

Source: The Kathmandu Post, 24 Sep 2017

Upper Trishuli 3A Hydroelectric Project: Chinese bank renews loan grace period

BIBEK SUBEDI

The Export-Import (Exim) Bank of China has renewed the grace period of the loan provided to Upper Trishuli 3A Hydroelectric Project by four-and-a-half years.

The state-owned bank of China has written to the Ministry of Finance to officially inform about extension of the grace period. The renewal of the grace period, which had expired more than a year ago, implies the country can start repaying the due credit from 2021, according to a highly-placed source at the Finance Ministry.

Nepal Electricity Authority (NEA), which is building the 60MW project located in Rasuwa and Nuwakot districts through a subsidiary company, had previously asked the Chinese bank to extend the loan grace period by five years. The request was made following expiry of the grace period in August 2016.

The state-owned power utility had sought extension after the hydroelectric project was hit by devastating earthquakes of April and May 2015, which completely halted construction works. The Chinese bank, in 2011, had extended a concessional loan of \$114.7 million at an annual interest rate of 1.75 percent for 25 years, with a grace period of five years. As the grace period of the loan expired in August 2016, the bank wrote to the Finance Ministry and NEA requesting commencement in payment of instalment on a timely basis.

In response, the ministry asked for an extension of the grace period stating the construction of the project had been stalled by natural disasters.

The Chinese bank finally made the decision to extend the grace period a year after the Finance Ministry made the formal request.

Recently, China Gezhouba Group Company (CGGC), the project contractor, resumed construction works at the project site. On Thursday, the project achieved an important milestone with the completion of excavation of 4.1-km headrace tunnel.

“With this breakthrough, around 85 percent of the project’s civil work has been completed. We are on track to meet the April 2019 project completion deadline,” said Ambikesh Jha, NEA appointed site in-charge of the project. “Now, the contractor will concentrate on construction of the project’s powerhouse.”

Currently, a technical team of the Nepal Army is carrying out repair works at the landslide-affected areas near the place where the dam of the project is being built. The earthquake-triggered landslides had affected areas close to the dam site, posing a threat to safety of workers. The army team has almost completed shotcreting the hill that lies on the right-side of the dam. Shotcreting is the process of spraying concrete throughout the surface of hills to avert landslides. In order to prevent landslides, the army is also building fences with a special type of wire. Lately, the army has also repaired various sections of the access road damaged by earthquakes.

Source: The Kathmandu Post, 25 Sep 2017

House panel directs govt to scrap Budhi Gangadki contract with Chinese company

The Agriculture and Water Resources Committee of the Legislature-Parliament on Monday directed the government to scrap its decision to award the contract to construct the Budhi Gandaki Hydroelectric Project to a Chinese company.

A meeting of the committee held in Singha Durbar this morning directed the government to scrap its decision to award the contract to China Gezhouba Group Corporation (CGGC) to build the 1,200 MW project under the engineering, procurement, construction and finance (EPCF) model of project development.

The Budhi Gandaki has been touted as a key project to resolve the perennial power crisis in the country. The government has allocated a budget of Rs5.33 billion for the project's development for this fiscal year.

A Cabinet meeting on May 23 had approved the Energy Ministry's proposal in principle to let the Chinese company build the 1,200 MW project under the EPCF model of project development.

Earlier in March 2017 and 2018, Prime Minister Pushpa Kamal Dahal and his predecessor KP Sharma Oli had sought Chinese investment in national pride projects during their visits to the northern neighbour.

Source: The Kathmandu Post, 25 Sep 2017

Blanch-Attariya power line testing goes well

MANOJ BADU

The Nepal Electricity Authority (NEA) has successfully conducted tests of a crucial transmission line that will link hilly areas in the far western region to the national power grid, the state-owned power utility said.

Tests began on the 132 kV Blanch-Attariya transmission line and its substation on September 3. They have now been completed, according to Pushpa Raj Joshi, site in-charge of the transmission line project.

“During the tests, the performance of all equipment, the substation located at Attariya and the equipment installed at the Chameliya Hydropower Project site were examined,” Joshi said.

“However, we are yet to conduct a distance protection test [for possibilities of outages and loss of grid stability].”

The 131-km transmission line connects Darchula with the far western business hub of Attariya. It will be used to evacuate energy generated by the 30 MW Chameliya Hydropower Project which is in the final phase of construction.

The transmission line project was slated to be completed by 2014, but various factors, including problems in acquiring private and forest land, pushed back the completion date.

Korea Hydro and Nuclear Power Company, the contractor hired to build the transmission line, brought a team of experts to the project site to begin the tests.

The team, which also comprised NEA officials, began testing the line from a substation in Darchula.

The power line being developed with financial aid from the Korean government is vital for evacuating more than 200 MW of electricity being generated by different hydropower plants at various river basins in the far western region.

The Chameliya Hydropower Project will be the first scheme to evacuate energy using the Blanch-Attariya power line. Korea Hydro and Nuclear Power Company, which is also the electro-mechanical and hydro-mechanical contractor for the hydropower project, is preparing to conduct a wet test of the plant and machinery.

The Korean contractor, according to NEA, has filled the project’s 4-km tunnel with water. The wet test will begin immediately after the Dashain festival, according to the NEA, the owner of the Chameliya project.

Construction of the Chameliya Hydropower Project began in 2007. It was slated to come online by 2011, but this did not happen because of various factors like carelessness of the contractor and difficult terrain.

In May 2014, construction at the site came to a complete halt after the government refused to make an additional payment of Rs1.09 billion which the contractor had demanded for cost variance resulting from the squeezing of the tunnel.

The contractor agreed to resume work after the Energy Ministry directed it to do so immediately. The NEA has also agreed to release a provisional payment of the disputed bill before the issue is resolved in order to maintain a regular cash flow for the project.

After the dispute is settled, the contractor has to return the excess if it has been paid too much, and it will receive additional payment in case of a deficit.

This dispute has doubled the project cost. The outlay is expected to top Rs15.8 billion by the time construction works are completed.

This means the project will cost Rs526.7 million per MW, which is more than three times higher than usual.

Source: The Kathmandu Post, 26 Sep 2017

Govt asked to scrap Budhi Gandaki deal with Chinese firm

SANJEEV GIRI

Nearly four months after the government signed a contract agreement for the Budhi Gandaki Hydropower Project with the China Gezhouba Group Corporation (CGGC), a joint meeting of the Agriculture and Water Resources Committee and Finance Committee of Parliament on Monday directed the government to scrap the decision.

The 1,200 megawatt project was recently listed as a component of the Belt and Road Initiative (BRI), the China-led plan that envisages greater trade and connectivity and supports varied infrastructure projects. The government had awarded the contract under the engineering, procurement, construction and finance (EPCF) model of project development.

The house committee has said the government's decision to hand over the project to the Chinese company is against the country's legal premises and breaches the Public Procurement Act.

The government has also been criticised for not holding free competition before deciding on the company to undertake the hydroelectricity project.

"First, the government awarded the contract breaching the regular process as well as the law. Second, the CGGC has a bad reputation for failing to develop the 22MW Chilime Hydropower Project. How can we trust such a company?" Finance Committee Chairman Prakash Jwala questioned.

State Minister for Energy Shambhu Lal Shrestha told the House committee that the country can build the project with domestic resources.

"We need this project as it has a long-term and strategic significance. The government should take a lead in its construction by involving the general public, private sector and cooperatives, among others," Jwala said, citing the example of the country's bid to develop the Kathmandu-Tarai Fast Track on its own.

The Finance Committee chairman also criticised the Energy Ministry claiming that it had set aside a whole year for performance evaluation of the Chinese company. "This clearly shows the government isn't serious about project construction and has already delayed the process by a year," he said.

Though the parliamentary committees have directed the government to scrap the project, they want continuation of land compensation payment.

For easing the process, the committees have suggested providing the displaced people a share in the project instead of compensation.

The ministry signed the MoU with the Chinese company in June to build the storage-type hydropower project located in Gorkha and Dhading districts.

The agreement was signed by then energy minister Janardan Sharma and CGGC President Lv Zexiang in the presence of then PM Pushpa Kamal Dahal and Chinese Ambassador to Nepal Yu Hong.

Budhi Gandaki has been highlighted as a key project to resolve the country's perennial power crisis.

The government has listed it as a national pride project. The government has allocated Rs5.33 billion for project development this fiscal year.

Source: My Republica, 26 Sep 2017

Chilime granted study license of two projects

Domestic Chilime Hydropower Project has been granted the study license of two hydropower projects with the capacity of 585-megawatt electricity in total.

The Department of Electricity Development, Ministry of Energy has given the study license of 420 MW Budhigandaki Project (of which project site is based in Gorkha district) and the Seti River III. Its project site lies in Bajhang.

Presently, the company is working with the construction of 11-MW Rasuwagadhi, 14.8 MW Upper Sanjen, 42-MW Sanjen and 102-MW mid-Bhotekoshi hydroelectric projects and their construction will be completed by December 2018.

The company's share value is high in the domestic stock market. According to the Nepal Stock Exchange, Chilime's share value is Rs 798 per unit. The company said that it planned to commence its works with the new projects shortly after the Dashain festival.

As stated by Department Director-General Nabin Raj Singh, decision regarding the handover of study license of Budhigandaki was taken on September 11 and the license for Seti was granted on September 17. The Budhigandaki is run-of-river type project while the Seti is partial reservoir-based project. The company plans to complete the study by two years. RSS

Source: My Republica, 26 Sep 2017

'Scrap decision to award Budhi Gandaki to Chinese firm'

Sagar Ghimire

A joint meeting of the parliament's Agriculture and Water Resources Committee (AWRC) and Finance Committee has instructed the government to halt the process of allowing China Gezhouba Group Corporation (CGGC), a Chinese government undertaking, to develop Budhi Gandaki Hydropower Project.

The meeting of the two house panels held on Monday decided to direct the government to scrap the Memorandum of Understanding (MoU) to award the 1,200-megawatt hydroelectric project to the Chinese developer. The MoU was signed in May.

"The meeting has decided to order the government to scrap the MoU and all the processes of awarding the hydropower project to the Chinese company and develop it by mobilizing internal resources," Mohan Prasad Baral, chairperson of the AWRC, told Republica.

He said that the national pride project should be built by mobilizing domestic capital and capacity instead of handing it over to a foreign firm.

Speaking at the meeting, lawmakers flayed the government saying that the project was handed over to the CGGC without going for competition by violating the Public Procurement Act.

"This project was handed over to a controversial Chinese company whose track record is so bad in Nepal by flouting various laws like Public Procurement Act. The government made a blunder by awarding the project to the Chinese firm," Prakash Jwala, chairperson of the Finance Committee, said. "The intention behind selecting this Chinese firm is only to hold the project. How can a company, which could not build even a 30-megawatt project (Chameliya), build such a mega project?" Jwala wondered.

The mega project is said to be instrumental in resolving energy shortage of the country.

The reservoir-type project lies in Gorkha and Dhading districts in central Nepal.

As the Kulekhani hydropower projects (Project 1 and 2), having combined capacity of 92 MW, are the only reservoir type hydropower plants capable of offsetting supply shortage during dry season, the Budhi Gandaki Hydroelectric Project is expected to respond to an urgent need of power regulation, especially during the dry season.

The government-led by Pushpa Kamal Dahal, on May 23, had in principle decided to entrust the work of building the mega-project to the CGGC under the engineering, procurement, construction and finance (EPCF) model. Following the cabinet decision, the then Minister for Energy Janardan Sharma had signed the MoU to develop the project with Lv Zexiang, president of CGGC, on June 4. The MoU, however, is silent about project cost. According to the project's DPR prepared by a French consultant, the project is estimated to cost Rs 261 billion.

The decision to sign MoU by a caretaker government had drawn flak from a section of political parties, including the Baburam Bhattarai-led Naya Shakti Party-Nepal (NSPN). However, there are also experts who say that the dispute over who should build the project could make the project uncertain.

Source: My Republica, 26 Sep 2017

Govt told to scrap decision to award Budhi Gandaki to Chinese firm

Sagar Ghimire

A joint meeting of the parliament's Agriculture and Water Resources Committee (AWRC) and Finance Committee has instructed the government to halt the process of allowing China Gezhouba Group Corporation (CGGC), a Chinese government undertaking, to develop Budhi Gandaki Hydropower Project.

The meeting of the two house panels held on Monday decided to direct the government to scrap the Memorandum of Understanding (MoU) to award the 1,200-megawatt hydroelectric project to the Chinese developer. The MoU was signed in May.

“The meeting has decided to order the government to scrap the MoU and all the processes of awarding the hydropower project to the Chinese company and develop it by mobilizing internal resources,” Mohan Prasad Baral, chairperson of the AWRC, told Republica.

He said that the national pride project should be built by mobilizing domestic capital and capacity instead of handing it over to a foreign firm.

Speaking at the meeting, lawmakers flayed the government saying that the project was handed over to the CGGC without going for competition by violating the Public Procurement Act.

“This project was handed over to a controversial Chinese company whose track record is so bad in Nepal by flouting various laws like Public Procurement Act. The government made a blunder by awarding the project to the Chinese firm,” Prakash Jwala, chairperson of the Finance Committee, said. “The intention behind selecting this Chinese firm is only to hold the project. How can a company, which could not build even a 30-megawatt project (Chameliya), build such a mega project?” Jwala wondered.

The mega project is said to be instrumental in resolving energy shortage of the country.

The reservoir-type project lies in Gorkha and Dhading districts in central Nepal.

As the Kulekhani hydropower projects (Project 1 and 2), having combined capacity of 92 MW, are the only reservoir type hydropower plants capable of offsetting supply shortage during dry season, the Budhi Gandaki Hydroelectric Project is expected to respond to an urgent need of power regulation especially during the dry season.

The government-led by Pushpa Kamal Dahal, on May 23, had in principal decided to entrust the work of building the mega project to the CGGC under the engineering, procurement, construction and finance (EPCF) model. Following the cabinet decision, the then Minister for Energy Janardan Sharma had signed the MoU to develop the project with Lv Zexiang, president of CGGC, on June 4. The MoU, however, is silent about project cost.

According to the project's DPR prepared by a French consultant, the project is estimated to cost Rs 261 billion.

The decision to sign MoU by a caretaker government had drawn flaks from a section of political parties,

including the Baburam Bhattarai-led Naya Shakti Party-Nepal (NSPN). However, there are also experts who say that the dispute over who should build the project could make the project uncertain.

Source: The Himalayan Times, 3 Oct 2017

NEA terminates Dhalkebar contract

Says Chinese contractor intentionally delayed construction of substation

Nepal Electricity Authority (NEA) has terminated the contract of Dhalkebar substation as the Chinese contractor had intentionally delayed the works of the project, which is critical for Nepal-India electricity trade. The Central China Power Grid International Economic and Trade Co Ltd, contractor of the substation, had delayed the works since long putting forward various demands, which are not related with the contract. The contractor had asked NEA to remove the component of Inaruwa and Hetauda substations from the project or provide actual additional cost that accrue while implementing the project.

“The contractor had hardly worked for seven months since the work started one-and-a-half years back,” said Radhesharan Mahato, project manager of Dhalkebar substation.

As per the contract between NEA and China Power Grid International Economic and Trade Co Ltd in June 2014, the substation was supposed to have been completed by September 2015. But the deadline was continuously pushed back as the Chinese contractor had sought additional incentives to complete the project on time.

NEA has already seized the bank guarantee of the contractor. However, the power utility has yet to select the next best option to expedite the project. After termination of the contract, NEA has a few options, like it can call for request for proposal (RfP) from the shortlisted companies, open a rebidding process or hand over a direct contract for remaining works to one of the earlier shortlisted companies. According to Mahato, 85 per cent works of the project have been completed.

The Dhalkebar substation is a crucial project for cross-border electricity trade with India as the country plans to raise import of electricity via Muzaffarpur-Dhalkebar cross-border electricity transmission line.

The country will be able to import an additional 100 megawatts of electricity on top of the existing 145 megawatts from India after the Dhalkebar substation has been charged at 220 kV, which is critical to end load-shedding, according to NEA officials.

Nepal-India energy secretary level talks held in February had also taken into account that the project will be completed by August this year. The Dhalkebar substation is being developed at a total cost of Rs 1.42 billion under loan assistance of the World Bank. Especially for projects funded by the World Bank, the executing agency has to release the payment for equipment to the contractor, after it submits the shipment order of the equipment.

“The contractors normally generate profit from the delivery of equipment despite low bidding for the field level works and they seem reluctant to complete the project works on time,” a high-level official at NEA told *The Himalayan Times*. “The NEA has also proposed to release 50 per cent of the payment for equipment only after the completion of works to make the contractor liable to complete the project works within the desired time.”

Source: The Kathmandu Post, 4 Oct 2017

Chameliya hydropower to start trial production 'soon'

BIBEK SUBEDI

The Chameliya Hydropower Project being built in the far western region of the country is likely to start trial production within a couple of weeks. The electricity generated by the plant will be fed into the national grid a month after that.

China Gezhouba Group Corporation (CGGC), the civil contractor for the project, has completed all the civil works of the 30 MW project and handed them over to the electro-mechanical and hydro-mechanical contractor to conduct a wet test.

Korea Hydro and Nuclear Power Company, the electro-mechanical and hydro-mechanical contractor, has started filling the scheme's 4-km-long tunnel with water to conduct the wet test. According to the Nepal Electricity Authority (NEA), the owner of the project, it will take around 10 days for the tunnel to be filled completely.

"It has been several days since the Korean company channelized water from the Chameliya River into the tunnel, and it will take another 10 days to fill the tunnel," said Ajay Kumar Dahal, the NEA appointed project chief of Chameliya. "Once the tunnel is filled with water, Korea Hydro will start the wet test of the project."

During the wet test, water from the tunnel will be channelized into various hydro- and electro-mechanical equipment including the plant's turbines. Technicians will then check if all the machines are functioning properly. "The wet test should be completed by the end of October, and then a trial transmission will be done," said Dahal.

After these tests, one of the most troubled hydro projects in the country which saw time and cost overruns will finally be completed. The construction of Chameliya started in January 2008 and was originally scheduled to be completed by June 2011. But the completion date was pushed back repeatedly due to disputes between the NEA and the contractors. Work at the site came to a halt in May 2014 after the government refused to make an additional payment of Rs1.09 billion which the contractor had asked for due to cost variance resulting from the squeezing of the tunnel. The contractor agreed to resume work after being summoned to the Energy Ministry and told to do so immediately by then energy minister Janardan Sharma.

The Chinese civil contractor for the project, which returned to work in October 2016 after more than two years, then speeded up work and completed the construction within the September deadline.

Source: The Kathmandu Post, 4 Oct 2017

Kulekhani III to come online by Jan

PRATAP BISTA

The 14 MW Kulekhani III hydropower project has revised its electricity generation target to the third week of January 2018. Project officials said that the production target is based on the ongoing pace of construction works.

Although the project had targeted mid-August to begin power production, it was deferred due to slow progress by the Chinese contractor, Jheijian Jialin Company. The project's completion deadline has been extended five times since construction began in April 2008. It was originally scheduled to be finished by 2012.

Sino Hydro, the civil contractor for the project, has asked Nepal Electricity Authority (NEA) to extend another six months for completing the construction.

Subhash Kumar Mishra, chief of the project, said that the NEA board had yet to decide on extending the deadline. He said that the board can extend the civil works deadline but cannot extend the deadline for electromechanical works. The electromechanical works has been entrusted to Jheijian Jialin Company.

The contractor has already imported the equipments necessary for construction of powerhouse at the project site.

Currently, the Chinese company has been constructing switchyard at the powerhouse.

Likewise, installation of generator and turbine is also being done at a fast rate.

Of the three towers needed for the transmission lines, two are nearly finished. Similarly, Sino Hydro has almost completed construction of track and other related infrastructure to access the powerhouse.

Mishra said almost 80 percent of the electromechanical work have been completed. Likewise, 98 percent of the civil works construction have also been completed. According to Mishra, the delay in civil construction has been triggered by slow progress in the electromechanical segment.

Kulekhani III is a hydropower project that is being constructed with domestic investment.

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 the cost has ballooned to Rs5 billion. In May 2014, the National Planning Commission declared Kulekhani III a troubled project.

Initially, the project had estimated that production of per megawatt power would cost Rs173.6 million. However, as per the revised estimate, it is now expected to cost Rs310 million per megawatt.

Source: The Himalayan Times, 5 Oct 2017

Nepal Electricity Authority gearing up to review infra-sharing fees

Nepal Electricity Authority (NEA) is preparing to review the fees it charges telecommunication service providers, internet service providers and cable operators for allowing them to use its infrastructure. Voice operators and internet service providers (ISPs) have been using NEA's infrastructure for laying optical fibre and poles to fix their cables, among others. Currently, NEA has been allowing the telecommunication service providers to use these infrastructures at a nominal cost. But now NEA has started discussions to fix new charges for the aforementioned service providers that are using NEA's infrastructure.

"NEA collects just around Rs 250 million in revenue from the major telecommunication service providers like Nepal Telecom," a high-level source at the NEA told *The Himalayan Times*. "We are going to review the charges in the near future."

According to Kulman Ghising, managing director of NEA, fees charged for utilisation of these infrastructure have not been reviewed since long and earlier the electricity authority had permitted use of NEA's infrastructure in a haphazard manner.

"NEA could generate more revenue from the telecommunication service providers, ISPs and cable operators, who are using NEA's infrastructure," claimed Ghising.

Telecommunications giant Nepal Telecom has been generating huge profit by using the infrastructure of NEA, which needs to be reviewed in a timely manner. However, revision in charges by NEA may affect the consumers because the telecommunication service providers and the ISPs may transfer the cost to the consumers.

Min Prasad Aryal, spokesperson for Nepal Telecommunications Authority, said that NEA has not held any discussions with the telecom sector regulator regarding rate hike against the use of NEA's infrastructure.

"We're planning to develop separate infrastructure for telecommunications," said Aryal. "As the NEA is going to initiate underground cabling, we have requested to develop duct on cost-sharing basis, to which NEA has agreed."

NEA, which has been facing huge cumulative loss due to rising cost of power purchase compared to selling price, has been exploring possible avenues through which it can increase its revenue. NEA's financial restructuring plan has envisioned to operate NEA in profit from this fiscal. NEA had brought down its loss to below Rs one billion in fiscal 2016-17 from Rs 8.89 billion of the previous fiscal.

Source: My Republica, 5 Oct 2017

Long-delayed Chameliya starting generation from end of December

The long-delayed Chameliya Hydroelectric Project (30 MW) is finally starting generation by the end of December.

According to project officials, the peaking run-of-river project that can run in full capacity for six hours -- three hours in the morning peak time and three hours in the evening peak time - will lower power deficit in the dry months of 2017/18.

"The latest deadline for starting commercial generation is December 30. But we are trying to start generation before that," Ajay Kumar Dahal, manager of the project, told Republica. Dahal further added that the wet testing process, which means tunnel testing by flowing water into the tunnel, will begin after two weeks. "This is the final test. We will begin commercial generation after wet testing is completed," he added.

Tunnel cleaning work is currently underway after completing all electromechanical and hydro mechanical tests, according to Dahal.

The project, which will be connected to the national grid during the initial weeks of dry months, will boost supply in the nation's energy basket, helping the Nepal Electricity Authority (NEA) to minimize load-shedding hours as officials of the state-owned utility are worried over failure of their attempts to import more energy from India.

"The project will be connected to the national grid via a separate transmission line to a substation in Attariya, Kailali. The energy generated by the project can be supplied up to Butwal," Dahal said, adding, "This means there will be no need to supply imported electricity to the west, according to supply system analysis."

Construction of the project began in 2007 with an estimated cost of Rs 8.49 billion. The cost has now escalated to more than Rs 14.5 billion.

Dahal said that the cost until last fiscal year was Rs 14.50 billion. "Payments for additional works will be only few million rupees," he added.

The project was mired in controversy due to variation order payments to the contractor, including the payment of Rs 1.09 billion as decided by former energy minister Radha Gyawali. It also faced lengthy delays due to tunnel squeezing - a problem faced in tunnel digging due to weaker geology, in 2014. It will be only the second project built by the government after the Madhya Marshyangdi Hydropower Project which started generation in 2008. Other NEA-promoted projects, Kulekhani III and Upper Trishuli 3A, are also seeing lengthy delays.

Source: The Kathmandu Post, 5 Oct 2017

Delays at Dhalkebar may hamper energy imports

The Nepal Electricity Authority (NEA) might have a hard time keeping the country free from power cuts during the upcoming dry season as planned imports from India are likely not to happen due to delays in the construction of the Dhalkebar substation.

There is a very slim chance that the substation will meet its October completion deadline as the Chinese contractor for the project, Central Power Grid International Economic and Trade Corporation, has been fired, according to the NEA.

“The NEA terminated the contract on September 22 after being fed up with deliberate delays in the construction of the substation by Central Power Grid International Economic and Trade Corporation,” said Prabal Adhikari, spokesperson for the state-owned power utility which is the implementing agency of the project. “We are yet to decide the next step following the termination of the contract.”

As more than 90 percent of the construction work has been completed, it will be difficult for the state-owned power utility to find another contractor through global tender. “Reputed firms might not be interested in undertaking the job at such a late stage in the construction,” said Adhikari.

The Chinese contractor has imported almost all the equipment installed at the substation, and if a new contractor is appointed, it will not be able to guarantee the quality of the equipment.

The NEA has said it will soon decide the next step after consulting with the World Bank, the Washington-based multilateral lender which is financing the construction of the substation. “We will now hold consultations with the World Bank and reach a conclusion soon,” said Adhikari.

As per the deal signed between the NEA and the Chinese company in June 2014, the substation should have been up and running by September 2015. However, deliberate delays by the contractor led to the deadline being extended for the third time to May 31, 2017, but that deadline too passed after it halted construction without notification.

Energy Minister Mahendra Bahadur Shahi then extended the deadline to October, and directed the Chinese contractor to complete construction by that date, which led to work being speeded up and most of the goals being achieved.

“However, there was no improvement in the contractor’s behaviour, and we had no choice but to terminate the contract,” said Adhikari.

The Chinese company started exhibiting defiance after the NEA terminated its contract for the Bharatpur-Bardaghat 220 kV Transmission Line Project signed almost seven years ago.

The contractor was originally supposed to complete the project in December 2013. However, after it failed to finish the project even after the deadline had been extended for the third time till June 2017, the NEA scrapped the deal.

The Chinese contractor had asked the NEA to make a price adjustment, but as there was no such provision in the contract, the power utility terminated the contract. Since then, the contractor has been repeatedly halting work on the Dhalkebar substation using it as leverage.