December. When NEA officials complained about the Chinese contractor's apathy, he had said that the government would take up the matter with the Chinese government.

But there was no change. The project has encountered cost overruns due to delays, and the developer has spent double the amount of money originally estimated. The initial estimated cost of the project was Rs2.43 billion, but its cost has ballooned to Rs4.22 billion.

In May 2014, the National Planning Commission declared Kulekhani 3 a troubled project.

Source: The Kathmandu Post; 2 August 2017

Nepal-India power panel to meet after six year hiatus

BIBEK SUBEDI

The Nepal-India Power Exchange Committee is scheduled to meet for the second time in six years this fortnight.

Officials of the Central Electricity Authority (CEA) of India and the Nepal Electricity Authority (NEA) will be taking part in the conference.

The Nepal-India Power Exchange Committee is authorised to make decisions on a number of issues related to cross-border electricity trade like tariff rate, amount of power and modality of power trading.

The first meeting of the committee was held in 2011. Meetings are required to be held annually, but they have not happened because of India's unwillingness. The NEA has long been pressing India for meetings to be held as it wants to review the charge for electricity purchased from different state governments in India.

Nepal currently imports electricity through more than half a dozen cross-border transmission lines from several state governments.

The CEA recently wrote to the NEA proposing to hold the long stalled committee meeting on August 9.

"The letter also asked if the NEA was ready for the meeting on the proposed date," said NEA Managing Director Kulman Ghising. "We wrote back proposing that it be held from August 7-9. If the CEA agrees, an NEA team under my leadership will travel to Delhi next week."

The CEA, according to an NEA source, became ready to hold the meeting after Indian Power Minister Piyush Goyal urged the Indian state-owned authority to hold it before his probable visit to Nepal later in August.

Nepal's Ambassador to India Deep Kumar Upadhyay had also been lobbying Indian political leaders and government officials including Minister Goyal to hold the meeting.

"We will request the Indian officials to reduce prices of the electricity imported from different Indian states," said Ghising.

Currently, Nepal imports around 300 MW of electricity from India through various cross-border transmission lines. Around 50 percent of the total imports are done through the Dhalkebar-Muzaffarpur and Tanakpur-Mahendranagar power lines.

The energy imported through these lines cost IRs 3.60 per unit while purchases made through other cross-border lines from different Indian state-owned authorities cost IRs 5.62 to IRs 6.08 per unit.

The first meeting of the Nepal-India Power Exchange Committee had fixed the tariff at less than IRs 4 per unit.

It was agreed to review prices at subsequent meetings that would be held annually.

"As no meetings have been held since then, the tariff rate grew by 5 percent every year as decided by the first meeting," said Ghising.

Source: My Republica; 3 August 2017

NEA's annul loss drops to record low of Rs 1 billion in 6 years

Rudra Pangeni

Nepal Electricity Authority (NEA) managed to bring down its annual loss to below Rs 1 billion in Fiscal Year in 2016/17, significantly down from a record high loss of Rs 8.89 billion in 2015/16.

Efficient management, hike in electricity tariff and reduction in

technical loss have been attributed for the significant progress in the state-owned power utility's accounts in the last fiscal year.

According to a preliminary report of NEA for 2016/17, hike in electricity tariff by 18 percent from mid-July last year and reduction in technical loss by 2.5 percentage points to 23 percent helped the NEA to post revenue growth of 43 percent to Rs 46 billion in the last fiscal year.

“Along with reducing technical loss, end of power cut in the urban areas, which led to higher energy consumption, helped NEA to post revenue growth,” Prabal Adhikari, the spokesperson for the NEA, told Republica. “Effective demand side management and substantial reduction in power cuts from October last year were the major factors behind these remarkable achievements of our Managing Director Kul Man Ghising.”

NEA consumers, mainly in the urban areas, were surprised to get unhindered power supply from October last year. Power cut in other parts of the country also has been limited to few hours. Better demand side management and efficient management by Ghising and his team have worked wonders for the power utility.

Similarly, import of cheaper electricity from Dhalkebar-Muzaffarpur Transmission Line compared to other lines also helped to improve balance sheet of the NEA compared to previous years. Earlier, the NEA management was saying that its loss was swelling as it was importing electricity at higher price and selling at cheaper price.

“These achievements have made us hopeful that we will soon start earning profits,” said Adhikari.

NEA officials also said that their efforts to reduce technical loss were affected to some extent as security personnel remained busy for local level elections.

Import of energy by the NEA, however, increased by 22 percent to 2,175 GWh in the last fiscal year.

The NEA plans to unveil details of revenue and expenditure in its anniversary celebration program to be held in Kathmandu on August 17.

The improvement in financial health means NEA will not be the public enterprise posting highest annual loss in 2016/17. Last year, NEA's energy output dwindled due to low rainfall in catchment areas of major projects like Kulekhani reservoir and Kaligandaki 'A' hydropower project.

In the fiscal year 2015/16, NEA's technical loss had increased by 1.34 percentage points to 25.78 percent, making mockery of the utility's plan to reduce technical loss by a minimum of 1 percent.

According to technicians, technical loss of NEA is below 20 percent. The loss has never come down to this level in the past decade, they added.

The government had written-off the NEA's accumulated loss of Rs 27 billion in 2010.

Despite this, its accumulated loss climbed to Rs 36.29 billion in the next six years.

Source: The Kathmandu Post; 4 August 2017

A potential investor

AIIB has vowed to invest in multiple infrastructure projects; Nepal should utilise this opportunity

Nischal Dhungel & Sajal Mani Dhital

Asia, the largest and most populous continent, is also the world’s fastest growing region. South Asia’s economic growth rate is expected to gradually accelerate from 7.1 percent in 2016 to 7.3 percent in 2017 according to the World Bank. Asia has consistently made strides in terms of economic growth with an increase in investment and infrastructural development.

The Asian Infrastructure Investment Bank (AIIB) is a new multilateral financial institution proposed by China in 2013; it formally started operating in January 2016. AIIB was founded with the aim of bringing countries together to address the need for infrastructural development across Asia. China, India and Russia are the three largest shareholders, with a voting share of 26.06 percent, 7.5 percent and 5.92 percent respectively. Nepal is one of the founding members of AIIB with a voting share of 0.33 percent.

Expression of interest

Currently, Nepal has submitted five infrastructural project proposals to AIIB for possible financing. The list includes two energy projects, two road projects and one urban infrastructure project. AIIB has shown genuine interest in funding the proposed projects in Nepal.

Of the two energy projects proposed, the first one is the Sharada-Babai Hydropower Project with an installed capacity of 93MW and total annual generation of 253.7GWh. This would require an investment of Rs20 billion. The second energy project is Tamakoshi Hydropower Project, capable of producing 87MW of electricity and requiring an investment of Rs18 billion from AIIB. AIIB also plans to invest Rs10 billion in the Nepal Distribution System Upgrading and Extension Project, with the intent of modernising the electricity distribution system of the Nepal Electricity Authority. The investment in the distribution system aims to alleviate prevalent energy leakages and other technical issues that have hounded electricity distribution in the Kathmandu Valley and beyond for the past two decades.

AIIB also plans to invest in two road projects. The first one entails upgrading the Pokhara-Beni-Jomsom road, with a required investment of Rs16 million. AIIB will also invest Rs26 billion on the new proposed tunnel road connecting Samakhusi in Kathmandu to Chhahare in the Nuwakot district.

An urban infrastructure project has also been identified for investment. The main objective of this project is to improve the overall infrastructure of 18 districts in the Tarai region by upgrading facilities in the 18 municipalities which serve as district headquarters. The government has planned to invest Rs56 billion in this project. AIIB intends to aid the government in their project relating to the settlement development and systematic urbanisation of the Tarai-Madhes. This project covers 22 districts of the Tarai-Madhes in the initial phase and the AIIB will subsequently be providing investment for implementation in seven districts.

AIIB’s interest in these projects is bound to increase the attraction for other potential investors. More investment in Nepali projects will be a positive push for overall development and will also create more employment opportunities. Returns on investments will aid in increasing government revenue, which can be used to develop additional infrastructure.

Development of infrastructure will boost the country’s economy. What should matter is the construction of infrastructure and its contribution towards the economy, not who builds it. Infrastructure development is a top priority for the government but remains to be implemented. There are several impediments to development work: lack of timely budget, lengthy process for project approval, failure of capital expenditure, resource crunch, obstruction in land acquisition, and lack of monitoring of construction works, among others. According to the budget for the fiscal year 2017/18, the government has segregated only 26.2 percent for capital expenditure, which is less than last year’s 29.7 percent. The investment in the development of infrastructure would increase drastically if the government increased capital expenditure.

Tug of war

Nepal is sandwiched between two regional economic giants, India and China. On the one hand, China has come up with a grand plan, the Belt and Road Initiative (BRI), linking China with a network of countries in Europe, Asia, and Africa. On the other hand, India is lobbying with Russia, Europe and Iran to enforce The International North-South Transport Corridor (INSTC). In a nutshell, both countries are relentlessly implementing strategies that would help to increase their respective influence all over the world. Nepal is part of the Bangladesh, Bhutan, India, Nepal (BBIN)-Motor Vehicle Agreement plan initiated by India. It is also party to the BRI plan initiated by China. How Nepal will capitalise on these opportunities over time is a matter of concern.

Nepal has not disregarded the effects of an over-reliance on India. Nepali commoners suffered critically during the long unofficial blockade imposed by India in 2015. Nepal should also be cautious when it tries to increase engagement with China. There is no doubt that Nepal has been caught in a tug of war between India and China, but it should always maintain a fine balance between the two neighbouring countries.

Foreign Direct Investments (FDIs) have been flowing into the country specifically for infrastructure development. It is high time that Nepal takes advantage of investment and infrastructure development funds. Indubitably, the AIIB is a great potential source of quality finance for Nepal.